

# Integrated Report for the year ended 30 June 2017



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## Our purpose

We unlock business potential and grow wealth

## Our values and behaviours

### INTEGRITY

We operate with honesty and we ensure that ambition is always tempered by uncompromised moral standards.

We recognise the importance of sustainability through projects that enhance the lives of others, thereby seeking to uplift the communities in which we operate.

### RESPECT

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

### GREATNESS

We strive for greatness, driven by the aspirations of individuals through their dedication, innovation and excellence.

We realise that greatness often comes from unexpected places, and look for the potential in our employees, clients and partners.











We are always seeking new opportunities to contribute to a healthy, growing economy, and conduct our business with an entrepreneurial spirit.

### PARTNERSHIP

We strive to be a partner beyond expectations, and always seek solutions that enhance our services through beneficial offerings to our clients.

While celebrating brilliance and encouraging independent thinking, we recognise that no individual is greater than the team.

## HOW TO NAVIGATE THROUGH OUR INTEGRATED REPORT 2017

-  Stakeholders
-  Material matters and risks
-  Compliance and corporate governance
-  Risk governance
-  Human capital
-  Social and ethics
-  Shareholder and administration information
-  Leadership and performance
-  Positive result
-  Negative result
-  Unchanged/satisfactory



Indicates additional information available online or from the Group Company Secretary.

### OUR REPORTS



#### Integrated Report 2017

This is Sasfin Holdings Limited's primary report which presents our strategy, performance and plans.



#### Annual Financial Statements 2017

This report contains Sasfin Holdings Limited's Annual Financial Statements and includes risk and capital management disclosures.



See enclosed leaflet for shareholder and administration information.

Reports available at  
[www.sasfin.com](http://www.sasfin.com)



# About this report

An overview of  
our guiding  
principles and the  
approach used  
in creating this  
Integrated Report

# SCOPE AND BOUNDARY

Sasfin Holdings Limited's Integrated Report for 2017 covers the period from 1 July 2016 to 30 June 2017 for the Company and its subsidiaries which is structured into three Pillars of Sasfin Bank, Sasfin Wealth and Sasfin Capital, excluding our associated companies.



This is our primary report, with the full audited Consolidated Annual Financial Statements, available online.

Our reporting is an evolving process that strives for best practice and continuous improvement, and focuses on material matters and reporting elements that affect our long-term sustainability as a business. It includes our strategy going forward, and provides feedback on past performance.



The main target audience of the report is our stakeholders, with a prominent focus on shareholders and funders, clients, employees, communities and regulators.



There have been no significant changes to the size of the Group since the 2016 Integrated Report.

The Group's interests in subsidiaries, structured entities, associates and joint ventures are disclosed in the Consolidated and Separate Annual Financial Statements.

There have been no restatements, unless otherwise stated.

## Basis of preparation

In preparing and finalising the information presented in this report, we were informed and guided by local and international frameworks and guidelines, including the:

- IIRC <IR> Framework
- Companies Act
- Banks Act
- IFRS
- King IV
- B-BBEE Act
- Basel III
- JSE Listings Requirements

## Materiality

We define a material matter as one that could affect our ability to remain commercially viable and socially relevant in the short-, medium- and long-term. Material matters include those that have a strong influence on our stakeholders' assessments and related decisions regarding our long-term sustainability. Effective management of the material matters affecting the Group is critical to achieving our strategic objectives.

This report has therefore taken materiality into account to ensure that relevant financial and non-financial information provided is in line with our definition.

## Approach to assurance

To enhance the integrity of information and underlying processes, supported by appropriate controls, the Group is on the path towards adopting a combined assurance approach. This is integrated into our business to assist the Board in ensuring that the information contained in this report is reliable and useful.

## Board responsibility

The Board of Sasfin acknowledges its responsibility for overseeing the integrity and completeness of this Integrated Report, and has applied its collective mind to its preparation and presentation. As a collective, we believe that we have appropriately and diligently considered these aspects, while reflecting the Group's performance and strategy accurately.

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## FEEDBACK

We look forward to receiving your feedback on our reports to assist us in providing meaningful and relevant information. Please contact us at [investorrelations@sasfin.com](mailto:investorrelations@sasfin.com).

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# ABOUT SASFIN

Sasfin is a bank-controlling company that provides a comprehensive range of specialist financial products and services for Business and Wealth clients. Our financial products and services focus on the needs of entrepreneurs, corporates, institutions, and high-net-worth individuals.

Our countrywide footprint and comprehensive range of products and services form a strong basis for growth in loans and advances to select businesses and assets

under management, and advisement for investors, as we assist our growing client base while achieving acceptable returns on investment.

Sasfin is “beyond a bank” in that we go beyond the traditional expectations of the financial services industry and strive to deliver solutions with exceptional personalised service. We challenge ourselves to create tailor-made products and solutions that suit our clients’ needs – whether they are entrepreneurs or investors.

OPERATIONS		
<ul style="list-style-type: none"><li>• Core operations in Johannesburg</li><li>• Regional offices in four South African provinces and 10 cities</li><li>• One office in Hong Kong</li></ul>		
PEOPLE	BRAND	OUR GROWTH
<ul style="list-style-type: none"><li>• A diverse group of 713 employees</li><li>• 59.74% female employees</li><li>• 54.70% black employees</li></ul>	Sasfin is a confident challenger in the market and our brand has developed significantly in line with the growth of the organisation.	<ul style="list-style-type: none"><li>• We have developed a comprehensive range of products and services under our three Pillars</li><li>• With the acquisition of SasSec (Frankel Pollak) in 2000, we gained 120 years of collective experience in stock-broking and wealth management</li></ul>

## HOW WE CHALLENGE FOR BUSINESS IN A CONVENTIONAL MARKET

### Brand

Sasfin's marketing, brand, and reputation reflect the value gained from being close enough to our clients in order to understand their needs, and intelligent enough in our propositions to find solutions. The balance of being both brave and authentic is reflected in all our interactions with our clients and consumers.

### Products

Our bespoke Business Banking and Wealth financial solutions are tailored to our clients' needs.

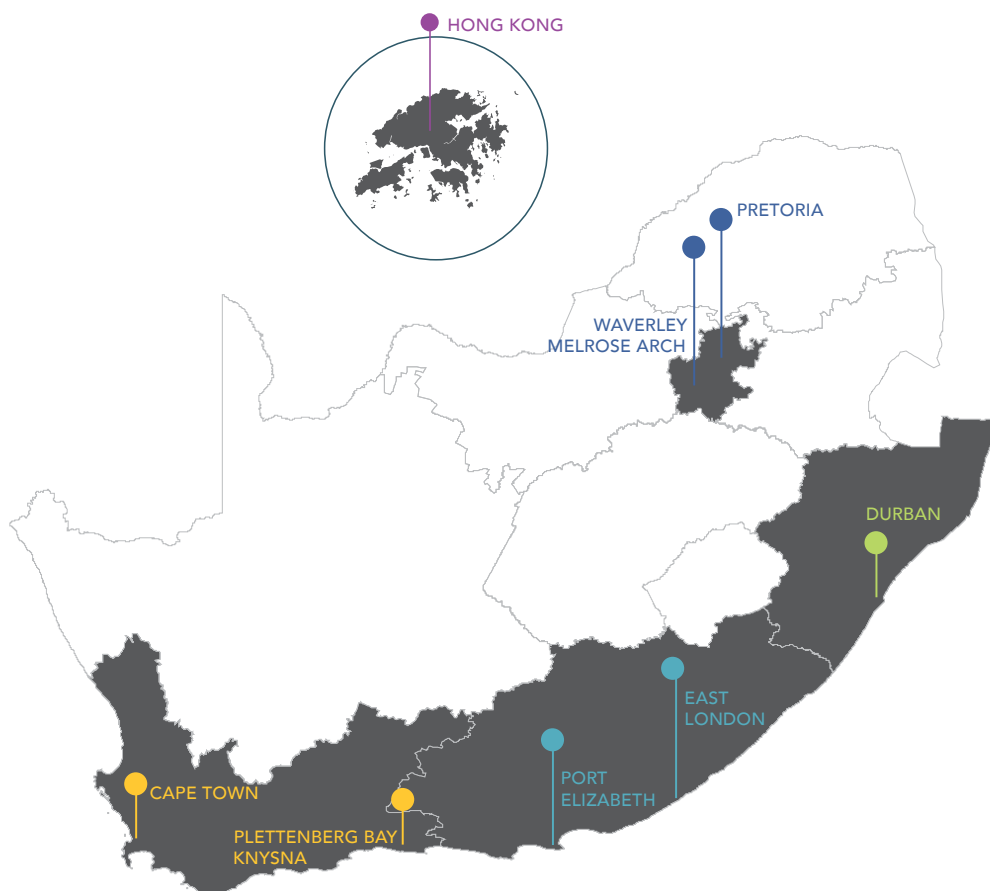
### Culture and Client Service

Sasfin's client-centric approach to doing business is based on a strong ethical culture and an entrepreneurial spirit.

### Distribution

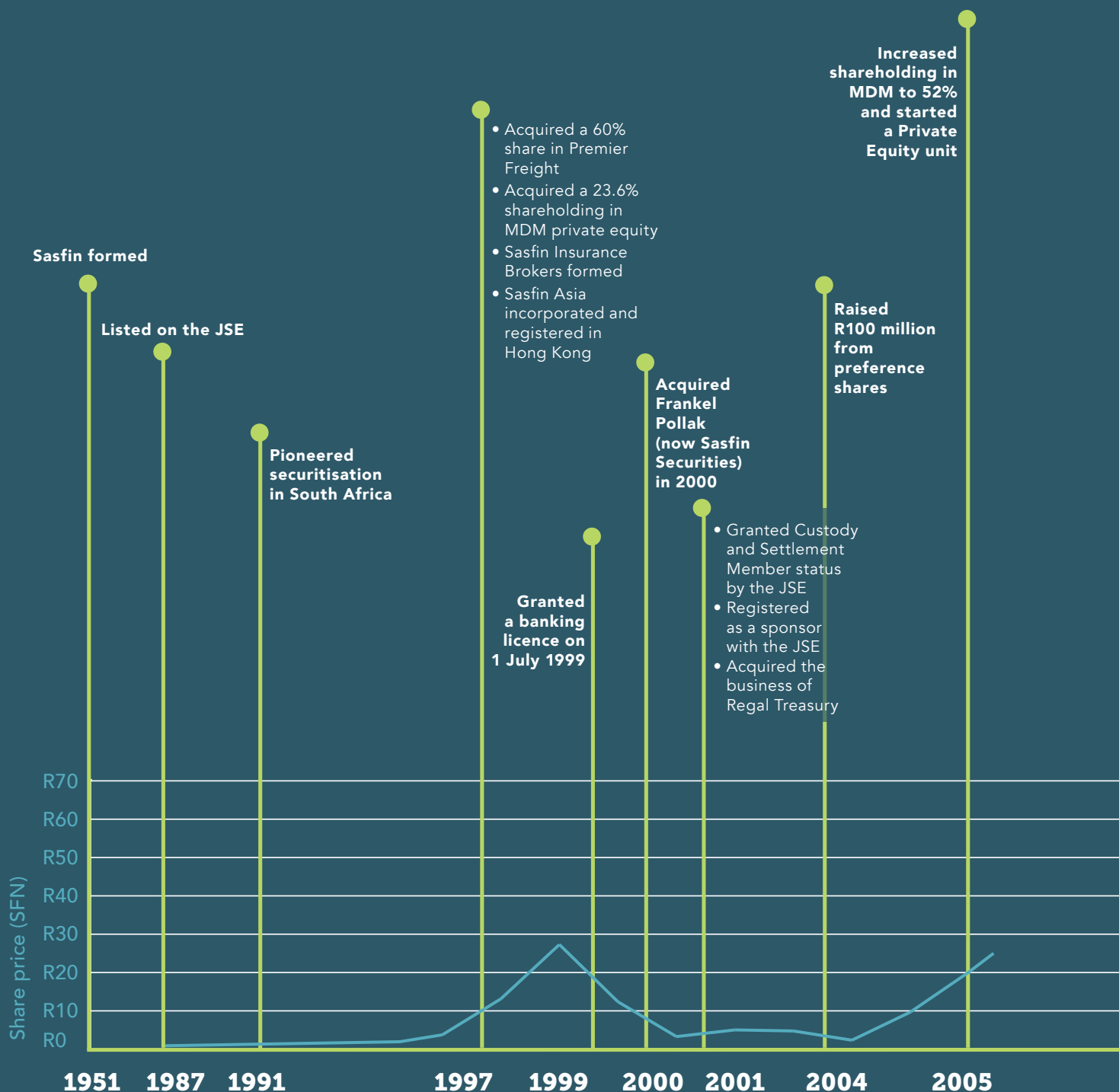
Our regional presence provides a platform for efficient service, better security, and greater satisfaction for our clients. We pride ourselves in our personalised, tailored service, and focus on using technology to further enhance our client relationships.

### Our offices



# OUR HISTORY

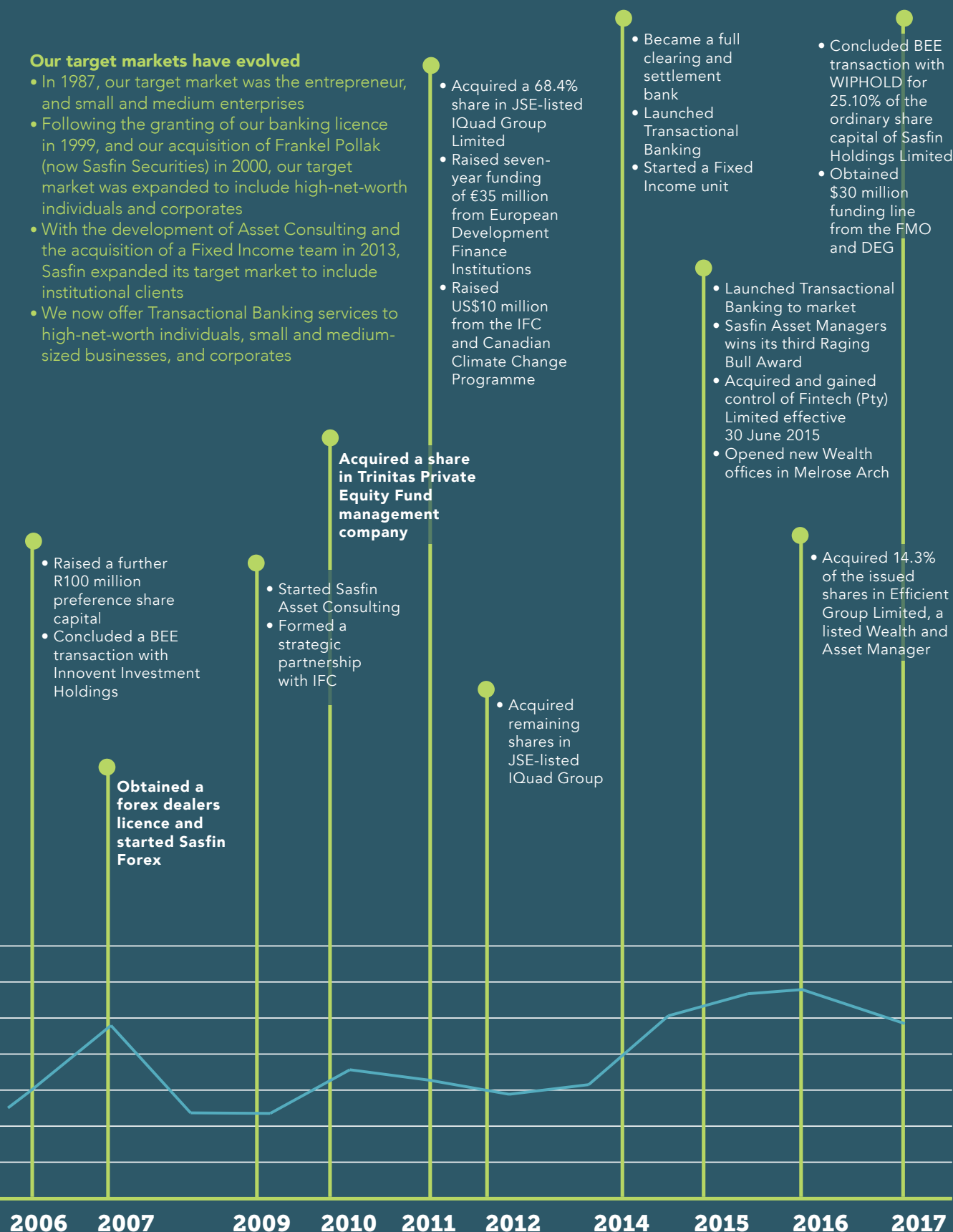
Sasfin was listed as a trade and equipment financier on the JSE in 1987, with a market capitalisation of R6 million. In the 18 years since we were awarded a banking licence, our total assets have grown from approximately R300 million to over R12 billion. Our growth has been both organic and with measured acquisitions that have allowed us to establish ourselves as a specialist business, banking, and wealth group.





### Our target markets have evolved

- In 1987, our target market was the entrepreneur, and small and medium enterprises
- Following the granting of our banking licence in 1999, and our acquisition of Frankel Pollak (now Sasfin Securities) in 2000, our target market was expanded to include high-net-worth individuals and corporates
- With the development of Asset Consulting and the acquisition of a Fixed Income team in 2013, Sasfin expanded its target market to include institutional clients
- We now offer Transactional Banking services to high-net-worth individuals, small and medium-sized businesses, and corporates





**sasfin** | Holdings  
Limited  
beyond a bank

# An integrated Sasfin

Who we are, what we  
do and the material  
factors that influence  
our business

# BUSINESS MODEL

Our value creation is the outcome of deploying our six capitals, in a balanced manner, through our business activities to maximise our ability to create and sustain value over the short, medium and long-term. The table below depicts this process.

We recognise that our investment in certain capitals, such as employees, brands, systems and processes, might need an extended period before it realises a return in financial capital.

INPUTS	BUSINESS ACTIVITIES
<p>FINANCIAL CAPITAL</p> <ul style="list-style-type: none"> <li>• Total equity* of <b>R1.469 billion</b> (2016: R1.404 billion)</li> <li>• Liquidity position of <b>R3.525 billion</b> (2016: R1.910 billion)</li> <li>• Capital, debt and equity funding</li> <li>• Cash generated from divisions</li> </ul>	<p>The Group provides financial products and services that are designed to protect and grow our clients' net assets and satisfy their specific needs. Our clients consist of entrepreneurs, corporates, institutions and high-net-worth individuals.</p> <p>Our divisions are structured to best meet these needs in two focus areas: Business and Wealth.</p> <p>Our three Pillars offer a range of specialised products and services to assist clients with their business and individual financial requirements.</p> <p>Each of the Pillars is supported by Corporate Services, which provides functional assistance comprising:</p> <ul style="list-style-type: none"> <li>• Business Development</li> <li>• Company Secretarial</li> <li>• Compliance</li> <li>• Credit</li> <li>• Facilities</li> <li>• Finance and Administration</li> <li>• Human Resources</li> <li>• Information Technology</li> <li>• Internal Audit</li> <li>• Legal</li> <li>• Marketing</li> <li>• Risk</li> <li>• Procurement</li> <li>• Data Governance</li> </ul>
<p>HUMAN CAPITAL</p> <ul style="list-style-type: none"> <li>• <b>713</b> employees (2016: 785)</li> <li>• Specialised knowledge and skills</li> <li>• Strong leadership structure</li> </ul>	
<p>INTELLECTUAL CAPITAL</p> <ul style="list-style-type: none"> <li>• Brand and reputation</li> <li>• IT systems, processes, and procedures</li> <li>• Innovative services and products</li> </ul>	
<p>MANUFACTURED CAPITAL</p> <ul style="list-style-type: none"> <li>• <b>R103.856 million</b> of investments in software, computer equipment, property, plant and equipment, including 11 offices in South Africa</li> </ul>	
<p>SOCIAL AND RELATIONSHIP CAPITAL</p> <p>Our relationships with:</p> <ul style="list-style-type: none"> <li>• Clients</li> <li>• Funders</li> <li>• Shareholders</li> <li>• Employees</li> <li>• Regulators</li> <li>• Communities</li> </ul>	<p>Sasfin is creating the critical mass necessary for each of its Pillars to be optimally viable to deliver on Sasfin's specialist, Business and Wealth multi-line banking, and financial services offerings, without compromising on quality.</p>
<p>NATURAL CAPITAL</p> <ul style="list-style-type: none"> <li>• Electricity and water conservation through promotion of sustainable lending practices for renewable and alternate energy solutions</li> </ul>	

\* excluding preference shares.

## OUTPUTS

Product offerings are client-focused with financial solutions for the various stages of business and personal wealth life cycles.

A holistic client-centric approach allows us to position our offerings around the specific needs of our clients, to provide comprehensive, start-to-finish, tailored solutions.

Outputs generated in the performance of our business include, but are not limited to:

### FINANCIAL

- Interest income
- Non-interest income
  - Advisory and knowledge-based fees
  - Fair value gains/losses
  - Brokerage
  - Asset management
  - Trading income
  - Transactional fees
  - Investment income
  - Commission
- Low credit losses
- Taxation paid
- Dividends paid

### NON-FINANCIAL

- Meaningful and informed internal and external reporting for decision-making
- People management
- Regulatory compliance and reporting
- Brand development
- Fit for purpose IT platforms and services
- Robust enterprise risk management
- Group-wide legal support
- Internal audit assurance

## OUTCOMES

### FINANCIAL CAPITAL

- HEPS down to **611.76 cents** (2016: 731.27 cents)
- Headline earnings of **R194.151 million** (2016: R232.080 million)

### HUMAN CAPITAL

- Staff costs of **R414.463 million** (2016: R434.339 million)
- Investment in the development of our people through skills development and training spend of **R5.076 million** (2016: R5.587 million)

### INTELLECTUAL CAPITAL

- Increased utilisation of IT systems to drive internal synergies between business divisions
- Investment in development, maintenance and enhancement of IT infrastructure of **R92.700 million** (2016: R86.549 million)

### MANUFACTURED CAPITAL

- Rationalisation of divisions in our various geographies to improve efficiencies and Group synergies

### SOCIAL AND RELATIONSHIP CAPITAL

- Direct taxes of **R49.012 million** (2016: R68.210 million)
- CSI spend of **R1.366 million** (2016: R2.105 million) making a difference to Afrika Tikkun and Smile Foundation amongst others
- Maintained strong relationships with regulators through regular interactions
- Increased customer interest in our products and services reflected in a 39.82% growth in our deposit book

### NATURAL CAPITAL

- Committed to reducing carbon emissions



# OUR STRATEGY

The Group's strategy is informed by our material matters and is integrated into the way we operate. It is a roadmap to fulfilling our vision and mission.

## Four strategic objectives



Optimise synergies across a broad range of products and services



Enhance efficiencies and reduce cost-to-income ratio



Sustainable growth in our target markets



Proactive balance sheet management and capital optimisation



## Long-term strategy

**SASFIN'S LONG-TERM STRATEGY OF CATERING FOR THE BROAD-BASED BANKING AND FINANCIAL NEEDS OF OUR WEALTH AND BUSINESS CLIENTS FOCUSES ON:**

- Retaining our entrepreneurial approach to business
- Modernising our products and services to allow increased digital delivery and marketing
- Continuing with our drive for critical mass while improving our efficiency, especially in our IT systems
- Growth in capital-efficient businesses
- Driving a strong client-segment approach to product and service development
- Diversifying internationally

## 2018 strategic priorities

STRATEGIC PRIORITIES		HOW WE ACHIEVE THIS
1	Optimal proposed restructure of the Group with regard to management and governance	The proposed restructuring of the Group will decentralise management and enhance efficiency
2	Facilitate transformation in South Africa	With WIPHOLD on board as a strategic shareholder, we will be able to leverage our business off our improved BEE credentials WIPHOLD's 25.10% shareholding will strengthen our BEE credentials and Sasfin will achieve its transformation objectives, gain a significant shareholder of reference and allow Sasfin to be a meaningful contributor to transformation in South Africa
3	Drive scale to achieve critical mass	Explore corporate actions to achieve critical mass
4	Drive innovation and better use of technology to improve client and stakeholder value	Improve client engagement through investment in technology Drive a strong, strategic focus around technology to enhance client experience Improve our client experience through technology – seamless on-boarding, reporting and tools
5	Explore foreign income and foreign opportunities	We see good potential to follow our clients and increase our foreign income
6	Ensure strong and robust balance sheet and funding lines to deal with economic and political volatility	Proactively manage capital adequacy and maintain funding lines with external funders
7	Reduce cost-to-income ratio	Actively explore opportunities for cost containment while increasing revenue

## OUR STRATEGY continued

STRATEGIC OBJECTIVES	OPTIMISE SYNERGIES ACROSS A BROAD RANGE OF PRODUCTS AND SERVICES
WHAT IS OUR GOAL?	<ul style="list-style-type: none"> <li>• Focus on client-centric service to differentiate ourselves from bigger, more bureaucratic institutions that struggle to deliver in this realm</li> <li>• Ensure synergistic products and services across the entrepreneurial and corporate value chain</li> <li>• Focus on our distinct target markets:               <ul style="list-style-type: none"> <li>– Entrepreneurs</li> <li>– Corporates</li> <li>– Institutions</li> <li>– High-net-worth individuals</li> </ul> </li> <li>• Ensuring that our offerings to clients are specialised and integrated</li> <li>• Deliver high-touch service with agility and speed</li> <li>• Maintain flat and decisive operating and management structure</li> <li>• Utilise our fit for purpose IT systems</li> <li>• Leverage equity, debt capital and securitisation market expertise</li> </ul>
WHAT WE HAVE ACHIEVED IN 2017	<ul style="list-style-type: none"> <li>• Continued to grow and develop Transactional Banking to broaden our franchise value</li> <li>• Integrated Fintech to entrench ourselves as a leading equipment rental financier</li> </ul>
WHAT WE WANT TO ACHIEVE BEYOND 2017	<ul style="list-style-type: none"> <li>• Continue to develop new and innovative products to address our client needs</li> <li>• Drive cross-selling across the business</li> <li>• Pursue Investment Banking opportunities</li> </ul>
MATERIAL MATTERS IMPACTING THIS STRATEGIC OBJECTIVE	<ul style="list-style-type: none"> <li>• Tough economic conditions</li> <li>• Remaining competitive and relevant</li> <li>• Recruiting, motivating and retaining the right people</li> <li>• Increasing stakeholder value in the long-term</li> </ul>



ENHANCE EFFICIENCIES AND REDUCE COST-TO-INCOME RATIO	SUSTAINABLE GROWTH IN OUR TARGET MARKETS	PROACTIVE BALANCE SHEET MANAGEMENT AND CAPITAL OPTIMISATION
<ul style="list-style-type: none"> <li>• Grow new income streams</li> <li>• Achieve meaningful scale in all products and services</li> <li>• Maintain positive JAWS ratio</li> <li>• Increase market share</li> <li>• Improve returns on surplus liquidity</li> <li>• Seamless operational efficiencies</li> <li>• Maintaining and enhancing our diversified business</li> <li>• Cost containment</li> <li>• Profitable growth in marginal businesses</li> <li>• System efficiencies and straight-through processing</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding our clients' needs</li> <li>• Personalised service</li> <li>• Strong relationships</li> <li>• Flexibility</li> <li>• Quick turnaround</li> <li>• Grow Transactional Banking</li> <li>• Creating partnerships with clients that deliver products and services that exceed their expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Prudent asset/liability matching</li> <li>• Establish a well-balanced asset and liability structure</li> <li>• Optimise the earnings yield on all our asset classes</li> <li>• Efficient and quality capital structure</li> <li>• Well-diversified funding base</li> <li>• Effective capital utilisation</li> <li>• Proactive capital and liquidity management</li> <li>• Effective investment in different classes of product, capital and liquidity</li> <li>• Prudent and sound risk management processes</li> </ul>
<ul style="list-style-type: none"> <li>• Improved returns on surplus liquidity</li> <li>• Disappointingly increased cost-to-income ratio at 72.17% due to tough economic conditions</li> </ul>	<ul style="list-style-type: none"> <li>• Grew Transactional Banking to leverage business and ensure cohesion for better client retention</li> <li>• Larger value, quality transactions</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthened our balance sheet resulting in higher yields on surplus liquidity</li> <li>• Value accretive utilisation of capital in the acquisition of Fintech</li> </ul>
<ul style="list-style-type: none"> <li>• Effectively deploy surplus liquidity into quality, higher-yielding assets</li> <li>• Cost-to-income ratio below 65.00%</li> <li>• Grow loans and advances while maintaining an acceptable credit loss ratio</li> <li>• Use IT as a strategic enabler in client engagements</li> </ul>	<ul style="list-style-type: none"> <li>• Continue growth across the spectrum of entrepreneurial, corporate, institutional and high-net-worth clients</li> <li>• Grow funds under advisement and management</li> <li>• Continue to improve investment performance on funds under advisement and management</li> </ul>	<ul style="list-style-type: none"> <li>• Continue growth in all identified areas</li> <li>• Improve return on risk-weighted assets</li> <li>• Increase return on equity to above 20.00% over the next five years</li> </ul>
<ul style="list-style-type: none"> <li>• Tough economic conditions</li> <li>• Remaining competitive and relevant</li> <li>• Increasing stakeholder value in the long-term</li> </ul>	<ul style="list-style-type: none"> <li>• Tough economic conditions</li> <li>• Remaining competitive and relevant</li> <li>• Recruiting, motivating and retaining the right people</li> <li>• Increasing stakeholder value in the long-term</li> </ul>	<ul style="list-style-type: none"> <li>• Tough economic conditions</li> <li>• Increased governance and regulatory requirements</li> <li>• Increasing stakeholder value in the long-term</li> </ul>

# MATERIAL MATTERS

The Group recognises the importance of creating value for stakeholders, and has assessed and refined the material matters identified in the 2016 Integrated Report to ensure that they are robust and reflective of the Group. We focused on:





- Relevant concerns raised by stakeholders
- Key risks identified in the Group's risk register
- Best practice based on industry peer reports
- Matters considered to be key to our strategy and business environment

MATERIAL MATTERS AND CONTEXT	KEY STAKEHOLDERS INVOLVED 	RISKS IDENTIFIED 
1. TOUGH ECONOMIC CONDITIONS	<ul style="list-style-type: none"> <li>• Funders</li> <li>• Investors</li> <li>• Shareholders</li> <li>• Clients</li> </ul>	<ul style="list-style-type: none"> <li>• Credit risk</li> <li>• Investment risk</li> <li>• Concentration risk</li> <li>• Liquidity risk</li> <li>• Capital management risk</li> <li>• Strategic risk</li> </ul>
2. BEING COMPETITIVE AND RELEVANT IN A FAST EVOLVING FINANCIAL SERVICES INDUSTRY	<ul style="list-style-type: none"> <li>• Clients</li> <li>• Employees</li> </ul>	<ul style="list-style-type: none"> <li>• Credit risk</li> <li>• Investment risk</li> <li>• Concentration risk</li> <li>• Liquidity risk</li> <li>• Strategic risk</li> <li>• Reputational risk</li> <li>• Operational and technological risks</li> </ul>




## HOW WE ADDRESS THESE MATERIAL MATTERS

## LINK TO STRATEGY

- The Group has strong capital and liquidity levels in excess of regulatory requirements. We are responsible lenders and remain cognisant of our economic environment
- Our relatively flat management structure and entrepreneurial spirit enable swift and responsive reactions to market changes to capitalise on opportunities (through market-influenced innovations) and mitigate threats (by monitoring and accurately responding to material risks)
- We retain a strong focus on cost containment
- The Group's client-centric service helps us to understand our clients' requirements in order to identify and manage risks better. We also promote diligent investment advice to our clients in creating and growing their wealth
- We utilise market intelligence in our assessments, and in reviewing labour needs and unrest, businesses and industry trends, energy use and fluctuations, currency movements, interest rate fluctuations and commodity price movements
- We consistently engage with providers of capital and funders to enhance our liquidity position

-  Optimise synergies across a broad range of products and services
-  Enhance efficiencies and reduce cost-to-income ratio
-  Sustainable growth in our target markets
-  Proactive balance sheet management and capital optimisation

- We provide professional services that help us to understand our clients' needs and adapt accordingly
- We offer our clients value-adding financial solutions and ensure that our products are cost effective and competitive
- We utilise IT systems that allow clients to conveniently and safely access our current services, and utilise opportunities to provide new products and services according to our clients' needs
- Risk management processes allow for adequate monitoring and measured control of credit, investment and liquidity risks to ensure competitive and calculated offerings to our clients
- We gain an advantage from this as a result of our reputation, brand and security-conscious approach to business

-  Optimise synergies across a broad range of products and services
-  Enhance efficiencies and reduce cost-to-income ratio
-  Sustainable growth in our target markets



## MATERIAL MATTERS continued

MATERIAL MATTERS AND CONTEXT	KEY STAKEHOLDERS INVOLVED	RISKS IDENTIFIED	
3. INCREASED REGULATORY REQUIREMENTS 	<ul style="list-style-type: none"> <li>• Clients</li> <li>• Regulators</li> </ul>	<ul style="list-style-type: none"> <li>• Liquidity risk</li> <li>• Strategic risk</li> <li>• Operational risk</li> <li>• Compliance risk</li> <li>• Capital management risk</li> <li>• Regulatory risk</li> </ul>	
4. INABILITY TO INVEST IN THE RIGHT PEOPLE 	<ul style="list-style-type: none"> <li>• Employees</li> </ul>	<ul style="list-style-type: none"> <li>• All risk categories</li> </ul>	
5. INABILITY TO INCREASE SUSTAINABLE STAKEHOLDER VALUE	<ul style="list-style-type: none"> <li>• Funders</li> <li>• Investors</li> <li>• Shareholders</li> <li>• Clients</li> <li>• Regulators</li> <li>• Employees</li> <li>• Communities</li> </ul>	<ul style="list-style-type: none"> <li>• Credit risk</li> <li>• Investment risk</li> <li>• Concentration risk</li> <li>• Liquidity risk</li> <li>• Strategic risk</li> <li>• Operational risk</li> <li>• Compliance risk</li> <li>• Capital management risk</li> <li>• Regulatory risk</li> </ul>	




## HOW WE ADDRESS THESE MATERIAL MATTERS

## LINK TO STRATEGY





- Risk management and compliance with legislation are core to our culture and how we do business. We continue complying with the Basel III capital adequacy and liquidity requirements, among others
- Regulations present opportunities such as efficient governance structures which lead to better management, greater efficiencies and, in some areas, reduced risk. Our size and structure make us more agile
- We have a robust, well-established governance, risk and compliance structure, with an active and engaged Board. The Board is supported by an experienced senior management team and centralised risk management and compliance functions that are independent of the business
- The Board and its committees provide oversight to manage the Group's compliance with regulations
- The Group's regulators provide detailed supervision over Sasfin's compliance with regulations
- We have a Board-approved, measured risk appetite to balance long-term sustainable returns with short-term profitability

-  Sustainable growth in our target markets
-  Proactive balance sheet management and capital optimisation

- We recruit, motivate, retain and reward talented people
- We have policies in place to help us nurture talent and continue to invest heavily in training and skills development for our people
- We remunerate our employees in line with industry practice and continuously strive to be an exciting place to work at
- We drive a culture of high performance which permeates all levels of the business. This, coupled with our preference for specialised skills, aids in our ability to consistently meet the dynamic needs of our clients
- The Group structure enables our employees to gain a wide range of experience and develop skills from our broad business structure and related activities
- The Group is committed to recruiting, retaining, empowering and incentivising the right management for each of the three Pillars. Senior appointments have been made in each of these Pillars over the last year in this regard

-  Optimise synergies across a broad range of products and services
-  Enhance efficiencies and reduce cost-to-income ratio
-  Sustainable growth in our target markets

- The Sasfin brand is synonymous with entrepreneurship, and we endeavour to provide consistent value to bolster this association
- We continue to use our sound risk management approach, resulting in growth to enhance profitability
- The Group has a client-centric approach to service, which we use to foster trust and long-term relationships
- Through our strong balance sheet, capital adequacy and liquidity, the Group is well positioned for organic and acquisitive growth
- Our range of financial services provides our clients with a comprehensive banking and financial service
- We rely on our leadership to steer us towards lowered credit and investment risk while being cognisant of industry practices and trends

-  Optimise synergies across a broad range of products and services
-  Enhance efficiencies and reduce cost-to-income ratio
-  Sustainable growth in our target markets
-  Proactive balance sheet management and capital optimisation

# KEY RISKS AND OPPORTUNITIES

Sasfin is a diversified banking and financial services group, and effectively managing risk is at the centre of our business. We cautiously and prudently manage risks within our Board-approved risk appetite through proactive risk management by Divisional Executives, and independent oversight by Group Risk, and our Board and its committees. Below is a summarised schedule of our key inherent risks and opportunities.

WHAT KEY RISKS ARE WE EXPOSED TO?	WHY DO WE TAKE THIS RISK?	WHAT OPPORTUNITIES ARISE FROM MANAGING THIS RISK?
<p><b>CREDIT RISK</b></p> <p>The risk of significant loss of capital stemming from borrowers' failure to repay loans or otherwise meet contractual obligations.</p>	<p>A core function of a bank is to make loans to viable businesses or individuals.</p>	<p>Responsible lending results in sustainable returns over the long-term.</p> <p>Better credit risk management presents an opportunity to improve overall performance and secure a competitive advantage, while maintaining low credit losses.</p> <p>Sasfin has experienced executive involvement with an agile and proactive process of granting and monitoring tailor-made loans and advances.</p> <p>This function has been strengthened with the appointment of a senior executive.</p>
<p><b>INVESTMENT RISK</b></p> <p>The risk of significant losses relative to the expected return on investments.</p>	<p>Equity investments in private, property holding and property development companies are complementary product offerings to loans.</p> <p>We invest in private companies for a period of time with a view of making a profit on the sale of our investment.</p>	<p>Private equity and property equity investments have the potential to realise large capital gains and support the diversification of our asset base.</p> <p>Cross-selling collaborative opportunities emanate to other areas of the Group through our involvement with private companies.</p>
<p><b>CONCENTRATION RISK</b></p> <p>The risk of significant loss arising from credit risk exposure concentrated to a particular group of counterparties (e.g. geographic location, market segment).</p> <p>Significant reduction in funding base arising from concentrated exposure to a particular counterparty or group of counterparties (e.g. depositors, specific instruments, asset class).</p>	<p>Concentration risk can arise from uneven distribution of loans in the case of credit risk and the uneven distribution of depositors or funders in the case of liquidity risk.</p>	<p>Improved risk management and capital protection.</p> <p>We ensure robust management of this risk with appropriate policies and internal processes to identify, manage, monitor and report on concentration risk.</p> <p>Appropriate thresholds as well as risk appetite and tolerance levels are in place for concentration risk.</p>
<p><b>LIQUIDITY RISK</b></p> <p>The risk of an inability to meet financial obligations as they fall due to the inability to convert a security or asset to cash without a loss of capital and/or income.</p>	<p>Liquidity risk is intrinsic in all banks due to the maturity transformation of short-term deposits into long-term loans.</p> <p>Provision for adequate liquidity is crucial because a liquidity shortfall in meeting commitments to other banks and financial institutions can have serious repercussions on our reputation.</p>	<p>Effective liquidity risk management helps ensure a bank's ability to meet cash flow obligations.</p> <p>Prudent management of funds received allows us to lend to clients.</p>

WHAT KEY RISKS ARE WE EXPOSED TO?	WHY DO WE TAKE THIS RISK?	WHAT OPPORTUNITIES ARISE FROM MANAGING THIS RISK?
<p><b>STRATEGIC RISK</b></p> <p>The uncertainties and untapped opportunities embedded in the Company's strategic intent that may arise as a result of the pursuit of an unsuccessful business plan, making poor business decisions, substandard execution of decisions, or from a failure to respond well to the changes in the business environment.</p>	<p>Creating and protecting shareholder and stakeholder value is a core focus for us. It requires a strategic view of risk, and consideration of how external and internal factors will affect our ability to achieve our strategic objectives and create further value.</p>	<p>The proactive identification and management of risks impacting our strategic objectives reduces uncertainties and enables us to improve our performance.</p> <p>By understanding the risks we are exposed to, we are able to identify and seize opportunities thus increasing our competitive advantage.</p>
<p><b>OPERATIONAL RISK</b></p> <p>The risk of loss resulting from inadequate or failed processes, people, and systems, or from external events.</p>	<p>Operational risk occurs in all day-to-day bank and business activities, and arises in almost all departments – credit, investment, treasury, and information technology.</p>	<p>Effective operational risk management allows for better decision-making, decreased profit and loss volatility, lower operating costs, capital relief, increased client and staff satisfaction, and better regulatory compliance.</p>
<p><b>COMPLIANCE RISK</b></p> <p>The risk of legal or regulatory sanctions, material financial loss, or loss of reputation as a result of non-compliance with laws, regulations, rules, internal policies, standards and codes of conduct.</p> <p>The introduction of the Twin Peaks regulatory framework introduces new regulation and increased compliance risk for the Group.</p>	<p>Compliance risk has become increasingly significant given the heightened regulatory environment in which we operate.</p> <p>We continue to implement a comprehensive enterprise-wide compliance programme that meets regulatory expectations.</p>	<p>An effective compliance programme provides for an aligned operating and compliance strategy, effective oversight mechanisms, streamlined business processes, quality data and information, and ensures that our reputation is upheld.</p> <p>Ensuring that compliance risks are effectively managed will result in improved and transparent relationships with our regulators.</p>
<p><b>CAPITAL MANAGEMENT RISK</b></p> <p>The risk of the Group's or Bank's capital base falling below the minimum required limit or to a level that would prevent growth in risk-weighted assets without the injection of capital.</p>	<p>An important lesson learned from the financial crisis was that banks need to strengthen their capital management and planning processes.</p> <p>With capital requirements growing and sources of capital being elusive, effective and proactive management of the Group's capital is essential.</p> <p>Sustainable and higher returns on investment to providers of capital.</p>	<p>Effective capital and balance sheet management allows us to generate improved returns to the providers of our capital, namely our shareholders.</p> <p>We manage our capital and balance sheet with the requisite skills and experience to ensure regulatory compliance and to safeguard the Group's capital base.</p> <p>Our ability to prudently manage our capital and balance sheet, while holding sufficient levels of capital and generating increasing returns, inspires confidence in our stakeholders and forms the basis for future growth.</p>

# STAKEHOLDER RELATIONSHIPS S

We are aware that stakeholder interactions lead to relevance and sustainability, and we engage with a number of key stakeholders in our internal and external environments. The concerns and expectations of each stakeholder are considered and integrated into our material matters. Below is a summary of our stakeholder engagements and concerns, achievements in 2017, future plans, and links to the Group's material matters.



## Clients

### S WHO ARE OUR STAKEHOLDERS?

- High-net-worth individuals
- Entrepreneurs/SMEs
- Institutions
- Corporates

### WHAT ARE OUR STAKEHOLDERS' MAIN CONCERNS?

- Security of investments and consistent returns
- Accountability and sound corporate governance
- Efficient risk management structures
- Long-term stability and sustainability of the Group

### HOW DO WE INTERACT?

- Roadshows
- Executive Director interaction with clients
- Daily business interactions
- Market surveys
- Communications via media

### WHAT DID WE ACHIEVE IN 2017?

- Restructured the Group into three symbiotic Pillars
- Offered bespoke financial solutions to cater for specific needs
- Continued to grow Transactional Banking services with a particular focus on digitalisation and integration with Xero Accounting Software
- Maintained operational stability and high-touch client service




### WHAT ARE WE FOCUSING ON IN THE SHORT-TERM?

- Product diversity and improving service delivery in our chosen markets
- Expanding our product range through continuous development
- Growing our client base
- Becoming a primary banking partner for clients
- Compliance with King IV
- Compliance with regulatory requirements

### WHAT ARE WE FOCUSING ON FOR 2019 AND BEYOND?

- Maintaining and developing relationships with clients
- Expanding into new markets and products
- Continued leveraging of technologies for client ease and satisfaction

### WHAT IS OUR STRATEGIC RESPONSE?

-  Optimise synergies across a broad range of products and services
-  Enhance efficiencies and reduce cost-to-income ratio
-  Sustainable growth in our target markets



### LINK TO MATERIAL MATTERS

- Tough economic conditions
- Being competitive and relevant in a fast-evolving financial services industry
- Investing in the right people
- Increased regulatory requirements

## Deposit-takers and providers of capital



### WHO ARE OUR STAKEHOLDERS?

- High-net-worth individuals
- Entrepreneurs/SMEs
- Institutions
- Corporates
- Development finance institutions
- Debt capital markets

### WHAT ARE OUR STAKEHOLDERS' MAIN CONCERNS?

- Security of investments and consistent returns
- Efficient risk management structures
- Long-term stability and sustainability of the Group
- Accountability and sound corporate governance

### HOW DO WE INTERACT?

- Roadshows and events
- Executive Director interaction and information sharing with funders and investors on a regular basis

### WHAT DID WE ACHIEVE IN 2017?

- Delivered above market-related returns
- Maintained high-touch client service
- Offered unique product range
- Maintained Sasfin Bank short-term rating A1- (ZA) with a stable rating outlook as issued by GCR




#### WHAT ARE WE FOCUSING ON IN THE SHORT-TERM?


- Online direct investment products
- Online transactional banking
- Ring-fenced funding to match lending products
- Further diversification of funding and investor base
- Driving a culture of accountability and ensuring compliance with King IV


#### WHAT ARE WE FOCUSING ON FOR 2019 AND BEYOND?


- Improving returns on equity and on risk-weighted assets
- Matching profile of funding to asset base
- Utilising IT as a strategic enabler
- Developing funding base to meet the demands of a growing balance sheet
- Maintaining credit ratings
- Continuing to maintain a culture of accountability

#### WHAT IS OUR STRATEGIC RESPONSE?

 Optimise synergies across a broad range of products and services

 Enhance efficiencies and reduce cost-to-income ratio

 Sustainable growth in our target markets

 Proactive balance sheet management and capital optimisation

#### LINK TO MATERIAL MATTERS

- Tough economic conditions
- Being competitive and relevant in a fast-evolving financial services industry
- Investing in the right people
- Increasing shareholder value



## Regulators

#### WHO ARE OUR STAKEHOLDERS?

- SARB
- FSB
- JSE
- SARS
- dti
- PASA
- CIPC
- NCR
- FIC

#### WHAT ARE OUR STAKEHOLDERS' MAIN CONCERNS?

- Capital adequacy and liquidity
- Heightened risk environment, particularly cybercrime
- Money laundering
- RDARR Impact of IFRS 9

#### HOW DO WE INTERACT?

- Meetings between the SARB, the Chair of the Board, the CEO, the Board of Directors, internal audit, compliance and the Group's executive management
- Regulatory return submissions to the SARB
- Ongoing compliance audits
- Trilateral meetings with GACC, external auditors and the SARB
- Regulatory audit performed by external auditors and reported to the SARB<sup>1</sup>
- Daily monitoring of all bond and equity trades by the JSE via the BDA system
- Monthly capital adequacy return submissions to the JSE
- Annual compliance certificate to the JSE
- Internal audit reports to the SARB
- Annual regulatory report to the FSB
- JSE on-site audits
- SARB on-site audits

#### WHAT DID WE ACHIEVE IN 2017?

- Complied with various regulatory and prudential requirements
- Complied with all JSE Listings Requirements
- Total capital adequacy ratio – 16.379% (2016: 19.023%) above the minimum regulatory requirement of 12.750% (2016: 12.375%)
- Corporate citizenship – promptly paid taxes due

#### WHAT ARE WE FOCUSING ON IN THE SHORT-TERM?

- Maintaining a culture of risk and compliance across the Group

#### WHAT ARE WE FOCUSING ON FOR 2019 AND BEYOND?

- Remaining well capitalised and liquid
- Proactive compliance and risk functions to ensure compliance with all Basel III and regulatory requirements on an ongoing basis
- Proactively preparing for IFRS 9 and pending Basel IV
- Improving IT systems to better manage the complexities of the Group
- Remaining a responsible corporate citizen and tax contributor
- Achieving compliance with new regulations of POPI and other market conduct regulation aimed at TCF
- Enhancing AML transactional monitoring activities through the use of technology

<sup>1</sup> 2017 regulatory audit in process.

# STAKEHOLDER RELATIONSHIPS continued

## WHAT IS OUR RESPONSE?

- We have a dedicated CRO
- We have a dedicated Group Compliance department
- We have continued investing in risk and compliance across the Group
- We have strengthened our credit department



## LINK TO MATERIAL MATTERS

- Increased regulatory requirements



## Shareholders



## WHO ARE OUR SHAREHOLDERS?

- Executives and their associates: 48.95% (2016: 48.92%)
- Top five fund managers: 18.03% (2016: 18.65%)
- Preference shareholders: 535 (2016: 569)

## WHAT ARE OUR SHAREHOLDERS' MAIN CONCERNS?

- Consistent financial performance and dividend payments
- Long-term stability and sustainability of the Company

## HOW DID WE INTERACT?

- Regular JSE SENS announcements
- Financial results and Integrated Report 2017
- Annual and interim results announcements, presentations and roadshows
- Annual General Meeting and other meetings
- Investor roadshows and engagements
- *Ad hoc* meetings with shareholders, potential investors and funders, analysts, credit rating agencies, and media during non-closed periods
- Financial media and Group website



## WHAT DID WE ACHIEVE IN 2017?

- Headline earnings growth of negative -16.34% (2016: 29.03%)
- Return on equity of 13.52% (2016: 17.54%)
- Concluded BEE transaction with WIPHOLD

## WHAT ARE WE FOCUSING ON IN THE SHORT-TERM?

- Bedding down the BEE transaction and achieving strategic value from our new partnership with WIPHOLD

## WHAT ARE WE FOCUSING ON FOR 2019 AND BEYOND?

### Internal targets

- Return on assets above 2.50%
- Return on equity above 20.00%
- Cost-to-income ratio below 65.00%
- Continuous and sustained growth in headline earnings
- Optimal capital allocation

## WHAT IS OUR STRATEGIC RESPONSE?



Optimise synergies across a broad range of products and services



Enhance efficiencies and reduce cost-to-income ratio



Sustainable growth in our target markets



Proactive balance sheet management and capital optimisation



## LINK TO MATERIAL MATTERS

- Tough economic conditions
- Being competitive and relevant in a fast evolving financial services industry
- Increased regulatory requirements
- Increasing sustainable stakeholder value



## Employees



## WHO ARE OUR STAKEHOLDERS?

- Number of employees: 713 (2016: 785)
- Female employees: 59.74% (2016: 58.73%)
- Black employees: 54.70% (2016: 53.76%)

## WHAT ARE OUR STAKEHOLDERS' MAIN CONCERNS?

- Job security given the tense economic climate
- Fair market-related remuneration for work done
- Sound leadership and direction
- Skills development

#### HOW DO WE INTERACT?

- Formal and informal meetings
- Applying open and honest communication in interactions
- Internal and external training
- Periodic climate surveys
- Annual benchmarking and review of compensation
- Quarterly human resources newsletter
- Divisional awards on a quarterly and annual basis
- Quarterly update sessions to the business by the CEO

#### WHAT DID WE ACHIEVE IN 2017?

- Staff costs of R414.463 million (2016: R434.339 million), a decrease of 4.58%
- Training spend: R5.076 million (2016: R5.606 million)
- 824 training interventions (2016: 810)



#### WHAT ARE WE FOCUSING ON IN THE SHORT-TERM?

- A continued focused approach to training and learnerships
- Conscious culture review throughout the organisation, with new programmes to enhance the organisational culture and identity
- Conducting a thorough remuneration exercise with PwC following which we will review and update our remuneration policy for each Pillar
- Reviewing our existing incentive schemes
- Reviewing our recruitment processes to ensure that we attract and employ candidates with scarce skills at the right reward levels, while maintaining strong talent management and employee relations in line with our brand and culture

#### WHAT ARE WE FOCUSING ON FOR 2019 AND BEYOND?

- Succession planning across the Group
- Recruiting and developing talented employees
- Investing in learning among all levels of employees
- Enhancing key roles within the organisation
- Focusing on building a transformed and skilled workforce

#### WHAT IS OUR STRATEGIC RESPONSE?

-  Optimise synergies across a broad range of products and services
-  Sustainable growth in our target markets

#### LINK TO MATERIAL MATTERS

- Investing in the right people



## Communities

#### WHO ARE OUR STAKEHOLDERS?

- Civil society, businesses, communities near our operations. The Group is committed to South Africa and continually considers contributions to our country's development, particularly through sustainable projects that decrease poverty, improve quality of life and promote education and development for all South Africans

#### WHAT ARE OUR STAKEHOLDERS' MAIN CONCERNS?

- Job creation
- Alignment to the country's transformation targets
- Community development: social contributions, both financial and material, skills development
- Sound corporate governance and acting as a responsible corporate citizen

#### HOW DID WE INTERACT?

- Conducted research to understand the needs of the broader South African economy
- Funded CSI projects in our communities including, amongst others, Afrika Tikkun, Smile Foundation and Hospice Wits
- Social and environmental due diligence reports


#### WHAT DID WE ACHIEVE IN 2017?

- CSI contribution: R1.336 million (2016: R2.105 million)
- Creating employment by funding SME businesses
- Renewable energy and solar PV finance

#### WHAT ARE WE FOCUSING ON FOR 2019 AND BEYOND?

- Improving B-BBEE
- Increasing procurement spend from BEE level 4 and better rated suppliers
- Growing Green Finance initiatives
- Continuing our CSI contributions
- Continuous focus on product development for SMEs
- Continuing flagship projects that contribute to the sustainable development of the communities in which we operate, while developing a pipeline of support from early childhood development through to financial literacy, and further education and training career placement

#### WHAT IS OUR STRATEGIC RESPONSE?

-  Sustainable growth in our target markets

#### LINK TO MATERIAL MATTERS

- Tough economic conditions

# Leadership and performance reviews

A synopsis of  
our business  
environment and  
significant  
developments  
for the year

# LEADERSHIP AND PERFORMANCE REVIEWS LP



ROY ANDERSEN  
CHAIR



ROLAND SASSOON  
GROUP CHIEF EXECUTIVE OFFICER

To achieve acceptable growth in headline earnings and return on equity, we focus on:

- Enhancing our **service, productivity, and efficiency**
- **Growing** our **client base** and **revenue** in our chosen target markets
- **Risk mitigation, corporate governance, compliance** and **business ethics**
- Managing appropriate **capital** and attracting **liquidity** to continuously **develop** our business

# LEADERSHIP AND PERFORMANCE REVIEWS continued

## Key Indicators

▼ **16.34%**

HEADLINE EARNINGS  
PER ORDINARY SHARE

**611.76 CENTS**  
(2016: 731.27 CENTS)

▼ **402bps**

RETURN ON ORDINARY  
SHAREHOLDERS'  
AVERAGE EQUITY

**13.52%**  
(2016: 17.54%)

▼ **16.34%**

DIVIDENDS PER  
ORDINARY SHARE

**240.42 CENTS**  
(2016: 287.39 CENTS)

▲ **16bps**

CREDIT LOSS  
RATIO

**124bps**  
(2016: 108bps)

▲ **14.71%**

TOTAL  
ASSETS

**R12.623bn**  
(2016: R11.004bn)

▼ **264bps**

GROUP TOTAL CAPITAL  
ADEQUACY RATIO  
(UNAUDITED)

**16.379%**  
(2016: 19.023%)

▲ **3.23%**

COST-TO-INCOME  
RATIO

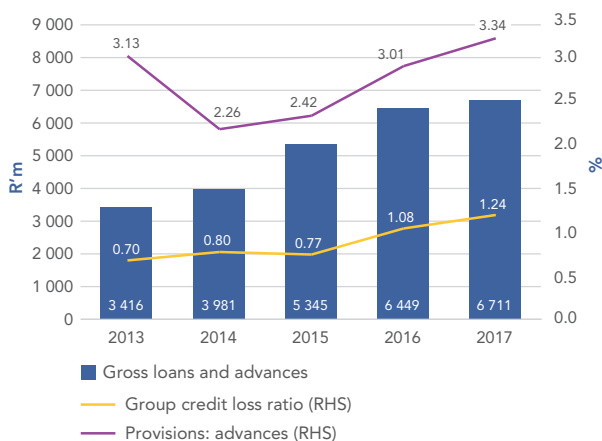
**72.12%**  
(2016: 68.89%)

▲ **22.95%**

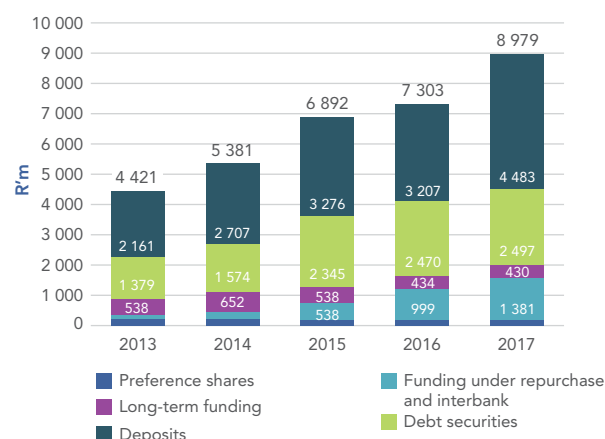
FUNDING  
BASE\*

**R8.979bn**  
(2016: R7.303bn)  
\* including preference shares.

### GROSS LOANS AND ADVANCES AND CREDIT PERFORMANCE



### STABLE FUNDING BASE



As is evident from the above metrics, our financial performance for the year was disappointing. This largely arose from the following factors:

- The previous year's results, with HEPS up 29.03%, set a high base
- SA's weak economic growth impacted business volumes and margins
- A few large client defaults raised our credit loss ratio by 16bps
- The Efficient share price resulted in a mark-to-market loss of R29.196 million
- Our cost-to-income ratio deteriorated largely due to investing in IT and HR for future growth and adhering to additional regulatory demands on Risk and Compliance

Despite these impediments, we managed to:

- Grow our gross loans and advances by 4.06% from R6.449 billion to R6.711 billion

- Increase total assets from R11.001 billion to R12.623 billion
- Achieve good exits in Private Equity
- Maintain a healthy balance sheet with strong capital adequacy and liquidity
- Grow our funding base by 22.95% to R8.979 billion
- Reduce losses in Transactional Banking
- Reach agreement with Absa to acquire their ATFS equipment finance book of approximately R1.300 billion, which at the time of this report remains subject to various conditions precedent
- Conclude our transaction with WIPHOLD for them to acquire 25.10% of Sasfin's issued share capital
- Plan for the restructure of the Group to enhance performance
- Establish an arrangement with New Zealand-based cloud accounting firm, Xero, making Sasfin the only South African Bank to offer direct feed integration into their software

## External environment

### GLOBAL ECONOMY

Much of the world is experiencing socio-economic instability and market volatility. Popular mistrust of the establishment, amplified by social and digital media, has led to the election of outsiders in the US and France, Brexit and the strong performance of the hard left and right wing parties in many parts of Europe, with perceptions in many western countries that:

- Cheap imports are flooding their markets at the expense of their working classes
- Growth in the wealth gap results from globalisation, protected large financial institutions, multi-nationals and technological disruption, all of which are destroying jobs
- They are under threat from hostile states, some of which have growing nuclear weapons capabilities

Donald Trump won the US Presidential election with promises to “put America first” and “make America great again”, which included:

- Taking a hard line on illegal immigration
- Overcoming international terrorism
- Significantly increasing military spending
- Protecting US industry from foreign exporters
- Stimulating the US economy by:
  - Investing in infrastructural development
  - Significantly reducing corporate taxes
  - Reducing regulation relating to the banking and other industries
  - Persuading US-based multi-nationals to repatriate offshore facilities and funds

However, as he is unlikely to succeed with many of these measures, for both ideological and practical reasons, the post-election economic euphoria is dissipating. Nonetheless, there are tentative signs of continued recovery in the major world economies – US, Europe, China and Japan – despite threats of trade barriers, foreign disinvestment and higher interest rates and the continued spectre of deflation.

### LOCAL ECONOMY

SA's current account has benefited from:

- A modest trade surplus reducing the level of capital flows required to stabilise the Rand
- Improved commodity export revenue on higher commodity prices
- Weaker import growth on lower investment and consumption

However, corruption and incompetence are pervasive in the public sector. Our worst fears were realised when the cabinet reshuffle was announced in March, especially the

replacement of the Minister of Finance and his deputy, which resulted in SA's long-term local currency rating being downgraded to sub-investment grade by Fitch. With the SA economy on the brink of recession, accompanied by mounting unemployment and government bailouts of a number of mismanaged SOEs, increases in SA's fiscal deficit and reliance on debt markets are inevitable.

With radically populist initiatives such as the new mining charter, calls from certain quarters for more central control of the economy, including the Reserve Bank and even land grabs, SA could be on the road to ultimate economic failure, along with other countries that have adopted similar policies, like Venezuela and Zimbabwe. Indications are, however, that SA's fiercely democratic institutions will eventually prevail and the serious political issues facing this country will be contained.

### THE BANKING AND FINANCIAL SERVICES INDUSTRY

SA's banking and financial services industry is still highly regarded internationally in terms of governance, service and financial performance. The industry, however, is likely to take strain due to:

- The weak economy and recent national rating downgrades
- Increased credit losses
- Escalating regulation
- Growth in cybercrime
- Increased competition from finTech players
- Depressed stock markets
- The constant threat of “radical economic transformation” and even talk of nationalisation of the banking and other sectors

### SCENARIO PLANNING

Our economic environment is thus uncertain at this time, with lingering questions over:

- SA's “radical economic transformation” policy
- Succession of SA's political leadership
- The ability to contain corruption
- The final terms of Brexit and their effect on SA
- The policies that President Trump will implement and their effect
- The world's geopolitical hot spots
- China's domestic debt issues
- Disruption from advances in technology

# LEADERSHIP AND PERFORMANCE REVIEWS **continued**

Without presuming to have the answers to these questions, our scenario planning is based on the following assumptions:

- SA will eventually make the right political and economic decisions
- US debt, which is now approaching \$20 trillion, will increase before showing signs of turning
- Military spending, particularly by the US, Russia and China will escalate
- The US will have limited success in putting up barriers to international trade, by increasing tariffs and renegotiating its trade treaties. AGOA, the agreement that allows African exports to the US on favourable terms, will not be amended
- This is not the end of globalisation, and the world will continue to shrink, which unfortunately will come with increasing international conflict
- Technology will become an even greater disrupter of many industries, especially banking and financial services, which will ultimately lead to greater levels of unemployment and underemployment
- Cybercrime will continue to grow
- Regulation in banking and financial services will increase in the short-term, but the pendulum will eventually swing back to some extent, particularly for the challenger banks

## SASFIN'S STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>• Our comprehensive range of financial products and service offerings enables Sasfin to be a home for its Business and Wealth clients, while minimising concentration risk</li> <li>• A well-known and respected brand</li> <li>• A solid and diverse funding base</li> <li>• Stable management and people</li> <li>• A high-touch, client-centric approach</li> <li>• A strong and diverse client base</li> </ul>	<ul style="list-style-type: none"> <li>• We have the base from which to scale up our business, widen our product offering, attract new target markets and increase our geographical reach, at a relatively low, incremental fixed cost</li> <li>• In these distressed times, a number of good potential acquisitions could emerge</li> <li>• With WIPHOLD on board as a strategic shareholder, we will be able to leverage business off our improved BEE credentials</li> <li>• We see good potential to follow our clients and increase our foreign income</li> </ul>
WEAKNESSES	THREATS
<ul style="list-style-type: none"> <li>• Our IT systems are still not at the level we would like</li> <li>• Transactional Banking is not yet profitable</li> <li>• Given the huge fixed overhead-related to risk and compliance, we lack scale to optimise profitability</li> </ul>	<ul style="list-style-type: none"> <li>• All the risks inherent in banking, including cybercrime and fraud in general, credit, regulatory, reputational and liquidity risks</li> <li>• Competition from new finTech disruptors</li> <li>• Significant macroeconomic and political risks</li> </ul>

## Future objectives

To further our purpose of developing a specialist Wealth and Business Banking Group, for which we now have all the basics in place, we have decided to restructure the Group into three independently managed symbiotic Pillars.

Our future objectives have been developed to achieve our long-term strategy in line with our strategic objectives.

## SASFIN GROUP

- Generate new business from our partnership with WIPHOLD
- Grow and diversify our revenue streams organically and by acquisition, and by product, geography and client
- Focus on developing innovation and human capital throughout the Group
- Ensure a strong ethical culture
- Drive healthy transformation and improve our BEE score
- Maintain a strong balance sheet and strong funding lines to deal with economic and political volatility
- Proactively reduce costs where feasible
- Explore foreign opportunities
- Increase cross-selling throughout the Group



## SASFIN BANK

- Build the Bank for business by integrating our banking offerings and collaborating with finTech providers
- Build up the Xero offering and scale up Transactional Banking for SMEs
- Introduce term loans
- Continue to grow and strengthen our deposit and funding base
- Further strengthen our Credit department
- Upgrade our IT systems
- Conclude and bed down the acquisition of Absa's ATFS equipment finance book
- Grow our loans and advances, particularly in trade, debtor and capital equipment finance
- Deliver a Digital Banking solution to our clients
- Focus on further enhancing our offering to business

## SASFIN WEALTH

- Improve client engagement through investment in technology
- Widen and strengthen our product offering to serve our various client segments
- Build our institutional consulting and asset management offering
- Increase sales to boost AUM for private and institutional clients
- Grow this Pillar organically and through acquisition

## SASFIN CAPITAL

- Improve our funding model for Property and Private Equity
- Create a BEE Private Equity fund
- Actively add value to our portfolio of investments
- Grow strategic investments in:
  - Insurance through Sasfin HRS Administrators
  - Logistics through Imperial Sasfin Logistics
- Increase finTech investments
- Continue to develop our corporate finance and investment financing activities

## Governance

The Board and executive management have taken note and ascribe to the four key outcomes suggested in King IV as being the basis for a governance framework, namely ethical culture, good performance, effective control and legitimacy.

### ETHICAL CULTURE

The Board places the drive for integrity, accountability and transparency at the forefront of its objectives. Our Social and Ethics Committee sets and monitors benchmarks against which the Group can be measured. It also measures outcomes objectively through, amongst other initiatives, the adherence to a Board RAS. This allows the Board to monitor performance across a range of both financial and non-financial standards to quickly identify both positive and negative trends and evaluate what actions ought to be implemented.

### GOOD PERFORMANCE

The Group's performance is measured against the achievement of its strategic objectives, its budgetary growth targets measured against the capitals it uses within the broader environment and the triple context in which we operate.

### EFFECTIVE CONTROL

The Group has established a multi-layered governance framework which takes into account the overall principles of King IV, the corporate governance requirements set out in Regulation 39 of the Banks Act Regulations as well as the Basel principles of corporate governance. Governance processes are applied to ensure that tasks are appropriately delegated, controls are in place, and that information received has been robustly interrogated through all three lines of defence, all of which cooperate to provide the level of combined assurance required by the Board and all other stakeholders.

### TRUST, GOOD REPUTATION AND LEGITIMACY

All of the above processes, which begin with an evaluation of the Group's specific practices measured in terms of the broader principles of King IV, constitute the building blocks upon which the legitimacy of the Group in the development of trust in the value creation process is established. In this regard, the Group welcomes the input of all stakeholders into this report.

# LEADERSHIP AND PERFORMANCE REVIEWS *continued*

Above all else, Sasfin is committed to good corporate citizenship, by adopting the highest standards of governance and business ethics. In so doing, Sasfin:

- Provides financial support and services to the investment and business communities
- Will not finance counterparties engaged in immoral, unethical, or environmentally unfriendly activities
- Provides training to our management and employees, as well as our clients' employees
- Has engaged with various training partners with a view to establishing the Sasfin Learner Academy
- Creates employment both directly and indirectly for thousands of people, especially those who are currently or were previously disadvantaged
- Donates to deserving causes that are focused on creating sustainable futures for disadvantaged communities
- Commissions an annual benchmarking report from PwC Research Services (Pty) Limited, in order for REMCO to determine that we pay our employees fairly

## Prospects

Although the economy remains weak, Sasfin is well positioned for future improved earnings, particularly as:

- The restructuring of the Group will decentralise management and enhance efficiency
- WIPHOLD's 25.10% shareholding will strengthen our BEE credentials, and Sasfin will gain a significant shareholder of reference
- There is scope for huge growth in our "share of wallet" of the investment and business communities for the comprehensive range of services provided by our three Pillars
- Sasfin has a strong balance sheet with healthy liquidity
- By acquiring ATFS equipment finance book of approximately R1.300 billion, which at the time of this report remains subject to various conditions precedent, we will achieve critical mass

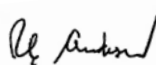
## Appreciation

We thank our valued clients for their support, our fellow directors, management and employees for their dedicated commitment, our professional advisors and regulators for their valued guidance, and our shareholders for their continued faith in Sasfin.

We look forward to welcoming WIPHOLD as a significant shareholder in Sasfin. Having canvassed the market thoroughly, we are satisfied that we have found an ideal partner. Not only is WIPHOLD a substantial company with excellent credentials and a solid track record in banking and financial services, but our culture and aspirations are well aligned.

We take this opportunity to wish our retiring directors, John Moses, Lesego Sennelo and Tyrone Soondarjee, well in their future endeavours and thank them for the significant contribution that each of them made to the Group. As our Group Financial Director, Tyrone, in particular, added enormous value over the 10 years that he was with Sasfin.

We also welcome our new director Gugu Mtetwa, and look forward to welcoming our new WIPHOLD nominated directors upon receipt of the necessary regulatory approvals.



**Roy Andersen**  
*Chair*



**Roland Sassoon**  
*Group Chief Executive Officer*

13 October 2017

# Analysis by Pillar

An outline of our performance  
per Pillar, providing feedback  
on our efforts to be “beyond a  
bank” in providing preferred  
results for our valued  
stakeholders

# ANALYSIS BY PILLAR LP

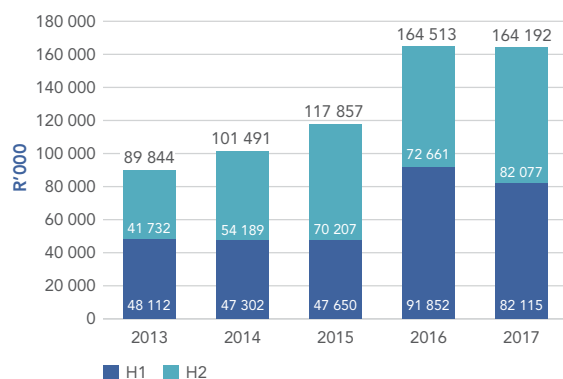
This section describes the Group's product and service offerings and gives a brief overview of the performance and plans for each Pillar.

## Product and service offerings

SASFIN BANK	SASFIN WEALTH	SASFIN CAPITAL
<b>BUSINESS BANKING</b> <ul style="list-style-type: none"> <li>• Equipment Finance</li> <li>• Trade and Debtor Finance</li> </ul> <b>TRANSACTIONAL BANKING AND TREASURY</b> <b>FOREIGN EXCHANGE</b> <ul style="list-style-type: none"> <li>• Dealing</li> <li>• Outsourcing</li> </ul>	<b>PRIVATE CLIENTS</b> <ul style="list-style-type: none"> <li>• Portfolio Management</li> <li>• Equity Stock Broking</li> <li>• Financial Planning</li> </ul> <b>ASSET MANAGEMENT</b> <b>INSTITUTIONAL CONSULTING</b> <ul style="list-style-type: none"> <li>• Asset Consulting</li> <li>• Healthcare Consulting</li> </ul> <b>FIXED INCOME STOCK BROKING</b>	<b>PRIVATE EQUITY</b> <b>PROPERTY EQUITY</b> <b>STRATEGIC INVESTMENTS</b> <ul style="list-style-type: none"> <li>• Global Trade and Incentives</li> <li>• Freight and Logistics</li> <li>• Insurance Broking and Administration</li> <li>• Payment platform</li> </ul> <b>CORPORATE ADVISORY AND JSE SPONSORSHIPS</b> <b>INVESTMENT FINANCING</b>

## Sasfin Bank

### HEADLINE EARNINGS – BUSINESS BANKING (INCLUDING SASFIN FOREX)



Sasfin Bank provides high-touch Business Banking, Transactional Banking, Treasury and Forex services and comprises Sasfin Bank, its Hong Kong-based Trade Finance subsidiary, Sasfin Asia Ltd and its securitisation vehicle, SASP.

### BUSINESS BANKING

This division finances the working capital needs of business:

- Equipment Finance, which provides instalment finance for all types of equipment, benefited from the acquisition of Fintech two years ago which resulted in Sasfin Bank growing its presence in equipment finance
- Trade and Debtor Finance, which provides a wide range of buyer and supplier finance for purchases and sales of goods, has had meaningful growth by onboarding larger and more strategically aligned clients

Business Banking constantly seeks to improve its service to clients, while maintaining acceptable margins and minimising overheads. The main task for the year was the integration of Fintech, which is progressing according to plan.

After achieving excellent results in the previous year, with profit growing by 32.61%, this division levelled off, largely due to an increase in its divisional credit loss ratio from 101 bps to 104 bps, due to three exceptional losses. Business Banking achieved a 4.69% growth in its book.

## TRANSACTIONAL BANKING AND TREASURY

This division provides clients with Transactional Banking, Money Market and Treasury Services:

- Transactional Banking, which is still in its formative phase, is well on its way to achieving break even turnovers, as we have significantly strengthened this platform, while continuing to develop our strategy and roadmap to full Transactional Banking, focusing on the SME market

Currently offering internet banking, debit cards and the ability to use any ATM, Transactional Banking will soon offer enhanced digital solutions that not only allow our clients to bank, but also to better run and manage their accounts through our Xero Accounting Software offering. As we are the only South African bank to offer such direct feed integration, our clients benefit from a solution that is more accurate and secure and provides them with a significant advantage in running their businesses

- Treasury, which runs Sasfin Bank's Money Market and Treasury offering and is an active participant in the SARB repo window as a full clearing and settlement bank, continued to perform strongly achieving a 39.82% growth in its deposit book to R4.483 billion (2016: R3.207 billion) by offering competitive products and services

This was a significant milestone for Sasfin, especially through challenging economic conditions, which is an indication of Sasfin Bank's growing reputation as a trusted deposit-taking institution and a reflection of our clients' confidence in the Bank

## FOREIGN EXCHANGE

- This division, which is an authorised foreign exchange dealer, also manages clients' Forex positions, where required. It traded particularly well in 2017 as it continues to build up its critical mass. Forex is poised to become a far more significant division as it rationalises its IQuad Treasury Outsourcing and Sasfin Forex units to create a complete foreign exchange and Forex outsourcing solution for clients

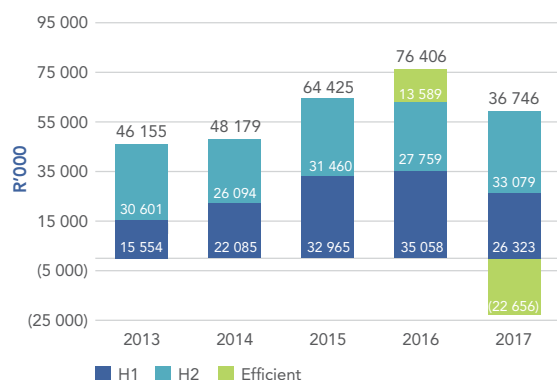
## FUTURE PLANS FOR SASFIN BANK

- Embed our Transactional Banking offering at the core of the Group
- Implement a holistic client-centric transactional banking proposition for entrepreneurial businesses
- Drive a strong, strategic focus around technology to enhance client experience
- Explore acquisition opportunities
- Grow capital equipment finance
- Grow our market share and continue to develop bespoke solutions with a high personal touch
- Improve our efficiencies through best practice in our systems and processes
- Attract more energy efficiency leasing business
- Become the primary bank for more clients and selectively offer term loans
- Drive operational efficiencies
- Enhance our client value propositions and increase both client numbers and deposits
- Raise new longer-term funding at competitive rates
- Maintain LCR and NSFR in excess of regulatory minimums
- Increase our yield on surplus cash and liquidity
- Capitalise on the benefits of being a clearing and settlement bank
- Explore alliance partnerships with retailers to enhance annuity income
- Strengthen our Credit department and monitor credit performance closely

# ANALYSIS BY PILLAR continued

## Sasfin Wealth

### HEADLINE EARNINGS – WEALTH



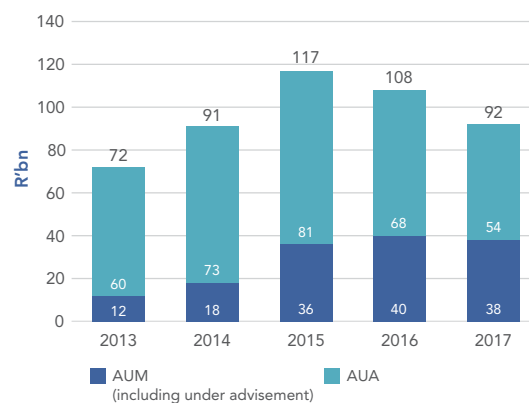
Sasfin Wealth provides a wide range of services, through the following divisions:

- Private Clients, which includes Portfolio Management, Financial Planning and Stock Broking, has been growing its offshore AUM, but was negatively impacted by the stronger Rand during the year
- Asset Management, which performed well, strengthened its team and expanded its offering through the launch of two new funds
- Institutional Consulting, which incorporates Asset Consulting and Healthcare Consulting, continues to show good growth
- Fixed Income Stock Broking continues to be a solid contributor to Sasfin Wealth

Sasfin Wealth holds Sasfin's investment in the Efficient Group which, as a business, continues to perform satisfactorily but experienced a significant fall in its share price which resulted in a pre-tax write down of R29.196 million.

Sasfin Wealth has invested meaningfully in HR, IT and marketing to ensure that it is well placed to grow into the future. AUA decreased year-on-year, largely due to safe custody clients exiting their portfolios, and AUM including AUA decreased by 4.51% to R38.297 billion (2016: R40.107 billion) due to the weak JSE and the relatively strong Rand.

### ASSETS UNDER ADMINISTRATION AND MANAGEMENT

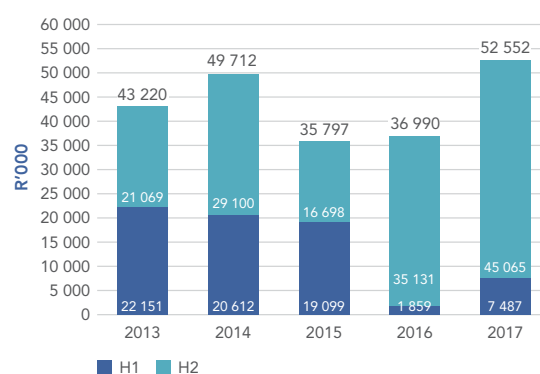


### FUTURE PLANS FOR SASFIN WEALTH

- Consider acquisitions to enhance our offering
- Step up sales to boost AUM and AUA for private and institutional clients
- Improve our client experience through technology – seamless on-boarding, reporting and tools
- Continue investing in private client and institutional distribution
- Offer well-packaged investment solutions that work seamlessly for advisors and clients
- Continually improve systems, operations and reporting
- Ongoing product development
- Be a great place to work for entrepreneurially minded investment professionals
- Achieve strong growth in foreign assets and income
- Explore more offshore investment opportunities for clients

## Sasfin Capital

### HEADLINE EARNINGS – CAPITAL (INCLUDING SASFIN COMMERCIAL SOLUTIONS)



Sasfin Capital provides investment financing services and private equity capital to property, technology, trading and manufacturing companies. It also houses the Group's strategic investments.

- Private Equity, which invests in the mid-sized corporate market and experiences strong deal flow generated across the Group, achieved a number of good exits during the year
- Property Equity, which is an equity investor in industrial, commercial and residential properties, was able to exit from some troublesome legacy positions
- Strategic Investments, which comprises the Group's interests in the following businesses, had mixed results:
  - ISL which provides freight forwarding and customs clearing services and is now owned 30.00% by Sasfin and 70.00% by the Imperial Group, had a poor year due to low volumes and high overheads. Remedial action on both these fronts is under way to restore profitability
  - Sasfin HRS, which is a small insurance broking and administration company, now owned 51.00% by Sasfin, achieved improved critical mass following the merger with HRS
  - Pay@, which is a finTech payment platform in which Sasfin owns 15.60 %, had an excellent year
  - Sasfin Commercial Solutions, which provides services in Global Trade and Incentives performed satisfactorily. However, its future is uncertain, as the dti restructures its incentive schemes
- Corporate Finance, which provides merger and acquisition and listings advice and sponsorship services to clients, had a busy year and were instrumental in concluding Sasfin's transaction with WIPHOLD, the pending ATFS acquisition and various other corporate opportunities
- The Investment Financing division has satisfactorily realised the Benal investment, as planned

## FUTURE PLANS FOR SASFIN CAPITAL

- Service the mid-sized corporate market through a combination of select balance sheet deployment and strong corporate finance advice
- Optimal deployment of Private and Property Equity capital within our chosen markets through strong deal origination and comprehensive deal assessment with the agility to take advantage of opportunities
- Active portfolio management with contribution to business strategy, management selection, and exits in portfolio companies
- Add value to the broader Sasfin Group by identifying and implementing acquisitions, strategic investments and other capital market opportunities
- Grow short-term insurance in HRS, specifically through a combination of internal organic growth and a broker investment model
- Build a full-service logistics capability and broaden ISL's client base
- Enhance the Global and Trade Incentives service provided by Sasfin Commercial Solutions

# Governance, risk, compliance and human capital

Sasfin's approach to  
governance, our Board  
functions and reports on risk  
management and human  
capital for the year



# COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP

## Approach to governance

The Group sees the application of good governance as essential to achieving an ethical and effective organisation able to create sustainable value for its stakeholders. It welcomes the latest update of the King Code of Governance Principles, King IV, which was introduced to South Africa in late 2016. King IV's outcome-driven approach to corporate governance corresponds with Sasfin's commitment to consistent improvement and value creation.

The leadership and performance of this report describes how Sasfin is driving the achievement of an ethical culture, good performance, effective control and legitimacy through its application of good governance.

In line with the approach of King IV, an assessment of the outcomes of our approach to corporate governance against the King IV principles follows. We recognise that this is the first step on our King IV journey and will be spending time in 2018 further analysing our practices to support the various principles and outcomes in terms of King IV.

The key applications by Sasfin of the principles contained in King IV are explained in the table below:



PRINCIPLES	SASFIN APPLICATION	FOCUS AREAS
 <p><b>PRINCIPLE 1</b> The governing body should lead ethically and effectively.</p>	<p>The Board adheres to its fiduciary duties. Its functions are summarised in a charter which places diligence, ethics and effectiveness at its core.</p> <p>Directors are provided with ongoing training to ensure they are equipped to meet the standards of conduct expected of them.</p> <p>Individual standards of conduct, accountability and effectiveness standards are regularly assessed in a fair and transparent manner.</p> <p>The Board ensures that a robust culture of integrity and competence is applied when steering and setting the direction of the organisation. In this regard, the Board encourages robust debate and considers the views of all, including minority and opposing views.</p>	<p>There were several changes to our Board during the year under review. The Board will be reviewing our governance structures and processes during the new financial year and taking into consideration the proposed restructuring of the Group.</p>
 <p><b>PRINCIPLE 2</b> The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The Board has an SEC, and ensures robust policies aimed at maintaining a culture of ethics and compliance are implemented and executed by management throughout the Group.</p> <p>Policies preventing market abuse, bribery and other unethical conduct are in place.</p> <p>Other policies promoting positive ethics, including fair working conditions and codes of conduct, are disseminated to employees and other stakeholders. Implementation is actively driven by management and feeds into the evaluation of performance and reward, as well as consequence management of employees by REMCO.</p>	<p>The process of ensuring that the Group's products and service offering is aligned to the outcomes of the TCF campaign is underway. This aligns with the enhancement of a broader market conduct self-evaluation process, the extension of the application of the Group's standards to its suppliers, and the inclusion of ethics in employees' KPIs. Focus is being given to strengthening the oversight done by the SEC, in particular by relaunching a hotline and accessing what transpires from disciplinary actions relating to ethics.</p>




# COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

PRINCIPLES	SASFIN APPLICATION	FOCUS AREAS
 <p><b>PRINCIPLE 3</b> The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The Board recognises the Constitution of South Africa, including the Bill of Rights, as the supreme law and considers the consequences of how the organisation's activities affect our status as a responsible corporate citizen.</p> <p>Sasfin has a comprehensive SEMS in place, which in particular regulates all lending activities. Management reports to the SEC on matters relating to social and economic development, good corporate citizenship, environmental health and public safety, consumer relationships as well as fair labour and employment practises, and applies UN global compact principles as well as local standards set by South African regulators and industry bodies in its activities.</p>	<p>The SEC will be re-evaluating the effectiveness and benefits of the Group's CSI spend to ensure it has the maximum impact.</p>
 <p><b>PRINCIPLE 4</b> The governing body should appreciate that the organisation's core purpose, the risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The Board has delegated to management, via the STRATCO, the formulation of strategy which is considered and approved by the Board, including key performance measures and targets over the short, medium and long term, and oversees the implementation thereof within the triple context in which Sasfin operates.</p> <p>The Board considers risks and opportunities at every Board meeting, and how these impact the Board's strategy and its execution. In addition, the Board is considering the current business model (structure and IT infrastructure) in order to further enhance the execution of strategy.</p>	<p>The interdependence between the various elements described needs to be comprehensively mapped.</p> <p>Firm targets beyond financial performance will be developed to align operational plans and strategic outcomes with the value creation process.</p>
 <p><b>PRINCIPLE 5</b> The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.</p>	<p>The Board has assumed responsibility for the Integrated Report and also approves interim communications, including all SENS announcements, disclosures made in terms of Regulation 43 of the Banks Act and other media statements.</p> <p>The Board has approved management's determination of the reporting frameworks and ensures they comply with the Group's legal and regulatory obligations.</p>	<p>The Board's focus is to better understand the information needs of material stakeholders.</p>



PRINCIPLES	SASFIN APPLICATION	FOCUS AREAS
 <p><b>PRINCIPLE 6</b> The governing body should serve as the focal point and custodian of corporate governance in the organisation.</p>	<p>The Board, supported by the DAC, acknowledges its responsibility to steer the organisation, and to review and approve its strategic direction. Board meetings are held at least quarterly where a significant part of the agenda is dedicated to corporate governance and oversight of the implementation of the direction provided, to ensure accountability.</p>	<p>The Board intends focusing on its performance against the four key corporate governance outcomes suggested by King IV during at least two Board meetings a year.</p>
 <p><b>PRINCIPLE 7</b> The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	<p>The DAC is responsible for ensuring that the Board attracts and appoints sufficient members with an appropriate mix of skills and backgrounds and who also meet the diversity and gender targets set by the Group.</p> <p>The Board currently has a majority of NEDs with two Executive Directors and an Alternate Executive Director, to ensure NEDs have multiple points of engagement with the executive team.</p> <p>NEDs are subject to rotation and re-election after the Board satisfies itself that they remain fit and proper.</p>	<p>The Board has recently approved specific ranges set for race and gender representation and intends working toward the achievement of those targets. A process of identifying additional NEDs, and generally expanding on the succession plan, is also underway.</p> <p>The Board annually performs an evaluation of the independence of each NED. The Board has assessed the independence of all NEDs by weighing all relevant factors that may impair NEDs' independence, including the period that they have served on the Board and the direct and indirect economic interests they may have in the Group.</p>
 <p><b>PRINCIPLE 8</b> The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p>	<p>The Board has established committees to which it has delegated specific roles and responsibilities which all operate under approved terms of reference. Committee members for each committee are selected according to their suitability in terms of their qualifications and experience.</p> <p>The executive team and management operate under a defined authority matrix which is aimed at ensuring there is effective collaboration and accountability.</p>	<p>With the recently proposed changes to the Board, the election of Directors to all committees, and specifically the SEC, is to take place.</p>

# COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

PRINCIPLES	SASFIN APPLICATION	FOCUS AREAS
 <p><b>PRINCIPLE 9</b> The governing body should ensure that the evaluation of its own performance and that of its committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.</p>	<p>The Board and each committee have conducted an internal assessment exercise, both in respect of the Board itself and in respect of each committee. The Chair has been assessed by the Board under the leadership of the Chair of REMCO who also serves as the Lead Independent Director.</p> <p>An external assessment on the Board and each committee is conducted every three years.</p>	<p>Areas for improvement identified in the assessment are being actively addressed. The Board is evaluated internally through a self-assessment process on a two-year review cycle via a comprehensive questionnaire and internal review process. A condensed Board Effectiveness Review was performed during September 2017 under the direction of the Chair, and the Board is satisfied that it is performing its functions effectively and meeting its overall objectives.</p>
 <p><b>PRINCIPLE 10</b> The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibility.</p>	<p>In light of the Board restructure, the delegation of authority structure is being expanded and updated.</p>
 <p><b>PRINCIPLE 11</b> The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>The Board has considered and approved a RAS which sets the parameters as to how risk is to be approached.</p> <p>The GRCMC assesses the risks and opportunities emanating from the context in which Sasfin operates, as well as risks outside tolerance levels and upcoming risks.</p> <p>Executive oversight of the risk function is delegated to the CRO. Operational risk management is overseen by the Head of Operational Risk.</p>	<p><b>R</b></p> <p>The aim is to simulate the crisis management plan by 31 December 2017 and to implement RDARR across the Group in the months to come.</p> <p>A centralised Risk and Compliance software solution to facilitate combined assurance will also be implemented over the next few months.</p>
 <p><b>PRINCIPLE 12</b> The governing body should govern technology and information in a way that supports the organisation to set and achieve its strategic objectives.</p>	<p>The Board's IT Committee considered a comprehensive IT governance framework for Board approval.</p> <p>The IT Committee includes an industry IT specialist to provide technical input and guidance. A three-year IT strategy has been implemented, which aligns and supports the overall business strategy.</p>	<p>Plans afoot are to:</p> <ul style="list-style-type: none"> <li>• implement a new IT solution for rental finance</li> <li>• enhance the IT infrastructure to support the Transactional Banking business</li> <li>• establish a project office that brings together IT and business to effectively execute IT projects and measure their returns</li> <li>• place ongoing focus on architecture, service delivery and cybersecurity</li> </ul>

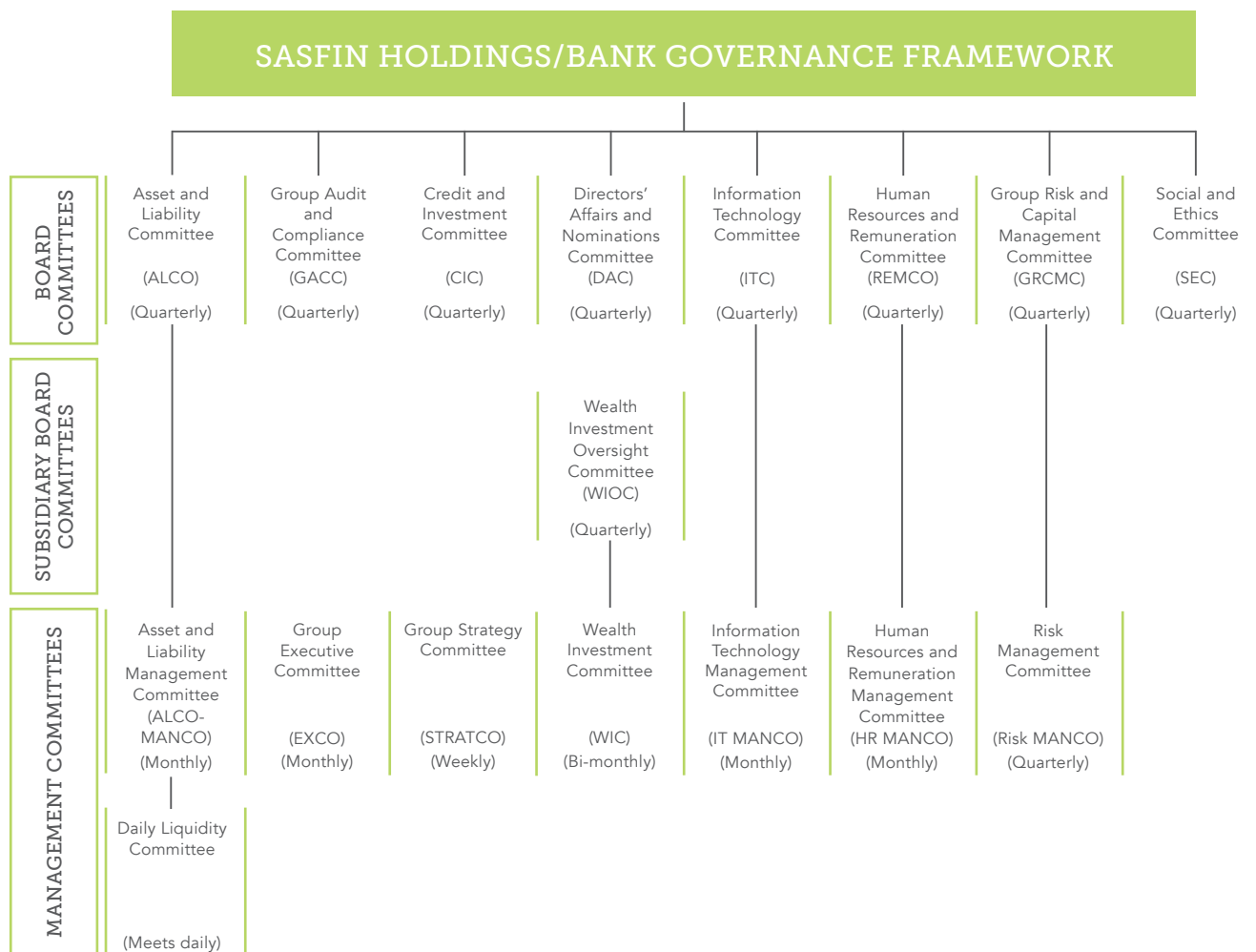
PRINCIPLES	SASFIN APPLICATION	FOCUS AREAS
 <p><b>PRINCIPLE 13</b> The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<p>The Group has a compliance function headed by the Group Compliance Officer, who is assisted by specialist teams focusing on areas such as banking regulation, AML, market conduct, exchange control and regulatory interaction. The Group Compliance Officer is a permanent invitee and reports on all areas of compliance and non-compliance to the GACC, GRMC and DAC.</p>	<p>Compliance risk management plans are being expanded to deal with various new pieces of legislation</p> <p>Additional technical specialists are to be recruited.</p>
 <p><b>PRINCIPLE 14</b> The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>The Board's REMCO considers whether remuneration is fair and consistent, and encourages behaviour which is commensurate with the strategic direction and risk appetite of the Group. The Group's remuneration policy and implementation report will be subject to non-binding votes by shareholders.</p>	<p><b>HC</b></p> <p>The appropriate level of disclosure of executive remuneration is being assessed.</p>
 <p><b>PRINCIPLE 15</b> The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>The GACC oversees the responsibility for ensuring that both internal assurance functions and external assurance services facilitate an effective control environment. They do so by using the combined expertise contained in the Group's Risk, Compliance, Internal Audit and External Audit reports to arrive at a holistic risk-based assessment of the Group's governance, risk management and control processes.</p>	<p>Combined assurance framework being enhanced.</p>

# COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

PRINCIPLES	SASFIN APPLICATION	FOCUS AREAS
 <p><b>PRINCIPLE 16</b> In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>The Board recognises the importance of maintaining stakeholder relationships. It recognises its shareholders, depositors, employees, regulators, clients and the broader community in which it operates as all being important stakeholders. It manages stakeholder risk as an integral part of its overall risk management framework. It also maintains a group governance framework to regulate relationships between the various entities within the Group and ensures that arrangements between holding and subsidiary companies within the Group are appropriate. The Board, and the Group's external auditors, will be available at the AGM to respond to any shareholder queries.</p>	<p>Reporting to the Board on stakeholder identification, key needs and expectations, and actions taken will be formalised during the forthcoming year.</p>
 <p><b>PRINCIPLE 17</b> The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.</p>	<p>The Group has adopted a social and environmental management policy which guides the Group's investment activities.</p>	<p>The focus is on developing and formalising a more comprehensive corporate governance scoring for the organisation's equity investments.</p>

## Governance framework

Our Board is the ultimate custodian of our business operations. It is responsible for ensuring the application of our strategy throughout the business by holding management accountable for delivering and balancing short- and medium-term performance, with long-term sustainability and value creation, within the Group's approved risk appetite and framework. To assist the Board with this responsibility, a number of statutory and operational Board committees have been established as part of the organisation's governance framework.

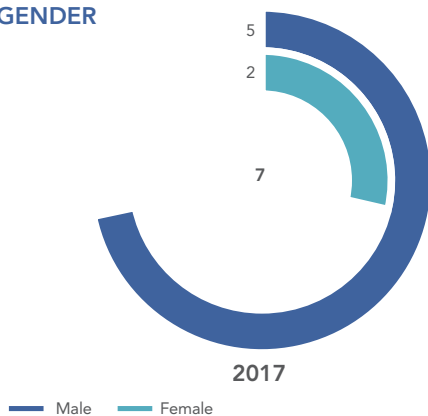


# COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

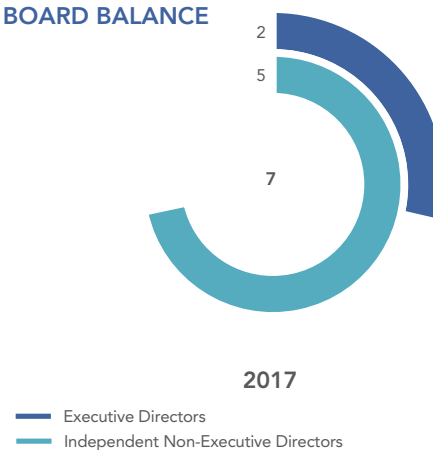
## BOARD STATISTICS

Current composition (Sasfin Holdings Limited)

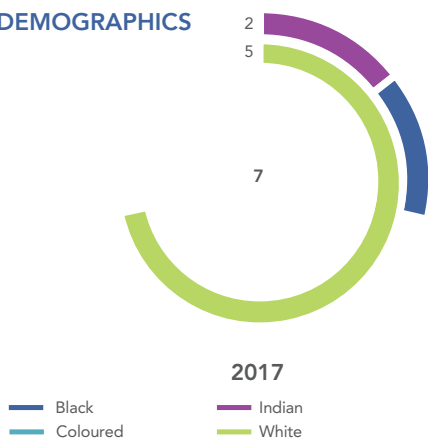
### GENDER



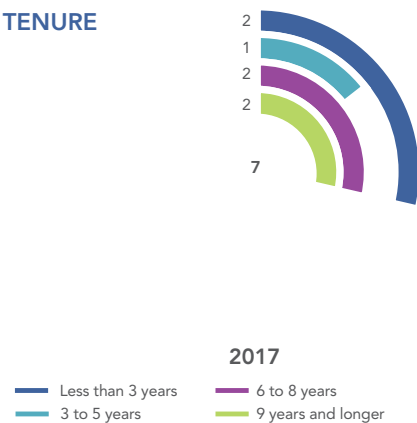
### BOARD BALANCE



### DEMOGRAPHICS



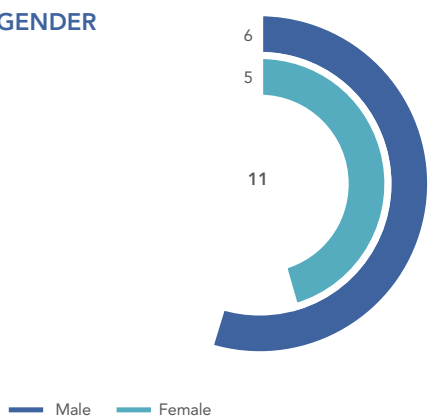
### TENURE



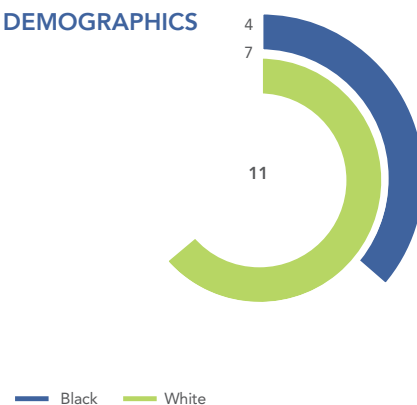
## BOARD TARGETS

The Board is cognisant of the need for it to achieve balance, diversity and transformation and in this regard, has set the following targets for its composition:

### GENDER



### DEMOGRAPHICS





## Board of Directors

**ROY ANDERSEN (69)**  
INDEPENDENT NON-EXECUTIVE  
CHAIR OF SASFIN HOLDINGS  
LIMITED AND SASFIN  
BANK LIMITED

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

Appointed 2011

Roy was previously Chairman  
of Ernst & Young, Executive  
President of the JSE, CEO of Liberty,  
Chairman of Sanlam, and Murray &  
Roberts.



**ROLAND SASOON (71)**  
GROUP CHIEF EXECUTIVE  
OFFICER, CHAIR OF GROUP EXCO

*FCIS*

Appointed 1979

Prior to joining Sasfin, Roland had  
10 years of experience in factoring,  
leasing, export, shipping, and  
confirming. Roland is responsible  
for all divisions in the Group.



**MICHAEL SASOON (35)**  
EXECUTIVE DIRECTOR,  
MEMBER OF GROUP EXCO

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

Appointed 2015\*

Michael is responsible for  
the Wealth Management  
and Capital businesses, as  
well as Transactional Banking  
in the Group.



**LINDA DE BEER (48)**  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR

*CA(SA), MCom (Taxation)  
(Pretoria), Chartered Director (SA)*

Appointed 2014

Linda is a financial reporting and  
corporate governance advisor.  
Linda is a member of various local  
and international standard-setting  
bodies, including the King  
Committee.



\* Appointed Alternate Executive Director in 2013.

**GRANT DUNNINGTON (57)**  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR

*BCom, Certified Associate of the  
Institute of Bankers*

Appointed 2010

Grant is the Group Chief Executive  
Officer of SBV Services (Pty)  
Limited and holds various  
other directorships and trustee  
positions. Previously, Grant held  
various senior positions at  
FirstRand Bank Limited.



**GUGU MTETWA (37)**  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR

*BCom (Accounting), Post Graduate  
Diploma (Accounting) (University of  
Cape Town), CA(SA)*

Appointed post year-end to the  
Sasfin Holdings Limited Board on  
28 August 2017.

Gugu is a senior executive with more  
than 15 years of experience in the  
financial services and telecommunications  
industries, with specific expertise in  
short- and long-term insurance,  
investment management, real estate and  
technology.



# COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

## Board of Directors continued

**SHAHIED RYLANDS (45)**  
INDEPENDENT NON-EXECUTIVE  
DIRECTOR (LEAD)

*Accounting and auditing  
qualification (UNISA)*

Appointed 2007 (Sasfin Bank  
Limited in 2006)

Shahied has previously served  
in various senior roles within  
the Arcus Group of companies.  
Shahied is currently a director  
of Royal Africa Gateway.



**LINDA FRÖHLICH (48)**  
HEAD: BUSINESS BANKING,  
ALTERNATE EXECUTIVE  
DIRECTOR, MEMBER OF  
GROUP EXCO

*Diploma in Financial  
Management (Damelin)*

Appointed 2013

Linda is responsible for all  
Business Banking activities  
encompassing equipment rental  
finance and business finance.



	SASFIN HOLDINGS LIMITED			SASFIN BANK LIMITED		
	SCHEDULED MEETINGS (incl. Budget)	UN- SCHEDULED MEETINGS (Special)	%	SCHEDULED MEETINGS	UN- SCHEDULED MEETINGS (Special)	%
Meetings held						
<b>DIRECTORS</b>						
Roy Andersen	5/5	8/8	100%	4/4	N/A	100%
Linda de Beer	5/5	8/8	100%	4/4	N/A	100%
Grant Dunnington	5/5	7/8	92%	4/4	N/A	100%
John Moses <sup>2</sup>	5/5	5/8	77%	4/4	N/A	100%
Shahied Rylands	5/5	8/8	100%	4/4	N/A	100%
Lesego Sennelo <sup>1</sup>	2/3	4/6	66%	2/3	N/A	66%
Roland Sassoon	5/5	8/8	100%	4/4	N/A	100%
Tyrone Soondarjee	4/5	7/8	84%	4/4	N/A	100%
Michael Sassoon	5/5	8/8	100%	4/4	N/A	100%
<b>ALTERNATE DIRECTOR</b>						
Linda Fröhlich	5/5	6/8	84%	4/4	N/A	100%

<sup>1</sup> Resigned on 28 March 2017.

<sup>2</sup> Resigned on 28 August 2017.

## COMMITTEE STRUCTURE

The table below presents the Group's committee structure, members and attendance for the period 1 July 2016 to 30 June 2017. Details of each committee and key activities during the reporting period are also outlined. In addition to the meetings mentioned below, Board members were expected to make themselves available for meetings with the SARB, strategy sessions, training sessions and ad hoc meetings.

COMMITTEE	MEMBERS	SCHEDULED MEETING ATTENDANCE	UN-SCHEDULED MEETING ATTENDANCE	COMMITTEE RESPONSIBILITY
ALCO TOTAL ATTENDANCE PERCENTAGE: <b>94.44%</b>	John Moses	4/4	1/1	<ul style="list-style-type: none"> <li>• Asset and liability management</li> <li>• Interest rate risk management</li> <li>• Liquidity management</li> <li>• Funding risk management</li> <li>• Currency risk management</li> </ul>
	Shahied Rylands <sup>1</sup>	4/4	1/1	
	Roland Sassoon	4/4	0/1	
	Lesego Sennelo*	3/3	–	
CIC TOTAL ATTENDANCE PERCENTAGE: <b>81.48%</b>	Grant Dunnington <sup>1</sup>	4/4	14/14	<ul style="list-style-type: none"> <li>• Credit risk management policy and procedures</li> <li>• Defining credit policy and guidelines</li> <li>• Reviewing compliance with approved credit and investment policies</li> <li>• Assessing and approving of large exposures of the Group</li> <li>• Considering Private Equity and Property Equity investments, and valuations twice a year</li> </ul>
	John Moses	4/4	11/14	
	Shahied Rylands	4/4	14/14	
	Roland Sassoon	4/4	14/14	
	Michael Sassoon <sup>2</sup>	4/4	9/14	
	Tyrone Soondarjee	2/4	4/14	
DAC TOTAL ATTENDANCE PERCENTAGE: <b>96.42%</b>	Roy Andersen <sup>1</sup>	4/4	1/1	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Monitoring Directors' responsibilities and performance</li> <li>• Fiduciary capacities of Directors</li> <li>• Fulfilling the role of a Board nomination committee</li> </ul>
	Linda de Beer	4/4	1/1	
	Grant Dunnington	4/4	1/1	
	John Moses	4/4	1/1	
	Shahied Rylands	4/4	1/1	
	Lesego Sennelo*	2/3	–	
GACC TOTAL ATTENDANCE PERCENTAGE: <b>85.71%</b>	Linda de Beer <sup>1</sup>	4/4	7/7	<ul style="list-style-type: none"> <li>• Internal and external audit</li> <li>• Accounting policies</li> <li>• Internal controls and systems</li> <li>• Annual Financial Statements</li> <li>• Integrated annual reporting</li> <li>• Compliance with statutory and regulatory framework</li> </ul>
	Grant Dunnington	4/4	7/7	
	John Moses	4/4	7/7	
	Lesego Sennelo*	2/3	1/6	
GRCMC TOTAL ATTENDANCE PERCENTAGE: <b>90.00%</b>	Grant Dunnington <sup>1</sup>	4/4	1/1	<ul style="list-style-type: none"> <li>• Addressing risks faced by the Group</li> <li>• Risk management policies and procedures</li> <li>• Capital management policies and ICAAP</li> <li>• Capital planning activities</li> </ul>
	Roy Andersen	4/4	1/1	
	Linda de Beer	4/4	1/1	
	John Moses	4/4	0/1	
	Shahied Rylands	3/4	1/1	
	Tyrone Soondarjee	3/4	1/1	

<sup>1</sup> Committee Chair

<sup>2</sup> Alternate

\* Resigned on 28 March 2017

# COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

COMMITTEE	MEMBERS	SCHEDULED MEETING ATTENDANCE	UN-SCHEDULED MEETING ATTENDANCE	COMMITTEE RESPONSIBILITY
ITC TOTAL ATTENDANCE PERCENTAGE: <b>93.33%</b>	Linda de Beer <sup>1</sup>	4/4	1/1	<ul style="list-style-type: none"> <li>• Oversee IT governance and monitor the development and compliance with an IT strategy, IT governance framework, IT policies and procedures</li> <li>• Monitor and evaluate significant IT investments and expenditure</li> <li>• Approve and monitor IT projects</li> <li>• Oversee the governance of IT risk</li> </ul>
	Shahied Rylands	4/4	1/1	
	Bruce Maclaren <sup>2</sup> (Independent IT specialist, not director of the Board)	3/4	1/1	
REMCO TOTAL ATTENDANCE PERCENTAGE: <b>100%</b>	Roy Andersen	4/4	N/A	<ul style="list-style-type: none"> <li>• Human resources matters</li> <li>• Remuneration and incentives</li> <li>• Remuneration policies and procedures</li> <li>• Human resources policies and procedures</li> </ul>
	Grant Dunnington	4/4	N/A	
	Shahied Rylands <sup>1</sup>	4/4	N/A	
SEC TOTAL ATTENDANCE PERCENTAGE: <b>100%</b>	Roland Sassoon	5/5	N/A	<ul style="list-style-type: none"> <li>• Social and economic development</li> <li>• Good corporate citizenship</li> <li>• Environmental health and safety</li> <li>• Consumer relationships</li> <li>• Labour matters</li> <li>• Ethical practices and transformation initiatives</li> <li>• B-BBEE compliance</li> <li>• FSC compliance</li> </ul>
	John Moses <sup>3</sup>	1/1	N/A	
	Lesego Sennelo <sup>1*</sup>	4/4	N/A	

<sup>1</sup> Committee Chair.

<sup>2</sup> Since November 2015.

<sup>3</sup> Chaired one meeting and resigned on 28 August 2017.

\* Resigned on 28 March 2017.

## BOARD CHANGES

During the year, Lesego Sennelo resigned as Independent NED of the boards of Sasfin Bank Limited and Sasfin Holdings Limited with effect from 28 March 2017. Lesego chaired the SEC and, in her absence, John Moses was appointed as interim Chair of the SEC until a permanent appointment is made.

Tyrone Soondarjee announced his retirement with effect from 30 June 2017 in February 2017.

Subsequent to year-end, John Moses has resigned as an Independent NED of the boards of Sasfin Bank Limited and Sasfin Holdings Limited with effect from 28 August 2017. John served as member of the GACC, CIC, ALCO and GRMC.

Gugu Mtetwa was appointed as an Independent NED to the Board of Sasfin Holdings Limited with effect from 28 August 2017.

## COMPANY SECRETARY ASSESSMENT

Collectively, the Board has declared satisfaction with the competence and experience of the Group Company Secretary, Howard Brown, BA (Wits), LLB (Wits), HDip Corporate Law (Unisa). Howard is an admitted attorney with more than 20 years of experience in corporate and company law, and the Board is satisfied that he maintains an arm's-length relationship with Board members.

## BOARD CHARTER

The Board has adopted separate charters to cater for Sasfin Bank Limited and Sasfin Holdings Limited. This decision was taken to further enhance accountability and defined areas of responsibility, and to comply with the updated governance standards as embodied in the Basel Committee on Banking Supervision's guidelines on corporate governance principles for banks. Both charters were reviewed to align with King IV and will be updated further in the forthcoming year.

## CODE OF ETHICS

The Group operates according to a code of ethics that is informed by the Code of Banking Practice. The overall ethical climate of the organisation is reviewed against this code on an ongoing basis.

## COMBINED ASSURANCE

The Group has three separate lines of defence, comprising business, risk and compliance, and audit. They interact and communicate to plan and co-ordinate their approach to increase efficiencies, eliminate duplication, and ensure that all key risks and controls are addressed, thereby delivering a high-quality assurance service. The Group's assurance providers and their results are detailed in the table below.

CONTENT	ASSURANCE PROVIDER	FRAMEWORK/STANDARD
Audited Annual Financial Statements	<ul style="list-style-type: none"> <li>• KPMG*</li> <li>• Grant Thornton*</li> </ul>	<ul style="list-style-type: none"> <li>• IFRS</li> <li>• Companies Act</li> <li>• JSE Listings Requirements</li> </ul>
Regulatory returns in terms of the Banks Act	<ul style="list-style-type: none"> <li>• KPMG*</li> </ul>	<ul style="list-style-type: none"> <li>• Banks Act and Regulations</li> </ul>
B-BBEE contributor	<ul style="list-style-type: none"> <li>• NERA*</li> </ul>	<ul style="list-style-type: none"> <li>• B-BBEE Codes of Good Practice</li> </ul>
Corporate governance	<ul style="list-style-type: none"> <li>• GIA</li> <li>• Company Secretarial</li> <li>• Group Risk</li> <li>• Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Banks Act and Regulations</li> <li>• King IV</li> <li>• Basel Committee on Banking Supervision</li> </ul>
Non-financial information	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• GIA</li> <li>• Company Secretarial</li> <li>• Group Finance</li> <li>• Human Resources</li> <li>• Group Risk</li> </ul>	<ul style="list-style-type: none"> <li>• Internal models, policies and frameworks</li> </ul>
Review of internal controls and risk management	<ul style="list-style-type: none"> <li>• GIA</li> <li>• Group Risk</li> </ul>	<ul style="list-style-type: none"> <li>• International Standards for the Professional Practice of Internal Auditing</li> <li>• Internal models, policies and frameworks</li> <li>• Banks Acts and Regulations</li> </ul>

\* External assurance providers.

# COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

## Executive Committee

**HOWARD BROWN (52)**  
HEAD: LEGAL, GROUP  
COMPANY SECRETARY

*BA (Wits), LLB (Wits), HDip  
Corporate Law (Unisa)  
(cum laude)*

Joined the Group and  
appointed to Exco in 2006



**GLEN CHRISTOPULO (49)**  
CHIEF OPERATING OFFICER

*CA(SA), CIMA, CFA, Advanced  
Taxation Certificate (Unisa)*

Joined the Group and  
appointed to Exco in July 2015



**RODGER DUNN (56)**  
HEAD: TRANSACTIONAL  
BANKING

*MBA (Netherlands), FIBSA*

Joined the Group and  
appointed to Exco in 2013



**DAVID EDWARDS (49)**  
HEAD: SASFIN CAPITAL

*BCom (Port Elizabeth),  
MBL (Unisa)*

Joined the Group and  
appointed to Exco in 2012



**NEIL EPPEL (48)**  
HEAD: PRIVATE EQUITY

*BCom (Hons) (Wits), CA(SA)*

Joined the Group in 2009 and  
appointed to Exco in 2011



**NASEEMA FAKIR (44)**  
HEAD: HUMAN RESOURCES

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

Joined the Group in 2001 and  
appointed to Exco in 2006



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**DHESEGAN GOVENDER (42)**  
GROUP TREASURER

*BActt (Hons) (Natal), CA(SA)*

Joined the Group in 2012 and  
appointed to Exco in 2016



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**MASTON LANE (51)**  
CHIEF RISK OFFICER (ACTING)

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

Joined the Group in 2000 and  
appointed to Exco in 2003.  
Resigned as Alternate Director  
on 23 October 2015



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**FRANCOIS OTTO (36)**  
HEAD: CORPORATE FINANCE

*CA(SA), CFA, JSE Approved  
Executive*

Joined the Group and  
appointed to Exco in 2015



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**ZEENATH PATEL (42)**  
GENERAL MANAGER:  
ENTERPRISE RISK

*BCom (Management)  
(cum laude) (Unisa) SIRM (UK)*

Joined the Group in 2001 and  
appointed to Exco in 2014



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**LUSHENDREN PATHER (39)**  
GROUP FINANCIAL DIRECTOR  
(ACTING)

*BCompt (Unisa), BCom (Hons)  
(University of KwaZulu-Natal),  
CA(SA)*

Joined the Group and appointed  
to Exco in 2014



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**GARY PATTERSON (59)**  
CEO: SASFIN ASIA LIMITED

*CAIB (SA), ACIS (SA),  
EDP (SU)*

Joined the Group in 2006 and  
appointed to Exco in 2007



# COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

## Executive Committee continued

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**ROBERTO REBUZZI (53)**  
HEAD: SASFIN FOREX

*MBA (Oxford Brookes UK)*

Joined the Group and  
appointed to Exco in 2016



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**ANDREW (JOSH)  
SOUCHON (52)**  
CHIEF INFORMATION OFFICER

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

Joined the Group and  
appointed to Exco in 2016



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**MAGDA OOSTHUYSEN (53)**  
HEAD: CREDIT

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

Joined the Group and appointed  
to Exco in 2017





# RISK GOVERNANCE <sup>R</sup>

Sasfin's risk management and compliance functions operate independently.

Ultimate responsibility for risk management rests with the Board, which is also tasked with approving strategy, risk appetite, policies and limits.

Our risk governance model, detailed below, is based on its three lines of defence. This ensures accountability and distinguishes between owning, managing and overseeing risks, and providing independent assurance.

The Group Risk function provides oversight under the leadership of the Acting CRO. The Acting CRO, as a prescribed officer, reports directly to the Group CEO with direct access to members of the Board and the Chair of the GRCMC, therefore providing sufficient authority and independence. There is regular interaction between the Acting CRO and members of GRCMC, and the Board.

A detailed description of the various risks the Group faces together with its approach in managing these risks, encompassing risk governance, is fully disclosed in the Risk Management section on the Group's website.



## Risk process

Our enterprise risk management process is fit for purpose and fully embedded into our approach to doing business. Sasfin understands that risks may be multi-faceted and thus seeks to manage risks in an integrated manner. The process used for all classes of risk is consistent to ensure that all risks are captured and measured. Once bottom-up risks are identified, through the utilisation of various risk tools, they are compared with the top-down risks identified in the Board risk appetite and the strategic risk assessment. This robust assessment assists in ensuring that the Board's risk concerns are addressed by management. This process aids effective reporting and compliance with laws and regulations, and helps avoid damage to our reputation.

The enterprise risk management process is reviewed on an annual basis and takes current and emerging best practice risk management techniques into account, along with risk research findings, trends and new or changing regulations impacting risk management. Sasfin's risk management process is consistent with various published sources, including: The Banks Act, and the Regulations; COSO's Enterprise Risk Management – an Integrated Framework; and ISO 31000:2009 Risk Management – Principles and Guidelines.

## Risk appetite

Effective risk management requires clear articulation of risk appetite and tolerance, which is defined by our Board. The Board assesses risks in the context of our business operations while consistently remaining aware of opportunities and objectives. The results of this approach are provided by the RAS and metrics, based on the Group's business activities, which have further been broken down into measurable tolerance levels. Quantitative indicators are determined after consultation and advice from senior management in the Group.

Criteria for setting risk appetite include relevant market analysis, market liquidity and business strategy. Senior management is responsible for translating the organisational risk appetite to the divisional/business unit risk tolerances.

The Board risk appetite is monitored monthly by the Group Risk function, and reported to GRCMC and the Board at least quarterly. A breach of the appetite requires immediate escalation to the GRCMC and the Board.

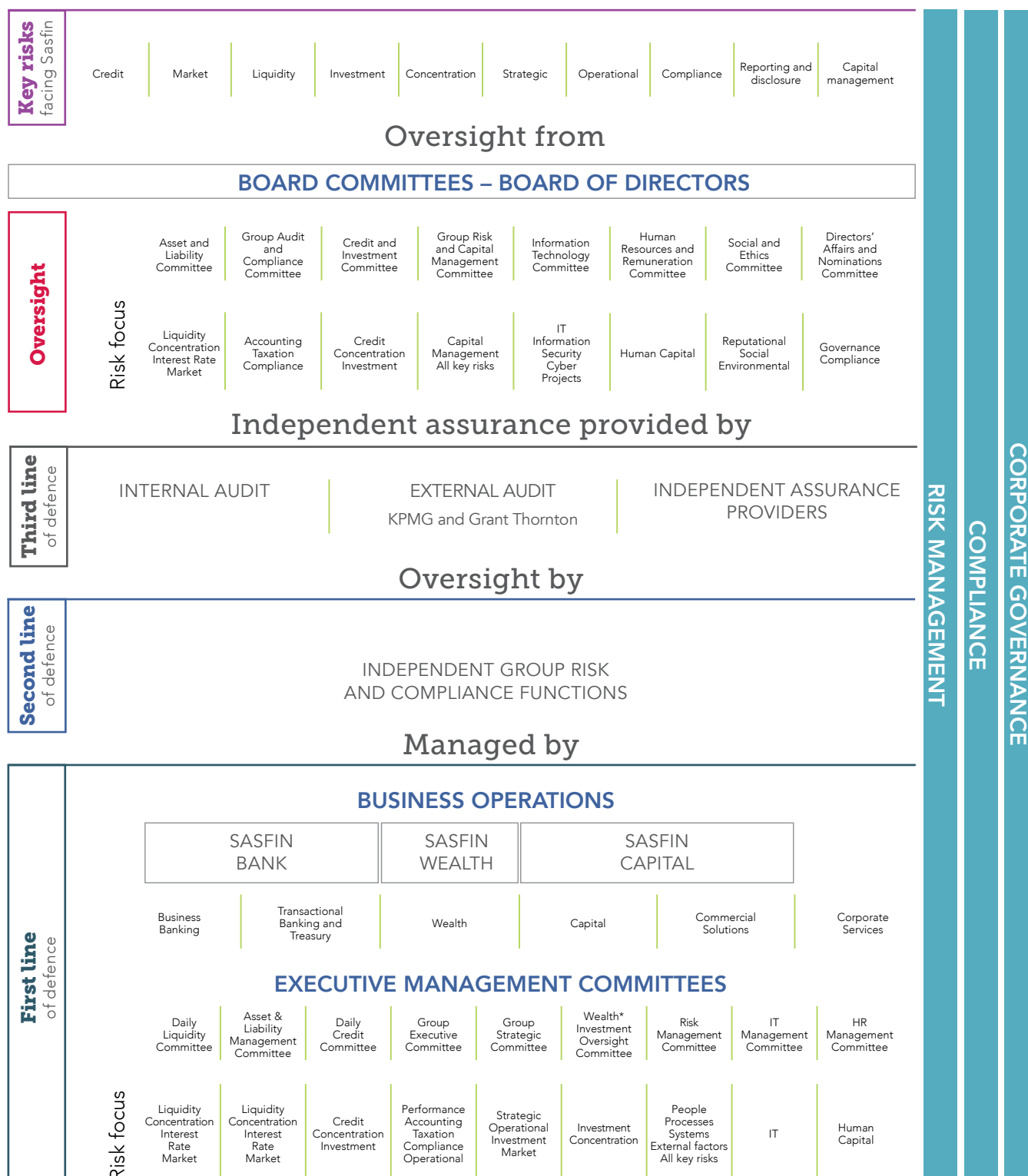
The Board risk appetite is reviewed at least annually, and monitored quarterly by the GRCMC and Board.

Quantitative RAS and measurable tolerance levels have been set for the following risk types:

LIQUIDITY RISK	CAPITAL RISK	CREDIT RISK	MARKET RISK	OPERATIONAL RISK
Defined liquidity buffers	Total regulatory capital	NPL ratio	NOP limits	Operational losses as a percentage of gross profits
LCR	Tier 1 capital ratio	Credit loss ratio	VaR limit	System downtime and uptime
NSFR	ICAAP Coverage Ratio	Concentrations		
		Counterparty Limits		

# RISK GOVERNANCE continued

## SASFIN'S INTEGRATED APPROACH TO RISK MANAGEMENT



\* Committee of the Sasfin Wealth (Pty) Limited Board.

# HUMAN CAPITAL HC

## HIGHLIGHTS

- Invested R5.076 million (2016: R5.587 million) in learning initiatives across the Group, which benefited our employees
- Addressed gaps identified in our King IV gap analysis with regards to remuneration and reporting
- Effected the necessary payroll and HR changes to facilitate the proposed Group restructure
- Created separate HR and Remuneration MANCOs for each of our three Pillars
- Performed the annual review of HR policies and updated our leave policies, our recruitment policy and the team-building and social events policy
- Changed our annual remuneration review cycle from March to October, which better aligns with our financial year-end
- Finalised the payment structure and process for all NEDs, in line with the new VAT requirements

## CHALLENGES

- Transformation objectives not being met in all business units. This is being monitored by the SEC and REMCO
- The change in IT structure, requiring less reliance on contractors by placing permanent resources within the IT team
- Recruiting employees who are paid beyond the salary band for some specialized roles, due to their scarce skills
- Finalising the HR team structure with regards to the proposed Group restructure

## EMPLOYEE PROFILE

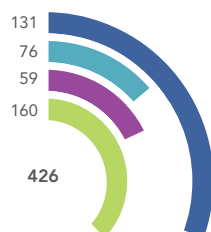
As at 30 June 2017, our headcount was 713 employees (2016: 785), comprising 287 (2016: 324) men and 426 (2016: 461) women.

Our female headcount reduced by 7.59%, and the female representation of total headcount increased by

1.01% to 59.74 % (2016: 58.73%). The 9.17% reduction in total headcount is largely attributable to the disposal of 70.00% of ISL to Imperial Holdings Ltd.

The EE categorisation of our employees is illustrated below:

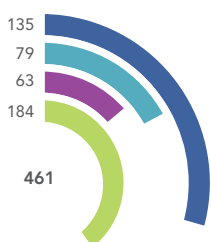
### FEMALE



2017

Black Coloured Indian White

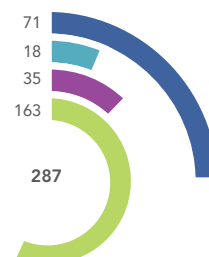
### FEMALE



2016

Black Coloured Indian White

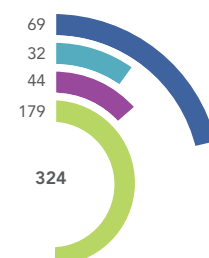
### MALE



2017

Black Coloured Indian White

### MALE



2016

Black Coloured Indian White

# HUMAN CAPITAL continued

There has been a decline across all levels per race demographic year on year, the most notable reduction being in the number of Coloured Male employees (-43.75%). We have increased our representation of employees in designated groups from 53.76% in 2016, to 54.70% in 2017. Most areas of the business did not meet the EE targets set by the SEC. This is largely attributable to the fact that we did not fill some positions which were left vacant by natural attrition. The SEC monitors compliance with our internal targets and engages with management on people development plans. Where appropriate, executive performance objectives include the achievement of the Group's transformation objectives, as determined by the SEC, in conjunction with REMCO.

## INVESTMENT IN HUMAN CAPITAL

To continue growing our business and operating at optimal levels, it is essential that we invest in our people. This includes learning and development initiatives, a supportive culture, strong leadership, sound working conditions, and employee assistance.

We invested R5.076 million (2016: R5.587 million) in learning initiatives across the Group. A total of R1.241 million was spent on employee studies towards formal work-related qualifications. Our mandatory workplace skills plan and annual training reports were submitted to the various SETAs, which awarded the Group rebates totalling R1.267 million (2016: R0.838 million).

In addition to in-house programmes, Sasfin assists employees in the development of their career paths through external means, offering assistance for enrichment and training programmes that enhance performance effectiveness, such as the JSE Registered Persons Exam or Traders Examination for the JSE.

In addition to the general external training, degree courses, technical training, and on-the-job training initiatives, the following specific training and development initiatives took place during the year under review:

- Business Analyst Qualification – 10 employees obtained this qualification
- LMS – all employees across the Group completed risk, compliance, regulatory, and IT training on the LMS
- SHRM – five HR employees participated in this training
- EQ Training – was provided to 50 employees
- Trillium System Training – was provided to 60 employees

- SETA Learnerships – Sasfin permanently employed three learners upon successful completion of their BankSeta/Letsema Learnerships and BankSeta IT Work readiness programme. These learners have been placed in our Business Banking and IT divisions respectively
- In-house Learnerships – we employed nine learners across the Group
- Corporate Etiquette Training was offered to 25 employees
- Managing the Sasfin Way training was provided to 30 managers
- Occupational Health and Safety training – was completed by 29 employees

The Group has a focused approach to training. The SEC, in consultation with divisional heads, agrees training targets for each division. These targets are included in the executive's performance metrics so as to further drive the momentum required in this area. REMCO has oversight of the targets and measures performance against targets for each executive, which has a direct influence on the executives' performance rating and impacts their annual increase and incentive award.

We have engaged with various training partners to assess the feasibility of establishing the Sasfin Learner Academy. Our intention is for the academy to offer soft skills training such as workplace etiquette and conflict management training to complement the on-the-job training already being received by the learners in their respective divisions. The academy will also offer accredited training programmes to permanent employees, which will enhance their knowledge and skills in the workplace.

## EMPLOYEE TURNOVER

Our employees are critical to our success as an organisation and to delivering innovation while exceeding client expectations. To retain our employees and the competitive advantage they provide, we engage our employees by ensuring fair and sound recruitment, reward and retention practices.

Approximately 67.00% of our employees are paid beyond the median. In addition, they receive intangible benefits such as input into business operations, a high-performance culture, and individual development opportunities that are essential aspects of our value proposition.

Our overall employee value proposition includes the following:

- Market benchmarked salaries
- Discretionary performance bonuses
- Provident fund and risk benefits
- Trauma counselling services
- Wellness days
- A collaborative working environment

A total of 62 (2016: 90) new jobs were created across the Group this year, with the majority of these being in the IT department (16.08%), followed by Data Governance and Compliance. The voluntary employee turnover remained constant at 11.80% (2016: 11.60%).

The total employee turnover increased to 17.70% (2016: 16.70%). This included dismissals, resignations pending disciplinary action, retirements, retrenchments, deaths and mutually agreed separations, with retrenchments (due to operational requirements) contributing 21.00% of the involuntary turnover.

As individuals with scarce skills are highly mobile in the industry, there has been increased focus on retention, particularly in senior roles.

## EMPLOYEE SATISFACTION

Our employee engagement survey was completed in 2016. The average score for the Group, across all elements was 4.5 out of a total of 5.0, with the highest score being for Senior Leadership (Exco) Effectiveness and for Employee Wellbeing (4.7 out of a total of 5.0) and the lowest score being for Rewards & Recognition (4.2 out of a total of 5.0). Executive management held feedback sessions with each business unit to provide feedback on the results and to address any concerns and/or questions that were raised.

The Group's culture and growth opportunities are significant contributors to employee satisfaction, and we are committed to supporting and strengthening our employee satisfaction levels by regularly reviewing employment policies to align with employees' evolving needs.

Sasfin continually seeks to employ candidates of a high calibre through a stringent recruitment process that tests for attitude and culture fit in addition to the technical requirements of the job. Over and above obtaining the right person for placement, this ensures that they are positioned well to work within our teams. We continue

to use exit interview information to address concerns that may contribute to employee turnover, and have various short-term incentive schemes to recognise and reward desired performance. All incentive scheme payments are made at the discretion of REMCO.

Employee wellness remains a priority. We host wellness days, partake in and sponsor various external initiatives (e.g. the Sasfin Cyclethon and Mandela Day activities), and drive internal campaigns to create sound relationships with and among employees.

## EMPLOYEE ENGAGEMENT

The Group has regular team meetings to keep abreast of what our people need to be present, engaged, and efficient. In addition, a quarterly HR Newsletter provides employees with information on Group activities, and any policy changes are communicated to employees as well as updated on the intranet.

Our managers receive training opportunities specifically geared to guide them in "Managing the Sasfin Way", thereby promoting positive working relationships that yield measurable business results. Refer to investment in human capital for further detail.

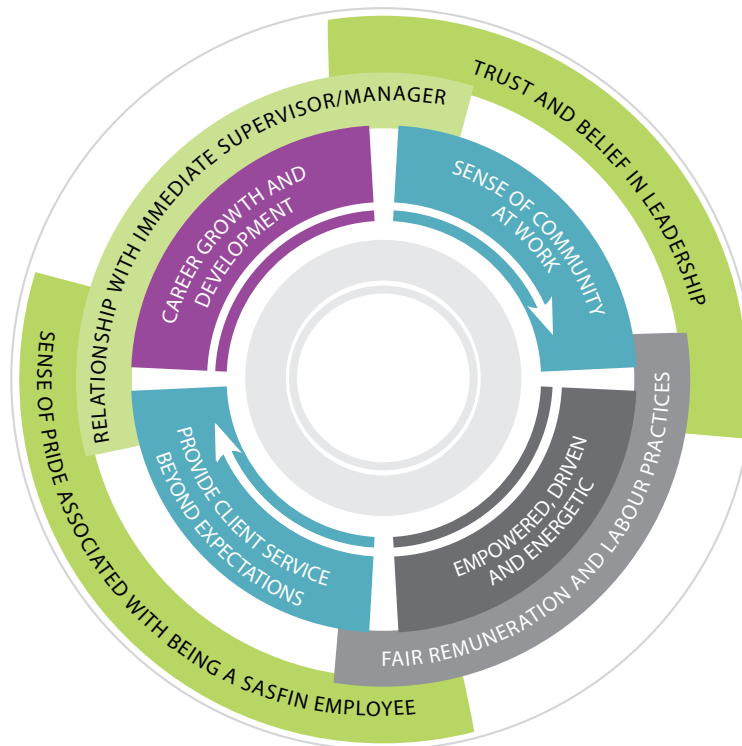
Employees participate in formal training and continuous on-the-job learning to ensure they are well equipped to perform confidently and effectively. When necessary, guidance in the form of performance counselling is given and, this year, 8 employees (2016: 11) received such counselling to improve their performance. The Group issued 18 (2016: 21) written warnings and 3 (2016: 2) final written warnings. 3 employees (2016: 8) were dismissed, and 9 (2016: 20) were retrenched. 7 employees went on retirement.

No complaints were received regarding leadership, workplace discrimination, or unethical leadership conduct. Two employees, or 0.28% of our workforce (2016: 0.40%), referred disputes to the CCMA and all cases were settled at conciliation stage. Three grievances were lodged this year, all arising from concerns raised regarding management.

One employee (2016: 4) was injured while at work this year but did not require hospital treatment. We achieved an independent rating of 99.00% (2016: 96.00%) for compliance with the Occupational Health and Safety Act.

# HUMAN CAPITAL continued

## ILLUSTRATION OF OUR EMPLOYEE ENGAGEMENT MODEL



### FUTURE FOCUS AREAS

- A continued focused approach to training and learnerships
- Conscious culture review throughout the organisation, with new programmes to enhance the organisational culture and identity
- Conduct a thorough remuneration exercise with PwC following which we will review and update our remuneration policy for each Pillar
- Review of our existing incentive schemes
- Review our recruitment processes to ensure that we attract and employ candidates with scarce skills at the right reward levels, while maintaining strong talent management and employee relations in line with our brand and culture

# Board committee reports

# REMUNERATION REPORT

## Remuneration policy and philosophy

The aim of our remuneration policy and philosophy is to provide value to our stakeholders by:

- Ensuring they facilitate fair, responsible and transparent remuneration of employees, executives and Directors, which promotes the achievement of our strategic objectives and positive outcomes in the short, medium and long term
- Benchmarking individual roles within the organisation to ensure fair compensation that is responsive to market forces, and that allows the Group to operate successfully and remain an employer of choice
- Ensuring that our overall employee value proposition enhances our ability to attract, develop and retain employees
- Recognising and rewarding employees for their individual contributions to the Group's overall performance
- Considering and developing a total reward structure that drives exceptional long-term performance by balancing guaranteed and variable pay
- Providing meaningful benefits that are cost-effective from an employee and employer perspective, and which are clearly communicated and supported by an effective administrative system
- Clarifying and reinforcing roles and accountabilities, in line with Sasfin's culture of responsibility
- Rewarding performance, not failure – in line with Sasfin's high-performance culture
- Ensuring internal parity, and providing equal pay for equal work
- Rewarding ethical behaviour that does not place Sasfin, its clients or its employees at risk
- Ensuring that our policy and philosophy facilitate the remuneration practices recommended in Principle 14 of King IV

The Group's overarching remuneration philosophy acknowledges the importance of employees and serves to reward individuals who:

- Contribute to the success and sustainability of the organisation
- Have met or exceeded their performance objectives
- Show potential to develop their careers within the Group

This approach promotes continued high levels of performance from engaged employees, who are committed and loyal to the Group, and who deliver sustainable returns to our shareholders. This is demonstrated by the significant contribution our employees have made over the past year in a highly regulated and very competitive environment.

Our remuneration philosophy provides guidelines which allow for decisions to be made with confidence, integrity, and speed.

Having restructured the business into three Pillars during the year under review, we are now able to assess our policies and processes around people and remuneration for each Pillar. With these assessments, we can strengthen our employee value proposition for each Pillar.

There were no changes to the remuneration policy this year.

### REMUNERATION PRACTICES

Correct remuneration practices are an essential component of an effective governance framework. Sasfin operates within a multi-tiered regulatory framework and takes account of the King IV governance standards as well as the recommendations of the Basel Committee on governance to ensure that remuneration practices and policies align remuneration with the long-term interests of the Group and its stakeholders while discouraging excessive and inappropriate risk taking.

REMCO is responsible for developing and implementing fair remuneration practices consistently throughout the Group, subject to Board approval. This ensures that employees' performance is recognised and rewarded. It considers the overall compensation model as well as the specific remuneration for all Executive Directors, Prescribed Officers and Exco members. In accordance with King IV and the Companies Act, individual remuneration of all Prescribed Officers is disclosed. This includes base salary, financial and non-financial benefits, as well as details of variable remuneration.

In addition, this committee works on behalf of the Board to:

- Determine, agree on, and develop Sasfin's general policy on HR and remuneration
- Ensure that appropriate governance is in place in evaluating remuneration
- Ensure appropriate levels of monitoring and compliance, including internal controls, processes and procedures
- Determine any criteria necessary to measure the performance of Executive Directors and senior executives in discharging their functions and responsibilities. This assists in setting the tone at executive level for ethical conduct, driving the right culture, and embedding risk and compliance management within all business units
- Approve all HR policies after ensuring that due regard is given to the risk implications, the ethical standards of the business, and the desired culture within Sasfin. During the past year, REMCO recognised that, with regard to the wide diversity of products and services offered by the Group, it is important that it reviews the current remuneration policy and creates separate remuneration policies for each of the three Pillars to ensure it is able to attract and retain appropriate talent within these Pillars



- Review the existing short-term and long-term incentive schemes, so as to ensure that they are appropriate for each Pillar and that they also correctly distinguish between revenue generating and control functions so that incentives can be determined more correctly
- Determine the Group's compensation pool based on its financial performance after considering its risk appetite

We benchmark all positions at least every two years, using independent remuneration consultants – PwC Research Services (Pty) Limited, and the International Zonal Leadership Institute – for REMCO to ensure that roles are graded correctly, and employees are paid fairly for the jobs they perform. REMCO is satisfied that these consultants are independent and objective.

We also commission an annual benchmarking report from PwC, which recommends salary bands for adoption each year. Based on PwC's recommendations, REMCO decides on the annual increase guidelines to ensure compliance with its policy and the application of the King IV guidelines. These are then communicated to management for implementation.

REMCO has satisfied itself that there are no obligations in executive employment contracts which could give rise to payments on termination of employment or of office. No such payments were made in the year under review.

The Group uses the Hay Group Total Reward Framework when considering remuneration. This enables us to:

- Align the total cost-to-company remuneration with individual performance, business performance, and Sasfin culture
- Provide competitive remuneration packages, including fixed and variable pay
- Ensure employee remuneration, which is competitive within the industries in which we operate, serves as an attraction, motivation, and retention mechanism
- Link our payroll costs with business results
- Ensure that remuneration is fair
- Monitor internal parity, the wage gap, and equal pay for equal work

A salary band is assigned to each Hay Reward Level within the Group, commensurate with the specific grading of each job. These Reward Levels range from a 5 for unskilled roles, to 27 for the most senior position (CEO). Sasfin's aim is to pay our employees at the median for each Reward Level. Extraordinary factors are taken into account when agreeing on individual compensation within each Reward Level.

#### HR MANCO MANDATE

REMCO has mandated the HR MANCOs to make decisions on employee matters relating to those employees at Reward Level 17 and below across each Pillar. This mandate ranges from Reward Level 5 to Reward level 17, and covers unskilled to middle-management employees. REMCO makes all HR and remuneration decisions relating to senior managers and executives (Reward Level 18 and above). To avoid any conflict of interest, this includes all remuneration decisions relating to the Group CEO and other Executive Directors. A future focus area will be to create separate remuneration policies for each of the Group's Pillars.

#### LINKING STRATEGY AND REWARD

Sasfin views the link between the business strategy and remuneration practices as significant. It drives long-term sustainable performance while rewarding excellent employee performance that delivers on the Group's strategic imperatives. The Group remains competitive in terms of guaranteed cost-to-company packages, but is less competitive when compared to the STIs and LTIs offered by larger banks.

The Group continually strives to directly link reward to individual, divisional, and Group performance – at differing levels – allowing employees to directly impact their total remuneration based on their individual contributions to the Group. Employees who do not achieve performance objectives, or who have a current disciplinary record, do not qualify for annual increases or discretionary STI and LTI awards.

Remuneration forms an integral element of the greater management processes within the Group, which include performance and talent management.

The average increase guidelines for the year, as approved by REMCO, are communicated by HR to all line managers who propose individual increases, bearing in mind that the average performance-based increase for the division should not exceed the overall approved percentage increase.

Managers measure employee performance through a robust performance appraisal process during which individual performance is assessed against agreed performance objectives. These performance objectives are agreed in advance and reviewed regularly, in line with any changes to the job function.

# REMUNERATION REPORT continued

Individual, divisional and Group performance are the indicators linked to variable compensation and include the individual's potential and relative value to the organisation. All incentive payments are calculated according to the incentive criteria, but are awarded at REMCO's discretion. This process ensures each employee understands how his/her bonus is calculated, and serves to promote transparency and consistency when awarding bonus payments.

Any interim remuneration reviews for senior managers and executives (Reward Level 18 and higher) are proposed by the HR MANCOs for REMCO's approval. The Divisional Head motivates the reason for any deviation from the standard increase policy, and the Head: Human Resources provides the HR function's recommendations for consideration. Remuneration decisions are transparent and objective to facilitate honest feedback to employees.

## SUCCESSION PLANNING

REMCO plays a role in Group succession planning, particularly in respect of the CEO, and the development of future leadership. As part of our talent management processes, we identify high-potential and high-performance employees who are then offered training interventions (including on-the-job training) which will equip them to enhance their current skill set, and be considered for other roles as they become available.

At least annually, the committee reviews the terms and conditions of Executive Directors' and senior executives' service agreements, and takes information from relevant, comparable companies into account, in conjunction with other local and global industry trends.

## SHORT-TERM INCENTIVE SCHEMES

The following annual STI schemes are offered across the Group:

- Discretionary performance bonuses for support and back-office employees are based on Group and individual performance. These individual bonuses vary depending on personal performance. For the 2016 financial year, this equated to 100% of a month's salary. This year, these bonus payments amount to 50.00% of monthly salary, in view of Group performance. Divisional incentive schemes for senior managers in profit centres are based on divisional and individual performance. The caps applied to these schemes vary from 50.00% to 100% of annual guaranteed earnings
- The executive incentive scheme, for Group Exco members, which is based on Group, divisional and personal performance, has its payments capped at 100% of annual guaranteed earnings

All STI payments are made at the discretion of REMCO, and are stress-tested and reasonability-tested to ensure that incentive payments drive the required behaviour. Incentive scheme calculations are adjusted to take account of exceptional items and costs associated therewith. REMCO will assess 2018 STI awards based on profit after tax and ICAAP charge.

## LONG-TERM INCENTIVE SCHEMES

There are two LTI schemes across the Group, which both apply to employees once they have completed a full year of service with the Group:

### SHARE PRICE APPRECIATION SCHEME

This scheme pays a bonus based on a future share price, over three to five years from the date of the award. Employees earning between R500 000 and R1 million as fixed remuneration per annum qualify to participate in the SPAS. Three awards were made to employees who are remunerated beyond R1 million per annum, namely, Michael Sassoon, Tyrone Soondarjee and Linda Fröhlich. These awards were made at the time that the Performance Equity Scheme was still being designed and had not yet been implemented, in view of their role as key employees within the Group.

Allocations are calculated at 25.00% of participating employees' guaranteed earnings, with the award date being the end of each financial year.

The vesting period is three years after the award date, and the employee must be in the Company's employ and in good standing to qualify for the award.

The total bonuses paid on this scheme amount to R1.5 million this year. Of this, R326 061 was paid to executive management as explained above. No new awards have been made to executive management on the SPAS, as they all participate in the Performance Equity Scheme, which is explained below.

There are 1 007 958 "shares" remaining on this scheme, with an average strike price of R67.51. These bonus payments if any, dependent on the future share price, fall due between 2018 and 2021.

### PERFORMANCE EQUITY SCHEME

Further to the Group's restructure, this scheme has been suspended. The awards under this scheme currently yield no incentive payments, and are therefore being reviewed. REMCO will consider further options around a LTI scheme along the three Pillars.

One of the key decisions taken this year was to change our annual remuneration cycle to October for all employees, which aligns with the executive review cycle. This ensures that each employee is focused on achieving defined objectives for the financial year, rather than the calendar year. This makes the performance reviews easier to conduct, and ties in seamlessly to ensuring that the incentive payments we make are related to personal and business performance during a financial year.

REMCO has applied its collective mind to what may amount to a living wage, which accounts for the cost of housing, food, transport, education and healthcare. Although the legislated minimum wage is R3 500 per month, we have considered the 2014 paper by the Labour Research Service which proposed a living wage of R8 000 per month. After inflationary adjustments, this figure now amounts to approximately R9 700 per month. After conducting a comparative exercise throughout the Group, we are satisfied that our employees all earn a living wage.

This year, there was a full review of our employee benefits, which resulted in a change to our risk cover providers. We negotiated more comprehensive cover in terms of death and disability claims, with a negligible increase in costs.

REMCO is keenly aware of the wage gap within the Group, and therefore ensures that the percentage increases awarded to the executive tier are less than those awarded to management, which in turn are less than the percentage annual increases awarded to junior employees.

The following factors are considered by REMCO/HR MANCOs when considering individual increase recommendations for approval:

- Position benchmarking where each job is allocated a Reward Level which links it to its relative worth in the market
- Individual performance as measured by the internal performance appraisal system
- Employee's alignment with the Sasfin culture and values
- Internal parity to ensure that individuals are paid within the appropriate Reward Level for the function they perform
- Specialised skills required for certain positions
- Market scarcity and replacement cost of a position
- Equal pay for equal work
- Living wage
- Wage gap

Shareholders are given an opportunity to pass a separate non-binding advisory vote on the remuneration policy. In the event that 25.00% or more of shareholders vote against the remuneration policy, we would consider this as a failed vote. As such, Sasfin commits itself to engaging with these shareholders to determine the reasons for their dissenting vote and to possibly reassess the Group's remuneration policy, to continually enhance and refine it, to satisfy all shareholders. This was not required post the last AGM, as all resolutions were supported unanimously. Any shareholders who wish to engage with us in relation to the remuneration policy are invited to do so via the Company Secretary, Howard Brown at [Howard.Brown@sasfin.com](mailto:Howard.Brown@sasfin.com), preferably before the AGM or within a reasonable period after the AGM.

## Remuneration Implementation Report

In 2017, REMCO approved the following increases across the Group, subject to the overall increase percentage per business unit not exceeding 6.50% (2016: 7.50%):

	Meets expect- ations	Exceeds expect- ations	Except- ional	Overall cap, including extra- ordinary increases
General staff	6.00%	6.50%	6.90%	6.50%
Management	5.25%	5.75%	6.15%	6.10%
Executives	5.00%	5.50%	5.90%	6.00%

	2017	2016
Average annual salary increase across all levels	6.00%	6.40%
Executive Director salary increases, which include certain change of role increases, in addition to a cost-of-living increase		
Chief Executive Officer	5.00%	6.80%
Group Financial Director	N/A	6.50%
Executive Director	5.10%	12.10%

No additional payments were made to the Group FD upon his departure from the Group on 30 June 2017.

# REMUNERATION REPORT continued

For executive management, we have illustrated below the potential consequences on their total remuneration of not meeting the performance objectives, of achieving the performance outcomes, and of exceeding the performance requirements, where the hurdle rate for financial objectives is 30.00% above budget:

- Should an executive achieve budget, then no incentive payment is due on the financial objectives. The executive will, however, qualify for an incentive payment, based on the achievement of his/her personal performance objectives
- If an executive achieves between 100% and 130% of budget, then a *pro rata* incentive falls due based on the financial objective. The executive will also qualify for an incentive amount based on the achievement of the personal performance objectives
- When the hurdle rate of 130% or more has been achieved, then the executive will qualify for 100% of the bonus portion that is related to the financial objectives. In addition, the executive will qualify for an incentive amount based on the achievement of the personal performance objectives

	Not meeting the performance objectives R'000	Achieving the performance objectives R'000	Exceeding the performance objectives R'000
<b>STI awards</b>			
<b>EXECUTIVE DIRECTORS</b>			
Roland Sassoon	–	1 320	4 400
Michael Sassoon	–	700	2 900
<b>ALTERNATE DIRECTOR</b>			
Linda Fröhlich	–	674	2 806
<b>PRESCRIBED OFFICERS</b>			
Howard Brown	–	688	2 272
Glen Christopulo	–	754	2 496
David Edwards	–	526	2 184
Neil Eppel	–	756	2 444
Maston Lane	–	870	2 878
Lushendren Pather	–	600	2 000
<b>TOTAL</b>	–	6 888	24 380

The financial performance for the Group in 2017 reflected a poor performance in the underlying operations and predefined financial targets were not met.

The poor financial performance negatively impacted the performance measures for the LTI scheme, which were also not achieved.

This resulted in reduced STI payments and no LTI payments to Executive Directors and Prescribed Officers, as reflected below. Only the previous Group FD, Tyrone Soondarjee, together with Michael Sassoon and Linda Fröhlich, received LTI payments in terms of the SPAS.

	2017 STI	2017 LTI	2016 STI	2016 LTI
Executive Director STI as a % of annual cost-to-company.				
Chief Executive Officer	17.05%	0%	78.18%	0%
Group Financial Director	0%	4.33%	60.93%	1.78%
Group Financial Director (Acting)	64.41%	0%	73.38%	0%
Executive Director	24.14%	2.45%	88.46%	1.87%

The following short-term executive incentive scheme key performance objectives were agreed on with Executive Directors for the financial year:

- Financial measures constitute between 20.00% and 60.00% of the overall measures. These have a hurdle of 30.00% and include, in equal weightings:
  - Achievement of Group budget
  - Improvement in cost-to-income ratio
  - Growth in headline earnings and return on risk weighted assets

Based on the financial performance for the Group, no executive qualified for a bonus for this portion of their STI payment this year. This has a weighting of between 20.00% and 60.00% on their overall bonus award calculation.

Based on the divisional financial performance objectives, no executive qualified for a bonus for this portion of their STI payment this year. This has a weighting of between 30.00% and 40.00% on their overall bonus award calculation.

- Personal performance objectives comprised 40.00% of the overall measures. These performance measures included:
  - Ensuring compliance with the Banks Act and regulations; together with other regulatory compliance and good governance, as well as maintaining a positive relationship with SARB
  - Having an effective and stable executive team
    - with succession planning in place within these teams, including succession planning for the Group CEO.
  - Driving the Group's strategy (formulation and execution)
  - Making and delivering on strategic decisions
  - Achieving an optimal credit loss ratio
  - Maintaining the transformation objectives of the Group
  - Increasing efficiency across the Group
  - Setting and maintaining the standards for Business Ethics within the Group, and managing reputational risk
  - Achieving a positive rating in the employee engagement survey
  - Embedding risk management and the Risk Management Framework

This year, executives only qualified for that portion of the STI related to their personal performance outcomes. The weighting for this portion of the STI scheme ranges between 40.00% and 50.00% for each individual.

The individual performance ratings ranged from 45.00% to 80.00%, and the bonus awards were calculated accordingly.

After applying discretion, REMCO reduced the majority of the bonus payments further, in view of the Group results.

The KPIs for the 2018 financial year have been agreed and include succession, compliance, strategy implementation, innovation and technology, transformation, ethics and risk and financial management.

The bonus payments made in September 2017 relate to the performance for the period ended June 2017. All bonus payments have been provided for in the financial results to June 2017, which include these bonus payments.

# REMUNERATION REPORT continued

## KEY MANAGEMENT PERSONNEL AND RELATED REMUNERATION

### Directors' and Prescribed Officers' remuneration

	Services as Directors R	Cash package <sup>1</sup> R	Other benefits <sup>2</sup> R	Incentive bonus <sup>3</sup> R	Total 2017 R	Incentive bonus <sup>6</sup> Payable in Sept 2017 R
<b>2017</b>						
<b>EXECUTIVE DIRECTORS</b>						
Roland Sassoon	–	3 779 362	999 247	3 200 000	7 978 609	750 000
Tyrone Soondarjee <sup>5</sup>	–	2 592 125	675 550	1 800 000	5 067 675	–
Michael Sassoon	–	2 372 926	587 213	2 300 000	5 260 139	700 000
<b>ALTERNATE DIRECTORS</b>						
Linda Fröhlich	–	2 194 713	704 761	2 500 000	5 399 474	550 000
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>						
Roy Andersen	903 600	–	–	–	903 600	–
Linda de Beer	498 500	–	–	–	498 500	–
Grant Dunnington	718 475	–	–	–	718 475	–
John Moses	596 399	–	–	–	596 399	–
Shahied Rylands	683 025	–	–	–	683 025	–
Lesego Sennelo	292 575	–	–	–	292 575	–
<b>PRESCRIBED OFFICERS</b>						
Howard Brown	–	1 902 145	349 935	1 800 000	4 052 080	550 000
Glen Christopulo	–	1 966 141	531 704	1 500 000	3 997 845	500 000 <sup>7</sup>
Maston Lane	–	2 325 370	629 955	2 300 000	5 255 325	550 000
David Edwards	–	1 889 914	309 946	1 500 000	3 699 860	541 000
Neil Eppel	–	1 925 850	522 498	1 901 500	4 349 848	753 557
Lushendren Pather	–	1 177 437	403 148	1 050 000	2 630 585	1 000 000
Andrew (Josh) Souchon	–	1 222 156	270 083	–	1 492 239	300 000
	3 692 574	23 348 139	5 984 040	19 851 500	52 876 253	6 194 557

KEY MANAGEMENT PERSONNEL AND RELATED REMUNERATION continued

*Directors' and Prescribed Officers' remuneration continued*

	Services as Directors R	Cash package <sup>1</sup> R	Other benefits <sup>2</sup> R	Incentive bonus <sup>4</sup> R	Total 2016 R
<b>2016</b>					
<b>EXECUTIVE DIRECTORS</b>					
Roland Sassoon	–	3 801 332	527 643	2 175 000	6 503 975
Tyrone Soondarjee <sup>5</sup>	–	2 549 252	407 892	1 734 000	4 691 144
Michael Sassoon	–	1 852 570	432 141	1 320 000	3 604 711
<b>ALTERNATE DIRECTORS</b>					
Linda Fröhlich	–	2 282 654	304 770	1 548 166	4 135 590
<b>INDEPENDENT NON-EXECUTIVE DIRECTORS</b>					
Roy Andersen	850 000	–	–	–	850 000
Linda de Beer	469 000	–	–	–	469 000
Grant Dunnington	532 750	–	–	–	532 750
John Moses	430 000	–	–	–	430 000
Shahied Rylands	523 000	–	–	–	523 000
Lesego Sennelo	352 000	–	–	–	352 000
<b>PRESCRIBED OFFICERS</b>					
Howard Brown	–	1 773 854	334 116	1 272 500	3 380 470
Maston Lane	–	2 066 445	532 579	1 603 500	4 202 524
David Edwards	–	1 704 605	498 206	781 500	2 984 311
Neil Eppel	–	1 860 872	356 019	1 319 500	3 536 391
	3 156 750	17 891 584	3 393 366	11 754 166	36 195 866

<sup>1</sup> The remuneration of the Executive Directors are paid by subsidiaries of the Company.

<sup>2</sup> Other benefits comprise: provident fund, medical aid, group life, company car and equity-settled share options.

<sup>3</sup> Relate to the Group's and individual's performance in the 2016 financial year.

<sup>4</sup> Relate to the Group's and individual's performance in the 2015 financial year.

<sup>5</sup> Retired on 30 June 2017.

<sup>6</sup> Relate to the Group's and individual's performance in the 2017 financial year. To be paid in September 2017.

<sup>7</sup> Approved subsequent to 19 September 2017, the date of approval of the 2017 Audited Annual Financial Statements.



# REMUNERATION REPORT continued

Shareholders are given an opportunity to pass a separate non-binding advisory vote on the Remuneration Implementation Report. In the event that 25.00% or more of shareholders vote against the Remuneration Implementation Report, we would consider this as a failed vote. As such, Sasfin commits itself to engaging with such shareholders to determine the reasons for their dissenting vote and to possibly reassess the Remuneration Implementation Report, to continually enhance and refine the Remuneration Implementation Report, to satisfy all shareholders. This has not been required post the last AGM as all resolutions were supported unanimously last year. Any shareholders who wish to engage with us in relation to the Remuneration Implementation Report, are invited to direct their engagement and communicate their comments and concerns via the Company Secretary, Howard Brown at Howard.Brown@sasfin.com, preferably before the AGM or within a reasonable period after the AGM.

## NON-EXECUTIVE FEE INCREASES

NEDs increases are presented to, and approved at, the AGM by means of a special resolution. NEDs' remuneration is benchmarked every two years, with the last review taking place in 2017.

The increase awarded to NEDs for the 2017 financial year was 6.30%. The Group is proposing a 5.50% increase in NED remuneration for the 2018 financial year, with the exception of two committees; where REMCO will receive a 10.00% increase and ALCO will receive a 6.30% increase in order to be better aligned to the industry. The South African Revenue Services has confirmed in a binding general ruling that independent NEDs are not employees and, as such, are required to register for and charge VAT in respect of certain Directors' fees earned for services rendered as a NED. This amends the previous practice in terms of which Directors' remuneration was not subject to VAT. Accordingly it is proposed that the approved Director's remuneration be calculated as being exclusive of VAT, and to which VAT of 14% is to be added. The proposed special resolution takes account of the ruling to ensure that neither the Company nor the NEDs are prejudiced by the ruling.

The Executive Directors make a recommendation on NEDs' fees to REMCO for consideration, guided by the external consultant's benchmarking exercise as noted earlier. Once satisfied, REMCO submits the recommendation to the Board via DAC, and thereafter to the AGM for approval. In making their recommendation, the Executive Directors also consider the reasonability and affordability of the proposed increases and are satisfied that they can be justified and supported in relation to Sasfin's growth, the current Board workload, and the economic climate.

## REMCO CHAIR'S STATEMENTS

REMCO operates in accordance with its terms of reference, which are updated annually and approved by the Board. The Chairman of REMCO reports regularly to the Board and keeps them apprised of HR and remuneration developments.

REMCO has applied its mind in ensuring that the Group's remuneration practices are fair and competitive. We have paid attention not only to ensuring that employees are placed on at least the minimum of the pay scales for the jobs they perform, but are also cognisant of the living wage, pay gap and equal pay for equal work when making our decisions and applying our discretion. Our annual benchmarking exercise guides our decision on the increases awarded to employees, together with other factors such as individual performance and the scarce or specialised nature of an employee's skills.

We continue to have robust engagement around rewarding performance, which drives employee focus and behaviour in achieving the Group's strategic objectives together with their individual performance objectives, without compromising on ethics, responsible risk taking or cultural fit. Our STI schemes drive sustainable long-term performance. It is our intention to review our LTI Performance Equity Scheme during 2018.

As a result of the diverse nature of the Group and its different divisions, with each requiring its own unique skills sets and qualifications, we have found it difficult to ensure that we pay at the median. Our recent benchmarking exercise confirmed that 67.00% of our employees are paid beyond the median of the relevant pay scales for their jobs. There are various reasons for this, including individual performance, market practice and tenure. We have reduced the pay range for employees on the same salary bands and ensured that all positions are benchmarked – and employees are within the salary bands for the jobs they perform. Where there have been exceptions, these were to attract senior employees or employees with a specialised skills set with a package that is attractive and competitive relative to their previous earnings. Management motivates all exceptions to the HR MANCOs. Once the relevant HR MANCO is supportive of such appointment, it is then submitted to REMCO for consideration and approval at its discretion on a fair, reasonable and equitable basis.



**Shahied Rylands**

*Chair*

*Human Resources and Remuneration Committee*

13 October 2017



# SOCIAL AND ETHICS COMMITTEE REPORT

The committee operates within its Board-approved terms of reference which are to advise, oversee and monitor the Group's activities with regard to ethics, social and economic development, the environment, health, public safety, labour and employment matters, corporate citizenship and stakeholder relationships. Its composition complies with the requirements of the Companies Act, 71 of 2008 (as amended) and it operates as an integral part of the Group's governance structures. The committee, which previously complied with the practices outlined in King III in executing its mandate, has focused on the application of King IV during the year under review. In particular, it has applied itself to overseeing and monitoring the governance of ethics in Sasfin with the aim of achieving an ethical culture – one of the four key outcomes King IV has identified as being a benefit of good governance.

## Meeting our social and environmental commitments

The committee recognises that as a member of the banking and financial services sector, the Group has an important social and environmental role to play. To support its efforts in this regard the Group developed a SEMS Framework. The aim of the Group's SEMS Framework, which is integrated into our operational processes and overseen by the SEC, is to put in place systems and controls to manage our responsibilities and risks with regard to the social and environmental impact of both our activities and those of our clients and also to identify opportunities to enhance our social and environmental impact.

The Framework is aligned with international best practice with regard to corruption, local social and labour legislation, the Equator Principles, UNGC and OECD with the aim of promoting sound environmental and social practices, encouraging transparency and accountability and contributing to positive developmental impacts. It encapsulates the eight performance standards the Group uses to manage and identify social and environmental risks and impacts, and development opportunities.

The Group has policies and processes in place to avoid our investing in any business that contravenes environmental laws, is involved in weapons and ammunition manufacturing/trade, or in gambling, as well as other environmentally destructive practices such as driftnet fishing and non-sustainable forestry.

The Group's environmental co-ordinator function forms part of the Group's compliance structure and reports to the GRCMC and SEC, which in turn provide oversight of and guidance with regard to the management and strategic direction of the Group's environmental management systems. The environmental co-ordinator is mandated to create a consistent approach to environmental and social management in the Group by putting in place appropriate systems, policies, performance standards, monitoring and assurance, as well as responsible financial considerations. The environmental coordinator screens our corporate clients' social and environmental impacts against our SEMS Framework.

The GRCMC and SEC also monitor the Group's management of occupational health and safety and employee occupational health and safety awareness.

## Our commitment to ethical conduct and compliance with relevant legislation and regulations

The Group has robust policies governing ethical behaviour and is committed to establishing an ethical culture that supports the implementation of anti-bribery and corruption regulation throughout the Group. We have rolled out awareness programmes on these regulations throughout the Group and continue to focus on implementing them. We also support the promotion of ethics in government and corporates through our sponsorship of the GIBS Ethics Think Tank, which initiates and engages in important conversations about the state of ethics in government and corporate South Africa.

The Group welcomes the revised market conduct framework introduced under the aegis of the Twin Peaks initiative and the Financials Sector Regulation Bill. We continually evaluate the suitability of our products, our distribution channels and our responsibilities to ensure our conduct is entirely fair.

We continually monitor the regulatory environment and are putting in place internal and external systems that will enable the Group's compliance with changes to the regulatory environment including the POPI Act, the National Credit Act and the Retail Distribution Review. These systems include evaluations of and improvements to data security and integrity and they actively address cybercrime risks.

We enlist an independent vendor to operate our whistle-blowing line.

# SOCIAL AND ETHICS COMMITTEE REPORT continued

The Group did not incur any penalties for non-compliance with legislation or regulations such as the Consumer Protection Act, the National Credit Act or environmental laws and regulations, including regulations concerning the provision and use of products and services in the year under review. Any complaints to bodies such as the Ombudsman for Banking Services for South Africa were either resolved or determined in the Group's favour.

## Reputation management

Our operations and performance are the primary drivers of our position in the industry and perceptions regarding our positioning, while our branding and marketing also play an important role. To ensure we maintain a positive reputation in the market the Group has a daily media presence including commentary from its market and industry analysts and experts. The management of our reputation includes daily monitoring of the media, including social media. Our employees also receive training in responsible reputation management.

## Corporate citizenship

### CSI

The focus of our CSI programme, the implementation of which is monitored by the committee, is on supporting organisations that promote socioeconomic development and entrepreneurial growth. During the year under review we invested R1.366 million in our CSI projects (2016: R2.105 million). This year the Group reduced the number of projects it funded with the aim of achieving a greater impact on those we funded. Our projects included: Afrika Tikkun, which through its early childhood development, child and youth development and youth skills development and placement programmes helps underprivileged youths build self-sustaining and productive lives; the Smile Foundation; Junior Achievers; Miracle Drive and HospiceWits.

## FINANCING THAT EMPOWERS SME BUSINESSES

The Group continues to fund SME businesses, which are the backbone of the South African economy and the largest employer in the country. Our rollout of our new Transactional Banking platform in 2016 and our collaboration with Xero Accounting is assisting our small and medium business clients in both managing and growing their businesses more effectively.

During the 2017 financial year we provided finance to our clients in the taxi industry, many of whom were unable to access finance from other banks. In doing so, we made it possible for them to maintain and renew their fleets and build sustainable businesses that provide South Africans with an essential transport service.

Our private equity investment model, through which we co-invest with several black shareholders in a range of industries, supports the formation of black-owned businesses.

## FINANCING THAT SUPPORTS ENERGY EFFICIENCY

The Group has developed financial products that assist our clients to lower their energy costs by becoming more energy efficient through the photovoltaic co-generation of energy to the replacement of capital equipment with energy-efficient equivalents. These include our eco-finance and agri-finance projects and our investment in Terra Firma Solutions, a leading turnkey energy engineering solution provider based in sub-Saharan Africa.



Our employee volunteerism, which is an important part of our corporate culture, is a significant support for a number of community and fundraising projects.

## B-BBEE

The Group has based the strategies and targets it has in place to achieve greater equality on the model contained in the FSC. We improved our B-BBEE score during the year under review and were awarded a SANAS-accredited level 6 score by the National Empowerment Rating Agency. The Group was also recognised as a value-added supplier. While we have made good progress with our procurement from black-owned businesses during the year ahead we will focus on increasing this.

We continue to make good progress with the demographic profile of our employees.

In the year ahead, we will also be increasing our focus on enterprise and supplier development. A number of options are currently under consideration and may include offering mentorship and guidance to start-ups and existing SMEs.

WIPHOLD's acquisition of 25.10% of the issued ordinary shares in the Group will allow us to meet the current FSC ownership targets.

## LABOUR AND EMPLOYMENT PRACTICES

The committee, which monitors the Group's employment practices and its transformation activities, is satisfied that they are non-discriminatory, that they uphold the United Nations Universal Declaration of Human Rights and the International Labour Organisation's Fundamental Principles and Rights at Work, which form part of the UNGC. The committee provides inputs and recommendations to the Board on the Group's transformation targets.

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# GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT

The responsibilities of the GACC are set out in the Companies Act and the Banks Act.

The Board performs an annual review of the GACC's compliance with its Charter responsibilities, governance and best practice.

The members of the GACC are appointed by the Board of the Company as required by the Banks Act, which takes precedence over the Companies Act. There is therefore no need for membership of the GACC to be approved by shareholders. Only Independent NEDs are eligible to serve on the GACC.

MEMBERS	APPOINTED	RESIGNED
Linda de Beer (Chair)	1 July 2014	
Grant Dunnington	29 July 2013	
John Moses	21 December 2010	28 August 2017
Gugu Mtetwa	28 August 2017	
Lesego Sennelo	1 July 2014	28 March 2017

The GACC holds separate meetings with the Head: Internal Audit, Group CRO (Acting), Head: Group Compliance and the Group's external auditors, KPMG Inc. and Grant Thornton Johannesburg Partnership.

The Chairman of the Board, Executive Directors comprising the CEO, Group FD (Acting) and executive management are invitees to meetings of the GACC, but are excluded from the separate meetings between the GACC and internal and external auditors.

## FUNCTIONS OF GACC

The GACC's functions are outlined in its Charter.



These include statutory duties in terms of the Banks Act and Companies Act, *inter alia*, relating to auditor independence and to assist the Board in its evaluation of the adequacy and efficiency of internal control systems, accounting practices, information systems and auditing practices applied by the Group in the day-to-day management of its business.

This is achieved by the following:

### FINANCIAL CONTROL, ACCOUNTING AND REPORTING

- Reviewing and recommending to the Board for approval the:
  - Integrated Report
  - Unaudited interim results and dividend declarations
  - Audited financial results and dividend declarations
  - Consolidated and Separate Annual Financial Statements
- Evaluating the appropriateness, adequacy and efficacy of accounting policies
- Discussing and resolving any significant or unusual accounting matters

- Reviewing the effectiveness and efficiency of tax reporting and compliance
- Satisfying itself of the expertise, resources, experience and skills of the finance function and Group FD

### EXTERNAL AUDIT

- Assessing the independence of the external auditors
- Recommending external auditors to shareholders for appointment in compliance with the Companies Act and Banks Act
- Reviewing and approving the external audit plan and external auditors' fee
- Determining the nature, extent and fees paid to external auditors for non-audit services

### INTERNAL AUDIT

- Reviewing and approving the internal audit plan
- Monitoring and satisfying itself as to the effectiveness of the Internal Audit function
- Reviewing Internal Audit's findings on the adequacy and effectiveness of the Group's internal control systems and information systems
- Reviewing Internal Audit's findings on the adequacy and reliability of management information
- Reporting Internal Audit's findings to the Board

### COMPLIANCE

- Monitoring and satisfying itself as to the effectiveness of the Group Compliance function, including but not limited to the oversight and assurance provided in respect of the Banks Act, and market conduct regulations
- Reviewing Group Compliance's findings on the effectiveness of the Group's regulatory controls

The GACC does not assume the functions of management.

## Annual confirmations

### ANNUAL FINANCIAL STATEMENTS

The GACC has:

- considered the Consolidated and Separate Annual Financial Statements with the external auditors, the CEO and the Group FD (Acting), and reviewed the appropriateness of significant judgements and accounting policies
- recommended the Consolidated and Separate Annual Financial Statements to the Board for approval

The Consolidated and Separate Annual Financial Statements will be open for discussion at the forthcoming Annual General Meeting.

### EXTERNAL AUDITORS' INDEPENDENCE AND FEES

The external auditors, KPMG Inc. and Grant Thornton Johannesburg Partnership, have been auditors of the Company for 18 and 30 years respectively. The GACC is comfortable that the independence of the external auditors is not compromised by this length of tenure as Heather Berrange (KPMG Inc.) and Soné Kock (Grant Thornton Johannesburg Partnership) have served as engagement partners for five years and three years respectively. Heather Berrange will be rotating off as the audit partner from KPMG Inc., after the finalisation of the 2017 Financial Year audit.

The GACC has reviewed and approved all fees to the external auditors including those for non-audit services in terms of the Group's Non-Audit Services Policy, which details prohibited non-audit services and preapproved services. The GACC is satisfied that the extent of non-audit services incurred by the Group and paid to its auditors does not compromise the auditors' independence.

The GACC and Board are cognisant of good governance in respect of auditor independence and auditor tenure. In this regard, the GACC is considering options around auditor appointments and the Board will be making a proposal at the forthcoming AGM or alternatively at a Special General Meeting.

### APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE GROUP FINANCIAL DIRECTOR

During the year, the Group FD, Tyrone Soondarjee announced his retirement with effect from 30 June 2017. Lushendren Pather, was appointed as Group FD (Acting) effective 1 July 2017. The GACC in conjunction with the Board and subject to SARB approval will finalise a permanent appointment in due course. The GACC is comfortable that this interim measure resulted in an appropriate level of expertise, experience and skills.

### EFFECTIVENESS OF INTERNAL AUDIT

The GACC has reviewed the reports resulting from the execution of the 2017 internal audit plan and monitors the corrective actions and enhancements by management on an ongoing basis.

As a result, it obtained assurance as set out in the Directors' Responsibility Statement as to the effectiveness of the control environment. Over the past number of years, the GACC has, however, focused on a process to enhance the skills, experience and approach of internal audit which is expected to be finalised during 2018.

### KEY AUDIT MATTERS AS REPORTED BY THE EXTERNAL AUDITORS

The GACC has considered the Key Audit Matters as reported by the external auditors as part of their audit report. These aspects are also key aspects that are considered as part of the processes of the GACC in recommending the Consolidated and Separate Annual Financial Statements as well as the effectiveness of internal controls to the Board for approval and disclosure.

# GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT continued

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

1. Impairment of loans and advances  
This is a matter that is also considered by the CIC of the Board, before consideration by the GACC. The GACC considered whether the levels of provisioning and credit impairment were appropriate. It was important for the GACC that a conservative approach be followed in this regard, considering strained economic conditions. In doing so, it assessed the methodologies and key judgements, as agreed to by the CIC. The GACC also had a specific discussion with Group Risk as well as the external auditors in order to satisfy itself in this regard.
2. Valuation of investment securities  
The GACC considered the oversight in this regard by the CIC, which reviews Private Equity and Property Equity valuations on a bi-annual basis. In addition, the Sasfin Corporate Finance team performed a high-level 'sanity test' to consider the appropriateness of these valuations. The assumptions, judgements and methodology are discussed at great length by the GACC in order for the committee to satisfy itself as to the reasonableness of valuations.
3. Taxation and deferred tax assets and liabilities<sup>1</sup>  
Tax in general is a high priority item on the agenda of the GACC, firstly to oversee administrative compliance, but also to ensure efficiency and transparent disclosure. The GACC considered the Group FD's (Acting) report regarding the tax computation and, where applicable, the judgements made in determining the tax charge to the income statement and deferred tax asset and deferred tax liability balances. Specific attention is also paid to the recoverability of deferred tax assets in order to be recognised as such.

4. Impairment of goodwill and intangible assets  
Goodwill has arisen from the Group's investment in subsidiaries, namely Sasfin Property Holdings (Pty) Limited (previously Sasfin Commercial Solutions (Pty) Limited), Fintech (Pty) Limited and Sasfin HRS Administrators (Pty) Limited.

The Group's intangible assets mainly comprise internally developed computer software and intangible assets acquired as part of the Fintech (Pty) Limited acquisition.

The Group performs an annual test on goodwill and intangible assets for impairment by considering the cash-generating units related to the goodwill and intangible assets. The GACC is comfortable that goodwill and intangible assets as reflected on the Statement of Financial Position at 30 June 2017, do not need to be impaired. Goodwill and intangible assets are further disclosed in note 11 to the Consolidated Annual Financial Statements.

## IN CONCLUSION

The GACC has complied with and discharged its regulatory, governance and legal responsibilities as set out in the Companies Act and Banks Act.

The GACC would like to extend its gratitude to Lesego Sennelo and John Moses for their contribution to the work of the GACC, and in particular to Tyrone Soondarjee for his contribution to the Group.



**Linda de Beer**  
Chair – Group Audit and Compliance Committee

19 September 2017

<sup>1</sup> Deferred tax asset relates to the separate financial statements of Sasfin Holdings Limited.

# Summarised Annual Financial Statements and general information

The Group's summarised form  
of our Annual Financial  
Statements and corporate  
details with contact  
information

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017

	Note	2017 R'000	2016 R'000
<b>ASSETS</b>			
Cash and cash balances		2 129 896	672 317
Negotiable securities		1 395 522	1 238 267
Loans and advances	1	6 487 022	6 254 891
Trading assets		1 280 093	1 147 227
Other receivables		467 208	772 209
Investment securities	2	494 213	586 359
Private Equity and Property Equity investments		447 233	510 479
Strategic investments		46 980	75 880
Property, plant and equipment		103 856	87 229
Non-current assets held for sale		69 500	69 900
Taxation		36 560	31 135
Intangible assets and goodwill		131 778	122 391
Deferred tax assets		26 995	22 135
<b>TOTAL ASSETS</b>		<b>12 622 643</b>	<b>11 004 060</b>
<b>LIABILITIES</b>			
Funding under repurchase agreements and interbank		1 381 240	999 184
Deposits from customers	3	4 483 350	3 206 527
Debt securities issued	4	2 496 718	2 470 428
Long-term loans		429 673	433 889
Trading liabilities		1 266 745	1 131 942
Other payables		768 957	1 023 354
Taxation		9 569	16 611
Deferred tax liabilities		127 166	125 576
<b>TOTAL LIABILITIES</b>		<b>10 963 418</b>	<b>9 407 511</b>
<b>EQUITY</b>			
Ordinary share capital		317	317
Ordinary share premium		144 010	144 010
Reserves		1 324 559	1 259 353
Preference share capital		18	18
Preference share premium		188 068	192 851
Non-controlling interest		2 253	–
<b>TOTAL EQUITY</b>		<b>1 659 225</b>	<b>1 596 549</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12 622 643</b>	<b>11 004 060</b>



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	2017 R'000	2016 R'000
Interest income	1 186 295	999 006
Interest expense	743 759	592 520
<b>NET INTEREST INCOME</b>	442 536	406 486
<b>NON-INTEREST INCOME</b>	724 630	790 357
Non-interest income excluding fair value adjustments to strategic investments*	753 826	772 846
Fair value adjustments to strategic investments*	(29 196)	17 511
<b>TOTAL INCOME</b>	1 167 166	1 196 843
Impairment charges on loans and advances	81 436	63 912
<b>NET INCOME AFTER IMPAIRMENTS</b>	1 085 730	1 132 931
<b>OPERATING COSTS</b>	840 152	828 316
Staff costs	414 463	434 339
Other operating expenses	411 326	380 888
Goodwill and intangible asset impairments	14 363	13 089
<b>PROFIT FROM OPERATIONS</b>	245 578	304 615
Share of associate (loss)/income	(2 156)	2 383
<b>PROFIT BEFORE INCOME TAX</b>	243 422	306 998
Income tax expense	49 012	68 210
<b>PROFIT FOR THE YEAR</b>	194 410	238 788
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX EFFECTS</b>	(27 544)	14 766
<i>Items that may subsequently be reclassified to profit or loss:</i>		
<b>FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS</b>	(27 544)	54 395
<b>NET LOSS ON HEDGE OF NET INVESTMENT IN FOREIGN OPERATION</b>	–	(39 629)
Loss on hedge of net investment in foreign operation	–	(55 040)
Income tax effect	–	15 411
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	166 866	253 554
<b>PROFIT ATTRIBUTABLE TO:</b>	194 410	238 788
Non-controlling interest	2 253	–
Preference shareholders	15 580	14 369
Equity holders of the Group	176 577	224 419
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>	166 866	253 554
Non-controlling interest	2 253	–
Preference shareholders	15 580	14 369
Equity holders of the Group	149 033	239 185
<b>EARNINGS PER SHARE:</b>		
Basic and Diluted earnings per share (cents)	556.38	707.13

\* Separately disclosed in the current year.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Ordinary share capital and premium R'000	Distributable reserves R'000	Foreign currency translation reserve R'000	Hedging reserve R'000	Total ordinary share- holders' equity R'000	Prefe- rence share capital and premium R'000	Non- controlling interest R'000	Total share- holders' equity R'000
<b>BALANCE AT 30 JUNE 2015</b>	144 327	1 123 912	41 972	(67 470)	1 242 741	195 450	–	1 438 191
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	–	238 788	54 395	(39 629)	253 554	–	–	253 554
Profit for the year	–	238 788	–	–	238 788	–	–	238 788
<b>OTHER COMPREHENSIVE INCOME/(LOSS) NET OF INCOME TAX FOR THE YEAR</b>	–	–	54 395	(39 629)	14 766	–	–	14 766
<b>TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY</b>								
Preference share buy-back and cancellation	–	–	–	–	–	(2 581)	–	(2 581)
Dividends to preference shareholders	–	(14 369)	–	–	(14 369)	–	–	(14 369)
Dividends to ordinary shareholders	–	(78 246)	–	–	(78 246)	–	–	(78 246)
<b>BALANCE AT 30 JUNE 2016</b>	144 327	1 270 085	96 367	(107 099)	1 403 680	192 869	–	1 596 549
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	–	192 157	(27 544)	–	164 613	–	2 253	166 866
Profit for the year	–	192 157	–	–	192 157	–	2 253	194 410
<b>OTHER COMPREHENSIVE LOSS NET OF INCOME TAX FOR THE YEAR</b>	–	–	(27 544)	–	(27 544)	–	–	(27 544)
<b>TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY</b>								
Preference share buy-back and cancellation	–	2 919	–	–	2 919	(4 783)	–	(1 864)
Dividends to preference shareholders	–	(15 580)	–	–	(15 580)	–	–	(15 580)
Dividends to ordinary shareholders	–	(86 746)	–	–	(86 746)	–	–	(86 746)
<b>BALANCE AT 30 JUNE 2017</b>	144 327	1 362 835	68 823	(107 099)	1 468 886	188 086	2 253	1 659 225

	2017 Cents per share	2016 Cents per share
<b>ORDINARY SHARES</b>		
Interim dividend	80.00	98.57
Final dividend	160.42	188.82
<b>PREFERENCE SHARES</b>		
Dividend no 23	–	396.28
Dividend no 24	–	424.42
Dividend no 25	436.68	–
Dividend no 26	429.57	–

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	2017 R'000	2016 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	1 850 341	1 679 756
Cash paid to customers, employees and suppliers	(1 593 358)	(1 368 187)
<b>CASH INFLOW FROM OPERATING ACTIVITIES</b>	256 983	311 569
Dividends received	14 753	6 400
Taxation paid	(64 749)	(75 169)
Dividends paid	(102 326)	(92 615)
<b>CASH FLOWS FROM OPERATING ACTIVITIES CHANGES IN OPERATING ASSETS AND LIABILITIES</b>	104 661	150 185
	1 057 502	(1 083 437)
Increase in loans and advances	(313 567)	(1 076 343)
(Increase)/Decrease in trading assets	(132 866)	539 994
Decrease/(Increase) in other receivables	297 512	(39 699)
Increase/(Decrease) in deposits	1 276 823	(69 339)
Increase in long-term funding	22 074	22 079
Increase/(Decrease) in trading liabilities	134 803	(518 847)
(Decrease)/Increase in other payables	(227 277)	58 718
<b>NET CASH FROM OPERATING ACTIVITIES</b>	1 162 163	(933 252)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	64 899	(228 968)
Proceeds from the disposal of property, plant and equipment	11 960	7 519
Proceeds from disposal of subsidiary	7 489	–
Acquisition of property, plant and equipment	(49 680)	(47 031)
Acquisition of intangible assets	(40 973)	(46 356)
Net cash paid on acquisition of subsidiaries	–	(47 541)
Increase/(Decrease) from disposal/(acquisition) of investment securities	136 103	(95 559)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	(1 864)	(2 581)
Purchase and cancellation of preference shares	(1 864)	(2 581)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH BALANCES</b>	1 225 198	(1 164 801)
Cash and cash balances at the beginning of the year	911 400	2 080 026
Effect of exchange rate fluctuations on cash and cash balances	7 580	(3 825)
<b>CASH AND CASH BALANCES AT THE END OF THE YEAR</b>	2 144 178	911 400

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

	2017 R'000	2016 R'000
<b>1. LOANS AND ADVANCES</b>		
Equipment Finance	4 391 329	4 250 779
Capital Equipment Finance	993 370	775 544
Trade and Debtor Finance	1 127 438	1 193 904
Other secured loans	198 593	229 035
	6 710 730	6 449 262
Gross loans and advances	8 005 767	8 131 699
Less: Unearned finance charges	(1 295 037)	(1 682 437)
Credit impairments for loans and advances	(223 708)	(194 371)
Impairments for non-performing loans and advances	(191 836)	(160 337)
Impairments for performing loans and advances	(31 872)	(34 034)
<b>NET LOANS AND ADVANCES</b>	<b>6 487 022</b>	<b>6 254 891</b>
<b>2. INVESTMENT SECURITIES</b>		
<b>DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>491 798</b>	<b>569 648</b>
– Listed equity investments	280	233
– Private and Property Equity investments	444 538	493 535
– Strategic investments <sup>1</sup>	46 980	75 880
<b>INVESTMENT IN ASSOCIATE COMPANIES</b>	<b>2 415</b>	<b>16 711</b>
	<b>494 213</b>	<b>586 359</b>
<sup>1</sup> Comprises the Group's listed equity investment in Efficient Group Limited.		
<b>3. DEPOSITS FROM CUSTOMERS</b>		
Demand deposits	2 234 437	1 843 467
Notice deposits	454 016	601 678
Fixed deposits	1 794 897	761 382
	4 483 350	3 206 527
<b>4. DEBT SECURITIES ISSUED</b>		
<b>Category analysis</b>		
<b>Rated:</b>	<b>2 496 718</b>	<b>2 470 428</b>
Floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of SASP. All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co.		

## 5. FINANCIAL INSTRUMENTS: FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated and Separate Annual Financial Statements as at and for the year ended 30 June 2017.

### FINANCIAL HIERARCHY

The table below analyses financial instruments carried at fair value by level of fair value hierarchy. The different levels are based on the inputs used in the calculation of fair value of the financial instruments. The levels have been defined as follows:

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

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

Level 3 – unobservable inputs for the asset or liability.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	30 June 2017 Audited R'000	30 June 2016 Audited R'000
Negotiable securities	1 395 522	–	–	1 395 522	1 238 267
Trading assets	1 280 093	–	–	1 280 093	1 147 227
Investment securities	–	47 259	446 954	494 213	586 359
Other receivables	–	72 477	–	72 477	100 259
<b>TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE</b>	<b>2 675 615</b>	<b>119 736</b>	<b>446 954</b>	<b>3 242 305</b>	<b>3 072 112</b>
Trading liabilities	1 266 745	–	–	1 266 745	1 131 942
Other payables	–	66 806	–	66 806	97 474
<b>TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE</b>	<b>1 266 745</b>	<b>66 806</b>	<b>–</b>	<b>1 333 551</b>	<b>1 229 416</b>

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the year ended 30 June 2017.

	30 June 2017 Audited R'000	30 June 2016 Audited R'000
<b>LEVEL 3 FAIR VALUES – INVESTMENT SECURITIES</b>		
Opening balance	493 768	398 024
Total gains in profit	72 649	31 326
Net (settlements)/investments	(119 463)	64 418
<b>CLOSING BALANCE</b>	<b>446 954</b>	<b>493 768</b>

The valuation of Level 3 investment securities was based predominantly on detailed discounted cash flow methodologies, which were moderated against implied price/earnings multiples, and where applicable, benchmarked to proxies of listed entities in similar industries. This valuation methodology is allowed per the South African Venture Capital and Private Equity guidelines.

# NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2017

## 6. EARNINGS PER SHARE

### 6.1 RECONCILIATION BETWEEN BASIC AND HEADLINE EARNINGS

	Gross R'000	Direct tax R'000	Non- controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
<b>2017</b>				
Basic earnings	243 422	(49 012)	(17 833)	176 577
Headline adjustable items:	17 596	(22)	–	17 574
Investment property – fair value loss*	400	(90)	–	310
Profit on disposal of assets	(244)	68	–	(176)
Profit on disposal of subsidiary	(1 359)	–	–	(1 359)
Impairment of leasehold improvements	4 436	–	–	4 436
Goodwill impairment	14 363	–	–	14 363
	261 018	(49 034)	(17 833)	194 151
<b>2016</b>				
Basic earnings	306 998	(68 210)	(14 369)	224 419
Headline adjustable items:	7 271	390	–	7 661
Investment property – fair value gains*	(5 818)	1 304	–	(4 514)
Goodwill and intangible impairments	13 089	(914)	–	12 175
	314 269	(67 820)	(14 369)	232 080

\* Relates to non-current assets held for sale.

### 6.2 SUMMARY OF EARNINGS AND HEADLINE EARNINGS PER SHARE

	Earnings attributable		Weighted average number of shares		Cents per share	
	2017 R'000	2016 R'000	2017	2016	2017 Cents	2016 Cents
Earnings per ordinary share	176 577	224 419	31 736 515	31 736 515	556.38	707.13
Diluted earnings per ordinary share	176 577	224 419	31 736 515	31 736 515	556.38	707.13
Headline earnings per ordinary share	194 151	232 080	31 736 515	31 736 515	611.76	731.27
Diluted headline earnings per ordinary share	194 151	232 080	31 736 515	31 736 515	611.76	731.27

# FIVE-YEAR PERFORMANCE REVIEW

for the year ended 30 June

	2017	2016	2015	2014	2013
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>					
Total assets (Rm)	12 623	11 004	10 866	8 168	6 529
Total gross loans and advances (Rm)	6 711	6 449	5 345	3 981	3 416
Non-performing loans and advances (Rm)	349	423	210	155	193
Gross loans and advances growth (%)	4.06	20.65	34.26	16.54	16.55
<b>INCOME STATEMENT</b>					
Total income (Rm)	1 167	1 197	957	889	754
Earnings attributable to ordinary shareholders (Rm)	177	224	179	150	136
Headline earnings (Rm)	194	232	180	154	135
<b>FINANCIAL PERFORMANCE</b>					
Return on ordinary shareholders' average equity (%)	13.52	17.54	15.21	14.00	14.00
Return on total average assets (%)	1.64	2.12	1.89	2.10	2.12
<b>OPERATING PERFORMANCE</b>					
Non-interest income to total income (%)	62.08	65.91	69.23	71.93	71.56
Efficiency ratio (%)					
Group	72.12	68.89	71.07	72.00	72.00
Sasfin Bank Limited and subsidiaries	65.20	62.43	61.18	64.00	62.00
Non-performing advances to total gross loans and advances (%)	5.20	6.56	3.93	3.89	5.65
Credit loss ratio (bps) share statistics	124	108	77	80	70
<b>SHARE STATISTICS</b>					
Share price (closing) (cents)	4 890	6 020	5 599	5 050	3 340
Number of shares in issue ('000)	31 737	31 737	31 737	31 737	32 171
Earnings per ordinary share (cents)	556.38	707.13	563.08	473.91	423.49
Headline earnings per ordinary share (cents)	611.76	731.27	566.74	486.27	421.05
Diluted earnings per ordinary share (cents)	556.38	707.13	563.08	473.91	423.49
Diluted headline earnings per ordinary share (cents)	611.76	731.27	566.74	486.27	421.05
Dividends per ordinary share (cents)	240.42	287.39	222.73	191.11	168.00
Dividends per preference share (cents)	866.25	820.70	762.17	718.43	703.39
Net asset value per ordinary share (cents)	5 137	4 346	3 847	3 534	3 187
<b>CAPITAL ADEQUACY (PROVISIONAL AND UNAUDITED)</b>					
Group (%)	16.379	19.023	20.860	23.712	25.600
Sasfin Bank Limited and subsidiaries (%)	16.665	19.329	21.233	21.307	22.056
<b>PERMANENT STAFF COMPLEMENT</b>					
	713	785	835	727	701

# CORPORATE DETAILS

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## INDEPENDENT NON-EXECUTIVE CHAIR

Roy Andersen

## EXECUTIVE DIRECTORS

Roland Sassoon (Chief Executive Officer)  
Michael Sassoon

## ALTERNATE EXECUTIVE DIRECTOR

Linda Fröhlich

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Linda de Beer  
Grant Dunnington  
Gugu Mtetwa  
Shahied Rylands (Lead)

## GROUP COMPANY SECRETARY

Howard Brown

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited  
Rosebank Towers, 15 Biermann Avenue,  
Rosebank, 2196  
PO Box 61051, Marshalltown, 2107

## JOINT AUDITORS

KPMG Inc.  
Grant Thornton Johannesburg Partnership

## LEAD SPONSOR

Sasfin Capital (a member of the Sasfin Group)

## INDEPENDENT SPONSOR

Deloitte & Touche Sponsor Services (Pty) Limited

## REGISTERED OFFICE

29 Scott Street, Waverley, Johannesburg, 2090  
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Fax: +27 11 887 6167/2489  
Company Registration number: 1987/002097/06  
Tax reference number: 9300/204/71/7

## WEBSITE AND EMAIL

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[investorrelations@sasfin.com](mailto:investorrelations@sasfin.com)

This announcement and additional information is available at: [www.sasfin.com](http://www.sasfin.com)

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## Forward-looking statements

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

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

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

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



# OFFICES

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# OFFICES continued

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# GLOSSARY OF TERMS

TERM	DEFINITION
AGM	Annual General Meeting
AGOA	African Growth and Opportunity Act
ALCO	Asset and Liability Committee, a committee of the Board of Directors
ALCO-MANCO	Asset and Liability Management Committee
AML	Anti-money laundering
ATFS	Absa Technology Finance Services (Pty) Limited
ATM	Automated Teller Machine
AUA	Assets Under Advisement
AUM	Assets Under Management
Bank	Sasfin Bank Limited
Banking Group	Sasfin Bank Limited and subsidiaries
Banks Act	Banks Act, No 94 of 1990, as amended, of South Africa
Basel III	Set of reform measures, to strengthen the regulation, supervision and risk management of the banking sector
Basel IV	Further reforms, to strengthen the regulation, supervision and risk management of the banking sector
B-BBEE	Broad Based Black Economic Empowerment
BDA system	Broker Deal Accounting System
BEE	Black Economic Empowerment
Benal	Benal Property Investments (Pty) Limited
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CIC	Credit and Investment Committee, a committee of the Board of Directors
CIPC	Companies and Intellectual Properties Commission
Companies Act	Companies Act, 71 of 2008, as amended, of South Africa
Company	Sasfin Holdings Limited
COSO	Committee of Sponsoring Organisations
CRM	Customer Relationship Management
CRO	Chief Risk Officer/Chief Risk Officer (Acting)
CSI	Corporate Social Investment
CTC	Cost-to-company
DAC	Directors' Affairs and Nominations Committee, a committee of the Board of Directors
DFI	Development Finance Institution
dti	Department of Trade and Industry
EE	Employment equity
Efficient	Efficient Group Limited
EQ	Emotional Intelligence
Exco	Group Executive Committee
FD	Financial Director
FIC	Financial Intelligence Centre
Fintech	Fintech (Pty) Limited, an equipment rental financier acquired by Sasfin on 30 June 2015

## GLOSSARY OF TERMS **continued**

TERM	DEFINITION
finTech	Financial technology companies
Forex	Sasfin Forex, a division of Sasfin Bank Limited
FSB	Financial Services Board
FSC	Financial Services Charter
GACC	Group Audit and Compliance Committee, a committee of the Board of Directors
GCR	Global Credit Ratings Co.
GIA	Group Internal Audit
GIBS	Gordon Institute of Business Sciences
Grant Thornton	Grant Thornton Johannesburg Partnership
GRCMC	Group Risk and Capital Management Committee, a committee of the Board of Directors
Group or Sasfin	Sasfin Holdings Limited and its subsidiaries
HEPS	Headline earnings per share
HR	Human Resources
HR MANCO	Human Resources and Remuneration Management Committee
HRS	Holistic Risk Solutions (Pty) Limited
ICAAP	Internal Capital Adequacy Assessment Process
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IFRS 9	IFRS statement 9: Financial Instruments
IIRC	International Integrated Reporting Council
ILO	International Labour Organization
<IR> Framework	Integrated Reporting Framework
ISL	Imperial Sasfin Logistics (Pty) Limited (Formerly Sasfin Premier Logistics (Pty) Limited)
IT	Information Technology
ITC	Information Technology Committee
IT MANCO	Information Technology Management Committee
JAWS	Measure by which income growth percentage exceeds expense growth percentage
JSE	Johannesburg Stock Exchange Limited
JSE Listing Requirements	The JSE Limited Listings Requirements
KING III	King Report on Corporate Governance issued in 2009
KING IV	King Report on Corporate Governance issued in 2016
KPI	Key performance indicator
KPMG	KPMG Inc
LCR	Liquidity Coverage Ratio
LMS	Learner Management System
LTI	Long-term incentive
NCR	National Credit Regulator
NED	Non-Executive Director
NERA	National Empowerment Rating Agency

TERM	DEFINITION
NOP Limits	Net Open Position Limits
NPL	Non-performing loans
NSFR	Net stable funding ratio
OECD	Organisation for Economic Co-operation and Development
PASA	Payment Association of South Africa
Pillars	Sasfin Bank, Sasfin Wealth and Sasfin Capital
POPI	Protection of Personal Information Act of South Africa
PV	Photovoltaic (solar)
PwC	PricewaterhouseCoopers
RAS	Risk appetite statement
RDARR	Risk Data Aggregation and Risk Reporting
RESCO	Human Resources and Remuneration Committee, a committee at the Board of Directors
Risk MANCO	Risk Management Committee
RPE	JSE Registered Persons Exam
SAL	Sasfin Asia Limited
SAM	Sasfin Asset Managers (Pty) Limited
SANAS	South African National Accreditation System
SARB	South African Reserve Bank
SARS	South African Revenue Service
Sasfin HRS	Sasfin HRS Administrators (Pty) Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Pty) Limited
SEC	Social and Ethics Committee, a committee of the Board of Directors
SENS	Stock Exchange News Service
SEMS	Social and Environmental Management System
SETA	Sector Education and Training Authorities
SHRM	Society of Human Resource Management
SME	Small and Medium Enterprises
SPAS	Share price appreciation scheme
STI	Short-term incentive
STRATCO	Group Strategy Committee
TCF	Treating Customers Fairly
UNGC	United Nations Global Compact
VaR	Value at Risk
VAT	Value added tax
WIC	Wealth Investment Committee
WICO	Wealth Investment Oversight Committee
WIPHOLD	Women Investment Portfolio Holdings
Xero	Xero accounting software
Year-end	30 June 2017





