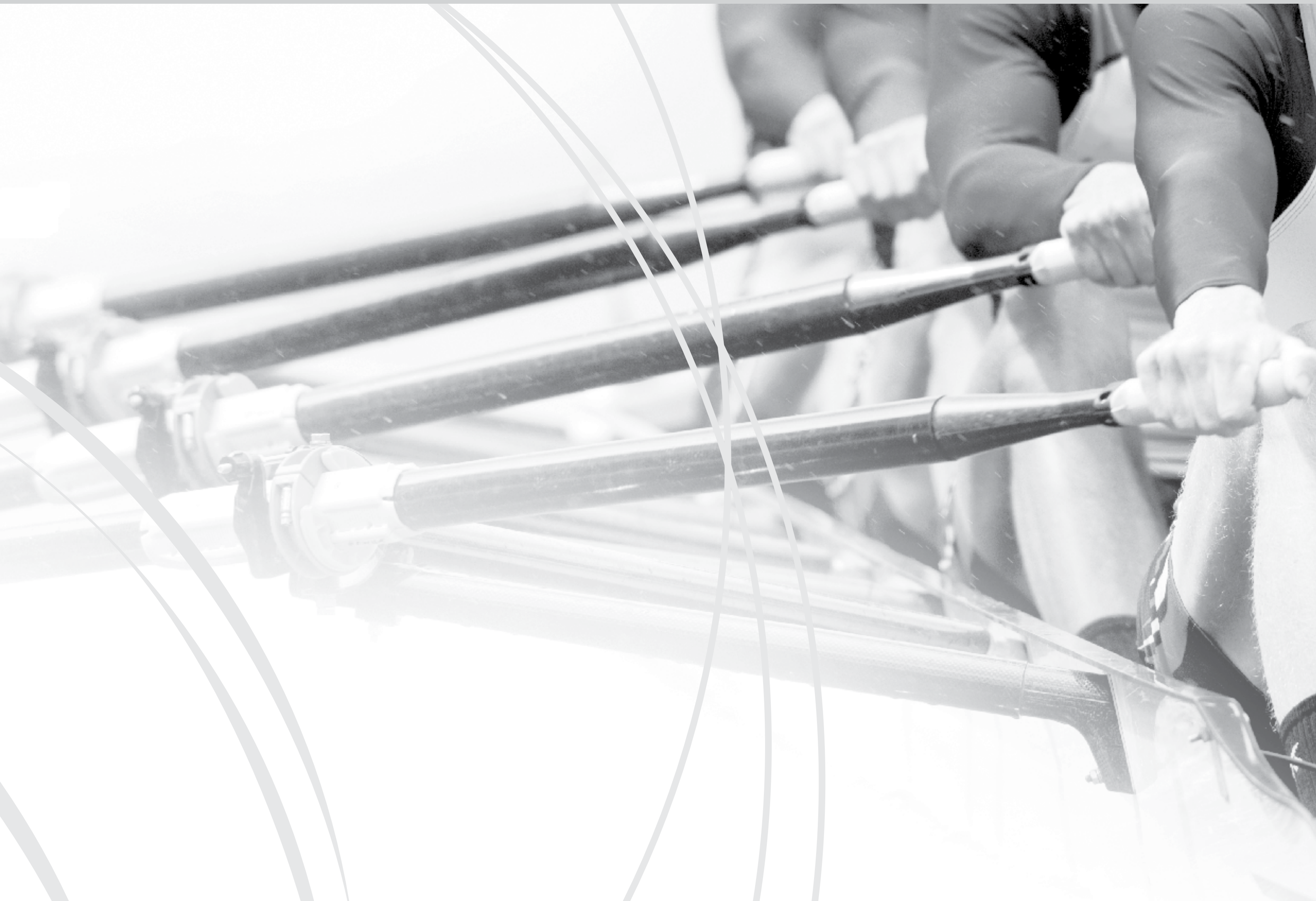
sasfin Holdings Limited

Integrated Annual Report

for the year ended 30 June 2012



a partner beyond expectations

sasfin
Holdings Limited
a partner beyond expectations

The Group adopted the "Combined" or "One Report" approach in the development of its first integrated annual report in 2011. In the current year, the Group seeks to enhance the structure and content of the report as part of its journey. In particular, there is a greater focus on financial sustainability reporting across all areas of the business. The Group is including an abridged set of financial statements in its 2012 integrated annual report, with the aim of reducing the overall volume of pages printed which results in substantial cost savings for the Group, as well as creating indirect environmental benefits. The full set of statutory financial statements is accessible on the Group's website at www.sasfin.com, as well as in the enclosed digital disk, and is available in printed form to all stakeholders on request. These are further steps taken by the Group to enhance its journey towards an all-encompassing integrated annual report.

SEE THE WEB
FOR MORE DETAILS
www. sasfin.com

Scope of reporting

This report covers the period from 1 July 2011 to 30 June 2012 and provides an overview of the strategy, operations, financial performance and integrated sustainability developments across all clusters, operational areas and majority-owned businesses of the Group. While organisations which do not constitute subsidiaries of the Group are not included in the sustainability scope of the report, the Group works closely with these companies to provide guidance and assistance with all aspects of their economic, environmental, social and cultural sustainable development.

In compiling this report, Sasfin has applied the following reporting framework:

Framework, codes, guidelines	Framework for the following sections
IFRS	Annual financial statements
Companies Act	Annual financial statements and corporate governance
King III	Corporate governance
GRI G3.1	Sustainable development information
BBBEE code	BEE contributor level ratings
Basel II and 2.5	Annual financial statements, corporate governance and regulatory reporting
Basel III	Annual financial statements and corporate governance
JSE Listings Requirements	Full suite of reports and index

Sustainability issues addressed in the integrated annual report 2012

In assessing required disclosures, Sasfin has adhered to the concepts of materiality and relevance to all its stakeholders.

Assurance

Sasfin has adhered to a combined assurance model in compiling this report. This is further expanded upon on page 33.

Approval of the integrated annual report

The board acknowledges its responsibility to ensure the integrity of the integrated annual report. The board confirms that they have collectively reviewed the content of the integrated annual report and believe it addresses the material issues and is a fair presentation of the integrated performance of the Group.

Feedback

Any comments, queries and suggestions on the content and form of the Group integrated annual report may be directed to the Group financial director at investorrelations@sasfin.com.

SASFIN AT A GLANCE

Sasfin is an independent and diversified banking and financial services group, listed on the JSE since 1987. The Group is structured into distinct, yet closely interactive offerings which are directed at its broad target markets of entrepreneurial corporate, commercial and private clients.

Sasfin partners with each and every client, acting with **respect** and **honesty**, to offer tailor-made solutions to meet business challenges. Sasfin believes that a close relationship and a thorough understanding of its clients' needs are absolutely essential to deliver the correct financial solution. This enables Sasfin to be "a partner beyond expectations" in its **chosen** markets. The five divisions, **Business Banking, Treasury, Capital, Wealth Management and Commercial Solutions** offer a range of specialised products and services to assist clients at all stages of their development.

our mission

to be the preferred specialist banking and financial services provider in our chosen markets

our markets

entrepreneurial corporate, commercial and private clients seeking wealth creation, enhancement and preservation

our values

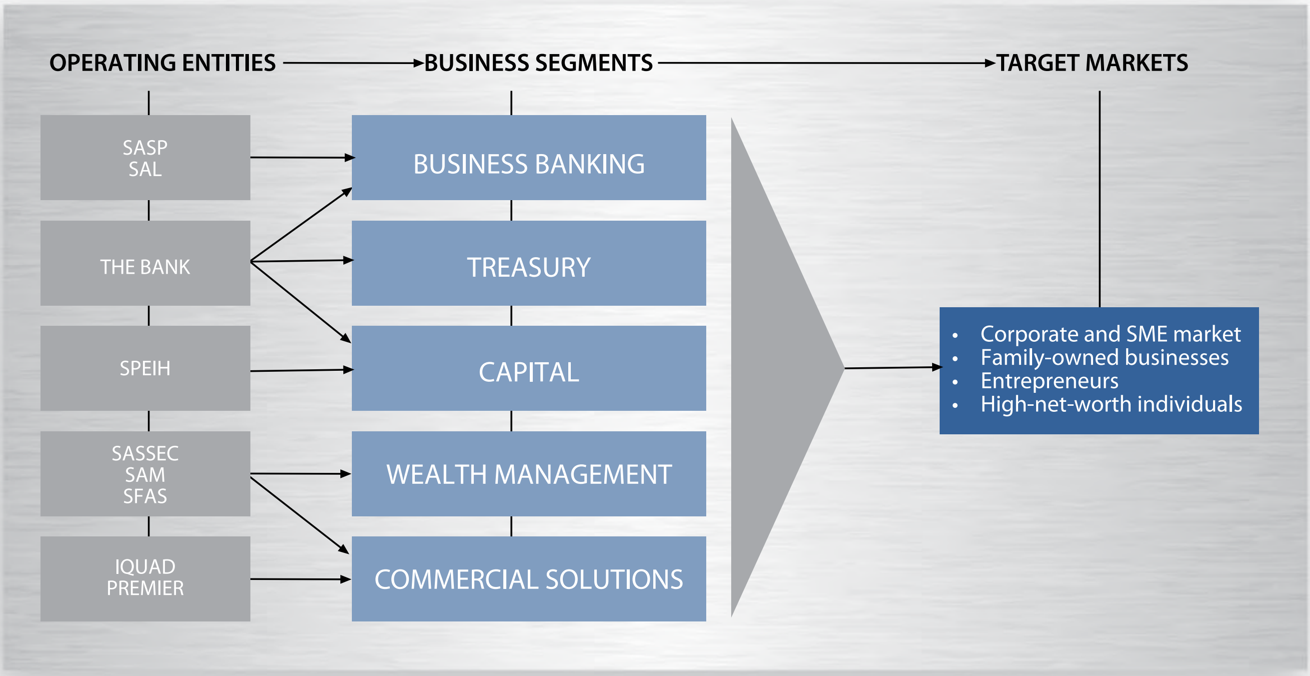
respect and integrity

close relationship

understanding of clients' needs

Below is a summary of the main operating entities within the Group and its link to primary business segments which underpin our "go-to-market" approach. For the detailed Group organogram and structure, please refer to the Group's website.

SEE THE WEB
FOR MORE DETAILS
www. sasfin.com



HOW SASFIN GENERATES VALUE AND PROFITS

Overview: Business segments into products and service offerings and the respective contribution to Sasfin's value chain
Sasfin positions its product offering around its clients, providing financial solutions for the various stages of their business and personal wealth life cycles.

Typically a client will enter the "Product Wheel" on the **Business Banking** side in order to obtain a debt solution to provide working capital for its business.

As the business grows, there is a point in time where equity finance is needed to propel a client's business into its next growth phase. Ultimately the business may explore merger and acquisition opportunities or may wish to list on a bourse. The **Capital** division provides clients with private equity as well as equity and debt capital market services, including securitisation.

With time, owner-managers of the business will begin to accumulate wealth in their own personal capacity, and the **Wealth Management** division can assist in growing and protecting these assets.

Treasury provides money market products to optimise yields and the Bank, being a registered foreign exchange dealer, offers foreign exchange products and services for companies and private clients.

Commercial Solutions provides business advisory and complementary services that can be offered along the entire life cycle of the client, which includes healthcare and short-term insurance, logistics and trade solutions, verification services and growth incentives.

This holistic client-centric approach allows Sasfin to position its offerings around the specific needs of its clients to provide a **comprehensive start-to-finish** tailored solution.

STRATEGY

Sasfin's strategy for sustainable growth and above market performance is centred on three fundamental pillars, linked to its mission to be "a partner beyond expectations" in its chosen markets.

These pillars synergise to create a robust positioning for Sasfin which enables the organisation to:

- develop and maintain its core competencies
- remain agile and responsive to changes in the economic and environmental areas, and
- offer a unique value proposition to its clients.

These strategic pillars result in key business objectives which are achieved through strategic business enablers.

	Specialised and integrated offerings	Diversified Group	Partnerships with clients
Key business objectives	• Focused target markets – Corporate SME market – Family-owned businesses – Entrepreneurs – High-net-worth individuals • Focus on clients requiring high touch relationships which larger more bureaucratic institutions find difficult to deliver • Synergistic products and services across the entrepreneur "value chain"	• Diversified income streams • Diversified funding base • Avoidance of concentration risk • Well-balanced asset and liability structure	• Understanding clients' needs • Personalised service • Strong relationships • Flexibility • Quick turnaround
Strategic business enablers	• Working capital and equity • Tailor-made solutions • Quick processing ability • Appropriate flat operating and management structure • Bespoke IT systems	• Multiple product offerings • Lending, wealth management, transactional, logistics and advisory services • Balanced interest and non-interest income • Equity and debt capital and securitisation market expertise	• Highly experienced and passionate staff • Dedicated and experienced teams • Personal guidance • Innovative client-centric products • Excellent service • Regular client interactions • Exceed client expectations

Mapping out strategic imperatives

The Group conducts an annual strategic business planning and budgeting process which incorporates two distinct approaches. There is the "top-down" approach where high-level objectives and goals are set by the Strategic committee and the board of directors, taking into account the Group's performance against its stated strategic drivers and growth initiatives going forward, to ensure Sasfin maintains financial stability on a continued basis. The "bottom-up" approach begins where the individual business units and senior managers set their goals and targets for their business units. Annual planning and budgeting extends to medium- and long-term strategies and targets. Strategy sessions are scheduled for the directors, all business units and corporate services departments.

Once this process is complete, a gap analysis is performed to align the "top-down" and "bottom-up" approaches to ensure that all strategic imperatives and targets that will be set for the future have been robustly examined and critically analysed by the board as well as senior management in the Group.

The progress of the implementation of the strategic imperatives of the Group and achievement of goals that were agreed upon are monitored, measured and reported on monthly.

EXPERIENCE AND EXPERTISE: GROUP DIRECTORS

From left to right
Roland Sassoon Chief Executive Officer
Grant Dunnington Independent Non-Executive Director
Norman Axten Independent Non-Executive Chairman
Roy Andersen Independent Non-Executive Director
Eddie Blight Independent Non-Executive Director

"Our mission is to be the preferred specialist banking and financial services provider in our chosen markets."

From left to right
John Moses Independent Non-Executive Director
Dolly Mokgatle Independent Non-Executive Director
Shahied Rylands Non-Executive Director
Tyrone Soondarjee Group Financial Director

EXECUTIVE DIRECTORS

RDEB Sassoon (66)
Chief Executive Officer

Roland was appointed as chief executive officer of the Group in 1979 and serves on the boards of various companies within the Sasfin Group*.

Apart from the Treasury division, the responsibility for which falls under the Group financial director, Roland has direct responsibility for all divisions, as well as the Compliance and Internal Audit departments.

Prior to joining Sasfin, Roland had 10 years of experience with factoring, leasing, export shipping and confirming companies.

TD Soondarjee (51)
Group Financial Director

Tyrone was appointed as Sasfin's Group chief financial officer in 2007 and was subsequently appointed as Group financial director in 2010. Tyrone serves on the boards of various companies within the Sasfin Group*. He is the non-executive chairman of IQuad and a non-executive director of Annuity Properties.

Tyrone has direct responsibility for the Group Finance function and the Treasury and funding activities of the Group.

Prior to joining Sasfin, Tyrone held numerous executive roles in the Deloitte & Touche group and served as the financial director for TNBS Mutual Bank. Tyrone is a qualified CA(SA) and holds a BCompt (Honours) degree from Unisa. He has a 31-year career in the professional services and banking industries.

NON-EXECUTIVE DIRECTORS

CN Axten (76)
Independent Non-Executive Chairman

Norman was appointed as a non-executive director of the Group in 1999 and was subsequently appointed as the Group's chairman in 2010.

Prior to fulfilling the above role, Norman served the First National Bank Group (previously Barclays) for 42 years and retired as senior general manager. Norman was also chief executive of the Banking Council and past president of the Institute of Bankers and the Association of Mortgage Lenders.

RC Andersen (64)
Independent Non-Executive Director

Roy was appointed as a non-executive director of the Group in 2011 and serves on the boards of various companies within the Sasfin Group*.

Roy started his career at Ernst & Whinney Chartered Accountants in 1966, and subsequently became chairman of Ernst & Young. Thereafter, he went on to the JSE to serve as executive president over the period 1992 to 1997 and oversaw the restructuring of the JSE. He was subsequently chief executive officer of the Liberty Group. Roy has been the chairman of various companies, including Sanlam and Murray & Roberts Holdings, over the years and is currently a board member of several companies and a member of the King Committee on Corporate Governance. Roy qualified as a CA(SA) in 1972 and as a Certified Public Accountant (Texas) in 1975.

ETB Blight (72)
Independent Non-Executive Director

Eddie was appointed as a non-executive director of the Group in 2001 and serves on the boards of various companies within the Sasfin Group*.

Eddie retired from First National Bank (previously Barclays) after 44 years' service, having been General Manager Internal Audit, Security and Risk Management.

GC Dunnington (52)
Independent Non-Executive Director

Grant was appointed as a non-executive director of the Group in 2010 and serves on the boards of various companies within the Sasfin Group*.

Grant is currently the group chief executive officer of SBV Services (Pty) Limited, which position he has held since September 2001. In addition to the above, Grant holds various outside directorships and trustee positions. Prior to this, Grant held various senior positions at FirstRand Bank Limited. Grant has a BCom degree and is a Certified Associate of the Institute of Bankers.

DD Mokgatle (56)
Independent Non-Executive Director

Dolly was appointed as a non-executive director of the Bank in 2006 and of the Group in 2007. She currently serves on the boards of various companies within the Sasfin Group*.

Dolly, a qualified attorney and business woman, has significant experience in the electricity industry and serves on the boards of various companies. She is currently an executive director of the Peotona Group Holdings (Pty) Limited and chairperson of the board of Junior Achievement South Africa, Rothschild Foundation and Woolworths Trust. Prior to this, Dolly served as the chairperson of the Electricity Distributing Industry and the deputy chairperson of the National Energy Regulator of South Africa.

J Moses (66)
Independent Non-Executive Director

John was appointed as a non-executive director of the Group in 2010 and serves on the boards of various companies within the Sasfin Group*.

John has a BSc (Honours) degree from the University of the Witwatersrand. He successfully completed the Programme for Management Development from Harvard University and has filled senior positions at various local and international banks over the last 35 years.

MS Rylands (39)
Non-Executive Director

Shahied was appointed as a non-executive director of the Bank in 2006 and of the Group in 2007. He currently serves on the boards of various companies within the Sasfin Group*.

Shahied is currently a director of Royal Africa Gateway. He served at Arcus Facilities Management Solutions as Finance Director, at Arcus Gibb as Senior Associate and at Arcus Engineering Consultants as Group Finance Associate between the years 1997 and 2002 prior to starting at Royal Africa Gateway at the beginning of 2003. Shahied holds an accounting and auditing qualification from the University of South Africa.

** Detailed disclosures of directors' board and committee memberships can be found within the Corporate Governance section on page 28, and on the Group's website.*

SEE THE WEB FOR MORE DETAILS www.sasfin.com

EXPERIENCE AND EXPERTISE: GROUP EXECUTIVE COMMITTEE

From left to right
Roland Sassoon
Howard Brown

From left to right
Peter Ehrenreich David Edwards Linda Fröhlich Gary Patterson
Zakhe Khuzwayo DJ Kumbula

From left to right
Neil Eppel Noah Greenhill

From left to right
Maston Lane
Eleanor Ofori-Adomako
Deon van der Westhuizen
Berdine Viljoen

H Brown – General Manager Legal and Compliance and Group Company Secretary
Howard holds a BA degree from the University of Witwatersrand and a Diploma in Corporate Law from the University of South Africa. He is responsible for all compliance matters within the Group, and for communication with various regulators of the Group, as more fully described within the Compliance statement in this report, and he fulfils the role of Group Company Secretary.

D Edwards – Head of Commercial Solutions
David holds a BCom degree from the University of Port Elizabeth and an MBL from the University of Witwatersrand. He heads up the Commercial Solutions division of the Group and is the chief executive officer of the IQuad Group.

P Ehrenreich – Chief Executive Officer Premier
Peter is responsible for the international freight forwarding, customs-clearing, warehousing and distribution, and logistics management units of the Commercial Solutions division.

N Eppel – Head of Private Equity
Neil is a qualified CA(SA) and holds a BCom (Honours) degree from the University of Witwatersrand. He is responsible for the private and property equity units of the Capital division.

N Fakir – Group Human Resources Manager
Naseema holds a BCom (Honours) degree and an MBL from the University of South Africa. She is responsible for all HR matters; including remuneration, HR policies, procedures and practices.

D Franklin – Head of Asset Management, Asset Consulting and Financial Planning
Dale holds a BCom (Honours) from the University of South Africa. He is responsible for the Asset Management, Asset Consulting and Financial Planning units within the Wealth Management division.

From left to right
Michael Sassoon
Dale Franklin

L Fröhlich – General Manager Business Banking
Linda holds a Diploma in Financial Management from Damelin. She is responsible for all Business Banking activities, which encompass equipment rental finance and business finance.

M Geyer – Head of Treasury
Manus is a qualified CA(SA) and holds a BCompt degree from the University of South Africa and BCom degree from University of Pretoria. He is responsible for Group Treasury, covering domestic money market and foreign exchange; including asset and liability management.

N Greenhill – Head of Corporate Finance
Noah holds an MBA from Wits Business School. He is responsible for the Corporate Finance unit of the Capital division, including debt capital markets.

Z Khuzwayo – Chief Operating Officer InnoVent Rentals
Zakhe is a qualified CA(SA). He is jointly responsible for the equipment finance activities of InnoVent, which forms part of the Business Banking division.

D Kumbula – Chief Executive Officer InnoVent Rentals
DJ is a qualified CA(SA). He is jointly responsible for the equipment finance activities of InnoVent, which forms part of the Business Banking division.

M Lane – Chief Operating Officer
Maston holds a National Certificate from the United Institute of Credit Management. He is the executive responsible for credit management, risk management, IT, human resources and facilities within the Group.

J Newfield – Head of Group Marketing and Business Development and Group Strategy
Jonathan holds an MBA from Bar-Ilan University and a BSc from the University of Cape Town. He is responsible for Group strategy and marketing, which involves increasing brand awareness as well as driving new business for the Group.

E Ofori-Adomako – Head of Risk
Eleanor holds a BCom degree and Honours degree in Economics, both from the University of Port Elizabeth. She is responsible for Group Risk management.

G Patterson – Managing Director SAL and SasCred
Gary holds a CAIB (SA) and is responsible for heading up the Group's Hong Kong office.

M Sassoon – Chief Executive Officer SasSec and Head of Wealth Management
Michael holds a BCom (Accounting Science) degree from the University of South Africa and an MBA from University of Rochester, United States of America. He is responsible for the Group's Wealth Management division.

R Sassoon – Group Chief Executive Officer and Chairman of the Executive Committee.
See page 5 for further details.

E Smit – Chief Financial Officer – Banking and Group
Eileen is a qualified CA(SA) and holds a B Compt (Honours) degree from the University of Port Elizabeth. She is responsible for overseeing the Group Finance function, in particular the Banking and Group activities.

T Soondarjee – Group Financial Director
See page 5 for further details.

D van der Westhuizen – General Manager Credit
Deon holds a BCom (Accounting) degree from Rand Afrikaans University. He is responsible for credit management within the Group.

B Viljoen – Chief Information Officer
Berdine holds a BA (Honours) from Rand Afrikaans University. She is responsible for Group IT matters, including strategy and implementation thereof.

From left to right
Manus Geyer Naseema Fakir Jonathan Newfield
Eileen Smit Tyrone Soondarjee

For a detailed profile of experience of executive committee members, refer to the Group's website.

SEE THE WEB FOR MORE DETAILS www.sasfin.com

CHAIRMAN'S REPORT

OUR TOP ACHIEVEMENTS FOR FY2012

- TOTAL ASSETS UP 25% TO R5,5 BILLION (2011: R4,4 BILLION)
- GROUP CAPITAL ADEQUACY RATIO 30% (2011: 32%)
- DIVERSIFIED AND STRONG FUNDING GROWTH OF 36% TO R3,8 BILLION (2011: R2,8 BILLION)
- TOTAL EQUITY UP 6% TO R1,2 BILLION (2011: R1,1 BILLION)

Sasfin's competitive advantage in the growing entrepreneurial banking market is primarily its skill and agility in servicing this market by being "a partner beyond expectations".

It gives me great pleasure to submit my annual Chairman's Report, which forms part of Sasfin's 2012 Integrated Annual Report.

Value proposition

Sasfin continues to deliver on its value proposition of being "a partner beyond expectations" to its growing client base. This is achieved through its:

- comprehensive offering of complementary banking and financial products and services to business and high-net-worth individuals
- entrepreneurial culture
- strong personal client relationships
- committed and talented management and staff, who subscribe to Sasfin's vision, mission and code of ethics, and
- state-of-the-art information technology.

Background

Sasfin is committed to increasing volumes across its numerous business units, at acceptable returns and risk levels, in order to improve efficiency and return on equity ratios, bearing in mind its inherent cost structure, including fixed IT and HR costs.

Results

Despite the sluggish economy, Sasfin has achieved relatively strong year-on-year growth in loans and advances of 21% to R2,8 billion, an increase in funds under advisement and management of 22% to R55 billion and an increase in funding of 36% to R3,8 billion, which includes new medium- to long-term funding.

Pre-tax profits grew by 30% and headline earnings for the year under review increased by 16% to R111 million, reflecting a satisfactory performance notwithstanding the negative impact of the factors listed below:

- further write-downs in some of Sasfin's private and property equity investments
- costs and expenses incurred in infrastructural upgrading and business growth
- higher borrowing costs due to Sasfin's increased long-term funding, raised to enable it to continue to achieve strong growth, whilst meeting the liquidity requirements of Basel lll
- additional costs of compliance with prevailing regulations, and
- higher tax rate due largely to an increased capital gains tax rate on private equity and other investments.

Capital adequacy

As a small banking group, Sasfin deems it prudent to maintain capital ratios well in excess of required norms. The Group's capital adequacy ratio at year-end was 30%, which compares favourably with the minimum required ratio determined in accordance with Basel 2.5 of 9,5%.

Funding

Sasfin has secured senior long-term debt funding of approximately R450 million from American, Canadian, Dutch, French and German DFIs. Sasfin's deposits, mainly from its Wealth Management clients, have grown by 47% to R1,8 billion. Together with its interbank facilities, medium- to long-term securitisation and solid capital,

Norman Axten Chairman

Sasfin has a well diversified and robust funding base, which represents a healthy war chest for future sustainable organic and acquisitive growth whilst comfortably complying with the liquidity requirements of Basel lll.

Economic environment

International

A number of Eurozone states have required sovereign bail-outs, while the necessary sustainable solutions, acceptable to all Eurozone nations, prove elusive. Whilst the Eurozone appears to be heading for more fiscal and bank regulatory union, a long restructuring period accompanied by austerity seems inevitable, the repercussions of which are significant for the rest of the world.

The United States, which also labours under burgeoning fiscal debt, will continue with quantitative easing at least up to its 2012 presidential election. Whilst emerging economies, which are largely dependent on exports to developed economies, are also starting to falter, they are generally in a far healthier state with lower fiscal and personal debt and stronger bank capitalisation.

Weak global growth for at least the next year seems inevitable, with:

- excessive sovereign debt, together with stubbornly high unemployment in various economies
- no economy being immune to a prolonged European recession
- reduced real capital adequacy ratios of banks in developed economies, especially Europe, partly arising from the downgrading of property loans and sovereign debt.

South Africa

South Africa has a shortage of skills and entrenched high unemployment. Embedded inflation could edge upwards with deteriorating infrastructure, poor state service delivery and a weakening Rand exchange rate, aggravated by steep increases in labour costs as a result of increasingly militant strike action.

Although South Africa's trade with other emerging markets, particularly in Africa and the other BRICS countries, is still holding, weaknesses in Europe and other developed countries are impacting on South Africa's exports. Furthermore, the South African consumer is burdened by heavy debt and high food and energy prices. The general prognosis is thus for South Africa's annual economic growth to slip below 3%. In response to the deteriorating economy, interest rates have decreased, but this may not be sustainable if inflation increases during 2013.

The banking industry

International

As many European banks have relatively large exposures to questionable sovereign debt and residential properties, there has been a "slow run" on European banks, with contraction in Dollar money market funds, interbank lending and wholesale funding. Despite bail-outs by the European Central Bank, including two allotments of long-term refinancing operations exceeding EUR1 trillion, the European banking industry remains vulnerable.

New bank regulations in various developed economies are imposing far higher capital adequacy ratios, including bail-in bonds, and banks will probably be required to ring fence their investment banking activities. Banks have had to accept the demise of "casino banking", where assets such as sub-prime loans, private equity investments, distressed and mezzanine debt, leveraged buy-outs, CDSs and synthetic securitisation issues are being heavily risk weighted. Going forward, the markets will be guided by the rating agencies who, in turn, will be strongly influenced by capital adequacy, liquidity, credit loss and non-performing loan ratios.

Banks traditionally run mismatches of short-term borrowings and longer-term advances in business-as-usual conditions. However, in terms of Basel III, banks will have to demonstrate, *inter alia*, that under very stressed conditions they can survive in both the short and longer terms.

Following the 2008 banking crisis, governments fear a SIB failure. SIBs are starting to shrink as they struggle to economically raise their capital and liquidity ratios in terms of Basel III, forcing them to shed assets that are highly risk weighted. Many SIBs are resorting to shutting down foreign branches that are not sustainably self-funded and selling off some of their non-core assets, in order to meet their capital and liquidity needs in times of stress.

Despite a lack of demand, banks have a need to increase the yield on their advances due to the increased cost of capital and funding, which is driving them away from loans to corporate borrowers, some of which are now tapping the debt capital markets at relatively low rates.

Banks will also be subjected to tougher market regulation and greater reputational risk and will have to be more transparent and sensitive to the needs of their customers and other stakeholders. Thus they will have to be, and be seen to be, more responsible lenders and custodians of national savings, with sustainable rather than opportunistic business models.

South Africa

South African banks are relatively well capitalised. However due to the South African culture of weak non-contractual savings, preferring call and short-term deposits above those of a longer term, and South Africa's heavy reliance on hardcore bank overdraft facilities, many local banks would have been unable to meet the short-term Basel III liquidity ratios had SARB not agreed to assist banks with liquidity facilities, against prescribed collateral, subject to commitment fees. However, compliance with the Basel III net stable funding ratio will be more challenging.

Competition among banks has intensified for the limited pool of retail deposits, which has resulted in compression in lending margins in the banking industry. However, margins are expected to gradually increase, as banks lift interest spreads to compensate for increasing risk and costs.

Sasfin's sustainability

Sasfin is very conscious of the high risk levels that prevail at this time, particularly in the banking industry, and it has taken important steps to strengthen its sustainability, which is based on its:

- strong capital adequacy
- significant liquidity, largely based on granular retail deposits and long-term funding
- wide range of synergistic banking and financial products and services
- excellent IT systems and HR
- resilient business continuity and disaster recovery systems
- low concentration risk in terms of activities, customers and sources of funding
- good reputation and growing brand and base of loyal clients
- solid profitability
- quality assets, including loans and advances, as evidenced by its low credit loss ratio
- strong corporate governance culture, and
- general avoidance of high-risk activities, including those that could result in reputational damage.

Prospects

Sasfin is experiencing relatively strong demand for its loans and advances, as well as its other products and services, and provided that this trend continues, an increase in revenue and efficiency during the 2013 financial year is anticipated, despite higher costs and compressed margins. Over the next few years, Sasfin aims to get closer to the returns on equity of over 20% that it enjoyed prior to the recent credit crisis.

Sasfin is pleased with its acquisition of control in IQuad and its minority share in Annuity Asset Management (Pty) Limited and continues to explore and entertain other potential acquisitions, where similar strong synergies would exist within the Group.

Appreciation

Thanks are due to our valued clients for their support, my fellow directors, management and staff for their dedicated commitment, our professional advisors, the SARB and the FSB for their invaluable guidance, and our shareholders for their faith in Sasfin.

I have informed my fellow directors that, having served as a director for 13 years, I intend retiring from the boards of the Company and the Bank at next year's annual general meeting.

Norman Axten
Chairman

10 September 2012

STAKEHOLDER ENGAGEMENT

Sasfin engages with key stakeholders with the objective of ensuring that the interests of all stakeholders are considered, and that key issues are addressed.

Below is a diagrammatic depiction of stakeholders with whom Sasfin engages to determine key risk management and strategic objectives:

Sasfin endorses the inclusive approach advocated by King III, and commits itself to advancing the stakeholder objectives outlined in the aforementioned code. Engagement levels seek to include various parties in the Group's internal and external environment, as illustrated above.

STAKEHOLDER ENGAGEMENT continued

Below is a summary of Sasfin's stakeholder engagements with a holistic view of the resulting material issues and the Group's strategic response to these issues:

Key stakeholders	Types	Material issues	Sasfin's strategic response
Clients			
Maintaining partnerships with clients and building on its mission "to be a partner beyond expectations" in our chosen markets	Marketing and business development Client surveys Day-to-day business interaction Brand awareness	Seamless and efficient client service and delivery Improved brand equity	To be a leading financier in the SME market Developed a full service offering to the small business and the entrepreneur in terms of a "start-to-finish" solution Optimal use of technology for improved client communication, service and interaction
Funders and depositors			
Increasing and diversifying Sasfin's funding base	Brand and reputation Identifying a wide range of funders	Expansion of funding base with a more balanced maturity profile Comply with the pending Basel III regulations	Secured further long-term funding to support sustainable entrepreneurial growth Competitive pricing to attract well spread term deposits
Shareholders and investment analysts			
Delivering above market-related returns on a sustainable basis through responsible business management and financial services offering **Keeping shareholders and investment community informed** **Providing relevant and timely information to providers of capital**	Investor relations Road shows Ad hoc communications AGM and other meetings SENS announcements Analyst briefings and presentations Media releases	Stable credit ratings from Fitch and Moody's Positive feedback from shareholders and analysts Informative with open and transparent relationships Deliver above market ROE and ROA	Sustainable growth as an independent and diversified financial services organisation Ensure that capital and resources are strategically focused on activities that generate the greatest return on a risk adjusted basis Developed strategic initiatives to deliver on three- to five-year targets to achieve growth in equity
Directors, management and staff			
Attracting, retaining and fairly remunerating the most talented people **Good governance and remuneration practices** **Ongoing development of skills of employees** **Providing employees with pertinent information regarding Sasfin's strategic focus areas** **Creating an environment with a good work-life balance**	Annual benchmarking exercises and review of compensation practices Periodic climate survey Regular email and intranet communications Quarterly HR magazine Internal training programmes Monthly staff meetings Performance reviews Staff suggestion box	Market-related pay levels Reward and recognition Training and skills development Study assistance	Employer of choice Embedding talent management and aligning reward and performance measures Maintaining good and open communication channels with employees Creation of a value-adding culture governed by a good code of ethics Implementation of a study loan programme

Key stakeholders	Types	Material issues	Sasfin's strategic response
Regulatory bodies and Government			
Complying with legislation and regulation **Protecting the interests of investors** **Building and strengthening relationships with government, both as a partner in the development of the country and as a client** **Providing input into legislative development processes that may affect the activities of the Group**	Regular prudential meetings Statutory reporting Ad hoc query responses Trilateral meetings with the board, external auditors and SARB Bilateral meetings between the board and SARB Public sector financing provided Input into regulatory developments	No major concerns raised in meetings held and resulting from query responses Interactive discussions and feedback JSE relations – open and value adding Promoting economic growth and job creation	Comply with and participate in a constantly evolving regulatory environment Integrate in strategic decision making processes Maintaining good relations with all regulators Strong inherent compliance-driven culture
Social and environmental communities			
Increasing the provision of finance to the SME sector, Sasfin's target market, yielding more opportunities for job creation **Minimising the impact on environment by waste management initiatives and collaboration with stakeholders to encourage sustainable behaviour changes** **Increasing assets under Wealth Management division with a view to preserving wealth** **Community upliftment**	Social and environmental due diligence report Liaison with the Banking Association of South Africa Corporate social investment Wealth creation	Integrate environmental and social considerations into Sasfin's business processes Contribute to job creation in the SME market Continued corporate social investment	Continue to contribute to job creation in the SME market Entrench the Equator Principles in the business operations Energy efficiency funding Comply with legislative requirements Increased focus on wealth creation opportunities for clients Continue as a good corporate citizen

CHIEF EXECUTIVE OFFICER'S REPORT

THE GROUP'S ACHIEVEMENTS

- GROWTH IN LOANS AND ADVANCES UP BY 21% TO R2,9 BILLION (2011: R2,4 BILLION)
- FUNDS UNDER ADVISEMENT AND MANAGEMENT UP 22% TO R55 BILLION (2011: R45 BILLION)
- GROWTH IN DEPOSITS BY 47% AND MEDIUM- TO LONG-TERM FUNDING BY AN IMPRESSIVE 122%
- HEADLINE EARNINGS PER SHARE UP 16% TO 344 CENTS (2011: 297 CENTS)
- RETURN ON ORDINARY SHAREHOLDERS' EQUITY UP 1 PPS TO 12% (2011: 11%)
- DIVIDENDS PER ORDINARY SHARE UP 16% TO 137 CENTS (2011: 118 CENTS)

In order to avoid duplication within the integrated annual report, this report is confined to a high level oversight of Sasfin's market positioning and its achievements, shortcomings and future plans.

Business model

As a banking and financial services group with a broad range of complementary products and services, Sasfin benefits from strong synergies between its many business units as well as reduced market and concentration risks, despite its size.

In order to improve profitability, Sasfin strives to attain optimal critical mass and efficiency in each of its units.

In addition to continually increasing its brand recognition, footprint and client base, and acting as "a partner beyond expectations" to clients and other stakeholders, Sasfin has taken the following major steps in the year under review:

Treasury division

Having raised long-term funding of R361 million from three European DFIs and a further R85 million from the IFC and CCCP, Sasfin's balance sheet reflects healthy liquidity coverage and net stable funding ratios, enhanced by granular retail deposits and classic medium- to long-term securitisation funding. Sasfin has the capacity for continued strong growth, whilst comfortably meeting the capital and liquidity requirements prescribed by Basel III.

Business Banking division

During the second half of the financial year under review Sasfin successfully switched over to a new IT system for its Business Banking division. The development of this system has been a drain on this division in terms of human resources as well as client service levels. Now that the system has finally been implemented, Sasfin is starting to benefit from improved efficiencies and client service levels as well as more sophisticated management reporting, which will enable Sasfin to take this division to a far higher level.

Capital division

Due to certain underperforming private and property equity investments and new banking regulations, changes have been made to Sasfin's private and property equity model, by accommodating its deal flow through:

- managed funds for both property and private equity investments, and
- club proprietary private equity investments, where Sasfin takes both a reduced share and less active role in each investment.

These changes have:

- created more granularity, thereby de-risking Sasfin's investment portfolio
- enabled the unit to substantially reduce its overheads, and
- enabled Sasfin to partner with select private equity investment houses, capable of adding considerable value to its investments.

Sasfin has already disposed of, or reduced its exposure to, a number of its legacy property and private equity investments. Sasfin is a significant shareholder of the management companies of the Trinitas Private Equity Fund, which recently closed its fund at R670 million, and the recently listed Annuity Property Fund, which has *inter alia* acquired Sasfin's head office. Sasfin's Corporate Finance unit has added Debt Capital to its Equity Capital suite of products and succeeded in securing its first third party securitisation mandate.

Roland Sassoon Chief Executive Officer

Notwithstanding the negative and uncertain global banking environment, Sasfin has delivered a positive set of results with a profit of R133 million for the year under review and significantly strengthened its balance sheet.

Wealth Management division

Sasfin Asset Managers has recruited senior investment and distribution executives and developed an in-house offering of combined active and passive investments, which is proving very popular, particularly with pension funds. This previously loss-making unit has been turned around.

By making various structural changes, profits in SasSec and SFAS have increased considerably. The division has seen growth in funds under advisement and management of 22% to R55 billion.

Commercial Solutions (formerly known as Logistics and Risk) division

In November 2011, Sasfin acquired a 68,4% share of IQuad, a company listed on the Alternative Exchange of the JSE. IQuad provides its base of commercial and industrial clients with a wide range of services, including:

- international treasury outsourcing
- import duty recoveries
- assistance with government incentives, and
- verification certification for BEE.

IQuad, together with Sasfin's freight, short-term insurance and healthcare broking units, make up Sasfin's Commercial Solutions division. Many of these services synergise with Sasfin's Business Finance and International Treasury units to provide a unique "start-to-finish" product service offering.

Having recently acquired management's shareholding in Premier Freight, Sasfin now owns 100% of this company, which will be renamed Sasfin Premier Logistics. Management and structural changes have been implemented to improve the profitability of this underperforming subsidiary.

Sasfin is in the process of acquiring the minority shareholdings in IQuad, which will then be delisted.

Performance overview of year under review

As mentioned above, Sasfin Capital had another weak year due to further write-downs in its private and property equity portfolios. This was aggravated by an increase in the CGT rate from 14% to 18,6%. New management has been appointed in Sasfin Capital, from which much improved results are expected in the new financial year.

The performance of the Business Banking and Wealth divisions has improved markedly during the year under review. This can largely be attributed to the management introduced in each of these divisions in the previous financial year. The recent acquisition of a controlling shareholding in IQuad has transformed Commercial Solutions into a sizable and profitable division. The performance of the Treasury division is improving with increased scale in its International unit.

Although earnings remained soft, with return on equity at 12%, which is well below its target, Sasfin is satisfied with its overall performance during the year under review, bearing in mind the sluggish economy, increased tax rate and continued losses from legacy private and property equity investments, as well as additional compliance and carry costs incurred to meet the Basel III capital adequacy and liquidity ratios.

The following table summarises the Group's performance against its strategic objectives set for the year:

Strategic objectives	Status	Performance
Refocus and downsize Private Equity and Property Private Equity	Achieved	Private Equity division restructured and downsized, with a greater emphasis on third party fund management. Total reduction in exposures for the reporting period was R132 million Future investments to be based on a co-investment model and re-investment of capital realised Annuity Properties acquired Sasfin's head office building. Sasfin has a 25% interest in the management company of Annuity which should prove profitable in the long term
Secure and diversify funding base	Achieved	*Strengthened liability side of balance sheet:* Obtained R361 million long-term funding from DFIs for financing of SME clients R85 million long-term funding obtained from the IFC and CCCP for energy efficiency and renewable energy financing Deposits grew from R1,2 billion to R1,8 billion during the year as a result of better brand awareness, direct advertising and competitive interest rates
Enhance Wealth Management offering	Achieved	New management team put in place and offering enhanced Contribution to profits from Wealth Management up from R20,8 million to R31,5 million for the reporting period Key value drivers identified, which led to the remuneration and cost allocation methodology being re-aligned. This resulted in increased focus on growing the business and in turn increased revenues. Revenue for Wealth Management was up R24 million to R137 million for the reporting period There is still further scope to enhance the net yield on the assets under management and various initiatives are being examined
Grow non-banking activities	Achieved	Acquired majority shareholding in IQuad resulting in diversification of business, synergies with the Group's product and service offering and increased cross-selling initiatives. This also provides the Group with increased footprint into new markets and regions. Commercial Solutions contributed R19,2 million (16,8%) to Group profits
Growth in Business Banking division	Achieved	All the business units in this division were unified to report into a single management team which has led to a significant improvement in team morale and financial sustainability The book has grown from R2,3 billion to R2,8 billion during the current reporting period, and pipeline is strong. Additional sales staff have recently been added which is expected to result in a steady increase in new clients and business in the next financial year

Strategic objectives	Status	Performance
IT strategy implementation	Substantially achieved	A technologically advanced client-centric unified lending system, BFS, has been implemented Progress has been made towards creation of a centralised data management platform on which BI and CRM tools are being installed
Drive efficiencies	Partially achieved	The cost-to-income ratio has stabilised with cost growth largely inflationary, however, revenue growth still needs to gain traction to accelerate a drop in the cost-to-income ratio. The cost-to-income ratio increased from 69% in 2011 to 70% in 2012
Attract and retain talent	Ongoing	Sasfin has recruited individuals of high calibre through a combination of its strong brand, career progression opportunities and market-related remuneration rewards

Strategic update

The Group continues to focus on its refined growth strategy in response to the changing banking and regulatory landscape with a view to broadening its franchise value. In this regard, the Group has implemented and embarked on the following initiatives:

- optimise synergies across the Group's broad range of products and services through cross selling in line with a client-centric approach
- strongly market its unique "start-to-finish" product and service offerings to its diverse client base in a seamless manner, and
- continue to expand its funding sources with a balanced maturity profile.

Business plan and prospects

While the economy remains patchy, Sasfin intends to use its strong funding base and infrastructure of products and services, human capital and IT resources to continue to grow in all its divisions at a healthy rate, whilst maintaining quality assets and earnings.

Sasfin is well positioned to grow its franchise, focusing on the entrepreneurial market and private client base, despite the prevailing level of global economic uncertainty.

Appreciation

I congratulate David Edwards, Peter Ehrenreich, Neil Eppel, Manus Geyer and Noah Greenhill on their appointments to head up Sasfin's Commercial Solutions division, Freight, Private Equity, Treasury and Corporate Advisory Services units respectively, for which I wish them every success.

I take this opportunity of thanking Sasfin's competent and dedicated board of directors, management team and staff for their considerable achievements in the year under review. I have every confidence in their ability to take Sasfin to a far higher level of sustainable growth and prosperity.

Roland Sassoon
Chief Executive Officer

10 September 2012

THE GROUP'S ACHIEVEMENTS

- PROFIT BEFORE TAX UP 30% TO R174 MILLION (2011: R134 MILLION)
- PROFIT FOR THE YEAR UP 17% TO R133 MILLION (2011: R114 MILLION)
- HEADLINE EARNINGS UP 16% TO R111 MILLION (2011: R96 MILLION)
- CREDIT LOSS RATIO POSITIVE TREND DOWNWARDS TO 0,6% (2011: 1,7 %)
- TOTAL INCOME GROWTH OF 21%

The South African economy remained soft during the year under review, with signs of recovery, albeit at a relatively slow pace.

Financial review

Sasfin continued on its growth trajectory in its core business activities and delivered a positive set of results with profit for the year of R133 million, a 17% increase on 2011. Profit before tax reflected a strong increase of 30% year on year, following strong revenue flows and a significantly lower impairment charge when compared to last year. However, a higher effective tax rate of 24% (2011: 15%) in the current year led to profit after tax of R133 million. The higher tax arose primarily through a combination of a change in capital gains tax rate, a shift in profits to higher tax rates and capital gains tax on profit on disposal of fixed property.

After accounting for non-controlling interest and preference share dividends, earnings attributable to equity holders amounted to R114 million, which is a 17% increase when compared to the same period in 2011. Headline earnings of R111 million, after adjusting for certain non-headline earning items, is a 16% increase on 2011, with headline earnings per share of 344 cents showing a similar increase.

Once again, total assets grew in excess of 25% to R5,5 billion year on year, underpinned by further solid growth in the Business Banking division, where gross loans and advances reached R2,9 billion, a 21% increase over the corresponding period.

In line with its strategy to broaden its non-banking activities and increase its revenue generation capacity, the Group acquired a 68,4% majority stake in Business and Financial Services listed company, IQuad Group Limited ("IQuad") in November 2011. The primary driver for this acquisition was to expand the Group's service and product offering and leverage off IQuad's client base.

Total income grew by 21%, largely driven by the Group's increasing top-line growth objectives and expansion of the non-interest revenue base. Whilst interest income grew by 21%, the increased costs of funding, particularly in the form of new long-term funding, weighed heavily on net interest income, resulting in a 6% growth in net interest income over the corresponding period.

Group costs reflect a 26% increase over 2011, largely due to the IQuad cost base which has been consolidated into the Group from November 2011. Excluding this cost base, cost growth of 14% year on year was recorded to support the growth initiatives of the Group through investment in technology, employees and infrastructure. The Group's cost-to-income remains high at 70%, however, with the increased focus on top-line revenue generation, coupled with cost-containment initiatives of the Group, this ratio should show a downward trend going forward.

Capital and liquidity

The Group remains well capitalised with a primary tier I equity ratio of 26% (2011: 27%), and a total capital adequacy ratio of 30% (2011: 32%), well above the South African Reserve Bank's minimum requirements and the Group's internal targets. This bodes well for the Group to meet the new Basel III capital regime, and on a pro-forma basis, the Group has a very solid common equity tier I ratio of 21%, which is the main measure of capital strength in terms of Basel III.

Funding obtained during the reporting period strengthened and diversified the funding base, and enhances the ability of the Bank to meet the stringent Basel III liquidity requirements of liquidity coverage ratio ("LCR") and the net stable funding ratio ("NSFR"), as the

Tyrone Soondarjee Group Financial Director

Group approaches implementation date in 2015. The Group's liquidity position remains very healthy with adequate liquidity buffers held for stress situations that may arise, and following the liquefying of some of its long-term fixed assets, has resulted in a significant cash pile in excess of R1,5 billion at June 2012.

Segmental review

Business Banking

The Business Banking division produced another good performance, with profit for the year of R90 million, which represents 68% of the Group's profitability. The key drivers were strong growth in loans and advances, margin retentions and lower impairment charges. The credit loss ratio decreased to 0,23% during the year from 0,6% in 2011, highlighting the inherent asset quality in the Group's lending book and sound credit processes. Non-performing loans remained flat notwithstanding the growth in the book, and at a Group level, the credit loss ratio decreased to 0,6% from 1,7% in 2011.

Profit: R90 million

Wealth Management

Profit: R31 million

The Wealth Management division achieved profit growth from R21 million to R31 million, an improvement of 51% year on year. The Stockbroking unit experienced an increase in local and global managed portfolios resulting in improved annuity income. The Assset Management unit developed a fully-fledged offering with an effective distribution channel. The Wealth Management division is well positioned and is a key profit driver for the Group going forward. Funds under advisement and management now amount to R55 billion, an increase of 22% from 2011.

Commercial Solutions

Profit: R19 million

The Risk and Logistics division, which has been re-branded as Commercial Solutions, is gaining momentum following the acquisition of IQuad and showed a meaningful contribution to Group profits of R19 million (2011: R7 million). The increased profits are largely attributable to the performance of IQuad and this augurs well in creating an effective start-to-finish solution for clients in this segment.

Capital

Profit: R0,1 million

The reshaped Capital division, whilst returning to profitability following the change in the business model in the Private Equity and Property Private Equity units, delivered a disappointing set of results due to certain legacy issues in its investment portfolio, which dragged down the division's profits. As stated previously, the Group is in the process of exiting and realising certain investments and good progress has been made in this regard. In addition, the Group has concluded a strategic relationship with Annuity Properties, a listed property fund, and disposed of its owner-occupied Head Office building to this fund, and simultaneously acquired a 25% stake in its asset management company. Accordingly, the Group will redirect its property deal flow to this fund. The Corporate Finance unit, which is incorporated under the Capital division, remains profitable, with some significant mandates in hand.

Treasury

Profit: R5,9 million

The Group's deposit and funding continued to grow, with an improved deposit mix and maturity profile. Deposits grew by 47% to R1,8 billion from R1,2 billion in 2011. As previously announced, the Bank successfully concluded a seven-year €35 million term loan from the European DFIs in December 2011 and secured an additional US$10 million seven-year loan from the IFC and CCCP for energy efficiency and renewable energy financing.

Sasfin's securitisation vehicle, a leader in its market, continues to perform well and has re-financed R317 million of maturing notes at favourable terms in the 2012 financial year which was oversubscribed three times.

Treasury delivered a flat performance year on year with a profit of R5,9 million largely due to a poor performance from its International Treasury unit, although achieving a 60% growth in forex sales. The focus is to rapidly grow the foreign exchange offering in the new year and bundle product with the "start-to-finish" import solution.

Corporate services

Underpinning these business segments are the corporate services departments that are adequately staffed and skilled, to partner with business in providing the following key functions and levels of support in a sustainable and efficient manner:

Marketing and Business Development

Enhance the Group's brand awareness in the market as well as drive new business across the Group.

Information Technology

Maintain and support the main line of business systems delivery. Strategic focus on operational and cost efficiency of IT infrastructure.

Finance and Administration

Responsible for Group accounting and reporting, including statutory reporting to the SARB, and covenant reporting to external debt providers, and financial intelligence to all business units.

Compliance

Operates as a key interface with regulatory authorities and is an essential component of the Group's risk management framework.

Group Internal Audit

Group Internal Audit's mission is to provide the appropriate level of assurance required by the board that internal controls, which are designed and implemented by management, are adequate to ensure an effective control environment exists.

Risk Management

Assesses risks and opportunities within the Group and responds appropriately.

Credit

Functions as a strategic partner with Business Banking, including an assessment of credit proposals, maintaining acceptable non-performing loans and credit loss ratios, risk monitoring and recovery of accounts in default.

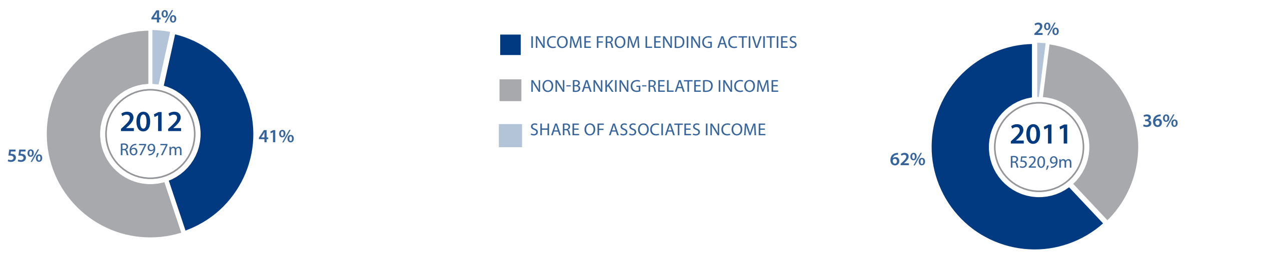
Human Resources

Appropriately staffed workforce and focusing on employee retentions, appointments, training, monitoring and, where necessary, employee severances. Develops, maintains and communicates office policies throughout the Group and acts in an advisory capacity with the employees.

The following illustrates the financial contribution by the business units and the resulting value creation and allocation to key stakeholders:

Segmental profit analysis

Value created



Value allocated

Tyrone Soondarjee
Group Financial Director

10 September 2012

RESPONSE TO KEY MATERIAL ISSUES LINKED TO SUSTAINABILITY CONSIDERATIONS

Environmental and social sustainability

Sasfin recognises that the banking and financial services sector has an important role to play in the context of environmental sustainability, both in South Africa and in the global context. Sasfin acknowledges its obligation to effectively manage the direct and indirect environmental and social impacts of its activities, products and services. In terms of the nature of the Group's operations, water and energy usage, as well as waste generation, is not considered to be material with respect to global impact, and has thus not been expanded on within the sustainability disclosures below.

Economic growth, social equity and environmental integrity are interdependent outcomes of all sustainable development.

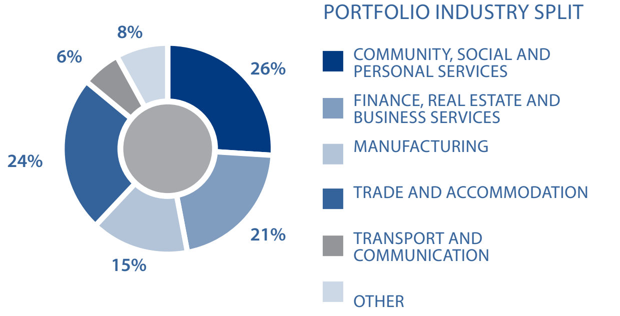
The integration of social, economic and environmental factors is essential for planning, implementation and decision-making so as to ensure that development serves present and future business partners.

Key environmental and social sustainability drivers

Financing of SME clients

Sasfin provides financial solutions to various sectors. Approximately 24% of its total lending focuses on trade and accommodation. 21% of its total lending is to financial, real estate and business services, and a further 15% of its total lending focuses on manufacturing. Sasfin endeavours to support South Africa's growth by providing financing to assist with the transition to more efficient and suitable uses in trade and industry. Furthermore, by providing funding to the SME market, the Group has an indirect impact on job creation through such organisations.

PORTFOLIO INDUSTRY SPLIT



Energy efficiency financing

Sasfin has obtained preferential funding of R85 million for "Cleantech" financing which will be used for green energy projects and projects resulting in energy savings that help create environmentally sustainable businesses.

Sasfin's energy solution is engineered to assist its SME clients to become more energy efficient to lower their energy costs, find cleaner alternatives and improve energy efficiencies.

Adoption of SEMS framework

When Sasfin provides financial solutions to clients, it has a responsibility to ensure its clients' activities are not having a negative social and environmental impact. Sasfin therefore considers environmental and social risks in its business decisions and activities, particularly in higher-risk industry sectors.

In order to manage social and environmental risks and impacts, as well as to enhance development opportunities, Sasfin seeks to measure itself in terms of eight performance standards aimed at promoting sound environmental and social practice, encouraging transparency and accountability and contributing to positive developmental impacts. These principles are encapsulated in its SEMS framework which is integrated into Sasfin's operational processes and overseen by its Social and Ethics committee, whose functions and mandate are set out in greater detail on page 28. The SEMS policy provides employees with an improved tool for identifying and managing environmental and social risks, with lending and investment initiatives, thereby reducing Sasfin's indirect environmental footprint.

Each aspect of a project is considered in the context of legislative and regulatory compliance, including environmental permits and the exclusion lists required by the various development funders who have partnered with Sasfin.

Corrective action plans and a summary of recommendations are implemented on specific issues, where considered necessary. In addition, financing covenants and conditions are always taken into account.

Sasfin has an environmental coordinator who manages the Group's environmental impact by overseeing the screening of corporate clients against Sasfin's SEMS risk framework. The environmental coordinator is mandated to create a consistent approach to environmental and social management by facilitating appropriate systems, policies, performance standards, monitoring and assurance within the Group's operations and responsible financing considerations.

The environmental co-ordinator's responsibilities are represented at the GRCMC, a board committee, which in turn provides oversight and guidance in managing the strategic direction of environmental systems. In addition, this committee addresses issues associated with occupational health and safety in the building maintenance as well as employee occupational health and safety awareness.

SEMS aims to align the Company's objectives to develop and maintain appropriate systems and controls to the social and environmental requirements and standards set out by international best practice. It draws from the Equator Principles, United Nations Global Compact Principles, Organisation for Economic Co-operation and Development recommendations regarding corruption, World Bank standards, as well as local legislation aimed at redressing the social and labour issues pertinent to South Africa.

BBBEE

For a number of years, Sasfin has recognised the importance of ensuring that the socio-economic inequalities which pervade South Africa need to be addressed, and it regards the FSC as an excellent model upon which it based its targets and strategies for the achievement of greater equity within its field of influence. Sasfin is pleased to note that the FSC has been rejuvenated as a sector code. In order to ensure objective validation of the process, Sasfin has engaged with an independent approved verification agency not only to provide a scorecard, but also to review progress so that appropriate medium and long-term strategies can be implemented aimed at improving Sasfin's broad contribution to BEE. The ownership requirements of the generic code remain a challenge because the Banks Act requires regulatory approval for any significant shareholding. Sasfin, however, continues to make good progress in ensuring that its employee demographic profile, its procurement practices and enterprise development initiatives bring real benefits to its stakeholders.

Sasfin has been awarded a SANAS accredited level 4 score, which translates into a BBBEE procurement recognition level of 100%. Sasfin has also been recognised as a value-added supplier.

Sasfin's contribution to other environmentally and socially important matters

Suppliers

Sasfin is analysing how best to engage with suppliers on their environmental management practices and will develop and roll out standards and tools in this regard during 2013.

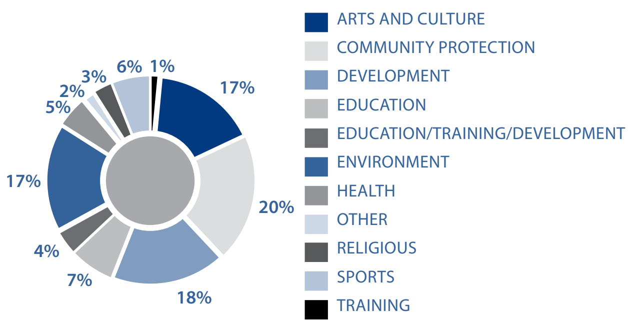
Climate change

Some risks associated with climate change include the costs of complying with legislative and regulatory requirements and natural disasters that could potentially damage property. Climate change will also alter the manner in which risks are managed making it necessary for the Group to re-evaluate its risk assessment models to include potential climate change risks and their monetary value.

In the community

Being a good corporate citizen means being there for the communities that Sasfin operates in. To this end, Sasfin is involved in a variety of CSI and other sponsorships and donations. The total donations and sponsorships spend for the year was approximately R1,7 million.

The Group endeavours to uplift poverty, improve the quality of life and promote education and development for all South Africans. Below is a depiction of the value allocated per social development programme:



Environmental legislation

Sasfin's approach to the management of developing environmental legislative regulation, is to develop compliance risk management plans to assess the regulatory risk and introduce appropriate mitigating controls where required. Sasfin monitors the developing environmental and social codes of industry best practice through the public consultation processes, such as the South African government's Climate Change Response Green Paper.

Fines and sanctions

Sasfin is pleased to report that for the year under review, the monetary value of significant fines and the total number of non-monetary sanctions for non-compliance with environmental laws and regulations, as well as laws and regulations concerning the provision and use of products and services, was nil.

Cultural sustainability

Sasfin has always followed a proactive approach towards being an employer of choice. Employees are extended the same concern, respect, and caring attitude within the organisation that they are expected to share externally with every client, as it is believed that in keeping employees motivated and stimulated, Sasfin will continue to service its clients beyond expectations.

The strategic focus of HR is therefore to align its best practices to the requirements of the business in order to drive sustained performance and enhance the employee's working experience. This is achieved through the following initiatives:

People development

R2,8 million was invested in skills development and learning initiatives across the Group, up 65% from last year. In total, 329 employees benefited from training interventions, which amounted to an average investment of R8 500 and 5,25 training hours per employee. Sasfin's Workplace Skills Plan and Implementation Report met the requirements of the relevant authorities, from whom a rebate of R1,5 million for skills development levies was received.

In addition to its study loan scheme, local training workshops and on-the-job training, Sasfin has introduced the following learning initiatives:

- introduction of a learning library which is made available to all employees on the intranet
- a custom-designed internal course titled "Managing the Sasfin Way". This has been extended to all levels of management in order to enhance leadership engagement, and the uniform application of HR policies and processes
- the Sasfin Business Xperience Programme is aimed at developing its talent pipeline, whereby mentees are assigned to different mentors over a period of one year, where they are exposed to different areas of the business and complete a work-related project for each mentor
- Business Banking employees have undergone on-the-job systems training and upskilling, due to the implementation of a new operational system which will further streamline business performance.

Externally, BANKSETA and INSETA have again been engaged to provide a platform for learners to enter the workplace. There are currently six learners in total who have been deployed throughout the organisation so that they can gain valuable workplace experience. Cell C's "Take a Girl Child to Work Day" was well attended, with 14 learners being given the opportunity to interact with powerful women who are in leadership roles throughout the organisation. Sasfin's sponsored entrepreneurship programmes at schools provide the youth with the necessary skills to enter the economic environment once they finish school.

Employee satisfaction

Sasfin strives to promote employee satisfaction across all levels in order to retain key skills and ensure a productive and motivated workforce. Employee satisfaction is measured in periodic climate surveys which raise awareness of any issues that need to be addressed by management and executives.

Employees engage in various team-building activities across all divisions. These include team events, as well as community and sustainability initiatives across a spectrum of beneficiaries such as HIV/AIDS centres and children's homes.

Employee engagement

Remuneration, flexibility and wellness remain the cornerstones of employee engagement. Sasfin's Group HR and Remuneration committee reviews all HR policies annually so that its employee value proposition remains attractive and relevant. Group policies and procedures are available to all employees on the intranet, and employees are encouraged to make use of the staff suggestion box to address concerns and lodge complaints anonymously in need.

Sasfin regularly benchmarks its salaries to gauge its competitiveness in the market. Its recently introduced flexi-time policy enables employees to structure their working hours in line with work-life balance. Annual Wellness Days are arranged, and employees are provided with on-site counselling services in need. The quarterly HR newsletter and monthly team get-togethers keep employees informed.

The board is represented at the various board sub-committee meetings. Due to the active nature of the board, directors provide significant input into the proceedings as identified by the annual committee surveys completed by each member and invitee.

The HR department facilitates discussions regarding employee-employer issues, and attends all disciplinary and grievance hearings.

There were no reported incidents of employee harassment or workplace discrimination during the year under review.

The Occupational Health and Safety committee meets quarterly to assess and monitor workplace safety risks. There were five minor injuries on duty, with no employees needing to be admitted to hospital for treatment of their injuries.

Employee turnover

Appointment and turnover rates indicate how Sasfin has fared at attracting and retaining talent. For the year under review, 100% of all vacancies were filled, made up of 112 permanent positions. With the Group's acquisition of IQuad, the turnover rate increased from 14,75% to 20%, resulting in 135 employees that left the Group, of which, 4% was attributable to dismissals, 2% to retirement and 10% to retrenchment.

A total number of three employees referred disputes to the CCMA. This represents less than 0,5% of the total workforce, indicative of fair and sound HR policies and processes. Two disputes related to alleged unfair retrenchment, and one dispute was referred due to alleged unfair dismissal. Two disputes were settled at conciliation stage, and the last dispute has not yet been heard. The amount spent on CCMA settlements amounted to R187 000.

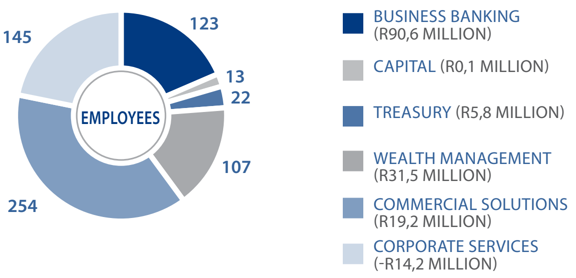
Performance management

A robust performance management system is in place which has been further enhanced by the introduction of an online performance management system. This integrates directly with Sasfin's Employee Self Service system, thereby allowing both line managers and their employees direct access to all agreed key performance indicators, which can be reviewed in line with individual needs. This ensures that employees do not lose sight of the important goals, which ultimately impact on the remuneration reviews and any incentive bonuses. Sasfin's performance management system drives the desired outcomes by both the manager and employee, who remain cognisant of individual performance, contribution to the Company and employee potential. All performance management engagements are structured in a constructive manner designed to proactively address performance shortcomings.

Seven employees received performance counselling during the year. This has been 100% successful, with all affected employees showing significant improvement in performance.

Human capital report

There are 664 permanent employees across the Group, with the divisional breakdown illustrated below. The profit contribution by each division is linked to the staff complement to depict the respective value created.



The workforce breakdown of permanent employees by occupational level, gender and race is as follows:

	Male					Female						
Category	**A**	**C**	**I**	**W**	**F**	**A**	**C**	**I**	**W**	**F**	**Total**	**% Black**
2012												
Top management	0	0	1	24	0	1	0	1	5	0	**32**	**9**
Senior management	0	0	4	16	0	2	0	0	15	0	**37**	**16**
Professionals	4	3	5	30	0	4	7	9	29	0	**91**	**35**
Skilled employees	12	12	23	86	0	20	24	29	84	0	**290**	**41**
Semi-skilled employees	25	8	5	8	0	45	31	19	53	0	**194**	**69**
Unskilled employees	9	2	0	0	0	8	1	0	0	0	**20**	**100**
Total employees	**50**	**25**	**38**	**164**	**0**	**80**	**63**	**58**	**186**	**0**	**664**	**47**
2011												
Total employees	48	23	34	133	1	63	51	46	183	1	**583**	**46**

A = African; C = Coloured; I = Indian; W = White; F = Foreigner

The ratio of male to female employees is 0,7: 1 (2011: 0,7: 1)

The ratio of total cost of employment of male to female employees is 1,1: 1 (2011: 0,8: 1)

Sasfin's approach to transformation is being changed in line with best practice. Its Transformation committee has expanded its role to incorporate the requirements of the Companies Act and is now called the Social and Ethics committee. The aim of this committee is to monitor its ethical practices as well as to ensure that the transformation strategy is aligned with the principles and values of the Group. Due to the acquisition of IQuad, Sasfin has not met its internal target of improving its Employment Equity statistics by 3% per annum, with the overall representation of black employees improving by 1% from 46% to 47%. Sasfin will strive to achieve its transformation objectives when recruiting, promoting and developing employees.

MANAGING GOVERNANCE, RISKS, REGULATIONS, COMPLIANCE AND REMUNERATION

Corporate governance

Sasfin recognises that effective and sound corporate governance practices based on the inclusive stakeholder approach will achieve and maintain trust and confidence from all stakeholders within the organisation and society as a whole. Sasfin strives to consider the legitimate interests and expectations of stakeholders in its strategic and operational thinking with a view to always acting in the best interests of the Company. To this end, Sasfin endorses the principles incorporated in King III to guide and facilitate its business imperative to be "a partner beyond expectations".

Companies Act

The implementation of the Companies Act with effect from 1 May 2011 has, as expected, impacted Sasfin, both in relation to its own structures and processes and in relation to its interaction with its clients. The business rescue provisions of the new Act are embraced as an important vehicle for ensuring that jobs are protected. This caused Sasfin to re-evaluate its processes to ensure that both it and its clients are adequately protected. Sasfin has conducted extensive training and self-evaluation to ensure that its governance processes, board committee charters and secretarial functions are aligned to the Act.

The board of directors

The overall responsibilities of the Group's boards of directors include reviewing and guiding corporate strategy, formulating risk appetite, developing and assessing budgets and business plans, all with a view to acting in the best interests of the Company and its stakeholders. Boards meet regularly so as to maintain effective control over executive management and operations. Board dynamics are enhanced through the appointment of non-executive directors as chairpersons of the Company, the Bank and its main subsidiaries. All non-executive directors are of sufficient calibre, experience and number so as to ensure that they can properly guide and influence business decisions. The various boards are responsible for setting policy, monitoring corporate performance and overseeing major capital expenditure. Individual directors and the board as a whole are entitled to, at the Company's expense, take independent professional advice in connection with their duties if they consider it necessary. When this is deemed necessary, the board or the individual director, as the case may be, is required to inform the board of his/her intention to do so, and the board will then facilitate an appropriate process. The board has appointed a competent and suitably qualified and experienced company secretary to provide a central source of guidance and advice to the board on matters of good governance and changes in legislation.

Non-executive directors

The boards of the Company and the Bank comprise seven non-executive directors. The chairman of the board is an independent non-executive director. Non-executive directors offer a measure of independence and save for their fees and in certain instances shareholding, maintain no pecuniary interest which may substantially impact their independence. Non-executive directors are selected through a formal process and when new non-executive directors are appointed, such appointments require confirmation at the next annual general meeting. Non-executive directors are appointed for a specific term and their reappointment is not automatic. The appointment of all directors is subject to SARB approval. Upon being appointed, non-executive directors are subject to a formal induction programme with presentations by all the main operating divisions to bring them up to speed with the nature and extent of the Group's business environment, its operations and sustainability issues relevant to the business. Although there were no appointments to the board during the period under review, new directors have in the past attended specialised courses at the Gordon Institute of Business Science (GIBS), and external training is given to directors by means of ad-hoc presentations throughout the year. Being a relatively small board, the board has for the past number of years relied on a self-assessment process to evaluate board performance as a whole and the board committees' performance. However, the board has recently adopted a policy whereby external evaluations will be conducted every third year, the first of which will be conducted during 2013. The scope of external evaluations will extend to cover board performance as a whole, board committee performance, as well as individual director performance.

Executive directors

There are two executive directors on the board of the Company and the Bank. The executive directors each fulfil their respective roles as Group chief executive officer and financial director. A clear demarcation exists between the functions of the executive directors and the non-executive chairman of the two boards. The HR and Remuneration committee determines the emoluments of executive directors.

Group Executive committee

The Group Executive committee meets monthly and is chaired by the chief executive officer and consists of the financial director, senior management, and by invitation, all non-executive directors and the head of internal audit.

Sasfin Holdings Limited and Sasfin Bank Limited board charter

In order to facilitate the boards' role as the focal point for and custodian of corporate governance, the boards adhere to the requirements of a formulated charter. The concept of a unitary board consisting of both executive directors, with their intimate knowledge of the business, and non-executive directors, who bring a broader view and commercial experience to the activities of the business, has been maintained as the favoured board structure. Management of business risk and the exercise of commercial judgement are the essence of this mutual association and exchange of business experience and knowledge.

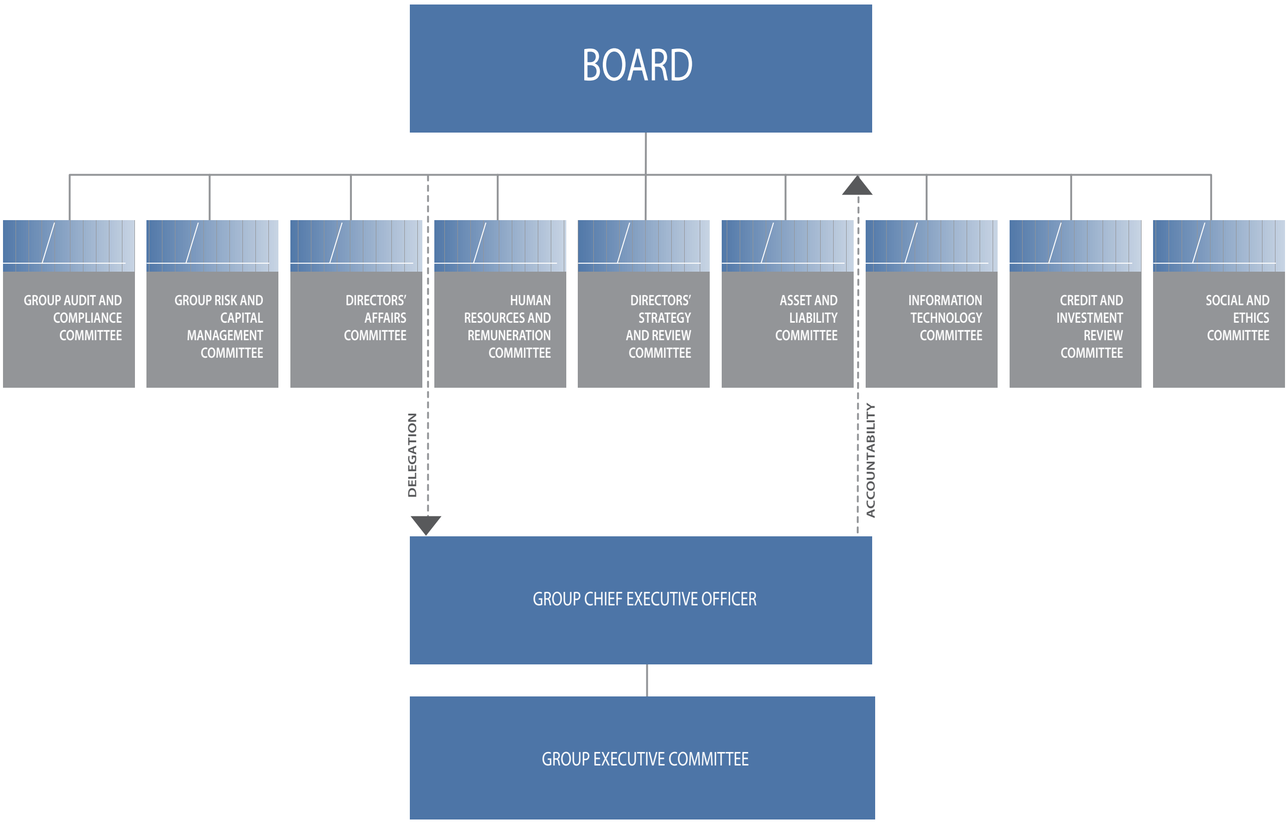
The appointment of two executive directors is in conformity with the "four eyes" principle required by the SARB. The boards furthermore take cognisance of gender and racial mix so as to incorporate diversity into their decision-making process.

The boards accept that they have a collective responsibility to provide effective corporate governance that facilitates the management of a set of relationships between management, the boards, shareholders and other stakeholders.

Full details in terms of the board of directors' decision-making process, functioning and objectives are more fully disclosed within the Boards' Charter which can be found on the Group's website.

SEE THE WEB
FOR MORE DETAILS
www. sasfin.com

Governance structure



Board committees

The following committees have been constituted by the board and have been tasked with corresponding responsibilities:

Committee	Responsibility
Group Audit and Compliance Members: ETB Blight (Chairman), RC Andersen, DD Mokgatle, J Moses, MS Rylands	Responsible for internal audit and external audit processes and functions; accounting policies; internal controls and systems; annual financial statements; integrated reporting; and compliance with various statutory and regulatory frameworks Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Group's operations
Group Risk and Capital Management Members: ETB Blight (Chairman), GC Dunnington, DD Mokgatle, J Moses, RDEB Sassoon	Responsible for Group risk management policies and procedures and their compliance with the approved risk management framework; and the capital management policy and capital planning initiatives of the Group Group Risk considers the key risks faced by the business and the responses to address these risks
Directors' Affairs Members: CN Axten (Chairman), ETB Blight, GC Dunnington, DD Mokgatle, J Moses	Responsible for corporate governance and monitoring directors' responsibilities; matters relating to the respective fiduciary capacities of directors; and fulfilling the role of a nomination committee
Human Resources and Remuneration Members: MS Rylands (Chairman), ETB Blight, GC Dunnington	Responsible for all human resources matters; remuneration; and incentives. The committee assists the board in providing management with guidance on the adequacy and efficiency of remuneration and HR policies, procedures and practices that are applied within the Group
Directors' Strategy and Review Members: CN Axten (Chairman), ETB Blight, GC Dunnington, J Moses, RDEB Sassoon, TD Soondarjee	Responsible for the review, development, implementation and monitoring of strategies; the review of financial performance against budget and strategic initiatives
Asset and Liability Members: ETB Blight (Chairman), DD Mokgatle, J Moses, MS Rylands, RDEB Sassoon	Responsible for asset and liability management; interest rate risk management; liquidity management; funding risk management and currency risk management
Information Technology Members: ETB Blight (Chairman), MS Rylands, RDEB Sassoon, B Viljoen	Responsible for the information technology strategy and the implementation thereof. IT governance is expanded on under "Adoption of King III" on page 29.
Credit and Investment Review Members: GC Dunnington (Chairman), J Moses, RDEB Sassoon, MG Lane, D van der Westhuizen, R Smit	Responsible for the credit risk management policy and procedures; defining credit policy; setting credit guidelines; reviewing compliance with the approved credit and investment policies of the Group; and facilitating the management of large exposures by the board. Any credit applications greater than R30 million are referred to the board for approval
Social and Ethics Members: DD Mokgatle (Chairperson), ETB Blight, RDEB Sassoon, MG Lane	Responsible for the Group's ethical practices and transformation initiatives; compliance with the FSC; and compliance with the BEE codes of good practice

Further management committees require approval by the board so as to ensure that the board maintains ultimate oversight of operations.

All board committees are chaired by non-executive directors. With the exception of the Credit and Investment Review committee, the majority of membership is constituted by non-executive directors.

The boards set their own limits regarding the Company's risk appetite and reserve certain powers while delegating others. Any delegations are executed through written authority by the board and are effected with due regard to the fiduciary and statutory duties of the Group or Bank, while taking into account the need for strategic and operational effectiveness. The boards regularly review risk appetite in the context of changing business environments.

The strategies and policies, mutually agreed management performance criteria and business plans of entities are clearly defined and reliable measures have been put in place. Directors have implemented a risk framework which ensures comprehensive assessments against accurate and relevant financial and non-financial information, which are obtainable from the Group's internal reporting systems as well as from external sources, so that an informed assessment can be made of all issues facing the boards.

Companies within the Group have separately constituted boards.

A detailed explanation of roles and responsibilities of the aforementioned board committees is available on the Group's website.

SEE THE WEB
FOR MORE DETAILS
www. sasfin.com

Adoption of King III

Sasfin has endeavoured to apply the principles of King III within the spirit of the "apply or explain" doctrine. Sasfin has undertaken a comprehensive review of King III and has developed a comprehensive monitoring plan to ensure that it is able to apply or reasonably justify its reasons for non-compliance, if applicable, of the recommendations contained therein.

As at 30 June 2012, Sasfin complied in all material respects with King III and has implemented the following material recommendations of King III:

- the role of the chairman of the board is formalised and his performance is evaluated annually
- the chairman of the board is not a member of the GACC and he does not chair either of the Remuneration or Risk committees
- there is an overview of the appraisal process of the board, chairman and peers
- the committees are appropriately constituted and chaired by non-executive directors, and terms of references have been approved for each committee
- the board has ensured that there is an effective risk-based internal audit function
- Sasfin's strategic planning incorporates a formal risk planning process
- the board takes responsibility for information technology governance which is incorporated within management processes, the board IT committee and IT Management committee. The financial component of IT is managed independently by Group Finance. IT governance is further expanded on below in light of the increased focus which has been placed on this area under King III principles
- there is an appropriate balance of power and authority on the board, and the board comprises a majority of non-executive directors, the majority of whom are independent
- new directors are subject to a formal induction programme
- the board reports to the Registrar of Banks on the effectiveness of the Group's internal controls, and
- the board has appropriate mechanisms to ensure that directors act in the best interest of the Company and its stakeholders and that any conflict of interest is managed in terms of best governance practice.

IT governance

IT is an integral part of Sasfin's business and is fundamental to the support, growth and sustainability of the Group. IT within the Group is directed by a dedicated Chief Information Officer and the overall responsibility for IT governance lies with the board. Through the IT strategy, the IT roadmap is aligned to the Group's business objectives to ensure that IT consistently enables sustainable value driven solutions and services to the Group. The Group has adopted Control Objectives for Information and related Technology ("COBIT") as a guideline for establishing and maintaining effective internal controls, including compliance, continuity management and risk. An IT Project Management Office is in place to align and structure processes to better measure and manage the overall IT portfolio by ensuring that appropriate project management principles are applied to all new IT projects. These frameworks and associated IT policies and standards ensure that IT risks within the Group are minimised. Internal Audit periodically performs an assessment of IT governance processes against best practice principles as outlined in King III. The Group's future focus will be on enhancing its current IT platform to deliver greater value and efficiency.

Areas of non-compliance

The board has considered the King III recommendation that non-executive directors' fees should consist of a base fee and attendance fee. In light of the satisfactory attendance record of the non-executive directors and increased cost implications, it was decided not to change the policy of a set annual fee. This policy will be reviewed regularly with the consideration of attendance records. Sasfin is satisfied with all other outcomes of its King III compliance review. This review also considers the independence of directors who have been at Sasfin for more than nine years, which Sasfin has assessed as satisfactory.

Changes to the board

During November 2011, the status of M Segal changed from executive to non-executive director.

On 22 March 2012, M Segal resigned from the boards of both the Company and the Bank.

The company secretary

The board is assisted by a competent, suitably qualified and experienced company secretary. The current Group company secretary is Howard Brown, who is not a director of the Company and is an attorney with over twenty years of experience in the corporate and company law arena and who also fulfils the statutory role of Group compliance officer as required by the Banks Act.

The company secretary is regarded as the gatekeeper of the Group's commitment to good corporate governance and, as such, an arm's-length relationship is maintained between the company secretary and the board of directors. This is demonstrated by the fact that the company secretary has a direct channel of communication to the chairman and provides independent, comprehensive and practical support and guidance to directors, with specific emphasis on supporting non-executive directors, the chairman of the board and chairpersons of the various board committees, including GACC.

The board has considered, and has satisfied itself on the competence, qualifications and experience of the company secretary by having duly applied its mind on this matter at a duly constituted directors' board meeting.

The record of attendance at board and committee meetings for the Group for the period 1 July 2011 to 30 June 2012 is as follows:

Where no attendance is recorded, the director concerned is not a committee member.

The board is satisfied that members attended meetings as required.

	Sasfin Holdings Limited Board	Sasfin Bank Limited Board	Group Human Resources and Remune-ration	Group Audit and Compli-ance	Group Risk and Capital Manage-ment	Credit and Investment Review	Asset and Liability	Information Technology	Directors' Affairs	Directors' Strategy and Review	Social and Ethics
Meetings planned	4	4	4	4	4	11	11	4	4	7	4
Meetings held	4	4	9	4	4	11	13	4	4	7	4
Directors:											
RC Andersen	4/4	3/4		4/4							
CN Axten	4/4	4/4							4/4	6/7	
ETB Blight	4/4	4/4	8/9	4/4	4/4		12/13	4/4	4/4	7/7	3/4
GC Dunnington	4/4	4/4	7/9		3/4	11/11			4/4	7/7	
DD Mokgatle	4/4	4/4		3/4	2/4		11/13		4/4		4/4
J Moses	4/4	4/4		4/4	4/4	10/11	11/13		4/4	6/7	
MS Rylands	4/4	4/4	9/9	3/4			13/13	4/4			
RDEB Sassoon	4/4	4/4			4/4	11/11	13/13	4/4		7/7	4/4
M Segal	2/3	2/3	3/3							3/4	
TD Soondarjee	4/4	4/4								5/7	

Risk management

Risk management

Sasfin recognises that the business of banking and financial services is conducted within an environment of complex interrelated risks. Accordingly, a philosophy of integrated risk management has been established within Sasfin to ensure that all business and operational risks are managed effectively within acceptable parameters. In this regard, Sasfin has implemented an Enterprise Risk Management approach to break down the silos of individual risks, and enables management to view and understand an overall perspective of risks. The Sasfin Enterprise Risk Management Policy applies to all Group companies, divisions and departments of Sasfin Holdings Limited and it aims to:

- align risk appetite and strategy – management considers the entity's risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks
- enhance risk response decisions – enterprise risk management provides the rigour to identify and select among alternative risk responses – risk avoidance, reduction, sharing, and acceptance
- reduce operational surprises and losses – entities gain enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses
- identify and manage multiple and cross-enterprise risks – every enterprise faces a myriad of risks affecting different parts of the organisation, and enterprise risk management facilitates effective response to the interrelated impacts, and integrated responses to multiple risks
- seize opportunities – by considering a full range of potential events, management is positioned to identify and proactively realise opportunities, and
- improve deployment of capital – obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.

Risk management philosophy

Sasfin acknowledges that clear accountability is fundamental to the management of risk and the organisational structure encourages risk management practices at all levels. The risk governance model distinguishes between functions owning and managing risks, functions overseeing risks and functions providing independent assurance. The model is depicted below.

Risk appetite

Sasfin broadly defines risk appetite as the amount and type of risk that it is willing to accept, and must take, to achieve its strategic objectives and therefore create value for stakeholders. By adding "and must take", Sasfin expresses that taking risk is an inherent part of strategy execution and value creation. Risk is not just about avoiding potential losses, but also about exploiting opportunities.

The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, i.e. the board is responsible for determining risk appetite. Risk appetite is generally expressed through both qualitative and quantitative means and considers extreme conditions, events, and outcomes.

Sasfin has no appetite for risks relating to *inter alia*:

- manipulation of financial records
- employees or contractors selling client confidential information
- core systems downtime of more than 24 hours
- significant virus outbreaks
- successful hacking attempts
- flagrant breaches of regulations, and
- fraudulent or unethical behaviour.

Risk management process

Across the Group, risks are identified, analysed, evaluated and treated:

- formal risk assessments are completed annually at each division and group support function
- risk profiles are reviewed quarterly by business and support units, and
- the identified risks are reviewed at Group level through a consolidated risk register.

Risk ratings guide the level of attention required from the Group Executive and the Risk and Capital Management committees.

Risk categories

The Group's risk profile consists of the following core components:

Risk	
Strategic risk	Strategic risk concerns the consequences that occur when the environment in which decisions that are considered hard to implement quickly, result in an unattractive or adverse impact. It ultimately has two elements: one is doing the right thing at the right time; and the other is doing it well. This includes risks arising out of changes in the broad environment in which the Group operates
Credit risk	The risk of loss to the Group as a result of failure by a client or counter-party to meet its contractual obligations
Liquidity risk	The risk arising from the potential inability of the Group to accommodate decreases in liabilities or to fund increases in assets in full; at the right time, place and currency
Operational risk	The risk of loss resulting from inadequate or failed internal process, people or systems, or alternatively through external events. Operational risk excludes strategic risk *Business continuity risk management* The Group continually reassesses its business continuity capabilities in order to respond effectively to a crisis, thereby protecting the interests of its key stakeholders
Market risk	The risk of change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in the market variables
Equity investment risk	The risk of an adverse change in the fair value of an investment in a company, fund or any other financial instrument, whether listed or unlisted
Compliance risk	The risk of legal or regulatory sanctions, material financial loss, or loss to reputation as a result of failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to the Group's activities
Interest rate risk	The risk that fluctuating interest rates will unfavourably affect the Group's earnings and the value of its assets, liabilities and capital
Concentration risk	The risk of being overly dependent on a restricted number of activities, depositors, specific instruments, individual transactions or geographical locations

Combined assurance

The Group has adopted a combined assurance approach in assisting the board, audit committee and executive management to maintain control and oversight over key material reporting issues. The following assurance matrix summarises the level of assurance achieved:

Content	Assurance providers	Outcome	Framework/Standard
Annual financial statements	KPMG Inc., PKF (JHB) Inc.	Unqualified audit opinion	IFRS, International Auditing Standards
BEE contributor level	SANAS	Level 4 confirmed	BBBEE code
Corporate governance	Self-assessed	Compliant with King III	King III
Sustainability content	Self-assessed	Level C confirmed	GRI G3 guidelines
Non-financial information	Combined assurance	No material inconsistencies or errors	Internal model

External assurance

In addition to independent assurance by external auditors over the Group's financial statements, the SARB, FSB, JSE and certain legal experts also provide assurance on the Group's internal controls and compliance.

Internal assurance

Although the assurance functions are independent and report to different governance committees, there are cross-functional synergies where they overlap. Internal audit findings and compliance risks are integrated into risk registers.

Internal audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

As part of an integrated approach to risk management, Internal Audit leverages off the assessments performed by Group Risk. Internal Audit supports the risk management process by auditing the business management and risk management practices and processes of the various entities using a risk-based approach.

Compliance

Sasfin's independent compliance function has been established in terms of Regulation 49 of the Banks Act, and other pertinent legislation including the FAIS Act, the Securities Services Act and the NCA as part of its risk management framework. The objective of the function is to ensure that the Group continuously manages its regulatory risk and complies with applicable laws, regulations and supervisory requirements.

At a strategic level, Sasfin views compliance as a tool supporting an effective level of corporate governance within the organisation.

Regulatory overview

Following the events of the economic crisis in 2008, there has been a greater focus on the regulatory environment for banks to adhere to the minimum capital requirements. The Group has met all these requirements under Basel II as well as Basel 2.5.

The Basel 2.5 requirements, which became effective on 1 January 2012, were successfully implemented by the Sasfin Group with minimal impact on capital ratios. The Group is focused on ensuring that the requirements of Basel III are met taking into account the changes in the regulatory framework.

Basel III

The greater part of the Basel III proposals aimed at strengthening global capital and liquidity rules, were finalised in December 2010. The objective of the proposals is to improve the banking sector's ability to absorb shocks arising from financial and economic stress, and thereby reducing the risk of a trickle-down effect from the financial sector to the real economy.

The final version of the FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions was also released in November 2011. The main objective of this document is to provide guidance on effective resolution regimes that aim to:

- reduce moral hazards in the financial system
- protect the stability of the financial system, and
- minimise the cost of crisis resolution to the taxpayer.

The FSB, in terms of the Key Attributes of Effective Resolution Regimes, requires member countries to have in place Recovery and Resolution Plans (RRPs) for all systemically significant financial institutions. RRPs must comprise two separate components, namely, the recovery plan and the resolution plan. Both these components form an integral part of the Bank's risk management programmes. The Bank's recovery plans will include a liquidity recovery plan, a capital recovery plan and a business continuity plan.

Globally, the effects of Basel III and the market response have been significant. The unattractiveness of banks owning large stakes in other financial institutions prompted banks internationally to reduce their stakes in such entities. A clean-up of minority exposures ahead of the Basel III implementation has also been seen.

The main capital and liquidity requirements necessary to meet a bank's recovery in a stressed environment include the implementation of liquidity ratios, namely the liquidity coverage ratio ("LCR") and net stable funding ratio ("NSFR"). The structural constraints of the South African economy, characterised by low household savings rates as well as long-term assets that are funded predominantly by short-term wholesale deposits, make it difficult for South African banks to comply with the liquidity ratios. Notwithstanding these constraints, Sasfin is well positioned to meet these requirements.

A strategic objective of the Group, *inter alia*, is the diversification and tenor of long-term funding as part of strengthening the Group's liquidity position. This has assisted in enabling the Group to meet the Basel III requirements, and in particular, the liquidity ratios, by having sufficient high quality liquid assets available.

The LCR and NSFR continue to be monitored and the Group currently meets the minimum requirements. As at June 2012, the LCR and NSFR were 111% and 232% respectively.

The Group is well positioned to absorb the capital implications, with its capital ratios remaining well above the current internal target ranges as well as the new regulatory thresholds. The main capital related work relates to the conversion or replacement of the existing tier 1 and tier 2 capital instruments in line with the new Basel III full loss absorbency and other requirements (no step-ups or incentives to redeem), as certain existing instruments will be phased out over 10 years from 1 January 2013.

As at 30 June 2012, the regulatory capital for the Sasfin Group exceeded the minimum requirements under Basel III as follows:

	Sasfin Group	SARB minimum requirement
Common equity tier 1 capital	21%	6,5%
Tier 1 capital	27%	8%
Total regulatory capital	30%	10%

Regulatory environment going forward

The SARB issued draft one of the proposed amended regulations at the end of March 2012. From these proposed regulations, it is clear that the LCR and NSFR ratios have been adopted as they are.

It is envisaged that the final draft version of the proposed amended regulations will be presented to the Minister of Finance during October 2012 for his consideration and approval. Parallel data submissions will be required to be submitted by 12 November 2012 and the final amendments to the Regulations that incorporate changes introduced as part of the Basel III framework will become effective and be implemented on 1 January 2013.

This framework includes, amongst others guidance on two main areas, namely:

- the phasing out arrangements for non-common equity tier 1 capital instruments that no longer qualify as regulatory capital in terms of the new definition of capital under Basel III, including the requirements pertaining to the loss absorbency provisions at the point of non-viability, and
- the treatment of disclosed reserves under the new definition of capital.

Compliance statement

Sasfin maintains an independent compliance function, which is under the control of a general manager who reports directly to the chief executive officer. The general manager is furthermore given unrestricted access to the chairman of the GACC and meets with him on a regular basis. A composite regulatory universe applicable to the Group has been formulated wherein the following regulators have been identified as playing a primary role:

- The SARB through the BSD and Financial Surveillance Departments, carries the responsibility for ensuring that a sound and well regulated banking system exists in South Africa and that prudent risk management practices are embedded within the banking environment. Consequently the directors of a bank are required in terms of the Banks Act to report annually to the Registrar of Banks on the efficacy of the systems of internal control and to provide reasonable assurance as to the integrity and reliability of financial statements, as well as on corporate governance. Directors are furthermore required to safeguard, verify and maintain accountability for the Bank's assets
- The JSE regulates SasSec through its Surveillance Department. The Surveillance Department of the JSE maintains an active supervisory and monitoring role with all members of the JSE in its endeavours to *inter alia* maintain the efficiency and integrity of the secondary market, and
- The FSB regulates specific business activities of the Bank as well as the general business activities of SFAS and SAM. Regular reporting is made to the FSB to satisfy the overarching requirement that investors be protected.

The compliance function has a multi-disciplined approach to managing the requirements of relevant legislation and regulation in order to assist management with compliance. Directors recognise that they bear the ultimate responsibility for setting and maintaining the Group's systems of internal controls and protecting its assets and earnings against financial loss whilst complying with legislative and regulatory requirements. Directors are committed to discharging these responsibilities as cost effectively as possible and as such, business risks are assessed on an ongoing basis and risk procedures are modified and implemented as needed. The Group has a comprehensive reporting system, which is monitored and reviewed monthly by management and the directors. The process facilitates budgetary control and risk management control, provides reasonable assurance as to the accuracy of financial statements and safeguards the Group's assets.

Remuneration report

Remuneration philosophy

Sasfin believes in aligning its reward practices with shareholder value. Sasfin's HR and remuneration philosophy is to therefore reward individuals who contribute to the success and sustainability of the organisation, who have met or exceeded their performance objectives, and who show potential to develop their careers within the Group. This promotes continued high levels of performance. The consequence of poor performance is not only reflected in remuneration reviews, but also integrates into other human resource processes such as performance and talent management.

Sasfin's remuneration policy is to:

- benchmark individual roles within the organisation to ensure that executives and employees are fairly compensated and that the Group is responsive to market pressures in order to remain an employer of choice
- recognise and reward employees for their individual contributions to the Group's overall performance
- consider and develop a total reward structure which drives exceptional long-term performance by balancing guaranteed and variable pay
- provide meaningful benefits which are clearly communicated and supported by an effective administrative system
- provide benefits that are cost effective from an employee and employer perspective
- reinforce roles and accountabilities
- reward performance not failure
- review the terms and conditions of employment, and
- ensure compliance with the Code of Corporate Practices and Conduct as published in King III.

Group HR and Remuneration committee ("REMCO")

The board has delegated the responsibility of determining the remuneration of executive directors and senior management to the REMCO. This committee works on behalf of the board to:

- determine, agree and develop Sasfin's general policy on HR
- ensure appropriate levels of monitoring and compliance, and
- determine any criteria necessary to measure the performance of such executive directors and senior executives in discharging their functions and responsibilities.

The committee aims to give the executive directors and senior executives every encouragement to enhance Sasfin's performance and to ensure that they are fairly, but responsibly, rewarded for their individual contributions and performance. The REMCO is also involved in succession planning, particularly in respect of the CEO and Executive committee.

The committee reviews, at least annually, the terms and conditions of executive directors' and senior executives' service agreements. This review process takes into consideration information from comparable companies where relevant, and other appropriate industry or market trends locally and internationally.

Remuneration principles

The remuneration principles applied are:

Fair and consistent remuneration decisions

The REMCO has oversight of total remuneration and approves all annual increases in line with Group policy. Any interim remuneration reviews are proposed by the relevant general manager and recommended by the Group HR manager. These reviews are then approved by the Group chief executive officer, and noted by REMCO. Deviation from the standard increase policy is made in consultation with the relevant general manager and the Group HR manager, with a view to drive the desired behaviour and achievement of the required outcomes. Remuneration decisions are transparent and objective so as to facilitate honest feedback to employees.

Remuneration reviews

Sasfin clearly defines the expected performance through a structured system of performance management, which is used as the basis for compensation decisions. Reward levels are benchmarked annually and salaries are reviewed following annual performance appraisals.

Wealth Management remuneration is reviewed in September each year, whilst the remuneration of all other employees in the Group is reviewed in March. The review of executive management remuneration occurs in October each year.

When considering annual increases, REMCO considers individual performance, internal equity, scope and complexity of the role, scarcity of skills, inflation, and local market practice.

The REMCO approves an average increase percentage for the year, which is communicated to all line managers. The line managers thereafter propose individual increases, bearing in mind that the average increase for the division should not exceed the approved percentage increase, excluding extraordinary factors.

Non-executive directors' increases are presented to and approved at the annual general meeting by means of a special resolution.

Budgets

Each business unit estimates its total remuneration in the annual budget, which is approved by the board. Average increases, expected recruitment, employee wellness, as well as training and development are discussed with the Group HR manager when planning divisional budgets.

Market position

Sasfin makes use of HAY reward levels to decide on the total cost-to-company for individual roles. The HAY reward level refers to the global pay reference level to fix roles at different levels of complexity once the job has been evaluated. The HAY reward levels in the market data tables are analysed and reported in percentiles and quartiles, defined as:

- Lower quartile: 25%
- Median: 50%
- Upper quartile: 75%

Sasfin's policy is to pay its employees at the market median for each reward level. Mitigating factors are accounted for when agreeing individual compensation within each reward level. These factors are explained under "basis of remuneration" below.

Basis of remuneration

REMCO accounts for the following when determining fixed remuneration:

- Individual performance as measured by the internal performance appraisal system
- Position benchmarking whereby each job is allocated a reward level which links a specific job to its relative worth in the market
- Internal parity so as to ensure that individuals are paid within the appropriate reward level for the function they perform
- Employee's alignment with the Sasfin culture and values, and
- Market scarcity and replacement cost of a position.

Performance factors which are linked to variable compensation include individual, divisional and Group performance, as well as the individual's potential and relative value to the organisation.

Sasfin's basis of remuneration as detailed above is outlined below:

Remuneration model for the Group

The following factors are taken into account in determining remuneration levels:

Position benchmark

Position benchmarking is undertaken to objectively determine the relative worth of various jobs within an organisation whereby a specific role, as opposed to the person performing the role, is assessed. Jobs are ranked in order to achieve internal and external parity, by applying a HAY reward level to each position. Aspects such as the know-how required to perform the role; accountability within the role; and problem-solving requirements of the role contribute to the eventual grading of the individual positions.

Market stance
Market stance is a concept whereby the organisation makes a business decision about where in the market it seeks to remunerate employees. Targeting pay at the 50th percentile (or median) means that the market stance is to pay at "average" levels in the market. Sasfin compares itself to competitors and other industry players when analysing pay data. The reward levels assigned to each position ensure that Sasfin is able to attract and retain talent in terms of compensating its employees at competitive and relative levels. Sasfin also contributes to and participates in remuneration surveys.

Individual value
Notwithstanding that Sasfin pays at the market median for a job, the worth of an individual employee will determine where on the reward level of a specific job he or she will be compensated. An employee's individual output is the main determinant of individual remuneration levels. Sustained and consistent outstanding performance will result in high remuneration. Should an employee have valued corporate memory and a specific scarce skill which is required to perform the job, then the total compensation will accommodate this.

Element	Type	Description	Objective
Guaranteed package	Fixed remuneration	Fixed remuneration, determined by reward level Generally paid within range of market median	Reflects the scope and nature of the role with the requisite skills and experience required to fulfil the role adequately
Employee benefits	Fixed remuneration	Employee benefits provided in line with local market practices. Includes medical aid, provident fund, group life and risk benefits and funeral scheme	Reflects the scope and nature of the role with the requisite skills and experience required to fulfil the role adequately
Incentive bonus	Variable remuneration	Executive incentive scheme Divisional incentive schemes paid annually Discretionary Based on business and Group performance and accomplishment of personal performance objectives Retentions apply to some schemes	Motivates and rewards achievement of individual and growth objectives
Share price appreciation scheme	Variable remuneration	Participating employees earning above R300 000 per annum Discretionary Extra allocation for key employees Awards are made annually and each annual grant is divided into three equal tranches	Retention of key skills by linking performance to long-term value creation

The REMCO ensures that the mix of fixed and variable pay meets the Company's needs and strategic objectives.

Fixed remuneration
The guaranteed cost-to-company salaries are reviewed annually in line with the factors listed above, and using as a guideline the average percentage increase recommended by REMCO. Cost-to-company remuneration structures are positioned to manage salaries around the relevant market medians, and include all contributions to the Company medical aid, provident fund, group life, income continuation and severe illness benefit funds.

Provident fund contribution levels
As a good corporate citizen, the Group endorses a strong savings culture for retirement planning. Accordingly, contributions to a provident fund are compulsory.

Provident fund contribution levels are reviewed bi-annually in March and October. Employees can elect to contribute between 10% and 20% of their remuneration to the provident fund, should they choose to change their investment options.

Employer contributions
Apart from the statutory employer contributions, the following employer contributions are also applicable, which are included in the total cost-to-company rewards:
- 100% of medical aid premium
- full provident fund contributions at the contribution level selected by the employee (the higher the contribution, the lower the cash component), and
- full contribution to Group life; severe illness and income continuation benefit funds.

Contributions to the provident fund, Group life assurance, severe illness and income continuation benefit fund form part of the employee's cost-to-company amount.

Allowances

The Group provides several allowances to its employees. These include travel allowance, subsistence allowance, cell-phone allowance and allowances related to the Relocation Policy.

Interim increases/ad-hoc increases

Interim increases would be justified in view of the following:

- promotion or transfer to another role which is fixed at a higher reward level
- evidence of below market salaries
- an increase in workload that justifies an increase in reward level
- to establish internal equity, or
- to make a counter-offer to a resigning employee, provided the overall cost-to-company remains within the reward level for the job performed.

Rewards and recognition

The annual Sasfin Group function provides an opportunity for Sasfin to recognise and/or reward those employees who have performed well during the year. Employees who have been employed by the Company for an extended period of time are recognised and rewarded in terms of its Long Service Award Policy.

Variable remuneration

Variable remuneration takes the form of both short-term and long-term incentives ("STI") and ("LTI"). Their purpose is to drive sustained performance over the long term, ensuring that employee behaviour and performance is aligned with the Group's strategy, thereby enhancing shareholder value. Performance objectives include Group financial performance; divisional financial performance and individual performance, and are sustainability related. These objectives are reviewed regularly to ensure that they remain relevant. There is continuous risk-based monitoring of incentive schemes and bonus pools to discourage employees from carrying out their duties in contravention of the Company's risk management strategy.

All schemes fall within a shareholder approved remuneration policy and are approved in advance by the REMCO, and the scheme details are communicated and contracted annually with the affected personnel for the upcoming review period, taking into account long-term value for shareholders. Each scheme is reviewed annually by both the divisional head and REMCO, and is audited annually.

All schemes are tax efficient in that charges to the income statement qualify for a tax deduction as payments are made in cash. Payments are made to employees net of the related tax.

Short-term incentives: Annual performance incentive bonuses

The Group makes use of incentive bonuses, paid annually on approval by REMCO, although these bonuses are not guaranteed. The incentive bonuses are governed by the rules as set out in the relevant scheme. All employees may qualify to participate in only one of these schemes, so that there is no duplicated benefit. The intention of the short-term incentives is to reward performance where the performance objectives have been exceeded at individual level as well as at divisional level and/or Group level.

The discretionary Executive Incentive Bonus Scheme payment applies to members of the Group Executive committee. The bonus calculation takes into account the Group's increase in earnings per share, the performance of the executive's business unit, where applicable, and the executive's personal performance. These payments are capped at 100% of annual cost-to-company remuneration.

Certain divisions of the Company make use of incentive schemes particular to their division. These bonus payments are based on performance of the division and its individual employees, and are granted at the discretion of REMCO. These bonus schemes are capped and vary among divisions.

Each business unit in the Group may pay an annual discretionary bonus to its employees where the performance of that division or department warrants such a bonus payment. These bonus payments are subject to REMCO approval and are usually capped at a 13th cheque.

Long-term incentives

Executives, key employees and employees earning in excess of R300 000 per annum participate in the long-term incentive scheme, with the aim of linking remuneration to Group and individual performance. Non-executive directors do not benefit from these schemes. Currently the Group has the following long-term incentive scheme:

Share price appreciation scheme

Employees earning over R300 000 per annum may, on recommendation by their managers, participate in the Sasfin share price appreciation scheme. The number of shares allocated to the employee is calculated based on the annual cost-to-company salary of the participating employee, where allocations are limited to 25% of annual cost-to-company package. Key employees may be awarded a higher allocation. Top-up allocations are made annually. With the exception of executive directors, the top five participants on this scheme comprise less than 15% of the scheme.

The bonus amount is paid annually over three years, commencing from the third year subsequent to the award being issued, and calculated by reference to the share price of the Group on the JSE on the specified future date. The incentive is governed by the rules as set out in the scheme, and is discretionary. Awards are not back-dated, nor are they re-priced or re-granted due to reviewed hurdles. The REMCO does not modify any allocations after they have been awarded. No awards are granted within a closed period.

The REMCO is currently reviewing this scheme, with a view to making the awards subject to the achievement of challenging but achievable performance hurdles, where settlement will be in cash and shares.

The performance objectives will include a target, as well as a stretch hurdle to be achieved. It is envisaged that the bonus awards will continue to vest in years three, four and five at 30% in each of years three and four, and 40% in the fifth year. Awards will be made at market value (30-day VWAP). At present, the awards are made in cash.

Employees, who are not in the employ of the Group at the time that the awards vest, forfeit any bonus payment that may have been due to them.

During the reporting period, R181 080 was paid to 58 employees as a bonus on the share price appreciation scheme.

Full details on these incentive schemes are provided in note 39 of notes to the consolidated financial statements.

Non-executive directors

Non-executive directors receive fees for their services on the board and board committees based on a meeting fee structure. The chairman of the board receives an annual flat fee. In addition, non-executive directors may render additional services to the Group, and in these instances are remunerated on a time and material basis at a market-related fixed-hourly rate as approved by REMCO. Non-executive directors do not participate in any short-term incentives or long-term incentives. REMCO reviews their fees in line with market benchmarks and recommends fee levels to the board.

Details of executive remuneration

Executive remuneration is structured in such a manner as to create value for the Company over the long term. Performance objectives are linked to the overall Group strategy, and variable remuneration is decided after a thorough performance review, including the executive's contribution to the Group's performance. This encompasses the achievement of budgeted targets, as well as stretch targets and individual performance.

Guaranteed package of executive directors

Director	2012 R'000	2011 R'000	% change
RDEB Sassoon	**3 046 550**	2 833 700	7,5
TD Soondarjee	**2 042 500**	1 900 000	7,5

REMCO approved an annual average increase of 7,5% in 2012.

Short-term incentives of executive directors

Executive directors and senior management participate in a yearly STI which is discretionary and based on Group and divisional performances, where applicable, and individual performance as well as a good safety/environmental performance record. The STI for executives are based on targets and thresholds (hurdles) as set by REMCO. Payments are made in cash in September of each year. STI are capped at 100% of cost-to-company where all targets are met, and where targets are not met a pro-rata bonus is paid only if the performance threshold level has been achieved. The following bonuses were awarded for the 2012 financial year:

	2012 R'000	2011 R'000	% of GP
RDEB Sassoon	**960 000**	730 000	31,5
TD Soondarjee	**780 000**	680 000	38,1

Summary of executive directors' remuneration:

	Guaranteed earnings R'000	STI earnings* R'000	LTI earnings* R'000	Other earnings R'000	2012 Total R'000	2011 Total R'000
RDEB Sassoon	2 944 015	960 000	–	–	**3 904 015**	3 448 344
TD Soondarjee	2 009 963	780 000	–	–	**2 789 963**	2 533 576
M Segal	1 476 665	–	–	–	**1 476 665**	2 458 008

** Relates to June 2012 financial year but payable in September 2012.*

Further details of remuneration paid to directors and prescribed officers are more fully disclosed in note 31.2 to the consolidated financial statements.

2013 TARGETS AND BEYOND

Executive strategic initiatives

At its annual planning strategy session, the following key strategic imperatives were identified to broaden the Group's franchise value to ensure financial stability over the medium to long term. These initiatives were fully endorsed by the board.

Imperative	Initiatives	Targeted outcomes
Optimise synergies across a broad range of products and services	• Bundling of products and services • Effective cross-selling in line with client-centric approach • Develop pricing methodology that supports a bundle product offering • Proactive mining of clients across various Business Units	• Fully developed "start-to-finish" solution to clients • Top-line growth in all segments • Greater revenue growth in non-banking activities • Achieve critical mass in marginal businesses
Cost to income ratio/ efficiencies	• Analyse business processes using an 'Outside-in' approach • IT – strategic enabler for process redesign to increase efficiencies • Revenue growth • Aggressive cost-containment and management	• Cost-to-income ratio to be in the range of 60% to 65% in the next 3 to 5 years • Cost growth largely in line with inflation • Automated processes and systems
Sustainable growth in target markets	• Strongly market unique start-to-finish product to diverse client base • Integrate and streamline products and services in synergistic business units • Corporatising of clients • New markets and regional presence	• Effective penetration of clients across the various business units • Focus on the entrepreneurial and SME market • High levels of personalised and value-adding services to clients • Expand regional footprint
Proactive balance sheet management and optimisation	• Growth in higher-yielding asset classes • Expand, diversify and consolidate a balanced funding base • Optimal levels of capital utilisation	• Increase return on equity to be in excess of 20% over the next 3 to 5 years • Increase return on assets to be in the range of 4% to 5% over the next 3 to 5 years • Implement risk-adjusted return on capital model (RAROC)
Africa – long-term imperative	• Explore the opportunity of entering into new regions • Follow clients/suppliers into larger corporates operating in Africa • Raise funding from DFIs to expand their development mandate and reach into Africa • Understanding the product and service offering of the African entrepreneur and SME market	• Partner with businesses that have their presence in Africa • Pursue acquisitions that have an interest in African countries • Tailor-make products and services for the African market

Sasfin's historical performance

Years ended 30 June	2012	2011*	2010	2009	2008
Consolidated statement of financial position					
Total assets (Rm's)	**5 472**	4 373	3 552	3 181	3 016
Total gross loans and advances (Rm's)	**2 931**	2 429	1 983	1 867	1 850
Non-performing loans and advances (Rm's)	**189**	189	147	149	96
Gross loans and advances growth (%)	**21**	22	6	1	19
Income statement					
Total income (Rm's)	**650**	536	626	631	587
Profit attributable to ordinary shareholders (Rm's)	**114**	98	120	157	156
Headline earnings (Rm's)	**111**	96	107	154	156
Financial performance					
Return on ordinary shareholders' average equity (%)	**12**	11	16	25	28
Return on total average assets (%)	**2**	2	4	5	6
Leverage ratio (times)	**4,6**	3,9	3,3	3,3	3,6
Operating performance					
Net interest margin on interest-bearing assets (%)	**6**	6	7	7	7
Non-interest income to total income (%)	**69**	64	71	75	74
Efficiency ratio (%)	**70**	69	70	63	61
Non-performing advances to total gross loans and advances (%)	**6**	8	7	8	5
Credit loss ratio (%)	**0,6**	1,7	1,4	1,0	0,3
Share statistics					
Share price (cents)	**3 101**	3 450	3 710	2 625	2 639
Number of shares in issue ('000)	**32 237**	32 237	32 186	28 001	27 352
Earnings per ordinary share (cents)	**355**	304	396	571	576
Headline earnings per ordinary share (cents)	**344**	297	355	560	576
Diluted earnings per ordinary share (cents)	**355**	304	396	570	572
Diluted headline earnings per ordinary share (cents)	**344**	297	355	559	572
Dividends per ordinary share (cents)	**137**	118	133	220	228
Dividends per preference share (cents)	**692**	697	782	1 072	1 068
Net asset value per ordinary share (cents)	**2 986**	2 771	2 635	2 405	2 204
Capital adequacy (unaudited)					
Group capital to risk weighted assets (%)	**30**	32	32	31	28
Sasfin Bank Limited and its subsidiaries capital to risk weighted assets (%)	**26**	36	30	32	22
Employees					
Permanent staff complement	**664**	583	563	573	542

**Limited reclassifications were made to improve disclosure.*

PART 2 – ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE

The following financial statements have been audited in compliance with the requirements of S29(1)(e)(i) of the Companies Act.

In terms of S29(1)(e)(ii) of the Companies Act, it is confirmed that the preparation of these financial statements has been under the supervision of Mr Tyrone Soondarjee CA(SA), financial director of the Group.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements of Sasfin Holdings Limited, comprising the statements of financial position at 30 June 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Company and its subsidiaries to continue as going concerns and have no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the consolidated and separate annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of consolidated and separate annual financial statements

The consolidated and separate annual financial statements of Sasfin Holdings Limited, as identified in the first paragraph, were approved by the board of directors on 10 September 2012 and signed by:

CN Axten
Non-executive chairman

10 September 2012

RDEB Sassoon
Chief executive officer

10 September 2012

COMPANY SECRETARY'S CERTIFICATE

In terms of section 88(2)(e) of the Companies Act, I hereby certify that the Company has lodged with the Registrar of Companies, for the financial year ended 30 June 2012, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

H Brown
Group company secretary

10 September 2012

AUDIT COMMITTEE REPORT

The responsibilities of the GACC are set out in the Companies Act and the Banks Act. These responsibilities and compliance with appropriate governance and best practice are reviewed annually and approved by the board. The members are appointed by the board of directors in terms of the Banks Act and the Companies Act acknowledges this aspect. There is therefore no need to obtain shareholders' approval.

Composition of the committee

Non-executive directors are eligible to serve on the committee. The committee has five non-executive directors and is chaired by an independent non-executive director. The members are:

ETB Blight (Chairman)
MS Rylands
DD Mokgatle
RC Andersen
J Moses

The chief executive officer, financial director and external auditors are invited to attend the committee meetings. The external auditors attend separate meetings with the committee, without executive management present. The head of internal audit attends all committee meetings and is also invited to attend separate meetings with the committee. Internal audit operates in terms of a charter approved by the audit committee.

Internal audit

Internal audit is an independent assurance function that assists the audit committee in fulfilling its requirements. The reporting lines are disclosed in the Corporate Governance section of the integrated annual report. The head of internal audit has a direct reporting line to the chairman of the committee.

External audit

The Group's external auditors are KPMG Inc. and PKF (Jhb) Inc. Fees paid for audit and other services are approved by the committee.

Key functions of the committee

The key functions of the committee as set out in the charter are to:

- assist the board of directors with its evaluation of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the Group in the day-to-day management of its business
- facilitate and promote communication between the board, management, the external auditors and the head of internal audit
- introduce measures that may serve to enhance the credibility and objectivity of financial statements and reports prepared with reference to the affairs of the Group
- nominate independent auditors for the Group
- authorise the audit fees in terms of the audit engagement
- ensure that the appointment of the auditors complies with the Companies Act
- determine the nature and extent of the non-audit services
- fulfil regulatory requirements as required by the Banks Act and Banking Regulations
- perform any other functions as may be prescribed, and
- monitor and report on the effectiveness of the Group's internal controls.

Specific functions

Financial control, accounting and reporting

- Monitoring the adequacy and reliability of management information and the efficiency of the management information systems
- Delegating to the Group IT committee the monitoring of the adequacy and efficiency of the Group's information systems
- Satisfying itself of the expertise, resources and experience of the finance function
- Reviewing interim and final financial results, statements and reporting, for proper and complete disclosure of timely, reliable and consistent information
- Evaluating on an ongoing basis the appropriateness, adequacy and efficiency of accounting policies and procedures, compliance with generally accepted accounting practice and overall accounting standards and changes thereto
- Discussing and resolving any significant or unusual accounting issues
- Reviewing and monitoring capital expenditure of the Group for adequate control, monitoring and reporting
- Reviewing reports from the Group credit and investment review committee regarding the effectiveness and efficiency of the credit monitoring process
- Reviewing and monitoring the effectiveness and efficiency of management and reporting of tax-related matters
- Reviewing and monitoring all key performance indicators to ensure the appropriate decision-making capabilities are maintained, and
- Reporting annually to the board on the effectiveness of the Group's internal controls over financial reporting.

Internal audit
- The head of internal audit has a direct reporting line to the chairman of the committee
- Approving of the internal audit plan
- Monitoring the effectiveness of the internal audit function
- Monitoring and challenging management with regard to adverse audit findings, and
- Forming a view on the adequacy and effectiveness of the control environment.

External audit
- Recommending to the board the selection of external auditors and approval of their fees
- Approval of the external auditor's plan, and
- Monitoring the effectiveness of the external auditors in terms of skill, independence, execution of the audit plan, reporting and overall performance.

Regulatory reporting
- Reviewing the adequacy of the regulatory reporting process, and
- Performing functions in terms of the Banks Act as encapsulated in section 64.

The audit committee can confirm that:
- the internal controls have been effective in all material aspects throughout the year under review
- controls have ensured that the Group's assets are adequately safeguarded
- proper accounting records have been maintained
- resources have been utilised efficiently, and
- the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their next appointment in 2013.

Companies Act
In terms of the Companies Act, the committee is responsible for all subsidiaries without their own audit committee, which include:
- reviewing the formalised process to perform functions on behalf of subsidiaries, and
- ratifying annually the list of subsidiaries for which it is responsible.

Appropriateness of the expertise and experience of the Group financial director
In terms of the JSE Listings Requirements, the audit committee had, at its meeting held on 30 August 2012, satisfied itself as to the appropriateness of the expertise and skills of the Group financial director.

Annual financial statements
The committee has:
- reviewed and discussed the audited financial statements with the external auditors, the chief executive officer and the financial director
- reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences, and
- received and considered reports from the internal auditors.

The committee concurs with and accepts the external auditors' report on the annual financial statements and has recommended the approval thereof to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

ETB Blight
Chairman – Group audit and compliance committee

10 September 2012

DIRECTORS' REPORT

Nature of business

The Company is a bank-controlling company listed under the "Financials: Speciality and Other Finance" sector of the JSE Limited, whose subsidiaries provide a wide range of complementary banking, financial and related services to its target market of entrepreneurial commercial, corporate and private clients.

Financial results

The results of the Company and the Group are set out in the annual financial statements and accompanying notes.

Directors and company secretary

The directors of the Company are:

Non-executive directors

CN Axten* (Chairman)
ETB Blight*
DD Mokgatle*
GC Dunnington*
J Moses*
RC Andersen*
MS Rylands

** Independent*

Executive directors

RDEB Sassoon (Chief executive officer)
TD Soondarjee (Financial director)

Directorate and changes to the board

Mr Malcolm Segal resigned as non-executive director with effect from 22 March 2012.

Company secretary

Mr Howard Brown is the company secretary to the Group. His business and postal address are on page 160.

Share capital

Ordinary share capital

There were no changes to the authorised and issued ordinary share capital.

Preference share capital

There were no changes to the authorised and issued preference share capital.

Analysis of shareholders

The analysis of ordinary and preference shareholders is given on pages 144 to 147.

Subsidiaries, special purpose entities, associated and joint venture companies

The interests in subsidiaries, special purpose entities, associated and joint venture companies that were considered material to the Group's financial position and results, are set out in note 38 on page 125.

The interest of the Company in the aggregate net income and losses after taxation (before inter-group dividends) of subsidiaries, special purpose entities, associated and joint venture companies is:

	2012 R'000	2011 R'000
Net income	**117 562**	105 095
Net losses	**3 208**	7 082

Acquisitions and disposals

The following transactions were concluded during the financial year:
During the year under review, Sasfin acquired a controlling equity stake in IQuad, a diversified group of specialised financial and business services companies listed on the AltX of the JSE, for a purchase consideration of R49,3 million. Post the acquisition, Sasfin holds 68,4% in IQuad.

On 14 March 2012 Sasfin acquired an aggregate of 31,58% of the shareholding in Premier for a total purchase consideration of R20,5 million. Post the acquisition, Premier is a wholly-owned subsidiary of Sasfin.

Sasfin entered into a strategic alliance with Annuity Properties, whereby Sasfin disposed of its head office building, situated at 29 Scott Street, Waverley, Johannesburg to Annuity Properties for a consideration of R167,9 million. This was settled by cash of R134,3 million and R33,6 million in linked units issued by Annuity Properties. The Group also acquired a 25% interest in Annuity Asset Management Company (Pty) Limited.

Long-term funding transactions

Sasfin secured a €35 million (R361 million) joint term loan facility with Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanded N.V. ("FMO"); Deutsche Investitions-und Entwicklungsgesellschaft MBH ("DEG") and Société de Promotion et de Participation Pour la Coopération Economique ("Proparco") (collectively "DFIs").

The loan facility is a senior unsecured seven-year term loan at market related rates and is fully disclosed in note 16 of the financial statements.

The Group secured a US$10 million (R85 million) loan from the IFC and CCCP. The facility is to be used for the financing of energy efficiency projects, whereby a 20% improvement in energy efficiency is obtained. Details of the loan are fully disclosed in note 16 of the financial statements.

Special resolutions passed

Special resolutions passed are disclosed in Part 3 (Shareholder's Information) of the integrated annual report.

Events after the reporting date

Sasfin has entered into the final stages of negotiations with the minority shareholders of IQuad, to acquire the remaining 31,6% interest held by the minority shareholders. Following this transaction, IQuad will be a wholly-owned subsidiary of Sasfin.

Sasfin is in the final stages of a transaction to dispose of the investment property at 13 – 15 Scott Street, Waverley, Johannesburg, for a total consideration of R50,6 million.

Dividends

Ordinary share dividends

On 14 October 2011, a final ordinary dividend of 69 cents per share was paid to ordinary shareholders.
On 13 April 2012, an interim ordinary dividend of 49 cents per share was paid to ordinary shareholders.

Preference share dividends

On 7 October 2011, a dividend of 334,73 cents per share was paid to preference shareholders.
On 26 March 2012, a dividend of 340,27 cents per share was paid to preference shareholders.

Directors' interests

At the financial year-end the directors held indirectly, interests in the Company's issued ordinary share capital as reflected below:

	2012 Indirect beneficial Number	2012 Total Number	2011 Indirect beneficial Number	2011 Total Number
RDEB Sassoon	**12 767 652**	**12 767 652**	12 459 332	12 459 332
MS Rylands	**263 352**	**263 352**	263 352	263 352
M Segal	**5 000**	**5 000**	100 000	100 000
	13 036 004	**13 036 004**	12 822 684	12 822 684

There have been no changes to the above holdings since the reporting date and the date of approval of the annual consolidated financial statements.

Details of share options held by executive directors are given on page 130.
Refer to note 35 – Related party transactions – for further disclosure of transactions with key management personnel.

Directors' emoluments

The emoluments of the directors of the Company for the year ended 30 June 2012 were as follows:

	Services as directors R	Cash package* R	Other benefits** R	Incentive bonus*** R	Total 2012 R
Executive directors					
RDEB Sassoon	–	2 599 974	344 041	730 000	3 674 015
TD Soondarjee	–	1 682 008	327 956	680 000	2 689 964
M Segal****	–	1 259 542	217 123	–	1 476 665
Non-executive directors					
MS Rylands	353 596	–	–	–	353 596
M Segal****	57 738	–	–	–	57 738
Independent non-executive directors					
CN Axten	563 872	–	–	–	563 872
RC Andersen	207 621	–	–	–	207 621
ETB Blight	445 446	–	–	–	445 446
GC Dunnington	284 972	–	–	–	284 972
DD Mokgatle	277 136	–	–	–	277 136
J Moses	314 416	–	–	–	314 416
	2 504 797	5 541 524	889 120	1 410 000	10 345 441

* *The emoluments of the executive directors are paid by subsidiaries of the Company.*
** *Other benefits comprise: provident fund, medical aid, group life, company car and equity-settled share options.*
*** *The incentive bonuses paid relate to performances in the prior financial year.*
**** *During November 2011 the status of M Segal changed from executive to non-executive director. On 22 March 2012, M Segal resigned from the boards of Sasfin Holdings and Sasfin Bank.*

The emoluments of the directors of the Company for the year ended 30 June 2011 were as follows:

	Services as directors R	Cash package* R	Other benefits** R	Incentive bonus*** R	Total 2011 R
Executive directors					
RDEB Sassoon	–	2 407 084	311 260	850 000	3 568 344
TD Soondarjee	–	1 524 725	328 851	500 000	2 353 576
M Segal	–	2 084 864	373 144	700 000	3 158 008
Non-executive directors					
MB Glatt	257 800	–	–	–	257 800
MS Rylands	357 338	–	–	–	357 338
Independent non-executive directors					
CN Axten	409 843	–	–	–	409 843
RC Andersen	56 919	–	–	–	56 919
ETB Blight	422 150	–	–	–	422 150
GC Dunnington	276 550	–	–	–	276 550
DD Mokgatle	257 800	–	–	–	257 800
J Moses	102 700	–	–	–	102 700
ML Smith	122 175	–	–	–	122 175
	2 263 275	6 016 673	1 013 255	2 050 000	11 343 203

* *The emoluments of the executive directors are paid by subsidiaries of the Company.*
** *Other benefits comprise: provident fund, medical aid, group life, company car and equity-settled share options.*
*** *The incentive bonuses paid relate to performances in the prior financial year.*

Remuneration details of the prescribed officers are disclosed in note 31 of the financial statements.
Information on options granted to employees and executive directors under the Group Share Incentive Scheme is given on pages 129 and 130.

Tyrone Soondarjee
Group financial director

10 September 2012

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of Sasfin Holdings Limited

Report on the financial statements

We have audited the consolidated and separate annual financial statements of Sasfin Holdings Limited which comprise the statements of financial position at 30 June 2012 and the statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include accounting policies and other explanatory notes, as set out on pages 52 to 142.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Sasfin Holdings Limited at 30 June 2012 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc.

KPMG Inc.
Registered Auditor
Per Richard Warren-Tangney
Chartered Accountant (SA)
Registered Auditor
Director

10 September 2012

85 Empire Road
Parktown
2122

PKF (Jhb) Inc

PKF (Jhb) Inc.
Registered Auditor
Per Garron Chaitowitz
Chartered Accountant (SA)
Registered Auditor
Director

10 September 2012

42 Wierda Road West
Wierda Valley
2196

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE

	Notes	2012 R'000	2011 R'000
Assets			
Cash and cash balances	3	**1 477 648**	805 233
Short-term negotiable securities	4	**69 056**	72 405
Loans and advances to customers	5	**2 834 420**	2 332 986
Other receivables	6	**449 382**	370 925
Non-current assets held for sale	7.1	**50 614**	–
Investment securities	8	**342 145**	405 176
Investment in associated companies	9	**89 898**	77 932
Property, plant and equipment	10	**57 392**	175 379
Investment property	7.2	**–**	51 038
Taxation		**8 480**	4 534
Intangible assets and goodwill	11	**85 506**	69 244
Deferred tax asset	12	**7 952**	8 412
Total assets		**5 472 493**	4 373 264
Liabilities			
Interbank funding	13	**137 717**	60 453
Deposits from customers	14	**1 787 300**	1 215 446
Debt securities issued	15	**1 297 986**	1 297 614
Long-term loans	16	**538 576**	242 897
Other payables	17	**455 357**	374 922
Taxation		**5 037**	9 246
Deferred tax liability	12	**70 305**	63 815
Total liabilities		**4 292 278**	3 264 393
Equity			
Ordinary share capital	18	**322**	322
Ordinary share premium	19	**162 410**	162 410
Reserves		**799 964**	730 425
Preference share capital	20	**19**	19
Preference share premium	21	**199 259**	199 259
Total equity attributable to equity holders of the Group		**1 161 974**	1 092 435
Non-controlling interest		**18 241**	16 436
Total equity		**1 180 215**	1 108 871
Total liabilities and equity		**5 472 493**	4 373 264
Commitments and contingent liabilities	22	**287 273**	67 711

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE

	Notes	2012 R'000	2011* R'000
Interest income	27	**434 000**	359 256
Interest expense	28	**231 914**	168 676
Net interest income		**202 086**	190 580
Non-interest income	29	**448 230**	345 431
Total income		**650 316**	536 011
Impairment charges on loans and advances	30	**16 594**	37 712
Net income after impairments		**633 722**	498 299
Operating costs		**474 659**	376 490
Staff costs	31.1	**245 774**	199 259
Other operating expenses	31.3	**228 885**	177 231
Profit from operations		**159 063**	121 809
Share of associated companies' income		**15 452**	12 205
Profit before income tax		**174 515**	134 014
Income tax expense	32	**41 561**	20 161
Profit for the year		**132 954**	113 853
Other comprehensive income/(loss) for the year, net of income tax		**4 162**	(10 396)
Foreign exchange differences on translation of foreign operations		**25 875**	(25 163)
Net gains on re-measurement of available-for-sale financial assets		**–**	335
Net (loss)/gain on hedge of net investment in foreign operation		**(21 713)**	14 432
(Loss)/Gain on hedge of net investment in foreign operation		**(30 157)**	20 044
Income tax effect		**8 444**	(5 612)
Total comprehensive income for the year		**137 116**	103 457
Profit attributable to:			
Non-controlling interest		**5 741**	1 693
Preference shareholders		**12 859**	14 147
Equity holders of the Group		**114 354**	98 013
Profit for the year		**132 954**	113 853
Total comprehensive income attributable to:			
Non-controlling interest		**5 741**	1 804
Preference shareholders		**12 859**	14 147
Equity holders of the Group		**118 516**	87 506
Total comprehensive income for the year		**137 116**	103 457
Weighted average number of shares in issue ('000)		**32,237**	32,224
Earnings per ordinary share (cents)	33.4	**355**	304
Diluted earnings per ordinary share (cents)	33.6	**355**	304

** Limited reclassifications were made to improve disclosure.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE

	Ordinary share capital and premium R'000	Distri-butable reserves R'000	Share-based payment reserve R'000	Foreign currency transla-tion reserve R'000	Hedging reserve R'000	Available-for-sale reserve R'000	Property revalua-tion reserve R'000	Total ordinary share-holders' equity R'000	Prefe-rence share capital and premium R'000	Non-control-ling interest R'000	Total share-holders' equity R'000
Balance at 30 June 2010	161 341	718 321	584	(37 844)	1 280	2 410	2 097	848 189	199 278	16 433	1 063 900
Total comprehensive income for the year	–	112 160	–	(25 163)	14 432	446	–	101 875	–	1 582	103 457
Profit for the year	–	112 160	–	–	–	–	–	112 160	–	1 693	113 853
Other comprehensive income/(loss) net of income tax for the year	–	–	–	(25 163)	14 432	446	–	(10 285)	–	(111)	(10 396)
Foreign currency translation reserve	–	–	–	(25 163)	–	–	–	(25 163)	–	–	(25 163)
Gain on remeasurement of available-for-sale financial assets	–	–	–	–	–	446	–	446	–	(111)	335
Gain on hedge of net investment in foreign operation	–	–	–	–	14 432	–	–	14 432	–	–	14 432
Transactions with owners recorded directly in equity											
Issue of shares	1 391	–	–	–	–	–	–	1 391	–	–	1 391
Share-based payment reserve movements	–	–	(221)	–	–	–	–	(221)	–	–	(221)
Dividends to preference shareholders	–	(14 147)	–	–	–	–	–	(14 147)	–	–	(14 147)
Dividends to ordinary shareholders	–	(43 930)	–	–	–	–	–	(43 930)	–	(1 579)	(45 509)
Balance at 30 June 2011	162 732	772 404	363	(63 007)	15 712	2 856	2 097	893 157	199 278	16 436	1 108 871
Balance at 30 June 2011	162 732	772 404	363	(63 007)	15 712	2 856	2 097	893 157	199 278	16 436	1 108 871
Total comprehensive income for the year	–	127 213	–	25 875	(21 713)	–	–	131 375	–	5 741	137 116
Profit for the year	–	127 213	–	–	–	–	–	127 213	–	5 741	132 954
Other comprehensive (loss)/income net of income tax for the year	–	–	–	25 875	(21 713)	–	–	4 162	–	–	4 162
Foreign currency translation reserve	–	–	–	25 875	–	–	–	25 875	–	–	25 875
Gain on hedge of net investment in foreign operation	–	–	–	–	(21 713)	–	–	(21 713)	–	–	(21 713)
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interest without a change in control	–	(11 816)	–	–	–	1 318	–	(10 498)	–	(24 737)	(35 235)
Acquisition of subsidiary with non-controlling interests	–	–	–	–	–	–	–	–	–	24 630	24 630
Transactions with owners recorded directly in equity											
Share-based payment reserve movements	–	–	(363)	–	–	–	–	(363)	–	–	(363)
Dividends to preference shareholders	–	(12 859)	–	–	–	–	–	(12 859)	–	–	(12 859)
Dividends to ordinary shareholders	–	(38 116)	–	–	–	–	–	(38 116)	–	(3 829)	(41 945)
Balance at 30 June 2012	162 732	836 826	–	(37 132)	(6 001)	4 174	2 097	962 696	199 278	18 241	1 180 215

Share-based payment reserve
This represents the fair value of equity-settled options granted in terms of the Group's share-based compensation plans.

Foreign currency translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as from the translation of liabilities that hedge the Bank's net investment in foreign operations.

Hedging reserve
This represents the fair value gain on the net investment hedge, refer to note 37.7.

Available-for-sale reserve
The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

Property revaluation reserve
This revaluation reserve arose on the transfer of owner-occupied property to investment property.

Dividends
The following dividends were declared by the Group relating to profit for the year under review:
137 cents per ordinary share (2011: 118 cents)
692 cents per preference share (2011: 697 cents)

After 30 June 2012 the following dividends were proposed by the directors in respect of 2012. The dividends have not been provided for.
88 cents per ordinary share (2011: 69 cents)
351,55 cents per preference share (2011: 334,73 cents)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	Notes	2012 R'000	2011* R'000
Cash flows from operating activities			
Cash receipts from customers	34.1	862 196	741 860
Cash paid to customers, employees and suppliers	34.1	(681 220)	(605 147)
Cash inflow from operating activities	34.1	180 976	136 713
Dividends received		12 222	9 052
Taxation paid	34.2	(42 766)	(26 368)
Dividend paid	34.3	(50 975)	(58 077)
Cash flows from operating activities before changes in operating assets and liabilities		99 457	61 320
Changes in operating assets and liabilities		358 742	233 233
Increase in loans and advances		(518 028)	(468 198)
Increase in funding		297 856	433 628
Increase in other receivables		(75 428)	(71 728)
Increase in deposits		571 854	303 887
Increase in other payables		82 488	35 644
Net cash from operating activities		458 199	294 553
Cash flows from investing activities		129 124	(30 628)
Proceeds from the disposal of property, plant and equipment		168 681	970
Acquisition of property, plant and equipment		(20 282)	(5 786)
Acquisition of interest in subsidiaries		(60 743)	–
Acquisition of intangible assets and goodwill		(10 569)	(16 096)
Proceeds from disposal in investment securities		64 003	2 882
Increase in investment in associated companies		(11 966)	(12 598)
Net cash flows from financing activities		–	1 391
Issue of shares		–	1 391
Net increase in cash and cash equivalents		587 323	265 316
Cash and cash equivalents at the beginning of the year		817 185	539 353
Effect of exchange rate fluctuations on cash and cash equivalents		4 479	12 516
Cash and cash equivalents at the end of the year	34.4	1 408 987	817 185

** Limited reclassifications were made to improve disclosure.*

1. Accounting policies

The Company is a company domiciled in South Africa. The consolidated annual financial statements of the Company for the year ended 30 June 2012 comprise the Company and its subsidiaries, together referred to as the "Group", and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in financial services.

The principal accounting policies adopted in the preparation of the consolidated and separate financial statements are set out below.

1.1 Statement of compliance

The financial statements are prepared in accordance with, and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the AC 500 standards issued by the Accounting Practices Board and the requirements of the Companies Act. The financial statements are prepared in accordance with the going concern principle under the historical cost basis except for the following which are measured at fair value:

- Available-for-sale financial assets
- Investment property
- Derivative financial instruments
- Investment securities
- Other receivables
- Non-current assets held for sale.

These are discussed in detail below.

1.2 Basis of preparation

The accounting policies are consistent with those applied in the previous year.

The financial statements are presented in South African Rands, which is Sasfin Holdings Limited's functional currency, rounded to the nearest thousand, and were approved by the board of directors on 10 September 2012.

The preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. (Refer to note 2.)

1.3 Basis of consolidation

1.3.1 Subsidiaries

Subsidiaries are those entities over whose financial and operating policies the Group has the power to exercise control, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The Group financial statements incorporate the assets, liabilities and results of the Company and its subsidiaries. The results of the subsidiaries are included from the effective date that control commences until control ceases.

1. Accounting policies continued

1.3 Basis of consolidation continued

1.3.1 Subsidiaries continued

Special purpose entities

Special purpose entities are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. A special purpose entity is consolidated if, based on an evaluation of the substance of its relationship with the Group and the special purpose entity's risks and rewards, the Group concludes that it controls the special purpose entity. The following circumstances may indicate a relationship in which, in substance, the Group controls and consequently consolidates a special purpose entity:

- The activities of the special purpose entity are being conducted on behalf of the Group according to its specific business needs so that the Group obtains benefits from the special purpose entity's operation.
- The Group has the decision-making powers to obtain the majority of the benefits of the activities of the special purpose entity or, by setting up an 'autopilot' mechanism, the Group has delegated these decision-making powers.
- The Group has rights to obtain the majority of the benefits of the special purpose entity and therefore may be exposed to risks incidental to the activities of the special purpose entity.
- The Group retains the majority of the residual ownership risks related to the special purpose entity or its assets in order to obtain benefits from its activities.

The assessment of whether the Group has control over a special purpose entity is carried out at inception and normally no further reassessment of control is carried out in the absence of changes in the structure or terms of the special purpose entity, or additional transactions between the Group and the special purpose entity. Day-to-day changes in market conditions normally do not lead to a reassessment of control. However, sometimes changes in market conditions may alter the substance of the relationship between the Group and the special purpose entity and in such instances the Group determines whether the change warrants a reassessment of control based on the specific facts and circumstances. Where the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and the special purpose entity, the Group performs a reassessment of control over the special purpose entity.

In the separate financial statements, investments in subsidiaries are carried at cost less impairment.

1.3.2 Associates

An associate is an entity over which the Group has significant influence but not control over the financial and operating activities. Investments in associated companies are equity accounted in the Group financial statements, from the date that significant influence commences until significant influence ceases. Equity accounted income represents the Group's proportionate share of profits or losses of these entities. The Group's investment in an associate is written down when it is considered to be impaired. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil (inclusive of debt outstanding) and recognition of further losses is discontinued except to the extent that the Group has guaranteed obligations in respect of the associate. Goodwill is included in the investment balance.

In the separate financial statements, investments in associates are carried at cost less impairment.

1.3.3 Joint ventures

A joint venture is an entity controlled jointly by the Group and one or more other venturers in terms of a contractual arrangement. Investments in joint ventures are proportionately consolidated in the Group financial statements, from the date that joint control commences until the date that joint control ceases.

In the separate financial statements, investments in joint ventures are carried at cost less impairment.

1.3.4 Transactions with non-controlling shareholders

The Group applies a policy of treating transactions with non-controlling shareholders that do not result in the gain or loss of control, as transactions with equity owners of the Group, and these are accounted for directly in equity. Losses applicable to non-controllable interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

1.3.5 Transactions eliminated on consolidation

Intergroup balances and any unrealised gains and losses or income and expenses arising from intergroup transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

1.4 Intangible assets

1.4.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses. Refer to 1.24 for the initial measurement of goodwill.

Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

1.4.2 Software development

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

Direct software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Group and have a probable economic benefit exceeding one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of overheads. Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the asset.

Direct software development costs recognised as intangible assets are amortised on the straight-line basis over the expected useful lives of the assets, being between two and five years from the date that it is available for use. Amortisation is recognised in profit or loss for the period. Capitalised computer software is carried at cost less accumulated amortisation and less accumulated impairment losses. Computer software not yet available for use is tested annually for impairment.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted accordingly.

1.5 Financial instruments

Financial instruments, as reflected on the statement of financial position, include all financial assets and financial liabilities, including derivative instruments, but exclude investments in subsidiaries, associated companies and joint ventures. Financial instruments are accounted for in terms of the principles of IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement.

Initial recognition

Financial instruments are recognised on the statement of financial position when the Group or Company becomes a party to the contractual provisions of a financial instrument. All purchases of financial assets that require delivery within the time frame established by regulation or market convention ('regular way' purchases) are recognised at trade date, which is the date on which the Group or Company commits to the purchase of the asset. Financial liabilities are recognised on trade date, which is when the Group or Company becomes a party to the contractual provisions of the financial instrument.

Initial measurement

Financial instruments are initially recognised at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability.

1. Accounting policies continued

1.5 Financial instruments continued

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured at either fair value or amortised cost, depending on their classification:

Financial assets and financial liabilities at fair value through profit or loss

Financial instruments at fair value through profit or loss consist of held for trading instruments and instruments that the Group or Company have elected, on initial recognition, to designate at fair value through profit or loss. (See note 8).

The Group has designated financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair-value gains and losses (excluding impairment losses, interest income and interest expense calculated on the amortised-cost basis relating to those interest-bearing instruments that have been designated as at fair value through profit or loss) reported in non-interest income as they arise.

Non-trading financial liabilities

All financial liabilities, other than those at fair value through profit or loss, are classified as non-trading financial liabilities and are measured at amortised cost using the effective interest method.

See note 16 for more details.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group or Company has the intent and ability to hold to maturity, other than those that meet the definition of loans and receivables or those that were designated as at fair value through profit or loss or available-for-sale. Held-to-maturity financial assets are measured at amortised cost using the effective interest method, with interest income and impairment losses recognised in the income statement.

Any sale or reclassification of more than an insignificant amount of held-to-maturity investments not close to that maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying financial assets as held-to-maturity for the current and following two financial years.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified as at fair value through profit or loss or available-for-sale. Financial assets classified as loans and receivables are carried at amortised cost using the effective interest method, with interest income and impairment losses recognised in profit or loss. The majority of advances are included in the loans and receivables category.

Available-for-sale financial assets

Financial assets are classified as available-for-sale, if designated as such, or where the intention with regard to the instrument and its origination and designation does not fall within the ambit of the other financial asset classifications. Available-for-sale instruments are typically assets that are held for a longer period and in respect of which short-term fluctuations in value do not affect the Group's or Company's hold or sell decision.

Available-for-sale financial assets are measured at fair value, with fair-value gains and losses recognised directly in other comprehensive income and presented within equity in the fair value reserve along with the associated deferred taxation. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss as a reclassification adjustment. Impairment losses, interest calculated on the effective interest method, foreign exchange gains or losses and dividends are recognised in profit or loss. When available-for-sale equity instruments are determined to be impaired to the extent that the fair value decline is prolonged and significant, the resultant losses are recognised in profit or loss.

Measurement basis of financial instruments

Amortised cost

Amortised-cost financial assets and financial liabilities are measured at the amount determined on initial recognition, minus principal repayments plus or minus the cumulative amortisation using the effective interest method determined on initial recognition and any difference between that initial amount and the maturity amount, less any cumulative impairment losses or uncollectability.

Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transactions costs incurred, and are subsequently stated at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

Preference shares are classified as equity (refer to note 1.22).

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Direct and incremental transaction costs are included in the initial fair value of financial assets and financial liabilities, other than those at fair value through profit or loss. The best evidence of the fair value of a financial asset or financial liability at initial recognition is the transaction price, unless the fair value of the instrument is evidenced by comparison with other current observable market transactions in the same instrument or based on a valuation technique whose variables include only market observable data.

If quoted bid prices are unavailable, the fair value of financial assets and financial liabilities is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the reporting date.

The fair value of a financial liability with a demand feature is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and have to be settled by delivery of such unquoted equity instruments, are not measured at fair value but at cost less impairment losses. Fair value is considered reliably measurable if:

- the variability in the range of reasonable fair value estimates is not significant for that instrument; or
- the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

Derecognition

All financial assets and financial liabilities are derecognised on trade date, which is when the Group or Company commits to selling a financial asset or redeeming a financial liability.

The Group or Company derecognises a financial asset when and only when:

- the contractual rights to the cash flows arising from the financial asset have expired or have been forfeited; or
- it transfers the financial asset, including substantially all the risks and rewards of ownership of the asset; or
- it neither transfers nor retains substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or has expired.

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

1. Accounting policies continued

1.5 Financial instruments continued

Offsetting financial instruments and related income

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to set off and there is an intention of settling on a net basis or realising the asset and settling the liability simultaneously. Income and expense items are offset only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

1.6 Derivative financial instruments and hedge accounting

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

All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative, subject to offsetting principles (refer to note 1.5).

The method of recognising fair value gains or losses depends on whether derivatives are held for trading or are designated as hedging instruments, and if so, the nature of the hedged item. All gains and losses from changes in the fair value of derivatives that are classified as held for trading are recognised in profit or loss. When derivatives are designated in a hedging relationship, the Group designates them as either:

- hedges of the fair value of recognised financial assets or liabilities or firm commitments (fair value hedge);
- hedges of highly probable future cash flows attributable to a recognised asset or liability, a forecast transaction, or a highly probable forecast intergroup transaction in the consolidated financial statements (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

Hedge accounting is applied to derivatives designated in this way provided the hedging criteria are met. The Group formally documents, at the inception of the hedging relationship, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships. The Group also documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items during the period for which the hedge is designated, and whether the results of the hedge are within a range of 80% –125%. The Group makes an assessment for a cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

1.6.1 Fair value hedges

Where a hedging relationship is designated as a fair value hedge, the hedged item is adjusted for the change in fair value in respect of the risk being hedged. Gains or losses on the remeasurement of both the derivative and the hedged item are recognised immediately in profit or loss. Fair value adjustments relating to the hedging instrument are allocated to the same profit or loss category as the related hedged item. Any ineffectiveness is also recognised in the same profit or loss category as the related hedged item.

If the derivative expires, is sold, terminated, exercised, no longer meets the criteria for fair value hedge accounting, or the designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point, to a hedged item for which the effective interest method is used, is amortised to the income statement as part of the hedged item's recalculated effective interest rate over the period to maturity.

1.6.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and presented in the cash flow hedging reserve. The ineffective part of any gain or loss is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are transferred to profit or loss in the periods in which the hedged cash flow affects profit or loss as a reclassification adjustment. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the cumulative gains or losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is prospectively discontinued and the cumulative gains or losses recognised in other comprehensive income remain in other comprehensive income until the forecast transaction is recognised in the case of a non-financial asset or a non-financial liability, or until the forecast transaction affects profit or loss in the case of a financial asset or a financial liability. If the forecast transaction is no longer expected to occur, the cumulative gains or losses recognised in other comprehensive income are immediately transferred to profit or loss.

1.6.3 Net investment hedges

Where considered appropriate, the Group hedges net investments in foreign operations using derivative instruments in its consolidated financial statements. For such hedges, the designated component of the hedging instrument that relates to the effective portion of the hedge is recognised directly in other comprehensive income in the foreign currency translation reserve. Any ineffective portion is immediately recognised in profit or loss. On the partial disposal of a foreign operation, a proportionate share of those deferred gains and losses is recognised directly in profit or loss. On disposal of a foreign operation, all remaining deferred gains and losses are recognised directly in profit or loss.

1.6.4 Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

Embedded derivatives

Embedded derivatives included in hybrid instruments are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a standalone derivative and the combined contract is not recognised at fair value with any gains or losses from the change in fair value recognised in the income statement. The host contracts are accounted for and measured applying the rules of the relevant category of that financial instrument. If it is not possible to determine the fair value of an embedded derivative, the hybrid instrument is measured at fair value with changes in profit or loss.

Certain derivatives embedded in other financial and non-financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives and recognised on a standalone basis, when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value, with unrealised gains and losses reported in the comprehensive income statement and the instrument would meet the definition of a derivative if it was contained in a separate contract.

If it is not possible to determine the fair value of the embedded derivative, the entire hybrid instrument is categorised as at fair value through profit or loss and measured at fair value, with changes in fair value being recognised in profit or loss.

1.7 Property, plant and equipment

1.7.1 Owned assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment includes expenditure directly attributable to the acquisition of property, plant and equipment. Subsequent costs are included in the carrying amount of the asset, or recognised as a separate asset, when it is probable that future economic benefits are expected to flow to the Group and its cost can be measured reliably. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Freehold buildings, comprising mainly offices, are generally owner-occupied properties and accounted for in terms of the cost method. The buildings are depreciated on a straight-line basis over the estimated useful lives to the current value of their estimated residual value. The freehold land portion is not depreciated. Owner-occupied properties are held for use in the supply of services or for administration services.

Repairs and maintenance of property, plant and equipment are recognised directly in the income statement. Gains or losses on disposal of property, plant and equipment are included in the income statement.

1. Accounting policies continued

1.7 Property, plant and equipment continued

1.7.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Assets which are leased in terms of financial lease agreements are capitalised at the lower of fair value and the present value of minimum lease payments at inception of the lease. The capital element of future obligations under the leases is included as a liability in the statement of financial position. Lease payments are allocated between finance charges and capital repayment using the effective interest method.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases (refer to note 1.11).

1.7.3 Depreciation

Depreciation is calculated on the straight-line basis, at rates which are estimated to amortise the assets to their anticipated residual values over their useful lives. The assets' depreciation methods, residual values and useful lives are reviewed and adjusted annually if appropriate. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The depreciation expense is recognised in profit or loss under other operating expenses.

The estimated useful lives for the current and comparative years are as follows:

Computer equipment	3 years
Computer software	2 – 5 years
Furniture and fittings	6 – 10 years
Motor vehicles	5 years

1.8 Investment property

Investment properties are held to earn rental income or for capital appreciation or both. Investment property includes the cost of initial purchase, developments transferred from property under development, subsequent cost of development and fair value adjustments.

Investment property is reflected at valuation based on fair value at the reporting date. If the valuation cannot be reliably determined, the Group uses alternative valuation methods such as discounted cash flow projections or recent prices on active markets. The fair values are the estimated amounts for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The fair value is determined annually by independent professional valuators.

Fair value adjustments on investment property are included in the income statement as investment gains or losses in the period in which these gains or losses arise and are adjusted for any double counting arising from the recognition of lease income on a straight-line basis as compared to the cash basis as this effect is normally assumed in the fair value determination.

When the use of a property changes such that it is reclassified, its fair value at the date of reclassification becomes its cost for subsequent accounting.

1.9 Foreign currencies

1.9.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The functional and presentation currency of the Company and the Group is ZAR and all amounts, unless otherwise indicated, are stated in thousands of ZAR (R'000).

1.9.2 Group companies

The results and financial position of all foreign operations that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate on the reporting date;
- Income and expenses are translated at average exchange rates for the year, to the extent that such average rates approximate actual rates;

- Equity is translated into the presentation currency at the spot rate on the date of issue of the equity instruments; and
- Reserves are translated at the average exchange rate for the year, to the extent that such average rates approximate actual rates.

On consolidation, exchange differences arising from the translation of the Group's net investment in foreign operations are accounted for directly in other comprehensive income, being the foreign currency translation reserve. On the partial disposal of a foreign operation, that is a subsidiary, where control is not lost, a proportionate share of the balance of the foreign currency translation reserve is transferred to the non-controlling interest. On disposal of a foreign operation, any gains and losses that remain deferred in equity are recognised in the income statement at the time at which the profit or loss on disposal of the foreign operation is recognised.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operation and are translated at closing rates at the reporting date.

Foreign currency gains and losses on intergroup loans are recognised in profit or loss unless settlement of the loan is neither planned nor likely to occur in the foreseeable future, in which case the foreign currency gains and losses are initially recognised in other comprehensive income and presented in the foreign currency translation reserve in the consolidated financial statements. Those gains and losses are recognised in profit or loss at the earlier of settling the loan or at the time at which the foreign operation is disposed.

1.9.3 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Exchange differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities classified as available-for-sale financial assets are included in the available-for-sale reserve in equity whereas the exchange differences on equities held at fair value through profit or loss are reported as part of the fair value gain or loss in the income statement.

1.10 Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

1.11 Instalment finance

1.11.1 Group as the lessor

Rental, lease and instalment sale contracts are regarded as financing transactions, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances to customers on the statement of financial position. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance charges.

Where the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards of ownership of the asset to the lessee, the arrangement is classified as a finance lease.

Finance income is recognised over the term of the lease using the net investment method, which reflects the periodic rate of return.

All other leases are operating leases and operating lease income is recognised in the income statement on a straight-line basis over the term of the lease.

1. Accounting policies continued

1.11 Instalment finance continued

1.11.2 Group as the lessee

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Penalties for early termination of operating lease contracts are recognised as an expense in the period in which termination took place.

Payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a consistent periodic rate of interest on the liability outstanding.

1.12 Revenue and expenditure

Banking and financial services activities

Revenue is derived substantially from the business banking and related financial services activities and comprises net interest income and non-interest income and is recognised as set out below.

1.12.1 Interest income and interest expense

Interest is recognised on a time proportion basis, taking into account the carrying amount of the financial instrument and the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the carrying amount on the financial statements. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Where financial assets have been impaired, the accrual of interest income based on the original terms of the loan is discounted, any increase of the present value of impaired loans to the passage of time is recorded as interest income. The effective interest rate is established on initial recognition of the financial instrument and is not subsequently revised.

1.12.2 Fees and commission

Fee and commission income is recognised in the income statement as the services are performed in accordance with the terms of the relevant agreements.

Fee and commission income is earned mainly from banking related activities, provision of financial services, wealth management services and corporate finance related services.

1.12.3 Agency revenue

Agency revenue represents income and commissions invoiced for services rendered in respect of clearing and forwarding of goods excluding amounts recharged to customers and value added tax.

1.12.4 Net brokerage income and asset management fees

Net brokerage income and asset management fees are brought into account in proportion to the stage of completion of the transaction at reporting date.

1.12.5 Other

Income, other than interest, fees and commission, which includes fair value gains or losses, foreign exchange gains and dividends from investments, is recognised in profit or loss when the amount of income from the transaction or service is earned and can be measured reliably. Dividend income is recognised when the right to receive the dividend is established.

1.13 Commitments and contingencies

Items are classified as commitments where the Group commits itself to future transactions or if the items will result in the acquisition of assets.

Transactions are classified as contingencies where the Group's obligations depend on uncertain future events or the amount of the obligation can not be measured with sufficient reliability and principally consist of third-party obligations underwritten by banking subsidiaries.

Contingent liabilities, which include certain guarantees other than financial guarantees, and letters of credit pledged as collateral security, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements unless they are remote.

1.14 Funds under advisement and management

Where Group companies hold and invest funds on behalf of clients and act as trustees in any fiduciary capacity, the assets and liabilities representing these activities are not reflected on the statement of financial position. Income relating to these activities is recognised in the income statement in the period in which the services are rendered (refer to note 26).

1.15 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, short-term negotiable securities, short-term interbank funds net of interbank funding and balances with central bank, all of which are available for use by the Group unless otherwise stated. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

1.16 Impairment

1.16.1 Impairment of financial assets

The Group or Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets (not carried at fair value through profit or loss) is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For an investment in an equity security, a significant or prolonged decline in its fair value below the cost is objective evidence of impairment. Objective evidence that a financial asset or group of assets is impaired includes observable data that has come to the attention of the Group or Company about the following loss events:

- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group or Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group or Company would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the Group; or
  - national or local economic conditions that correlate with defaults on the assets in the Group.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The Group or Company first assesses whether there is objective evidence of impairment individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group or Company determines that there is no objective evidence of impairment for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in the income statement for the period.

1. Accounting policies continued

1.16 Impairment continued

1.16.1 Impairment of financial assets continued

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value, because its fair value cannot be reliably measured, or on a derivative asset that is linked to and has to be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative net loss that has been accumulated within other comprehensive income is removed from other comprehensive income and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, in a subsequent period, the fair value of debt instruments classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss for the period. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss, but recognised in other comprehensive income.

1.16.2 Impairment of non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets (see accounting policy 1.19) and financial instruments (see accounting policy 1.5), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. Goodwill is tested annually for impairment irrespective of whether impairment indicators are identified.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

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

Calculation of recoverable amount

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

In respect of non-financial assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment are not recognised for goodwill.

1.17 Capitalisation of borrowing costs

Borrowing costs that relate to qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale and are not measured at fair value, are capitalised.

1.18 Employee benefits

1.18.1 Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The provident plan is governed by the Pension Funds Act.

Payments to defined contribution plans are recognised as an employee benefit expense in profit or loss as they fall due. All employees are required to be members of the defined contribution provident fund.

1.18.2 Equity compensation plans

The Group and Company operates equity-settled and cash-settled share-based compensation plans.

The Group has applied the requirements of IFRS 2 to share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of share options after 7 November 2002 that were not vested as of 1 July 2004, the effective date of transition to IFRS.

Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards (i.e. share options) granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to employees in respect of share appreciation rights that are settled in cash is recognised as an expense with a corresponding increase in liabilities over the period in which the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff expense in profit or loss.

The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

1.18.3 Short-term benefits

Short-term benefits comprise salaries, accumulated leave pay, provident fund, medical aid, group life and company car. Short-term benefits are expensed as the related service is provided. A liability is recognised for the amount of accumulated leave if the Group has a present and legal obligation to pay this amount and the amount can be estimated reliably.

1.19 Income tax

Income tax and capital gains tax on the profit or loss for the year comprises current and deferred taxation. Income tax and capital gains tax are recognised in profit or loss except to the extent that they relate to items recognised directly in other comprehensive income, in which case they are recognised in other comprehensive income.

1.19.1 Current tax

Current tax comprises income tax payable, calculated on the basis of expected taxable income for the year using the tax rates enacted at the reporting date, and any adjustment of tax payable for prior years.

1. Accounting policies continued

1.19 Income tax continued

1.19.2 Deferred taxation

Deferred income tax and deferred capital gains tax are provided for on the comprehensive basis using the statement of financial position method, based on temporary differences at tax rates enacted at the reporting date. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Current and deferred tax relating to items which are charged or credited directly to equity and other comprehensive income, are also charged to equity and other comprehensive income and are subsequently recognised in profit or loss when the related deferred gain or loss is recognised.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits and losses, investments in subsidiaries and joint ventures where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent it is no longer probable that the related tax benefit will be realised.

1.19.3 Secondary tax and dividend withholding tax

Secondary taxation on companies ("STC") that arises from the distribution of dividends is recognised at the same time as the liability to pay the related dividend. To the extent that it is probable that dividends will be declared against which unused STC credits can be utilised, a deferred tax asset is recognised for STC credits. Due to a change in tax legislation, STC has been replaced with dividend withholding tax ("DWT") which is a shareholders' tax which is effective from 1 April 2012.

1.20 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's components, whose operating results are reviewed regularly by the Group's chief operating decision maker, Roland Sassoon, to make decisions about resources allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

1.21 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

These financial guarantee contracts are classified as insurance contracts as defined in IFRS 4 Insurance Contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the reporting date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Group and Company perform liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liabilities is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group and Company discount all expected contractual cash flows and compare this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made.

1.22 Share capital

Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Dividends are recognised as distributions within equity in the period in which they are payable to shareholders.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity unless cancelled.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or it is redeemable only at the Company's option.

1.23 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

1.24 Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date at which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

For acquisitions on or after 1 July 2009, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

1.25 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

2. Key assumptions and estimates applied by management

In preparing the financial statements, estimates and assumptions are continually evaluated based on historical and other factors, including expectations of uncertain future events that are believed to be reasonable under the circumstances. The results of estimates and assumptions form the basis of making judgements about the carrying value of assets and liabilities. Actual results may differ from the estimates made that could affect the reported amounts of assets and liabilities in future years.

2.1 Credit impairment of loans and advances

Performing loans

The Group assesses its loan portfolio for impairment on a yearly basis or at least at each reporting date.

The Group adopts an incurred-loss approach to impairment. Impairment losses are incurred, only if there is objective evidence of impairment as a result of one or more past events that has occurred since initial recognition. This necessitates the establishment of 'impairment triggers' on the occurrence of which an impairment loss is recognised.

Credit impairment is based on discounted estimated future cash flows on an asset or group of assets, where such objective evidence of impairment exists. The discount rate used to calculate the recoverable amount excludes consideration of any anticipated future credit losses. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, including industry and specific economic conditions and other indications present at the reporting date.

The Group has created an allowance for incurred but not reported ("IBNR") losses. The purpose of the IBNR allowance is to allow for latent losses on a portfolio of loans and advances that have not yet been individually evidenced. Generally, a period of time will elapse between the incurrence of an impairment event and objective evidence of the impairment becoming evident, which is known as the 'emergence period'. The IBNR provision is based on the probability that loans that are ostensibly performing at the calculation date are impaired, and objective evidence of that impairment becomes evident during the emergence period.

Non-performing loans

Loans and advances are individually impaired if the amounts are due and remain unpaid and also takes into account breaches of key loan covenants.

Management's estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics, and the recoverability of security or collateral in the Group's possession.

The methodology and assumptions used for estimating both the timing and amount of future cash flows is based on the present value of estimated future cash flows and the salvage value of securities held (refer to note 30). Refer to note 5.2 for sensitivity analysis of the credit impairments for loans and advances.

2.2 Intangible assets and goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy disclosed. The recoverable amounts of cash-generating units ("CGU") have been based on the higher of fair value less costs to sell and value-in-use calculations. The assumptions applied for these variables match those applied in the preparation of Group budgets and forecasts. Assumptions are supported by past experience. The estimated impairment of intangibles and goodwill is R3,7 million (2011: nil). Please refer to note 11.

2.3 Deferred taxation asset

The deferred taxation asset is recognised based on the probability that sufficient future taxable profits will be available to realise the asset carried for assessed losses within a three- to five-year horizon (refer to note 12).

2.4 Private equity investment valuations

Private equity investments are based on the underlying value of the net assets and unrecognised intangible assets within the investment vehicles concerned. These values are established by the directors and/or the trustees of those vehicles or prevailing market conditions. The basis of valuation is reviewed by the investment committee of the Group.

The Group follows internationally accepted valuation principles and methodologies. Fair value represents the amount at which an asset could be exchanged between knowledgeable, willing parties at arm's length.

Due to uncertainties in estimating the value of private equity investments, the Group exercises due caution in applying the various methodologies. These methodologies include the following:

- Multiples valuation methodology
- Recent transaction prices
- Net asset value
- Discounted cash flow or earnings models.

The Group has changed its primary valuation methodology from the Multiples Valuation Methodology to the Discounted Cash Flow or Earnings Model. This results in a change in estimate and not a change in accounting policy and therefore has been applied prospectively.

2.5 Fair value of financial instruments

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the product markets and is prone to changes based on specific events and general conditions in the financial markets.

The fair value of financial instruments that are not quoted in active markets is determined by using valuation techniques. Where valuation techniques or models are used to determine fair values, they are validated and periodically independently reviewed by qualified senior personnel. All models are authorised before they are used, and models are calibrated and back tested to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

2.6 Financial asset and liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In designating financial assets or liabilities at fair value through profit or loss, the Group has determined that it has met one of the criteria for this designation set out in the accounting policies.

Details of the Group's classification of financial assets and liabilities are given in note 23.

2.7 Securitisation

In applying its policies on securitised financial assets, the Group has considered both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Group over the other entity.

When the Group, in substance, controls the entity to which financial assets have been transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the Group's statement of financial position.

Details of the Group's securitisation activities are given in note 25.

2.8 Qualifying hedge relationships

In designating financial instruments in qualifying hedge relationships, the Group has determined that it expects the hedges to be highly effective over the period of the hedging relationship.

		2012 R'000	2011 R'000
3.	**Cash and cash balances**		
	Money on call	**1 116 800**	638 540
	Notice deposits maturing within three months	**330 730**	135 107
	Balance with the SARB	**30 118**	31 586
		1 477 648	805 233
	Deposits are placed with the central bank for the purpose of reserve requirements and are therefore not available for use.		
	The maturity analysis of the fixed deposits is based on the remaining period to contractual maturity from year-end.		
	Interbank deposits of SASP are ceded as security for the debt securities as per note 15.	**214 908**	192 185
4.	**Short-term negotiable securities**		
	Held-to-maturity assets		
	Treasury bills maturing within three months	**69 056**	72 405
	The maturity analysis is based on the remaining period to contractual maturity from year-end.		
5.	**Loans and advances to customers**		
	Originated loans and advances at amortised cost		
5.1	**Gross loans and advances**		
	Instalment finance	**2 102 800**	1 808 458
	Capital equipment finance	**179 320**	194 659
	Debtor finance	**125 158**	61 112
	Trade finance	**333 714**	225 977
	Other secured loans	**190 144**	138 837
	Investment in loans and advances	**2 931 136**	2 429 043
	Credit impairments for loans and advances	**(96 716)**	(96 057)
	Impairments for non-performing loans and advances	**84 526**	81 592
	Impairments for performing loans and advances	**12 190**	14 465
	Net loans and advances	**2 834 420**	2 332 986
	Comprising:		
	Gross investment in loans and advances	**3 470 071**	2 952 485
	Less: Unearned finance charges	**(538 935)**	(523 442)
	Investment in loans and advances	**2 931 136**	2 429 043
	Loans and advances are reflected at amortised cost which is a reasonable approximation of fair value as the fair value calculation is closely aligned to amortised cost and the recoverable amount represents the loan value outstanding.		
	Trade finance loans are provided as security for trade finance related facilities to the extent that facilities are utilised.		
	Included in instalment finance loans are securitised assets ceded as security for debt securities issued per note 15.	**1 318 021**	1 318 224

	2012 R'000	2011 R'000
5. Loans and advances to customers continued		
5.1 Gross loans and advances continued		
Maturity analysis		
Maturing within one year	746 275	511 312
Maturing after one year but within five years	2 184 861	1 917 731
	2 931 136	2 429 043
The maturity analysis is based on the remaining periods to contractual maturity from year-end.		
Sectoral analysis		
Agriculture	23 934	28 122
Community, social and personal services	768 636	596 133
Construction	86 866	105 182
Electricity and water	19 552	20 795
Finance, real estate and business services	626 064	448 627
Manufacturing	443 188	337 027
Mining	92 944	50 289
Trade and accommodation	693 632	729 374
Transport and communication	176 320	113 494
	2 931 136	2 429 043
Geographic analysis		
South Africa	2 928 573	2 423 885
Rest of Africa	2 563	5 158
	2 931 136	2 429 043

5. Loans and advances to customers continued

5.2 Credit impairments for loans and advances

A reconciliation of the allowance for impairment losses on loans and advances by class

	Instalment finance R'000	Capital equipment finance R'000	Debtor finance R'000	Trade finance R'000	Other secured loans R'000	Total R'000
2012						
Non-performing loans						
Balance at the beginning of the year	48 458	3 263	16	2 723	27 132	81 592
Net impairments raised and released	7 970	(573)	(16)	(46)	(4 401)	2 934
Balance at the end of the year	56 428	2 690	–	2 677	22 731	84 526
Performing loans						
Balance at the beginning of the year	9 448	1 758	–	3 259	–	14 465
Net impairments raised and released	(746)	(474)	–	(1 055)	–	(2 275)
Balance at the end of the year	8 702	1 284	–	2 204	–	12 190
Total credit impairments	65 130	3 974	–	4 881	22 731	96 716
2011						
Non-performing loans						
Balance at the beginning of the year	39 975	6 221	1 680	14 384	5 330	67 590
Net impairments raised and released	8 483	(2 958)	(1 664)	(11 661)	21 802	14 002
Balance at the end of the year	48 458	3 263	16	2 723	27 132	81 592
Performing loans						
Balance at the beginning of the year	7 394	2 001	–	3 283	–	12 678
Net impairments raised and released	2 054	(243)	–	(24)	–	1 787
Balance at the end of the year	9 448	1 758	–	3 259	–	14 465
Total credit impairments	57 906	5 021	16	5 982	27 132	96 057

A 5% (2011: 5%) increase or decrease in the probability of default and loss given default, results in a R1,14 million (2011: R1,38 million) increase and R1,09 million (2011: R1,36 million) decrease respectively, to the impairment of performing loans.

		2012 R'000	2011 R'000
5.	**Loans and advances to customers** continued		
5.2	**Credit impairments for loans and advances** continued		
	Sectoral analysis of impairments for non-performing loans and advances		
	Agriculture	**220**	263
	Community, social and personal services	**15 047**	12 478
	Construction	**3 377**	2 067
	Electricity and water	**526**	580
	Finance, real estate and business services	**17 601**	28 602
	Manufacturing	**7 892**	6 786
	Mining	**323**	1 995
	Trade and accommodation	**33 968**	24 650
	Transport and communication	**5 572**	4 171
		84 526	81 592
6.	**Other receivables**		
	Derivatives at fair value	**35 423**	27 311
	Freight forwarding and customs clearing	**100 823**	75 448
	Stock broking clients	**155 191**	157 998
	Loans to associates	**–**	6 299
	Other receivables	**157 945**	103 869
		449 382	370 925

Where other receivables are not reflected at fair value, due to the short-term tenor, the carrying value is a reasonable approximate for fair value. For further details on amounts due from the stock broking clients refer to note 17. Premier's accounts receivable of R100,8 million (2011: R75,8 million) have been ceded to First National Bank, a division of FirstRand Bank Limited, to secure banking facilities granted to the Company. In addition to this, the Credit Guarantee Insurance policy over Premier's accounts receivable has been ceded to the bank, this equates to 85% of the insured credit limit.

7. Non-current assets held for sale

7.1 Non-current assets held for sale

Property, which was previously classified as investment property, is presented as a non-current asset held for sale following the commitment by the Group in the current financial year to dispose of the properties. A contract has been entered into for the sale of the properties, with transfer of ownership expected to be concluded within the next twelve months.

An impairment loss of R424 000 was recognised on the non-current assets held for sale in order to recognise the properties at the lower of their carrying amount and their fair value less costs to sell.

	2012 R'000	2011 R'000
Investment property reclassified as held for sale	**51 038**	–
Fair value adjustment	**(424)**	–
Non-current assets held for sale	**50 614**	–

		2012 R'000	2011 R'000
7.	**Non-current assets held for sale** continued		
7.2	**Investment property**		
	Fair value at the beginning of the year	51 038	51 038
	Transfer to non-current assets held for sale	(51 038)	–
	Fair value at the end of the year	–	51 038
	The following amounts relating to the investment property are included in profit for the year:		
	Rental income	4 574	3 187
	Direct operating expenses	994	1 926
	Operating leases – Group as lessor		
	Future minimum lease receivables under non-cancellable operating leases of business premises:		
	– not later than one year	–	2 724
	– later than one year and not later than five years	–	1 206
8.	**Investment securities**		
	Available-for-sale portfolio	7 054	7 054
	Financial instruments held at fair value through profit and loss	5 436	6 635
	Designated at fair value through profit and loss	329 655	391 487
		342 145	405 176
	Available-for-sale portfolio		
	Equity securities with readily determinable fair values	6 900	6 900
	Unquoted equities	154	154
		7 054	7 054
	Financial instruments held at fair value through profit and loss		
	Asset-backed securities	5 436	6 635
		5 436	6 635
	Designated at fair value through profit and loss		
	Listed linked units	34 587	–
	Private and property equity investments	295 068	391 487
		329 655	391 487

Equity securities with readily determinable fair values are calculated on the basis of quoted market prices. Included in investment securities that have been designated at fair value through profit or loss are the Group's equity investments in certain entities held by its private equity subsidiary. These investments of R295,1 million (2011: R391,4 million) represent equity holdings in investee companies that give the Group between 20% and 49% of the voting rights of these private equity ventures. The private equity subsidiary is managed on a fair value basis by the Group.

	2012 R'000	2011 R'000
Sectoral analysis:		
Distribution	175 654	162 335
Electronics and electrical/technology	18 340	29 386
Finance, retail and telecommunications	43 535	38 086
Real estate	92 126	161 680
	329 655	391 487

Detailed information of all investments is obtainable from the company secretary.

	2012 R'000	2011 R'000
9. Investments in associated companies		
Shares at book value	**39 910**	37 932
Equity accounted earnings	**49 988**	40 000
	89 898	77 932
Summary of associated companies:		
NVest Financial Holdings (Pty) Limited	**11 041**	10 813
InnoVent Investment Holdings (Pty) Limited	**77 810**	67 119
Idec Consulting Services (Pty) Limited	**1 047**	–
	89 898	77 932

Summarised financial information of significant associated companies:

	NVest Financial Holdings (Pty) Limited		InnoVent Investment Holdings (Pty) Limited	
Ownership structure	Associate		Associate	
Nature of business	Securities		Leasing	
Year-end	February		June	
Date to which equity accounted	June 2012		June 2012	
	2012 R'000	2011 R'000	**2012 R'000**	2011 R'000
Effective holding (%)	**20**	20	**33,6**	33,6
Carrying value	**11 041**	10 813	**77 810**	67 119
Statement of financial position				
Total assets	**162 598**	52 000	**238 238**	204 573
Total liabilities	**185 591**	14 865	**57 893**	105 220
Group's proportionate share of total liabilities	**37 118**	2 973	**19 452**	35 354
Equity	**51 945**	51 896	**61 800**	99 353
Income statement				
Total revenue	**79 039**	66 872	**419 299**	58 243
Total expenses	**56 344**	45 287	**376 968**	27 762
Total net profit after tax	**14 731**	14 988	**30 297**	27 082
Share of income – current year	**3 098**	3 062	**10 180**	9 143
Share of dividend distribution	**2 870**	1 000	**–**	–
Equity accounted earnings	**11 880**	8 782	**42 999**	32 819

	Computer equipment R'000	Computer software R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Total R'000
10. Property, plant and equipment						
2012						
Movement						
Cost at the beginning of the year	71 935	7 392	29 999	6 001	151 142	266 469
Acquisition of subsidiary	1 039	–	3 257	–	24 583	28 879
Additions	17 117	1 234	808	1 034	89	20 282
Disposals	(2 054)	–	(1 322)	(475)	(151 142)	(154 993)
Cost at the end of the year	88 037	8 626	32 742	6 560	24 672	160 637
Accumulated depreciation and impairment losses at the beginning of the year	62 262	7 392	18 207	3 229	–	91 090
Depreciation charge for the year	10 707	–	2 515	404	412	14 038
Disposals	(1 679)	–	(50)	(154)	–	(1 883)
Accumulated depreciation and impairment losses at the end of the year	71 290	7 392	20 672	3 479	412	103 245
Carrying amount at the beginning of the year	9 673	–	11 792	2 772	151 142	175 379
Carrying amount at the end of the year	16 747	1 234	12 070	3 081	24 260	57 392
2011						
Movement						
Cost at the beginning of the year	70 121	7 392	28 820	6 039	151 142	263 514
Additions	2 555	–	2 545	686	–	5 786
Disposals	(741)	–	(1 366)	(724)	–	(2 831)
Cost at the end of the year	71 935	7 392	29 999	6 001	151 142	266 469
Accumulated depreciation and impairment losses at the beginning of the year	52 679	7 392	15 977	3 060	–	79 108
Depreciation charge for the year	10 294	–	2 917	617	–	13 828
Disposals	(711)	–	(687)	(448)	–	(1 846)
Accumulated depreciation and impairment losses at the end of the year	62 262	7 392	18 207	3 229	–	91 090
Carrying amount at the beginning of the year	17 442	–	12 843	2 979	151 142	184 406
Carrying amount at the end of the year	9 673	–	11 792	2 772	151 142	175 379

Land and buildings situated at 29 Scott Street, Waverley, Johannesburg, were sold to Annuity Properties for a consideration of R167,9 million. The proceeds from the sale were used to settle the Nedbank mortgage loan facility.

		2012 R'000	2011 R'000
11.	**Intangible assets and goodwill**		
	Intangible assets		
	Software development		
	Carrying value at the beginning of the year	**55 516**	41 489
	Acquisition of subsidiary	**4 878**	–
	Amortisation of software	**(9 579)**	(2 069)
	Additions at cost	**10 569**	16 096
	Disposals at carrying value	**(181)**	–
	Carrying value at the end of the year	**61 203**	55 516
	Gross carrying amounts	**74 235**	58 969
	Accumulated amortisation	**(13 032)**	(3 453)
	Carrying value at the end of the year	**61 203**	55 516
	During 2012 and 2011 the Group identified no events or circumstances that would indicate that the Group's intangible assets may need to be impaired.		
	Goodwill		
	Carrying value at the beginning of the year	**13 728**	13 728
	Goodwill acquired during the year	**14 303**	–
	Impairment of goodwill	**(3 728)**	–
	Carrying value at the end of the year	**24 303**	13 728
	Total	**85 506**	69 244

Goodwill represents the excess of the fair value of certain assets and liabilities acquired by the Group.

Impairment testing of goodwill is done annually, or more frequently if required, by comparing the net carrying value of the cash-generating units to the estimated value in use. The value in use represents estimated future cash flows of underlying annuity income. Accounting estimates and assumptions applied in testing for impairment of goodwill are detailed in note 2. Impairment losses of R3,7 million were recognised on goodwill during 2012 (2011: nil). The goodwill impaired was attributable to the acquisition of Pioneer Insurance Brokers (Pty) Limited ("PIB") in 2006. The goodwill impaired relates to the value of the PIB client database and broker expertise acquired. The goodwill was impaired after taking into account the following considerations:

- PIB has not been in existence since 2006 and the name no longer holds any value.
- New clients are no longer introduced by the PIB name. Income that stems from PIB is remaining trail income, and is declining.
- The majority of the brokers that were employed by PIB at the time of acquisition, have since resigned. As a result of this, the knowledge and skills acquired are no longer in existence to warrant a goodwill element on the balance sheet.

12. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

	2012 Assets R'000	2012 Liabilities R'000	2012 Net R'000	2011 Assets R'000	2011 Liabilities R'000	2011 Net R'000
Deferred tax assets and liabilities are attributable to the following:						
Instalment finance	–	(62 481)	(62 481)	(402)	(48 797)	(49 199)
Tax losses	6 934	7 421	14 355	5 517	1 703	7 220
Fair value adjustments	–	(29 676)	(29 676)	–	(25 137)	(25 137)
Prepayments	–	(60)	(60)	(3)	(1 735)	(1 738)
Impairments	–	11 661	11 661	382	5 367	5 749
STC credits	–	–	–	1 477	–	1 477
Provisions	1 018	3 388	4 406	1 441	4 701	6 142
Other	–	(558)	(558)	–	83	83
Net tax assets/(liabilities)	7 952	(70 305)	(62 353)	8 412	(63 815)	(55 403)

	Balance at 1 July R'000	Recognised in profit or loss R'000	Recognised in other compre-hensive income R'000	Balance at 30 June R'000
Movements in temporary differences during the year				
2012				
Instalment finance	(49 199)	(13 282)	–	(62 481)
Tax losses	7 220	7 135	–	14 355
Fair value adjustments	(25 137)	(12 983)	8 444	(29 676)
Prepayments	(1 738)	1 678	–	(60)
Impairments	5 749	5 912	–	11 661
STC credits	1 477	(1 477)	–	–
Provisions	6 142	(1 736)	–	4 406
Other	83	(641)	–	(558)
	(55 403)	(15 394)	8 444	(62 353)
2011				
Instalment finance	(48 419)	(780)	–	(49 199)
Tax losses	8 516	(1 296)	–	7 220
Fair value adjustments	(33 677)	14 281	(5 741)	(25 137)
Prepayments	184	(1 922)	–	(1 738)
Impairments	11 930	(6 181)	–	5 749
STC credits	–	1 477	–	1 477
Provisions	6 907	(765)	–	6 142
Other	(4 907)	4 990	–	83
	(59 466)	9 804	(5 741)	(55 403)

	2012 R'000	2011 R'000
13. Interbank funding		
Short-term interbank loans and deposits	137 717	60 453
	137 717	60 453
14. Deposits from customers		
Financial liabilities at amortised cost		
Demand deposits	1 236 066	806 861
Notice deposits	356 154	91 907
Fixed deposits	195 080	316 678
	1 787 300	1 215 446
Geographic analysis		
South Africa	1 561 513	1 215 158
Panama	225 583	–
United Kingdom	–	106
North America	–	22
Israel	160	145
Other	44	15
	1 787 300	1 215 446
Maturity analysis		
Withdrawable on demand	1 236 529	806 861
Maturing within one month	244 471	168 038
Maturing after one month but within six months	290 378	236 695
Maturing after six months but within twelve months	10 422	3 852
Maturing after twelve months but within five years	5 500	–
	1 787 300	1 215 446

The maturity analysis is based on the remaining period to contractual maturity from year-end.

		2012 R'000	2011 R'000
15.	**Debt securities issued**		
	Financial liabilities at amortised cost		
	Category analysis		
	Rated:		
	Class A notes (BESA code ERS3A3)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 1,80%. Scheduled maturity date is 17 November 2011.	–	203 796
	Class A notes (BESA code ERS3A7)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 2,10%. Scheduled maturity date is 17 November 2012.	**234 153**	234 146
	Class A notes (BESA code ERS3A8)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 2,50%. Scheduled maturity date is 17 November 2014.	**50 488**	50 487
	Class A notes (BESA code ERS3A10)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 1,05%. Scheduled maturity date is 17 August 2013.	**161 283**	161 278
	Class A notes (BESA code ERS3A11)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 1,3%. Scheduled maturity date is 17 August 2014.	**201 664**	201 658
	Class A notes (BESA code ERS3A12)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 1,5%. Scheduled maturity date is 17 August 2015.	**201 712**	201 706
	Class A notes (BESA code ERS3A13)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 1,08%. Scheduled maturity date is 17 August 2013.	**203 627**	–
	Class B notes (BESA code ERS3B)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 3,10%. Scheduled maturity date is 17 November 2011.	–	86 899
	Class B notes (BESA code ERS3B1)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 3,30%. Scheduled maturity date is 17 November 2012.	**5 054**	5 053
	Class B notes (BESA code ERS3B2)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 1,85%. Scheduled maturity date is 17 August 2014.	**86 772**	–
	Class C notes (BESA code ERS3C)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 3,60%. Scheduled maturity date is 17 November 2011.	–	29 321
	Class C notes (BESA code ERS3C1)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 3,80%. Scheduled maturity date is 17 November 2012.	**3 034**	3 034
	Class C notes (BESA code ERS3C2)		
	Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at three-month JIBAR plus 2,65%. Scheduled maturity date is 14 August 2014.	**29 288**	–
	Unrated:		
	Subordinated, secured, repayable on the maturity date of the financing notes. This loan bears interest at three-month JIBAR plus 6,5%. Scheduled maturity date is 22 June 2016.	**75 323**	75 223
	Subordinated, secured, repayable on the maturity date of the financing notes. This loan bears interest at three-month JIBAR plus 5%. Scheduled maturity date is 20 June 2014.	**45 588**	45 013
		1 297 986	1 297 614

	2012 R'000	2011 R'000
15. Debt securities issued continued		
The floating rate notes are secured by a cession of rentals and equipment underlying the instalment finance assets as well as the bank accounts owned by SASP – refer to notes 3 and 5	**1 297 986**	1 297 614
Geographic analysis		
South Africa	**1 297 986**	1 297 614
	1 297 986	1 297 614
Maturity analysis		
Maturing within one year	**250 986**	327 614
Maturing after one year but within two years	**727 000**	400 000
Maturing after two years but within three years	**320 000**	570 000
	1 297 986	1 297 614

The maturity analysis is based on the remaining period to contractual maturity from year-end.

The Group has not had any defaults of principal, interest or other breaches with respect to its debt securities during the year.

16. Long-term loans

	2012 R'000	2011 R'000
Balance at the beginning of the year	**242 897**	182 450
Advances during the year	**445 729**	60 447
Repayments during the year	**(150 050)**	–
Balance at the end of the year	**538 576**	242 897
Represented by:		
European DFIs	**360 960**	–
IFC	**167 219**	82 450
Nedbank	**10 397**	160 447
Total	**538 576**	242 897

The Group settled the R100 million mortgage loan over fixed property following the sale of the property, and a further R50 million of the long-term facilities from Nedbank.

The Group secured a long-term loan facility from the European DFIs during the year as follows:

	2012 R'000
FMO	**163 350**
DEG	**98 805**
Proparco	**98 805**
	360 960

The DFI loan facility is an unsecured seven-year term loan, with interest payable quarterly at rates linked to three-month JIBAR, and is repayable between February 2014 and November 2018.

The Group secured a long-term loan facility from the IFC and the CCCP, as follows:

	2012 R'000
IFC	**65 219**
CCCP (US$2,3million)	**19 550**
	84 769

The loan facility is a senior seven year term loan, with interest payable quarterly at rates linked to three-month JIBAR, and is repayable between June 2014 and June 2019.

The subordinated loan of R82,45 million obtained in 2010 from the IFC, with interest repayable quarterly and linked to JIBAR, is repayable between September 2014 and December 2019.

	2012 R'000	2011 R'000
17. Other payables		
Derivative liabilities	42 182	25 132
Audit fees and other services	6 586	6 002
Accounts payable	229 918	173 781
Leave pay	7 469	8 249
Cash-settled share-based payment liability	–	2 141
Accruals		
Management incentives	13 111	9 856
Opening balance	9 856	11 743
Paid/reversed during the year	(12 403)	(10 263)
Charge to the income statement	15 658	8 376
Stock broking clients	156 091	149 761
	85 209	69 395
Amounts due to clients	2 222 495	1 814 157
Less: JSE trustees	(1 128 520)	(889 478)
Borrowers control	(990 091)	(836 356)
JSE trustees – financial Rand	(18 675)	(18 928)
Overseas brokers on market deals	49 851	–
Brokers on market deals	19 508	80 035
Marketable and uncertified securities taxes	12	46
Dividends payable	1 511	285
	455 357	374 922

Where other payables are not reflected at fair value, due to the short-term nature, the carrying value is a reasonable approximate for fair value.

All unsettled transactions settle on the trading rules applicable for the specific exchange where the deal was booked. Included in amounts payable in respect of stock broking activities is an amount due in settlement of these transactions.

The amounts receivable from JSE Trustees (Pty) Limited and money market deposits are funds managed for clients. An amount payable to settle these transactions is included under amounts payable in respect of stockbroking activities.

		2012 R'000	2011 R'000
18.	**Ordinary share capital**		
	Authorised		
	100 000 000 (2011: 100 000 000) ordinary shares of 1 cent each	**1 000**	1 000
	Issued		
	32 236 515 (2011: 32 236 515) ordinary shares of 1 cent each		
	Balance at the beginning of the year	**322**	321
	Issued during the year	**–**	1
	Balance at the end of the year	**322**	322
	Reconciliation of the number of shares issued		
	Total shares in issue	**32 301 441**	32 301 441
	Less: Shares held by the Sasfin Share Incentive Trust	**(64 926)**	(64 926)
		32 236 515	32 236 515
	The Group has a share incentive trust in terms of which shares are issued and options are granted. Details of the share incentive trust are set out in note 39 as required by the JSE. The share incentive trust has been consolidated into the Group's annual financial statements. The Group issued no shares (2011:nil) to the Sasfin share incentive trust. The number of shares held by the Sasfin share incentive trust amounts to 64 926 (2011: 64 926) or R956 143 (2011: R956 143) at year-end.		
	The unissued shares are under the control of the directors until the next annual general meeting.		
19.	**Ordinary share premium**		
	Balance at the beginning of the year	**162 410**	161 020
	Premium on new shares issued during the year	**–**	1 390
	Balance at the end of the year	**162 410**	162 410
20.	**Preference share capital**		
	Authorised		
	5 000 000 (2011: 5 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	**50**	50
	Issued		
	1 905 000 (2011: 1 905 000) preference shares of 1 cent each	**19**	19
	The preference shares are listed under the "Specialist Securities – Preference Shares" sector of the JSE. Dividends are paid semi-annually at a rate of 82,5% of the ruling prime rate effective 1 April 2012. Prior to this, dividends were paid at a rate of 75% of the ruling prime rate.		
21.	**Preference share premium**		
	Balance at the beginning and end of the year	**199 259**	199 259

		2012 R'000	2011 R'000
22.	**Commitments and contingent liabilities**		
	Commitments		
	Capital expenditure authorised and contracted for	**58**	–
	Non-cancellable operating lease rentals for premises are payable as follows:	**247 854**	16 511
	One year	**24 383**	4 835
	One to five years	**88 201**	11 676
	More than five years	**135 270**	–
	Funds to meet these commitments will be provided from internal Group resources or external funding arrangements as deemed necessary.		
	Contingencies		
	Unutilised letters of credit established and confirmed orders placed on behalf of clients	**23 698**	35 746
	Guarantees	**15 663**	15 454
		287 273	67 711
	Legal proceedings The Group is exposed to certain actual and potential claims in its ordinary business. Based on information presently available and an assessment of the probability of these claims, the directors are satisfied that the Group has adequate provisions and insurance cover to meet such claims if they arise.		
	Operating leases		
	Leases as lessee		
	Non-cancellable operating lease rentals for premises are payable as follows:		
	One year	**24 383**	4 835
	One to five years	**88 201**	11 676
	More than five years	**135 270**	–
		247 854	16 511
	Less: Straight-lining of lease accrual	**(904)**	(504)
		246 950	16 007
	The Group leases a number of offices and warehouse facilities under operating leases. The leases typically run for a period of three to ten years, with an option to renew after that date. Leases generally contain an annual increase, to reflect market rentals, but no contingent rents are included.		

23. Classification of assets and liabilities

Accounting classifications and fair values

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

	Designated at fair value R'000	Held at fair value R'000	Held-to-maturity R'000	Loans and receivables R'000	Available-for-sale R'000	Other amortised cost R'000	Other non-financial assets and liabilities R'000	Total carrying amount R'000	Fair value R'000
2012									
Assets									
Cash and cash balances[1]	–	–	–	1 477 648	–	–	–	1 477 648	1 477 648
Short-term negotiable securities[2]	–	–	69 056	–	–	–	–	69 056	69 056
Loans and advances to customers[3]	–	–	–	2 834 420	–	–	–	2 834 420	2 834 420
Other receivables	–	35 423	–	413 959	–	–	–	449 382	449 382
Investment securities[4]	329 655	5 436	–	–	7 054	–	–	342 145	342 145
Investments in associated companies	–	–	–	–	–	–	89 898	89 898	89 898
Other non-financial assets	–	–	–	–	–	–	209 944	209 944	
	329 655	40 859	69 056	4 726 027	7 054	–	299 842	5 472 493	
Liabilities									
Interbank funding	–	–	–	–	–	137 717	–	137 717	137 717
Deposits from customers	–	–	–	–	–	1 787 300	–	1 787 300	1 787 300
Debt securities issued	–	–	–	–	–	1 297 986	–	1 297 986	1 298 699
Long-term loans	–	–	–	–	–	538 576	–	538 576	538 576
Other payables	–	42 182	–	–	–	156 091	257 084	455 357	455 357
Other non-financial liabilities	–	–	–	–	–	–	75 342	75 342	
	–	42 182	–	–	–	3 917 670	332 426	4 292 278	
2011									
Assets									
Cash and cash balances[1]	–	–	–	805 233	–	–	–	805 233	805 233
Short-term negotiable securities[2]	–	–	72 405	–	–	–	–	72 405	72 405
Loans and advances to customers[3]	–	–	–	2 332 986	–	–	–	2 332 986	2 332 986
Other receivables	–	27 311	–	343 614	–	–	–	370 925	370 925
Investment securities[4]	391 487	6 635	–	–	7 054	–	–	405 176	405 176
Investments in associated companies	–	–	–	–	–	–	77 932	77 932	77 932
Other non-financial assets	–	–	–	–	–	–	308 607	308 607	
	391 487	33 946	72 405	3 481 833	7 054	–	386 539	4 373 264	
Liabilities									
Interbank funding	–	–	–	–	–	60 453	–	60 453	60 453
Deposits from customers	–	–	–	–	–	1 215 446	–	1 215 446	1 215 446
Debt securities issued	–	–	–	–	–	1 297 614	–	1 297 614	1 303 504
Long-term loans	–	–	–	–	–	242 897	–	242 897	242 897
Other payables	–	25 132	–	–	–	149 761	200 029	374 922	374 922
Other non-financial liabilities	–	–	–	–	–	19 867	53 194	73 061	
	–	25 132	–	–	–	2 986 038	253 223	3 264 393	

23. Classification of assets and liabilities continued

Accounting classifications and fair values continued

Carrying value has been used where it closely approximates fair values. Fair value estimates are generally subjective in nature, and are made at a specific point in time based on the characteristics of the financial instruments and relevant market information. Where available the most suitable measure for fair value is the quoted market price. In the absence of organised secondary markets for financial instruments such as loan deposits and unlisted derivatives, direct market prices are not always available. The fair value of such instruments was therefore calculated on the basis of well established valuation techniques using current market parameters. Changes in assumptions could affect these estimates and the resulting fair values. Derived fair value estimates can not necessarily be substantiated by comparison to independent markets and may not be realised in an immediate sale of the instruments. The discount rates used are the applicable JIBAR rates for the appropriate time buckets.

Assumptions applied

[1] The carrying value of cash and cash equivalents approximates fair value as it can be realised within a short period of time.
[2] Short-term negotiable securities mature within three months, therefore the carrying value approximates fair value.
[3] Loans and advances to customers are carried at amortised cost and are tested for impairment at the reporting date. The carrying value at the reporting date is equal to the recoverable amount and thus approximates fair value.
[4] Investment securities consist of both listed and unlisted securities. The listed securities are carried at their quoted market price (fair value). The fair values of the unlisted securities are determined using valuation techniques based on the conditions of the agreements in place. See note 24.

24. Financial instruments measured at fair value

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that quoted market prices are used in the calculation of the fair value of the financial instruments and 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 – fair value is determined through valuation techniques based on observable inputs, either directly, such as prices, or indirectly, such as derived from prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and 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.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
2012				
Assets				
Investment securities	41 487	–	295 222	336 709
Other receivables	–	35 423	–	35 423
	41 487	35 423	295 222	372 132
Comprising:				
Held at fair value	–	35 423	–	35 423
Designated at fair value	34 587	–	295 068	329 655
Available-for-sale	6 900	–	154	7 054
	41 487	35 423	295 222	372 132
Liabilities				
Other payables	–	42 182	–	42 182
	–	42 182	–	42 182
Comprising:				
Held at fair value	–	42 182	–	42 182
	–	42 182	–	42 182

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
24. Financial instruments measured at fair value continued				
2011				
Assets				
Investment securities	6 900	–	391 641	398 541
Other receivables	–	27 311	–	27 311
	6 900	27 311	391 641	425 852
Comprising:				
Held at fair value	–	27 311	–	27 311
Designated at fair value	–	–	391 487	391 487
Available-for-sale	6 900	–	154	7 054
	6 900	27 311	391 641	425 852
Liabilities				
Other payables	–	25 132	–	25 132
	–	25 132	–	25 132
Comprising:				
Held at fair value	–	25 132	–	25 132
	–	25 132	–	25 132

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2012 R'000	2011 R'000
Investment securities		
Balance at the beginning of the year	**391 641**	377 013
Total gains or losses in profit and loss	**562**	11 020
Net (settlements)/purchases	**(96 981)**	3 608
Balance at the end of the year	**295 222**	391 641

	Investment securities R'000	Other receivables R'000	Other payables R'000	Total R'000
24. Financial instruments measured at fair value continued				
Total gains or losses included in profit or loss for the period are presented in the statement of comprehensive income as follows:				
2012				
Fair value adjustments on financial instruments held at fair value through profit or loss				
Impact on gains and losses recognised in profit and loss for the year	–	(7 902)	–	(7 902)
Fair value adjustments on financial instruments designated at fair value through profit and loss				
Impact on gains and losses recognised in profit and loss for the year	972	–	–	972
Included in net gains and losses on derivative instruments and foreign exchange gains and losses	–	43 325	(42 182)	1 143
Total gains or losses on assets and liabilities held at fair value	972	35 423	(42 182)	(5 787)
2011				
Fair value adjustments on financial instruments held at fair value through profit and loss				
Impact on gains and losses recognised in profit and loss for the year	–	(2 004)	–	(2 004)
Fair value adjustments on available-for-sale instruments				
Impact on gains and losses recognised directly in other comprehensive income for the year	920	–	–	920
Fair value adjustments on financial instruments designated at fair value through profit and loss				
Impact on gains and losses recognised in profit and loss for the year	11 020	–	–	11 020
Included in net gains and losses on derivative instruments and foreign exchange gains and losses	–	29 315	(25 132)	4 183
Total gains or losses on assets and liabilities held at fair value	11 940	27 311	(25 132)	14 119

Please refer to note 37.4 for the sensitivity analysis.

	2012 R'000	2011 R'000
25. Securitisation		
In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets to third parties or special purpose vehicles. The information below sets out the extent of such transfers, and the Group's retained interest in transferred assets.		
Transferred assets		
SASP	1 318 021	1 318 224

The Group has transferred office automation rental instalment contracts to SASP but has retained residual ownership of the vehicle, and continues to recognise these assets within loans and advances to customers. The Group refinanced a further R317 million (2011: R393 million) worth of rental contracts during the year.

		2012 R'000	2011 R'000
26.	**Funds under advisement and management**		
	The Weath division in a fiduciary capacity on behalf of clients, administers client funds in respect of the following:		
	Unlisted equities	–	39 715
	Listed equities	43 544 747	38 517 509
	Gilts	41 934	52 564
	Funds held in money market accounts	2 136 556	1 685 721
	Assets under management	2 942 371	468 980
	Assets under advisement	6 057 629	3 814 862
		54 723 237	44 579 351
	Included in funds under advisement and management is an amount of R442 million (2011: R464 million) in respect of related parties as defined in note 35.		
27.	**Interest income**		
	Interbank	58 480	24 206
	Short-term negotiable securities	3 703	3 586
	Instalment finance	279 692	242 030
	Capital equipment	22 691	23 934
	Debtor finance	12 235	8 481
	Trade finance	29 458	26 486
	Commercial property finance	21 251	25 345
	Other	6 490	5 188
	Interest earned on financial assets	434 000	359 256
	Included within the various line items under interest income for the year ended 30 June 2012 is a total of R10,5 million (2011: R4,6 million) accrued on impaired financial assets.		
28.	**Interest expense**		
	Interbank funding	6 574	6 046
	Demand deposits	47 002	36 306
	Notice deposits	18 647	6 284
	Fixed deposits	15 932	17 093
	Debt securities	98 622	76 961
	Long-term borrowings	31 940	14 637
	Subordinated debt	8 432	8 574
	Other	4 765	2 775
	Interest paid on financial liabilities	231 914	168 676

		2012 R'000	2011 R'000
29.	**Non-interest income**		
	Fee and commission	**267 085**	125 625
	Fee and commission income	**304 650**	200 412
	Fee and commission expense	**(37 565)**	(74 787)
	Agency revenue	**61 020**	54 191
	Net brokerage income and asset management fees	**74 335**	111 888
	Confirming fees	**19 990**	16 424
	Dividend income	**12 222**	9 052
	– on securities held at fair value through profit or loss	**414**	345
	– on investments designated at fair value	**11 808**	8 707
	Fair value adjustments on financial instruments held at fair value through profit or loss	**(7 902)**	(2 004)
	Fair value adjustments on financial instruments designated at fair value	**972**	11 020
	Fair value adjustments on non-current assets held for sale	**(424)**	–
	Net gains and losses on derivative instruments and foreign exchange gains and losses	**10 325**	19 250
	Profit/(loss) on disposal of property, plant and equipment	**10 607**	(15)
		448 230	345 431
30.	**Impairment charges on loans and advances**		
	Net impairments raised for non-performing loans	**18 869**	35 925
	Net impairments (released)/raised for performing loans	**(2 275)**	1 787
		16 594	37 712
31.	**Operating costs**		
31.1	**Staff costs**		
	Salaries and wages	**204 598**	163 640
	Executive directors and prescribed officers	**20 587**	17 191
	Non-executive directors	**2 505**	2 263
	Contributions to defined contribution plans	**20 500**	17 256
	Cash-settled share-based payments (refer to note 39)	**(2 053)**	(870)
	Equity-settled share-based payments (refer to note 39)	**(363)**	(221)
		245 774	199 259

31. Operating costs continued

31.2 Executive directors and prescribed officers

Included in the above staff costs is remuneration and benefits paid to the following executive directors and prescribed officers:

	Cash package R'000	Other benefits R'000	Incentive bonus R'000	**Total 2012 R'000**	Total 2011 R'000
RDEB Sassoon	2 600	344	730	**3 674**	3 568
TD Soondarjee	1 682	328	680	**2 690**	2 354
M Segal	1 260	217	–	**1 477**	3 158
MG Lane	1 461	344	617	**2 422**	2 288
LR Fröhlich	1 618	204	1 064	**2 886**	1 906
LM Dirker	1 538	258	594	**2 390**	1 894
H Brown	1 188	208	422	**1 818**	1 523
ME Sassoon	955	395	320	**1 670**	500
D Edwards	1 500	60	–	**1 560**	–
	13 802	2 358	4 427	**20 587**	17 191

31.3 Other operating expenses

	2012 R'000	2011 R'000
Auditors' remuneration	**9 024**	7 719
Audit fees – Current year	**7 814**	6 524
– Underprovision prior year	**679**	816
– Other services	**531**	379
Consulting fees	**6 039**	3 889
Depreciation	**14 038**	13 828
Amortisation of intangible assets	**9 579**	2 069
Impairment of goodwill	**3 728**	–
Operating lease charges	**35 296**	6 456
– Premises	**35 243**	6 420
– Plant and equipment	**53**	36
Other	**151 181**	143 270
	228 885	177 231

		2012 R'000	2011 R'000
32.	**Income tax expense**		
	Current tax expense	**22 614**	23 979
	Current year	**18 337**	18 533
	Capital gains	**3 857**	5 657
	Under/(Over)provision in prior years	**420**	(211)
	Deferred tax expense	**13 917**	(8 327)
	Current year	**9 361**	(7 783)
	Underprovision in prior years	**–**	1 442
	Capital gains	**775**	427
	Rate change	**3 781**	(2 413)
	Secondary tax on companies	**3 553**	5 986
	Deferred tax on STC credits	**1 477**	(1 477)
		41 561	20 161
	Reconciliation of rate of taxation	**%**	%
	South African normal tax rate	**28,0**	28,0
	Adjusted for:	**(4,2)**	(13,0)
	Fair value of investments at capital gains rate	**–**	(2.9)
	Exempt income	**(4,6)**	(4.4)
	Non-deductible expenses	**0,6**	0.4
	Goodwill	**0,6**	–
	Capital gains	**2,2**	3.5
	Effect of tax rates in foreign entity	**(4,0)**	(8.3)
	Tax losses utilised	**(2,5)**	–
	Overprovision in prior years	**–**	(2.3)
	Secondary tax on companies	**2,9**	3.7
	Change in tax rate	**2,2**	(2.0)
	Other	**(1,6)**	(0.7)
	Effective rate	**23,8**	15,0
	Income tax recognised directly in other comprehensive income	**R'000**	R'000
	Available-for-sale investment securities	**–**	129
	Net gain on hedge of net investment in foreign operation	**(8 444)**	5 612
		(8 444)	5 741
	Losses, balance of allowances and credits for which a deferred tax asset has been raised:		
	Estimated tax losses available to offset future taxable income	**51 264**	25 562
	Accumulated STC credits which have arisen as a result of dividends received exceeding dividends declared	**–**	1 477

	Gross R'000	Direct tax R'000	Non-controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
33. Earnings per share				
33.1 Headline earnings				
2012				
Profit before direct taxation	**174 515**	**41 561**	**18 600**	**114 354**
Headline adjustable items reversed	**(6 455)**	**(3 042)**	**–**	**(3 413)**
Profit on sale of land and buildings – IAS 16	**(10 501)**	**(3 131)**	**–**	**(7 370)**
Profit on sale of property and equipment – IAS 16	**(106)**	**(30)**	**–**	**(76)**
Fair value adjustment of non-current assets held for sale	**424**	**119**	**–**	**305**
Goodwill – IFRS 3	**3 728**	**–**	**–**	**3 728**
	168 060	**38 519**	**18 600**	**110 941**
2011				
Profit before direct taxation	134 014	20 161	15 840	98 013
Headline adjustable items reversed	15	2 417	–	(2 402)
Profit on sale of property and equipment – IAS 16	15	4	–	11
Gain on the disposal of businesses and divisions – IAS 27	–	2 413	–	(2 413)
	134 029	22 578	15 840	95 611

	2012	2011
33.2 Weighted average number of ordinary shares		
Weighted average number of ordinary shares	**32 237**	32 224
Effect of share options	**–**	5
Weighted average number of ordinary shares (diluted)	**32 237**	32 229
	Cents	Cents
33.3 Headline earnings per ordinary share		
The calculation of headline earnings per ordinary share is based on headline earnings of R110,9 million (2011: R95,6 million) and the weighted average of 32 236 515 (2011: 32 224 204) ordinary shares in issue for the year	**344**	297
33.4 Earnings per ordinary share		
The calculation of earnings per ordinary share is based on earnings of R114,3 million (2011: R98 million) and the weighted average of 32 236 515 (2011: 32 224 204) ordinary shares in issue for the year	**355**	304
33.5 Diluted headline earnings per ordinary share		
The calculation of diluted headline earnings per ordinary share is based on headline earnings of R110,9 million (2011: R95,6 million) and diluted shares of 32 236 515 (2011: 32 229 177)	**344**	297
33.6 Diluted earnings per ordinary share		
The calculation of diluted earnings per ordinary share is based on earnings of R114,3 million (2011: R98 million) and diluted shares of 32 236 515 (2011: 32 229 177)	**355**	304

		2012 R'000	2011 R'000
34	**Cash flows from operating activities**		
34.1	**Cash receipts from customers**		
	Interest income	**434 000**	359 256
	Other income	**428 196**	382 604
		862 196	741 860
	Cash paid to customers, employees and suppliers		
	Interest expense	**231 914**	168 676
	Total operating expenses	**449 306**	436 471
		681 220	605 147
	Cash inflow from operating activities	**180 976**	136 713
	Reconciliation of operating profit to cash flows from operating activities		
	Profit before income tax	**174 515**	134 014
	(Profit)/loss on disposal of property, plant and equipment	**(10 607)**	15
	Unwind cost of hedge	**(4 783)**	–
	Dividends received	**(12 222)**	(9 052)
	Impairment charges on loans and advances	**16 594**	37 712
	Exchange rate fluctuations on cash held	**(4 479)**	(12 516)
	Increase in foreign currency translation	**(10 325)**	(19 250)
	Cash-settled share-based payments	**(2 053)**	(870)
	Equity-settled share-based payments	**(363)**	(221)
	Fair value adjustments on financial instruments held at fair value through profit and loss	**7 902**	2 004
	Fair value adjustments on financial instruments designated at fair value	**(972)**	(11 020)
	Fair value adjustments on non-current assets held for sale	**424**	–
	Impairment of goodwill	**3 728**	–
	Depreciation	**14 038**	13 828
	Amortisation of software	**9 579**	2 069
		180 976	136 713
34.2	**Taxation paid**		
	Unpaid at the beginning of the year	**60 115**	66 322
	Charge to the income statement	**41 561**	20 161
	Unpaid at the end of the year	**(58 910)**	(60 115)
		42 766	26 368
34.3	**Dividends paid**		
	Charge to distributable reserves	**50 975**	58 077
		50 975	58 077
34.4	**Cash and cash equivalents at the end of the year**		
	Cash and cash balances	**1 477 648**	805 233
	Short-term negotiable securities	**69 056**	72 405
	Interbank funding	**(137 717)**	(60 453)
		1 408 987	817 185

35. Related party transactions

The following are defined as related parties of the Group:

- Subsidiaries (refer to note 38)
- Associated undertakings and joint ventures (refer to note 9)
- Key management personnel

IAS 24 – Related Parties, requires the identification of "key management personnel". Accordingly, the Group has defined key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, as well as close members of the family of any of these individuals. Key management personnel are considered to be the directors of the Company.

Details of directors' emoluments are disclosed in the directors' report on pages 49 and 50.

36. Transactions with key management

Key management personnel and their immediate relatives have balances with the Group at year-end as follows:

	2012 R'000	2011 R'000
Deposits from customers	**58 681**	60 125
Funds under management	**441 652**	464 070

Transactions are made on terms equivalent to those on an arm's length basis as offered to the Group's clients.

The Group transacts with InnoVent Rental and Asset Management Solutions (Pty) Limited, an associate of the Group. All transactions are on an arm's length basis.

Refer to note 38 for intergroup related party transactions.

37. Financial risk management

37.1 Introduction and overview

Risk management is fundamental to the Group's business activities, enabling management to operate more effectively in a changing and highly regulated environment. The Group remains committed to the objectives of increasing shareholder value by developing and growing business that is consistent with the agreed risk appetite, by seeking appropriate balance between risk and reward.

This note presents information about the Group's exposure to the various classes of risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

Governance structure

The responsibility for risk management resides at all levels, from members of the board of directors to individuals throughout the Group. The board has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established the Group asset and liability (ALCO) and Group risk and capital management (GRCM) committees, which are responsible for developing and monitoring Group risk management policies in their specified areas. All board committees have both executive and non-executive directors as members including members of executive management, and report regularly to the board of directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

37. Financial risk management continued

37.1 Introduction and overview continued

Risk management framework continued

Governance structure continued

The Group uses a three lines of defence model:

- In the first line of defence, business unit management is primarily responsible for risk management. Their assessment, evaluation and measurement of risk needs is integrated with the day-to-day activities of the business. This process includes the implementation of the Group's risk management policies, identification of key areas of risk and implementation of correctional action where required. Business unit management is also accountable for appropriate reporting to the governance bodies within the Group.
- The second line of defence consists of the Group risk management unit which is independent of line management. The Group function is primarily responsible for setting the Group's risk management framework and policy, and providing oversight and independent reporting to executive management and to the board and risk and capital committees respectively.
- The third line of defence consists of the Group internal audit function which provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and reports directly to the Group audit and compliance committee (GACC). The GACC is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The GACC is assisted in these functions by Group Internal Audit. Group Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the GACC.

Risk governance standards, policies and procedures

The Group has developed a set of policies, procedures and standards for each major risk type. The policies and procedures set out and ensure alignment and consistency in a manner in which the major risk types across the Group are identified, measured, managed and reported on.

All policies and procedures are applied consistently across the Group and are approved by GRCM. It is the responsibility of business unit management to ensure the requirements of risk policies and procedures are properly implemented and adhered to on a regular basis. Business units and Group risk functions are required to self-assess and report on a quarterly basis to the Group compliance officer.

Risk categories

The principal risks to which the Group is exposed and which it manages are listed below:

Credit risk

Credit risk is the risk of loss to the Group as a result of failure by a client or counterparty to meet its contractual obligations to the Group.

Market risk

Market risk is defined as the risk of change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as equity, currency exchange rates, interest rates, credit spreads and the implied volatilities in all of the above.

Liquidity risk

Liquidity risk arises when the Group is unable to make its payment obligations when they fall due. This is as a result of the Group's inability to liquefy assets or to obtain funding timeously to meet its liquidity needs.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed business operations caused through process, people or systems, or alternatively through external events.

Business risk

Business risk is the risk of loss due to adverse operating conditions caused by market-driven pressures such as decreased demand, increased competition, cost increases or by Group-specific causes such as poor choice of strategy, reputational damage or losses incurred to protect reputation. These losses may be increased through inflexible cost structures or inefficiencies.

The risk governance principles in respect of market, credit and liquidity risk have remained relatively unchanged from the prior year.

37. Financial risk management continued

37.2 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers, deposits with other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The board of directors has delegated responsibility for the management of credit risk to its credit review committee of the Group. A separate Group Credit department, which reports to the chief operating officer, is responsible for oversight of the Group's credit risk, including:

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

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

Regular audits of business units and Group Credit processes are undertaken by Group Internal Audit.

Securitisation

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

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

Deposits with other banks

The Group places funds on a daily basis with other banks. These deposits are generally held on overnight call or on a short-term tenor, and are available on demand or at maturity. The deposits are made in accordance with the mandates and directives provided by the ALCO and risk and capital management committees. In terms of these policies, deposits can only be made with banking institutions that have AAA or AA ratings as provided by the accredited global rating agencies, and may not exceed the defined internal benchmarks of the Group. Deposits with other banks are reported to executive management and on a daily basis to ALCO on a monthly basis to ensure compliance with Group's ALCO policy. Collateral is generally not held for deposit with other banks.

Other receivables

Included in other receivables is the Group's exposure to its Freight & Forwarding customers. The majority of these customers are Gauteng based. This subsidiary has defined credit risk management policies and procedures. Clients are granted credit limits in terms of this policy and exposures and utilisation levels are monitored on a monthly basis by management. The Group insures its receivables with a major insurance underwriter to mitigate its exposure to any losses. Details of impairment and collateral are provided in the notes that follow.

37. Financial risk management continued

37.2 Credit risk continued

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s). These loans are graded in the Group's internal credit risk grading system.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. There were no renegotiated loans in 2012 (2011: nil).

Credit impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a portfolio loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when Group Credit determines that the loans/securities are uncollectable. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Credit risk measurement and determination

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

Categorisation of counterparty	SARB risk bucket
• Performing loans and advances	A
• Non performing loans and advances	
– Special mention	B
– Sub-standard	C
– Doubtful	D
– Loss	E

37. Financial risk management continued

37.2 Credit risk continued

Group maximum on-balance sheet exposure to credit risk by credit quality

	Performing loans and advances R'000	Past due but not impaired R'000	Impaired R'000	Gross maximum exposure R'000	Security against impaired R'000	Net impaired exposure R'000
2012						
Cash and cash balances	1 447 530	–	–	1 447 530	–	–
Short-term negotiable securities	69 056	–	–	69 056	–	–
Loan and advances	2 738 787	4 116	188 233	2 931 136	103 710	84 526
Instalment finance	2 025 041	3 565	74 194	2 102 800	17 766	56 429
Capital equipment finance	166 872	551	11 897	179 320	9 208	2 690
Debtor finance	125 158	–	–	125 158	–	–
Trade finance	322 934	–	10 780	333 714	8 103	2 677
Other secured loans	98 782	–	91 362	190 144	68 633	22 730
Other receivables	418 215	30 633	534	449 382	534	–
Derivatives at fair value	35 424	–	–	35 424	–	–
Freight forwarding and customs clearing	69 656	30 633	534	100 823	534	–
Stock broking clients	155 191	–	–	155 191	–	–
Other receivables	157 944	–	–	157 944	–	–
Investment securities	342 145	–	–	342 145	–	–
	5 015 733	34 749	188 767	5 239 249	104 244	84 526
Add: Financial instruments not exposed to credit risk				30 118		
Less: Credit impairments for loans and advances				(96 716)		
– Impairments for non-performing loans and advances				84 526		
– Impairments for performing loans and advances				12 190		
				5 172 651		
Represented by the following statement of financial position items:						
Cash and cash balances				1 477 648		
Short-term negotiable securities				69 056		
Loans and advances				2 834 420		
Other receivables				449 382		
Investment securities				342 145		
				5 172 651		

37. Financial risk management continued

37.2 Credit risk continued

Group maximum on-balance sheet exposure to credit risk by credit quality continued

	Performing loans and advances R'000	Past due but not impaired R'000	Impaired R'000	Gross maximum exposure R'000	Security against impaired R'000	Net impaired exposure R'000
2011						
Cash and cash balances	773 647	–	–	773 647	–	–
Short-term negotiable securities	72 405	–	–	72 405	–	–
Loans and advances	2 228 809	11 667	188 567	2 429 043	106 975	81 592
Instalment finance	1 741 295	310	66 853	1 808 458	18 395	48 458
Capital equipment finance	184 159	890	9 610	194 659	6 347	3 263
Debtor finance	60 872	–	240	61 112	224	16
Trade finance	201 648	10 467	13 862	225 977	11 139	2 723
Other secured loans	40 835	–	98 002	138 837	70 870	27 132
Other receivables	346 496	23 871	558	370 925	558	–
Derivatives at fair value	27 311	–	–	27 311	–	–
Freight forwarding and customs clearing	51 019	23 871	558	75 448	558	–
Stock broking clients	157 998	–	–	157 998	–	–
Other receivables	110 168	–	–	110 168	–	–
Investment securities	405 176	–	–	405 176	–	–
	3 826 533	35 538	189 125	4 051 196	107 533	81 592

Add: Financial instruments not exposed to credit risk	31 586
Less: Credit impairments for loans and advances	(96 057)
– Impairments for non-performing loans and advances	81 592
– Impairments for performing loans and advances	14 465
	3 986 725
Represented by the following statement of financial position items:	
Cash and cash balances	805 233
Short-term negotiable securities	72 405
Loans and advances	2 332 986
Other receivables	370 925
Investment securities	405 176
	3 986 725

37. Financial risk management continued

37.2 Credit risk continued

Maximum off-balance sheet exposure to credit risk

	2012 R'000	2011 R'000
Unutilised letters of credit established and confirmed orders on behalf of clients	23 698	35 746
Guarantees issued	15 663	15 454
	39 361	51 200

Past due but not impaired loans and advances

	Between 1 and 30 days R'000	31 – 60 days R'000	61 – 90 days R'000	>90 days R'000	Total R'000
2012					
Ageing of loans and advances past due but not impaired					
Loans and advances	3 744	268	104	–	4 116
Freight forwarding and customs clearing	14 951	12 144	2 424	1 114	30 633
	18 695	12 412	2 528	1 114	34 749
2011					
Ageing of loans and advances past due but not impaired					
Loans and advances	9 186	2 130	351	–	11 667
Freight forwarding and customs clearing	14 085	5 621	1 142	3 023	23 871
	23 271	7 751	1 493	3 023	35 538

Impaired exposure of non-performing loans and advances

	Special mention R'000	Sub-standard R'000	Doubtful R'000	Expected loss R'000	Net impaired exposure R'000
2012					
Trade finance	–	–	–	2 677	2 677
Capital equipment finance	–	–	–	2 690	2 690
Instalment finance	51	–	3 001	53 376	56 429
Other	2 182	–	–	20 548	22 730
	2 233	–	3 001	79 291	84 526
2011					
Trade finance	66	–	313	2 344	2 723
Debtor finance	–	–	–	16	16
Capital equipment finance	–	–	–	3 263	3 263
Instalment finance	65	–	2 848	45 545	48 458
Other	–	–	–	27 132	27 132
	131	–	3 161	78 300	81 592

37. Financial risk management continued

37.2 Credit risk continued

Collateral for loans and advances

Collateral

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

		2012 R'000	2011 R'000
1.	**Trade finance**		
	An estimate of the fair value of collateral and other security enhancements held against financial assets is shown below for the Trade Finance division.		
	Total exposure		
	Exposure	333 714	225 977
	Total securities held	325 854	189 594
	Breakdown of securities held:	325 854	189 594
	Stock	185 385	105 784
	Fixed assets	8 960	34 689
	Receivables	96 651	34 807
	Property	33 869	12 929
	Pledges/deposits	989	1 385
	Against individually impaired assets		
	Exposure	10 780	13 862
	Total securities held	8 103	11 139
	Breakdown of securities held:	8 103	11 139
	Stock	3 053	6 550
	Receivables	1 720	–
	Property	2 573	3 248
	Pledges/deposits	757	1 341

2. Debtor finance

The Group's Debtor Finance division does not allow an advance which exceeds the debtors book of the counterparty. The Group, which has control over the debtors books, is therefore covered regarding its exposure, using primarily its counterparty's receivables as its security. Depending on the credit rating and the industry at hand, the Group also holds a margin of 20% to 30% on the fundable debtors book of the counterparty as an extra buffer for security.

Additional securities, such as assets and property, are also held as further collateral against customers. Where a client enjoys other facilities within the Group, due to debtors being primary security on Debtor Finance facilities, the remaining collateral is apportioned to other Group facilities.

37. Financial risk management continued

37.2 Credit risk continued

		2012 R'000	2011 R'000
2.	**Debtor finance** continued		
	Total debtor finance exposure	**125 158**	61 096
	Receivables	**125 158**	61 112
	Specific impairment	**–**	16
	For the purpose of this disclosure, the collateral is valued at the lower of exposure to client and receivables held as security.		
	Against individually impaired assets		
	Exposure	**–**	240
	Total securities held: Receivables	**–**	224
3.	**Instalment finance**		
3.1	**Rentals**		
	Whilst the Group retains full ownership of the assets and equipment financed throughout the duration of the contract, it generally does not take the value of the assets and equipment for collateral purposes.		
	Book	**2 102 800**	1 808 458
	For the purpose of this disclosure, the asset value is the lower of exposure to client and the depreciated value of the assets being financed.		
	In addition to the depreciated value of the asset being financed, which can be valued, clients may be required to sign personal surety on the contract, depending on their credit rating and the industry in which they operate. This is a further measure to reduce the Group's credit risk although a fair value is hard to attain for these sureties, and as such no financial values are allocated.		
3.2	**Capital equipment finance**		
	The primary collateral for capital equipment finance is the plant/equipment being financed. However, other security such as general notarial bonds over other assets and continuous covering mortgage bonds over property are sometimes taken to increase the collateral cover.		
	Total exposure	**179 320**	194 659
	Against individually impaired assets		
	Total exposure	**11 897**	9 610
	Recoverable amount from plant	**9 208**	6 347
	Collateral repossessed		
	Recoverable amount from plant	**9 208**	6 347

The collateral is valued at the lower of exposure to the client and the salvageable value of the asset being financed.

In addition to the salvageable value of the asset being financed, which can be valued, clients may be required to sign personal surety on the contract, depending on their credit rating and the industry in which they operate. This is a further measure to reduce our credit risk although a fair value is hard to attain for these sureties.

37. Financial risk management continued

37.2 Credit risk continued

	2012 R'000	2011 R'000
4. Other secured loans		
The primary collateral held for commercial property finance comprises mainly first and second covering mortgage bonds, and in some instances suretyships. The collateral is measured in terms of market related property valuations.		
Total exposure	**190 144**	138 837
Recoverable amount from collateral	**167 680**	111 705
Breakdown of securities held:	**167 680**	111 705
Property	**140 837**	65 255
Pledges/deposits	**26 843**	46 450
Against individually impaired assets		
Exposure	**91 362**	98 002
Total securities held	**68 633**	70 870
Breakdown of securities held:	**68 633**	70 870
Property	**41 790**	24 420
Pledges/deposits	**26 843**	46 450

37.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities when they fall due and to replace funds when they are withdrawn, the consequences of which may be the failure to meet obligations to repay depositors/investors and fulfil commitments to lend.

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

Management of liquidity risk

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

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

Liquidity risk measurement

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

37. Financial risk management continued

37.3 Liquidity risk continued

Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. The Group ALCO monitors the exposure to liquidity risk in terms of internal benchmarks it has set and defined for Group Treasury to maintain. A similar, but not identical, calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator, the SARB.

Contractual maturity analysis of financial liabilities

	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	6 – 10 years R'000	Non contrac-tual R'000	Total R'000
2012									
Interbank funding	137 717	137 717	52 324	85 393	–	–	–	–	137 717
Deposits from customers	1 787 300	1 794 399	1 447 875	211 341	123 293	2 840	9 050	–	1 794 399
Debt securities issued	1 297 986	1 479 568	683	23 433	303 687	1 151 765	–	–	1 479 568
Long-term funding	538 576	1 056 260	397	9 453	38 658	669 612	338 140	–	1 056 260
Other payables	455 357	478 663	381 744	22 299	34 796	18 340	572	20 912	478 663
	4 216 936	4 946 607	1 883 023	351 919	500 434	1 842 557	347 762	20 912	4 946 607
Loan commitments	23 698	23 698	6 532	13 798	853	–	–	2 515	23 698
Total	4 240 634	4 970 305	1 889 555	365 717	501 287	1 842 557	347 762	23 427	4 970 305
2011									
Interbank funding	60 453	60 453	47 801	12 652	–	–	–	–	60 453
Deposits from customers	1 215 446	1 215 446	941 004	195 703	73 239	–	5 500	–	1 215 446
Debt securities issued	1 297 614	1 517 564	–	21 699	379 520	1 116 345	–	–	1 517 564
Long-term funding	242 897	338 185	448	1 958	13 445	260 520	61 814	–	338 185
Other payables	374 922	375 146	179 897	168 343	6 716	1 873	–	18 317	375 146
	3 191 332	3 506 794	1 169 150	400 355	472 920	1 378 738	67 314	18 317	3 506 794
Loan commitments	35 746	35 746	7 558	17 276	10 912	–	–	–	35 746
Total	3 227 078	3 542 540	1 176 708	417 631	483 832	1 378 738	67 314	18 317	3 542 540

The above table shows the undiscounted cash flows on the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately. For this reason behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an undeterminable maturity or draw-down period.

To manage the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents for which there is an active liquid market. These assets can be readily sold to meet liquidity requirements. Hence the Group believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

37.4 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

37. Financial risk management continued

37.4 Market risk continued

Settlement risk

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

The risks are mitigated by the fact that the broker's client base comprises mostly controlled clients (i.e. cash and scrip held before trading). Appropriate client acceptance and monitoring procedures are enforced by the Company. Credit limits are determined and set for all controlled clients. The limit is monitored regularly to ensure that the client does not exceed the limit set and is unable to pay for purchase transactions entered into.

Management of market risks

The Group has no trading portfolios and therefore no exposure in this regard. Non-trading portfolios are held by the Group Treasury and are associated with fluctuations in the market prices of assets and liabilities. Accordingly, the Group has exposure to interest rate risk and currency risk in respect of non-trading portfolios. Overall authority for market risk is vested in ALCO. Group Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

Included in market risk is equity investment risk arising from equity price changes in respect of listed and unlisted investments held by the Group as approved by the Group's investment and ALCO committees respectively.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group's interest rate gap position on non-trading portfolios is as follows, and assumes that a portion of the trade finance portfolio reprices on average over a 30-day period and the remaining loans and advances book is price sensitive:

	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	Total R'000
2012					
Assets					
Cash and cash balances	1 116 800	330 730	–	–	1 447 530
Short-term negotiable securities	–	39 781	29 275	–	69 056
Loans and advances	2 412 834	238 633	127 211	152 458	2 931 136
Total assets	3 529 634	609 144	156 486	152 458	4 447 722
Liabilities					
Interbank funding	94 662	43 055	–	–	137 717
Deposits from customers	1 486 501	181 063	119 736	–	1 787 300
Debt securities issued	–	1 297 986	–	–	1 297 986
Long-term loans	10 397	528 179	–	–	538 576
Total liabilities	1 591 560	2 050 283	119 736	–	3 761 579
Net repricing gap	1 938 074	(1 441 139)	36 750	152 458	686 143
Cumulative repricing gap	1 938 074	496 935	533 685	686 143	686 143
200 basis points interest rate change will have the following effect on profit/(loss):					
200 bps parallel shock interest rate increase	38 761	7 454	2 668	3 431	3 431
200 bps parallel shock interest rate decrease	(38 761)	(7 454)	(2 668)	(3 431)	(3 431)

37. Financial risk management continued

37.4 Market risk continued

Exposure to interest rate risk – non-trading portfolios continued

	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	Total R'000
2011					
Assets					
Cash and cash balances	638 540	135 107	–	–	773 647
Short-term negotiable securities	45 757	19 894	6 754	–	72 405
Loans and advances*	2 092 816	134 299	48 843	153 085	2 429 043
Total assets	2 777 113	289 300	55 597	153 085	3 275 095
Liabilities					
Interbank funding	60 453	–	–	–	60 453
Deposits from customers	941 004	196 531	72 411	5 500	1 215 446
Debt securities issued	–	1 297 614	–	–	1 297 614
Long-term funding	60 477	82 450	–	100 000	242 927
Total liabilities	1 061 934	1 576 595	72 411	105 500	2 816 440
Net repricing gap	1 715 179	(1 287 295)	(16 814)	47 585	458 655
Cumulative repricing gap	1 715 179	427 884	411 070	458 655	458 655
200 basis points interest rate change will have the following effect on profit/loss:					
200 bps parallel shock interest rate increase	34 304	6 418	2 055	2 293	2 293
200 bps parallel shock interest rate decrease	(34 304)	(6 418)	(2 055)	(2 293)	(2 293)

* *Limited reclassifications were made to improve disclosure.*

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis points (bps) parallel fall or rise in all yield curves. An analysis of the Group's sensitivity to a cumulative increase or decrease in market interest rates which would affect profit or loss is as follows:

	2012 R'000	2011 R'000
200 bps parallel shock interest rate increase	**3 431**	2 293
200 bps parallel shock interest rate decrease	**(3 431)**	(2 293)

Overall non-trading interest rate risk positions are managed by Group Treasury, which uses advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Group's non-trading activities.

37. Financial risk management continued

37.4 Market risk continued

Market risk on equity investments

Sasfin Capital division enters into private equity investments in unlisted entities in accordance with delegated authority limits as defined by the Group's investment committee. Market risk on these investments is managed in accordance with purpose and strategic benefits to the Group, and not only on investment returns and mark-to-market considerations. Periodic reviews and assessments are undertaken on the performance of the investments.

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

Market risk sensitivity on investment securities

	10% reduction in fair value R'000	2012 R'000	10% increase in fair value R'000
2012			
Listed			
Equity securities at fair value	37 338	41 487	45 636
Impact on gains and losses recognised in profit or loss for the year	906	1 007	1 108
Unlisted			
Equity securities at fair value	265 700	295 222	324 744
Impact on gains and losses recognised in profit or loss for the year	506	562	618
2011			
Listed			
Equity securities at fair value	6 210	6 900	7 590
Impact on gains and losses recognised in profit or loss for the year	1 031	1 146	1 261
Impact on gains and losses recognised directly in other comprehensive income for the year	828	920	1 012
Unlisted			
Equity securities at fair value	358 448	398 276	438 104
Impact on gains and losses recognised in profit or loss for the year	12 993	14 437	15 881

37. Financial risk management continued

37.5 Currency risk

The Group incurs currency risk as a result of services and supplies acquired from foreign suppliers. The currencies in which the Company primarily deals are US Dollars, British Pounds and Euros. The Group utilises forward exchange contracts to hedge their estimated future foreign currency exposure from purchases.

Foreign currency risk sensitivity analysis

	US Dollar '000	Euro '000	Japanese Yen '000	British Pound '000	Other '000	Total '000
2012						
Forward exchange contracts	565	(158)	8 856	1 039	29 546	39 848
Import bills	41 273	2 491	–	371	243	44 378
Bank balances	10 379	225 667	24	9 812	1 066	246 948
Bank overdrafts	(74 818)	(587)	–	–	(1)	(75 406)
Import suppliers	(2 791)	(1 161)	(4)	(851)	(268)	(5 075)
Usance creditors	(42 802)	(253)	–	–	–	(43 055)
Other payables	(4 758)	(225 629)	(8 902)	(9 750)	(30 066)	(279 105)
Total net (short)/long position	(72 952)	370	(26)	621	520	(71 467)
Sensitivity – 5%	(3 648)	19	(1)	31	26	(3 573)
2011						
Forward exchange contracts	(89 066)	3 674	7 257	1 020	23 522	(53 593)
Import bills	12 515	–	–	–	–	12 515
Bank balances	16 055	7 339	9	18	1 695	25 116
Bank overdrafts	(46 563)	–	–	(132)	(2)	(46 697)
Import suppliers	(5 550)	(3 569)	(2)	(966)	(2 068)	(12 155)
Usance creditors	(12 321)	(330)	–	–	–	(12 651)
Investments	921	–	–	–	–	921
Other payables	(16 262)	(13 668)	(13 287)	(5 972)	(8 935)	(58 124)
Total net (short)/long position	(140 271)	(6 554)	(6 023)	(6 032)	14 212	(144 668)
Sensitivity – 5%	(7 014)	(328)	(301)	(302)	711	(7 233)

	2012	2011
The foreign exchange rate prevailing at reporting date are:		
United States Dollar	8,21	6,77
Euro	10,40	9,80
Japanese Yen	0,10	0,08
British Pound	12,87	10,85
The average foreign exchange rates used for the financial year are:		
United States Dollar	8,39	6,80

37. Financial risk management continued

37.5 Currency risk continued

Analysis of assets and liabilities by currency

	US Dollar '000	Euro '000	British Pound '000	South African Rand '000	Other '000	Total '000
2012						
Assets						
Cash and cash balances	10 379	225 667	9 812	1 230 700	1 090	1 477 648
Short-term negotiable securities	–	–	–	69 056	–	69 056
Loans and advances to customers	41 273	2 491	371	2 790 042	243	2 834 420
Other receivables	–	–	–	449 382	–	449 382
Non-current assets held for sale	–	–	–	50 614	–	50 614
Investment securities	–	–	–	342 145	–	342 145
Investment in associated companies	–	–	–	89 898	–	89 898
Property, plant and equipment	–	–	–	57 392	–	57 392
Taxation	–	–	–	8 480	–	8 480
Intangible assets and goodwill	–	–	–	85 506	–	85 506
Deferred tax asset	–	–	–	7 952	–	7 952
Total assets	51 652	228 158	10 183	5 181 167	1 333	5 472 493
Liabilities						
Interbank funding	74 818	587	–	62 311	1	137 717
Deposits from customers	–	–	–	1 787 300	–	1 787 300
Debt securities issued	–	–	–	1 297 986	–	1 297 986
Long-term funding	–	–	–	538 576	–	538 576
Other payables	50 351	227 043	10 601	128 122	39 240	455 357
Taxation	–	–	–	5 037	–	5 037
Deferred tax liability	–	–	–	70 305	–	70 305
Total liabilities	125 169	227 630	10 601	3 889 637	39 241	4 292 278

37. Financial risk management continued

37.5 Currency risk continued

Analysis of assets and liabilities by currency continued

	US Dollars '000	Euro '000	British Pound '000	South African Rand '000	Other '000	Total '000
2011						
Assets						
Cash and cash balances	16 055	7 339	18	780 117	1 704	805 233
Short-term negotiable securities	–	–	–	72 405	–	72 405
Loans and advances to customers	12 515	–	–	2 320 471	–	2 332 986
Other receivables	–	–	–	370 925	–	370 925
Investment securities	921	–	–	404 255	–	405 176
Investment in associated companies	–	–	–	77 932	–	77 932
Property, plant and equipment	–	–	–	175 379	–	175 379
Investment property	–	–	–	51 038	–	51 038
Taxation	–	–	–	4 534	–	4 534
Intangible assets and goodwill	–	–	–	69 244	–	69 244
Deferred tax asset	–	–	–	8 412	–	8 412
Total assets	29 491	7 339	18	4 334 712	1 704	4 373 264
Liabilities						
Interbank funding	46 563	–	132	13 756	2	60 453
Deposits from customers	–	–	–	1 215 446	–	1 215 446
Debt securities issued	–	–	–	1 297 614	–	1 297 614
Long-term funding	–	–	–	242 897	–	242 897
Other payables	34 133	17 567	6 938	291 992	24 292	374 922
Taxation	–	–	–	9 246	–	9 246
Deferred tax liability	–	–	–	63 815	–	63 815
Total liabilities	80 696	17 567	7 070	3 134 766	24 294	3 264 393

37. Financial risk management continued

37.6 Derivative financial instruments

	Within one year R'000	After one year but within five years R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
2012						
Exchange rate contracts	(30 895)	665	(753)	4 451	5 204	(30 891)
Net investment hedge	(30 107)	–	(30 107)	–	30 107	142 307
Currency hedge	30 107	–	30 107	30 107	–	142 307
Equity derivatives	201	665	866	866	–	–
Interest rate swaps	–	–	(6 274)	–	6 274	176 834
Total derivatives	(30 694)	1 330	(6 161)	35 424	41 585	430 557
2011						
Exchange rate contracts	95 485	–	6 520	4 384	2 136	95 485
Net investment hedge	20 065	–	20 065	20 065	–	171 621
Currency hedge	(20 065)	–	(20 065)	–	20 065	171 621
Equity derivatives	429	2 433	2 862	2 862	–	–
Total derivatives	95 914	2 433	9 382	27 311	22 201	438 727

Derivative instruments

These transactions have been entered into in the normal course of business and no material losses are anticipated other than those for which provision has been made in the income statement. There are no commitments or contingent commitments under derivative financial instruments that are settled other than with cash.

Notional principal

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

Exchange rate contracts

Forward exchange contracts are entered into as fair value hedges for foreign currency liabilities.

Equity derivatives

An equity derivative is in place to hedge the Group's exposure in the share appreciation scheme to share price fluctuations.

Interest rate swaps

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

37. Financial risk management continued

37.7 Net investment hedge

The Group uses a range forward collar contract to hedge the foreign currency translation risk on its net investment in its foreign subsidiary.

The objective of the net investment hedge is to limit the risk of a decline in the net asset value of the Group's investment in a foreign operation brought about by changes in exchange rates.

The fair value of the derivative designated as a net investment hedge is as follows:

	2012		2011	
	Assets R'000	**Liabilities R'000**	Assets R'000	Liabilities R'000
Range forward foreign collar option	**30 107**	**30 107**	20 065	20 065
	30 107	**30 107**	20 065	20 065

This range forward collar is used to hedge the net investment in the Group's subsidiary in Hong Kong with a US Dollar functional currency and has a fair value of US$3 668 729 (2011: US$2 960 939) at the reporting date.

The hedging instrument remained effective during the period under review. The movement on the hedging instrument was recorded in other comprehensive income.

37.8 Capital management

The Group manages its capital to achieve a prudent balance between maintaining appropriate capital levels to support business growth and depositors' confidence, and to provide stakeholders with above market-related returns on a sustainable basis.

The key fundamentals of the Group's capital management policy are to ensure that the Group is adequately capitalised to support its risk profile and to develop risk management techniques and internal controls to manage and monitor the risks of the Group.

Key objectives of capital management are to:

- ensure that the Group has sufficient qualifying capital resources to meet the minimum regulatory capital requirements as set by the South Africa Reserve Bank in accordance with the Basel II and Basel 2.5 Accord and the Group's board of directors
- ensure the available capital resources of the Group are sufficient to support the economic capital requirements of the Group
- optimise return on regulatory and economic capital by providing investors with above market-related returns on a sustainable basis
- generate sufficient capital to support organic and new business growth objectives of the Group
- allocate capital to businesses to support the strategic and growth objectives of the Group
- ensure that the Group is sufficiently capitalised to withstand the impact of potential stress events within the parameters of an appropriate capital buffer.

The board of directors is responsible for assessing and approving the Group's capital management framework, capital plans and capital buffer. The capital plans and buffer are set annually and reviewed quarterly or when the economy shows signs of stress. The board of directors has tasked the GRCMC to ensure the Group is in compliance with the capital management objectives. The GRCMC meets on a quarterly basis to review the regulatory and economic capital adequacy of the Group. The capital adequacy of the Group is reported to the board of directors on a quarterly basis.

In addition, the board of directors has established the following board committees to assist it in the discharge of its responsibilities:

- Group risk and capital management committee
- Group credit and investment review committee
- Group asset and liability committee
- Group audit and compliance committee.

The committees are each chaired by non-executive directors and composed of members that are majority non-executive directors. The board committees meet on either a monthly or quarterly basis. Each board committee's performance is measured annually via self-assessment processes. Board committee mandates are reviewed annually and amended accordingly by the board of directors.

37. Financial risk management continued

37.8 Capital management continued

The following frameworks have been established to assist the Group with capital management:

- Risk management framework
- Risk appetite framework
- Capital management framework
- Internal capital adequacy assessment process (ICAAP) framework.

Capital adequacy

The Group has developed and implemented a capital management framework which ensures that the Group is adequately capitalised in terms of its regulatory and economic capital requirements taking into account its risk profile, internal target ratios and stress testing.

The capital management framework and processes ensure the Group maintains adequate capital levels for legal and regulatory compliance purposes. The Group ensures that its actions do not compromise sound corporate governance and appropriate business practices.

The Group has adopted the aggregation approach for consolidation in terms of the Basel II regulations where the capital resources and requirements of the banking and financial entities within the Group are consolidated. Under the aggregation approach, the respective investments are deducted from the consolidated capital and intergroup assets are excluded in determining the capital requirements of the Group.

There are currently no material, practical or legal restrictions that would impede the transfer of funds or capital within the Group.

37.8.1 Regulatory capital

In terms of the requirements of the Banks Act and Regulations relating to Banks, the Group has complied with the minimum capital requirements for the period under review.

The Group's regulatory capital is split into two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, appropriated earnings, a portion of perpetual non-cumulative non-redeemable preference shares that qualify as tier 1 capital after regulatory deductions (such as goodwill and intangible assets) and impairments relating to securitisation; and
- Tier 2 capital, which includes a portion of perpetual non-cumulative non-redeemable preference shares that did not qualify as Tier 1 capital, subordinated term debt after regulatory impairments relating to securitisation.

The minimum capital requirements are defined by two ratios and amount to:

- tier 1 capital as a percentage of risk-weighted assets
- total qualifying capital as a percentage of risk-weighted assets.

Minimum capital requirements

	2012 **%**	2011 %
– Pillar I (Base risk)	**8,00**	8,00
– Pillar II (a banking industry systemic risk)	**1,50**	1,50
Total regulatory capital requirement ("CAR")	**9,50**	9,50

37. Financial risk management continued

37.8 Capital management continued

37.8.2 Capital structure and regulatory capital adequacy (unaudited)

	2012 R'000	2011 R'000
Tier I: Primary capital	**938 391**	825 971
Share capital and premium	**163 686**	163 686
Primary unimpaired reserves[2]	**953 992**	886 566
Non-redeemable preference share capital and premium	**164 807**	152 931
Prescribed deductions	**(344 094)**	(377 212)
Tier II: Secondary capital	**153 899**	150 864
Non-redeemable preference share capital and premium	**34 471**	46 347
Subordinated term loan	**82 450**	82 450
Secondary unimpaired reserves	**45 898**	45 898
General allowance for credit impairment	**5 326**	6 524
Prescribed deductions	**(14 246)**	(30 355)
Total qualifying capital	**1 092 290**	976 835
Total risk-weighted assets	**3 694 874**	3 078 916

Capital adequacy ratio

	Minimum regulatory requirement %	Target ratio %	2012 %	2011 %
Tier I	7,00	15,00	**25,40**	26,83
Total	9,50	20,00	**29,56**	31,73
Minimum regulatory capital requirement (R'000)			**351 013**	292 497

37. Financial risk management continued

37.8 Capital management continued

37.8.3 Reconciliation of accounting capital to regulatory capital (unaudited)

	2012 R'000	2011 R'000
Accounting capital – as reported per IFRS	**1 180 216**	1 108 871
Ordinary share capital and premium	**162 732**	162 732
Preference share capital and premium	**199 278**	199 278
Other reserves[1]	**(36 862)**	(41 979)
Distributable reserves[3]	**836 827**	772 404
Non-controlling interest	**18 241**	16 436
Less: Capital of entities that is not considered for regulatory purposes	**(260 684)**	(90 096)
Add: Accounting consolidation entries added back	**530 281**	362 694
	1 449 813	1 381 469
Add: Subordinated term debt (tier II)	**82 450**	82 450
Add: General allowance for credit impairments	**5 326**	6 524
	1 537 589	1 470 443
Less: Non-qualifying capital and reserve funds	**43 133**	42 395
Less: Impairments in respect of securitisation scheme	**(28 492)**	(60 710)
Less: Intangible assets and other	**(88 023)**	(87 834)
Less: Non-controlling interest	**(18 241)**	(16 436)
Less: Group investments and cross holdings per aggregation method	**(353 676)**	(371 023)
Total eligible capital	**1 092 290**	976 835

1 Includes the share-based payment reserve, available-for-sale reserve, revaluation reserve, foreign currency translation reserve and fair value hedging reserve.
2 Includes unappropriated profits.
3 Included in distributable reserves are unappropriated profits. Profits are appropriated by the board of directors subsequent to year-end. Distributable reserves of the securitisation vehicle are excluded.

37. Financial risk management continued

37.8 Capital management continued

37.8.4 Credit risk (unaudited)

	2012 R'000	2011 R'000
Capital requirement	**183 967**	101 491
Analysis of capital requirement by asset class	**183 967**	101 491
Corporate	**6 499**	971
Corporate SME	**62 346**	52 167
Public sector entities	**269**	9
Local government and municipalities	**1 093**	401
Banks	**14 288**	11 864
Retail SME	**54 744**	36 079
Securities firms	**44 728**	–
Credit counterparty risk		
Capital requirement	**38**	121

Included in the regulatory capital for credit risk is the regulatory capital requirement for credit counterparty risk. Credit counterparty risk is based on the current exposure approach, where the capital requirement is based on the gross positive fair value. Credit counterparty risk occurs as a result of foreign currency transactions entered into with third parties. The Group does not apply netting in determining credit counterparty risk.

37.8.5 Operational risk (unaudited)

	2012 R'000	2011 R'000
Capital requirement	**72 243**	82 623

The Group has adopted the basic indicator approach to calculate the regulatory capital requirement for operational risk where the average gross income achieved in the previous three years is multiplied by beta to arrive at the risk-weighted asset on which the capital requirement is calculated.

37.8.6 Market risk (unaudited)

	2012 R'000	2011 R'000
Capital requirement	**22 436**	27 528

The Group has adopted the standardised approach to calculate the regulatory capital requirement for market risk. Market risk is based on the Group's exposure to currency risk. The Group is an authorised foreign currency exchange dealer. Market risk arises from fluctuations in exchange rates. The Group does not engage in proprietary trading in its foreign currency activities, therefore it has no trading portfolio.

37.8.7 Equity risk (unaudited)

	2012 R'000	2011 R'000
Capital requirement	**45 361**	59 052

The Group has adopted the simple risk-weighted approach to calculate the regulatory capital for equity risk. Under this approach a risk weighting of 100% is applied to unlisted and listed investments and 150% in respect of private equity and venture capital. The main focus of management was on the performance of the existing portfolio as opposed to originating and executing new investments during the period reported.

37.8.8 Other risk (unaudited)

	2012 R'000	2011 R'000
Capital requirement	**27 007**	21 805

The Group has adopted the standardised approach to calculate the regulatory capital for other risk. Under this approach a risk weighting of 100% is applied to other assets, including property, plant and equipment as well as sundry debtors.

37. Financial risk management continued

37.8 Capital management continued

37.8.9 Securitisation (unaudited)

The Group has adopted the standardised approach to calculate the regulatory capital for securitisation risk.

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

The Group fulfils a number of roles in the process of securitisation including that of originator, sponsor, servicer, and applies its Group credit risk policies and procedures to these functions.

The Group's securitisation is categorised as a traditional securitisation structure, whereby assets are sold to a special purpose vehicle in the name of SASP. SASP finances the purchase of these assets by issuing, in tranches, notes which have differing maturity dates as well as risk and return profiles. Cash flows emanating from the rental of these assets are used by SASP to service its debt obligations.

To the extent that Bank is invested in SASP, including any required over collateralisation levels, it applies a direct impairment against its qualifying capital and reserve funds.

The Group complies with IFRS in recognising and accounting for securitisation transactions. The SPE is consolidated into the Group as required by IFRS which is more fully described in the Group's accounting policy notes.

In accordance with IAS 39, no gain or loss on sale is recognised as these assets are sold at carrying value. Securitised assets are fully derecognised when required to reflect the element of risk and reward transfer.

Fitch has been appointed as rating agency for notes of the securitisation vehicle.

37.8.10 Economic capital (unaudited)

Economic capital is the capital required to support the quantifiable economic and financial risks faced by the Group. Economic capital is used for risk management, capital management, capital planning and allocation, evaluation of new businesses and performance measurement across the Group.

The board of directors has tasked the GRCMC to develop an ICAAP that will ensure the Group is adequately capitalised in terms of its risk profile. The GRCMC has developed an ICAAP policy and model to fulfil the objectives of ICAAP. The ICAAP policy and model reflects the board of directors and GRCMC internal identification and assessment of risks faced by the Group.

In terms of the governance process the board of directors retains ultimate responsibility to ensure that the Group is adequately capitalised in terms of economic capital. The ICAAP policy and model is reviewed annually as a minimum by the board of directors duly assisted by the GRCMC.

The board of directors has formulated a risk appetite framework to provide a basis for reviewing and controlling business activities in alignment with stakeholders' expectations and of an appropriate scale in relation to risk and reward. The ICAAP process ensures that the Group is appropriately capitalised and aligned in terms of its risk appetite.

The ICAAP policy adopted by the Group has identified the following risks for which economic capital must be held viz. credit risk, equity risk, market risk, operational risk, business risk, interest rate risk, liquidity risk, strategic and reputational risk and securitisation risk. ICAAP is performed at a Group level on a quarterly basis. The ICAAP model covers a period of five years. The GRCMC meets on a quarterly basis to discuss the ICAAP findings and results thereof.

37. Financial risk management continued

37.8 Capital management continued

37.8.10 Economic capital (unaudited) continued

The ICAAP methodology adopted by the Group incorporates stress testing and scenario analysis to ensure that the Group is adequately capitalised to meet the demands under a severely stressed scenario. The stress testing and scenario analysis performed by the Group has assisted in determining the internal capital buffer of the Group.

Economic capital by risk type

	2012 R'000	2011 R'000
Credit risk	**232 117**	153 487
Operational risk	**118 986**	120 022
Market risk	**27 159**	33 323
Equity risk	**167 456**	186 181
Business risk	**4 583**	7 025
Interest rate risk	**609**	433
Strategic and reputational risk	**13 815**	11 995
Securitisation risk	**23 540**	24 000
Other risk	**60 920**	49 535
	649 185	586 001
Internal buffer	**120 134**	104 308
	769 319	690 309

37. Financial risk management continued

37.9 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards, and
- risk mitigation, including insurance where this is effective.

In terms of the JSE, should several brokers simultaneously be affected by operational risk, it is at the discretion of the market controller to determine if a fair and valid market exists or not.

The Group has a formally defined and developed business continuity plan ("BCP") that is an integral part of its risk mitigation in respect of business continuity risk. As part of a regular review of its plan, the Group conducted an off-site simulation to test the effectiveness and responsiveness of its BCP, which included connectivity to IT infrastructure, data recovery, communication, management of scarce resources and potential down-time and recovery therefrom.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Group Internal Audit. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the GACC and senior management of the Group.

The Group risk department conducted ERM assessments across the various divisions on a periodic basis to determine the levels of operational risk throughout the organisation. The results thereof are reported to the GRCMC on a regular basis.

38. Subsidiary, special purpose entities and associated companies

	Nature of business	Issued ordinary capital/stated capital	Issued prefe-rence capital	Effective holding 2012 %	Effective holding 2011 %	Shares at book value 2012 R'000	Shares at book value 2011 R'000	Indebtedness 2012 R'000	Indebtedness 2011 R'000
Of Sasfin Holdings Limited									
Subsidiaries									
Sasfin Bank Limited	Bank	R2 100 000	–	**100**	100	**263 134**	263 134	**(26 475)**	(107 537)
Premier Freight (Pty) Limited*	Freight forwarding and customs clearing	R317	–	**100**	68.42	**37 514**	16 985	**–**	–
Sasfin Properties (Pty) Limited	Property holding company	R100	–	**100**	100	**–**	–	**–**	–
Sasfin Properties II (Pty) Limited	Property holding company	R1	–	**100**	100	**–**	–	**–**	–
Sasfin Properties III (Pty) Limited	Property holding company	R100	–	**100**	100	**–**	–	**–**	–
Sasfin Financial Services (Pty) Limited	Investment holding company	R12 494	–	**100**	100	**22 045**	22 045	**(12 002)**	(11 011)
Sasfin Private Equity Investment Holdings (Pty) Limited	Investment holding company	R100 000	–	**100**	100	**150**	150	**117 947**	250 502
IQuad Group Limited**	Specialist financial and business services	R100 000	–	**68,4**	–	**49 377**	–	**–**	–
Associated companies									
InnoVent Investment Holdings (Pty) Limited	Asset-based finance	R1 000	–	**33,6**	33,6	**82**	82	**–**	–
Other									
The Sasfin Share Incentive Trust	Group share incentive scheme	–	–	**–**	–	**–**	363	**550**	1 252
InnoVent SPV 1 (Pty) Limited	Investment holding	R100	R26 666	**–**	–	**34 730**	34 218	**–**	–
						407 032	336 977	**80 020**	133 206

38. Subsidiary, special purpose entities and associated companies continued

	Nature of business	Issued ordinary capital/ stated capital	Issued prefe-rence capital	Effective holding 2012 %	Effective holding 2011 %
Of Sasfin Bank Limited					
Subsidiaries					
Quorum Leasing Services (Pty) Limited	Instalment sale finance	R100	–	**100**	100
Sasfin Asia Limited (incorporated in Hong Kong)	Overseas trade finance	HK$1 500 000	–	**100**	100
Of Sasfin Asia Limited					
SasCred Financial Services Limited (incorporated in Jersey)	International trade finance and wealth management	GBP50 000 R653 226	–	**100**	100
Of Sasfin Financial Services (Pty) Limited					
Subsidiaries					
Sasfin Securities (Pty) Limited	Member of the JSE	R23 013 732	–	**100**	100
Sasfin Private Equity Fund Managers (Pty) Limited	Private equity	R400 000	–	**100**	100
Sasfin Financial Advisory Services (Pty) Limited	Financial advisory services	R1 000	–	**100**	100
Sasfin Asset Managers (Pty) Limited	Asset management	R100	–	**100**	100
Annuity Asset Management Company (Pty) Limited***	Property management	R2 500	–	**25**	–
Of IQuad Group Limited					
Subsidiaries					
Export Credit Exchange (Pty) Limited	Facilitation of trading in credit instruments	R100	–	**100**	–
IQuad Investment Incentives (Pty) Limited	Investment incentives	R200	–	**100**	–
IQuad Global Trade Solutions (Pty) Limited	Investment incentives	R120	–	**100**	–
IQuad Treasury Solutions (Pty) Limited	Treasury risk management	R100	–	**100**	–
Integra Scores (Pty) Limited	BEE verification services	R200	–	**51**	–
IQuad Group Support Services (Pty) Limited	Group administration and marketing	R300	–	**100**	–
IQuad Property Investment (Pty) Limited	Property investment	R120	–	**100**	–
IQuad Integrated Management Systems (Pty) Limited	Development, implementation and auditing of management systems	R10	–	**60**	–
FX Pro Software Solutions (Pty) Limited	Information technology	R180	–	**100**	–
ITRISA Training (Pty) Limited	Training	R300	–	**100**	–
Kagiso Treasury Solutions (Pty) Limited	Treasury risk management	R100	–	**100**	–
Associates					
IDEC Consulting Services (Pty) Limited	Financial services	R100	–	**50**	–
National Money Transfer (Pty) Limited	Information technology	R4 000	–	**37,5**	–

38. Subsidiary, special purpose entities and associated companies continued

	Nature of business	Issued ordinary capital/ stated capital	Issued prefe-rence capital	Effective holding 2012 %	Effective holding 2011 %
Special purpose entities					
Of Sasfin Bank Limited					
South African Securitisation Programme (RF) Limited	Securitisation vehicle	R100 000	R0,01	**100**	100
Associated companies					
Of Sasfin Financial Services (Pty) Limited					
NVest Financial Holdings (Pty) Limited	Financial and intermediary services	R500	–	**20**	20
Joint venture companies					
Of Premier Freight (Pty) Limited					
Hecny Transportation South Africa (Pty) Limited	International freight forwarder	R3 750	–	**50**	34

The financial position of the companies listed above is material for a proper appreciation of the affairs of the Group. Detailed information in respect of all subsidiaries and associates is obtainable from the Group secretary.

Loans advanced by the Company to Group companies are unsecured, bearing interest relating to prime with no specific terms of repayment and are not repayable in the next 12 months.

* *On 14 March 2012 Sasfin acquired an aggregate of 31,58% of the shareholding in Premier, a 68,42% subsidiary of Sasfin, for a total consideration of R20,5 million. Post the acquisition, Sasfin holds 100% of Premier.*

** *During the year under review Sasfin acquired a 68,4% stake in IQuad, a diversified group of specialist financial and business services, for a purchase consideration of R49,3 million.*

*** *SFS acquired, for no additional consideration, a 25% interest in the asset management company, Annuity Asset Managers (Pty) Limited, formed by the promoters of Annuity to provide asset management services to Annuity.*

38.1 Acquisition of subsidiary

During the period under review, the Group acquired a controlling equity stake in IQuad, a diversified group of specialist financial and business services companies listed on the AltX of the JSE.

The Group is seeking to add complementary services for its clients through the acquisition of businesses complementary to its non-banking activities. Significant cross-selling opportunities exist within the broader Group in terms of both potential corporate and private clients. IQuad has a solid track record in performance and has proven systems and procedures in place to take advantage of the Group's networks to grow the existing businesses of both Sasfin and IQuad.

Acquisition of shares in IQuad

Date	Number of shares	% acquired	Cost per share Rand	Purchase consideration R'000
9 September 2011	12 042 344	42,9	2,57	30 949
16 November 2011	2 290 000	8,2	2,57	5 885
Effective control gained	**14 332 344**	**51,1**	**2,57**	**36 834**
2 December 2011	4 880 472	17,3	2,57	12 543
Total investment	**19 212 816**	**68,4**	**2,57**	**49 377**

38. Subsidiary, special purpose entities and associated companies continued

38.1 Acquisition of subsidiary continued

Acquisition of shares in IQuad continued

The Group's executive directors have been appointed to the board of IQuad, with Tyrone Soondarjee assuming the role of non-executive chairman. From the date of control, the results of IQuad have been consolidated and are reflected under the Commercial Solutions division.

The following summarises the major classes of assets acquired and liabilities assumed at the acquisition date:

Fair value of identifiable assets and liabilities at the date of control

	R'000
Cash and cash equivalents	9 163
Trade and other receivables	37 849
Property, plant and equipment	28 879
Intangible assets	4 878
Trade and other payables	(36 677)
Fair value of net assets acquired	44 092

Goodwill on acquisition of control

In terms of the fair value of the net assets acquired, goodwill of R14,3 million arose on acquisition. The goodwill is mainly attributable to the intellectual property of IQuad and the synergies expected from the existing customer base of IQuad through increased cross selling. Goodwill will be assessed annually for impairment in accordance with the Group's accounting policy. Based on the Group's assessment at the reporting date, goodwill is not impaired at 30 June 2012. Goodwill is a non-deductible tax item.

	R'000
Fair value of net assets acquired	44 092
Total consideration transferred	36 834
Sasfin's 51,1% share of net assets acquired	(22 531)
Goodwill on acquisition	14 303
Non-controlling interest	
Non-controlling interests, based on their proportionate interest (48,9%) in the fair value of recognised assets and liabilities	21 561
Further acquisition of 17,3% by Sasfin	(8 238)
Non-controlling interest	13 323

Acquisition-related costs

The Group incurred acquisition-related costs of R1,2 million related to external fees and due diligence costs. These costs have been recognised in administrative expenses in the Group's consolidated statement of comprehensive income.

In the eight months to 30 June 2012, IQuad contributed revenue of R61,9 million and profit of R13,2 million. If the acquisition had occurred on 1 July 2011, management estimates that revenue would have been R86,5 million and consolidated profit for the year would have been R13,3 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2011.

39. Share-based payments

39.1 The Sasfin Share Incentive Scheme – equity-settled

The Group has an established share option scheme which entitles staff to purchase shares in the Company. In accordance with the scheme, options are exercisable at the market price of the shares at the date of the grant.

Grants within this scheme, which were offered before 7 November 2002 exist. The recognition and measurement principles in IFRS 2 have not been applied to these grants in accordance with the transitional provisions of IFRS 1 and IFRS 2.

Trust

The Sasfin Share Incentive Trust

Description of the arrangement

Share options are granted to staff holding various job levels with the Group. The granting of share options is at the discretion of the trustees, acting on recommendation of executive management. The granting of share options is based on job level and performance. Grant dates are determined by the trustees.

Vesting requirements and contractual life of options

The terms and conditions of the grants are three years of service, thereafter share options vest over three consecutive years. The contractual life of the options is three years. This meets the definition of a vesting condition as defined in the amendment to IFRS 2.

The fair value of services received in return for share options granted is based on the fair value of the options granted, measured using the Black-Scholes model.

		2012	2011
Fair value at measurement date	R'000	–	363
Weighted average exercise price	cents	–	3 325

Volatility is determined using expected volatility of the Company's ordinary shares listed on the JSE.

Group equity-settled share incentive scheme reconciliation

	2012		2011	
	Weighted average exercise price (cents)	**Number of options**	Weighted average exercise price (cents)	Number of options
Options outstanding at beginning of the year	**3 325**	**50 000**	2 613	100 000
Exercised/forfeited	**3 325**	**(50 000)**	1 900	(50 000)
Options exercisable at end of the year	**–**	**–**	3 325	50 000

The fair value received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life of the option (three years) is used as an input into this model. Expectations of early exercise are incorporated into the Black Scholes model which takes into account the share price volatility and the dividend yield and an appropriate risk-free return.

	2012 R'000	2011 R'000
Cash flow received from proceeds on options exercised	–	950

39. Share-based payments continued

39.2 The Sasfin share appreciation scheme – cash-settled

The Group has devised a share scheme whereby employees will be awarded a cash bonus based on the movements in the Company's share price. The amount of the bonus is based on Sasfin Holdings Limited's listed share price movement on the JSE.

The market price movements of the ordinary shares ranged from 2 699 (2011: 3 201) cents to 3 470 (2011: 4 200) cents and the subscription benchmark prices ranged from 3 400 (2011: 3 200) cents to 6 000 cents (2011: 6 000) cents.

The fair value of services received in return for share options granted is based on the fair value of the options granted, measured using the Black Scholes model, with the following assumptions:

		2012	2011
Fair value at measurement date	R'000	**348**	2 142
Weighted average exercise price	cents	**5 032**	4 557
Average expected volatility	%	**30**	30
Average dividend yield rate	%	**3,50**	4
Average risk-free rate	%	**7**	7,5

Volatility is determined using expected volatility of the Company's ordinary shares listed on the JSE.

Group cash-settled share incentive scheme reconciliation

	2012		2011	
	Weighted average exercise price (cents)	**Number of options**	Weighted average exercise price (cents)	Number of options
Share appreciation rights outstanding at the beginning of the year	**4 557**	**786 533**	4 158	851 640
Granted	**–**	**–**	5 300	84 999
Vested/forfeited	**3 400**	**(313 224)**	3 200	(150 106)
Share appreciation rights exercisable at the end of the year	**5 032**	**473 309***	4 557	786 533

* *Included in the outstanding options are the following to executive directors:*
R Sassoon – 150 000 options at a strike price of 4 600 cents, 5 300 cents and 6 000 cents which vest October 2012, 2013 and 2014 respectively.
T Soondarjee – 56 667 options at a strike price of 4 000 cents, 4 600 cents, 5 300 cents and 6 000 cents which vest October 2012, 2014, 2015 and 2016 respectively.

39.3 The Sasfin Share Incentive Trust

	2012 R'000	2011 R'000
Statement of financial position		
Assets	**992**	1 612
Liabilities	**11**	10
Loan from Sasfin Holdings Limited	**550**	1 252
Equity	**431**	350
	992	1 612
Income statement		
Income	**102**	285
Operating expenses	**(12)**	(11)
Net profit for the year	**90**	274

At year-end, the trust held 64 926 (2011: 64 926) shares in the Company.

40. Segment reporting

Segment information is presented in respect of the Group's operating segments, as determined by the Group's chief executive officer and management. The primary format, which is business segments, is based on the Group's management and internal reporting structure.

Business segments pay interest to the Treasury division at variable rates linked to prime, to reflect the allocation of funding costs.

Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, and intangible assets other than goodwill.

Business segments

The Group comprises the following main business segments:

Business Banking – includes the Group's equipment rental finance and business finance units, comprising debtor finance, trade finance and capital equipment finance.

Capital – includes private equity, property private equity and corporate finance activities such as acquisitions, mergers and buy-outs.

Commercial Solutions – international freight forwarding and clearing, specialist financial and business services as well as healthcare consulting, employee benefits administration and short-term insurance are housed within this division.

Wealth Management – this division comprises three units, private client portfolio management and stockbroking; financial and investment planning and asset management.

Treasury – comprises domestic treasury and money market operation, exchange control services, and international treasury and foreign exchange services and securitisation commercial paper, and securitisation funding structures.

The Group also has central Corporate Services, and these include information technology, human resources, finance and administration, marketing, risk and credit, legal and compliance and internal audit. These costs are allocated to the business segments on a direct absorption cost basis.

40. Segment reporting continued

Geographical

The Group operates in two geographic regions being:

- South Africa
- Asia Pacific

	2012			2011		
	South Africa R'000	Asia Pacific R'000	Total R'000	South Africa R'000	Asia Pacific R'000	Total R'000
Geographical segments						
External revenue	829 580	52 650	882 230	708 797	70 677	779 474
Segment assets	5 135 955	336 538	5 472 493	4 065 417	307 847	4 373 264
Capital expenditure	30 809	42	30 851	21 882	–	21 882

	Business Banking R'000	Capital R'000	Commercial Solutions R'000	Wealth Management R'000	Treasury R'000	Group and elimination of intergroup items R'000	Total R'000
Business segments 2012							
Interest income	357 792	17 380	3 714	5 026	152 940	(102 852)	434 000
Interest expense	199 101	23 441	2 730	109	125 408	(118 875)	231 914
Net interest income	158 691	(6 061)	984	4 917	27 532	16 023	202 086
Non-interest income	107 292	44 773	133 491	128 883	7 525	26 266	448 230
Total income	265 983	38 712	134 475	133 800	35 057	42 289	650 316
Impairment charges on loans and advances	6 231	10 664	(160)	(141)	–	–	16 594
Net income after impairments	259 752	28 048	134 635	133 941	35 057	42 289	633 722
Operating costs	158 543	29 043	108 357	94 306	26 924	57 486	474 659
Staff costs	43 841	15 295	64 991	38 390	11 777	71 480	245 774
Other operating expenses	114 702	13 748	43 366	55 916	15 147	(13 994)	228 885
Profit from operations	101 209	(995)	26 278	39 635	8 133	(15 197)	159 063
Share of associated companies' income	10 180	–	864	3 098	–	1 310	15 452
Profit before income tax	111 389	(995)	27 142	42 733	8 133	(13 887)	174 515
Income tax expense	20 828	(1 055)	7 896	11 215	2 277	400	41 561
Profit for the year	90 561	60	19 246	31 518	5 856	(14 287)	132 954
Segment assets	3 122 870	418 578	220 122	309 796	2 280 610	(879 483)	5 472 493
Segment liabilities	2 844 863	369 906	113 884	216 033	2 272 593	(1 525 001)	4 292 278
Depreciation and amortisation	3 152	14	2 675	468	726	16 582	23 617

40. Segment reporting continued

Business segments continued

	Business Banking R'000	Capital R'000	Commercial Solutions R'000	Wealth Management R'000	Treasury R'000	Group and elimination of intergroup items R'000	Total R'000
Business segments 2011*							
Interest income	314 740	23 678	1 713	4 419	126 771	(112 065)	359 256
Interest expense	168 810	22 376	1 196	161	100 898	(124 765)	168 676
Net interest income	145 930	1 302	517	4 258	25 873	12 700	190 580
Non-interest income	118 410	49 775	65 766	105 527	4 923	1 030	345 431
Total income	264 340	51 077	66 283	109 785	30 796	13 730	536 011
Impairment charges on loans and advances	15 150	22 274	87	201	–	–	37 712
Net income after impairments	249 190	28 803	66 196	109 584	30 796	13 730	498 299
Operating costs	153 800	31 055	56 091	85 692	22 602	27 250	376 490
Staff costs	43 837	21 831	34 887	33 870	10 264	54 570	199 259
Other operating expenses	109 963	9 224	21 204	51 822	12 338	(27 320)	177 231
Profit from operations	95 390	(2 252)	10 105	23 892	8 194	(13 520)	121 809
Share of associated companies' income	9 143	–	–	3 062	–	–	12 205
Profit before income tax	104 533	(2 252)	10 105	26 954	8 194	(13 520)	134 014
Income tax expense	16 629	(6 194)	3 164	6 067	2 275	(1,780)	20 161
Profit for the year	87 904	3 942	6 941	20 887	5 919	(11,740)	113 853
Segment assets	2 744 334	550 840	117 958	248 346	1 605 975	(894 189)	4 373 264
Segment liabilities	2 447 481	505 098	51 215	169 242	1 602 800	(1 511 443)	3 264 393
Depreciation and amortisation	5 323	122	979	889	2 965	5 619	15 897

** Limited reclassifications were made to improve disclosure.*

Statement of financial position

	Note	Company 2012 R'000	2011 R'000
Assets			
Cash and cash balances	41.1	**5 021**	5 021
Other receivables	41.2	**174**	114
Investments in associated companies	41.3	**34 812**	34 300
Subsidiary companies	41.4	**490 717**	554 431
Investments	41.5	**34 587**	–
Taxation		**–**	714
Deferred tax asset	41.6	**–**	1 477
Total assets		**565 311**	596 057
Liabilities			
Deferred tax liability	41.6	**195**	–
Other payables	41.7	**1 496**	1 455
Taxation		**76**	–
Loans from subsidiary companies		**38 477**	118 548
Total liabilities		**40 244**	120 003
Equity			
Ordinary share capital	41.8	**323**	323
Ordinary share premium	41.9	**163 363**	163 363
Reserves		**162 103**	113 090
Preference share capital	41.10	**19**	19
Preference share premium	41.11	**199 259**	199 259
Total equity		**525 067**	476 054
Total liabilities and equity		**565 311**	596 057

Statement of comprehensive income

	Note	2012 R'000	2011 R'000
Interest income	41.12	**19 297**	24 843
Interest expense	41.13	**10 494**	13 581
Net interest income		**8 803**	11 262
Other income	41.14	**102 540**	112 956
Total income		**111 343**	124 218
Operating costs		**5 771**	3 033
Staff costs	41.15	**1 244**	1 132
Other operating expenses	41.16	**4 527**	1 901
Profit before income tax		**105 572**	121 185
Income tax expense	41.17	**5 221**	3 354
Profit for the year		**100 351**	117 831
Other comprehensive income for the year, net of income tax		**–**	–
Total comprehensive income for the year		**100 351**	117 831
Profit and total comprehensive income attributable to:			
Preference shareholders		**12 859**	14 147
Ordinary shareholders		**87 492**	103 684
Profit and total comprehensive income for the year		**100 351**	117 831

Statement of changes in equity

	Ordinary share capital and premium R'000	Distributable reserves R'000	Share-based payment reserve R'000	Total ordinary shareholders' equity R'000	Preference share capital and premium R'000	Total shareholders' equity R'000
30 June 2010	163 686	52 973	584	217 243	199 278	416 521
Total comprehensive income for the year	–	117 831	–	117 831	–	117 831
Profit for the year	–	117 831	–	117 831	–	117 831
Share-based payments reserve movements	–		(221)	(221)	–	(221)
Dividends to preference shareholders	–	(14 147)	–	(14 147)	–	(14 147)
Dividends to ordinary shareholders	–	(43 930)	–	(43 930)	–	(43 930)
30 June 2011	**163 686**	**112 727**	**363**	**276 776**	**199 278**	**476 054**
Total comprehensive income for the year	–	**100 351**	–	**100 351**	–	**100 351**
Profit or loss for the year	–	**100 351**	–	**100 351**	–	**100 351**
Share-based payments reserve movements	–	–	**(363)**	**(363)**	–	**(363)**
Dividends to preference shareholders	–	**(12 859)**	–	**(12 859)**	–	**(12 859)**
Dividends to ordinary shareholders	–	**(38 116)**	–	**(38 116)**	–	**(38 116)**
30 June 2012	**163 686**	**162 103**	–	**325 789**	**199 278**	**525 067**

Statement of cash flows

		Company	
	Note	2012 R'000	2011 R'000
Cash flows from operating activities			
Cash receipts from customers	41.18.1	**22 704**	26 878
Cash paid to customers, employees and suppliers	41.18.2	**(16 265)**	(16 614)
Cash inflow from operating activities		**6 439**	10 264
Dividends received		**99 133**	110 921
Taxation paid	41.18.3	**(2 759)**	(3 403)
Dividend paid	41.18.4	**(50 975)**	(58 077)
Cash flows from operating activities before changes in operating assets and liabilities		**51 838**	59 705
Changes in operating assets and liabilities		**(19)**	191
Change in other receivables		**(60)**	106
Change in other payables and provisions		**41**	85
Net cash from operating activities		**51 819**	59 896
Cash flows from investing activities		**28 252**	(131 147)
Acquisition of investment securities		**(69 204)**	(111 100)
Acquisition of other investments		**(34 587)**	–
Increase in investment in associated companies		**(512)**	(1 391)
Repayment of loans to subsidiary companies		**132 555**	(18 656)
Net cash flows from financing activities		**(80 071)**	71 247
Repayment of loans from subsidiary companies		**(80 071)**	71 247
Net decrease in cash and cash equivalents		**–**	(4)
Cash and cash equivalents at the beginning of the year		**5 021**	5 025
Cash and cash equivalents at the end of the year		**5 021**	5 021

		2012 R'000	2011 R'000
41.1	**Cash and cash balances**		
	Money on call	5 021	5 021
		5 021	5 021
41.2	**Other receivables**		
	Sundry debtors	174	114
		174	114
41.3	**Investments in associated companies**		
	Shares at book value	34 812	34 300
41.4	**Subsidiary companies**		
	Unlisted investments		
	Shares at carrying value – ordinary shares	372 220	242 677
	Shares at carrying value – preference shares	–	60 000
	Loans	117 947	250 502
	Share-based payment reserve	550	1 252
		490 717	554 431
	The loans to subsidiaries are unsecured, bearing interest relating to prime, have no fixed terms of repayment and are not repayable in the next twelve months.		
	A detailed schedule of subsidiary companies appears in note 38.		
41.5	**Investments**		
	Shares at market value: Annuity Properties Limited	34 587	–
41.6	**Deferred tax**		
	Deferred tax on temporary differences arising from:		
	Fair value adjustments	(195)	–
	STC credits	–	1 477
	Deferred taxation (liability)/asset	(195)	1 477
41.7	**Other payables**		
	Audit fees and other services	924	890
	Accounts payable	572	565
		1 496	1 455
41.8	**Ordinary share capital**		
	Authorised		
	100 000 000 (2011: 100 000 000) ordinary shares of 1 cent each	1 000	1 000
	Issued		
	32 301 441 (2011: 32 301 441) ordinary shares of 1 cent each		
	Balance at the beginning of the year	323	323
	Balance at the end of the year	323	323

The Group has a share incentive trust in terms of which shares are issued and options are granted. Details of the share incentive trust are set out in note 39 as required by the JSE. The share incentive trust has been consolidated into the Group's annual financial statements. The Group issued no (2011: nil) shares to the Sasfin share incentive trust. The number of shares held by the Sasfin share incentive trust amounts to 64 926 (2011: 64 926) or R957 793 (2011: R957 793) at year-end.

The unissued shares are under the control of the directors until the next annual general meeting.

		2012 R'000	2011 R'000
41.9	**Ordinary share premium**		
	Balance at the beginning of the year	**163 363**	163 363
	Balance at the end of the year	**163 363**	163 363
41.10	**Preference share capital**		
	Authorised		
	5 000 000 (2011: 5 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	**50**	50
	Issued		
	1 905 000 (2011: 1 905 000) preference shares of 1 cent each		
	Balance at the beginning of the year	**19**	19
	Balance at the end of the year	**19**	19
	The preference shares are listed under the Specialist Securities – Preference Shares sector of the JSE. Dividends are paid semi-annually at a rate of 82,5% of the ruling prime rate effective 1 April 2012. Prior to this, dividends were paid at a rate of 75% of the ruling prime rate.		
41.11	**Preference share premium**		
	Balance at the beginning of the year	**199 259**	199 259
	Balance at the end of the year	**199 259**	199 259
41.12	**Interest income**		
	Intercompany loans	**19 027**	22 243
	Other	**270**	2 600
	Interest earned on financial assets	**19 297**	24 843
41.13	**Interest expense**		
	Intercompany loans	**10 494**	13 581
	Interest paid on financial liabilities	**10 494**	13 581
41.14	**Other income**		
	Fee income	**2 400**	2 000
	Dividend income	**99 133**	110 921
	Other income	**1 007**	35
		102 540	112 956
41.15	**Staff costs**		
	The following disclosable items are included in staff costs:		
	Directors' fees paid by the Company	**1 244**	1 132
		1 244	1 132

		2012 R'000	2011 R'000
41.16	**Other operating expenses**		
	The following disclosable items are included in operating expenses:		
	Auditors' remuneration	1 353	935
	Audit fees – current year	1 123	928
	Other services	230	7
	Other	3 174	966
		4 527	1 901
41.17	**Income tax expense**		
	South African normal tax	1 366	2 238
	Current tax expense	1 171	96
	Deferred tax – current year	195	2 142
	Secondary tax on companies	3 855	2 593
	Deferred tax on STC credits	–	(1 477)
		5 221	3 354
	Reconciliation of rate of taxation	%	%
	South African normal tax rate	28,0	28,0
	Adjusted for:	(22,4)	(25,3)
	Exempt income	(26,8)	(26,2)
	Revaluation of investments	(0,1)	–
	Non-deductible expenses	0,3	–
	Secondary tax on companies	4,2	0,9
	Effective rate	5,6	2,7
41.18	**Cash flow**		
41.18.1	**Cash receipts from customers**	R'000	R'000
	Interest income	19 297	24 843
	Other income	3 407	2 035
		22 704	26 878
41.18.2	**Cash paid to customers, employees and suppliers**		
	Interest expense	10 494	13 581
	Total operating expenses	5,771	3 033
		16,265	16 614
	Cash inflow from operating activities	6 439	10 264
	Reconciliation of operating profit to cash flows from operating activities		
	Profit before income tax	105 572	121 185
	Dividends received	(99 133)	(110 921)
		6 439	10 264

		2012 R'000	2011 R'000
41.18.3	**Taxation paid**		
	Unpaid at the beginning of the year	**(2 191)**	(2 142)
	Charge to the income statement	**5 221**	3 354
	Unpaid at the end of the year	**(271)**	2 191
		2 759	3 403
41.18.4	**Dividends paid**		
	Charge to distributable reserves	**50 975**	58 077
		50 975	58 077
41.19	**Related party transactions**		
	The following are defined as related parties of the Group:		
	– Subsidiaries (refer to note 38)		
	– Associated undertakings (refer to note 9)		
	– Key management personnel		
	Transactions between Group companies comprise:		
	Interest on funding accounts received	**19 027**	22 243
	Interest on funding accounts paid	**10 494**	13 581
	Dividends received	**99 133**	110 921
	Administration fees	**2 400**	2 000

IAS 24 Related Parties requires the identification of "key management personnel". Accordingly, the Group has defined key management personnel as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company as well as close members of the family of any of these individuals. Key management personnel are considered to be the directors of the Company.

Details of directors' emoluments and shareholding are disclosed in the directors' report on pages 49 and 50.

41.20 Classification of assets and liabilities

Accounting classifications and fair values

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

	Designated at fair value R'000	Loans and receivables R'000	Other non-financial assets and liabilities R'000	Total carrying amount R'000	Fair value R'000
2012					
Assets					
Cash and cash balances	–	5 021	–	5 021	5 021
Other receivables	–	174	–	174	174
Investments in subsidiary companies and associated companies	–	–	525 529	525 529	525 529
Investments	34 587	–	–	34 587	34 587
	34 587	5 195	525 529	565 311	
Liabilities					
Other payables	–	–	1 496	1 496	1 496
Other non-financial liabilities	–	–	38 748	38 748	38 748
	–	–	40 244	40 244	
2011					
Assets					
Cash and cash balances	–	5 021	–	5 021	5 021
Other receivables	–	114	–	114	114
Investments in subsidiary companies and associated companies	–	–	588 731	588 731	588 731
Other non-financial assets	–	–	1 477	1 477	1 477
	–	5 135	590 208	595 343	
Liabilities					
Other payables	–	–	1 455	1 455	1 455
Other non-financial liabilities	–	–	118 548	118 548	118 548
	–	–	120 003	120 003	

Carrying value has been used where it closely approximates fair value.

41.21 Liquidity, credit and market risk information

Other assets and liabilities consist mainly of non-financial assets and liabilities or financial assets and liabilities at amortised cost which are not subject to liquidity, credit and market risk for IFRS 7 purposes. Investment securities consist of R34,5 million (2011: nil) investments held at fair value. These investments are subject to market risk being the listed market prices of the instruments.

42. Relevant standards and interpretations becoming effective for years ending after 30 June 2012

Standard/Interpretation		Effective date
IAS 12 amendment	Deferred Tax: Recovery of Underlying Assets	Annual periods commencing on or after 1 January 2012
IFRS 9	Financial Instruments	Annual periods commencing on or after 1 January 2015
IFRS 7 amendment	Offsetting Financial Assets and Financial Liabilities	Annual periods commencing on or after 1 January 2013
IFRS 10	Consolidated Financial Statements	Annual periods commencing on or after 1 January 2013
IFRS 11	Joint Arrangements	Annual periods commencing on or after 1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	Annual periods commencing on or after 1 January 2013
IFRS 13	Fair Value Measurement	Annual periods commencing on or after 1 January 2013
IAS 1 amendment	Presentation of Financial Statements	Annual periods commencing on or after 1 January 2012
IAS 28	Investments in Associates and Joint Ventures	Annual periods commencing on or after 1 January 2013
IAS 27	Separate Financial Statements	Annual periods commencing on or after 1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities	Annual periods commencing on or after 1 January 2014

Note
The adoption of these accounting statements should not have a significant impact on the Group's results. The adoption of the new standards will increase the level of disclosure provided for the entity's interests in subsidiaries, joint arrangements, associates and structured entities. The impact of IFRS 9 and 10 has not been measured by the Group.

PART 3 – SHAREHOLDERS' AND ADMINISTRATIVE INFORMATION

FOR THE YEAR ENDED 30 JUNE

ANALYSIS OF ORDINARY SHARES

AT 30 JUNE 2012

Shareholder spread

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1 000 shares	722	53,01	284 354	0,88
1001 – 10 000 shares	510	37,44	1 667 284	5,16
10 001 – 100 000 shares	102	7,49	3 120 133	9,66
100 001 – 1 000 000 shares	22	1,62	7 422 729	22,98
1 000 001 shares and over	6	0,44	19 806 941	61,32
Total	1 362	100,00	32 301 441	100,00
Distribution of shareholders				
Private companies	38	2,79	12 940 979	40,08
Trusts	144	10,57	6 986 604	21,63
Retail shareholders	1 065	78,20	3 286 301	10,17
Custodians	3	0,22	3 059 744	9,47
Collective investment schemes	18	1,32	2 598 578	8,04
Organs of state	3	0,22	1 034 317	3,20
Retirement benefit funds	10	0,73	998 094	3,09
Hedge funds	8	0,59	635 794	1,97
Assurance companies	7	0,51	306 311	0,95
Stockbrokers and nominees	10	0,73	168 047	0,52
Close corporations	26	1,93	135 981	0,42
Share schemes	1	0,07	64 926	0,20
Insurance companies	2	0,15	45 594	0,14
Investment partnerships	13	0,95	29 294	0,09
Managed funds	3	0,22	6 817	0,02
Foundations and charitable funds	4	0,29	3 527	0,01
Unclaimed scrip	7	0,51	533	0,00
Total	1 362	100,00	32 301 441	100,00
Shareholder type				
Non-public shareholders	4	0,29	12 832 578	39,73
Directors and associates	3		12 767 652	39,53
Sasfin share incentive trust	1		64 926	0,20
Public shareholders	1 358	99,71	19 468 863	60,27
Total	1 362	100,00	32 301 441	100,00

Top five fund managers

	Number of shares	% of issued capital
Sanlam Investment Management	3 397 247	10, 52
Cannon Asset Management	1 313 815	4, 07
Abax Investments	635 794	1, 97
Nedgroup Investments	314 351	0, 97
Taquanta Asset Management	39 100	0, 12
Total	5 700 307	17, 65

Beneficial shareholders with a holding greater than 3% of the issued shares

	Number of shares	% of issued capital
Unitas Enterprises Limited	10 406 807	32, 22
CitiGroup (International Finance Corporation)	3 005 894	9, 31
Glattfin Trust and Glatt Family Trust	2 843 778	8, 80
The Sassoon Children's Trust	2 360 845	7, 31
Sanlam Group	1 656 029	5, 13
Total	20 273 353	62, 77

Total number of shareholders	1 362
Total number of shares in issue	32 301 441

Share price performance

Opening price 1 July 2011	R34,50
Closing price 29 June 2012	R31,01
Closing high for the period (5 July 2011)	R34,70
Closing low for the period (23 December 2011)	R26,99
Number of shares in issue	32 301 441
Volume traded during period	3 720 404
Ratio of volume traded to shares issued (%)	11,52
Rand value traded during the period	R112 792 446

Sasfin Holdings Limited share price – 3 101 cents per share at 29 June 2012

ANALYSIS OF PREFERENCE SHARES

AT 30 JUNE 2012

Shareholder spread

	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 1000 shares	493	60,94	278 879	14,64
1001 – 10 000 shares	282	34,86	835 866	43,88
10 001 – 100 000 shares	34	4,20	790 255	41,48
Total	809	100,00	1 905 000	100,00
Distribution of shareholders				
Close corporations	12	1,48	32 696	1,72
Collective investment schemes	3	0,37	115 721	6,07
Foundations and charitable funds	2	0,25	6 500	0,34
Hedge funds	1	0,12	22 840	1,20
Investment partnerships	3	0,37	4 300	0,23
Private companies	26	3,21	194 113	10,19
Retail shareholders	633	78,25	1 072 039	56,27
Stockbrokers and nominees	2	0,25	13 926	0,73
Trusts	127	15,70	442 865	23,25
Total	809	100,00	1 905 000	100,00
Shareholder type				
Non-public shareholders	–	–	–	–
Directors and associates	–	–	–	–
Public shareholders	809	100,00	1 905 000	100,00
Total	809	100,00	1 905 000	100,00

Top five fund managers

	Number of shares	% of issued capital
Grindrod Private Clients	73 063	3,84
PSG Alphen Asset Management	39 458	2,07
Sanlam Investment Management	23 280	1,22
Overberg Asset Management	6 855	0,36
Cannon Asset Management	5 247	0,28
Total	**147 903**	**7,77**

Beneficial shareholders with a holding greater than 3% of the issued shares

	Number of shares	% of issued capital
Lenova Investments	74 572	3,91
Grindrod	73 063	3,84
Total	**147 635**	**7,75**

Total number of shareholders	**809**
Total number of shares in issue	**1 905 000**

Share price performance

Opening price 1 July 2011	R84,50
Closing price 29 June 2012	R87,71
Closing high for the period (23 – 29 February 2012)	R92,50
Closing low for the period (10 October 2011)	R80,75
Number of shares in issue	1 905 000
Volume traded during period	287 054
Ratio of volume traded to shares issued (%)	15,07
Rand value traded during the period	R24 815 870

SHAREHOLDERS' DIARY
AT 30 JUNE 2012

	2012
Year-end	30 June
Published interim report for six months to December 2011	7 March
Interim ordinary share dividend paid	16 April
Preliminary announcement of annual results	10 September
Preference share dividend number 158	8 October
Final ordinary share dividend paid	15 October
Integrated annual report posted to shareholders	26 October
Annual general meeting	26 November

GRI CONTENT INDEX
AT 30 JUNE 2012

G3 indicator	Description	Section	Page/s
Strategy and analysis			
1.1	Statement from senior decision-maker about the relevance and importance of sustainability to Sasfin, the overall vision and strategy for the short term, medium term and long term, particularly with regard to managing the key challenges associated with economic, environmental and social performance	Chief executive officer's report	14 – 17
1.2	Description of key impacts, risks and opportunities	Risk management	32
Organisational profile			
2.1	Name of the organisation		Front cover
2.2	Primary products, brands and/or services	Business model and "value chain"	2
2.3	Operational structure of the organisation	Group structure	Website
2.4	Head office location	Contact information	166
2.5	Number of countries where Sasfin operates, and names of countries with major operations relevant to the sustainability issues covered in this report	Contact information Sustainability issues addressed	166 Inside front cover
2.6	Nature of ownership and legal form	Directors' report – Nature of business	47
2.7	Markets served	Mission, markets, values	1
2.8	Scale of reporting organisation including: • number of employees • net sales	 Five year summary Portfolio industry split	 42 22
2.9	Significant changes in the reporting organisation during the period under review	Chairman's report Chief executive officer's report	8 – 10 14 – 17
2.10	Awards received during the reporting period	Not applicable	
Report parameters			
3.1	Reporting period	Scope of reporting	Inside front cover
3.2	Date of most recent previous report		Inside front cover
3.3	Reporting cycle	Scope of reporting	Inside front cover
3.4	Contact details for further information about this report	Contact information	166
3.5	Process for: • determining materiality • process for prioritising topics in the report • identifying stakeholders expected to use this report	Sustainability issues addressed Stakeholder engagement – Key stakeholders Sasfin strategic response	Inside front cover 12 – 13
3.6	Report boundary	Sustainability issues addressed	Inside front cover
3.7	Limitations on the scope or boundary of the report	Sustainability issues addressed	Inside front cover

G3 indicator	Description	Section	Page/s
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations	Consolidated financial statements – Accounting policies: Basis of consolidation	57 – 59
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report covered under each material issue	Incorporated within relevant sections of the IR	
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	There were no material restatements	
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	There were no significant changes	
3.12	GRI table		
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance provider(s)	Assurance Combined assurance	Inside front cover 33
Governance, commitments and engagement			
4.1	Governance structure of the organisation	Experience and expertise: Group directors and executive committee	4 – 7
4.2	Indicate whether the chairman is also an executive officer and, if so, reasons for this arrangement	Corporate governance	26
4.3	Number of independent and/or non-executive members	Corporate governance – Executive and non-executive directors	26
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board	Employee engagement	24
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives	Remuneration report – Basis of remuneration	37
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate governance – Adoption of King III	29
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	Corporate governance – The board of directors	26
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance, and the status of their implementation	SEMS risk framework	22
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles	Corporate governance – Various board committees	27 – 28
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance	Corporate governance – The board of directors	26
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Corporate governance – Directors' Affairs committee	28

G3 indicator	Description	Section	Page/s
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	International best practice	22
4.13	Memberships of associations (such as industry associations) and/ or national/international advocacy organisations in which the organisation: • has positions in governance bodies • participates in projects or committees • provides substantive funding beyond routine membership dues or • views membership as strategic	Not applicable	
4.14	List of stakeholder groups engaged by the organisation	Stakeholder engagement – key stakeholders	12 – 13
4.15	Basis for identification and selection of stakeholders with whom to engage	King III inclusive approach	11
4.16	Approaches to stakeholder engagement, including frequency and type of stakeholders	Stakeholder engagement	11 – 13
Management approach and performance indicators			
FS1	Description of policies with specific environmental and social components applied to business lines	SEMS risk framework	22
FS2	Description of procedures for assessing and screening environmental and social risks in business lines	SEMS risk framework Development funders exclusion list	22
FS3	Description of processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	SEMS risk framework	22
FS4	Description of processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines	SEMS risk framework	22
FS5	Interactions with clients/investors/business partners regarding environmental and social risk and opportunities	SEMS risk framework Development funders exclusion list	22
FS6	Percentage of the portfolio for business lines by specific region, size and sector	Percentage industry split	22
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business	Value added statement	23 21
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line, broken down by purpose	Value added statement Value allocated	21
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Assurance Combined assurance	Inside front cover 33
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental and social issues	Scope of reporting	Inside front cover
FS11	Percentage of assets subject to positive and negative environmental and social screening	Not stated	
FS12	Voting policies applied to environmental and social issues for shares over which the reporting organisation holds the right to vote shares or advises on voting	Not applicable	

G3 indicator	Description	Section	Page/s
FS13	Access points in the low populated or economically disadvantaged areas by type	Not applicable to Sasfin's target market (i.e. no ATM's/mobile points of representation)	
FS14	Initiatives to improve access to financial services for disadvantaged people	Not stated	
FS15	Policies for the fair design and the sale of financial products and services	Not stated	
FS16	Initiatives to enhance financial literacy by type of beneficiary	In the community – CSI spend on "Education" encompasses financial literacy	23
Economic performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	Value created Value allocated	21
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Climate change	23
EC3	Coverage of the organisation's defined benefit plan obligations	Not applicable – Defined contribution plan	
EC4	Significant financial assistance received from government	Not applicable	
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	100% locally based suppliers	
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation	Hiring practices aimed at local market	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement	Not applicable	
Environmental			
EN5	Energy saved due to conservation and efficiency improvements	Impact not considered significant enough to warrant disclosure	
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Energy efficiency funding	22
EN22	Total weight of waste by type and disposal method	Impact not considered significant enough to warrant disclosure	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	No fines during the year	23
Human rights			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not stated	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Not stated	

G3 indicator	Description	Section	Page/s
HR4	Total number of incidents of discrimination and actions taken	No incidents of discrimination	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	Not applicable	
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour	Not applicable	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour	Not applicable	
Labour practices and decent work			
LA1	Total workforce by employment type, employment contract, and region	Workforce breakdown	25
LA2	Total number and rate of employee turnover by age group, gender, and region	Employee turnover	24
LA4	Percentage of employees covered by collective bargaining agreements	Not applicable	
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements	Not applicable	
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	Not stated	
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases	Employee satisfaction	24
LA10	Average hours of training per year per employee by employee category	People development – Disclosure of average training spend per employee	24
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Workforce breakdown	25
LA14	Ratio of basic salary of men to women by employee category	Human capital report	25
Society			
SO2	Percentage and total number of business units analysed for risks related to corruption	Not stated	
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Employees make use of a whistle-blowing mechanism which is controlled by Sasfin's Compliance department	
SO4	Actions taken in response to incidents of corruption	Not applicable	
SO5	Public policy positions and participation in public policy development and lobbying	Not applicable	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	No fines or sanctions	

NOTICE OF ANNUAL GENERAL MEETING

sasfin
Holdings Limited
a partner beyond expectations

Sasfin Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 1987/002097/06
Ordinary share code: SFN ISIN: ZAE 000006565
Preference share code: SFNP ISIN: ZAE 000060273
("Sasfin" or "the Company")

Notice is hereby given that the 25th annual general meeting of shareholders of the Company will be held at 29 Scott Street, Waverley, Johannesburg on Monday, 26 November 2012 at 14:00.

Record date to receive the notice of annual general meeting:	Friday, 19 October 2012
Last date to trade to be eligible to participate and to vote at the annual general meeting:	Friday, 9 November 2012
Record date to be eligible to vote:	Friday, 16 November 2012
Forms of proxy to be lodged:	Thursday, 22 November 2012 at 14:00

Attending the annual general meeting

All holders of the issued ordinary shares are entitled to attend and vote at the annual general meeting. Holders of preference shares are only entitled to attend the annual general meeting, but they will not be entitled to vote.

Ordinary shareholders who hold their shares in certificated form or who are own name registered dematerialised shareholders who are unable to attend the annual general meeting but wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received at the registered office of the Company by not later than 14:00 on Thursday, 22 November 2012. Ordinary shareholders who have dematerialised their shares through a Central Securities Depository Participant ("CSDP") or broker, other than by own name registration, who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. Ordinary shareholders who have dematerialised their shares through a CSDP or broker, other than by own name registration, who wish to vote by way of proxy, must provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

Explanatory note:

Memorandum of Incorporation ("MOI")

Until the Companies Act, No. 71 of 2008 ("Companies Act") came into effect on 1 May 2011, the MOI of the Company comprised its Memorandum of Association and Articles of Association. On the date that the Companies Act came into effect, the Memorandum of Association and Articles of Association of the Company automatically converted into the Company's MOI. Accordingly, for consistency of reference in this notice of the annual general meeting, the term "MOI" is used throughout to refer to the Company's Memorandum of Incorporation (which comprised the Company's Memorandum of Association and Articles of Association as aforesaid). The Companies Act provided for a transitional period to enable a company to convert its MOI to bring it into harmony with the Companies Act. In this regard, specific attention is drawn to the proposed adoption of special resolution number 3.

Purpose of the meeting

The purpose of the meeting is to transact the business as set out below:

1. The consideration and acceptance of the matter outlined below:

1.1 The audited annual financial statements, including the directors' report and the Group audit and compliance committee report.

2. To note the following dividends:

2.1 Interim ordinary dividend of 49 cents per ordinary share declared by the board of directors on 7 March 2012;
2.2 Interim preference dividend of 340,27 cents per preference share declared by the board of directors on 7 March 2012;
2.3 Final ordinary dividend of 88 cents per ordinary share declared by the board of directors on 5 September 2012; and
2.4 Final preference dividend of 351,55 cents per preference share declared by the board of directors on 5 September 2012.

3. To consider and, if deemed fit, approve the following ordinary and special resolutions with or without modification

3.1 Ordinary resolutions

3.1.1 Ordinary resolution number 1: Re-election of directors of the Company

The following directors retire by rotation or are deemed to so retire in terms of the Company's MOI and, being eligible, make themselves available for re-election, each by way of a separate vote: Biographical details of the directors are reflected on page 5 of the integrated annual report.

Ordinary resolution number 1.1

"Resolved that Mr CN Axten be and is hereby re-elected as a non-executive director of the Company";

Ordinary resolution number 1.2

"Resolved that Mr ETB Blight be and is hereby re-elected as a non-executive director of the Company";

Ordinary resolution number 1.3

"Resolved that Mr GC Dunnington be and is hereby re-elected as a non-executive director of the Company".

The minimum percentage of voting rights that is required for ordinary resolutions 1.1, 1.2 and 1.3 above to be adopted is 50% of the voting rights plus one vote to be cast on each resolution.

Motivation:

Although Mr ETB Blight and Mr GC Dunnington are not scheduled to retire, the Company's MOI requires that not less than one-third of the directors retire from office at each annual general meeting. Accordingly, Mr ETB Blight's and Mr GC Dunnington's scheduled retirement by rotation has been brought forward. They are both eligible and have made themselves available for re-election.

The election will be conducted by a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy as required under section 68(2) of the Companies Act.

3.1.2 Ordinary resolution number 2: Re-appointment of independent auditors and designated auditors

"Resolved that KPMG Inc. and PKF (Jhb) Inc. be re-appointed as joint auditors of the Company until the conclusion of the next annual general meeting, and that Mr R Warren-Tangney and Mr GM Chaitowitz be respectively appointed as the individual designated auditors of the Company."

The minimum percentage of the voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

Motivation:

In compliance with section 90(1) of the Companies Act, a public company must each year at its annual general meeting appoint an auditor. Shareholders are therefore requested to consider, and if deemed fit, to re-appoint KPMG Inc. (with Mr R Warren-Tangney as designated auditor) and PKF (Jhb) Inc. (with Mr G Chaitowitz as designated auditor) as the auditors of the Company to hold office until the conclusion of the next annual general meeting. The Group audit and compliance committee has recommended and the board has endorsed the above re-appointments.

3.1.3 Ordinary resolution number 3: Unissued ordinary shares

"Resolved that the unissued ordinary shares in the authorised ordinary share capital of the Company be and are hereby placed under the control of the directors of the Company who are authorised to allot and issue the ordinary shares at their discretion, and on such terms and conditions and at such times as they deem fit until the next annual general meeting of the Company, subject to the provisions of the Banks Act, No. 94 of 1990 ("the Banks Act"), as amended, and the Listings Requirements of the JSE Limited ("the JSE Listings Requirements")."

The minimum percentage of the voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

Motivation:
In terms of the Company's MOI, with the prior approval of the Company in a general meeting and subject to the Companies Act, the Banks Act and the JSE Listings Requirements, any securities in the Company authorised but unissued from time to time may be issued by the directors to such person or persons on such terms and conditions and with such rights or restrictions attached thereto as the directors may determine.

The directors have decided to seek annual renewal of this authority, in accordance with best practice. The directors have no current plans to make use of this authority, but are seeking its renewal to ensure that the Company has maximum flexibility in managing the Group's capital resources.

Shareholders are therefore requested to consider, and if deemed fit, approve the placement of the unissued ordinary shares in the authorised share capital of the Company under the control of the directors until the next annual general meeting.

3.1.4 Ordinary resolution number 4: Unissued preference shares

"Resolved that the unissued non-redeemable, non-cumulative, non-participating, variable rate preference shares ("the preference shares") in the authorised preference share capital of the Company be and are hereby placed under the control of the directors of the Company who are hereby authorised, as a general approval, to allot and issue the preference shares at their discretion and on such terms and conditions and at such times as they deem fit until the next annual general meeting of the Company, subject to the provisions of the JSE Listings Requirements."

The minimum percentage of the voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

Motivation:
In terms of the Company's MOI, with the prior approval of the Company in a general meeting and subject to the Companies Act, the Banks Act and the JSE Listings Requirements, any securities in the Company authorised but unissued from time to time may be issued by the directors to such person or persons on such terms and conditions and with such rights or restrictions attached thereto as the directors may determine.

The directors have decided to seek annual renewal of this authority, in accordance with best practice. The directors have no current plans to make use of this authority, but are seeking its renewal to ensure that the Company has maximum flexibility in managing the Group's capital resources.

Shareholders are therefore requested to consider, and if deemed fit, approve the placement of the unissued preference shares in the authorised share capital of the Company under the control of the directors until the next annual general meeting.

3.1.5 Ordinary resolution number 5: Receive, consider and adopt remuneration policy

"Resolved that the remuneration policy of the Company, as defined in the remuneration report in the integrated annual report be received, considered and approved."

The minimum percentage of the voting rights that is required for this resolution to be adopted is 50% of the voting rights plus one vote to be cast on the resolution.

Motivation:
King III recommends that the remuneration policy be tabled to shareholders for a non-binding advisory vote at each annual general meeting. As the votes on this resolution are non-binding the results would not be binding on the board. The board will, however, take cognisance of the outcome of the vote when considering its remuneration policy in future. The Company's remuneration policy appears on page 36 of the integrated annual report.

3.2 Special resolutions

3.2.1 Special resolution number 1: General authority to repurchase shares

"Resolved that the Company and/or its subsidiaries be and are hereby authorised as a general approval contemplated in sections 46 and 48 of the Companies Act, to acquire the Company's issued shares when required, according to such terms and conditions and in such amounts as the directors of the Company may deem fit, subject to the necessary approval, the provisions of the Companies Act, the Banks Act, as amended, and the JSE Listings Requirements, subject to the following limitations:

- The repurchase of securities shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty (reported trades are prohibited)
- This general approval shall be valid until the next annual general meeting or for 15 (fifteen) months from the date of the resolution, whichever period is shorter
- Repurchases shall not be made at a price greater than 10% above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date on which the transaction is effected. The JSE will be consulted for a ruling if the applicant's securities have not traded in such 5 (five) business day period
  - at any point in time, only one agent shall be appointed to effect any repurchase(s) on the Company's behalf
- Prior to any repurchase, the board of directors shall resolve that the Company passed the solvency and liquidity test in terms of section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the Group, and
- The Company or any of its subsidiaries shall not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements until a repurchase programme has been put in place in respect of which the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period."

Reason and effect

The reason for this special resolution is to grant the Company a general authority in terms of the Act for the repurchase by the Company or any of its subsidiaries of shares issued by the Company, which authorities shall be valid until the earlier of the next annual general meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond fifteen (15) months from the date of this annual general meeting. The effect of the special resolution will be to reduce the number of shares in issue. In terms of the JSE Listings Requirements, any general repurchase by the Company must, *inter alia,* be limited to a maximum of 20% of the Company's issued share capital in any one financial year of that class at the time the authority is granted.

Statement by the board of directors of the Company

Pursuant to and in terms of the JSE Listings Requirements, the board of directors of the Company hereby state that:

- The intention of the directors of the Company is to utilise the general authority to repurchase shares in the Company if at some future date the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard the directors will take account of, *inter alia,* an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interest of the Company
- In determining the method by which the Company intends to repurchase its shares, the maximum number of shares to be repurchased and the date on which such repurchase will take place, the directors of the Company will only make the repurchase if they are of the opinion that:
  - the Company and its subsidiaries will, after the repurchase of the shares, be able to pay their debts as they become due in the ordinary course of the business for the next 12 months
  - the consolidated assets of the Company and its subsidiaries, fairly valued in accordance with IFRS and recognised and measured in accordance with the accounting policies used in the latest audited financial statements will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 months
  - the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase of the shares, be adequate for ordinary business purposes of the Company or any acquiring subsidiary for the next 12 months
  - the working capital available to the Company and its or any acquiring subsidiaries will, after the repurchase, be sufficient for ordinary business requirements for the next 12 months, and
  - the Company may not enter the market to proceed with the repurchase until the Company's sponsor has confirmed the adequacy of the Company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE Limited as required in terms of Schedule 25 of the JSE Listings Requirements.

The JSE Listings Requirements requires the following disclosure, some of which is stated elsewhere in the integrated annual report to which this notice forms part:

- General information in respect of directors and management (pages 5 to 7), major shareholders (page 145) directors' interests in securities (page 49) and the share capital of the Company (page 87)
- There has been no material change to the financial or trading position of the Company since the signature of the audit report and up to date of this notice
- The Company is not involved in any legal or arbitration proceedings, nor are any proceedings pending or threatened of which the Company is aware that may have or have had in the previous 12 months, a material effect on the Group's financial positions, and
- The directors, whose names are given on page 5 of the integrated annual report to which this notice is attached, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all the information required by law and the JSE.

The minimum percentage of the voting rights that is required for this resolution to be adopted is 75% of the voting rights plus one vote to be cast on the resolution.

3.2.2 Special resolution number 2: Approval of directors' fees

"Resolved that the proposed non-executive directors' fees for the coming financial year, as outlined below be approved."

Type of meeting	Current fee 2011/2012 Rand		Proposed fee 2012/2013 Rand	
The Company and the Bank boards				
• Chairman	554 270	per annum	**604 154**	per annum
• Other members	138 568	per annum	**151 041**	per annum
Monthly board committee meetings	3 322	per meeting	**3 650**	per meeting
Quarterly board committee meetings	4 569	per meeting	**5 000**	per meeting
Bi-annual board committee meetings	4 569	per meeting	**5 000**	per meeting
Annual board committee meetings	4 569	per meeting	**5 000**	per meeting

Reason and effect

The reason for special resolution number 2 is to request shareholders to approve the directors' fees payable to directors for the 2013 financial year and thereafter until the shareholders are again approached for subsequent approvals. The effect of this will be that the remuneration of non-executive directors as contained in special resolution number 2 will be approved.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% of the voting rights plus one vote to be cast on the resolution.

Motivation:

In terms of sections 66(8) and (9) of the Companies Act, remuneration may only be paid to directors for their service as directors in accordance with a special resolution approved by shareholders within the previous two years.

It is noted that the remuneration payable to directors is in their capacities as such and does not include salaries and other benefits payable to directors in other capacities.

The board has considered the King III recommendation that non-executive directors' fees consist of a base fee and attendance fee. In light of the satisfactory attendance records of the non-executive directors and increased cost implications, it was decided not to change the policy of a set annual fee. This policy will be reviewed regularly with the consideration of attendance records.

3.2.3 Special resolution number 3: Memorandum of Incorporation

"Resolved to adopt as the new Memorandum of Incorporation ("MOI") of the Company the proposed MOI, a copy of which will be tabled at the annual general meeting and which will be initialled by the chairman of the annual general meeting for identification purposes, the new MOI to apply in substitution for and to the exclusion of the Company's existing MOI in the form of its Memorandum of Association and Articles of Association."

The date on which the MOI becomes effective will be the date that this special resolution approving the MOI is adopted, irrespective of the date of filing thereof with the Companies and Intellectual Properties Commission.

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% of the voting rights plus one vote to be cast on the resolution.

Motivation:

Reason: Special resolution number 3 is proposed to enable the Company to adopt a new MOI that will be in line with the requirements of the new Companies Act, the Banks Act, the JSE Listings Requirements and any applicable legislation.
In addition to the New Companies Act, changes to the JSE Listings Requirements and developments in market practice, require a substantial number of changes to the existing Memorandum of Association and Articles of Association of the Company. Accordingly, it is considered more appropriate to adopt the proposed new MOI rather than to amend the existing Memorandum of Association and Articles of Association. A copy of the MOI proposed for adoption in terms of this special resolution number 3, is available for inspection from 1 November 2012 at the registered office of the Company at 29 Scott Street, Waverley, Johannesburg, during normal office hours, and on the Company's website. A convenient table addressing the inconsistencies between the existing Memorandum and Articles of Association and the new MOI is attached to this notice as Appendix 1, on page 161.

Effect: The new MOI will substitute the Company's existing MOI in the form of its Memorandum of Association and Articles of Association in their entirety.

3.2.4 Special resolution number 4: General authority to provide financial assistance to related and interrelated companies

"Resolved that, as a special resolution in terms of section 45 of the Act, the shareholders hereby approve of Sasfin providing, at any time and from time to time during the period of 2 (two) years commencing on the date of approval of this special resolution, any direct or indirect financial assistance as contemplated in such section of the Act, to any 1 (one) or more related or interrelated companies or corporations of Sasfin and/or to any 1 (one) or more members of any such related or interrelated company or corporation related to any such company or corporation as outlined in section 2 of the Act of up to R1 billion over the following two year period, provided that:

1. (i) the recipient or recipients of such financial assistance
   (ii) the form, nature and extent of such financial assistance, and
   (iii) the terms and conditions under which such financial assistance is provided other than in the normal course of business

   are determined by the board from time to time
2. the board may not authorise Sasfin to provide any financial assistance pursuant to this special resolution unless the board meets all those requirements of section 45 of the Act which it is required to meet in order to authorise Sasfin to provide such financial assistance
3. the board is satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test, and
4. such financial assistance to a recipient thereof is, in the opinion of the board, required for the purpose of: (i) meeting all or any of such recipient's operating expenses (including capital expenditure); and/or (ii) funding the growth, expansion, reorganisation or restructuring of the businesses or operations of such recipients and/or (iii) funding such recipient for any other purpose which in the opinion of the board is directly or indirectly in the interests of Sasfin."

The minimum percentage of voting rights that is required for this resolution to be adopted is 75% of the voting rights plus one vote to be cast on the resolution.

Reason and effect

The reason for and effect of this special resolution is to allow Sasfin to grant direct or indirect financial assistance to any company or corporation forming part of each group, including in the form of loans or the guaranteeing of their debts. This authority will be in place for a period of two years from the date of approval of this special resolution number 4.

NOTICE OF ANNUAL GENERAL MEETING continued

General instructions and information

Shareholders who hold their shares in certificated form or who are own name registered dematerialised shareholders who are unable to attend the annual general meeting which is to be held on Monday, 26 November 2012 at 14:00, but wish to be represented thereat, are required to complete and return the attached form of proxy so as to be received by the transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by not later than 14:00 on Thursday, 22 November 2012.

A shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy to attend, speak and, on a poll, vote in his stead. A proxy need not be a shareholder of the Company. Proxy forms must reach the transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) by not less than 48 hours prior to the scheduled commencement of the annual general meeting (excluding Saturdays, Sundays and public holidays).

Shareholders who have dematerialised their shares through a CSDP or broker, other than with own name registration, who wish to attend the annual general meeting should instruct their CSDP or broker to issue them with the necessary Letters of Representation to attend the meeting, in terms of the custody agreement entered into between such shareholders and their CSDP or broker.

Shareholders who have dematerialised their shares through a CSDP or broker, other than with own name registration, who wish to vote by way of proxy, should provide their CSDP or broker with their voting instructions, in terms of the custody agreement entered into between such shareholders and their CSDP or broker. These instructions must be provided to their CSDP or broker by the cut-off time or date advised by their CSDP or broker for instructions of this nature.

In respect of dematerialised shares, it is important to ensure that the person or entity (such as a nominee) whose name has been entered into the relevant sub-register maintained by the CSDP or broker, completes the form of proxy in terms of which he appoints a proxy to vote at the annual general meeting.

Shareholders of the Company that are companies, that wish to participate in the annual general meeting, may authorise any person to act as its representative at the annual general meeting.

In terms of section 63(1) of the Companies Act, before any person may attend or participate in a shareholders' meeting such as the meeting convened in terms of this notice of annual general meeting, that person must present reasonably satisfactory identification and the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder, or as a proxy for a shareholder, has been reasonably verified. Equity securities held by a share trust or scheme will not have their votes at general/annual general meetings taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

Unlisted securities (if applicable) and shares held as treasury shares may not vote.

H Brown
Group company secretary

Registered office
29 Scott Street
Waverley
2090
PO Box 95104
Grant Park 2051

Transfer Secretaries
Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown
2107

APPENDIX 1

Explanatory note on the salient differences between the proposed MOI of Sasfin and the existing Articles of Association of Sasfin

The explanatory table below is to be read with special resolution number 3 for the adoption of the proposed memorandum of incorporation of Sasfin which shall be tabled at the annual general meeting of 26 November 2012, and seeks to identify some of the main amendments made to the existing articles of association which forms part of the memorandum of incorporation of Sasfin (the "Articles") in converting them into the MOI to render it consistent with the provisions and requirements of the Companies Act, the Banks Act, where applicable, and all relevant provisions of the JSE Listings Requirements where such amendments have rendered certain provisions of the MOI inconsistent with certain provisions of the Articles.

The MOI has been drafted so as to retain the philosophy of the current Articles and to superimpose (i) amendments required by the unalterable provisions of the Companies Act, (ii) amendments made to adopt, restrict or limit the application of the alterable provisions of the Companies Act, (iii) comply with the provisions of the Banks Act and (iv) to comply with the provisions of the JSE Listings Requirements.

This table has been compiled, in compliance with the provisions of section 65(4) of the Companies Act, to highlight only the salient differences between the current Articles and the MOI. Nonetheless, all shareholders are advised to conduct their own review of the current Articles and the proposed MOI before voting on the adoption of the MOI as this table is not an exhaustive list of the differences between the current Articles and the proposed MOI but merely sets out the salient differences. Accordingly, this document must be read in conjunction with the current Articles and the proposed MOI. Both the current Articles and the proposed MOI will be available for inspection from the date of this notice of annual general meeting to the date of the annual general meeting, being 26 November 2012, at both (i) the registered office of the Company during office hours, being 29 Scott Street, Waverley, Johannesburg, and (ii) on the Company's website, being http://www.sasfin.com.

SEE THE WEB FOR MORE DETAILS www. sasfin.com

No.	Article (in the current Articles)	Existing regime (in the current Articles)	Proposed regime (in the MOI)
1.	3.3.1	The necessary quorum for class meetings is shareholders of the class of shares holding at least 51% of that class of shares	Clause 8.5.1 – inconsistent with the current Articles in that shareholders holding 51% has been reduced down to shareholders of that class holding at least 25% of that class of shares
2.	8.4	A meeting called for the passing of a special resolution requires 21 clear days notice	Clause 23.10 – inconsistent with the current Articles in that there is a minimum notice period of 15 business days required
3.	8.4	A meeting called for any other reason than the passing of a special resolution requires 14 clear days notice	Clause 23.11 – inconsistent with the current Articles in that there is a minimum notice period of 15 business days
4.	28.2	A copy of the annual financial statements shall be sent to holders entitled to receive notices of general meeting at the same time that the notice is sent to such holders	Clause 23.15.3 – somewhat inconsistent with the current Articles. Amended such that a summarised form of the annual financial statements are to be presented to holders entitled to receive notices, and directions for obtaining a complete annual financial statement should be given to such holder
5.	9.2	3 (three) members personally present (or if the member is a body corporate, the body corporate must be represented) and entitled to vote shall be a quorum for a shareholders' meeting (annual and general)	Clause 23.21 – inconsistent with the current Articles in that a quorum for shareholders' meetings shall be persons present at the meeting to exercise, in aggregate, at least 25% of all the voting rights entitled to be exercised and may not begin unless at least 3 (three) persons entitled to vote are present at the meeting, and if the company is a subsidiary of another company then those constituting the quorum must include its holding company present in person
6.	9.3	If within 10 (ten) minutes from the time appointed for the shareholders' meeting, a quorum is not present, the meeting shall be dissolved	Clause 23.23 – inconsistent with the current Articles as "10 minutes" has been changed to "30 minutes" for the sake of reasonableness

No.	Article (in the current Articles)	Existing regime (in the current Articles)	Proposed regime (in the MOI)
7.	9.8	Chairperson at shareholders' meeting shall, on an equality of votes, be entitled to a second, casting vote	Clause 23.31 – inconsistent with the current Articles in that the chairperson at a shareholders' meeting shall not be entitled to a casting vote
8.	10.6	The form appointing a proxy is to be delivered to the company not less than 48 hours (or such lesser period as determined by the directors) before the holding of a meeting, and in the case of a poll, not less than 24 hours before the taking of the poll at such meeting	Clause 23.38 – inconsistent with the current Articles in that the form shall be delivered before the proxy exercises the rights of the holder entitled to vote at the meeting
9.	13.1	• 1/3 of the directors shall retire from office at the annual general meeting held each year • The order of directors to retire (those who have been in office longest since their last election to retire first) • If at the time of annual general meeting the director has held office for three years since his last election/appointment, he shall retire at the annual general meeting	Clauses 25.4, 25.5, 25.6 – largely consistent with the current Articles, however, such provisions are now only applicable to non-executive directors
10.	13.2	• Retiring directors shall be eligible for re-election • No person other than a retiring director, unless recommended for election, shall be eligible for office as director at the annual general meeting unless notice was given of their nomination not less than 7 days and not more than 14 days before the meeting	Clause 25.6 – largely consistent with the current Articles, however, such provisions are now only applicable to non-executive directors
11.	13.4	If at any general meeting at which an election of directors ought to take place, the place of the retiring director is not filled, if willing, he shall continue in office until the ordinary meeting in the next year and so on until the place is filled, unless it is determined at such meeting not to fill such vacancy	Clause 25.6 – largely consistent with the current Articles but is now only applicable to non-executive directors
12.	12.4	Shareholding qualification for directors and alternate directors is to be fixed (and varied) by the company at any meeting, and until so fixed, no qualification shall be required	Clause 25.8 – somewhat inconsistent with the current Articles in that there are no general qualifications prescribed by the board for a person to serve as a director or alternate director in addition to the requirements of the Companies Act and Banks Act. The board with the assistance of the directors' affairs committee must make recommendations to the holders regarding the eligibility of the persons nominated for election as directors
13.	12.7	If the number of directors fall below the prescribed minimum, the directors shall not act except for the purpose of filling such a vacancy or calling shareholders' meetings	Clause 25.14 – inconsistent with the current Articles as there is a 3 (three) month leeway from the date the number of directors falls below the prescribed minimum. During the 3 (three) month period, the directors and their authority will not be limited/negated/invalidated. Only after the expiry of such 3 (three) month period shall the directors be permitted to act only for the purpose of filling the vacancy or calling shareholders' meetings

No.	Article (in the current Articles)	Existing regime (in the current Articles)	Proposed regime (in the MOI)
14.	12.8	Instances when a director (and alternate director) shall cease to hold office	Clause 26.1 – on the whole, consistent with the current Articles, however, further additions have been provided for instances in which a director shall cease to hold office, being: • If the director is declared delinquent by a court or placed on probation under conditions that are inconsistent with continuing to be a director of a company • If the registrar of banks objects to his/her continued appointment as contemplated in s60(6) of the Banks Act • In the case of an alternate director, if the director for whom the alternate director acts as alternate, ceases to hold office as a director for any reason whatsoever • If there are more than 3 (three) directors and a director has been removed by resolution for being negligent or derelict in performing the functions of a director, and such director has not within the permitted period filed an application for a review or has filed such application but the court has not confirmed the removal • When his/her term of office expire; • If there are more than 3 (three) directors and the board determines that he/she has become incapacitated to the extent that the person is unable to perform their functions as a director being negligent or derelict in performing the functions of a director, and such director has not within the permitted period filed an application for a review or has filed such application but the court has not confirmed the removal
15.	11	Borrowing powers of company unlimited	Article 11 has not been retained in the current Articles. Clause 29.1 (General Powers and Duties of Directors) which states, "subject to any provision of the Companies Act, the Listings Requirements, the Banks Act and this MOI to the contrary, the powers of management granted to the directors in terms of section 66(1) of the Companies Act are not limited" and as such, is wide enough to cover the provisions of current article 11
16.	14.1	The board may appoint one or more of their number to the office of Group Managing Director, Managing Director or Joint Managing Directors for such period not exceeding 5 (five) years and on such terms as the directors deem fit	Clause 29.3 – on the whole, consistent with the current Articles, however, the board must appoint a chief executive officer and an executive financial director and may from time to time appoint one or more executive directors (does not refer to "Group Managing Director", "Managing Director" and "Joint Managing Directors")
17.	12.9	Disclosure by directors of personal financial interests: • Directors and company shall comply with statute in this regard • No director shall be disqualified from contracting with the company • Any contract entered into by the company in which the director is in any way interested shall not be or be liable to be avoided, and no director so contracting shall be liable to account to the company for any profit realised by any such contract	Clause 32.6 – on the whole consistent with the current Articles, however, amended in that: If a director or a related person has a personal financial interest in a matter, the director must (i) disclose the personal financial interest and its nature before the matter is considered at the meeting; (ii) must disclose any material information; (iii) may disclose other pertinent insights relating to the matter, upon request; (iv) if present at the meeting must leave the meeting immediately after making the aforementioned disclosure; (v), must not take part in the consideration of the matter; and (vi) must not execute any document on behalf of the company in relation to the mater unless specifically so directed by the board

No.	Article (in the current Articles)	Existing regime (in the current Articles)	Proposed regime (in the MOI)
18.	15.2	In the event of an equality of votes at a directors meeting, the chairperson shall have a second casting vote	Clause 33.9 – on the whole consistent with the current Articles in that if there is a tied vote, the chairperson may cast a deciding vote except in circumstances where the quorum of directors is two directors, and only two directors are present at the meeting
19.	24	Dividends	Clause 36 – on the whole inconsistent with the current Articles to the extent that it contains further/additional clauses in that: • The board must, by resolution acknowledge that it is satisfied that the solvency and liquidity test will be met immediately after concluding the proposed distribution • Shareholder approval is required for any payment to shareholders which is not pro rata to shareholders but such approval shall not be required in respect of cash dividends paid out of retained income, scrip dividends or capitalisation issues • No notice of change of address or instructions as to payment given after the determination of the dividend shall become effective until after the distribution has been made, unless the board, at the time determines otherwise • For so long as the company is a controlling company, as defined in the Banks Act, no dividend shall be payable in respect of any share allotted, issued or transferred contrary to the Banks Act and no person shall receive a dividend in respect of any security allotted or issued to him contrary to the provisions of the Banks Act
20.	24.8	Directors may from time to time pay to the members on account of the next forthcoming dividend such interim dividend as in their judgement the position of the company justifies	This has not been retained in the MOI
21.	24.4	• All unclaimed dividends may be invested or used by the directors for the company's benefit until claimed • Dividends unclaimed for three or more years from the date they became payable shall be forfeited for the benefit of the company	Clause 36.4 – slightly inconsistent with the current Articles in that it includes a new addition: (i) that all unclaimed monies (including but not limited to distributions other than dividends) due to holders shall be held in trust until lawfully claimed, and (ii) dividends (but not including the monies referred to above) remaining unclaimed for a period of not less than 3 years from the date it became payable may be forfeited by resolution of the directors for the benefit of the company
22.	27	Reserve fund	This has not been retained in the MOI

No.	Article (in the current Articles)	Existing regime (in the current Articles)	Proposed regime (in the MOI)
23.	30	Notices • Form of notice: personal delivery, mail, telegram, telex, fax, email • Address provided to company deemed to be accurate address to send notice • Time at which notice is deemed to have been sent, if by mail, at the time of the letter being posted, and if by advertisement in the newspaper, on the first day when the newspaper containing the notice was published • Subsequent to transfer of shares, person entitled to share will be bound by every notice whether or not the holder displayed in the share register at the date of notice is the previous owner of the shares • Notice to be given by advertisement to be in leading Johannesburg daily newspaper	Clause 38 – slightly inconsistent with the current Articles in that: • Notices may be given via post, website, telegram, telex, fax or electronic communication. No provision for the advertisement of the notice in a newspaper • In respect of notices via electronic communication, any holder of a beneficial interest who/which has furnished an electronic address to the company authorises the use of electronic communication to give notices to him and confirms that such notice can be conveniently printed by him within a reasonable time and cost • Any notice shall be deemed to have been delivered in accordance with Table CR3 of the Regulations attached to the Companies Act • The holder of a share warrant to bearer shall not, unless it is otherwise expressed in the warrant, be entitled to such notice
24.	33	Indemnity of directors, prescribed officers and servants of the company against liability are subject to the provisions of the statutes and: • Are indemnified by the company in respect of costs, losses, expenses, incurred/liable for arising from the discharge of their duties • Shall be indemnified for loss/damage/misfortune whatever which shall happen in the execution of the duties of their office unless the same happened through their own negligence or dishonesty	Clause 39 – Slightly inconsistent with the current Articles to align with section 78 of the Companies Act such that the company: • May not (i) directly or indirectly pay a fine of a director arising from his conviction of an offence of national legislation unless such offence was based on strict liability, (ii) advance expenses to a director to defend litigation in any proceedings arising out of the director's service to the company, (iii) indemnify a director for any liability/fine arising out of section 77(3) of the Companies Act • May purchase insurance to protect a director from the aforementioned liability and the company from any contingency • Is entitled to claim restitution from a director or a related company for any money paid by the company in any manner inconsistent with section 75 of the Companies Act
25.	No provision made in the current Articles		Clause 23.6 – for the purposes of convening a meeting, the board or shareholders holding not less than 10% of voting rights of ordinary shares may convene a general meeting. The company shall convene a meeting if demands for substantially the same purpose are made and signed by the holders of 10% of the voting rights (in accordance with section 61(3) of the Companies Act)

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FORM OF PROXY

Sasfin Holdings Limited
(Incorporated in the Republic of South Africa)
Registration number 1987/002097/06
Ordinary share code: SFN ISIN: ZAE 000006565
Preference share code: SFNP ISIN: ZAE 000060273
("Sasfin" or "the Company")

sasfin
Holdings Limited
a partner beyond expectations

I/we (names in capital letters) ______________________________

of (address) ______________________________

____

being a shareholder(s) of Sasfin and entitled, on a poll, to ______________ (number) votes hereby

appoint ______________ (name) of ______________ (address) or failing him/her

______________ (name) of ______________ (address) or failing him/her

the chairman of the annual general meeting as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the Company to be held on Monday, 26 November 2012, at 14:00 and/or at any adjournment thereof.

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. Unless this is done, the proxy will be deemed to have been authorised as he/she thinks fit.

Number	Item	In favour	Against	Abstain
1.	To consider and accept the annual financial statements			
2.	To note the interim and final dividends			
3.	**Ordinary and special resolutions**			
3.1	**To consider the following ordinary resolutions:**			
3.1.1	To re-elect, as non-executive director, Mr CN Axten			
3.1.1	To re-elect, as non-executive director, Mr ETB Blight			
3.1.1	To re-elect, as non-executive director, Mr GC Dunnington			
3.1.2	To re-appoint the independent and designated auditors for the next financial year			
3.1.3	To place the unissued ordinary shares under the control of the directors			
3.1.4	To place the unissued preference shares under the control of the directors			
3.1.5	To receive, consider and adopt the Company's remuneration policy (non-binding vote)			
3.2	**To consider the following special resolutions:**			
3.2.1	General authority of the Company and/or its subsidiaries to repurchase shares issued by the Company			
3.2.2	To approve the directors' fees for the coming financial year			
3.2.3	To approve the adoption of a new Memorandum of Incorporation of the Company			
3.2.4	General authority to provide financial assistance to related and interrelated companies			

Signature ______________________ Date ______________________

(Please read the notes on the reverse side hereof)

FORM OF PROXY continued

For use only by certificated ordinary shareholders and own name registered dematerialised ordinary shareholders at the annual general meeting of Sasfin shareholders to be held at 29 Scott Street, Waverley, Johannesburg on Monday, 26 November 2012, at 14:00 or such later time that may be applicable ("the annual general meeting").

Not to be used by beneficial owners of shares who have dematerialised their shares ("dematerialised shares") through a Central Securities Depository Participant ("CSDP") or broker, as the case may be, unless they are recorded on the sub-register as "own name" dematerialised shareholders. Generally, you will not be an own name dematerialised shareholder unless you have specifically requested the CSDP to record you as the holder of the shares in your own name in the Company's sub-register.

Only for use by certificated, own name dematerialised shareholders and CSDPs or brokers (or their nominees) registered in the Company's sub-register as the holders of dematerialised shares.

Each shareholder entitled to attend and vote at the annual general meeting, is entitled to appoint one or more proxies (none of whom need to be a shareholder of the Company) to attend, speak, and vote in place of that shareholder at the annual general meeting and any adjournment or postponement thereof.

Please note the following:

- The appointment of your proxy may be suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder at the annual general meeting;
- The appointment of the proxy is revocable; and
- You may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy; and (ii) delivering a copy of the revocation instrument to the proxy, and to the Company.

Please note that any shareholder of the Company that is a company may authorise any person to act as its representative at the annual general meeting.

Please also note that section 63(1) of the Companies Act No 71 of 2008, requires that persons wishing to participate in the annual general meeting (including the aforementioned representative) provide satisfactory identification before they may so participate.

Note that voting will be performed by way of a poll so that each shareholder present or represented by way of a poll and so that each shareholder present or represented by way of proxy will be entitled to vote the number of shares held or represented by them.

NOTES TO THE FORM OF PROXY

1. A Sasfin ordinary shareholder may insert the name of a proxy or the names of two alternative proxies of the Sasfin shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the Sasfin ordinary shareholder concerned. The person whose name appears first on the form of proxy and is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A proxy is entitled to attend, speak and vote at the annual general meeting in place of the shareholder whom he or she is representing. A proxy need not be a shareholder of the Company.
3. Please insert an "X" in the relevant spaces according to how you wish your votes to be cast. However if you wish to cast your votes in respect of a lesser number of ordinary shares than you own in Sasfin, insert the number of ordinary shares held in respect of which you desire to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all of the shareholder's votes exercisable thereat. A Sasfin shareholder or his/her proxy is not obliged to use all the votes exercisable by the Sasfin shareholder or by his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.
4. The date must be filled in on this form of proxy when it is signed.
5. The completion and lodging of this form of proxy will not preclude the relevant Sasfin shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof. Where there are joint holders of shares, the votes of the senior joint holder who tenders a vote, as determined by the order in which the names stand in the register of shareholders, will be accepted.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries of Sasfin or waived by the chairman of the annual general meeting of Sasfin shareholders.
7. Any alterations or corrections made to this form of proxy must be initialled by the signatory/ies.
8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of Sasfin.
9. Forms of proxy must be received by the Company, Sasfin Holdings Limited, at 29 Scott Street, Waverley, Johannesburg 2090 (PO Box 95104, Grant Park 2051) by not later than 14:00 on Thursday, 22 November 2012.
10. The chairman of the annual general meeting may, in his absolute discretion, accept or reject any form of proxy which is completed other than in accordance with these notes.
11. If required, additional forms of proxy are available from the transfer secretaries of Sasfin.
12. Dematerialised shareholders, other than by own name registration, must NOT complete this form of proxy but must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between such shareholders and their CSDP or broker.
13. The appointment of a proxy shall remain valid until the end of the meeting contemplated in this appointment. The appointment of a proxy is revocable unless the proxy appointment expressly states otherwise. If the appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy, and to the Company. The revocation will take effect on the later of (i) the date stated in the revocation instrument; or (ii) the date on which the revocation instrument was delivered to the proxy and the Company.

Disclaimer
The Group has in good faith made 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", "target".

Forward-looking statements are not statements of fact, but statements by the management of the Group 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 and howsoever 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.

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29 Scott Street, Waverley, Johannesburg
www.sasfin.com