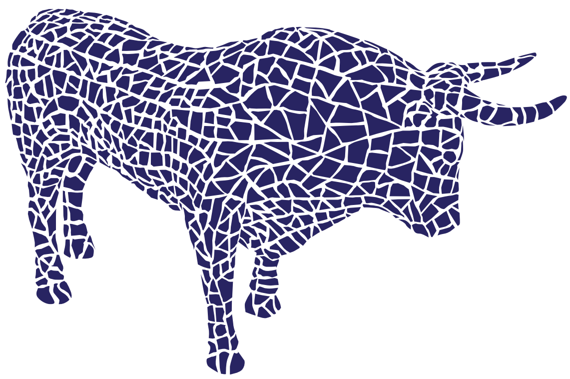
sasfin
Holdings Limited
a partner beyond expectations

INTEGRATED REPORT **2013**



SASFIN MET EQUITY FUND:

WINNER OF TWO RAGING BULL AWARDS

About this report

Sasfin Group's integrated report 2013 covers the period from 1 July 2012 to 30 June 2013. The report includes all majority-owned subsidiaries, and provides an overview of the strategy, operations, financial performance and sustainability developments across all business units. 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.

This is the Group's third integrated report and as this is an evolving process Sasfin aims to strive for best practise and continued development. The report focuses on material developments and issues, and provides appropriate financial and non-financial information. The Integrated Reporting Council ('IIRC') issued the "Consultation Draft of the International Integrated Reporting Framework" on 16 April 2013. Sasfin recognises that it does not fully comply with this report. Whilst Sasfin has applied certain principles within this draft it will endeavour to continue to improve the reporting by addressing any shortcomings and taking cognisance of future pronouncements by the IIRC.

The primary audience of this report is all stakeholders, with a prominence on shareholders, investors, regulators and funders.

This is Sasfin's primary report, whilst in the prior year report we included a full set of summarised annual financial statements, this year we have included condensed summarised annual financial statements, in accordance with the Companies Act, and prepared in terms of International Financial Reporting Standards IAS 34: Interim Financial Reporting. The full set of consolidated annual financial statements is available online at www.sasfin.com.

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 III	Annual financial statements, corporate governance and regulatory reporting
JSE Listings Requirements	Full suite of reports and index

Assurance

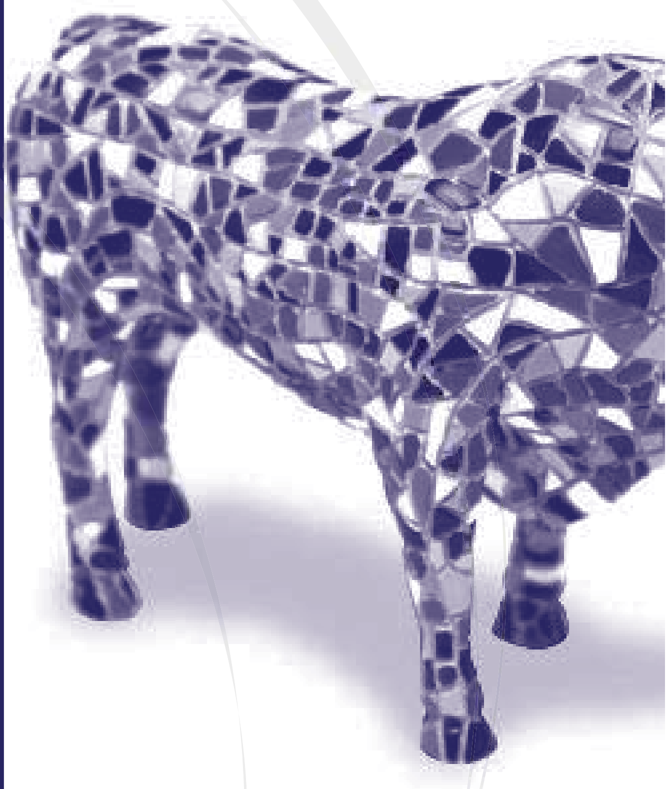
Sasfin has adhered to a combined assurance model in compiling this report, and uses the GRI guidelines to benchmark its sustainability reporting. Version 3.1 of the GRI framework was used in the report. We have once again, reported at a GRI application level C. See page 55 for more details on assurance.

Approval of the integrated report

The board acknowledges its responsibility to ensure the integrity of the integrated annual report. The board confirms that it has reviewed the content of the integrated annual report and believes 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 Report may be directed to the Group Financial Director at investorrelations@sasfin.com



The Raging Bull Award is one of the most prestigious accolades to be bestowed on a portfolio manager for outstanding investment performance.

At the most recent awards ceremony, Sasfin Asset Managers, MET equity fund, managed by David Shapiro, received two Raging Bull Awards, "Best Domestic Equity General Fund" and "Best Broad-based Domestic Equity Fund" and was announced as the "outright" winner for performance over a three-year period in the general equity category.

To excel in the equity category against some of the biggest names in Asset Management depicts Sasfin Asset Managers' ability to interpret and understand markets and deliver superior investment returns to its clients.

AWARDS

Sasfin MET Equity Fund:
Winner of two Raging Bull Awards

CONTENTS

Cross-referencing tools

This icon indicates that additional information is available in the Group's annual financial statements

This icon indicates that additional information is available on the website www.sasfin.com

SASFIN AT A GLANCE

MISSION, MARKETS AND VALUES

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, institutional and private clients.

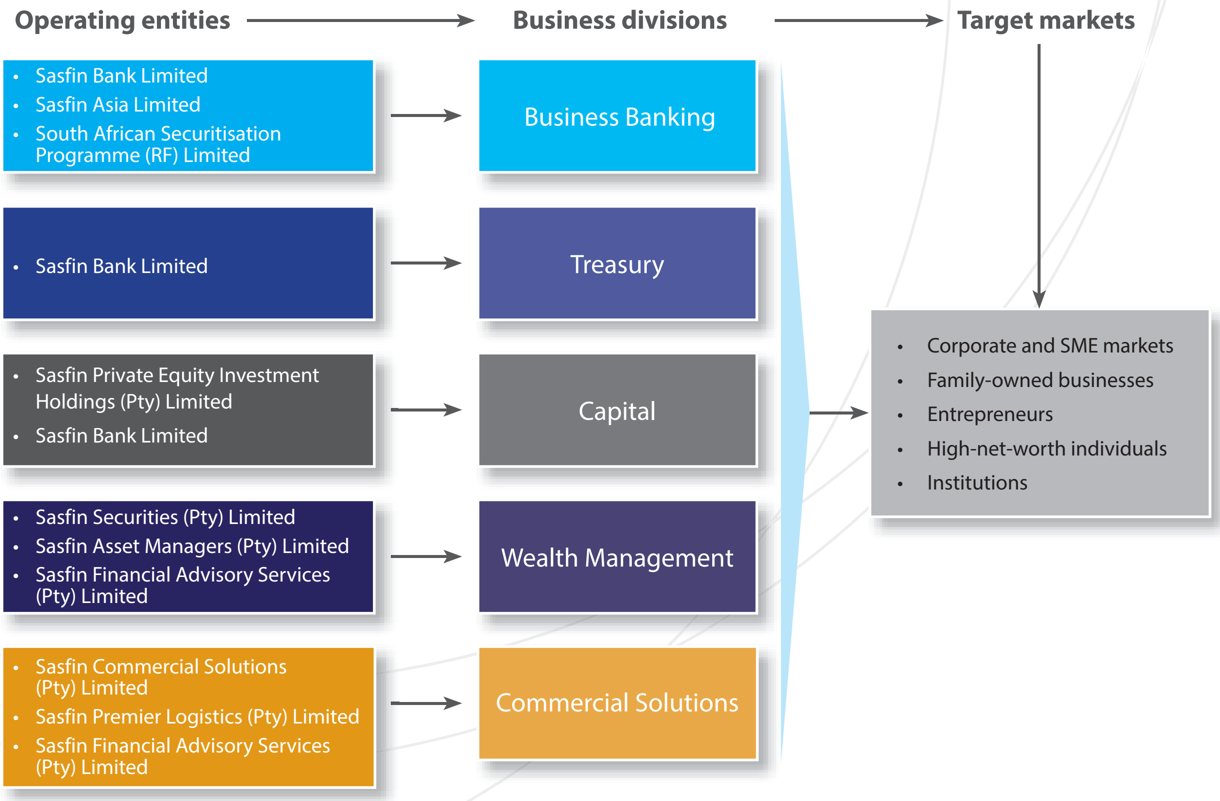
Sasfin partners with each and every client, acting with respect and honesty, to offer tailor-made solutions to meet business challenges. Sasfin believes that a close, high-touch relationship and a thorough understanding of its clients' needs are absolutely essential to deliver the correct financial solution. 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, institutional and private clients seeking wealth creation, enhancement and preservation

OUR VALUES maintaining close relationships with clients and other stakeholders based on respect and integrity

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.

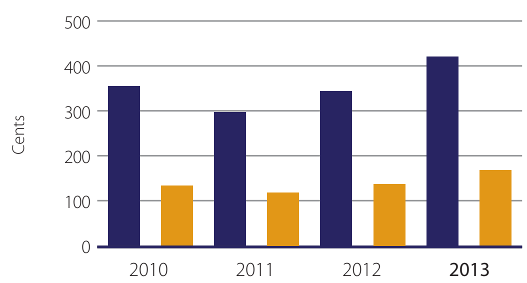


PERFORMANCE REVIEW

Sasfin delivered a positive set of results for the year and significantly strengthened its balance sheet. Refer to page 26 for the detailed financial and segment report.

▲	PROFIT FOR THE YEAR UP	15%	**R153 MILLION** (2012: R133 MILLION)
▲	HEADLINE EARNINGS UP	22%	**R135 MILLION** (2012: R111 MILLION)
▲	HEADLINE EARNINGS PER ORDINARY SHARE UP	22%	**421 CENTS** (2012: 344 CENTS)
▲	DIVIDENDS PER ORDINARY SHARE UP	23%	**168 CENTS** (2012: 137 CENTS)
▲	RETURN ON ORDINARY SHAREHOLDERS' AVERAGE EQUITY UP 200 bps TO	14%	(2012: 12%)

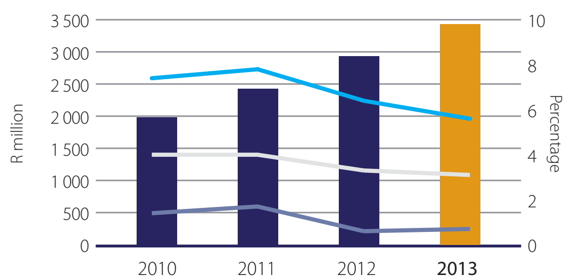
Group headline earnings per share and dividends per share



	2010	2011	2012	2013
HEPS	355	297	344	421
DPS	133	118	137	168

▲	TOTAL EQUITY UP	4%	**R1,22 BILLION** (2012: R1,18 BILLION)
▲	TOTAL ASSETS UP	14%	**R6,3 BILLION** (2012: R5,5 BILLION)
▲	GROSS LOANS AND ADVANCES UP	17%	**R3,4 BILLION** (2012: R2,9 BILLION)
▲	FUNDING BASE UP	12%	**R4,42 BILLION** (2012: R3,96 BILLION)
▼	GROUP CAPITAL ADEQUACY RATIO DOWN 400 bps TO	26%	(2012: 30%)

Group gross loans and advances



	2010	2011	2012	2013
Gross Advances	1 983	2 429	2 931	3 429
NPLs : Advances	7,4%	7,8%	6,6%	5,6%
Provisions : Advances	4%	4%	3,3%	3,1%
Credit Loss Ratio	1,4%	1,7%	0,6%	0,7%

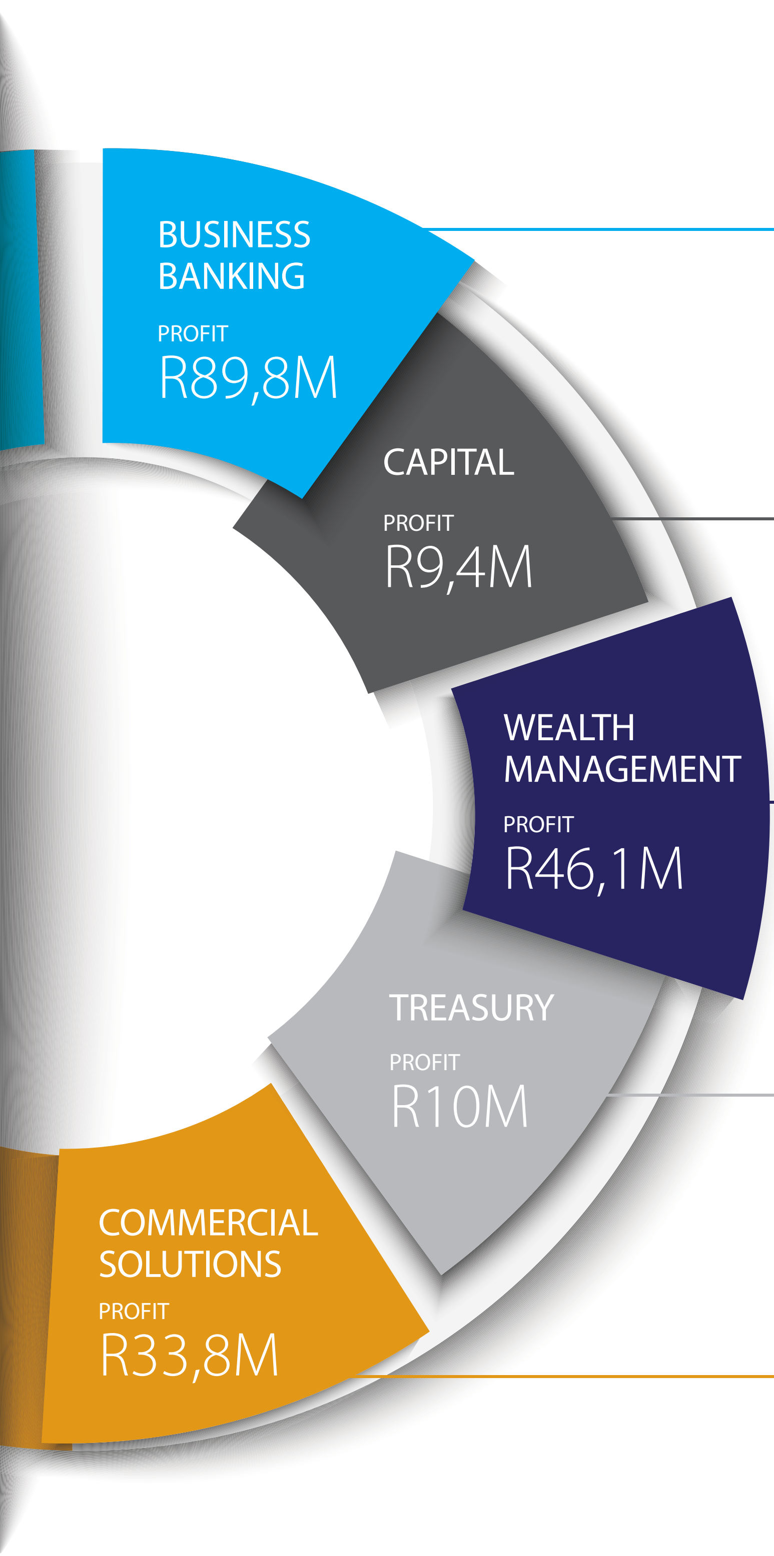
HOW SASFIN GENERATES VALUE AND PROFITS

Overview: Business segments into products and service offerings and the respective contribution to Sasfin's value chain

Sasfin's products and services are designed to protect and grow its clients' net assets and are integrated to create a bespoke solution for their specific needs. 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".

Product offering is client-focused, with financial solutions for the various stages of business and personal wealth life cycles. 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.

Products and services	Client focus	Creating and sustaining value
BUSINESS BANKING		
• **Trade and debtor finance** • **Equipment finance**	A client may enter the "Product Wheel" on the Business Banking side in order to obtain an innovative debt solution to provide working capital for its business. Asset-backed finance for growth and expansion needs. Rental finance for integrated office and operating environments.	Revenue is generated through fee and interest income less interest expense and credit impairments. Profit for the year: R89,8 million (2012: R90,6 million)
CAPITAL		
• **Debt and equity capital markets** • **Private and property equity** • **Mergers and acquisitions** • **Sponsor services**	There is a point in time where the client needs to access the Debt and Equity Capital markets 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.	The revenue generated comprises fees, commission and fair value gains or losses on the Private and Property Equity portfolios. Profit for the year: R9,4 million (2012: R0,1 million)
WEALTH MANAGEMENT		
• **Asset consulting** • **Asset management** • **Financial planning** • **Stockbroking** • **Fixed income**	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 creating wealth on a sustainable basis for its clients and protecting these investments.	Net fees and commission income are generated by the Wealth Management division. Profit for the year: R46,1 million (2012: R31,5 million)
TREASURY		
• **Money market** • **Foreign exchange**	Treasury provides money market products to optimise yields to its depositors and the Bank, being a registered foreign exchange dealer, offers foreign exchange products and services for companies and private clients.	Treasury contributes net interest income and other income to the Group and is a source of key Group funding. Profit for the year: R10 million (2012: R5,9 million)
COMMERCIAL SOLUTIONS		
• **Healthcare and short-term insurance** • **Logistics and trade solutions** • **Verification services** • **Growth Incentives**	Commercial Solutions provides business and financial advisory and complementary services that can be offered along the entire life cycle of the client. These services include risk, freight forwarding, trade solutions, verification services and growth incentives and synergise with the Business Banking and Treasury divisions of the Group.	Fees and commissions are generated by Commercial Solutions. Profit for the year: R33,8 million (2012: R19,2 million)



- Trade Finance, Letters of Credit and Confirming
- Operating Rental and Capital Equipment Finance
- Domestic and Export Debtor Finance

- Debt and Equity Capital Markets
- Private and Property Equity Investments
- Mergers and Acquisitions
- Sponsor Services
- Corporate Financial Advisory

- Asset Consulting
- Asset Management
- Financial Planning
- Stockbroking and Portfolio Management
- Fixed Income Trading

- Money Market and Deposit-taking Activities
- Foreign Exchange Services to Importers and Exporters
- Cash Management

- Healthcare Consulting
- Short-term Insurance Broking
- Logistics and Trade Solutions
- Verification Services
- Growth Incentives
- Treasury Outsourcing

MATERIAL ISSUES

Materiality can be assessed as being those issues that reflect Sasfin's significant financial, manufactured, intellectual, human and social capitals, and which omission or misstatement could significantly influence the decisions of stakeholders with regard to Sasfin's ability to create value over time.

Sasfin has assessed materiality and defined this based on the principles contained in the GRI Guidelines, IFRS and the Consultation Draft of the International Integrated Reporting Framework.

The Group aims to disclose information relevant to the majority of shareholders/readers. Specialist information is available on the website www.sasfin.com.

The material issues inspire the strategic priorities and imperatives; these are interconnected and are equally significant for the sustainability of the Group.

- Attract, retain and develop employees
- Succession planning
- Employment equity

- Service and product offering
- High-touch relationships
- Synergistic products and services
- Asset growth

- Asset growth
- Diversified funding and liquidity
- ROA and ROE targets
- Cost to revenue targets
- Balance sheet management

- Relationships with Regulators
- Compliance
- Capital management

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 socio political and economic environments;
- 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 and SME markets – Institutional – 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 employees • 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 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.

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.

EXECUTING STRATEGIC INITIATIVES

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

Imperatives	Initiatives	Progress made in 2013	Focus for the short-to-medium term	Long-term 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 bundled product offering Proactive mining of clients across various Business Units	Start-to-finish product offering for Trade Finance and Freight and Forwarding clients established Rolled out Customer Relationship Methodology using Group standard procedures within cross-selling/marketing departments	Focus on seamless integration of products Continued attention on cross-selling Ongoing client interaction and mining across all Business Units Roll out Transactional Banking service offering and participate in the National Payments Systems	Fully developed "start-to-finish" solution to clients Top-line growth in all segments Greater revenue across all activities Achieve critical mass in marginal businesses and client retention Enhance the value proposition to clients
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	Banking Group cost-to-income ratio 62% (2012: 71%) Group cost to revenue ratio 72% (2012: 70%) Revenue growth for the year at 16%, while costs grew at 18% Meaningful growth in non-banking activities	Revenue growth in line with budget and targets Cost containment and management Maximise economies of scale, in particular IT systems Meaningful growth in all activities Achieve budgeted Group cost-to-revenue ratio of 67%	Cost-to-income ratio to be in the range of 60% to 65% in the next three to five 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	Start-to-finish product developed within Business Banking Approval obtained from the board and regulatory bodies to proceed with Transactional Banking Continued progress within new markets and establishing a presence Significant improvement in brand awareness	Continued focus on new markets and regional presence Effective infiltration of clients across the various business units Expand regional footprint	Strategically grow the Group's Transactional Banking offering in the medium-to-long term Strategic repositioning of Bank from secondary bank to primary bank for its clients Focus on the entrepreneurial private and SME markets High levels of personalised and value-adding services to clients

Imperatives	Initiatives	Progress made in 2013	Focus for the short-to-medium term	Long-term targeted outcomes
Proactive balance sheet management and capital optimisation	Growth in higher-yielding asset classes Expand, diversify and consolidate a balanced funding base Optimal levels of capital utilisation	A 17% growth achieved in the Business Banking division, in line with budget Improved return on equity from 12% to 14% Funding base remains strong and well diversified Strong asset growth Capital utilisation remains strong, with CAR at 26% down from 30% in 2012	Achieve budgeted return on equity and return on assets, in order to remain on course in meeting targeted returns in the next three to five years Raise funding by developing new structured funding products Improve asset and liability matching in terms of funding and maturity profile	Increase return on equity to be in excess of 20% over the next three to five years Increase return on assets to be in the range of 3% to 4% over the next three to five years Implement and measure performance in terms of RAROC model
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	Plans for future Africa growth remain intact Limited advancement was made in 2013	Pursue business opportunities which will ultimately lead to ventures within Africa and new regions	Partner with businesses that have a presence in Africa Pursue acquisitions that have experience in African countries which synergises with Sasfin's product and service offering Tailor-make products and services for the African market

EXPERIENCE AND EXPERTISE: GROUP DIRECTORS

EXECUTIVE DIRECTORS

RDEB Sassoon (67)

Group 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 of 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 (52)

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 Sasfin Commercial Solutions (Pty) Limited (previously IQuad Group Limited), Sasfin Premier Logistics (Pty) Limited and is a non-executive director of Annuity Properties Limited.

Tyrone has direct responsibility for the Group finance and treasury functions, and funding initiatives of the Group, including balance sheet and capital management.

Prior to joining Sasfin, Tyrone held numerous executive roles in the Deloitte & Touché group and served as the financial director TNBS Mutual Bank.

Tyrone is a qualified CA (SA) and holds a BCompt (Honours) CTA degree from the University of South Africa. He has a 31-year career in the professional services and banking industries.

NON-EXECUTIVE DIRECTORS

CN Axten (77)

Independent Non-Executive Chairman

Norman has an Advanced Management Programme certificate from Harvard University. He 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. Norman will step down as chairman of the board at the AGM In November 2013.

RC Andersen (65)

Independent non-executive director

Roy was appointed as a non-executive director of the Group in 2011.

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, including Aspen Pharmacare and Nampak and is a member of the King Committee on Corporate Governance. Roy qualified as a CA (SA) in 1972, as a Certified Public Accountant (Texas) in 1975 and as a Chartered Director (SA) in 2013.

ETB Blight (73)

Independent non-executive director

Eddie was appointed as a non-executive director of the Group in 2001.

Eddie retired from First National Bank (previously Barclays) after 44 years' service, having been general manager internal audit, security and risk management.

"OUR MISSION IS TO BE THE PREFERRED SPECIALIST BANKING AND FINANCIAL SERVICES PROVIDER IN OUR CHOSEN MARKETS."

GC Dunnington (53)

Independent non-executive director

Grant was appointed as a non-executive director of the Group in 2010.

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 (57)

Independent non-executive director

Dolly was appointed as a non-executive director of Sasfin Bank Limited in 2006 and of the Group in 2007.

Dolly, a qualified attorney and businesswoman and co-founder of Peotona Group Holdings (Pty) Limited, has significant experience in the electricity industry and serves on the boards of various companies. She is currently chairperson of the boards of Total SA, State Diamond Trader and Zurich Insurance. Dolly also serves as chairperson of various non-profit institutions/trusts namely, 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 (67)

Independent non-executive director

John was appointed as a non-executive director of the Group in 2010.

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 (41)

Non-Executive director

Shahied was appointed as a non-executive director of Sasfin Bank Limited in 2006 and of the Group in 2007.

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 Royal Africa Gateway at the beginning of 2003. Shahied holds an accounting and auditing qualification from the University of South Africa.

ALTERNATE EXECUTIVE DIRECTORS

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 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 management within the Group.

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.

Detailed disclosures of directors' board and committee memberships can be found within the Corporate Governance section on page 50, and on the Group's website.

EXPERIENCE AND EXPERTISE: GROUP EXECUTIVE COMMITTEE


Howard Brown


Dina Diamond


David Edwards


Peter Ehrenreich


Neil Eppel


Naseema Fakir


Dale Franklin


Linda Fröhlich


Manus Geyer


Noah Greenhill


Zakhe Khuzwayo


DJ Kumbula


Maston Lane


Eleanor Ofori-Adomako


Gary Patterson


Michael Sassoon


Roland Sassoon


Eileen Smit


Tyrone Soondarjee


Deon van der Westhuizen


Berdine Viljoen

H Brown – General Manager Legal and Compliance and Group Company Secretary

Howard holds BA and LLB degrees from the University of Witwatersrand and a Higher Diploma in Corporate Law from the University of South Africa and is an admitted attorney. He is responsible for all legal and compliance functions within the Group, and for communication with various regulators of the Group, as more fully described within the Compliance statement in this report. He also fulfils the role of Group Company Secretary.

D Diamond – Head Group Marketing

Dina joined Sasfin in July 2013 to head up Group Marketing incorporating Communications, CSI and aspects of Business Development. Dina has over 12 years of experience in the financial services sector and has worked in South Africa and the United States. Dina holds a Bachelor of Arts (UNISA), a Post Graduate Diploma in Management (Wits Business School) and an MBA (Wits Business School).

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.

P Ehrenreich – Chief Executive Officer Sasfin Premier Logistics

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.

L Fröhlich – General Manager Business Banking

Refer to page 11 for further details .

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

Refer to page 11 for further details .

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 heads up the Group's Hong Kong office.

M Sassoon – Chief Executive Officer SasSec and Head of Wealth Management

Refer to page 11 for further details .

R Sassoon – Group Chief Executive Officer and Chairman of the Executive Committee.

Refer to page 10 for further details .

E Smit – Chief Financial Officer – Bank and Group

Eileen is a qualified CA(SA) and holds a B Compt (Honours) degree from the University of South Africa. She is responsible for overseeing the Group Finance function, in particular the Banking and Group activities.

T Soondarjee – Group Financial Director

Refer to page 10 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) degree from Rand Afrikaans University. She is responsible for Group IT matters, including strategy and implementation thereof.

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

REVIEW BY LEADERSHIP
CHAIRMAN'S REPORT

HEADLINE EARNINGS PER ORDINARY SHARE
421 CENTS
▲ 22%

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".

ACHIEVEMENTS FOR FY2013

▲	TOTAL ASSETS UP	14%	R6,3 BILLION (2012: R5,5 BILLION)
▲	TOTAL EQUITY UP	4%	R1,22 BILLION (2012: R1,18 BILLION)
▼	GROUP CAPITAL ADEQUACY RATIO	26%	(2012: 30%)
▲	DIVERSIFIED AND STRONG FUNDING GROWTH OF	12%	R4,42 BILLION (2012: R3,96 BILLION)

It gives me great pleasure to submit my report for Sasfin's 2013 financial year.

Background

In 1987 Sasfin listed on the JSE as a trade and equipment finance company; in 1991 it floated SASP, the oldest securitisation vehicle active in South Africa and in 1999 Sasfin Bank was granted its banking licence. Since its listing, Sasfin has made various acquisitions, including MDM Private Equity, Premier Freight, Frankel Pollak (private client stock broking, corporate finance advisory and financial planning) and IQuad Group Limited (commercial services). These businesses have been developed, integrated and rebranded to form Sasfin, a group that provides its growing base of corporate, institutional, and business and private clients with a wide range of complementary mainstream banking products and financial services, through its five divisions, viz. Business Banking, Wealth, Capital, Treasury and Commercial Solutions.

More information regarding Sasfin's multiline banking model and its divisions is contained in the chief executive officer's report on pages 20 to 25.

Results

I am pleased to report that the Group's performance again improved in the year under review, with headline earnings of R135 million (2012: R111 million) and headline earnings per ordinary share of 421 cents (2012: 344 cents), both up by 22%. Furthermore, the Group's asset base grew by 14% to R6,3 billion, loans and advances by 17% to R3,4 billion, and assets under advisement and management by 31% to R72 billion. Return on Equity improved from 12% to 14%.

Although the Group's efficiency ratio deteriorated from 70% to 72%, the efficiency ratio of the Bank and its subsidiaries improved from 71% to 62%. These ratios remain high when compared with most other banking and financial services groups, which is attributable to Sasfin's relatively high fixed overhead due to the lack of scale in each of its business units; strong personal customer service; relatively low dependence on banking as opposed to more human resource intensive financial service products; and infrastructural costs incurred to gear the Group for future growth. Although these ratios will improve with continued growth, due to the multiline and client centric-nature and size of Sasfin's business they will, for the foreseeable future, remain high when compared with larger banking groups and monoline banks.

Capital adequacy

At year-end, the capital adequacy ratio of the Group was 26% (2012: 30%) and that of the Bank was 22% (2012: 26%), which remain comfortably above the minimum Basel lll prescribed ratio of 9,5%, allowing ample capacity for continued growth.

Funding

The Bank's diversified funding base remains strong having grown by 12% to R4,4 billion, and comfortably meets the relevant Basel lll prescribed liquidity ratios well ahead of the implementation dates. The Bank continued to increase its deposits, which were up by 21% to R2,2 billion.

Economic environment

Global

A cloud of fiscal debt continues to overshadow much of the developed world. With monetary stimulus or quantitative easing ("QE"), the United States, British and Japanese economies are showing tentative signs of recovery. However, much of the Eurozone economy, which has been far more conservative in this regard, remains in recession.

The minutes of a recent US Federal Advisory Council meeting warn that aggressive QE could lead to an "unsustainable bubble". If the United States employment continues to improve, the US Federal Reserve is likely to taper its QE, but will be cautious to avoid deflation and recession, which would be very negative for world growth, especially for developing countries.

As growth in the developing world economy, which now accounts for over 50% of global GNP, led by China, the second largest world economy, declines with subdued demand from its traditional export markets, cracks are starting to appear in the political and economic management and governance structures of many developing countries. With still no convincing signs of a meaningful and sustainable broad based economic recovery, instability could spread and result in further disinvestment in affected countries.

Domestic

South Africa's terms of trade have deteriorated and its current account deficit has widened, which together with an increased fiscal deficit, escalating energy and labour costs and labour unrest, particularly on the mines, is undermining South Africa's competitive position, with GDP growth forecasts now under 2,5% for 2013. Continued foreign disinvestment will keep the Rand weak, but with subdued consumer demand, interest rates are likely to remain fairly stable for the current financial year.

On the other hand, South Africa is benefiting from its geographical position, as much of the rest of the sub-Saharan African economy is growing strongly, which will increasingly flow to South Africa, as the continent's most developed economy.

The South African banking industry

Having shifted focus from retail mortgage lending to unsecured microlending, due to better yields and shorter tenors, bank appetite for this asset class is waning due to escalating consumer credit risks and tighter regulatory supervision. The large banks are now concentrating on growing their franchises in other African countries, where there are better prospects for sustained economic growth. Furthermore, there has been a move from bank corporate lending to DCM funding. The banking industry is thus not expected to achieve meaningful asset growth in South Africa in the short term, which should enable it to comply with the more restrictive capital adequacy and liquidity regulations. Nonetheless, the South African banking industry remains in excellent shape, when compared with the rest of the world, and on average earnings are expected to continue to improve, although most banks' pre-2008 return on equity levels will be unattainable in the short-to-medium term.

Sasfin sustainability and prospects

Continued robust demand from Sasfin's target markets of entrepreneurial, institutional, corporate, small- to medium-sized business and private clients, for its comprehensive product range with "high touch" personal service, is being experienced. Whilst the shift from bank loans to corporate bonds and loans from life companies is not expected to materially affect Sasfin's loans and advances, this presents opportunities for Sasfin's DCM activities, which are being expanded. Sasfin's market share

REVIEW BY LEADERSHIP

CHAIRMAN'S REPORT

in each of its units is continuing to grow, as it increases its sales and marketing infrastructure, including its brand awareness, in order to improve its return on equity after covering the increased fixed cost component of its overhead, particularly in compliance and IT. Subject to macroeconomic conditions, Sasfin is on track to continue to increase its earnings over the next few years.

Appreciation

Thanks are due to Sasfin's valued clients for their support, my fellow directors, management and staff for their dedicated commitment, Sasfin's professional advisors, the South African Reserve Bank and the Financial Services Board for their invaluable guidance, and our shareholders for their faith in Sasfin.

As I mentioned in my previous report, I will be retiring at the forthcoming annual general meeting, having served 14 enjoyable and fulfilling years as a non-executive director of the Company and the Bank, of which the last two were as chairman. It is particularly satisfying that my retirement has come at a time when the Group has laid a solid foundation for its continued growth.

I have every confidence in my successor, Roy Andersen, the board and Sasfin's management and staff to continue to grow the Group, and I take this opportunity of wishing Roy every success in his endeavours as chairman of the Company and the Bank.

Norman Axten
Non-executive Chairman

11 September 2013

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.

The adjacent diagram depicts 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 this code. Engagement levels seek to include various parties in the Group's internal and external environment, as illustrated.

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	Interaction and frequency	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 Offer transactional capability	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 Implementing a transactional banking service offering to enhance our value proposition to clients
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	Secured further long-term funding to support sustainable entrepreneurial growth Competitive pricing to attract well-spread term deposits

STAKEHOLDER ENGAGEMENT continued

Key stakeholders	Interaction and frequency	Material issues	Sasfin's strategic response
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 Regular 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, 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 sustainable returns on a risk adjusted basis Developed strategic initiatives to deliver on three- to five-year targets to achieve growth in equity
Directors, management and employees			
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 surveys Regular email and intranet communications Quarterly HR magazine Internal training programmes Regular 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
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

<table>
<tr><th>Key stakeholders</th><th>Interaction and frequency</th><th>Material issues</th><th>Sasfin's strategic response</th></tr>
<tr><td colspan="4">Social and environmental communities</td></tr>
<tr><td>Increasing the provision of finance to the SME sector, 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</td><td>Social and environmental due diligence report

Liaison with the Banking Association of South Africa

Corporate social investment

Wealth creation</td><td>Integrate environmental and social considerations into Sasfin's business processes

Contribute to job creation in the SME market

Continued corporate social investment</td><td>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</td></tr>
</table>

CHIEF EXECUTIVE OFFICER'S REPORT

HEADLINE EARNINGS
R135 MILLION
▲ 22%

THE GROUP'S ACHIEVEMENTS

▲	LOANS AND ADVANCES UP	17%	R3,4 BILLION (2012: R2,9 BILLION)
▲	FUNDS UNDER ADVISEMENT AND MANAGEMENT UP	31%	R72 BILLION (2012: R55 BILLION)
▲	HEADLINE EARNINGS PER SHARE UP	22%	421 CENTS (2012: 344 CENTS)
▲	RETURN ON ORDINARY SHAREHOLDERS' EQUITY UP 200 bps	14%	(2012: 12%)
▲	DIVIDENDS PER ORDINARY SHARE UP	23%	168 CENTS (2012: 137 CENTS)

Sasfin's business model and plan

Since Sasfin was granted a banking licence 14 years ago, at a time when it was a small trade and equipment financier, it has come of age as a mature yet dynamic institution with five well managed and viable divisions, which combine to create a comprehensive and compelling banking product and financial service offering to its target markets of entrepreneurial private, business, corporate and institutional clients.

This objective was achieved despite many obstacles along the way, including the small bank crisis just after the turn of the century, when some 30 South African banks lost or gave up their licences, the credit crunch of 2008 and the subsequent deluge of regulation, and entailed a steep learning curve, whilst all the building blocks of new products, management and staff, IT and other systems and processes, corporate governance and compliance, were put in place.

Sasfin's business model and plan is to offer its clients a unique value proposition of a comprehensive range of mainline banking products and financial services, with "high touch" personal service, provided that each product and service stands on the following four pillars:

- Viability – in relation to capital employed, risk and overhead
- Competitive positioning – against mainstream and monoline players
- Scalability – to achieve optimal critical mass relative to Group size
- Synergism and complementarity – with other Group products and services

Sasfin continuously assesses prospective products, with a view to launching those that will enhance its value proposition as and when the right conditions prevail.

Divisional resumé and update

The following chart reflects the divisional contributions to Group profits for the year under review:

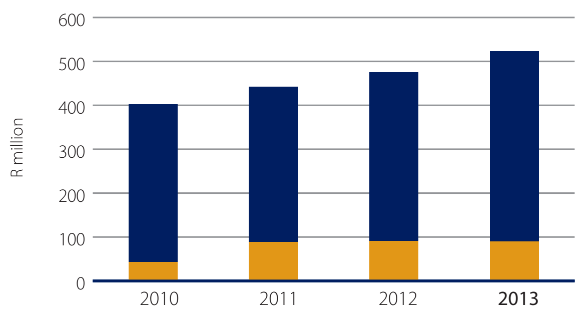
Business Banking division

This division provides:

- Trade Finance with services comprising procurement, order confirmations and letters of credit, foreign exchange services and offshore finance through SAL and domestic finance through the Bank. These services can be combined with the Commercial Solutions division's freight and marine insurance services to provide the client with an all-embracing "start to finish" service for their foreign trade
- Domestic and Export Debtor Finance in the forms of full factoring services and confidential and disclosed invoice discounting
- Operating rental, financial lease and instalment sale finance for all types of equipment, from light office automation to heavy plant and machinery, as well as residual rentals provided by associate, InnoVent in South Africa, Zimbabwe, Zambia, Tanzania and the United Kingdom.

There is strong and sustainable demand for these products, which this division is well positioned to meet in terms of its strong management, human resources, IT and funding.

The revenue and profits of this division, which accounted for 59% of Group profits, are reflected in the following chart. Despite an increase in loans and advances of 17%, the profit contribution of this division was static when compared with 2012, due to an increased credit loss ratio of 70 bps (2012: 60 bps), tighter lending margins and the fact that most of the growth occurred towards the year-end.

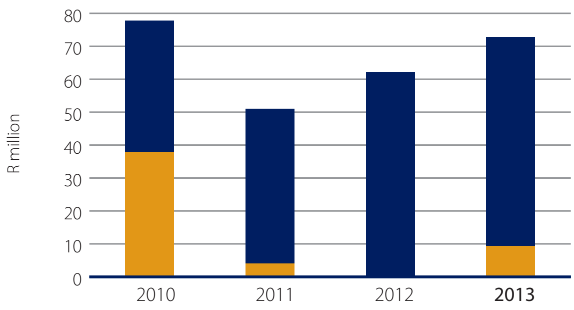


	2010	2011	2012	2013
Revenue	403	442	475	523
Profit	43	88	91	90

CHIEF EXECUTIVE OFFICER'S REPORT continued

Capital division

As reflected in the following chart, this division, comprising both corporate financial advisory services and private equity investment, has resumed a positive, albeit modest, contribution to Group profits.



	2010	2011	2012	2013
Revenue	78	51	62	**77**
Profit	38	4	0	**9**

It is pleasing to report that the issues that have plagued the private equity unit over the past few years have finally been resolved, with write-downs or disposals of the last of the underperforming legacy investments. Sasfin's revised private equity model of club deals with other private equity houses and managed funds through associates, Annuity Properties Limited and Trinitas Private Equity (Pty) Limited, is functioning well and the profitability of this unit is expected to continue to improve.

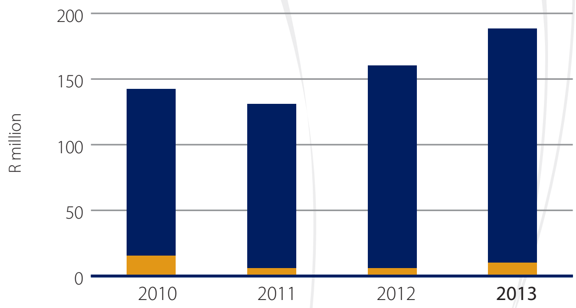
Sasfin's Corporate Finance team under new and dynamic management is active with mergers and acquisitions, listings and DCM issues and the profitability of this unit should continue to improve.

Treasury division

This division, which funds the Group through a diversified mix of deposits, DFI loans, inter-bank facilities and DCM instruments, such as securitisation and preference shares, has developed skills to minimise the Bank's significant carry costs, whilst it continuously grows its funding war chest.

The Bank's foreign exchange activities as an authorised dealer, which are also housed in this division, are now at break-even level. This unit is expected to make a positive contribution to profits in the current financial year, as its turnover continues to grow, assisted by its recently established Stellenbosch branch.

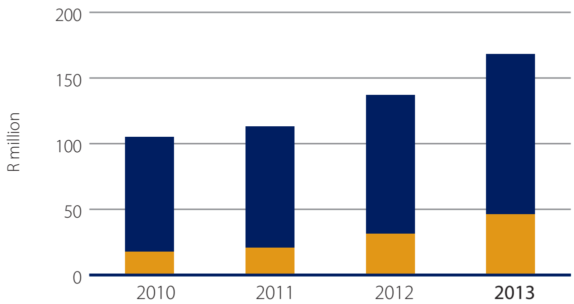
The following chart reflects the profitability of this division:



	2010	2011	2012	2013
Revenue	143	131	160	**188**
Profit	16	6	6	**10**

Wealth Management division

As reflected in the following chart, the performance of this division, which comprises stock broking, asset management and consulting and financial planning units, has improved, with growth in funds under advisement and management of 31% to R72 billion.



	2010	2011	2012	2013
Revenue	105	113	137	**168**
Profit	18	21	32	**46**

SasSec (formerly known as Sasfin Frankel Pollack Securities (Pty) Limited), a private client stock broker, whose origins date back to the 19th century, is established in all the major centres of South Africa, and is growing strongly.

It is a tribute to the Asset Management unit that it won two raging bull awards against fierce competition from over 200 equity funds, whilst the Asset Consulting unit has succeeded in growing its mandates from pension funds and other institutional investors.

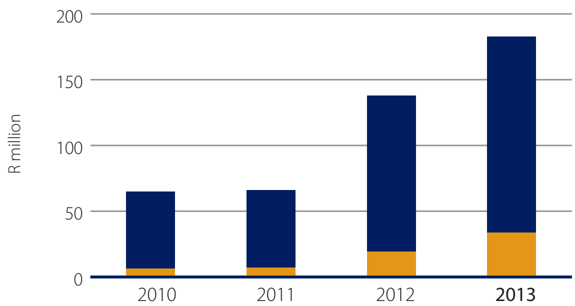
The Financial Planning unit is also growing strongly.

This division has recently launched a DCM advisory and trading unit, for which it has recruited a high-powered team, to trade in fixed income instruments on behalf of institutional clients and benefit from the shift that is taking place from bank lending.

NVest, an associate that provides stock broking and financial planning services mainly in the Eastern Cape, continues to perform well.

Commercial Solutions division

This division comprises treasury outsourcing, government incentives, duty drawbacks, logistics and short-term insurance broking, including healthcare consulting. The acquisitions of the remaining shares in Sasfin Commercial Solutions Limited (previously IQuad Group Limited) and Sasfin Premier Logistics (Pty) Limited (previously Premier Freight (Pty) Limited), has enabled Sasfin to break down the silo structure that existed and rationalise the management of this division. Mainly as a result of these acquisitions, this division is now making a far stronger contribution to Group profits, as reflected in the following chart:



	2010	2011	2012	2013
Revenue	65	66	138	**183**
Profit	6	7	19	**34**

The logistics unit, which has undergone significant management changes, has improved its performance, as have the treasury outsourcing, incentives and short-term insurance broking and health care consulting units.

The Management Consulting unit was exchanged for a 39% shareholding in the larger BEE verification company, SAB&T BEE Services (Pty) Limited.

This division has also started to provide energy efficiency consulting and procurement services to corporate clients.

CHIEF EXECUTIVE OFFICER'S REPORT continued

Performance overview of the year under review

It is pleasing to report that, in addition to strong all round financial performance in terms of earnings, capital adequacy and liquidity, as set out in the Chairman's report on pages 14 to 16, the Group has substantially met its other objectives for the year under review, as reflected in the following schedule:

Strategic objective	Status	Performance
• Sustainable growth	Achieved	• Good growth experienced across the board.
• Proactive cross-selling process including bundled offerings	Partially achieved	• There has been a marked improvement.
• Acceptable level of BEE, including shareholding with right partners	Not yet achieved	• Investigating and pursuing new initiatives.
• Integration of Commercial Solutions division	Achieved	• This division has been integrated into the Group.
• Level of transaction ability on deposit accounts	Not yet achieved	• Progress has been made and the Transaction Banking division should be launched in 2014/2015.
• Increase in non-asset dependent fee income	Achieved	• The Commercial Solutions and Wealth Management divisions grew their share of Group profits by 14%.
• Limited growth in the cost base relative to earnings growth, resulting in drop in the efficiency ratio	Not yet achieved	• Whilst the efficiency Ratio of the Bank and its subsidiaries has improved from 71% to 62%, the Group ratio has deteriorated from 70% to 72%, partly due to the relative growth in HR intensive non-banking products.
• Increase in Assets under Management and Advisement in the Wealth Management Division – migrate "deal and execution" accounts to "discretionary" accounts	Achieved	• Funds under advisement and management grew by 31% to R72 billion.
• Marginal units: ✓ To be potentially viable and strategically fit Sasfin's business model and service offering. ✓ To deliver clear strategy to achieve a positive contribution by June 2013	Achieved	• All units strategically fit Sasfin's business model and service offering and are currently making a positive contribution to Group profits.
• Three-year targets: ✓ ROE > 20% ✓ ROA = 4% ✓ Efficiency ratio < 65%	Partially achieved	• ROE has increased from 12% to 14%. • ROA has remained flat at 2%. • Efficiency ratio has deteriorated from 70% to 72%.

Objectives, initiatives and prospects

Sasfin's main objectives for the current financial year are:

- To continue to increase funding through both term deposits and DCM instruments to facilitate Sasfin's ongoing growth
- To profitably grow its existing divisions, thereby benefiting from economies of scale as each unit approaches optimal levels of critical mass, without compromising its standards of quality or risk, thereby improving efficiency and return on equity ratios
- To investigate prospective products with a view to expanding Sasfin's product range
- To investigate prospective markets with a view to penetrating new markets
- To improve its BEE status, which largely due to revised targets under the generic codes has slipped from level four to level six
- To continue to upgrade its IT infrastructure to improve efficiency and client service
- To set up a transactional banking offering. The Bank is aiming to launch in 2014/2015 a new division for this activity, which is in the process of being established.

As stated above, the prospects for each division is positive, which augurs well for the Group.

Appreciation

I congratulate Linda Fröhlich (General Manager, Business Banking Division), Maston Lane (Group Chief Operating Officer) and Michael Sassoon (General Manager, Wealth Division) on their well-deserved appointments as alternate executive directors of the Company and the Bank, and thank Sasfin's competent and dedicated board of directors, management and staff for their outstanding performance during a year of considerable all-round development and growth. I have every confidence in their ability to continue to achieve sustainable growth for the Group in revenue and profits.

I take this opportunity of thanking our retiring chairman, Norman Axten, for his invaluable service as a non-executive director of Sasfin over the past 14 years since Sasfin has had its bank licence. Norman added immense value to Sasfin, through his extensive banking knowledge and experience, contacts and wise counsel and leadership. We all wish Norman a relaxed, happy and healthy retirement. On a personal note, Norman has been a wonderful mentor to me and he will be sadly missed.

I also take this opportunity of congratulating and welcoming Roy Andersen on his appointment as the new chairman of the Company and the Bank with effect from Sasfin's forthcoming annual general meeting. Roy is highly qualified for this position, both academically and by experience, and I look forward to working closely with him in the future.

Roland Sassoon
Chief Executive Officer

11 September 2013

FINANCIAL DIRECTOR'S REPORT AND SEGMENTAL REVIEW

NON-INTEREST INCOME
R534 MILLION
▲ 19%

THE GROUP'S ACHIEVEMENTS

▲ TOTAL INCOME GROWTH OF	16%	(2012: 21%)
▲ CREDIT LOSS RATIO	70 bps	(2012: 60 bps)
▲ PROFIT BEFORE TAX UP	9%	R191 MILLION (2012: R174 MILLION)
▲ PROFIT FOR THE YEAR UP	15%	R153 MILLION (2012: R133 MILLION)
▲ GROWTH IN DEPOSITS OF	21%	R2,2 BILLION (2012: R1,8 BILLION)

Financial review

The South African economy has faced a challenging environment, with high levels of social unrest and strike activities across many sectors. Coupled with the escalating energy crisis, South Africa's competitive edge is being undermined. These factors materially affected the domestic markets and heightened concerns about the growth needed to stimulate the economy. Unemployment levels remained high, with increased levels of consumer debt driven largely by unsecured lending.

Notwithstanding the negative and uncertain global banking environment, the South African banking industry remains in good shape when compared to the rest of the world, due to the sound regulatory and supervisory framework and strong capital levels of the local banks.

Sasfin delivered a positive set of results with a profit of R153 million (2012: R133 million) for the year under review and significantly strengthened its balance sheet. Total assets grew by 14% to R6.3 billion year on year, underpinned by further growth in the Business Banking division, where loans and advances reached R3,4 billion, a 17% increase over 2012. The Group enhanced its financial position by expanding and lengthening its funding base, which resulted in a healthy surplus liquidity position in excess of R1,5 billion (2012: R1,5 billion).

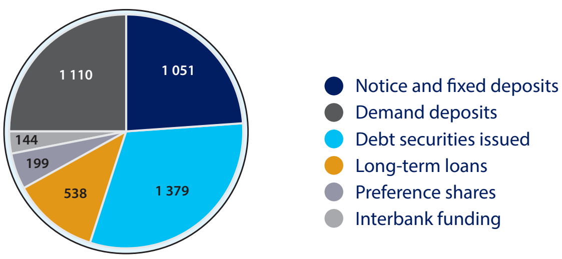
A combination of strong revenue growth, tightened cost control and a lower tax charge, helped Group headline earnings to grow by 22% to R135 million (2012: 16% to R111 million), and headline earnings per share came in at 421 cents (2012: 344 cents) showing a similar increase. The Group benefited from a lower tax charge in the current year largely attributable to secondary tax on companies, and some revenue streams at lower tax rates.

Total income grew by an encouraging 16% for the year, driven by the Group's increasing top-line growth initiatives and expansion of the non-interest revenue base, which achieved a 19% increase over the corresponding period in 2012 largely due to improved performance in the non-banking activities of the Group. Group costs reflect an 18% increase over 2012, primarily due to the IQuad cost base being consolidated into the Group for the full financial year, increased software amortisation costs and staff growth. Excluding this, a cost increase of 11% year-on-year was recorded to support the growth initiatives of the Group. The Group's cost-to-income ratio remained high at 72%, and is above the Group's target range, however, with the increased focus on top-line revenue generation, this ratio is expected to show a downward trend going forward. The Banking Group reported an improved cost to revenue ratio of 62%, down from 71% in the prior year.

Statement of financial position, capital and liquidity

The Group's deposit and funding continued to grow, with an improved deposit mix and maturity profile. This funding base enhanced the ability of the Bank to meet the stringent Basel III liquidity ratios in a sustainable manner. The Group's liquidity position remains very healthy with adequate liquidity buffers held for stress situations that may arise.

Group funding mix 2013



R4,42 billion (2012 – R3,9 billion)

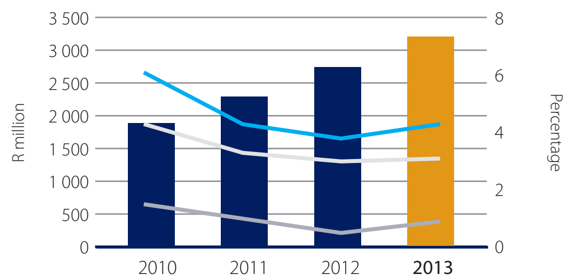
Sasfin's securitisation vehicle, a leader in its market, continues to perform well and re-financed R240 million of maturing notes at favourable terms during the financial year, and post year end a further R362 million. Both issues of refinance were oversubscribed in excess of three times. The Group is building on its debt capital market capabilities and is exploring various structured debt products to take to market.

Whilst the Group's capital adequacy ratio has declined by 400 bps to 26% (2012: 30%) due to the new Basel III capital requirements and the growth in assets, the Group remains well capitalised per Basel III which came into effect in January 2013, with a primary tier I capital ratio of 23% (2012: 26%), which is the main measure of capital strength. The Group is pleased to report that it complies with the new Basel III requirements both at a liquidity and capital level, well ahead of their respective implementation dates.

Segmental overview

- The Business Banking division delivered a solid set of results, with profit for the year of R90 million (2012: R91 million). The key drivers were strong growth in loans and advances, margin retentions and a below budget impairment charge. The Group credit loss ratio showed a marginal increase to 70 bps during the year from 60 bps in 2012, highlighting the inherent asset quality in Sasfin's lending book and sound credit processes. Non-performing loans remained flat at a Group level, notwithstanding the growth in the book, and amounted to 5,6% and 6,5% of gross loans and advances at June 2013 and June 2012, respectively. At a business banking level, gross loans and advances, non-performing loans and credit loss ratio are reflected hereunder.

Business Banking: Loans and advances

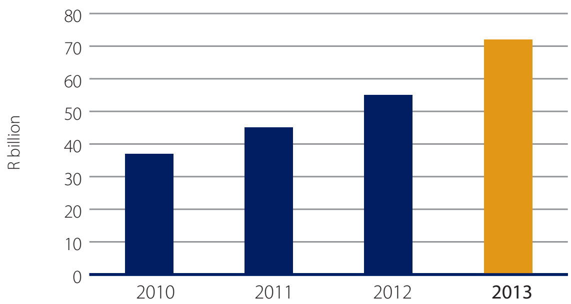


	2010	2011	2012	2013
Gross advances	1 889	2 290	2 741	3 212
NPLs : advances	5,8%	4%	3,5%	4%
Provisions : Advances	4%	3%	2,7%	2,8%
Credit loss ratio	1,2%	0,7%	0,2%	0,6%

FINANCIAL DIRECTOR'S REPORT AND SEGMENTAL REVIEW continued

- The Wealth Management division achieved impressive profit growth from R31 million to R46 million, an improvement of 46% year-on-year. The Stockbroking unit experienced an increase in local and global managed portfolios resulting in improved annuity income. The Asset Management unit developed a fully-fledged offering with an effective distribution channel. The Wealth Management division, which recently brought on board an experienced fixed income and bond trading team, is well-positioned to become a key profit driver for the Group. Funds under advisement and management now amounts to R72 billion (2012: R55 billion), an increase of 31% from 2012, as reflected hereunder.

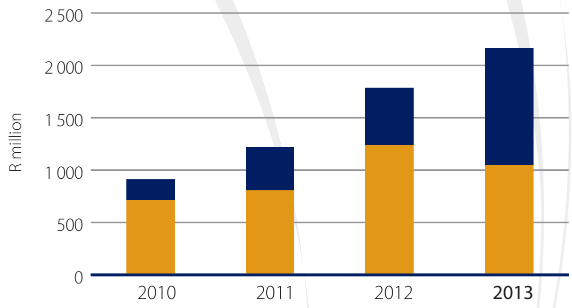
Funds under advisement and management



2010	2011	2012	2013
37	45	55	**72**

- The Treasury division, whilst growing its deposit base by a satisfactory 21% to R2,2 billion, continued with its expansion activities in its foreign exchange business through an expanded regional footprint and new sales channels. These combined efforts resulted in the division achieving a positive contribution to Group profits.

Deposits



	2010	2011	2012	2013
Notice and fixed deposits	195	409	551	**1 110**
Demand deposits	717	807	1 236	**1 051**

- The Capital division, following two years of disappointing results, is showing signs of recovery, having addressed most of its legacy private equity issues. The division showed an increase in earnings to R10 million from a break-even position in 2012, assisted by an improved performance from the Corporate Finance unit.

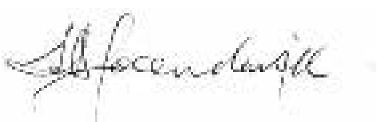
- The Commercial Solutions division, which comprises logistics, short-term insurance, healthcare consulting and business advisory activities of the Group, produced an outstanding set of results with earnings growing by 75% to R34 million. This was primarily due to a strong performance from the wholly-owned IQuad Group Limited, renamed Sasfin Commercial Solutions (Pty) Limited, which has been fully integrated into the Group. This segment is growing encouragingly and achieving scale, and remains on track to becoming a meaningful contributor to the Group's earnings in the future.

Collectively, Sasfin's five divisions drive business value creation, supported by the Corporate Services departments who partner with these divisions and are responsible for finance, human resources, risk management, information technology, credit management, compliance and legal, internal audit and Group marketing.

The Group's value creation and allocation thereof are reflected hereunder.

2013 Value created 2012

2013 Value allocated 2012



Tyrone Soondarjee

Group Financial Director

11 September 2013

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2013

These summarised consolidated annual financial statements comprise a summary of the audited consolidated annual financial statements of the Group for the year ended 30 June 2013 which were approved by the board on 11 September 2013. The preparation of the audited summarised consolidated annual financial statements was supervised by the Group Financial Director, Tyrone Soondarjee CA (SA) and they have been audited by the independent auditors, KPMG Inc. and Grant Thornton (Jhb) Inc., whose unmodified audit report is available for inspection at the Group's registered office.

The summarised consolidated annual financial statements are not the Group's statutory accounts and do not contain all the disclosures required by IFRS. Reading the summarised consolidated annual financial statements is therefore not a substitute for reading the audited consolidated annual financial statements of the Group, as they do not contain adequate information to allow for a complete understanding of the results and state of affairs of the Group. The audited consolidated annual financial statements are available online: www.sasfin.com or can be obtained from the Company Secretary.

Basis of preparation and presentation of the annual consolidated financial statements

The summarised consolidated annual financial statements are prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards and presented in accordance with the minimum content, including disclosures, prescribed by IAS 34 Interim Financial Reporting, applied to year-end reporting, SAICA Financial Reporting Guides and the JSE Listings Requirements.

These summarised audited results are a summary of the consolidated annual financial statements that are prepared in thousands of South African Rand ("R'000") on the historical cost basis, in accordance with IFRS and the Companies Act, except for certain financial assets and liabilities which are recognised at fair value.

The accounting policies are those presented in the annual financial statements for the year ended 30 June 2013 and have been applied consistently to the periods presented in these audited summarised consolidated financial statements and with those of the previous financial year, and by all Group entities.

Post year end, SASP successfully refinanced R362 millon of maturing notes and these notes were placed over a three to five year tenor.

These summarised consolidated annual financial statements were approved by the board of directors on 11 September 2013 and were signed on its behalf by:

CN Axten
Non-executive Chairman

11 September 2013

RDEB Sassoon
Chief Executive Officer

11 September 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June

	Note	2013 R'000	2012 R'000
Assets			
Cash and cash balances		**1 021 186**	1 477 648
Short-term negotiable securities		**573 898**	69 056
Loans and advances to customers	1	**3 309 235**	2 834 420
Financial assets held for trading	2	**284 372**	–
Other receivables		**482 668**	449 382
Non-current assets held for sale		**–**	50 614
Investment securities		**338 247**	342 145
Investments in associated companies		**107 353**	89 898
Property, plant and equipment		**53 801**	57 392
Taxation		**3 114**	8 480
Intangible assets and goodwill		**71 822**	85 506
Deferred tax asset		**7 098**	7 952
Total assets		**6 252 794**	5 472 493
Liabilities			
Interbank funding		**143 819**	137 717
Deposits from customers	3	**2 161 141**	1 787 300
Financial liabilities held for trading	2	**280 942**	–
Debt securities issued		**1 378 691**	1 297 986
Long-term loans		**538 247**	538 576
Other payables		**455 929**	455 357
Taxation		**4 626**	5 037
Deferred tax liability		**62 695**	70 305
Total liabilities		**5 026 090**	4 292 278
Equity			
Ordinary share capital and share premium	4	**144 327**	162 732
Reserves		**883 099**	799 964
Preference share capital and share premium		**199 278**	199 278
Total equity attributable to equity holders of the Group		**1 226 704**	1 161 974
Non-controlling interest		**–**	18 241
Total equity		**1 226 704**	1 180 215
Total liabilities and equity		**6 252 794**	5 472 493
Commitments and contingent liabilities	5	**378 273**	287 273

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

	Note	**2013 R'000**	2012 R'000
Interest income		**473 686**	434 000
Interest expense		**253 479**	231 914
Net interest income		**220 207**	202 086
Non-interest income		**533 562**	448 230
Total income		**753 769**	650 316
Impairment charges on loans and advances		**22 376**	16 594
Net income after impairments		**731 393**	633 722
Operating costs		**561 046**	474 659
Staff costs		**299 244**	245 774
Other operating expenses		**261 802**	228 885
Profit from operations		**170 347**	159 063
Share of associated companies' income		**20 453**	15 452
Profit before income tax		**190 800**	174 515
Income tax expense		**38 226**	41 561
Profit for the year		**152 574**	132 954
Profit attributable to:			
Non-controlling interest		**2 860**	5 741
Preference shareholders		**13 472**	12 859
Equity holders of the Group		**136 242**	114 354
Profit for the year		**152 574**	132 954
Earnings per ordinary share (cents)	6	**423**	355
Diluted earnings per ordinary share (cents)		**423**	355
Headline earnings per ordinary share (cents)	6	**421**	344
Diluted headline earnings per ordinary share (cents)		**421**	344

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

	2013 R'000	2012 R'000
Profit for the year	**152 574**	132 954
Other comprehensive income for the year, net of income tax	**4 337**	4 162
Items that are or may be subsequently reclassified to profit or loss:		
Foreign exchange differences on translation of foreign operation	**33 428**	25 875
Net gains on remeasurement of available-for-sale financial assets	**900**	–
Gains on re-measurement of available-for-sale financial assets	**1 380**	–
Income tax effect	**(480)**	–
Net loss on hedge of net investment in foreign operation	**(27 894)**	(21 713)
Loss on hedge of net investment in foreign operation	**(38 742)**	(30 157)
Income tax effect	**10 848**	8 444
Items that will never be reclassified to profit or loss:		
Derecognition of revaluation reserve	**(2 097)**	–
Total comprehensive income for the year	**156 911**	137 116
Profit attributable to:		
Non-controlling interest	**2 860**	5 741
Preference shareholders	**13 472**	12 859
Equity holders of the Group	**140 579**	118 516
Total comprehensive income for the year	**156 911**	137 116

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	2013 R'000	2012 R'000
Opening total shareholders' equity	**1 180 215**	1 108 871
Total comprehensive income for the year	**156 911**	137 116
Profit for the year	**152 574**	132 954
Other comprehensive income for the year		
Available-for-sale reserve	**900**	–
Property revaluation reserve	**(2 097)**	–
Foreign currency translation reserve	**33 428**	25 875
Hedging reserve	**(27 894)**	(21 713)
Transactions with owners recorded directly in equity		
Movement in non-controlling interest	**(21 101)**	(3 936)
Treasury shares	**(18 405)**	–
Derecognition of revaluation reserve	**2 097**	–
Changes in ownership interests in subsidiaries	**(11 735)**	(10 498)
Share-based payments reserve movements	**–**	(363)
Preference share dividend	**(13 472)**	(12 859)
Ordinary share dividend	**(47 806)**	(38 116)
Closing balance	**1 226 704**	1 180 215

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

	2013 R'000	2012 R'000
Cash flows from operating activities	88 586	99 457
Movement in operating assets and liabilities	(52 790)	358 742
Change in loans and advances	(497 191)	(518 028)
Change in funding	80 376	297 856
Change in other receivables	(6 958)	(75 428)
Change in financial assets held for trading	(284 372)	–
Change in deposits	373 841	571 854
Change in financial liabilities held for trading	280 942	–
Change in other payables	572	82 488
Net cash flows from operating activities	35 796	458 199
Net cash flows from investing activities	19 416	129 124
Net cash flows from financing activities	(18 405)	–
Net increase in cash and cash equivalents	36 807	587 323
Cash and cash equivalents at beginning of the year	1 408 987	817 185
Effect of exchange rate fluctuations on cash held	5 471	4 479
Cash and cash equivalents at end of the year	1 451 265	1 408 987
Cash and cash equivalents comprise:		
Cash and cash balances	1 021 186	1 477 648
Short-term negotiable securities	573 898	69 056
Interbank funding	(143 819)	(137 717)
Cash and cash equivalents at end of the year	1 451 265	1 408 987

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June

	2013 R'000	2012 R'000
1. Loans and advances to customers		
Gross loans and advances		
Instalment finance	**2 317 251**	2 102 800
Capital equipment finance	**282 463**	179 320
Debtor finance	**212 848**	125 158
Trade finance	**399 712**	333 714
Other secured loans	**203 768**	190 144
Loans and advances	**3 416 042**	2 931 136
Credit impairments for loans and advances	**(106 807)**	(96 716)
Impairments for non-performing loans and advances	**(97 071)**	(84 526)
Impairments for performing loans and advances	**(9 736)**	(12 190)
Loans and advances	**3 309 235**	2 834 420
Comprising:		
Gross investment in loans and advances	**4 023 182**	3 470 071
Less: Unearned finance charges	**(607 140)**	(538 935)
Investment in loans and advances	**3 416 042**	2 931 136

2. Financial assets and liabilities held for trading

The financial assets and financial liabilities held for trading relate to the fixed income trading book. The trading book consists of rated bond positions all traded through the JSE Limited. The long and short bond positions are separately disclosed, as the set-off criteria do not apply. The financial assets held for trading are hedged by the financial liabilities held for trading and therefore interest rate risk is minimised.

	2013 R'000	2012 R'000
Government	**4 755**	–
Government-owned entities	**68 882**	–
Municipalities	**7 083**	–
Corporates and other	**203 652**	–
Financial assets held for trading	**284 372**	–
Government	**274 091**	–
Corporates and other	**6 851**	–
Financial liabilities held for trading	**280 942**	–

3. Deposits from customers

	2013 R'000	2012 R'000
Demand deposits	**1 051 111**	1 236 066
Notice deposits	**597 227**	356 154
Fixed deposits	**512 803**	195 080
	2 161 141	1 787 300

	2013 R'000	2012 R'000
4. Ordinary share capital and share premium		
Balance at the beginning of the year	**162 732**	162 732
Treasury shares	**(18 405)**	–
Balance at the end of the year	**144 327**	162 732

During the year a subsidiary company of the Group bought 500 000 ordinary shares of the Company to the value of R18.4 million, as a hedge for the Group's share appreciation scheme. These shares are held as treasury shares, and therefore eliminate on consolidation, effectively reducing the reported capital by this amount at a Group level.

5. Commitments and contingent liabilities

	2013 R'000	2012 R'000
Commitments		
Capital expenditure authorised and contracted for	**896**	58
Non-cancellable operating lease rentals for premises are payable as follows:	**301 089**	247 854
One year	**27 895**	24 383
One to five years	**116 454**	88 201
> than five years	**156 740**	135 270

Funds to meet these commitments will be provided from internal Group resources or external funding arrangements as deemed necessary.

	2013 R'000	2012 R'000
Contingencies		
Unutilised letters of credit established and confirmed orders placed on behalf of clients	**28 729**	23 698
Suretyship	**10 000**	–
Guarantees	**37 559**	15 663
	378 273	287 273

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.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 30 June

	Gross R'000	Direct tax R'000	Non-controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
6. Earnings per share				
Headline earnings				
2013				
Profit before direct taxation	**190 800**	**38 226**	**16 332**	**136 242**
Headline adjustable items reversed	**(792)**	**(5)**	**–**	**(787)**
Profit on sale of property and equipment – IAS 16	**(19)**	**(5)**	**–**	**(14)**
Gain on the disposal of businesses and divisions – IAS 27	**(773)**	**–**	**–**	**(773)**
	190 008	**38 221**	**16 332**	**135 455**
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

	2013	2012
Weighted average number of ordinary shares		
Weighted average number of ordinary shares during the year ('000)	**32 237**	32 237
Effect of treasury shares ('000)	**(66)**	-
Weighted average number of ordinary shares ('000)	**32 171**	32 237
	Cents	Cents
Headline earnings per ordinary share The calculation of headline earnings per ordinary share is based on headline earnings of R135,4 million (2012: R110,9 million) and the weighted average of 32 170 762 (2012: 32 236 515) ordinary shares in issue for the year	**421**	344
Earnings per ordinary share The calculation of earnings per ordinary share is based on earnings of R136.2 million (2012: R114,3 million) and the weighted average of 32 170 762 (2012: 32 236 515) ordinary shares in issue for the year	**423**	355
Diluted headline earnings per ordinary share The calculation of diluted headline earnings per ordinary share is based on headline earnings of R135,4 million (2012: R110,9 million) and diluted shares of 32 170 762 (2012: 32 236 515)	**421**	344
Diluted earnings per ordinary share The calculation of diluted earnings per ordinary share is based on earnings of R136,2 million (2012: R114,3 million) and diluted shares of 32 170 762 (2012: 32 236 515)	**423**	355

7. Segmental analysis

	2013 R'000	2012 R'000
Segment result		
Business Banking	**89 844**	90 561
Capital	**9 422**	60
Treasury	**10 006**	5 856
Wealth Management	**46 155**	31 518
Commercial Solutions	**33 798**	19 246
Group and inter-segment eliminations	**(36 651)**	(14 287)*
Profit for the year	**152 574**	132 954
Segment revenue		
Business Banking	**523 186**	475 264
Capital	**76 695**	62 153
Treasury	**188 398**	160 465
Wealth Management	**168 485**	137 007
Commercial Solutions	**182 545**	138 069
Group and inter-segment eliminations	**(111 608)**	(75 276)
Total segment revenue	**1 027 701**	897 682
Segment assets		
Business Banking	**3 603 255**	3 122 870
Capital	**470 097**	418 578
Treasury	**2 640 345**	2 280 610
Wealth Management	**537 888**	309 796
Commercial Solutions	**244 489**	220 122
Group and inter-segment eliminations	**(1 243 280)**	(879 483)
Total segment assets	**6 252 794**	5 472 493
Segment liabilities		
Business Banking	**3 257 444**	2 844 863
Capital	**395 516**	369 906
Treasury	**2 630 338**	2 272 593
Wealth Management	**457 083**	216 033
Commercial Solutions	**109 610**	113 884
Group and inter-segment eliminations	**(1 823 901)**	(1 525 001)
Total segment liabilities	**5 026 090**	4 292 278

** Prior year numbers include certain once-off gains to the value of R18 million.*

SASFIN'S HISTORICAL PERFORMANCE

for the year ended 30 June

	2013	2012	2011	2010
Consolidated statement of financial position				
Total assets (R million)	**6 253**	5 472	4 373	3 552
Total gross loans and advances (R million)	**3 416**	2 931	2 429	1 983
Non-performing loans and advances (R million)	**193**	189	189	147
Gross loans and advances growth (%)	**17**	21	22	6
Income statement				
Total income (R million)	**754**	650	536	626
Profit attributable to ordinary shareholders (R million)	**136**	114	98	120
Headline earnings (R million)	**135**	111	96	107
Financial performance				
Return on ordinary shareholders' average equity (%)	**14**	12	11	16
Return on total average assets (%)	**2**	2	2	4
Leverage ratio (times)	**5,1**	4,6	3,9	3,3
Operating performance				
Net interest margin on interest-bearing assets (%)	**5**	6	6	7
Non-interest income to total income (%)	**71**	69	64	71
Efficiency ratio (%)	**72**	70	69	70
Non-performing advances to total gross loans and advances (%)	**6**	6	8	7
Credit loss ratio (bps)	**70**	60	170	140
Share statistics				
Share price (cents)	**3 340**	3 101	3 450	3 710
Number of shares in issue ('000)	**32 237**	32 237	32 237	32 186
Earnings per ordinary share (cents)	**423**	355	304	396
Headline earnings per ordinary share (cents)	**421**	344	297	355
Diluted earnings per ordinary share (cents)	**423**	355	304	396
Diluted headline earnings per ordinary share (cents)	**421**	344	297	355
Dividends per ordinary share (cents)	**168**	137	118	133
Dividends per preference share (cents)	**703**	692	697	782
Net asset value per ordinary share (cents)	**3 187**	2 986	2 771	2 635
Capital adequacy (unaudited)				
Group capital to risk weighted assets (%)	**26**	30	32	32
Sasfin Bank Limited and its subsidiaries capital to risk-weighted assets (%)	**22**	26	36	30
Employees				
Permanent staff complement	**701**	664	583	563

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 globally. Sasfin acknowledges its obligation to effectively manage the direct and indirect environmental and social impacts of its activities, products and services.

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, within southern Africa. 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 productive processes in trade and industry. Furthermore, by providing funding to the SME market, the Group has an indirect impact on job creation through such organisations.

Energy efficiency financing

Sasfin has created a number of products and consulting services which facilitate and 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 do not have 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 these 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 50. 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 co-ordinator 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.

RESPONSE TO KEY MATERIAL ISSUES LINKED TO SUSTAINABILITY CONSIDERATIONS continued

The environmental co-ordinator's responsibilities are represented at the GRCMC and SEC, which in turn provide oversight and guidance in managing the strategic direction of environmental systems. In addition, these committees address 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. 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 6 score, which translates into a BBBEE procurement recognition level of 60%. Sasfin has also been recognised as a value-added supplier. A number of initiatives have been instituted aimed at improving some of the measured criteria in the FSC. A bursary scheme is being introduced aimed at attracting young black graduates into the Sasfin workforce. Mentorship programmes aimed at fast-tracking existing employees are being run. Sasfin continues to support black-owned businesses through its Private Equity investment model and will seek to improve access to financial services with the envisaged roll-out of its transactional banking initiative.

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 2014.

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. For the first year Sasfin has had its Carbon Footprint independently measured. Sasfin produced 6 025 tCO_2e in the year under consideration. This compares favourably with other banks on a like-to-like basis. Further detail regarding the measurement process is set out below.

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 R1,8 million (2012: R1,7 million).

The Group endeavours to reduce poverty, improve the quality of life and promote education and development for all South Africans.

Investment

Sasfin has acquired an 18% equity stake in Terra Firma Solutions, a company that specialises in:

- Energy management
- Solar PV Services
- Carbon management
- Carbon project development
- Water management
- Environmental policies and strategy development

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.

Carbon Footprint Assessment

The Sasfin Carbon Footprint Assessment was calculated at 6 025 tCO_2e following the Greenhouse Gas Protocol. Extrapolation was required for Scope 2 emissions at the head office and two small offices; however, these assumptions are not material to the overall Carbon Footprint Assessment. As this is the first iteration of Sasfin's carbon footprint there were a few Scope 3 data gaps. These gaps are not considered to have a significant impact on the assessment. Therefore the carbon footprint is considered a reasonable reflection of the Sasfin operations in South Africa.

Sasfin is currently engaged in a number of initiatives which aim to reduce the footprint considerably, amongst them are the following:

- Sasfin Port Elizabeth – undertook an energy efficiency assessment and is now implementing a 20kW Solar PV system as well as a lighting energy efficiency project
- Sasfin Cape Town – is in the process of planning an energy efficiency strategy
- Sasfin Johannesburg – is already occupying an energy efficient building, which conforms to SANS 204

RESPONSE TO KEY MATERIAL ISSUES LINKED TO SUSTAINABILITY CONSIDERATIONS continued

People development

To remain sustainably competitive in the employee sphere, Sasfin plans on continuing our investment in our employees. We believe that just as we assist our clients to grow their business and create wealth, so too do we need to develop our employees to grow their skills and knowledge. We aim to foster positive working relationships between management and staff by applying fair and consistent labour and compensation practices. This contributes to a dynamic and satisfied corporate environment, which further enhances the client experience with Sasfin.

The strategic focus of HR is to contribute to the Group's success by applying our expertise in people matters. The following initiatives helped Sasfin to bring out the best in our employees:

This year Sasfin invested R3,4 million in staff learning and development initiatives across the Group, up 21% from last year. There were 548 training beneficiaries, with an average investment of R6 200 and three 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.

Our customised in-house training includes:

- "Managing the Sasfin Way" workshops conducted by the Human Resources department for all supervisors and managers, in order to enhance leadership engagement and the uniform application of HR policies and processes.
- The Sasfin Business Xperience Programme, which provides high-potential employees with access to different mentors over a period of one year. During this time, mentees are assigned workplace projects across the business while also attending various workshops and coaching sessions with a professional coach.
- Corporate Etiquette training workshops for all levels of employees across the Group. The aim of this training is to raise awareness of acceptable and unacceptable behaviour in the workplace, so as to further entrench our culture and promote an environment of mutual respect.

Various other workshops have been attended with regards to both soft skills and technical training.

Thirteen learners were engaged through BANKSETA, INSETA and TETA. They have all been placed in different business units where they are learning valuable workplace skills.

The Cell C "Take a Girl Child to Work Day" initiative was hosted in our Johannesburg branch. Nine school pupils were exposed to the different careers within Sasfin, and benefited from the presentations of our female employees who are in leadership roles throughout the organisation. Sasfin sponsors entrepreneurship programmes at both secondary and tertiary educational institutions. Our aim is to equip our youth with the necessary skills to enter the economic environment once they have completed their studies.

Employee satisfaction

At Sasfin we know that happy employees remain loyal, committed and productive. While remuneration is a key factor influencing employee satisfaction, we recognise that it is not the only factor. Therefore, we ensure that not only are our financial rewards market-related, but we also provide a high-energy, trusting, accountable, learning and empowering environment that deepens employee satisfaction across all levels.

Climate surveys are used to determine employee satisfaction levels within each business unit. The results are discussed with each team as well as management – and any concerns raised are addressed at the appropriate level.

We also use the feedback obtained from employees' exit interviews to identify and correct any negative issues which may have resulted in the employee choosing to leave the Group's employ.

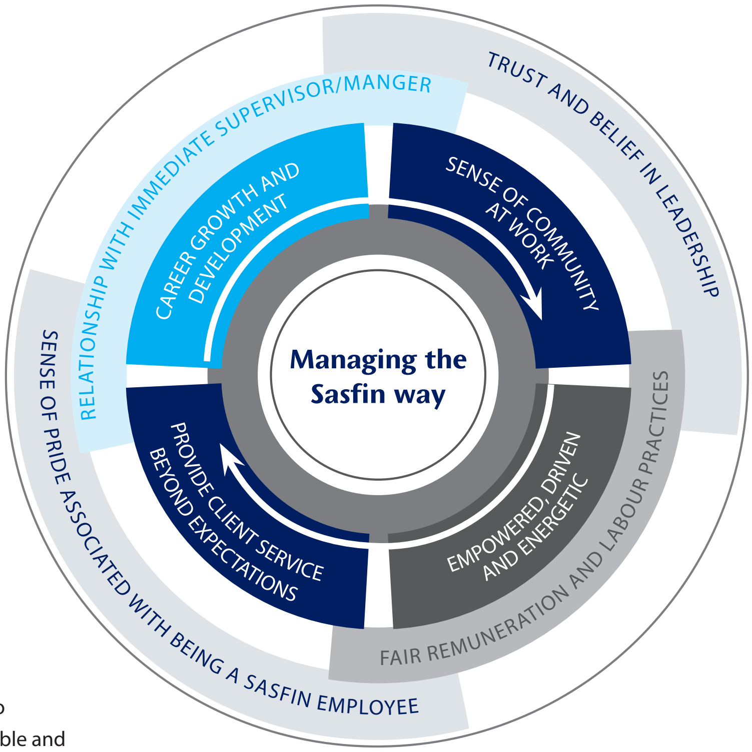
Employees participate in various team-building activities such as team events, volunteering at community events and assisting the beneficiaries of HIV/AIDS centres and children's homes.

Employee engagement

Employees who are engaged significantly outperform those who are not. Our climate surveys and exit interviews indicate that employee engagement is impacted by:

- The relationship with immediate line management
- Trust in Sasfin's leadership
- Fair remuneration and labour practices
- A sense of pride to be working at Sasfin

This is illustrated in the adjacent diagram:



The "Managing the Sasfin Way" training has gone a long way towards embedding the preferred management style at Sasfin. Due to the low turnover at management and executive level, employees take comfort from our stable management and leadership team, who communicate regularly and honestly with employees. There are many communication forums employed by the Group, such as the monthly staff get-togethers; divisional events, and the HR newsletter. Generally, team members feel that their managers care for them.

Employees at Sasfin believe that leadership has ethical values, which are respected and replicated across the Group. Staff members are encouraged by the leadership team to innovate and suggest new methods of doing business in a sustainable manner. They trust our executives to lead the Group in the right direction in a responsible and respectful manner.

There is a strong corporate identity within Sasfin, and employees are proud to be our brand ambassadors. As a result, particularly for sales and client-facing personnel, our employees act as true representatives of our products and services when liaising with clients.

Existing HR policies are reviewed annually by the Group HR & Remuneration committee. As the need may arise, new policies are proposed to the committee for their consideration and approval. This allows Sasfin to offer meaningful and relevant policies to our employees. Group policies and procedures are available to all employees on the intranet.

Our overall employee value proposition includes market-benchmarked salaries; discretionary performance bonuses; provident fund and risk benefits; trauma and counselling services; wellness days and a collaborative working environment.

RESPONSE TO KEY MATERIAL ISSUES LINKED TO SUSTAINABILITY CONSIDERATIONS continued

Two employees reported harassment in the workplace. These grievances were fully investigated and resolved. There were no complaints regarding workplace discrimination during the year under review.

Sasfin achieved an independent rating of 98% for compliance with the Occupational Health and Safety Act. This has been extended to our branches as well. There were three minor injuries on duty, with no employees needing to be admitted to hospital for treatment of their injuries.

Employee turnover

Every employee represents Sasfin in our quest to deliver performance beyond expectations, to all stakeholders. Accordingly, we strive to ensure that we have optimal-performing employees by:

- Following sound recruitment and induction practices
- Entrenching our employees in our high-performance, client-centric culture
- Training and developing our employees
- Ensuring our employee value proposition remains attractive and relevant

Sasfin's total staff turnover in 2013 was 14,8%, made up of 103 employees who left the Group's employ. Of this, 81 resignations or 11,7%, were voluntary, i.e. not due to death; dismissal, retirement, retrenchment and mutually agreed separations. This is a good improvement from the previous year, when our total employee turnover was 20%.

Five employees, or 0,7% of our headcount, referred disputes to the CCMA for alleged unfair dismissal. All of these cases were settled by mutual agreement at conciliation stage, with the total amount spent on settlements being R132 733.

Performance management

Sasfin's performance management system is designed to ensure that both the employee and manager have input into the agreed performance objectives for a given period. Employees can access their performance measures at any time, in order to assess their achievement thereof. Performance goals are set realistically whilst also incorporating an element of stretch, which further drives employee development. Where possible, goals are broken down into individual, divisional and Group performance indicators. Regular performance review discussions focus not only on past performance, but also on current challenges and goal-setting for the next review period. Since remuneration reviews are closely linked to the outcome of performance reviews, it is essential that the performance review process is fair and objective.

Management and the Human Resource department take corrective action as soon as there is cause for concern regarding an employee's performance. Formal performance counselling sessions are scheduled, and the employee is provided with the necessary tools and resources to perform the job according to expectation. This constructive approach enhances the chances of success, and also creates employee goodwill. In our high-performance environment, where an employee is unable or unwilling to perform the job according to the minimum performance standards, further action is taken in terms of either an incapacity or disciplinary hearing, which could result in dismissal.

Nineteen employees received performance counselling during the year. Regrettably, this resulted in the resignation of five employees and the dismissal of six employees. The remaining eight employees have improved their performance output to acceptable standards.

Human capital report

There are 701 permanent employees within the Group.

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

	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top management			1	4				1	6
Senior management	2		3	18	1		1	11	36
Professionally qualified and experienced specialists and mid-management	7	3	10	66	7	4	13	34	144
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	26	13	20	81	50	48	33	134	405
Semi-skilled and discretionary decision making	26	7		3	22	10	8	22	98
Unskilled and defined decision-making	5				7				12
Total permanent	**66**	**23**	**34**	**172**	**87**	**62**	**55**	**202**	**701**

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

The Social and Ethics committee oversees and monitors Sasfin's ethical and transformational practices. In order to ensure that there is an alignment with the Group's transformation strategy; divisional heads are invited to make representation to the committee on their plans to meet the internal target of improving the employment equity statistics by 3% per annum. This year, the overall representation of black employees remained static at 47% due to the acquisition of certain existing teams of employees who were head-hunted. We remain cognisant of our transformation objectives when recruiting, promoting and developing employees.

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". A register reflecting how Sasfin is applying the 75 King III principles appears on the Group's website.

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. In particular, each company within the Group, has reviewed its constitution and adopted an appropriate MOI in line with the new companies act regime.

The board of directors

The board of the Company acts as the focal point for and is the custodian of corporate governance within the company and its subsidiaries. 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 and the Bank. 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 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, the board will then facilitate an appropriate process. The board has appointed a competent, 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, of which six are independent. 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 shareholder confirmation at the next annual general meeting. Non-executive directors are appointed for a specific term and their reappointment is not automatic. Directors are considered by the Directors' Affairs and Nominations committee which formally discusses and evaluates the suitability of any prospective director having regard to all applicable factors and governance requirements. 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. An external board effectiveness evaluation has been conducted for the first time during 2013 by the Institute of Directors, which revealed that both in respect of its effectiveness and compliance with governance, the board received an extremely high rating. Out of the 48 questions posed in the board effectiveness questionnaire which was used as an instrument in the assessment, 47 were rated between "satisfactory to best practice". On a scale of 1 to 5, there were 30 areas that were collectively rated above 3,5, which is an exceptionally good rating. External evaluations will be conducted every third year. The scope of external evaluations covers 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.

Alternate executive directors

Post year end, the board appointed three executive members of its staff as alternate executive directors of the Company and the Bank.

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 charters

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.

CORPORATE GOVERNANCE continued

Board committees

During the year under review, a comprehensive review of all board committees in terms of streamlining committees, membership and frequency of meetings was undertaken, resulting in the following committees been constituted by the board and which have been tasked with corresponding responsibilities:

Committee	Responsibility
Group Audit and Compliance Members: ETB Blight (Chairman), RC Andersen, J Moses, MS Rylands, GC Dunnington	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, TD Soondarjee, RC Andersen	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 as well as IT governance and risk This committee considers the key risks faced by the business and the responses to address these risks
Directors' Affairs and Nominations Members: CN Axten (Chairman), ETB Blight, GC Dunnington, DD Mokgatle, J Moses RC Andersen (All other members of the board are invitees to meetings of the committee)	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), GC Dunnington, DD Mokgatle	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
Asset and Liability Members: ETB Blight (Chairman), DD Mokgatle, J Moses, MS Rylands,	Responsible for asset and liability management; interest rate risk management; liquidity management; funding risk management and currency risk management
Credit and Investment Members: GC Dunnington (Chairman), J Moses, MS Rylands, RDEB Sassoon, MG Lane, D van der Westhuizen	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 R50 million are referred to the board for approval
Social and Ethics Members: DD Mokgatle (Chairperson), ETB Blight, RDEB Sassoon, MG Lane (Alt.)	Responsible for monitoring the Group's activities with regards social and economic development, good corporate citizenship, environmental health and safety, consumer relationships and labour issues, as well as 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 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.

Adoption of King III

With the exception of one, Sasfin applies all 75 principles of King III as reflected in a comprehensive register which can be viewed on the Company's website. The exception relates to independent external assurance on certain sustainability reporting issues where only limited external assurance is provided. The Company has, however, engaged an external assurance provider to evaluate the Company's Carbon Footprint. The Group also obtains input from its auditors with respect to the sustainability reporting in the integrated annual report. Sasfin also reports its SEMS status to investors and its international funders who review and monitor progress.

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.

Directors' remuneration

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 non-executive directors who have been at Sasfin for more than nine years, which Sasfin has assessed as satisfactory.

CORPORATE GOVERNANCE continued

Changes to the board

There were no changes to the board membership during the financial year.

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 20 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.

Record of attendance at board and committee meetings for the period 1 July 2012 to 30 June 2013

Several changes to committee memberships were made during the year. Furthermore, a number of committees were streamlined resulting in both a reduction to the number of members as well as the frequency of some of the meetings. It is therefore pertinent to mention that attendance at board and board committee meetings may reflect a variance with the number of meetings held. The board is satisfied that members attended meetings as required.

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

	Sasfin Holdings Limited Board	Sasfin Bank Limited Board	Group Human Resources and Remuneration	Group Audit and Compliance	Group Risk and Capital Management	Credit and Investment Review	Asset and Liability	Directors' Affairs and Nominations	Social and Ethics	Directors' Strategy and Review *	Information Technology *
Meetings held	*4*	*5*	*5*	*5*	*4*	*7*	*7*	*5*	*3*	*3*	*2*
Directors:											
RC Andersen	4	5		5							
CN Axten	4	5						5		2	
ETB Blight	4	5	3	5	4		7	5	3	3	2
GC Dunnington	3	4	4		2	6		4		3	
DD Mokgatle	4	4		2	3		6	4	3		
J Moses	4	4	2	5	4	7	7	5		3	
MS Rylands	4	5	5	5			7				2
RDEB Sassoon	4	5			4	7	7		3	3	2
TD Soondarjee	4	5			4					3	

** Discontinued committees*

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 the Company 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 consider ing 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.

Interaction between the levels within Sasfin and the risk functions

RISK MANAGEMENT continued

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

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.

Combined assurance

The Group has adopted a combined assurance approach in assisting the board, audit and risk 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. and Grant Thornton (Jhb) Inc.	Unqualified audit opinion	IFRS, International Auditing Standards
BEE contributor level	SANAS	Level 6 confirmed	BBBEE code
Corporate governance	Self-assessed	Compliant with King III	King III
Sustainability content	Self-assessed	Level C confirmed	GRI G3.1 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.

RISK MANAGEMENT continued

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 reports.

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 FICA, the FAIS Act, the Financial Markets 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.

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 Bank Supervision Department 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 on-going 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.

At a strategic level, Sasfin views compliance as a tool supporting an effective level of corporate governance within the organisation and the board is satisfied that the Risk Management Framework is effective and adequately conforms to the Group's risk appetite set by the board.

REGULATORY AND CAPITAL MANAGEMENT OVERVIEW

Basel III

On 1 January 2013, the SARB implemented its local version of the Basel III rules as legislated by the Basel Committee on Banking Supervision. Basel III builds upon the Basel II framework to strengthen minimum capital and liquidity requirements imposed on banks following the global financial crisis. The SARB adaptation of the Basel III proposals within its local rules brings about a number of changes for the assessment of capital adequacy.

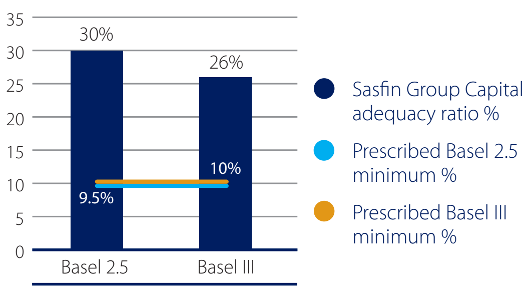
In calculating capital adequacy, the most material effect of the new SARB regulatory framework relates to the eligibility of capital to support minimum capital requirements. In particular, the rules impose tighter restrictions on the quality and type of capital that qualifies as Tier 1 capital and increases the regulatory minimal level of capital that must be held. Internal targets remain in excess of these increased minimum requirements.

Sasfin has successfully implemented the new Basel III requirements and currently meets both the liquidity and capital levels as stipulated in the Amended Regulations. Sasfin remains well capitalised with a total capital adequacy of 26%, a Tier 1 capital adequacy of 23% and a common equity Tier 1 capital adequacy of 18%, significantly exceeding minimum regulatory requirements.

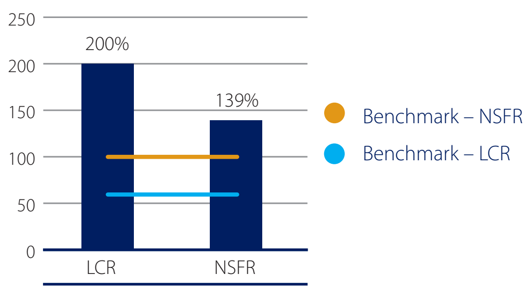
A strategic objective of the Group, inter alia, is the diversification and tenor of long-term funding as part of strengthening the Group's liquidity position. This has assisted in enabling the Group to meet the Basel III requirements well ahead of their respective implementation dates, and in particular, the LCR and NSFR 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 2013, the LCR and NSFR were 200% and 139%, respectively as reflected above.

Group capital adequacy



Liquidity coverage ratios June 2013



Regulatory environment going forward

Sasfin reset its target capital adequacy ratio (CAR) range for tier 1 under Basel III from 16% to 25%. This incorporates the fully phased-in 2019 Basel III set of minimum regulatory requirements, which includes a conservative Board buffer and allowance for any potential Pillar 2B bank-specific South African Reserve Bank (SARB) add-on as well as any countercyclical capital buffer (CCB) add-on that may be introduced from 2016.

Following a series of impact studies, industry comment letters and discussions with banks, the Basel Committee published on 6 January 2013 a set of revisions to the Liquidity Coverage Ratio. These revisions will make it easier for banks to meet the requirement, which include the phasing in the minimum LCR so that the required LCR will be 60% in 2015, rising by 10 percentage points a year until it reaches 100% from 2019 onwards.

Refer to the Group's website www.sasfin.com

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 chief executive officer and executive committee. These plans are fully discussed by the board.

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.

This year saw the establishment of the Group HR Management Committee (HR ManCo), which oversees and is responsible for all employee matters relating to those employees at a HAY Reward Level 17 and below. Matters pertaining to senior managers and executives (HAY Reward Level 18 and higher) are referred to the REMCO for approval.

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.

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

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 performance-based increase for the division should not exceed the approved percentage increase.

REMCO approved an annual average increase of 7,5% in 2013, consistent with the increases awarded last year.

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 a number of independently benchmarked reward levels to decide on the total cost-to-company for individual roles. The reward level refers to the global pay reference level to fix roles at different levels of complexity once the job has been evaluated. The 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.

REMUNERATION REPORT continued

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 benchmarked 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.

Fixed and variable remuneration

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 R500 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 remuneration 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.

REMUNERATION REPORT continued

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

Currently the Group has the following LTI scheme:

Employees earning over R500 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 and alternative directors, the top five participants on this scheme comprise less than 10% of the scheme. Non-executive directors do not benefit from this 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.

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.

REMCO has introduced and approved a new LTI for Group EXCO members and key personnel in the Group with effect from 1 July 2013. A set of performance measures will be agreed for each executive in the form of a performance matrix, and a minimum performance rating of 70% must be achieved for the executive to qualify for an incentive payment, on a tiered structure based on individual achievement of performance objectives.

The bonus awards will vest in years three, four and five after the award date. Awards will be paid 50% in cash, whilst the remaining 50% will be used to acquire shares in the Company at the prevailing share price on date of purchase, which must be held for a minimum period of three years.

No incentive payments were made on the share price appreciation scheme during the reporting period.

Full details on these incentive schemes are provided in note 41 of the notes to the annual 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 STI or LTI. REMCO reviews their fees in line with market benchmarks and recommends fee levels to the board. Details of the proposed non-executive directors' fees are contained in the notice of the annual general meeting.

REMUNERATION REPORT continued

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

	2013* R'000	2012 R'000	% change
RDEB Sassoon	**3 347**	3 047	9.8
TD Soondarjee	**2 297**	2 043	12.5

** Guaranteed package as at 30 June 2013*

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 is 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 2013 financial year:

	2013 R'000	2012 R'000	% of guaranteed package
RDEB Sassoon	**1 718**	960	51
TD Soondarjee	**1 294**	780	56

Summary of executive directors' and prescribed officers' remuneration:

	Guaranteed and other earnings R'000	STI earnings* R'000	**2013 Total R'000**	2012** Total R'000
RDEB Sassoon	3 285	1 718	**5 003**	3 904
TD Soondarjee	2 278	1 294	**3 572**	2 790
MG Lane	2 005	1 209	**3 214**	2 422
LR Fröhlich	2 141	1 100	**3 241**	2 886
H Brown	1 659	989	**2 648**	1 818
N Eppel	1 905	859	**2 764**	n/a
ME Sassoon	1 425	1 089	**2 514**	1 670
D Edwards	1 622	1 266	**2 888**	1 560
Total	16 320	9 524	**25 844**	17 050

** Relates to June 2013 financial year but payable in September 2013.*
*** Prescribed officers which have resigned in the prior year are not reflected in the above table.*

No awards were made under the LTI earnings for executives and prescribed officers as the new scheme was only effective from 1 July 2013.

Further details of remuneration paid to directors and prescribed officers are more fully disclosed in the Directors' Report and in note 33.2 of the annual financial statements.

SHAREHOLDERS' AND ADMINISTRATIVE INFORMATION

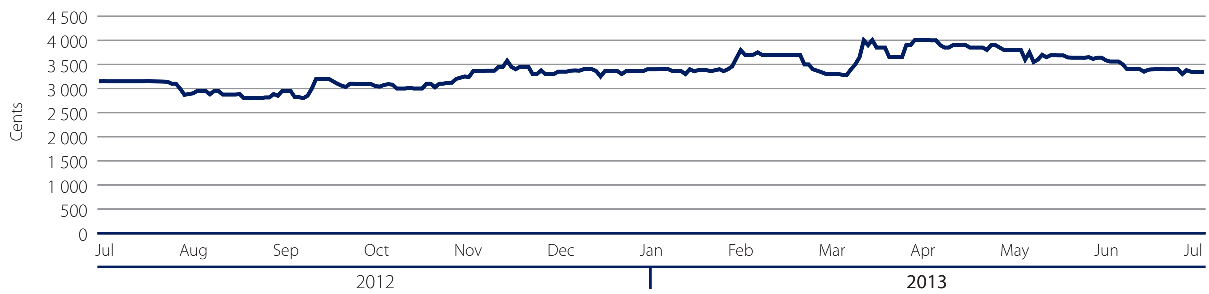
AT 30 JUNE

Contents	Page

FINANCIAL CALENDAR

Year-end	30 June 2013
Reports published:	
Published interim report for six months to December 2012	11 March 2013
Preliminary announcement of annual results	11 September 2013
2013 annual financial statements posted	28 October 2013
Dividends:	
Payment of interim preference share dividend number 17	8 April 2013
Payment of interim ordinary share dividend	15 April 2013
Payment of preference share dividend number 18	7 October 2013
Payment of final ordinary share dividend	15 October 2013
Other:	
Annual general meeting	28 November 2013

Sasfin Holdings Limited share price – 3 340 cents per share at 28 June 2013



ANALYSIS OF ORDINARY SHARES

AT 30 JUNE

	Number of shareholders	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	764	52,15	294 103	0,91
1 001 – 10 000 shares	557	38,02	1 889 291	5,85
10 001 – 100 000 shares	116	7,92	3 550 900	10,99
100 001 – 1 000 000 shares	23	1,57	7 582 698	23,47
1 000 001 shares and over	5	0,34	18 984 449	58,78
Total	1 465	100,00	32 301 441	100,00
Distribution of shareholders				
Private companies	44	3,00	14 586 320	45,16
Trusts	161	10,99	4 277 444	13,24
Retail shareholders	1 148	78,37	4 154 989	12,87
Custodians	3	0,20	3 059 744	9,47
Collective investment schemes	17	1,16	2 248 650	6,96
Organs of state	2	0,14	1 017 106	3,15
Retirement benefit funds	8	0,55	1 027 464	3,18
Hedge funds	11	0,75	736 758	2,28
Stockbrokers and nominees	10	0,68	678 934	2,10
Other	45	3.1	453 070	1.40
Total	1 465	100,00	32 301 441	100,00
Shareholder type				
Non-public shareholders	4	0,27	14 350 578	44,43
Directors and associates	3		14 285 652	44.23
Sasfin share incentive trust	1		64 926	0,20
Public shareholders	1 461	99,73	17 950 863	55.57
Total	1 465	100,00	32 301 441	100,00

	Number of shares	% of issued capital
Top five fund managers		
Sanlam Investment Management	2 491 638	7,71
Cannon Asset Management	1 329 152	4,11
Cadiz African Harvest Asset Management	738 536	2,29
Abax Investments	452 193	1,40
Steyn Capital Management	150 000	0,46
Total	5 161 519	15,97

	Number of shares	% of issued capital
Beneficial shareholders with a holding greater than 3% of the issued shares		
Unitas Enterprises Limited	11 924 807	36,92
CitiGroup (International Finance Corporation)	3 005 894	9,31
The Sassoon Children's Trust	2 360 845	7,31
Saprop Investments Ltd	1 100 300	3,41
InnoVent SPV1 (Pty) Ltd	1 076 664	3,33
Sanlam Group	1 064 552	3,30
Government Employees Pension Fund	1 017 106	3,15
Total	21 550 168	66,73

Share price performance	
Opening price 2 July 2012	R31,50
Closing price 28 June 2013	R33,40
Closing high for the period (13, 27 and 28 March 2013)	R40,05
Closing low for the period (17 and 23 August 2012)	R28,00
Number of shares in issue	32 301 441
Volume traded during period	4 366 640
Ratio of volume traded to shares issued	13,52%
Rand value traded during the period	R147 699 987
Total number of deals	1 548

ANALYSIS OF PREFERENCE SHARES

AT 30 JUNE

	Number of shareholders	% of total shareholdings	Number of shares	% of issued capital
Shareholder spread				
1 – 1 000 shares	442	58,47	247 639	13,00
1 001 – 10 000 shares	279	36,90	823 159	43,21
10 001 – 100 000 shares	35	4,63	834 202	43,79
Total	756	100,00	1 905 000	100,00
Distribution of shareholders				
Retail shareholders	583	77,12	1 079 072	56,64
Trusts	115	15,21	365 852	19,22
Private companies	25	3,31	199 872	10,49
Collective Investment Schemes	7	0,93	159 321	8,36
Managed Funds	1	0,13	40 346	2,12
Close Corporations	15	1,98	28 834	1,51
Hedge Funds	2	0,26	23 257	1,22
Insurance companies	3	0,40	3 795	0,20
Investment Partnerships	3	0,40	3 127	0,16
Foundations and Charitable Funds	2	0,26	1 524	0,08
Total	756	100,00	1 905 000	100,00
Shareholder type				
Non-public shareholders	–	–	–	–
Directors and associates	–	–	–	–
Public shareholders	756	100,00	1 905 000	100,00
Total	756	100,00	1 905 000	100,00

	Number of shares	% of issued capital
Top five fund managers		
Grindrod Asset Management	80 645	4,23
36One Asset Management	40 346	2,12
PSG Alphen Asset Management	33 160	1,74
Truffle Asset Management	29 324	1,54
Overberg Asset Management	22 675	1,19
Total	206 150	10,82

	Number of shares	% of issued capital
Beneficial shareholders with a holding greater than 3% of the issued shares		
Grindrod	80 645	4,23
Lenova Investments	74 572	3,91
Total	155 217	8,14

Share price performance

Opening price 2 July 2012	R87,71
Closing price 28 June 2013	R80,00
Closing high for the period (28 to 31 August 2012 and 7 September 2012)	R91,00
Closing low for the period (11 and 12 April 2013 and 29 May 2013)	R78,00
Number of shares in issue	1 905 000
Volume traded during period	411 291
Ratio of volume traded to shares issued	21,59%
Rand value traded during the period	R33 943 530

NOTICE OF ANNUAL GENERAL MEETING

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 26th annual general meeting of shareholders of the Company will be held at 29 Scott Street, Waverley, Johannesburg on Thursday, 28 November 2013 at 14:00.

Record date to receive the notice of annual general meeting:	Wednesday, 30 October 2013
Last date to trade to be eligible to participate and to vote at the annual general meeting:	Friday, 15 November 2013
Record date to be eligible to vote:	Friday, 22 November 2013
Forms of proxy to be lodged:	Tuesday, 26 November 2013 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 Tuesday, 26 November 2013. 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.

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 60 cents per ordinary share declared by the board of directors on 5 March 2013;
2.2 Interim preference dividend of 355,65 cents per preference share declared by the board of directors on 5 March 2013;
2.3 Final ordinary dividend of 108 cents per ordinary share declared by the board of directors on 4 September 2013; and
2.4 Final preference dividend of 347,74 cents per preference share declared by the board of directors on 4 September 2013.

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 Memorandum of Incorporation ('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 pages 10 and 11 of the integrated annual report.

Ordinary resolution number 1.1
"Resolved that Mrs DD Mokgatle be and is hereby re-elected as a non-executive director of the Company";

Ordinary resolution number 1.2
"Resolved that Mr MS Ryands 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 and 1.2 above to be adopted is 50% of the voting rights plus one vote to be cast on each resolution.

Motivation:
The Company's MOI requires that at the annual general meeting held in each year one third of the non-executive directors, or if their number is not a multiple of three, then the number nearest to, but not less than on third, shall retire from office. The two directors who are scheduled to retire by rotation as above are eligible and have made themselves available for re-election. CN Axten will be retiring and has not made himself 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 Grant Thornton (Jhb) Inc. be re-appointed as joint auditors of the Company until the conclusion of the next annual general meeting, and that Mr S Malaba 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 S Malaba as designated auditor) and Grant Thornton (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.

NOTICE OF ANNUAL GENERAL MEETING continued

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 58 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:

NOTICE OF ANNUAL GENERAL MEETING continued

- 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 of which this notice forms part:

- General information in respect of directors and management (pages 10 to 13), major shareholders (page 67) directors' interests in securities (page 66) and the share capital of the Company (page 67)
- 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
- The directors, whose names are given on page 10 to 11 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 2014 financial year, as outlined below be approved.

	Chairman Fee (Rand)	Per Member Fee (Rand)	Current Number of Non-Executive Directors	Notes
Board	700,000	180,000	7	1 and 4
Group Audit & Compliance committee	90,000	49,000	5	2
Group Risk & Capital Management committee	90,000	49,000	5	3
HR & Remuneration committee	77,000	42,000	3	
Social & Ethics committee	36,750	21,000	2	
Asset & Liability committee	49,000	28,000	4	
Credit and Investment committee	84,000	46,000	3	

Notes

1. The fee for the board Chairman is all-inclusive and thus includes any chairmanship and membership of Board subcommittees. The current number of non-executive directors will reduce to six with the retirement of CN Axten who will not be immediately replaced as a director, although additional appointments may be considered during the coming year.
2. The current number of non-executive directors of five on this committee will reduce to four when RC Andersen, who currently is a member, assumes the position of Chairman of the board at the conclusion of the annual general meeting.
3. The current number of non-executive directors of five on this committee will reduce to four when RC Andersen, who currently is a member, assumes the position of Chairman of the board at the conclusion of the annual general meeting.
4. The board has considered the statutory requirement to have a separate directors' affairs committee, however considered it most expedient to hold the directors' affairs committee meetings immediately prior to the board meetings, if possible, without paying a separate fee for attendance at this committee. The board fee proposed, therefore, reflects this planned change in structure.
5. To the extent that additional services are required of the non-executive directors, additional fees will become payable at a market related hourly rate, subject to the approval of the board Chairman.

Reason and effect

The reason for special resolution number 2 is to request shareholders to approve the non-executive directors' fees payable to non-executive directors for the 2014 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.

The remuneration has been reviewed and benchmarked by different external consultants which culminated in PwC – Human Resource Services being asked to perform a detailed analysis and to make independent recommendations on the appropriate remuneration level for all non-executive directors. PwC recommended that the chairman be paid a fixed fee as set out in the above table and that the other non-executive directors be remunerated based on their membership (and where applicable their chairmanship) of the various board committees which are constituted. The methodology used incorporated both traditional criteria and benchmarking, as well as an estimated hourly rate which takes into account the complexity of the roles as well as the skills and contribution which are expected from each of the non-executive directors together with the amount of time that should be spent by each non-executive director in fulfilling such role.

The proposed remuneration levels set out in the above table are as recommended by PwC based on their assessment of the nature, complexity, risk and scale of the Group. The board has considered the affordability of these proposed fees and is satisfied that they can be supported in the current economic environment. The proposed total remuneration, based on the current number of non-executive directors and the current number of members of each of the board committees is estimated to be approximately R2 740 750 for the 2014 financial year. This represents a 14,49% increase on the total remuneration paid to non-executive directors for the 2013 financial year, which in turn was a 1,90% reduction on the 2012 financial year. The proposed cost for 2014 is thus 12,20% higher than two years previously.

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 from time-to-time with the consideration of attendance records.

NOTICE OF ANNUAL GENERAL MEETING continued

3.2.3 Special resolution number 3: General authority to provide financial assistance as envisaged in section 44 of the Companies Act

"Resolved as a special resolution that:

the Company be and is hereby authorised, in terms of a general authority contemplated in section 44(3)(a)(ii) of the Companies Act for a period of two years from the date of this resolution, to provide direct or indirect financial assistance by way of a loan, guarantee, the provision of security or otherwise as contemplated in section 44(2) of the Companies Act ("Financial Assistance") to any bank, financial institution or fund that provides capital or other finance to the Company for the purposes or in connection with:

(i) the subscription of any option or any securities issued or to be issued by the Company or a related or inter-related company; or
(ii) the purchase of any securities of the Company or a related or inter-related company;

subject to the board of directors of the Company being satisfied that:

(iii) pursuant to section 44(3)(b)(i) of the Companies Act, immediately after providing the Financial Assistance, the Company would satisfy the solvency and liquidity test (as defined in section 4(1) of the Companies Act);
(iv) pursuant to section 44(3)(b)(ii) of the Companies Act, the terms under which the Financial Assistance is proposed to be given are fair and reasonable to the Company; and
(v) any conditions or restrictions in respect of the granting of the Financial Assistance set out in the Company's Memorandum of Incorporation have been complied with."

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 for and effect of special resolution 3

The reason is that section 44 of the Companies Act regulates the provision of Financial Assistance by the Company to any person by way of a loan, guarantee, the provision of security or otherwise for the purpose of or in connection with, (i) the subscription of any option, or any securities, issued or to be issued by the Company or related or inter-related company, or (ii) for the purchase of any securities of the Company, or a related or inter-related company.

The effect is that this will allow the board of the Company, always subject to applicable law in particular the solvency and liquidity requirements as set out in the Act, to provide Financial Assistance to any bank, financial institution or fund that provides capital or other finance to the Company for the purposes envisaged in section 44(2) of the Companies Act.

3.2.4 Special resolution number 4: General authority to provide financial assistance to a related or inter-related company/corporation as envisaged in section 45 of the Companies Act

"Resolved that:

the Company be and is hereby authorised, in terms of a general authority contemplated in section 45(3)(a)(ii) of the Companies Act for a period of two years from the date of this resolution, to provide direct or indirect financial assistance (as defined in section 45(1) of the Companies Act) ("Financial Assistance") to the following categories of persons ("Categories of Persons"):

(a) related or inter-related company or corporation; and/or
(b) member of a related or inter-related corporation;

subject to, in relation to each grant of Financial Assistance to the Categories of Persons of such Financial Assistance, the board of directors of the Company being satisfied that:

(i) pursuant to section 45(3)(b)(i) of the Companies Act, immediately after providing the Financial Assistance, the Company would satisfy the solvency and liquidity test (as defined in section 4(1) of the Companies Act);
(ii) pursuant to section 45(3)(b)(ii) of the Companies Act, the terms under which the Financial Assistance is proposed to be given are fair and reasonable to the Company; and
(iii) any conditions or restrictions in respect of the granting of the Financial Assistance set out in the Company's Memorandum of Incorporation have been complied with."

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 for and effect of special resolution 4
The reason is that section 45 of the Companies Act regulates the provision of Financial Assistance by the Company to certain Categories of Persons. The term Financial Assistance has been defined in the Companies Act in wide terms and includes lending money, guaranteeing a loan or obligation, and securing any debt or obligation but excludes lending money in the ordinary course of business by a company whose primary business is the lending of money. The Companies Act stipulates that the board of directors of the Company may provide Financial Assistance as contemplated in section 45 of the Companies Act to the Categories of Persons, provided that the shareholders of the Company passed a special resolution within the previous two years which approves such Financial Assistance generally for such Categories of Persons.

The effect is that this will allow the board of the Company, always subject to applicable law in particular the solvency and liquidity requirements as set out in the Act, to provide Financial Assistance to the said Categories of Persons.

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 Thursday, 28 November 2013 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 Tuesday, 26 November 2013.

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.

NOTICE OF ANNUAL GENERAL MEETING continued

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

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 Thursday, 28 November 2013, 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.	To consider the ordinary and special resolutions			
3.1	To consider the following ordinary resolutions:			
3.1.1 (1.1)	To re-elect, as non-executive director, Mrs DD Mokgatle			
3.1.1 (1.2)	To re-elect, as non-executive director, Mr MS Rylands			
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 2014 financial year			
3.2.3	General authority to provide financial assistance to any person (section 44)			
3.2.4	General authority to provide financial assistance to related and inter-related companies/corporations (section 45)			

Signature ____________________ Date ____________________

Please read the notes on page 81.

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 Thursday, 28 November 2013, 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 him or her.

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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 this 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 or she deems fit in respect of all of the shareholder's votes exercisable thereat. A Sasfin shareholder or his or her proxy is not obliged to use all the votes exercisable by the Sasfin shareholder or by his or 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 or 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 or her parent or guardian unless the relevant documents establishing his or 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 Tuesday, 26 November 2013.

10. The chairman of the annual general meeting may, in the chairman's 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.

GRI CONTENT INDEX

AT 30 JUNE 2013

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3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities and outsourced operations	Consolidated financial statements – Accounting policies: Basis of consolidation	Website: refer pages 18 – 20 of annual financial statements
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		82 – 87
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 55
Governance, commitments and engagement			
4.1	Governance structure of the organisation	Experience and expertise: Group directors and executive committee	10 – 13
4.2	Indicate whether the chairman is also an executive officer and, if so, reasons for this arrangement	Corporate governance	48
4.3	Number of independent and/or non-executive members	Corporate governance – Executive and non-executive directors	48 – 49
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the board	Employee engagement	18
4.5	Linkage between compensation for members of the highest governance body, senior managers and executives	Remuneration report – Basis of remuneration	58 – 62
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Corporate governance – Adoption of King III	51
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	48
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	41

GRI CONTENT INDEX continued

AT 30 JUNE 2013

G3 indicator	Description	Section	Page/s
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	50
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	48
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	Corporate governance – Directors' Affairs committee	50
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	International best practice	41 – 43
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 • views membership as strategic	Not applicable	
4.14	List of stakeholder groups engaged by the organisation	Stakeholder engagement – Key stakeholders	17 – 19
4.15	Basis for identification and selection of stakeholders with whom to engage	King III inclusive approach	17
4.16	Approaches to stakeholder engagement, including frequency and type of stakeholders	Stakeholder engagement	17 – 19
Management approach and performance indicators			
FS1	Description of policies with specific environmental and social components applied to business lines	SEMS risk framework	41
FS2	Description of procedures for assessing and screening environmental and social risks in business lines	SEMS risk framework Development funders exclusion list	41
FS3	Description of processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	SEMS risk framework	41
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	41
FS5	Interactions with clients/investors/business partners regarding environmental and social risk and opportunities	SEMS risk framework Development funders exclusion list	41

G3 indicator	Description	Section	Page/s
FS6	Percentage of the portfolio for business lines by specific region, size and sector	Segment report	Website: refer pages 95 – 97 of annual financial statements
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business	Value added statement	29
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	29
FS9	Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures	Assurance Combined assurance	Inside front cover 55
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	
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	42
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	29
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Climate change	42
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	

GRI CONTENT INDEX continued

AT 30 JUNE 2013

G3 indicator	Description	Section	Page/s
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	Carbon footprint assessment	43
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	Investment footprint carbon assessment	43
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	43
Human rights			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Not applicable	
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Not applicable	
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	Human capital report	47
LA2	Total number and rate of employee turnover by age group, gender, and region	Employee turnover	46
LA4	Percentage of employees covered by collective bargaining agreements	Not applicable	

G3 indicator	Description	Section	Page/s
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	People development	44
LA10	Average hours of training per year per employee by employee category	People development – Disclosure of average training spend per employee	44
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	Human capital report	47
LA14	Ratio of basic salary of men to women by employee category	Human capital report	47
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	

CONTACT DETAILS

Sasfin Bank Limited

Johannesburg
29 Scott Street
Waverley 2090
PO Box 95104
Grant Park 2051
Tel: +27 11 809 7500
Fax: +27 11 887 2489/6167

Cape Town
21st Floor, Telkom Towers
Standard Bank Centre
2 Hertzog Boulevard Foreshore
Cape Town 8001
PO Box 7520, Roggebaai 8012
Tel: +27 21 443 6800
Fax: +27 21 443 6886

Durban
1st Floor, Sasfin House
7 The Boulevard
Westway Office Park
Spine Road
Westville 3630
PO Box 2771
Westway Office Park 3635
Tel: +27 31 271 8750
Fax: +27 31 265 1296/1297

Stellenbosch
Unit 1
Cotillion Place
22 Techno Road
Techno Park
Stellenbosch 7599
Tel: (021) 880 1001
Fax: (021) 880 1410

Sasfin Asia Limited

Suites 29 – 30, 24th Floor
Sun Hung Kai Centre
30 Harbour Road
Wan Chai
Hong Kong
Tel: +852 3107 3067
Fax: +852 3107 0198

Sasfin Commercial Solutions Limited

Johannesburg
29 Scott Street
Waverley 2090
PO Box 95104
Grant Park 2051
Tel: +27 11 809 7500
Fax: +27 11 887 2489/6167

Cape Town
21st Floor, Telkom Towers
Standard Bank Centre
2 Hertzog Boulevard Foreshore
Cape Town 8001
PO Box 7520, Roggebaai 8012
Tel: +27 21 443 6800
Fax: +27 21 443 6886

Durban
Block 2, 100 Armstrong Avenue
La Lucia Ridge, Durban 4051
Tel: +27 31 5830900

Port Elizabeth
56 Mangold Street
Newton Park
Port Elizabeth 6045
Tel: +27 41 391 0600

East London
66 Recreation Road
Southernwood
East London 5201
Tel: +27 43 722 1385

Sasfin Securities (Pty) Limited

Johannesburg
29 Scott Street
Waverley 2090
PO Box 299
Johannesburg 2000
Tel: +27 11 809 7500
Fax: +2786 575 3829

Cape Town
21st Floor, Telkom Towers
Standard Bank Centre
2 Hertzog Boulevard
Foreshore
Cape Town 8001
PO Box 7520
Roggebaai 8012
Tel: +27 21 443 6800
Fax: +27 21 443 6882

Durban
1st Floor, Sasfin House
7 The Boulevard
Westway Office Park
Spine Road
Westville 3630
PO Box 2707
Westway Office Park 3635
Tel: +27 31 271 8700
Fax: +27 31 265 1296/1297

Plettenberg Bay
2 Village Square
Main Street
Plettenberg Bay 6600
PO Box 494
Plettenberg Bay 6600
Tel: +27 44 533 0897
Fax: +27 44 533 0909

Port Elizabeth
Ground Floor, Greyville House
Ring Road
Greenacres 6045
PO Box 27401
Greenacres 6057
Tel: +27 41 363 5989
Fax: +27 41 363 1692

Pretoria
Block A, Ground Floor
North Wing
Lord Charles Office Park
337 Brooklyn Road
Corner Brooklyn and Justice
Mohamed Streets
Brooklyn 0181
PO Box 1761
Brooklyn Square 0075
Tel: +27 12 425 6251
Fax: +27 12 425 6200

Sasfin Financial Advisory Services (Pty) Limited

Johannesburg
29 Scott Street
Waverley 2090
PO Box 95104
Grant Park 2051
Tel: +27 11 809 7500
Fax: +27 11 809 7794

Cape Town
21st Floor, Telkom Towers
Standard Bank Centre
2 Hertzog Boulevard
Foreshore
Cape Town 8001
PO Box 7520
Roggebaai 8012
Tel: +27 21 443 6800
Fax: +27 21 443 6882/6886

Pretoria
Block A, Ground Floor,
North Wing
Lord Charles Office Park
337 Brooklyn Road
Corner Brooklyn and Justice
Mohamed Streets
Brooklyn 0181
PO Box 1761
Brooklyn Square 0075
Tel: +27 12 425 6251
Fax: +27 12 425 6200

InnoVent Rental and Asset Management Solutions (Pty) Limited

2nd Floor
Block D
Upper Grayston Office Park
152 Ann Crescent
Sandton 2196
PO Box 782005
Sandton 2146
Tel: +27 11 884 8274
Fax: +27 11 784 6599

Sasfin Premier Logistics (Pty) Limited

Johannesburg
90 Electron Avenue
Isando 1620
PO Box 11288
Aston Manor 1630
Tel: +27 11 573 9000
Fax: +27 11 573 9599

Cape Town
13th Floor, Norton Rose House
8 Riebeeck Street
Cape Town 8001
PO Box 6455
Roggebaai 8012
Tel: +27 21 421 5836
Fax: +27 86 527 7754

Durban
35 – 37 Island Circle Office Park
Block 5, 3rd Floor
Suite 536
Riverhorse Valley Estate 4001
PO Box 47669
Greyville 4023
Tel: +27 31 312 9352
Fax: +27 86 550 8605

Port Elizabeth
I Quad Place
56 Mangold Street
Newton Park
Port Elizabeth 6045
PO Box 1192
Port Elizabeth 6000
Tel: +27 41 364 2555
Fax: +27 41 364 2426

NVest Financial Holdings (Pty) Limited

NFB House, 42 Beach Road
Nahoon 5241
PO Box 8132
Nahoon 5210
Tel: +27 43 735 2000
Fax: +27 43 735 2001

Trinitas Private Equity (Pty) Limited

1 Melrose Boulevard, Suite 2
Melrose Arch 2196
PO Box 412425
Craighall 2024
Tel: +27 11 994 9700
Fax: +27 11 684 1700

Annuity Properties Limited

Boundary Place
18 Rivonia Road
Illovo 2196
Tel: +27 10 595 3000
Fax: +27 11 268 0414

SAB&T BEE Services (Pty) Limited

Forest Office Park
15 Summit Drive
Sherwood
Durban
P.O. Box 52096
Berea Road
4007
Tel: 0860 233 669
Fax: 086 504 8573

GLOSSARY OF TERMS

ALCO	Asset and Liability Committee
Basel III	Set of reform measures, in addition to Basel II, to strengthen the regulation, supervision and risk management of the banking sector
BEE	Black Economic Empowerment
BBBEE	Broad Based Black Economic Empowerment
BESA	Bond Exchange of South Africa
CAR	Capital Adequacy Ratio
CRM	Credit Risk Management
CSI	Corporate Social Investment
DFI	Development Finance Institutions
FSC	Financial Sector Charter
GACC	Group Audit and Compliance Committee
GRCMC	Group Risk and Capital Management Committee
GRI	Global Reporting Initiatives
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
InnoVent	InnoVent Investment Holdings (Pty) Limited
InnoVent Rentals	InnoVent Rental and Asset Management Solutions (Pty) Limited
IT	Information Technology
JIBAR	Johannesburg Interbank Agreed Rate
LCR	Liquidity Coverage Ratio
NPL	Non-performing Loans
NSFR	Net Stable Funding Ratio
Premier	Sasfin Premier Logistics (Pty) Limited
RAROC	Risk Adjust Return on Capital
SAL	Sasfin Asia Limited
SAM	Sasfin Asset Managers (Pty) Limited
SANAS	The South African National Accreditation System
SasCred	SasCred Financial Services Limited
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Pty) Limited
SEMS	Social and Environmental Monitoring System
SFAS	Sasfin Financial Advisory Services (Pty) Limited
SFS	Sasfin Financial Services (Pty) Limited
SME	Small and Medium Enterprises
SPEIH	Sasfin Private Equity Investment Holdings (Pty) Limited
TETA	Transport Education and Training Authority
The Bank	Sasfin Bank Limited
The Company	Sasfin Holdings Limited
The Group	Sasfin Holdings Limited and its subsidiaries
The JSE	Johannesburg Stock Exchange Limited
The SARB	South African Reserve Bank

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".

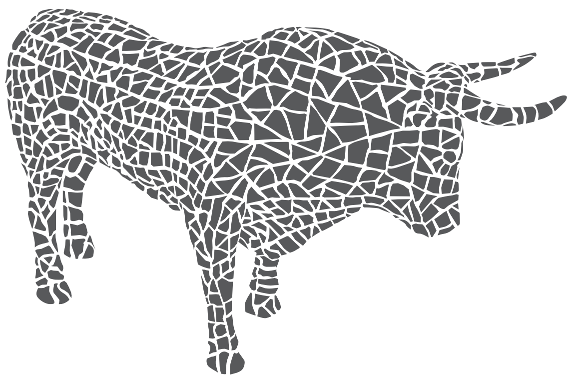
Forward-looking statements are not statements of fact, but statements by the management of the Group based on its current estimates, projections, expectations, beliefs and assumptions regarding the Group's future performance and no assurance can be given to this effect.

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.

sasfin
Holdings Limited
a partner beyond expectations

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June **2013**



SASFIN MET EQUITY FUND:

WINNER OF TWO RAGING BULL AWARDS

GLOSSARY OF TERMS

ALCO	Asset and Liability Committee
Basel III	Set of reform measures to strengthen the regulation, supervision and risk management of the banking sector
BESA	Bond Exchange of South Africa
Companies Act	Companies Act No. 71 of 2008, as amended
DFI	Development Finance Institutions
GACC	Group Audit and Compliance Committee
GRCMC	Group Risk and Capital Management Committee
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
InnoVent Rentals	InnoVent Rental and Asset Management Solutions (Pty) Limited
InnoVent	InnoVent Investment Holdings (Pty) Limited
JIBAR	Johannesburg Interbank Agreed Rate
Premier	Sasfin Premier Logistics (Pty) Limited
SAL	Sasfin Asia Limited
SAM	Sasfin Asset Managers (Pty) Limited
SasCred	SasCred Financial Services Limited
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Pty) Limited
SFAS	Sasfin Financial Advisory Services (Pty) Limited
SFS	Sasfin Financial Services (Pty) Limited
SPEIH	Sasfin Private Equity Investment Holdings (Pty) Limited
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CONTENTS

The following annual financial statements have been audited in compliance with the requirements of section 29(1)(e)(i) of the Companies Act.

In terms of section 29(1)(e)(ii) of the South African Companies Act, it is confirmed that the preparation of these annual financial statements has been under the supervision of 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 consolidated and separate statements of financial position at 30 June 2013, and the consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated and separate financial statements which include significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) 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 controls as the directors determine are necessary to enable the preparation of these consolidated and separate 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 IFRS.

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 11 September 2013 and signed by:

CN Axten
Non-executive Chairman

11 September 2013

RDEB Sassoon
Chief Executive Officer

11 September 2013

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 2013, 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

11 September 2013

AUDIT COMMITTEE REPORT

The responsibilities of the GACC are set out in the Companies Act and the Banks Act. These responsibilities as included in the committee's Charter 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. 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 who are appropriately qualified and experienced are:

ETB Blight (Chairman)
MS Rylands
RC Andersen
J Moses
GC Dunnington (appointed 03 June 2013)
DD Mokgatle (resigned 03 June 2013)

The Company Secretary is also Secretary of the committee.

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. The chairman of the committee represents the GACC at the annual general meeting each year.

Internal audit

Internal audit is an independent assurance function that assists the audit committee in fulfilling it's requirements. Internal audit operates in terms of a Charter approved by the GACC. 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 Grant Thornton (Jhb) Inc. Fees paid for audit and other services are approved by the Committee. The GACC has satisfied itself that the external auditors are independent of the Group.

Key functions of the committee

The GACC has conducted its affairs in compliance with its Charter. The GACC does not assume the functions of management which remain the responsibility of the executive directors, officers and other senior members of management.

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

AUDIT COMMITTEE REPORT continued

- 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,
- 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 GRCMC 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 Credit and Investment 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
- 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
- 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 audit plan
- 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
- performing functions in terms of the Banks Act as encapsulated in section 64

The GACC 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
- the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and it recommends their next appointment in 2014

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
- 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 GACC, at its meeting held on 29 August 2013, 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 annual 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
- 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

11 September 2013

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 corporate, commercial, institutional and private clients.

Financial results

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

Directorate and changes to the board

There were no changes to the directorate of the Company during the past financial year.

Directors and company secretary

The directors of the Company are :

Executive directors

RDEB Sassoon (British) (Chief Executive Officer)
TD Soondarjee (Group Financial Director)

Non-executive director

MS Rylands

Independent non-executive directors

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

Company secretary

Mr H Brown is the Company Secretary to the Group. His business and postal addresses are as follows:

Business:	Postal:
29 Scott Street	PO Box 95104
Waverley	Grant Park
2090	2051

Share capital

Ordinary share capital

There were no changes to the authorised and issued ordinary share capital. During the year, a subsidiary company of the Group bought 500 000 ordinary shares of the Company to the value of R18.4 million as a hedge for the Group's share appreciation scheme. These shares are held as treasury shares, and therefore eliminate on consolidation, effectively reducing the reported capital by this amount at a Group level.

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 under shareholders' and administrative information in the Integrated Report and is available on the Group's website www.sasfin.com.

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 40 on page 91.

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:

	2013 **R'000**	2012 R'000
Net income	**147 470**	117 562
Net losses	**11 228**	3 208

Acquisitions and disposals

The following transactions were concluded during the financial year:

On 26 November 2012 the Company acquired an aggregate of 31.6% of the shareholding in Sasfin Commercial Solutions Limited (formerly IQuad Group Limited) for a total purchase consideration of R29.8 million. Post this acquisition Sasfin Commercial Solutions Limited is a wholly-owned subsidiary of the Company.

Special resolutions passed

Special resolutions passed are disclosed under the shareholder information section of the Integrated Report and is available on the Group's website www.sasfin.com.

Events after the reporting date

Refinance of debt securities

Post year-end, SASP successfully refinanced R362 million of maturing notes. These notes were placed over a three to five year tenor.

Dividends

Ordinary share dividends

On 5 September 2012, a final ordinary dividend of 88 cents per share was paid to ordinary shareholders.
On 15 April 2013, an interim ordinary dividend of 60 cents per share was paid to ordinary shareholders.

Preference share dividends

On 5 September 2012, a preference share dividend of 351.55 cents per share was paid to preference shareholders.
On 8 April 2013, a preference share dividend of 355.65 cents per share was paid to preference shareholders.

DIRECTORS' REPORT continued

Directors' interests

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

	2013		2012	
	Indirect beneficial number	**Total number**	Indirect beneficial number	Total number
RDEB Sassoon	**14 444 116**	**14 444 116**	12 767 652	12 767 652
	14 444 116	**14 444 116**	12 767 652	12 767 652

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

Details of share options held by executive directors are given on page 94.

Refer to note 38 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 2013 were as follows:

	Services as directors R	Cash package* R	Other benefits** R	Incentive bonus*** R	**Total 2013 R**
Executive directors					
RDEB Sassoon	–	2 858 685	426 071	960 000	**4 244 756**
TD Soondarjee	–	1 879 215	398 814	780 000	**3 058 029**
Non-executive director					
MS Rylands	333 541	–	–	–	**333 541**
Independent non-executive directors					
CN Axten	604 154	–	–	–	**604 154**
RC Andersen	221 041	–	–	–	**221 041**
ETB Blight	336 041	–	–	–	**336 041**
GC Dunnington	286 041	–	–	–	**286 041**
DD Mokgatle	302 077	–	–	–	**302 077**
J Moses	311 041	–	–	–	**311 041**
	2 393 936	4 737 900	824 885	1 740 000	**9 696 721**

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.*

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

Remuneration details of the prescribed officers are disclosed in note 33 to the annual financial statements.

Information on options granted to employees and executive directors under the Group Share Incentive Scheme is given on page 94.

TD Soondarjee
Group Financial Director

11 September 2013

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 2013 and the income statements, 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 significant accounting policies and other explanatory notes, as set out on pages 12 to 107.

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 controls 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' judgment, 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 2013 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 2013, 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

85 Empire Road
Parktown
2193

11 September 2013

Grant Thornton (Jhb) Inc

Grant Thornton (Jhb) Inc.
Registered Auditor

Per Garron Chaitowitz
Chartered Accountant (SA)
Registered Auditor
Director

42 Wierda Road West
Wierda Valley
2196

11 September 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June

	Note	2013 R'000	2012 R'000
Assets			
Cash and cash balances	3	**1 021 186**	1 477 648
Short-term negotiable securities	4	**573 898**	69 056
Loans and advances to customers	5	**3 309 235**	2 834 420
Financials assets held for trading	6	**284 372**	–
Other receivables	7	**482 668**	449 382
Non-current assets held for sale	8	**–**	50 614
Investment securities	9	**338 247**	342 145
Investment in associated companies	10	**107 353**	89 898
Property, plant and equipment	11	**53 801**	57 392
Taxation		**3 114**	8 480
Intangible assets and goodwill	12	**71 822**	85 506
Deferred tax asset	13	**7 098**	7 952
Total assets		**6 252 794**	5 472 493
Liabilities			
Interbank funding	14	**143 819**	137 717
Deposits from customers	15	**2 161 141**	1 787 300
Financial liabilities held for trading	16	**280 942**	–
Debt securities issued	17	**1 378 691**	1 297 986
Long-term loans	18	**538 247**	538 576
Other payables	19	**455 929**	455 357
Taxation		**4 626**	5 037
Deferred tax liability	13	**62 695**	70 305
Total liabilities		**5 026 090**	4 292 278
Equity			
Ordinary share capital	20	**317**	322
Ordinary share premium	21	**144 010**	162 410
Reserves		**883 099**	799 964
Preference share capital	22	**19**	19
Preference share premium	23	**199 259**	199 259
Total equity attributable to equity holders of the Group		**1 226 704**	1 161 974
Non-controlling interest		**–**	18 241
Total equity		**1 226 704**	1 180 215
Total liabilities and equity		**6 252 794**	5 472 493
Commitments and contingent liabilities	24	**378 273**	287 273

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

	Note	2013 R'000	2012 R'000
Interest income	29	**473 686**	434 000
Interest expense	30	**253 479**	231 914
Net interest income		**220 207**	202 086
Non-interest income	31	**533 562**	448 230
Total income		**753 769**	650 316
Impairment charges on loans and advances	32	**22 376**	16 594
Net income after impairments		**731 393**	633 722
Operating costs		**561 046**	474 659
Staff costs	33.1	**299 244**	245 774
Other operating expenses	33.3	**261 802**	228 885
Profit from operations		**170 347**	159 063
Share of associated companies' income		**20 453**	15 452
Profit before income tax		**190 800**	174 515
Income tax expense	34	**38 226**	41 561
Profit for the year		**152 574**	132 954
Profit attributable to:			
Non-controlling interest		**2 860**	5 741
Preference shareholders		**13 472**	12 859
Equity holders of the Group		**136 242**	114 354
Profit for the year		**152 574**	132 954
Weighted average number of shares in issue ('000)		**32 171**	32 237
Earnings per ordinary share (cents)	35.4	**423**	355
Diluted earnings per ordinary share (cents)	35.6	**423**	355

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

	2013 R'000	2012 R'000
Profit for the year	**152 574**	132 954
Other comprehensive income for the year, net of income tax	**4 337**	4 162
Items that are or may be subsequently reclassified to profit or loss:		
Foreign exchange differences on translation of foreign operations	**33 428**	25 875
Net gains on re-measurement of available-for-sale financial assets	**900**	–
Gains on re-measurement of available-for-sale financial assets	**1 380**	–
Income tax effect	**(480)**	–
Net loss on hedge of net investment in foreign operation	**(27 894)**	(21 713)
Loss on hedge of net investment in foreign operation	**(38 742)**	(30 157)
Income tax effect	**10 848**	8 444
Items that will never be reclassified to profit or loss:		
Derecognition of revaluation reserve	**(2 097)**	–
Total comprehensive income for the year	**156 911**	137 116
Profit attributable to:		
Non-controlling interest	**2 860**	5 741
Preference shareholders	**13 472**	12 859
Equity holders of the Group	**140 579**	118 516
Total comprehensive income for the year	**156 911**	137 116

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 translation reserve R'000	Hedging reserve R'000	Available-for-sale reserve R'000	Property revalu-ation reserve R'000	Total ordinary share-holders equity R'000	Preference share capital and premium R'000	Non-controlling interest R'000	Total share-holders equity R'000
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**
Total comprehensive income for the year	**–**	**149 714**	**–**	**33 428**	**(27 894)**	**900**	**(2 097)**	**154 051**	**–**	**2 860**	**156 911**
Profit for the year	**–**	**149 714**	**–**	**–**	**–**	**–**	**–**	**149 714**	**–**	**2 860**	**152 574**
Other comprehensive (loss)/income net of income tax for the year	**–**	**–**	**–**	**33 428**	**(27 894)**	**900**	**(2 097)**	**4 337**	**–**	**–**	**4 337**
Foreign currency translation reserve	**–**	**–**	**–**	**33 428**	**–**	**–**	**–**	**33 428**	**–**	**–**	**33 428**
Derecognition of revaluation reserve upon sale of Property Companies	**–**	**–**	**–**	**–**	**–**	**–**	**(2 097)**	**(2 097)**	**–**	**–**	**(2 097)**
Gain on re-measurement of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**900**	**–**	**900**	**–**	**–**	**900**
Loss on hedge of net investment in foreign operation	**–**	**–**	**–**	**–**	**(27 894)**	**–**	**–**	**(27 894)**	**–**	**–**	**(27 894)**
Transfer of revaluation reserve to Distributable Reserves	**–**	**2 097**	**–**	**–**	**–**	**–**	**–**	**2 097**	**–**	**–**	**2 097**
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interest without a change in control	**–**	**(11 735)**	**–**	**–**	**–**	**–**	**–**	**(11 735)**	**–**	**(21 101)**	**(32 836)**
Transactions with owners recorded directly in equity											
Purchase of treasury shares	**(18 405)**	**–**	**–**	**–**	**–**	**–**	**–**	**(18 405)**	**–**	**–**	**(18 405)**
Dividends to preference shareholders	**–**	**(13 472)**	**–**	**–**	**–**	**–**	**–**	**(13 472)**	**–**	**–**	**(13 472)**
Dividends to ordinary shareholders	**–**	**(47 806)**	**–**	**–**	**–**	**–**	**–**	**(47 806)**	**–**	**–**	**(47 806)**
Balance at 30 June 2013	**144 327**	**915 624**	**–**	**(3 704)**	**(33 895)**	**5 074**	**–**	**1 027 426**	**199 278**	**–**	**1 226 704**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

for the year ended 30 June

Distributable reserves

This represents reserves distributable to ordinary shareholders.

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 39.7.

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 out of profits for the year under review:

Ordinary share dividend of 168 cents per share (2012: 137 cents)
Preference share dividend of 703.39 cents per share (2012: 692 cents)

On the 4 September 2013, the following dividends were declared by the directors in respect of the 2013 financial year:

Ordinary share dividend of 108 cents per share (2012: 88 cents)
Preference share dividend of 347.74 cents per share (2012: 351.55 cents)

These dividends have not been paid nor have they been provided for.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

	Note	2013 R'000	2012 R'000
Cash flows from operating activities			
Cash receipts from customers	36.1	**971 007**	862 196
Cash paid to customers, employees and suppliers	36.1	**(787 195)**	(681 220)
Cash inflow from operating activities	36.1	**183 812**	180 976
Dividends received		**6 079**	12 222
Taxation paid	36.2	**(40 027)**	(42 766)
Dividends paid	36.3	**(61 278)**	(50 975)
Cash flows from operating activities before changes in operating assets and liabilities		**88 586**	99 457
Changes in operating assets and liabilities		**(52 790)**	358 742
Increase in loans and advances		**(497 191)**	(518 028)
Increase in funding		**80 376**	297 856
Increase in other receivables		**(6 958)**	(75 428)
Increase in financial assets held for trading		**(284 372)**	–
Increase in deposits		**373 841**	571 854
Increase in financial liabilities held for trading		**280 942**	–
Increase in other payables		**572**	82 488
Net cash from operating activities		**35 796**	458 199
Cash flows from investing activities		**19 416**	129 124
Proceeds from the disposal of property, plant and equipment		**863**	168 681
Proceeds from sale of non-current asset held for sale		**50 614**	–
Proceeds from the disposal of intangible assets		**2 998**	–
Acquisition of property, plant and equipment		**(10 381)**	(20 282)
Acquisition of intangible assets and goodwill		**(3 516)**	(10 569)
Acquisition of interest in subsidiaries		**(32 836)**	(60 743)
Proceeds from disposal of investment securities		**29 129**	64 003
Increase in investment in associated companies		**(17 455)**	(11 966)
Net cash flows from financing activities		**(18 405)**	–
Purchase of treasury shares		**(18 405)**	–
Net increase in cash and cash equivalents		**36 807**	587 323
Cash and cash equivalents at the beginning of the year		**1 408 987**	817 185
Effect of exchange rate fluctuations on cash and cash equivalents		**5 471**	4 479
Cash and cash equivalents at the end of the year	36.4	**1 451 265**	1 408 987

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1. Accounting policies

Sasfin Holdings Ltd (the "Company") is a company domiciled in South Africa. The annual financial statements of the Company for the year ended 30 June 2013 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 annual 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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the South African Companies Act 71 of 2008 as amended. The annual 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 annual financial statements are presented in South African Rand, which is the Group's functional currency, rounded to the nearest thousand, and were approved by the board of directors on 11 September 2013.

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.

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 Common control

A common control transaction is defined as a sale of investment in associated companies between entities within the same group. The Company accounts for common transactions using exchange amount accounting. This is on the basis that the parties are separate entities in their own right and that the accounting should reflect the actual terms of the transaction.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

1. Accounting policies continued

1.3 Basis of consolidation continued

1.3.5 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.

1.3.6 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 note 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.

Subsequent measurement
Subsequent to initial measurement, financial instruments are either measured at 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 – refer to note 9.

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 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.

Financial assets and liabilities at fair value are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the near term. The financial assets and liabilities at fair value held for trading are measured at fair value. Gains or losses on financial assets and liabilities held for trading are recognised in the Consolidated Statement of Comprehensive Income.

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 – refer to notes 14 to 19 for more details.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

1. Accounting policies continued

1.5 Financial instruments continued

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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

1. Accounting policies continued

1.5 Financial instruments continued

Repurchase and reverse repurchase agreements

The Group enters into transactions involving the purchase of securities with a simultaneous agreement to resell (reverse repurchase agreements) and transactions involving the sale of securities with a simultaneous agreement to repurchase (repurchase agreements) to provide and to obtain short-term financing and liquidity. In reverse repurchase agreements, the cash delivered is derecognized and a corresponding receivable, including accrued interest, is recorded in the Consolidated Statement of Financial Position, recognizing the Group's right to receive it back. In repurchase agreements, the cash received, including accrued interest is recognized in the Consolidated Statement of Financial Position with a corresponding obligation to return it. Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement using the effective yield method and included in interest income and expense, respectively.

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 percent. 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 are 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 flows affect 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.

1.6.5 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 stand-alone 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 other comprehensive income and the instrument would meet the definition of a derivative if it was contained in a separate contract.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

1. Accounting policies continued

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 or Company 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.

1.7.2 Leased assets

Leases in terms of which the Group or Company 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. Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

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

Computer equipment	2 - 5 years
Furniture and fittings	6 - 10 years
Motor vehicles	5 years
Buildings	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 South African Rand (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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

1. Accounting policies continued

1.9 Foreign currencies continued

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 or Company 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 or Company 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.

1.11.2 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

Revenue is derived substantially from business banking and related financial services activities and comprise net interest income and non-interest income 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 discontinued, and any increase in the present value of impaired loans owing 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 Non-interest income

Non-interest income comprises of fees and commission, agency revenue, net brokerage and asset management and other income

1.12.2.1 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.

1.12.2.2 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.

1.12.2.3 Net brokerage income and asset management fees

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

1.12.2.4 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 or Company 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 or Company'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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

1. Accounting policies continued

1.13 Commitments and contingencies continued

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 thereto.

1.14 Funds under advisement

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 28.

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 or Company 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.

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 recognised in profit or loss and 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 or Company's assets, other than deferred tax assets (refer to accounting policy 1.19.2) and financial instruments (refer to 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

1. Accounting policies continued

1.16 Impairments continued

1.16.2 Impairment of non financial assets continued

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 operate equity-settled and cash-settled share-based compensation plans.

The Group and Company have 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 of salaries, accumulated leave pay, provident fund contributions, medical aid contributions, Group life contributions and company car benefits. 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 and capital gains tax, 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. Current tax payable also includes any tax liability arising from the declaration of dividends.

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 or substantially 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 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 and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilties and assets on a net basis or their tax assets and liabilties will be realised simultaneously.

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 Dividend withholding tax

Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The Company withholds dividend tax on behalf of its shareholders at a rate of 15% on dividends declared.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

1. Accounting policies continued

1.19 Income tax continued

1.19.3 Dividend withholding tax continued

Amounts withheld are not recognised as part of the Group's or Company's tax charge but rather as part of the dividend paid recognised directly in equity.

Where withholding tax is withheld on dividends received, the dividend is recognised at the gross amount with the related withholding tax recognised as part of tax expense unless it is otherwise reimbursable in which case it is recognised as an asset.

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, Mr RDEB 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, 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 or Company'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 or Company'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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

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 occurrence 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 or Company'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 39.2. 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 nil (2012: R3.7m) – refer to note 12.

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 deferred tax asset within a three- to five year horizon – refer to note 13.

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 taking into consideration prevailing market conditions. The basis of valuation is reviewed by the Credit and 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 arms 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 adopted the discounted cash flow methodology as its primary valuation model for private equity investments.

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 practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management estimates.

2.6 Financial asset and liability classification

The Group's or Company'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 or Company has determined that it has met one of the criteria for this designation set out in the accounting policies.

Details of the classification of financial assets and liabilities are given in note 25 (Group) and note 43.20 (Company).

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 27.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

	2013 R'000	2012 R'000
3. Cash and cash balances		
Money on call	**749 888**	1 116 800
Notice deposits maturing within three months	**219 953**	330 730
Balance with the South African Reserve Bank	**51 345**	30 118
	1 021 186	1 477 648
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 notice 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 17.	**217 672**	214 908
4. Short-term negotiable securities		
Held-to-maturity assets		
Negotiable certificates of deposit	**375 474**	–
Landbank bills	**198 424**	–
Treasury bills	**–**	69 056
	573 898	69 056
The maturity analysis is based on the remaining period to contractual maturity from year-end.		
Maturing after one month but within six months	**198 424**	69 056
Maturing after six months but within 12 months	**198 678**	–
Maturing after 12 months	**176 796**	–
	573 898	69 056

	2013 R'000	2012 R'000
5. Loans and advances to customers		
Originated loans and advances at amortised cost		
5.1 Gross loans and advances		
Instalment finance	**2 317 251**	2 102 800
Capital equipment finance	**282 463**	179 320
Debtor finance	**212 848**	125 158
Trade finance	**399 712**	333 714
Other secured loans	**203 768**	190 144
Loans and advances	**3 416 042**	2 931 136
Credit impairments for loans and advances	**(106 807)**	(96 716)
Impairments for non-performing loans and advances	**(97 071)**	(84 526)
Impairments for performing loans and advances	**(9 736)**	(12 190)
Net loans and advances	**3 309 235**	2 834 420
Comprising:		
Gross investment in loans and advances	**4 023 182**	3 470 071
Less: Unearned finance charges	**(607 140)**	(538 935)
Loans and advances	**3 416 042**	2 931 136
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 17	**1 417 596**	1 318 021
Gross loans and advances		
Maturity analysis		
Maturing within one year	**1 845 750**	746 275
Maturing after one year but within five years	**1 562 319**	2 184 861
Maturing after five years	**7 973**	–
	3 416 042	2 931 136
The maturity analysis is based on the remaining periods to contractual maturity from year-end.		
Sectorial analysis		
Agriculture	**46 645**	23 934
Community, social and personal services	**874 799**	768 636
Construction	**107 448**	86 866
Electricity and water	**22 142**	19 552
Finance, real estate and business services	**762 638**	626 064
Manufacturing	**562 160**	443 188
Mining	**122 522**	92 944
Trade and accommodation	**715 222**	693 632
Transport and communication	**202 466**	176 320
	3 416 042	2 931 136
Geographic analysis		
South Africa	**3 414 526**	2 928 573
Rest of Africa	**1 516**	2 563
	3 416 042	2 931 136

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

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
2013						
Non-performing loans						
Balance at the beginning of the year	56 428	2 690	–	2 677	22 731	84 526
Net impairments raised/(released)	13 314	775	5 376	(2 227)	(4 693)	12 545
Balance at the end of the year	**69 742**	**3 465**	**5 376**	**450**	**18 038**	**97 071**
Performing loans						
Balance at the beginning of the year	8 702	1 284	–	2 204	–	12 190
Net impairments released	(892)	(402)	–	(1 160)	–	(2 454)
Balance at the end of the year	**7 810**	**882**	**–**	**1 044**	**–**	**9 736**
Total credit impairments	**77 552**	**4 347**	**5 376**	**1 494**	**18 038**	**106 807**
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/(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 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

A 5% (2012: 5%) increase or decrease in the probability of default and loss given default, results in a R0.9 million (2012: R1.14 million) increase and R0.85 million (2012: R1.09 million) decrease, respectively, to the impairment of performing loans.

	2013 R'000	2012 R'000
Sectorial analysis of impairments for non-performing loans and advances		
Agriculture	7	220
Community, social and personal services	18 267	15 047
Construction	5 124	3 377
Electricity and water	130	526
Finance, real estate and business services	26 453	17 601
Manufacturing	12 880	7 892
Mining	886	323
Trade and accommodation	30 356	33 968
Transport and communication	2 968	5 572
	97 071	84 526

		2013 R'000	2012 R'000

6. Financial assets held for trading

The financial assets and financial liabilities held for trading relate to the fixed income trading book. The trading book consists of rated bond positions all traded through the JSE. The long and short bond positions are separately disclosed, as the set-off criteria do not apply. The financial assets held for trading are hedged by the financial liabilities held for trading and therefore interest rate risk is minimised.

	2013 R'000	2012 R'000
Government	**4 755**	–
Government-owned entities	**68 882**	–
Municipalities	**7 083**	–
Corporates and other	**203 652**	–
	284 372	–

7. Other receivables

	2013 R'000	2012 R'000
Derivatives at fair value	**52 816**	35 423
Freight forwarding and customs clearing	**116 135**	100 823
Stockbroking clients	**172 258**	155 191
Other receivables	**141 459**	157 945
	482 668	449 382

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 stockbroking clients refer to note 19.

Included in accounts receivable is R8,9 million (2012: R4,9 million) which has been ceded to ABSA Bank Limited, to secure banking facilities granted to Sasfin Commercial Solutions Limited and R116,1 million (2012: R100,8 million) which has been ceded to First National Bank, a division of FirstRand Bank Limited, to secure banking facilities granted to Sasfin Premier Logistics (Pty) Limited.

In addition to this, the Credit Guarantee Insurance policy over Sasfin Premier Logistics (Pty) Limited's accounts receivable has been ceded to the bank, this equates to 85% of the insured credit limit.

8. 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, during the previous financial year to dispose of the properties. Transfer took place on 7 September 2012 for a purchase consideration of R50,6 million.

	2013 R'000	2012 R'000
Investment property reclassified as held for sale	–	51 038
Fair value adjustment	–	(424)
Non-current assets held for sale	–	50 614

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

	2013 R'000	2012 R'000
9. Investment securities		
Available-for-sale portfolio	**8 434**	7 054
Financial instruments held at fair value through profit or loss	**8 646**	5 436
Designated at fair value through profit or loss	**321 167**	329 655
	338 247	342 145
Available-for-sale portfolio		
Equity securities with readily determinable fair values	**8 280**	6 900
Unquoted equities	**154**	154
	8 434	7 054
Financial instruments held at fair value through profit or loss		
Asset-backed securities	**8 646**	5 436
	8 646	5 436
Designated at fair value through profit or loss		
Listed linked units	**37 610**	34 587
Private and Property Equity Investments	**283 557**	295 068
	321 167	329 655

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 R283,5 million (2012: R295,1 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.

	2013 R'000	2012 R'000
Sectoral analysis:		
Distribution	**105 655**	175 654
Electronics and electrical/technology	**–**	18 340
Finance, Retail and Telecommunications	**112 260**	43 535
Real Estate	**103 252**	92 126
	321 167	329 655

Detailed information of all investments is obtainable from the Company Secretary.

	2013 R'000	2012 R'000

10. Investments in associated companies

10.1 Investments in associated companies

	2013 R'000	2012 R'000
Shares at book value	**40 132**	39 910
Equity accounted earnings	**67 221**	49 988
	107 353	89 898
Summary of associated companies:		
NVest Financial Holdings (Pty) Ltd	**14 058**	11 041
InnoVent Investment Holdings (Pty) Ltd*	**87 190**	77 810
IDEC Consulting Services (Pty) Ltd	**1 351**	1 047
National Money Transfer (Pty) Ltd	**1 140**	–
SAB & T BEE Services (Pty) Ltd	**1 994**	–
Trinitas Private Equity (Pty) Ltd	**1 620**	–
	107 353	89 898

** Includes investment in InnoVent SPV1 (Pty) Ltd.*

Summarised financial information of significant associated companies:

	NVest Financial Holdings (Pty) Ltd	**InnoVent Investment Holdings (Pty) Ltd**
Ownership structure	Associate	Associate
Nature of business	Securities	Leasing
Year-end	February	June
Date to which equity accounted	June 2013	June 2013

	2013 R'000	2012 R'000	**2013 R'000**	2012 R'000
Effective holding	**20%**	20%	**33.6%**	33.6%
Carrying value	**14 058**	11 041	**87 190**	77 810
Statement of financial position				
Total assets	**225 329**	162 598	**368 015**	238 238
Total liabilities	**165 725**	185 591	**212 212**	57 893
Group's proportionate share of total liabilities	**33 145**	37 118	**71 303**	19 452
Equity	**74 732**	51 945	**155 491**	61 800
Income statement				
Total revenue	**98 559**	79 039	**104 673**	419 299
Total expenses	**63 972**	56 344	**58 348**	376 968
Total net profit after tax	**26 374**	14 731	**36 008**	30 297
Share of income – current year	**5 217**	3 098	**12 099**	10 180
Share of dividend distribution	**2 200**	2 870	**3 360**	–
Equity accounted earnings	**17 097**	11 880	**55 098**	42 999

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Total R'000
11. Property, plant and equipment					
2013					
Movement					
Cost at the beginning of the year	96 663	32 742	6 560	24 672	160 637
Additions	5 007	1 799	1 622	1 953	10 381
Disposals	(1 661)	(405)	(1 214)	–	(3 280)
Cost at the end of the year	100 009	34 136	6 968	26 625	167 738
Accumulated depreciation and impairment losses at the beginning of the year	78 682	20 672	3 479	412	103 245
Depreciation charge for the year	8 862	3 358	646	262	13 128
Disposals	(1 468)	(74)	(894)	–	(2 436)
Accumulated depreciation and impairment losses at the end of the year	86 076	23 956	3 231	674	113 937
Carrying amount at the beginning of the year	17 981	12 070	3 081	24 260	57 392
Carrying amount at the end of the year	13 933	10 180	3 737	25 951	53 801
2012					
Movement					
Cost at the beginning of the year	79 327	29 999	6 001	151 142	266 469
Acquisition of subsidiary	1 039	3 257	–	24 583	28 879
Additions	18 351	808	1 034	89	20 282
Disposals	(2 054)	(1 322)	(475)	(151 142)	(154 993)
Cost at the end of the year	96 663	32 742	6 560	24 672	160 637
Accumulated depreciation and impairment losses at the beginning of the year	69 654	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	78 682	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	17 981	12 070	3 081	24 260	57 392

Land and buildings comprising property of R25,5 million (2012: R23,9 million) has been ceded as security to ABSA Bank Limited in respect of a R13,5 million access bond facility. Utilisation of this facility amounted to R6,5 million (2012: R4,7 million) as at 30 June 2013.

12. Intangible assets and goodwill

	2013 R'000	2012 R'000
Intangible assets		
Software development		
Carrying value at the beginning of the year	61 203	55 516
Acquisition of subsidiary	–	4 878
Amortisation of software	(14 202)	(9 579)
Additions at cost	3 516	10 569
Disposals at carrying value	(2 998)	(181)
Carrying value at the end of the year	47 519	61 203
Gross carrying amounts	81 457	74 235
Accumulated amortisation	(33 938)	(13 032)
Carrying value at the end of the year	47 519	61 203

During 2013 and 2012 the Group identified no events or circumstances that would indicate that the Group's intangible assets may need to be impaired.

	2013 R'000	2012 R'000
Goodwill		
Carrying value at the beginning of the year	24 303	13 728
Goodwill acquired during the year	–	14 303
Impairment of goodwill	–	(3 728)
Carrying value at the end of the year	24 303	24 303
Total	71 822	85 506

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 their 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. No impairment losses were recognised on goodwill during 2013 (2012: R3,7 million).

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13. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

R'000	2013 Assets	2013 Liabilities	2013 Net	2012 Assets	2012 Liabilities	2012 Net
Instalment finance	–	(65 994)	(65 994)	–	(62 481)	(62 481)
Tax losses	7 098	3 508	10 606	6 934	7 421	14 355
Fair value adjustments	–	(30 686)	(30 686)	–	(29 676)	(29 676)
Pre-payments	–	(27)	(27)	–	(60)	(60)
Impairments	–	15 061	15 061	–	11 661	11 661
Provisions	–	16 229	16 229	1 018	3 388	4 406
Other temporary differences	–	(786)	(786)	–	(558)	(558)
Net tax assets/(liabilities)	7 098	(62 695)	(55 597)	7 952	(70 305)	(62 353)

Movements in temporary differences during year R'000	Balance at 1 July	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 30 June
2013				
Instalment finance	(62 481)	(3 513)	–	(65 994)
Tax losses	14 355	(3 749)	–	10 606
Fair value adjustments	(29 676)	(1 010)	–	(30 686)
Pre-payments	(60)	33	–	(27)
Impairments	11 661	3 400	–	15 061
Provisions	4 406	11 823	–	16 229
Other temporary differences	(558)	(228)	–	(786)
	(62 353)	6 756	–	(55 597)
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)
Pre-payments	(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 temporary differences	83	(641)	–	(558)
	(55 403)	(15 394)	8 444	(62 353)

	2013 R'000	2012 R'000
14. Interbank funding		
Short-term interbank loans and deposits	**143 819**	137 717
	143 819	137 717
Interbank funding includes R6,5 million (2012: R4,7 million) secured by property as detailed in note 11.		
15. Deposits from customers		
Financial liabilities at amortised cost		
Demand deposits	**1 051 111**	1 236 066
Notice deposits	**597 227**	356 154
Fixed deposits	**512 803**	195 080
	2 161 141	1 787 300
Geographic analysis		
South Africa	**2 000 818**	1 561 513
Switzerland	**100 858**	–
Namibia	**28 725**	–
Panama	**27 824**	225 583
Israel	**1 228**	160
United Kingdom	**1 097**	–
North America	**402**	–
Other	**189**	44
	2 161 141	1 787 300
Maturity analysis		
Withdrawable on demand	**1 006 118**	1 236 529
Maturing within one month	**354 737**	244 471
Maturing after one month but within six months	**514 537**	290 378
Maturing after six months but within 12 months	**120 362**	10 422
Maturing after 12 months but within five years	**165 387**	5 500
	2 161 141	1 787 300
The maturity analysis is based on the remaining period to contractual maturity from year-end.		
16. Financial liabilities held for trading		
The financial assets and financial liabilities held for trading relate to the fixed income trading book. The trading book consists of rated bond positions all traded through the JSE. The long and short bond positions are separately disclosed, as the set-off criteria do not apply. The financial assets held for trading are hedged by the financial liabilities held for trading and therefore interest rate risk is minimised.		
Government	**274 091**	–
Corporates and Other	**6 851**	–
	280 942	–

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	2013 R'000	2012 R'000
17. Debt securities issued		
Financial Liabilities at amortised cost		
Category analysis		
Rated:		
Class A notes (BESA code ERS3A7) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3 month JIBAR plus 2.10%. Scheduled maturity date was 17 November 2012	–	234 153
Class A notes (BESA code ERS3A8) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3 month JIBAR plus 2.50%. Scheduled maturity date is 17 November 2014	**50 460**	50 488
Class A notes (BESA code ERS3A10) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 1.05%. Scheduled maturity date is 17 August 2013	**161 191**	161 283
Class A notes (BESA code ERS3A11) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 1.3%. Scheduled maturity date is 17 August 2014	**201 549**	201 664
Class A notes (BESA code ERS3A12) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 1.5%. Scheduled maturity date is 17 August 2015	**201 597**	201 712
Class A notes (BESA code ERS3A13) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3 month JIBAR plus 1.08%. Scheduled maturity date is 17 August 2013	**203 511**	203 627
Class A notes (BESA code ERS3A14) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 1.2%. Scheduled maturity date is 17 August 2015	**133 006**	–
Class A notes (BESA code ERS3A15) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 1.5%. Scheduled maturity date is 17 August 2017	**190 509**	–
Class B notes (BESA code ERS3B1) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 3.30%. Scheduled maturity date was 17 November 2012	–	5 054
Class B notes (BESA code ERS3B2) Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 1.85%. Scheduled maturity date is 17 August 2014	**86 723**	86 772

	2013 R'000	2012 R'000
17. Debt securities issued continued		
Financial Liabilities at amortised cost		
Category analysis		
Rated:		
Class C notes (BESA code ERS3C1)		
Unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 000 000 each. These notes bear interest at 3-month JIBAR plus 3.80%. Scheduled maturity date was 17 November 2012	–	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 3-month JIBAR plus 2.65%. Scheduled maturity date is 14 August 2014	**29 272**	29 288
Unrated:		
Subordinated, secured, repayable on the maturity date of the financing notes. This loan bears interest at 3-month JIBAR plus 6.5%. Scheduled maturity date is 22 June 2016	**75 311**	75 323
Subordinated, secured, repayable on the maturity date of the financing notes. This loan bears interest at 3-month JIBAR plus 5%. Scheduled maturity date is 20 June 2014	**45 562**	45 588
	1 378 691	1 297 986
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	**1 378 691**	1 297 986
Geographic analysis		
South Africa	**1 378 691**	1 297 986
	1 378 691	1 297 986
Maturity analysis		
Maturing within one year	**373 015**	250 986
Maturing after one year but within two years	**696 838**	727 000
Maturing after two years but within three years	**308 838**	320 000
	1 378 691	1 297 986

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.

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for the year ended 30 June

18. Long-term loans

	2013 R'000	2012 R'000
Balance at the beginning of the year	**538 576**	242 897
Advances during the year	**–**	445 729
Repayments during the year	**(329)**	(150 050)
Balance at the end of the year	**538 247**	538 576
Represented by:		
European DFIs	**360 960**	360 960
IFC	**167 219**	167 219
Loan facility – Cleantech funding	**84 769**	84 769
Subordinated loan	**82 450**	82 450
Nedbank Ltd	**10 068**	10 397
Total	**538 247**	538 576

The DFI loan facility is an unsecured 7-year term loan, with interest payable quarterly at rates linked to 3-month JIBAR, and is repayable between February 2014 and November 2018.

The IFC loan facility is a senior 7-year term loan, with interest payable quarterly at rates linked to 3-month JIBAR, and is repayable between June 2014 and June 2019.

The subordinated loan of R82.45 million was obtained in September 2009 from the IFC, with interest repayable quarterly and linked to JIBAR, is repayable between September 2014 and December 2019.

Maturity analysis	2013 R'000	2012 R'000
Maturing within one year	**36 163**	397
Maturing after one year but within two years	**104 137**	36 096
Maturing after two years but within three years	**104 137**	104 137
Maturing after three years	**293 810**	397 946
	538 247	538 576

19. Other payables

	2013 R'000	2012 R'000
Derivative liabilities	**54 954**	42 182
Audit fees and other services	**6 644**	6 586
Accounts payable	**228 046**	229 918
Leave pay	**10 392**	7 469
Accruals		
Management incentives	**30 243**	13 111
Opening balance	**13 111**	9 856
Reversed during year	**(15 395)**	(12 403)
Charge to the income statement	**32 527**	15 658
Stockbroking clients	**125 650**	156 091
	–	85 209
Amounts due to clients	**2 320 761**	2 222 495
Less: JSE trustees	**(1 179 699)**	(1 128 520)
Borrowers control	**(1 032 221)**	(990 091)
JSE trustees – financial Rand	**(108 841)**	(18 675)
Overseas brokers on market deals	**–**	49 851
Brokers on market deals	**124 865**	19 508
Marketable and uncertified securities taxes	**639**	12
Dividends payable	**146**	1 511
	455 929	455 357

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 stockbroking 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.

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		2013 R'000	2012 R'000
20.	**Ordinary share capital**		
	Authorised		
	100 000 000 (2012: 100 000 000) ordinary shares of 1 cent each	**1 000**	1 000
	Issued		
	31 736 515 (2012: 32 236 515) ordinary shares of 1 cent each		
	Balance at the beginning of the year	**322**	322
	Treasury shares	**(5)**	–
	Balance at the end of the year	**317**	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)
	Less: Treasury shares held by Sasfin Securities (Pty) Limited	**(500 000)**	–
		31 736 515	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 41 as required by the JSE. The Sasfin Share Incentive Trust has been consolidated into the Group's annual financial statements. The Group issued no shares (2012: nil) to the Sasfin Share Incentive Trust. The number of shares held by the Sasfin Share Incentive Trust amounts to 64 926 (2012: 64 926) or R956 143 (2012: R956 143) at year-end.

There are no restrictive funding arrangements.

The unissued shares are under the control of the directors until the next annual general meeting.

		2013 R'000	2012 R'000
21.	**Ordinary share premium**		
	Balance at the beginning of the year	**162 410**	162 410
	Treasury shares	**(18 400)**	–
	Balance at the end of the year	**144 010**	162 410
22.	**Preference share capital**		
	Authorised		
	5 000 000 (2012: 5 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	**50**	50
	Issued		
	1 905 000 (2012: 1 905 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	**19**	19

The preference shares are listed under the "Specialist Securities – Preference Shares" sector of the JSE Limited. Dividends are paid semi-annually at a rate of 82.5% of the ruling prime rate effective 1 April 2012.

		2013 R'000	2012 R'000
23.	**Preference share premium**		
	Balance at the beginning and end of the year	**199 259**	199 259
24.	**Commitments and contingent liabilities**		
	Commitments		
	Capital expenditure authorised and contracted for	**896**	58
	Non-cancellable operating lease rentals for premises are payable as follows:	**301 089**	247 854
	One year	**27 895**	24 383
	One to five years	**116 454**	88 201
	> than five years	**156 740**	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	**28 729**	23 698
	Suretyship	**10 000**	–
	Guarantees	**37 559**	15 663
		378 273	287 273
	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	**27 895**	24 383
	One to 5 years	**116 454**	88 201
	More than 5 years	**156 740**	135 270
		301 089	247 854
	Less: Straight-lining of lease accrual	**(6 068)**	(904)
		295 021	246 950
	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.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

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25. 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	Total carrying amount R'000	Fair value R'000
2013							
Assets							
Cash and cash balances [1]	–	–	–	1 021 186	–	1 021 186	1 021 186
Short-term negotiable securities [2]	–	–	573 898	–	–	573 898	573 427
Loans and advances to customers [3]	–	–	–	3 309 235	–	3 309 235	3 309 235
Financials assets held for trading	–	284 372	–	–	–	284 372	284 372
Other receivables	–	52 816	–	429 852	–	482 668	482 668
Investment securities [4]	321 167	8 646	–	–	8 434	338 247	338 247
	321 167	345 834	573 898	4 760 273	8 434	6 009 606	
Liabilities							
Interbank funding	–	–	143 819	–	–	143 819	143 819
Deposits from customers	–	–	2 161 141	–	–	2 161 141	2 161 141
Financial liabilities held for trading	–	280 942	–	–	–	280 942	280 942
Debt securities issued	–	–	1 378 691	–	–	1 378 691	1 382 483
Long-term loans	–	–	538 247	–	–	538 247	689 337
Other payables	–	54 954	125 650	–	–	180 604	180 604
	–	335 896	4 347 548	–	–	4 683 444	
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
	329 655	40 859	69 056	4 726 027	7 054	5 172 651	
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	–	–	198 273	198 273
	–	42 182	3 917 670	–	–	3 959 852	

25. Classification of assets and liabilities continued

Carrying value has been used where it closely approximates fair value. 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 consists 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. Refer to note 26.*

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26. 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
2013				
Assets				
Investment securities	54 536	–	283 711	338 247
Financial assets held-for-trading	284 372	–	–	284 372
Other receivables	–	52 816	–	52 816
	338 908	52 816	283 711	675 435
Comprising:				
Held at fair value	293 018	52 816	–	345 834
Designated at fair value	37 610	–	283 557	321 167
Available-for-sale	8 280	–	154	8 434
	338 908	52 816	283 711	675 435
Liabilities				
Financial liabilities held for trading	280 942	–	–	280 942
Other payables	–	54 954	–	54 954
	280 942	54 954	–	335 896
Comprising:				
Held at fair value	280 942	54 954	–	335 896
	280 942	54 954	–	335 896

26. Financial instruments measured at fair value continued

	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

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:

	2013 R'000	2012 R'000
Investment securities		
Balance at the beginning of the year	**295 222**	391 641
Total gains or losses in profit and loss	**16 314**	562
Net settlements	**(27 825)**	(96 981)
Balance at the end of the year	**283 711**	295 222

Total gains or losses included in profit or loss for the period are presented in the statement of comprehensive income as follows:

	Investment securities R'000	**Other receivables R'000**	**Other payables R'000**	**Total R'000**
2013				
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	**–**	**3 272**	**–**	**3 272**
Fair value adjustments available for sale instruments				
Impact on gains and losses recognised directly in other comprehensive income for the year	**900**	**–**	**–**	**900**
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	**21 059**	**–**	**–**	**21 059**
Included in net gains and losses on derivative instruments and foreign exchange gains and losses	**–**	**49 544**	**(54 954)**	**(5 410)**
Total gains or losses on assets and liabilities held at fair value	**21 959**	**52 816**	**(54 954)**	**19 821**

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26. Financial instruments measured at fair value continued

	Investment securities R'000	Other receivables R'000	Other payables R'000	Total R'000
2012				
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	–	(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)

Refer to note 39.4 for the sensitivity analysis.

	2013 R'000	2012 R'000

27. 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	**2013 R'000**	2012 R'000
SASP	**1 417 596**	1 318 021

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 R728,4 million (2012: R539,9 million) worth of rental contracts during the year.

28. Funds under advisement and management

The Wealth division in a fiduciary capacity on behalf of clients, administers client funds in respect of the following:

	2013 R'000	2012 R'000
Unlisted equities	**31 613**	–
Listed equities	**53 698 703**	43 544 747
Gilts	**2 925 876**	41 934
Funds held in money market accounts	**2 239 158**	2 136 556
Assets under management	**6 216 437**	2 942 371
Assets under advisement	**3 503 393**	6 057 629
Foreign assets	**3 101 716**	–
	71 716 896	54 723 237

Included in funds under advisement and management is an amount of R537 million (2012: R442 million) in respect of related parties as defined in note 37.

	2013 R'000	2012 R'000
29. Interest income		
Interbank	**66 614**	58 480
Short-term negotiable securities	**10 691**	3 703
Instalment finance	**278 741**	279 692
Capital equipment	**32 186**	22 691
Debtor finance	**20 573**	12 235
Trade finance	**32 816**	29 458
Commercial property finance	**25 369**	21 251
Other	**6 696**	6 490
Interest earned on financial assets	**473 686**	434 000
30. Interest expense		
Interbank funding	**15 166**	6 574
Demand deposits	**51 186**	47 002
Notice deposits	**28 382**	18 647
Fixed deposits	**14 837**	15 932
Debt securities	**93 723**	98 622
Long-term borrowings	**39 433**	31 940
Subordinated debt	**7 417**	8 432
Other	**3 335**	4 765
Interest paid on financial liabilities	**253 479**	231 914
31. Non-interest income		
Fee and commission	**303 819**	267 085
– Fee and commission income	**352 822**	304 650
– Fee and commission expense	**(49 003)**	(37 565)
Agency revenue	**70 012**	61 020
Net brokerage income and asset management fees	**90 270**	74 335
Confirming fees	**18 238**	19 990
Dividend income	**6 079**	12 222
– on securities held at fair value through profit or loss	**575**	414
– on investments designated at fair value	**5 504**	11 808
Fair value adjustments on financial instruments held at fair value through profit or loss	**3 272**	(7 902)
Fair value adjustments on financial instruments designated at fair value	**21 059**	972
Fair value adjustments on non-current assets held for sale	**–**	(424)
Net gains and losses on derivative instruments and foreign exchange gains and losses	**20 794**	10 325
Profit on disposal of property, plant and equipment	**19**	10 607
	533 562	448 230
32. Impairment charges on loans and advances		
Net impairments raised for non-performing loans	**24 830**	18 869
Net impairments released for performing loans	**(2 454)**	(2 275)
	22 376	16 594

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for the year ended 30 June

	2013 R'000	2012 R'000
33. Operating costs		
33.1 Staff costs		
Salaries and wages	**250 354**	204 598
Executive directors and prescribed officers	**22 105**	20 587
Non-executive directors	**2 394**	2 505
Contributions to defined contribution plans	**24 385**	20 500
Cash-settled share-based payments (refer to note 41)	**6**	(2 053)
Equity-settled share-based payments (refer to note 41)	**–**	(363)
	299 244	245 774

	Cash package R'000	Other benefits R'000	Incentive bonus R'000	**Total**	Total
33.2 Executive directors and prescribed officers					
The employment of executive directors and prescribed officers is regulated by formal employment contracts. Included in the above staff costs is remuneration and benefits paid to the following executive directors and prescribed officers:					
RDEB Sassoon	2 859	426	960	**4 245**	3 674
TD Soondarjee	1 879	399	780	**3 058**	2 690
MG Lane	1 636	369	740	**2 745**	2 422
LR Fröhlich	1 940	201	1 200	**3 341**	2 886
H Brown	1 423	236	560	**2 219**	1 818
N Eppel	1 454	451	600	**2 505**	–
ME Sassoon	1 191	234	850	**2 275**	1 670
D Edwards	1 389	233	95	**1 717**	1 560
M Segal	–	–	–	**–**	1 477
LM Dirker	–	–	–	**–**	2 390
	13 771	2 549	5 785	**22 105**	20 587

	2013 R'000	2012 R'000
33.3 Other operating expenses		
Auditors' remuneration	**9 363**	9 024
Audit fees – Current year	**8 478**	7 814
– Under provision prior year	**262**	679
Other services	**623**	531
Consulting fees	**3 613**	6 039
Depreciation	**13 128**	14 038
Amortisation of intangible assets	**14 202**	9 579
Impairment of goodwill	**–**	3 728
Operating lease charges	**42 117**	35 296
– Premises	**42 068**	35 243
– Plant and equipment	**49**	53
Other	**179 379**	151 181
	261 802	228 885

34. Income tax expense

	2013 R'000	2012 R'000
Current tax expense	**44 982**	22 614
– Current year	**42 670**	18 337
– Capital gains	**2 403**	3 857
– (Over)/under provision in prior years	**(91)**	420
Deferred tax expense	**(6 756)**	13 917
– Current year	**(6 756)**	9 361
– Capital gains	**–**	775
– Rate change	**–**	3 781
Secondary tax on companies	**–**	3 553
Deferred tax on STC credits	**–**	1 477
	38 226	41 561
Reconciliation of rate of taxation:	**%**	%
South African normal tax rate	**28.0**	28.0
Adjusted for:	**(8.0)**	(4.2)
Exempt income	**(2.6)**	(4.6)
Non-deductible expenses	**0.1**	0.6
Goodwill	**–**	0.6
Capital gains tax	**(0.7)**	(0.3)
Effect of tax rates in foreign entity	**(4.8)**	(4.0)
Overprovision in prior years	**–**	(1.6)
Secondary tax on companies	**–**	2.9
Change in tax rate	**–**	2.2
Effective rate	**20.0**	23.8
Income tax recognised directly in other comprehensive income		
Net gain on hedge of net investment in foreign operation	**(10 848)**	(8 444)
	(10 848)	(8 444)
Losses, balance of allowances and credits for which a deferred tax asset has been raised		
Estimated tax losses available to offset future taxable income	**35 599**	51 264

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	Gross R'000	Direct tax R'000	Non-controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
35. Earnings per share				
35.1 Headline earnings				
2013				
Profit before direct taxation	**190 800**	**38 226**	**16 332**	**136 242**
Headline adjustable items reversed	**(792)**	**(5)**	**–**	**(787)**
Profit on sale of property and equipment – IAS 16	**(19)**	**(5)**	**–**	**(14)**
Gain on the disposal of businesses and divisions – IAS 27	**(773)**	**–**	**–**	**(773)**
	190 008	**38 221**	**16 332**	**135 455**
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

	2013	2012
35.2 Weighted average number of ordinary shares		
Weighted average number of ordinary shares during the year ('000)	**32 237**	32 237
Effect of treasury shares ('000)	**(66)**	–
Weighted average number of ordinary shares ('000)	**32 171**	32 237

	Cents	Cents
35.3 Headline earnings per ordinary share The calculation of headline earnings per ordinary share is based on headline earnings of R135,4 million (2012: R110,9 million) and the weighted average of 32 170 762 (2012: 32 236 515) ordinary shares in issue for the year	**421**	344
35.4 Earnings per ordinary share The calculation of earnings per ordinary share is based on earnings of R136.2 million (2012: R114,3 million) and the weighted average of 32 170 762 (2012: 32 236 515) ordinary shares in issue for the year	**423**	355
35.5 Diluted headline earnings per ordinary share The calculation of diluted headline earnings per ordinary share is based on headline earnings of R135,4 million (2012: R110,9 million) and diluted shares of 32 170 762 (2012: 32 236 515)	**421**	344
35.6 Diluted earnings per ordinary share The calculation of diluted earnings per ordinary share is based on earnings of R136,2 million (2012: R114,3 million) and diluted shares of 32 170 762 (2012: 32 236 515)	**423**	355

	2013 R'000	2012 R'000
36. Cash flows from operating activities		
36.1 Cash receipts from customers		
Interest income	**473 686**	434 000
Other income	**497 321**	428 196
	971 007	862 196
Cash paid to customers, employees and suppliers		
Interest expense	**253 479**	231 914
Total operating expenses	**533 716**	449 306
	787 195	681 220
Cash inflow from operating activities	**183 812**	180 976
Reconciliation of operating profit to cash flows from operating activities:		
Profit before income tax	**190 800**	174 515
Profit on disposal of property, plant and equipment	**(19)**	(10 607)
Unwind cost of hedge	**–**	(4 783)
Dividends received	**(6 079)**	(12 222)
Impairment charges on loans and advances	**22 376**	16 594
Exchange rate fluctuations on cash held	**(5 471)**	(4 479)
Increase in foreign currency translation	**(20 794)**	(10 325)
Cash-settled share-based payments	**–**	(2 053)
Equity-settled share-based payments	**–**	(363)
Fair value adjustments on financial instruments held at fair value through profit and loss	**(3 272)**	7 902
Fair value adjustments on financial instruments designated at fair value	**(21 059)**	(972)
Fair value adjustments on non-current assets held for sale	**–**	424
Impairment of goodwill	**–**	3 728
Depreciation	**13 128**	14 038
Amortisation of software	**14 202**	9 579
	183 812	180 976
36.2 Taxation paid		
Unpaid at the beginning of the year	**58 910**	60 115
Charge to the income statement	**38 226**	41 561
Unpaid at the end of the year	**(57 109)**	(58 910)
	40 027	42 766
36.3 Dividends paid		
Charge to distributable reserves	**61 278**	50 975
	61 278	50 975
36.4 Cash and cash equivalents at the end of the year		
Cash and cash balances	**1 021 186**	1 477 648
Short-term negotiable securities	**573 898**	69 056
Interbank funding	**(143 819)**	(137 717)
	1 451 265	1 408 987

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37. Related party transactions

The following are defined as related parties of the Group:

* Subsidiaries (refer to note 40).
* Associated undertakings and joint ventures (refer to note 10).
* 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 and shareholding are disclosed in the Directors' Report on page 8.

	2013 R'000	2012 R'000
38. Transactions with key management		
Key management personnel and their immediate relatives have balances with the Group at year-end, as follows:		
Deposits from customers	**36 456**	58 681
Funds under management	**537 649**	441 652

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 40 for intergroup related party transactions.

39. Financial risk management

39.1 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 ALCO and 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.

39. Financial risk management continued

39.1 Introduction and overview continued

The Group uses a three-line 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 Group Risk and Capital Management committee, 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 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 principle risks to which the Group is exposed and which it manages are listed hereunder:

- **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's 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 principals in respect of market, credit and liquidity risk have remained relatively unchanged from the prior year.

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for the year ended 30 June

39. Financial risk management continued

39.2 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 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.

Financial assets held for trading

The Group, through SasSec, holds exchange traded bonds for purposes of trading with other market participants. Further details on the credit risk relating to the issuers of these bonds are further disclosed under note 39.2.5.

39. Financial risk management continued

39.2 Credit risk continued

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 a 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 on a daily basis to executive management and 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.

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. The Group renegotiated loans of R60.8 million in 2013 (2012: 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 uncollectible. 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 III to measure credit risk through the majority of its business, and uses the regulatory risk buckets per SARB as a measurement criteria for assessing performing counterparties, as follows:

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39. Financial risk management continued

39.2 Credit risk continued

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

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
2013						
Cash and cash balances	969 841	–	–	969 841	–	–
Short-term negotiable securities	573 898	–	–	573 898	–	–
Loan and advances	3 206 044	17 744	192 254	3 416 042	95 183	97 071
Instalment finance	2 225 131	2 034	90 086	2 317 251	20 499	69 587
Capital equipment finance	276 068	268	6 127	282 463	2 507	3 620
Debtor finance	182 968	–	29 880	212 848	24 504	5 376
Trade finance	381 701	15 442	2 569	399 712	2 119	450
Other secured loans	140 176	–	63 592	203 768	45 554	18 038
Other receivables	444 100	37 585	983	482 668	983	–
Derivatives at fair value	52 816	–	–	52 816	–	–
Freight forwarding and customs clearing	77 567	37 585	983	116 135	983	–
Stockbroking clients	172 258	–	–	172 258	–	–
Other receivables	141 459	–	–	141 459	–	–
Financial assets held for trading	284 372	–	–	284 372	–	–
Investment securities	338 247	–	–	338 247	–	–
	5 816 502	55 329	193 237	6 065 068	96 166	97 071
Add: Financial instruments not exposed to credit risk				51 345		
Less: Credit impairments for loans and advances				(106 807)		
Impairments for non-performing loans and advances				(97 071)		
Impairments for performing loans and advances				(9 736)		
				6 009 606		
Represented by the following statement of financial position items:						
Cash and cash balances				1 021 186		
Short-term negotiable securities				573 898		
Loans and advances				3 309 235		
Other receivables				482 668		
Financial assets held for trading				284 372		
Investment securities				338 247		
				6 009 606		

39. Financial risk management continued

39.2 Credit risk 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
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	–
Stockbroking 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		

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39. Financial risk management continued

39.2 Credit risk continued

Maximum off-balance sheet exposure to credit risk

	2013 R'000	2012 R'000
Unutilised letters of credit established and confirmed orders on behalf of clients	28 729	23 698
Guarantees issued	47 559	15 663
	76 288	39 361

Past due but not impaired loans and advances

	Between 1 and 30 days R'000	31 to 60 days R'000	61 to 90 days R'000	> 90 days R'000	Total R'000
2013					
Ageing of loans and advances past due but not impaired					
Loans and advances	15 695	154	4	1 891	17 744
Freight forwarding and customs clearing	15 599	9 317	7 417	5 252	37 585
	31 294	9 471	7 421	7 143	55 329
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

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
2013					
Trade finance	–	–	–	450	450
Debtor finance	–	–	–	5 376	5 376
Capital equipment finance	213	–	–	3 407	3 620
Instalment finance	55	–	4 469	65 063	69 587
Other	4 518	–	–	13 520	18 038
	4 786	–	4 469	87 816	97 071
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

39. Financial risk management continued

39.2 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 are updated annually, if applicable, and if an account is individually assessed for impairment. The different categories of collateral include general notorial bonds over the client's stock and other assets, cessions of debtors book and continuous covering mortgage bonds over property. Insurance taken out on loans and advances is also viewed as collateral.

		2013 R'000	2012 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 unit.		
	Total exposure		
	Exposure	**399 712**	333 714
	Total securities held	**387 062**	325 854
	Breakdown of securities held:	**387 062**	325 854
	Stock	**236 599**	185 385
	Fixed assets	**35 740**	8 960
	Receivables	**84 833**	96 651
	Property	**15 956**	33 869
	Pledges/deposits	**13 934**	989
	Against individually impaired assets		
	Exposure	**2 569**	10 780
	Total securities held	**2 119**	8 103
	Breakdown of securities held:	**2 119**	8 103
	Stock	**–**	3 053
	Receivables	**100**	1 720
	Property	**500**	2 573
	Pledges/deposits	**1 519**	757

2. **Debtor finance**

The Group's debtor finance unit does not allow an advance which exceeds the debtor 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 debtor 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

39. Financial risk management continued

39.2 Credit risk continued

		2013 R'000	2012 R'000
2.	**Debtor finance continued**		
	Total debtor finance exposure	**212 848**	125 158
	Receivables	**212 848**	125 158
	Breakdown of securities held:	**199 817**	125 158
	Stock	**88 557**	–
	Fixed assets	**16 663**	–
	Receivables	**93 889**	125 158
	Property	**588**	–
	Pledges/deposits	**120**	–
	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	**29 880**	–
	Total securities held	**24 504**	–
	Breakdown of securities held:	**24 504**	–
	Stock	**11 250**	–
	Fixed assets	**1 250**	–
	Receivables	**12 004**	–
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.		
	Total exposure	**2 317 251**	2 102 800
	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.		

39. Financial risk management continued

39.2 Credit risk continued

		2013 R'000	2012 R'000
3.	**Instalment finance continued**		
3.2	**Capital equipment finance**		
	The primary collateral for capital equipment finance is the plant/equipment being financed. However, other security such as general notorial bonds over other assets and continuous covering mortgage bonds over property are sometimes taken to increase the collateral cover.		
	Total exposure	**282 463**	179 320
	Against individually impaired assets		
	Total exposure	**6 127**	11 897
	Recoverable amount from plant	**2 507**	9 208
	Collateral repossessed		
	Recoverable amount from plant	**2 507**	9 208
	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.		
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	**203 768**	190 144
	Recoverable amount from collateral	**188 242**	167 680
	Breakdown of securities held:	**188 242**	167 680
	Property	**164 242**	140 837
	Pledges/deposits	**24 000**	26 843
	Against individually impaired assets		
	Exposure	**63 592**	91 362
	Total securities held	**45 554**	68 633
	Breakdown of securities held:	**45 554**	68 633
	Property	**23 800**	41 790
	Pledges/deposits	**21 754**	26 843

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

39. Financial risk management continued

39.2 Credit risk continued

		2013 %	2012 %
5.	**Financial assets held for trading**		
	Financial assets attract credit risk in the form of counterparty credit risk and concentration risk.		
	In respect of counterparty credit risk, issuer ratings relative to the portfolio of bond assets held were as follows:		
	Guaranteed	2	–
	AAA to A3	90	–
	BA3 to BAA2	8	–
		100	–

Concentration risk does not exceed 19% as detailed in note 6 to the annual financial statements.

39.3 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 division 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 interbank 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.

39. Financial risk management continued

39.3 Liquidity risk continued

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.

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, SARB.

Contractual maturity analysis of financial liabilities

	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 to 3 months R'000	4 to 12 months R'000	1 to 5 years R'000	6 to 10 years R'000	Non contrac-tual R'000	Total R'000
2013									
Interbank funding	143 819	143 819	126 892	13 809	3 118		–	–	143 819
Deposits from customers	2 161 141	2 161 141	1 360 855	334 973	299 926	165 387	–	–	2 161 141
Financial liabilities held for trading	280 942	280 942	280 942		–	–	–	–	280 942
Debt securities issued	1 378 691	1 594 194	–	385 951	96 125	1 073 169	38 949	–	1 594 194
Long-term funding	538 247	688 511	2 140	8 421	69 521	520 513	87 916	–	688 511
Other payables	455 929	455 929	322 594	113 108	17 964	2 263	–	–	455 929
	4 958 769	5 324 536	2 093 423	856 262	486 654	1 761 332	126 865	–	5 324 536
Loan commitments	28 729	28 729	8 085	12 572	8 072	–	–	–	28 729
Total	4 987 498	5 353 265	2 101 508	868 834	494 726	1 761 332	126 865	–	5 353 265
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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

39. Financial risk management continued

39.3 Liquidity risk continued

Contractual maturity analysis of financial liabilities continued

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 high quality liquid assets comprising cash and cash equivalents, treasury bills and negotiable certificates of deposit 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.

39.4 Market risks

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.

Settlement risk

The Group is exposed to market price risk through its stockbroker 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 separates its exposures to market risks between trading and non-trading portfolios.

Trading portfolios

The Group applies a Value-at-Risk ("VaR") model using the previous five years' historical data as an input to monitor market risk. The VaR measures the amount of maximum loss which will not be exceeded with 99% probability as a result of normal but adverse market price movements over a ten-day holding period. The calculated VaR at year-end is R1 192 603.

Non-trading portfolios

Non-trading portfolios are held by the Group Treasury division 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. The GRCMC 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 Credit and Investment and ALCO committees, respectively.

Exposure to interest rate risk

Trading portfolios

Trading portfolios consist of exchange traded bonds that bear fixed interest rates, hence there is no 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 detailed below, 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.

39. Financial risk management continued

39.4 Market risks 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
2013					
Assets					
Non-trading portfolios					
Cash and cash balances	969 841	–	–	–	969 841
Short-term negotiable securities	–	198 424	198 678	176 796	573 898
Loans and advances	2 978 062	203 176	66 955	167 849	3 416 042
Total assets	**3 947 903**	**401 600**	**265 633**	**344 645**	**4 959 781**
Liabilities					
Non-trading portfolios					
Interbank funding	143 819	–	–	–	143 819
Deposits from customers	1 396 957	313 224	291 073	159 887	2 161 141
Debt securities issued	–	1 378 691	–	–	1 378 691
Long-term loans	10 068	528 179	–	–	538 247
Total liabilities	**1 550 844**	**2 220 094**	**291 073**	**159 887**	**4 221 898**
Net repricing GAP	**2 397 059**	**(1 818 494)**	**(25 440)**	**184 758**	**737 883**
Cumulative repricing GAP	**2 397 059**	**578 565**	**553 125**	**737 883**	**737 883**
A 200 bps interest rate change will have the following effect on profit/loss:					
200 bps parallel shock interest rate increase	47 941	8 678	2 766	3 689	3 689
200 bps parallel shock interest rate decrease	(47 941)	(8 678)	(2 766)	(3 689)	(3 689)
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 funding	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
A 200 bps 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)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

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39. Financial risk management continued

39.4 Market risks continued

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 point (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:

	2013 R'000	2012 R'000
200 bps parallel shock interest rate increase	**3 689**	3 431
200 bps parallel shock interest rate decrease	**(3 689)**	(3 431)

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.

Market risk on equity investments

The Sasfin Capital division enters into private equity investments in unlisted entities in accordance with delegated authority limits as defined by the Group's Credit and 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	**R'000**	**10% increase in fair value R'000**
2013			
Listed			
Equity securities at fair value	**49 082**	**54 536**	**59 990**
Impact on gains and losses recognised in profit or loss for the year	**4 221**	**4 690**	**5 159**
Impact on gains and losses recognised directly in other comprehensive income for the year	**810**	**900**	**990**
Unlisted			
Equity securities at fair value	**255 340**	**283 711**	**312 082**
Impact on gains and losses recognised in profit or loss for the year	**14 732**	**16 369**	**18 006**
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

39. Financial risk management continued

39.5 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 R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2013						
Forward exchange contracts	**750**	**1 525**	**(8)**	**1 909**	**86**	**4 262**
Import bills	**71 358**	**5 711**	**–**	**716**	**–**	**77 785**
Bank balances	**42 364**	**10 310**	**5**	**46**	**1 192**	**53 917**
Bank overdrafts	**(71 500)**	**(8 193)**	**(28)**	**(1 561)**	**(172)**	**(81 454)**
Import suppliers	**(2 423)**	**(1 794)**	**(4)**	**(1 974)**	**(76)**	**(6 271)**
Usance creditors	**(32 642)**	**–**	**–**	**–**	**–**	**(32 642)**
Other payables	**(37 448)**	**(8 340)**	**–**	**(16)**	**–**	**(45 804)**
Total net (short)/long position	**(29 541)**	**(781)**	**(35)**	**(880)**	**1 030**	**(30 207)**
Sensitivity – 5%	**(1 477)**	**(39)**	**(2)**	**(44)**	**52**	**(1 510)**
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)

	2013	2012
The foreign exchange rate prevailing at reporting date are:		
United States Dollar	**10.02**	8.21
Euro	**13.05**	10.40
Japanese Yen	**0.10**	0.10
British Pound	**15.24**	12.87
The average foreign exchange rates used for the financial year are:		
United States Dollar	**9.32**	8.39

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

39. Financial risk management continued

39.5 Currency risk continued

Analysis of assets and liabilities by currency

	US Dollars R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2013						
Assets						
Cash and cash balances	42 364	10 310	46	967 269	1 197	1 021 186
Short-term negotiable securities	–	–	–	573 898	–	573 898
Loans and advances to customers	71 358	5 711	716	3 231 450	–	3 309 235
Financial assets held for trading	–	–	–	284 372	–	284 372
Other receivables	–	–	–	482 668	–	482 668
Investment securities	–	–	–	338 247	–	338 247
Investment in associated companies	–	–	–	107 353	–	107 353
Property, plant and equipment	–	–	–	53 801	–	53 801
Taxation	–	–	–	3 114	–	3 114
Intangible assets and goodwill	–	–	–	71 822	–	71 822
Deferred tax asset	–	–	–	7 098	–	7 098
Total assets	113 722	16 021	762	6 121 092	1 197	6 252 794
Liabilities						
Interbank funding	71 500	8 193	1 561	62 365	200	143 819
Deposits from customers	–	–	–	2 161 141	–	2 161 141
Financial liabilities held for trading	–	–	–	280 942	–	280 942
Debt securities issued	–	–	–	1 378 691	–	1 378 691
Long-term loans	–	–	–	538 247	–	538 247
Other payables	72 513	10 134	1 990	371 212	80	455 929
Taxation	–	–	–	4 626	–	4 626
Deferred tax liability	–	–	–	62 695	–	62 695
Total liabilities	144 013	18 327	3 551	4 859 919	280	5 026 090

39. Financial risk management continued

39.5 Currency risk continued

Analysis of assets and liabilities by currency continued

	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2012						
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 loans	–	–	–	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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

39. Financial risk management continued

39.6 Derivative financial instruments

	Within 1 year R'000	After 1 year but within 5 years R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
2013						
Exchange rate contracts	**477**	**–**	**477**	**13 436**	**12 959**	**37 696**
Net investment hedge	**(38 947)**	**–**	**(38 947)**	**–**	**38 947**	**176 435**
Currency hedge	**38 947**	**–**	**38 947**	**38 947**	**–**	**176 435**
Equity derivatives	**–**	**433**	**433**	**433**	**–**	**–**
Interest rate swaps	**(3 048)**	**–**	**(3 048)**	**–**	**3 048**	**72 858**
Total derivatives	**(2 571)**	**433**	**(2 138)**	**52 816**	**54 954**	**463 424**
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

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.

39. Financial risk management continued

39.7 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:

	2013		2012	
	Assets R'000	**Liabilities R'000**	Assets R'000	Liabilities R'000
Range forward foreign collar option	**38 947**	**38 947**	30 107	30 107
	38 947	**38 947**	30 107	30 107

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 $3 888 508 (2012: $3 668 729) at the reporting date.

The hedging instrument remained effective during the period under review, i.e. there was no ineffective portion recognised in profit or loss. The movement on the hedging instrument was recorded in other comprehensive income.

39.8 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 III Accord and the Group's board of directors;
- ensure that 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 show 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 oard 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; and
- 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 either on 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

39. Financial risk management continued

39.8 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; and
- 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 ensures 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 III 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 inter-group 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.

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 is split into Common Equity Tier 1 capital and Additional Tier 1 capital, which includes ordinary share capital, share premium, appropriated earnings and qualifying preference share capital.
- Tier 2 capital, which includes a portion of perpetual non-cumulative non-redeemable preference shares that did not qualify as Tier 1 capital and subordinated term debt after regulatory adjustments.

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

- Tier 1 capital as a percentage of risk weighted assets; and
- Total qualifying capital as a percentage of risk weighted assets.

Minimum capital requirements	2013	2012*
National Common Equity Tier 1 minimum ratio (2012: Pillar I)	**4.50%**	8.00%
National Tier 1 minimum ratio (2012: Pillar II a)	**6.00%**	1.50%
National total capital minimum ratio	**9.50%**	9.50%

39. Financial risk management continued

39.8 Capital management continued

Pillar 3 Capital Disclosure

	2013 R'000	2012* R'000
Common Equity Tier 1 capital: instruments and reserves		
Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	163 686	163 686
Retained earnings	970 246**	953 992**
Accumulated other comprehensive income (and other reserves)	(3 704)	–
Common Equity Tier 1 capital before regulatory adjustments	1 130 228	1 117 678
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	–	–
Goodwill (net of related tax liability)	7 200	13 235
Other intangibles other than mortgage-servicing rights (net of related tax liability)	35 641	52 387
Reciprocal cross-holdings in common equity	18 450	–
National specific regulatory adjustments	248 367	278 472
Regulatory adjustments applied to common equity Tier 1 in respect of amounts subject to pre-Basel III treatment		
Of which: Accumulated losses	6 592	22 401
Of which: Intragroup investments	241 775	241 825
Of which: Fifty per cent of first loss credit enhancement provided in respect of a securitisation scheme	–	14 246
Total regulatory adjustments to Common equity Tier 1	309 658	344 094
Common Equity Tier 1 capital (CET1)	820 569	773 584
Additional Tier 1 capital : instruments		
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		
Of which: classified as equity under applicable accounting standards	199 278	164 807
Additional Tier 1 capital before regulatory adjustments	199 278	164 807
Additional Tier 1 capital: regulatory adjustments	–	–
Additional Tier 1 capital (AT1)	199 278	164 807
Tier 1 capital (T1 = CET1 + AT1)	1 019 847	938 391

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

39. Financial risk management continued

39.8 Capital management continued

	2013 R'000	2012* R'000
Tier 2 capital and provisions		
Directly issued qualifying Tier 2 instruments plus related stock surplus	–	34 471
Directly issued capital instruments subject to phase out from Tier 2	74 205	82 450
Provisions	49 506	51 224
Tier 2 capital before regulatory adjustments	123 711	168 145
Tier 2 capital: regulatory adjustments		
National specific regulatory adjustments	–	–
Regulatory adjustments applied to common equity tier 2 in respect of amounts subject to pre-basel III treatment	–	–
Of which: Fifty percent of first loss credit enhancement provided in respect of a securitisation scheme	–	14 246
Total regulatory adjustments to Tier 2 capital	–	14 246
Tier 2 capital (T2)	123 711	153 899
Total capital (TC = T1 + T2)	1 143 558	1 092 290
Total risk weighted assets	4 432 573	3 694 874
Capital ratios		
Common Equity Tier 1 (as a percentage of risk weighted assets)	18.5%	20.9%
Tier 1 (as a percentage of risk weighted assets)	23.0%	25.4%
Total capital (as a percentage of risk weighted assets)	25.8%	29.6%
Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	7.0%	8.0%
Of which: capital conservation buffer requirement	2.5%	0.0%
Of which: bank specific countercyclical buffer requirement	0.0%	0.0%
Of which: G-SIB buffer requirement	0.0%	0.0%
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	11.5%	12.9%
National Minima (if different from Basel 3)		
National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	4.5%	0.0%
National Tier 1 minimum ratio	6.0%	8.0%
National total capital minimum ratio	9.5%	9.5%
Applicable caps on the on the inclusion of provisions in Tier 2		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	49 506	51 224
Cap on inclusion of provisions in Tier 2 under standardised approach	49 506	51 224
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)		
Current cap on T2 instruments subject to phase out arrangements	74 205	82 450
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	8 245	–

39. Financial risk management continued

39.8 Capital management continued

Reconciliation of accounting capital to regulatory capital (unaudited)

	2013 R'000	2012* R'000
Accounting capital – as reported per IFRS	**1 260 598**	1 180 215
Ordinary share capital and premium	**144 326**	162 731
Preference share capital and premium	**199 278**	199 278
Other reserves [1]	**1 370**	(36 862)
Distributable reserves [2]	**915 624**	836 827
Minority interest	**–**	18 241
Add: Accounting consolidation entries added back	**547 143**	530 281
	1 807 741	1 710 496
Add: Subordinated term debt (Tier II)	**74 205**	82 450
Add: general allowance for credit impairments	**3 608**	5 326
	1 885 554	1 798 272
Less: Non-qualifying capital and reserve funds	**37 599**	43 133
Capital of entities that are not considered for regulatory purposes	**(287 304)**	(260 684)
Impairments in respect of securitisation scheme	**–**	(28 492)
Intangible assets	**(42 841)**	(65 622)
Accumulated losses	**(6 592)**	(22 401)
Group investments and cross holdings per aggregation method	**(370 544)**	(353 676)
Non-controlling interest	**–**	(18 241)
Unappropriated profits	**(72 314)**	(132 237)
Total regulatory capital	**1 143 558**	960 052
Total regulatory capital (including minorities and unappropriated profits)	**1 215 872**	1 092 290

1. *Includes the foreign currency translation reserve and fair value hedging reserve.*
2. *Included in distributable reserves is unappropriated profits. Profits are appropriated by the board of directors subsequent to year-end. Distributable reserves of the securitisation vehicle are excluded.*

Credit risk (unaudited)

	2013	2012
Capital requirement	**213 775**	183 967

The Group has adopted the standardised approach to calculate the regulatory capital for credit risk. Rental finance, capital equipment finance, trade finance, debtor finance and specialised lending are subject to credit risk. For all lending portfolios the Group has adopted the standardised approach. The counterparties are primarily unrated.
The Group does not make use of external rating agencies for the purposes of evaluating risk weighted assets. There are various types of collateral that are obtained for risk mitigation; however for the purposes of calculating regulatory capital for credit risk, the Group only considers cash collateral as a credit risk mitigant. The Group does not apply set-off in calculating regulatory capital for credit risk. The risk weights applied are prescribed by the Banks Act and Regulations and are based on the asset class to which the exposure is assigned. For details of the impairment policy refer to note 1.16 to the annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

39. Financial risk management continued

39.8 Capital management continued

Analysis of capital requirement by asset class

	2013 R'000	2012* R'000
	213 775	183 967
Corporate	4 332	6 499
Corporate SME	102 805	62 346
Public sector entities	183	269
Local government and municipalities	5 539	1 093
Sovereign	38	–
Banks	15 487	14 288
Securities firms	39 749	44 728
Retail SME	45 642	54 744
Credit counterparty risk		
Capital requirement	347	38

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.

Operational risk (Unaudited)		
Capital requirement	71 273	72 243

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.

Market risk (Unaudited)		
Capital requirement	18 254	22 436

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.

Equity risk (Unaudited)		
Capital requirement	43 987	45 361

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.

Other risk (Unaudited)		
Capital requirement	23 571	27 007

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.

Securitisation (Unaudited)		
Capital requirement	50 235	–

39. Financial risk management continued

39.8 Capital management continued

The Group has adopted the standardised approach to calculate the regulatory capital for securitisation risk. Securitisation risk under Basel III includes the unrated exposures to the securitisation vehicle and capital is calculated thereon, based on risk weighted assets of 1 250%. Under Basel 2.5, securitisation risk was a direct capital impairment of which 50% related to primary capital and 50% related to secondary capital.

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 and 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 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.

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.

Economical 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 internal capital adequacy assessment process ("ICAAP") that will ensure the Group is adequately capitalised in terms of its risk profile. During the year under review, the board approved a revised risk appetite policy 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 policy includes a risk appetite statement incorporating changes from the Amended Regulations. These include the incorporation of a conservation buffer of 2.5%, a revised board buffer to meet the demands of the growth in business as well as the development of an earnings at risk model which includes market risk, interest rate risk and currency risk to cater changes in market conditions.

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 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.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

39. Financial risk management continued

39.8 Capital management continued

Economic capital by risk type

	2013 R'000	2012 R'000
Credit risk	309 287	232 117
Operational Risk	119 560	118 986
Market Risk	22 097	27 159
Equity risk	165 373	167 456
Business risk	12 084	4 583
Interest rate risk	258	609
Strategic and Reputational risk	15 769	13 815
Securitisation risk	81 057	23 540
Other risk	54 376	60 920
Ecoomic captial requirement before buffer	779 860	649 185
Internal Buffer	127 488	120 134
Total economic capital requirement	907 348	769 319

* *Comparatives are reported in terms of Basel 2.5.*
** *Retained earnings for the current year excludes unappropriated profits in line with the capital disclosure requirements as per Directive 8/2013. Prior year retained earnings includes unappropriated profits.*

39.9 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 it's 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.

39. Financial risk management continued

39.9 Operational risk continued

Compliance with Group standards is supported by a program 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 GRCM committee on a regular basis.

40. Subsidiary, special purpose entities and associated companies

	Nature of business	Issued ordinary capital/ stated capital	Issued preference capital	Effective holding 2013 %	Effective holding 2012 %	Shares at book value 2013 R'000	Shares at book value 2012 R'000	Indebtedness 2013 R'000	Indebtedness 2012 R'000
Of Sasfin Holdings Limited									
Subsidiaries									
Sasfin Bank Limited	Bank	R2 100 000	–	**100**	100	**263 134**	263 134	**46 132**	(26 475)
Sasfin Premier Logistics (Pty) Limited	Freight forwarding and customs clearing	R317	–	**100**	100	**37 514**	37 514	**–**	–
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	**(13 057)**	(12 002)
Sasfin Private Equity Investment Holdings (Pty) Limited	Investment holding company	R100 000	–	**100**	100	**100**	150	**76 739**	117 947
Sasfin Commercial Solutions Limited*	Specialist financial and business services	R101 200	–	**100**	68	**79 269**	49 377	**–**	–
The Sasfin Share Incentive Trust	Group share incentive scheme	–	–	**–**	–	**–**	–	**567**	550
						402 062	372 220	**110 381**	80 020

	Nature of business	Issued ordinary capital/ stated capital	Issued preference capital	Effective holding 2013 %	Effective holding 2012 %
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
Associated companies					
InnoVent Investment Holdings (Pty) Limited**	Asset-based finance	R1 000	–	**33.6**	33.6
InnoVent SPV 1 (Pty) Limited**	Investment holding	R100	26 666	**–**	–
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	R4 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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

40. Subsidiary, special purpose entities and associated companies continued

	Nature of business	Issued ordinary capital / stated capital	Issued preference capital	Effective holding 2013 %	Effective holding 2012 %
Of Sasfin Commercial Solutions Limited					
Subsidiaries					
Export Credit Exchange (Pty) Limited	Facilitation of trading in credit instruments	R100	–	**100**	100
Sasfin Commercial Solutions (Incentives) (Pty) Limited	Investment incentives	R200	–	**100**	100
Sasfin Commercial Solutions (Global Trade) (Pty) Limited	Investment incentives	R120	–	**100**	100
IQuad Treasury Solutions (Pty) Limited	Treasury risk management	R100	–	**100**	100
Sasfin Commercial Solutions (Group Support) (Pty) Limited	Group administration and marketing	R990	–	**100**	100
Sasfin Commercial Solutions (Properties) (Pty) Limited	Property investment	R269	–	**100**	100
IQuad Integrated Management Systems (Pty) Limited	Development, implementation and auditing of management systems	–	–	**–**	60
First Forex (Pty) Limited	Information technology	R180	–	**100**	100
Kagiso Treasury Solutions (Pty) Limited	Treasury risk management	R100	–	**100**	100
Associated Companies					
IDEC Consulting Services (Pty) Limited	Financial services	R100	–	**50**	50
National Money Transfer (Pty) Limited	Information technology	R4 000	–	**37,5**	37,5
TXN Solutions (Pty) Limited	Training	R300	–	**37,5**	100
SAB&T BEE Services (Pty) Limited	BEE verification services	R200	–	**39**	51
Special purpose entities					
Of Sasfin Bank Limited					
South African Securitisation Programme (RF) Limited	Securitisation vehicle	R100 000	–	**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 Sasfin Premier Logistics (Pty) Limited					
Hecny Transportation South Africa (Pty) Limited	International freight forwarder	R3 750	–	**50**	50

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 26 November 2012, the Company acquired an aggregate of 31.6% of the shareholding in Sasfin Commercial Solutions Limited (formerly IQuad Group Limited) for a total purchase consideration of R29.8 million. Post the acquisition, the Company holds 100% of Sasfin Commercial Solutions Limited.*

** *During the year under review the Company's investment comprising 26 666 cumulative redeemable preference shares in InnoVent SPV1 was sold to the Bank for a purchase consideration of R34 730 588. In addition, the Company's interest of 33.6% in the issued share capital of InnoVent Investment Holdings (Pty) Limited was sold to the Bank for a purchase consideration of R81 710.*

41. Share-based payments

41.1 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.

All options have been fully exercised or forfeited.

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.

Volatility is determined using expected volatility of the Company’s ordinary shares listed on the JSE.

Group equity-settled share incentive scheme reconciliation:

	2013 Weighted average exercise price (cents)	**2013 Number of options**	2012 Weighted average exercise price (cents)	2012 Number of options
Options outstanding at the beginning of the year	–	–	3 325	50 000
Exercised/Forfeited	–	–	3 325	(50 000)
Options exercisable at the end of the year	–	–	–	–

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.

41.2 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 market price movements of the ordinary shares ranged from 4 005 (2012: 2 699) cents to 2 800 (2012: 3 470) cents and the subscription benchmark prices ranged from 3 450 (2012: 3 400) cents to 6 000 (2012: 6 000) cents.

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for the year ended 30 June

41. Share-based payments continued

41.2 The Sasfin Share Appreciation Scheme – Cash settled continued

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:

		2013	2012
Fair value at measurement date	R'000	345	348
Weighted average exercise price	cents	4 707	5 032
Average expected volatility	%	30	30
Average dividend yield rate	%	4	4
Average risk free rate	%	7	7

Volatility is determined using expected volatility of the Company's ordinary shares listed on the JSE.

Group Cash-settled Share Incentive Scheme reconciliation:

	2013 Weighted average exercise price (cents)	2013 Number of options	2012 Weighted average exercise price (cents)	2012 Number of options
Share appreciation rights outstanding at the beginning of the year	4 557	473 309	4 557	786 533
Granted	5 637	406 375	–	–
Vested/Forfeited	4 767	(297 330)	3 400	(313 224)
Share appreciation rights exercisable at the end of the year	4 707	582 354	5 032	473 309

** Included in the outstanding options are the following to executive directors:*

RDEB Sassoon – 150 000 options at a strike price of 4 600 cents, 5 300 cents and 6 000 cents which vest in October 2013, 2014 and 2015 respectively.

TD Soondarjee – 45 000 options at a strike price of 4 600 cents, 5 300 cents and 6 000 cents which vest in October 2014, 2015 and 2016 respectively.

41.3 The Sasfin Share Incentive Trust

	2013 R'000	2012 R'000
Statement of financial position		
Assets	1 077	992
Liabilities	9	11
Loan from Sasfin Holdings Limited	567	550
Equity	501	431
	1 077	992
Income statement		
Income	85	102
Operating expenses	(14)	(12)
Net profit for the year	71	90

At year-end, the trust held 64 926 (2012: 64 926) shares in the Company.

42. 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.

Geographical

The Group operates in two geographic regions being:

- South Africa, and
- Asia Pacific.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

for the year ended 30 June

42. Segment reporting continued

Geographical segments	2013 South Africa R'000	2013 Asia Pacific R'000	2013 Total R'000	2012 South Africa R'000	2012 Asia Pacific R'000	2012 Total R'000
External revenue	966 289	40 959	1 007 248	829 580	52 650	882 230
Segment assets	5 894 296	358 498	6 252 794	5 135 955	336 538	5 472 493
Capital expenditure	10 381	–	10 381	30 809	42	30 851

Business segments	Business Banking R'000	Capital R'000	Commercial Solutions R'000	Wealth Management R'000	Treasury R'000	Group and elimination of inter-Group items R'000	Total R'000
2013							
Interest income	380 821	20 411	3 901	6 612	180 351	(118 410)	473 686
Interest expense	213 299	24 241	3 449	26	147 165	(134 701)	253 479
Net interest income	167 522	(3 830)	452	6 586	33 186	16 291	220 207
Non-interest income	130 266	54 664	177 127	156 656	8 047	6 802	533 562
Total income	297 788	50 834	177 579	163 242	41 233	23 093	753 769
Impairment charges on loans and advances	18 780	6 920	(3 207)	(117)	–	–	22 376
Net income after impairments	279 008	43 914	180 786	163 359	41 233	23 093	731 393
Operating costs	180 866	34 184	136 681	107 815	27 708	73 792	561 046
Staff costs	41 448	24 597	83 149	47 476	13 603	88 971	299 244
Other operating expenses	139 418	9 587	53 532	60 339	14 105	(15 179)	261 802
Profit from operations	98 142	9 730	44 105	55 544	13 525	(50 699)	170 347
Share of associated companies' income	12 099	1 620	1 517	5 217	–	–	20 453
Profit before income tax	110 241	11 350	45 622	60 761	13 525	(50 699)	190 800
Income tax expense	20 397	1 928	11 824	14 606	3 519	(14 048)	38 226
Profit for the year	89 844	9 422	33 798	46 155	10 006	(36 651)	152 574
Segment assets	3 603 255	470 097	244 489	537 888	2 640 345	(1 243 280)	6 252 794
Segment liabilities	3 257 444	395 516	109 610	457 083	2 630 338	(1 823 901)	5 026 090
Depreciation and amortisation	607	11	2 741	376	81	9 312	13 128

42. Segment reporting continued

Business segments	Business Banking R'000	Capital R'000	Commercial Solutions R'000	Wealth Management R'000	Treasury R'000	Group and elimination of inter-Group items R'000	Total R'000
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

COMPANY FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION

as at 30 June

	Note	2013 R'000	2012 R'000
Assets			
Cash and cash balances	43.1	**5 021**	5 021
Other receivables	43.2	**114**	174
Investments in associated companies	43.3	**–**	34 812
Subsidiary companies	43.4	**525 500**	490 717
Investments	43.5	**–**	34 587
Taxation		**55**	–
Total assets		**530 690**	565 311
Liabilities			
Deferred tax liability	43.6	**24**	195
Other payables	43.7	**1 571**	1 496
Taxation		**–**	76
Loans from subsidiary companies		**13 057**	38 477
Total liabilities		**14 652**	40 244
Equity			
Ordinary share capital	43.8	**323**	323
Ordinary share premium	43.9	**163 363**	163 363
Reserves		**153 074**	162 103
Preference share capital	43.10	**19**	19
Preference share premium	43.11	**199 259**	199 259
Total equity		**516 038**	525 067
Total liabilities and equity		**530 690**	565 311

COMPANY FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

	Note	2013 R'000	2012 R'000
Interest income	43.12	**10 865**	19 297
Interest expense	43.13	**6 004**	10 494
Net interest income		**4 861**	8 803
Other income	43.14	**52 072**	102 540
Total income		**56 933**	111 343
Operating costs		**3 972**	5 771
Staff costs	43.15	**1 197**	1 244
Other operating expenses	43.16	**2 775**	4 527
Profit before income tax		**52 961**	105 572
Income tax expense	43.17	**712**	5 221
Profit and total comprehensive income for the year		**52 249**	100 351
Profit and total comprehensive income attributable to:			
Preference shareholders		**13 472**	12 859
Ordinary shareholders		**38 777**	87 492
Profit and total comprehensive income for the year		**52 249**	100 351

COMPANY FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	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 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 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**
Total comprehensive income for the year	–	**52 249**	–	**52 249**	–	**52 249**
Profit for the year	–	**52 249**	–	**52 249**	–	**52 249**
Dividends to preference shareholders	–	**(13 472)**	–	**(13 472)**	–	**(13 472)**
Dividends to ordinary shareholders	–	**(47 806)**	–	**(47 806)**	–	**(47 806)**
30 June 2013	**163 686**	**153 074**	–	**316 760**	**199 278**	**516 038**

COMPANY FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS

for the year ended 30 June

	Note	2013 R'000	2012 R'000
Cash flows from operating activities			
Cash receipts from customers	43.18.1	**56 181**	22 704
Cash paid to customers, employees and suppliers	43.18.2	**(9 976)**	(16 265)
Cash inflow from operating activities		**46 205**	6 439
Dividends received		**6 756**	99 133
Taxation paid	43.18.3	**(1 014)**	(2 759)
Dividends paid	43.18.4	**(61 278)**	(50 975)
Cash flows from operating activities before changes in operating assets and liabilities		**(9 331)**	51 838
Changes in operating assets and liabilities		**135**	(19)
Change in other receivables		**60**	(60)
Change in other payables and provisions		**75**	41
Net cash from operating activities		**(9 196)**	51 819
Cash flows from investing activities		**34 616**	28 252
Acquisition of investment securities		**(29 859)**	(69 204)
Sale/(Acquisition) of other investments		**34 587**	(34 587)
Decrease/(Increase) in investment in associated companies		**34 812**	(512)
(Increase in)/Repayment of loans to subsidiary companies		**(4 924)**	132 555
Net cash flows from financing activities		**(25 420)**	(80 071)
Repayment of loans from subsidiary companies		**(25 420)**	(80 071)
Net decrease in cash and cash equivalents		**–**	–
Cash and cash equivalents at the beginning of the year		**5 021**	5 021
Cash and cash equivalents at the end of the year		**5 021**	5 021

COMPANY FINANCIAL STATEMENTS
NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 30 June

		2013 R'000	2012 R'000
43.1	**Cash and cash balances**		
	Money on call	**5 021**	5 021
		5 021	5 021
43.2	**Other receivables**		
	Sundry debtors	**114**	174
		114	174
43.3	**Investments in associated companies**		
	Shares at book value	–	34 812
	During the year under review, the Company's investment comprising 26 666 cumulative redeemable preference shares in InnoVent SPV1 was sold to the Bank for a purchase consideration of R34 730 588. In addition, the Company's interest of 33.6% in the issued share capital of InnoVent Investment Holdings (Pty) Limited was sold to the Bank for a purchase consideration of R81 710		
43.4	**Subsidiary companies**		
	Unlisted investments		
	Shares at carrying value – ordinary shares	**402 062**	372 220
	Loans	**122 871**	117 947
	Share-based payment reserve	**567**	550
		525 500	490 717
	The loans to subsidiaries are unsecured, bearing interest relating to prime, have no fixed terms of repayment and are not repayable in the next 12 months		
	A detailed schedule of subsidiary companies appears in note 40		
43.5	**Investments**		
	Shares at market value – Annuity Properties Limited	–	34 587
	During the year under review, the Company's investment of 6 716 000 listed linked units in Annuity Properties Limited was sold to the Bank for a purchase consideration of R34 587 400		
43.6	**Deferred tax**		
	Deferred tax on temporary differences arising from:		
	Fair value adjustments	–	(195)
	Prepayments	**(24)**	–
	Deferred taxation liability	**(24)**	(195)
43.7	**Other payables**		
	Audit fees and other services	**938**	924
	Accounts payable	**633**	572
		1 571	1 496

		2013 R'000	2012 R'000
43.8	**Ordinary share capital**		
	Authorised		
	100 000 000 (2012: 100 000 000) ordinary shares of 1 cent each	**1 000**	1 000
	Issued		
	32 301 441 (2012: 32 301 441) ordinary shares of 1 cent each		
	Balance at the beginning of the year	**323**	323
	Issued during the year	**–**	–
	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 Sasfin Share Incentive Trust are set out in note 40 as required by the JSE. The Sasfin Share Incentive Trust has been consolidated into the Group's annual financial statements. The Group issued no (2012: Nil) shares to the Sasfin Share Incentive Trust. The number of shares held by the Sasfin Share Incentive Trust amounts to 64 926 (2012: 64 926) or R957 793 (2012: R957 793) at year-end.

The unissued shares are under the control of the directors until the next annual general meeting.

		2013 R'000	2012 R'000
43.9	**Ordinary share premium**		
	Balance at the beginning of the year	**163 363**	163 363
	Issued during year	**–**	–
	Balance at the end of the year	**163 363**	163 363
43.10	**Preference share capital**		
	Authorised		
	5 000 000 (2012: 5 000 000) non-redeemable, non-cumulative, non-participating preference shares of 1 cent each	**50**	50
	Issued		
	1 905 000 (2012: 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 share dividends are paid semi-annually at a rate of 82.5% of the ruling prime rate effective from 1 April 2012.

		2013 R'000	2012 R'000
43.11	**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
43.12	**Interest income**		
	Inter-company loans	**10 604**	19 027
	Other	**261**	270
	Interest earned on financial assets	**10 865**	19 297

COMPANY FINANCIAL STATEMENTS
NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 June

		2013 R'000	2012 R'000
43.13	**Interest expense**		
	Inter-company loans	**6 004**	10 494
	Interest paid on financial liabilities	**6 004**	10 494
43.14	**Other income**		
	Fee income	**2 318**	2 400
	Dividend income	**6 756**	99 133
	Other income	**42 998**	1 007
		52 072	102 540
43.15	**Staff costs**		
	The following disclosable items are included in staff costs:		
	Directors' fees paid by the Company	**1 197**	1 244
		1 197	1 244
43.16	**Other operating expenses**		
	The following disclosable items are included in operating expenses:		
	Auditors' remuneration	**1 385**	1 353
	Audit fees – current year	**1 385**	1 123
	Other services	**–**	230
	Other	**1 390**	3 174
		2 775	4 527
43.17	**Income tax expense**		
	South African normal tax	**712**	1 366
	Current tax expense	**883**	1 171
	Deferred tax – current year	**(171)**	195
	Secondary tax on companies	**–**	3 855
		712	5 221
	Reconciliation of rate of taxation:	%	%
	South African normal tax rate	**28.0**	28.0
	Adjusted for	**(26.7)**	(22.4)
	Exempt income	**(26.3)**	(26.8)
	Revaluation of investments	**–**	(0.1)
	Non-deductible expenses	**–**	0.3
	Secondary tax on companies	**–**	4.2
	Prior year over-provision	**(0.4)**	–
	Effective rate	**1.3**	5.6

		2013 R'000	2012 R'000
43.18	**Cash flow**		
	43.18.1 Cash receipts from customers		
	Interest income	**10 865**	19 297
	Other income	**45 316**	3 407
		56 181	22 704
	43.18.2 Cash paid to customers, employees and suppliers		
	Interest expense	**6 004**	10 494
	Total operating expenses	**3 972**	5 771
		9 976	16 265
	Cash inflow from operating activities	**46 205**	6 439
	Reconciliation of operating profit to cash flows from operating activities:		
	Profit before income tax	**52 961**	105 572
	Dividends received	**(6 756)**	(99 133)
		46 205	6 439
	43.18.3 Taxation paid		
	Unpaid at the beginning of the year	**271**	(2 191)
	Charge to income statement	**712**	5 221
	Unpaid at the end of the year	**31**	(271)
		1 014	2 759
	43.18.4 Dividends paid		
	Charge to distributable reserves	**61 278**	50 975
		61 278	50 975

43.19 Related party transactions

The following are defined as related parties of the Group:

- Subsidiaries (refer to note 40)
- Associated undertakings and joint ventures (refer to note 10)
- Key management personnel

Transactions between Group companies comprise:	2013 R'000	2012 R'000
Interest on funding accounts received	**10 604**	19 027
Interest on funding accounts paid	**6 004**	10 494
Dividends received	**6 756**	99 133
Administration fees	**2 318**	2 400
Profit on sale of investment	**42 998**	–

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 page 8.

COMPANY FINANCIAL STATEMENTS
NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 30 June

43.20 Classification of assets and liabilities

The table below sets out the Company'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	Held to maturity R'000	Total carrying amount R'000	Fair value* R'000
2013					
Assets					
Cash and cash balances	–	5 021	–	5 021	5 021
Other receivables	–	114	–	114	114
Investments in subsidiary companies and associated companies	–	123 438	–	123 438	123 438
	–	128 573	–	128 573	
Liabilities					
Other payables	–	–	1 571	1 571	1 571
Other non-financial liabilities	–	–	13 057	13 057	13 057
	–	–	14 628	14 628	

	Designated at fair value R'000	Loans and receivables R'000	Held to maturity 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	–	118 497	–	118 497	118 497
Investments	34 587	–	–	34 587	34 587
	34 587	123 692	–	158 279	
Liabilities					
Other payables	–	–	1 496	1 496	1 496
Other non-financial liabilities	–	–	38 477	38 477	38 477
	–	–	39 973	39 973	

**Carrying value has been used as it closely approximates fair value.*

43.21 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.

44. Relevant standards and interpretations becoming effective for years ending after 30 June 2013

	Standard/Interpretation	Effective date
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 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 has not been measured by the Group.