

Our quest for beyond isn't for us. Our quest for beyond is for entrepreneurs, investors and individuals. Our quest for beyond is offering them a range of tailor-made financial solutions that promise results that go beyond. Our quest for beyond is going out of our way to do all of that, and then more. Our quest for beyond isn't for us. Our quest for beyond is for entrepreneurs, investors and individuals. Our quest for beyond is offering them a range of tailor-made financial solutions that promise results that go beyond. Our quest for beyond is going out of our way to do all of that, and then more. Our quest for beyond isn't for us. Our quest for beyond is for entrepreneurs, investors and individuals. Our quest for beyond is offering them a range of tailor-made financial solutions that promise results that go beyond. Our quest for beyond is going out of our way to do all of that, and then more. Our quest for beyond isn't for us. Our quest for beyond is for entrepreneurs, investors and individuals. Our quest for beyond is offering them a range of tailor-made financial solutions that promise results that go beyond. Our quest for beyond is going out of our way to do all of that, and then more. Our quest for beyond isn't for us. Our quest for beyond is for entrepreneurs, investors and individuals. Beyond a bank.

Integrated report for the year ended 30 June 2016

HOW TO NAVIGATE THROUGH OUR INTEGRATED REPORT 2016

-  Stakeholders
-  Material issues and risks
-  Compliance and corporate governance
-  Risk management
-  A fair and caring employer
-  A socially responsible citizen
-  Shareholder and administration information
-  Performance
-  Positive result
-  Negative result
-  Unchanged/satisfactory



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

OUR REPORTS



Integrated Report 2016

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



Annual Financial Statements 2016

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

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Our purpose

Sasfin's purpose statement shows a clear outline of our approach to value creation: to go beyond a bank, in unlocking business potential and growing wealth for our clients

Our values and behaviours

INTEGRITY

- We operate with the utmost honesty, ensuring that ambition is always tempered by uncompromised moral standards
- We seek to uplift the communities in which we operate, recognising the importance of sustainability through projects that enhance the lives of others

RESPECT

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

GREATNESS

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

PARTNERSHIP

- We strive to be a partner beyond expectations, always seeking solutions that enhance our services through beneficial offerings to our clients
- While celebrating brilliance and encouraging independent thinking, we recognise that no individual is greater than the team



ABOUT SASFIN

Sasfin Holdings Limited (“the Group” or “Sasfin”) is a bank-controlling company that listed on the JSE in 1987. Sasfin and its subsidiaries, notably Sasfin Bank Limited (the Bank), provide a comprehensive range of specialist financial products and services for Business and Wealth clients. This range of financial products and services focuses on the needs of entrepreneurs, corporates, institutions, and high-net-worth individuals.

Sasfin is “beyond a bank”. We challenge ourselves to create tailor-made products and solutions that suit our

clients’ needs – whether they are entrepreneurs or investors. We go beyond the traditional expectations of the financial services industry and strive to deliver solutions with exceptional personalised service.

Our countrywide footprint and comprehensive range of products and services form a strong basis for growth in loans and advances to select businesses, and assets under management and advisement for investors, as we assist our growing client base while achieving acceptable returns on investment.

OPERATIONS

Our core operations are in Johannesburg, with regional offices in the four major South African provinces and 10 cities. We have one international office in Hong Kong.

PEOPLE	BRAND	OUR GROWTH
We employ a diverse group of 785 motivated employees of which 58.7% are female and 53.8% are black.	The Sasfin brand has developed significantly in line with the growth of the organisation, representing the Group well as a confident challenger in the market.	We have developed five divisions and a range of services over our 29 years of operation. With the acquisition of SasSec (Frankel Pollack) in 2000 we gained 120 years of collective experience in stock-broking and wealth management.

Our investment case

- Sasfin is a solid performer in the industry, with **29.0%** growth in headline earnings during the year, and **steady growth** over a number of years
- **Experience**: Having successfully listed on the JSE in **1987**, Sasfin continues to meet the needs of its shareholders and clients consistently
- We are a **client-focused, integrated and diversified challenger bank**
- Our services, clients, and market positioning provide significant **scope for growth** and potential
- We **reinvest in our business** to create a platform for effective growth
- Our depositors and wealth clients provide a **stable and consistent** funding base to our lending operations. Sasfin has often advised and managed wealth for **three generations** of family members – a testament to the genuine and beneficial relationships that we build with our clients, resulting in consistent annuity income and a steady flow in earnings

ABOUT SASFIN continued

Why we define our organisation as a challenger bank

The concept of the “challenger bank” has risen in market acceptance in the last few years, and defines the Group’s status and role in the market. Challenger banks are smaller, more agile banks that challenge larger, often more established banks on a non-traditional basis by differentiating themselves through branding, products, culture, client service, and distribution.

HOW WE CHALLENGE FOR BUSINESS IN A CONVENTIONAL MARKET

BRAND

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

PRODUCT

The Group provides bespoke Business Banking and Wealth financial solutions, tailored to our clients’ needs.

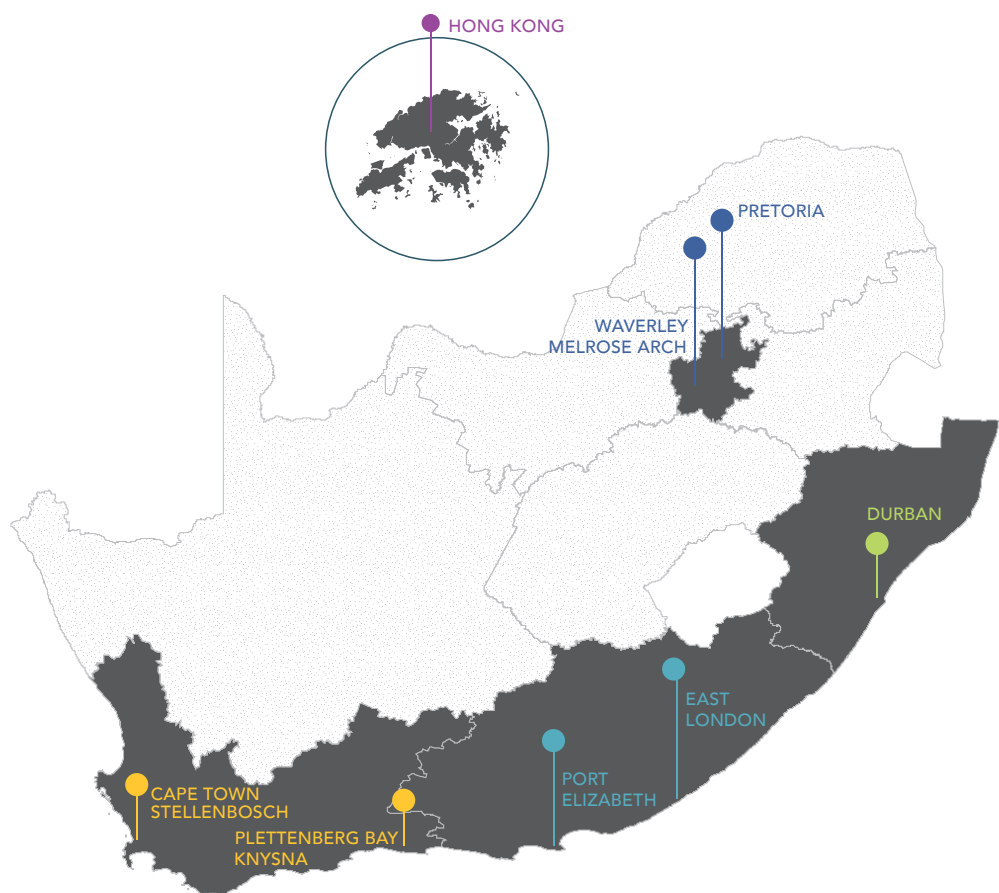
CULTURE AND CLIENT SERVICE

Sasfin has a strong ethical culture, an entrepreneurial spirit and a client-centric approach to doing business.

DISTRIBUTION

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

Our offices



About this report

An overview of
our guiding
principles and the
approach used
in creating this
integrated report.

SCOPE AND BOUNDARY

Sasfin's reporting is an evolving process that strives for best practice and continuous improvement. Our integrated report for 2016 covers the period from 1 July 2015 to 30 June 2016 for the Group and all of our subsidiaries, excluding our associated companies.

This report focuses on material issues and reporting elements that affect our long-term sustainability as a business and our strategy going into the future, while providing feedback on past performance. This is our primary report with a full set of audited Consolidated Annual Financial Statements available online at



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

Since the 2015 integrated report, there have been no significant changes to the size or structure of the Group.

The Group's interests in subsidiaries, structured entities, associated and joint venture companies are disclosed in note 48 to the Consolidated and Separate Annual Financial Statements.

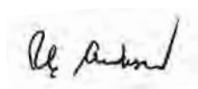


Unless stated in the relevant section, there have been no restatements.

Basis of preparation

Local and international frameworks and guidelines have informed our preparation and finalisation of the information presented in this report. These are:

- IIRC <IR> Framework
- The Companies Act
- The Banks Act
- IFRS
- King III
- BBBEE Act
- Basel III
- JSE Listings Requirements

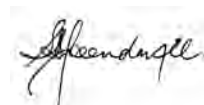


Roy Andersen
Chair

13 October 2016



Roland Sassoon
Group Chief Executive Officer



Tyrone Soondarjee
Group Financial Director

Materiality

This report has taken materiality into account to ensure that relevant financial and non-financial information provided is in line with our definition. We define a material matter as one that could affect our ability to remain commercially viable and socially relevant in the short, medium and long term. This includes matters that have a strong influence on our stakeholders' assessments and related decisions regarding our long-term sustainability. Effective management of the material issues affecting the Group is critical to achieving our strategic objectives.

Approach to assurance

The Group is on the path towards a combined assurance approach as per King III. This is integrated into our business to assist the Board in ensuring that the information contained in this report is reliable and useful, with appropriate controls to enhance the integrity of information and underlying processes. **CC**

Board responsibility

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

FEEDBACK

We look forward to receiving your feedback on our reports and their contents, to assist us in providing meaningful and relevant information. Please contact us at investorrelations@sasfin.com or our Group Financial Director at tyrone.soondarjee@sasfin.com/ 011 809 7669.

Salient points per
strategic pillar

SALIENT POINTS PER STRATEGIC PILLAR



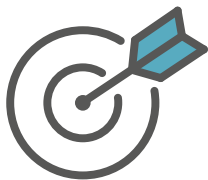
OPTIMISE SYNERGIES ACROSS A BROAD RANGE OF PRODUCTS AND SERVICES

- Improve synergies between Capital and Business Banking divisions
- Continue to focus on developing our transactional business platform which, so far, has resulted in consistent momentum to better embed the product in the business
- Consistent high-touch approach to client service



ENHANCE EFFICIENCIES AND REDUCE COST-TO-INCOME RATIO

- Seek external consultant expertise to further rationalise operational efficiencies and build economies of scale
- Continue investment in IT with a focus on automation to improve process efficiency and speed
- Reinvest in our people and processes to scale up our operations and better cater for growth in our target markets



SUSTAINABLE GROWTH IN OUR TARGET MARKETS

- Through Transactional Banking, the Group has promoted further financial inclusion, business growth and, in turn, the expansion of our target market
- We have experienced **25.1%** growth in revenue generation
- We have become a market leader in office automation finance after successfully completing the Fintech acquisition



PROACTIVE BALANCE SHEET MANAGEMENT AND CAPITAL OPTIMISATION

- Capital investment and managing the Group's capital base has been ongoing
- Sasfin has increased its portfolio impairments due to the weak credit environment and sluggish economy which has led to the Group credit loss ratio increasing to **108 bps** (2015: 77 bps)
- An expanded and diversified funding base has resulted in a liquidity position of **R1.910 billion**
- A higher credit rating for Sasfin Bank Limited has improved our ability to raise funding

Financial highlights

 **29.0%**

HEADLINE
EARNINGS

R232.080 MILLION
(2015: R179.864 MILLION)

 **29.0%**

HEADLINE EARNINGS
PER ORDINARY SHARE

731.27 CENTS
(2015: 566.74 CENTS)

 **29.0%**

DIVIDENDS PER
ORDINARY SHARE

287.39 CENTS
(2015: 222.73 CENTS)

 **233bps**

RETURN ON ORDINARY
SHAREHOLDERS'
AVERAGE EQUITY

17.54%
(2015: 15.21%)

 **23bps**

RETURN ON
AVERAGE ASSETS

2.12%
(2015: 1.89%)

 **1.3%**

TOTAL
ASSETS

R11.004 BILLION
(2015: R10.866 BILLION)

 **12.9%**

TOTAL
EQUITY*

R1.404 BILLION
(2015: R1.243 BILLION)

** excluding preference shares.*

 **20.6%**

GROSS LOANS
AND ADVANCES

R6.449 BILLION
(2015: R5.345 BILLION)

 **31bps**

CREDIT LOSS
RATIO

108bps
(2015: 77bps)

 **6.0%**

FUNDING
BASE*

R7.303 BILLION
(2015: R6.892 BILLION)

** including preference shares.*

 **7.7%**

FUNDS UNDER
ADMINISTRATION
AND MANAGEMENT*

R108 BILLION
(2015: R117 BILLION)

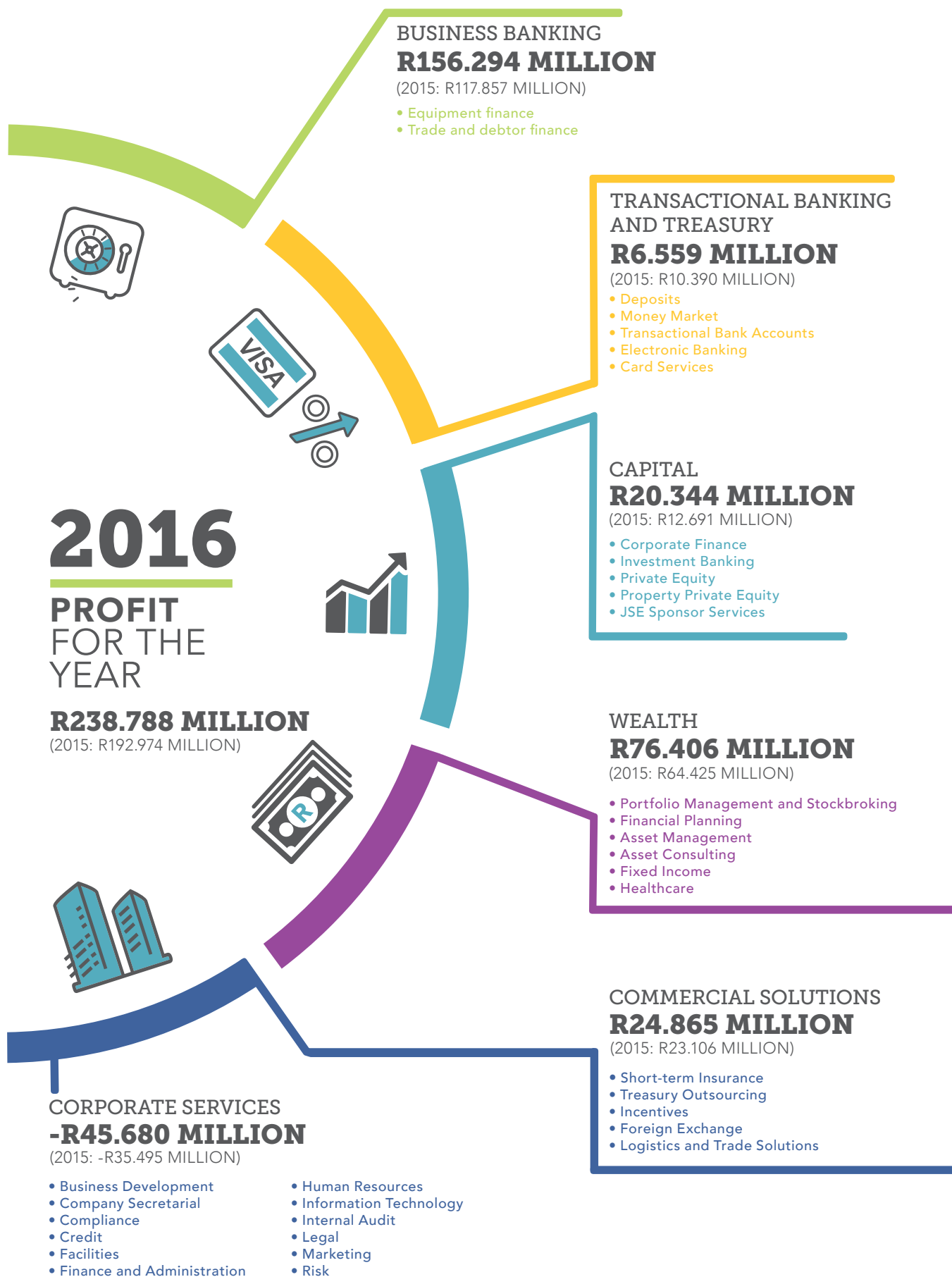
** including under advisement.*

 **166bps**

GROUP TOTAL CAPITAL
ADEQUACY RATIO
(UNAUDITED)

19.20%
(2015: 20.86%)

SALIENT POINTS PER STRATEGIC PILLAR continued

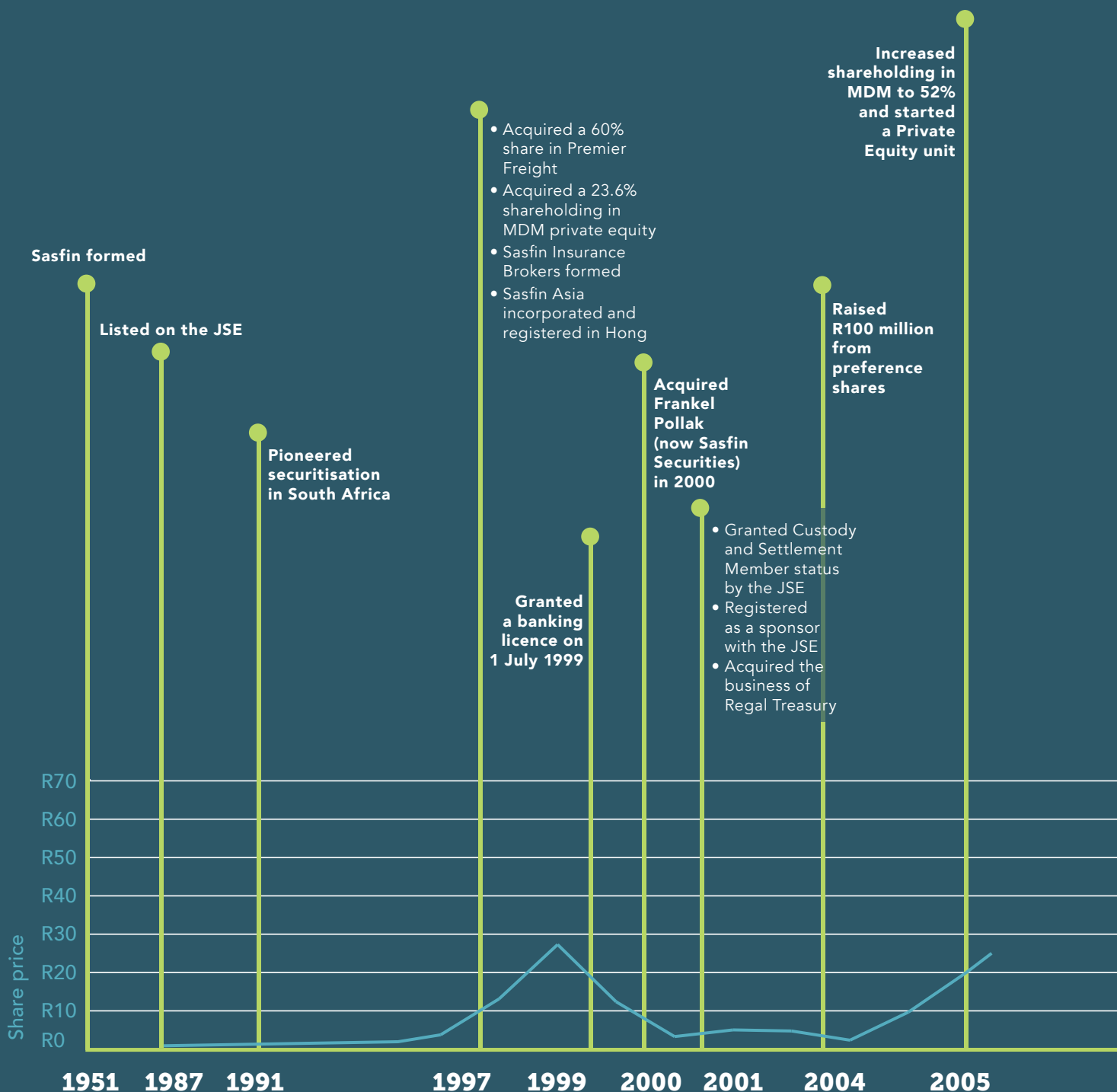


An integrated Sasfin

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

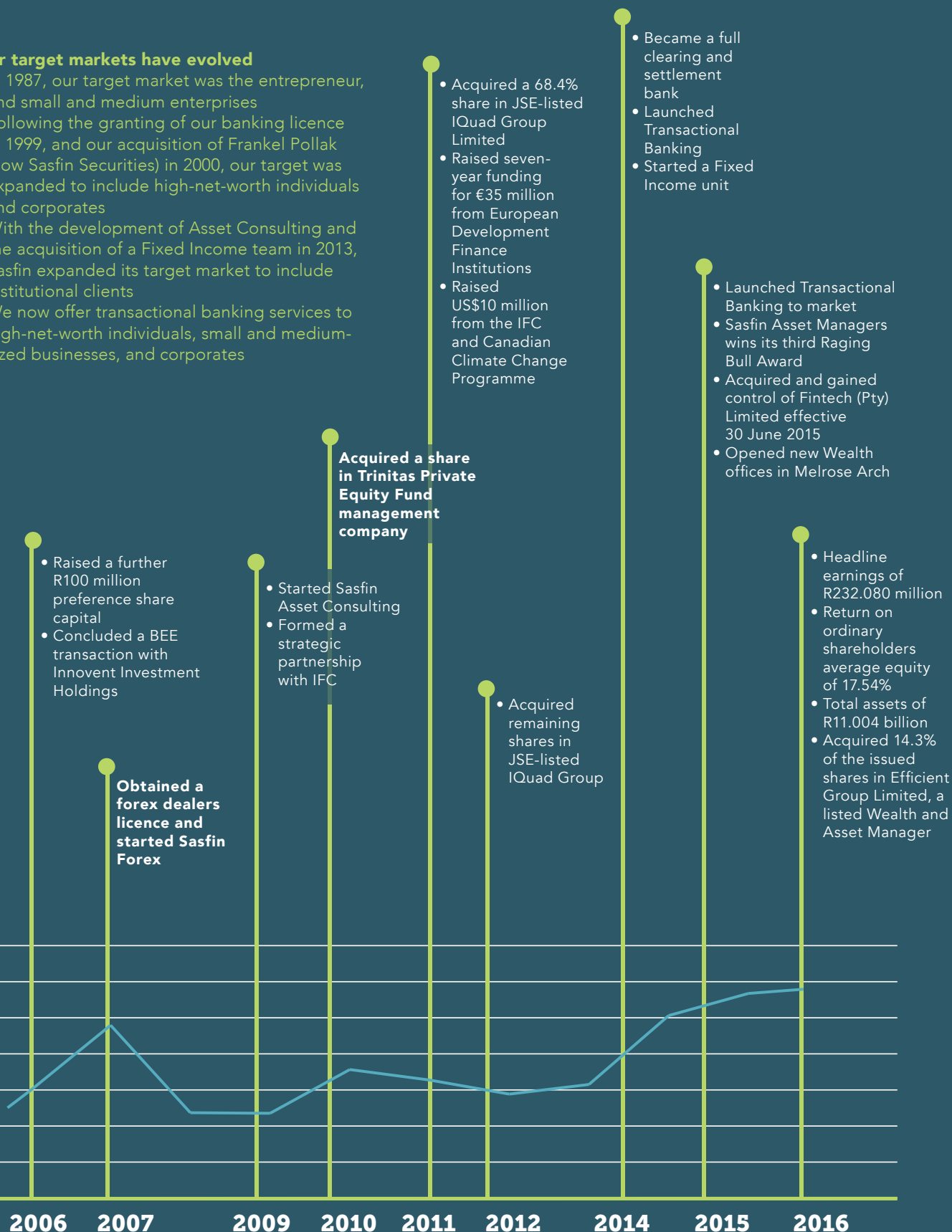
OUR HISTORY

Sasfin was listed as a trade and equipment financier on the JSE in 1987, with a market capitalisation of R6 million. In the 17 years since we were awarded a banking licence, our total assets grew from approximately R300 million to over R11 billion. Our growth has been both organic and with measured acquisitions that have allowed us to establish ourselves as a specialist business, banking, and wealth group.



Our target markets have evolved

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



BUSINESS MODEL

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

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

INPUTS	BUSINESS ACTIVITIES
<p>FINANCIAL CAPITAL</p> <ul style="list-style-type: none"> • Total equity* of R1.404 billion (2015: R1.243 billion) • Liquidity position of R1.910 billion (2015: R2.618 billion) • Capital, debt and equity funding • Cash generated from divisions 	<p>The Group provides financial products and services that are designed to protect and grow our clients' net assets and satisfy their specific needs. Our clients consist of entrepreneurs, corporates, institutions and high-net-worth individuals.</p> <p>Our divisions are structured according to business divisions that best meet these needs in two focus areas: Business and Wealth.</p>
<p>HUMAN CAPITAL</p> <ul style="list-style-type: none"> • 785 employees (2015: 835) • Specialised knowledge and skills • Strong leadership structure 	<p>Our five divisions – Business Banking, Transactional Banking and Treasury, Capital, Wealth, and Commercial Solutions – offer a range of specialised products and services to assist clients with their business and individual financial requirements. PE</p>
<p>INTELLECTUAL CAPITAL</p> <ul style="list-style-type: none"> • Brand and reputation • IT systems, processes, and procedures • Innovative services and products 	<p>Each of the divisions is supported by Corporate Services, which provides functional assistance such as:</p> <ul style="list-style-type: none"> • Business Development • Company Secretarial • Compliance • Credit • Facilities • Finance and Administration • Human Resources • Information Technology • Internal Audit • Legal • Marketing • Risk
<p>MANUFACTURED CAPITAL</p> <ul style="list-style-type: none"> • R87.229 million of investments in computer development, property, plant and equipment, including 12 offices in South Africa 	
<p>SOCIAL AND RELATIONSHIP CAPITAL</p> <p>Our relationships with:</p> <ul style="list-style-type: none"> • Clients • Funders • Shareholders • Employees • Regulators • Communities 	<p>Sasfin is creating the critical mass necessary for each of its divisions to be optimally viable to deliver on Sasfin's specialist, Business and Wealth multi-line banking, and financial services offerings, without compromising on quality.</p>
<p>NATURAL CAPITAL</p> <ul style="list-style-type: none"> • Electricity and water conservation through promotion of sustainable lending practices for renewable and alternate energy solutions 	

* excluding preference shares

OUTPUTS

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

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

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

FINANCIAL

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

NON-FINANCIAL

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

OUTCOMES

FINANCIAL CAPITAL

- HEPS up to **731.27 cents** (2015: 566.74 cents)
- Ordinary dividends paid up **29.0%** to **287.39 cents** (2015: 222.73 cents)
- Headline earnings of **R232.080 million** (2015: R179.864 million)

HUMAN CAPITAL

- Staff costs of **R434.339 million** (2015: R382.115 million)
- Skills development and training spend of **R5.6 million** (2015: R6.6 million)

INTELLECTUAL CAPITAL

- Increased utilisation of IT systems to drive internal synergies between business divisions
- IT spend of **R86.549 million** (2015: R56.492 million)

MANUFACTURED CAPITAL

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

SOCIAL AND RELATIONSHIP CAPITAL

- Direct taxes of **R68.210 million** (2015: R42.037 million)
- CSI spend of **R2.1 million** (2015: R2.1 million)

NATURAL CAPITAL

- Carbon footprint for the year of **6 410 tCO₂e** (2015: 6 336 tCO₂e)

HOW WE DO BUSINESS

Overview of business divisions



BUSINESS BANKING

Engages as sustainable providers of working capital to businesses and entrepreneurs in the form of equipment finance and trade and debtor finance.



TRANSACTIONAL BANKING AND TREASURY

Our Transactional Banking service, coupled with our established Domestic Treasury, is a key source of funding for our lending and investing activities and a payment platform for our clients. A new focus on embedding the offering at the core of the Group will enhance our Wealth and Business client relationships and offerings.



CAPITAL

Assists clients with their corporate actions and equity, debt capital raising and structuring, either as an advisor or investor.

SERVICE AND PRODUCT OFFERINGS

EQUIPMENT FINANCE

- Finances clients for all types of equipment, including office automation, plant, machinery, energy-producing equipment, commercial vehicles and taxis

TRADE AND DEBTOR FINANCE

- Finances clients' imports, exports and domestic trade as well as their debtors
- Together with other divisions, provides clients with a comprehensive turn-key service, including letters of credit, forex trading, offshore financing, logistics and marine insurance

TRANSACTIONAL BANKING

- Full clearing and settlement real-time clearing functionality
- Transactional business and individual banking accounts, with secure internet banking
- VISA debit cards for individuals, businesses, and corporates
- Mobile banking

LIQUIDITY

- Investment and deposit-taking activities for investors covering retail, corporate and institutional clients

DOMESTIC TREASURY

- Institutional deposit taking
- Manages the Group's Treasury and Funding

CORPORATE FINANCE AND INVESTMENT BANKING

- Provides debt and equity raising, mergers and acquisition advisory, and corporate sponsorship services to mid-sized corporates through balance sheet deployment and strong corporate finance advice

PRIVATE EQUITY

- Provides clients with capital in the form of equity and shareholder loans

PROPERTY PRIVATE EQUITY

- Assists clients with equity and debt funding for fixed property, including their business premises

PROFIT FOR THE YEAR ^{PE}

R156.294 million (2015: R117.857 million)

R6.559 million (2015: R10.390 million)

R20.344 million (2015: R12.691 million)

HIGHLIGHTS AND CHALLENGES

Grew its lending activities by more than R1.0 billion.

Economies of scale continue to be a challenge in this high-touch division of the business.

R7.0 billion of funding to support the Group's lending and investing activities.

We are working on enhancing our offering to ensure a powerful value proposition is under way and, while this will enhance client relationships and attract future clients, growth within the business, at this stage, remains slow.

Good regular deal flow which promoted investment and advisory opportunities.

Funding that leads to limited growth in our asset investment structures.

PRINCIPAL RISKS ARISING FROM THESE ACTIVITIES ^{RM}

Compliance risk
Credit risk
Liquidity risk
Operational risk
Regulatory risk
Strategic risk

Compliance risk
Investment risk
Liquidity risk
Market risk
Operational risk
Regulatory risk
Strategic risk

Compliance risk
Credit risk
Investment risk
Liquidity risk
Operational risk
Regulatory risk
Strategic risk



WEALTH

An advice-led asset manager with a domestic and global investment offering for both private and institutional clients.



COMMERCIAL SOLUTIONS

A wide range of commercial services, comprising market access and risk-mitigation products, including logistics, short-term insurance cover, forex services and assistance with government incentives.



CORPORATE SERVICES

A support function for the Group.

OPERATIONS

Our investment in operations, which include IT systems and other infrastructure that improves efficiencies, and delivering relevant products and services to our clients and customers, both internally and externally.

PEOPLE

Investment in developing and retaining our people, who are our key resource to execute and deliver on our strategic vision.

SERVICE AND PRODUCT OFFERINGS

STOCKBROKING

- Provides clients with a stockbroking and personalised asset management service, both domestically and internationally

FIXED INCOME

- Trades in fixed income instruments for our institutional clients

ASSET MANAGEMENT

- Manages a range of equity, fixed income and balanced solutions for institutional and retail clients

ASSET CONSULTING

- Consults pension funds on their investment strategies to enable their clients to retire better

FINANCIAL PLANNING

- Advises clients on their investments

HEALTHCARE

- Arranges medical aid cover for clients

FOREX AND TREASURY OUTSOURCING

- Provides comprehensive forex trading and outsourcing risk management services

INCENTIVES AND GLOBAL TRADE

- Assists clients with their applications for government incentives duty drawbacks and certification

FREIGHT

- Provides clients with a comprehensive freight forwarding, customs clearing and warehousing service

SHORT-TERM INSURANCE BROKING

- Provides short-term insurance solutions to business and private clients

- Business Development
- Company Secretarial
- Compliance
- Credit
- Facilities
- Finance and Administration
- Human Resources
- Information Technology
- Internal Audit
- Legal
- Marketing
- Risk

PROFIT FOR THE YEAR ^{PE}

R76.406 million (2015: R64.425 million)

R24.865 million (2015: R23.106 million)

-R45.680 million (2015: -R35.495 million)

HIGHLIGHTS AND CHALLENGES

The Group continues its drive to integrate and capitalise on technological advancements in product offerings.

Continued and collaborative forex offering to clients on a sustainable basis.

Two of our units in this division continue to struggle to operate profitably, necessitating the refocusing of activities to obtain the desired scale levels.

The increasing cost of compliance and regulation is a concern for Tier II banks.

Technological advancements and integration are a continuous challenge.

PRINCIPAL RISKS ARISING FROM THESE ACTIVITIES ^{RM}

Compliance risk
Investment risk
Market risk
Operational risk
Regulatory risk
Reputational risk
Strategic risk

Compliance risk
Market risk
Operational risk
Regulatory risk
Strategic risk

Compliance risk
Operational risk
Regulatory risk
Reputational risk
Strategic risk

MATERIAL ISSUES

An explanation of how we understand materiality in our value-creation story.

The Group assessed and refined the material issues identified in the 2015 integrated report to ensure that they are robust and reflective of the Group.

We focused on:





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

MATERIAL ISSUES AND CONTEXT	STAKEHOLDERS INVOLVED 	RISKS IDENTIFIED 
<p>1. TOUGH ECONOMIC CONDITIONS</p> <p>Sustained weakness in global and local economies, with a volatile inflation, interest rate and exchange rate environment has a significant impact on our operations.</p> <p>Liquidity is highly competitive in the financial services industry due to regulatory requirements and demand for higher returns by investors. Our capital providers may be adversely affected by such conditions and become more risk averse, while clients may experience pressures which influence growth and affordability.</p>	<ul style="list-style-type: none"> • Funders • Investors • Shareholders • Clients • Regulators • Employees • Communities 	<ul style="list-style-type: none"> • Credit risk • Investment risk • Concentration risk • Liquidity risk • Capital risk • Strategic risk
<p>2. BEING COMPETITIVE AND RELEVANT IN A FAST EVOLVING FINANCIAL SERVICES INDUSTRY</p> <p>The financial services industry continuously experiences innovation in doing business, primarily driven by regulatory and technology changes to client needs and preferences. High barriers to entry reduce the number of new entrants to the industry, however, shadow-banks and disruptors are a threat to the industry – they tend to provide alternative solutions that increase competition.</p>	<ul style="list-style-type: none"> • Funders • Investors • Shareholders • Clients • Regulators • Employees 	<ul style="list-style-type: none"> • Credit risk • Investment risk • Concentration risk • Liquidity risk • Strategic risk • Reputational risk • Operational and technological risks




HOW WE ADDRESS THESE MATERIAL ISSUES

LINK TO STRATEGY




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

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

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

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

MATERIAL ISSUES continued

MATERIAL ISSUES AND CONTEXT	STAKEHOLDERS INVOLVED 	RISKS IDENTIFIED 
<p>3. INCREASED REGULATORY REQUIREMENTS</p> <p>Regulation of the financial services industry has become more rigorous, but essential. Governance of all industry-related risks is essential, along with adherence to regulations to protect both the industry and clients.</p> <p>A rapidly changing regulatory landscape in the industry may impact the speed and ability of financial service providers to react to changes. This may be accompanied by increased costs or added difficulty in doing business.</p>	<ul style="list-style-type: none"> • Clients • Funders • Investors • Regulators • Shareholders 	<ul style="list-style-type: none"> • Capital management risk • Compliance risk • Liquidity risk • Regulatory risk • Strategic risk
<p>4. INVESTING IN THE RIGHT PEOPLE </p> <p>Our employees are vital in allowing us to provide products and services in line with our strategy. Having the right people, with the right training and skill sets, is essential to our success and innovation. If our people aren't managed well, we run the risk of negatively impacting client satisfaction, which would reduce our competitive advantage in the market. There is a significant shortage of specialised skills in South Africa, which has resulted in high levels of competition for a small pool of qualified people, especially in the banking and financial services industry, in which we operate.</p>	<ul style="list-style-type: none"> • Clients • Communities • Employees • Funders • Shareholders 	<ul style="list-style-type: none"> • All risk categories
<p>5. INCREASING SUSTAINABLE STAKEHOLDER VALUE</p> <p>Remaining profitable and growing our business requires the loyalty and support of our stakeholders. Capital providers are driven by long-term value creation, and our shareholders will only remain loyal to the Group if we maintain our reputation of delivering sustainable market-related returns. Value is measured differently for each of our stakeholders, and this necessitates an understanding of their key concerns and preferences to provide an outcome that is mutually beneficial.</p>	<ul style="list-style-type: none"> • Clients • Communities • Employees • Funders • Investors • Regulators • Shareholders 	<ul style="list-style-type: none"> • Capital management risk • Credit risk • Compliance risk • Concentration risk • Investment risk • Liquidity risk • Operational risk • Regulatory risk • Strategic risk



HOW WE ADDRESS THESE MATERIAL ISSUES




- Risk management and compliance with legislation are core to our culture and how we do business. We continue complying with the Basel III capital adequacy and liquidity requirements among others
- Regulations present opportunities such as efficient governance structures which lead to better management, greater efficiencies and, in some areas, reduced risk. Our size and structure make us more agile
- The Group meets prudential requirements and exceeds those prescribed for the industry on an ongoing basis
- We have a robust, well-established governance, risk and compliance structure, with an active and engaged Board. The Board is supported by an experienced senior management team and centralised risk management and compliance functions that are independent of the business
- We regard all regulators as key stakeholders with whom we interact in providing our products and services
- We have a Board-approved, measured risk appetite to balance long-term sustainable returns with short-term profitability
- Our brand is closely associated with our past performance, inspiring trust in our approach to business, people and regulations





- We attempt to ensure that we recruit, motivate, retain and reward exceptional people through our HR department. We have policies in place to help us to nurture talent and continue to invest heavily in training and skills development for our people
- We remunerate our employees in line with industry practice and continuously strive to be an exciting place to work in
- We drive a culture of high performance which permeates to all levels of the business. This, coupled with our preference for specialised skills, aids in our ability to consistently meet the dynamic needs of our clients
- The Group structure enables our employees to gain a wide range of experience and develop skills from our broad business structure and related activities

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

LINK TO STRATEGY

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

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

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

Leadership review

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

LEADERSHIP REPORT ^{PE}



ROY ANDERSEN
CHAIR



ROLAND SASSOON
GROUP CHIEF EXECUTIVE OFFICER



TYRONE SOONDARJEE
GROUP FINANCIAL DIRECTOR

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

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

LEADERSHIP REPORT continued

Key performance indicators

The following KPIs measure our progress in fulfilling our purpose; they are also core to our remuneration structure.

 **29.0%**

HEADLINE EARNINGS
PER ORDINARY SHARE

731.27 CENTS
(2015: 566.74 CENTS)

 **233 bps**

RETURN ON ORDINARY
SHAREHOLDERS'
AVERAGE EQUITY

17.54%
(2015: 15.21%)

 **29.0%**

DIVIDENDS PER
ORDINARY SHARE

287.39 CENTS
(2015: 222.73 CENTS)

 **1.3%**

TOTAL
ASSETS

R11.004 BILLION
(2015: R10.866 BILLION)

We are pleased with our financial results for the year under review. We will provide more detail on specific performance areas later on in this report. Herewith a synopsis of some of our more significant achievements:

- Grew our gross loans and advances by R1.076 billion
- Generated good revenue across the board
- Performed particularly well in our Private Equity portfolio
- Grew our profit after tax to R238.788 million (2015: R192.974 million)
- Maintained a healthy balance sheet, with strong capital adequacy and liquidity
- Grew our funding base to R7.303 billion (2015: R6.892 billion) to support the growth in lending

This was achieved despite:

- A deteriorating economic environment
- Increased costs of risk and compliance management
- Transactional Banking volumes below break-even levels
- Additional write downs in our legacy property equity investments
- Increased credit losses

External environment

GLOBAL ECONOMY

Having climbed six places to the second largest national economy globally over the past two decades, China has been the main engine for world economic growth, by importing vast quantities of raw materials, creating huge infrastructure, supplying the world with competitively priced manufactured goods, and generating large current account surpluses, which resulted in cheap finance for the rest of the world, and the beginning of the commodities super cycle. However, with maturity, China's economic growth has

slowed considerably, and its focus has shifted from bulk manufacture, export and construction, to services and consumption. This rapid transition has had adverse repercussions for the global economy, which is still recovering from the 2008 financial crisis. These dynamics, together with the effects of significant technological advances, have resulted in overcapacity in industries such as mining, construction, energy, and transport, abruptly ending the commodities super cycle and leading to large debt imbalances. Despite aggressive monetary stimulus, the effects on the financial markets have been severe, as investment by the global energy and commodity sectors accounts for 40% of all capital expenditure of the world's 11 000 largest companies, excluding banks.

The resultant softening of equity markets and low interest rates prejudice the growing population of pensioners in the developed world, while globalisation and the technology revolution disrupt employment. In the modern world of instant information, transparent governance and rapid communication, there are growing perceptions among the underprivileged classes of inequality, with demands for increased social spending, regulation and taxation of the wealthy, as well as nationalisation and protectionism. As mentioned in a recent edition of the Financial Times, there is a trend towards "post-factual democracies", as evidenced by the recent UK referendum to exit from the EU and the rise of populist political leaders in a number of western countries. These emotions are heightened by mounting fears arising from wars in the Middle East and the resultant mass migration to the western world, which is experiencing escalating terrorism, as well as territorial disputes with Russia and China, and concerns about North Korea's development of nuclear weapons. All of these factors are leading to a strong reaction against globalisation.

Isolationism undermines investment, world trade, business confidence and, ultimately, growth in world GNP, which is forecast by the World Bank and IMF, among others, to continue to decline.

LOCAL ECONOMY

South Africa is particularly sensitive to these global economic developments, as it is a significant commodity producer with a wide wealth gap, chronic unemployment; and high levels of retail debt, crime and corruption, skills shortages, low economic growth, and currency weakness. The serious drought that the country is experiencing adds to our problems.

Political risk has also increased; government is being challenged aggressively both externally and internally, with hostile demands for better service delivery and more redistribution from a wide range of stakeholders including labour groups, students and other communities. To quote from the first edition 2016 of the Financial Stability Review of SARB, "Political risk in South Africa has recently led to significant financial market volatility. If the risk materialises, capital outflows could trigger a disorderly adjustment in the current account deficit, especially if accompanied by credit ratings downgrades and spill-overs in the financial system. Other effects include exchange rate depreciation, a sell-off in financial markets, inflation, an increase in interest rates, slow credit growth, falling economic growth, unemployment and deteriorating asset quality."

Tax increases, price controls, minimum wages, inflexible labour, and tougher BBBEE regulations will result in even more unemployment. Unless business, government, state-owned-enterprises and the trade unions again unite in the face of adversity and take a more pragmatic approach towards enterprise, it is likely that the country will lose its Investment Grade status, which would be disastrous for our economy.

THE BANKING AND FINANCIAL SERVICES INDUSTRY

With negative interest rates currently prevailing across approximately 25% of the global economy, bank margins are under pressure as negative rates cannot, in practice, be passed on to depositors, while credit losses rise in line with the sluggish economy. This particularly applies to European banks, many of which are trading at very substantial discounts to book value.

Compliance in the banking and financial services industry has become extremely onerous and costly. There is continuous introduction of stricter regulations,

which are accompanied by intense supervision, both in prudential and market conduct – including regulatory pressure on banks to police money laundering activities – which further inhibits bank lending. To avoid another catastrophic financial crisis, particularly tough prudential regulations are being imposed on G-SIBs, which benefits challenger banks such as Sasfin Bank Limited. Despite the high costs associated with compliance, Sasfin remains committed to compliance with all regulations.

Technological disruption is both a threat and an opportunity to virtually all industries globally, particularly banking and financial services. Together with aggressive regulation, this is leading to a shift towards shadow banking. Furthermore, with advances in technology, cybercrime has mushroomed and has become a significant risk in banking worldwide.

The South African banking and financial services industry is taking additional strain from:

- Low demand due to a stagnant domestic economy
- The threat of a national downgrade to South Africa's credit rating to sub-investment grade
- Growing unemployment and social unrest
- A weak currency which could result in increasing inflation and interest rates
- Increase in business failures

These adversities are mitigated for the more entrepreneurial challenger banks, like Sasfin Bank Limited, by:

- The increasing gearing, capital and liquidity ratios prescribed for the D-SIBS
- Many SME clients requiring more personalised service in these difficult times
- The expected introduction of a sovereign guarantee on deposits
- A regulatory barrier to enter the banking industry
- Using strong brands and reputation as a market differentiator synonymous with quality and integrity

Strategy and positioning

Based on an integrated analysis of the economic, commercial, social, and environmental landscape, we have developed our strategy to deploy skilled human resources to market and deliver to select businesses and investors, win-win financial solutions. These are tailored from a wide range of business banking and wealth products and financial services, to ensure that we appropriately satisfy our clients and all our stakeholders, thus maintaining our long-term relevance and sustainability. Our strategy of banking the business and investor communities, the bedrock of our economy, is completely aligned to economic growth.

LEADERSHIP REPORT continued

Our competitive advantage is our comprehensive and personalised banking and financial service offering to our business and investor target markets.

As a result of tough compliance issues, there is rationalisation among the smaller financial boutiques, which leads to opportunities for organic and acquisitive growth. However, we do expect more competition from shadow banks in financial technology, which we are countering with the following approaches:

- Business Banking division is moving towards online transacting
- Wealth division is moving towards robotic advising
- Capital division is investing in disruptors
- Commercial Solutions division is investigating the provision of renewable energy
- Transactional Banking division is looking at disrupting branch banking

Risk Management and corporate governance

Trust is the cornerstone of Sasfin's relationship with its stakeholders.

- Our shareholders and depositors trust us with their capital and funding, with the confidence that we will manage our business astutely, so that we will generate good returns while, at all times, having adequate capital to sustain unforeseen losses and sufficient liquidity to meet our obligations
- Our clients trust us to finance their businesses and manage their assets appropriately, and to provide quality and reliable services that are fairly priced
- Our Directors, management and staff trust us to be reputable and to provide security of tenure in a pleasant environment, with market-related remuneration and good growth opportunities
- Our regulators and professional advisors trust us to comply with the spirit and letter of all regulations

We value the trust placed in us by all our stakeholders, and we take this responsibility seriously.

We continually strive to build this trust with all stakeholders, with whom we continuously engage, to provide the assurance that Sasfin remains a robust and dependable financial institution. This is key to our long-term sustainability and is achieved through active risk management and mitigation by:

- Our Board and Management driving trust as an integral part of our culture
- Embracing and complying with all regulations and regulatory reforms

- Being transparent
- Holding ourselves accountable through stringent corporate governance
- Carefully balancing inherent risks, through our wide range of products and services and diverse client profiles and sources of funding

We have responded to our rapidly changing environment by strengthening our risk and compliance functions. With this in mind, additional personnel, including a dedicated and skilled Acting CRO and Head: Group Compliance, have been appointed, boosting the skills available for both the risk and compliance teams.

DIRECTORATE AND EXECUTIVES

An important part of corporate governance is ensuring the Board is balanced and able to provide effective oversight and insight. Formal assessments of all Directors' performances are done annually.

Significant developments

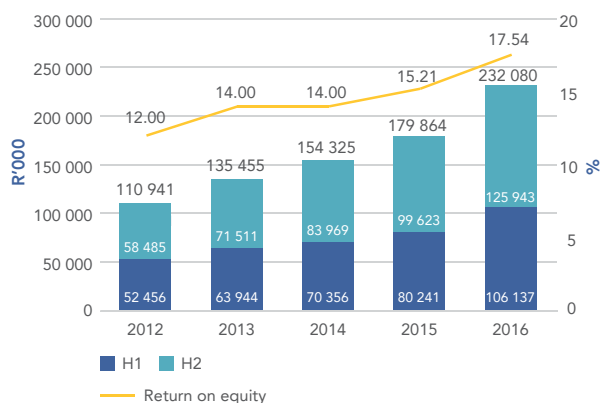
Some of the steps to strengthen and entrench our market position and broaden our franchise value that we took include:

- Promoting our COO to Acting CRO and appointed a COO as well as a Head: Group Compliance
- Acquiring 14.3% of the issued shares in Efficient Group Limited, a listed wealth and asset manager, with a view to collaborate with our Wealth division
- Acquiring Benal, an investor in properties and listed shares, in terms of our investment banking strategy
- Improving facilities and reorganising the physical location of some divisions to best capitalise on their location, such as the relocation of our Wealth division's front office, from Waverley, to suitable premises in Melrose Arch, and Fintech to Waverley to rationalise it with our Equipment Rentals unit
- Negotiating with potential BBBEE investors
- Selling 70% of ISL (formerly known as SPL) to Imperial Group Limited, which is expected to introduce new business to both ISL and our trade finance unit (post year-end)
- Merging our Short-term Insurance broking business with HRS, which will be housed in Sasfin's 51%-owned subsidiary, Sasfin HRS (post year-end)

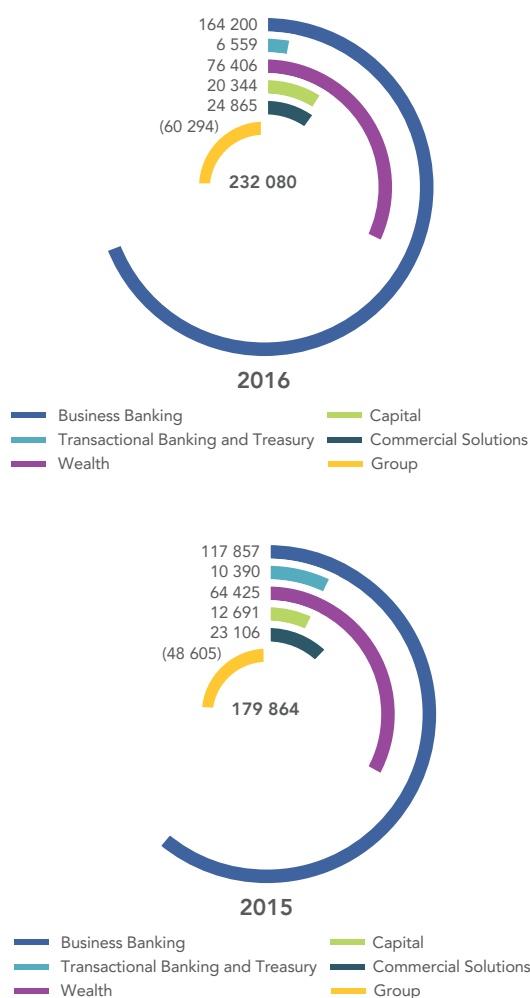
Financial results

Despite the economic downturn, and our substantial investment in internal development such as IT systems to enhance efficiency and cater for ongoing growth, we achieved the following financial results:

HEADLINE EARNINGS AND RETURN ON EQUITY – STEADY GROWTH

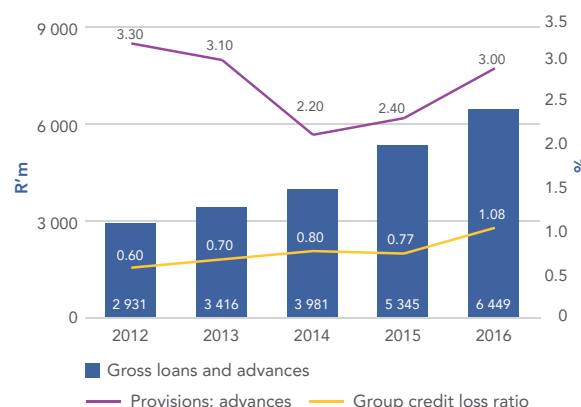


HEADLINE EARNINGS FOR THE YEAR – BY DIVISION (R'000)



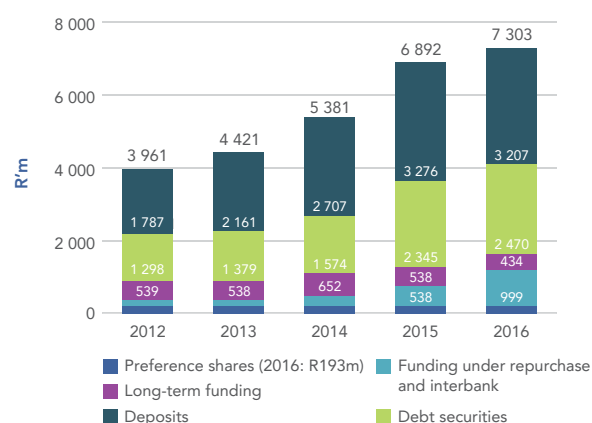
Headline earnings grew to R232.080 million (2015: R179.864 million), a 29.0% increase. HEPS grew to 731.27 cents (2015: 566.74 cents). Total assets grew marginally to R11.004 billion (2015: R10.866 billion).

GROSS LOANS AND ADVANCES AND CREDIT PERFORMANCE



Gross loans and advances to clients grew by 20.6% to R6.449 billion (2015: R5.345 billion). The weak credit environment and sluggish economy led to the Group credit loss ratio increasing to 108 bps (2015: 77 bps), which included a forward looking credit provision.

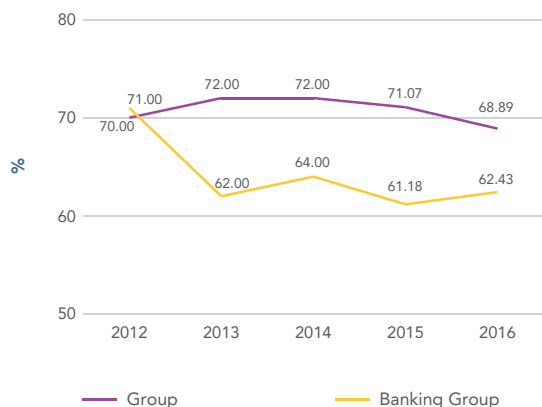
STABLE FUNDING BASE – TO SUPPORT GROWTH IN ASSETS



The Group expanded and diversified its funding base, resulting in a surplus liquidity position of R1.910 billion, albeit lower than the R2.618 billion in 2015. The decrease in surplus liquidity was utilised to fund the growth in loans and advances.

LEADERSHIP REPORT continued

COST-TO-INCOME RATIO – NOTABLE IMPROVEMENT



Total income grew by 25.1% year-on-year, driven by revenue generation in the Business Banking and Wealth divisions

The Group's cost-to-income ratio improved to 68.89% (2015: 71.07%). This was primarily due to stronger revenue generation across the Group as evidenced by a widening JAWS ratio of 3.79% (2015: 1.11%). Sasfin's costs increased by 19.8% to R828.316 million (2015: R691.352 million) mainly due to the inclusion of the Fintech cost base combined with increased investment in risk, compliance and IT.

Credit Rating

In May 2016, GCR rated Sasfin Bank Limited as A1- (ZA) with a rating outlook of Stable. The result is based on an assessment that concluded that Sasfin Bank is adequately capitalised, with a balanced funding structure that offers financial strength, sound capitalisation, strong liquidity and good recurring profitability, in addition to satisfactory asset quality.

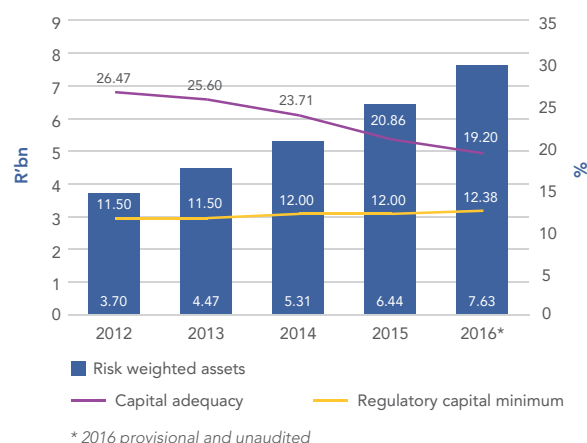
The market penetration of our brand is expected to increase due to our acquisition of Fintech and the recent launch of our Transactional Banking offering. Our diversified funding (through continually expanding our client deposit base) was a further motivator for the rating and, despite negative macroeconomic and credit cycles trends, the agency described our position as an ideal one for continuing to generate positive earnings.

Capital and liquidity

Our capital and liquidity positions remain strong, with both capital and liquidity ratios well above the regulatory and Basel III minimums. This provides Sasfin with ample capacity for asset growth, without having to increase its capital base.

As a result of the Group's growth in risk weighted assets, largely from its lending activities, Total and Tier 1 capital adequacy has dropped year-on-year from 20.86% and 20.41% to 19.20% and 18.63% respectively, both of which are still well above the minimum regulatory requirements.

CAPITAL ADEQUACY – GROUP



* 2016 provisional and unaudited

In keeping with our strategy to maintain a balance between risk and return, while holding easily liquefiable cash resources, the Group's cash and short-term negotiable securities are placed with a short to medium-term tenor with the SARB, Land Bank, the big four South African banks, and rated international banks through the interbank market.

Prospects

We will continue to strive for scale and diversity in applying our long-term strategy of catering for the broad-based banking and financial needs of the Business and Wealth clients. Our strategy is captured in our Purpose Statement.

Accordingly, we will increase our efforts through the following activities:

- Continuing to enhance our disciplined risk assessment and mitigation processes in capital, credit and liquidity management
- Continuing with our drive for critical mass to offset our increasing fixed overhead, caused by the upgrading of Risk and Compliance departments
- Continuing to focus on enhancing efficiency, especially in our IT systems, through a technology strategy that is set to gain momentum in 2016/2017
- Upgrading our systems, processes, and offering to clients
- Investigating new products and markets
- Fully integrating and attracting value and efficiencies from the Fintech acquisition
- Hopefully concluding an agreement with a suitable BEE investor on acceptable terms during the course of the 2017 financial year
- Continuing to improve diversity and scale

Mainly due to continued strong demand from the business and investor communities for our comprehensive range of "high touch" banking products and financial services, and given our strong capital and liquidity positions, we remain optimistic and well poised for growth in 2017.

Appreciation


We take this opportunity to thank our valued clients for their support, our fellow directors, management and employees for their dedicated commitment, our professional advisors, the SARB, FSB, and the JSE for their valued guidance, and our shareholders for their continued faith in Sasfin.



Roy Andersen
Chair



Roland Sassoon
Group Chief Executive Officer



Tyrone Soondarjee
Group Financial Director

13 October 2016

Performance review

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

SEGMENTAL REPORT PER BUSINESS DIVISION

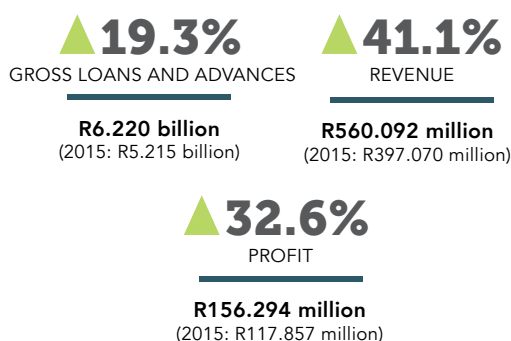
PE

Business Banking

This division, which finances the working capital needs of business, constantly seeks to improve its service to clients, while maintaining acceptable margins and minimising overheads. The main task for the year was the integration of Fintech, which is progressing according to plan.

The division delivered a very good set of results for the year, with profit growing by 32.6% to R156.294 million (2015: R117.857 million). Key contributors to this performance were underpinned by a R1.005 billion growth in lending, an increase in revenue growth of 41.1%, and positive integration benefits as a result of the Fintech acquisition. This was offset by a sharp increase in the divisional credit loss ratio to 101 bps (2015: 70 bps). Non-performing loans increased to 6.56% (2015: 3.93%) of gross loans and advances.

FINANCIAL HIGHLIGHTS



OPERATIONAL OVERVIEW

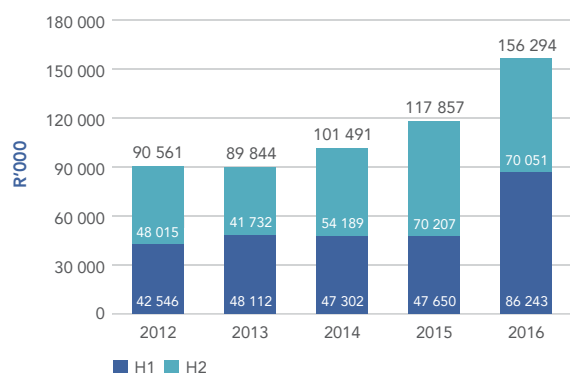
EQUIPMENT FINANCE

This unit provides instalment finance for all types of equipment, i.e. office automation, productive machinery and vehicles. Boosted by the recent acquisition of Fintech, this unit is now a major player in equipment rentals, with a mature business showing strong book growth.

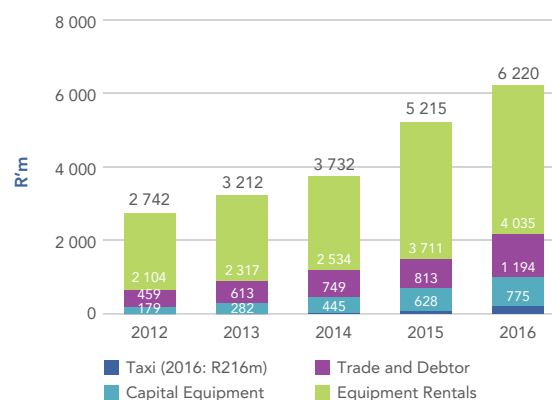
TRADE AND DEBTOR FINANCE

Trade and debtor finance provides a wide range of finance for purchases and sales of goods. It has had meaningful growth, with larger and better quality clients coming on board.

PROFITABILITY



BUSINESS BANKING GROSS LOANS AND ADVANCES – STRONG GROWTH



BEYOND 2016

- Embed our Transactional Banking offering at the centre of the Group to enhance existing Business client relationships
- Drive a strong, strategic focus around technology to enhance client and supplier experience
- Explore acquisition opportunities and monitor credit performance closely
- Grow capital equipment finance
- Fully integrate Fintech into Sasfin and enhance relationships with Fintech's suppliers
- Grow our market share and continue to develop bespoke solutions with a high personal touch
- Improve our efficiencies through best practice in our systems and processes
- Attract more business with our energy efficiency offering

SEGMENTAL REPORT

PER BUSINESS DIVISION continued

Transactional Banking and Treasury

This division is a combination of the Transactional division, launched in 2015, and the Treasury division. The division achieved a lower level of profitability for the year, impacted by further investment in the newly launched Transactional Banking offering. The Transactional Banking unit is still in its formative phase and has not yet obtained the desired level of client acquisitions. We have significantly upgraded our team in this division to strengthen our transactional banking platform, while continuing to develop our strategy and roadmap to become a full transactional bank, focusing on the SME market. The Treasury unit continues to perform strongly with a stable deposit base of R3.708 billion* underpinned by a competitive service and product offering.

FINANCIAL HIGHLIGHTS

▲ 52.2%
REVENUE

R63.961 million
(2015: R42.016 million)

▼ 36.8%
PROFIT

R6.559 million
(2015: R10.390 million)

▲ 11.4%
DEPOSIT BOOK*

R3.708 billion
(2015: R3.328 billion)

OPERATIONAL OVERVIEW

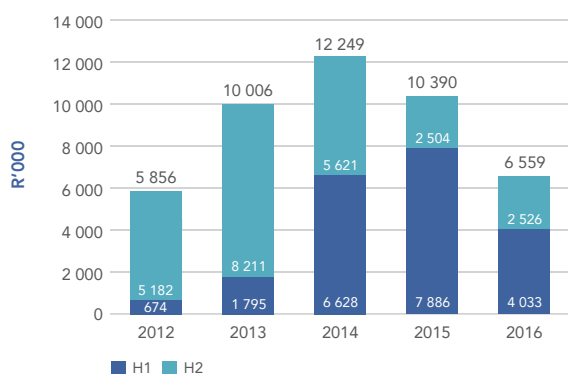
TRANSACTIONAL BANKING

Transactional Banking is being developed to provide a comprehensive range of electronic transactional banking services, including online banking electronic fund transfers, credit cards, ATM and mobile banking.

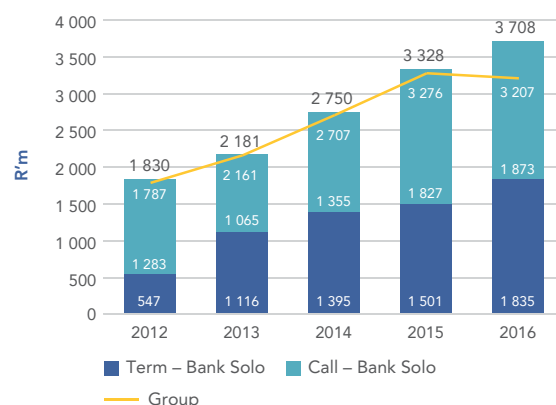
DOMESTIC TREASURY

This unit, which runs the Sasfin Bank's money market and is an active participant in the SARB repo window as a full clearing and settlement bank, increased its deposit base to R3.708 billion*.

PROFITABILITY



DEPOSIT BOOK GROWTH



BEYOND 2016

- Become the primary bank for more clients and selectively offer overdrafts
- Build Sasfin as the Bank for business and grow Transactional Banking deposit base
- Implement a holistic client-centric transactional banking proposition for entrepreneurial businesses
- Drive operational efficiencies and complete our core platform
- Enhance client value propositions with Transactional Banking and increase both client numbers and deposits
- Leverage off the Transactional Banking capability to grow the deposit book and attract lower cost deposits
- Raise new longer-term funding
- Attract wholesale-term depositors following improved rating with competitive rates
- Maintain LCR and NSFR in excess of regulatory minimums
- Increase our yield on surplus cash and liquidity
- Capitalise on the benefits of being a clearing and settlement bank
- Explore alliance partnerships with retailers to achieve annuity income

* Sasfin Bank Limited (Bank Solo)

Capital

Sasfin Capital services the mid-sized corporate market through a combination of select balance sheet deployment and strong corporate finance advice. Strong deal flow is generated across the Group, and access to capital gives this division a competitive advantage over the boutique corporate finance houses.

The Capital division's 60% increase in profitability to R20.344 million (2015: R12.691 million) was due to good performances in the Corporate Finance and Private Equity units, offset by losses incurred on certain legacy Property Equity investments. We have significantly upgraded our team in this division and are taking on exciting transactions in Private and Property Equity and Corporate Finance.

FINANCIAL HIGHLIGHTS

▲ 39.3%
REVENUE

R45.750 million
(2015: R32.840 million)

▲ 60.3%
PROFIT

R20.344 million
(2015: R12.691 million)

OPERATIONAL OVERVIEW

CORPORATE FINANCE AND INVESTMENT BANKING

Corporate Finance provides a comprehensive service to clients, including IPOs, M&As, sponsorships, corporate advice, and investment banking, including underwriting in the equity and debt capital markets. During the year this unit concluded a successful investment banking transaction for Benal.

The new management team is driving the turnaround with a focus on targeting medium-sized enterprises while offering full service integrated investment banking.

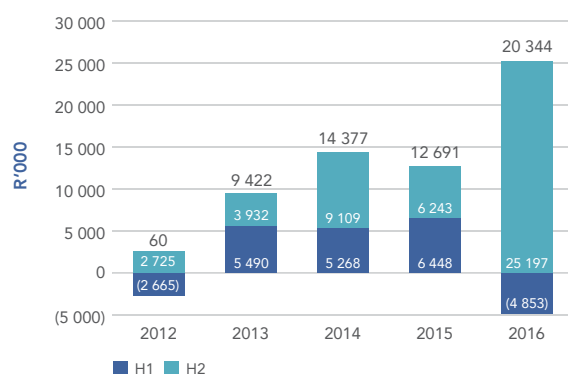
PROPERTY EQUITY

The unit's new investments are performing in line with expectations. The aim is to exit the legacy portfolio and act as an equity partner to property entrepreneurs and medium-sized businesses.

PRIVATE EQUITY

The core Private Equity portfolio is performing well and continues to focus on finTech companies with strong growth potential that would be complementary to the Group. More focus is being directed towards exits and the unit is exploring higher growth investment opportunities as well as collaboration improvements with Business Banking.

PROFITABILITY



BEYOND 2016

- Service the mid-sized corporate market through a combination of select balance sheet deployment and strong corporate finance advice
- Efficient deployment of Private and Property Equity capital within our chosen markets through strong deal origination, comprehensive deal assessment with the agility to take advantage of opportunities
- Active portfolio management with contribution to business strategy, management selection, and exits in portfolio companies
- Add value to the broader Sasfin Group by identifying and implementing acquisitions, strategic investments and other capital market opportunities

SEGMENTAL REPORT

PER BUSINESS DIVISION continued

Wealth

This division has achieved excellent growth over the past few years, and has become a significant player among Private Clients and smaller institutions. The division acquired a 14.3% strategic investment in Efficient Group Limited, a listed wealth and asset manager, with a view to exploring ways of long-term collaboration.

Wealth provides a complete range of bespoke and collective asset management services. The division's profitability increased by 18.6% to R76.406 million (2015: R64.425 million) underpinned by increased distribution, and enhanced system and operational capabilities. Assets under administration decreased year-on-year, largely due to safe custody clients exiting their portfolios, while assets under management (including under advice) increased by 11.1%.

The division expanded its local and global investment offering, including the launch of a Fixed Income Fund, and delivered excellent performance to its clients, as evidenced by Sasfin Asset Managers' third Raging Bull Award. This unit is starting to reap the benefits of its investment in distribution, IT, and operations. The Institutional Fixed Income desk continued to show good growth in profitability.

FINANCIAL HIGHLIGHTS

▲ 18.9%
REVENUE

R300.917 million
(2015: R253.172 million)

▲ 18.6%
PROFIT

R76.406 million
(2015: R64.425 million)

▼ 7.7%
FUNDS UNDER
ADMINISTRATION
AND MANAGEMENT*

R108 billion
(2015: R117 billion)
* including under advisement.

OPERATIONAL OVERVIEW

PRIVATE CLIENTS

This unit continues to perform strongly and has strengthened its offshore portfolio management offering.

FIXED INCOME

This unit provided strong service as a broker and principal in fixed income products.

ASSET MANAGEMENT

Continued strong performance in all funds for the year for this unit.

ASSET CONSULTING

Asset Consulting continues to grow funds under advisement through strong offerings to pension funds.

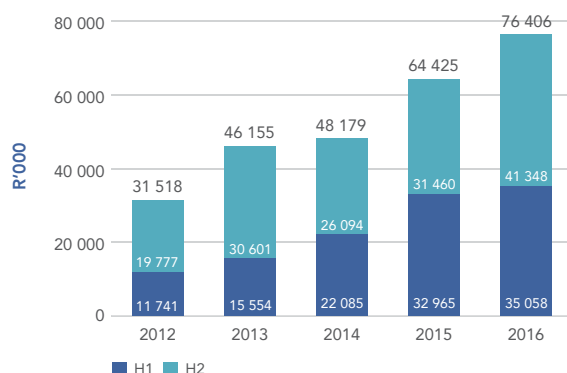
FINANCIAL PLANNING

This unit has performed satisfactorily during the year and is now being restructured to become an integrated part of our holistic Private Client Wealth offering.

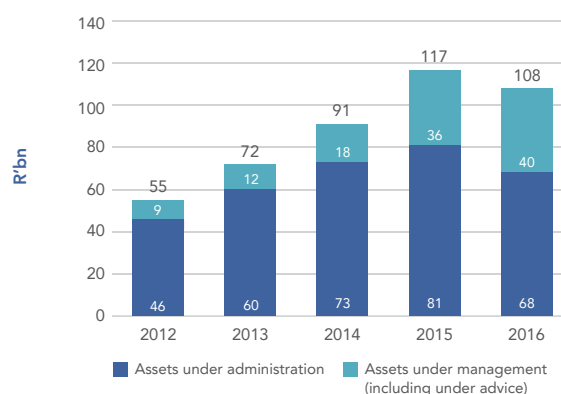
HEALTHCARE

Our Healthcare unit provides clients with medical aid and gap cover as a broker, which continues to show growth.

PROFITABILITY



ASSETS UNDER ADMINISTRATION AND MANAGEMENT



BEYOND 2016

- Launch offshore funds
- Look to list our Wealth division
- Consider acquisitions
- Step up sales to boost Assets under Management and Advisement for private and institutional clients
- Enhance client experience through technology – seamless on-boarding, reporting and tools
- Continue investing in private client and institutional distribution
- Embed our Transactional Banking offering at the centre of the Group to enhance existing Wealth client relationships
- Undertake well-packaged investment solutions that work seamlessly for advisors and clients
- Continued excellence in systems, operations and reporting
- Ongoing product development
- Be a great place to work for the entrepreneurially minded investment professionals
- Achieve strong growth in foreign assets and income
- Explore offshore opportunities – become the preferred home for clients' offshore assets
- Explore ways to collaborate with Efficient Group Limited

Commercial Solutions

This division provides a wide range of commercial services to Sasfin's Business clients, including freight, insurance, forex dealing, and management and global trade services. Although we have strong competition in most of our services, by utilising the cross-selling capabilities across the Group, we should be well placed to continue to grow, especially in Forex, Logistics and Insurance.

The profitability of Commercial Solutions was positively impacted by the improved performance in Sasfin Forex, but this was hampered by the Freight and Incentives units' performance, as a result of the economic downturn and tough trading conditions. This led to a marginal increase in profitability to R24.865 million (2015: R23.106 million). Subsequent to year-end, the Group concluded the sale of 70% of its shares in ISL, (formerly SPL), to Imperial Group Limited, and agreed to merge its Short-term Insurance broking business with HRS, which will be housed in Sasfin's 51%-owned subsidiary, Sasfin HRS.

SEGMENTAL REPORT

PER BUSINESS DIVISION continued

The Group should benefit from the economies of scale that these transactions are expected to achieve. While the Incentives unit performed satisfactorily, its future is uncertain, as the dti restructures its incentive schemes. Initiatives to launch a Build-Own-Operate model for renewable energy also gained traction in the year.

FINANCIAL HIGHLIGHTS

▼ 2.6%
REVENUE

R193.317 million
(2015: R198.506 million)

▲ 7.6%
PROFIT

R24.865 million
(2015: R23.106 million)

OPERATIONAL OVERVIEW

FOREX AND OUTSOURCING

Sasfin's Forex unit, which is an authorised dealer and also manages clients' forex positions, where required, traded particularly well in 2016 as it built up its critical mass, and is now poised to become a significant unit. Forex is being further rationalised through outsourcing.

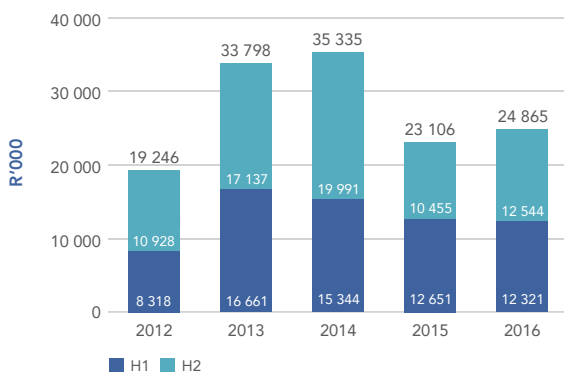
INSURANCE BROKING

This is a small unit. To achieve better critical mass, Sasfin's Short-term Insurance broking clientele and the clientele of HRS will be merged post year-end.

GLOBAL TRADE AND INCENTIVES

This unit may be impacted by rules recently introduced by the dti, which may hamper, and possibly impact profitability.

PROFITABILITY



BEYOND 2016

- Grow Short-term Insurance in Sasfin HRS, specifically through a combination of internal organic growth and the broker investment model
- Further rationalise Sasfin Forex and target organic growth with this scalable offering
- Launch Solar PV Build-Own-Operate product
- Combine IQuad Treasury Outsourcing with Sasfin Forex to create a complete foreign exchange and risk management solution
- The traditional IQuad businesses is expected to be negatively impacted by changes in legislation and downturn in economy
- Build a full service logistics capability and broaden client base with ISL



sasfin | Holdings
beyond a bank Limited



STAKEHOLDER RELATIONSHIPS S

Sasfin engages with a number of key stakeholders using an all-inclusive approach to parties in our internal and external environments. We are aware that stakeholder interactions lead to relevance and sustainability. The relevant concerns and expectations of each stakeholder are considered and integrated into our material issues. MI

Below is a summary of Sasfin's stakeholder engagements, achievements in 2016, future plans, and linkages to the Group's material issues.



Clients

Lending and advisory activities

WHO ARE THESE STAKEHOLDERS?

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

WHAT DID WE ACHIEVE FOR OUR CLIENTS IN 2016?

- Operational stability and high-touch client service
- Bespoke financial solutions to cater for specific needs and client status
- Grew full Transactional Banking services with online and mobile banking options, and debit cards allowing for seamless and secure transactions
- Continued integration of Fintech into operations to establish Sasfin as a leading equipment rental financier




HOW DO WE INTERACT WITH OUR CLIENTS?

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

WHAT ARE OUR CLIENTS' MAIN CONCERNS?

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

WHAT IS OUR STRATEGIC RESPONSE?

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

WHAT ARE WE FOCUSING ON IN THE SHORT-TERM?

- Product diversity, and improving service delivery in our chosen markets, and expanding our product ranges through continuous development
- Growing our client base, and becoming a primary banking partner for clients

WHAT ARE WE FOCUSING ON FOR 2018 AND BEYOND?

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

LINK TO MATERIAL ISSUES?

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

Deposit-taking and providers of capital

WHO ARE THESE STAKEHOLDERS?

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

WHAT DID WE ACHIEVE FOR OUR CLIENTS IN 2016?

- Maintained high-touch client service
- Unique product range
- Consistently delivered above market-related returns
- Sasfin Bank Limited's short-term rating A1- (ZA) with a stable rating outlook as issued by GCR


HOW DO WE INTERACT WITH OUR CLIENTS?


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


WHAT ARE OUR CLIENTS' MAIN CONCERNS?


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

WHAT IS OUR STRATEGIC RESPONSE?

 Optimise synergies across a broad range of products and services

 Enhance efficiencies and reduce cost-to-income ratio

 Sustainable growth in our target markets

 Proactive balance sheet management and capital optimisation

WHAT ARE WE FOCUSING ON IN THE SHORT TERM?

- Online direct investment products
- Online transactional banking
- Syndicated transactions
- Ring-fenced funding to match lending products
- Further diversification of funding and investor base

WHAT ARE WE FOCUSING ON FOR 2018 AND BEYOND?

- Matching profile of funding to asset base
- Utilising IT as a strategic enabler
- Completing the integration of Fintech
- Growing funding base to meet the demands of a growing balance sheet
- Improving returns on equity and on risk weighted assets
- Improving credit rating

LINK TO MATERIAL ISSUES?

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



Regulators

WHO ARE THESE STAKEHOLDERS?

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

WHAT DID WE ACHIEVE FOR OUR REGULATORS IN 2016?

- Complied with all JSE Listings Requirements
- Complied with various regulatory and prudential requirements
- Total capital adequacy ratio – 19.20% (2015: 20.86%)
- Corporate citizenship – promptly paid taxes due

HOW DO WE INTERACT WITH OUR REGULATORS?

- Meetings with the SARB and Sasfin's executive management, Internal Audit, Compliance and the Board of Directors
- Regulatory return submissions to the SARB
- Ongoing compliance audits
- Trilateral meetings with GACC, External Auditors and the SARB
- Regulatory audit performed by external auditors and reported to SARB
- Daily monitoring of all bond and equity trades by the JSE via the BDA system
- Monthly capital adequacy return submissions to the JSE
- Annual return to JSE
- Internal Audit reports to SARB
- Annual regulatory report to the FSB
- JSE onsite audits

WHAT ARE REGULATORS' MAIN CONCERNS?

- Capital adequacy and liquidity
- Heightened risk environment, particularly cybercrime
- Money laundering
- RDARR
- Impact of IFRS9

WHAT IS OUR STRATEGIC RESPONSE?

- We have appointed a dedicated Acting CRO
- We have appointed a dedicated Head: Group Compliance
- We have continued investing in Risk and Compliance across the Group

STAKEHOLDER RELATIONSHIPS continued

WHAT ARE WE FOCUSING ON FOR 2018 AND BEYOND?

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

LINK TO MATERIAL ISSUES?

- Increased regulatory requirements



Shareholders

WHO ARE THESE SHAREHOLDERS?

- Directors and associates: 48.92% (2015: 48.97%)
- Top five fund managers: 18.65% (2015: 16.47%)
- Preference shareholders: 569 (2015: 625)

WHAT DID WE ACHIEVE FOR OUR SHAREHOLDERS IN 2016?

- Headline earnings growth of 29.0% (2015: 16.5%)
- Dividend per ordinary share increase of 29.0% from 16.5% in 2016
- Return on equity of 17.54% (2015: 15.21%)
- Growth in share price of 7.5% to R60.20 (2015: 11%) from R55.99

HOW DID WE INTERACT WITH OUR SHAREHOLDERS IN 2016?

- Regular JSE SENS announcements
- Financial results and Integrated Report 2016
- Annual and interim results announcements, presentations and roadshows
- Annual General Meeting and other meetings
- Investor roadshows and engagements
- Ad hoc meetings with shareholders, potential investors, analysts, credit rating agencies, and media during non-closed periods
- Financial media and Group website

WHAT ARE OUR SHAREHOLDERS' MAIN CONCERNS?

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

WHAT IS OUR STRATEGIC RESPONSE?

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

WHAT ARE WE FOCUSING ON FOR 2018 AND BEYOND?

Internal targets

- Obtaining a BEE shareholder
- Return on assets above 2.5%
- Return on equity above 20%
- Cost-to-income ratio below 65%
- Continuous and sustained growth in headline earnings
- Optimal capital allocation

LINK TO MATERIAL ISSUES?

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



Employees

WHO ARE THESE STAKEHOLDERS?

- Number of employees: 785 (2015: 835)
- Female employees: 58.7% (2015: 60%)
- Black employees: 53.8% (2015: 53.5%)

WHAT DID WE ACHIEVE FOR OUR EMPLOYEES IN 2016?

- Staff costs of R434.339 million (2015: R382.115 million), an increase of 13.7%
- Training spend: R5.6 million (2015: R6.6 million)
- 810 training interventions (2015: 842)





HOW DO WE INTERACT WITH OUR EMPLOYEES?

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

WHAT ARE OUR EMPLOYEES' MAIN CONCERNS?

- Fair market-related remuneration for work done
- Job security given the tense economic climate
- Sound leadership and direction
- Skills development
- Business functionality: integration of new companies acquired by Sasfin and developing synergies between business units

LINK TO STRATEGIC PILLAR

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

WHAT ARE WE FOCUSING ON FOR 2018 AND BEYOND?

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

LINK TO MATERIAL ISSUES?

- Investing in the right people



Communities

WHO ARE THESE STAKEHOLDERS?

- Civil society, which includes businesses, communities near our operations and civil society as a whole; Sasfin is committed to South Africa and continuously considers contributions to our country's

development, particularly through sustainable projects that decrease poverty, improve quality of life and promote education and development for all South Africans

WHAT DID WE ACHIEVE FOR OUR COMMUNITIES IN 2016?

- Renewable Energy and Solar PV finance
- CSI contribution: R2.1 million (2015: R2.1 million)
- Creating employment by funding SME businesses


HOW DID WE INTERACT WITH OUR COMMUNITIES IN 2016?

- Conducted market research to understand the needs of the broader South African economy
- Funded CSI projects that support sustainable growth in our communities including, among others, Sabi Sands Trust, Afrika Tikkun and ORT Jet
- Social and environmental due diligence reports

WHAT ARE THE MAIN CONCERNS IN OUR COMMUNITIES?

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

LINK TO STRATEGIC PILLAR

-  Sustainable growth in our target markets


WHAT ARE WE FOCUSING ON FOR 2018 AND BEYOND?

- Improving BBBEE
- Increasing procurement spend from BEE level 4 and better rated suppliers
- Growing Green Finance initiatives
- Continuing our CSI contributions
- Continuous focus on product development for SMEs
- Reducing carbon emissions for the Group as a whole
- Continuing flagship projects that contribute to the sustainable development of the communities in which we operate. These include projects that support financial literacy, consumer education, early childhood development, entrepreneurial development, skills development, education and support for those affected by HIV/Aids

LINK TO MATERIAL ISSUES?

- Tough economic conditions

KEY RISKS AND OPPORTUNITIES

As a diversified banking and financial services group, effective management of risk is at the centre of our business. Through proactive and independent risk management by the divisional executives, Group Risk, and our Board, we cautiously and prudently manage risks within our Board-approved risk appetite. Below is a summarised schedule of our key risks and opportunities. 

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

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

OUR STRATEGY

Our strategy is a roadmap to fulfilling our vision and mission. It is informed by our material issues and is integrated into the way in which we operate our business.

The strategy can be viewed from three levels:

2021 long-term strategy

THE GROUP HAS A 2021 LONG-TERM STRATEGY OF CATERING FOR THE BROAD-BASED BANKING AND FINANCIAL NEEDS OF ITS WEALTH AND BUSINESS CLIENTS WHILE FOCUSING ON:

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



Four strategic pillars



Optimise synergies across a broad range of products and services



Enhance efficiencies and reduce cost-to-income ratio



Sustainable growth in our target markets



Proactive balance sheet management and capital optimisation

2017 strategic priorities

ending June

STRATEGIC PRIORITIES		RELEVANCE TO SASFIN
1	Embed our Transactional Banking offering at the core of the Group that will help us entrench our existing Business and Wealth client relationships	Transactional Banking is a relatively new initiative that we wish to further define . This is a scalable business that can create an integrated positioning for our other offerings.
2	Drive a strong strategic focus around IT	We aim to leverage the opportunities presented by IT to improve our offerings through continued modernisation of our products and services, for example.
3	Reinforce regulatory compliance across the Group	We aim to drive strong risk management discipline and compliance with regulation in the way we do business, but ensure that we don't embed bureaucracy.
4	Continue to strengthen our client on-boarding processes and manage client profitability	We aim to Simplify credit processes, price appropriately relative to clients , and ensure effective on-boarding.
5	Bring in a BEE shareholder	Discussions with potential partners have started and are expected to reach conclusion within the 2017 financial year .
6	Strategic allocation of capital	We are continuously considering the most efficient deployment of capital across the Group, while monitoring and measuring divisions on a RAROC basis.
7	Move Sasfin Wealth towards a listing	This is an ongoing focus together with potential corporate opportunities .

OUR STRATEGY continued

STRATEGIC PILLARS	PILLAR 1: OPTIMISE SYNERGIES ACROSS A BROAD RANGE OF PRODUCTS AND SERVICES
WHAT IS OUR GOAL?	<ul style="list-style-type: none"> • Focusing on client-centric service to differentiate our business from bigger, more bureaucratic institutions, who struggle to deliver in this realm • Ensuring synergistic products and services across the entrepreneurial and corporate value chain • Focusing on our distinct target markets: <ul style="list-style-type: none"> – Entrepreneurs – Corporates – Institutions – High-net-worth individuals
ACHIEVED THROUGH	<ul style="list-style-type: none"> • Ensuring that our offerings to clients are specialised and integrated • High-touch service offerings
STRATEGIC BUSINESS ENABLERS	<ul style="list-style-type: none"> • Working capital and equity • Tailor-made solutions • Agility and speed • Flat and decisive operating and management structure • Bespoke IT systems • Equity, debt capital and securitisation market expertise
WHAT WE HAVE ACHIEVED IN 2016	<ul style="list-style-type: none"> • Successfully operated Transactional Banking to broaden our franchise value • Integrated Fintech to entrench ourselves as a leading equipment rental financier • Became a full clearing and settlement bank
WHAT WE WANT TO ACHIEVE BEYOND 2016	<ul style="list-style-type: none"> • Complete the integration of Fintech as the Fintech acquisition brings scale and allows for growth with new suppliers • Continue to develop new and innovative products to address our client needs • Drive responsible cross-selling across the business • Drive Investment Banking opportunities
MATERIAL ISSUES IMPACTING THIS STRATEGIC PILLAR	<ul style="list-style-type: none"> • Tough economic conditions • Remaining competitive and relevant • Recruiting, motivating and retaining the right people • Increasing stakeholder value in the long term

PILLAR 2: ENHANCE EFFICIENCIES AND REDUCE COST-TO-INCOME RATIO	PILLAR 3: SUSTAINABLE GROWTH IN OUR TARGET MARKETS	PILLAR 4: PROACTIVE BALANCE SHEET MANAGEMENT AND CAPITAL OPTIMISATION
<ul style="list-style-type: none"> • Growing new income streams • Achieving meaningful scale in all products and services • Positive JAWS ratio • Increasing market share • Improving returns on surplus liquidity • Seamless operational efficiencies 	<ul style="list-style-type: none"> • Understanding our clients' needs • Personalised service • Strong relationships • Flexibility • Quick turnaround • Growing Transactional Banking 	<ul style="list-style-type: none"> • Prudent asset/liability matching • Establishing a well-balanced asset and liability structure • Optimising the earnings yield on all our asset classes • An efficient and quality capital structure • A well-diversified funding base • Effective capital utilisation
<ul style="list-style-type: none"> • Maintaining and enhancing our diversified business • Cost control • Profitable growth in marginal businesses • System efficiencies and straight-through processing 	<ul style="list-style-type: none"> • Creating partnerships, with clients, that deliver products and services that exceed their expectations 	<ul style="list-style-type: none"> • Proactive capital and liquidity management • Effective investment in different classes of product, capital and liquidity • Prudent and sound risk management processes
<ul style="list-style-type: none"> • Multiple product offerings • Greater annuity-based non-interest income • Grow lending, wealth management, transactional, logistics and advisory services 	<ul style="list-style-type: none"> • Highly experienced and passionate employees • Dedicated experienced teams • Personal guidance • Innovative, client-centric products • Excellent service designed to exceed client expectations • Transactional Banking as a lever for streamlined client delivery 	<ul style="list-style-type: none"> • Effective balance sheet management to ensure we are set for growth in assets and funding • Diversified investor and funding base • Adequate liquidity buffers that are easily liquefiable
<ul style="list-style-type: none"> • All divisions showed an increase in profitability, with the exception of Transactional Banking and Treasury, due to increased investment in the new Transactional Banking unit • Contained cost growth, including Fintech, to 19.8% • Improved cost-to-income ratio by 100 bps • Notable improvement in JAWS • Improved returns on surplus liquidity 	<ul style="list-style-type: none"> • Grew Transactional Banking to leverage business and ensure cohesion for better client retention • Achieved growth in funds under advisement and management in Wealth • Engaged in larger value, quality transactions • Integrated Fintech to grow in our target markets • Improved our BEE Rating • Potential negotiations on equity transactions are ongoing 	<ul style="list-style-type: none"> • Strengthened our balance sheet resulting in higher yields on surplus liquidity • Increased capital of Sasfin Bank Limited • Value accretive utilisation of capital in the acquisition of Fintech • Increased funding base from R6.892 billion to R7.303 billion
<ul style="list-style-type: none"> • Effective deployment of surplus liquidity into quality, higher-yielding assets • Cost-to-income ratio below 65% • Grow loans and advances while maintaining an acceptable credit loss ratio • Using IT as a strategic enabler in client engagements 	<ul style="list-style-type: none"> • Continue growth across the spectrum of entrepreneurial, corporate, institutional and high-net-worth clients • Grow funds under advisement and management • Continue to improve investment performance on funds under advisement and management 	<ul style="list-style-type: none"> • Continue growth in all identified areas • Improve return on risk weighted assets • Increase return on equity to above 20% over the next five years
<ul style="list-style-type: none"> • Tough economic conditions • Remaining competitive and relevant • Increasing stakeholder value in the long term 	<ul style="list-style-type: none"> • Tough economic conditions • Remaining competitive and relevant • Recruiting, motivating and retaining the right people • Increasing stakeholder value in the long term 	<ul style="list-style-type: none"> • Tough economic conditions • Increased governance and regulatory requirements • Increasing stakeholder value in the long term

Governance and remuneration

Sasfin's approach to governance, our Board functions and reports on risk management, remuneration and our social and committee performance for the year.

COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP



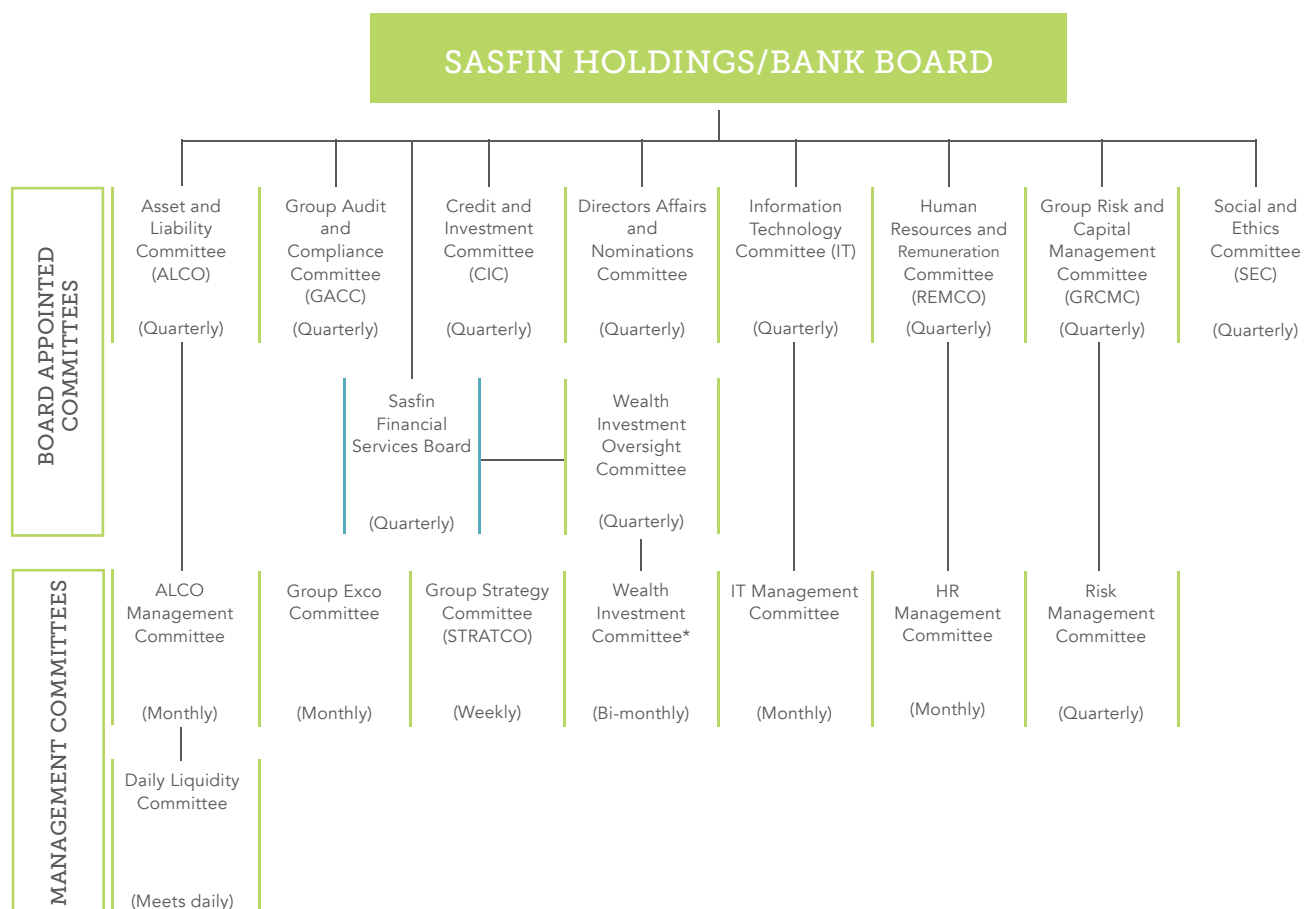
Approach to governance

As a Company, we believe the way we address the relationships between management, the Board, shareholders' and other stakeholders enhances our performance, strategic direction and control processes.

We approach governance as an essential form of accountability to enable effective and sustainable operations for our business, the environment in which we exist, and the society in which we operate. We have adopted the principles of King III and are well poised to be able to comply with the requirements of King IV. This is being done through internal compliance and reporting requirement reviews within the business, ahead of the promulgation of King IV.

Governance framework

Our Board is the ultimate custodian of our business operations and is responsible for creating stakeholder value. The Board is responsible for ensuring the application of our strategy throughout the business by holding management accountable to deliver and balance short and medium-term performance with long-term sustainability within the approved risk appetite and framework. To assist the Board in this responsibility, a number of statutory and operational Board committees have been established as part of the governance framework of the organisation.



* The Wealth Investment Oversight Committee is a committee of the SFS Board and not reflected above.

COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued ---

COMPLIANCE

The key responsibilities of the Compliance department are to advise all Group divisions on conducting business in a manner that aligns to the letter and spirit of the law, while providing assurance that Sasfin, as a whole, operates in a compliant manner.

Sasfin remains committed to ensuring that the capabilities of its compliance team remain high and relevant to the evolving regulatory landscape. This commitment translates into adequate guidance for regulatory, legal and supervisory requirements. The Group actively strives to maintain this forward-looking approach to regulatory obligations, and integrate this into businesses processes.

The Directors and Executive Officers understand the importance of their responsibility to ensure that Sasfin applies continuous focus to meeting all its growing regulatory requirements. Consequently, the Company fully separated its Legal and Compliance departments during 2016, and appointed a dedicated Head: Group Compliance, with the aim to strengthen the aforementioned focus.

Accordingly, our independent compliance function is headed by the Head: Group Compliance – who acts as the primary contact with our regulators, and reports to the Chief Executive Officer, with unrestricted access to the Chair of GACC.

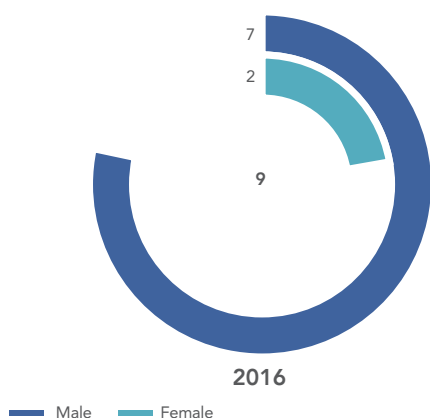
BOARD OF DIRECTORS

The Board comprises three Executive Directors, six Independent Non-Executive Directors and one Alternate Executive Director. The Board is chaired by an Independent Non-Executive Director, who does not also fulfil the role of Chief Executive Officer. The DAC and NOMCO, which comprise only Non-Executive Directors, consider and recommend appointments to the Board through a documented and transparent process for approval by the entire Board. The Board strives to promote gender diversity and racial mix whenever the composition of the Board is reviewed due to vacancies, retirements or new appointments.

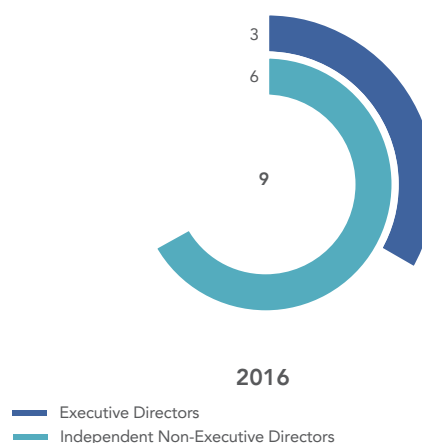
The Board of the Company acts as the focal point for, and is the custodian of, corporate governance within the Company and its subsidiaries. The overall responsibility of the Group's Board of Directors includes reviewing and guiding corporate strategy, formulating risk appetite, developing and assessing budgets and business plans, all with a view to acting in the best interests of the Company and its stakeholders. The Board meets regularly so as to maintain effective control over Executive Management and operations. Non-Executive Directors are of sufficient calibre, experience, and number so as to ensure that they can properly guide and influence business decisions and strategy.

BOARD STATISTICS

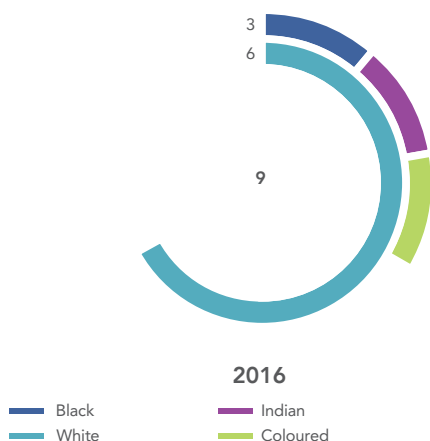
GENDER



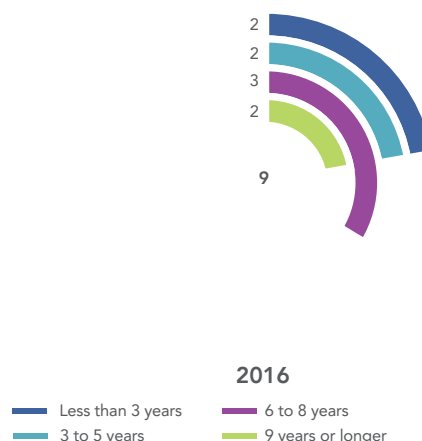
BOARD BALANCE



DEMOGRAPHICS



TENURE



COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

Board of Directors

ROY ANDERSEN (68)
INDEPENDENT NON-EXECUTIVE
CHAIR OF SASFIN HOLDINGS
LIMITED AND SASFIN
BANK LIMITED

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

Appointed 2011

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



ROLAND SASOON (70)
GROUP CHIEF EXECUTIVE
OFFICER, CHAIR OF GROUP EXCO

FCIS

Appointed 1979

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



TYRONE SOONDARJEE (55)
GROUP FINANCIAL DIRECTOR,
MEMBER OF GROUP EXCO

*BCompt (Hons), CTA (Unisa),
CA(SA)*

Appointed 2010

Prior to joining Sasfin, Tyrone served at Deloitte & Touche in various executive roles, at TNBS Mutual Bank as Financial Director and Group Financial Manager at New Republic Bank. Tyrone is responsible for Group Finance, and Treasury and Funding, including balance sheet and capital management.



MICHAEL SASOON (34)
HEAD: WEALTH AND CAPITAL,
APPOINTED EXECUTIVE
DIRECTOR ON
23 OCTOBER 2015,
MEMBER OF GROUP EXCO

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

Appointed 2013

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



LINDA DE BEER (47)
INDEPENDENT NON-EXECUTIVE
DIRECTOR

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

Appointed 2014

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



GRANT DUNNINGTON (56)
INDEPENDENT NON-EXECUTIVE
DIRECTOR

*BCom, Certified Associate of the
Institute of Bankers*

Appointed 2010

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



LINDA FRÖHLICH (47)
HEAD: BUSINESS BANKING,
ALTERNATE EXECUTIVE
DIRECTOR, MEMBER OF
GROUP EXCO

*Diploma in Financial
Management (Damelin)*

Appointed 2013

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



JOHN MOSES (71)
INDEPENDENT NON-EXECUTIVE
DIRECTOR

*BSc (Hons) (Wits), Program for
Management Development
(Harvard)*

Appointed 2010

John has served in senior positions
at various local and international
banks over the last 36 years.



SHAHIED RYLANDS (44)
INDEPENDENT NON-EXECUTIVE
DIRECTOR

*Accounting and auditing
qualification (UNISA)*

Appointed 2007 (Sasfin Bank
Limited in 2006)

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



LESEGO SENNELO (39)
INDEPENDENT NON-EXECUTIVE
DIRECTOR

*BCompt (Unisa), CTA (Natal), HDip
Auditing (RAU), CA(SA)*

Appointed 2014

Lesego is the Managing Director of
AWCA Investment Holdings Limited,
a Board member of the South African
Institute of Chartered Accountants
and a member of the Institute of
Directors of Southern Africa. She
is also a fellow of the International
Women's Forum and President of
the African Women Chartered
Accountants Forum.



COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

COMMITTEE STRUCTURE

The table below presents our current committee structure, members, and attendance for the period 1 July 2015 to 30 June 2016. Details of each committee and key activities relevant to the reporting period are also outlined. In addition to the meetings mentioned below, Board members were also expected to avail themselves for meetings with the SARB, strategy sessions, training sessions and ad hoc meetings.

COMMITTEE	MEMBERS	SCHEDULED MEETING ATTENDANCE	UN-SCHEDULED MEETING ATTENDANCE	COMMITTEE RESPONSIBILITY
ALCO TOTAL ATTENDANCE PERCENTAGE: 100%	John Moses	4/4	N/A	<ul style="list-style-type: none"> Asset and liability management Interest rate risk management Liquidity management Funding risk management Currency risk management
	Shahied Rylands ¹	4/4		
	Roland Sassoon	4/4		
	Lesego Sennelo	4/4		
CIC TOTAL ATTENDANCE PERCENTAGE: 87.8%	Grant Dunnington ¹	4/4	7/7	<ul style="list-style-type: none"> Credit risk management policy and procedures Defining credit policy and guidelines Reviewing compliance with approved credit and investment policies Assessing and approving of large exposures of the Group Considering Private Equity and Property Private Equity investments, and valuations twice a year
	John Moses	4/4	6/7	
	Shahied Rylands	4/4	6/7	
	Roland Sassoon	4/4	7/7	
	Michael Sassoon	4/4	6/7	
	Tyrone Soondarjee	3/4	3/7	
DAC AND NOMCO TOTAL ATTENDANCE PERCENTAGE: 100%	Roy Andersen ¹	4/4	N/A	<ul style="list-style-type: none"> Corporate governance Monitoring Directors' responsibilities Fiduciary capacities of Directors Fulfilling the role of a Board nomination committee
	Linda de Beer	4/4		
	Grant Dunnington	4/4		
	John Moses	4/4		
	Shahied Rylands	4/4		
	Lesego Sennelo	4/4		
GACC TOTAL ATTENDANCE PERCENTAGE: 96.8%	Linda de Beer	4/4	4/4	<ul style="list-style-type: none"> Internal and external audit Accounting policies Internal controls and systems Annual Financial Statements Integrated annual reporting Compliance with statutory and regulatory framework
	Grant Dunnington ¹	4/4	4/4	
	John Moses	4/4	4/4	
	Lesego Sennelo	4/4	3/4	
GRCMC TOTAL ATTENDANCE PERCENTAGE: 96.5%	Roy Andersen	4/4	1/1	<ul style="list-style-type: none"> Addressing risks faced by the Group Risk management policies and procedures Capital management policies and ICAAP Capital planning activities
	Linda de Beer ¹	4/4	1/1	
	John Moses	4/4	1/1	
	Shahied Rylands	4/4	1/1	
	Tyrone Soondarjee	4/4	0/1	
	Grant Dunnington ²	3/3	1/1	

¹ Committee Chair

² Since November 2015

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

¹ Committee Chair

² Since May 2016

OUR RESPONSIBILITIES AS THE BOARD AND HOW WE EXECUTE THEM

The Board subscribes to good corporate governance and strives to provide effective leadership, strategic direction and oversight of the Bank Group.

The Board, accordingly, embraces the principles of good governance set out in King III, the Banks Act, the JSE Listings Requirements, and the Companies Act, and takes account of the Basel Committee's corporate governance standards for banks. The Board accepts that it has a collective responsibility to apply effective corporate governance that involves a set of relationships between the management of the Bank, its shareowners and other relevant stakeholders.

The Board has ultimate responsibility for the Bank's business strategy and financial soundness; key personnel decisions; internal organisation and governance structure and practices; and risk management and compliance obligations. The Board may delegate some of its functions, though not its responsibilities, to Board committees where appropriate.

In performing its fiduciary duties and responsibilities, the Board:

- Actively engages in the affairs of the Bank and keeps record of material changes in the business and the external environment, as well as acting in a timely manner to protect the long-term interests of Sasfin
- Oversees the development and approval of strategy and business objectives, and monitors implementation thereof
- Plays a lead role in establishing the corporate culture and values
- Oversees implementation of Sasfin's governance framework, which it periodically reviews to ensure that it remains appropriate in the light of material changes to the Company's size, complexity, geographical footprint, business strategy, markets and regulatory requirements
- Establishes, along with senior management and the Acting CRO, Sasfin's risk appetite, taking into account the competitive and regulatory landscape and our long-term interests, risk exposure and ability to manage risk effectively
- Oversees our adherence to the RAS, risk policy and risk limits

COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

- Approves the approach and oversee the implementation of key policies pertaining to our capital adequacy assessment process, capital and liquidity plans, compliance policies and obligations, and the internal control system
- Requires that Sasfin maintains a robust finance function responsible for accounting and financial data
- Approves the annual financial statements, and requires a periodic independent review of critical areas
- Oversees our approach to compensation, including monitoring and reviewing Executive compensation, and assessing whether it is aligned with Sasfin's risk culture and risk appetite
- Oversees the integrity, independence and effectiveness of the Company's policies and procedures

In discharging these responsibilities, the Board takes into account the legitimate interests of depositors, shareholders, and other relevant stakeholders. It also ensures that the Company maintains an effective relationship with its regulatory supervisors.

BOARD CHANGES

During the year, Maston Lane was appointed to Acting CRO and, to ensure independence, he resigned from the Board. Michael Sassoon was appointed as an Executive Director on 23 October 2015.

BOARD INDEPENDENCE

The Board performs an annual evaluation of the independence of each Non-Executive Director in terms of King III. The Board has assessed the independence of all Non-Executive Directors by weighing all relevant factors that may impair Non-Executive Directors' independence, including the period that they have served on the Board and the direct and indirect economic interests they may have in the Group.

The Board has considered the length of service of Shahied Rylands as a Non-Executive Director and is satisfied that he be classified as an Independent Non-Executive Director.

BOARD EVALUATIONS

Our Board is evaluated internally through a self-assessment process on a two-year review cycle via a comprehensive questionnaire and internal review process. An externally facilitated evaluation is conducted under the leadership of the Chair of the Board every third year. The IoD, who facilitated our evaluation in 2013, has again performed this task in 2016 and the following salient findings were recorded in their report to the Board:

- On a scale of 1 to 4, where 1 – "poor", 2 – "needs some improvement", 3 – "satisfactory, and 4 – "meets best practice", the Board has significantly more areas that are viewed as performing well, and was complimented for this by IoD. In fact there are 12 areas rated at 4.0, i.e. "meets best practice" and this is an excellent score. No areas required improvement. There were 9 areas that rated between 3.1 and 3.5 that cover the areas where additional work may improve the Board even further
- The overall conclusion was that this is an excellent Board with a great deal of skill and experience, that works as a cohesive team to ensure that all decisions taken are in the best interests of the Group. It is particularly heartening to see that a Board that believes it is a really good one, is still open to improving even further by the review of the issues that they have experienced during the past year or so. Board members are committed to the Group, and many Board members appear to be prepared to go the extra mile to ensure the success of the organisation. They also display significant commitment to resolve any problems by taking decisive action as and when required

COMPANY SECRETARY ASSESSMENT

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

Board Accountability

BOARD CHARTER

The Board has adopted separate charters to cater for Sasfin Bank Limited and Sasfin Holdings Limited. This decision was taken to further enhance accountability, and defined areas of responsibility, and to comply with the updated governance standards as embodied in the Basel Committee on Banking Supervision's guidelines on corporate governance principles for Banks. Both charters will be reviewed after the launch of King IV in November 2016.

CODE OF ETHICS

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

KEY FOCUS AREAS FOR THE YEAR

In line with the strategic pillar of sustainable growth, the Board applied additional focus to IT development as a strategic tool and business enabler. The result of this is an updated IT strategy, and continuous systems integration into the business to promote synergies.

The regulatory and compliance requirements received attention during the year, resulting in the appointment of a dedicated Head: Group Compliance in May 2016. It has also assisted in ensuring correct oversight and monitoring, allowing the Board, as well as first and second lines of defence, to appropriately perform their duties.

The mandate of the CIC has expanded to include full responsibility for all large credit transactions. This was formerly a Board responsibility that has been rationalised to adhere to the requirements of section 73 of the Banks Act. This change was intended to increase efficiency, timeous approval and, in addition, to more appropriately match the expertise of the Committees to business requirements.

INFORMATION TECHNOLOGY

IT is an integral part of our business and is fundamental to the achievement of our strategies and objectives. We recognise our data as being essential to our client-centric offering.

We strive to integrate IT into our strategic planning process, ensuring the consideration of new business opportunities and strategic, tactical and operational alignment in the achievement of business objectives.

Modern infrastructure investments enhance our entrepreneurial capabilities and enable a dynamic, problem-solving culture. The Group prides itself on effective high-touch client interactions, many of which are facilitated through secure use of technology.

The Board, through the IT Committee, provides the direction and oversight of IT. The various IT governance structures enable our different business units to have an organised say in evaluating IT.

IT focus areas for the year include cyber security, project prioritisation and balancing costs with the need for continued investment in innovation

CAPABILITY	STRATEGIC IMPLICATION	EXPECTED RESULTS, AND ACHIEVEMENTS TO DATE
Information management	This will be achieved by developing effective information management, driven from a client-centric perspective and focused on business value identification.	Enhanced enterprise repository and scalable infrastructure allowing for acquisitions with a private cloud offering
Drive effective business change and technology adoption	This will be achieved through a clearly defined change portfolio and delivery against a business-driven digital strategy.	Integration into all major business units Establishment of the Data Management Committee, data quality principles, and a data warehouse
Strategic partner to business (measured on business impact)	IT will be positioned as a strategic partner to the larger business, providing strong technology inputs to business strategy, focusing on three areas: driving IT services, translating business objectives into technology strategies and developing IT advisory capabilities.	Launched business intelligence reporting in Sasfin Securities and Business Banking Establish universal sub-ledger Launched additional digital solutions
Technology strategies enabling business strategy	This will be achieved by creating agile, scalable and flexible technology for IT and business efficiency, while operating a client-centric data management and business intelligence programme. Sasfin further intends to leverage IT for digital client self-service and operate a multi-channel strategy for engaging with clients. All of which will be done through a filter of an information security, risk and governance programme.	Established digital technologies, and reduced system duplications by consolidating functions in single systems where possible Defined digital architecture and principle Established internal capabilities, implemented security technologies and implemented security governance

COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

COMBINED ASSURANCE

The Group strives for a combined assurance approach to risk management that allows for assurance providers to work with management, in a planned and structured manner, to deliver appropriate assurance at all levels within the Group.

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

CONTENT	ASSURANCE PROVIDER	OUTCOME	FRAMEWORK/STANDARD
Annual Financial Statements	KPMG* Grant Thornton*	Unmodified audit opinion	IFRS Companies Act
Regulatory returns in terms of the Banks Act	KPMG*	No material issues were identified during the 2015 regulatory assurance reporting	Banks Act and Regulations
BBBEE contributor	NERA*	Level 6	BBBEE code
Corporate governance	GIA Company Secretarial Group Risk Compliance	Compliant with King III	Banks Act and Regulations King III Basel committee on banking supervision
Non-financial information	Compliance GIA Company Secretarial Group Finance Human Resources Group Risk Various external providers*	No material inconsistencies or errors identified	Internal models, policies and frameworks
Review of internal controls and risk management	GIA Group Risk	Overall satisfactory ratings with certain improvements recommended	International Standards for the Professional Practice of Internal Auditing Internal models, policies and frameworks Banks Acts and Regulations

* External assurance providers

Executive Committee

The Executive Directors and the Alternate Executive Director together with heads of significant business areas form the Group Exco. The remaining members are:

HOWARD BROWN (51)
HEAD: LEGAL, GROUP
COMPANY SECRETARY

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

Joined the Group and
appointed to Exco in 2006



GLEN CHRISTOPULO (48)
CHIEF OPERATING OFFICER

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

Joined the Group and
appointed to Exco in July 2015



RODGER DUNN (56)
HEAD: TRANSACTIONAL
BANKING

MBA (Netherlands), FIBSA

Joined the Group and
appointed to Exco in 2013



GREG DUNNETT (38)
HEAD: GROUP COMPLIANCE

LLB (Wits)

Joined the Group and
appointed to Exco in 2016



DAVID EDWARDS (48)
HEAD: COMMERCIAL
SOLUTIONS

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

Joined the Group and
appointed to Exco in 2012



NEIL EPPEL (47)
HEAD: PRIVATE EQUITY

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

Joined the Group in 2009 and
appointed to Exco in 2011



COMPLIANCE, CORPORATE GOVERNANCE AND LEADERSHIP continued

NASEEMA FAKIR (44)
HEAD: HUMAN RESOURCES

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

Joined the Group in 2001 and
appointed to Exco in 2006



DHESEGAN GOVENDER (41)
GROUP TREASURER

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

Joined the Group in 2012 and
appointed to Exco in 2016



MASTON LANE (50)
ACTING CHIEF RISK OFFICER

*National Certificate
(United Institute of
Credit Management)*

Joined the Group in 2000 and
appointed to Exco in 2003.

Resigned as Alternate Director
on 23 October 2015



FRANCOIS OTTO (35)
HEAD: CORPORATE FINANCE

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

Joined the Group and
appointed to Exco in 2015



ZEENATH PATEL (41)
GENERAL MANAGER:
ENTERPRISE RISK

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

Joined the Group in 2001 and
appointed to Exco in 2014



LUSHEN PATHER (38)
CHIEF FINANCIAL OFFICER

*BCompt (Unisa), BCom (Hons)
(Natal), CA(SA)*

Joined the Group and
appointed to Exco in 2014



GARY PATTERSON (58)
CEO: SASFIN ASIA LIMITED

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

Joined the Group in 2006 and
appointed to Exco in 2007



ROBERTO REBUZZI (52)
HEAD: SASFIN FOREX

MBA (Oxford Brookes UK)

Joined the Group and
appointed to Exco in 2016



BERDINE VILJOEN (43)
CHIEF INFORMATION
OFFICER

BA (Hons) (RAU)

Joined the Group in 2008 and
appointed to Exco in 2010



**DEON VAN DER
WESTHUIZEN (52)**
HEAD: CREDIT

BCom (Accounting) (RAU)

Joined the Group in 2001 and
appointed to Exco in 2009



RISK MANAGEMENT

Our risk management and compliance functions are centralised and operate independently.

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

Our risk governance model is based on three lines of defence to ensure accountability and to distinguish between functions owning, managing or overseeing risks or providing independent assurance and is detailed overleaf.

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

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



Risk process

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

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

Risk appetite

Effective risk management requires clear articulation of risk appetite and tolerance, which are defined by our Board. The Board assesses risks in the context of our business operations while consistently remaining aware of opportunities and objectives. The results of this approach are RAS and metrics based on the Group's business activities; these have further been broken down into measurable tolerance levels. Quantitative indicators are determined after consultation and advice from senior management in the Group. Criteria for setting risk appetite include relevant market analysis, market liquidity and business strategy. Senior management is responsible for translating the organisational risk appetite to the divisional/business unit risk tolerances.

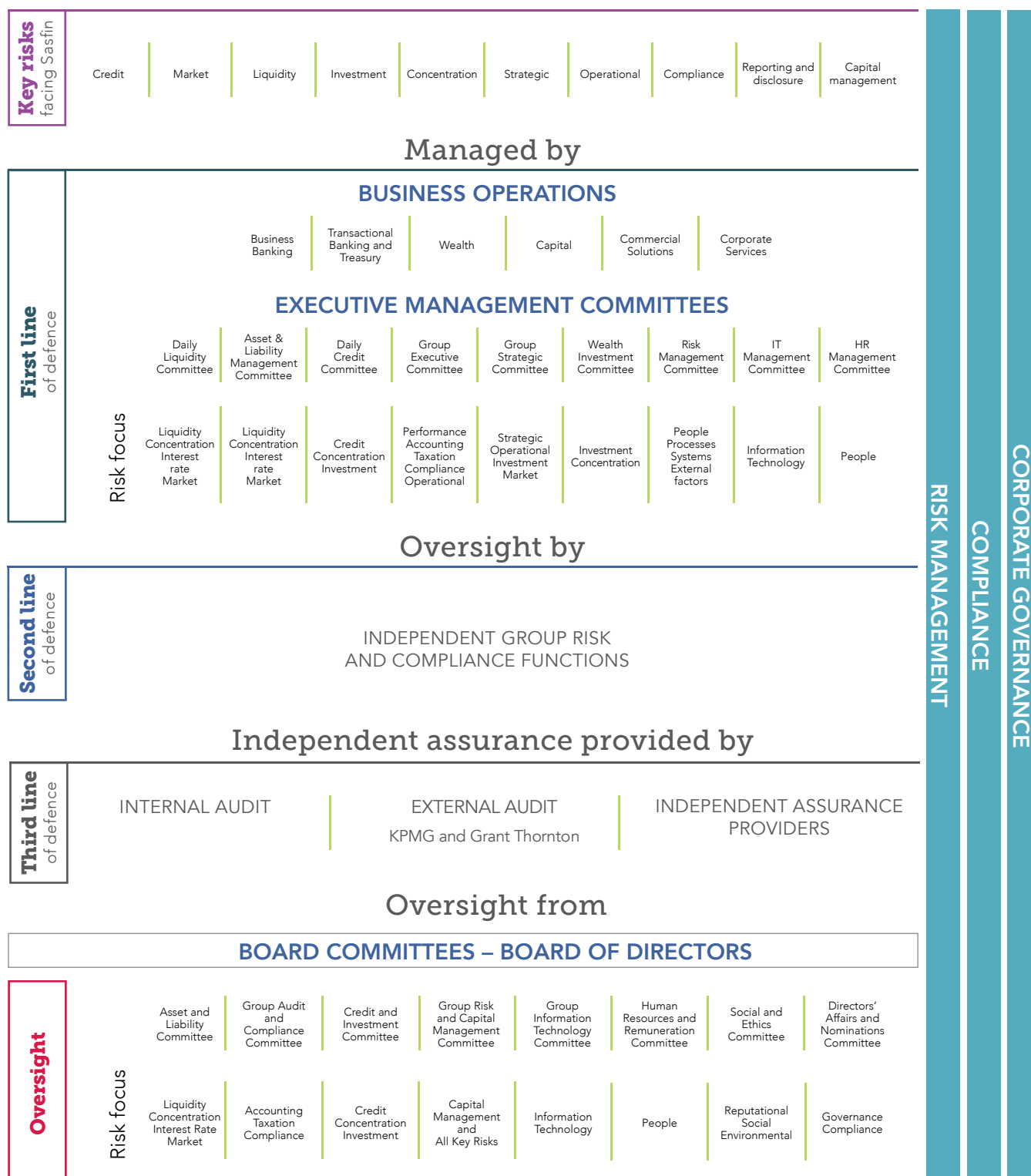
The Board risk appetite is monitored monthly by the Group Risk function and reported to GRCMC and the Board at least quarterly. A breach of the appetite requires immediate escalation to the Board.

The Board risk appetite is reviewed at least on an annual basis and the last review incorporated enhancements to existing tolerances as well as an appropriate escalation matrix.

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

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

SASFIN'S INTEGRATED APPROACH TO RISK MANAGEMENT



HUMAN CAPITAL AND REMUNERATION HC

Human capital

Our Group culture is one of commitment, passion, continuous development, diversity, and ethical practice; and our human capital is a critical resource in ensuring stakeholder value is created, enhanced and sustained.

For our employees to perform at optimal levels, it is essential that we invest in their well-being. This includes learning and development initiatives, a supportive culture, strong leadership, sound working conditions, and employee assistance.

The Group's remuneration philosophy is designed to attract, retain and motivate talented individuals, through appropriate reward that drives the correct behaviour across the Group. In this dynamic industry, where the talent pool is scarce, it is imperative that we continue to be aware of employees' changing needs and enhance our remuneration policy accordingly. During the current financial year, the Group implemented a new LTI scheme to enhance its current talent attraction and retention strategy.

We use various engagement methods to keep abreast of our employees' needs. These include periodic employee engagement surveys, annual benchmarking and review of compensation, internal and external training, and quarterly newsletters.

HIGHLIGHTS	CHALLENGES
<ul style="list-style-type: none">• Invested R5.6 million (2015: R6.6 million) in learning initiatives across the Group, which benefited our employees• Completed a King IV gap analysis with regards to remuneration and reporting• Created a new oversight structure to address any exceptions to HR and payroll policies• Became a participating member of the Banking RED system database• Reviewed our REMCO charter• Performed the annual review of HR policies including the introduction of lifestyle audits and social media guidelines• Undertook a detailed remuneration benchmarking exercise within IT	<ul style="list-style-type: none">• Transformation objectives not being met in all business units. This is being managed by the SEC, as well as REMCO• Sourcing candidates with a specialised skills set in IT• Online performance management system not achieving our objectives, thereby necessitating a review of the current system

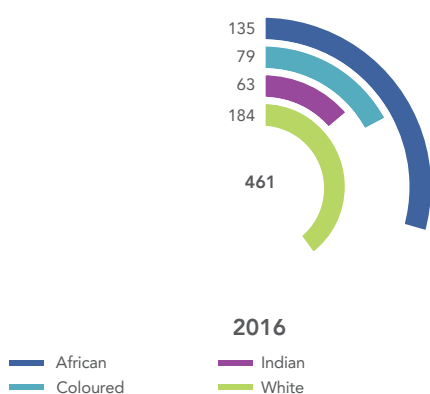
EMPLOYEE PROFILE

As at 30 June 2016, our headcount was 785 employees (2015: 835), comprising 324 (2015: 334) males and 461 (2015: 501) females. Our female headcount reduced by 7.9%, and the female representation of total headcount reduced by 1.3% to 58.7 % (2015: 60%). The 5.9% reduction in total headcount is largely

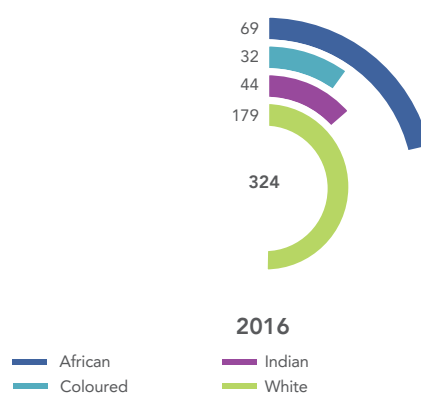
attributable to retrenchments in ISL, and the expected natural attrition of employees in Business Banking, following the acquisition and integration of Fintech.

The employment equity categorisation of these employees is illustrated below:

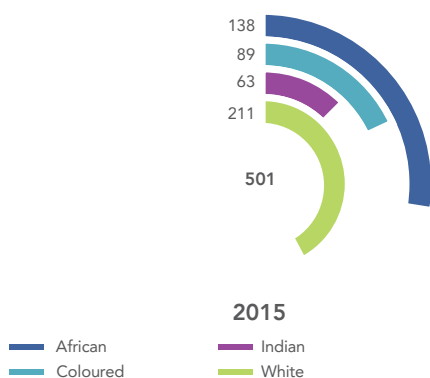
FEMALE



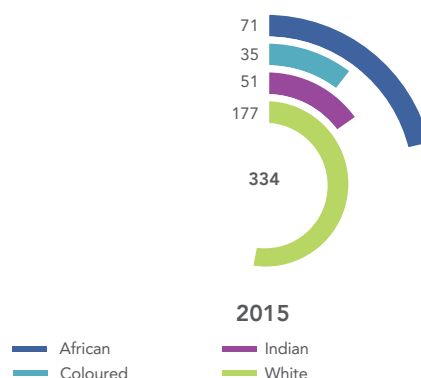
MALE



FEMALE



MALE



HUMAN CAPITAL AND REMUNERATION continued

There has been relative consistency in all levels per race demographic year-on-year. We have increased our representation of employees in designated groups, from 53.5% in 2015 to 53.8% this year. This has not met our internal target of increasing our equity numbers by 3%. The SEC monitors compliance with our internal targets and engages with management on people development plans. Where appropriate, executive performance objectives include the achievement of the Group's transformation objectives, as decided by the SEC, in conjunction with REMCO.

INVESTMENT IN HUMAN CAPITAL

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

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

We are aware that our cost-to-company salaries are strongly market related, as reflected by our annual benchmarking report which indicated that 67% of our employees are paid beyond the median. Our differentiating factor in employee attraction and retention is our high-performance culture, filled with opportunities for development and growth coupled with a flat organisational structure.

We invested R5.6 million (2015: R6.6 million) in learning initiatives across the Group. A total of R884 883 was spent on employee studies towards formal work-related qualifications. Our mandatory Workplace Skills Plan and Annual Training Reports were submitted to the various Sector Education and Training Authorities, which awarded the Group rebates totalling R0.8 million (2015: R0.6 million).

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

SASFIN BUSINESS XPERIENCE PROGRAMME

The BXP is a 10-month blended learning experience, consisting of three blocks aimed at exposing high-performing employees to our strategic business drivers and the unique dynamics of the several business units within Sasfin.

The programme is designed to create an environment which encourages talented people across our business units to take ownership of their long-term development, and to strategically grow the intellectual capital of the business. The long-term objectives include building a sustainable talent pool within the Sasfin Group and creating a culture of talent succession.

The successful delegates are paired with senior managers within the organisation, who provide them with a business requirement to be used as their Business Case Topic.

The BXP encompasses the following key elements:

- Selection and pairing – mentors and mentees
- Facilitated workshops – time mastery, presentation Skills, self-management and emotional intelligence
- Coaching sessions – with a qualified business and life coach
- Developing a business case
- Business case presentations

Five delegates participated in the Sasfin BXP this year, four of whom are equity employees.

SASFIN MANAGEMENT DEVELOPMENT PROGRAMME

The Sasfin MDP has been designed to equip managers with the knowledge and skills to hone their management abilities. Sasfin aims to ensure that every leader subscribes to the "Sasfin Way of Managing" to entrench our Group culture and build a united and consistent leadership front. The MDP is a six-month journey supported by a business/life coach that assists participants to apply processes consistently, develop their ability to work with and manage people, equip them with the necessary management principles and competencies, and prepare them to negotiate and manage change in the business. Fifteen managers graduated from the programme in May 2016.

CA TRAINING PROGRAMME

We recently partnered with ATCOR, who fulfil an independent assessor role on our CA Training Programme. ATCOR completed a full resource audit to assist us with identifying and addressing any gaps in our current programme format and content.

The course provides incumbents with practical experience to bolster their preparation for employment.

LEARNERSHIPS

The Group operated a number of learnership programmes that have resulted in employment and further development, both within and outside our employment structures. These include our Letsema learnership (two learners employed post completion), and our BankSeta ITC Work Readiness Programme (with a total of six learners employed permanently from this programme). We remain committed to developing people through these initiatives and do so with the support of various SETAs. We have 3 learnership qualifications in place, namely:

- BankSeta – IT Work Readiness Programme
- BankSeta – Letsema Banking Qualification
- InSeta – Internship Programme

We have a more focused approach to training, with the SEC agreeing training targets for each division, in consultation with divisional heads. These targets are included in the performance metrics for each executive, so as to further drive the momentum required in this area. REMCO has oversight of these targets, and measures performance on these targets for each executive. This then has a direct influence on the executive's performance rating – which impacts on their annual increase and incentive.

We are exploring the feasibility of establishing a Sasfin Learner Academy to create a formal learnership structure within the Group, and to offer the same soft-skills training to all learners, that will complement the on-the-job training received in their respective divisions.

EMPLOYEE TURNOVER

We view our employees as critical in operating successfully and delivering innovation while exceeding client expectations. To retain such personnel and the competitive advantage they provide, we engage our employees by ensuring fair and sound recruitment, reward and retention practices.

Approximately 67% of our employees are paid beyond the median. In addition, they receive intangible benefits such as input into business operations, a high-performance culture, and individual development opportunities that are essential aspects of our value proposition. Our overall employee value proposition includes market benchmarked salaries; discretionary performance bonuses; provident fund and risk benefits; trauma and counselling services; wellness days; and a collaborative working environment. A total of 90 (2015: 52) new jobs were created across the Group this year. The voluntary staff turnover decreased marginally, from 11.7% to 11.6%.

The total turnover increased to 16.7% (2015: 16.0%). This included all dismissals, resignations pending disciplinary action, retirements, retrenchments, death and mutually-agreed separations.

Individuals with scarce skills are highly mobile in the industry, leading to improved focus on retention, particularly in senior roles.

EMPLOYEE SATISFACTION

Traditionally, each of our business units performs an annual employee engagement survey. However, due to a corporate acquisition and restructuring, we undertook the employee engagement survey in October of 2016.

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

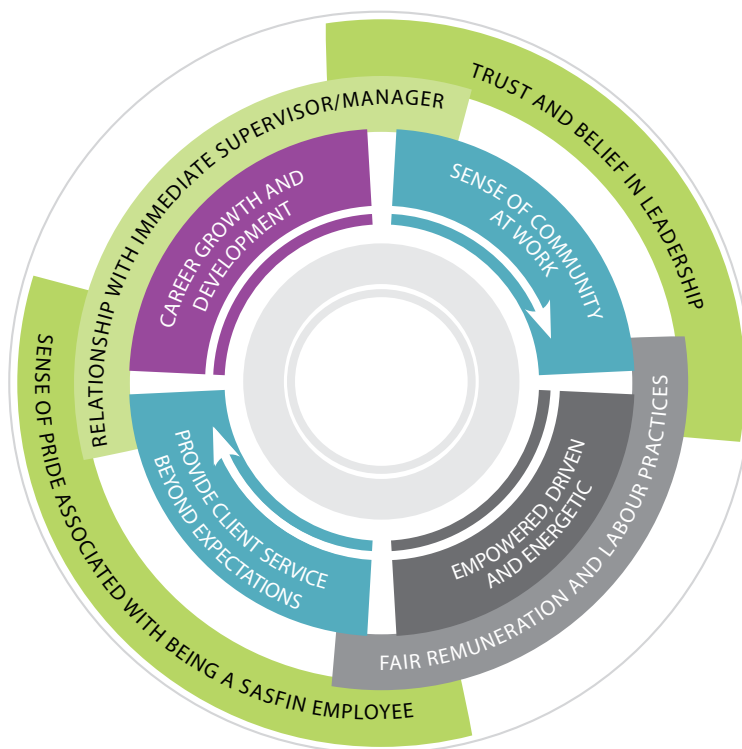
Sasfin continuously seeks to employ candidates of a high calibre through a stringent recruitment process that tests for attitude and culture fit, in addition to the technical requirements of the job. In addition to obtaining the right person for placement, this ensures that they are positioned well to work within our teams. We continue to use exit interview information to address concerns that may contribute to employee turnover, and have various short-term incentive schemes to recognise and reward desired performance. All incentive scheme payments are made at the discretion of REMCO.

Employee wellness remains a priority. We host wellness days, partake in and sponsor various external initiatives (e.g. Sasfin Walking on Sunshine fun walk), and drive internal campaigns to create sound relationships with and among employees. An example of this is our Cross-Selling Programme, which encourages cross-selling initiatives and enhances relationships among sales people within the Group. Counselling, for professional and personal needs, is provided to employees.

EMPLOYEE ENGAGEMENT

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

HUMAN CAPITAL AND REMUNERATION continued



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

Employees participate in formal training and continuous on-the-job learning to ensure they are well equipped to perform confidently and effectively. When necessary, guidance in the form of performance counselling is given and, this year, 11 employees (2015: 11) received such counselling to improve their performance. The Group issued 21 (2015: 35) written warnings and two (2015: 18) final written warnings. Eight employees (2015: 6) were dismissed, and 20 (2015: 19) were retrenched.

There were no complaints regarding leadership, workplace discrimination, or unethical leadership conduct. Three employees, or 0.4% of our workforce (2015: 0.2%), referred disputes to the Commission for Conciliation, Mediation and Arbitration, and all cases were settled at conciliation stage. We received one grievance, which senior management assessed and resolved.

Unfortunately, four (2015: 1) employees were injured while at work this year, however, none of these injuries required treatment in hospital. We achieved an independent rating of 96% (2015: 98%) for compliance with the Occupational Health and Safety Act.

BEYOND 2016

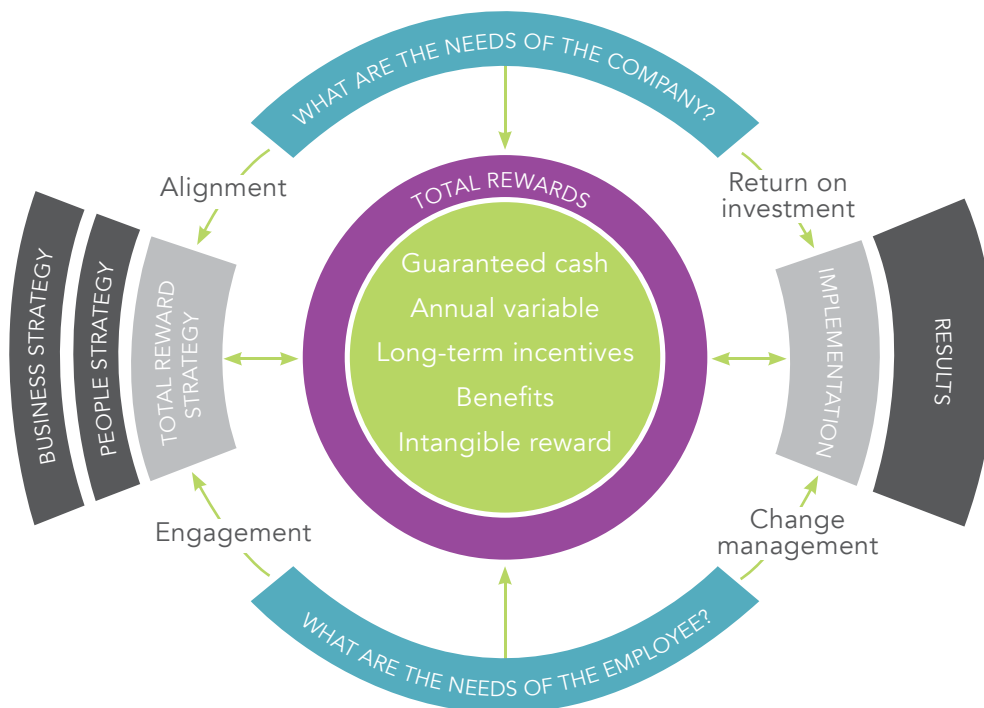
- A more focused approach to training and learnerships
- Review our recruitment processes to ensure that we attract and employ candidates with scarce skills at the right reward levels, while maintaining strong talent management and employee relations in line with our brand and culture
- Undertake an employee engagement survey to further enhance and retain our skills set, corporate memory and employee experience

Remuneration philosophy and policy

Our remuneration philosophy provides guidelines which allow for decisions to be made with confidence, integrity, and speed. The Group's remuneration philosophy is to reward individuals who contribute to the success and sustainability of the organisation; have met or exceeded their performance objectives; and show potential to develop their careers within the Group. By doing so, we promote continued high levels of performance. Poor performance is not only reflected in remuneration reviews, but also integrates into other human resource processes such as performance and talent management.

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

- Align the total cost-to-company remuneration with individual performance, business performance, and Sasfin culture
- Provide competitive remuneration packages, including fixed and variable pay
- Ensure our employee remuneration is competitive within the industries in which we operate – serving as an attraction, motivation, and retention mechanism
- Link our payroll costs with business results



A salary band is assigned to each Hay Reward Level within the Group, commensurate with the specific grading of each job. These Reward Levels range from a five for unskilled roles, to 27 for the most senior position (CEO).

Sasfin's remuneration policy is to pay our employees relative to the median for each Reward Level. Mitigating factors are accounted for when agreeing on individual compensation within each Reward Level.

HUMAN CAPITAL AND REMUNERATION continued

GROUP HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Board has delegated the responsibility for determining the remuneration of Executive Directors and senior management to REMCO. In addition, this committee works on behalf of the Board to:

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

REMCO also plays a role in Group succession planning, particularly in respect of the CEO and Exco.

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

PwC undertook a benchmarking exercise on executive remuneration within the Group again this year. The exercise included the grading of executives, both in relation to the market and industry, as well as to ensure internal parity and equity.

REMCO has mandated the HR MANCO to make decisions on employee matters relating to those employees at Reward Level 17 and below. This encompasses unskilled to middle management roles. All HR and remuneration decisions relating to senior managers and executives (Reward Level 18 and higher) are made by REMCO. To avoid any conflict of interest, this includes all remuneration decisions relating to the Group Chief Executive Officer and other Executive Directors.

Sasfin views the link between the business strategy and remuneration practices to be significant, as this drives long-term sustainable performance while rewarding excellent employee performance, based on the Group's strategic imperatives. The Group remains competitive in terms of guaranteed cost-to-company packages, but is less competitive in the realm of short-term and long-term incentives often attributed to larger banks.

The Group continuously strives to directly link reward to individual, divisional, and Group performance – at differing levels – allowing employees to directly impact their total remuneration based on their individual contributions to the business. Employees who do not achieve performance objectives, or who have any current

disciplinary record, do not qualify for annual increases or discretionary STI and LTI awards.

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

DECLARATION OF INTENT

To provide value to our stakeholders and achieve our strategic objectives, we:

- Benchmark individual roles within the organisation to ensure fair compensation that is responsive to market forces, allowing the Group to operate successfully and remain an employer of choice
- Recognise and reward employees for their individual contributions to the Company'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

We are changing our annual remuneration cycle to October for all employees, which aligns with the executive review cycle and ensures that each employee is focused on the achievement of defined objectives for the financial year period, rather than the calendar year. This makes the performance reviews easier to conduct, and ties in seamlessly to ensure that the incentive payments made are related to the personal and business performance during the financial year.

REMUNERATION GOVERNANCE

We benchmark all positions at least every two years. This year, we benchmarked all our Non-Executive and Executive Director positions. With the assistance of PwC, the Group benchmarks our remuneration every year, and obtains annual salary bands to be used for each Reward Level. Based on recommendations from our remuneration consultants, REMCO decides on the annual increase guidelines to ensure compliance with policy and King III guidelines. This is then communicated to management for implementation.

Sasfin remains aware of the wage gap in the business, and therefore ensures that increases awarded to the executive tier are less than those awarded to management, which are less than the annual increases awarded to junior employees.

Remuneration in practice

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

In 2016, REMCO approved the following increases across the Group, subject to the overall increase percentage per business unit not exceeding 7.5%:

	Meets expectations	Exceeds expectations	Exceptional
General staff	6.3%	6.6%	6.9%
Management	6.1%	6.4%	6.7%
Executives	6.0%	6.3%	6.6%

Managers measure employee performance during a robust performance appraisal process where individual performance is assessed against agreed performance objectives. These performance objectives are agreed on in advance and reviewed regularly in line with any changes to the job function. If employees have current disciplinary records or poor performance ratings, they are not awarded an increase.

The following factors are taken into account by REMCO/HR MANCO when considering individual increase recommendations for approval:

- Position benchmark
- Market stance
- Individual value
- Internal parity
- Wage gap

FACTORS THAT REMCO CONSIDERS WHEN DETERMINING FIXED REMUNERATION

1. Individual performance as measured by the internal performance appraisal system.
2. Position benchmarking where each job is allocated a Reward Level which links it to its relative worth in the market.
3. Internal parity to ensure that individuals are paid within the appropriate Reward Level for the function they perform.
4. Employee's alignment with the Sasfin culture and values.
5. Specialised skills required for certain positions.
6. Market scarcity and replacement cost of a position.

Individual, divisional and Group performance are the performance indicators that are linked to variable compensation and include the individual's potential and

relative value to the organisation. All incentive payments are calculated according to the incentive criteria. This ensures understanding for each employee, and serves to promote transparency and consistency when awarding bonus payments.

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

The review of executive management remuneration occurs in October each year, and employees in the Group have recently been scheduled to review on the same timeline as mentioned earlier.

	2016	2015
Average annual salary increase across all levels	6.4%	6.5%
Executive Director salary increases, which include certain change of role increases, in addition to the cost of living increase.		
Chief Executive Officer	6.8%	6.5%
Group Financial Director	6.5%	11.8%
Executive Director	12.1%	12%

NON-EXECUTIVE DIRECTORS

Non-Executive Directors' increases are presented to, and approved at, the Annual General Meeting by means of a special resolution.

Non-Executive Director remuneration is benchmarked every three years, including this year. This was followed by a proposal to increase remuneration by 14.7%; which was approved in order to align our non-executive pay with market-related levels. For the next financial year, the Group is proposing a 6.3% increase for Non-Executive Director remuneration. In line with the increased responsibilities and number of meetings held by CIC, it is proposed that special meetings be remunerated at 50% of the standard meeting fee, for both the Chairman and members of the Committee.

The Executive Directors make a recommendation to REMCO for consideration, guided by the external consultant's benchmarking exercise as noted earlier. Once satisfied, REMCO submits it to the Board and then

HUMAN CAPITAL AND REMUNERATION continued

to the Annual General Meeting for approval. In making their recommendation, the Executive Directors have also considered the reasonability and affordability of the proposed increases and are satisfied that they can be justified and supported in relation to Sasfin's growth, the current Board workload, and the current economic climate.

SHORT-TERM INCENTIVE SCHEMES

The following annual STI schemes are offered across the Group:

- Discretionary performance bonuses for support and back office employees based on Group and individual performance. These individual bonuses vary depending on personal performance. For the 2016 and 2015 financial years, these equated to 100% of a month's salary
- Divisional incentive schemes for profit centres, based on divisional and individual performance. The caps applied to these schemes vary from 50% – 100% of annual guaranteed earnings. The executive incentive scheme, which is based on Group, divisional and personal performance, has its payments capped at 100% of annual guaranteed earnings

All STI payments are made at the discretion of REMCO, and are stress-tested and reasonability-tested to ensure that incentive payments drive the required behaviour.

Executive Directors: Bonus as a percentage of annual guaranteed earnings, based on the achievement of STI performance objectives including financial and personal measures. The financial performance for the Group in 2016 reflected a strong performance in the underlying operations and achievement of the pre-defined financial measures above the targets set. This resulted in improved STI payments to Executive Directors and Prescribed Officers.

	2016	2015
Executive Director STI as a % of annual cost to Company.		
Chief Executive Officer	78%	57%
Group Financial Director	61%	61%
Executive Director	88%	65%

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

- Financial measures constitute 60% – 80% of the overall measures. These include, in equal weightings, achievement of Group budget, improvement in cost-to-income ratio, growth in headline earnings and return on risk weighted assets. The total weighting for Group performance will range between 20% and 60%
- Personal performance objectives comprise 40% of the overall measures. These performance measures include:
 - Ensuring compliance with the Banks Act and regulations; together with other regulatory compliance and good governance, as well as maintaining a positive relationship with SARB
 - Having a good, stable executive team – with succession planning within these teams, as well as for the CEO and FD positions
 - Driving the Group's strategy (formulation and execution). Making and delivering on strategic decisions such as corporate actions
 - Achieving an optimal credit loss ratio
 - Maintaining the transformation objective of the Group
 - Increasing efficiency across the Group
 - Achieving a positive rating in the employee engagement survey

In addition to the above, new KPIs for the 2017 financial year include setting and maintaining the standards for business ethics within the Group, and managing reputational risk.

STI awards made to Executive Directors and prescribed officers based on their performance during the financial year and paid in September 2016 were:

STI Awards	2016 R'000	2015 R'000
EXECUTIVE DIRECTORS		
Roland Sassoon	3 200	2 175
Tyrone Soondarjee	1 800	1 734
Michael Sassoon	2 300	1 320
ALTERNATE DIRECTOR		
Linda Fröhlich	2 500	1 548
PRESCRIBED OFFICERS		
Howard Brown	1 800	1 273
Glen Christopulo	1 500	N/A
David Edwards	1 500	782
Neil Eppel	1 800	1 319
Maston Lane	2 300	1 603
TOTAL	18 700	11 754

LONG-TERM INCENTIVE SCHEMES

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

SHARE PRICE APPRECIATION SCHEME

This scheme pays a bonus based on a future share price, over three to five years from the date of the award. All employees earning between R500 000 and R1 million qualify to participate in the SPAS.

Allocations are calculated at 25% of participating employees' guaranteed earnings, with the award date being the end of each financial year.

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

PERFORMANCE EQUITY SCHEME

The aim of this scheme is to reward and incentivise senior executives to deliver the strategic long-term objectives of the Group on a sustainable basis. It also encourages executives to align their interests with those of shareholders, while being an attraction and retention mechanism.

This scheme conforms with the Companies Act and the Banks Act, and participation is limited to senior executives occupying roles that can influence the achievement of necessary performance conditions. Currently, this pool consists of the Executive Directors, Group Exco members, and staff at Reward Level 19 with minimum guaranteed earnings of R1.0 million per annum. The awards range between 10% – 85% of annual guaranteed earnings, depending on seniority and position.

All awards and payments are made entirely at the discretion of REMCO. All awards are fully subject to a pre-defined set of performance measures, and incentive payments are adjusted to take account of exceptional items and costs associated with the share scheme. These measures reflect a combination of strategic financial objectives representing at least 80% of the performance matrix, with 20% representing non-financial strategic objectives. This also includes a minimum threshold to achieve any vesting, a target and a stretch target with interpolation between targets.

The strategic financial measures include the following:

- Improvement in average return of equity over the vesting period
- An achievement of a cost-to-income ratio target over the vesting period

The strategic non-financial measures require that:

- Leadership and the work environment are conducive to a positive and empowering climate
- Promotion and adherence to the Group's social and ethical advancement goals.

To encourage higher performance, the pay-out curve steepens only after a target is achieved as follows:

Performance Level	Achievement	Award
Threshold	80% of target as defined	40%
Target	100% of target as defined	70%
Stretch	120% of target as defined	100%

To safeguard against excessive awards and pay-outs, the scheme has a maximum cap equivalent to 5% of Group profits before tax. In addition, there is a further combined variable incentives cap for senior executives, covering both STI and LTI awards, which amounts to 7.5% of Group profit before tax. Awards are subject to the senior executives remaining in the employ of Sasfin and being in good standing with the organisation. Awards are made on an annual basis as at 30 June, taking into consideration the level of performance, length of service, and other reasons as pre-determined by REMCO. The cost of this scheme is budgeted for each year and the cost is included when measuring the Group's profitability for performance and other remuneration purposes.

HUMAN CAPITAL AND REMUNERATION continued

The detailed remuneration for our Directors and prescribed officers during the year is shown in the tables below:

FINANCIAL YEAR 2016

	Services as Directors	Cash package* R	Other benefits** R	Incentive bonus*** R	Total 2016 R
EXECUTIVE DIRECTORS					
Roland Sassoon	–	3 801 332	527 643	3 200 000	7 528 975
Tyrone Soondarjee	–	2 549 252	407 892	1 800 000	4 757 144
Michael Sassoon ¹	–	1 852 570	432 141	2 300 000	4 584 711
ALTERNATE DIRECTOR					
Linda Fröhlich	–	2 282 654	304 770	2 500 000	5 087 424
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Roy Andersen	850 000	–	–	–	850 000
Linda de Beer	469 000	–	–	–	469 000
Grant Dunnington	532 750	–	–	–	532 750
John Moses	430 000	–	–	–	430 000
Shahied Rylands	523 000	–	–	–	523 000
Lesego Sennelo	352 000	–	–	–	352 000
PRESCRIBED OFFICERS					
Howard Brown	–	1 773 854	334 116	1 800 000	3 907 970
Glen Christopulo	–	2 020 390	429 235	1 500 000	3 949 625
David Edwards	–	1 704 605	498 206	1 500 000	3 702 811
Neil Eppel	–	1 860 872	356 019	1 800 000	4 016 891
Maston Lane	–	2 066 445	532 579	2 300 000	4 899 024
Total	3 156 750	19 911 974	3 822 601	18 700 000	45 591 325

* 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 performance in the current financial year.

¹ Michael Sassoon was appointed Executive Director on 23 October 2015.

FINANCIAL YEAR 2015

	Services as Directors	Cash package* R	Other benefits** R	Incentive bonus*** R	Total 2015 R
EXECUTIVE DIRECTORS					
Roland Sassoon	–	3 006 367	775 648	2 175 000	5 957 015
Tyrone Soondarjee	–	2 280 134	560 855	1 734 000	4 574 989
ALTERNATE DIRECTORS					
Linda Fröhlich	–	1 890 322	563 395	1 548 166	4 001 883
Maston Lane	–	1 897 819	492 501	1 603 500	3 993 820
Michael Sassoon	–	1 646 931	362 506	1 320 000	3 329 437
INDEPENDENT NON-EXECUTIVE DIRECTORS					
Roy Andersen	770 500	–	–	–	770 500
Eddie Blight ¹	247 000	–	–	–	247 000
Linda de Beer	357 000	–	–	–	357 000
Grant Dunnington	423 000	–	–	–	423 000
Dolly Mokgatle ²	209 001	–	–	–	209 001
John Moses	375 000	–	–	–	375 000
Shahied Rylands	450 750	–	–	–	450 750
Lesego Sennelo	293 500	–	–	–	293 500
PRESCRIBED OFFICERS					
Howard Brown	–	1 631 060	358 093	1 272 500	3 261 653
David Edwards	–	1 592 898	472 265	781 500	2 846 663
Neil Eppel	–	1 560 307	561 053	1 319 500	3 440 860
Total	3 125 751	15 505 838	4 146 316	11 754 166	34 532 071

* 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 performance in the current financial year.

¹ Retired on 27 November 2014.

² Resigned on 27 November 2014.

Good standing means that the participating executive has not been suspended or accused of any performance and/or conduct issues during the financial year, which may influence the decision to grant an award.



Shahied Rylands

Chair

Human Resources and Remuneration Committee

13 October 2016

SOCIAL AND ETHICS COMMITTEE (SEC) REPORT

Overview


The SEC provides an oversight role, and is responsible for ensuring that the Group remains focused and performs in line with behavioural and ethical guidelines for the following areas:

- Good corporate citizenship
- Environment, health and public safety
- Labour and employment relationships
- Consumer relations
- Impact of the Company's activities and services
- Social and economic development
- Reputational management
- Whistle blowing

The SEC ensures ethical conduct through local and global policies and frameworks. Sasfin's focus is not only on business achievements, but also on ensuring that sound business practices and strong, ethical and sustainable principles create a solid base from which business is conducted. An example of this is the

emphasis we place on TCF – a programme that outlines engagement principles for our client interactions.

This approach begins at an organisational level and extends into the communities in which we operate as we recognise that the sustainability of our business is strongly dependent on the strength and resilience of our society. As such, we ensure that our impact on our communities is positive and, in conducting our business, that we find ways to enhance the lives of our clients, colleagues and communities. This goes beyond philanthropic commitment, and is written into our core governance and values at Sasfin.

The SEC is constituted as a statutory committee of the Board, continuously seeks to apply the recommendations of King III in its operations, and is governed by its own terms of reference, as approved by the Sasfin Board. 

HIGHLIGHTS

- Achievement of entrepreneurial empowerment through the GIBS Ethics Think Tank, to provide learners with relevant information and course material
- Empowering businesses by offering sustainable financial support and solutions while encouraging investment and savings
- Our CSI projects focus on sustainable development in education, financial literacy, entrepreneurial development and care for vulnerable people
An amount of R2.1 million has been spent during the year
- Financing solutions for environmentally friendly projects – ranging from PV co-generation of energy to the replacement of capital equipment with energy-efficient equivalents
- Employee volunteerism continues to build a spirit of community among our employees, and is a source of significant support for a number of community and fundraising projects
- Provided empowerment financing to taxi owners to enable them to maintain and renew their fleets and sustain their businesses

CHALLENGES

- Although Sasfin has improved its BBBEE scorecard level from 7 to 6, we are yet to finalise a BBBEE ownership deal
- Our CSI-based entrepreneurial sponsorship programmes have not gained as much traction as desired, and alternatives are being sought

Key social sustainability and environmental drivers identified

Sasfin recognises that the banking and financial services sector has an important role to play in environmental sustainability and social support, both in South Africa and in the global context. To this end, we are guided by a cohesive Social and Environmental Management System (SEMS) which assesses the impact of Sasfin, and that of its clients, on the broader environment.

We view economic growth, social equity and environmental integrity as interdependent outcomes of all sustainable development, making the integration of social, economic and environmental factors in our business operations essential, not only for operations, but for planning, implementation and decision-making. This ensures that our business remains sustainable and responsible while serving present and future business partners.

Committee focus – social and economic development:

Monitoring Sasfin's activities with regard to any relevant legislation, other legal requirements or prevailing codes of best practice relating to social and economic development, including the Company's standing in terms of the goals and purposes of the 10 principles set out in the United Nations Global Compact Principles; the OECD recommendations regarding corruption; the Employment Equity Act; and the BBBEE Act. The committee further monitors the organisations supported through our social and economic development programmes and ensures an appropriate strategy and budget is applied to make a sustainable change to those we support.

Financing of SME clients

Sasfin provides financial solutions to various sectors within southern Africa. Approximately 24% of our total lending focuses on trade and accommodation; 21% to financial, real estate and business services; and 15% to manufacturing. The Group continues to fund the backbone of the South African economy by providing funding to the SME market, which employs the largest portion of the country's people.

Empowerment financing

Among its initiatives, Sasfin has built on its alliance with a SANTACO affiliate, which is one of the largest recognised taxi associations in South Africa. The Group provides financing to SANTACO's members to enable them to maintain and renew their fleets to sustain their businesses and provide an essential basic transport service.

Broad-based black economic empowerment

The Group recognises the importance of ensuring that the socio-economic inequalities that prevail in the country are addressed to support our economy and uplift the people within it. We regard the FSC as an excellent model upon which to base targets and strategies for the achievement of greater equity, and are pleased to note that the FSC has been rejuvenated as a sector code.

The role of the SEC in our BBBEE environment remains the provision of oversight and guidance to our human capital functions and procurement efforts. Sasfin has been awarded a SANAS-accredited Level 6 score by an independent, approved verification agency. We have also been recognised as a value-added supplier and, in the year, the Group obtained the services of an external consultant to aid the creation of a clear directive on how to improve our overall BBBEE scorecard performance and profile.

The ownership requirements of the FSC code remain a challenge, as the Banks Act requires regulatory approval for any significant shareholding. Earnest efforts continue to be made in light of concluding this transaction. Sasfin 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. PE

Sasfin continues to develop relationships and programmes with organisations that focus on entrepreneurial development such as the Sabi Sands Trust, ORT Jet, and the Maharishi Institute. These programmes ensure that people with the relevant interest, but lack of resources, obtain skills, education and the experience they require to start their own businesses.

In addition, the Group actively supports entrepreneurship through education, and is in the process of establishing an Academy for Entrepreneurship. Progress on this will be reported in the next financial year.

Our programme with the Maharishi Institute has seen an entrepreneurial module added to students' courses, with Sasfin funding both the lecturer and the material. Students have begun running small businesses on campus, and a speaker series connects successful entrepreneurs from all walks of life with smaller entrepreneurs to share learnings and advice.

SOCIAL AND ETHICS COMMITTEE (SEC) Report continued

Our contribution to the Sabi Sands Pfunanani Trust assisted a small business development plan that supported 71 businesses with management and technical training; mentorship, sales and marketing support. Sasfin's funding particularly supported the provision of post-training coaching and mentorship, including assisting these businesses to access capital investment.

Sasfin continues to support black-owned businesses through its Private Equity investment model and will seek to improve access to financial services with the rollout of its transactional banking initiative.

Committee focus – good corporate citizenship: Overseeing the monitoring, assessment and measurement of the Group's activities relating to good corporate citizenship, including the Company's promotion of equality, prevention of unfair discrimination, and addressing of corruption; contributing to the development of the communities in which its activities are predominantly conducted, or within which its products and services are predominately marketed.

Reviewing and approving the strategy pertaining to our CSI programme.

Considering substantive national and international regulatory developments as well as practice in the fields of social and ethics management and public safety with regards to corruption; the Employment Equity Act; and the BBBEE Act.

In the community

We understand that our role is integral to encouraging investment and savings, which aid the development of sustainable businesses which, in turn, support communities and our economy. While we support a wide variety of organisations through donations and sponsorships, our focus remains on organisations that promote socio-economic development and entrepreneurial growth.

In total, Sasfin made 54 contributions in the year under review, reaching a total of R2.1 million (2015: R2.1 million). Our flagship projects included Afrika Tikkun, The Smile Foundation, Junior Achievers, and Hospice Wits.

We will continue focusing on enhancing our relationships with existing flagship projects partners, while developing a pipeline of support from Early Childhood Development right through to Further Education and Training career placement. This will develop entrepreneurial skills and, in so doing, provide

much-needed support to South Africa's socio-economic development plans. Employee volunteerism continues to assist in project implementation, further evidencing the strong corporate culture in place.

Fines and sanctions

We are 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.

An amount of R2.827 million has been deposited with the Corporation for Public Deposits in terms of an alleged contravention of exchange control regulations as disclosed in note 9 to the Consolidated and Separate Annual Financial Statements.



Committee focus – environment, health and public safety:

Overseeing the monitoring, assessment and measurement of Sasfin's activities, relating to the environment, health and public safety, including the impact of the Company's activities and of its products or services. The Group has policies in place to avoid investment in any business that is in contravention of environmental laws, is involved in weapons and ammunition manufacture/trade, or in gambling.

Adoption of SEMS framework

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

The framework is integrated into Sasfin's operational processes and is overseen by the SEC.

Sasfin recognises that we have a responsibility to ensure our clients' activities do not have a negative social and environmental impact. Therefore we consider environmental and social risks in our business decisions and activities, particularly in higher-risk industry sectors such as heavy industry and mining.

To manage those social and environmental risks and impacts, as well as to enhance development opportunities, the Group measures 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 our SEMS framework.

We have an environmental co-ordinator as a further control mechanism – they manage the Group's environmental impact by screening corporate clients against Sasfin's SEMS risk framework. The environmental co-ordinator 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. This position reports to GRMC 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. We have improved our ability to deal with medical emergencies and have, to this end, focused on increased training as well as the installation of advanced emergency lifesaving equipment at our head office.

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. The Group 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. 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 2017.

Climate change

Our carbon footprint is independently measured and was assessed at 6 410 tCO₂e (2015: 6 336 tCO₂e). This result may be marginally higher, but was achieved during another year of business growth and expansion. We continue to introduce solar and other energy-saving technologies to a number of buildings to reduce reliance on fossil fuel energy.

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.

Energy efficiency financing

Sasfin offers a number of products and has invested in a green energy consulting services company. These initiatives facilitate and assist our clients in becoming more energy efficient while lowering their energy costs. Examples include our Eco finance and Agri finance projects.

We have obtained funding lines for lending to qualifying green energy projects and have identified a number of energy-efficiency solutions, including Solar PV projects, which we now fund. Funding was obtained from the IFC and has been utilised inter alia for the financing of solar energy projects, the largest of which is an R11.5 million solar energy installation.

Committee focus – labour and employment relationships:

Overseeing the monitoring of Sasfin's labour and employment matters – including the Company's standing in terms of the ILO Protocol on decent work and working conditions – our employment relationships and its contribution towards the educational development of its employees.

Overseeing the monitoring, assessment and measurement of the Group's transformation activities by providing input and recommendations to the Board on the overall targets for the Company, every element of the scorecard component targets and the timing thereof.


Committee focus – impact of the Company's activities and services:

Determining and clearly articulating ethical standards (code of ethics) and ensuring that we take measures to achieve adherence to these in all aspects of the business, thus achieving a sustainable, ethical corporate culture within the Group.

Employment

The committee is satisfied that Sasfin's employment practices are non-discriminatory and meet both ILO labour standards as well as those prescribed by the Labour Relations Act and the Basic Conditions of Employment Act.

SOCIAL AND ETHICS COMMITTEE (SEC) REPORT continued

Our human capital report provides an overview of the sound principles that Sasfin adopts in rewarding, protecting and enhancing the skills of its employees as well as an overview of our employee demographics. 

Our organisational culture lends itself to recognition and development through a flat management structure. We operate an annual wellness day to allow employees to assess their health and have access to professionals who can assist them with improving their wellness. We continuously engage with our people through platforms such as employee engagement sessions, a climate survey, open and honest management style, and strategy sessions. Our approach to these interactions is guided by our code of ethics and our values.

Committee focus – consumer relations: Overseeing the monitoring, assessment and measurement of our consumer relationships, including the Company's policy and record relating to advertising, public relations and compliance with consumer protection laws to ensure that the Company adheres to its values. These include the Consumer Protection Act, the National Credit Act, and Ombudsman queries.


Reviewing the adequacy and effectiveness of our engagement and interaction with stakeholders.

Consumer relations

No incidences of non-compliance were reported in the year under review. Where complaints to bodies such as the Ombudsman for Banking Services of South Africa were made, these were either resolved or determined in favour of Sasfin.

Sasfin remains focused on implementing the Anti-Bribery and Corruption regulation and has rolled out large-scale awareness programmes. We have also passed on the six TCF principles outlined by the FSB.

Sasfin is closely tracking the legislative developments recently announced by National Treasury, particularly the Financial Sector Regulation Bill of 2015 which, among other objectives, aims at protecting the interests of consumers of financial products, ensuring clients are treated fairly, and driving consumer education in this regard. Sasfin is well poised to meet the market conduct requirements anticipated under the Twin Peaks regulatory framework which is still to be introduced.

Sasfin has reviewed, responded and applied amendments made to the National Credit Act to remain a responsible lender. With regards to the POPI Act, the Group monitors the regulatory environment and has proactively begun to prepare internal and external systems to comply. 

The Group continues to provide educative and informative material on large-scale economic events through a wide range of mediums, enhancing our reputation and brand as responsible business.

Committee focus – reputational management: The Group is aware of the importance of its brand and the impact that a negative or positive reputation can have on our business in the short, medium and long term. Our StratCo directs our strategic approach to brand management, dictating the approach and type of communication and engagement with clients, business-wide.

Reputation

The Group is acutely aware of the possible business impacts of positive and negative stakeholder perceptions. Sasfin's operations and performance are the primary drivers of industry positioning and perception, followed by branding and marketing of the Group.

Looking ahead

The SEC will continue to monitor the Group's adherence to its social and environmental obligations and activities in line with the relevant policies and guidelines specific to each area of its mandate. Developments in legislation and changes to requirements will be assessed, and recommendations will be made to the Board in line with our reporting structure. Sustainability of both the business and the environment will remain the paramount rationale for our recommendations as the SEC, and we look forward to another year of overseeing the Group deliver sustainable value to its stakeholders.



Lesego Sennelo
Chair
Social and Ethics Committee

13 October 2016

GACC report, summarised annual financial statements and general information

The Group's Audit
and Compliance Committee
report, followed by a
summarised form of our
Annual Financial Statements
and corporate details with
contact information.

OVERVIEW

This summary information has been extracted from the Group's Audited Consolidated and Separate Annual Financial Statements, which were audited by KPMG and Grant Thornton, who expressed an unmodified opinion.

These summarised Consolidated Annual Financial Statements of the Group for the year ended 30 June 2016 were prepared under the supervision of the Group Financial Director, Tyrone Soondarjee CA(SA).

The summarised Consolidated Annual Financial Statements are not the Group's statutory accounts nor do they contain all the disclosures required by IFRS. Reading the summarised Consolidated Annual Financial Statements is therefore not a substitute for reading the Group's Audited Consolidated and Separate Annual Financial Statements, as they do not contain adequate information to allow for a complete understanding of the results and state of affairs of the Group.

These extracts from the Group's Audited Consolidated and Separate Annual Financial Statements comprise the following:

- Audit and compliance committee report
- Consolidated statement of financial position
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Certain notes to the Consolidated Annual Financial Statements

Basis of preparation and presentation

The Group's Audited Consolidated and Separate Annual Financial Statements are prepared in accordance with, and comply with, IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act.

The Group has applied the accounting policies consistently with those applied in the previous year.

The preparation of financial information in accordance 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 amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

There are no reportable material events subsequent to the end of the financial year.

The Group's Audited Consolidated and Separate Annual Financial Statements for the year ended 30 June 2016 is available on www.sasfin.com



AUDIT COMMITTEE REPORT

Overview

The responsibilities of the GACC are set out in the Companies Act and the Banks Act, 1990 (Act No. 94 of 1990) and Regulations relating to Banks (Banks Act). The Board performs an annual review of GACC's compliance with its Charter responsibilities, governance, and best practice.

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

MEMBERS	INVITEES TO SEPARATE MEETINGS WITH GACC
Linda de Beer (Chair) Grant Dunnington John Moses Lesego Sennelo	Kurt Diedrick (Head: Internal Audit) KPMG Inc. Grant Thornton Johannesburg Partnership

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

FUNCTIONS OF GACC

GACC's functions are outlined in its Charter. GACC does not assume the functions of management, which remain the responsibility of the Executive Directors and executive management.

The functions of GACC briefly include:

FINANCIAL CONTROL, ACCOUNTING AND REPORTING

- Reviewing and recommending to the Board for approval the:
 - Integrated Report 2016
 - Unaudited interim results and dividend declarations
 - Audited final financial results and dividend declarations
 - Consolidated and Separate Annual Financial Statements
- Evaluating the appropriateness, adequacy and efficiency of accounting policies
- Discussing and resolving any significant or unusual accounting issues
- Reviewing the effectiveness and efficiency of tax reporting and compliance
- Satisfying itself of the expertise, resources, experience and skills of the finance function and Group FD
- Performing the functions as defined in Section 64 of the Banks Act

EXTERNAL AUDIT

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

INTERNAL AUDIT

- Approving the internal audit plan
- Monitoring and satisfying itself as to the effectiveness of the GIA function
- Reviewing GIA's findings on the effectiveness of the Group's internal controls
- Reviewing GIA's findings on the adequacy and reliability of management information, and reporting these findings to the Board

COMPLIANCE

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

SUBSIDIARIES

- For all subsidiaries without their own audit committee, GACC is responsible for reviewing the formalised process for the Group to perform functions on behalf of subsidiaries

AUDIT COMMITTEE REPORT continued

Annual sign-offs and confirmations

EXTERNAL AUDITOR'S INDEPENDENCE AND FEES

The external auditors KPMG Inc. and Grant Thornton Johannesburg Partnership have been auditors of the Company for 17 and 29 years respectively. GACC is comfortable that the independence of the external auditors is not compromised by this length of tenure, as Heather Berrange (KPMG Inc.) and Soné Kock (Grant Thornton Johannesburg Partnership) have served as engagement partners for four and two years respectively.

GACC has reviewed and approved the fees for the external auditors in compliance with the Companies Act and determined the nature and extent of fees paid to external auditors for non-audit services.

All non-audit services were considered and approved in terms of the Group's Non-Audit Services Policy, which details prohibited non-audit services, pre-approved services and noting that all other services require specific pre-approval by GACC.

GACC and the Board are satisfied that the extent of non-audit services incurred by the Group and paid to its auditors, do not compromise the auditors' independence.

APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE GROUP FINANCIAL DIRECTOR

GACC is satisfied with the appropriateness of the expertise, experience and skills of the Group Financial Director.

ANNUAL FINANCIAL STATEMENTS

GACC has:

- Reviewed and discussed the Consolidated and Separate Annual Financial Statements with the external auditors, the Chief Executive Officer and the Group Financial Director, and reviewed the appropriateness of significant judgements and accounting policies
- Recommended the Consolidated and Separate Annual Financial Statements to the Board for approval

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

EFFECTIVENESS OF THE GIA

Based on the assurances obtained from GIA, the external auditors and management, GACC can confirm that:

- GIA has performed its functions and is satisfied with the results obtained
- Internal controls, including financial controls, have been effective in all material aspects
- Proper accounting records have been maintained
- It has reviewed and considered reports from GIA

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



Linda de Beer

Chair

Group Audit and Compliance Committee

19 September 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June

	Note	2016 R'000	2015 R'000
ASSETS			
Cash and cash balances		672 317	1 286 348
Short-term negotiable securities		1 238 267	1 332 018
Loans and advances to customers	1	6 254 891	5 242 460
Financial assets held for trade facilitation		580 192	761 333
Reverse repurchase agreements		567 035	925 888
Other receivables		772 209	688 057
Investment securities	2	586 359	435 007
Property, plant and equipment		87 229	57 585
Non-current assets held for sale – Investment Property		69 900	–
Taxation		31 135	7 280
Intangible assets and goodwill		122 391	114 991
Deferred tax asset		22 135	15 145
TOTAL ASSETS		11 004 060	10 866 112
LIABILITIES			
Funding under repurchase agreements and interbank		999 184	538 340
Deposits from customers	3	3 206 527	3 275 866
Debt securities issued	4	2 470 428	2 344 167
Long-term loans		433 889	538 071
Financial liabilities held for trade facilitation		528 487	714 509
Repurchase agreements		603 455	936 280
Other payables		1 023 354	975 204
Taxation		16 611	11 571
Deferred tax liability		125 576	93 913
TOTAL LIABILITIES		9 407 511	9 427 921
EQUITY			
Ordinary share capital		317	317
Ordinary share premium		144 010	144 010
Reserves		1 259 353	1 098 414
Preference share capital		18	18
Preference share premium		192 851	195 432
TOTAL EQUITY		1 596 549	1 438 191
TOTAL LIABILITIES AND EQUITY		11 004 060	10 866 112

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

	Note	2016 R'000	2015 R'000
Interest income		999 006	712 176
Interest expense		592 520	419 563
NET INTEREST INCOME		406 486	292 613
Non-interest income		790 357	664 021
TOTAL INCOME		1 196 843	956 634
Impairment charges on loans and advances		63 912	32 771
NET INCOME AFTER IMPAIRMENTS		1 132 931	923 863
OPERATING COSTS		828 316	691 352
Staff costs		434 339	382 115
Other operating expenses		380 888	308 045
Goodwill and intangible asset impairments		13 089	1 192
PROFIT FROM OPERATIONS		304 615	232 511
Share of associated companies' income		2 383	2 500
PROFIT BEFORE INCOME TAX		306 998	235 011
Income tax expense		68 210	42 037
PROFIT FOR THE YEAR		238 788	192 974
PROFIT ATTRIBUTABLE TO:			
Preference shareholders		14 369	14 272
Equity holders of the Group		224 419	178 702
PROFIT FOR THE YEAR		238 788	192 974
Earnings per ordinary share (cents)	6	707.13	563.08
Diluted earnings per ordinary share (cents)	6	707.13	563.08
Headline earnings per ordinary share (cents)	6	731.27	566.74
Diluted headline earnings per ordinary share (cents)	6	731.27	566.74

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

	2016 R'000	2015 R'000
PROFIT FOR THE YEAR	238 788	192 974
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	14 766	7 188
<i>Items that are or may be subsequently reclassified to profit or loss:</i>		
FOREIGN EXCHANGE DIFFERENCES ON TRANSLATION OF FOREIGN OPERATIONS	54 395	31 515
NET LOSS ON HEDGE OF NET INVESTMENT IN FOREIGN OPERATION	(39 629)	(24 327)
Loss on hedge of net investment in foreign operation	(55 040)	(33 788)
Income tax effect	15 411	9 461
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	253 554	200 162
ATTRIBUTABLE TO:		
Preference shareholders	14 369	14 272
Equity holders of the Group	239 185	185 890
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	253 554	200 162

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Ordinary share capital and premium R'000	Distributable reserves R'000	Foreign currency translation reserve R'000	Hedging reserve R'000	Total ordinary share- holders' equity R'000	Preference share capital and premium R'000	Total share- holders' equity R'000
BALANCE AT 30 JUNE 2014	144 327	1 010 039	10 457	(43 143)	1 121 680	199 278	1 320 958
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	192 974	31 515	(24 327)	200 162	–	200 162
Profit for the year	–	192 974	–	–	192 974	–	192 974
OTHER COMPREHENSIVE INCOME/(LOSS) NET OF INCOME TAX FOR THE YEAR	–	–	31 515	(24 327)	7 188	–	7 188
Foreign currency translation reserve	–	–	31 515	–	31 515	–	31 515
Loss on hedge of net investment in foreign operation	–	–	–	(24 327)	(24 327)	–	(24 327)
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY							
Preference share buy-back and cancellation	–	–	–	–	–	(3 828)	(3 828)
Dividends to preference shareholders	–	(14 272)	–	–	(14 272)	–	(14 272)
Dividends to ordinary shareholders	–	(64 829)	–	–	(64 829)	–	(64 829)
BALANCE AT 30 JUNE 2015	144 327	1 123 912	41 972	(67 470)	1 242 741	195 450	1 438 191
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	238 788	54 395	(39 629)	253 554	–	253 554
Profit for the year	–	238 788	–	–	238 788	–	238 788
OTHER COMPREHENSIVE INCOME/(LOSS) NET OF INCOME TAX FOR THE YEAR	–	–	54 395	(39 629)	14 766	–	14 766
Foreign currency translation reserve	–	–	54 395	–	54 395	–	54 395
Loss on hedge of net investment in foreign operation	–	–	–	(39 629)	(39 629)	–	(39 629)
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY							
Preference share buy-back and cancellation	–	–	–	–	–	(2 581)	(2 581)
Dividends to preference shareholders	–	(14 369)	–	–	(14 369)	–	(14 369)
Dividends to ordinary shareholders	–	(78 246)	–	–	(78 246)	–	(78 246)
BALANCE AT 30 JUNE 2016	144 327	1 270 085	96 367	(107 099)	1 403 680	192 869	1 596 549

DISTRIBUTABLE RESERVES

This represents reserves distributable to ordinary shareholders.

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 44.6.

DIVIDENDS

The following dividends were declared by the Group out of profits for the year under review:

- Interim ordinary share dividend of 98.57 cents (2015: 75.26 cents) per ordinary share
- Final ordinary share dividend of 188.82 cents (2015: 147.47 cents) per ordinary share*
- Preference share dividend number 23 of 396.28 cents (2015: 383.74 cents) per preference share
- Preference share dividend number 24 of 424.42 cents (2015: 378.43 cents) per preference share*

* These dividends have not been paid nor have they been provided in these Consolidated Annual Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

	2016 R'000	2015 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1 679 756	1 283 012
Cash paid to customers, employees and suppliers	(1 368 187)	(1 082 085)
CASH INFLOW FROM OPERATING ACTIVITIES	311 569	200 927
Dividends received	6 400	14 383
Taxation paid	(75 169)	(31 195)
Dividend paid	(92 615)	(79 101)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	150 185	105 014
CHANGES IN OPERATING ASSETS AND LIABILITIES	(1 083 437)	98 329
Increase in loans and advances	(1 076 343)	(531 709)
Decrease/(increase) in financial assets held for trade facilitation	181 141	(224 820)
Decrease/(increase) in reverse repurchase agreements	358 853	(363 262)
Increase in other receivables	(39 699)	(142 347)
(Decrease)/increase in deposits	(69 339)	569 288
Increase/(decrease) in funding	22 079	(9 185)
(Decrease)/increase in financial liabilities held for trade facilitation	(186 022)	385 397
(Decrease)/increase in repurchase agreements	(332 825)	161 963
Increase in other payables	58 718	253 004
NET CASH FROM OPERATING ACTIVITIES	(933 252)	203 343
CASH FLOWS FROM INVESTING ACTIVITIES	(228 968)	53 190
Proceeds from the disposal of property, plant and equipment	7 519	1 497
Proceeds from the disposal of intangible assets	–	563
Acquisition of property, plant and equipment	(47 031)	(14 548)
Acquisition of intangible assets and goodwill	(46 356)	(17 921)
Net cash (paid)/acquired on acquisition of subsidiaries	(47 541)	681
(Increase)/decrease from acquisition/disposal of investment securities	(95 559)	82 918
NET CASH FLOWS FROM FINANCING ACTIVITIES	(2 581)	(3 828)
Purchase and cancellation of preference shares	(2 581)	(3 828)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1 164 801)	252 705
Cash and cash equivalents at beginning of the year	2 080 026	1 834 179
Effect of exchange rate fluctuations on cash and cash equivalents	(3 825)	(6 858)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	911 400	2 080 026

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June

	2016 R'000	2015 R'000
1. LOANS AND ADVANCES TO CUSTOMERS		
GROSS LOANS AND ADVANCES		
Instalment finance	4 250 779	3 774 714
Capital equipment finance	775 544	628 415
Debtor finance	461 771	309 597
Trade finance	732 133	502 999
Other secured loans	229 035	157 152
GROSS LOANS AND ADVANCES	6 449 262	5 372 877
Credit impairments for loans and advances	(194 371)	(130 417)
Impairments for non-performing loans and advances	(160 337)	(113 486)
Impairments for performing loans and advances	(34 034)	(16 931)
NET LOANS AND ADVANCES	6 254 891	5 242 460
<i>Comprising:</i>		
Gross investment in loans and advances	8 131 699	6 386 201
Less: Unearned finance charges	(1 682 437)	(1 013 324)
GROSS LOANS AND ADVANCES	6 449 262	5 372 877
Loans and advances are held at amortised cost which is considered a reasonable approximation of fair value. Fair value is closely aligned to amortised cost and the recoverable amount represents the loan value outstanding.		
Included in instalment finance loans are securitised assets ceded as security for debt securities issued.	2 793 627	2 677 481
2. INVESTMENT SECURITIES		
DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	569 648	421 805
– Listed equities	76 113	–
– Private and property equity investments	493 535	421 805
INVESTMENT IN ASSOCIATED COMPANIES	16 711	13 202
– SAB & T BEE Services (Pty) Limited	2 479	2 452
– Sasfin HRS Administrators (Pty) Limited	9 422	6 701
– Hecny Transportation SA (Pty) Limited	4 810	4 049
	586 359	435 007

	2016 R'000	2015 R'000
3. DEPOSITS FROM CUSTOMERS		
FINANCIAL LIABILITIES AT AMORTISED COST		
Demand deposits	1 843 467	1 773 088
Notice deposits	601 678	452 612
Fixed deposits	761 382	1 050 166
	3 206 527	3 275 866
MATURITY ANALYSIS		
Withdrawable on demand	1 290 846	1 880 800
Maturing within one month	500 767	201 233
Maturing after one month but within six months	931 978	766 270
Maturing after six months but within twelve months	246 151	153 701
Maturing after twelve months but within five years	236 785	273 862
	3 206 527	3 275 866
The maturity analysis is based on the remaining period to contractual maturity from year-end.		
4. DEBT SECURITIES ISSUED		
FINANCIAL LIABILITIES AT AMORTISED COST		
CATEGORY ANALYSIS		
Rated	2 470 428	2 268 804
Unrated	–	75 363
	2 470 428	2 344 167
Floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts owned by SASP and FR2.		
GEOGRAPHIC ANALYSIS		
South Africa	2 470 428	2 344 167
	2 470 428	2 344 167
MATURITY ANALYSIS		
Maturing within one year	1 246 303	421 667
Maturing after one year but within two years	376 125	1 227 500
Maturing after two years	848 000	695 000
	2 470 428	2 344 167
The maturity analysis is based on the remaining period to contractual maturity from year-end.		
The Group has not defaulted on principal, interest or other requirements with respect to its debt securities during the year.		

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June

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

The carrying amount of the Group's financial assets and financial liabilities not measured at fair value, is a reasonable approximation of its fair value. The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated and Separate Financial Statements as at and for the year ended 30 June 2015.

FINANCIAL HIERARCHY

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

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

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

Level 3 – unobservable inputs for the asset or liability.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	30 June 2016 Audited R'000	30 June 2015 Audited R'000
Short-term negotiable securities	1 238 267	–	–	1 238 267	1 332 018
Financial assets and reverse repurchase agreements	1 147 227	–	–	1 147 227	1 687 221
Investment securities	–	92 591	493 768	586 359	435 007
Other receivables	–	100 259	–	100 259	51 878
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	2 385 494	192 850	493 768	3 072 112	3 506 124
Financial liabilities and repurchase agreements	1 131 942	–	–	1 131 942	1 650 789
Other payables	–	97 474	–	97 474	49 480
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	1 131 942	97 474	–	1 229 416	1 700 269

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the transfer has occurred. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the year ended 30 June 2016.

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

	30 June 2016 Audited R'000	30 June 2015 Audited R'000
LEVEL 3 FAIR VALUES – INVESTMENT SECURITIES		
Opening balance	398 024	407 408
Unrealised gains for the year included in profit or loss through non-interest income	31 326	54 844
Net investments/(settlements)	64 418	(64 228)
CLOSING BALANCE	493 768	398 024

6. EARNINGS PER SHARE

6.1 HEADLINE EARNINGS

	Gross R'000	Direct tax R'000	Non- controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
2016				
Profit before direct taxation	306 998	(68 210)	(14 369)	224 419
Headline adjustable items reversed:	7 271	390	–	7 661
Investment property – fair value gains – IAS 40	(5 818)	1 304	–	(4 514)
Goodwill and intangible impairments – IAS 38	13 089	(914)	–	12 175
	314 269	(67 820)	(14 369)	232 080
2015				
Profit before direct taxation	235 011	(42 037)	(14 272)	178 702
Headline adjustable items:				
Profit on sale of property and equipment – IAS 16	(41)	11	–	(30)
Goodwill impairment	1 192	–	–	1 192
	236 162	(42 026)	(14 272)	179 864

2016
000

2015
000

6.2 WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

Weighted average number of ordinary shares during the year

31 737

31 737

Cents

Cents

6.3 HEADLINE EARNINGS PER ORDINARY SHARE

Headline earnings per ordinary share is based on headline earnings R232.080 million (2015: R179.864 million) and weighted average ordinary shares of 31 736 515 (2015: 31 736 515).

731.27

566.74

6.4 EARNINGS PER ORDINARY SHARE

Earnings per ordinary share is based on earnings of R224.419 million (2015: R178.702 million) and weighted average ordinary shares of 31 736 515 (2015: 31 736 515).

707.13

563.08

6.5 DILUTED HEADLINE EARNINGS PER ORDINARY SHARE

Diluted earnings per ordinary share is based on headline earnings of R232.080 million (2015: R179.864 million) and diluted ordinary shares of 31 736 515 (2015: 31 736 515).

731.27

566.74

6.6 DILUTED EARNINGS PER ORDINARY SHARE

Diluted earnings per ordinary share is based on earnings of R224.419 million (2015: R178.702 million) and diluted ordinary shares of 31 736 515 (2015: 31 736 515).

707.13

563.08

FIVE-YEAR PERFORMANCE REVIEW

for the year ended 30 June

	2016	2015	2014	2013	2012
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Total assets (Rm)	11 004	10 866	8 168	6 529	5 472
Total gross loans and advances (Rm)	6 449	5 345	3 981	3 416	2 931
Non-performing loans and advances (Rm)	423	210	155	193	189
Gross loans and advances growth (%)	21	34	17	17	21
INCOME STATEMENT					
Total income (Rm)	1 197	957	889	754	650
Earnings attributable to ordinary shareholders (Rm)	224	179	150	136	114
Headline earnings (Rm)	232	180	154	135	111
FINANCIAL PERFORMANCE					
Return on ordinary shareholders' average equity (%)	18	15	14	14	12
Return on total average assets (%)	2	2	2	2	2
OPERATING PERFORMANCE					
Non-interest income to total income (%)	65	68	72	71	69
Efficiency ratio (%)					
Group	69	71	72	72	70
Sasfin Bank Limited and subsidiaries	62	61	64	62	71
Non-performing advances to total gross loans and advances (%)	6.56	3.9	3.9	6	6
Credit loss ratio (bps) share statistics	108	77	80	70	60
SHARE STATISTICS					
Share price (closing) (cents)	821	5 599	5 050	3 340	3 101
Number of shares in issue ('000)	31 737	31 737	31 737	31 737	31 737
Earnings per ordinary share (cents)	707	563	474	423	355
Headline earnings per ordinary share (cents)	731	567	486	421	344
Diluted earnings per ordinary share (cents)	707	563	474	423	355
Diluted headline earnings per ordinary share (cents)	731	567	486	421	344
Dividends per ordinary share (cents)	287.39	223	191	168	137
Dividends per preference share (cents)	6 020	762	718	706	692
Net asset value per ordinary share (cents)	4 346	3 847	3 534	3 187	2 986
CAPITAL ADEQUACY (PROVISIONAL AND UNAUDITED)					
Group (%)	19	21	23	26	30
Sasfin Bank Limited and subsidiaries (%)	19	21	21	22	26
PERMANENT STAFF COMPLEMENT					
	785	835	727	701	664

CORPORATE DETAILS

INDEPENDENT NON-EXECUTIVE CHAIR

Roy Andersen

EXECUTIVE DIRECTORS

Roland Sassoon (Chief Executive Officer)
Tyrone Soondarjee (Group Financial Director)
Michael Sassoon

ALTERNATE EXECUTIVE DIRECTOR

Linda Fröhlich

INDEPENDENT NON-EXECUTIVE DIRECTORS

Linda de Beer
Grant Dunnington
John Moses
Shahied Rylands
Lesego Sennelo

GROUP COMPANY SECRETARY

Howard Brown

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LEAD SPONSOR

Sasfin Capital (a division of Sasfin Bank Limited)

INDEPENDENT SPONSOR

KPMG Services (Pty) Limited

JOINT AUDITORS

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Tax reference number: 9300/204/71/7

Forward-looking statements

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

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

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

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

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GLOSSARY OF TERMS

TERM	DEFINITION
ALCO	Asset and Liability Committee, a committee of the Board of Directors
AML	Anti-money laundering
Bank	Sasfin Bank Limited
Banking Group	Sasfin Bank Limited and subsidiaries
Banks Act	Banks Act, No 94 of 1990, as amended, of South Africa
Basel III	Set of reform measures, to strengthen the regulation, supervision and risk management of the banking sector
Basel IV	Further reforms, to strengthen the regulation, supervision and risk management of the banking sector
Benal	Benal Property Investments (Pty) Limited
BESA	Bond Exchange of South Africa
BXP	Business Experience Programme
CAGR	Compound annual growth rate
CCMA	Commission for Conciliation, Mediation and Arbitration
CIC	Credit and Investment Committee, a committee of the Board of Directors
COSO	Committee of Sponsoring Organisations
CIPC	Companies and Intellectual Properties Commission
CFO	Chief Financial Officer
CRM	Customer Relationship Management
CRO	Chief Risk Officer/Acting Chief Risk Officer
CSI	Corporate Social Investment
Company	Sasfin Holdings Limited
Companies Act	Companies Act, 71 of 2008, as amended, of South Africa
DAC and NOMCO	Directors' Affairs and Nominations Committee, a committee of the Board of Directors
DCO	Divisional Compliance Officer
DFI	Development Finance Institution
D-SIBS	Domestically Systemically Important Banks
dti	Department of Trade and Industry
FATCA	Foreign Account Tax Compliance Act of United States of America
FD	Financial Director
FIC	Financial Intelligence Centre
Fintech	Fintech (Pty) Limited, an equipment rental financier acquired by Sasfin on 30 June 2015
finTech	Financial technology companies
FSB	Financial Services Board
FSC	Financial Services Charter
GACC	Group Audit and Compliance Committee, a committee of the Board of Directors
GCR	Global Credit Ratings Co.
GIA	Group Internal Audit
GIBS	Gordon Institute of Business Sciences
GNP	Gross national product
Grant Thornton	Grant Thornton Johannesburg Partnership

TERM	DEFINITION
GRCMC	Group Risk and Capital Management Committee, a committee of the Board of Directors
GRI	Global Reporting Initiatives
Group	Sasfin Holdings Limited and its subsidiaries
G-SIBS	Global-Systemically Important Banks
HEPS	Headline earnings per share
HR MANCO	Group Human Resources Management Committee
HRS	Holistic Risk Solutions (Pty) Limited
ICAAP	Internal Capital Adequacy Assessment Process
IFA	Independent financial adviser
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IFRS 9	IFRS statement 9: Financial Instruments
IIRC	International Integrated Reporting Council
ILO	International Labour Organisation
IMF	International Monetary Fund
IoD	Institute of Directors of Southern Africa
IPO	Initial Public Offering
IPS	Intrusion Detection/Prevention System
<IR> Framework	Integrated Reporting Framework
ISL	Imperial Sasfin Logistics (Pty) Limited (Formerly Sasfin Premier Logistics (Pty) Limited)
JAWS	Measure by which income growth percentage exceeds expense growth percentage
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange Limited
KING III	King Report on Corporate Governance issued in 2009
KPI	Key performance indicator
KPMG	KPMG Inc
LCR	Liquidity Coverage Ratio
LTI	Long-term incentive
MDP	Management Development Programme
NCR	National Credit Regulator
NERA	National Empowerment Rating Agency
NOP Limits	Net Open Position Limits
NPL	Non-performing loans
NSFR	Net stable funding ratio
OECD	Organisation for Economic Co-operation and Development

GLOSSARY OF TERMS continued

TERM	DEFINITION
PASA	Payment Association of South Africa
POPI	Protection of Personal Information Act of South Africa
Premier	Sasfin Premier Logistics (Pty) Limited
PV	Photovoltaic
PwC	PricewaterhouseCoopers
RAROC	Risk-adjusted return on capital
RAS	Risk Appetite Statement
RDARR	Risk Data Aggregation and Risk Reporting
REMC	Human Resources and Remuneration Committee, a committee at the Board of Directors
RED	Register of Employees Dishonesty – a system administered by the Banking Association of South Africa
RPE	JSE Registered Persons Exam
SAICA	South African Institute of Chartered Accountants
SAL	Sasfin Asia Limited
SAM	Sasfin Asset Managers (Pty) Limited
SANAS	South African National Accreditation System
SANTACO	South African National Taxi Council
SARB	South African Reserve Bank
SARS	South African Revenue Service
SasCred	SasCred Financial Services Limited
Sasfin HRS	Sasfin HRS Administrators (Pty) Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Pty) Limited
SAVCA	Southern African Venture Capital and Private Equity Association
SEC	Social and Ethics Committee, a committee of the Board of Directors
SENS	Stock Exchange News Service
SEMS	Social and Environmental Management System
SFAS	Sasfin Financial Advisory Services (Pty) Limited
SFS	Sasfin Financial Services (Pty) Limited
SME	Small and Medium Enterprises
SPAS	Share price appreciation scheme
SPEIH	Sasfin Private Equity Investment Holdings (Pty) Limited
SPL	Sasfin Premier Logistics (Pty) Limited
StratCo	Group Strategy Committee
STI	Short-term incentive
TCF	Treating Customers Fairly
TCTC	Total Cost to Company
TOPP	Training Outside Public Practice programme of the South African Institute of Chartered Accountants
Year-end	30 June 2016
