# sasfin Holdings Limited



for the year ended 30 June 2014

a partner beyond expectations

#### about this report

Sasfin Group's 2014 Integrated Report 2014 covers the period from 1 July 2013 to 30 June 2014. The report includes all subsidiaries, and presents our strategy, performance and plans. While companies which do not constitute subsidiaries of the Group are not included in the sustainability scope of the report, the Group works closely with them to provide guidance and assistance with all aspects of their economic, environmental, social and cultural sustainability development.

This is the Group's third integrated report – an evolving process in which Sasfin strives for best practice and continued development. The report focuses on material developments and issues to the Group and provides appropriate financial and non-financial information. The International Integrated Reporting Council (IIRC) issued the International Integrated Reporting <IR> Framework in December 2013. Sasfin recognises that it does not apply all the principles in the <IR> Framework in this report but will endeavour to do so in future reports, taking cognisance of future pronouncements by the IIRC, including reporting on the six capitals.

The primary audience of this report is all stakeholders, with a prominent focus on shareholders, clients, funders, employees and regulators.



This is Sasfin's primary report. The Group's full set of consolidated Annual Financial Statements is available online at www.sasfin.com.

#### Materiality

This report focuses on material developments and issues in the Group and provides related pertinent financial and non-financial performance indicators. We define a material development or issue as one that will affect our ability to remain commercially viable and socially relevant.

Following engagements with our stakeholders, including investors, we are confident that all material matters relating to the Group have been identified and disclosed in this report.

#### **Basis of preparation**

This report has been prepared in terms of:

- International Financial Reporting Standards (IFRS)
- Companies Act, No 71 of 2008 (Companies Act) as amended, of South Africa
- Banks Act 94 of 1990 (Banks Act) as amended, of South Africa
- King Report on Corporate Governance (King III)
- Broad Based Black Economic Empowerment Code
- Basel II
- Consideration of certain principles contained in the <IR>
   Framework
- JSE Listings Requirements

#### Assurance

Sasfin has applied a combined assurance model in compiling this report.



# Statement of the Board of Directors of Sasfin Holdings Limited

The Board acknowledges its responsibility to ensure the integrity of this Integrated Report including the Leadership Report. The Board has applied its collective mind to the preparation and presentation of this report and in its opinion, this Integrated Report addresses all material issues and fairly represents an integrated view of the Group's performance.

**Roy Andersen** 

Cl andes

Non-Executive Chairman

10 September 2014

**Roland Sassoon** 

Group Chief Executive Officer

**Tyrone Soondarjee** *Group Financial Director* 

#### **Feedback**



We look forward to receiving feedback from our stakeholders on our reports and their contents.

Please contact us at investorrelations@sasfin.com.



#### about sasfin

Sasfin Holdings Limited (the Group or Sasfin) is a bank controlling company which listed on the Johannesburg Stock Exchange in 1987. Through its subsidiaries, notably Sasfin Bank Limited, the Group offers a range of comprehensive, modular banking and financial services focused on the needs of the entrepreneur, corporate, institution and high-networth individual.

These services include: trade finance, logistics and trade solutions, freight, verification services, corporate finance, securitisation, private and property equity, debtor finance, equipment finance, international and domestic treasury, growth incentive consulting, asset consulting, healthcare consulting, short-term insurance, asset management, stockbroking and portfolio management and wealth and financial planning and more recently, a range of transactional banking services.

#### how to navigate through our Integrated Report 2014



Our Stakeholders



Material Issues



Corporate Governance



**Risk and Compliance** 



Human Capital



Social and Ethics





Indicates additional information available online





Reference to related information contained in the Annual Financial Statements

Report available at http://www.sasfin.com

#### Sasfin

Our history

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See enclosed leaflet for the Shareholder and Administration information

#### **OUR REPORTS**

#### **Annual Financial Statements 2014**

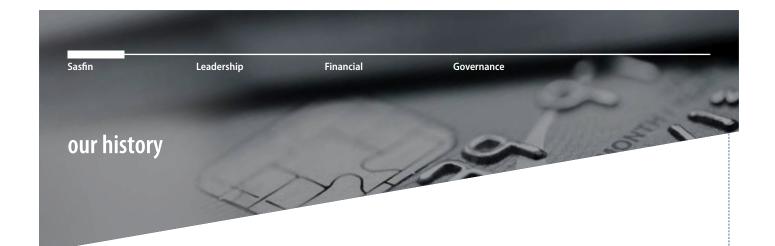
This report is Sasfin Holdings Limited's Annual Financial Statements and includes risk and capital management disclosures



#### Integrated Report 2014 (this report)

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





1951
Sasfin formed

1987

Lists on the JSE

Pioneers securitisation in South Africa

1991

2002

Sasfin
Asset Managers
formed



- Granted Custody and Settlement Member status by the JSE
- Registers as a sponsor with the JSE
- Acquires the business of Regal Treasury Securities



Acquired 60% share in Premier Freight

- Acquired 23.6% shareholding in MDM, a private equity company
- Sasfin Insurance Brokers formed
- Sasfin Asia formed and registered in Hong Kong

1998

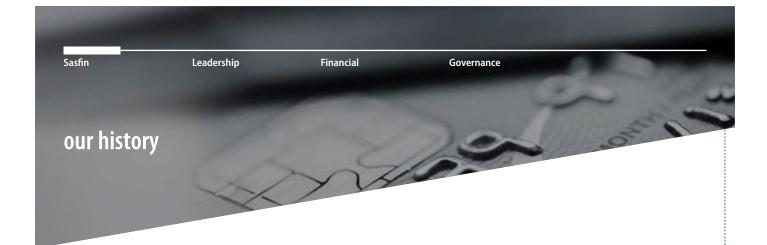
Placed sixth in the Sunday Times Business Times "Top Companies" Survey

2000

- Acquired Sasfin Securities
- Ranked the top retail broking house in the PriceWaterhouseCoopers 2000 – Millennium issue of Strategic and Emerging Issues in South African Banking

1999

Granted a banking licence on 1 July



- · Raises R100 million preference shares
- Ranked fourth by Ernst & Young Mergers and **Acquisitions Survey of 2004** and third by the annual **Dealmakers Review of 2004**

2005

**Increases** shareholding in MDM to 52% and starts a private equity unit

- Raises a further R100 million preference share capital
- **BEE transaction concluded** with Innovent Investment **Holdings**

2006

2013

Wins two coveted Raging Bull awards:

- Best Broad-Based Domestic Equity Fund
- Best Domestic Equity Value Fund

Disposes head office premises to Annuity and acquires 25% of Annuity **Asset Managers and Annuity Property Managers** 

- Top 10 in Discovery's "Platinum
- · Acquires remaining shares in



- Launches Transactional Banking
- Becomes a full clearing and settlement bank
- · Realises investment in Annuity Asset Managers and Annuity Property Managers
- · Raises R150 million via redeemable preference shares



- Formed strategic partnership with the International Finance Corporation (IFC) that:
  - a US\$10 million trade finance facility from IFC for Business Banking
- the fresh issue of 10% of Sasfin's shares to IFC for cash
- a subordinated loan from IFC to Sasfin Bank Limited for R82.45 million
- Ranked third in the sponsor rankings by deal flow – mergers and acquisitions

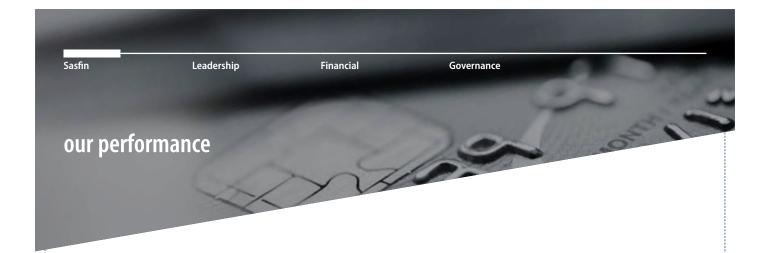
- Sasfin completed the development of its new premises in Waverley and took occupation in June 2009
- Placed R432 million of securitisation notes and issued an additional R58 million, totalling R490 million
- Won first place in Deloitte's "Best Company to Work For" in the category "Financial Services: Banking Industry"

- Acquired 68.4% share in JSE-listed IQuad Group Ltd
- Raised seven-year funding for €35 million from European Development Finance Institutions and raised US\$10 million from the IFC and Canadian Climate Change Programme

2011

# 2010

- Ranked third in the sponsor rankings by deal flow – mergers and acquisitions
- Ranked third in the general corporate finance sponsor category
- Acquired Capital Hill
   Corporate Finance and a
   share in Trinitas Private Equity Fund
   management company

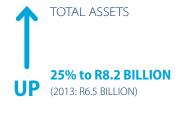










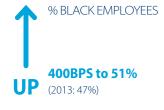


















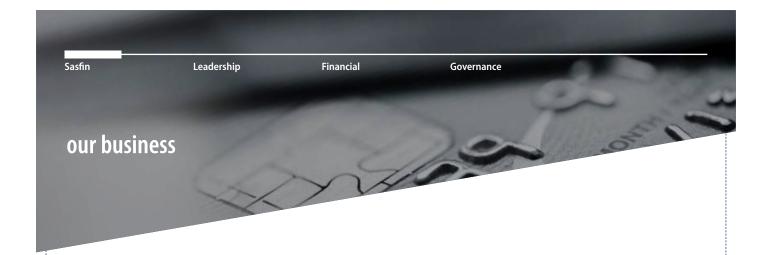
#### **SHARE PERFORMANCE - SASFIN HOLDINGS LIMITED - SFN**

The solid performance of the Group, coupled with its strong brand presence, has seen a steady and notable increase in our share price.

Our share price has climbed 51% from R33.40 at 1 July 2013 to R50.50 at 30 June 2014.

The Group's five-year share price performance reflects growth of 92% from R26.25 on 30 June 2009 to R50.50 on 30 June 2014 to our shareholders.





Sasfin offers tailor-made services to entrepreneurs, corporates, institutions and high-net-worth individuals to protect and grow their assets

The Group is structured into distinct, yet closely interactive divisions:
Business Banking,
Transactional Banking and Treasury, Capital,
Wealth Management and Commercial
Solutions

Sasfin partners with each and every client, acting with respect and honesty, to offer tailor-made solutions to meet business challenges. We believe that a clientcentred, personalised relationship with our clients is absolutely essential to deliver the appropriate financial solutions. This enables Sasfin to be "a partner beyond expectations" in our chosen markets. Our five divisions – Business Banking, Transactional Banking and Treasury, Capital, Wealth Management and Commercial Solutions – offer a range of specialised products and services to assist clients with their business and individual financial requirements.



# Vision

To drive balanced economic growth by partnering with investors entrepreneurs and corporates.

# Mission

To be a specialist, multiline banking and financial services partner that exceeds its clients' expectations.



# Our values and behaviours

#### Integrity

- Sasfin operates with the utmost honesty, ensuring that ambition is always tempered by uncompromised moral standards
- Sasfin seeks to uplift the communities in which it operates, recognising the importance of sustainability through projects that enhance the lives of others

#### Respect

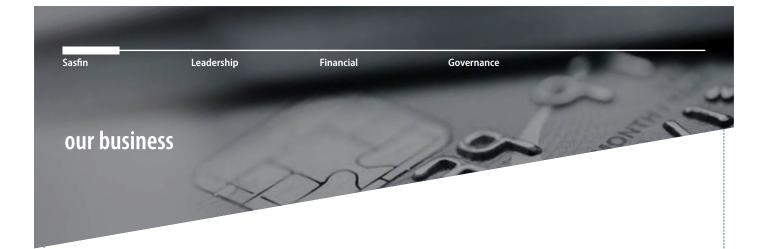
 Sasfin treats its clients, colleagues and communities with utmost respect

#### Greatness

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

#### Partnership

- Sasfin strives to be a partner beyond expectations, always seeking solutions that enhance its service through beneficial offerings to its clients
- While celebrating brilliance and encouraging independent thinking, Sasfin recognises that no individual is greater than the team



# Our target markets

Sasfin's 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 SasSec), Sasfin's target was expanded to include high-networth 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 will soon offer transactional banking services to high-net-worth individuals, small and medium-sized businesses and corporates



# Objectives, developments and forecasts

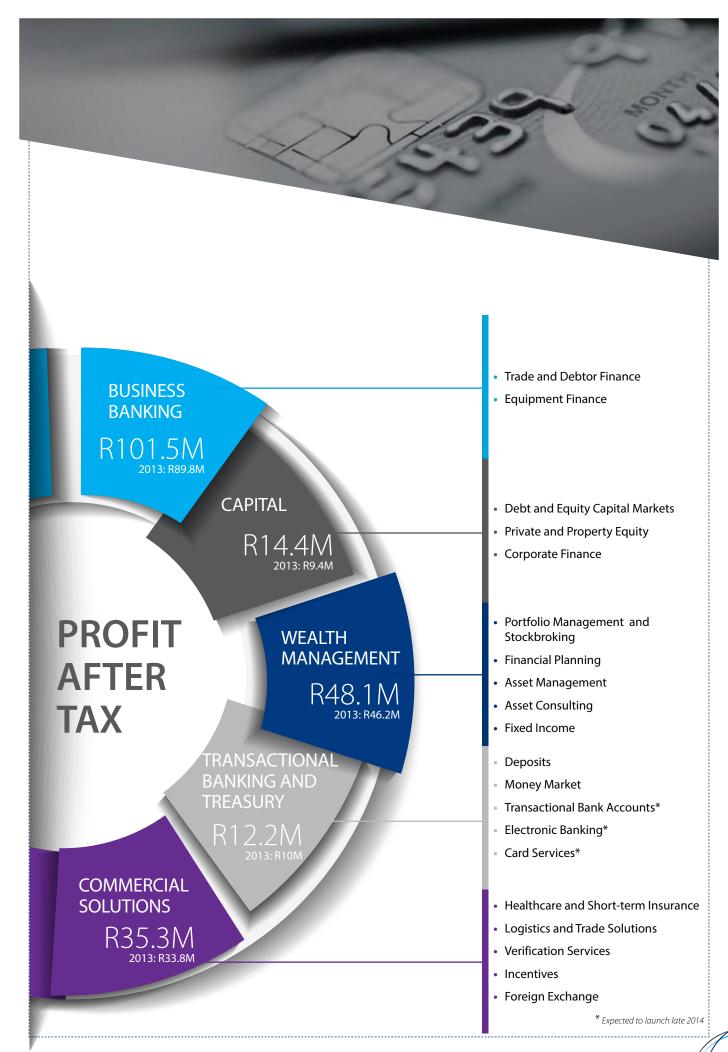
Sasfin is creating the critical mass necessary for each unit to be optimally viable to deliver on Sasfin's specialist, multiline banking and financial services offerings without compromising on quality

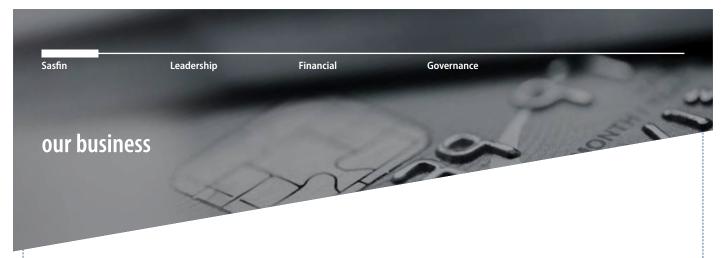


# Products and services

The Group's products and services are designed to protect and grow its clients' net assets and are integrated to create bespoke solutions for specific client needs

Product offerings are client-focused, with financial solutions for the various stages of business and personal wealth life cycles, This holistic client-centric approach allows Sasfin to position its offerings around the specific needs of its clients to provide comprehensive, start-to-finish, tailored solutions





		BUSINESS BANKING	TRANSACTIONAL BANKING
	sasfin	FANK II	AND TREASURY
Target markets	Entrepreneurs · Corpo	rates · Institutions · Hig	h-net-worth individual
What we do	Provide full-service banking to:     Entrepreneurs     Corporates     Institutions     High-net-worth individuals	Equipment finance     Operating rentals     Capital equipment     Renewable energy Trade finance     Letters of credit     Confirming Debtor finance     Domestic     Export	Foreign exchange Deposit taking Money market Cash management Transactional banking High-net-worth individuals Businesses
What we earn	Interest income Fee income Commission income Fair value gains/(losses)	Interest income Fee income	Interest income Fee income Transactional fees Investment income
What we spend	Interest expense Fee expense Commission expense Credit impairments Employee costs Operating expenses Taxes	Interest expense Fee expense Credit impairments Employee costs Operating expenses	Interest expense Employee costs Operating expenses
Our resources	727 employees (2013: 701) Our intellectual capital Our financial capital	105 employees (2013: 97) Our intellectual capital Our financial capital	32 employees (2013: 24) Our intellectual capital Our systems and technology
Operating entities	Sasfin Holdings Limited Sasfin Bank Limited Sasfin Asia Limited South African Securitisation Programme (RF) (Pty) Limited Sasfin Private Equity Investment Holdings (Pty) Limited Sasfin Securities (Pty) Limited Sasfin Asset Managers (Pty) Limited Sasfin Financial Advisory Services (Pty) Limited Sasfin Commercial Solutions (Pty) Limited Sasfin Premier Logistics (Pty) Limited Quorum Leasing (Pty) Limited	Sasfin Bank Limited Sasfin Asia Limited South African Securitisation Programme (RF) (Pty) Limited Quorum Leasing (Pty) Limited	Sasfin Bank Limited



CAPITAL



WEALTH MANAGEMENT

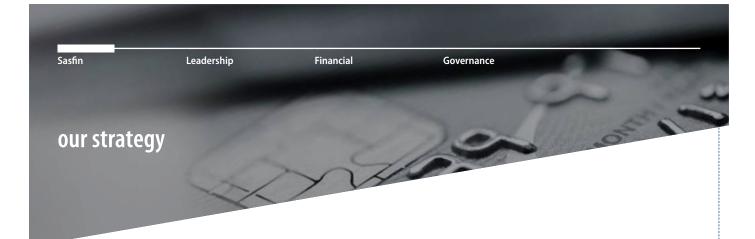


COMMERCIAL SOLUTIONS | CORPORATE SERVICES



#### $\textbf{Entrepreneurs} \cdot \textbf{Corporates} \cdot \textbf{Institutions} \cdot \textbf{High-net-worth individuals}$

Private equity Property equity Debt capital markets Equity capital markets Advisory  Mergers and acquisitions  Sponsor services  Corporate finance	Stockbroking Portfolio management Asset consulting Asset management Fixed income trading	Logistics and trade Brokerage      Healthcare     Short-term insurance Consulting     BEE verification     Growth incentives Treasury outsourcing     Forex	Finance and administration  Human resources  Compliance and legal  Company secretarial  Internal audit
Interest income Fee income  • Advisory and Sponsor Fair value gains/(losses)	Fee income  • Brokerage  • Asset management Trading income	Fee income	Risk  Credit  Information technology
Employee costs Operating expenses	Fee expense Commission expense Employee costs Operating expenses	Fee expense Commission expense Employee costs Operating expenses	Marketing Business development Facilities
13 employees (2013: 15) Our intellectual capital Our financial capital	143 employees (2013: 120) Our intellectual capital Our financial capital	253 employees (2013: 277) Our intellectual capital Our systems and technology	181 employees (2013: 168) Our intellectual capital
Sasfin Bank Limited Sasfin Private Equity Investment Holdings (Pty) Limited	Sasfin Securities (Pty) Limited Sasfin Asset Managers (Pty) Limited Sasfin Financial Advisory Services (Pty) Limited	Sasfin Financial Advisory Services (Pty) Limited Sasfin Commercial Solutions (Pty) Limited Sasfin Premier Logistics (Pty) Limited	Sasfin Bank Limited Sasfin Asia Limited Sasfin Private Equity Fund Managers (Pty) Limited Sasfin Securities (Pty) Limited Sasfin Asset Managers (Pty) Limited Sasfin Financial Advisory Services (Pty) Limited Sasfin Commercial Solutions (Pty) Limited Sasfin Premier Logistics (Pty) Limited



Our strategy is the roadmap to fulfilling our vision and mission. It informs and is tested by our material issues and is



plemented through four strategic pillars.			
Strategic pillars	Optimise synergies across a broad range of products and services	Enhance efficiencies and reduce cost-to-income ratio	
What is our goal?	Focus on client-centric service to differentiate	Grow new income streams	
	ourselves from bigger, more bureaucratic institutions who struggle to deliver in this realm	Achieve meaningful scale in all products and services	
	Ensure synergistic products and services across the entrepreneurial value chain	Positive JAWS ratio Increase in market share	
	<ul> <li>Focus on our distinct target markets:</li> <li>Entrepreneurs</li> <li>Corporates</li> <li>Institutions</li> <li>High-net-worth individuals</li> </ul>	increase in market snare	
Achieved through	Ensuring that our offerings to our clients are specialised and integrated	Maintaining and enhancing our diversified business.	
	High touch service offering	Cost control	
		Growth in marginal businesses	
		System efficiencies and 'straight through' processing	
Strategic business enablers	Working capital and equity	Multiple product offerings	
	Tailor-made solutions	Grow lending, wealth management, transactional, logistics and advisory services Greater annuity-based non-interest income	
	Agility and speed		
	Appropriate, flat operating and management structure		
	Bespoke IT systems		
	Equity, debt capital and securitisation market expertise		
What have we achieved	Developed Transactional Banking	A focused look at efficiencies and cost-to- income ratio which remained flat in the last financial year Concerted effort to reduce negative carry on high surplus funds	
in 2014?	Increased the breadth and depth of our range of products and services		
	Improved cross-selling across the business		
What do we want to achieve beyond 2014?	Increase critical mass in all business units	Invested in infrastructure for significant growth in Business Banking, Wealth and Transactional Banking which negatively impacted this year's cost-to-income ratio bu will show future benefit	
	Continue building on our current strategy to ensure that we capitalise on the significant potential that exists in the Group		
	Improve customer retention and experience	Annuity-driven revenue streams	
	Strategically reposition Sasfin as the primary	Effective deployment of surplus liquidity into	
	bank to our customers	quality, higher-yielding assets	
		Cost to income ratio below 65%	



#### Sustainable growth in our target markets

Understanding our clients' needs

Personalised service

Strong relationships

Flexibility

Quick turnaround

Grow Transactional Banking

## Proactive balance sheet management and capital optimisation

Effective capital planning and ICAAP processes are in place

Prudent asset/liability matching

Establish a well-balanced asset and liability structure

Optimise the earnings yield on all our asset classes

Efficient and quality capital structure

Well diversified funding base

Creating partnerships with clients that deliver products and services that exceed their expectations

Proactive capital and liquidity management

Effective investment in different classes of product, capital

and liquidity

Prudent and sound risk management processes

Highly experienced and passionate employees

Dedicated and experienced teams

Personal guidance

Innovative, client-centric products

Excellent service designed to exceed client expectations

Effective balance to ensure we are set for growth in assets and funding

Diversified investor and funding base

Adequate liquidity buffers that are easily liquefiable

Transactional Banking as a lever for streamlined client delivery

Our Fixed Income offering has allowed us to deal with institutions

Business Banking has increased the number of its corporate clients

Success in raising new funding and growing funding base Positive reduction in Capital Adequacy Ratio due to growth in asset base

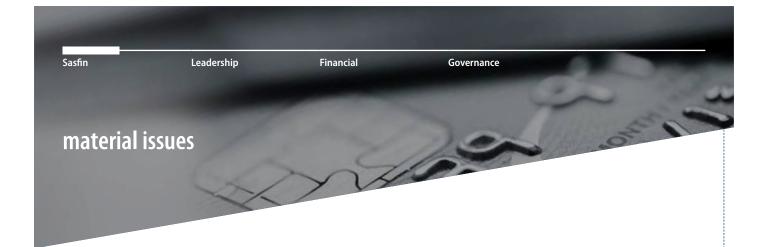
Continue growth across the spectrum of entrepreneurial, corporate, institutional and high-net-worth clients

Grow Transactional Banking to leverage business and ensure cohesion for better client retention

Broaden our franchise value and explore new markets and geographies

Continue growth in all identified areas
Improve Return on Risk-Weighted Assets

Implementation of RAROC as a key performance measure Increase Return on Equity to above 20% over the next three years



A material issue is one that affects our ability to deliver on our strategy. More specifically, material issues are those that have a strong influence on our stakeholders' assessments and related decisions on the Group's long-term sustainability and ability of the Group to deliver on their long-term requirements. Effective management of the material issues affecting the Group is critical in achieving our strategic objectives.



#### **Material issues**

#### Why is this a material matter?

# 13

#### How are we positioned to deal with this?



# Tough economic conditions



The South African economy continues to face headwinds from sustained weakness in the global economy, pressure on the Rand, escalating imported inflation, continued labour unrest and a possible further sovereign rating downgrade.

Consumers remain burdened by high levels of debt, diminishing levels of disposable income, escalating energy prices and rising inflation.

These factors will impact the performance of the Group as a result of:

- Muted demand for credit
- Increased risk of defaults and bad debts
- Higher input costs resulting from higher inflation
- Decreased investment appetite in South Africa

#### \_\_\_\_\_



• A dedicated approach to responsible lending

economic downturns

- A strong focus on cost containment across the Group
- Client-centric service helps us to understand our clients' requirements and identify and manage risks

The financial and banking sectors have been transformed by the digital age. The expectations that are placed on banks by clients have increased significantly. Clients are empowered to research and search for the most cost-effective options for depositing and borrowing and search for the most cost-effective and seamless options.

- High touch client service helps us to understand our client requirements and needs
- We offer our clients value-adding financial solutions
- Continuous product development and innovation ensures that we meet our client needs
- We ensure cost-effective and correctly priced products to the market
- Becoming a full clearing and settlement bank which positions us to offer a full range of transactional banking products and services. This will enable us to better serve our clients and enter new markets

Remaining competitive and relevant





#### Why is this a material matter?



#### How are we positioned to deal with this?







Increased governance and regulatory requirements



Trust in global banking has been eroded since 2008. Regulators, including the South African Reserve Bank (SARB), have implemented measures to safeguard consumers and maintain a sound banking sector. The most significant of these regulations is Basel III and its impact on capital and liquidity requirements for banks.

Basel III reduces the Group's leverage which in turn makes it more difficult for the Group to deliver competitive returns to our shareholders. This could also result in a higher cost of credit to clients.

Introduction of the new twin peaks regulatory model, resulting in the SARB as prudential regulator and the FSB as market conduct regulator, which are designed to protect clients and promote stability in the banking

- We pride ourselves on maintaining high capital adequacy levels and liquidity ratios far in excess of the prescribed minimums and industry norms
- The SARB and Finacial Servcies Board (FSB), as regulators, are regarded as key stakeholders to the Group with which healthy, open and honest relations are maintained
- · We pride ourselves on being compliant with all rules and regulations
- Basel III capital adequacy and liquidity requirements were fully implemented on 1 January 2013, well ahead of the planned implementation dates
- The Group has an experienced, competent and qualified Board of Directors who are well equipped to handle the changing regulatory landscape
- Tempered risk appetite to deliver sustainable returns and prevent value erosion





Recruiting, motivating and retaining the right people



Banking and financial services continue to evolve and become more complex. Providing excellent client service, a wide range of consumer products, driving balance sheet growth while managing complex risk, increasing shareholder value and remaining liquid and solvent requires the highest level of skilled, customerfocused and analytical employees.

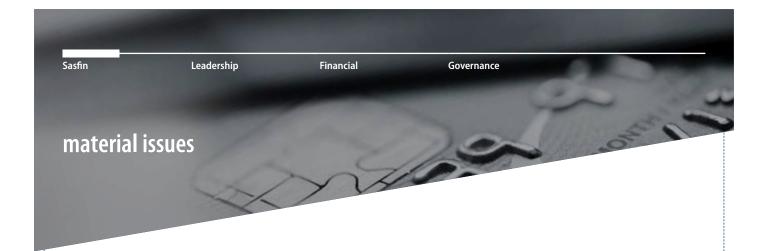
There is a significant shortage of specialised skills in South Africa giving rise to competition for a small pool of qualified employees among the banking and financial services industry. Simply put, there is a "war for talent". Key IT, finance and accounting skills are at a premium.

Sasfin needs to ensure that it recruits, motivates and retains exceptional people.

- · Sasfin strives to be an exciting place to work at
- Sasfin nurtures and develops talented employees within our caring culture
- The Group continues to invest heavily in our people, increasing and honing a number of initiatives to train and develop them
- The recently relaunched Trained Outside Public Prctice (TOPP) programme, in association with the South African Institute of Chartered Accountants (SAICA), serves to "home grow" our skills base
- We reward our people in line with best practice and industry norms







#### Why is this a material matter?



#### How are we positioned to deal with this?



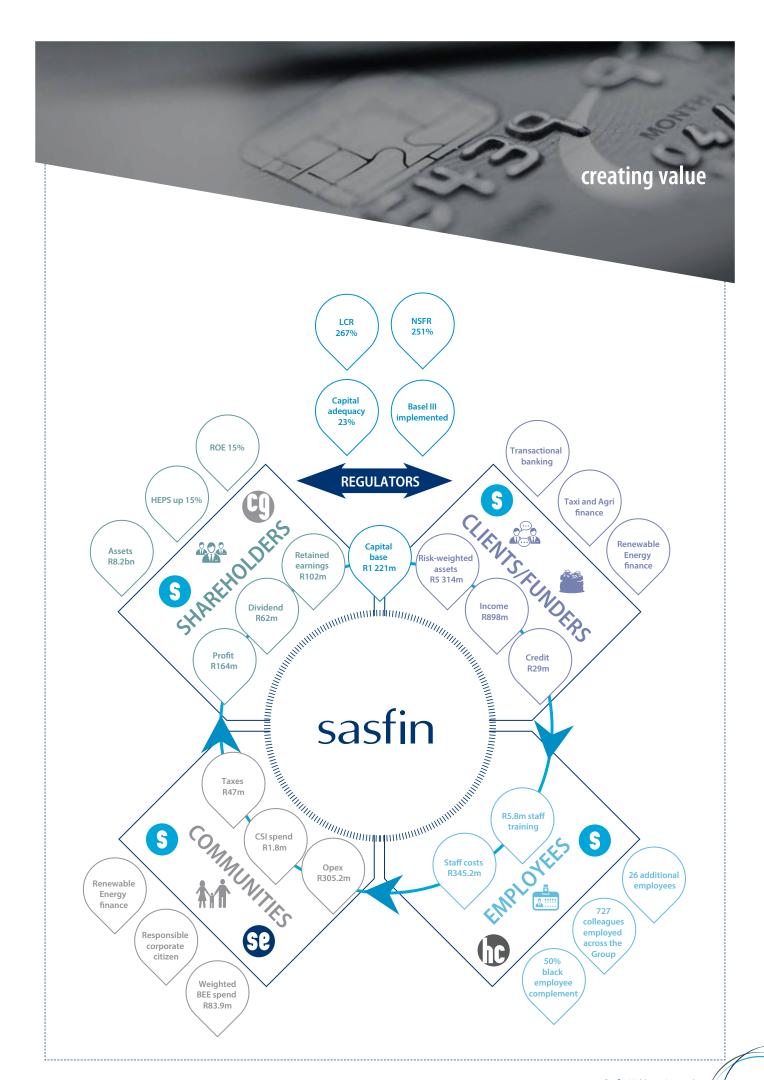
Increasing stakeholder value in the long term



Through globalisation and technology, stakeholders have the ability to move capital, resources, assets and liabilities almost instantaneously. Our stakeholders will only remain loyal to the Group if we maintain our reputation for delivering above market-related returns in a sustainable manner.

Capital providers are driven by long-term value creation

- The Group provides high-touch, client-centric service with a strong focus on meeting the needs of our clients
- We are positioned for organic and acquisitive growth using our strong balance sheet, capital adequacy and liquidity
- The Group has a culture and track record of sound risk management and cautious growth profitability
- We are a diversified financial services and banking group offering a full spectrum of services





#### Lending and advisory activities

#### Who are our clients?



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

#### What did we achieve for our clients in 2014?



- Being "a partner beyond expectations"
- High-touch client service
- Bespoke financial solutions
- Taxi and Agri finance offerings
- Renewable Energy finance
- Commercial solutions to complement the needs of growing businesses

#### How did we interact with our clients in 2014?



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

#### What are we focusing on for 2015?



- Transactional Banking a full service bank with online and mobile banking, debit card, and a customer relationship centre allowing seamless, hi-tech solutions for clients to manage their money
- Expanding service delivery in our chosen markets
- Continuous product development
- Becoming a primary banking partner to our clients
- Expanding on the diverse range of commercial solutions
- Syndicate lending solutions with local and foreign institutions

#### What are we focusing on beyond 2015?



- Maintaining and building on solid relationships with clients
- Expansion into new markets and products
- Diversifying our growing client base



#### **Funders**

#### **Deposit taking and investors**

#### Who are our funders?



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

#### What did we achieve for our funders in 2014?



- Being "a partner beyond expectations"
- · High-touch service
- Introduced Institutional money market product
- Unique product range
- Delivered above market-related returns
- Moody's rating of Stable/Baa2.za (Sasfin Bank Limited)

#### How did we interact with our funders in 2014?



- Roadshows
- Due diligences performed by funders on Sasfin
- · Interactions with rating agencies
- Executive Director interaction with funders on an ongoing basis

#### What are we focusing on for 2015?



- · Online direct investment products
- Online transactional banking security
- Syndicated transactions
- Ring fenced funding to match lending products
- Diversification of funding and investor base



#### What are we focusing on beyond 2015?



- · Matched profile of funding to asset base
- Growing funding base to meet the demands of a growing balance sheet
- · Improved cost of funding
- · Improved credit rating
- Maintain growth in depositor base

### Material issues affecting our relationship with our clients and funders



- Tough economic conditions
- · Remaining competitive and relevant



- Recruiting, motivating, developing and retaining the right people
- Increasing stakeholder value in the long term



#### **Our shareholders**

#### Who are our shareowners?



- Directors and associates: 45.70% (2013: 44.23%)
- Government Employees Pension Fund 3.10% (2013: 3.15%)
- Top five fund managers: 12.99% (2013: 15.97%)
- Preference shareholders: 704 (2013: 756)
- · Financial media

#### What did we achieve for our shareholders in 2014?



- Return on equity of 15% (2013: 14%)
- Headline earnings growth of 14% (2013: 22%)
- Dividend per share increase of 14% to 191 cents (2013: 168 cents)
- Growth in share price of 51.2% (2013: 6.0%) from R33.40 to R50.50

#### How did we interact with our shareholders in 2014?



- Regular JSE SENS announcements
- Financial results and Integrated Report 2014
  - Roadshows
- Annual General Meeting and other meetings
- Group website www.sasfin.com
- Ad-hoc meetings with shareholders, potential investors, analysts, credit rating agencies and media during non-closed periods
- Annual and interim results announcements, presentations and roadshows
- Feedback from our shareholders
- 87% support for our remuneration policy at 2013 Annual General Meeting

#### What are management's internal targets for 2015 and beyond?



- Return on assets above 3%
- Return on equity above 20%
- · Cost-to-income ratio below 65%.
- Stable continuous and sustained growth in headline earnings
- Strong, responsible balance sheet growth

## Material issues facing our relationship with our shareholders



- · Worsening economic conditions locally
- Increased competition



- Further tightening in governance and regulatory requirements likely to affect entrepreneurial spirit
- Increasing shareholder value in the long term



# Our employees



#### Who are our people?



- Number of employees: 727 (2013: 701)
- Female employees: 57% (2013: 58%)
- Black employees: 50% (2013: 47%)

#### What did we achieve for our people in 2014?



- New jobs created: 26 (2013: 37)
- Training spend: R5.8 million (2013: R3.4 million)
- 732 training interventions (2013: 548)
- TOPP programme, in partnership with South African Institute of Chartered Accountants, relaunched with two black participants

#### How did we interact with our people in 2014?



- Open and honest communication
- · Periodic climate surveys
- Annual benchmarking and review of compensation
- Internal and external training
- Regular employee meetings
- Quarterly HR newsletter

#### What are we focusing on for 2015 and beyond?

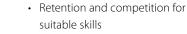


- · Succession planning
- Acquiring and developing talented employees
- Investing in learning amongst all levels of employees
- Stabilising key roles within the organisation
- Focus on building a transformed and skilled workforce

#### Material issues facing our relationship with our people



Recruiting, motivating and retaining the right people



Appropriate reward and remuneration levels



### Our regulators (1)



#### Who are our regulators?



- South African Reserve Bank (SARB)
- Johannesburg Stock Exchange (JSE)
- South African Revenue Services (SARS)
- Financial Services Board (FSB)
- Department of Trade and Industry (dti)
- Payment Association of South Africa (PASA)

#### What did we achieve with our regulators?



- Basel III implemented in terms of SARB Requirements – 1 January 2013
- Fully compliant (earlier than required) with Basel III liquidity requirement for liquidity coverage ratio and net stable funding ratio
- Total capital adequacy ratio 23% (2013: 26%)
- Tier 1 capital adequacy ratio 21% (2013: 23%)
- Corporate citizenship promptly contributing taxes due
- No material concerns raised by any regulator
- Registration with Foreign Account Tax Compliance (FATCA) and Protection of Personal Information Act (POPI)
- Clean bill of health with JSE on financial statements review
- Compliance with all JSE Listings Requirements
- Applies all the 75 principles of King III



#### How did we interact with our regulators in 2014?



- T)
- Various formal prudential meetings with the SARB and Sasfin's CEO, Group Financial Director, Board of Directors, Board Audit and Compliance Committee
- Regulatory return submissions to the SARB
- Ongoing compliance audits
- Internal Capital Adequacy Assessment Programme review performed by the SARB in July 2013
- Tri-lateral meetings with the Group Audit and Compliance Committee, Group Auditors and the SARB
- Regulatory return audits performed by our external auditors and reported to the 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

#### What are we focusing on for 2015 and beyond?



- · To always remain well capitalised and liquid
- To maintain full compliance with all Basel III requirements



- Information technology systems to manage the complexities of the Group
- To always remain compliant with all regulations on a pro-active basis
- To remain a responsible corporate citizen and tax contributor
- Achieve compliance with new regulations of FATCA and POPI

# Material issues affecting our relationship with our regulators



Increased governance and regulatory landscape



- Recruiting, motivating and retaining the right people
- · Increasing compliance costs



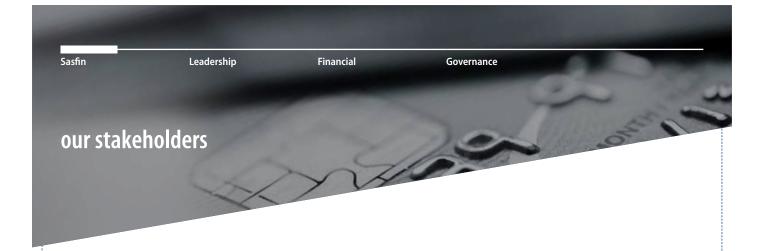
#### Who are the communities in which we operate?



We consider ourself a proud and loyal South African corporate citizen operating within the global economy.

We are committed to South Africa and continuously consider how Sasfin can contribute to our country's development.

The Group endeavours to contribute to sustainable projects that decrease poverty, improve the quality of life and promote education and development for all South Africans.



#### What did we achieve for our communities in 2014?



- Taxi finance product created empowerment financing
- Renewable energy finance
- Weighted procurement spend on BEE suppliers: R83.9 million (2013: R75.9 million)
- CSI contribution: R1.8 million (2013: R1.9 million)
- Carbon emission per employee of 5.33tCO<sub>2</sub>e lower than industry average of 7.94tCO<sub>2</sub>e

#### How did we interact with our communities in 2014?



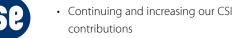


- Market research to understand the needs of the broader South African economy
- Funding CSI projects that support sustainable growth in our communities including, among others, Afrika Tikkun, ORT Jet and Junior Achievers
- Social and environmental due diligence report
- Participated in Cell C Take a Girl Child to Work initiative

#### What are we focusing on for 2015 and beyond?



- Improve BBBEE rating
- Increasing procurement spend from BEE level 4 and better rated suppliers
- Growing green finance initiatives



- Continuous focus on product development for SMEs
- Focus on reducing carbon emissions per employee and for the Group as a whole
- Seeking ways to ensure financial inclusion through partnerships and addressing the needs of the unbanked and underbanked
- Key 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

## Material issues facing our relationship with our communities



- New regulations and policies
- Energy crisis and increasing cost of energy supply



• Consumer over indebtedness





#### Roy Andersen (66)

Independent Non-Executive Chairman of Sasfin Holdings Limited and Sasfin Bank CA(SA), Certified Public Accountant (Texas), Chartered Director (SA)

#### Appointed 2011

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

#### **Board committee memberships**

- Directors' Affairs and Nominations (Chairman)
- · Risk and Capital Management

#### Invitee to:

- Audit and Compliance
- · Human Resources and Remuneration Committees

#### **External appointments**

- · Aspen Pharmacare Ltd
- · Nampak Ltd
- Military Command Council of the SANDF
- King Committee on Corporate Governance



#### **Roland Sassoon (69)**

Group Chief Executive Officer, Member of Group Exco

#### 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 except Treasury and Transactional Banking.

#### **Board committee memberships**

- · Credit and investment
- · Social and Ethics
- · Asset and Liability

#### Invitee to:

- · Audit and Compliance
- · Directors' Affairs and Nominations
- · Human Resources and Remuneration
- · Risk and Capital Management

#### Other appointments

Various Group companies



#### Tyrone Soondarjee (53)

Group Financial Director, Member of Group Exco BCompt (Honours) CTA (UNISA), CA(SA)

#### Appointed 2010

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

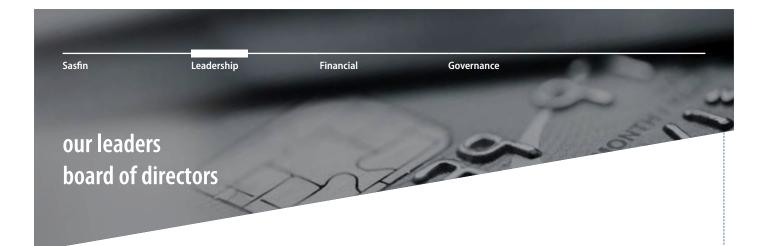
**Board committee memberships** · Risk and Capital Management

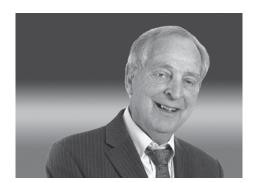
- Asset and Liability
- Audit and Compliance
- Credit and Investment
- Directors' Affairs and Nominations
- · Information Technology

Other appointments

Various Group companies

Sasfin Holdings Limited Integrated Report 2014





#### Eddie Blight (74)

Independent Non-Executive Director

#### Appointed 2001

#### Eddie was previously General Manager: Internal Audit, Security and Risk Management at First National Bank.

# • Asset and Liability (Chairman)

- Audit and ComplianceDirectors' Affairs and
- Nominations
  Risk and Capital Management (Chairman)
- Social and Ethics

#### External appointments



#### Linda de Beer (45)

Independent Non-Executive Director

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

#### Appointed 2014

Linda is a financial reporting and corporate governance advisor and a part-time professor at the University of the Witwatersrand, School of Accountancy. Linda is a member of various local and international standard-setting bodies, including the King Committee.

#### **Board committee memberships**

- Audit and ComplianceDirectors' Affairs and Nominations
- Information Technology (Chairperson)
- Risk and Capital Management

#### External appointments

- Hospitality Property Fund LtdRoyal Bafokeng Platinum Ltd
- Tourism Enterprise Partnership
   NPC



#### **Grant Dunnington (54)**

Appointed 2010

Independent Non-Executive Director

BCom, Certified Associate of the Institute of Bankers

#### Board committee memberships

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.

#### board committee memberships

- Audit and Compliance (Chairman)Credit and Investment
- (Chairman)
- Directors' Affairs and Nominations
- Human Resources and Remuneration

#### External appointments

- Integrated Cash Management Services Ltd (Nigeria)
- SBV Services (Pty) Ltd
- SBV Ltd (Nigeria)



#### Dolly Mokgatle (58)

Independent Non-Executive Director

BProc (Wits), LLB (Wits), HDipTaxLaw (Wits)

#### Appointed 2007 (Sasfin Bank Limited in 2006)

Dolly is a qualified attorney and businesswoman. She is the co-founder of Peotona Group Holdings (Pty) Limited. Dolly has significant experience in the electricity industry and serves on the boards of various companies and non-profit institutions.

#### Board committee memberships

- Asset and LiabilityDirectors' Affairs and Nominations
- Human Resources and Remuneration
- Risk and Capital Management
- · Social and Ethics (Chairperson)

#### **External appointments**

- Kumba Iron Ore LtdPeotona Group Holdings
- and subsidiaries
   State Diamond Trader SOE
- Total SA
- Zurich Insurance Ltd





#### John Moses (69)

#### **Independent Non-Executive Director**

BSc (Honours) (Wits), Program for Management Development (Harvard)

#### Appointed 2010

#### John has served in senior positions at various local and international banks over the last 35 years.

#### **Board committee memberships**

- · Asset and Liability · Audit and Compliance
- Credit and Investment
- · Directors' Affairs and Nominations
- Risk and Capital Management

#### **External appointments**

None



#### **Shahied Rylands (42)**

**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.

#### **Board committee memberships**

- Asset and Liability · Credit and Investment
- Directors' Affairs and Nominations
- · Information Technology
- Human Resources and Remuneration (Chairman)
- Risk and Capital Management

#### **External appointments**

- · Royal Africa Gateway
- Various private companies, foundations and trusts



#### Lesego Sennelo (37)

**Independent Non-Executive Director** 

BCompt (UNISA), CTA (Natal), HDip Auditing (RAU), CA(SA)

#### Appointed 2014

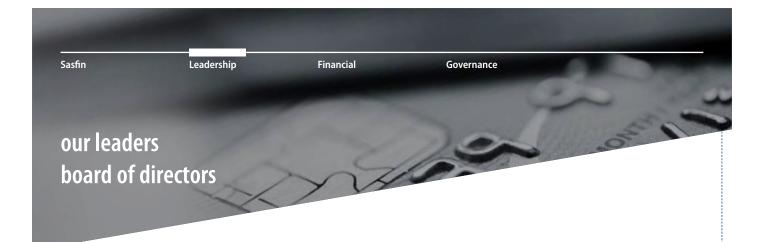
Lesego is the Managing Director of AWCA Investment Holdings Ltd, a Board member of the South • Asset and Liability • Audit and Compliance • Directors' Affairs and African Institute of Chartered Accountants and a member of the Social and Ethics Institute of Directors of Southern Africa. She is also a fellow of the International Women's Forum and President of the African Women Chartered Accountants Forum.

#### **Board committee memberships**

- Directors' Affairs and Nominations

#### **External appointments**

- AWCA Investment Holdings Ltd
- · African Women Chartered Accountants
- Medshield Medical Aid Scheme
- OneLogix Group Ltd
- SAICA





#### Linda Fröhlich (45)

Head of Business Banking, Alternate 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.

#### \_\_\_\_

- · Credit and Investment
- Directors' Affairs and Nominations
- Risk and Capital Management

**Board committee memberships** 

Other appointments

Other appointments

Various Group companies

Various Group companies



#### Maston Lane (48)

 ${\bf Chief\ Operating\ Officer,\ Alternate\ Director,\ Member\ of\ Group\ Exco}$ 

National Certificate (United Institute of Credit Management)

#### Appointed 2013

Maston is responsible for credit management, risk management, information technology, human resources and facilities management for the Group.

#### **Board committee memberships**

- Credit and Investment
- Social and Ethics

Invitee to:

- · Audit and Compliance
- Directors' Affairs and Nominations
- Information Technology
- Risk and Capital Management



#### Michael Sassoon (32)

**Head of Wealth and Capital, Alternate Director, Member of Group Exco** BCompt (UNISA), MBA (University of Rochester)(USA)

#### Appointed 2013

Michael is responsible for the Wealth Management and Capital businesses in the Group.

#### Board committee memberships

Invitee to:
• Credit and Investment

 Directors' Affairs and Nominations Other appointments

Various Group companies



Executive Directors (Roland Sassoon and Tyrone Soondarjee) and Alternate Directors (Linda Fröhlich, Maston Lane and Michael Sassoon) together with heads of significant business areas form the Group Executive Committee (Exco). The remaining members are



#### Howard Brown Head of Legal and Compliance, Group Company Secretary BA (Wits), LLB (Wits), HDip Corporate Law (UNISA)

Joined the Group in 2006 and appointed to Exco in 2006

Howard is the Group Secretary and an admitted attorney. He is responsible for all legal and compliance functions within the Group and for communication with the various regulators of the Group.



**Allan Corbett** 

#### **Head of Sasfin Forex and Global Trade Solutions**

National Diploma (Financial markets and instruments) (Academy of Financial Markets)

Joined the Group in 2012, appointed to Exco in 2014

Allan is responsible for Sasfin Forex and Global Trade Solutions which form part of Sasfin Commercial Solutions.



**Rodger Dunn** 

#### **Head of Transactional Banking**

MBA (Netherlands), MBA (Columbia New York), FIBSA

Joined the Group and appointed to Exco in 2014

Rodger is responsible for Transactional Banking (including Treasury) for Sasfin Bank Limited.



**David Edwards** 

**Head of Commercial Solutions** 

BCom (Port Elizabeth), MBL (UNISA)

Joined the Group in 2012, appointed to Exco in 2012

David heads up the non-banking, commercial services operations of the Group.





Peter Ehrenreich Chief Executive Officer, Sasfin Premier Logistics Certificate (Maersk Shipping and Logistics Academy)

Joined the Group and appointed to Exco in 2012

Peter is CEO of Sasfin Premier Logistics which handles the international freight forwarding, customs-clearing, warehousing, distribution and logistics management businesses of the Group.



Neil Eppel
Head of Private Equity
BCom (Honours) (Wits), CA(SA)
Joined the Group in 2009, appointed to Exco in 2011
Neil is responsible for the Private Equity business in the Group.



Naseema Fakir
Head of Human Resources
BCom (Honours) (UNISA), MBL (UNISA)
Joined the Group in 2001, appointed to Exco in 2006

Naseema is responsible for Group Human Resources matters including remuneration, policies, procedures and practices.



**Lushen Pather Chief Financial Officer, Banking and Group**BCompt (UNISA), BCom (Honours) (Natal), CA(SA)
Joined the Group and appointed to Exco in 2014

Lushen is responsible for the Group finance, capital management and regulatory functions of Sasfin Bank Limited and Sasfin Holdings Limited.





Gary Patterson Managing Director, Sasfin Asia CAIB (SA)

Joined the Group in 2006, appointed to Exco in 2007 Gary is the Head of the Group's Hong Kong Office and Managing Director of Sasfin Asia Limited.



Zeenath Valley
Head of Risk
BCom (Management) (cum laude) (UNISA)
Joined the Group in 2001, appointed to Exco in 2014
Zeenath is responsible for risk management across the Group.



Berdine Viljoen
Chief Information Officer
BA (Honours) (Rand Afrikaans University)
Joined the Group in 2008, appointed to Exco in 2010
Berdine is responsible for all Group information technology matters including strategy, planning and implementation.



Deon van der Westhuizen Head of Credit BCom (Accounting) (Rand Afrikaans University) Joined the Group in 2001, appointed to Exco in 2009 Deon is responsible for credit management across the Group.



# Integrity Respect Greatness Partnership





#### Introduction

We are pleased to present our 2014 Integrated Report. It is now 27 years since Sasfin was listed as a trade and equipment financier on the JSE's Development Capital Market Board with a market capitalisation of R6 million, and 15 years since it was awarded a banking licence, with total assets at the time of just R300 million.

From these humble beginnings, Sasfin has become a solid, sustainable and specialised, multiline banking group with market capitalisation of over R1.5 billion and assets of over R8 billion. This journey required careful navigation through numerous obstacles, including the small bank crisis in 2002 and the credit crunch of 2008/9. Sasfin achieved this while cautiously expanding the depth and breadth of our business and adapting to a highly sophisticated and competitive industry with escalating regulation in banking and financial services. This includes capital adequacy, liquidity, client knowledge and care and prudential, market and reputational risk control.

Our competitive advantage in the growing entrepreneurial banking market is primarily our skill and agility in being a partner beyond expectations to our clients.

#### **Building a sustainable business**

Building a sustainable business means more than short-term profit generation. It requires a clear strategy and an integrated perspective on what value encompasses and how it is created.

Economic growth, social equity and environmental integrity are interdependent outcomes of sustainable development. Sasfin recognises that the banking and financial services sector has an important role to play in the economies in which it operates. The Group actively manages the direct and indirect impacts of our activities, products and services. The integration of social, economic and environmental factors is essential for planning, implementation and decision-making so as to ensure that development serves present and future business partners.

In order to ensure objective validation of South Africa's transformation process, Sasfin has engaged with an independent, approved verification agency not only to provide a scorecard,

but also to review progress so that appropriate medium and long-term strategies can be implemented, aimed at improving Sasfin's broad contribution to BEE. The ownership requirements of the FSC code remain a challenge as the Banks Act requires regulatory approval for any significant shareholding. Sasfin, however, continues to make good progress in our employee demographic profile, procurement practices and enterprise development initiatives bring real benefits to our stakeholders.

The Group considers our employees as a competitive advantage and invests appropriately in them. As at 30 June 2014, headcount was 727 employees, up from 701 in 2013. Total employee turnover was 15% (2013: 14.8%). Sasfin seeks, at all times, to ensure fair and sound recruitment, reward and retention practices.

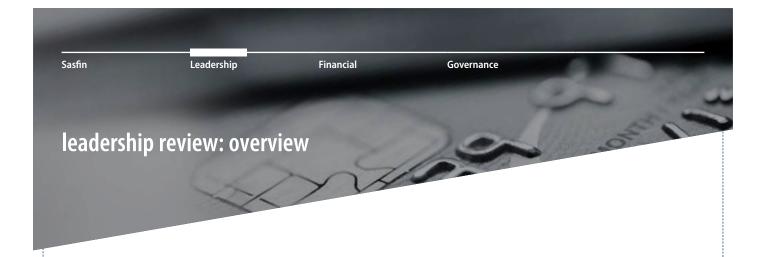
Being a good corporate citizen means making a positive contribution in the communities in which we operate. To this end, Sasfin is involved in a variety of CSI and other sponsorships projects. The Group endeavours to invest in projects that uplift poverty, improve the quality of life, promote education and development for all South Africans. The total CSI spend for the year was approximately R1.8 million (2013: R1.9 million).

#### **External operating environment**

While the world economy as a whole is expected to continue its gradual recovery, the Federal Reserve Bank's decision to taper quantitative easing, led by the US, is taking its toll on the bond, commodity and emerging markets. The Chinese economy, an important engine for global economic growth, is going through a correction, exacerbated by a shadow banking credit crunch.

Furthermore, a number of economies are experiencing distinctive issues and geopolitical concerns, aggravated by the effects of globalisation, together with advanced technologies on employment and growing wealth and income disparities.

These uncertainties, together with the impending full implementation of Basel III, are inhibiting bank lending, especially by systemically important banks.



These global developments, compounded by South Africa's social and economic challenges, including its twin deficits, high unemployment, labour unrest and over-indebted consumers are likely to have far reaching impacts on South Africa. It is anticipated that the economic growth rate will remain relatively stagnant, with unemployment and inflation remaining high. Interest rates are expected to edge up further and businesses will continue to struggle in the tougher trading environment.

A further concern, albeit remote at this stage, appears to be the prospect of South Africa being downgraded to below investment grade by international rating agencies, which would damage South Africa's ability to attract cost-effective capital, thereby further weakening the Rand and increasing interest rates. The silver lining is the buoyancy in the rest of Africa, which is rubbing off on South Africa, especially for exports – both actual and invisible.

Sasfin is aware and proactively manages the effects of these challenges, constantly evaluating and strengthening its risk management processes and policies, and remains committed to exploiting every opportunity as a result of the positive growth in the rest of Africa.





We maintained our growth levels in our core business activities and produced a satisfactory set of results, reflecting a 15% increase in headline earnings per share to 486 cents (2013: 421 cents) and significantly strengthened our Balance Sheet at 30 June 2014.

The Group experienced asset growth of 25% (2013: 19%) year-on-year, underpinned by a 17% (2013: 17%) increase in gross loans and advances. Profit for the year increased by 7% (2013: 15%) to R164 million (2013: R153 million). This is after a once-off goodwill impairment of R10 million (2013: Rnil).

The effective tax rate of the Group (excluding goodwill impairment) was 21.4% (2013: 20%), marginally up on last year due to a decrease in equity accounted earnings now classified as fair value gains that is taxed at capital gains tax rates.

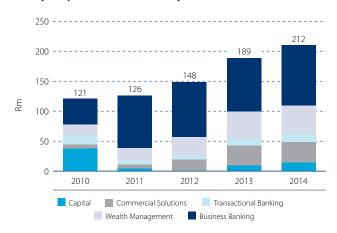
Return on equity remained flat at 14% (2013: 14%), while excluding the goodwill impairment increased to 15% (2013: 14%). Return on assets remained flat at 2% (2013: 2%) as a result of an increased asset base that included the gross up of reverse repurchase agreements of R563 million.

## Financial performance

Our ability to deliver on our strategy is dependent on the performance of each division.

Strong revenue growth across all business divisions, offset by a marginally higher impairment charge, resulted in Group headline earnings growth of 14% to R154 million (2013: R135 million).

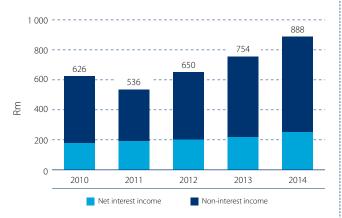
# Five-year profit contribution by business unit



## **Income**

Total income grew 18% (2013: 16%) in 2014 with net interest income growth of 15% (2013: 9%) linked directly to the growth in gross loans and advances partly offset by the negative carry costs on the high surplus liquidity position. Non-interest revenue grew by 19% (2013: 19%) as a result of the Group's focus on driving this revenue stream.

# Income



## **Credit losses**

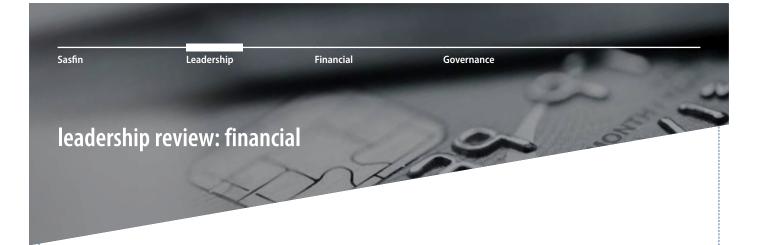
Credit loss ratio is the credit impairment expense as a percentage of average gross loans and advances and reflects the loss to the Group when customers are unable to repay loans. Credit impairment charges for the year increased by 32% (2013: 34%) to R29.5 million (2013: R22.3 million), largely impacted by a single large write-off. This has led to the Group credit loss ratio creeping up 10bps to 80bps (2013: 70bps).

# **Operating expenses**

Group costs, excluding goodwill impairment, reflect a 15% (2013: 18%) increase when compared to the same period in 2013, primarily driven by a 17% increase in employee costs.

The growth in employee costs is attributable to an increase in employee numbers, particularly in Wealth Management, recruitment of a new Fixed Income trading team, the establishment of the new Transactional Banking division and a new Stellenbosch client and sales office.

The Group fully impaired goodwill of R10 million (2013: Rnil) relating to goodwill recognised on the acquisition of Capital Hill Corporate Finance in 2010. This is a non-recurring expense.



# **Cost-to-income and JAWS ratios**

The JAWS ratio is a measure by which income growth rate exceeds expense growth rate. A positive JAWS indicates the generation of more income than expenses over time. The Group is pleased with its positive JAWS ratio of 3% and will focus on maintaining positive JAWS. This encouraging result is indicative of the significant benefits being extracted from the Group's investment in systems and platforms coupled with its cost containment initiatives.

The Group anticipates extracting efficiencies from the systems and platforms that it has invested in to date in the coming financial years. This, together with the Transactional Banking revenue stream, will further improve the Group's and Banking Group's cost-to-income ratio.

The Group's cost-to-income ratio remains high, but flat, at 72% while the Banking Group has increased to 64% (2013: 62%). These ratios are high in relation to other banking groups, due to Sasfin's:

- · high-touch customer service
- building scale across a number of its business units
- · high proportion of non-banking activities

The Group continually seeks to improve its cost-to-income ratio and JAWS ratio primarily through up-scaling and increasing volumes across its business units.

# Statement of financial position

The Group continues to build a robust, solvent and liquid Balance Sheet. Total assets grew by 25% to R8.2 billion from 2013.

# Loans and advances

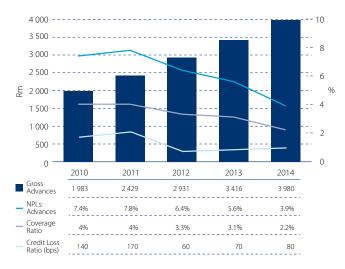
	2014 Rm	2013 Rm	% change
Rental and capital equipment	2 983	2 599	15
Trade finance	497	400	24
Debtor finance	253	213	19
Commercial property and			
other loans	247	204	23
Gross loans and advances	3 980	3 416	17

Loans and advances represent the largest asset class on the Balance Sheet which generates the biggest source of interest income for the Group. Growing loans and advances within the Group's accepted risk levels is, therefore, essential to growing revenue. Gross loans and advances grew by 17% to R3.98 billion (2013: R3.41 billion).

Non-performing loans decreased to R155 million (2013: R193 million) and represents 3.9% (2013: 5.6%) of gross loans and advances at 30 June 2014.

The non-performing loan and credit loss ratios are indicative of stringent lending criteria and the Group's conservative provisioning methodology employed while building a quality book as shown in our five year credit performance.

# Five year credit performance



# Cash and cash balances

Cash balances grew by 31% (2013: 7%) to R2.1 billion (2013: R1.6 billion). Of these funds, 52% (2013: 63%) or R1.1 billion (2013: R1.0 billion) is placed with the big four South African banks as well as international banks with a short-to-medium term tenor. As part of the Group's low-risk fund deployment policy, funds are placed with the big four South African banks, rated international banks and the South African Government (via treasury bills and Landbank bills), creating an easily liquefiable, and diversified cash base while conservatively optimising returns.



# **Investment securities**

On 1 January 2014, the Group prospectively changed the accounting treatment of certain investments in associated companies to Private Equity investments held at fair value. The reason for the change was to achieve fairer presentation of these investments, their characteristics being more private equity investments in nature than equity. The resultant impact on Group earnings was a net increase of R9.0 million (post-tax) on fair value earnings when compared to the expected equity-accounted earnings and has been accounted for in the Capital division's results.

# Financial assets and liabilities held for trade facilitation, reverse repurchase agreements and repurchase agreements

Financial assets and liabilities held for trade facilitation represent long and short bond positions that are required to be shown gross. Financial assets held for trade facilitation were R537 million (2013: R284 million) and financial liabilities held for trade facilitation were R551 million (2013: R281 million) at year end. Linked to these positions are reverse repurchase agreements (reverse repo) of R563 million (2013: R285 million) and repurchase agreements (repo) of R553 million (2013: R276 million) which relate to bond positions on the Fixed Income straddle book in SasSec.

In the normal course of business repo and reverse repo agreements are entered into to facilitate bond trades.

For the year ended 30 June 2013, the repo and reverse repo agreements were set-off. In terms of IAS 39 Financial instruments, these instruments should not have been set-off but shown gross which required a restatement of the 2013 comparatives on the Group Statement of Financial Position.

The restatement had no impact on the earnings of the Group or its net asset value and has been appropriately disclosed in the audited Group results leaflet and Annual Financial Statements of the Group for the year ended 30 June 2014.

Sasfin only trades in bonds with good credit ratings. All positions are hedged and interest rate risk is minimised. This is a strategic book with limited market risk but balanced in such a way that profits will be made. Risks relating to the straddle book are monitored daily.

# **Funding**

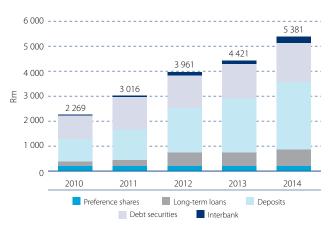
	2014	2013	%
	Rm	Rm	change
Preference shares	199	199	-
Long-term loans	652	538	21
Deposits	2 707	2 161	25
Interbank	249	144	73
Debt securities	1 574	1 379	14
Funding base	5 381	4 421	23

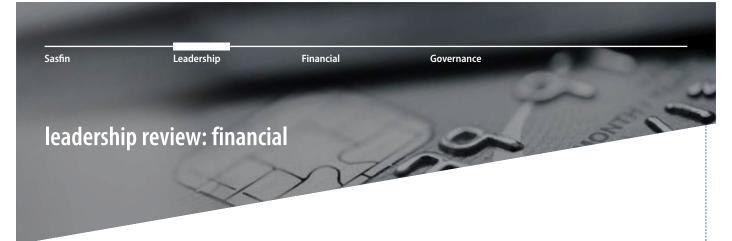
The Group's deposits and funding continued to grow, with an improved deposit mix and maturity profile. Overall, the Group's funding position remains strong with a diversified funding base of R5.4 billion, up 23% (2013: 11%) from R4.4 billion last year. This increase was largely due to an increase in the deposit book of R710 million (2013: R241 million). Interbank funding increased to R249 million (2013: R144 million).

This funding base has enabled the Group and Sasfin Bank Limited to meet the stringent Basel III liquidity coverage ratio and the net stable funding ratio requirements well ahead of their implementation dates, in a sustainable manner.

Sasfin's securitisation vehicle, SASP, Series 1, a leader in its market, continued to deliver consistent performance with the refinancing of R362 million of maturing notes which was oversubscribed 2.5 times. In addition, a second securitisation transaction (SASP Series 2) was arranged under the current Domestic Medium Term Note Programme and raised R350 million to fund an alternate asset class comprising capital equipment and larger rental deals.

# Building a robust and diversified funding base





Furthermore, a R150 million redeemable preference share structure was arranged during the year and has been specifically earmarked for expansion in the private equity business.

The significant increase in the Group's funding base, especially term deposits, shows the strong reputation that the Group has earned amongst its peers and in the market.

# **Credit rating**

Credit rating agencies assess credit worthiness of a debtor. Moody's Investors Service performed a credit assessment on Sasfin Bank Limited in July 2014.

Moody's Investors Service has assessed Sasfin Bank Limited as:

Outlook	Stable
National scale rating	Baa2.za
National scale rating	P-2.za

Moody's national scale rating above relates to Sasfin Bank Limited's rating against other South African debt issuers. Sasfin Bank Limited's ratings have not been affected as a result of the recent rating change to the large South African banks by Moody's.

# **Capital and liquidity**



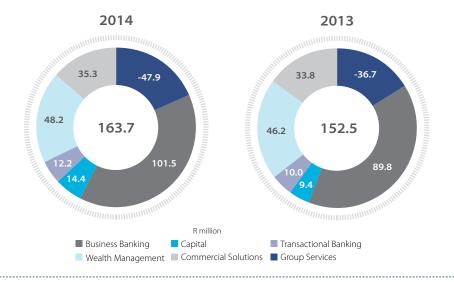
Sasfin has implemented and reports capital and liquidity in terms of the Basel III.

The Group remains well capitalised with a total capital adequacy ratio of 23% (2013: 26%), a Tier 1 capital adequacy of 21% (2013: 23%) and a Common Equity Tier 1 capital adequacy of 18% (2013: 18%), significantly exceeding minimum regulatory requirements. The Group's total capital adequacy ratio has declined by 300bps due to new Basel III capital requirements coupled with a growth in risk-weighted assets.

The Group maintains a conservative approach to liquidity management and through internal models and calculations ensures that it is sufficiently liquid to absorb short-term and long-term unplanned financial and economic stress. Sasfin's liquidity coverage ratio and net stable funding ratio at year end were 267% (2013: 200%) and 251% (2013: 139%) respectively, which comfortably exceed the minimum ratios prescribed by Basel III.

# **Business Unit performance**

All business units continued to grow and made meaningful contributions to the Group's earnings as represented below:





# **Business Banking**

There is a strong and sustainable demand for Business Banking products, which this division is well positioned to meet with its strong management team, employees, systems and funding.

Business Banking delivered a solid set of results, with profits for the year at R101.5 million (2013: R89.9 million), contributing 62% (2013: 55%) to the Group's profits. The key drivers of this success were strong growth in gross loans and advances, margin retention and a below-budget impairment charge.

Despite an increase in Business Banking loans and advances of 16% the profit contribution of this division was only up by 13% in 2014, due to an increased credit loss ratio of 85bps (2013: 63bps) and tighter lending margins. Credit impairment charges for the year increased by 32% (2013: 34%) to R29.5 million (2013: R18.7 million). Non-performing loans decreased to 3.9% (2013: 5.6%) of gross loans and advances.

- Improved quality and size of clients
- New taxi, agricultural and renewable energy finance products launched
- Maintained market-leading position in office automation equipment rental finance
- Became a member of Factors Chain International
- Syndicated funding with some risk off-loading arranged



and looking ahead



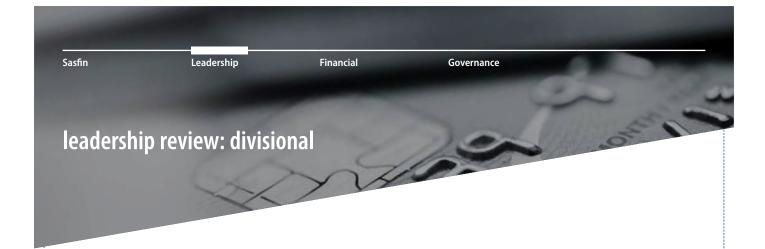
Success

during 2014

- Reverse factoring has not yet been implemented
  - plans formulated to pursue this opportunity
  - Due to a single incident, credit losses increased from 63bps to 85bps
    - continued focus on credit management given the tough economic conditions



- Build a significant taxi leasing business
- Develop the renewable energy finance business
- Grow agricultural trade finance
- Leverage membership of Factors Chain International
- Launch a seamless start-to-finish trade offering
- Improve cross-selling, especially foreign exchange
- Develop reverse factoring
- Leverage Transactional Banking offering



# **Capital**

Capital's profitability grew 53% to R14.4 million (2013: R9.4 million) for the year. This increase is after accounting for the increase in fair value on previously equity accounted for investments and a goodwill impairment charge of R10 million.

Private Equity is poised for further growth following the new preference share issue of R150 million.





# **Wealth Management**

Wealth Management delivered a 4% growth in profit to R48.1 million from R46.1 million in 2013. This division was negatively impacted by its expansion initiatives and investment in high-quality people to support its aggressive growth strategies. Wealth Management experienced an increase in local and globally managed portfolios resulting in improved annuity income. These combined initiatives resulted in Assets Under Administration and Management growing to R91 billion (2013: R71 billion), providing a strong platform for continued growth.

# Assets under administration and management

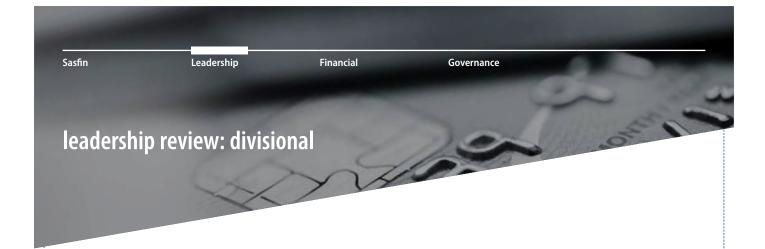


- Domestic and international managed portfolios are performing well
- Strong management team has been recruited
- New Fixed Income team has settled in well
- Asset Management's infrastructure has improved and is now profitable
- Financial Planning is growing well, with a newly recruited team in Cape Town



- Selected under-performance in Asset Management
  - research and management have been upgraded and performance has improved

- Continue investing in asset management and portfolio management due to the vast potential that exists in these areas
- Build out a multi-asset class offering
- Continue building up team of investment officers and researchers, financial planners, portfolio managers, asset consultants and broker consultants



# **Commercial Solutions**

Commercial Solutions delivered a satisfactory set of results increasing profit by 5% to R35.3 million (2013: R33.8 million). This Business Unit is growing encouragingly, achieving scale and becoming a meaningful contributor to Group earnings.





# **Transactional Banking and Treasury**

During the year, the Group invested in its new Transactional Banking division, the first phase of which has recently been launched. Sasfin is now a full clearing and settlement bank. With the establishment of this division, Sasfin has restructured its Treasury division, combining the Domestic Treasury unit with the Transactional Banking division and moving the Foreign Exchange unit to the Commercial Solutions division. Transactional Banking will provide electronic mobile, online, card and other transactional services to clients, which should result in:

- enhanced value to our clients in offering them platforms to transact wherever and whenever they choose to do so with the personalised service they are accustomed to from Sasfin
- primary rather than secondary banking relationships with our clients
- a growth in deposits
- a greater ability to cross sell our products, thereby presenting a full service, seamless offering to clients

Domestic Treasury continued to grow its deposit base impressively and reached R2.7 billion at June 2014, an increase of 25%. Equally impressive is the lengthening of the deposit base with notice and fixed-term deposits now representing 50% of total deposits. Despite the substantial development costs incurred by this division, it has managed to make an increased contribution to the Group's profitability of R12.2 million (2013: R10 million).

The launch of the Transactional Banking business remains firmly on track as Phase I (Sasfin's internal banking requirements) went live in June 2014. The transactional offering to clients is scheduled to go to market at the end of this year, with a comprehensive range of electronic banking services.

- Deposit book has grown strongly and has shifted more towards term deposits
- All but eliminated its negative carry cost on its deposit book
- Improved its cash liquidity position and fully compliant with Basel III liquidity requirements
- Invested in the new transactional banking platform. The launch of the Transactional Banking business remains on track and within budget



- Sasfin Forex remains a drag on the Group's profitability
  - Sasfin Forex has been transferred to Commercial Solutions for renewed management attention

- Market Transactional Banking products to the public
- Make Sasfin a primary bank for its clients
- Continue to grow retail and private client deposit base
- Build on debt capital market capabilities
- Explore various structured debt solutions



# Corporate governance and stakeholder engagement

We recognise that our ability to create value is dependent on our stakeholders. Stakeholder relationships provide a platform for the Board to take into account the concerns and objectives of the Group's stakeholders in our decision making, which is fundamental to providing better services and remaining a socially relevant organisation. Integrating stakeholder engagement within the decision-making process has therefore become a necessity for Sasfin.

The Group, therefore, in our endeavour to adhere to effective and sound corporate governance practices, also advocated by King III, seeks to build trust through continuous stakeholder engagement. The Board plays a vital role in this by providing overall strategic direction within a framework of sound governance and controls.

# **Risk management**

Sasfin aims to deliver sustainable shareholder returns. This requires the careful balancing of performance, growth, and risk and capital management for the long term. The business of banking and financial services is conducted in a complex environment with inter-related risks and as such Sasfin has established a philosophy of integrated risk management to ensure that all business and operational risks are managed effectively within acceptable parameters and the risk appetite of the organisation. The Group's enterprise risk management approach is designed to break down the silos of individual risks, and enable management to view and understand an overall perspective of risks.

# **Directorate**

An important part of corporate governance is ensuring the Board is balanced and able to provide effective oversight and insight. During the year, the Board evolved as three Directors resigned. We would like to make special mention of our retiring Non-Executive Directors and thank them for their contribution to building Sasfin:

- Norman Axten, our past Independent Non-Executive
  Chairman, who retired at Sasfin's last Annual General Meeting,
  for passing on the baton so cleanly. Norman was a pillar of
  strength for the Company and has left big shoes to fill
- Eddie Blight, who retires at our forthcoming Annual General Meeting, after having served as an Independent Non-Executive Director for the past 14 years. Eddie, as an experienced banker, played a vital role by putting in place many of our banking structures, having at various times chaired the Audit and Compliance, Credit and Investment, Risk and Capital Management and Asset and Liability Committees. We wish Eddie a well-deserved, healthy and happy retirement
- Dolly Mokgatle, who also resigns at the forthcoming Annual General Meeting due to other commitments, after having served as an Independent Non-Executive Director for the past eight years. Dolly has added immense value to the Board, having served on numerous committees, including the Social and Ethics Committee, which she chaired from its inception

We would also like to welcome our new Non-Executive Directors, Linda de Beer and Lesego Sennelo, both of whom are qualified chartered accountants and bring great skills to the Group. We are confident that they will add immense value.



# **Prospects**

Notwithstanding the weak domestic economy, which is taking its toll in terms of increased credit losses, muted demand for credit, soft market prices and rising inflation, Sasfin remains optimistic that, provided there are no unexpected shocks in the current year, we will continue to increase our market share and profitability.

Sasfin continues to focus on our target market comprising entrepreneurial businesses, institutions, corporates and private clients. Despite the prevailing levels of uncertainty and constrained growth levels in the economy, the Group remains optimistic about the increasing levels of business activity across all segments.

Sasfin is well poised for sustainable growth and further expansion of our franchise in our chosen markets. This growth will be aided by the recently-launched Transactional Banking

service offering and a strong capital and liquidity position, and supported by Sasfin's highly interactive service model.

# **Appreciation**

As we reflect back on the year, we would like to take this opportunity to thank Sasfin's valued clients for their support; our fellow Directors, management and employees for their dedicated commitment; Sasfin's professional advisors, the SARB and the FSB for their invaluable guidance; and our shareholders for their continued faith in Sasfin.

It was with deep sadness that we had to say goodbye to Michele Koellner, our colleague and friend of 30 years who passed away on 27 September 2014 after a short illness, bravely borne. Michele was far more than an employee, often going far beyond the call of duty, and always living Sasfin's values. She will be sorely missed.

**Roy Andersen** 

Non-Executive Chairman

10 September 2014

**Roland Sassoon** 

Group Chief Executive Officer

Tyrone Soondarjee

Group Financial Director



These Summarised Consolidated Annual Financial Statements of the Group for the year ended 30 June 2014 were prepared under the supervision of the Group Financial Director, Tyrone Soondarjee CA(SA), have been audited by the independent auditors, KPMG Inc. and Grant Thornton (Jhb) Inc., whose unmodified audit report is available for inspection at the Group's registered office and have been approved by the Board.

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

# Basis of preparation and presentation of the Consolidated Annual Financial Statements

The Summarised Consolidated Annual Financial Statements are prepared in accordance with the recognition and measurement principles of IFRS and presented in accordance with the minimum content, including disclosures, prescribed by IAS 34

Interim Financial Reporting, applied to year-end reporting, SAICA Financial Reporting Guides and the JSE Listings Requirements.

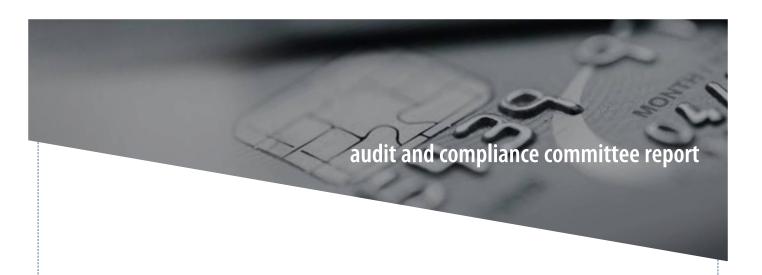
These summarised audited results are a summary of the Consolidated Annual Financial Statements that are prepared in thousands of South African Rand (R'000) on the historical cost basis, in accordance with IFRS and the Companies Act, except for certain financial assets and liabilities which are recognised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

The Group has adopted the following new standards and amendments with a date of initial application of 1 July 2013:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interest in Other Entities
- IFRS 13 Fair Value Measurement

Except for the above, the accounting policies are those presented in the Consolidated Annual Financial Statements for the year ended 30 June 2013 and have been applied consistently to those presented in these Summarised Consolidated Annual Financial Statements for the year ended 30 June 2014.

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



The responsibilities of the Group Audit and Compliance Committee (Committee) are set out in the Companies Act and the Banks Act. These responsibilities, compliance with appropriate governance and best practice, are reviewed annually and approved by the Board. The members are appointed by the Board of Directors in terms of the Banks Act which takes precedence over the Companies Act. There is therefore no need for this Committee to be approved by shareholders.

# **Composition**

Only Non-Executive Directors are eligible to serve on the Committee. There are currently five Non-Executive Directors and the Committee is chaired by an Independent Non-Executive Director.

## **Members**

• Grant Dunnington Chairman · Roy Andersen resigned 25 November 2013 • Eddie Blight · Linda de Beer appointed 1 July 2014 John Moses

· Lesego Sennelo appointed 1 July 2014 · Shahied Rylands resigned 27 February 2014

# **Invitees**

• Roland Sassoon Chief Executive Officer Group Financial Director · Tyrone Soondarjee · Kurt Diedrick Head of Internal Audit KPMG Inc. External auditor • Grant Thornton (Jhb) Inc. External auditor

# Invitees to separate meetings with the Committee

 Kurt Diedrick Head of Internal Audit • KPMG Inc. External auditor • Grant Thornton (Jhb) Inc. External auditor

# **Internal audit**

Internal audit is an independent assurance function that assists the Committee in fulfilling its responsibilities and operates in terms of a charter approved by the Committee and Board. The Head of Internal Audit reports administratively to the

Chief Executive Officer and functionally to the Chairman of the Committee.

# **External audit**

The Group's external auditors are KPMG Inc. and Grant Thornton (Jhb) Inc. The Committee has satisfied itself that the external auditors are independent of the Group.

# **Functions of the Committee**

The Committee's functions are outlined in its Charter. The Committee does not assume the functions of management which remain the responsibility of Executive Directors, Alternate Executive Directors and senior management.

The functions of the Committee are:

# Financial control, accounting and reporting

- · Review and approval of audited and unaudited
  - Interim and final financial results
  - · Annual financial statements
  - Integrated report

for proper and complete disclosure of timely, reliable and consistent information, in compliance with IFRS

- Evaluating the appropriateness, adequacy and efficiency of accounting policies and procedures
- Reviewing the effectiveness and efficiency of management reporting
- Discussing and resolving any significant or unusual accounting
- Satisfying itself of the expertise, resources and experience of the finance function
- Reviewing the effectiveness and efficiency of tax reporting and compliance
- · Reviewing the Group's control, monitoring and reporting of capital expenditure

## **External audit**

- Recommends external auditors to the Board for appointment
- Ensures that the appointment of the external auditors is in compliance with the Companies Act
- Reviews and approves the fees of the external auditors

- Reviews and approves the external audit plan
- Determines the nature, extent and fees paid to external auditors for non-audit services in terms of the Non-Audit Services Policy
- Evaluates the independence of the external auditors

## Internal audit

- · Approves the internal audit plan
- Monitors the effectiveness of the internal audit function
- Reviews and reports on the effectiveness of the Group's internal controls to the Board
- Reviews the adequacy and reliability of management information
- Reviews the effectiveness and efficiency of the credit monitoring process as reported to the Credit and Investment Committee
- Monitors and challenges management with regard to adverse internal audit findings
- Assesses the adequacy and effectiveness of the control environment

## Regulatory

- Reviewing the adequacy of the Group's regulatory reporting process
- Performing functions as defined in section 64 of the Banks Act
- Fulfilling regulatory requirements as required by the Banks Act and Banking Regulations

# **Subsidiaries**

The Committee is responsible for all subsidiaries without their own audit committee, which include:

- reviewing the formalised process to perform functions on behalf of subsidiaries
- ratifying annually the list of subsidiaries for which it is responsible

# Appropriateness of the expertise and experience of the Group Financial Director

The Committee has satisfied itself as to the appropriateness of the expertise, experience and skills of the Group Financial Director.

# **Annual Financial Statements**

The Committee has

- reviewed and discussed the Annual Financial Statements with the external auditors, the Chief Executive Officer and the Group Financial Director
- reviewed significant adjustments resulting from external audit queries and is satisfied with any unadjusted audit differences

# Confirmation

The Committee can confirm that:

- it has performed its functions and is satisfied with the results obtained
- internal controls have been effective in all material aspects
- internal controls have adequately safeguarded the Group's assets
- proper accounting records have been maintained
- it has reviewed and considered reports from Internal Audit
- it has satisfied itself as to the expertise, experience and skills of the finance function
- it has satisfied itself as to the independence, appropriateness and expertise of the external auditors and recommends their appointment for the forthcoming financial year.

The Committee concurs with and accepts the external auditors' report on the Annual Financial Statements and has recommended the approval thereof to the Board. The Board subsequently approved the Annual Financial Statements, which will be open for discussion at the forthcoming Annual General Meeting.

# **Grant Dunnington**

Chairman

Group Audit and Compliance Committee

10 September 2014

# consolidated statement of financial position at 30 June

	,		
		2014	2013
		Audited	Audited
	Note	R'000	R′000
ASSETS			
Cash and cash balances		1 095 438	1 021 186
Short-term negotiable securities		987 386	573 898
Loans and advances to customers	1	3 890 969	3 309 235
Financial assets held for trade facilitation	2	536 513	284 372
Reverse repurchase agreements	3	562 626	285 150*
Other receivables		490 375	473 303*
Investment securities	4	456 156	338 247
Investments in associated companies		5 955	107 353
Property, plant and equipment		55 737	53 801
Taxation		16 744	3 114
Intangible assets and goodwill		60 314	71 822
Deferred tax asset		9 950	7 098
Total assets		8 168 163	6 528 579
LIABILITIES			
Interbank funding		248 645	143 819
Deposits from customers	5	2 706 578	2 161 141
Debt securities issued		1 574 340	1 378 691
Long-term loans		652 083	538 247
Repurchase agreements	3	552 547	275 785*
Financial liabilities held for trade facilitation	2	550 882	280 942
Other payables		475 390	455 929
Taxation		4 028	4 626
Deferred tax liability		82 712	62 695
Total liabilities		6 847 205	5 301 875
EQUITY			
Ordinary share capital and premium	6	144 327	144 327
Reserves		977 353	883 099
Preference share capital and share premium		199 278	199 278
Total equity		1 320 958	1 226 704
Total liabilities and equity		8 168 163	6 528 579
Commitments and contingent liabilities		388 286	378 273
Communents and contingent liabilities		300 200	3/0 2/3

<sup>\*</sup> Restated – Refer to Note 9



	_		
	Note	2014 Audited R'000	2013 Audited R'000
Interest income Interest expense		616 557 364 412	473 686 253 479
Net interest income Non-interest income		252 145 636 377	220 207 533 562
Total income Impairment charges on loans and advances		888 522 29 588	753 769 22 376
Net income after impairments Operating costs		858 934 657 661	731 393 561 046
Staff costs Other operating expenses Goodwill impairment		350 676 296 985 10 000	299 244 261 802 -
Profit from operations Share of associate income		201 273 9 901	170 347 20 453
Profit before income tax Income tax expense		211 174 47 411	190 800 38 226
Profit for the year		163 763	152 574
Profit attributable to: Non-controlling interest Preference shareholders Equity holders of the Group		- 13 359 150 404	2 860 13 472 136 242
Profit for the year		163 763	152 574
Earnings per ordinary share (cents) Diluted earnings per ordinary share (cents)	7 7	474 474	423 423
Headline earnings per ordinary share (cents) Diluted headline earnings per ordinary share (cents)	7 7	486 486	421 421

# consolidated statement of comprehensive income

	2014 Audited	2013 Audited
	R'000	R'000
Profit for the year	163 763	152 574
Other comprehensive income for the year, net of income tax	(161)	4 337
Net gains on remeasurement of available-for-sale financial assets	923	900
Derecognition of available-for-sale reserve upon sale of investment	(5 997)	_
Gross	(7 367)	_
Income tax effect	1 370	_
Derecognition of revaluation reserve upon sale of property companies	_	(2 097)
Foreign exchange differences on translation of foreign operation	14 161	33 428
Net loss on hedge of net investment in foreign operation	(9 248)	(27 894)
Loss on hedge of net investment in foreign operation	(12 845)	(38 742)
Income tax effect	3 597	10 848
Total comprehensive income for the year	163 602	156 911
Total comprehensive income attributable to:		
Non-controlling interest	-	2 860
Preference shareholders	13 359	13 472
Equity holders of the Group	150 243	140 579
Total comprehensive income for the year	163 602	156 911

# summarised consolidated statement of changes in equity for the year ended 30 June

	Į.	2014 Audited R'000	2013 Audited R'000
Opening total shareholders' equity  Total comprehensive income for the year		226 704 63 602	1 180 215 156 911
Profit for the year Available-for-sale reserve	1	63 763 (5 074)	152 574 900
Net gains on remeasurement Derecognition upon sale of investments		923 (5 997)	900
Property revaluation reserve Foreign currency translation reserve Hedging reserve		- 14 161 (9 248)	(2 097) 33 428 (27 894)
Transactions with owners recorded directly in equity  Movement in non-controlling interest  Treasury shares  Derecognition of revaluation reserve  Changes in ownership interests in subsidiaries  Preference share dividend  Ordinary share dividend		- - - - (13 359) (55 989)	(21 101) (18 405) 2 097 (11 735) (13 472) (47 806)
Closing balance	1 3	320 958	1 226 704

# summarised consolidated statement of cash flows

for the year ended 30 June

	2014 Audited R'000	2013 Audited R'000
Cash flows from operating activities  Movement in operating assets and liabilities	100 809 261 992	88 586 (52 790)
Change in loans and advances Change in funding Change in other receivables Change in financial assets held for trading Change in reverse repurchase agreements Change in deposits Change in financial liabilities held for trading Change in repurchase agreements Change in other payables	(611 322) 309 485 (17 707) (252 141) (277 476) 545 437 269 940 276 762 19 014	(497 191) 80 376 2 407* (284 372) (285 150)* 373 841 280 942 275 785* 572
Net cash flows from operating activities Net cash flows from investing activities Net cash flows from financing activities	362 801 25 661	35 796 19 416 (18 405)
Net increase in cash and cash equivalents Cash and cash equivalents at beginning of the year Effect of exchange rate fluctuations on cash held	388 462 1 451 265 (5 548)	36 807 1 408 987 5 471
Cash and cash equivalents at end of the year	1 834 179	1 451 265
Cash and cash equivalents comprise: Cash and cash balances Short-term negotiable securities Interbank funding	1 095 438 987 386 (248 645)	1 021 186 573 898 (143 819)
Cash and cash equivalents at end of the year	1 834 179	1 451 265

<sup>\*</sup> Restated – Refer to Note 9



	2014	2013
	Audited	Audited
	R'000	R'000
Segment result		
Business Banking	101 491	89 844
Capital	14 377	9 422
Transactional Banking and Treasury	12 249	10 006
Wealth Management	48 179	46 155
Commercial Solutions	35 335	33 798
Group and inter-segment eliminations	(47 868)	(36 651)
Profit for the year	163 763	152 574
Segment revenue		
Business Banking	621 986	523 186
Capital	88 251	76 695
Transactional Banking and Treasury	260 520	188 398
Wealth Management	241 338	168 485
Commercial Solutions	195 307	182 545
Group and inter-segment eliminations	(144 568)	(111 608)
Total segment revenue	1 262 834	1 027 701
Segment assets		
Business Banking	4 148 675	3 603 255
Capital	541 234	470 097
Transactional Banking and Treasury	3 235 362	2 640 345
Wealth Management	795 996	813 673*
Commercial Solutions	210 370	244 489
Group and inter-segment eliminations	(763 474)	(1 243 280)
Total segment assets	8 168 163	6 528 579
Segment liabilities		
Business Banking	3 658 701	3 257 444
Capital	172 071	395 516
Transactional Banking and Treasury	2 829 377	2 630 338
Wealth Management	727 180	732 868*
Commercial Solutions	71 179	109 610
Group and inter-segment eliminations	(611 303)	(1 823 901)
Total segment liabilities	6 847 205	5 301 875

<sup>\*</sup> Restated – Refer to Note 9

# notes to the summarised consolidated annual financial statements for the year ended 30 June

	2014 R'000	2013 R'000
Loans and advances to customers		
Originated loans and advances at amortised cost		
Gross loans and advances		
Instalment finance	2 538 662	2 317 25
Capital equipment finance	445 251	282 463
Debtor finance	252 838	212 848
Trade finance	496 586	399 712
Other secured loans	247 175	203 768
Loans and advances	3 980 512	3 416 042
Credit impairments for loans and advances	(89 543)	(106 80
Impairments for non-performing loans and advances	(79 619)	(97 07
Impairments for performing loans and advances	(9 924)	(9 73
Net loans and advances	3 890 969	3 309 23
Comprising:		
Gross investment in loans and advances	4 747 449	4 023 182
Less: Unearned finance charges	(766 937)	(607 140
Loans and advances	3 980 512	3 416 042
Edulis and advances	3 700 312	3 410 042
<u></u>	3 300 312	3410042
Financial assets and liabilities held for trade facilitation		3 410 042
Financial assets and liabilities held for trade facilitation  The financial assets and financial liabilities held for trade facilitation relate to the fixed income		341004.
Financial assets and liabilities held for trade facilitation  The financial assets and financial liabilities held for trade facilitation relate to the fixed income trading book. The trading book consists of rated bond positions all traded through the JSE.		341004.
Financial assets and liabilities held for trade facilitation  The financial assets and financial liabilities held for trade facilitation relate to the fixed income trading book. The trading book consists of rated bond positions all traded through the JSE. The long and short bond positions are separately disclosed, as the set-off criteria do not apply. The financial assets held for trading are hedged by the financial liabilities held for		3 410 04.
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# notes to the summarised consolidated annual financial statements

for the year ended 30 June

		2014 R′000	2013 R'000
3.	Repurchase and reverse repurchase agreements  The Group holds proprietary bond positions for trade facilitation in its Fixed Income business.  These positions are disclosed as financial assets held for trading and financial liabilities held for trading.		
	In the normal course of business, the Group enters into a repurchase agreement (repo) and reverse repurchase agreement (reverse repo) to facilitate these trades.		
	As part of the reverse repurchase agreements the Company received securities that it is allowed to sell. The full amount has been resold to comply with commitments under short-sell transactions.		
	Reverse repurchase agreements	562 626	285 150
	Repurchase agreements	552 547	275 785
4.	Investment securities  Available-for-sale portfolio  Financial instruments held at fair value through profit or loss  Designated at fair value through profit or loss	154 9 894 446 108	8 434 8 646 321 167
		456 156	338 247
	Equity securities with readily determinable fair values are calculated on the basis of quoted market prices.		
	Included in investment securities that have been designated at fair value through profit or loss are the Group's equity investments.		
	These investments of R407.2 million (2013: R283.5 million) represent equity holdings in investee companies that give the Group between 20% and 49% of the voting rights in these investments.		
	During the year, the Group reclassified its investment in Innovent Investment Holdings (Pty) Ltd, NVest Financial Holdings (Pty) Ltd and Trinitas Private Equity Management Company (Pty) Ltd to Private Equity investments held at fair value. These investments were previously classified as Investments in associated companies and equity accounted.		
	These investments are Private Equity in nature and this prospective change in accounting treatment more fairly presents the Group's investment in these entities.		
5.	Deposits from customers Financial liabilities at amortised cost	1 207 400	1.051.111
	Demand deposits Notice deposits	1 307 490 410 831	1 051 111 597 227
	Fixed deposits	988 257	512 803
		2 706 578	2 161 141
6.	Ordinary share capital and premium		
	Balance at the beginning of the year	144 327	162 732
	Treasury shares	-	(18 405)
	Balance at the end of the year	144 327	144 327

# notes to the summarised consolidated annual financial statements for the year ended 30 June

Gross R'000	Direct tax R'000	Non- controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
211 174 2 519	(47 411) 1 402	(13 359) –	150 404 3 921
(114) (7 367) 10 000	32 1 370 -	-	(82) (5 997) 10 000
213 693	(46 009)	(13 359)	154 325
190 800 (792)	(38 226) 5	(16 332) -	136 242 (787)
(19) (773)	5 -	_ _	(14) (773)
190 008	(38 221)	(16 332)	135 455
	211 174 2 519 (114) (7 367) 10 000 213 693 190 800 (792) (19) (773)	R'000 R'000  211 174 (47 411) 2 519 1 402  (114) 32 (7 367) 1 370 10 000 -  213 693 (46 009)  190 800 (38 226) (792) 5  (19) 5 (773) -	Gross R'000 Direct tax R'000 Shareholders R'000  211 174 (47 411) (13 359) 2 519 1 402 —  (114) 32 —  (7 367) 1 370 10 000 — — —  213 693 (46 009) (13 359)  190 800 (38 226) (16 332) (792) 5 —  (19) 5 —  (773) — —

	2014	2013
Weighted average number of ordinary shares		
Weighted average number of ordinary shares during the year ('000)	31 736	32 237
Effect of treasury shares ('000)	_	(66)
Weighted average number of ordinary shares ('000)	31 736	32 171
Headline earnings per ordinary share (cents)		
The calculation of headline earnings per ordinary share is based on headline earnings of		
R154.3 million (2013: R135.4 million) and the weighted average of 31 736 515 (2013: 32 170 762)		
ordinary shares in issue for the year	486	421
Earnings per ordinary share (cents)		
The calculation of earnings per ordinary share is based on earnings of R150.4 million		
(2013: R136.2 million) and the weighted average of 31 736 515 (2013: 32 170 762) ordinary		
shares in issue for the year	474	423
Diluted headline earnings per ordinary share (cents)		
The calculation of diluted headline earnings per ordinary share is based on headline earnings		
of R154.3 million (2013: R135.4 million) and diluted shares of 31 736 515 (2013: 32 170 762)	486	421
Diluted earnings per ordinary share (cents)		
The calculation of diluted earnings per ordinary share is based on earnings of R150.4 million		
(2013: R136.2 million) and diluted shares of 31 736 515 (2013: 32 170 762)	474	423

# notes to the summarised consolidated annual financial statements

for the year ended 30 June

# 8. Financial instruments: Fair values of financial assets and financial liabilities

The carrying amount of the financial assets and financial liabilities is a reasonable approximate of fair value.

The Group's financial risk management objectives and policies are consistent with those as at and for the year ended 30 June 2013.

## 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 the fair value of financial instruments. These 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	2014 Total R'000	2013 Total R′000
Short-term negotiable securities Financial assets held for trading Reverse repurchase agreements Investment securities Other receivables	987 386 536 513 562 626 38 854	- - - 9 894 26 758	- - - 407 408 -	987 386 536 513 562 626 456 156 26 758	573 898 284 372 285 150 338 247 52 816
Total financial assets carried at fair value	2 125 379	36 652	407 408	2 569 439	1 534 483
Financial liabilities held for trading Repurchase agreements Other payables	550 882 552 547 -	- - 23 775	- - -	550 882 552 547 23 775	280 942 275 785 54 954
Total financial liabilities carried at fair value	1 103 429	23 775	_	1 127 204	611 681

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy for the year ended 30 June 2014.

Level 3 fair values	R′000	Investment securities R'000
Balance at 1 July 2013 Unrealised gains and losses for the year included in profit or loss Net investments/(settlements)		283 711 33 744 89 953
Reclassification of associates as fair value investments Net purchases/(settlements)	70 155 19 798	
Balance at 30 June 2014	<del></del>	407 408

The valuations in Level 3 were based predominantly on detailed discounted cash flow methodologies, which were sanity checked 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 Association guidelines.



# 9. Restatement of 2013 comparatives

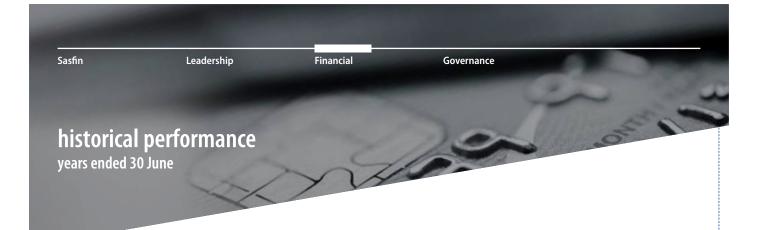
The Group holds proprietary bond positions for trade facilitation in its Fixed Income business. These positions are disclosed as financial assets held for trading and financial liabilities held for trading.

In the normal course of business, the Group enters into a repurchase agreement (repo) and reverse repurchase agreement (reverse repo) to facilitate these trades.

For the year ended June 2013, the repurchase agreements and reverse repurchase agreements were set off. In terms of IAS 39: Financial instruments; these instruments should not have been set off but shown gross.

In this regard, the 2013 comparatives have been restated as follows:

Consolidated statement of financial position extract:	2013 Restated Audited R'000	2013 Reported Audited R'000
Assets		
Reverse repurchase agreements	285 150	_
Other receivables	473 303	482 668
Total assets	6 528 579	6 252 794
Liabilities		
Repurchase agreements	275 785	_
Total liabilities	5 301 875	5 026 090
Total equity and liabilities	6 528 579	6 252 794



	2014	2013	2012	2011	2010
Consolidated statement of financial position					
Total assets (R million)	8 168	6 529	5 472	4 373	3 552
Total gross loans and advances (R million)	3 980	3 416	2 931	2 429	1 983
Non-performing loans and advances (R million)	155	193	189	189	147
Gross loans and advances growth (%)	17	17	21	22	6
Income statement					
Total income (R million)	889	754	650	536	626
Profit attributable to ordinary shareholders (R million)	150	136	114	98	120
Headline earnings (R million)	154	135	111	96	107
Financial performance					
Return on ordinary shareholders' average equity					
(excluding goodwill impairment) (%)	15	14	12	11	16
Return on total average assets (%)	2	2	2	2	4
Leverage ratio (times)	5.7	5.1	4.6	3.9	3.3
Operating performance					
Net interest margin on interest-bearing assets (%)	7	5	6	6	7
Non-interest income to total income (%)	72	71	69	64	71
Efficiency ratio (excluding goodwill impairment)					
Group (%)	72	72	70	69	70
Banking Group (%)	64	62	71	70	75
Non-performing advances to total gross loans and					
advances (%)	4	6	6	8	7
Credit loss ratio (bps)	80	70	60	170	140
Share statistics					
Share price (cents)	5 050	3 340	3 101	3 450	3 710
Number of shares in issue ('000)	31 736	31 736	32 237	32 237	32 186
Earnings per ordinary share (cents)	474	423	355	304	396
Headline earnings per ordinary share (cents)	486	421	344	297	355
Diluted earnings per ordinary share (cents)	474	423	355	304	396
Diluted headline earnings per ordinary share (cents)	486	421	344	297	355
Dividends per ordinary share (cents)	191	168	137	118	133
Dividends per preference share (cents)	718	703	692	697	782
Net asset value per ordinary share (cents)	3 534	3 187	2 986	2 771	2 635
Capital adequacy to risk-weighted assets (%) (unaudited)					
Group	23	26	30	32	32
Sasfin Bank Limited and subsidiaries	21	22	26	36	30
Permanent staff complement	727	701	664	583	563



Sasfin recognises that effective and sound corporate governance practices based on the inclusive stakeholder approach will achieve and maintain trust and confidence from all stakeholders within the organisation and society as a whole. Sasfin strives to consider the legitimate interests and expectations of stakeholders in its strategic and operational thinking with a view to always acting in the best interests of the Group. To this end, Sasfin endorses the principles incorporated in King III to guide and facilitate its business imperative to be "a partner beyond expectations". A register reflecting how Sasfin is applying the 75 King III principles appears on the official website.

# **The Board of Directors**

The Board acts as the focal point for and is the custodian of corporate governance within the Group and its subsidiaries. The overall responsibilities of the Group's Board of Directors include reviewing and guiding corporate strategy, formulating risk appetite, developing and assessing budgets and business plans, all with a view to acting in the best interests of the Group and its stakeholders. The Boards meet regularly so as to maintain effective control over executive management and operations. Board dynamics are enhanced through the appointment of Non-Executive Directors as Chairpersons of the Company and the Bank. All Non-Executive Directors are of sufficient calibre, experience and number so as to ensure that they can properly guide and influence business decisions. The Boards are responsible for setting policy, monitoring corporate performance and overseeing major capital expenditure. Individual Directors and the Board as a whole are entitled to, at the Group's expense, take independent professional advice in connection with their duties if they consider it necessary. The Board has appointed a competent, suitably qualified and experienced Company Secretary to provide a central source of guidance and advice to the Board on matters of good governance and changes in

All decisions taken by the Sasfin Holdings Limited and Sasfin Bank Limited Board are made with reference to the Banks Act and SARB Regulations.

# **Executive Directors**

There are two Executive Directors and three Alternate Directors on the Board of the Company and the Bank. The Executive

Directors each fulfil their respective roles as Group Chief Executive Officer and Group Financial Director. A clear demarcation exists between the functions of the Executive Directors and the Non-Executive Chairman of Sasfin Holdings Limited and Sasfin Bank Limited. The REMCO determines the emoluments of Executive Directors.

# **Group Executive Committee**

The Group Executive Committee meets monthly and is chaired by the Chief Executive Officer and consists of the Group Financial Director, senior management, and by invitation, all Non-Executive Directors and the Head of Internal Audit.

# Sasfin Holdings Limited and Sasfin Bank Limited Board Charters

To facilitate the Board's role as the focal point for and custodian of corporate governance, the Boards adhere to the requirements of a formulated charter. The concept of a unitary Board consisting of both Executive Directors, with their intimate knowledge of the business, and Non-Executive Directors, who bring a broader view and commercial experience to the activities of the business, has been maintained as the favoured Board structure. Management of business risk and the exercise of commercial judgement are the essence of this mutual association and exchange of business experience and knowledge.

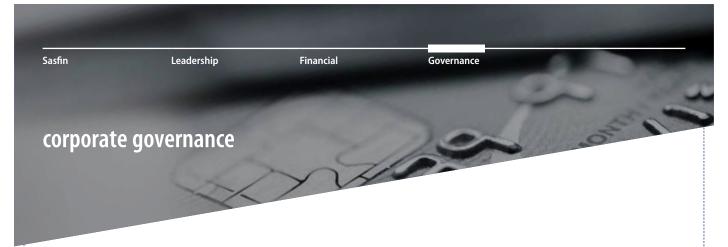
The appointment of two Executive Directors is in conformity with the "four eyes" principle required by the SARB. The Boards furthermore take cognisance of gender and racial mix so as to incorporate diversity into their decision-making process.

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

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

# **Board committees**

A comprehensive review of all Board committees in terms of streamlining committees, membership and frequency of meetings



was undertaken in November 2012, resulting in the following committees being constituted by the Board and have been tasked with corresponding responsibilities:

# **Audit and Compliance**

Summary of key responsibilities

- Internal and external audit processes and functions
- · Accounting policies
- · Internal controls and systems
- Annual Financial Statements
- · Integrated annual reporting
- Compliance with statutory and regulatory framework

# **Risk and Capital Management**

Summary of key responsibilities

- · Addressing risks faced by the Group
- · Risk management policies and procedures
- · Capital management policies
- · Capital planning activities

## **Directors' Affairs and Nominations**

The two Executive and three Alternate Directors are invitees to the meetings of this committee.

Summary of key responsibilities

- · Corporate governance
- · Monitoring Directors' responsibilities
- Fiduciary capacities of Directors
- Fulfilling the role of a nomination committee

# **Human Resources and Remuneration**

Summary of key terms of responsibilities

- Human resources matters
- Remuneration and incentives
- Remuneration policies and procedures
- Human resources policies and procedures

# **Asset and Liability**

Summary of key responsibilities

- Asset and liability management
- Interest rate risk management

- · Liquidity management
- · Funding risk management
- · Currency risk management

# **Credit and Investment**

Summary of key responsibilities

- Credit risk management policy and procedures
- · Defining credit policy and guidelines
- Reviewing compliance with approved credit and investment policies
- · Management of large exposures of the Group
- Assessing credit applications less than R50 million. Credit applications above R50 million are approved by the Board
- Consider private equity and property private equity investments and valuations twice a year

# **Social and Ethics**

Summary of key responsibilities

- · Social and economic development
- Good corporate citizenship
- · Environmental health and safety
- Consumer relationships
- Labour issues
- · Ethical practices and transformation initiatives
- BBBEE compliance
- FSC compliance

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

All Board committees are chaired by Non-Executive Directors. With the exception of the Credit and Investment Committee, the majority of membership is constituted by Non-Executive Directors.

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



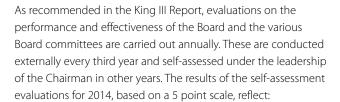
The strategies and policies, mutually agreed management performance criteria and business plans of entities are clearly defined and reliable measures have been put in place. Directors have implemented a risk framework which ensures comprehensive assessments against accurate and relevant financial and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

Companies within the Group have separately constituted Boards.

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

# **Corporate governance**

Sasfin applies all 75 principles of King III as reflected in a comprehensive register which can be viewed on the Company's website.



- an average score of above 4.48
- lowest score of 4.35
- highest score of 4.58

in respect of the Board and all of its committees.

The Board is satisfied with the performance and effectiveness of the Board and its committees and that the required corporate governance objectives have been and are being achieved.

# IT governance

IT is an integral part of Sasfin's business and is fundamental to the support, growth and sustainability of the Group. IT within the Group is directed by a dedicated Chief Information Officer and the overall responsibility for IT governance lies with the Board. Through the IT strategy, the IT roadmap is aligned to the Group's business objectives to ensure that IT consistently enables sustainable value driven solutions and services to the Group. The

Group has adopted Control Objectives for information and related technology as a guideline for establishing and maintaining effective internal controls, including compliance, continuity management and risk. An IT Project Management Office is in place to align and structure processes to better measure and manage the overall IT portfolio by ensuring that appropriate project management principles are applied to all new IT projects. These frameworks and associated IT policies and standards ensure that IT risks within the Group are minimised. Internal Audit periodically performs an assessment of IT governance processes against best practice principles as outlined in King III. The Group's future focus will be on enhancing its current IT platform to deliver greater value and efficiency.

Since year end, the Board has reconsidered the importance of information technology governance as an imperative for the Group's sustainable business operations and growth. As a result, the Board has re-established an Information Technology Committee as a committee of the Board, which will meet quarterly and will be chaired by a Non-Executive Director. The committee will have its first meeting in November 2014.

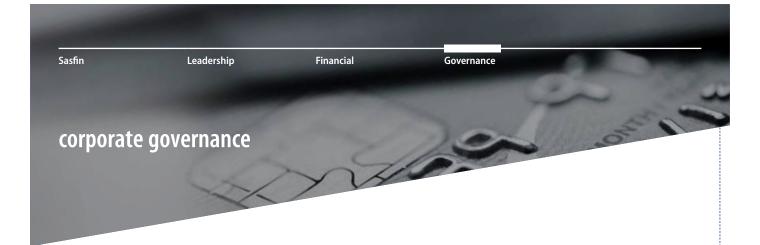
# **Directors' remuneration**

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

# **Changes to the Board**

Changes to the Board are fully reflected as part of the Leadership report.

Roy Andersen and John Moses will be retiring on rotation in terms of the Company's Memorandum of Incorporation at the forthcoming Annual General Meeting and will be making themselves available for re-election, in terms of ordinary resolution 3.1.1 of the Annual General Meeting notice (see enclosed Shareholder and Administrative Information).



# **The Company Secretary**

The Board is assisted by a competent, suitably qualified and experienced Company Secretary. The current Group Company Secretary is Howard Brown, who is not a Director of the Company and is an admitted attorney with over 20 years of experience in the corporate and company law arena and who also fulfils the statutory role of Group Compliance Officer as required by the Banks Act.

The Company Secretary is regarded as the gatekeeper of the Group's commitment to good corporate governance and, as such, an arm's-length relationship is maintained between the Company Secretary and the Board of Directors. This is demonstrated by the fact that the Company Secretary has a direct channel of communication to the Chairman and provides independent comprehensive support and guidance to Directors, with specific emphasis on supporting Non-Executive Directors, the Chairman of the Board and Chairpersons of the various Board committees, including the Group Audit and Compliance Committee.

The Board has considered, and has satisfied itself on the competence, qualifications and experience of the Company Secretary by having duly applied its mind on this matter at a duly constituted Board meeting.

# JSE Listing requirements – Section 3.84

The Board is satisfied that it complies with all the principles of Board Governance as defined in terms of Section 3.84 of the JSE Listings Requirements:

# **Policies**

- Detail procedures for appointments of Directors to the Board
- Evidence of a clear balance of power and authority at Board level

# **Directors and officers**

- Appoint a Chairman that is an Independent Non-Executive Director
- · Appoint an Executive Financial Director
- Separate the roles of Chief Executive Officer and Chairman
- Categorise directors as Executive, Non-Executive or Independent Non-Executive
- Company Secretary to maintain an arm's-length relationship with the Board of Directors and should not be a Director

# **Appoint the following Board Committees**

- · Audit Committee
- Remuneration Committee
- Risk Committee
- · Nomination Committee

# **Disclose**

- Board Committee composition, mandates and meetings held in the Annual Report
- A brief CV of each Director standing for re-election at the Annual General Meeting

# Consider

- Audit Committee must annually consider the appropriateness of the expertise and experience of the Financial Director
- Board must annually consider and satisfy itself of the competence, modifications and experience of the Company Secretary

A full report detailing the Group's compliance with each of the requirements and principles, and its approach thereto is fully disclosed on the Group's website www.sasfin.com.



# Record of attendance at Board and committee meetings for the period 1 July 2013 to 30 June 2014

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

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

	Sasfin	Sasfin Sasfin Human					Directors'			
	Holdings Limited Board	Bank Limited Board	Resources and Remuneration	Audit and Compliance	Risk and Capital Management	Credit and Investment	Asset and Liability	Affairs and Nominations	Social and Ethics	
Meetings held Directors:	5	4	4	6	4	4	4	4	4	
RC Andersen	5/5	4/4	-	4/4(3)	3/3 <sup>(5)</sup>	-	-	4/4	-	
CN Axten	3/3 <sup>(1)</sup>	2/2 <sup>(1)</sup>	_	-	_	-	-	2/2 <sup>(1)</sup>	-	
ETB Blight	5/5	4/4	_	6/6	4/4	-	4/4	4/4	4/4	
GC Dunnington	5/5	4/4	4/4	6/6	3/3 <sup>(6)</sup>	4/4	-	4/4	-	
DD Mokgatle	4/5	3/4	4/4	-	4/4	-	4/4	3/4	4/4	
J Moses	5/5	4/4	_	6/6	4/4	4/4	4/4	4/4	-	
MS Rylands	5/5	4/4	4/4	5/5 <sup>(4)</sup>	1/1 <sup>(7)</sup>	3/3 <sup>(8)</sup>	4/4	4/4	-	
RDEB Sassoon	5/5	4/4	_	-	_	4/4	1/1 <sup>(10)</sup>	-	3/4	
TD Soondarjee	4/5	4/4	_	-	4/4	-	-	-	-	
Alternate Directors: L Fröhlich	3/4 <sup>(2)</sup>	3/3 <sup>(2)</sup>	_	_	_	-	_	_	_	
M Lane	4/4 <sup>(2)</sup>	3/3 <sup>(2)</sup>	_	_	_	3/4	-	-	2/2 <sup>(11)</sup>	
M Sassoon	4/4 <sup>(2)</sup>	3/3 <sup>(2)</sup>	-	-	-	2/2 <sup>(9)</sup>	-	_	-	

<sup>(1)</sup> Retired on 28 November 2013

<sup>(2)</sup> Appointed in October 2013

<sup>(3)</sup> Committee reconstituted effective 25 November 2013

<sup>(4)</sup> Committee reconstituted effective 27 February 2014

<sup>(5)</sup> Appointed to committee effective 26 November 2013

<sup>(6)</sup> Committee reconstituted effective 25 February 2014

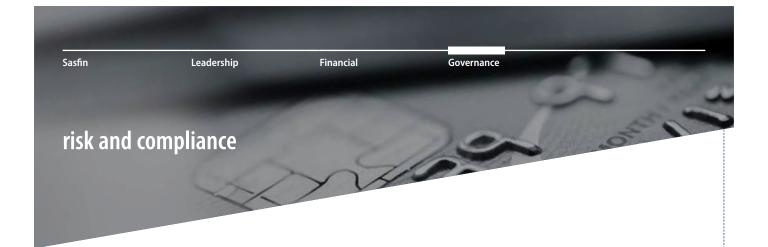
<sup>(7)</sup> Appointed to committee effective 28 May 2014

<sup>(8)</sup> Appointed to committee effective 5 November 2013

<sup>(9)</sup> Appointed to committee effective 13 February 2014

<sup>(10)</sup> Committee reconstituted effective 26 November 2013

<sup>(11)</sup> Appointed to committee effective 18 February 2014



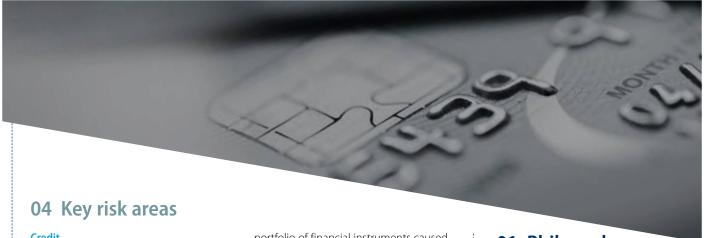
Sasfin recognises that the business of banking and financial services is conducted within an environment of complex inter-related risks. Accordingly, a philosophy of integrated risk management has been established within Sasfin to ensure that all business and operational risks are managed effectively within acceptable parameters. In this regard, Sasfin has implemented an enterprise risk management approach to break down the silos of individual risks, and enable management to view and understand an overall perspective of risks.

The Sasfin Enterprise Risk Management Policy applies to all Group companies, divisions and departments of Sasfin Holdings Limited and it aims to:

- Align risk appetite and strategy: Management considers the entity's risk appetite in evaluating strategic alternatives, setting related objectives, and developing mechanisms to manage related risks
- Enhance risk response decisions: Enterprise risk management provides the rigour to identify and select among alternative risk responses risk avoidance, reduction, sharing and acceptance

- Reduce operational surprises and losses: Entities gain enhanced capability to identify potential events and establish responses, reducing surprises and associated costs or losses
- Identify and manage multiple and cross-enterprise risks:
   Every enterprise faces a myriad of risks affecting different parts of the organisation, and enterprise risk management facilitates effective responses to the interrelated impacts, and integrated responses to multiple risks
- Seize opportunities: By considering a full range of potential events, management is positioned to identify and proactively realise opportunities
- Improve deployment of capital: Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation





# Credit

The risk of a loss as a result of failure by a counterparty to meet their contractual obligations.

# Liquidity

The risk that counterparties that provide the Group with short-term funding will withdraw or not roll over that funding to the Group.

# Operational

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

#### Market

The risk of changes in the actual or effective market value or earnings of a

portfolio of financial instruments caused by adverse movements in market variables. The Group's market risks are:

Interest rate risk – the risk of difference in the repricing characteristics of assets and liabilities

**Equity risk** – the risk of an adverse change in the fair value of an investment in listed or unlisted equities.

**Currency risk** – the risk of movements in foreign currencies against the Rand.

#### Concentration

The risk of a material exposure by the Group to a small number of depositors, lenders, financial instruments, individuals, corporates, institutions or geographies.

# 01 Philosophy

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

Sasfin's Risk Management architecture is supported by various committees with delegated authority from the Board, as well as policies, procedures and systems.

The Board has appointed the following committees to assist in discharging its duties and responsibilities in respect of risk management:

- · Group Risk and Capital Management
- · Credit and Investment
- · Asset and Liability
- Group Audit and Compliance
- · Human Resources and Remuneration
- · Information Technology
- · Social and Ethics

# 03 Process

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

- · Formal risk assessments are completed annually at each division and Group support function
- Risk profiles are reviewed quarterly by business and support units
- · The identified risks are reviewed at Group level through a consolidated risk register

Risk ratings guide the level of attention required from GRCMC.



# 02 Appetite

Sasfin broadly defines risk appetite as the amount and type of risk that we are willing to accept, and must take, to achieve its strategic objectives and therefore create value for stakeholders.

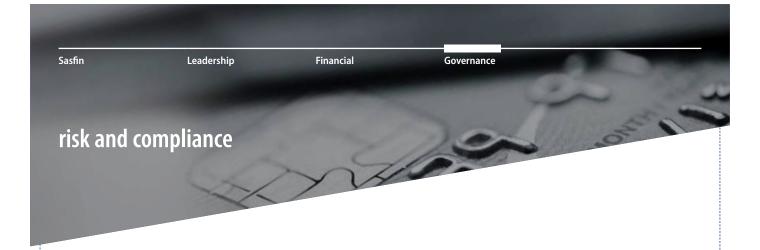
The Board is responsible for determining the nature and extent of the risks it is willing to take to achieve its strategic objectives i.e. the Board is responsible for determining risk appetite.

The Board sets limits regarding the Group's risk appetite and reserves certain powers while delegating others. The Board regularly reviews risk appetite in the context of changing business environments and has implemented a risk framework against which comprehensive assessments are performed.

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

- · Manipulation of financial records
- Employees or contractors selling client confidential information
- Significant virus outbreaks
- Successful hacking attempts
- Flagrant breaches of regulations
- · Fraudulent or unethical behaviour

The Board has assessed each of the Group's key risk areas and is comfortable with the Group's exposure to each of the levels of risk to which the Group is exposed.



## Concentration

- The Group manages our concentration risk by considering our exposure to counterparty (asset and liability), asset classes and product
- Concentration exposure limits are set by the ALCO and the SARB
- Concentration exposure limits are monitored prior to entering transactions. Concentration exposures in excess of 10% of qualifying capital are reported to the SARB and exposures in excess of 25% of qualifying capital require special approval from the SARB
- Concentration exposures are reported monthly to the SARB

#### Credit

- Credit is approved by at least two credit mandates, with various levels of mandates structured in order that Executive and Non-Executive Directors are involved from a relatively early stage
- Daily Credit Committee meetings allow robust debate with and between credit mandate holders
- Regular reporting and quarterly oversight by committees appointed by the Board of Directors
- Financial and asset audits conducted at various frequencies considered adequate for the risk
- Client visits regularly include credit experts who obtain a first-hand understanding of our clients
- Annual, or more frequent review of facilities as the risk level dictates
- Constant updating of the Credit Policy in line with best practice and internal reviews

Market

Market risk is managed in accordance with comprehensive internal risk models. Market risk net open position exposures are reported to the SARB as part of the regulatory supervision. The ALCO provides oversight to market risk models and management.

The ALCO has set a market risk net open position limit of USD250 000 which is significantly lower than the regulatory limit imposed by the SARB of USD6.8 million.

How we manage our key risk areas

# Operational

Operational risk is an inevitable consequence of being in business and managing it is a core element of our business operations.

The key objective of the operational risk management function in Sasfin is to equip business with a fit-for-purpose risk framework that will minimise and mitigate the financial, reputational and regulatory impact of operational risk incidents, to ensure the trust of our stakeholders.

Sasfin manages operational risk by proactive identification, assessment, measurement, monitoring and reporting of operational risks to assist business in proactively managing their risk and control environments.

## Liquidity

The nature of Sasfin's business gives rise to continuous exposure to liquidity risk. Liquidity risk arises when Sasfin, despite being solvent, cannot generate sufficient cash resources to meet its payment obligations as they fall due.

The Group manages liquidity in accordance with internal limits and models as well as those imposed on the Group by the SARB.

Under stressed situations, the Group uses the Basel III indicators of:

- LCR to measure short-term liquidity risk, over a period of 30 days
- NSFR to measure long-term liquidity risk, over a period of one year

The Group liquidity risk is significantly within the limits imposed by Basel III and the SARB.

The Group's liquidity risk position is monitored:

- Daily by a liquidity monitoring meeting that includes an executive director
- Monthly by a liquidity forum
- Quarterly by the Board ALCO
- · Using stress-testing and backtesting models



# **Combined assurance**

The Group has adopted a combined assurance approach in assisting the Board, Audit and Risk Committee and executive management to maintain control and oversight over key material reporting issues.

Assurance providers	Outcome	Framework/Standard	
KPMG Inc., Grant Thornton (JHB) Inc.,	Unqualified audit opinion	IFRS	
JSE	Clean bill of health on 2013		
	AFS from JSE		
Empowerdex	Level 7	BBBEE code	
Self-assessed	Compliant with King III	King III	
Self-assessed	Level C confirmed	GRI G3.1 guidelines	
Combined assurance	No material inconsistencies	Internal model	
	KPMG Inc., Grant Thornton (JHB) Inc., JSE  Empowerdex Self-assessed Self-assessed	KPMG Inc., Grant Thornton (JHB) Inc.,  JSE  Clean bill of health on 2013  AFS from JSE  Empowerdex  Level 7  Self-assessed  Compliant with King III  Self-assessed  Level C confirmed	

# **External assurance**

In addition to independent assurance by external auditors over the Group's financial statements, the Group's regulators (including the SARB and JSE) provide supervision over the Group's business practices and compliance with relevant regulations.

# Internal assurance

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

# Internal audit

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

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

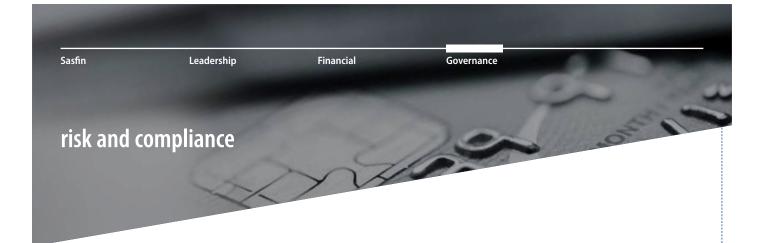
Internal Audit has assessed the effectiveness of internal controls as having been effective in all material aspects throughout the year under review.

# **Compliance**

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

Sasfin's function is under the control of a general manager who reports directly to the Chief Executive Officer. The General Manager is furthermore given unrestricted access to the Chairman of the GACC and meets with him on a regular basis. A composite regulatory universe applicable to the Group has been formulated wherein the following regulators have been identified as playing a primary role:

The SARB, through the Bank Supervision Department and
Financial Surveillance Departments, carries the responsibility
for ensuring that a sound and well regulated banking system
exists in South Africa and that prudent risk management
practices are embedded within the banking environment.
Consequently, the directors of a bank are required in terms of
the Banks Act to report annually to the Registrar of Banks on
the efficacy of the systems of internal control and to provide
reasonable assurance as to the integrity and reliability of
financial statements, as well as on corporate governance.
Directors are furthermore required to safeguard, verify and
maintain accountability for the Bank's assets



- The JSE regulates SasSec through its Surveillance Department.
   The Surveillance Department of the JSE maintains an active supervisory and monitoring role with all members of the JSE in its endeavours to, inter alia, maintain the efficiency and integrity of the secondary market.
- The FSB regulates specific business activities of the Bank as well as the general business activities of SFAS and SAM.
   Regular reporting is made to the FSB to satisfy the overarching requirement that investors be protected.

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

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

# Capital and liquidity

form of Regulatory Returns.

# **Capital and liquidity**





## Basel III

Basel III is a set of measures developed by the Basel Committee on banking supervision to strengthen the regulation, supervision and risk management of the global banking sector. Basel III aims to:

- Improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source
- · Improve risk management and governance
- · Strengthen banks' transparency and disclosures

South Africa (via the SARB) is one of the 11 member countries that adopted Basel III on 1 January 2013. Sasfin Holdings Limited and Sasfin Bank Limited are regulated by the SARB and are required to comply with Basel III as adopted by the SARB.

Basel III builds upon the Basel II framework to strengthen minimum capital and liquidity requirements. The SARB adaptation of the Basel III proposals within its local rules brings about a number of changes for the assessment of capital adequacy.

# **Capital adequacy**

Basel III imposes restrictions on the nature and quality of capital that qualifies as Tier 1 capital. Basel III also defines the regulatory minimum of capital that must be held.

Capital adequacy is the management of the ratio between capital supply, as generated internally and raised externally, versus the growth in assets on the balance sheet as measured by risk-weighted assets.

Capital adequacy is measured as:

- Common equity: Tier 1
- Ordinary share capital, share premium and appropriated retained earnings
- Divided by total risk weighted assets

# Tier 1

Common equity: Tier 1

- Plus perpetual, non-cumulative instruments with principal loss absorption features issued under Basel III rules
- · Divided by total risk weighted assets

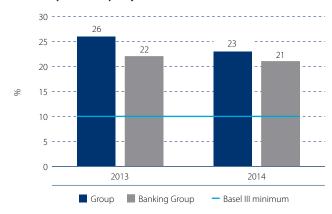
Total capital adequacy: Tier 1

- Plus other items such as general allowance for credit impairment
- Plus subordinated debt with principal loss-absorption features issued under Basel III
- Plus subordinated debt instruments issued under Basel I and Basel II rules (subject to phase out)
- · Divided by total risk weighted assets.



Sasfin's internal capital adequacy targets remain significantly in excess of the Basel III and SARB minimum requirements. The Group complied with all capital requirements during the year and remains well capitalised, significantly exceeding minimum regulatory requirements.

#### **Total Capital Adequacy Ratio**



# **Regulation 43 of Banks Act**

Regulation 43 of the Banks Act requires public disclosure by banks and bank controlling companies of the capital adequacy levels, capital management plan and strategy. The Group and Sasfin Bank Limited have complied by publication of this information on the JSE SENS and in this Integrated Report and the Annual Financial Statements 2014.

### Liquidity

The Group has maintained a conservative approach to liquidity management. Through internal models and calculations, the Group ensures that it is sufficiently liquid to absorb short-term and long-term unplanned financial and economic stress.

The Group manages liquidity by means of a daily liquidity committee under the auspices of the Asset and Liability Committee using the Basel III indicators of:

- LCR to measure short-term liquidity risk, over a period of 30 days
- NSFR to measure long-term liquidity risk, over a period of one year

both under normal and stressed situations.

Basel III adopts a phased approach for the implementation of LCR and NSFR ratios over a period of six years from 1 January 2013. Basel III requires that, effective 1 January 2019, banks maintain an LCR and NSFR of 100%.

### **Liquidity buffers**

The Group currently more than adequately meets the LCR and NSFR requirements of Basel III by having sufficient, high quality liquid assets available.

	2014 %	<b>2013</b> %
LCR	267	200
NSFR	251	139

Sasfin strives for a diversified tenor and counterparty mix of our short and long-term funders in order to remain liquid.

# Internal capital adequacy and assessment process (ICAAP)

Sasfin has developed an ICAAP with set capital targets that are commensurate with Sasfin's risk profile and control environment under normal and stressed conditions. This is in accordance with the Supervisory Review Process of Basel III.

Sasfin's ICAAP focuses on the management of risk and capital from an internal perspective, over and above the minimum regulatory rules and requirements of Basel III.

ICAAP is a comprehensive process that is reviewed and signed off by the Board and GRCMC before being submitted to the SARB.

# **Future regulatory environment**

The regulatory environment continues to change at rapid pace. Sasfin is confident that our systems of internal control and risk management make us adept at dealing with, complying with, and reporting in terms of new regulations.

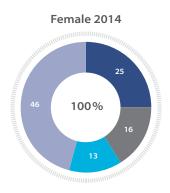
Sasfin will maintain a conservative balance sheet, prudent capital and liquidity management, ensuring at all times that we are adequately capitalised and liquid in terms of the prescribed minimum regulations.

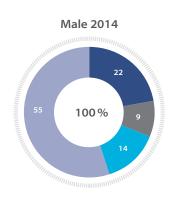
# Our people

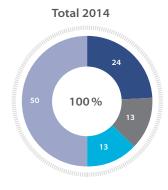
We believe that we have outstanding employees who are as diverse as the clients we serve. We strive to continually enhance our processes and technology to ensure our employees have the tools and support required to achieve their full potential. The

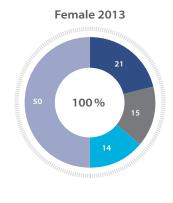
cornerstone of our culture is one of dedication, learning, diversity and ethical practice.

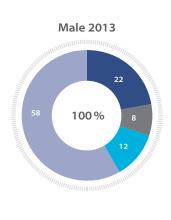
The employment equity categorisation of these employees is illustrated below:













Coloured

Indian

White



# What we achieved for our employees in 2014

In supporting our employees to achieve their personal best at work, we help unlock their potential by investing in their continuous development and wellbeing.

- **Internal training:** Continuous customised in-house training on corporate etiquette, induction training and risk training.
- Regulatory training: We require our employees to keep abreast of new regulatory requirements that impact their daily operational environments, such as training on POPI
- Management training: We have designed our own management development programme to equip managers with the knowledge and skills to hone their management abilities in the Sasfin Way
- Formal degrees and certifications: We assisted 42 employees with study bursaries, enabling them to pursue under-graduate and post-graduate studies, at a total cost of R349 000
- **Technical training:** Employees attend technical training courses to enhance their understanding of various programmes
- Soft skills training: In today's stressful times, employees may
  need assistance with conflict resolution; time management
  skills etc. We arrange this training to assist employees in
  enhancing their performance and as such, improve productivity
  at work. This includes personal coaching and various workshops
- Learnerships: Ten (2013: 13) learners were engaged through the various SETAs. Eight learners were engaged through the BankSeta Letsema Learnership Programme for the period February 2013 – February 2014 and have successfully secured permanent employment in different divisions of the Group. Two InSeta graduates successfully completed the work-based experience programme and are now permanent employees
- Graduate training: TOPP programme in partnership with the SAICA was relaunched in November 2013 with an intake of two graduates
- We have partnered with Enactus to help university graduates develop their careers in the financial services industry
- Cell C Take a Girl Child to Work Day was hosted at both our Johannesburg and Port Elizabeth offices. Twenty five schoolgirls were exposed to the different careers within Sasfin and were encouraged to dream, believe and achieve

We received a skills rebate of R689 000 (2013: R1.5 million) from the relevant SETAs, viz, BankSeta, InSeta and FASSET. Decreased skills rebate received is as a result of a decrease in the rebate percentages paid by SETAs to 20% from 60% in 2013.

# **Employee satisfaction**

We measure employee satisfaction by means of climate surveys, which are completed for each business unit. The results are reviewed by the HR Management Committee, and thereafter discussed with individual managers and their teams. Any issues raised are escalated to the appropriate level of management for resolution. This year, our climate survey results were generally positive in all areas, particularly with regard to leadership. According to our employees, we can do better at conflict resolution. We have taken this feedback on board, and will continue with our training interventions to improve on this.

The feedback received from exit interviews remains valuable in identifying any employee concerns. This feedback is circulated to line management for their response and action, to address any negative issues that may be contributing to employee turnover.

A fair part of employee satisfaction resides with reward. We regularly benchmark all remuneration to ensure that employees are paid within the salary band for their respective positions.

Beyond remuneration, our employees cite a number of factors that make them proud to be part of the Sasfin team. These include our culture, team-building and community initiatives, learning opportunities, and the ability to advance and sometimes change their careers while in our employ. We remain committed to strengthening our employee satisfaction levels, and as such seek to remain close to their evolving needs when we review our employee policies.

#### How do we engage our employees?

Our employees are vocal in expressing what they require in order to be present, engaged and efficient. At Sasfin, the main employee requirement is communication. To this end, we have regular employee get-togethers and team meetings. The quarterly *HR Newsletter* provides employees with information on what is happening throughout the organisation. Any policy changes are communicated to employees, and updated on the intranet.



The HR function performs an annual climate survey across the Group. Our climate survey also measures employee perception on leadership. We achieved good scores for both management and leadership – with employees indicating that leadership can be trusted; are respected; and their practices are fair and consistent. This contributes to a sense of pride to be working at Sasfin, where the culture is empowering and familial.

As a result of our annual benchmarking and review of compensation practices, employees are comfortable that they receive fair pay for the work they perform. This leads to them feeling valued as key contributors to our Company's performance, so they are fully engaged at work. 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.

Only four employees (2013: 19) had to receive performance counselling to improve their performance.

There were no complaints regarding workplace discrimination. In fact, our employees scored Sasfin very high on ethical leadership

and cultural diversity. One employee (2013: three) was injured while at work but did not need to be treated in hospital. We achieved an independent rating of 98% for compliance with the Occupational Health and Safety Act.

This engagement and our people management philosophy are embodied in "managing the Sasfin way" as illustrated hereunder.

#### **Employee turnover**

We believe that motivated employees transform competence into greatness. They exceed client expectations with their drive and innovation, and provide the competitive advantage in our service to our clients. Accordingly, we seek to engage our employees by ensuring fair and sound recruitment, reward and retention practices.

This year, 26 new jobs (2013: 37) were created, mainly in the Bank. The voluntary employee turnover remained fairly constant, at 11.3% (2013: 11.7%).

The total employee turnover is at 15.0% (2013: 14.8%). This includes all dismissals, resignations pending disciplinary action, retirements, death and mutually agreed separations.





#### Remuneration

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

#### **Philosophy**

Sasfin's HR and remuneration philosophy is to reward individuals who contribute to the success and sustainability of the organisation by being supportive of the organisation's overall strategy. It is important that our remuneration practices link to our business strategy, as this drives long-term sustainable performance, and focuses employee energy and attention on strategic imperatives. While we acknowledge that we do not compete with larger institutions in terms of short-term and long-term incentives, we are comfortable that we remain very competitive in terms of guaranteed cost-to-company packages. We benchmark our remuneration annually to remain current with market practices.

Reward is directly linked to individual, divisional and Group performance so that employees can, through their individual contribution, directly impact their total remuneration. Employees who do not achieve performance objectives, or who have any current disciplinary record, do not qualify for annual increases or discretionary incentive bonuses.

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

#### **Declaration of intent**

To achieve our business strategy and meet the needs of stakeholders, Sasfin aims to:

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

#### Focus areas and achievements in 2014

Refinement of the executive evaluation process

- · Lift minimum salaries
  - Narrowing of the wage gap by ensuring that salary increases awarded to the lowest levels of employees exceeded salary increases awarded to managers and executives
- Engagement with shareholders on remuneration policy
- Approval of remuneration policy at the AGM (87.69% acceptance achieved in the non-binding advisory vote).

#### Focus areas for 2015

- Refinement of remuneration process and reporting
- Continued focus on the wage gap salary increases awarded to the lowest levels of employees to exceed those awarded to managers and executives in March 2015
- The introduction of a new long-term, performance-driven equity scheme for senior executives in July 2014
- Continued engagement with shareholders on remuneration policy



#### Governance

The Board has delegated the responsibility of determining the remuneration policies and practices across the Group to the REMCO. This committee works on behalf of the Board to:

- determine, agree and develop Sasfin's general policy on HR
- ensure appropriate levels of monitoring and compliance
- determine criteria necessary to measure the performance of employees across the Group including Executive Directors, Alternate Directors and senior executives
- balance encouraging individual performance with fair and responsible remuneration practices
- consider succession planning, particularly in respect of the Chief Executive Officer and Executive Committee

REMCO reviews, at least annually, the terms and conditions of Executive Directors', Alternate Directors' and senior executives' service agreements and takes into consideration information from comparable companies and other appropriate trends locally and internationally.

During 2014, PwC was engaged to perform a comprehensive benchmarking exercise on executive remuneration within the Group. The scope of the exercise included assessing the correct grading of executives, in relation to the market and industry, to ensure internal parity across the Group and reviewing the new long-term performance equity scheme.

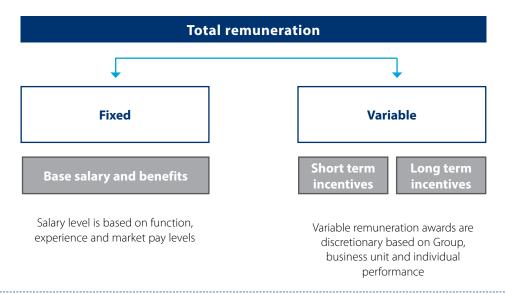
REMCO has mandated the Group HR Management Committee (HR MANCO) to make decisions on employee matters relating to those employees at a Reward Level 17 and below. All HR and remuneration decisions relating to senior managers and executives (Reward Level 18 and higher) are made by the REMCO. This includes all remuneration decisions relating to the Group CEO and other Executive, so as to avoid any conflict of interest.

#### **Policy**

REMCO approves an average increase percentage for the year, which HR communicates to all line managers. The line managers thereafter propose individual increases, bearing in mind that the average performance-based increase for the division should not exceed the overall approved percentage increase. When considering annual increases, REMCO considers individual performance, internal equity, scope and complexity of the role, scarcity of skills, inflation and local market practice.

#### **Remuneration structure**

Our reward strategies and remuneration structures are designed to attract, retain and motivate. We consider the total remuneration given and strive for the balance between fixed and variable pay for all employees, depending on seniority and roles. The diagram below shows the composition of total remuneration.





# Elements of fixed remuneration

Element	Purpose	Detail
Base salary	To attract and retain employees.	We seek to remain competitive and our annual base salary review takes into account market data. Increases are based on individual and business unit performance.
Compulsory benefits	To encourage retirement savings and to cater for unforeseen life events.	Pension and disability plans, death cover and medical insurance.
Optional benefits	To enhance the package available to employees.	These benefits (for example, car allowance) vary in terms of permissible salary structuring options.

# Variable remuneration

We provide annual incentives to reward performance. Variable remuneration consists of annual cash awards and long-term incentive awards. All variable remuneration awards are discretionary

Element	Purpose	Detail
Annual incentive award short-term	To incentivise individual performance, balancing short-term performance with value creation for stakeholders.	Individual awards are based on a combination of Group, business unit and individual performance (both financial and non-financial metrics over a multi-year period) and include effective risk management and compliance. Retention amounts are held where applicable.
Long-term incentive award	To incentivise senior executives and employees to perform based on the long-term interests of the Group.	Awards for senior executives take into account the importance of the Group's long-term performance and vest over a 3 to 5 year period.



#### **Annual increases**

This year, REMCO approved the increases, similar to those approved in 2013 where employees' performance expectations were met:

- Executives 6%
- Management 6.2%
- General employees 6.5%

Together with merit and extraordinary increases to cater for market adjustments, the overall increase percentage per business unit should not exceed 7.5% (2013: 7.5%).

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

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

#### Position benchmarking

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

#### Market stance

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

#### Individual value

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

REMCO considers the following when determining fixed remuneration:

- Individual performance as measured by the internal performance appraisal system
- Internal parity so as to ensure that individuals are paid within the appropriate reward level for the function they perform
- Employee's alignment with the Sasfin culture and values
- Market scarcity and replacement cost of a position

Performance factors which are linked to variable compensation include individual, divisional and Group performance, as well as the individual's potential and relative value to the organisation. All incentive payments are calculated according to the incentive criteria. This ensures line of sight for each employee and serves to promote transparency and consistency when awarding bonus payments.

Any interim remuneration reviews for Reward Level 18 and above are proposed by the HR MANCO for REMCO's approval.

Deviation from the standard increase policy is made in consultation with the relevant General Manager and the Group HR Manager, with a view to drive the desired behaviour and achievement of the required outcomes. Remuneration decisions are transparent and objective so as to facilitate honest feedback to employees.



#### **Short-term incentives**

The following annual short-term incentive (STI) schemes are offered across the Group:

- Discretionary performance bonuses which are based on Group and individual performance. These individual bonuses will vary depending on personal performance, but currently average 75% of monthly salary.
- Divisional incentive schemes, which are based on divisional and individual performance. The caps applied to these schemes vary, from 50% to 150% of annual guaranteed earnings. Where there may be an element of risk, we defer 30% of the bonus over three years.
- The executive incentive scheme, which is designed to reward historical performance based on the individual contributions of Senior Executives in terms of Group, divisional and personal performance. The payments on this scheme are capped at 100% of annual guaranteed earnings.

For FY2014, the following short-term executive incentive scheme key performance objectives were agreed with Executive Directors and Senior Executives. It is noted that the criteria vary among Executives:

- Group performance, as measured by headline earnings per share the degree to which the Sasfin Group exceeds budgeted Headline Earnings Per Share (HEPS). The incentive under this section is a minimum of 20% and a maximum of 50% of the total incentive allocation.
- A full award of the bonus under this section will be made if the Group equals or exceeds the target of incentive Earnings Per Share (EPS) plus 30%. Any difference between the hurdle and target will justify a pro rata bonus.
- The hurdle is the initial level after which the scheme becomes operative. It is the Incentive EPS of the current year. Incentive EPS is based on budgeted EPS, as adjusted by the REMCO, less any foreign exchange profits or losses and any other similar material non-controllable items.
- Divisional performance, which is the degree to which the Executive's division exceeds budgeted profits and is limited to 40% of the total incentive allocation.

Following the review of STI Executive Scheme by REMCO and Board, a new set of financial performance measures were introduced from the new financial year onwards as follows:

#### **Executive Directors**

- Performance objectives with financial metrics representing a 60% weighting and personal and non-financial representing a 40% weighting. Group performance based on agreed targets and thresholds covering the following:
  - Achievement of Group budget
  - Improvement in efficiency ratios and cost control
  - Growth in headline earnings
  - Return on risk-weighted assets

#### **Senior Executives**

Performance objectives based on a combination of Group, divisional and personal performance with the following weightings:

- Group performance with a minimum of 20% of the total incentive award.
- Divisional performance limited to a 40% allocation of the total incentive award.
- Personal performance limited to a maximum of 40% allocation of the total incentive award.

Group and divisional financial performances based on agreed targets and thresholds subject to a maximum of 3:

- Growth in earnings/Risk adjusted return on capital
- · Achievement of divisional and Group budget
- · Return on risk weighted assets
- Improvement in efficiency ratios and cost control
- Operating measures eg. credit loss ratios, COF and other similar measures as amended from time to time

Personal performance objectives, which are calculated by the degree to which the Executive achieves individual predetermined performance objectives. These objectives typically include the achievement of transformation objectives; positive results in the climate survey; succession planning and enhanced efficiencies.

All bonus payments are subject to stress and sanity testing to ensure that incentive payments drive the required behaviour.

Based on individual performance and achievement of these objectives, final bonus payments will be calculated and awarded in September of every year.



# Long-term incentive scheme (LTI) – Performance Equity Scheme

#### Overview

The Group's reward strategies and remuneration structures are subject to regular reviews to ensure that our remuneration remains relevant to motivate, attract and retain high-calibre people in a very competitive environment. Consequently, REMCO and the Board decided to review the Group's LTI Scheme with regard to its senior people, with the objective to focus and align executive energies and deliverables towards Group-wide performance goals that are material to shareholders.

In this regard, the Group implemented a new long-term performance-driven remuneration plan in July 2014 for senior executives, named Performance Equity Scheme (PES).

#### Objective and purpose

To reward and incentivise a group of senior executives to deliver the strategic long-term objectives of the Group on a sustainable basis and to align the interests of these executives with those of shareholders, and further act as an attraction and retention mechanism in a highly competitive market place for scarce skills.

#### How does the scheme work

 Participation is limited to senior executives occupying roles that can influence the achievement of the performance conditions. Currently, this pool consists of the Executive Directors, Exco members, and staff at a D-upper band level with a minimum TCTC remuneration of R1.0 million as illustrated below:

Participant/Band	guaranteed pay (TCTC)	
Chief Executive Officer (F3)	85	
Financial Director (F1)	75	
Alternate Executive Director (E5)	65	
Exco Member (E4)	40	
Exco Member (E-Lower)	30	
Senior Executive (D-Upper)	10	

 All awards and payments thereof are made entirely at the discretion of REMCO. Incentive payments will where necessary

- be adjusted to take account of exceptional items and costs associated with the share scheme
- Annual conditional share awards with a three-year vesting period will be granted, and individuals may not necessarily receive an award each year, if the minimum performance targets are not met. Notional interest will accrue during the vesting period and will be payable upon vesting
- All awards are fully subject to a pre-defined set of performance measures. These measures will reflect a combination of at least two financial measures representing at least 80% of performance metrics and 20% representing non-financial and strategic objectives. This also includes a minimum threshold to achieve any vesting, a target and a stretch target with interpolation between targets.

In order to encourage higher performance, the pay-out curve steepens only after target is achieved as follows:

Performance level	Achievement	Award
Threshold	80% of target	40%
Target	100% of target	70%
Stretch	120% of target	100%

To safeguard against excessive awards and pay-outs, the scheme has a maximum cap currently 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 for the moment amounts to 7.5% of Group profit before tax. These caps will be subject to regular reviews by REMCO and the Board.

- Awards are subject to the senior executives remaining in the employ of Sasfin and being in good standing with the organisation. Good standing means that the participating member has not been suspended or accused of performance and/or behavioural issues, or any other issues that may influence a decision to grant an award at the discretion of REMCO during the financial year
- Awards earned by the qualifying participants will comprise an equal split between a cash component and equity component at pay-out. Shares for the equity component for the award are purchased on vesting, preventing any shareholder dilution



- Awards will be made on an annual basis as at 30 September and will present a bonus opportunity of varying percentage to all qualifying participants, of their TCTC package, and taking into consideration the level of performance, length of service, and other reasons as pre-determined by the REMCO
- The cost of this scheme must be budgeted for each year and the cost must be included when measuring the Group's profitability for performance and other remuneration purposes.
- The PES award earned by the qualifying participant, will comprise an equal weighting between a cash and equity component as follows:
- · Cash portion of PES:
  - the cash component of the LTI award vests equally over a three-year period
  - interest will accrue on the cash component from award date at a rate of Prime -2%, and paid out to the participant over the vesting period
- Equity portion of PES:
  - the equity component of the PES award will also have a three-year vesting period with the first year of vesting being three years after award date
  - the equity component will be held in cash during the
    vesting period. This allocation, together with interest
    accrued at a rate of Prime -2%, will be utilised to purchase
    the required number of shares the participant is entitled to
    at market prices at the vesting dates proportionately over
    the vesting period
  - shares for equity portion will be purchased on vesting in the open market
  - the acquired shares must be held for a minimum period of 12 months from each vesting date

#### Performance measures

Financial measures

The following financial performance measures were considered for the PES:

- Total shareholder return
- Return on average equity (RoE)
- Return on assets (RoA)
- Return on risk-weighted assets (RoRWA)
- · Returns against peers and indices

 Operating performance measurements such as cost-toincome ratio, credit-loss ratio, cost of funding and others as determined from time to time

The choice of performance measures in the Sasfin environment is a difficult one. Various factors were taken into account such as Sasfin's vastly diversified business model, economic and regulatory conditions, the Group's high capital base and conservative balance sheet, including the differences between capital light and capital intensive businesses.

With regard to the above, it was therefore necessary to include one growth measure and one return metric for performance, which will represent 80% as a combined financial measure and a further strategic/non-financial measure representing the remaining 20% of the performance pool.

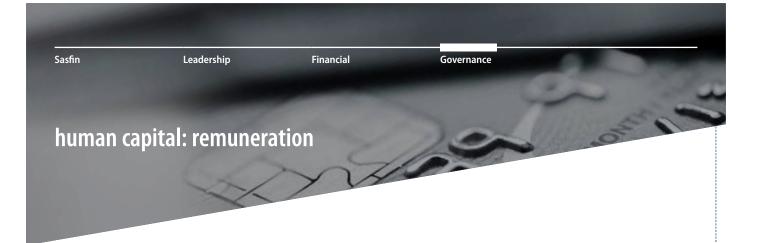
In addition, it is vitally important for the PES performance measures to incentivise and motivate forward looking long-term growth and value creation.

After due consideration, the following performance measures were selected as most appropriate for the PES Scheme:

- Average headline earnings per share growth over the vesting period
- Improvement in average ROE over the vesting period

The selection of these financial measures was based on the following reasoning:

- HEPS growth over time is the foundation upon which share price appreciation and shareholder wealth creation rests. It is an effective and enduring target, particularly on a rolling basis
- In selecting the return measure, the importance of RoRWA required deep insight and consideration as it blends together a management of asset mix, risk decisions, revenue generation and cost control. While ROE captures overall performance in the equity owned by shareholders, external factors can shape the ROE of banks significantly over time as evidenced by changing macroeconomic cycles and the resulting regulatory intervention. In our view, ROE remains the prominent measure in the market amongst most stakeholders, as it appears to be a simple and elegant reflection of management performance in a sustainable manner.



To counter a financial measure losing relevance or appropriateness as a performance tool for the Group, REMCO and the Board will in each successive year, select and approve the most appropriate three-year performance measure for that respective year's award, informed by economic and regulatory conditions that exist, as well as prevailing strategic objectives of the Group.

#### Non-financial measures

The non-financial measures incorporated as the performance measure under this category, representing a combined weighting of 20%, are as follows:

- achieving a positive score in the overall climate survey.
- achievement or improvement in the Group's transformational objectives
- creating and working towards developing a sound and admirable succession plan
- training and development of employees and executives
- improvement in staff turnover rate

# Performance conditions for PES awards

Long-term incentive awards granted to senior executives under the PES are subject to vesting conditions as per performance metrics described below:

Measure	Weighting %
Average growth in HEPS	40
Improvement in ROE	40
Non-financial	20
	100

# **Share price appreciation scheme (SPAS)**

The current SPAS, following a review, will continue in existence and will be available to employees as set out below:

- All employees earning between R500 000 and R1.0 million (D-lower Band and below) will qualify for participation in the SPAS
- Allocations will be calculated at 25% of participating employees' TCTC, with the award date being September year end
- The vesting period will be three years after the award date and the employee must be in the Company's employment and of good standing in order to qualify for the award
- The strike price of the shares will be the 30 day VWAP (volume weighted average price) at award date, plus a premium as follows:
  - − Year 1 − 5%
  - Year 2 5%
  - − Year 3 − 5%
  - Year 4 5%
  - Year 5 5%
- · The award vests equally over a three-year period
- The payment will equate to the excess, if any, between the 30 day VWAP strike price and the price of an ordinary share at the close of business on each of the pre-determined future payment dates multiplied by the award
- Performance measures for this award will be based on an agreed combination of Group, divisional and individual performance, (both financial and non-financial measures) with the qualifying employees on an annual basis.



# Directors' and prescribed officers' emoluments



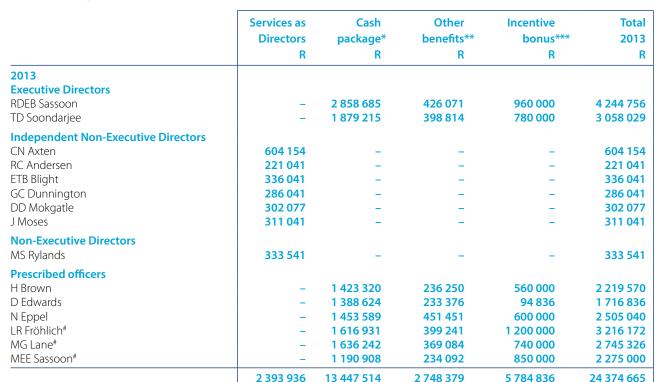
Performance and remuneration criteria for Executive Directors including the Alternate Directors are based on financial and nonfinancial targets as reported earlier.

Directors' and prescribed officers remuneration for the 2014 and 2013 years are illustrated below.

	Services as Directors R	Cash package* R	Other benefits** R	Incentive bonus*** R	Total 2014 R
2014					
Executive Directors					
RDEB Sassoon	_	2 783 594	765 016	1 718 000	5 266 610
TD Soondarjee	_	2 031 699	444 907	1 294 000	3 770 606
Alternate Directors					
LR Fröhlich#	_	1 739 125	463 962	1 100 000	3 303 087
MG Lane#	_	1 757 019	478 474	1 209 000	3 444 493
MEE Sassoon#	_	1 454 511	270 741	1 089 000	2 814 252
Independent Non-Executive Directors					
CN Axten	350 000	_	_	-	350 000
RC Andersen	476 750	_	_	-	476 750
ETB Blight	409 500	_	_	_	409 500
GC Dunnington	412 249	_	_	_	412 249
DD Mokgatle	335 730	_	_	_	335 730
J Moses	352 000	_	_	_	352 000
Non-Executive Director					
MS Rylands	380 000	-	_	-	380 000
Prescribed officers					
H Brown	_	1 537 783	302 000	989 000	2 828 783
D Edwards	_	1 513 202	265 560	1 266 500	3 045 262
N Eppel	_	1 499 799	603 162	859 000	2 961 961
	2 716 229	14 316 732	3 593 822	9 524 500	30 151 283



# Directors' and prescribed officers' emoluments



<sup>\*</sup> Emoluments of the Executive Directors are paid by subsidiaries of the Company

#### **Non-Executive Directors**

Non-Executive Directors' remuneration is approved at the Annual General Meeting by special resolution as contained in the Notice of the Annual General Meeting. Non-Executive Directors do not participate in any STI or LTI awards. REMCO reviews their fees in line with market benchmarks.

#### Non-binding advisory vote

Shareholders were requested to cast a non-binding advisory vote on the Remuneration Policy as contained in the 2013 Integrated Annual Report during the 2013 Annual General Meeting. The Remuneration Policy was adopted with 87.69% in favour.

Board and REMCO consider this as being significant evidence of satisfaction with the remuneration policies of Sasfin by its shareholders, who will again be requested to cast a non-binding advisory vote on the Remuneration Policy as contained in this report.

# **Shahied Rylands**

Chairman

Human Resources and Remuneration Committee

10 September 2014

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

<sup>\*\*\*</sup> Incentive bonuses paid relate to performances in the prior financial year

<sup>#</sup> Appointed as Alternate Directors on 9 October 2013



#### **Overview**

Sasfin's focus is not only on its business achievements, but on ensuring that sound business practices and strong, ethical and sustainable principles form a solid base from which business is conducted.

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.

To ensure that duties and responsibilities (both across the Group and in terms of how Sasfin operates in society at large) are planned, documented and achieved, the Social and Ethics Committee (SEC) is constituted as a statutory committee of the Board of Sasfin Holdings Limited (the Company) and has applied the recommendations of King III.

For more information on the committee's members and how the committee is constituted, please see our Corporate Governance report. The Social and Ethics Committee is governed by its own terms of reference, as approved by the Sasfin Holdings Board.

Our report is a summary of Sasfin's commitment beyond financial and economic imperatives.

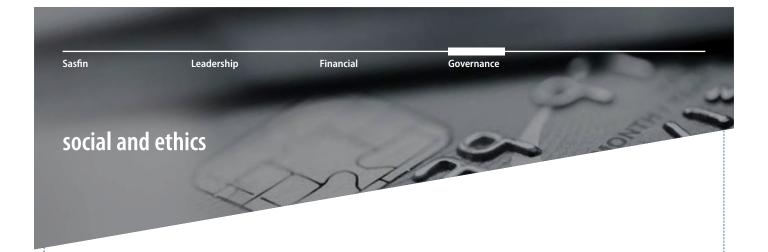
#### **Focus areas**

The SEC is responsible for ensuring that the environmental, socio-economic, BEE, Employment Equity and Corporate Social Investment focuses for the Group remain on target. It also ensures that local and global policies and frameworks that outline ethical conduct are correctly implemented and guide the way we do business at Sasfin.

The committee's focus is on a number of critical business areas:

 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 Broad-Based Black Economic Empowerment Act
- Overseeing the monitoring, assessment and measurement of Sasfin's activities relating to good corporate citizenship, including the Company's promotion of equality, prevention of unfair discrimination, and addressing of corruption; contribution to development of the communities in which its activities are predominantly conducted or within which its products and services are predominately marketed
- 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
- Overseeing the monitoring, assessment and measurement of Sasfin's 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 Ombudsmen queries
- Overseeing the monitoring of Sasfin's labour and employment matters, including the Company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions, the Company's employment relationships and its contribution towards the educational development of its employees
- Overseeing the monitoring, assessment and measurement of Sasfin'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
- Reviewing the adequacy and effectiveness of Sasfin's engagement and interaction with its stakeholders
- Considering substantive national and international regulatory developments as well as practice in the fields of social and ethics management and public safety
- Reviewing and approving the policy and strategy pertaining to Sasfin's programme of corporate social investment
- Determining and clearly articulating ethical standards (Code
  of Ethics) and ensuring that Sasfin takes measures to achieve
  adherence to these in all aspects of the business, thus achieving
  a sustainable, ethical corporate culture within Sasfin



# Key social sustainability and environmental drivers identified

Sasfin recognises that the banking and financial services sector has an important role to play in the context of environmental sustainability, both in South Africa and in the global context. Sasfin is committed to effectively managing the direct and indirect environmental and social impacts of its activities, products and services.

As economic growth, social equity and environmental integrity are interdependent outcomes of all sustainable development, the integration of social, economic and environmental factors is essential for planning, implementation and decision-making to ensure that development serves present and future business partners.

#### **Financing of SME clients**

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

## **Energy efficiency financing**

Sasfin offers a number of products and has invested in a green energy consulting services company. These initiatives facilitate and assist its clients to become more energy efficient to lower their energy costs, find cleaner alternatives and improve energy efficiencies. It has obtained funding lines for lending to qualifying green energy projects and has identified a number of energy efficiency projects which it now funds.

# **Adoption of SEMS framework**

When Sasfin provides financial solutions to clients, it recognises that it has a responsibility to ensure its clients' activities do not have a negative social and environmental impact. Sasfin therefore considers environmental and social risks in its business decisions and activities, particularly in higher-risk industry sectors such as heavy industry and mining.

To manage those social and environmental risks and impacts, as well as to enhance development opportunities, Sasfin seeks to

measure itself in terms of eight performance standards aimed at promoting sound environmental and social practice, encouraging transparency and accountability and contributing to positive developmental impacts. These principles are encapsulated in its SEMS framework.

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

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

Sasfin has an environmental coordinator who manages the Group's environmental impact by screening corporate clients against Sasfin's SEMS risk framework. The environmental coordinator is mandated to create a consistent approach to environmental and social management by facilitating appropriate systems, policies, performance standards, monitoring and assurance within the Group's operations and responsible financing considerations. The environmental coordinator's responsibilities are represented at the GRCMC and SEC, which in turn provide oversight and guidance in managing the strategic direction of environmental systems.

In addition, these committees address issues associated with occupational health and safety in the building maintenance as well as employee occupational health and safety awareness. Sasfin has had one minor employee injury in the year under review (as disclosed in our Human Capital report) and has otherwise not dealt with any health and safety concerns.

#### **Broad Based Black Economic Empowerment**

Sasfin recognises the importance of ensuring that the socioeconomic inequalities which pervade South Africa need to be addressed. It regards the FSC as an excellent model upon which it based its targets and strategies for the achievement of greater equity within its field of influence and we are pleased to note that the FSC has been rejuvenated as a sector code.

To ensure objective validation of the process, Sasfin has engaged with an independent, approved verification agency not only to



provide a scorecard, but also to review progress so that appropriate medium and long-term strategies can be implemented aimed at improving Sasfin's broad contribution to BEE. The ownership requirements of the FSC code remain a challenge because the Banks Act requires regulatory approval for any significant shareholding. Sasfin, however, continues to make good progress in ensuring that its employee demographic profile, its procurement practices and enterprise development initiatives bring real benefits to its stakeholders.

Sasfin has been awarded a SANAS accredited level 7 score, which translates into a BBBEE procurement recognition level of 50%. Sasfin has also been recognised as a value-added supplier.

A number of initiatives have been instituted aimed at improving some of the measured criteria in the FSC.

A bursary scheme is being introduced aimed at attracting young black graduates into the Sasfin work force. Mentorship programmes aimed at fast-tracking existing employees are in place. We have developed strong ties with organisations that focus on entrepreneurial development and through these organisations, are in the process of establishing programmes to ensure that youth have access to skills, education and experience they require to start their own businesses. We look forward to reporting on these in 2015.

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.

#### **Suppliers**

Sasfin is analysing how best to engage with suppliers on their environmental management practices and will develop and roll out standards and tools in this regard during 2015.

# **Fines and sanctions**

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

# In the community

Sasfin will focus on flagship projects, working with organisations which either run programmes that align to Sasfin's developmental imperatives, or, are able to develop these in partnership with Sasfin.

We realise that ensuring sustainable support and development for our communities means providing support from cradle to grave. While we have supported a wide variety of organisations through donations and sponsorships, our focus was on organisations that focus on socio-economic development through their activities.

- Our contribution to Afrika Tikkun helped the organisation's feeding scheme as well as their Aids Day Ribbon pilot programme
- ORT Jet used funds from Sasfin to support mentorship programmes and ORT SA
- Junior Achievers began a programme to teach mentally challenged children the value of business
- Our contribution to the Buffelshoek Trust enhanced education programmes in the community
- We made various contributions to feeding schemes, the physically disabled, education programmes, the elderly, children's homes and other projects

Sasfin made 110 (2013: 114) contributions in the year under review, reaching a total of R1.8 million (2013: R1.9 million) in contributions.

Our focus for the next financial year will be on honing our CSI spend on flagship organisations whose work focuses on enhancing the lives of future generations and developing skilled individuals who will shape and grow a sustainable economy through entrepreneurial development.

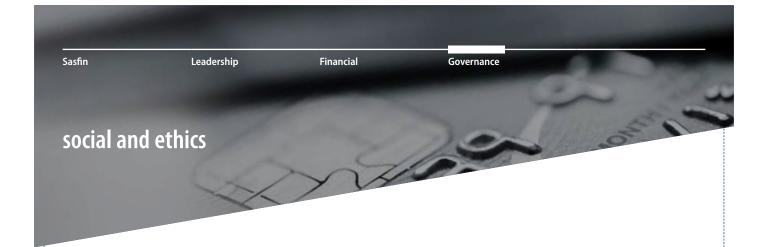
Our particular focus will be on ensuring a pipeline of support from Early Childhood Development right through to Further Education and Training (FET) and career placement and in doing so, provide much-needed support to South Africa's Socio Economic Development (SED) plans.

We will also place focus on consumer education and financial literacy through established programmes and campaigns.

#### Climate change

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.

Sasfin has had its carbon footprint independently measured and was assessed at 6 455  $tCO_2e$  (2013: 6 171  $tCO_2e$ ) in the year under consideration.



Sasfin has introduced solar and other energy saving technologies to a number of buildings which it occupies throughout South Africa to reduce its own reliance on fossil fuel energy.

# **Environmental legislation**

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

# **Employment**

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.

With this in mind, 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.

#### **Empowerment financing**

Among its initiatives, Sasfin is particularly proud this year to have engaged in an alliance with SANTACO which is one of the largest recognised taxi associations in South Africa. Sasfin provides financing to SANTACO's members to enable them to maintain and renew their fleets and sustain their businesses.

#### **Consumer relationships**

We are very pleased that no incidences of non-compliance have been reported in the year under review.

We are focused on fully implementing both the Anti-Bribery and Corruption regulation and the six Treating Customer Fairly principles outlined by the FSB. Sasfin will be rolling out large-scale awareness to employees on both in upcoming months.

#### **Future focus**

The Social and Ethics Committee is well placed to continue to monitor the Group's adherence to its social and environmental obligations pertaining to its activities and drive the Group's strategic vision of sustainability.

This will be my last year serving on the committee and my heartfelt gratitude goes to my colleagues on the committee, the management team and support colleagues. The Sasfin Board has been fully supportive of the work of the committee and I am greatly appreciative of the valuable contribution they have made to ensuring that the committee succeeds in its objectives.

# **Appreciation**

This is my final report for Sasfin as I will be leaving the Group at the end of the year.

As I pen my final message, I would like to thank Sasfin for the opportunity to serve on its Board of Directors and especially for the privilege of leading the Social and Ethics Committee as Chairman.

It has been a pleasure to be a part of the development that has occurred over the years in the area of transformation, socio-economic development and the enhancement of social and ethics at Sasfin.

I am grateful to my fellow committee members and the team that supported the committee; the management team that implemented and helped the committee monitor the progress made in the company on the targets set to improve performance in the relevant areas; and finally, to the Board for their guidance and support.

It has been a period of corporate and personal growth as we navigated new developments.

I wish Sasfin and the committee success in the next phase of development and I have confidence that the new leadership on the committee will support Sasfin in its drive to fulfil its developmental imperatives.

#### **Dolly Mokgatle**

Chairperson
Social and Ethics Committee

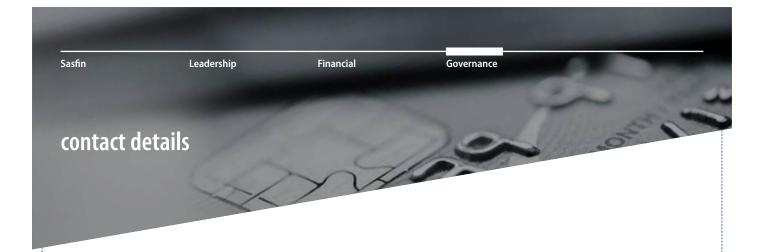
10 September 2014

#### Footnote:

1-6 171 tCO $_3$ e as reported in the Sasfin Integrated Annual Report 2013, adjusted to account for updates in emission factors and data discrepancies



ALCO	Asset and Liability Committee
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
BESA	Bond Exchange of South Africa
Companies Act	Companies Act, No 71 of 2008, as amended, of South Africa
DFI	Development Finance Institutions
FATCA	Foreign Account Tax Compliance Act of United States of America
FSB	Financial Services Board
GACC	Group Audit and Compliance Committee
GRCMC	Group Risk and Capital Management Committee
GRI	Global Reporting Initiatives
ICAAP	Internal Capital Adequacy Assessment Process
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
InnoVent	InnoVent Investment Holdings (Pty) Limited
InnoVent Rentals	InnoVent Rental and Asset Management Solutions (Pty) Limited
IT	Information Technology
JAWS	Measure by which income growth percentage exceed expense growth percentage
JIBAR	Johannesburg Interbank Agreed Rate
LCR	Liquidity Coverage Ratio
NPL	Non-performing loans
NSFR	Net Stable Funding Ratio
POPI	Protection of Personal Information Act of South Africa
Premier	Sasfin Premier Logistics (Pty) Limited
RAROC	Risk Adjusted Return on Capital
SAICA	South African Institute of Chartered Accountants
SAL	Sasfin Asia Limited
SAM	Sasfin Asset Managers (Pty) Limited
SasCred	SasCred Financial Services Limited
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Pty) Limited
SEMS	Social and Environmental Management System
SFAS	Sasfin Financial Advisory Services (Pty) Limited
SFS	Sasfin Financial Services (Pty) Limited
SPEIH	Sasfin Private Equity Investment Holdings (Pty) Limited
TCTC	Total Cost to Company
The Bank	Sasfin Bank Limited
The Company	Sasfin Holdings Limited
The Group	Sasfin Holdings Limited and its subsidiaries
The JSE	Johannesburg Stock Exchange Limited
The SARB	South African Reserve Bank
TOPP	Training Outside Public Practice program of the South African Institute of Chartered Accountants



# **Independent Non-Executive Chairman**

RC Andersen

#### **Executive Directors**

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

#### **Alternate Executive Directors**

LR Fröhlich, MG Lane, MEE Sassoon

#### **Non-Executive Directors**

ETB Blight<sup>#</sup>, L de Beer<sup>#</sup>, GC Dunnington<sup>#</sup>, DD Mokgatle<sup>#</sup>, J Moses<sup>#</sup>, MS Rylands, LJ Sennelo<sup>#</sup> <sup>#</sup> Independent

# **Group Company Secretary**

H Brown

#### **Joint Auditors**

KPMG Inc. and Grant Thornton (Jhb) Inc.

# **Lead Sponsor**

KPMG Services (Pty) Limited

#### **Joint Sponsor**

Sasfin Capital (a division of Sasfin Bank Limited)

# **Registered Office**

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# **Transfer Secretaries**

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# **DISCLAIMER**

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

Forward-looking statements may be identified by words such as "believe", "anticipate", "expect", "plan", "estimate", "intend", "project", and "target".

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

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

The Group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage and 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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