REFLECTIONS

REFLECTIONS FROM OUR CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER (GCEO)

Becoming resilient amidst disruption

"The Covid-19 pandemic has undoubtedly changed our operating environment, putting us on a path where we've had to make hard choices and display agility to maintain the sustainability of our business and deliver value to stakeholders – while keeping our eye on the future.

Everything is being reset; this is the beginning of a new truth – a new dispensation within a fundamentally different economy and environment."

Our business, South Africa and the rest of the world stand at a vantage point that is markedly different from where we began eight decades ago. The Covid-19 pandemic has undoubtedly changed our operating environment, putting us on a path where we have had to make hard choices and display agility to maintain the sustainability of our business and deliver value to our stakeholders – while keeping our eye on the future. Everything is being reset; this is the beginning of a new truth – a new dispensation within a fundamentally different economy and environment. The choices we make today will define the industry's approach for years to come, with a generational impact on how it cares for our employees and our members.

Overview

At a crossroads

We began the year under review full of promise, with a firm view on *"positioning for and indeed returning to growth"* agenda in F2020 that was dependent on our turnaround strategy and getting the basics right. This factored in economic assumptions that took an unprecedented turn with the onset of the Covid-19 pandemic. Coupled with South Africa's enduring and longstanding challenges of poverty, inequality and unemployment that climbed to 30,1% in F2020 quarter 1 (2019: 27,6%), the economic environment rapidly deteriorated with consumer spending and business confidence plunging to all-time lows.

The unprecedented decision by the South African Reserve Bank (SARB) to reduce the repo rate five times by the end of July 2020 (with 300 basis points or by a staggering 46%) to stimulate the economy amid the economic turmoil was a further unexpected challenge to our operations and operational results.

The reality is that our lending business is predicated on offering financing, which is pegged to a variable interest rate environment. The unforeseen interest rate reductions impacted our net interest received. SARB's drastic cut of the interest rate not only assisted indebted consumers in the short-term, but will provide huge assistance to re-starting industry sales once the country resumes economic activity after the lockdown.

With consumers' income under strain, we focussed on managing the risk in premium cancellations by keeping in tune with our members realities and offering the relief created by our insurance partners.

Despite these innumerable challenges in the macro-economic environment, we are ever more committed to returning to growth.

Consumers

South Africa's high levels of unemployment, coupled with low economic growth, continues to impact investor and consumer sentiment negatively. The Bureau for Economic Research's Consumer Confidence Index is telling, by the second quarter of 2020, consumer confidence had dropped to -33, from -9 in the prior period. This is the lowest reading of consumer confidence since the second quarter of 1985.

Our members

Our members are our primary focus and they have been under severe socio-economic and financial pressure over the past few months, particularly as economic activity started to slow down during Covid-19 lockdown restrictions. Consumer confidence is a key indicator, offering insight into the sentiment and views of how likely consumers will spend and manage credit.

Our challenge is to survive this recession sustainably as consumer spending is likely to remain low, this has a direct effect on our business. Now more than ever, we will have to find cost-effective and innovative ways to deliver value for our members and help them with their financial wellness.

We are living in unprecedented times. As an organisation that has weathered many storms over the past eight decades, we have always believed that our role is to manage those things that are within our control and adapt ferociously – even when the external environment is challenging. This is how we make good on the trust that our members place in us.

Reflecting on Environmental, Social and Governance (ESG) considerations

Iemas has a balanced view on integrating environmental, social and governance (commonly referred to as "ESG") considerations in our strategy and operating model.

IEMAS ESG Overview – F2020

Environment

As a financial services provider, we continue to champion the importance of environmental sustainability in our day-to-day operations. We need to explore opportunities around financing of "green" assets for our members.

Social

The very nature of our business is aimed at empowering people – be it our members or our employees. Internally we value our human capital as our most significant asset. In short, we believe that *people* are the starting point of our business.

Governance

Our approach to governance issues is premised on the belief that we embrace the tenets of good governance both in the *letter* and in *spirit*. The Board is committed to the highest standards of governance and accountability, as recommended by King IV™, and the delivery of outcomes such as an ethical culture, integrity and effective control and compliance.

Engaging with our stakeholders effectively

Our ability to generate sustainable value for our stakeholders depends on our ability to engage with our stakeholders effectively. The Group's management team – Executive Committee and Senior Management – are principally charged with managing our stakeholders, through the various operations, clusters and business areas. The nature of engagement during the year under review is on pages 44 to 48. Throughout all of this, the Group's values are the basis on which we engage and receive feedback that helps us improve our operations and manage risk effectively.

Risk management

Risk management is key to the sustainability of Iemas, given the uncertainty brought by the Covid-19 pandemic. The most significant risks that the Co-operative has managed in the year under review are on pages 49 to 55. These range from the inability to reverse the impact of the decline in the prime lending rate on the net interest revenue in the short term, to lost business opportunities resulting from the time taken to execute modern technology platforms.

Our performance

Getting the basics right

The profit for F2020 amounted to R59,8m (2019: R93,2m), while members' funds increased to R863,4m (2019: R848,3m) and total external borrowings decreased to R2 651,1m (2019: R2 875,8m) which, started to reflect the unparalleled pressures brought by Covid-19 and the economic slowdown in South Africa. Our lines of businesses were determined to deliver towards financial objectives in a market where some of our employer groups were closed or scaled down to partial operations during lockdown levels. This required finding innovative ways of reaching and engaging members on their financial needs. Before the Covid-19 pandemic, e-commerce was already meaningfully and visibly eating into the sales of brick-and-mortar operations. Coronavirus has accelerated a change in the shopping behaviours of consumers who were previously slow to adapt.

Encouragingly, our efforts in applying various additional cost containment strategies helped us manage our cost structures well amidst a difficult trading environment.

During the year under review, we made great strides in "retooling" our business for success. There are four distinct areas that we refer to as our key strategy battlegrounds that define how we have worked to build a better and a more efficient basis geared to serve our members and the employers.

"PEDE" – Iemas' key battlegrounds

1

Product enhancement

Driving the enhancement of our current product mix through IT enablement and continuous improvement.

2

Employer diversification

Balancing the risk of overexposure to certain industries, such as mining, metals and manufacturing, to drive a more diverse employers group-base.

3

Digitisation

Iemas Business Modernisation Programme (IBM) through the continues deployment and improvement of our IT systems to support our core business processes.

4

Efficiencies

Efficiency opportunities throughout the business – from fixed-cost reductions to business process optimisation to drive customer experience.

Business abnormal

In the wake of a global pandemic and an economic downturn, we remained committed to keeping our focus on those things that we can control: our products and services, our member experience and continuing to build strong relationships with our employer groups. In short, this period could be referred to as "business abnormal" – a period in which we worked hard to keep the ship sailing against all odds.

Our focus during this period was to provide essential services with quality, acceptable member experience, and risk control – all while caring for Iemas' employees. These objectives were interacting in non-obvious ways.

Accelerating our strategic journey through key initiatives in 2020

Modernisation Iemas Business Modernisation Programme and digitisation	This started relatively well, and despite initial integration challenges with the implementation and stabilisation of the first-leg of Iemas' Business Modernisation, it was a no-regrets move that already proved its worth. With this in the bag, our focus can now be on accelerating the digital future.
Product innovation and leadership Iemas Pay	On 1 March 2020, we incorporated the Cape Consumers Card administration capability into the Group, in line with our product leadership enhancement initiatives. Post the acquisition of this capability, we've worked swiftly on the product management system and enabling the Iemas Purchase Card on the new payments platform, adding new functionalities, for example a web portal and drastically improving card security in line with international standards and best practice. I-Belong also acquired the remaining 50%, not yet owned by the Group, in the Cooperative Switch that has been operational for three years, offering card payment enablement services. This system includes a card issuing platform as well as switching and authorisation capabilities and promises to bring internet payment and a mobile application functionality in future.
Enhancing our rewards programme	We have completed the redesign of our current rewards programme for members, aligned with the emerging trends affecting our customer base, product take-up and rewards structures. The new loyalty and rewards structure, which will be launched during the first half of F2021, will be backed by data science capability and one-to-one engagement channels with a more enticing and expansive reward structure for members and employers.
Operational efficiency championing our members' experience	Putting our members first is core to who we are as South Africa's leading financial services co-operative. Through the adoption of new technologies across the Group, and the design of "digital journeys" to better serve members across our product suite, we are enhancing the current members' experience and working towards championing the best possible members' experience.
Transform service delivery and gearing for growth	There are numerous areas of growth for our business, some of which include: • Increasing penetration of product participating members at employer groups; and • Continuing to diversify while also evolving the profile of our members and growing cross-selling among our members.

Prospects

Our opportunities looking ahead

Iemas has a long history of contending with ever-evolving and fast-moving changes, whether it is dealing with technological change or navigating a complex socio-economic environment.

Our business success is dependent on deep relationships with our employer groups, and the permanent employees they employ, who can access our wide range of financial services. There will be an increasing focus on ensuring that financial inclusion is placed front and centre for employer groups. Financial inclusion is a much wider concept than just offering a suite of products to a consumer.

A renewed wave of coronavirus infections during F2021 quarter 1 remains a possibility and could also slow the economic recovery next year, limiting 2021 economic growth.

Although the entire financial services industry has been rebased due to the significantly lower repo rate and have lower margins, we see a great opportunity and role for Iemas to play in the post Covid-19 world. Technology is going to be an important enabler in all of this by enhancing digital applications for our members to use across our product suite. Mastering strong management of data, intelligence and using insights gained in member research will ensure that we anticipate our members' needs and deliver meaningfully.

We will continue to find opportunities for value-added services – in addition to our existing products, especially in the card and new payments solutions, as well as through rewarding of member behaviours.

We are confident that we can, and will, amongst the difficulties – ensure the business is stabilised and sustainable growth is achievable.

Appreciation

We would like to extend our sincere gratitude to all our employer groups for their ongoing support and entrusting Iemas with their employees' financial wellbeing. This could not have been possible without the commitment from the Iemas Board, our dedicated (and very energetic) management team and all of our employees.

To the Board, thank you for demonstrating exceptional insight and leadership during the course of this year. To management and employees, we make a strong team, your individual efforts and contributions are valued – working tirelessly to serve our members and employer groups. This has undeniably been a trying, though very interesting year for all of us. We believe in your resilience and dedication which has brought us here and will take us stronger and successfully into the future.

Willem van Heerden
Chairman of the Board

Banie van Vollenhoven
Group Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REVIEW

Maintaining agility amid a time of change

"Managing our financial performance is an integral part of our returning to growth agenda. By all accounts, F2020 has been financially testing on Iemas."

"The coin with two different sides – first the one side, full of promise and showing encouraging results exceeding expectations by half year close. Then on the other side, the second half of F2020, where the recession and Covid-19 lockdown restrictions forced operations and the economy into negative territories."

Overview

Managing our financial performance is an integral part of our returning to growth agenda. F2020 has been financially testing on Iemas. The coin with two different sides – first, the one side full of promise and showing encouraging results exceeding expectations by half year close. Then, the other side, the second half of F2020 where the recession and Covid-19 lockdown restrictions forced operations and the economy into negative territories characterised by weak growth, high levels of unemployment and lower levels of disposable income.

Our aim is to deliver value to our members, and this value is dependent on our ability to generate sustainable revenue, where a portion of the profit is shared with members.

Though our results are starting to reflect the tough economic environment, with numerous factors at play – from the impact of the Covid-19 pandemic on consumer spending and confidence to the historic drop in interest rates by the SARB – the full effect will most assuredly only become visible in the next financial year.

Salient features of our financial performance in 2020

Profit for F2020 decreased to
R59,8m
(2019: R93,2m)

35,8% decrease from 2019

Member's funds increased to
R863,4m
(2019: R848,3m)

1,8% increase from 2019

Total borrowings for the year decreased to
R2 651,1m
(2019: R2 875,8m)

7,8% decrease from 2019

Average interest rates per product offered by Iemas

Any lending business is reliant on interest as one of its main sources of revenue. Interest is levied on our members' debtors' balances at the contracted interest rate, and any fluctuations in the repo rate affects this.

Take the vehicle financing proposition for example. As a result of reduced operations and strain on consumer income, Moody's predicted that global demand for passenger vehicles will shrink by approximately 14% in 2020 and the longer it takes for economies to restart, the more this shrinkage will be. If we bring this closer to home, the impact has been immense. To illustrate this, we only need to look at the impact this one proposition of our business has on the economy, indirectly.

Our financial performance in F2020

The story behind the numbers

Measuring how we generated income

Revenue source	Income drivers	F2020 performance	
Interest income from lending activities	This is the largest contributor to Iemas' income. Revenue is generated through the advances we extend to our members to finance their vehicles, their children's education, personal needs or through our pension-backed housing advances. We earn interest income by levying our debtors' account balances at an agreed interest rate, in line with the credit agreements. The effective interest rate also includes a once-off initiation fee charged on all new financing agreements. The SARB lending rate to banks (also known as the repo or interest rate) is an important determinant, as our interest income is linked to the changes in the repo rate.	*Decreased by 4,9%*	2020: R661,7m (2019: R696,1m) *Impacted by:* *Lower member appetite for financial solutions – due to weak economic environment and employment uncertainty.* *Decline in repo rate.*
Other direct-advance related income	*Income related directly to our advances, such as contract fees, monthly service fees and commission.* • A monthly service fee is charged on all active finance agreements. • A collection fee is collected from card suppliers (merchants) and is based on the value of the Iemas card spend for the specific month. • Commission earned through our various partnerships.	*Decreased by 6,2%*	2020: R41,0m (2019: R43,7m) *Impacted by:* *Lower member activity in our core financing activities, resulting in reduced other direct-advance related income.*

How our lines of business contributed to our income

Despite a difficult financial year, our business segments found new ways to service our members and there are opportunities that lie ahead to improve on these results as we pave our way to post Covid-19 recovery and get back on track with Iemas' "return to growth" agenda in mind.

Lending contributed 74,5% to our total income, representing a 1,3% decrease from the previous year (2019: 75,8% contribution to total income)

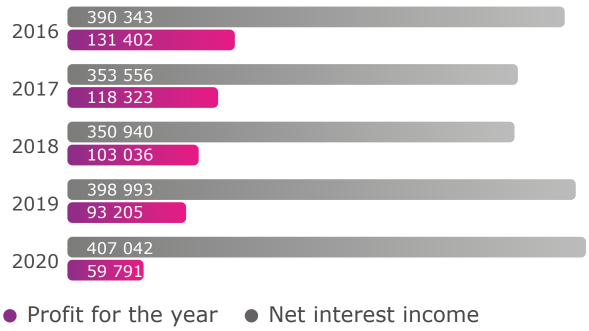
Short-term insurance contributed 5,5% to our total income, representing a 0,1% increase from the previous year (2019: 5,4% contribution to total income)

Life insurance contributed 7,7% to our total income, representing a 0,3% increase from the previous year (2019: 7,4% contribution to total income)

Cell captives contributed 12,3% to our total income, representing a 0,9% increase from the previous year (2019: 11,4% contribution to total income)

Iemas Pay in 2020 contributed 3,0% to our total income. This forms part of the lending activities.

Performance (R'000)



Exploring the factors behind premium, advances and credit losses

The demand and take-up of financial products were affected by the Covid-19 pandemic, with many consumers opting to either restructure their existing suite of products or reluctant to apply for credit due to income uncertainties.

1 Cancellation and restructuring of products

In Iemas' case, cancellation of insurance ended below the forecasted projections.

Restructuring of loan instalments allowed for lower instalments.

2 Increase in arrears

We also saw an increase in arrears during the year under review. With widespread retrenchments in many sectors of the South African economy, the increase in impairment provisions and bad debts were to be expected. The capital at risk at the end of August 2020 was R461,2m (2019: R264,1m).

Another reason for the increase pertains to the manner in which the new loan system (implemented November 2019) calculates arrears and the capital relating to it. The fees that were previously calculated separate are now capitalised as part of the main products are now included. The effect thereof is, for example, that a relatively small administration fee of R69 in arrears on a vehicle with a outstanding balance of R800 000, will cause the entire amount of capital at risk (i.e. R800 000) to reflect as an arrears amount.

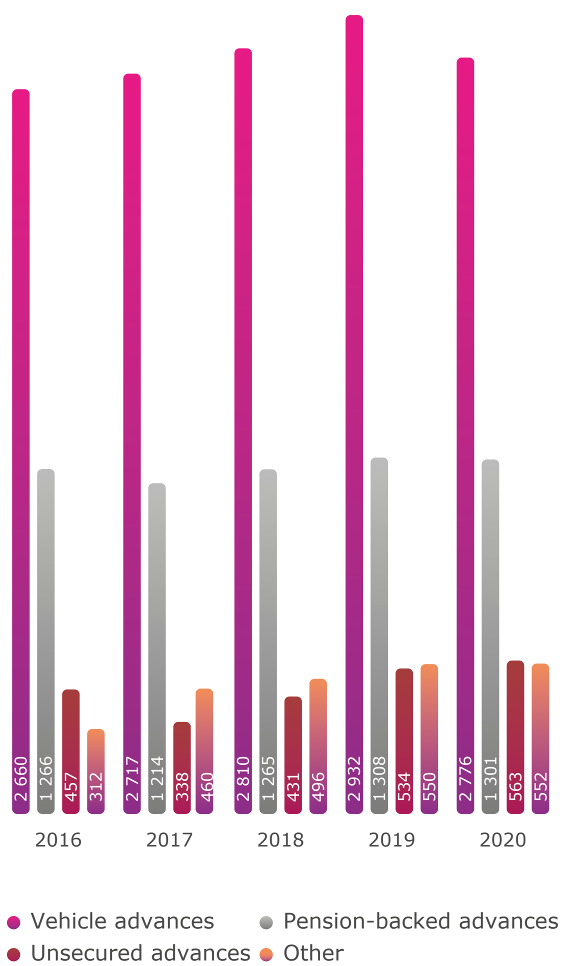
3 The decrease in the repo rate

The decrease in the repo rate dampened our profitability significantly, our net interest margin and our interest income on investments decreased.

Highlights for the year:

- Vehicle advances:
  R2 775,6m
  (2019: R2 931,7m)
- Pension-backed advances:
  R1 301,2m
  (2019: R1 307,9m)
- Unsecured advances:
  R562,5m
  (2019: R534,1m)
- Other:
  R552,4m
  (2019: R550,5m)

Advances per main product categories (Rm)



Iemas' total net advances decreased by 2,4% (2019 increased: 6,4%) to R5 239,6m (2019: R5 368,9m). The decline is mainly due to the partial or full closure of employer groups during the coronavirus lockdown period. However, we continued to provide our products to the members classified as 'essential services' and those employer groups which remained open during most lockdown levels. These included employers in public sector, financial services, health, information and communication technology (ICT), education and professional services. Broadly, members linked to those employer groups that could maintain operations and salary expenditure.

Credit losses

The loan impairment expense increased by 56,6% (2019: 14,6%) to R137,8m (2019: R88,0m).

Arrear instalments as a percentage of gross loans and Net advances increased from 1,4% to 2,1%. This includes all loans that are not up to date with contractual obligations.

Provision for impairment

Making provision for impairments is a key feature of how any financial services business manages credit risk. Our models determine various factors, such as high-impact historical, current and future events (e.g. market conditions) as well as the likelihood of members' not meeting their obligation(s).

How we provided for impairments

What was the impairment provision adjustment?

- Our impairment provision increased by R85m (2019: R13m), which represents 6,4% (2019: 4,1%) of the total advances, excluding pension-backed housing advances;
- The vehicle advances written off during the year decreased by R10,5m (2019: R1,4m) to R29,9m (2019: R40,4m), representing 1,08% of the total vehicle advances; and
- Amounts written off on unsecured advances and other loans decreased by R12,4m (2019: increase of R6,4m) to R35,2m representing 3,2% (2019: 4,4%) of the total unsecured advances and other loans. Post write-off recoveries increased by 3,1% (2019: 8,1%) from R12,0m to R12,3m.

Our focus on disciplined cost management

Our commitment to cost-discipline was an important focus for us in the year under review. Iemas' sales and distribution costs were lower due to reduced sales-related travel as a result of Covid-19 restrictions. Our remote work policy, which enabled a sizeable number of employees working from home, resulted in savings in certain operating costs such as travel, rental, etc.

Salary cost, the largest contributor to expenditure, increased by 5,8% (2019: 8,4%) to R215,0m (2019: R203,3m) and represents 50,7% (2019: 53,8%) of total operating cost. While Iemas' total employee complement increased due to the onboarding of i-Belong Rewards, this was balanced by Voluntary Severance Packages (VSPs) taken by colleagues across the Group in quarter 4. The VSP financial incentive also contributed to the increased salary cost. Overall, there was a decrease of 15 employees (2019: 39 employees). Lastly, in the second half of the year there was a salary freeze. This contributed to managing salary costs.

We measure our cost management according to our cost-to-income ratio – increased from 57,0% to 60,9%. This was the result of a decrease in net income of 2,5% (2019: increase of 4,6%), expenditure from operations increasing by 12,9% (2019: 10,4%).

Members' share in the profits

A distinguishing characteristic of the co-operative model is that members share in our profitability.

Our annual reward allocations to members illustrate this commitment.

- Despite a difficult environment, with reduced revenues, our total member rewards (excluding interest on members' deferred bonus payment fund) amounted to R46,9m (2019: R62,5m), representing 43,9% (2019: 40,4%) of net profit after tax and interest on members funds, before rewards;
- The interest paid on members' deferred bonus payment funds amounted to R37,5m (2019: R47,4m) and is calculated bi-annually at a rate linked to the repo rate less 0,25%. Interest calculated on members funds for 6 months as at 29 February 2020 amounted to R24,6m which represented a return of 6,0% on their funds. Interest calculated on members funds for the second half of the year at 31 August 2020 amounted to R12,9m which represents a return of 3,25% on their funds; and
- The total member rewards for 2020, which comprise the rewards allocated and the interest accrued on the members' deferred bonus payment funds amounted to R85,8m (2019: R109,9m).

Ensuring adequate funding for future growth

Through our well-established relationships, we have secure funding mechanisms for our debtors' book, through a consortium of banks and a securitisation vehicle.

Our funding is sourced primarily through two main avenues: members funds and borrowings from banks.

Members funds

An important element of our funding is our members' funds – through retained reserves and members' deferred bonus payment funds.

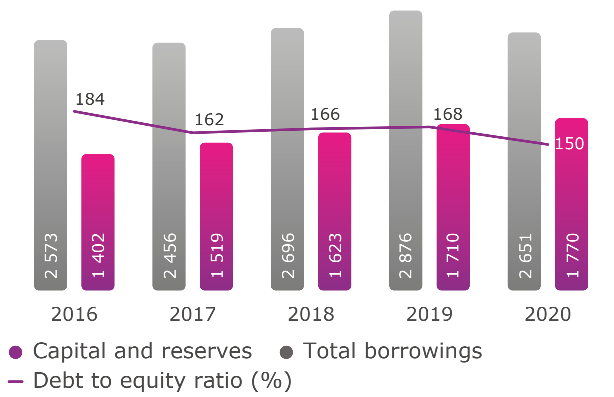
Borrowings from banks

A consortium of banks which provide Iemas with funding, as and when required, for the Co-operative's activities.

Underpinned by strong relationships with members, employer groups and banking institutions.

For F2020, capital and reserves were R1 769,9m (2019: R1 710,7m) increased by 3,5%, while members' funds increased to R863,4m (2019: R 848,3m).

Debt to equity



Outlook

The Covid-19 pandemic has exacerbated an already weak domestic economy. The first 25 basis points downward adjustment in the repo rate during January 2020 was effected prior to the pandemic as a measure to improve a weakening economy.

However, the subsequent adjustments (a further 275 basis points within three months) were highly unexpected and were actioned to ease the effect that the pandemic had on the economy. The significant reduction in the repo rate had a negative impact on the income streams of financial services organisations, including Iemas. It is not expected that the Reserve Bank will increase the repo rate in the short to medium term.

Therefore, low interest rate margins will become the norm and Iemas will have to adjust its operating structures accordingly. Adjustments will, inter alia, include potential changes in the human resources structures and operating models, thus setting a new base for its business.

The important areas of focus going forward, include the following:

1 Continued focus on responsible credit granting amid job losses and salary reductions
Affordability: Credit granting will be made to members that can afford it

2 Disciplined capital expenditure
Investing in digitisation and business processes with discipline top-of-mind

3 Managing our financial risks effectively
Funding: Diversifying funding sources to manage overexposure and risk

4 Continued focus on arrears management

5 Maintaining cost-discipline amid constrained revenues
Controlling operational costs through a range of initiatives, from lease negotiations, optimising operational structures and other efficiencies

How Iemas will navigate the financial future post Covid-19

Responsible credit granting will remain an important focus area for the business. Iemas will continue to grow its debtors in a responsible manner, considering members' need for finance and the employers' requirements for responsible lending. Overall, we expect that organisations in the financial services industry will have to navigate a difficult environment. It will take several years for the economy to recover. We are confident that our employees' passion and commitment, the support of our members and our participating employers and our strong relationships with partners, banks and other stakeholders will see us through.

Tom O'Connell
Chief Financial Officer – Iemas Financial Services

MITIGATING AND CONTAINING THE IMPACT OF COVID-19

Your caring partner – resilience through the cycle

Covid-19 has brought innumerable challenges for all businesses. During this period, we have focused on those elements, that are in our control. Our rigorous enterprise risk management framework and our strong relationships with employer groups, associations, banks and investors has helped us to mitigate and contain the impact of the virus on our operations. As we move forward, we are committed to supporting our employees and members.

The reality is that Covid-19 has resulted in a negative global and local economic environment and the virus had an indelible impact on business and consumer confidence in South Africa. Not only is turnover (volumes) negatively affected by the lockdown and resulting recession in South Africa, it also resulted in the SARB to dramatically reduce interest rates which caused Iemas to experience an immediate and continuous reduction in our ability to earn interest.

With the announcement of the state of emergency by Government, we activated the Business Continuity Emergency Response Plan (BC-ERP) for the various Business Units and Support Services. A Command Centre was established with immediate effect to monitor critical activities and to mitigate risks during the crisis period and update the BC-ERP. The Workplace Safety Plan was updated with the new regulations published by Government and successfully implemented.

Right from the start of the lockdown, Iemas (and in particular the insurance operations) was considered to be part of essential services and we had to ensure that those products were available to our members.

The global Covid-19 pandemic had a far-reaching effect on our employees, employer groups and members in various ways, as many employer groups immediately implemented reduced or no operations and only started to return to limited operations once the lockdown level moved to Level III. Ensuring the safety and well-being of our colleagues was our primary focus. Our business operations were completely transformed into remote working, allowing some of our employees to continue working. This meant that we could serve our employer groups, especially essential services, and members through digital and voice channels, albeit also with its own challenges.

What we have done to support primary stakeholders

Colleagues

The challenges that arose from the national disaster propelled our colleagues to adapt to a new way of work. Throughout the pandemic we have focused on safeguarding the emotional, physical, mental and financial well-being as well as livelihoods of our employees.

- Through a work readiness plan we implemented a range of workplace controls – from constant education, electronic reminders and provisioning of personal protective equipment, to physical distancing in our operational offices, frequent sanitisation of workspaces, flexible and remote working policies and a range of other employee-support initiatives.
- The Senior Management and Executive Committee of the Group, as well as the entire Board of Directors sacrificed a percentage of their monthly remuneration to preserve cash, effectively protecting the remainder of the employees' net income for three months. Employee contributions towards their pension funds were suspended to also protect their monthly net cash-out. Iemas successfully applied for the Unemployment Insurance Fund (UIF) Temporary Employer/Employees Relief Scheme (TERS) for employees who had to take annual leave during the initial lockdown. VSPs were offered to all employees resulting in a limited restructure which will bear fruit in the next fiscal.
- The Employee Assistance Programme (EAP) offered counselling and emotional support while internal drives promoted health and wellbeing education.

Members

Our members have been severely affected by the economic impact of the pandemic. Numerous factors have led to this, from widespread job losses across various sectors of the economy to salary reductions. During this period, we have assisted member by means of interventions such as:

- Loan payment break relief initiatives;
- Credit life claims;
- Debt consolidation loans;
- Loan restructuring; and
- Insurance premium relief options from our insurance partners.

We have also helped members navigate through their financial challenges by making use of our online and onsite financial wellness programmes.

Employer Groups

Covid-19 had an adverse impact on the operational and financial performance of our employer groups. They had to navigate this uncertain environment with tact and resilience. Given our dependence on these relationships, we have worked closely with these partners to ensure business continuity of our operations for our members – even during this time.

This included:

- Regular engagement with Human Resource Divisions to determine payment relief needs for qualifying members with reduced or no salaries;
- Counselling services extended to employer groups and their employees offering support and counselling related to their emotional wellbeing, at no cost; and
- Insurance claims assistance – both normal short term incidents and credit life claims. Our loan payment break relief initiatives were implemented from 1 April to 30 June 2020 to assist members who were effected by salary reductions.

Liquidity and risk management

As a financial services co-operative, maintaining optimal levels of liquidity and managing our risks effectively is paramount to our success and sustainability.

We remain disciplined in how we deploy capital (be it discretionary or not), and we conduct rigorous financial, operational and actuarial risk management.

Free cash was immediately affected negatively from April 2020 onwards due to the reduction in repo rate by the SARB.

New and emerging risks resulting from the Covid-19 pandemic are constantly identified and measures are developed and implemented to mitigate these risks in the Covid-19 Risk Register. Some of these risks are included in the top 5 Risks discussed on page 52.

On the other hand, the impact of Covid-19 accelerated our strategic digitisation journey while internal restructures helped streamline our operations which brought us closer to our goal of being member-centric through agility.

PERFORMANCE HIGHLIGHTS

Revenue R929,9m
0,7%

Profit for the year R59,8m
34,5%

Rewards allocated to members
R85,8m

Own reserves
R1 769,9m

Total assets
R5 497,8m

Borrowings
R2 651,1m

Number of employees
548

Gross turnover (Rm)

2016	966,6
2017	890,2
2018	878,3
2019	936,3
2020	929,9

2020
R929,9m
(2019: R936,3m)

Profit for the year (Rm)

2016	131,4
2017	118,3
2018	103,0
2019	93,2
2020	59,8

2020
R59,8m
(2019: R93,2m)

Rewards allocated to members (Rm)

2016	123,5
2017	109,7
2018	109,4
2019	109,9
2020	85,8

2020
R85,8m
(2019: R109,9m)

Own reserves (Rm)

2016	1 401,2
2017	1 519,9
2018	1 623,1
2019	1 710,7
2020	1 769,9

2020
R1 769,9m
(2019: R1 710,7m)

Total assets (Rm)

2016	4 937,1
2017	4 967,5
2018	5 332,6
2019	5 640,3
2020	5 497,8

2020
R5 497,8m
(2019: R5 640,3m)

Borrowings (Rm)

2016	2 572,2
2017	2 456,2
2018	2 695,5
2019	2 875,8
2020	2 651,1

2020
R2 651,1m
(2019: R2 875,8m)

Number of employees

2016	496
2017	554
2018	602
2019	552
2020	548

2020
548
(2019: 552)

Cost-to-income (%)

2016	44,4
2017	48,5
2018	54,7
2019	57,0
2020	60,9

2020
60,9%
(2019: 57,0%)