



# Sasfin Holdings Limited

Interim Results  
for the six months ended  
**31 December 2021**

At Sasfin, we contribute to society by going  
beyond a bank to enable growth in the  
businesses and global wealth of our clients.

**3 March 2022**

beyond a bank



# Welcome

Angela Pillay  
Group Financial Director



# Agenda

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## 01 – Financial Review

**Angela Pillay**

Group Financial Director

## 02 - Pillar Reviews and Prospects

**Michael Sassoon**

Group Chief Executive Officer

## 03 - Questions

# Financial Review

Angela Pillay

Group Financial Director



## Six months to December 2020:

### Efficient Group

Sold our 21.10% stake for R146.3 million, representing a profit before tax of c. R21 million in December 2020.

### Sasfin Commercial Solutions (SCS)

Sold 100% of SCS. The December 2020 comparative includes the performance of this business.

## Six months to December 2021:

### IFRS 16

Costs include depreciation and interest expense in accordance with IFRS 16 for the lease of both the new and old building (ends in April 2022). The additional income statement impact increases costs by R12 million.

### Operational Loss

Operational loss of R45 million in the Wealth Pillar.

## *R54.8 million (2020: R26.9 million)*

**Total income decreased 1.95% to R620.696 million  
(2020: R633.017 million)**

- ▼ Net interest income -5.42%
- ▲ Non-interest income +1.75%

Excluding the sale of Efficient and SCS in the prior period income would have been up by 3.24%.

**Credit impairments decreased 66.13% to  
R44.2 million**

- ▼ Credit loss ratio at 123 bps (2020: 240 bps)

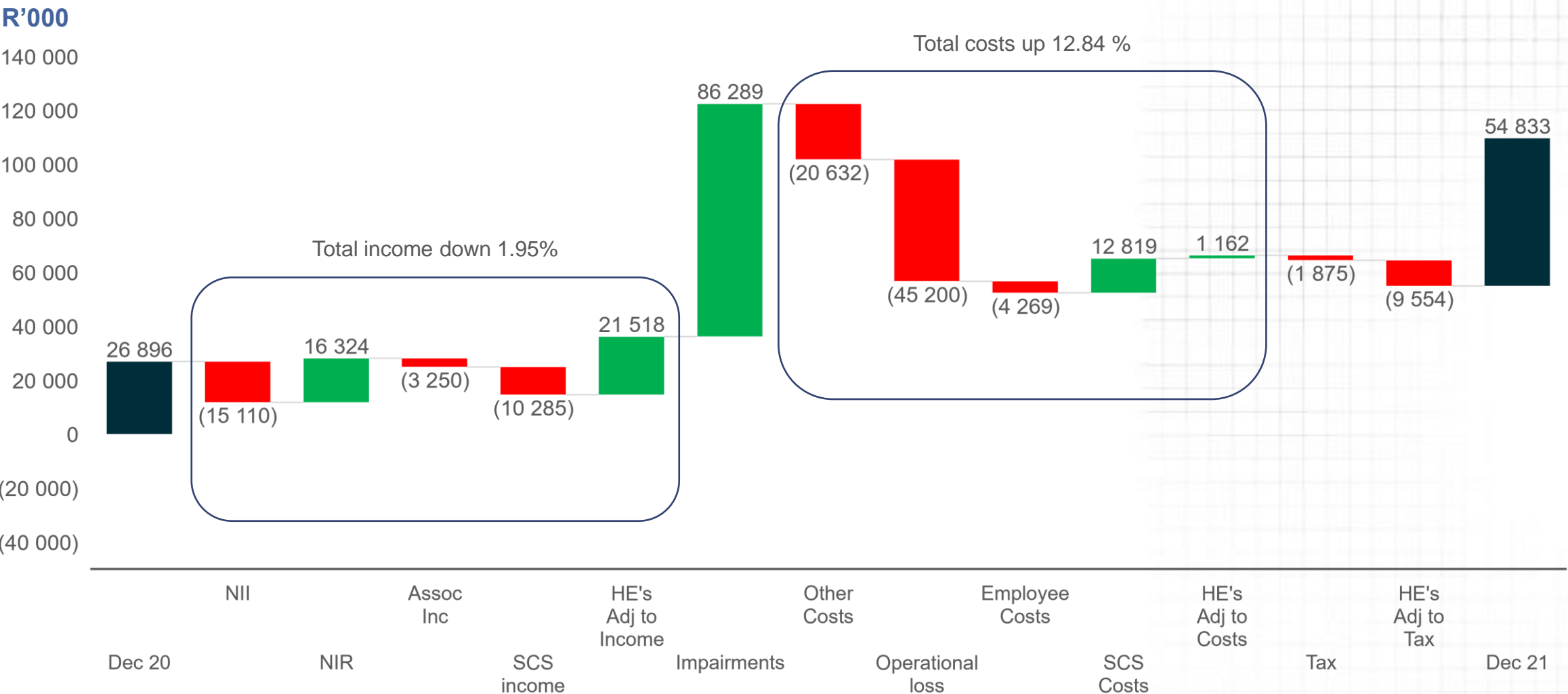
**Operating expenses increased 12.84%**

- ▲ Other operating expenses +28.11%
- ▲ Employee costs +1.66%
- Cost-to-income (CTI) increased to 81.11% (2020: 70.48%).
- Excluding the once-off operational loss and SCS costs in the prior year, cost growth was 5.75% and the CTI was 73.83%.

**Effective Tax Rate of 26.19% (2020: 30.61%)**

The prior year was higher due to headline earnings adjustable items.

# Headline earnings movements



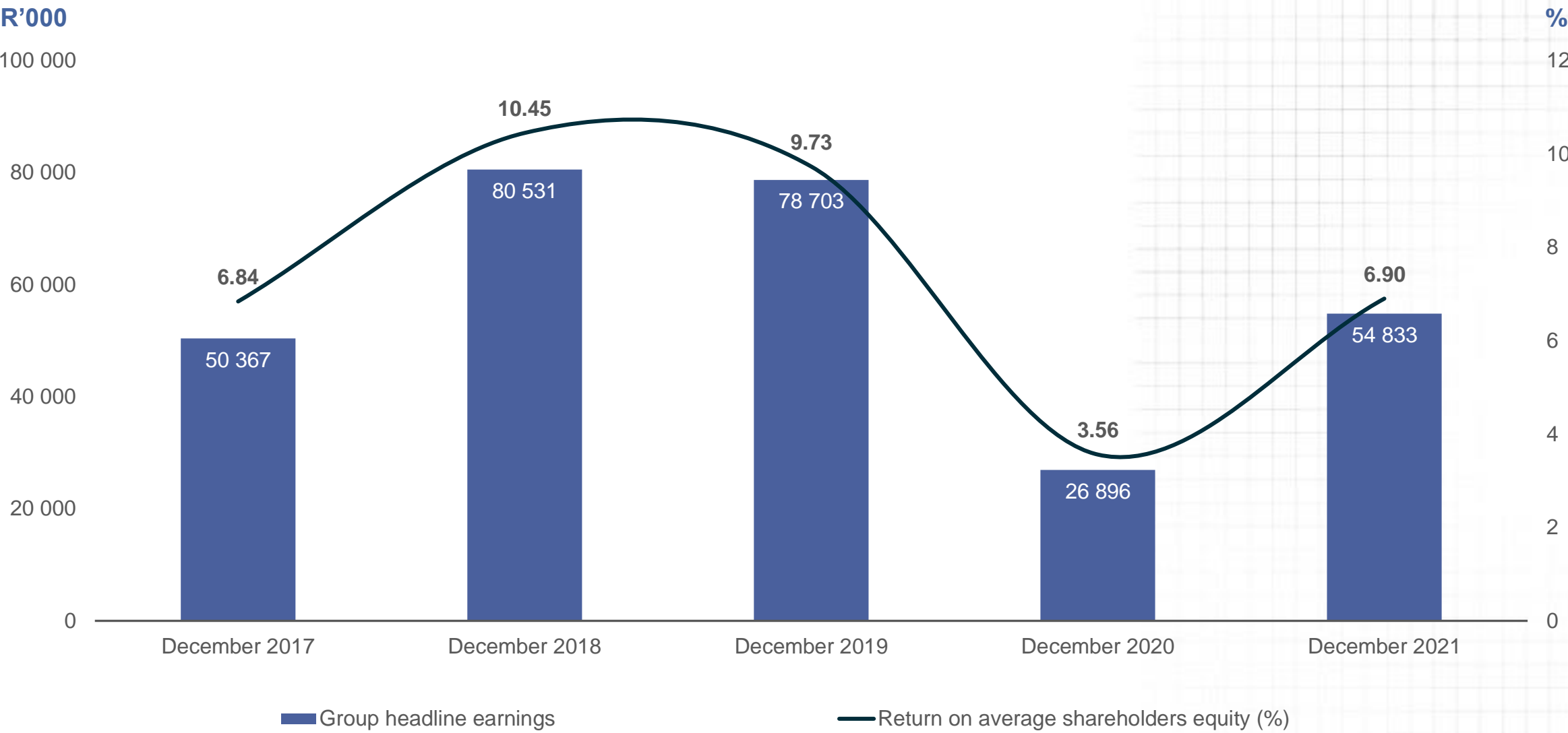
# Financial performance

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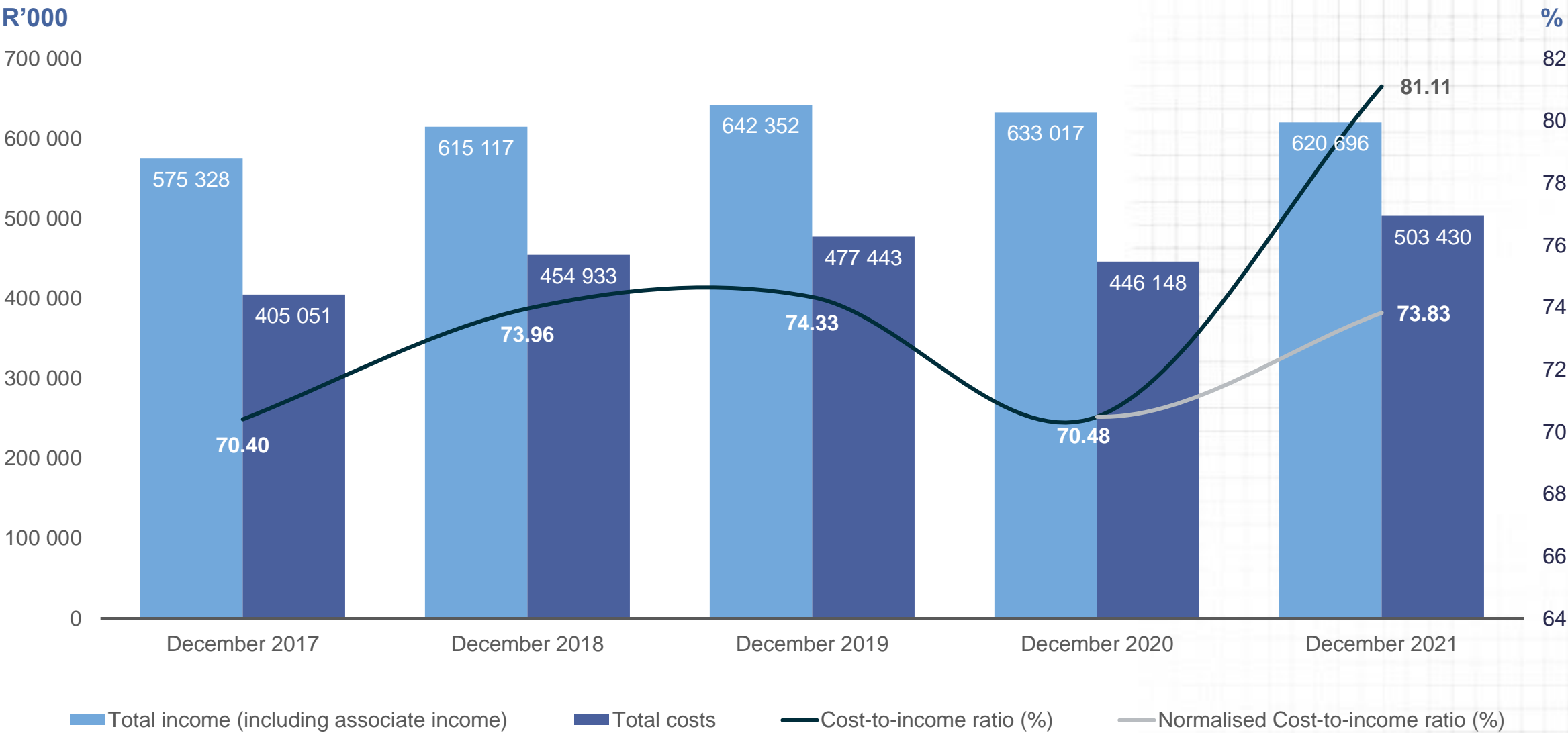
		Change % <sup>1</sup>	31 December 2021 R'000	31 December 2020 R'000
<b>Net interest income</b>	▼	5.42	263 829	278 939
Non-interest income	▲	1.75	351 396	345 357
<b>Total income</b>	▼	1.45	615 225	624 296
Impairment charges on loans and advances	▼	66.13	(44 202)	(130 491)
<b>Net income after impairments</b>	▲	15.64	571 023	493 805
Operating costs	▲	12.84	(503 430)	(446 148)
Employee costs	▲	1.66	(261 811)	(257 542)
Other operating expenses	▲	28.11	(241 619)	(188 606)
<b>Profit from operations</b>	▲	41.83	67 593	47 657
Share of net profit from associates	▼	37.27	5 471	8 721
Income tax expense	▲	10.86	(19 133)	(17 258)
<b>Profit for the period</b>	▲	37.86	53 931	39 120
Headline adjustable items		>100	902	(12 224)
<b>Headline earnings</b>	▲	>100	54 833	26 896

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

# Headline earnings and return on ordinary shareholders' average equity



# Total income, total costs and cost-to-income ratio



# *Growing Loans, Funding and Equity*

### Core funding increased 13.75% to R9.026 billion

- ▲ Customer deposits up 15.09% to R5.560 billion
- ▲ Long-term funding up 98.64% to R723.977 million
- Net available cash<sup>1</sup> increased by 3.89% to R2.433 billion.
- Liquidity coverage and Net stable funding ratios are healthy.

### Gross loans and advances up 10.73% to R7.740 billion

- ▲ Stage 1 (performing) exposure up 18.77%
- ▲ Asset Finance up 8.40%
- ▲ Specialised Term Loans up 20.54%
- ▲ Business Bank Other Loans up >100%
- ▲ Trade & Debtor Finance book up 4.58%

### Equity

- ▲ Total Ordinary shareholders Equity up 5.13% to R1.618 billion due to profitability and repurchase of preference shares at a discount
- ▲ Capital Adequacy Ratio: 17.500% (2020: 17.071%)

### Dividends

The Company has declared a dividend per ordinary share of 33.95 cents per share for the period (2020: nil).

<sup>1</sup> Including negotiable securities.

# Financial position – assets

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		Change % <sup>1</sup>	31 December 2021 R'000	31 December 2020 R'000
Cash and negotiable securities	▼	15.55	3 146 511	3 725 918
Trading assets	▼	70.56	307 545	1 044 571
Other receivables	▲	1.46	543 732	535 930
Net loans and advances	▲	13.33	7 207 981	6 360 064
Investments at fair value through profit and loss	▲	1.84	523 157	513 685
Equity-accounted associates	▲	>100	36 275	10 174
Intangible assets and goodwill	▼	22.24	157 448	202 475
Non-current assets held for sale, current and deferred taxation asset, property, equipment and right-of-use assets, investment property	▲	77.71	288 376	162 271
<b>Total</b>	▼	<b>2.74</b>	<b>12 211 025</b>	<b>12 555 088</b>

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

## *Decrease in coverage ratio as a result of significant improvement in staging*

	2021				2020			
	Exposure R'000	Exposure %	ECL* R'000	Coverage %	Exposure R'000	Exposure %	ECL* R'000	Coverage %
Gross Amortised Loans and Advances								
Stage 1	6 381 165	86.18	79 267	1.24	5 372 810	80.09	130 629	2.43
Stage 2	328 503	4.44	33 324	10.14	587 780	8.76	51 009	8.68
Stage 3	694 919	9.38	419 281	60.34	747 722	11.15	447 926	59.91
<b>Total</b>	<b>7 404 587</b>		<b>531 872</b>	<b>7.18</b>	<b>6 708 312</b>		<b>629 564</b>	<b>9.38</b>

\* ECL: Expected Credit Loss

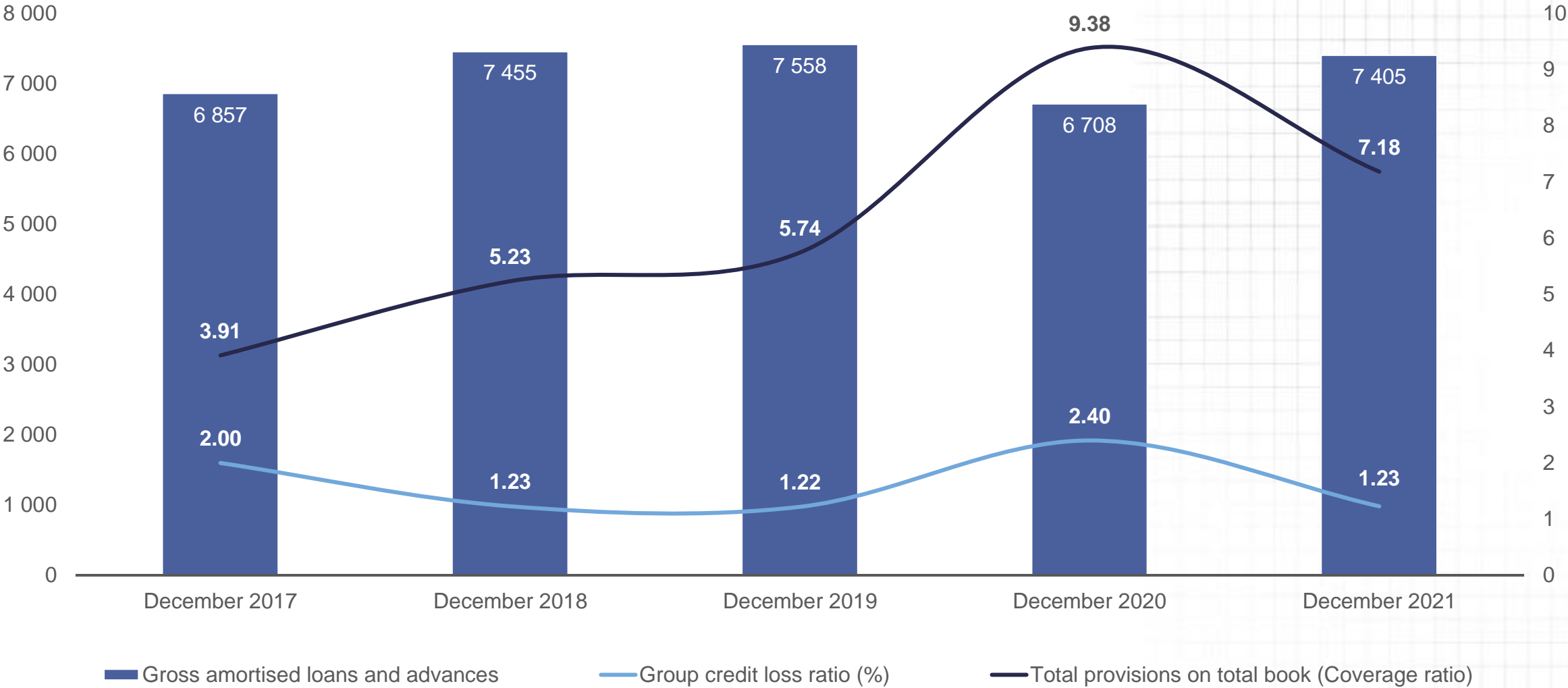
The improvement in staging has been the primary driver for the decrease in the coverage ratio to 7.18% (2020: 9.38%) and an improvement in our income statement credit loss ratio to 123bps (2020: 240bps).

While the Land Bank default has not been cured, the Land Bank had made capital repayments of R89 million since June 2021, further increasing our ECL coverage ratio on this exposure.

# Gross amortised loans and advances and credit risk

14

ZAR'million



# Financial position – liabilities and equity

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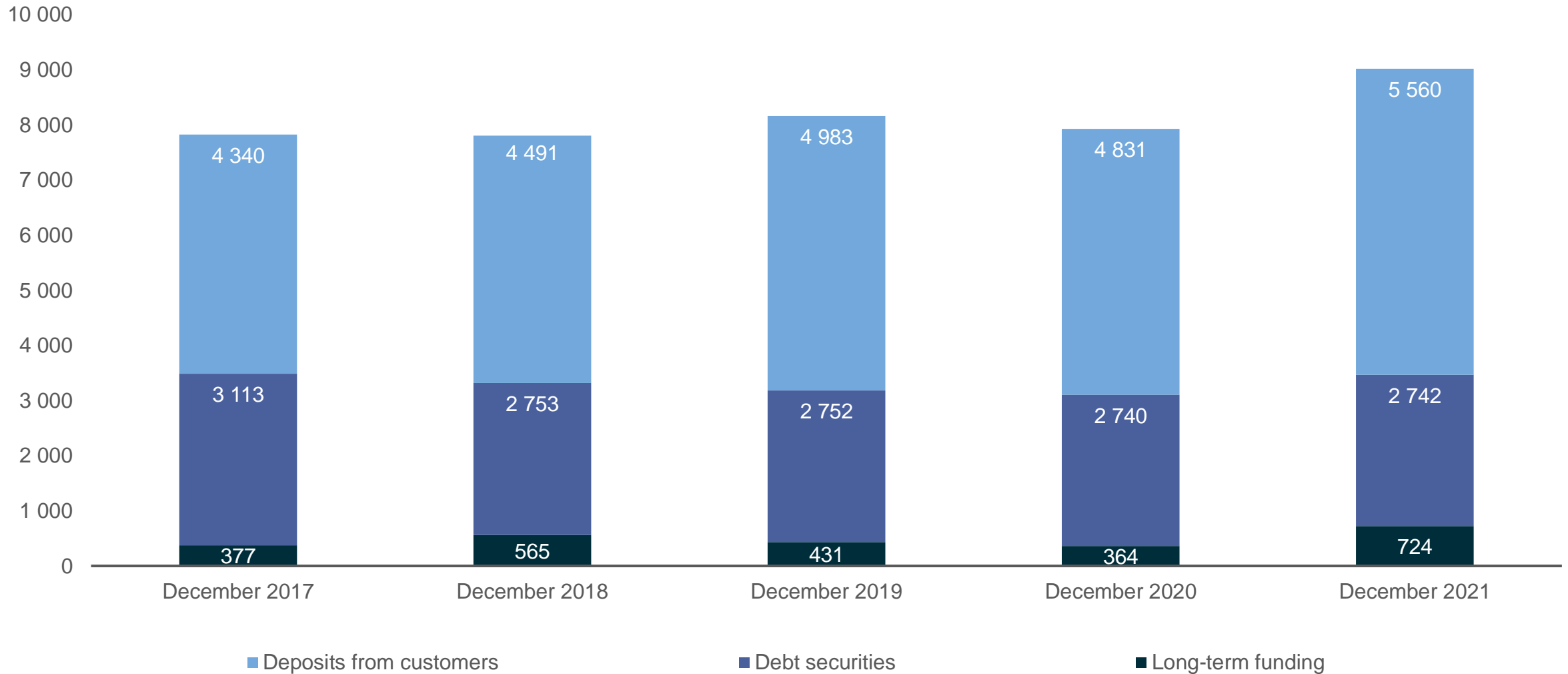
		Change % <sup>1</sup>	31 December 2021 R'000	31 December 2020 R'000
Funding under repurchase agreements and interbank	▼	42.91	500 154	876 077
Trading liabilities	▼	66.56	326 281	975 852
Trade and other payables and provisions and taxation	▼	34.38	574 546	875 573
Bank overdraft	▼	99.97	35	110 380
Deposits from customers	▲	15.08	5 559 589	4 831 076
Lease liability	▲	>100	167 040	54 281
Debt securities issued	▲	0.05	2 741 529	2 740 271
Long-term loans	▲	98.64	723 977	364 474
<b>Total liabilities</b>	▼	2.17	<b>10 593 151</b>	<b>10 827 984</b>
Ordinary share capital and reserves	▲	5.14	1 618 148	1 539 018
Preference share capital and share premium		100	–	188 086
<b>Total liabilities and equity</b>	▼	<b>2.74</b>	<b>12 211 025</b>	<b>12 555 088</b>

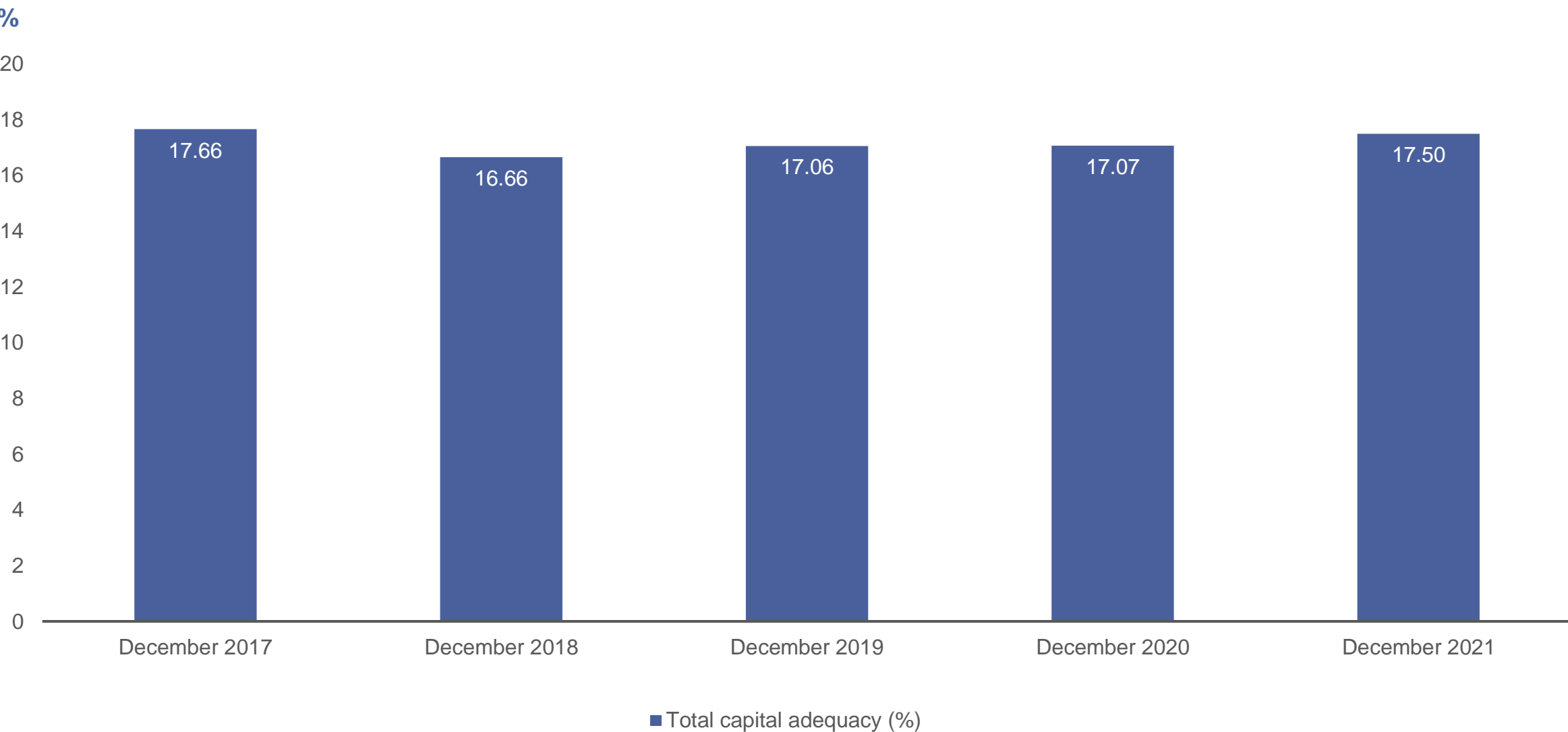
<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

# Core funding base

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ZAR'million

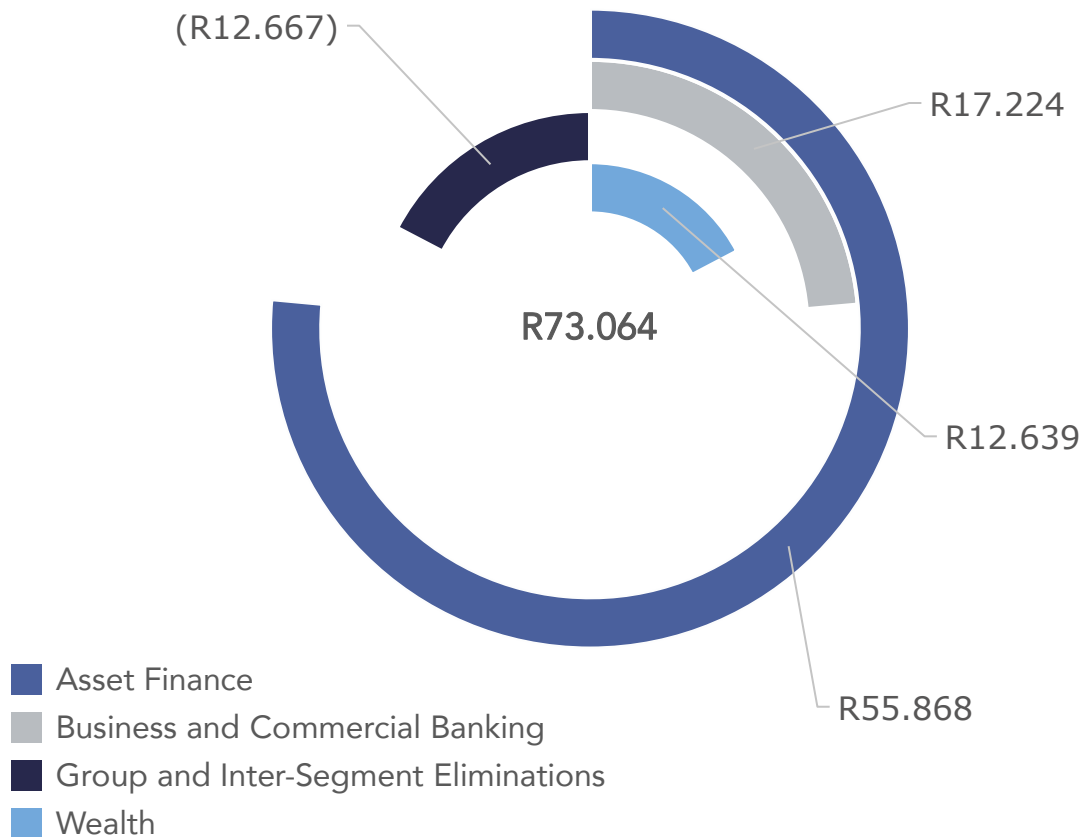




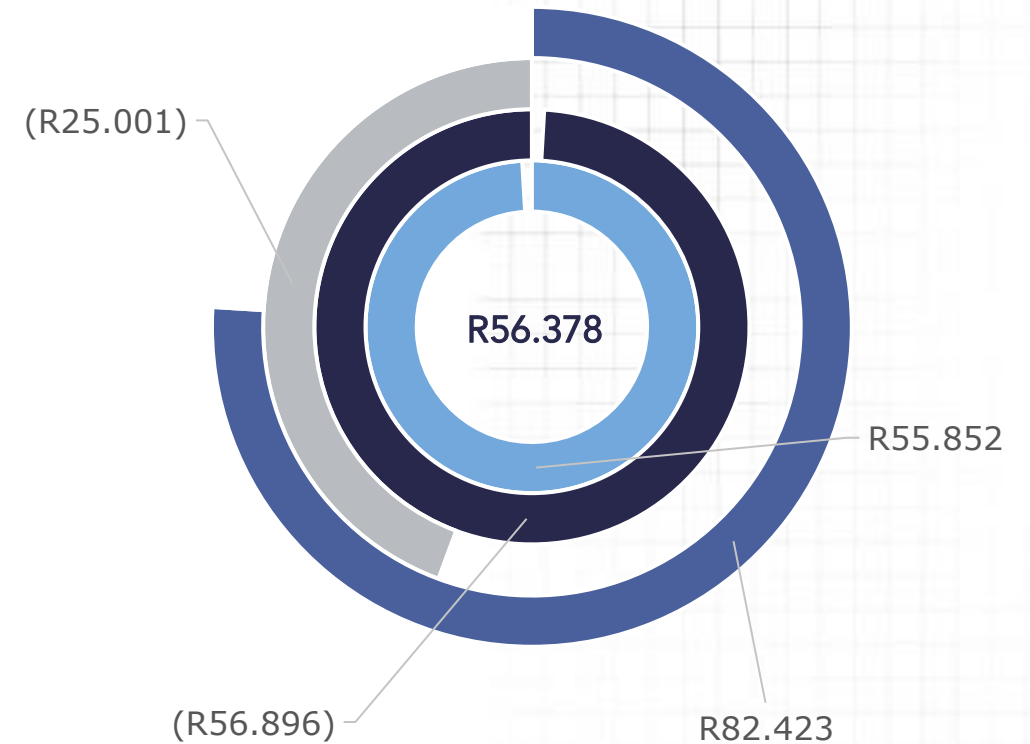
# Profit from operations – by Pillar

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## December 2021 (Rm)



## December 2020 (Rm)



# Results – key features

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		Change % <sup>4</sup>	31 December 2021	31 December 2020
Headline earnings per ordinary share (cents)	▲	>100	178.19	83.54
Headline earnings (Rm)	▲	>100	54.833	26.896
Total income (Rm) <sup>1</sup>	▼	1.95	620.696	633.017
Total assets (Rbn)	▼	2.74	12.211	12.555
Net available cash (Rbn)	▲	3.89	2.433	2.342
Gross loans and advances (Rbn)	▲	10.73	7.740	6.990
Total core funding base (Rbn)	▲	13.75	9.026	7.935
Deposits from customers (Rbn)	▲	15.09	5.560	4.831
Total equity (Rbn) <sup>2</sup>	▲	5.13	1.618	1.539
Total assets under management and advice (Rbn) <sup>3</sup>	▲	20.16	62.251	51.807
Credit loss ratio (bps)	▼	117 bps	123	240
Group cost-to-income ratio (%)	▲	1063bps	81.11	70.48
Return on average shareholders' equity (%)	▲	334 bps	6.90	3.56
Return on average assets (%)	▲	49 bps	0.90	0.41
Net asset value per ordinary share (cents) <sup>5</sup>	▲	5.14	5 009	4 764
Group capital adequacy (%)	▲	43 bps	17.500	17.071

<sup>1</sup> Including associate income.

<sup>2</sup> Total equity excludes preference shares and non-controlling interests.

<sup>3</sup> Excluding assets under administration.

<sup>4</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

<sup>5</sup> This is based on the total shares in issue, including treasury shares.

# Pillar Reviews

**Michael Sassoon**

Group Chief Executive Officer



# Asset Finance



Asset Finance		Change % <sup>1</sup>	December 2021 R'000	December 2020 R'000
<b>Total income</b>	▼	9.2	261 435	287 938
Credit impairment charges	▼	17.7	(67 065)	(81 479)
<b>Net income after impairments</b>	▼	5.9	194 370	206 460
Operating costs	▲	11.7	(138 502)	(124 036)
<b>Profit from operations</b>	▼	32.2	55 868	82 423

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

## Income growth

- Net interest income is down 6.2% on prior year due to lower margins earned on a higher average loan book.
- Solid growth of 18.20% in Capital Equipment Finance and 5.41% growth in Rentals should contribute to higher interest income in 2H22.
- Total operating costs have increased by 11.7%, resulting in an increase of 52.98% in the cost-to-income ratio (2020: 43.08%).

## Improving credit charge on a growing loan book

- Credit impairments improved but still higher than our target “through the cycle” range.
- A reduced ECL coverage on the portfolio to 7.89% (2020: 9.65%).
  - The growth in Asset Finance Portfolio, driven by Capital Equipment Finance (18.20%).
  - Improvements in recoveries on customers in Stage 2 and 3.
  - While the staging has improved following the focused collections effort made in this area, a decision was taken to increase provisions against our Stage 3 portfolio, resulting in a higher Stage 3 coverage ratio of 77.10% (2020: 71.58%).

# Business and Commercial Banking



## Changes made

- Successfully merged Business Banking and Commercial Banking into a single Pillar.
- We continue to integrate the platforms and operations of this Pillar.
- Pillar leadership has been strengthened by the appointment of Sandile Shabalala, together with other senior leaders who have extensive business banking experience.
- We continue to build new capabilities and products to enhance the overall business banking product suite.
- Incorporated the NASIRA guarantee in our credit products, where appropriate, which enables the extension of credit to new client segments.
- Exited non-core businesses including Sasfin Commercial Solutions and our JSE sponsor business.

## Benefits of the changes

- Lending growth is increasing.
- Winning more primary banking relationships; transactional deposits doubled year-on-year.
- Revenue generation has improved.
- Relationship-based model enhanced by increasing the number of coverage bankers.
- Cost benefits.

		Change % <sup>1</sup>	December 2021 R'000	December 2020 R'000
Business and Commercial Banking				
<b>Total income</b>	▲	9.1	133 645	122 542
Credit impairment charges	▼	<100	19 123	(7 529)
<b>Net income after impairments</b>	▲	32.8	152 768	115 013
Operating costs	▼	3.2	(135 544)	(140 014)
<b>Profit / (loss) from operations</b>	▲	>100	17 224	(25 001)

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

## Recovery in earnings supported by an improvement in the net interest margin

- Net Interest Income increased by 33%, largely driven by higher margins earned on the growth of the balance sheet.
- Increased transactional deposits and growth in revolving credit facilities.
- Strong balance sheet growth in specialised finance and Property lending.
- Increased new business volumes and improved utilisation in Trade and Debtor Finance.

## Credit charge declining on a growing loan book

- Reversal in credit losses impacted by strong recoveries and improved forward-looking macroeconomic factors and enhanced methodology.
- Overall coverage declined to 2.81% (2020: 7.64%) due to an improvement in the shape of the portfolio, with a larger portion of the portfolio in Stage 1.

Wealth



Wealth		Change % <sup>1</sup>	December 2021 R'000	December 2020 R'000
<b>Total income<sup>2</sup></b>	▼	2.61	181 300	186 158
Credit impairment charges	■	—	—	—
<b>Net income after impairments</b>	▼	2.61	181 300	186 158
Operating costs	▲	30.13	(168 661)	(129 612)
<b>Profit from operations</b>	▼	77.65	12 639	56 546

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

<sup>2</sup> Includes associate income.

- Operating profit decreased by 77.65% to R12.639 million (2020: R56.546 million), attributable, in part, to the gain on the sale of its interest in Efficient Group, recognised in the prior year, and the operational loss in the current year.
- Excluding the operational loss and the impact of Efficient, operating profit increased by 64.04% to R57.814 million (2020: R35.030 million) due to record growth in assets under advice and management (collectively AUM) to R62.3 billion (2020: R51.8 billion).
- Foreign AUM now comprise 25% of total AUM.
- Wealth's ongoing investment in people, the investment process, strong governance and distribution continues to drive strong net inflows, especially in Sasfin Asset Managers and offshore.
- Costs have been well contained.
- Strong investment performance across all our investment solutions – BCI Flexible Income Fund won a Raging Bull award for the fourth year running.
- Sasfin Wealth retained its top broker status by winning a consecutive Top Advice Broker award at the Intellidex Top Securities Broker Awards 2021.

# Prospects

**Michael Sassoon**

Group Chief Executive Officer



## Three Scalable Decentralised Pillars

**Asset Finance**

**Business and  
Commercial  
Banking**

**Wealth**

Focused leadership and strengthened management teams  
Embedded Capabilities per Pillar

People-centred businesses delivering excellent service

Supported by Common Brand, shared infrastructure and centralised governance





## Client Centric Technology Journey



Fintech Partners (e.g. DMA) and APIs (e.g. Hello Paisa) to offer comprehensive platform services



In-house digital e.g. B//YOND



Data (RDARR)



Simplified infrastructure and architecture to enable move to the Cloud

# Supporting businesses and savers

- We see increased business activity and demand for credit.
- We are hopeful that these positive signs will gather momentum, and we are committed to enabling business growth by supporting our clients in Asset Finance as well as in Business and Commercial Banking.
- We recognise the global political tensions and increasing inflation, after a long period of stimulatory monetary policy.
- This creates a new set of challenges when thinking about investments and we are committed to working with clients in growing their global wealth despite the uncertain market conditions ahead in Sasfin Wealth.



## **Financial performance continues to improve, but still not where we want it to be**

Sasfin enters 2022 with several positives:

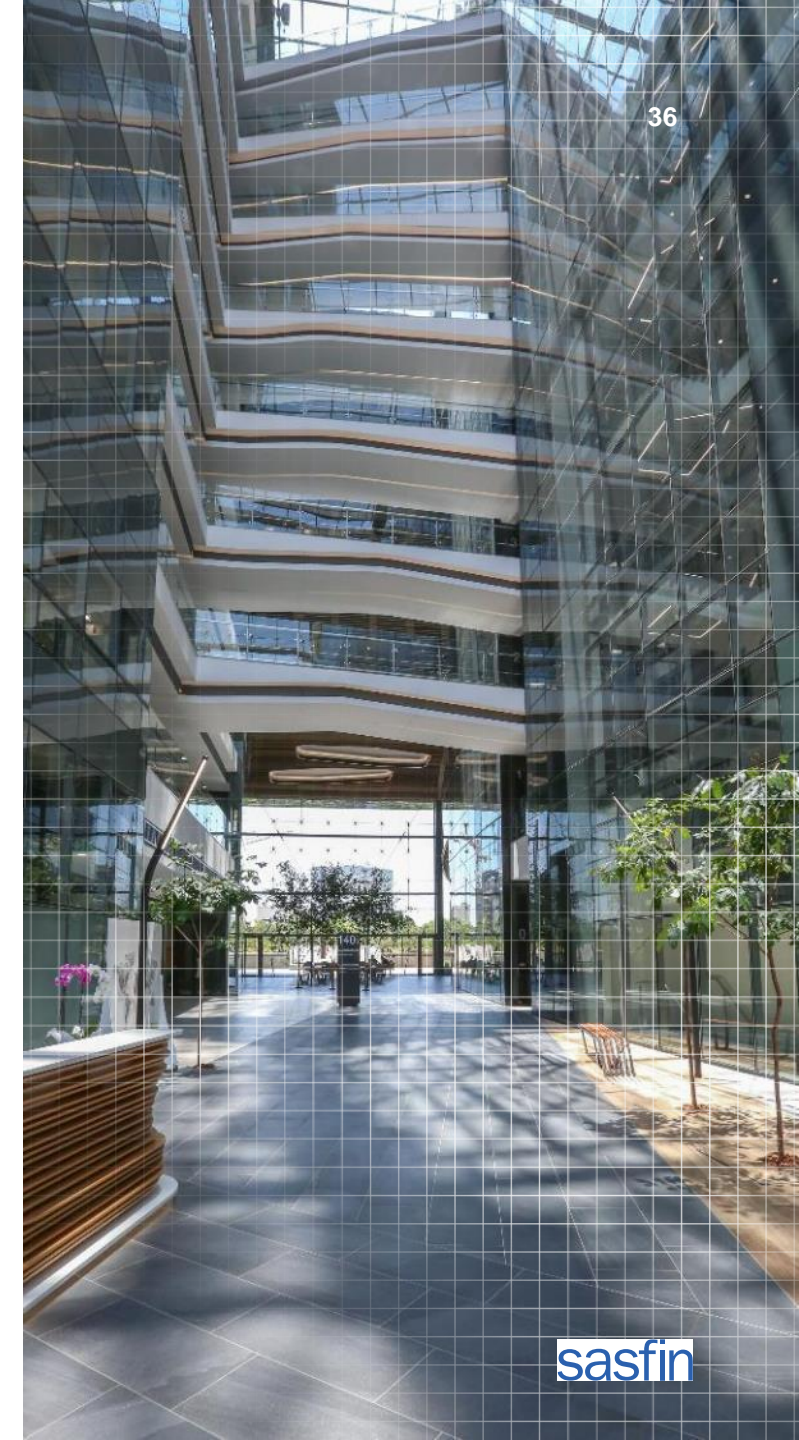
- Our investment in and repurposing of the Business and Commercial Banking Pillar is paying off.
- We have seen healthy growth in our key financial drivers, namely Loans, Deposits (including Transactional Deposits) and AUM. This growth is the result of the investment made in distribution and improved customer offerings.
- We have successfully moved into new modern premises at 140 West Street, where we have taken less space at reduced rentals and implemented a hybrid work model.

# Conclusion

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## In 2022 we will:

- Strengthen our platforms to enable growth and improve client service.
- Invest in distribution to drive for scale.
- Develop our human capital approach to deal with the changing work realities.
- Explore opportunities for inorganic growth.
- Contribute to society by supporting businesses and savers.



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

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

The risks and uncertainties inherent in the forward-looking statements include, but are not limited to, changes to IFRS and the interpretations, applications and practices 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 current and future litigation.

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

**sasfin**

**Questions**

**Thank you**

**beyond a bank**

