

Unaudited condensed consolidated interim results and dividend declarations for the six months ended 31 December 2018

sasfin | Holdings Limited
beyond a bank

▲ 59.89%

HEADLINE EARNINGS

R80.531m
(2017: R50.367m)*

▲ 58.75%

HEADLINE EARNINGS PER ORDINARY SHARE

250.12 cents
(2017: 157.56 cents)*

▲ 5.78%

TOTAL INCOME

R608.554m
(2017: R575.279m)*

▲ 369bps

RETURN ON ORDINARY SHAREHOLDERS' AVERAGE EQUITY

10.53%
(2017: 6.84%)*

▲ 356bps

COST TO INCOME

73.96%
(2017: 70.40%)*

▲ 3.14%

TOTAL ASSETS

R13.572bn
(2017: R13.159bn)*

▲ 2.30%

TOTAL EQUITY**

R1.511bn
(2017: R1.477bn)*

** excluding preference shares and non-controlling interest.

▲ 8.72%

GROSS LOANS AND ADVANCES

R7.455bn
(2017: R6.857bn)

▼ 77bps

CREDIT LOSS RATIO

123bps
(2017: 200bps)

▲ 7.80%

FUNDING BASE**

R9.911bn
(2017: R9.194bn)*

** including preference shares.

▼ 5.57%

TOTAL ASSETS UNDER MANAGEMENT AND ADVICE**

R37.219bn
(2017: R39.413bn)

** excluding under administration.

▼ 118bps

GROUP CAPITAL ADEQUACY RATIO

16.479%
(2017: 17.657%)*

* restated.

Sasfin Holdings Limited Incorporated in the Republic of South Africa (Company registration number 1987/002097/06) ("Sasfin" or "the Group" or "the Company") (Ordinary share code: SFN ISIN: ZAE000006565) (Preference share code: SFNP ISIN: ZAE000060273)

FINANCIAL HIGHLIGHTS

at 31 December 2018

	% change	31 December 2018 Unaudited	31 December 2017 Unaudited Restated	30 June 2018 Unaudited
Consolidated statement of financial position				
Total assets (Rm's)	3.14	13 572	13 159	14 319
Total gross loans and advances (Rm's)	8.72	7 455	6 857	7 904
Non-performing loans and advances (Rm's)	41.79	570	402	585
Income statement				
Earnings attributable to ordinary shareholders (Rm's)	61.70	74.476	46.059	114.934
Headline earnings (Rm's)	59.89	80.531	50.367	122.152
Financial performance				
Return on ordinary shareholders' average equity (%)		10.53	6.84	8.09
Return on total average assets (%)		1.15	0.78	0.91
Operating performance				
Non-interest income to total income (%)		59.02	60.15	61.22
Cost to income ratio		73.96	70.40	71.46
Credit loss ratio (bps)		123	200	197
Non-performing advances to total gross loans and advances (%)		7.65	5.86	7.40
Share statistics				
Earnings per ordinary share (cents)	60.54	231.31	144.08	358.68
Headline earnings per ordinary share (cents)*	58.75	250.12	157.56	381.21
Number of ordinary shares in issue at end of the period ('000)		32 301	32 301	32 301
Number of ordinary shares in issue at end of the period excl treasury shares ('000)		32 197	32 197	32 197
Weighted average number of ordinary shares in issue excl treasury shares ('000)		32 197	31 967	32 043
Dividends per ordinary share relating to profit for the period (cents)**	6.33	49.86	46.89	151.26
Preference share dividend number 1 for the year		418.09	427.42	427.42
Preference share dividend number 2 for the year		–	–	414.03
Net asset value per ordinary share (cents)**	2.32	4 677	4 571	4 797***
Capital adequacy (provisional and unaudited)				
Capital to risk weighted assets		16.479	17.657	15.136

* This is based on the weighted average number of shares in issue, which changed following the WIPHOLD transaction concluded in October 2017

** This is based on the total shares in issue, including treasury shares

*** Restated

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited Restated R'000	30 June 2018 Audited R'000
ASSETS			
Cash and cash equivalents	1 112 997	2 110 006	1 892 167
Trading assets	1 214 157	1 510 965	1 476 511
Negotiable securities	2 762 151	1 614 519	1 975 407
Other receivables	361 970	455 087	375 380
Non-current assets held for sale	–	19 500	–
Loans and advances	7 034 682	6 589 574	7 618 495
Taxation	29 171	27 744	19 809
Investment securities	622 282	554 555	624 614
Private Equity and Property Equity investments	622 282	507 249	582 618
Strategic investments	–	47 306	41 996
Interest in Associates	109 388	–	3 879
Deferred tax asset	33 288	35 088	30 568
Property, plant and equipment	74 412	95 617	88 206
Investment property	11 400	–	12 600
Intangible assets and goodwill	206 169	146 788	201 448
Total assets	13 572 067	13 159 443	14 319 084
LIABILITIES			
Funding under repurchase agreements and interbank	1 914 259	1 175 693	1 924 975
Trading liabilities	1 232 400	1 552 340	1 449 203
Current taxation liabilities	25 692	23 829	21 819
Other payables	769 881	775 653	801 745
Deposits from customers	4 491 425	4 339 574	4 449 344
Debt securities issued	2 752 700	3 113 037	3 115 432
Long-term loans	564 368	377 605	674 616
Deferred tax liability	117 632	133 795	140 179
Total liabilities	11 868 357	11 491 526	12 577 313
EQUITY			
Ordinary share capital and share premium	167 266	160 103	167 266
Reserves	1 343 476	1 316 429	1 382 185
Preference share capital and share premium	188 086	188 086	188 086
Non-controlling interest	4 882	3 299	4 234
Total equity	1 703 710	1 667 917	1 741 771
Total liabilities and equity	13 572 067	13 159 443	14 319 084

CONSOLIDATED INCOME STATEMENT

for the six months ended 31 December 2018

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited Restated R'000	30 June 2018 Audited R'000
Interest income	656 850	619 169	1 281 874
Interest expense	(407 453)	(389 894)	(809 095)
Net interest income	249 397	229 275	472 779
Non-interest revenue	359 157	346 004	746 437
Non-interest income excluding fair value adjustments to strategic investments	350 469	345 198	752 471
Fair value adjustments to strategic investments	8 688	806	(6 034)
Total income	608 554	575 279	1 219 216
Impairment charges on loans and advances	(47 275)	(67 997)	(144 178)
Net income after impairments	561 279	507 282	1 075 038
Operating costs	(454 933)	(405 051)	(871 274)
Staff costs	(255 288)	(219 016)	(453 741)
Other operating expenses	(193 590)	(180 202)	(408 097)
Goodwill and Intangible asset impairments	(6 055)	(5 833)	(9 436)
Profit from operations	106 346	102 231	203 764
Share of Net Profit from Associates	6 563	50	110
Profit before income tax	112 909	102 281	203 874
Income tax expense	(30 344)	(47 494)	(71 428)
Profit for the period	82 565	54 787	132 446
Profit attributable to:			
Preference shareholders	7 441	7 682	15 531
Non-controlling interest	648	1 046	1 981
Equity holders of the Group	74 476	46 059	114 934
Profit for the period	82 565	54 787	132 446
Earnings per ordinary share (cents)	231.31	144.08	358.68
Diluted earnings per ordinary share (cents)	231.31	144.08	358.68

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 December 2018

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited Restated R'000	30 June 2018 Audited R'000
Profit for the period	82 565	54 787	132 446
Other comprehensive income for the period, net of income tax	8 390	(10 418)	9 741
<i>Items that may be subsequently reclassified to profit and loss:</i>			
Foreign exchange differences on translation of foreign operation	8 390	(10 418)	9 741
Total comprehensive income for the period	90 955	44 369	142 187
Total comprehensive income attributable to:			
Preference shareholders	7 441	7 682	15 531
Non-controlling interest	648	1 046	1 981
Equity holders of the Group	82 866	35 641	124 675
Total comprehensive income for the period	90 955	44 369	142 187

HEADLINE EARNINGS RECONCILIATION

for the six months ended 31 December 2018

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited Restated R'000	30 June 2018 Audited R'000
Earnings are determined as follows:			
Earnings attributable to equity holders of the Group	74 476	46 059	114 934
Headline adjustable items	6 055	4 308	7 218
Goodwill and Intangible asset impairments – IAS 38	6 055	4 308	6 902
Gross	6 055	5 833	9 436
Tax Impact	–	(1 525)	(2 534)
Investment Property Fair value adjustments – IAS 40	–	–	310
Gross	–	–	400
Tax impact	–	–	(90)
Profit on sale of property and equipment – IAS 16	–	–	6
Gross	–	–	9
Tax impact	–	–	(3)
Headline earnings	80 531	50 367	122 152
Headline earnings per ordinary share (cents)	250.12	157.56	381.21

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2018

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited Restated R'000	30 June 2018 Audited R'000
Opening total shareholders' equity	1 741 771	1 659 225	1 659 225
Change in accounting policy (IFRS 9)	(87 968)	–	–
Restated total equity at the beginning of the period	1 653 803	1 659 225	1 659 225
Total comprehensive income for the period	90 955	44 369	142 187
Profit for the period	82 565	54 787	132 446
Foreign currency translation reserve	8 390	(10 418)	9 741
Transactions with owners recorded directly in equity			
Sale of Treasury Shares	–	22 938	22 939
Preference share dividend	(7 441)	(7 682)	(15 531)
Ordinary share dividend	(33 607)	(50 933)	(67 049)
Closing balance	1 703 710	1 667 917	1 741 771

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 December 2018

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited Restated R'000	30 June 2018 Audited R'000
Cash flows from operating activities	63 935	85 076	201 165
Movement in operating assets and liabilities	(749 266)	(128 272)	802 743
Net cash flows from operating activities	(685 331)	(43 196)	1 003 908
Net cash flows from investing activities	(90 224)	(34 900)	(1 281 352)
Net cash flows from financing activities	–	22 939	22 939
Net decrease in cash and cash equivalents	(775 555)	(55 157)	(254 505)
Cash and cash equivalents at the beginning of the period	1 892 167	2 165 379	2 165 379
Effect of exchange rate fluctuations on cash held	(3 615)	(216)	(18 707)
Cash and cash equivalents at the end of the period	1 112 997	2 110 006	1 892 167

CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

for the six months ended 31 December 2018

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited Restated R'000	30 June 2018 Audited R'000
Segment Revenue			
Banking pillar	402 782	370 515	760 829
Capital pillar	49 224	58 047	168 250
Wealth pillar	156 420	144 816	288 849
Wealth excluding fair value adjustments to strategic investments	147 732	144 010	294 883
Fair value adjustments to strategic investments	8 688	806	(6 034)
Group and inter-segment eliminations	128	1 901	1 288
Total segment revenue	608 554	575 279	1 219 216
Segment profit			
Banking pillar	58 108	35 644	68 946
Capital pillar	(1 039)	(3 494)	39 182
Wealth pillar	25 780	23 801	30 517
Wealth excluding fair value adjustments to strategic investments	19 038	23 064	35 199
Fair value adjustments to strategic investments	6 742	737	(4 682)
Group and inter-segment eliminations	(284)	(1 164)	(6 199)
Profit for the period	82 565	54 787	132 446
Segment Assets			
Banking pillar	11 614 114	11 000 508	12 143 177
Capital pillar	568 998	724 825	684 310
Wealth pillar	1 492 455	1 581 895	1 636 775
Group and inter-segment eliminations	(103 500)	(147 785)	(145 178)
Total segment assets	13 572 067	13 159 443	14 319 084
Segment Liabilities			
Banking pillar	10 418 604	9 962 777	11 010 328
Capital pillar	306 647	300 153	297 789
Wealth pillar	1 259 389	1 388 920	1 419 313
Group and inter-segment eliminations	(116 283)	(160 324)	(150 117)
Total segment liabilities	11 868 357	11 491 526	12 577 313

SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Interim Consolidated Financial Statements comprise the following:

- Consolidated Statement of Financial Position
- Consolidated Income Statement
- Condensed Consolidated Statement of Comprehensive Income
- Condensed Consolidated Statement of Changes in Equity
- Condensed Consolidated Statement of Cash Flows
- Condensed Consolidated Segmental Analysis

at and for the period ended 31 December 2018.

These Condensed Interim Consolidated Financial Statements have been prepared under the supervision of Angela Pillay, CA(SA), Group and Bank Financial Director.

BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 31 DECEMBER 2018

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Listings Requirements, and the requirements of the Companies Act, 2008 (Act No. 71 of 2008) of South Africa (Companies Act).

The accounting policies applied in these unaudited, Condensed Interim Consolidated Financial Statements for the period ended 31 December 2018 are in terms of International Financial Reporting Standards (IFRS) and are the same as those applied in the Group's Audited Consolidated Annual Financial Statements at the year ended 30 June 2018, apart from the adoption of IFRS 9 *Financial Instruments* (IFRS 9). IFRS 9 is effective for the Sasfin Group from 1 July 2018 and has replaced IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39).

As permitted by IFRS 9, the Group has elected to adopt IFRS 9 retrospectively without restating comparatives, i.e. the cumulative impact of the adoption of IFRS 9 has been recognised as a restatement of the opening retained income on 1 July 2018. Refer note 1.1 below for further information on the adoption of IFRS 9.

Note 1: Financial assets and financial liabilities

Note 1.1: Impact of adoption of IFRS 9 Financial Instruments

The main differences between IFRS 9 and IAS 39 are:

- Changes to the classification and measurement of financial assets and financial liabilities. The classification and measurement of financial assets and financial liabilities are determined by the business model applied by Sasfin in managing its financial assets and financial liabilities, as well as the contractual cash flow characteristics of these;
- Moving from an incurred loss impairment model under IAS 39, to an expected credit loss (ECL) impairment model under IFRS 9; and
- Changes in the hedge accounting requirements and the application thereof.

SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS continued

Note 1.1.1: Classification and measurement

As indicated in the below table, the changes to the classification and measurement of financial assets and financial liabilities did not have a significant impact on the Group.

	IAS 39 Classification	IFRS 9 Classification	IAS 39 30 June 2018 R'000	IFRS 9 Transition adjustment on 1 July 2018			IFRS 9 1 July 2018 R'000
				ECL R'000	Classification and Measure- ments R'000	Total IFRS 9 Adjustment R'000	
ASSETS							
Cash and cash balances	Amortised cost	Amortised cost	1 892 167	-	-	-	1 892 167
Negotiable securities	Amortised cost	Amortised cost	1 975 407	-	-	-	1 975 407
Loans and advances	Amortised cost	Amortised cost	7 618 495	(114 671)	-	(114 671)	7 503 824
Trading assets	FVTPL	FVTPL	1 476 511	-	-	-	1 476 511
Other receivables	Amortised cost	Amortised cost	375 380	-	-	-	375 380
Investment securities			628 493	-	-	-	628 493
Private Equity and Property Equity investments	FVTPL	FVTPL	586 497	-	-	-	586 497
Strategic investments	FVTPL	FVTPL	41 996	-	-	-	41 996
Property plant and equipment	Outside scope	Outside scope	88 206	-	-	-	88 206
Investment property	Outside scope	Outside scope	12 600	-	-	-	12 600
Taxation	Outside scope	Outside scope	19 809	-	-	-	19 809
Intangible assets and goodwill	Outside scope	Outside scope	201 448	-	-	-	201 448
Deferred tax asset	Outside scope	Outside scope	30 568	26 703	-	26 703	57 271
TOTAL ASSETS			14 319 084	(87 968)	-	(87 968)	14 231 116

Note 1.1.1: Classification and measurement (continued)

				IFRS 9 Transition adjustment on 1 July 2018				
				IAS 39 30 June 2018	Classification and Measure- ments		Total IFRS 9 Adjustment	IFRS 9 1 July 2018
IAS 39 Classification	IFRS9 Classification		R'000	ECL R'000	R'000	R'000	R'000	R'000
LIABILITIES								
Funding under repurchase agreements and interbank	Amortised cost	Amortised cost	1 924 975	-	-	-	-	1 924 975
Deposits from customers	Amortised cost	Amortised cost	4 449 344	-	-	-	-	4 449 344
Debt securities issued	Amortised cost	Amortised cost	3 115 432	-	-	-	-	3 115 432
Long-term loans	Amortised cost	Amortised cost	674 616	-	-	-	-	674 616
Trading liabilities	FVTPL	FVTPL	1 449 203	-	-	-	-	1 449 203
Other payables	Amortised cost	Amortised cost	801 745	-	-	-	-	801 745
Taxation	Outside scope	Outside scope	21 819	-	-	-	-	21 819
Deferred tax liability	Outside scope	Outside scope	140 179	-	-	-	-	140 179
TOTAL LIABILITIES			12 577 313	-	-	-	-	12 577 313
EQUITY								
Ordinary share capital	Outside scope	Outside scope	321	-	-	-	-	321
Ordinary share premium	Outside scope	Outside scope	166 945	-	-	-	-	166 945
Reserves	Outside scope	Outside scope	1 382 185	(87 968)	-	(87 968)	-	1 294 217
Preference share capital	Outside scope	Outside scope	18	-	-	-	-	18
Preference share premium	Outside scope	Outside scope	188 068	-	-	-	-	188 068
Non-controlling interest	Outside scope	Outside scope	4 234	-	-	-	-	4 234
TOTAL EQUITY			1 741 771	(87 968)	-	(87 968)	-	1 653 803
TOTAL LIABILITIES AND EQUITY			14 319 084	(87 968)	-	(87 968)	-	14 231 116

SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS continued

Note 1.1.2: Expected credit loss impairment model

The Group has elected not to apply the simplified approach to its finance lease receivables.

The allowance account for credit losses is determined with reference to the following:

- Stage 1: 12-month expected credit losses for those financial assets where there has not been a significant increase in credit risk since initial recognition.
- Stage 2: Lifetime expected credit losses for those financial assets where there has been a significant increase in credit risk on a collective basis.
- Stage 3: Lifetime expected credit losses for those financial assets where there has been a significant increase in credit risk on an individual basis.

A significant increase in credit risk is assumed for all financial assets with contractual payments past due by 30 days or more. It also considers the impact of forward-looking economic information that is readily available and where relevant.

The change from an incurred loss model under IAS 39 to an ECL model under IFRS 9 resulted in an increase in the impairment loss allowance account (i.e. provision for credit losses) of R114.671m, with a deferred tax impact of R26.703m on 1 July 2018. Management has applied assumptions, judgements and estimates in developing the ECL model, based on historical experience and other factors that are believed to be reasonable.

Impairment loss allowance for loans and advances under IAS 39 on 30 June 2018:

	Portfolio R'000	Special mention R'000	Sub- standard R'000	Doubtful R'000	Loss R'000	Total R'000
Equipment Finance	41 859	4 851	1 509	11 530	189 436	249 186
Capital Equipment Finance	1 102	955	–	–	169	2 226
Trade and Debtor Finance	8 178	2 607	–	–	14 261	25 045
Other secured loans	–	164	–	–	9 143	9 307
	51 139	8 577	1 509	11 530	213 009	285 764

Impairment loss allowance for loans and advances and guarantees under IFRS 9 on 1 July 2018:

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Equipment Finance	49 585	49 361	197 495	296 441
Capital Equipment Finance	15 081	78	8 533	23 692
Trade and Debtor Finance	22 195	10 041	28 829	61 065
Other secured loans	8 589	–	9 308	17 897
Guarantees	1 340	–	–	1 340
	96 790	59 480	244 165	400 435

Note 1.1.3: Hedge accounting

The Group currently does not apply hedge accounting and hence the implementation of IFRS 9 did not have any impact in this regard.

Note 1.1.4: Regulatory Capital

The consequential impact of the IFRS 9 implementation on Sasfin's capital adequacy levels is a reduction of 20 bps, from 15.136% to 14.937%.

The Group did not to apply the three-year transitional period that was allowed in terms of Directive 5 of 2017, given the strong capital (CET 1) position of Sasfin.

	30 June 2018 IAS 39 R'000	01 July 2018 IFRS 9 R'000	31 December 2018 IFRS 9 R'000
Available Capital			
Common Equity Tier 1 (CET)	1 361 921	1 274 510	1 344 935
Tier 1	1 437 154	1 349 744	1 420 169
Total Capital	1 469 072	1 458 297	1 499 081
Risk-Weighted assets			
Credit Risk	6 118 268	6 175 475	6 175 791
Counterparty credit risk	140 413	140 413	137 175
Market risk	162 594	162 594	204 640
Operational risk	1 492 193	1 492 193	1 441 795
Other risk	1 792 127	1 792 127	1 137 491
Total risk weighted assets	9 705 595	9 762 802	9 096 892
Capital ratios	%	%	
Common equity tier 1 (CET)	14.032	13.055	14.785
Tier 1	14.807	13.825	15.612
Total capital	15.136	14.937	16.479

Note 1.2: Fair values of financial assets and financial liabilities

The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated and Separate Annual Financial Statements at and for the period ended 30 June 2018.

FINANCIAL HIERARCHY

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

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

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

Level 3 – unobservable inputs for the asset or liability.

SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS continued

Note 1.2: Fair values of financial assets and financial liabilities (continued)

	Level 1 R'000	Level 2 R'000	Level 3 R'000	31 December 2018 Unaudited R'000	31 December 2017 Restated Unaudited R'000	30 June 2018 Audited R'000
Financial assets	1 128 840	85 579	622 019	1 836 438	2 065 517	2 105 004
Investment securities	263	–	622 019	622 282	554 552	628 493
Trading assets	1 128 577	85 579	–	1 214 156	1 510 965	1 476 511
Financial liabilities	1 170 269	62 131	–	1 232 400	1 552 340	1 449 203
Trading liabilities	1 170 269	62 131	–	1 232 400	1 552 340	1 449 203
Non-financial assets	–	–	11 400	11 400	19 500	12 600
Non-current assets for sale	–	–	–	–	19 500	–
Investment property	–	–	11 400	11 400	–	12 600

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 period ended 31 December 2018.

	31 December 2018 Unaudited R'000	31 December 2017 Unaudited R'000	30 June 2018 Audited R'000
Level 3 fair values – investment securities			
Opening balance	586 190	446 954	446 954
Total gains or losses in profit or loss	16 776	6 761	70 451
Acquisition of investments	34 320	7 000	107 096
Disposal of investments	–	(27 225)	(4 700)
(Repayments)/Advances	(11 348)	73 446	(33 611)
Transfer to equity accounted associate	(3 879)	–	–
Closing balance	622 019	506 936	586 190

The valuations of Level 2 and Level 3 Investment Securities were based predominantly on detailed discounted cash flow methodology, 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 guidelines.

Note 2: Changes in the composition of the Group

During the period under review, the Group has increased its shareholding in Efficient Group Ltd (Efficient) from 14.28% to 28.96%, which gives it significant influence over this investment. Consequently, this investment has been equity accounted in accordance with IAS 28 *Investments in Associates and Joint Ventures* from the effective date of the increased shareholding.

On 1 April 2018 the Group acquired the business of Absa Technology Finance Solutions (Pty) Ltd (ATFS). Details of this acquisition were disclosed in note 38 of the Group's Annual Financial Statements for the year ended 30 June 2018. The Group has 12 months from the acquisition date in which to finalise the purchase price allocation of the acquisition. This is currently being completed and will be disclosed in the Group's Annual Financial Statements for the year ended 30 June 2019.

Note 3: Post balance sheet events

There are no material events subsequent to 31 December 2018 to report.

Note 4: Re-classifications and correction of prior period errors

Consistent with the Group's restatement in the Annual Financial Statements for the year ended 30 June 2018, the below restatements were made to the December 2017 comparative interim information.

Note 4.1: Re-classification of certain assets and liabilities

During the financial year ended 30 June 2018, the Group re-assessed the nature of the items included in Other receivables and Other payables to better align the underlying items with the business model of the Group. Based on this assessment, certain items were re-classified from Other Receivables to Trading Assets and from Other payables to Trading liabilities. These re-classifications are disclosed in the table below. The re-classifications did not have any impact on the retained earnings or the profit for the period.

Note 4.2: Re-classification correction

Management reviewed the nature of the detailed accounts included in the respective asset and liability line items on the face of the Statement of Financial Position. As part of this review, management identified that certain accounts were linked to the incorrect line items on the face of the Statement of Financial Position. Consequently, re-classifications were made between Cash and cash balances, Funding under repurchase agreements and interbank as well as Deposits from customers. These re-classifications are disclosed below. The re-classifications did not have any impact on the retained earnings or the profit for the period.

Note 4.3: Correction of prior year error – offsetting of interdivisional balances

Whilst performing the consolidation procedures for June 2018, management determined that not all interdivisional interest, deposits and bank accounts held by divisions of Sasfin Bank Limited, with Sasfin Bank Limited, had been offset appropriately in the Consolidated Financial Statements of the Group at 30 June 2017. This error did not occur in the Consolidated Statement of Financial Position at 31 December 2017. The correction did not have any impact on the retained earnings or the profit for the period. Hence there is no impact on the basic and diluted earnings per share, or on headline earnings per share.

SELECT EXPLANATORY NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS continued

Note 4.4: Correction of prior period error: Consolidation of Sunlyn (Pty) Ltd

Sunlyn (Pty) Ltd (Sunlyn) was established as an originator of the Group to obtain equipment lease rentals. Sunlyn is 100% legally owned by Innovent Investment Holdings (Pty) Ltd, in which the Group has a 33.6% shareholding. Given the nature of the origination business, the operations of Sunlyn gradually integrated into the Group. Furthermore, the manner in which the acquisition of the ATFS business was structured (Sunlyn being the purchaser), is evidence that the Group has power to direct the operations of Sunlyn, which contributes to the income of the Group. Sunlyn is therefore considered to be controlled by the Group and has been consolidated. Sunlyn has been consolidated by the Group from 2018 since the impact on the consolidated prior year numbers is immaterial. The impact of the consolidation on the condensed consolidated December 2017 interim results, as previously reported, is disclosed in the table below.

Note 4.5: Impact on financial statement line items

	31 December 2017					
	As previously reported R'000	Reclassification Increase/(Decrease) R'000	Reclassification correction Increase/(Decrease) R'000	Prior period error Increase/(Decrease) R'000	Prior period Sunlyn error Increase/(Decrease) R'000	Restated R'000
Statement of financial position						
<i>Assets</i>						
Cash and cash balances	2 102 686	–	7 320	–	–	2 110 006
Trading assets	1 317 424	193 541	–	–	–	1 510 965
Other receivables	648 622	(193 541)	–	–	6	455 087
Taxation	27 681	–	–	–	63	27 744
Private equity and property equity investments	507 246	–	–	–	3	507 249
Property, plant and equipment	95 443	–	–	–	174	95 617
<i>Liabilities</i>						
Funding under repurchase agreements and interbank	1 267 180	–	(91 487)	–	–	1 175 693
Trading liabilities	1 337 250	215 090	–	–	–	1 552 340
Other payables	984 876	(215 090)	–	–	5 867	775 653
Deposits from customers	4 246 264	–	98 807	–	(5 497)	4 339 574
Statement of comprehensive income						
Interest income	624 124	–	–	(4 972)	17	619 169
Interest expense	(394 866)	–	–	4 972	–	(389 894)
Non interest income excluding fair value adjustments to strategic investments	347 975	–	–	–	(2 777)	345 198
Staff costs	(194 337)	–	–	–	(24 679)	(219 016)
Other operating expenses	(207 517)	–	–	–	27 315	(180 202)
Statement of cash flows						
Movement in operating assets and liabilities	(100 108)	–	12 993	(41 157)	–	(128 272)
Cash and cash equivalents at beginning of the period	2 129 896	–	(5 674)	41 157	–	2 165 379
Cash and cash equivalents at the end of the period	2 102 686	–	7 320	–	–	2 110 006
31 December 2017						
				As previously reported	Prior period Sunlyn error Increase/(Decrease)	Restated
Basic and diluted earnings per share (cents)				144.47	(0.39)	144.08
Headline and diluted headline earnings per share (cents)				157.95	(0.39)	157.56

COMMENTARY

NATURE OF BUSINESS

Sasfin Holdings Limited (Sasfin) and its subsidiaries provide a comprehensive range of specialist financial products and services to enable growth in the businesses and global wealth of our clients.

BUSINESS ENVIRONMENT

Global

Global markets over the past 12 months have been characterised by pressured US equity markets, partially as a result of rising US interest rates, a continued slowdown in Europe underpinned by the uncertainty around Brexit and moderate Chinese growth.

South Africa

The South African economy has continued to underperform the rest of the world, facing several of its own challenges, with its economic growth outlook having weakened since the 2018 medium-term budget. On the back of a fragile recovery in household spending and moderate fixed investment spending, National Treasury had to revise its GDP growth expectations down to 1.5% for 2019, from its previous estimate of 1.8% in the 2018 National Budget.

The deteriorating fiscal situation is aggravated further by the increasing liabilities associated with under-performing State-Owned Entities (SOEs) – particularly Eskom. The SOEs' financial and operational underperformance has limited fixed investment projects and uncertain property rights weighs negatively on business and investor confidence. In addition, in this reporting period, the South African Reserve Bank (SARB) increased the repo rate by 25 bps to 6.75%.

REPORTING ADJUSTMENTS IN 2018

Certain restatements and adjustments were made and reported on at June 2018 which had no impact to the Statement of Comprehensive Income or Statement of Changes in Equity. This has led to restated December 2017 interim comparative numbers in the Statement of Financial Position.

IFRS 9 Financial Instruments (IFRS 9) became effective for the Group from 1 July 2018. The Group has, as permitted by IFRS 9, elected not to restate its comparative financial information. Therefore, the comparative financial information has been prepared on an IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) basis. The impact of adopting IFRS 9 has been applied retrospectively with an adjustment to the Group's opening 1 July 2018 reserves.

FINANCIAL PERFORMANCE

The Group posted a 59.89% growth in headline earnings to R80.531 million (December 2017: R50.367 million) with an increase in headline earnings per share of 58.75% to 250.12 cents (December 2017: 157.56 cents). This positive growth is primarily due to an improved credit loss ratio to 123bps (December 2017: 200bps) and a normalisation in the tax expense to R30.344 million (December 2017: R47.494 million). Total income grew marginally by 5.78% in a subdued economy. Costs grew by 12.31% due to an increase in headcount as a result of the Absa Technology Finance Solutions (ATFS) acquisition, continued investment in the business and an increase in bonus provisions. The Group's cost-to-income ratio deteriorated to 73.96% (December 2017: 70.40%) as a result of these increases in costs and also due to lower returns on Treasury assets.

Over the past two years, the Group expressed concern around the deteriorating performance of its credit book and subsequently took significant steps to improve its credit processes and team. The result has been an improvement in the credit loss ratio as well as an improved credit coverage ratio.

FINANCIAL AND CAPITAL POSITION

Total assets grew by 3.14% to R13.572 billion (December 2017: R13.159 billion) with gross loans and advances growing by 8.72%, largely off the back of the acquisition of ATFS, even though post June 2018 there has been, as expected, a reduction in gross loans and advances as the ATFS book matures.

Funding grew by 7.80% to R9.911 billion which resulted in a healthy cash position of R1.113 billion, and near cash in the form of negotiable securities grew by 71.02% to R2.762 billion, to optimise the Group's capital adequacy ratio (CAR) following the day one impact of the IFRS 9 adjustment. The maturity profile of the funding base has been lengthened to meet the net stable funding ratio requirements, ensuring that both the liquidity coverage and net stable funding ratios remain above regulatory requirements. Group capital decreased by 4.09% to R1.499 billion following the day one impact of the IFRS 9 adjustment resulting in the CAR decreasing to 16.479%. The Group maintains a total Tier 1 capital ratio of 15.612%.

SEGMENTAL OVERVIEW

Banking

The Banking Pillar was impacted most significantly by the improved impairments, resulting in an increase in profit after tax to R58.108 million (December 2017: R35.644 million). The gross loans and advances book grew by 9.95% to R7.339 billion. This is due in part to the acquisition of the ATFS rental finance book and growth in capital equipment finance.

The coverage ratio improved significantly from 3.88% to 5.46% due to the impact of IFRS 9 on the provisions.

The Bank CEO for the reporting period, Mr Roland Sassoon, stepped down with effect from 31 December 2018 after nearly 50 years of service to Sasfin. His role was assumed by Michael Sassoon, the Sasfin Group CEO.

Wealth

The Wealth Pillar showed a 8.31% growth in profit after tax to R25.780 million (December 2017: R23.801 million) largely due to increased foreign income (22.93%), institutional asset management fees and income from our strategic investments. This was offset by underperforming equity markets, lower brokerage volumes as well as the volatility in the rand negatively impacting the fixed income business. The Wealth Pillar's share of associate income was largely due to its investments in the Efficient Group and Direct Market Access (previously Saxo Capital Markets South Africa). Sasfin increased its investment in Efficient (now at 28.96% from 14.28% previously) resulting in Efficient being classified as an Associate. The investment in Efficient was previously held as a fair value through profit or loss strategic investment and from the effective purchase date, is equity accounted.

Assets under Management and Advice (excluding under Administration) decreased by 5.57% to R37.219 billion (December 2017: R39.413 billion) largely in line with the equity markets which saw a sharp decline specifically towards the latter half of 2018. Low revenue yielding Assets under Administration decreased by 19.31% to R50.349 billion (December 2017: R62.401 billion).

Capital

The Capital Pillar showed an improved loss after tax of R1.039 million (December 2017: R3.494 million) largely due to an improved tax expense position resulting from the prior year once off charge.

Sasfin Capital is increasingly offering debt solutions to business clients and we see good opportunities to further scale this business in a capital efficient way which should result in more stable earnings from this area in the medium term.

COMMENTARY continued

PROSPECTS

Our purpose is to contribute to society by going beyond a bank to enable growth in the businesses and global wealth of our clients. The South African economy critically needs growth in savings and investment from households and growing entrepreneurial businesses. Sasfin is well placed to deliver value to its business and wealth clients through its excellent solution-orientated team and wide range of products and services which are increasingly supported by technology enhancements.

We invested heavily in developing our capabilities within each of our key strategic focus areas over the last few years. This investment, together with increased regulatory costs, negatively impacted our cost-to-income ratio. Given this investment and considering the challenging economy, we are well positioned for growth in each of the markets in which we operate.

We continue to refine Sasfin's value proposition and are strengthening our distribution capabilities to our five primary client segments, aligned with our five-year strategy.

Small business

Through B\\YOND, our digital business banking platform, we support small businesses which will ultimately help grow our depositor base, diversify our client base and increase our non-interest income. B\\YOND was enhanced to create an intuitive user experience, including where there are multiple users of a single bank account or a single user with multiple bank accounts. Further upgrades in 2019 will include incorporating credit and foreign exchange into the platform.

We continue to invest in aligned fintech businesses which further support our client proposition. We also leveraged B\\YOND by entering into an alliance banking relationship with Hello Paisa (part of the Hello Group) whereby digital banking services will be offered to the previously unbanked or underserved. While the B\\YOND programme remains in the investment cycle, the rate of investment is now stable and there was more than a 50% growth in revenue year on year, albeit off a low base.

Medium business

Many South African businesses are facing cash flow crises with a growing number going into business rescue and liquidation due to the challenging economic conditions in the last few years. However, there are many of these businesses, that with the right funding structures and working capital solutions, are well positioned to grow. We therefore strengthened our Business Banking and Capital teams and solutions to support this segment of the economy. We remain confident of our ability to grow our business in this client segment, within appropriate risk levels, in the medium term.

Asset suppliers

Asset finance, which was traditionally dominated by office automation suppliers, is seeing new equipment and asset types which require rental and capital equipment finance solutions. Our team and offering were expanded by the ATFS and Fintech acquisitions, and we launched LeaseWave, a state-of-the-art core line of business system, which will enhance our client experience and efficiencies. Asset finance is currently the biggest contributor to the Group and we are giving this segment renewed focus as we expect further growth.

Private clients

We exceeded R10bn of offshore assets under management in 2018 and expect further growth. While local markets have been challenging, there are good growth prospects in our offshore offering. Our investment solutions are performing well, and we continuously streamline operations to improve client experience. Through some expansion of our product offering and increased investment in distribution, we are well positioned to further grow our clients' global wealth.

Institutional clients

Our balanced funds and income funds are performing well relative to our peers and we are engaging in transformation initiatives in this client segment. Our team's track record and investment solutions, combined with our improved empowerment score of Sasfin Asset Managers (Pty) Ltd (SAM), places us in a strong position to grow institutional assets under management. In addition, our work in the asset consulting unit – where we recently launched the Sasfin Umbrella Retirement Fund – has resulted in compelling offerings to pension funds and corporates. We will continue investing in this client segment as we are well placed to manage significantly more assets.

Post the half-year, SAM, a wholly owned subsidiary of Sasfin Wealth (Pty) Ltd, won two coveted Raging Bull Awards for its Flexible Income Fund. In addition, and post the reporting period, SAM achieved a B-BBEE Level 1 status. SAM's B-BBEE status underscores Sasfin's overall commitment to transformation, one of the Group's strategic focus areas.

INTERIM PREFERENCE SHARE CASH DIVIDEND

The Directors have declared a gross cash preference dividend number 29 of 418.09 cents per share (December 2017: 427.42 cents per share) ("preference dividend") for the period 1 July 2018 to 31 December 2018.

Preference dividends have been paid on 1 000 000 (December 2017: 1 000 000) preference shares issued at R100.00 (December 2017: R100.00) each, and on 797 226 (December 2017: 797 226) preference shares issued at R110.49 (December 2017: R110.49) each.

The following further information is provided to shareholders with regards to the preference dividend declaration in respect of the dividends tax:

- The dividend has been declared from income reserves;
- The dividend withholding tax rate is 20%, and a net dividend of 334.47200 cents (December 2017: 341.93600 cents) per share is paid to those shareholders who are not exempt from dividend withholding tax;
- The issued number of preference shares as at the declaration date is 1 797 226 (December 2017: 1 797 226); and
- The income tax reference number is 9300/204/71/7.

The preference dividend is payable to holders of preference shares recorded in the register of the Company at the close of business on Friday, 5 April 2019.

The salient dates relating to the preference dividend are as follows:

Last day to trade cum the preference dividend

Tuesday, 2 April 2019

Preference shares commence trading ex the preference dividend

Wednesday, 3 April 2019

Preference dividend record date

Friday, 5 April 2019

Payment date of preference dividend

Monday, 8 April 2019

Preference share certificates may not be dematerialised or rematerialised between Wednesday, 3 April 2019 and Friday, 5 April 2019, both days inclusive.

COMMENTARY continued

INTERIM ORDINARY SHARE CASH DIVIDEND

In line with the growth aspirations of the Group and the changing regulatory landscape (including the implementation of IFRS 9), the Board has adopted a dynamic dividend policy.

The Directors have declared an interim ordinary share cash dividend for the period ended 31 December 2018 of 49.862 cents (December 2017: 46.894 cents) per share.

The ordinary dividend is payable to holders of ordinary shares recorded in the register of the Company at the close of business on Friday, 12 April 2019.

The following further information is provided to shareholders with regards to the interim dividend declaration in respect of the dividends tax:

- The dividend has been declared from income reserves;
- The dividend withholding tax rate is 20%, and a net dividend of 39.88960 cents (December 2017: 37.51520 cents) per share is paid to those shareholders who are not exempt from dividend withholding tax;
- The issued number of ordinary shares as at declaration date is 32 301 441 (December 2017: 32 301 441); and
- The income tax reference number is 9300/204/71/7.

The salient dates relating to the ordinary dividend are as follows:

Last day to trade cum the ordinary dividend

Tuesday, 9 April 2019

Ordinary shares commence trading ex the ordinary dividend

Wednesday, 10 April 2019

Ordinary dividend record date

Friday, 12 April 2019

Payment date of ordinary dividend

Monday, 15 April 2019

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 10 April 2019 and Friday, 12 April 2019, both days inclusive.

The above dates and times are subject to amendment. Any such amendment will be released on SENS and published in the press.