

sasfin

Sasfin Holdings Limited

Annual Results for the
year ended 30 June 2021

31 AUGUST 2021

beyond a bank



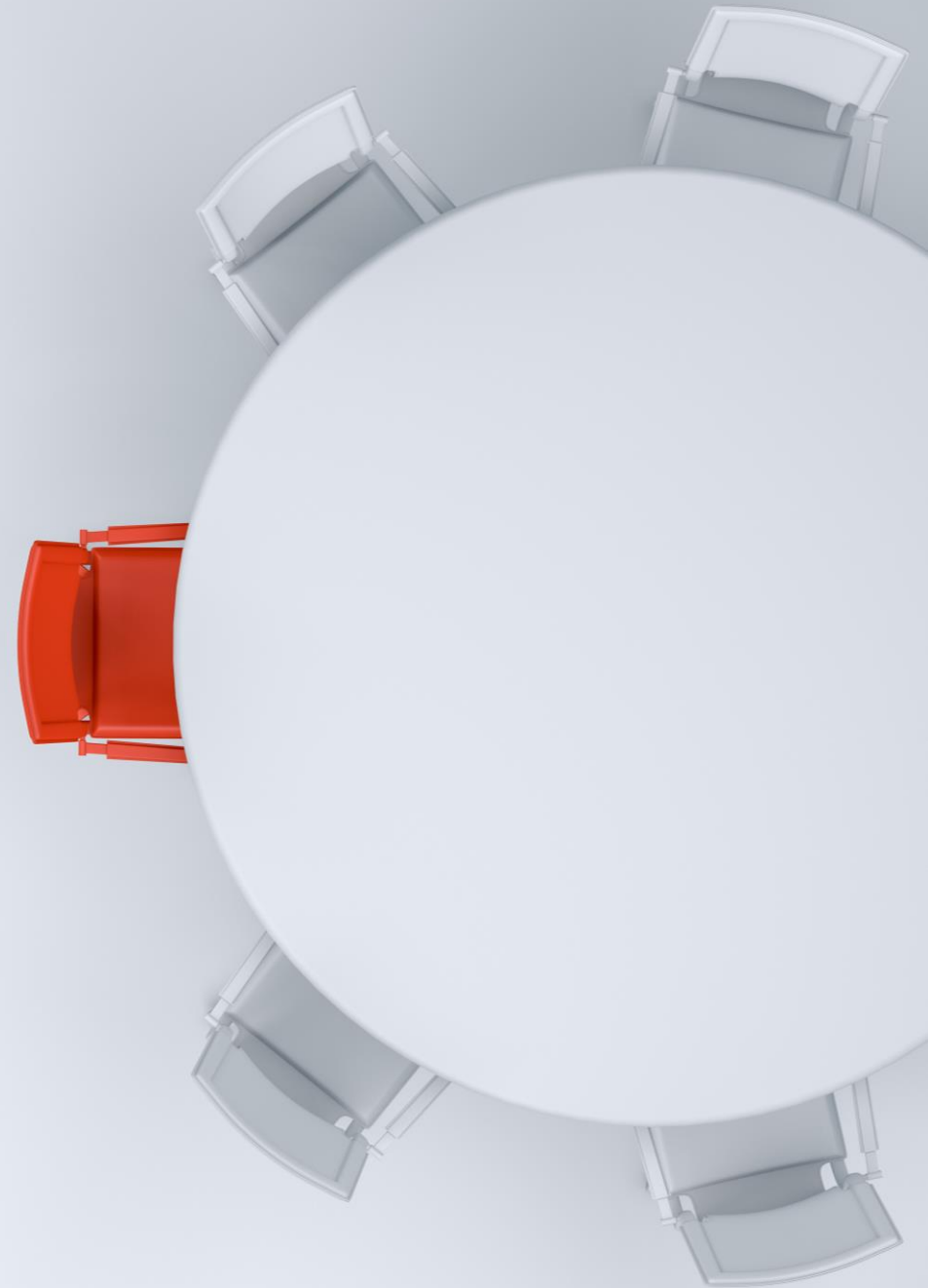
Welcome

Roy Andersen

Chair

Sasfin Holdings Limited

sasfin



Agenda

01 - Welcome

Roy Andersen

Chair: Sasfin Holdings Limited

02 - Financial Review

Angela Pillay

Group Financial Director

03 - Pillar Reviews

Linda Fröhlich

Chief Executive: Asset Finance

Erol Zeki

Chief Executive: Sasfin Wealth

Michael Sassoon

Group Chief Executive Officer

04 - Prospects

Michael Sassoon

Group Chief Executive Officer

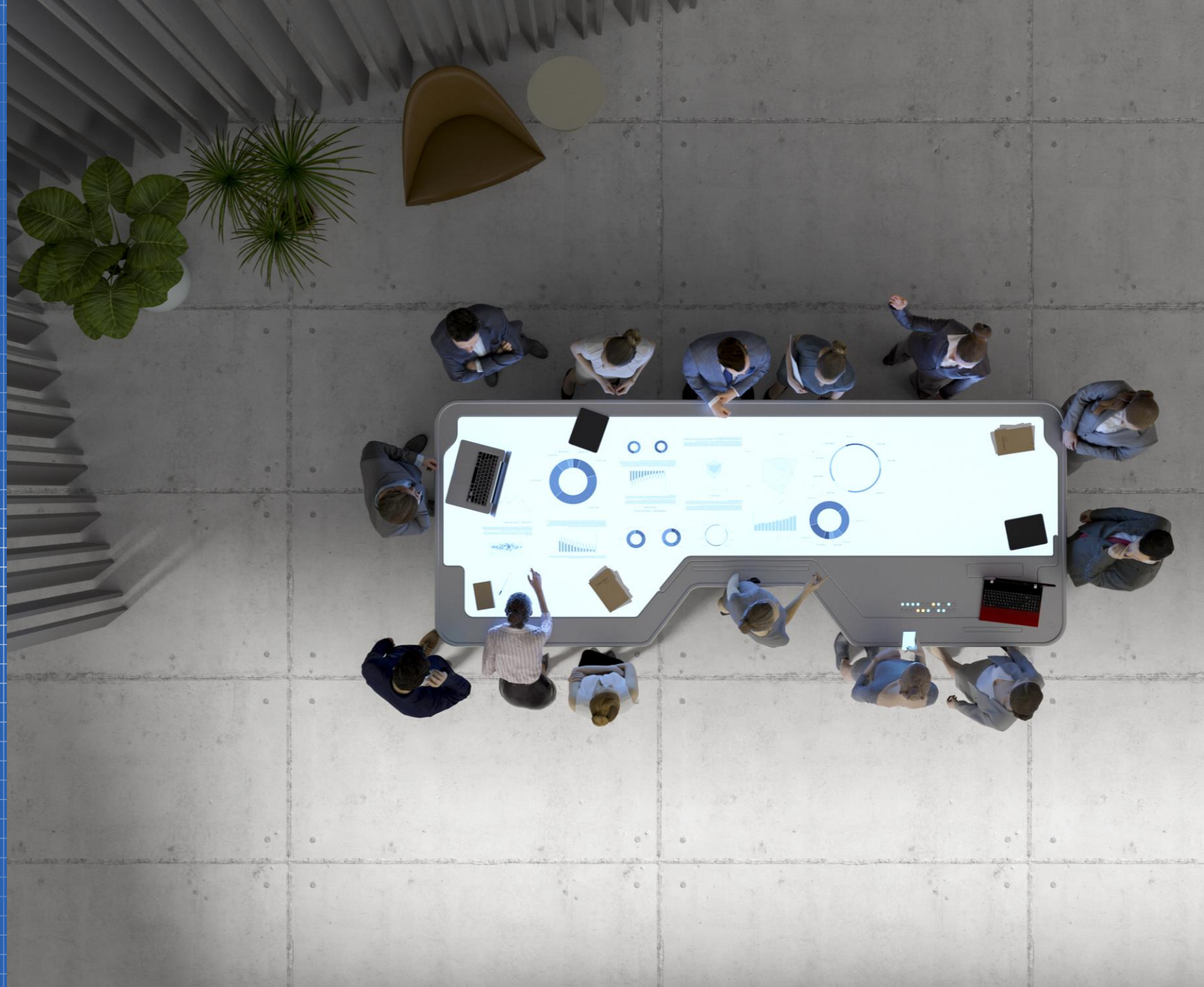
05 - Questions

Financial Review

Angela Pillay

Group Financial
Director

sasfin



Ensuring Focus and Optimising Capital

Efficient Group

Sold our 21.10% Stake for R146.3m representing a post-tax profit of R12.2m. Proceeds distributed to Sasfin holdings

(Headline Adjustment: –R11.9m)

Sasfin Asia

We have moved our foreign trade finance business to South Africa, thereby closing our Hong Kong operation resulting in a once-off cost of R30m. This released \$12m of capital to Sasfin Bank

(Headline Adjustment: c.R30.2m)

Commercial Solutions

Sold 100% of this business resulting in a small loss. This enabled the Group to reallocate R30.0m worth of capital

(Headline Adjustment: R0.8m)

Impairment of Intangible Assets

Legacy systems have been impaired reducing goodwill and intangible assets by 21.61%

(Headline Adjustment: R40.6m)

Ensuring Focus and Optimising Capital

Repurchase of Preference Shares

Sasfin bought back its preference shares for R136.0m. While the deal became unconditional during the year, the deal was only settled after year-end

As such the preference share premium has reduced to R43.3m (2020: R188.1m) with the balance, net of costs, being recognised as a liability

The R43.3m will come into ordinary equity for the FY22 resulting in a R43.3m increase in Sasfin's net shareholders' equity due to the repurchase

Sasfin Share Incentive Trust

The Trust purchased 1.4 million shares for R40.1m in anticipation of a scheme which is being designed to align executives and shareholders of the Group

On consolidation these shares are a reduction against Group Equity

Streamlined Business

Headline earnings

R141.1m (2020: -R48.6m)

Total income increased 11.65% to R1.303bn
(FY20: R1.167bn)

▲ Net-interest income	+6.25%
▲ Non-interest revenue	+16.50%
▲ Headline adjusted total income	+9.85%

Credit impairments decreased
40.35% to R150.7 million

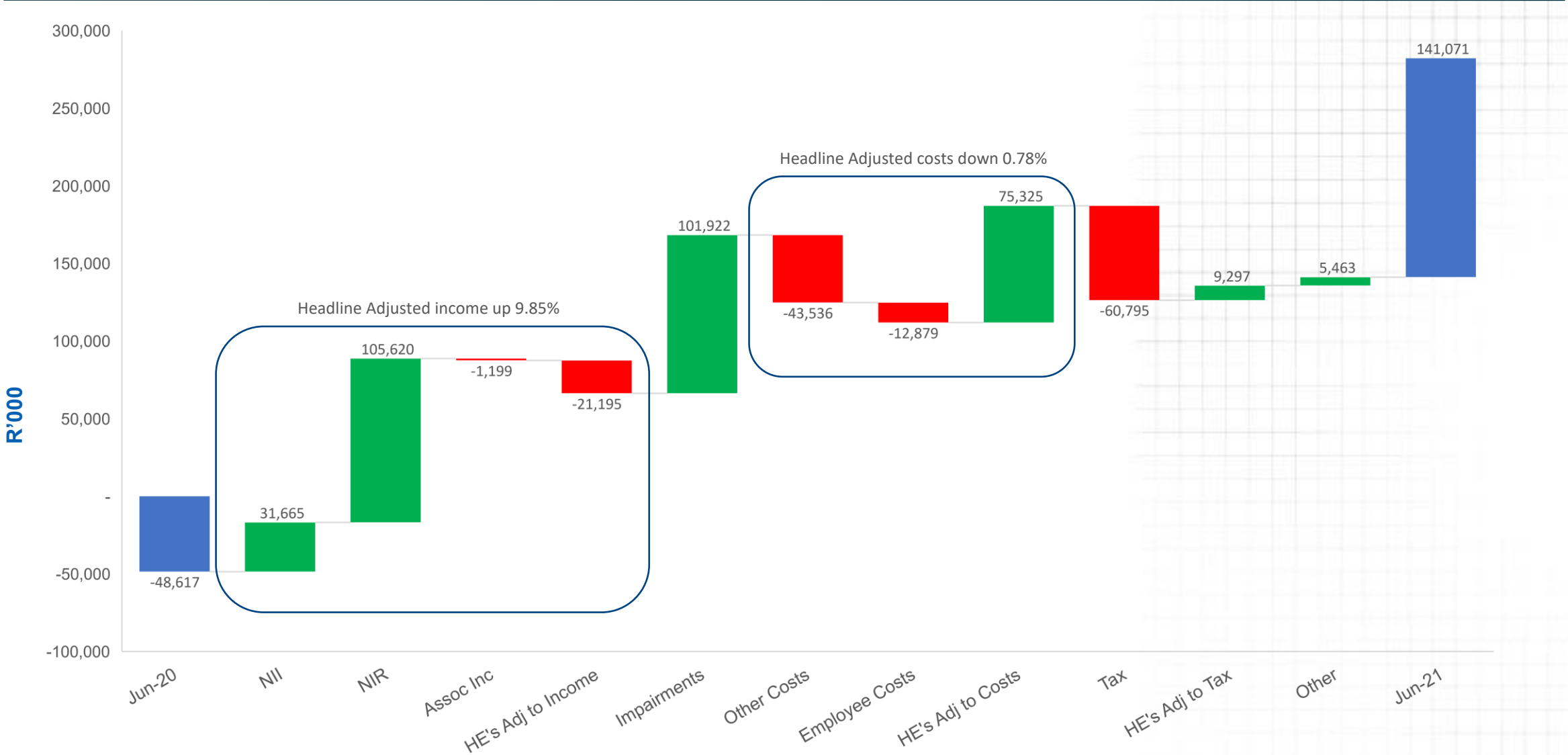
- ▼ Credit loss ratio at 75bps from 303bps | 102bps in 2019
- ▲ Impairment on Land Bank bills increased R98.1m

Operating expenses increased 5.88%

- ▲ Employee costs increased 2.49%
- ▼ Headline adjusted costs declined 0.78%

- Higher income resulted in the cost-to-income ratio improving to **77.95% (2020: 82.20%)**. The headline adjusted cost-to-income ratio was **73.36%**
- Effective tax rate of **43.16% (2020: 4.08%)** due to the headline adjustable items

Headline earnings movements

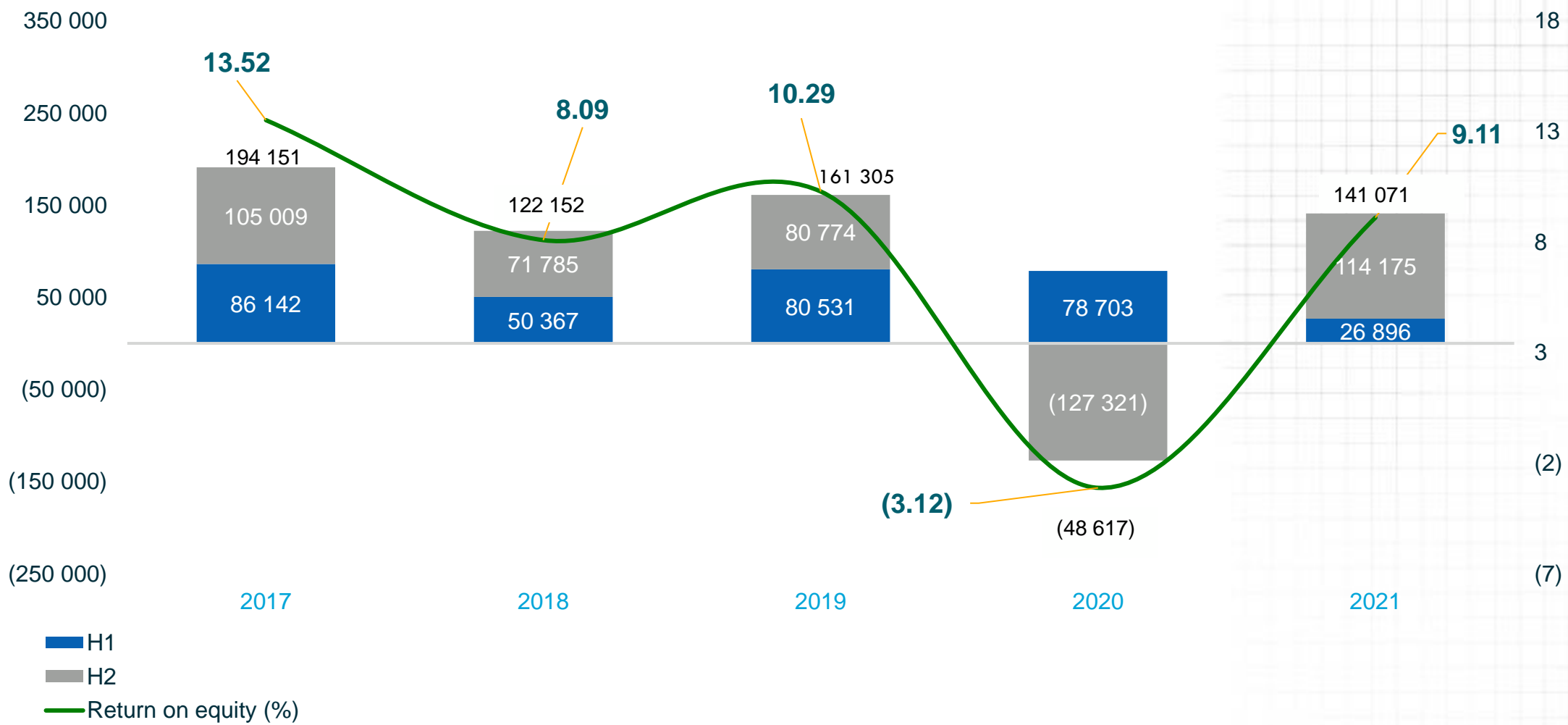


Financial performance

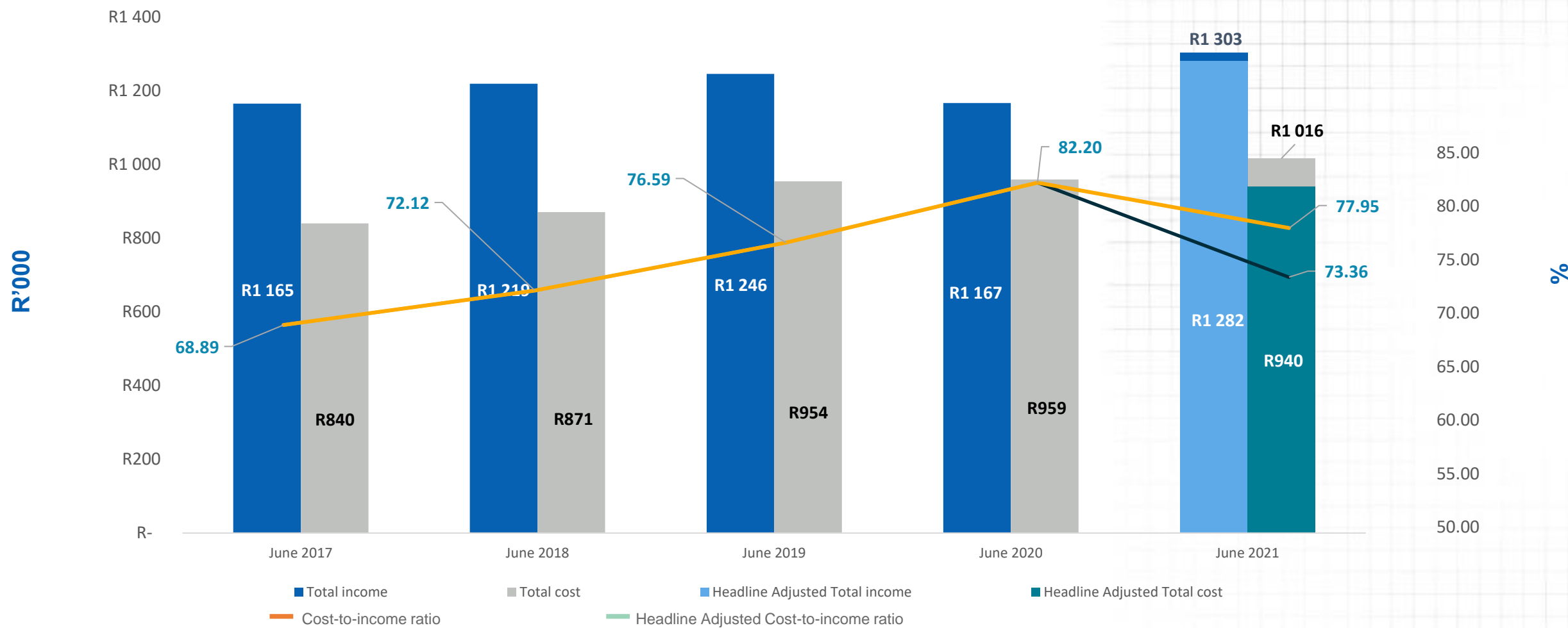
		Change % ⁴	30 June 2021 R'000	30 June 2020 R'000
Net interest income	▲	6.25	537 980	506 315
Non-interest income	▲	16.50	745 800	640 180
Total income	▲	11.97	1 283 780	1 146 495
Credit Impairments	▼	40.35	(150 696)	(252 618)
Net income after impairments	▲	26.76	1 133 084	893 877
Operating costs	▲	5.88	(1 015 455)	(959 040)
Employee costs	▲	2.49	(530 484)	(517 605)
Other operating expenses	▲	4.61	(444 387)	(424 784)
Impairment on non-financial assets	▲	>100	(40 584)	(16 651)
Profit from operations	▲	>100	117 629	(65 163)
Share of associate profit	▼	5.95	18 962	20 161
Income tax expense	▲	>100	(58 947)	1 848
Profit for the period	▲	>100	77 644	(43 154)
Preference shareholders	▲	100	–	(15 029)
Non-controlling interest	▲	100	–	(1 993)
Headline adjustable items	▲	448.72	63 427	11 559
Headline earnings	▲	>100	141 071	(48 617)

⁴ Movements calculated on rounded numbers for percentages and bps

Headline earnings and return on equity



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



Dividends resumed

Given the improved performance, strong capital adequacy ratio and liquidity position, the Board has declared a dividend of 30% of headline earnings for the year

This results in a dividend per ordinary share for the year of 131.02 cents (2020:48.89 cents³)

¹ Including negotiable securities less funding received under REPO agreements.

² Unaudited

³ Interim dividend only

Core funding -2.02% to R8.236bn

- ▼ Customer deposits -7.90% to R4.733bn
- ▲ Long-term funding up close on 100% to R730.9m
- Net available cash¹ decreased 0.21% to R2.346bn
- Liquidity coverage ratio well above regulatory minimum

Gross loans and advances up 1.24% to R7.251bn

- Stage 1 exposure up 4%

Capital adequacy ratio 18.06%² (2020: 16.59%)

Financial position – assets

		Change % ⁴	30 June 2021 R'000	30 June 2020 R'000
Cash and negotiable securities	▼	30.61	3 370 655	4 857 838
Trading assets	▼	33.66	703 433	1 060 342
Other receivables	▲	17.24	511 939	436 644
Net loans and advances	▲	1.61	6 715 951	6 609 328
Investments at fair value through profit and loss	▼	1.66	519 972	528 771
Equity-accounted associates	▼	84.08	20 089	126 195
Intangible assets and goodwill	▼	21.61	160 856	205 206
Other assets	▼	15.93	152 348	181 216
Total	▼	13.22	12 155 244	14 005 540

⁴ Movements calculated on rounded numbers for percentages and bps throughout this document

Summary of IFRS 9 Impairments

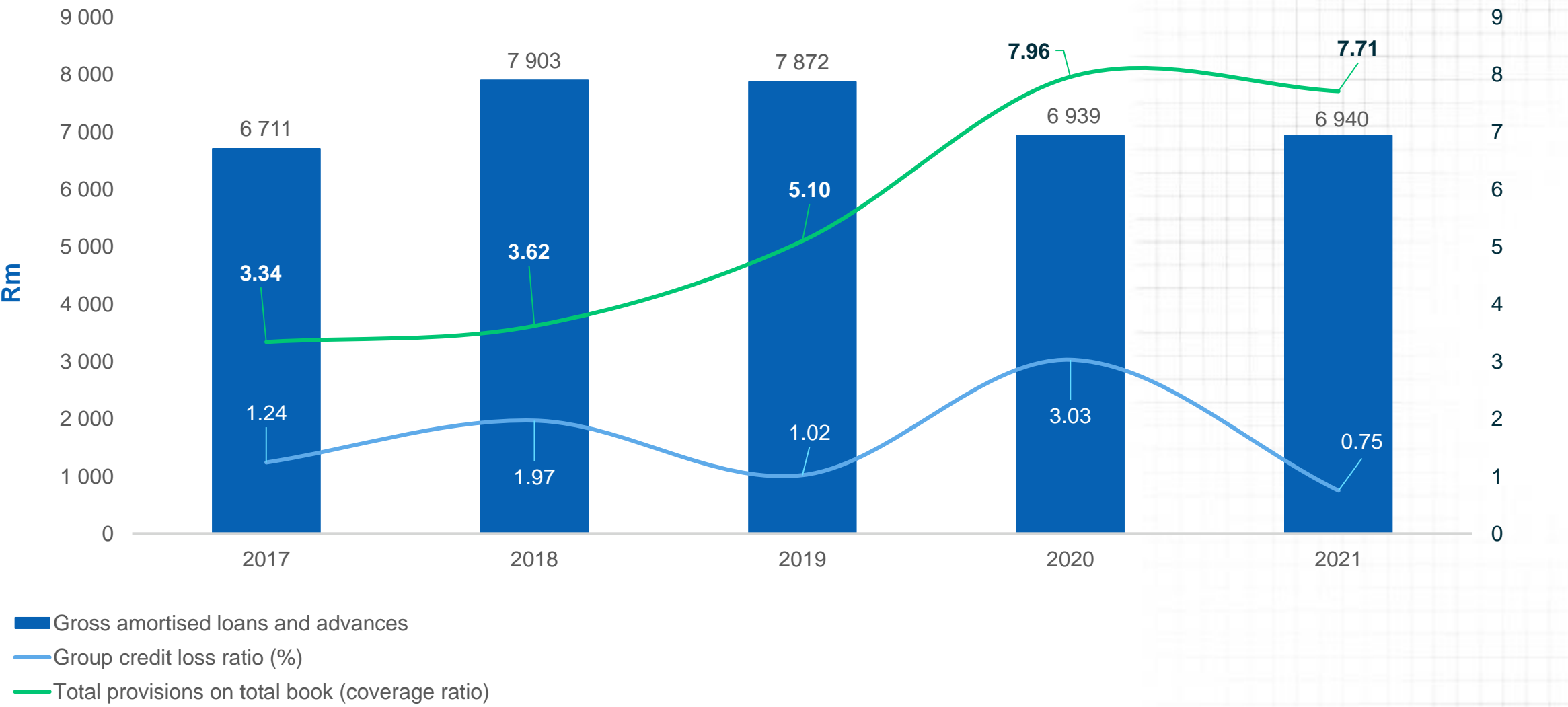
Decrease in coverage ratio as a result of significant improvement in staging

		2021				2020			
Gross amortised loans and advances		Exposure R'000	Exposure % of book	ECL R'000	Coverage ratio	Exposure R'000	Exposure % of book	ECL R'000	Coverage ratio
Stage 1	▲	5 897 857	84.99%	111 888	1.90%	5 667 617	81.68%	114 111	2.01%
Stage 2	▼	430 535	6.20%	44 443	10.32%	559 067	8.06%	38 639	6.91%
Stage 3	▼	611 195	8.81%	379 023	62.01%	712 038	10.26%	399 655	56.13%
Total		6 939 587		535 354	7.71%	6 938 722		552 405	7.96%

	Change in Exposure	Change in Coverage Ratio
Stage 1	4.06%	-5.78%
Stage 2	-22.99%	49.36%
Stage 3	-14.16%	10.49%

A large portion of our clients who went into arrears during the first lockdown, have now brought their accounts up to date as evidenced by Stage 3 loans dropping **14.16% to R611.2m (FY20: R712.0m)**

Gross amortised loans, advances and credit risk

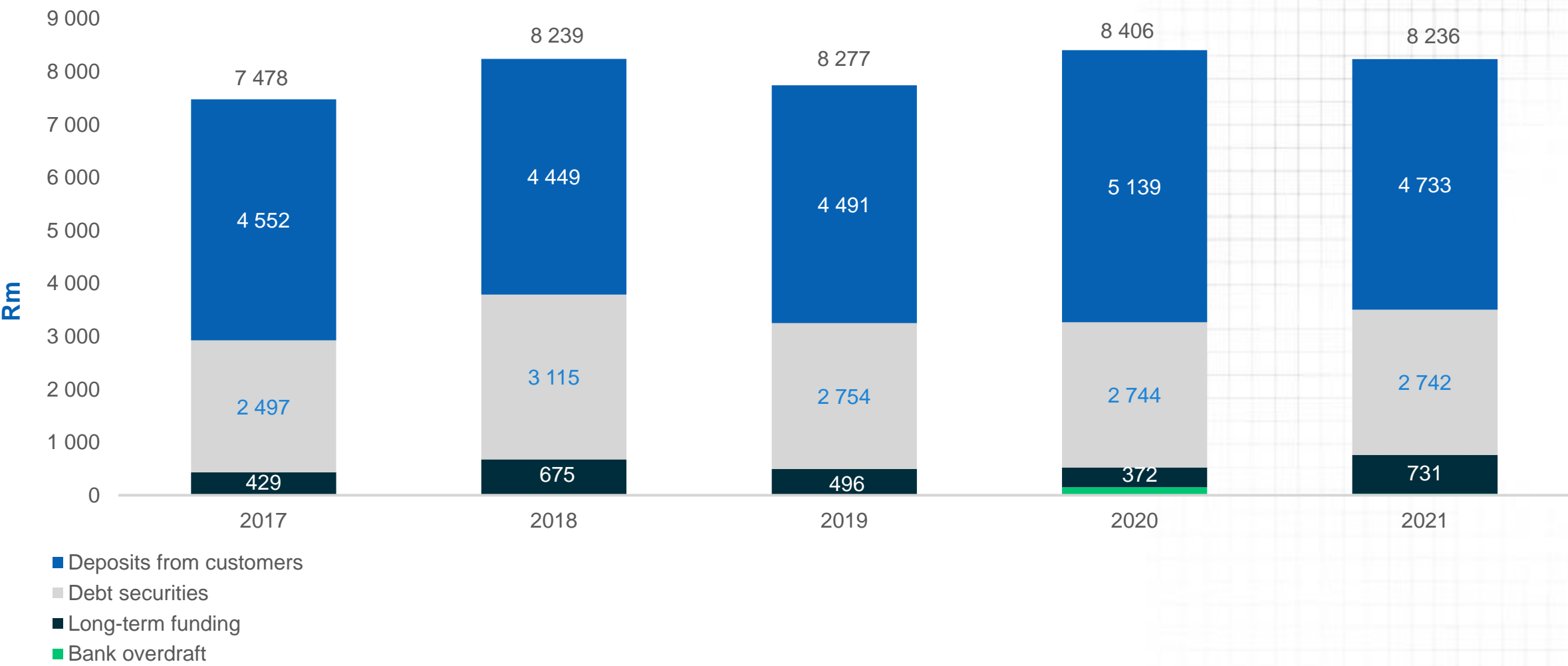


Financial position – liabilities and equity

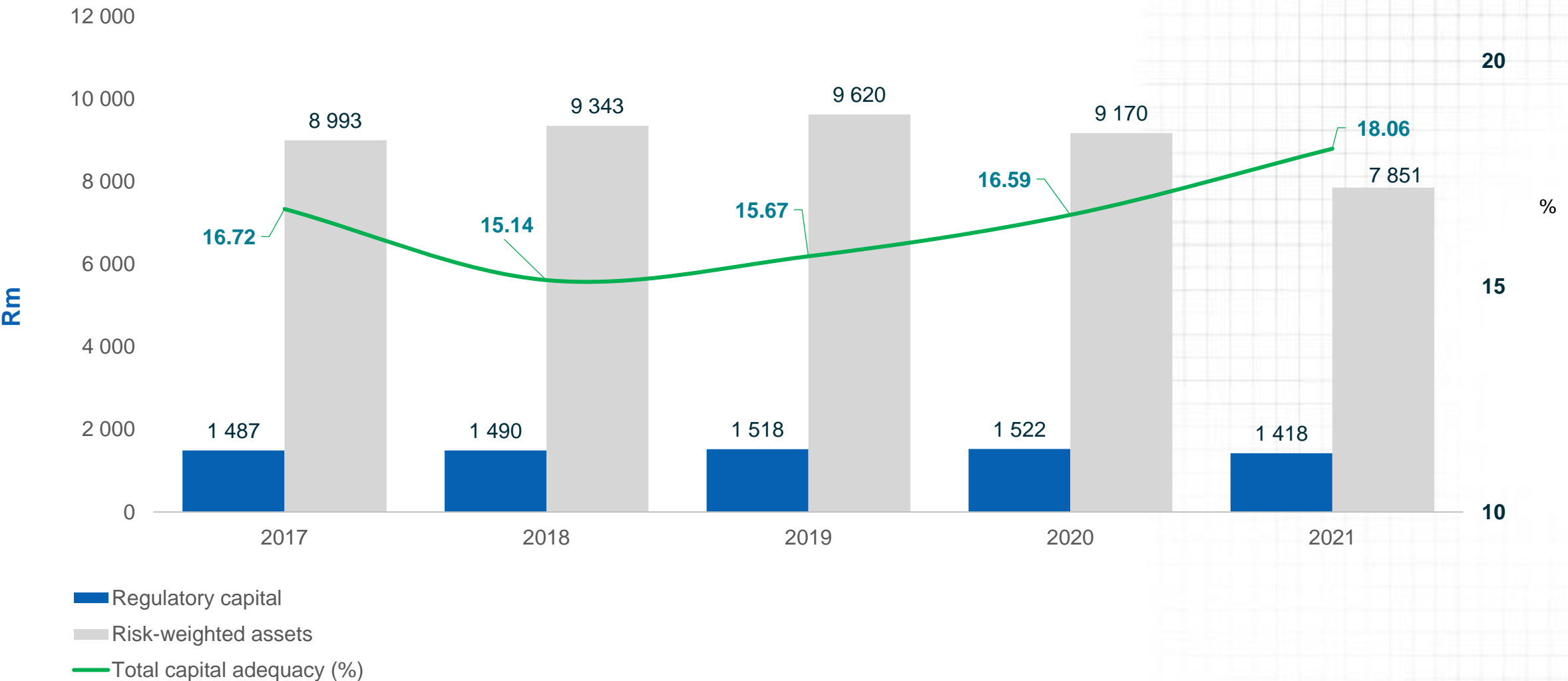
		Change % ⁴	30 June 2021 R'000	30 June 2020 R'000
Funding under repurchase agreements and interbank	▼	62.82	700 067	1 882 806
Trading liabilities	▼	34.09	658 957	999 842
Trade and other payables and provisions and taxation	▼	1.39	911 108	923 909
Bank overdraft	▼	79.93	30 392	151 462
Deposits from customers	▼	7.90	4 732 764	5 138 778
Lease liability	▼	38.51	43 205	70 266
Debt securities issued	▼	0.08	2 741 583	2 743 823
Long-term loans	▲	96.67	730 904	371 649
Total liabilities	▼	14.11	10 548 980	12 282 535
Ordinary share capital and reserves	▲	1.83	1 562 933	1 534 919
Preference share capital and share premium	▼	76.96	43 331	188 086
Non-controlling interest	-	-	-	-
Total liabilities and equity	▼	13.22	12 155 244	14 005 540

⁴ Movements calculated on rounded numbers for percentages and bps

Core funding base

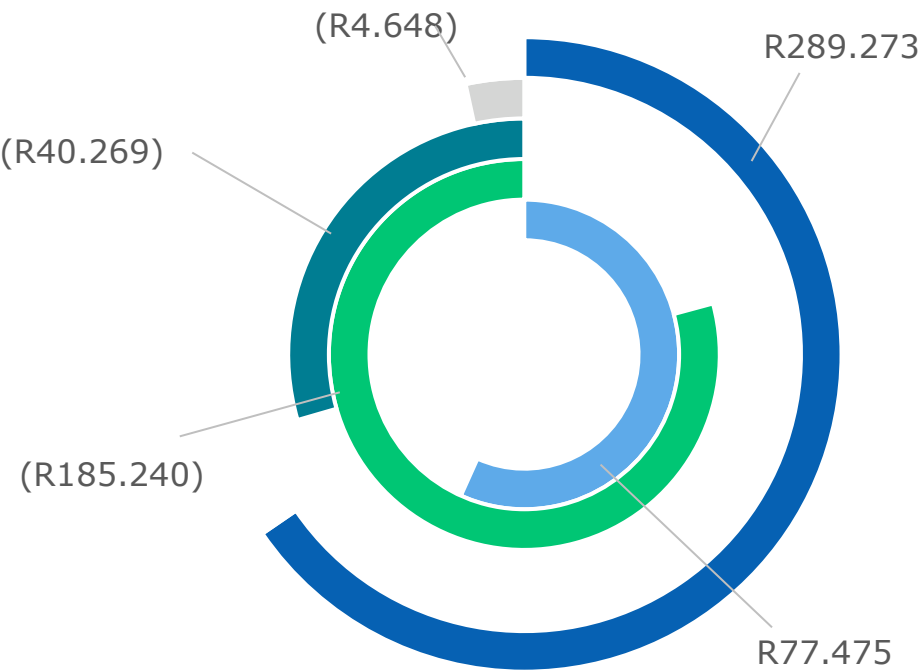


Capital adequacy – Group

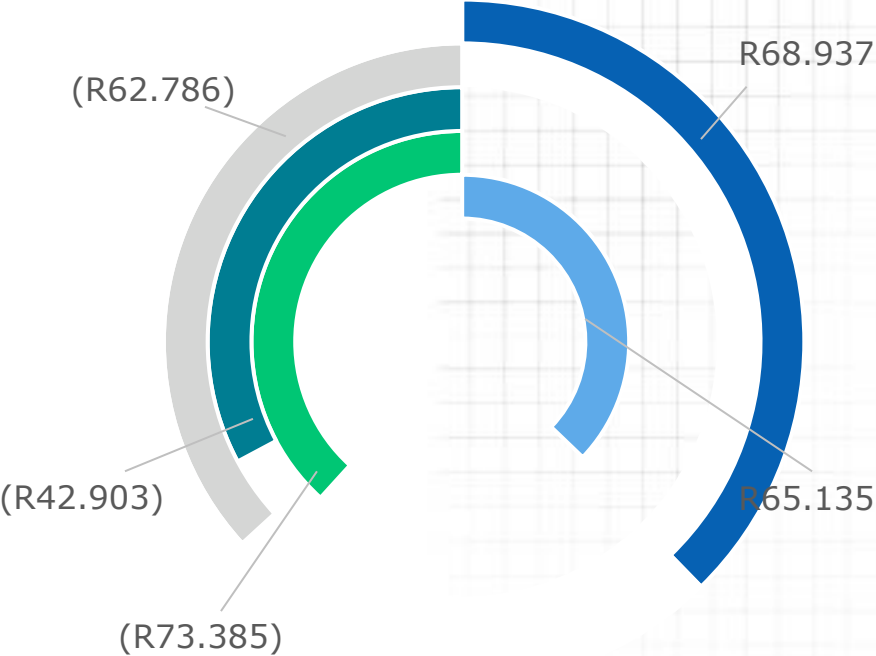


Profit from operations – by Pillar

JUNE 2021 (R'm)



JUNE 2020 (R'm)



- Asset Finance
- Capital (including Trade and Debtor Finance)
- B\\YOND Business Banking
- Group Services
- Wealth

Results – key features

		Change % ⁴	30 June 2021	30 June 2020
Headline earnings (loss) per ordinary share (cents)	▲	>100	438.24	(151.00)
Headline earnings (loss) (Rm)	▲	>100	141.1	(48.6)
Total income (Rbn) ¹	▲	11.65	1.303	1.167
Total assets (Rbn)	▼	13.22	12.155	14.006
Net available cash (Rbn)	▼	0.21	2.346	2.351
Gross loans and advances (Rbn)	▲	1.24	7.251	7.162
Total core funding base (Rbn)	▼	2.02	8.236	8.406
Deposits from customers (Rbn)	▼	7.90	4.733	5.139
Total equity (Rbn) ²	▲	1.82	1.563	1.535
Total assets under management and advice (Rbn) ³	▲	10.89	53.899	48.605
Credit loss ratio (bps)	▼	228 bps	75	303
Group cost-to-income ratio (%)	▼	425 bps	77.95	82.2
Return on average shareholders' equity (%)	▲	1223 bps	9.11	(3.12)
Return on average assets (%)	▲	142 bps	1.08	(0.34)
Group capital adequacy (%)	▲	146 bps	18.057 ⁵	16.593

¹ Including associate income

² Excluding preference shares and non-controlling interests

³ Excluding assets under administration

⁴ Movements calculated on rounded numbers for percentages and bps

⁵ Unaudited

Pillar Reviews

Asset Finance

Wealth

Capital and B\\YOND Business
Banking

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Asset Finance

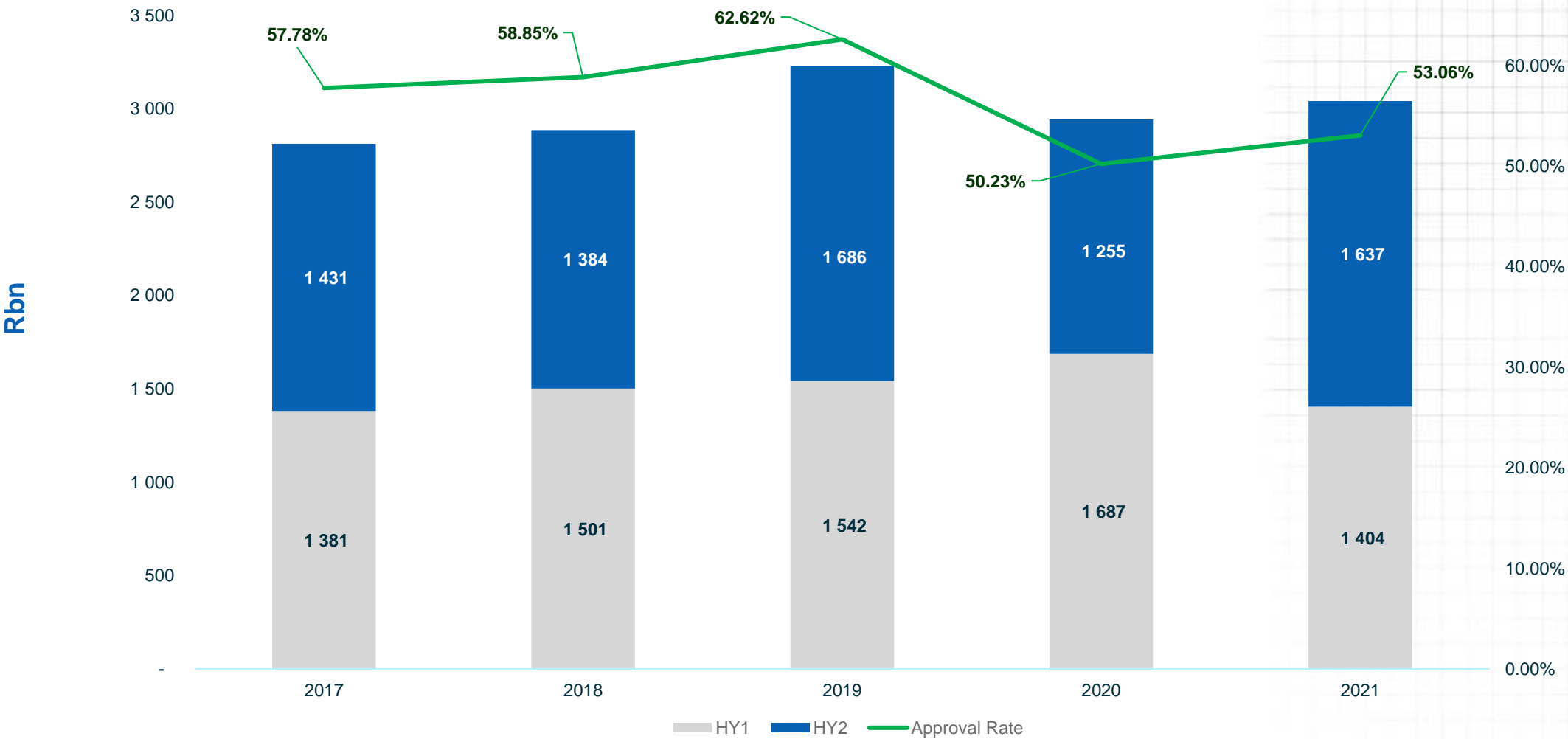
Linda Fröhlich

Chief Executive

sasfin



New Business Loans

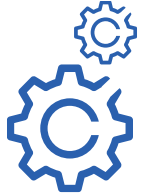


Performance

		Change	30 June 2021	30 June 2020
Asset Finance		% ⁴	R'000	R'000
Total income	▲	9.27	579 444	530 264
Credit impairment charges	▼	81.78	(36 083)	(198 083)
Net income after impairments	▲	63.57	543 361	332 181
Operating costs	▼	3.48	(254 088)	(263 244)
Profit from operations	▲	319.62	289 273	68 937

⁴ Movements calculated on rounded numbers for percentages and bps

Performance continued



- Asset Finance posted an operating profit of **R289.3m** (2020 : R69.0m)



- Total income **increased 9.27%** due to better margins, assisted by the lower prime interest rate, and strong new business volumes in the second half



- Costs are well contained



- The business benefited from decreased arrears as a result of a strong collections team and focused collections effort



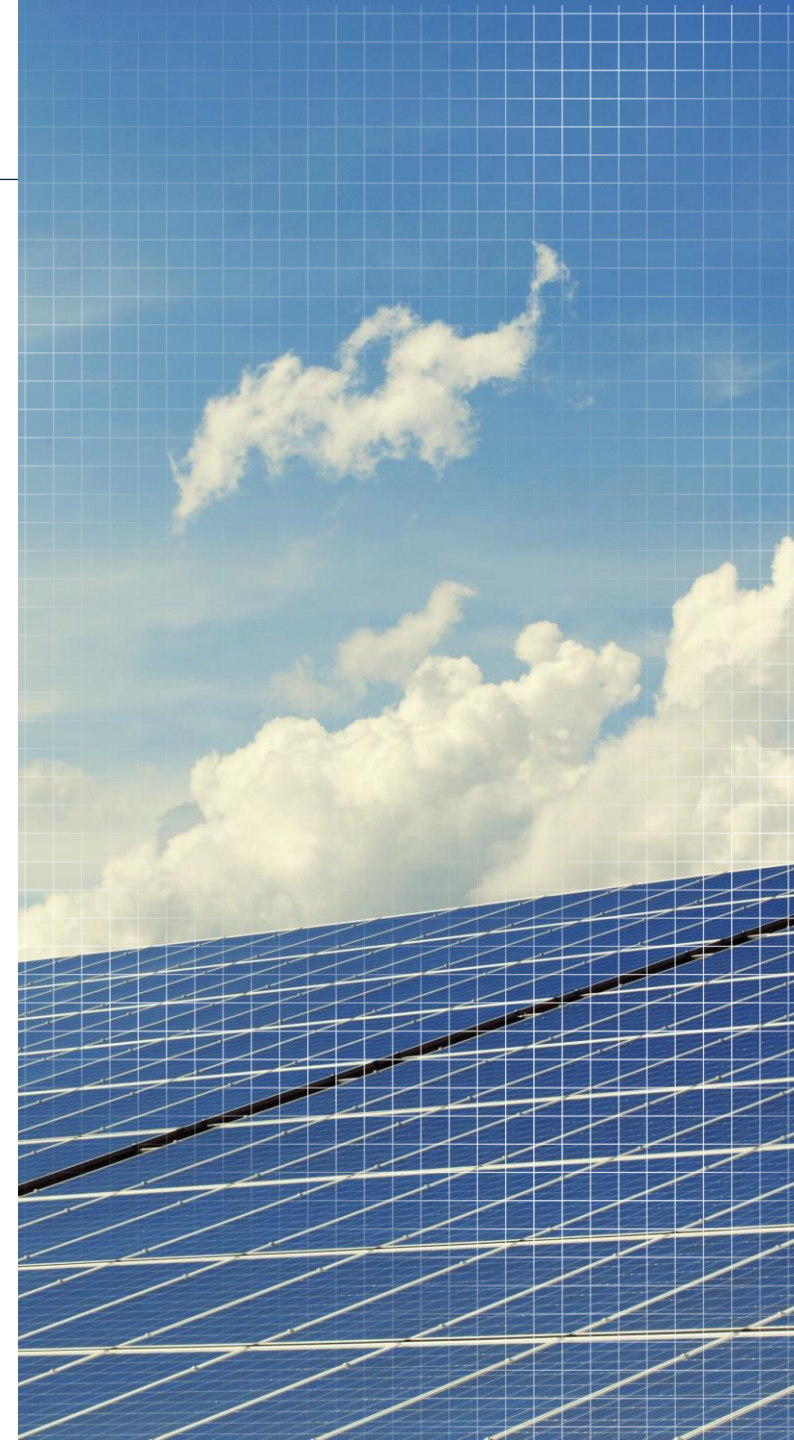
- Covid-19 had a significant impact on our clients



- We worked closely with our clients by assisting them with payment holidays, relief loans and refinancing solutions

Key focus areas: 2022

- Client delivery and service
- Attract and retain top talent
- Widen our offering across asset types and industries
 - Energy efficiency finance solutions
 - Software and ICT
 - Specialised equipment: incl. medical, manufacturing, materials handling
- We have employed specialists in this regard
- Increased digitalisation of our business
- Deepen our credit profile including a new credit scorecard
- Increased ability to finance SMEs and youth-owned businesses
- Work with our clients while ensuring good collections
- Offer expanded and innovative financial solutions



Wealth Pillar

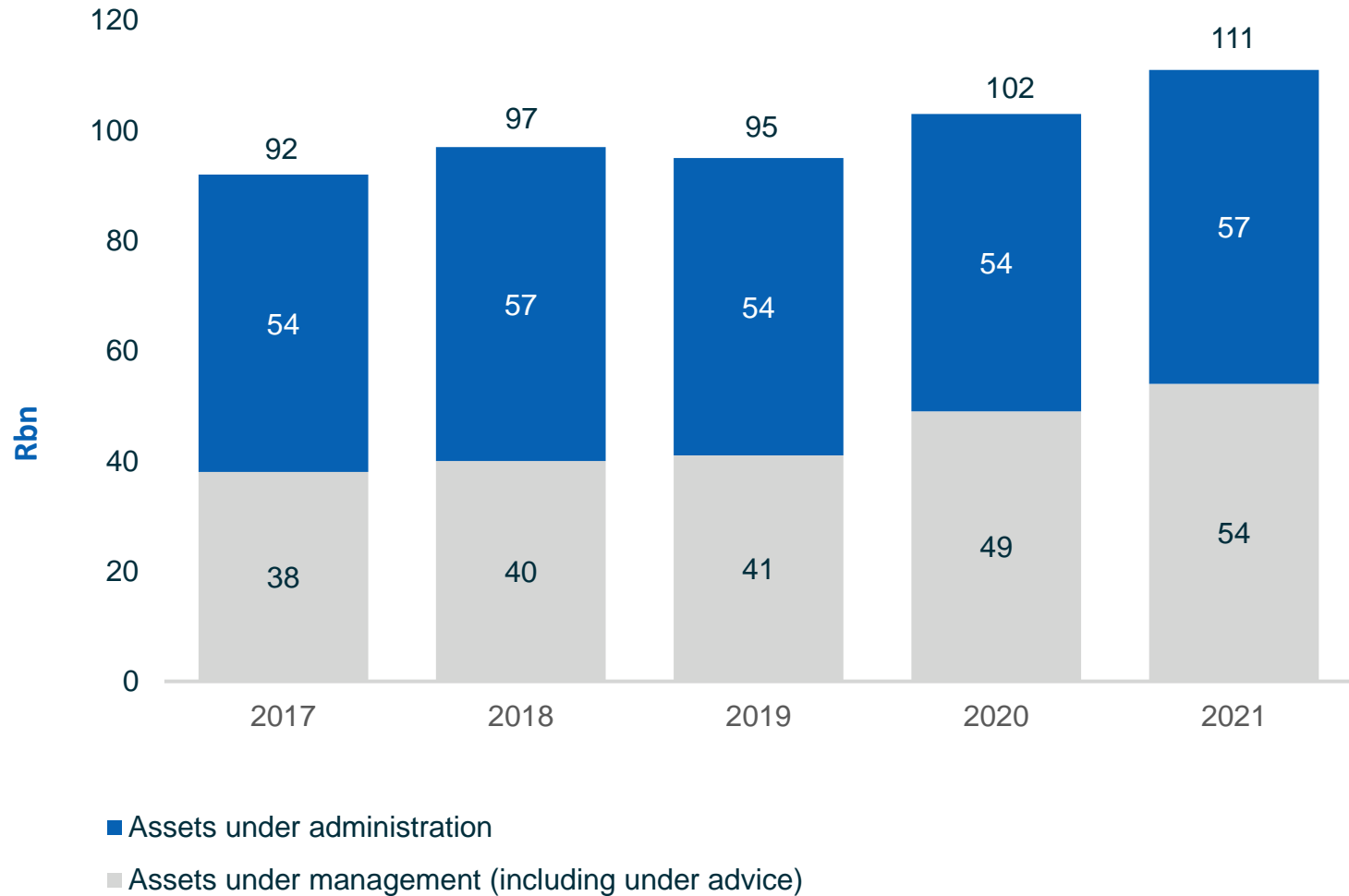
Erol Zeki

Chief Executive

sasfin



Assets under management and advice (AUM)



- Institutional AUM **grew 24%**
- Offshore AUM **grew 8%**
- Growth was driven by a combination of strong net inflows and solid investment performance
- Local private client assets steady but clients continue to take a greater portion of total investable assets offshore

Performance

Wealth		Change % ⁴	30 June 2021 R'000	30 June 2020 R'000
Total income (including associate income)	▲	3.53	345 374	333 586
Credit impairment charges		—	—	—
Net income after impairments	▲	3.53	345 374	333 586
Operating costs	▼	0.21	(267 898)	(268 451)
Profit from operations	▲	18.95	77 476	65 135

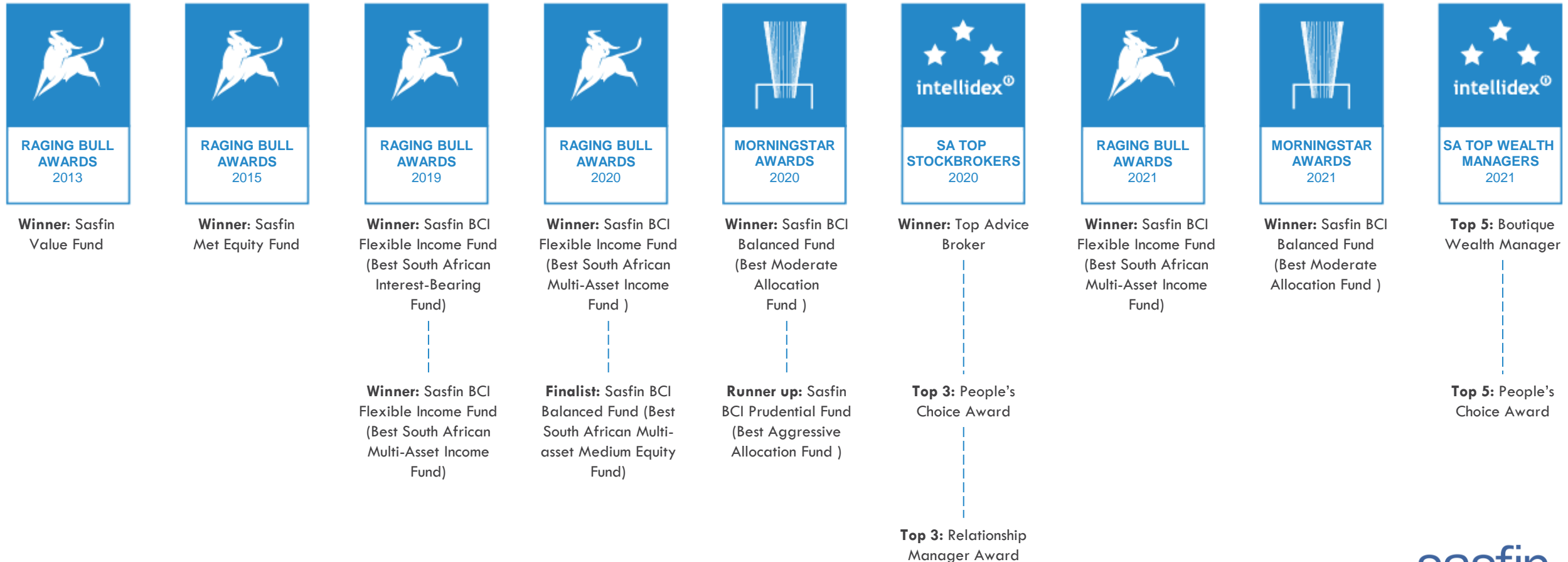
Gross Revenue Breakdown	Weighting %	Growth %	Commentary
Private Clients (Foreign)	28	18	Strong growth despite Rand strength
Private Clients (Local)	29	-16	Lower volumes and margins on equity brokerage
Institutional Business	16	27	Strong AUM growth in Sasfin Asset Managers
Strategic Investment	9	32	Includes the sale of stake in the Efficient Group
Other	18	-16	Negative fair value adjustment against Land Bank

Performance continued

- Sasfin Wealth increased profit before tax **19% to R77.5m (2020: R65.1m)**
- Growth was due to continued growth in AUM to **R53.9bn (2020: R48.6bn)**; foreign comprising **28% of total AUM**
- Benefited from the sale of Efficient but was subject to a negative fair value adjustment on our Land Bank bonds
- Our investment in people, process, distribution, technology and governance drives strong net asset inflows
- Costs have been well contained
- Strong investment performance:
 - Sasfin BCI Flexible Income Fund won a Raging Bull award for the third year running
 - Sasfin BCI Balanced fund won a Morningstar award for the second year running

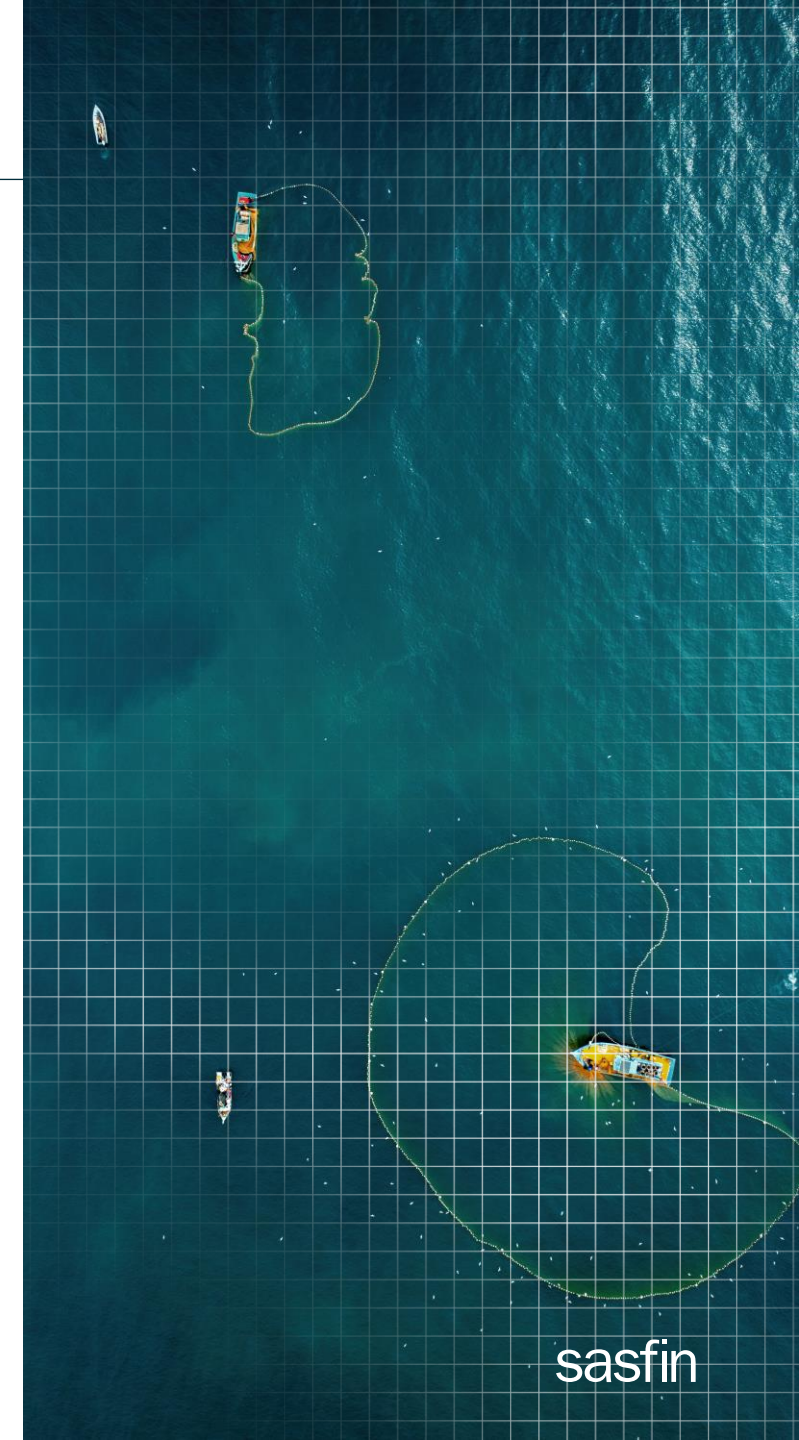
Sasfin Wealth Award Winning Business

A DECADE OF ACCOMPLISHMENTS & RECOGNITION



Key focus areas: 2022

- Attract and retain top talent
- Enhanced client-centric approach supported by investment in technology
- Investment in distribution and marketing to leverage our award-winning investment solutions
- Continue to expand our offering locally and globally
- Invest in holistic wealth planning and fiduciary services
- Work closely with our strategic associate, DMA to grow its businesses and unlock synergies



Capital & Business Banking Pillars

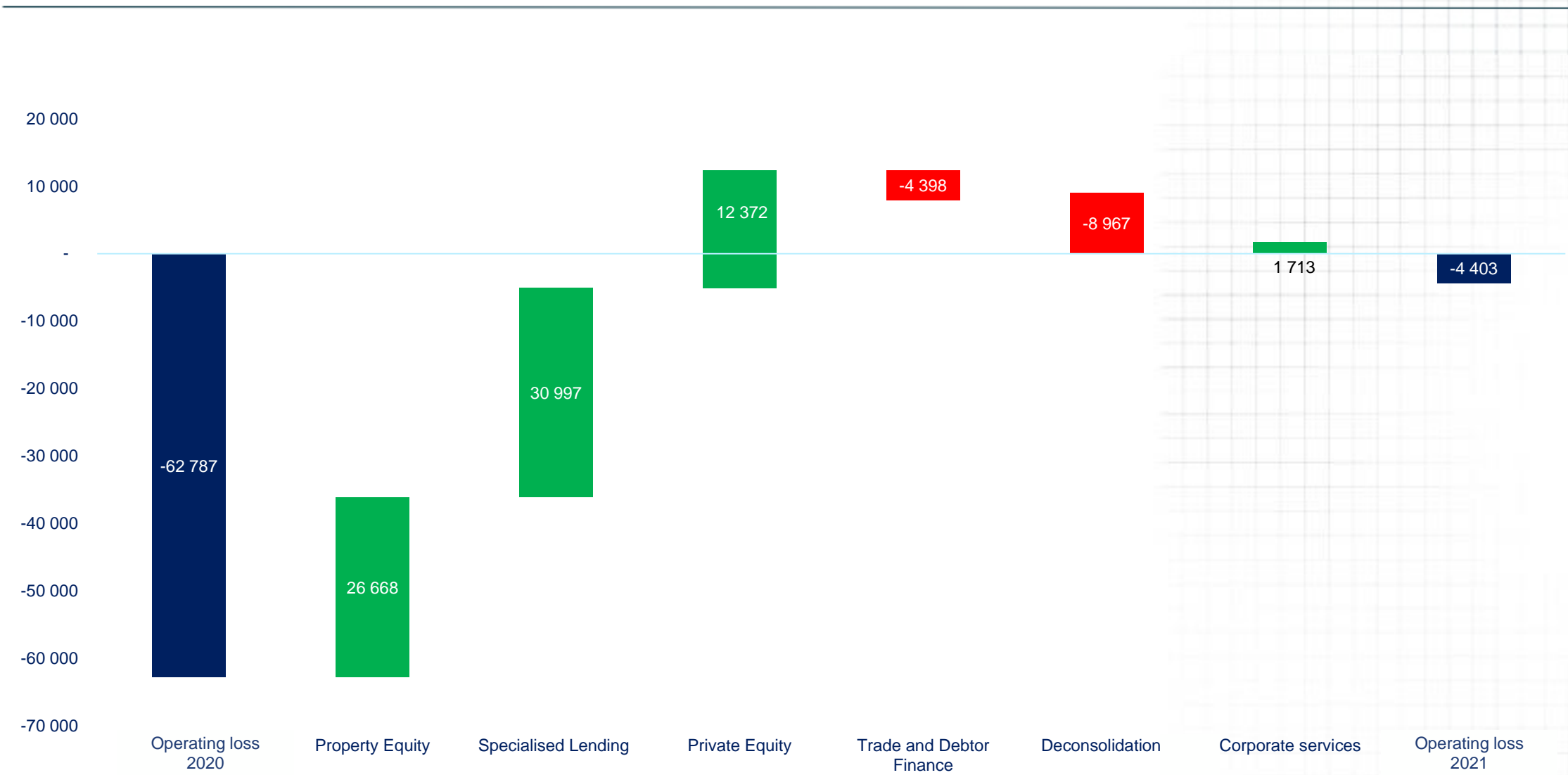
Michael Sassoon

Group Chief
Executive Officer

sasfin



Capital Performance



Capital Performance

Capital (including Trade and Debtor Finance)		Change % ⁴	30 June 2021 R'000	30 June 2020 R'000
Total income	▲	2.53	170 579	166 369
Credit impairment charges	▼	37.57	(16 451)	(26 352)
Net income after impairments	▲	10.08	154 128	140 017
Operating costs	▼	21.71	(158 776)	(202 803)
Loss from operations	▼	92.60	(4 648)	(62 786)

⁴ Movements calculated on rounded numbers for percentages and bps

Capital Performance continued



- Meaningful improvement in performance



- Strong profits emerging from specialised lending and property



- Term lending **grew 60% to R688m** at good credit quality, margins and often with profit participations



- Offset by:
Continued pressure on the legacy private equity portfolio



- Lower utilisation in Trade and Debtor Finance as a result of pressures in global supply chain and the local economy

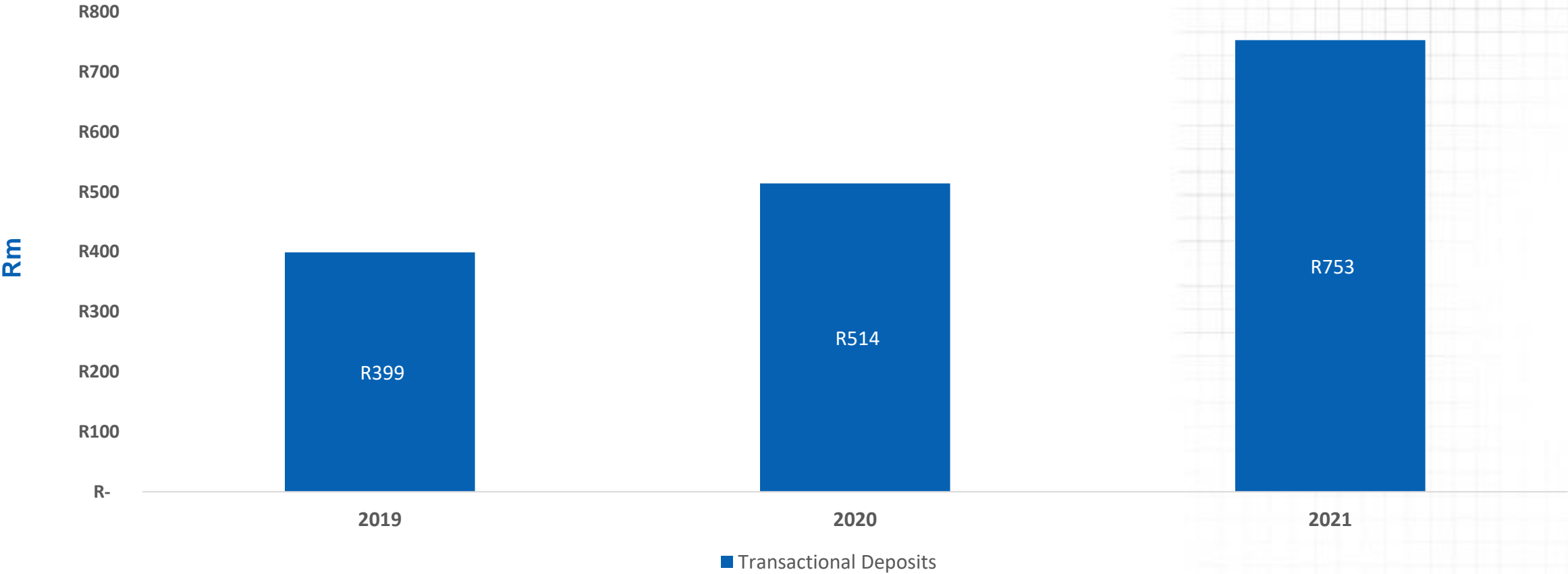


- Income and costs impacted by the de-consolidation of the short-term insurance business



- Investments at fair value have **reduced 1.66% to R520m**

B\\YOND Business Banking book growth



B\\YOND Business Banking Performance

		Change	30 June 2021	30 June 2020
B\\YOND Business Banking		% ⁴	R'000	R'000
Total income	▲	6.17	111 030	104 579
Credit impairment charges	▲	940.40	(2 060)	(198)
Net income after impairments	▲	4.38	108 970	104 381
Operating costs	▲	1.33	(149 239)	(147 284)
Loss from operations	▼	6.14	(40 269)	(42 903)

⁴ Movements calculated on rounded numbers for percentages and bps

B\\YOND Performance continued



- **B\\YOND** Business Banking reduced its operating loss

- Taking on more **business bankers** to support our medium business clients



- Integrated foreign exchange and banking to enhance our **client experience** while extracting cost efficiencies

- Increased ability to **finance** SMEs, women and youth-owned businesses via our portfolio guarantee (NASIRA) from the FMO (Dutch Entrepreneurial Development Bank)



- Digitalisation of the business, which now includes forex, banking and lending, is **yielding results**

- **Growth in business** client numbers albeit not at the levels we would like

- Hello Paisa **relationship** working well

Prospects

Michael Sassoon

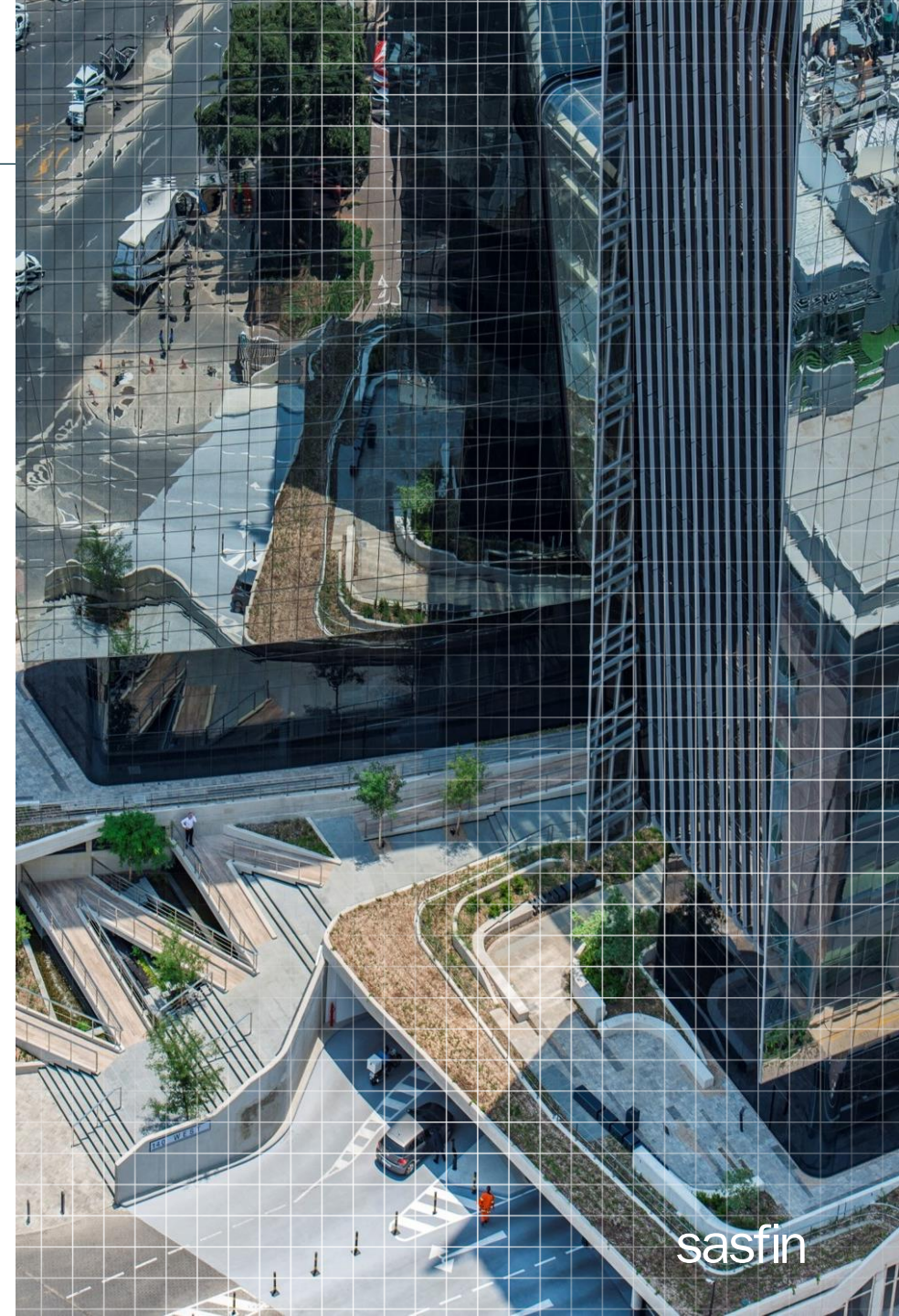
Group Chief
Executive Officer

sasfin



Prospects

- Transforming our Society
- Streamlined Business
- Future of Work
- The Bank for Business
- Asset Finance and Wealth Focus



Transforming our society



- Supporting our people and clients through the challenges of the last year



- Enabling SME growth > B\\YOND, Nasira



- Driving ESG > Impact Fund, Energy efficiency finance solutions, Affordable Housing



- Financial inclusion > Hello Paise



- Transformation > Improved level 2 B-BBEE score, level 1 B-BBEE in Sasfin Asset Managers

Streamlined Business

- Increasingly streamlined business and improved capital allocation
 - **Asia, Preference Shares**
- Exiting the legacy private equity portfolio and non-core activities
 - **Efficient, Sasfin Commercial Solutions**
- Sunsetting of legacy systems and moving onto cloud-based platforms generating efficiencies
 - **Reduction in Intangible Assets**
- Focus on our core businesses



The Future of Work

Our Waverley lease ends in May 2022, and we have already exited our Melrose Arch offices

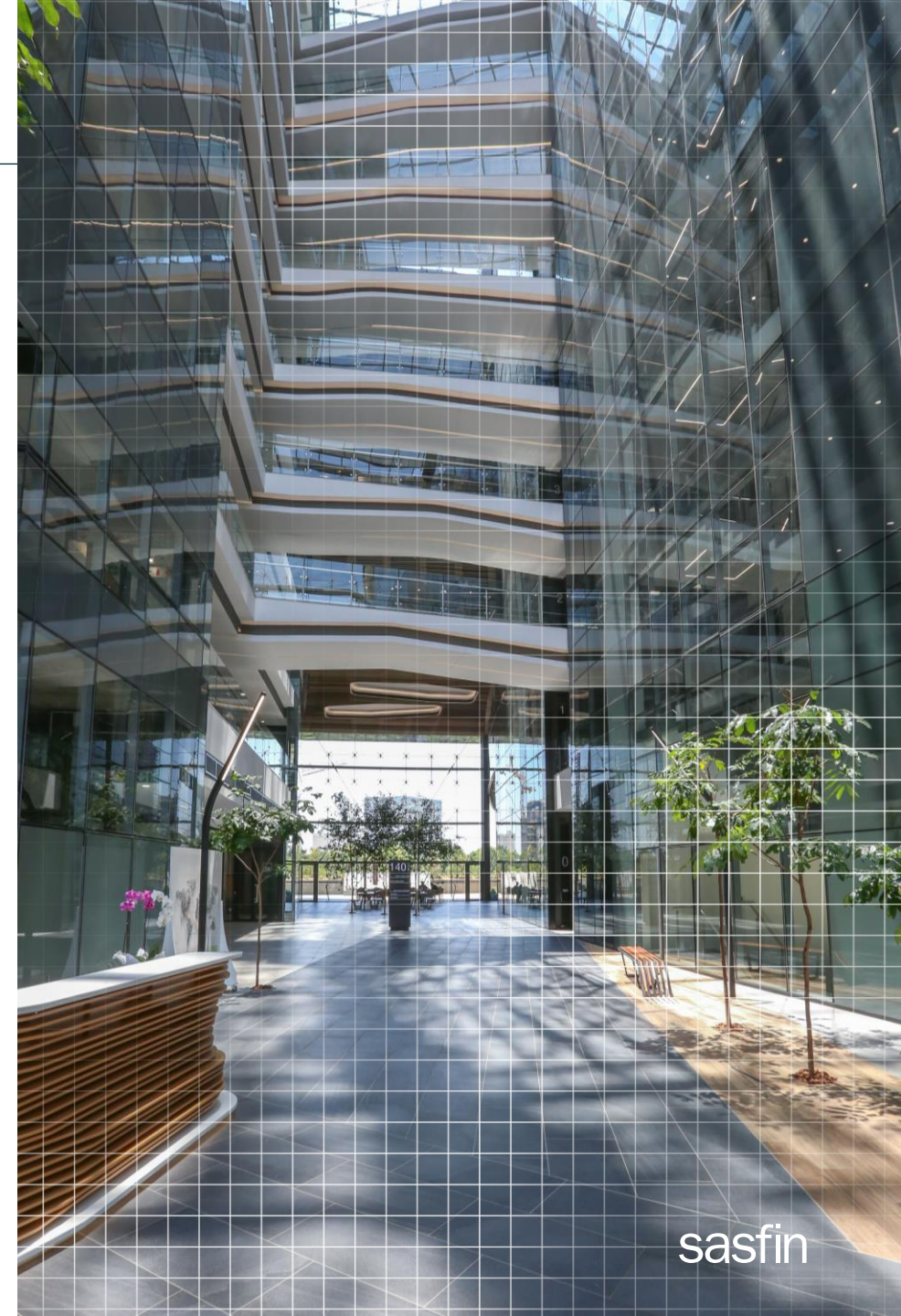
Moving to a combined head office, **140 West Street Sandton**, where we will meaningfully change how we work

A hybrid work model adopted and **no more than 60%** of our staff will work from our offices at any one time

Opportunity to expand as additional space available in the building

Future of work

- Our digital journey has increased our resilience and enabled a seamless move to this new model
- This flexibility will improve our total Employee Value Proposition
- There will be **a 25% space reduction** and a meaningfully lower cost per square meter plus the opportunity to expand as the business grows
- Given IFRS 16, the accounting benefits are, however, only expected to be realised from FY 2023 onwards



The Bank for Business

In **B\\YOND** and **Capital** over the last few years:

- Built a strong digitally led and integrated product set
- Developed additional lending capabilities
- We have onboarded expertise in:
 - Business banking
 - Lending
 - Technology
 - Distribution



Business and Commercial Banking

Segment	Small Business	Medium Business	Large Business
Product Mix	<p>SME TOOLS: Payroll Accounting Invoicing Xero</p> <p>TRANSACTIONAL SERVICES: B\\YOND Banking Forex Online</p> <p>WORKING CAPITAL FINANCE: Revolving Credit Facility (Nasira backed) Payabill</p>	<p>SME TOOLS: Payroll Accounting Invoicing Xero</p> <p>TRANSACTIONAL SERVICES: B\\YOND Banking Forex Online</p> <p>WORKING CAPITAL FINANCE: Trade and Debtor Finance Overdrafts (To be launched) Revolving Credit Facility</p> <p>TERM LENDING: Property Finance Term Loans</p>	<p>TRANSACTIONAL SERVICES: B\\YOND Banking Forex Online</p> <p>WORKING CAPITAL FINANCE: Trade and Debtor Finance Overdrafts (To be launched) Revolving Credit Facility</p> <p>TERM LENDING: Property Finance Term Loans</p>
Distribution	Digital Direct	Business Bankers Specialised Credit Deal Makers	Commercial Bankers Specialised Credit Deal Makers
Partnerships	Strategic Alliances / Partnerships		

Distribution and Product Offering

- Proactively grow distribution capabilities
- Continue to extract benefits out of the integration of forex, lending and transactional banking
- **Digital Banking:** Digital marketing and servicing as well as online SME tools in place to acquire and add value to SMEs
- **Business Banking:** Focus on strong team of business bankers servicing the banking needs of medium businesses
- **Commercial Banking:** Focus on solutioning for larger clients across the group's product range
- Ensure specialist capabilities in place to service the tailor-made needs of clients, where appropriate
- Growing strategic alliances (such as Hello Paisa) across our product sets

Lending

Credit led strategy to grow Business and Commercial Banking with a comprehensive lending offering:

- Asset Finance
- Trade and Debtor Finance
- Revolving Credit Facilities
- Specialised Property Finance
- Specialised Term Loans
- Overdrafts (to be introduced this year)
- Payabill

Digital

- Enhance the features and functionality of our digital business banking platform, B\\YOND, with particular focus on our forex offering
- We continue to make good progress in evolving our integrated digital banking offering and digital onboarding experience to scale the digital bank of the future
- The first stage of our B\\YOND forex offering launches in September 2021
- Significant enhancements being made to the speed of customer onboarding through the use of Microsoft Dynamics in the business
- Artificial Intelligence / Machine learning central to the development of our new scorecard application leading to dramatically better credit decisioning/customer experience

Asset Finance and Wealth Focus

ASSET FINANCE

Deepen the credit offering
New asset types – Green, Software
Other services into our suppliers
Distribution

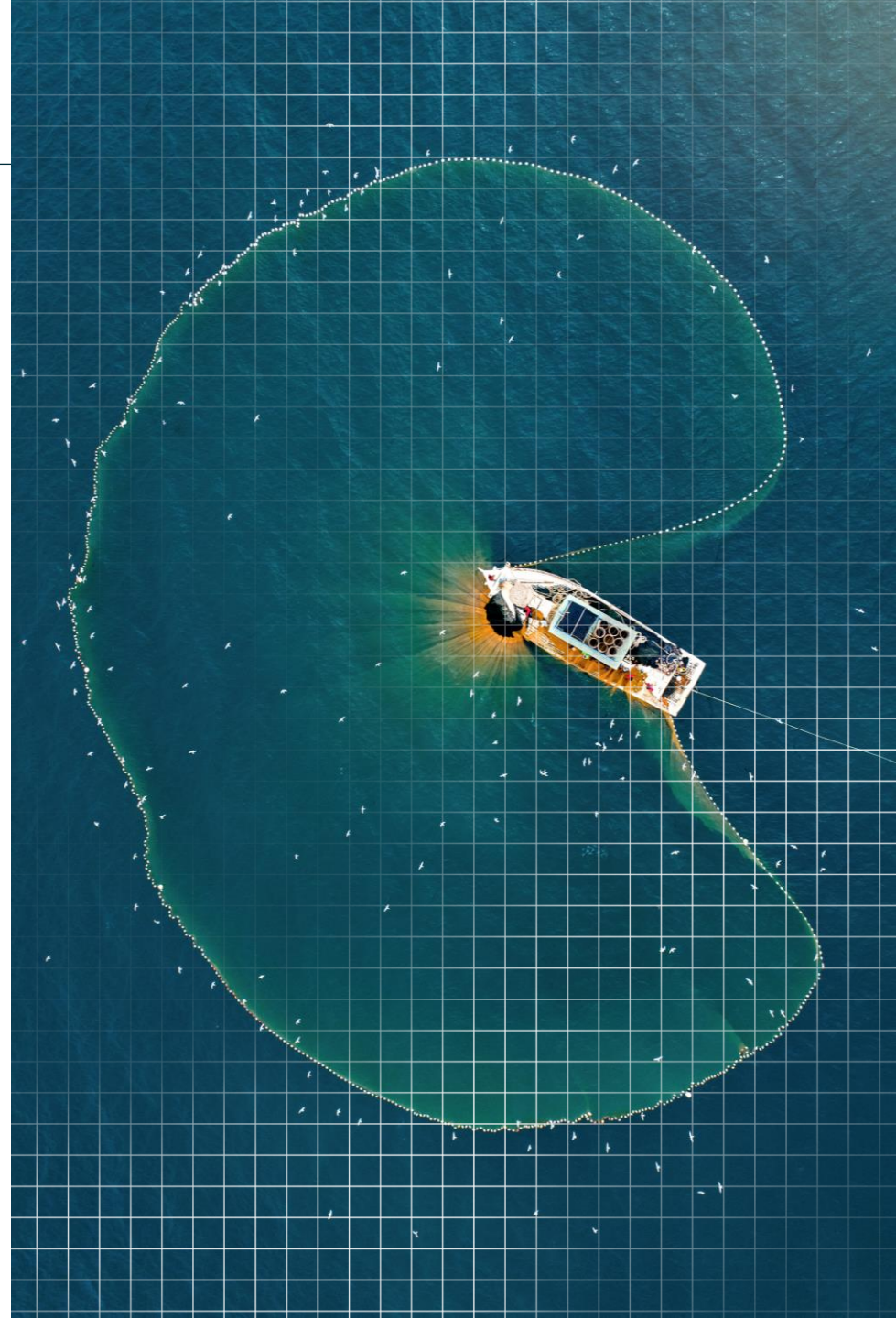
WEALTH

Offshore
Distribution
Institutional Asset
Management

Asset Finance and Wealth focus

- Operating very effectively and generating healthy ROE for the Group
- Considered leaders in the fields in which we operate
- Have strong and highly skilled teams with real depth
- While operating at scale, both have good scope for growth as they leverage existing and develop new capabilities

While deep in the investment cycle in Business and Commercial Banking, Sasfin's primary focus remains to maximise the potential of Wealth and Asset Finance



Board Changes in Spirit of Directive 4/2018 of the Prudential Authority:

- We thank our Chair, Roy Andersen and longest serving Non-Executive Director, Grant Dunnington who will be retiring at our AGM, for their invaluable contribution
- We wish our incoming Chair, Deon De Kock, all the best

Conclusion

Our team has gone above and beyond
during these unprecedented times

Sasfin has weathered the Covid-19 storm,
delivering pleasing results in this economy

Our foundation and team is strong,
and our Pillars are well positioned

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Questions?

Thank you

beyond a bank

