

Interim Results for the six months ended 31 December 2018

19 March 2019

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beyond a bank Limited



AGENDA

WELCOME	Christopher Gilmour
INTRODUCTION	Roy Andersen
FINANCIAL REVIEW	Angela Pillay
PILLAR REVIEWS	Michael Sassoon
PROSPECTS	Michael Sassoon
QUESTIONS	

WELCOME

Christopher Gilmour

Investment Analysts Society
of South Africa

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INTRODUCTION

Roy Andersen

Independent
Non-Executive Chairman

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FINANCIAL REVIEW

Angela Pillay

Group Financial Director



The following accounting changes have been made:

- Adoption of IFRS 9
- We now own approximately 29% of the Efficient Group resulting in the investment being equity accounted

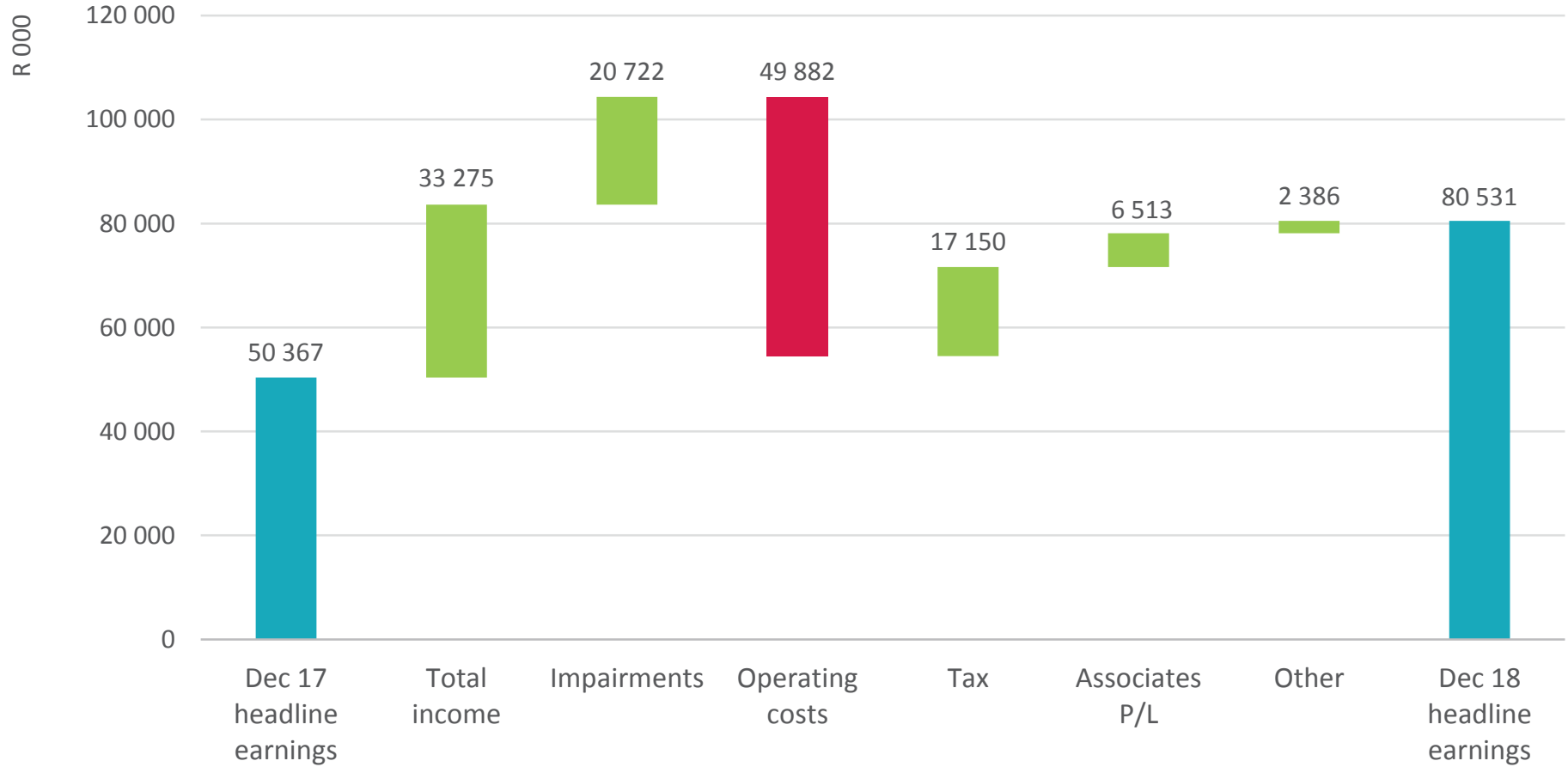
HEADLINE EARNINGS MOVEMENTS

Headline earnings growth of 59.89% to R80.531m
(Dec 2017: R50.367m) attributable to:

- Impairments: 30.47% improvement
- Credit loss ratio improved from 200bps to 123bps
- Taxation: 36.11% improvement following once off tax adjustments in 2018

- Total income: 5.78% increase
- Increased contribution from associate income
- Costs: 12.31% increase
 - › ATFS costs in the business from April
 - › Continued investment in the business
 - › Increased bonus provisions
 - › Cost growth anticipated to reduce by year end

HEADLINE EARNINGS MOVEMENTS



RESULTS – KEY FEATURES

Key indicators		Growth %	Dec 2018	Dec 2017
Headline earnings per ordinary share (cents)	▲	58.75	250.12	157.56
Headline earnings for the period (R'm)	▲	59.89	80.531	50.367
Dividends per ordinary share (cents)	▲	6.33	49.86	46.89
Total assets (R'bn)	▲	3.14	13.572	13.159
Cash and cash equivalents (R'bn)	▼	47.25	1.113	2.110
Negotiable securities (R'bn)	▲	71.02	2.762	1.615
Gross loans and advances (R'bn)	▲	8.72	7.455	6.857
Total funding base (including prefs) (R'bn)	▲	7.80	9.911	9.194
Deposits from customers (R'bn)	▲	3.48	4.491	4.340
Total equity (R'bn)	▲	2.30	1.511	1.477
Total assets under management and advice (excl admin) (R'bn)	▼	5.57	37.219	39.413
Credit loss ratio (bps)	▼	77 bps	123	200
Group cost-to-income ratio (%)	▲	356 bps	73.96	70.40
Return on average shareholders' equity (%)	▲	369 bps	10.53	6.84
Return on average assets (%)	▲	37 bps	1.15	0.78
Group capital adequacy (%) (unaudited)	▼	118 bps	16.479	17.657

FINANCIAL POSITION – ASSETS

Financial position - assets		Growth %	Dec 2018 R'000	Dec 2017 R'000
Cash and cash equivalents	▼	47.25	1 112 997	2 110 006
Negotiable securities	▲	71.08	2 762 151	1 614 519
Net Loans and advances	▲	6.75	7 034 682	6 589 574
Trading assets	▼	19.64	1 214 157	1 510 965
Investment securities	▲	12.21	622 282	554 555
Interest in associates	▲	100.00	109 388	–
Other receivables	▼	20.46	361 970	455 087
Investment property, property, plant and equipment, taxation, intangible assets and goodwill	▲	9.15	354 440	324 737
Total		3.14	13 572 067	13 159 443

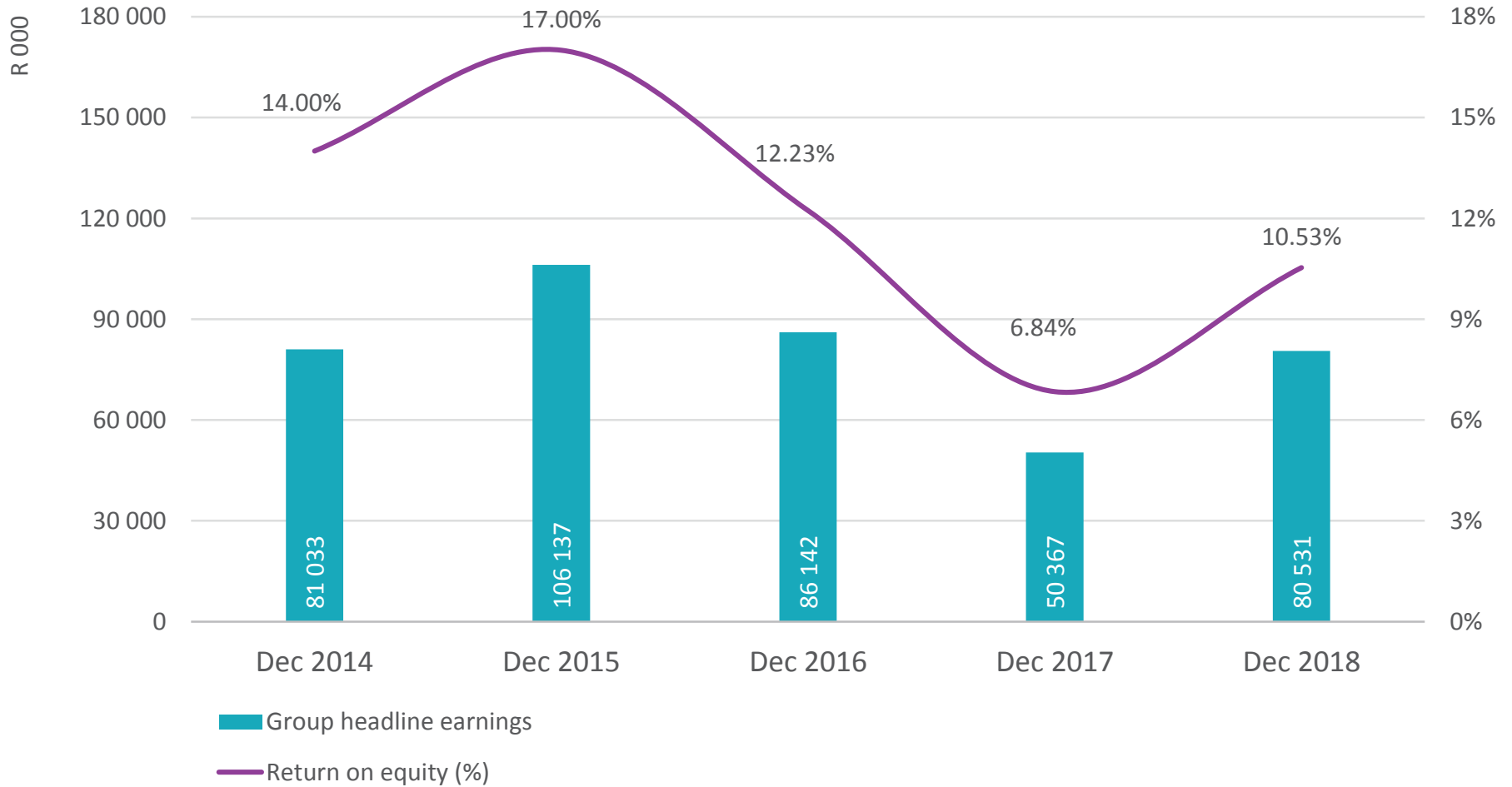
FINANCIAL POSITION – LIABILITY AND EQUITY

		Growth %	Dec 2018 R'000	Dec 2017 R'000
Financial position – liability and equity				
Funding under repurchase agreements and interbank	▲	62.82	1 914 259	1 175 693
Trading liabilities	▼	20.61	1 232 400	1 552 340
Current taxation liabilities	▲	7.82	25 692	23 829
Other payables	▼	0.74	769 881	775 653
Deposits from customers	▲	3.50	4 491 425	4 339 574
Debt securities issued	▼	11.58	2 752 700	3 113 037
Long-term loans	▲	49.46	564 368	377 605
Deferred tax liability	▼	12.08	117 632	133 795
Total liabilities	▲	3.28	11 868 357	11 491 526
Ordinary share capital and reserves	▲	2.32	1 510 742	1 476 532
Preference share capital and share premium		–	188 086	188 086
Non-controlling interest	▲	47.98	4 882	3 299
Total liabilities and equity	▲	3.14	13 572 067	13 159 443

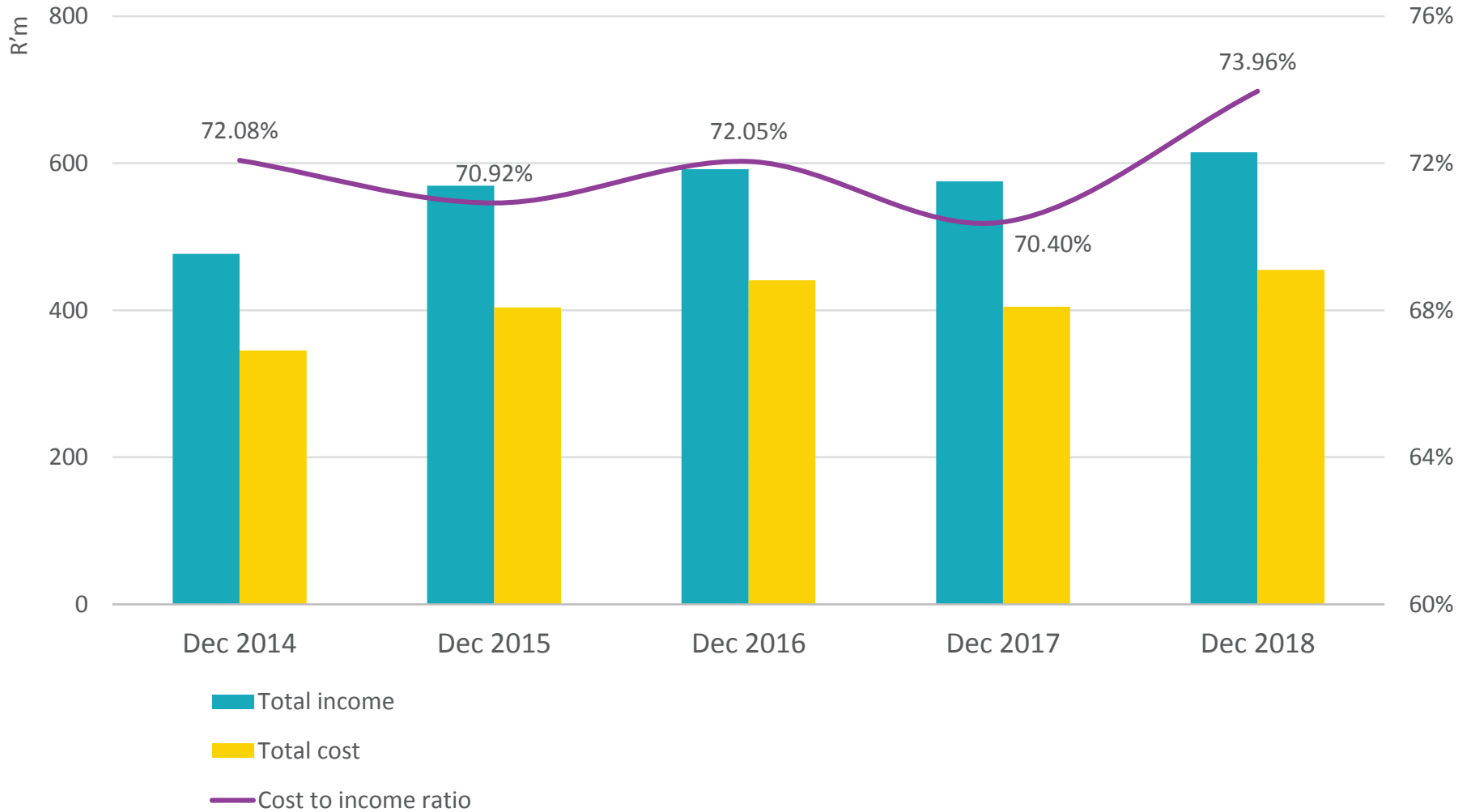
FINANCIAL PERFORMANCE

Financial performance		Growth %	Dec 2018 R'000	Dec 2017 R'000
Net interest income			249 397	229 275
Non-interest income			359 157	346 004
Total income	▲	5.78	608 554	575 279
Impairment charges on loans and advances	▼	30.47	(47 275)	(67 997)
Net income after impairments	▲	10.64	561 279	507 282
Operating costs	▲	12.31	(454 933)	(405 051)
Staff costs	▲	16.56	(255 288)	(219 016)
Other operating expenses	▲	7.43	(193 590)	(180 202)
Goodwill and Intangible asset impairments			(6 055)	(5 833)
Profit from operations	▲	4.03	106 346	102 231
Share of net profit/(loss) from associates			6 563	50
Income tax expense	▼	36.11	(30 344)	(47 494)
Profit for the year			82 565	54 787
Preference shareholders			(7 441)	(7 682)
Non-controlling interest			(648)	(1 046)
Headline adjustable items			6 055	4 308
Headline earnings	▲	59.89	80 531	50 367

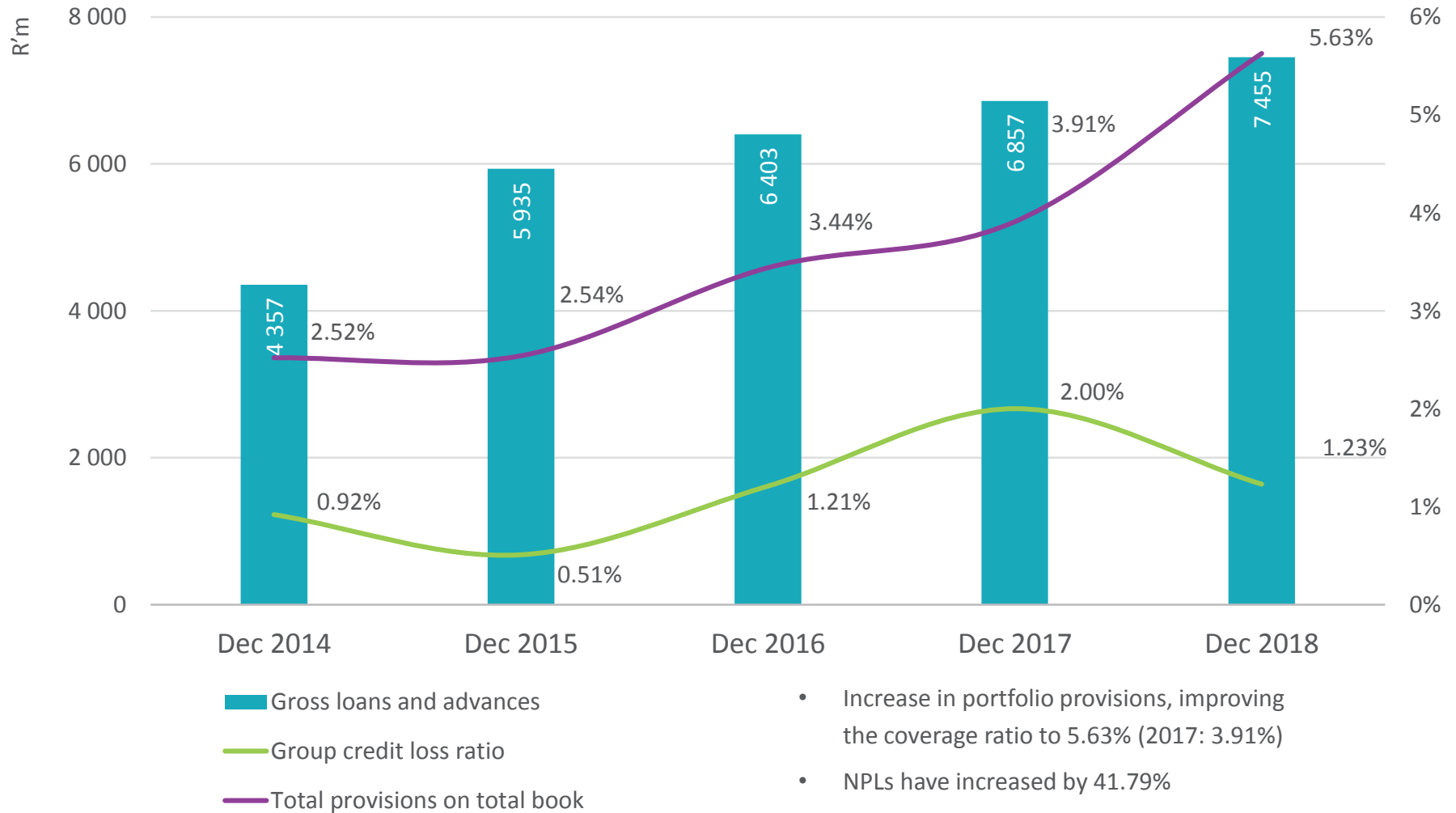
HEADLINE EARNINGS AND RETURN ON EQUITY



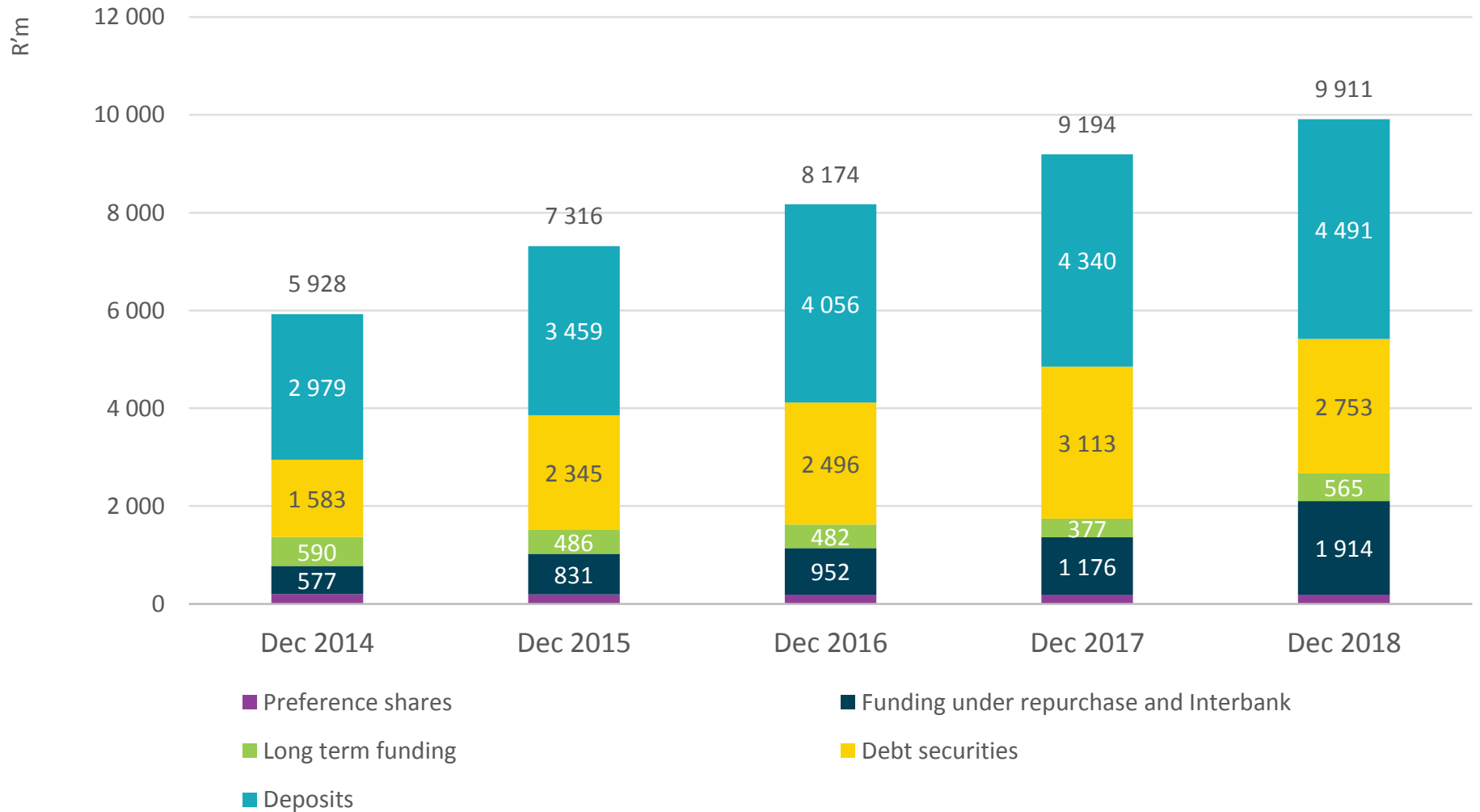
TOTAL INCOME VS COST AND COST-TO-INCOME RATIO



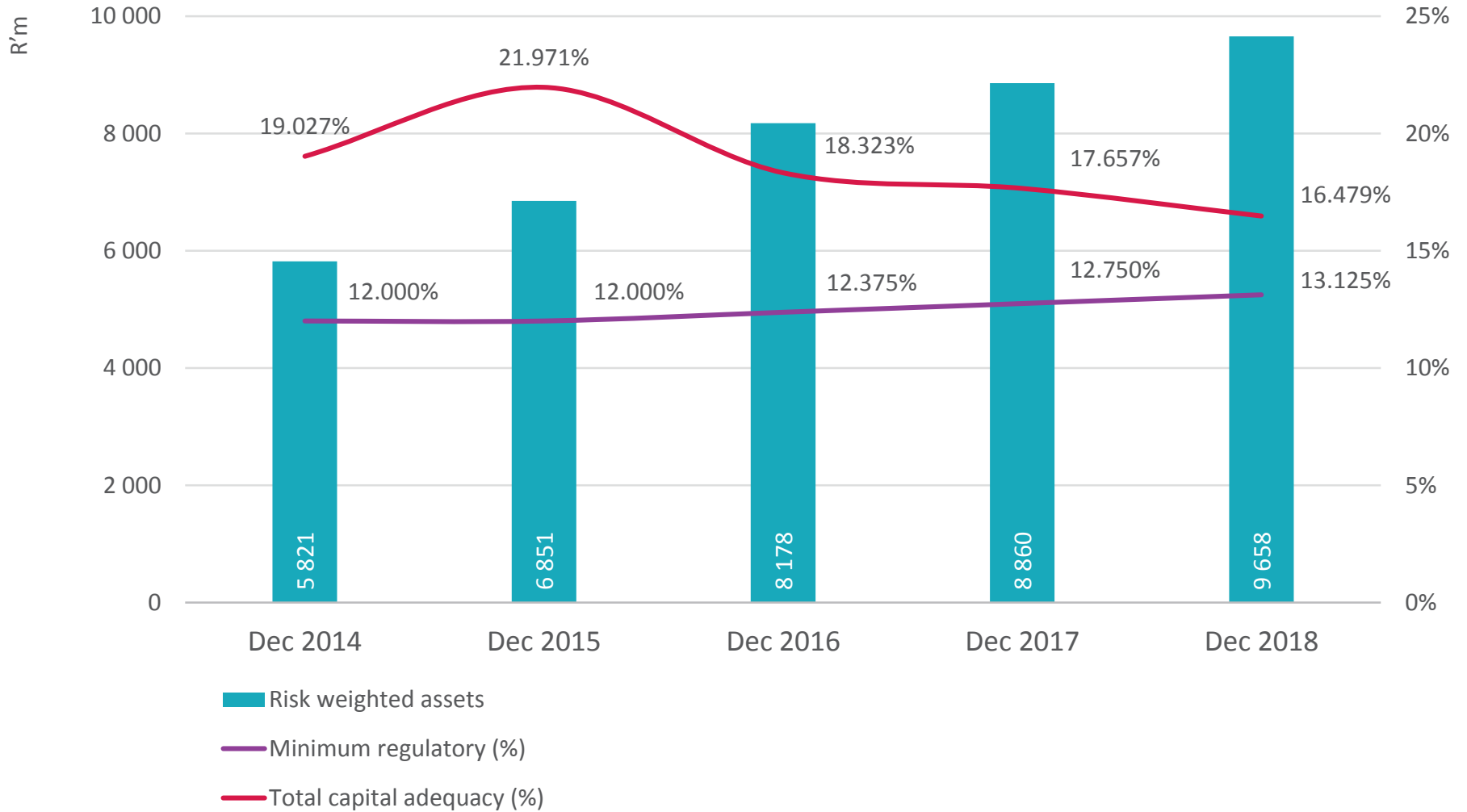
GROSS LOANS AND ADVANCES AND CREDIT LOSS RATIO



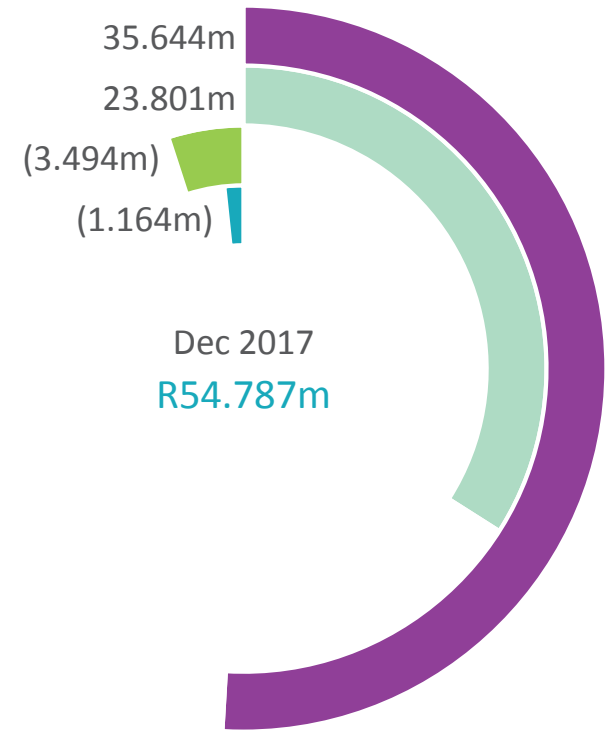
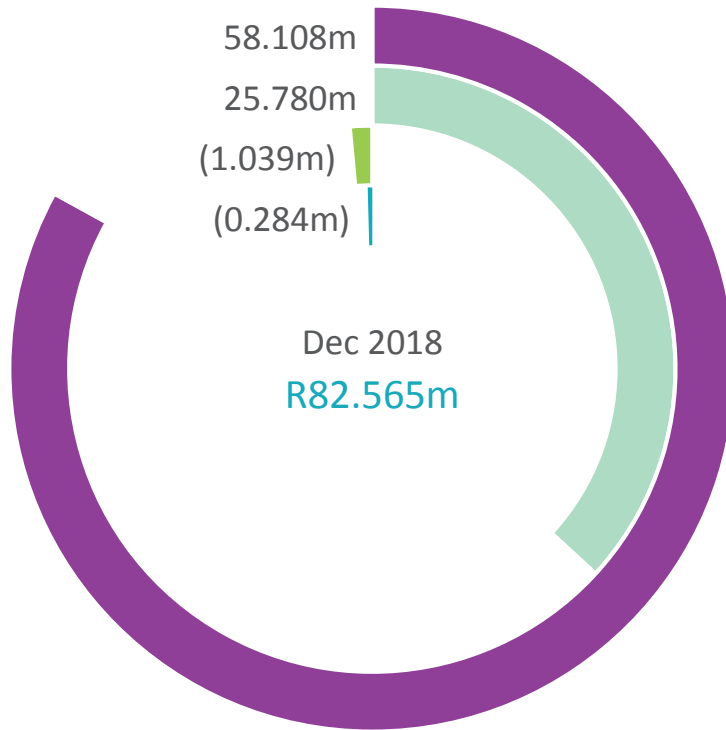
STABLE AND GROWING FUNDING BASE



CAPITAL ADEQUACY – GROUP



PROFIT FOR THE YEAR – BY PILLAR



- Bank pillar
- Wealth pillar
- Capital pillar
- Group services

PILLAR REVIEWS

Michael Sassoon

Group Chief Executive Officer



- 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
- The South African economy has continued to underperform the rest of the world, 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
- Sasfin recognises that the South African economy critically needs growth in savings and investment from households on the one hand and growing entrepreneurial businesses on the other

SEGMENTAL REVIEW: BANKING PILLAR

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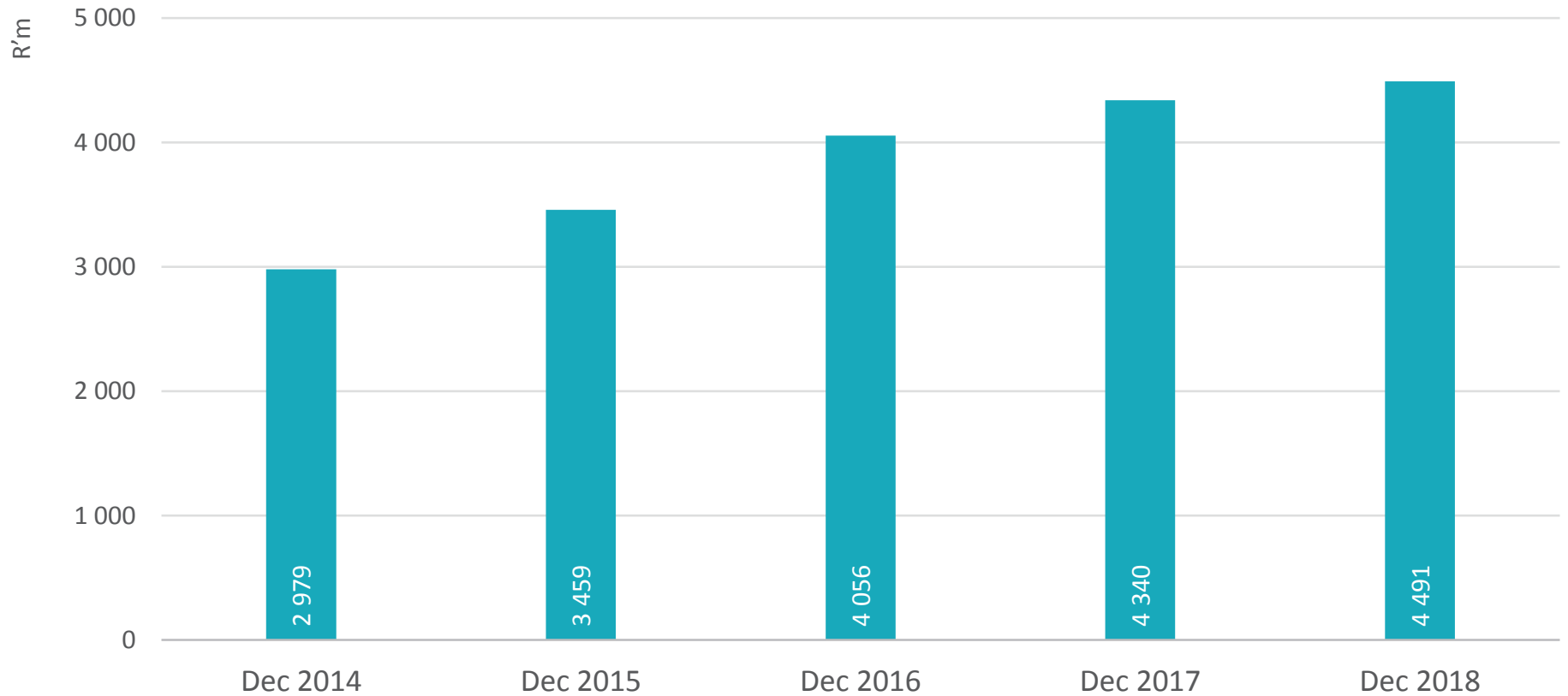
PILLAR PERFORMANCE AND POSITIONING

- Credit environment remains challenging
- Decent revenue growth largely due to growth in Asset Finance via ATFS acquisition and Capital Equipment Finance supported by good revenue growth in Transactional Banking (albeit off a low base)
- Limited growth in business finance and foreign exchange
- Large improvement in impairments and tax
- Costs continue to grow due to investment
- Upgraded B\\YOND – digital business banking
- Powered Hello Paisa banking
- Asset Finance and Foreign Exchange IT projects on track

PERFORMANCE

Business segments - Bank		Growth %	Dec 2018 R'000	Dec 2017 R'000
Total income	▲	8.71	402 782	370 515
Impairment charges on loans and advances	▼	32.60	(44 861)	(66 559)
Net income after impairments	▲	17.75	357 921	303 956
Operating costs	▲	16.52	(277 373)	(238 046)
Profit before tax	▲	22.21	80 548	65 910
Taxation			(22 440)	(30 266)
Profit/(loss) for the period	▲	63.02	58 108	35 644
Gross loans and advances	▲	9.95	7 338 813	6 674 716

DEPOSIT BOOK GROWTH



SEGMENTAL REVIEW: WEALTH PILLAR

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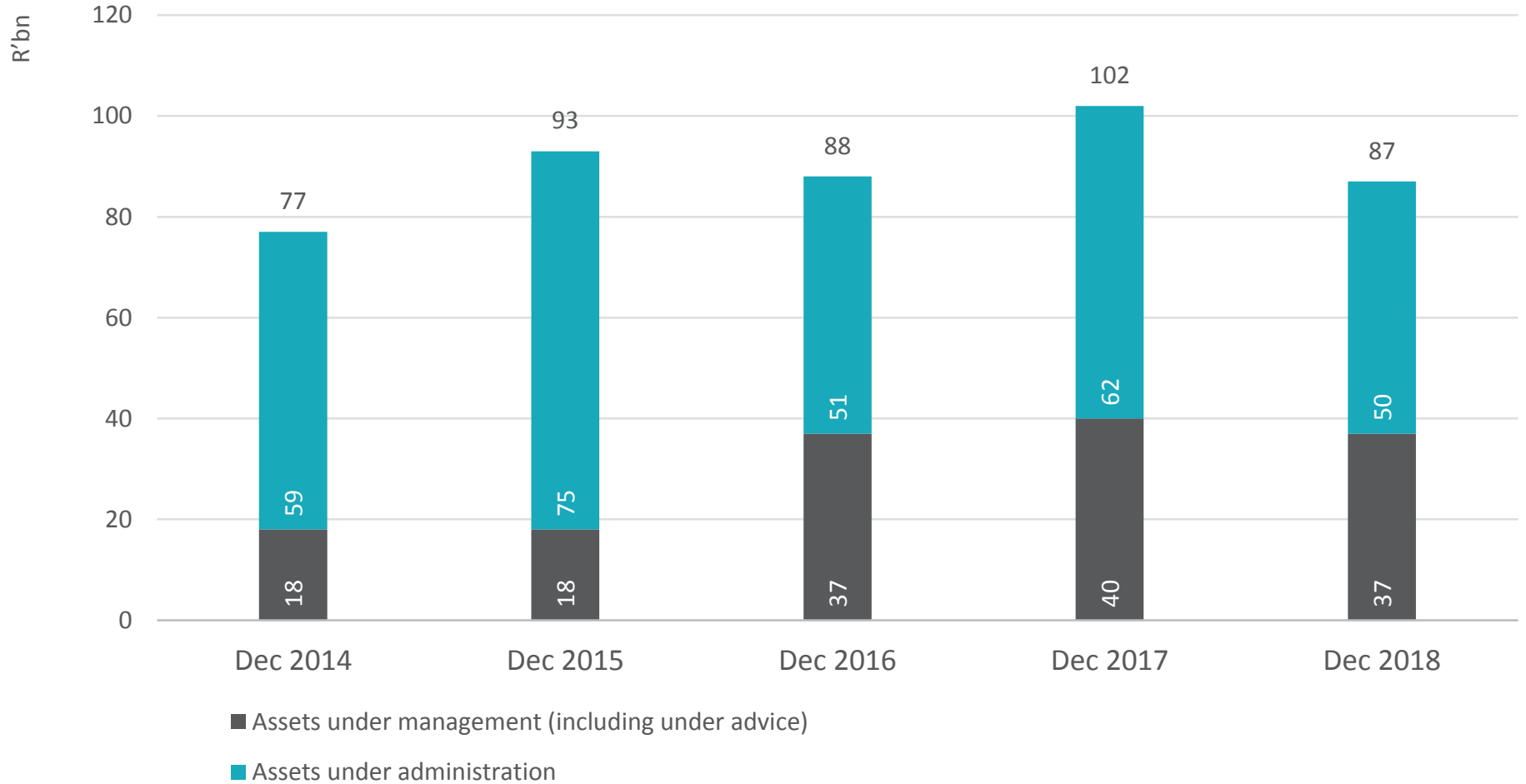
PILLAR PERFORMANCE AND POSITIONING

- Local and offshore equity markets were weak to December - Assets under management dropped by 5.57%, whereas the ALSI was down 11%
- Continue to show strong growth in foreign income (22.93%) and institutional asset management fees where there is meaningful scope for growth
- Cost increase due to investment as well as reallocation of Group costs
- Strengthened team in Cape Town and expanded solutions including introducing global multi asset class solutions for investors
- Good growth in digital wealth via SWIP (Sasfin Wealth Investment Platform) and launched our cost effective umbrella fund, SURF for corporate Pensions Funds
- Post the reporting period, Sasfin Asset Managers (SAM) won two Raging Bull awards for its Flexible Income Fund and achieved a Level 1 B-BBEE Status
- Increased our stake in Efficient to 29%, now an associate, and both Efficient and DMA performed well in the reporting period

PERFORMANCE

Business segments – Wealth		Growth %	Dec 2018 R'000	Dec 2017 R'000
Total income	▲	8.01	156 420	144 816
Operating costs	▲	16.30	(130 291)	(112 030)
Profit from operations			26 129	32 786
Share of associate P&L			6 551	–
Profit before tax			32 680	32 786
Taxation			(6 900)	(8 985)
Profit/(loss) for the period	▲	8.31	25 780	23 801

ASSETS UNDER MANAGEMENT AND ADMINISTRATION



SEGMENTAL REVIEW: CAPITAL PILLAR

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PILLAR PERFORMANCE AND POSITIONING

- While revenue is down, we expect a better second 6 months
- Fintech investing remains a focus – announced private equity investment into Payabill
- Property Equity continues to perform well, including in the student and affordable housing segments
- Successful part realisation of a meaningful private equity investment at above carrying value, concluded after the half year
- The Capital Pillar is increasingly offering debt 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

PERFORMANCE

Business segments - Capital		Growth %	Dec 2018 R'000	Dec 2017 R'000
Total income	▼	15.20	49 224	58 047
Impairment charges on loans and advances	▲	67.87	(2 414)	(1 438)
Net income after impairments	▼	17.31	46 810	56 609
Operating costs	▼	11.48	(47 115)	(53 225)
Profit from operations			(305)	3 384
Share of associate P&L			11	50
Profit before tax			(294)	3 434
Taxation			(745)	(6 928)
Profit/(loss) for the period	▼	70.26	(1 039)	(3 494)

PROSPECTS

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GROUP FOCUS

– PRODUCT, UX AND INNOVATION

Aim

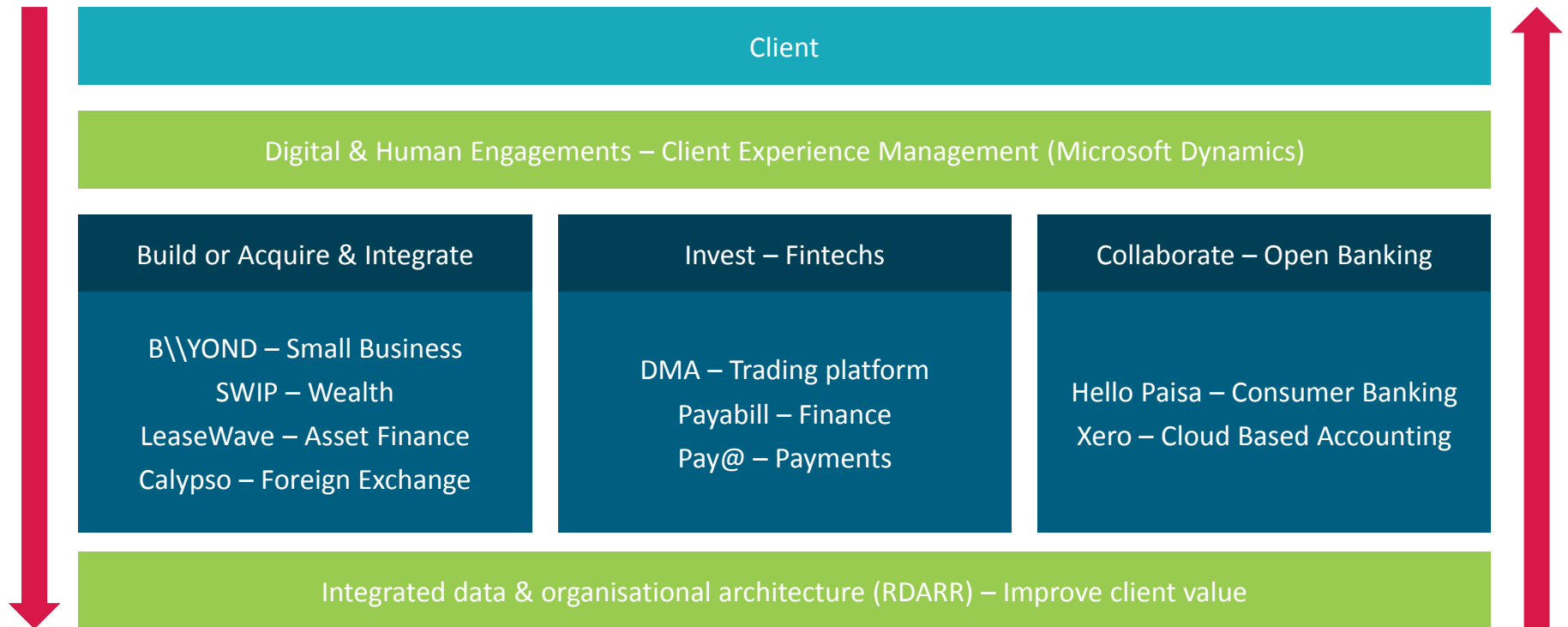
Use technology as a key enabler in improving our clients' experience

How

- Focus on client experience management at the engagement level
- Build or acquire, invest and collaborate to deliver such value, efficiently

GROUP FOCUS

– PRODUCT, UX AND INNOVATION (CONTINUED)



GROUP FOCUS

– ORGANISATIONAL CAPACITY

Aim

Driving entrepreneurial agility and improving cost efficiencies through streamlined operations and synergies while meeting our regulatory requirements

How

- We have effectively bedded down the new executive and organisational structure
- The rollout of new cost-efficient technology platforms (LeaseWave, Calypso) and the integration of our systems, processes and people are major focus areas
- We have implemented an integrated data and organisational architecture to provide client centred solutions which delivers value
- While we continue to invest for growth, cost containment is a focus

GROUP FOCUS

– HUMAN CAPITAL & TRANSFORMATION

Aim

A High Performing, High Value Diverse Work Force

How

- Strengthened investment in developing our people – Launched the Sasfin Academy & expanded the CA Training Program
- Focused approach to upgrading our management team largely bedded down
- Implementing enhanced incentive structures where appropriate to drive the right behaviour
- Building a diverse workforce
- SAM B-BBEE Level 1, SHL B-BEEE Level 4

GROUP FOCUS

– CREDIT AND EFFECTIVE CAPITAL MANAGEMENT

Capital aim

Focus on driving Return on Risk Adjusted Capital

How:

- Evaluating all business units, products and people on a return on capital basis
- Capital planning and management is a dedicated focus of Treasury and Finance

Credit aim

Grow our credit portfolio at appropriate margin and credit loss ratio

How:

- Strengthened our credit capabilities and processes including driving a faster turnaround process
- Grow loans and advances
- Maintaining the credit loss ratio within acceptable limits

GROUP FOCUS

– FOREIGN INCOME

Aim

Grow our income streams from foreign sources and establish businesses in suitable foreign jurisdictions

How:

- Growth in foreign assets under management (MAS portfolios, SGEF and direct segregated mandates)
- Offshore investment opportunities

2019 – DELIVERING VALUE TO CLIENTS

In January 2019, the Group Exco enhanced the five year strategy set in 2018 (which has been approved by the Board) by conducting a detailed review of our value proposition to each of our primary client segments:

- Small Business
- Medium Business
- Asset Suppliers
- Private Clients
- Institutional Clients

We believe we are well positioned to deliver value to the above segments and are strongly focussed on growing distribution to these segments.

Questions

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