

Annual Results
for the year ended
30 June 2018

17 September 2018

Agenda

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Christopher Gilmour

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Roy Andersen

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Angela Pillay

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Linda Fröhlich

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Chair – Investment Analysts Society

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Roy Andersen

Independent Non-executive Chair

Financial Review

Angela Pillay

Financial Director

Economic and business environment

■ Global

- On balance, ongoing US stimulus and recent Chinese policy easing should continue to support global growth at above average pace
- Strong US earnings growth coupled with robust economic growth supports US as well as overall global equities
- Stronger USD continues to weigh on commodity prices and is expected to weigh on economic activity, particularly Emerging Markets

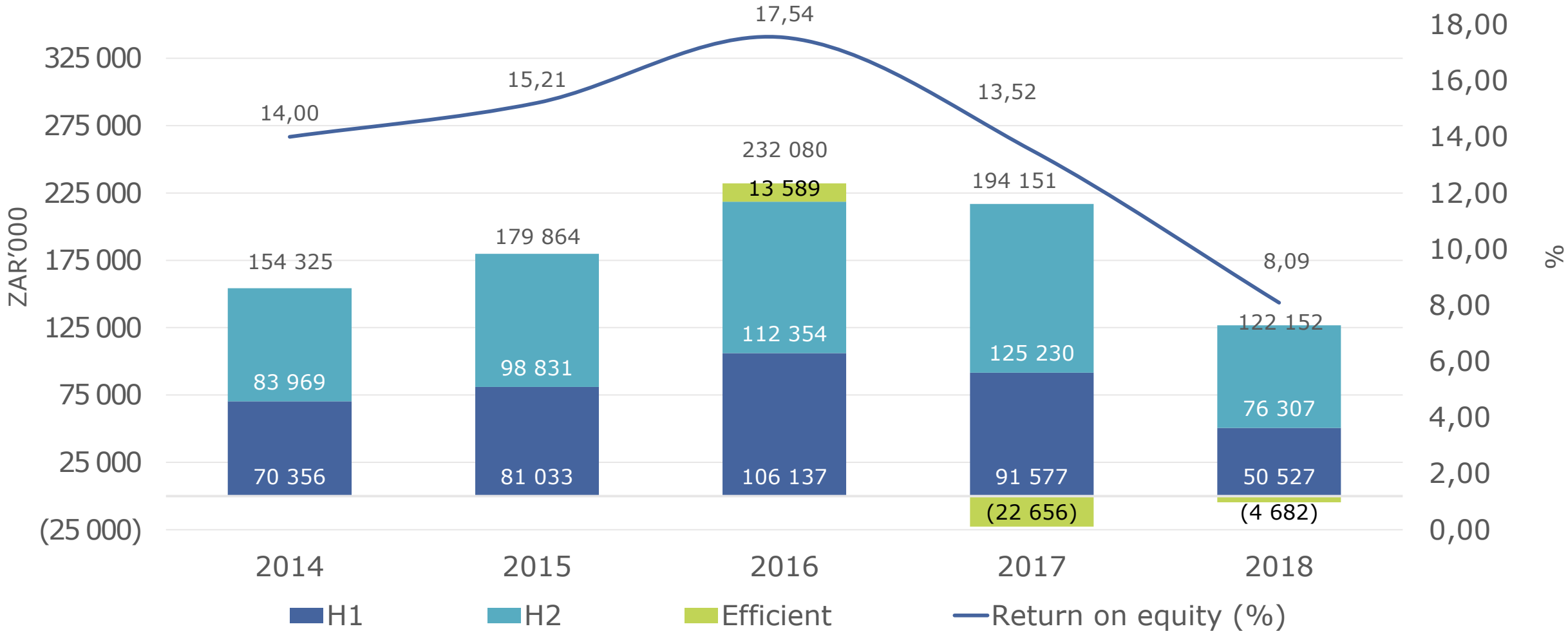
■ South Africa

- Continues to struggle – economy entered technical recession in Q2 2018
- Policy changes – Mining Charter, National Health Insurance, land expropriation, increasing regulation, procurement requirements
- Severe financial and operational challenges of State-owned enterprises
- Sustained fiscal deficit – rising credit rating pressure
- Return to modest economic growth likely, but conditions remain difficult

Financial review – restatements

- Adjustments were made to correct inter-divisional balances not previously eliminated at a Company or Group level
 - This resulted in the restatement and disclosure of the 2016 and 2017 balance sheet
 - There is no impact on Headline Earnings or Retained Earnings
- Consolidation of Sunlyn (Pty) Ltd
 - Sunlyn was established as an equipment rental originator of the Bank in 1988
 - It is legally owned by Innovent, a Private Equity investee of the Group
 - The nature of the business and operations were reviewed in the current year and given the integration of the businesses and the manner in which the ATFS transaction was executed via Sunlyn, it is now deemed to be a controlled entity
 - An assessment of materiality was performed on prior year's balance sheet and income statement were not consolidated
 - There is no impact on Headline Earnings or Retained Earnings

Headline earnings and return on equity



Headline earnings movements

Headline earnings drop of 37.08% to R122.152m (2017: R194.151m) attributable to:

■ Impairments:

- Single credit loss in the first half of the year
- Increase in portfolio provisions, improving the coverage ratio to 3.62% (2017: 3.33%)
- NPLs have increased by 64.30% in secured portfolios
- Specific impairments increased by 22.30%

■ Result: Credit loss ratio increased from 124bps to 197bps

■ Adjusting for the single write off, credit loss ratio would have been c.143bps (19bps up from 2017)

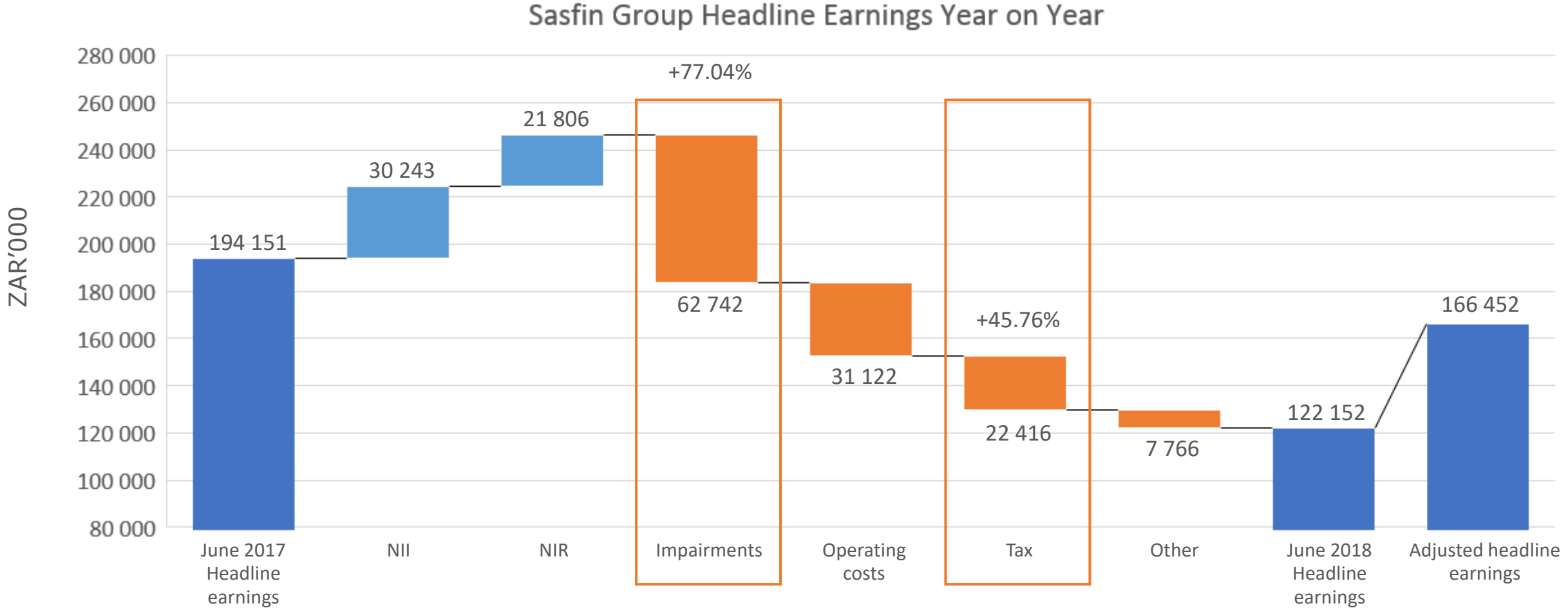
■ Taxation:

- Conservative approach taken on certain deferred tax assets arising from assessed losses
- A change in estimate on a deferred tax liability as a result of change in tax legislation

■ Result: Higher effective tax rate of 35.04% from 20.12% in the prior year

■ A business as usual tax rate would have been c.23%

Headline earnings movements



Results – key features

		Growth	2018	2017
Headline earnings per share (cents)	▼	37.69	381.21	611.76
Headline earnings (R'm)	▼	37.08	122.152	194.151
Dividends per ordinary share (cents)	▼	37.09	151.26	240.42
Total assets (R'bn)	▲	13.12	14.319	12.658
Gross loans and advances (R'bn)	▲	17.78	7.904	6.711
Total funding base (R'bn*)	▲	15.37	10.352	8.973
Deposits from customers (R'bn)	▼	2.25	4.449	4.552
Total equity (R'bn*)	▲	5.45	1.549	1.469
Total Funds Under Administration (R'bn)	▲	4.98	96.577	91.992
Credit loss ratio (bps)	▲	73bps	197	124
Group cost-to-income ratio (%)	▼	66bps	71.46	72.12
Return on average shareholders' equity (%)	▼	543bps	8.09	13.52
Return on average assets (%)	▼	63bps	0.91	1.54
Group capital adequacy (%) (unaudited)	▼	63bps	16.089	16.719

*Preference shares are included as part of the total funding base

Financial position – assets

		Growth %	30 June 2018 R'000	30 June 2017 R'000
Cash and negotiable securities	▲	8.61	3 867 574	3 560 901
Loans and advances	▲	17.44	7 618 495	6 487 022
Trading assets	▲	9.16	1 476 511	1 352 570
Investment securities	▲	27.17	628 493	494 213
Other receivables	▼	4.89	375 380	394 690
Investment property, property, plant and equipment, taxation, intangible assets and goodwill			352 631	368 689
Total	▲	13.12	14 319 084	12 658 085

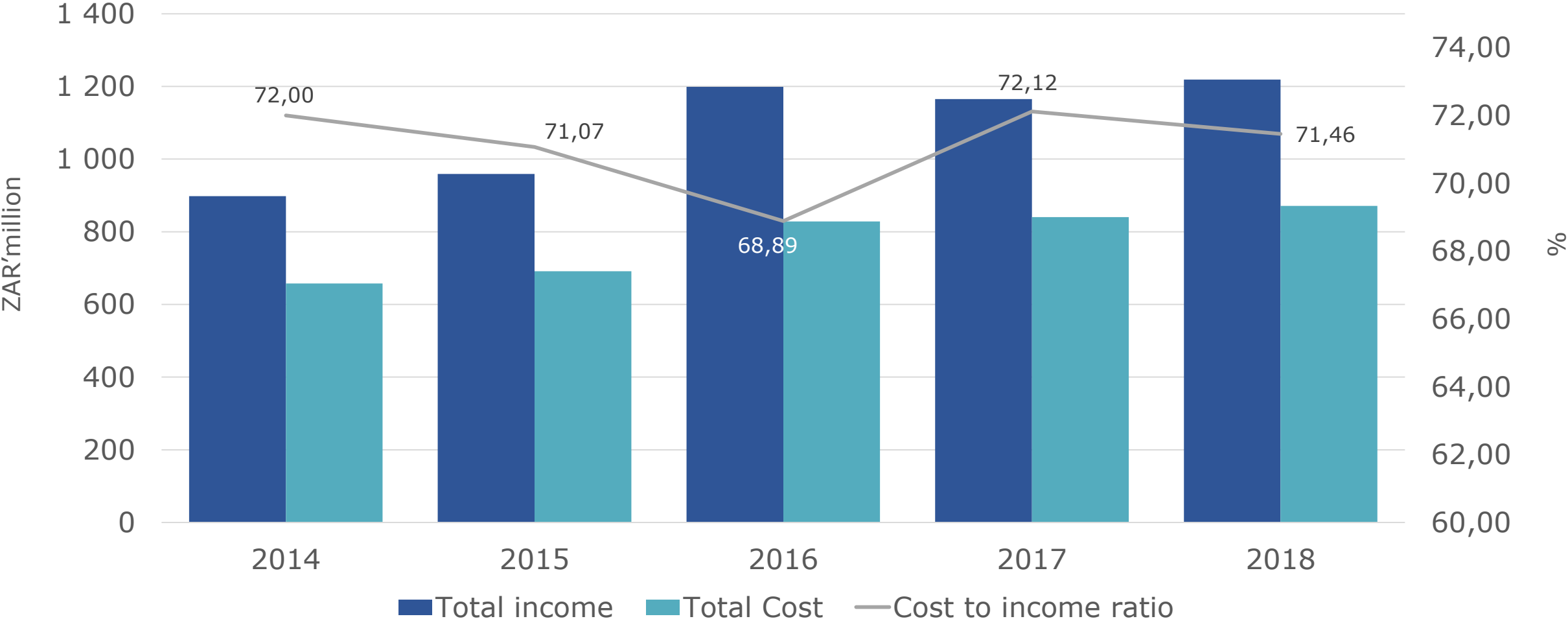
Financial position – liability and equity

		Growth %	30 June 2018 R'000	30 June 2017 R'000
Funding under repurchase agreements and inter-bank	▲	47.29	1 924 975	1 306 926
Deposits from customers	▼	2.25	4 449 344	4 551 990
Debt securities issued	▲	24.78	3 115 432	2 496 718
Long-term loans	▲	57.01	674 616	429 673
Total funding	▲	15.70	10 164 367	8 785 307
Trading liabilities	▲	8.67	1 449 203	1 333 551
Other payables		7.87	801 745	743 267
Taxation and deferred tax liabilities		18.47	161 998	136 735
Total liabilities	▲	14.35	12 577 313	10 998 860
Ordinary share capital and reserves	▲	5.48	1 549 451	1 468 886
Preference share capital and premium		-	188 086	188 086
Non-controlling interest		87.94	4 234	2 253
Total liabilities and equity	▲	13.12	14 319 084	12 658 085

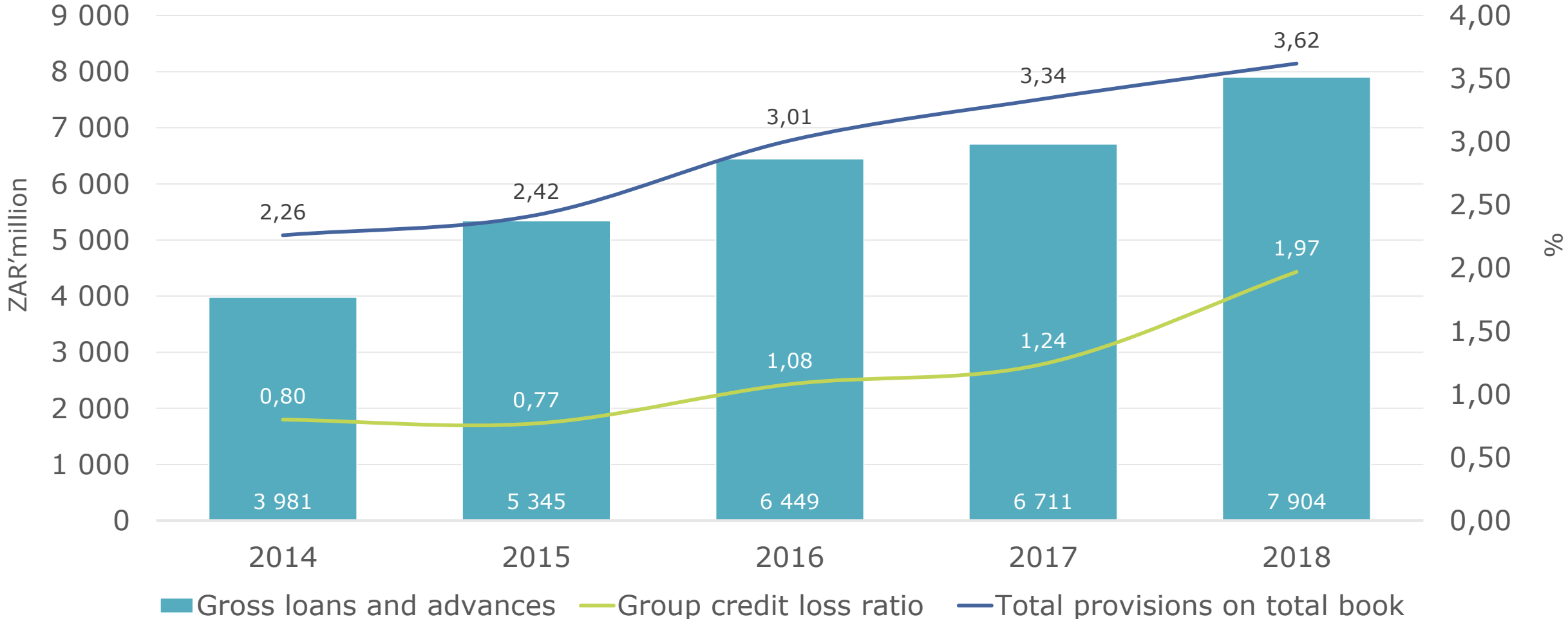
Financial performance

	Growth %	30 June 2018 R'000	30 June 2017 R'000
Net interest income		472 779	442 536
Non-interest income		746 437	724 630
Total income	▲ 4.46	1 219 216	1 167 166
Impairment charges on loans and advances	▲ 77.04	(144 178)	(81 436)
Net income after impairments		1 075 038	1 085 730
Operating costs	▲ 3.70	(871 274)	(840 152)
Staff costs	▲ 9.48	(453 741)	(414 463)
Other operating expenses	▼ 0.79	(408 097)	(411 326)
Goodwill and intangible asset impairments		(9 436)	(14 363)
Profit from operations	▼ 17.03	203 764	245 578
Share of associate (loss)/income		110	(2 156)
Income tax expense	▲ 45.74	(71 428)	(49 012)
Profit for the year		132 446	194 410
Preference dividends		(15 531)	(15 580)
Non-controlling interest		(1 981)	(2 253)
Headline adjustable items		7 218	17 574
Headline earnings	▼ 37.08	122 152	194 151

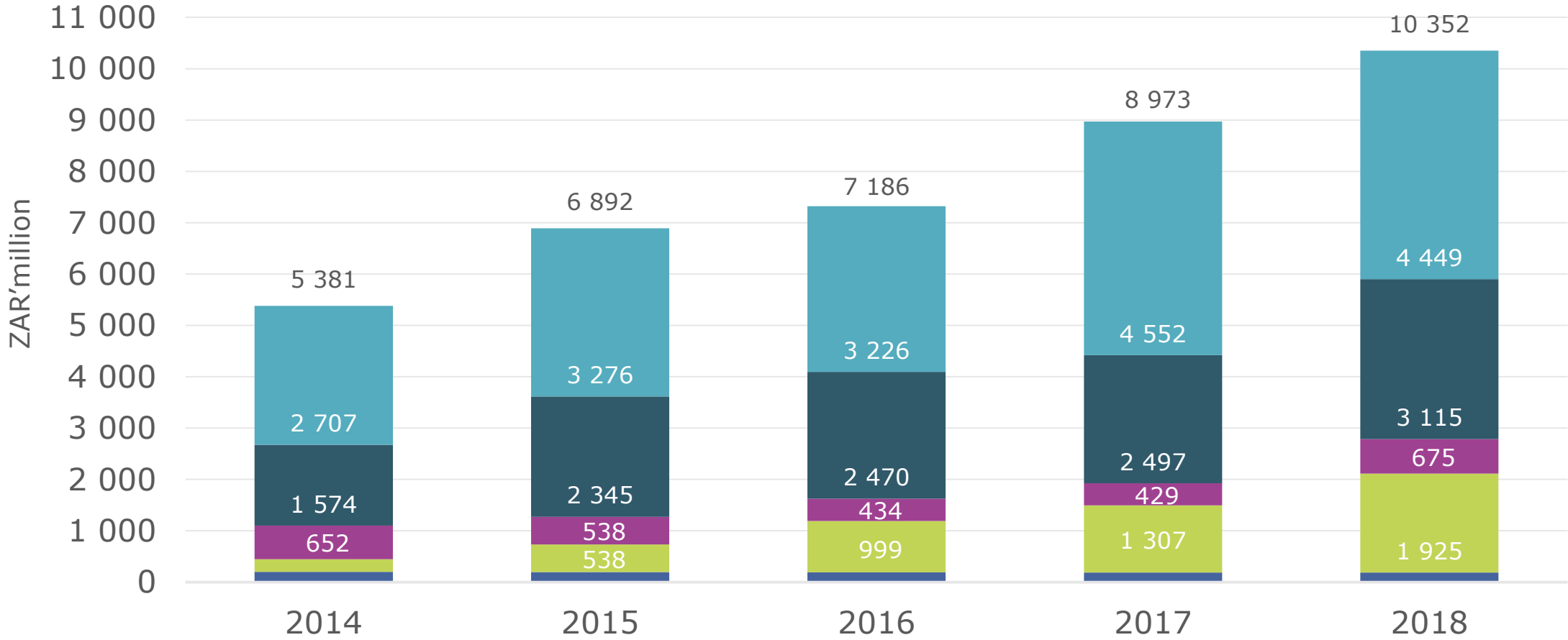
Total income vs cost and cost-to-income ratio



Gross loans and advances and credit loss ratio



Stable and growing funding base



■ Preference shares ■ Funding under repurchase & inter-bank ■ Long-term funding ■ Debt securities ■ Deposits

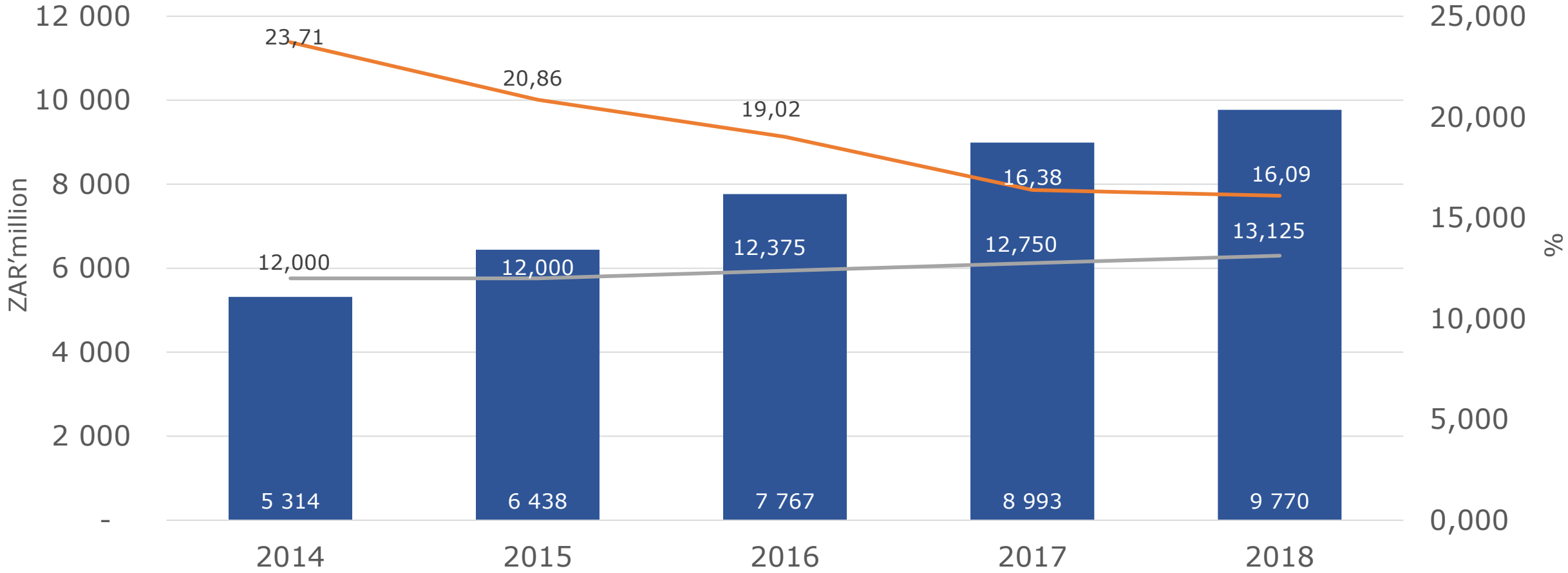
Treasury

- Diversified term with increased granularity:
 - LCR maintained in excess of minimum – 175%
 - Implementation of NSFR – 103%
- Margin compression due to:
 - More expensive long-term funding
 - Funding growth exceeded advances growth
- SASP – Issued R600m of new notes in the first half
- Maintained rating of Sasfin Bank Limited at A1-(ZA)
- Raised US\$30m long-term funding from FMO and DEG

Beyond 2018

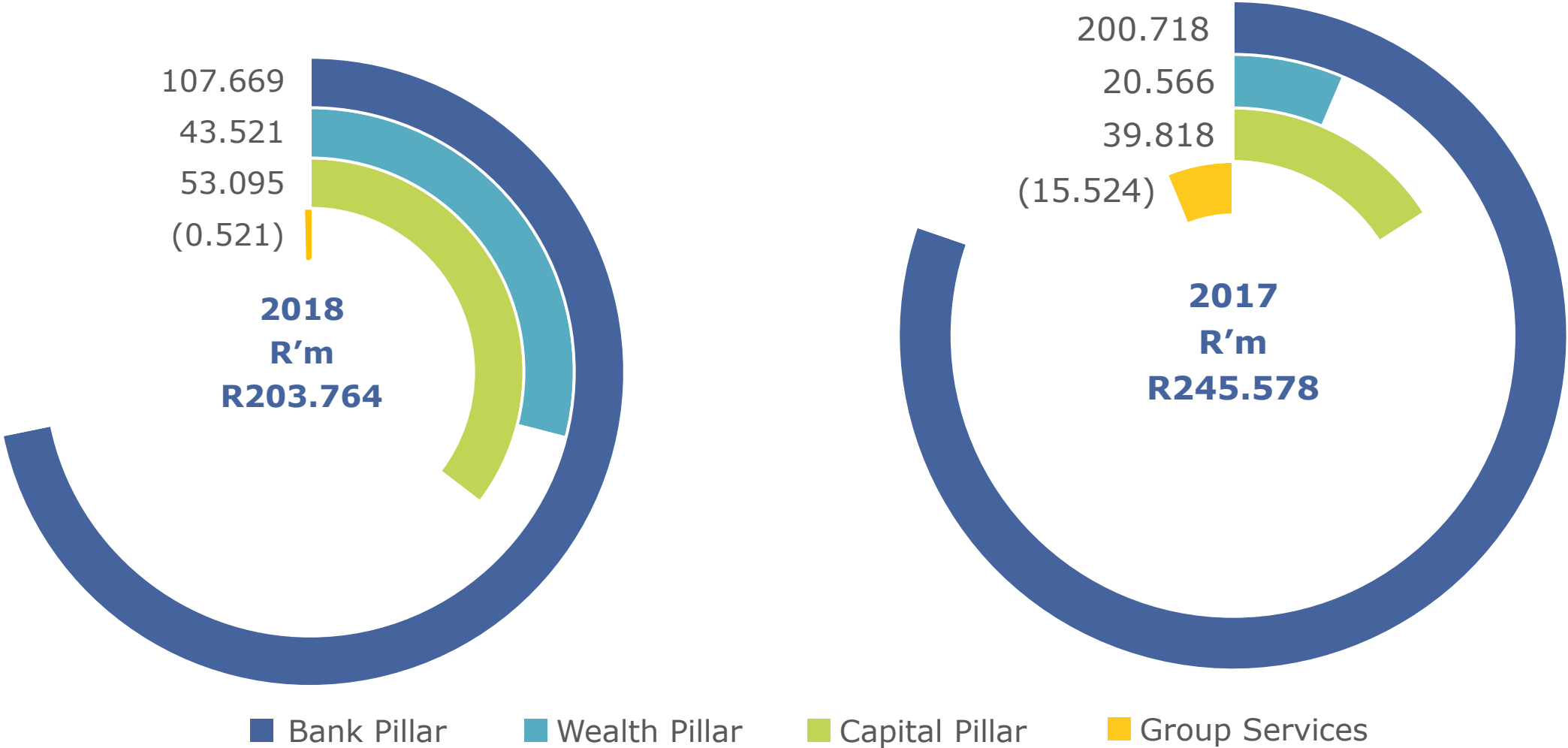
- Drive operational efficiencies through investment in new systems to improve forecasting and allow for improved balance sheet management
- Single view of treasury capabilities across Forex and Group Treasury to drive liquidity management
- Capital management will be a core focus area to drive optimal ROE

Capital adequacy – Group



■ Risk Weighted Assets
 — Total Capital Adequacy (%)
 — Minimum Regulatory (%)

Operating earnings for the year – by Pillar



Banking Pillar

Linda Fröhlich

Executive Director (Alternate): Sasfin Bank

Positioning

- We endeavour to be the leading bank for business, particularly SMEs
- We deliver value to entrepreneurial businesses through our excellent team, comprehensive range of products and solution orientated mind-set
- We have launched a digital banking capability, Beyond, which is geared towards business
- Integrating and building new banking products to enhance the Bank for Business

Performance

Business segments		Growth %	2018 R'000 Bank	2017 R'000 Bank
Total income	▲	5.45	760 829	721 509
Impairments	▲	>100	132 491	65 971
Net income after impairments		4.15	623 338	655 538
Operating costs	▲	14.48	520 668	454 820
Profit from operations	▼	46.36	107 670	200 717
Gross loans and advances	▲	17.44	7 618 495	6 487 022

- Low new business volumes and margins
- Gross loans and advances grew 17.44% to R7.618 billion. Excluding the ATFS transaction, gross loans and advances increased 2.03%
- High Impairments
- Revenue grew 5.45% to R760 million
- Costs above inflation due to:
 - Once-off costs of ATFS acquisition
 - Higher amortisation of intangible costs as IT projects go live
 - Write-off legacy systems
 - Investment in human resources, risk and compliance

Business unit performance

Equipment Finance

- We acquired the loan book of ATFS, its employees and IT systems
- This transaction brings further critical mass to our Equipment Finance business
- Integration of ATFS was a key focus
- In Capital Equipment there was good growth despite a challenging environment for the mining and manufacturing sectors

Trade and Debtor Finance

- Steps have been taken to strengthen the credit team and credit processes
- Strengthened our team through the appointment of a business head and a head of sales
- Exploring offshore opportunities
- Increased focus on growing granular loans and advances of good credit quality
- Shifting processes to ensure a more agile credit granting process while dealing with key risks

Business unit performance

Transactional Banking

- Beyond has been well received by the market and starting to show good growth in client numbers
- We continue to enhance Beyond
- Growing internal and third party distribution channels
- Close to finalising first alliance banking relationship which helps address financial inclusion

Foreign Exchange

- Successfully integrated the IQuad Treasury Solutions business into Sasfin Forex
- This should be a high growth, capital-light business for the Bank
- Rolling out a new platform to achieve scale and business optimisation

Sasfin Wealth

Erol Zeki

CEO: Sasfin Wealth

Positioning

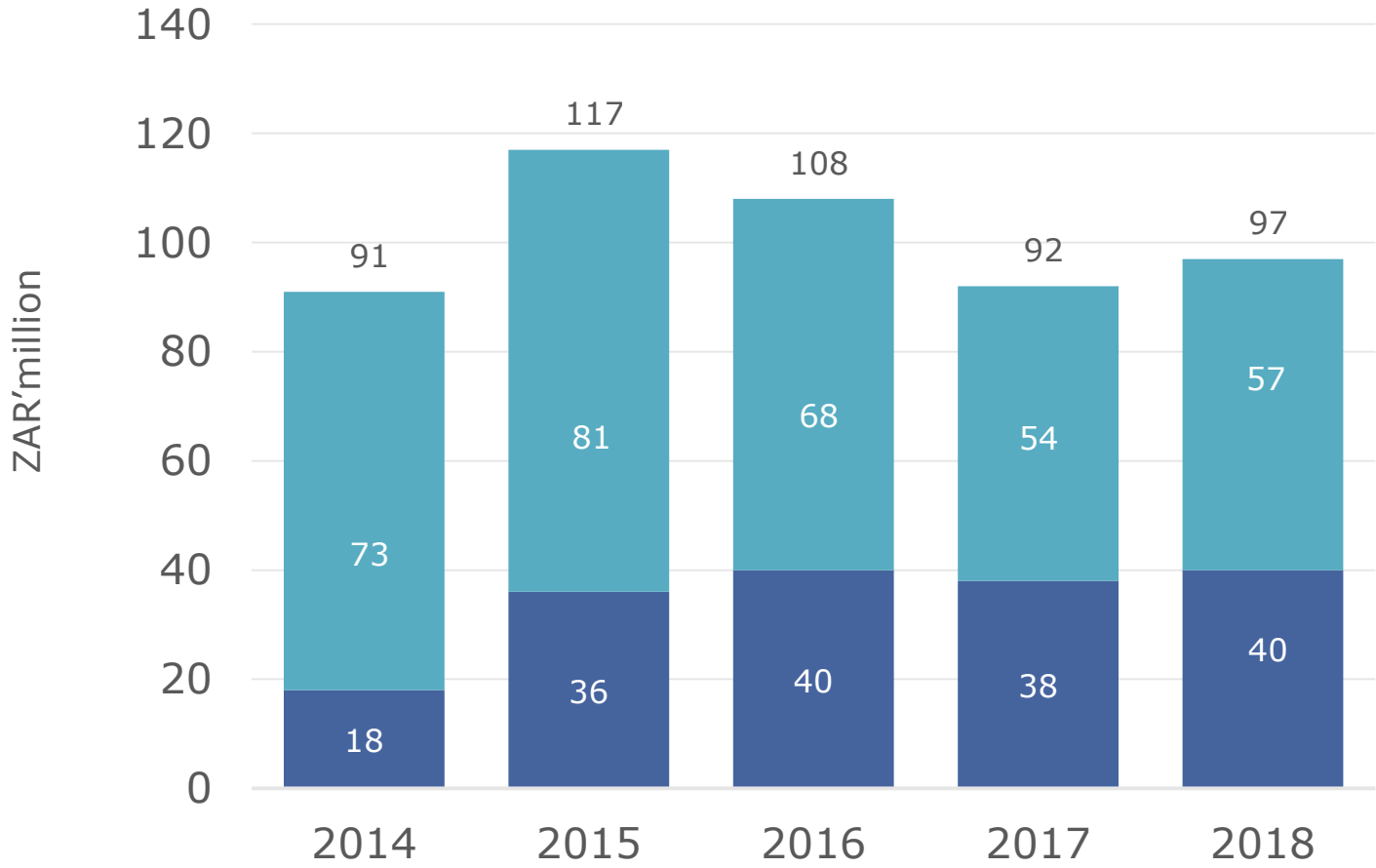
- We grow the Global Wealth of our clients and are expanding our target markets and product offering to comprehensively service more investor segments
- We aim to leverage our improved empowerment credentials and relationship with WIPHOLD in our institutional and corporate offerings
- Foreign revenue increased by 32%, driven predominantly by strong inflows into managed offshore share portfolios and the Sasfin BCI Global Equity Fund
- Strengthened technology capabilities through investment and the SIPP acquisition
- Acquired a strategic stake in Saxo Capital Markets South Africa (renamed DMA) which provides access to a digitally-enabled, cost-effective and user-friendly trading and investment platform
- Costs were well contained despite significant ongoing investments in human resources, IT and marketing

Performance

Business segments		Growth %	2018 R'000 Wealth	2017 R'000 Wealth
Total income	▲	12.68	288 849	256 344
Operating costs	▲	4.05	245 328	235 779
Profit from operations	▲	>100	43 521	20 566

- Wealth's profit increased to R43.521m from R20.566m in 2017 due to:
 - Reduced investment losses on Efficient from the previous year
 - Increased foreign income and institutional asset management fees, offset by lower local fees
 - Effective cost management

Assets under Administration and Management



■ Assets Under Administration ■ Assets Under Management (including under advisement)

- Increase in Assets under Management and Advice largely due to positive net inflows into managed offshore portfolios and institutional asset management
- Positive net inflows into these areas offset the decline in the broader local equity market

Business unit performance

Private Clients

- Grew Assets under Management and Administration, but was negatively affected by weakness in the broader local equity market in the second half of the year

Institutional Consulting

- New head appointed
- Healthcare and asset consulting achieved their respective revenue targets
- Strong growth in the investment advice business in Botswana

Asset Management

- Strong growth in revenue and profit
- Strengthened the team
- Meaningful growth in Assets under Management
- Investment in distribution

Fixed Income Stockbroking

- Pleasing results in tough trading conditions
- Successfully facilitated placements in a number of public sector funding initiatives

Capital Pillar

Francois Otto

Head: Sasfin Capital

Positioning

- In line with Sasfin's focus on supporting South African entrepreneurs, we have renewed our focus on meeting the more complex financing and advisory needs of mid-market businesses
- Particular emphasis is placed on the:
 - provision of mezzanine and bridging finance
 - continued roll out of our Property Equity strategy
 - high-impact financial advisory opportunities with balance sheet deployment potential
- Instrumental role of Corporate Finance in key group initiatives including:
 - ATFS acquisition
 - WIPHOLD transaction
 - Wealth acquisitions

Performance

Business segments		Growth %	2018 R'000 Capital	2017 R'000 Capital
Total income	▼	11.54	168 250	190 192
Impairments	▼	29.45	10 911	15 465
Net income after impairments			157 339	174 727
Operating costs	▼	22.73	104 244	134 910
Profit from operations	▲	33.35	53 095	39 817

Business unit performance

Private Equity

- One significant exit and two smaller fresh deployments
- A number of follow-on investments into portfolio companies were made
- Fintech investing remains a focus

Property Equity

- Built a strong portfolio of income generating properties, specifically in the student and affordable housing segments
- The book has grown significantly over the past two years
- We executed on a number of transactions with attractive risk-reward pay-offs
- There were several follow-on investments into existing partner-operated property enterprises

Business unit performance

Corporate Finance & Special Opportunities

- A number of notable advisory transactions concluded
- Investment banking capabilities enhanced including further deployment
- A number of strategic transactions executed on behalf of Sasfin

Strategic Investments

- Imperial Sasfin Logistics made significant progress in restoring profitability from new client growth and reduced overheads
- Sasfin HRS achieved satisfactory profitability and made significant progress in bedding down underwriter relationships and reducing portfolio loss ratios
- Sasfin Commercial Solutions delivered solid results in excess of budget and made progress in streamlining operations

Prospects

Michael Sassoon

CEO: Sasfin Holdings

A changing world

- We are operating in a time of major change globally and locally
- We have assessed our poor performance in detail and are addressing the root causes
- We are changing our business in response to the above in order to position ourselves for sustainable growth and have taken the following steps in the last year:
 - Pillar structure largely bedded down
 - New Board and management appointments
 - Strengthened governance structures
 - WIPHOLD transaction successfully concluded
 - Corporate actions
 - Technology enhancements including Beyond and SIPP
 - Growing foreign income

Group focus – Beyond 2018

- Our purpose is to contribute to society by going beyond a bank to enable the growth in the businesses and global wealth of our clients
- We are well positioned to deliver on this purpose as an agile banking and financial services player with a strong brand and balance sheet, excellent people and diversified product offering
- The business and investor communities in South Africa are under pressure. We are focused on generating increased stakeholder value through providing clients with:
 - appropriate products and services, delivered by
 - solution-orientated professionals, supported by
 - strong digital and technology capabilities

Group focus – strategic focus areas

- High performance culture built on the Sasfin values
- Sustainable and effective transformation
- Effective organisational capacity
- Enhancing products, user-experience and innovation
- Building strong sales capability
- Growing offshore revenue
- Improving credit quality
- Capital management

Questions