

SASFIN HOLDINGS LIMITED

(Incorporated in The Republic of South Africa)
(Registration Number 1987/002097/06)
Share code: SFN ISIN: ZAE000006565
("Sasfin", "the Company" or "Group")

AUDITED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2023 ("ANNUAL FINANCIAL STATEMENTS") SHORT FORM ANNOUNCEMENT

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

Salient features

Key indicators

	2023	2022 ¹	%
Group Headline earnings (Rm)	112.683	139.841	(19.42)
Group Headline earning per share (cents)	366.18	454.43	(19.42)
Earnings per share (cents)	353.65	510.09	(30.67)
Total Income (including associate income) (Rbn)	1.410	1.314	7.31
Group profit (Rm)	108.8	157.0	(30.70)
Cost to income ratio (%)	85.38	82.85	(3.05)
Return on equity (%)	6.81	8.83	(22.88)
Net Asset Value per share (cents)	5 122	4 902	4.49
Total assets (Rbn)	14.013	13.186	6.27
Gross loans and advances (Rbn)	9.574	8.593	11.42
Deposits from customers (Rbn)	5.629	5.233	7.57
Capital adequacy ratio (%)	16.07	16.21	(0.86)
Group coverage ratio (%)	5.83	5.78	0.87
Credit loss ratio (bps)	125	25	400.0

¹ During the year, a detailed review confirmed that there were errors affecting prior periods which required restatement as set out in note 49 of the annual financial statements ("restatements").

Financial Performance

Sasfin reported headline earnings of R112.7 million (2022: R139.8 million) for the year ended 30 June 2023, down 19.4%. Total income (including associate income) growth of 7.3% was offset by cost growth of 10.6% and an increase in the credit loss ratio to 125 bps (2022: 25 bps). Total costs were impacted, primarily, by an increase in costs within our Business and Commercial Banking pillar as well as the cost of the previously reported investigation into financial misconduct by former employees of the bank.

The credit loss ratio of 125 bps is in line with Sasfin's through the cycle target range but is significantly higher than the unsustainably low credit loss ratio in 2022.

Sasfin Bank's balance sheet strengthened over the year with net loans and advances growing 11.5% to R9.0 billion and total assets increasing by 6.3% to R14.0 billion, supported by growth in deposits from customers of 7.6% to R5.6 billion. Sasfin Wealth saw continued growth in Assets Under Advice and Management ("AUM"), up 12.3% to R66.4 billion.

Strategic update

Sasfin has concluded its strategic review, resulting in the Group focusing on businesses that generate a higher Return on Equity, where it has strong competitive capabilities namely its Wealth business, Rental Finance business and focused Banking activities. In this regard, Sasfin recently announced the disposal of its Capital Equipment Finance and Commercial Property Finance loan books to African Bank Limited, to the value of R3.26 billion (“the ABL transaction”). This sale is subject to suspensive conditions which are expected to be fulfilled early next year.

Segmental performance overview

Asset Finance

Asset Finance headline earnings declined by 12.25% to R143.7 million (2022 restated: R163.8 million), due to higher impairments. Post the ABL transaction, this pillar will comprise a focused Rental Finance business which Sasfin has built over nearly four decades, based on deep relationships with equipment suppliers, with a granular base of loans advanced to South African businesses.

Wealth

Wealth saw a significant increase in headline earnings to R94.2 million (2022: R45.5 million), due to strong income growth, off the back of the growth in AUM, improved contribution from associates and lower costs as a result of a non-recurring operational loss experienced in 2022. Wealth continues to expand its investment management and distribution capabilities.

Business and Commercial Banking

Business and Commercial Banking recorded a headline earnings loss of R104.3 million (2022 restated: R40.3 million loss) as a result of the significantly higher costs and impairments. While total income was flat, net interest income grew as a result of growth in the deposit book and continued good performance of the trade and debtor finance business, while non-interest revenue was negatively impacted by lower fair value gains and other once off income not repeated in the current period. As part of the strategic review, we are streamlining this Pillar to focus on activities which should deliver improved, less volatile, and consistent financial performance.

Treasury and net unallocated Group costs make up the difference between the segmental sum of the parts and total Group headline earnings.

Tackling Financial Crime

As previously reported, there were allegations of financial misconduct relating to clients of Sasfin’s foreign exchange business unit going back to 2014. Sasfin has cooperated with the relevant authorities in their investigations and has terminated relationships with implicated clients.

Sasfin commissioned an independent investigation by a leading international audit firm to thoroughly investigate the allegations. Further, the Prudential Authority of the South African Reserve Bank (“SARB”) in terms of its powers under section 135 of the Financial Sector Regulation Act 9 of 2017, conducted its own investigation.

The evidence gathered through both investigations demonstrated that a group of Sasfin employees in its foreign exchange business unit had colluded with the implicated clients to enable the circumvention of exchange control and anti-money laundering regulations, as well as to subvert Sasfin’s system of internal controls. All implicated employees have been dismissed, and criminal cases have been opened where appropriate. Both investigations found no evidence of involvement of members of senior management nor of the board of directors in the alleged financial misconduct. Pursuant to the identification of the misconduct by former employees, Sasfin has progressively taken significant steps to strengthen the Group’s lines of defense and continues to enhance these further.

Reportable Irregularity

On 22 September 2023, the Company's external auditors submitted an initial notification to the Independent Regulatory Board for Auditors ("the IRBA") that a suspected reportable irregularity may have occurred, relating primarily, to findings emanating from the investigation mandated by the SARB. The investigation looked into allegations that Sasfin Bank contravened provisions of various laws, including the Financial Intelligence Centre Act, 2001, the Banks Act, 1990 and the Exchange Control Regulations, 1961 (refer to note 26 of the annual financial statements), and that certain prescribed officers and the board of directors of the Company and of Sasfin Bank may have failed to adequately discharge their duties under section 76(3)(c) of the Companies Act, 2008 read with sections 60 and 60B of the Banks Act, 1990.

After additional audit work, the auditors notified the IRBA on 22 October 2023 that in their professional opinion, the suspected reportable irregularity is no longer taking place (refer to note 51 in the annual financial statements).

Annual results and Integrated Report delay

The impact of the restatements referred to above and consequential extended substantive audit work, together with the occurrence of significant post balance sheet events, contributed to the delay in the finalisation of the Company's annual financial statements and completion of the audit thereof.

These factors, in turn, have resulted in a delay in the finalisation of the Company's Integrated Report, which will be published on or before 30 November 2023.

Conclusion

The Group is committed to the execution of its revised strategy built on its Wealth, Rental Finance and focused Banking businesses. While there will be costs associated with transitioning to this strategy, the outcome will result in a more efficient and streamlined business that can generate sustainable stakeholder value.

Dividend Declaration

As a result of the challenging economic climate and subdued financial performance, the board of directors of Sasfin ("Directors") has resolved not to declare a final dividend (2022: 120.90 cents).

Short form Announcement

This short-form announcement is the responsibility of the Directors of the Company and is a summary of the information in the Company's audited annual financial statements for the year ended 30 June 2023 published on SENS on 31 October 2023, and does not contain full or complete details of the annual financial statements, which are available for viewing on the following websites:

Company's website: <https://www.sasfin.com/investor-relations>

JSE website: <https://senspdf.jse.co.za/documents/2023/jse/isse/sfn/sfn2023.pdf>

While this announcement is not audited, the consolidated annual financial statements from which the results in this announcement are derived, were audited by the Company's auditors, PricewaterhouseCoopers Inc, who expressed an unmodified opinion thereon. Their audit opinion can be viewed on the Company's website (<https://www.sasfin.com/investor-relations>).

Any investment decision by investors and/or shareholders should be based on consideration of the information contained in the annual financial statements. Copies of the annual financial statements are available for inspection at our offices on weekdays during business hours (at no charge) or via a secure electronic location on request from the Company Secretary (by e-mail: charissa.dejager@sasfin.com).

Mr. Deon de Kock
Chair

Mr. Michael Sassoon
Group Chief Executive Officer

Johannesburg
31 October 2023

Sponsor: Questco Corporate Services (Pty) Ltd