sasfin | Holdings Limited
beyond a bank

Media statement: Sasfin Holdings Limited

Sasfin Financial Results for the year ended 30 June 2018

A new era for Sasfin

While Sasfin reports disappointing performance in the current financial year, new Sasfin CEO Michael Sassoon is confident about the Group's medium-term prospects off the back of significant Board and management enhancements.

Headline earnings dropped by 37.08% to R122.152 million (2017: R194.151 million), primarily due to a significant increase in the credit loss ratio to 197 bps (2017: 124 bps) and the tax expense to R71.428 million (R49.012 million). Impairments increased due to the weak economic environment; a single large credit default and an increase in the portfolio impairments provision.

Angela Pillay, who was appointed Group FD in March, says that these factors had a major impact on earnings. Total income grew by 4.46%, cost growth was contained at 3.70% and total assets grew 13.12% to R14.319 billion (2017: R12.658 billion).

"The Group has undergone a shift in strategic direction in the last couple of years and initiatives are already beginning to show promising results," says Sassoon. This includes the Group's restructure into three distinct yet symbiotic pillars; the introduction of Women Investment Portfolio Holdings Limited's (WIPHOLD) as a 25,1% shareholder (which together with other initiatives resulted in the Group achieving a level 4 B-BBEE Score); value-adding corporate actions (including the acquisition of Absa's rental finance business); and growing foreign income.

The digital banking and wealth management initiatives are gaining traction following the launch of B\\YOND for Business and the acquisition of SIPP Investments (Pty) Ltd.

Performance

Gross loans and advances grew by 17.78%, largely off the back of the acquisition of the rental finance book of Absa Technology Finance Solutions, effective 1 April 2018, for a total consideration of R1.155 billion.

Funding grew by 15.37% to R10.352 billion (2017: R8.973 billion) which resulted in a healthy cash position of R1.892 billion. The maturity profile of the funding base has been lengthened to meet the new net stable funding ratio requirements. Capital increased by 5.31% to R1.566 billion from R1.487 billion in 2017. Given the growth in risk weighted assets, the capital adequacy ratio decreased to 16.089%. The Group maintains a healthy Tier 1 capital ratio of 15.736%.

Sasfin Holdings Limited
Reg no. 1987/002097/06 info@sasfin.com
29 Scott Street Waverley Johannesburg 2090 PO Box 95104 Grant Park 2051
Tel: +27 11 809 7500 Fax: +27 11 887 6167

Looking ahead
Sassoon says that banking is being impacted by the changing political, social and technological landscape and as such the Group has revised its strategic direction. “In particular, we are investing more into our products, user-experience and innovation. We have also taken significant steps to improve our credit processes and team, including the appointment of a highly-regarded and experienced Head of Credit. Over and above this key appointment, we have a new Financial Director, Chief Risk Officer, Heads of Compliance and Group Internal Audit, all of whom will take the Group to a new level of governance. We have also appointed PricewaterhouseCoopers as our new external auditors and our new members of the Board - Gugu Mtetwa, Gloria Serobe, Gugu Dingaan, Shaun Rosenthal and Richard Buchholz - bring an additional set of experience to Sasfin.

“I am positive about these developments within the Group and our ability to respond to disruptive trends despite our concern over the challenging economic environment in which we are operating.”

The Banking Pillar was heavily impacted by the increase in impairments thereby showing a decrease in profit to R68.946 million (2017: R145.144 million).

Under new CEO, Erol Zeki, the Wealth Pillar showed strong growth in earnings to R30.517 million (2017: R12.981 million). Sasfin Wealth also continues to strengthen its technology through, among others, the acquisition of SIPP Investments (Pty) Ltd, renamed the Sasfin Wealth Investment Platform (SWIP) and the strategic investment in Saxo Capital Markets South Africa (renamed DMA).

Capital showed a decrease in earnings to R39.182 million (2017: R48.384 million) despite decent growth in operating profits. This was largely due to lower Private Equity fair value adjustments and a year-on-year tax expense increase due to a change in estimate on a deferred tax liability.

Each of the Sasfin Pillars have taken meaningful steps in strengthening their teams and expanding their product offering to ensure that they are well positioned to enable growth in the businesses and global wealth of the Group’s clients.

- ENDS -

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For media queries, please contact:
Cathryn Pearman
Head: Bank Marketing and Communications
E-mail: Cathryn.Pearman@Sasfin.com
Tel: (+27) (11) 809 7851
Cell: (+27) (82) 923 3214
Post: PO Box 95104, Grant Park 2051
Web: www.sasfin.com

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