



Sasfin Holdings Limited Annual Results for the year ended 30 June 2020

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

30 September 2020

sasfin | Holdings
Limited
beyond a bank

AGENDA

01. WELCOME

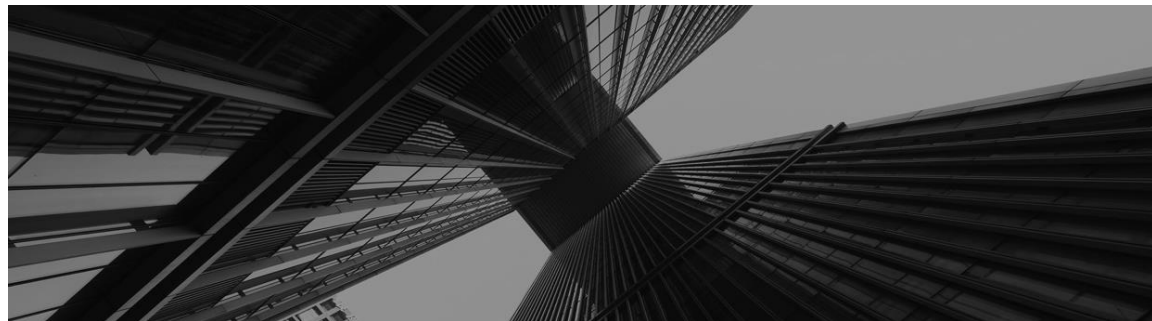
Roy Andersen
Chair: Sasfin Holdings Limited

02. FINANCIAL REVIEW

Angela Pillay
Group Financial Director

03. CAPITAL PILLAR

Francois Otto
Head: Sasfin Capital



06. PROSPECTS

Michael Sassoon
Group Chief Executive Officer

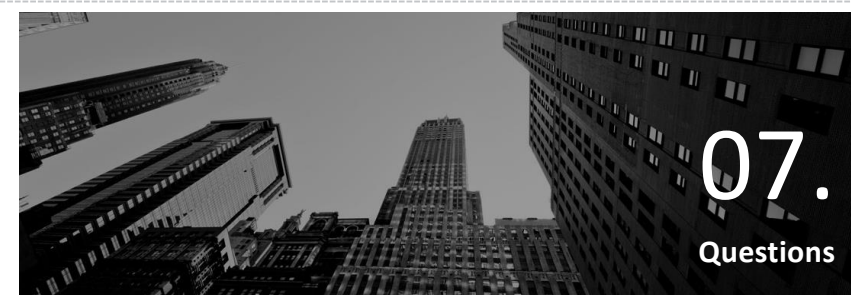
04. WEALTH PILLAR

Erol Zeki
CEO: Sasfin Wealth

05. BANKING PILLAR

Michael Sassoon
Group Chief Executive Officer

Linda Frohlich
CEO: Asset Finance



07. Questions



Welcome

Roy Andersen
Chair: Sasfin Holdings Limited



Financial Review

Angela Pillay
Group Financial Director

- Adjustments were made to enhance the disclosure of the Consolidated Statement of Financial Position and the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
- There was no financial impact to either the earnings, total assets, total liabilities or any of the key ratios.
- Summary of adjustments:
 - Correction of a loan product from being disclosed as “Measured at amortised cost,” to being disclosed as “Measured at fair value through profit or loss” in terms of IFRS 9.
 - Correction of gains and losses on the derecognition of loans and advances. Reclassification from “Other income” to be disclosed as its own line item on the Consolidated Statement of Profit or Loss and Other Comprehensive Income.
 - Reclassified fair value movements from trading assets from “Net fee and commission income” to “Gains and losses of financial instruments.”

Headline (loss)/earnings movements

Headline earnings loss of R48.617 million (2019: Profit of R161.305 million)

- Total income declined 6.37% to R1.167bn.
 - ▼ Capital Pillar -40.60% driven by MTM valuations
 - ▼ Banking Pillar -5.17% driven by lower fee income
 - ▲ Wealth Pillar +3.70% driven by foreign and Asset Management income
- Total credit charge increased 214.37% to R252.618m.
 - Credit loss ratio almost tripled to 3.03% from 1.02%.
- Operating expenses increased 0.49%.
 - ▲ Non-cash items +69.69%
 - ▼ Salary and other costs -4.57%
- Lower income resulted in the cost-to-income ratio increasing to 82.20% (2019: 76.59%).
- Effective tax rate is 4.08% due to deferred tax asset not recognised on assessed loss.

Financial and Capital Position

Strong cash position

- Core funding up 1.56% to R8.406bn.
 - ▲ Customer deposits resilient +3.17% to R5.139bn
 - ▼ Long-term funding roll off -25.03%
- Net available cash increased by 13.41% to R2.351bn.
- LCR well above regulatory minimum.

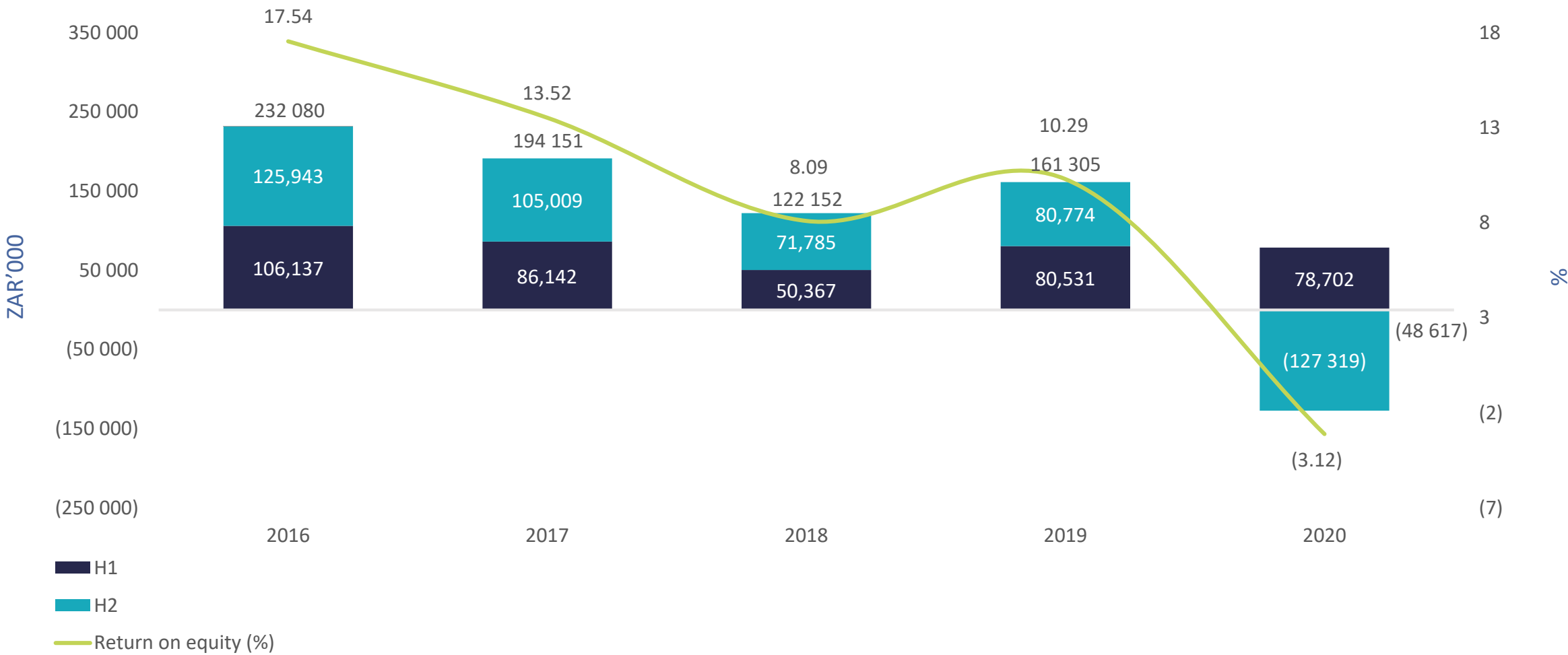
- Gross loans and advances down 9.35% to R7.162bn.
 - Tightening of credit in the second half;
 - Reduced volumes particularly in Asset Finance -7.25%;
 - Reduced utilisation of limits in Trade and Debtor -40.54%;
 - Growth in Specialised Lending +104.79%.
- CAR improved to 16.991% (2019: 15.669%).

Summary of IFRS 9 Impairments

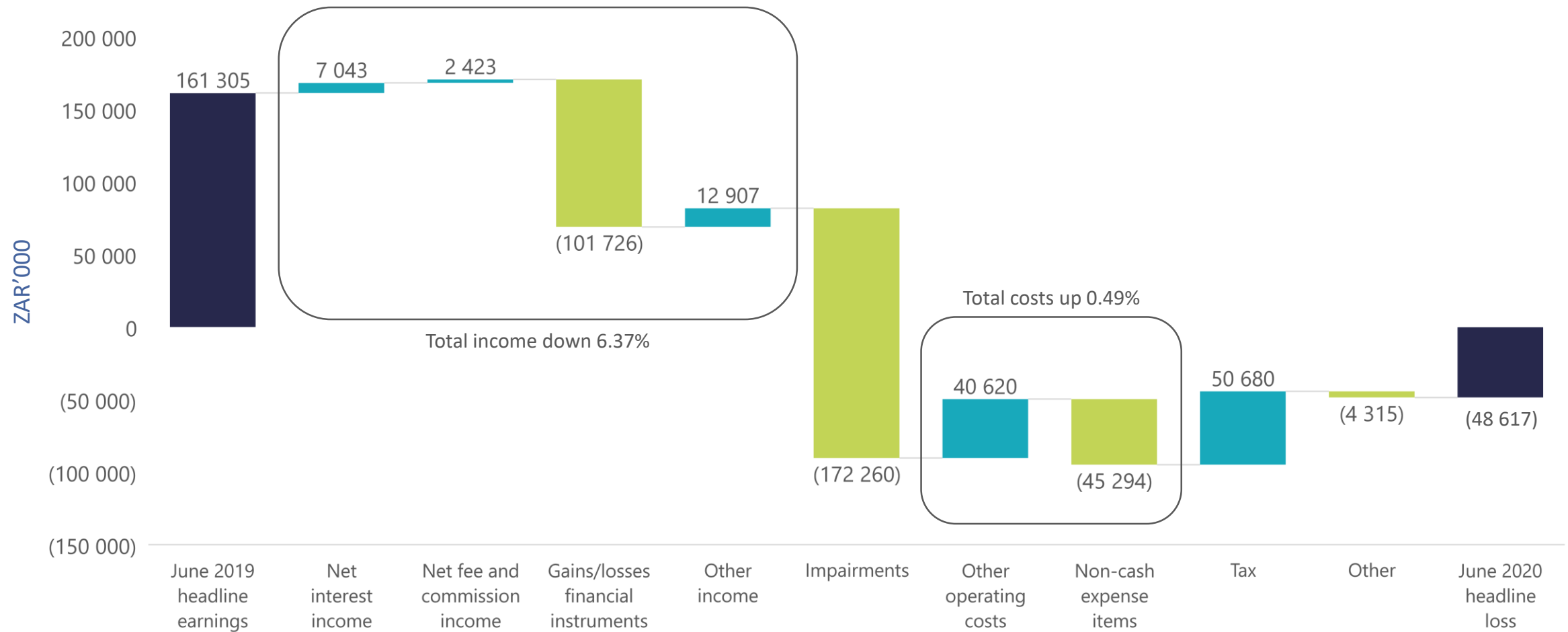
Large increase in coverage ratios as a result of increased provisioning

	2020				2019			
	Exposure	Exp %	ECL	Coverage	Exposure	Exp %	ECL	Coverage
Loans and advances								
Stage 1	5 667 617	81.68	114 111	2.01	6 503 263	82.61	57 163	0.88
Stage 2	559 067	8.06	38 639	6.91	642 413	8.16	22 898	3.56
Stage 3	712 038	10.26	399 655	56.13	726 104	9.22	321 681	44.30
Total	6 938 722		552 405	7.96	7 871 780		401 742	5.10

Headline (loss)/earnings and return on equity



Headline (loss)/earnings movements



Results – key features

		Change %	30 June 2020	30 June 2019
Headline (loss)/earnings per share (cents)	▼	130.14	(151.00)	501.00
Headline (loss)/earnings (R'm)	▼	130.14	(48.617)	161.305
Dividends per ordinary share (cents)	▼	51.05	48.89	99.87
Total income (R'bn) ¹	▼	6.37	1.167	1.246
Total cash (R'bn)	▲	31.84	1.731	1.313
Total assets (R'bn)	▼	4.08	14.006	14.601
Gross loans and advances (R'bn) ⁴	▼	9.35	7.162	7.901
Total core funding base (R'bn) ²	▼	1.56	8.406	8.277
Deposits from customers (R'bn)	▲	3.17	5.139	4.981
Total equity (R'bn) ²	▼	3.22	1.535	1.586
Total assets under management and advice (R'bn) ³	▲	18.21	48.605	41.119
Credit loss ratio (%)	▲	197.06	303	102
Group cost-to-income ratio (bps)	▲	561bps	82.20	76.59
Return on average shareholders' equity (%)	▼	130.32	(3.12)	10.29
Return on average assets (bps)	▼	146bps	(0.34)	1.12
Group total capital adequacy (current year) (bps)	▲	132.2bps	16.991	15.669

¹ Including associate income

² Total equity excludes preference shares and non-controlling interests

³ Excluding assets under administration

⁴ Prior year restated

Financial position – assets

		Change %	30 June 2020 R'000	30 June 2019 R'000
Cash and negotiable securities	▲	10.65	4 857 838	4 390 305
Trading assets	▼	10.71	1 060 342	1 187 523
Other receivables	▲	6.30	436 644	410 776
Net loans and advances	▼	11.87	6 609 328	7 499 508
Investments at fair value through profit or loss	▼	15.12	528 771	622 995
Equity-accounted associates	▲	12.26	126 195	112 416
Intangible assets and Goodwill	▼	12.69	205 206	235 028
Non-current assets held for sale, current and deferred taxation asset, property, equipment and right-of-use assets, investment property	▲	26.86	181 216	142 851
Total		(4.08)	14 005 540	14 601 402

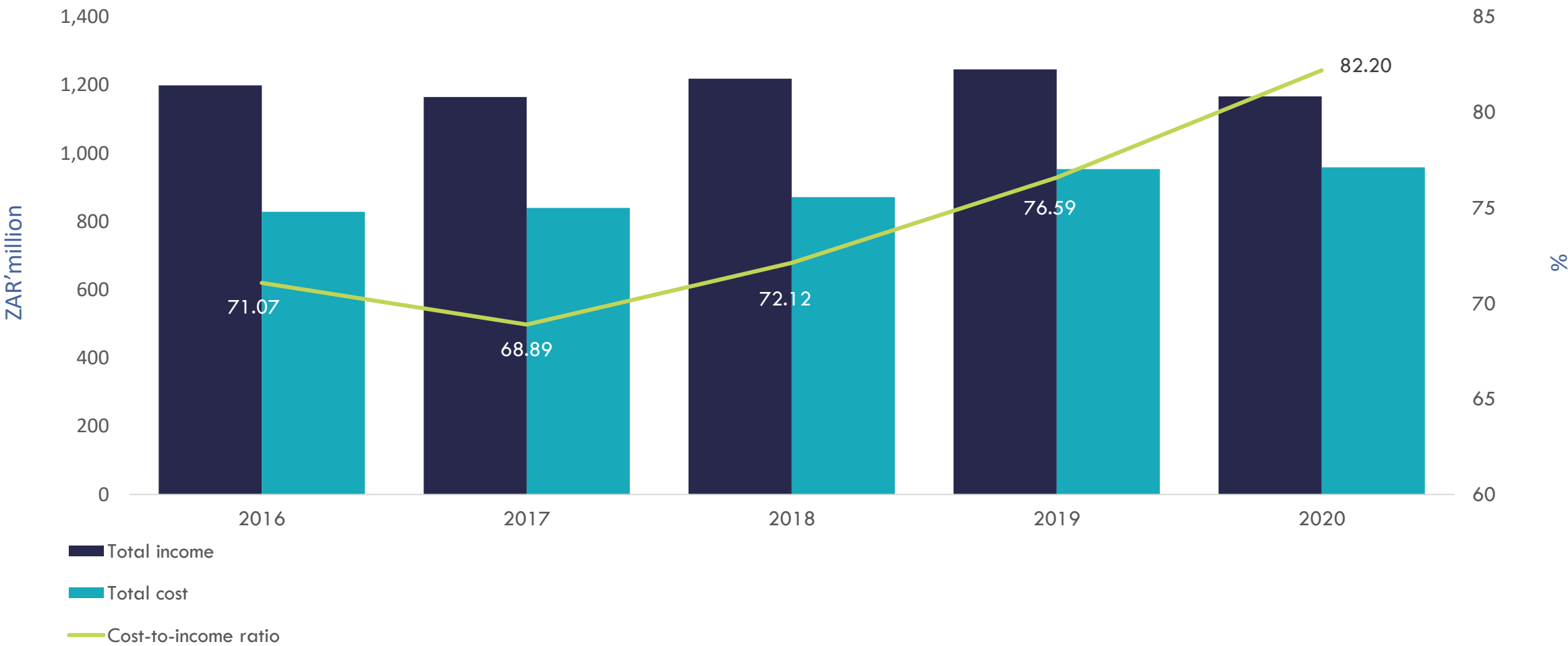
Financial position – liabilities and equity

		Change %	30 June 2020 R'000	30 June 2019 R'000
Funding under repurchase agreements and inter-bank (including overdraft)	▼	12.23	2 034 268	2 317 618
Trading liabilities	▼	14.97	999 842	1 175 828
Current taxation liability	▼	12.44	3 963	4 526
Provisions and other payables	▼	13.73	825 415	956 814
Lease liabilities	▲	100	70 266	0
Deposits from customers	▲	3.17	5 138 778	4 981 067
Debt securities issued	▼	0.35	2 743 823	2 753 521
Long-term loans	▼	25.03	371 649	495 715
Deferred tax liability	▼	31.96	94 531	138 929
Total liabilities		(4.22)	12 282 535	12 824 018
Ordinary share capital and reserves	▼	3.20	1 534 919	1 585 626
Preference share capital and premium		–	188 086	188 086
Non-controlling interest	▼	100	0	3 672
Total liabilities and equity		(4.08)	14 005 540	14 601 402

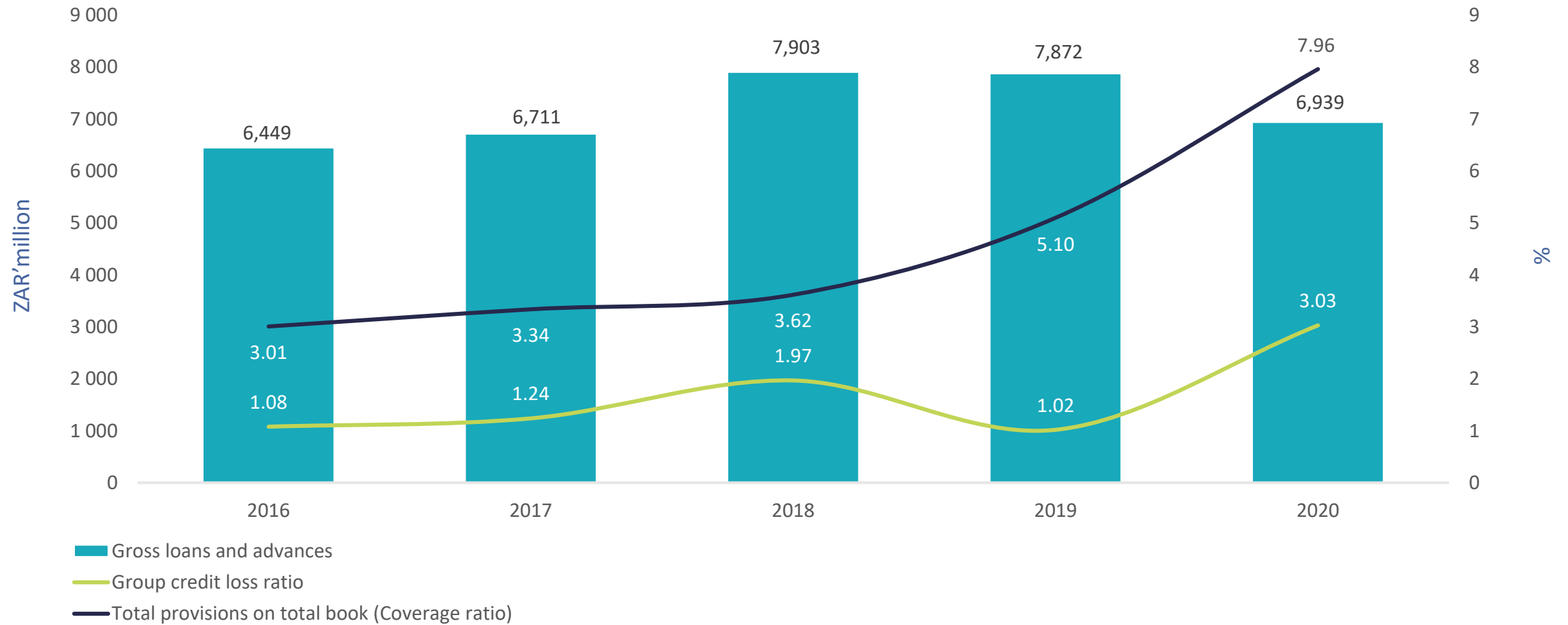
Financial performance

		Change %	30 June 2020 R'000	30 June 2019 R'000
Net interest income	▲	1.41	506 315	499 272
Non-interest income	▼	12.01	640 180	727 588
Net fee and commission income	▲	0.57	429 445	427 022
Gains and losses on financial instruments	▼	54.28	85 674	187 400
Other income	▲	10.51	125 061	113 166
Share of associate income after tax	▲	5.28	20 161	19 149
Total income	▼	6.37	1 166 656	1 246 009
Impairment charges on loans and advances	▲	214.37	(252 618)	(80 358)
Net income after impairments	▼	21.59	914 038	1 165 651
Operating costs	▲	0.49	(959 040)	(954 366)
Cash expenses	▼	4.57	(848 749)	(889 369)
Non-cash expenses	▲	69.69	(110 291)	(64 997)
(Loss)/profit from operations	▼	121.30	(45 002)	211 285
Income tax expense	▼	103.78	1 848	(48 832)
(Loss)/profit for the year	▼	126.56	(43 154)	162 453
Preference dividends			(15 029)	(14 955)
Non-controlling interest			(1 993)	562
Headline adjustable items			11 559	13 245
Headline (loss)/earnings	▼	130.14	(48 617)	161 305

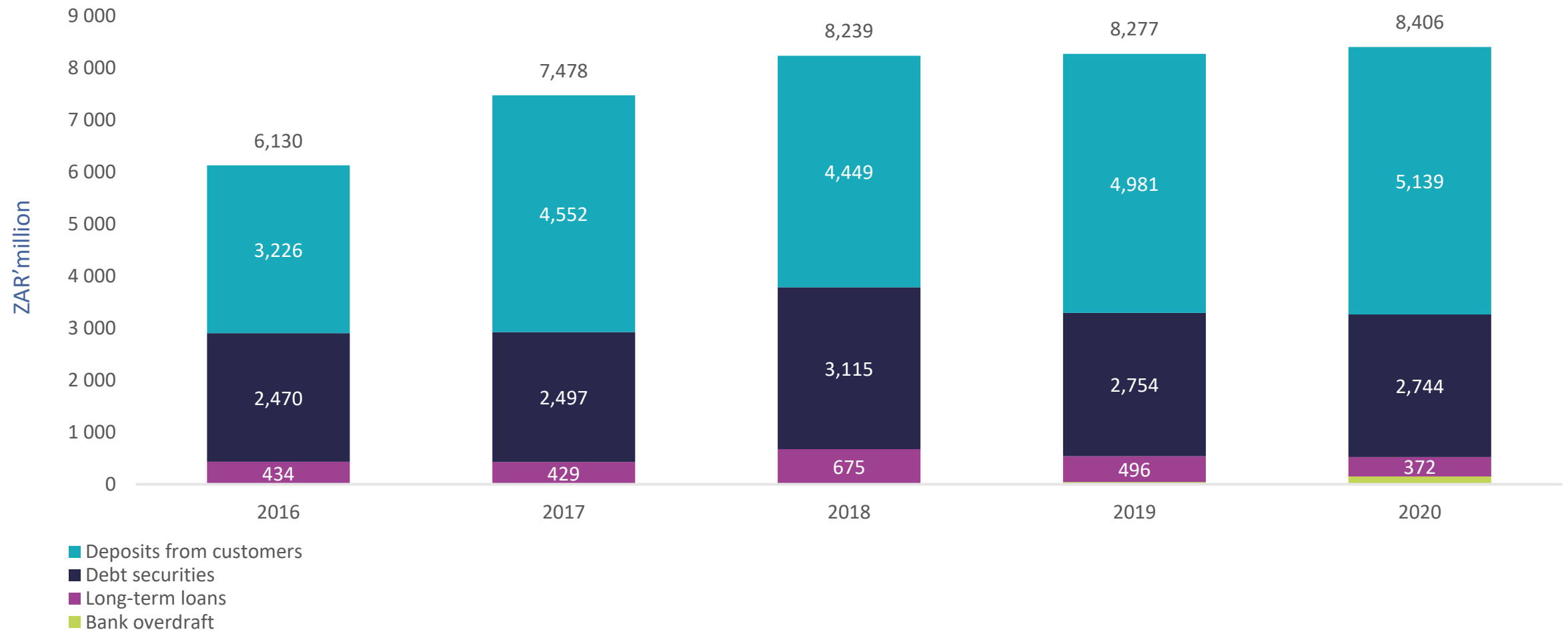
Total income versus cost and cost-to-income ratio



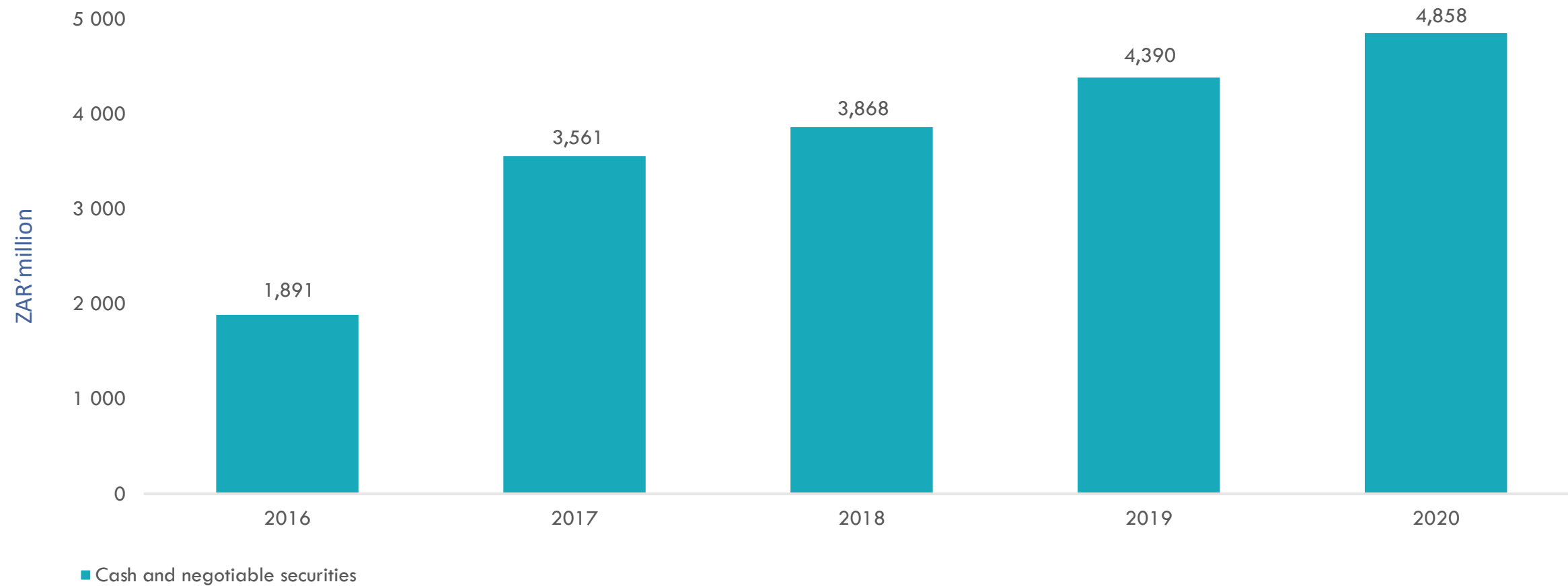
Gross amortised loans and advances and credit risk



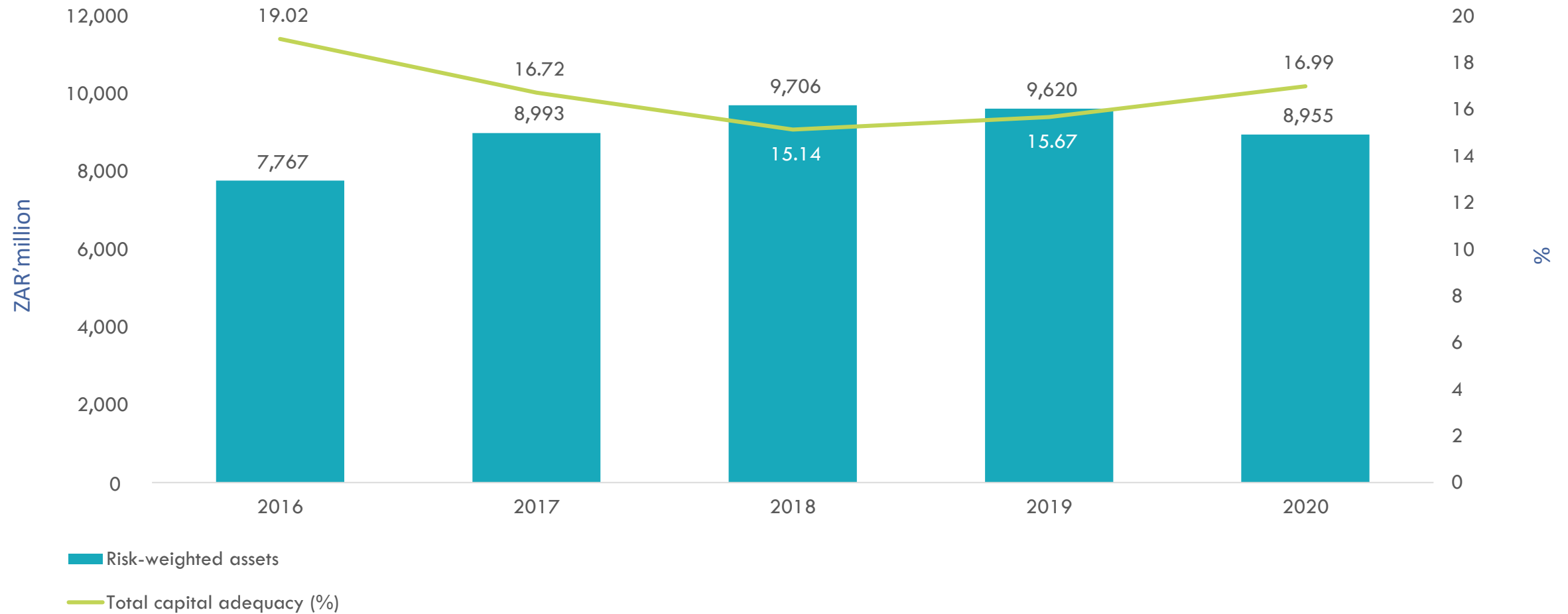
Core funding base



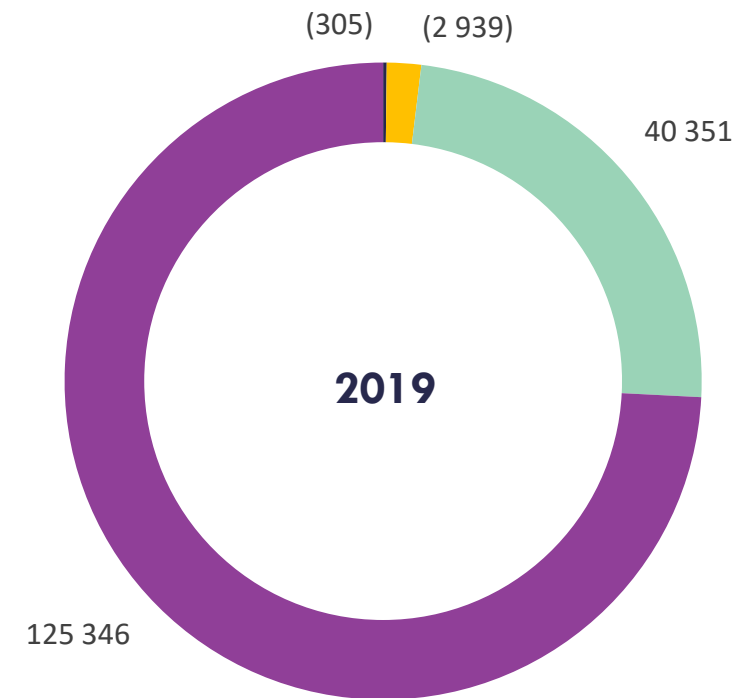
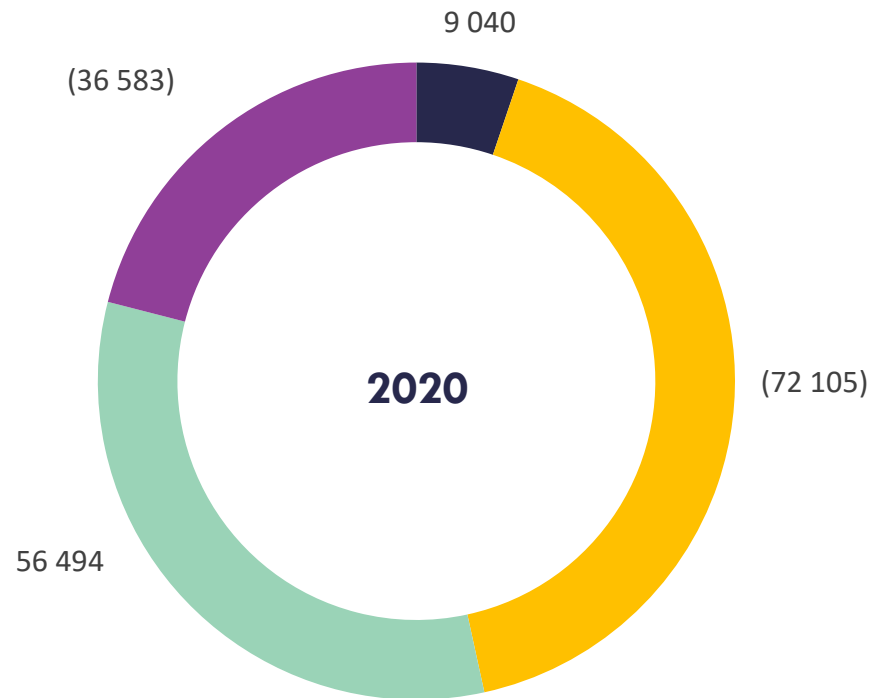
Cash and negotiable securities



Capital adequacy – Group



Profit or loss for the year – by Pillar



- Holdings and Group Eliminations
- Capital Pillar
- Wealth Pillar
- Bank Pillar



Capital Pillar

Francois Otto
Head: Sasfin Capital

- Provides funding solutions that address the needs of mid-market corporates and property entrepreneurs;
- Incorporates the Group's lending and investment banking activities to the mid-market;
- Extends and arranges finance for mid-market businesses;
- Houses Group's strategic investments and provides support to the Group in executing its strategic initiatives.

Highlights

- Strong growth in property finance and specialised business lending, with over R400m of credit assets originated since this initiative was launched (c. R300m deployed in the nine months prior to Covid-19 with more than R100m pending deployment post financial year-end).
- Strong pipeline of new deals.
- Exited, or contractual commitment to exit, circa R80m of private and property investments at, or above, carrying value.

Challenges

- The impact of Covid-19 on investee companies and private equity valuations.
- Performance of on-balance sheet private and property equity portfolio mainly due to the valuation impact of Covid-19.

Capital		Change %	2020 R'000	2019 R'000
Total income	▼	40.61	57 076	96 106*
Impairment changes on loans and advances	▲	>100	(24 911)	(339)
Net income after impairments	▼	66.41	32 165	95 767
Operating costs	▼	7.69	(98 232)	(106 415)
Loss before tax			(66 067)	(10 648)
Taxation			(6 038)	7 709
Loss for the year	▼	>100	(72 105)	(2 939)

* Includes Share of associate profit or loss

- Private and Property Equity valuations were significantly impacted due to Covid-19.
- The tax expense is as a result of not recognising deferred tax assets on assessed losses.
- During the year, the Group reduced its position in Sasfin HRS from a controlling position to a minority position which resulted in the deconsolidation of the investment.
This deconsolidation contributed to the cost reduction in the pillar.

Key focus areas: 2021

- Growing our specialised lending and property finance businesses;
- Growing our private markets activities;
- Optimising our existing portfolio of private and property investments and reducing our holdings in these investments at acceptable prices;
- Embedding the Trade and Debtor Finance division into the Capital Pillar with a focus on extracting synergies with our business lending units.

A black and white photograph of a man with a beard, smiling and holding a pen and papers. He is wearing a dark button-down shirt and jeans. The background is a blurred office environment with a computer monitor and other people.

Wealth Pillar

Erol Zeki
CEO: Sasfin Wealth

Investment Management

Offers award-winning multi-asset, multi-boutique investment solutions, designed to meet the needs of institutional and private investors.

- Global Portfolio management
- Asset Management
- Private Markets

Advisory Services

Provides independent investment advice to retirement funds, healthcare consulting services to business clients and wealth and fiduciary advice to private clients.

- Wealth Advisory
- Investment Services
- Fiduciary
- Asset Consulting
- Healthcare

Equities and Fixed Income

- Global stockbroking
- Fixed Income Broking and Solutions

Strategic Investments

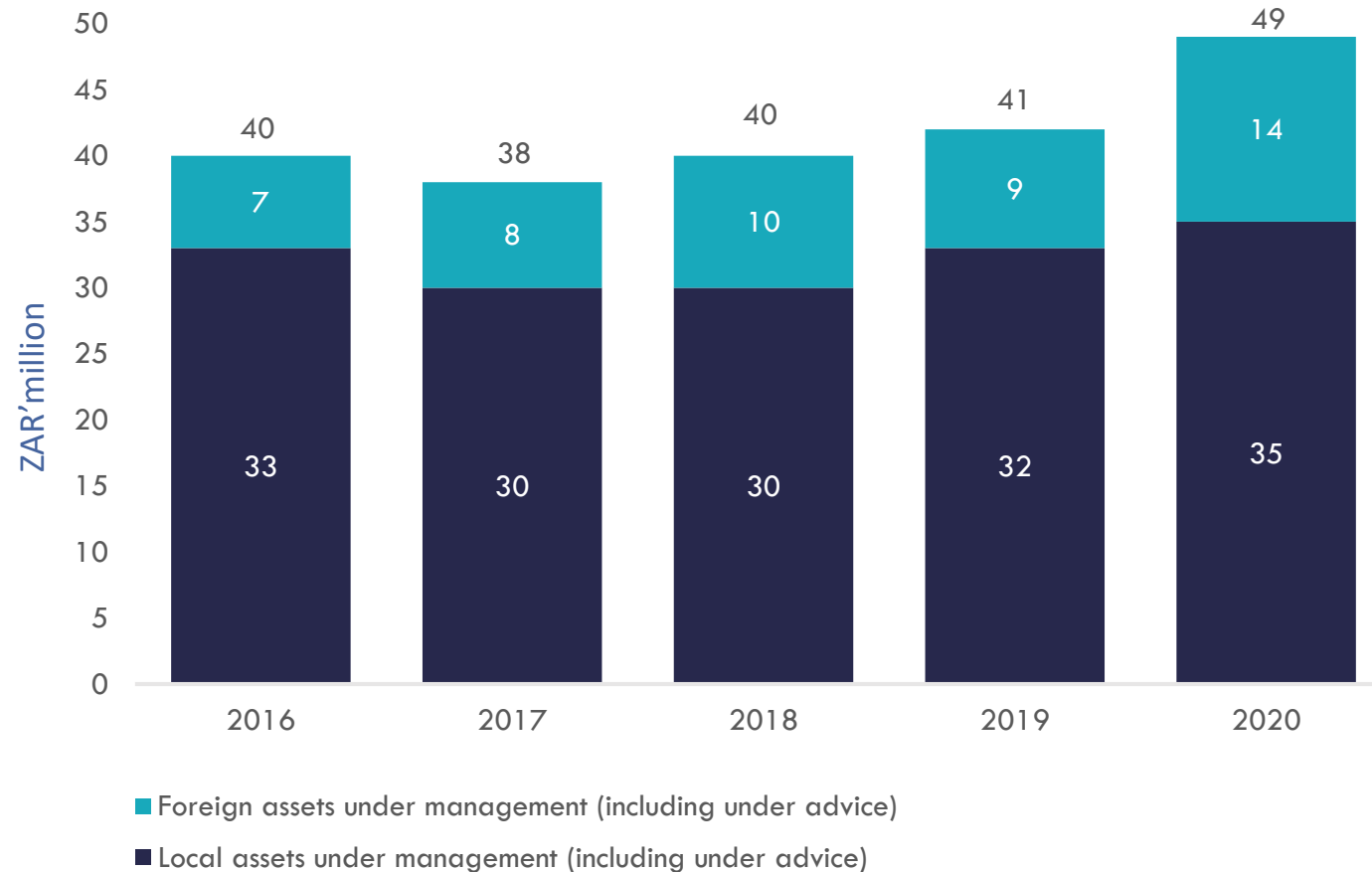
- The Efficient Group
- DMA

Wealth		Change %	2020 R'000	2019 R'000
Total income*	▲	3.79	333 586	321 393
Operating costs	▲	0.19	(269 179)	(268 681)
Profit before tax			64 407	52 712
Taxation			(7 913)	(12 361)
Profit for the year	▲	40.01	56 494	40 351

* Includes Share of associate profit or loss

- Revenue growth driven by:
 - Institutional asset management and foreign revenue in line with asset growth in these areas
 - Performance of strategic investments, in particular DMA
- Brokerage remained under pressure with the broader local market remaining weak and margins under pressure.
- 18.45% increase in Assets Under Advice and Management (AUM) to R48.7bn. Offshore AUM (including under advice) now equates to 28.57% of total AUM.

Assets under management and advice



- Institutional AUM grew by 9.38%.
- Offshore AUM grew by 55.56%.
- Growth was driven by a combination of strong net inflows, solid performance and Rand weakness.
- Local assets remained under pressure driven by:
 - Continued weakness in the broader local equity market
 - Clients funding their liquidity needs from local assets
 - A greater portion of client overall assets being invested offshore

Highlights and Challenges

Highlights

- Strong growth in offshore and institutional AUM and revenue.
- Strong investment performance across all our investment solutions – the BCI Flexible Income Fund won a Raging Bull award for the second year running, and the BCI Balanced Fund won a Morningstar Award.
- Launched a fiduciary offering, deepening the holistic advice provided to clients.
- Solid performance by DMA which earns the majority of its revenue offshore, and strong investment performance across our investment solutions.
- Won Top Advice-Based Broker award in Intellidex Top Stockbroker award 2020.

Challenges

- Weak local conditions:
 - SA economy continues to negatively impact the broader local equity market
 - This impacts investors and therefore the local revenues
 - Global nature of Sasfin's solutions diversifies client exposure internationally and reduces their exposure to local risks

Key Focus Areas: 2021

- Attracting and retaining top talent;
- Investment in distribution and marketing to leverage our leading and award-winning investment solutions;
- Continue to expand our offering locally and globally;
- Investing in holistic wealth planning and fiduciary services;
- Enhanced client-centric approach supported by investment in technology;
- Work closely with our strategic associates to grow their businesses and unlock synergies.

A low-angle, black and white photograph of several tall skyscrapers reaching towards a cloudy sky. The perspective creates a sense of height and scale. A solid purple rectangular box is overlaid on the right side of the image, containing white text.

Banking Pillar

Michael Sassoon
Group Chief
Executive Officer

Linda Frohlich
CEO: Asset
Finance



Banking Pillar – Asset Finance

Linda Frohlich
CEO: Asset Finance

- Provides asset finance across multiple industries through a deep engagement with business asset suppliers;
- Excellent client service and relationships as well as speed to market;
- The division continues to introduce new products and asset classes to finance;
- There are opportunities to support businesses to become more energy efficient and environmentally friendly, and to finance the acquisition of software and technology in response to the fourth industrial revolution.

Highlights and Challenges – Asset Finance

Highlights

- We are working closely with our clients to provide support where appropriate while managing the credit risk.
- We continue to make good progress in diversifying our book and expanding our offering.
- Our specialised equipment finance offering has much scope for growth having grown positively, now at 22% of our total Asset Finance book (up from 20% in 2019).
- We have seen a noticeable pick-up in volumes post year-end, however our advances remain lower than at prelockdown levels.

Challenges

- Asset purchases in the last quarter of 2020 dropped materially resulting in a meaningful reduction in our book.
- We have seen a large increase in arrears in our book, which together with forward looking overlays resulted in a significant increase in impairments.
- Covid-19 impact on credit appetite, growth in loans and advances and impairments.

Key Focus Areas: 2021

- Widen our Asset finance offering across multiple asset types and industries;
- Deepen our credit profile;
- Work with our clients while ensuring good collections;
- Offer prediscounting vendor financing which enables suppliers to obtain finance for their purchase of equipment;
- Increased insurance roll out as part of the equipment we finance.



Banking Pillar – Business Banking

Michael Sassoon

Group Chief Executive Officer

- Transforming the banking experience for business clients and entrepreneurs through B\\YOND, a digital business banking platform;
- Integration of transactional banking, forex and business lending to ensure a seamless client experience;
- Funds working capital requirements of growing businesses.

Highlights and Challenges – Business Banking

Highlights

- Enhanced digital business banking offering which now incorporates a mobile app and revolving business loans.
- Integrating our forex unit will result in improved client experience and cost savings.
- Good client and income growth on B\\YOND.
- Hello Paisa relationship working well.
- Trade and Debtor Finance new client onboarding and credit performance was decent in a very tough environment.

Challenges

- Trade and Debtor Finance business saw a contraction in loans and advances due to lower utilisation.
- Scale remains a challenge in Business Banking which we are actively addressing.

Performance

Bank		Change %	2020 R'000	2019 R'000
Total income	▼	5.17	785 454	828 304
Impairment changes on loans and advances	▲	393.59	234 927	(80 019)
Net income after impairments	▼	26.43	550 527	748 285
Operating costs	▲	4.30	(601 925)	(579 266)
(Loss)/profit before tax	▼	130.41	(51 397)	169 019
Taxation			14 813	(43 673)
(Loss)/profit for the year	▼	129.19	(36 584)	125 346

- The decline in income is due to the contraction of the loans and advances book and lower fee generation in forex.
- Total costs up 4.30%, driven off the increase in non-cash related costs. Salary costs were contained as headcount was reduced.
- Cost-to-Income 76.64% versus prior year of 69.93%.

Key Focus Areas: 2021

- Enhance the features and functionality of our digital business banking platform, B\\YOND;
- Drive integration of Forex and Transactional Banking;
- Fast track the roll out of additional credit capabilities in terms of overdrafts and revolving business loans;
- Grow loans and advances at the right margin;
- Extracting synergies between Capital and Trade and Debtor Finance.



Prospects

Michael Sassoon
Group Chief Executive Officer

Covid-19: Update on our Five point plan

- Health and Safety: 22 Sasfin staff members contracted the virus. 19 have recovered;
- Remote Working: Effectively operating with few people at the office. Our future of work team has been established and is making good progress;
- Financial Stability: Deposits grew, healthy available cash and regulatory ratios;
- Client Support: We have provided relief where appropriate and are participating in the government loan guarantee scheme;
- Stakeholder Engagement: We engage regularly with our various stakeholders.

Prospects – Refinement of Strategy

- Going digital and future of work;
- Streamlined business – releasing capital;
- Supporting SMEs- transforming our society;
- Reducing the cost of funding;
- Continued growth in Sasfin Wealth.

- Meaningful ongoing investment in digitalisation ensures that we are transforming the way we work and the banking experience of our clients;
- This allows us to optimise our service delivery and cost base in the future;
- We effectively worked remotely throughout the lockdown ensuring all our products and services were available to clients;
- While we retain a high-touch approach where appropriate, we continue to ensure that our client engagement can be supported digitally;
- We are reducing our footprint by increasing our remote working capabilities. We haven't extended our Melrose Arch lease and will be exiting our expensive Waverley lease in April 2022.

Streamlined business – releasing lazy capital

- We are considering closing our Hong Kong operation and running our offshore trade finance from SA;
- We are focused on exiting non-core activities, including some of our private equity investments on acceptable terms;
- This will help unlock ‘lazy’ capital which will be deployed to facilitate growth in our core businesses;
- We are integrating teams, built around client segments, to drive synergies for the benefits of clients, improve scale and reduce duplication and costs.

Supporting SMEs – transforming our society

- We have entered into a circa R1bn partnership with the FMO (Dutch Development Bank) to grow SME lending made up of:
 - a R390m term facility;
 - \$35m loan guarantee facility (Nasira) to provide loans to women, youth, migrants and Covid-19 impacted businesses;
- This offering is the next step in our digital B\\YOND Business Banking evolution and will be launched to market in 2021. We are proud to be the first South African bank to be able to offer this solution;
- We also continue to develop our lending capabilities in Asset Finance and Sasfin Capital, which together with Nasira, ensure that we are well placed to fund different businesses across sectors.

Reducing the Cost of Funding

- In our lending activities our long-term scalability is impacted by our ability to generate a steady flow of deposits;
- We continue to grow our deposit book with a focus on transactional deposits off the back of our digital banking capabilities;
- This ultimately will enable us to increase our lending activities and improve our margin.

Continued growth in Sasfin Wealth

- Sasfin Wealth has successfully pivoted its business model over the last few years and is well positioned to drive growth in assets under management;
- People remain our top strategic focus – building a business and culture that attracts and retains top talent in the industry;
- Sasfin Wealth will expand its distribution and investment offering further;
- AUM growth continues to be driven by:
 - Focusing in on areas in Asset Management where we have key competencies and differentiation, thereby allowing for scale and operational gearing;
 - Providing truly global solutions to private clients across asset classes.

- The loss this year has largely been occasioned by the private and property equity devaluations and IFRS 9 credit provisions, which were significantly influenced by the economic shock caused by Covid-19 and the sovereign downgrade;
- We are fast-tracking digital transformation across all our Pillars in support of our high-touch engagement model where appropriate. Each of our Pillars is well positioned to compete in the markets in which they operate;
- With our strong capital adequacy and liquidity base, the Group is in a good position to grow both organically and acquisitively;
- Our country faces big challenges, and the road ahead will no doubt be bumpy;
- We are focused on supporting the entrepreneurial spirit and investment goals of South Africans. Ultimately it is those businesses and investors that are at the forefront of the economic growth our country so desperately needs.



Questions

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