

sasfin

beyond a bank

Sasfin Holdings Limited

Annual Results
for the financial year ended
30 June 2023

Agenda

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Deon De Kock

Chair: Sasfin Holdings Limited

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Michael Sassoon

Group Chief Executive Officer

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Harriet Heymans

Group Financial Director

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Michael Sassoon

Group Chief Executive Officer

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WELCOME AND INTRODUCTION

Deon De Kock

CHAIR
SASFIN HOLDINGS LIMITED



CONTEXT

The year in review

Michael Sassoon

CEO
SASFIN HOLDINGS LIMITED



The year in review

- Fundamentally strong core businesses – driving positive earnings
- Healthy balance sheet
- Tackling issues head on
- Strategic Reset
 - Exiting non-core activities
 - African Bank Limited R3.26bn deal
 - Leaner and stronger businesses
 - Greater ROE potential

FINANCIAL REVIEW

Harriet Heymans
GROUP FINANCIAL DIRECTOR



Key Financial Highlights

- **Headline earnings** of R112.7 million (2022: R139.8 million), down 19.4%
- **Total income** (including associate income) growth of 7.3%
- **Total costs up** 10.6%, primarily, by an increase in costs within our Business and Commercial Banking pillar as well as the investigation into financial misconduct.
- **Credit loss ratio** of 125 bps is in line with Sasfin's through the cycle target range, but significantly up on 2022, which was unsustainably low at 25 bps.
- **Balance sheet strengthened**
 - net loans and advances grew 11.5% to R9.0 billion
 - total assets increasing by 6.3% to R14 billion
 - total core funding (including deposits from customers) up 10.8% to R9.7 billion
- **Sasfin Wealth** saw continued growth in Assets Under Advice and Management (AUM), up 12.3% to R66.4 billion

Results – key features

		Change % ⁴	30 June 2023	30 June 2022 Restated
Headline earnings per ordinary share (cents)	▼	(19.42)	366.18	454.43
Headline earnings (Rm)	▼	(19.42)	112.683	139.841
Total income (Rbn) ¹	▲	7.31	1.410	1.314
Total assets (Rbn)	▲	6.27	14.013	13.186
Net Available Cash (Rbn)	▼	(2.96)	1.757	1.810
Gross loans and advances (Rbn)	▲	11.42	9.574	8.593
Total core funding base (Rbn)	▲	10.76	9.739	8.793
Deposits from customers (Rbn)	▲	7.57	5.629	5.233
Total equity (Rbn) ²	▲	4.48	1.654	1.584
Total assets under management and advice (Rbn) ³	▲	12.30	66.442	59.165
Group capital adequacy (%) ⁵	▼	(0.86)	16.07	16.21
Return on Equity (%)	▼	(22.88)	6.81	8.83

¹ Including associate income

² Excluding preference shares and non-controlling interests

³ Excluding assets under administration

⁴ Movements calculated on rounded numbers for percentages and bps

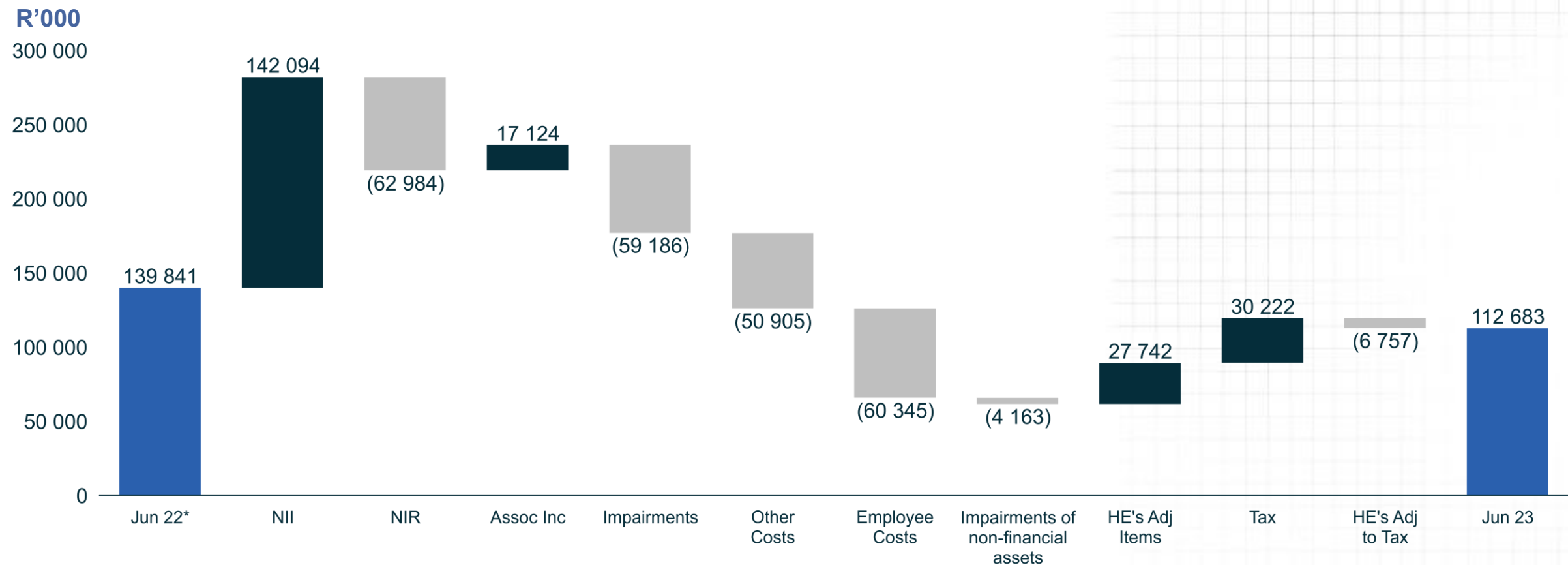
⁵ Unaudited



Returns

- While the core businesses deliver solid returns, the ROE of the Group has been negatively impacted by the high CTI ratio
- The revised strategy focused on streamlining the business aims to enhance the CTI and ultimately drive improved ROE
- Exiting non-core activities
- Focus on capital efficient businesses which possess core strong fundamentals

Headline earnings movements



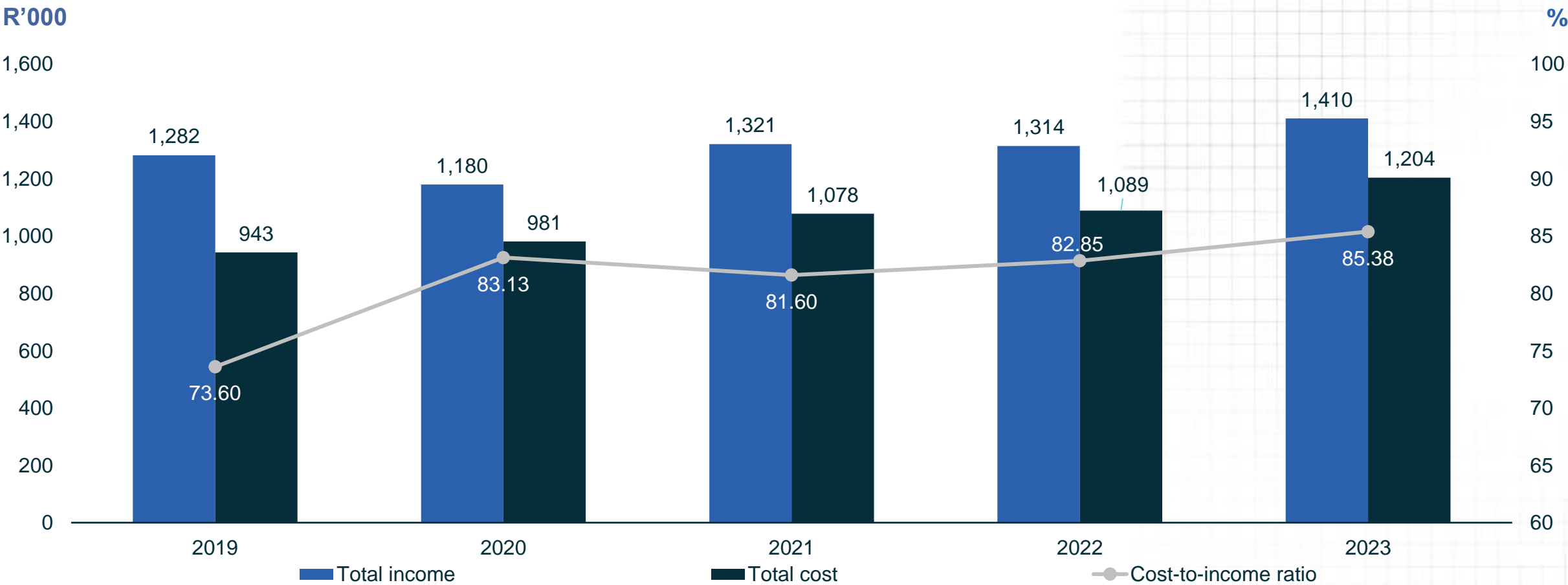
*Restated

Financial performance

	Change % ¹	30 June 2023 R'000	30 June 2022 Restated R'000
Net interest income	25.57	697 744	555 650
Non-interest income	(8.46)	681 094	744 078
Total income	6.09	1 378 838	1 299 728
Credit impairments	>100	(77 424)	(18 238)
Net income after impairments	1.55	1 301 414	1 281 490
Operating costs	10.60	(1 203 945)	(1 088 532)
Staff costs	10.77	(620 604)	(560 259)
Other operating expenses	9.64	(579 178)	(528 273)
Impairment of non-financial assets	>100	(4 163)	–
Profit from operations	(49.49)	97 469	192 958
Share of associate profit	>100	31 270	14 146
Income tax expense	(60.28)	(19 912)	(50 134)
Profit for the year	(30.67)	108 827	156 970
Headline adjustable items	>100	3 856	(17 129)
Headline earnings	(19.42)	112 683	139 841

¹ Movements calculated on rounded numbers for percentages and bps

Total income, total cost and cost-to-income ratio



Prior years restated

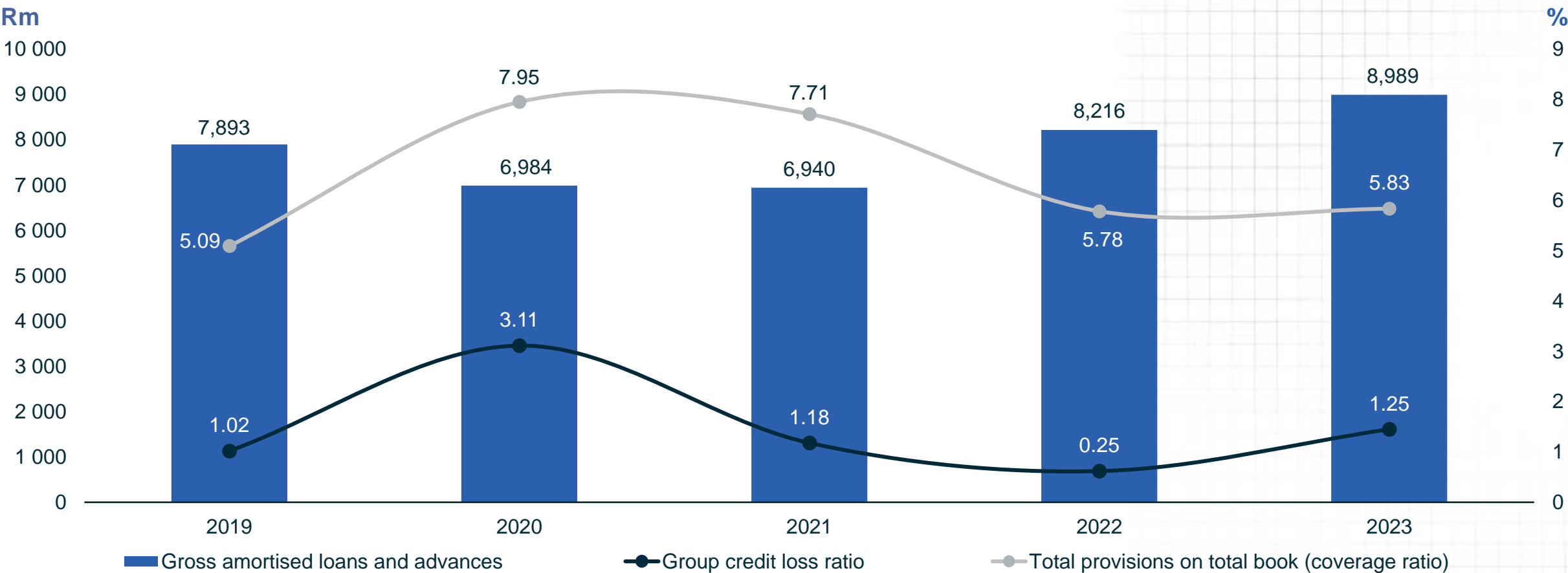
Financial position – assets

	Change % ¹	30 June 2023 R'000	30 June 2022 Restated R'000	30 June 2021 Restated R'000
Cash and negotiable securities	(15.59)	2 160 048	2 559 110	3 344 677
Trading assets	(14.72)	9467 196	547 848	703 433
Other receivables	47.03	1 232 952	838 600	463 066
Net loans and advances ²	11.49	9 049 976	8 117 587	6 717 675
Investments at fair value through profit and loss	(2.15)	621 058	634 697	624 804
Equity-accounted associates	45.86	79 860	54 750	20 089
Intangible assets and goodwill	(23.34)	110 949	144 729	160 856
Other assets	0.93	291 043	288 366	152 347
Total	6.27	14 013 082	13 185 687	12 186 947

¹ Movements calculated on rounded numbers for percentages and bps throughout this document

² Net loans and advances includes amortised loans as well as loans held through fair value and profit and loss

Gross amortised loans and advances, and credit risk



Prior years restated

Summary of IFRS9 impairments

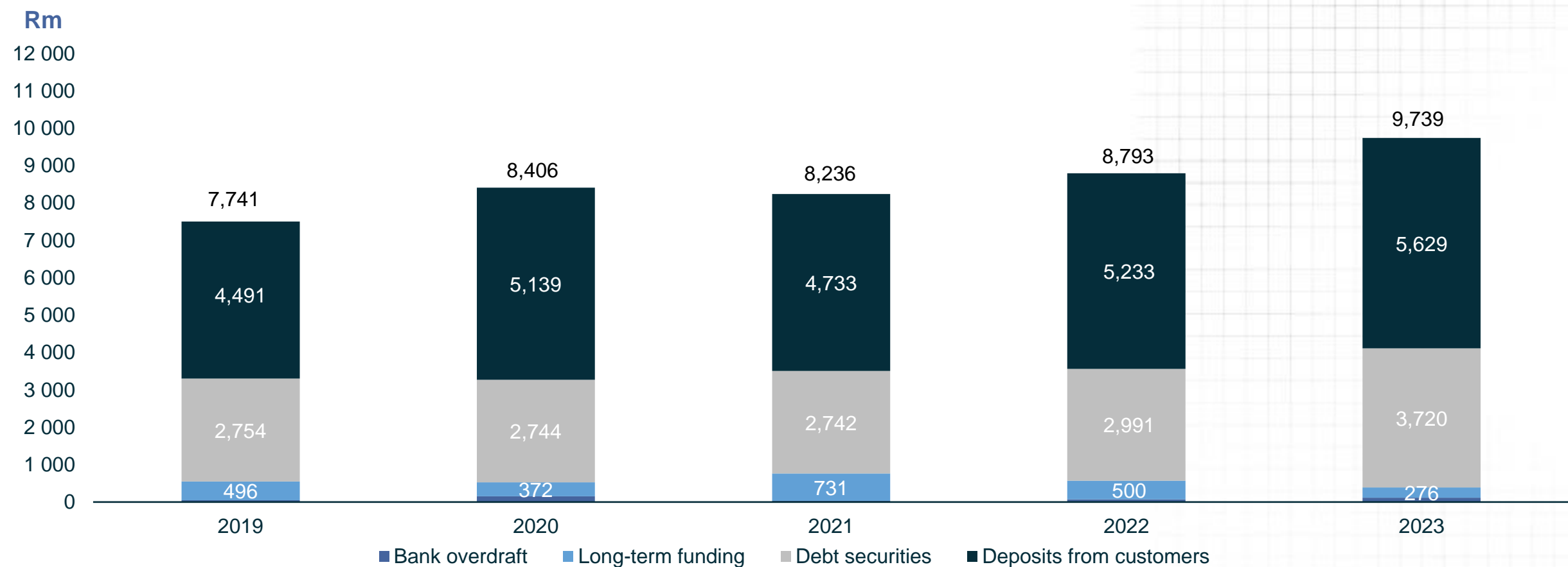
	June 2023				June 2022 Restated			
Gross amortised loans and advances	Exposure R'000	Exposure % of book	ECL R'000	Coverage ratio %	Exposure R'000	Exposure % of book	ECL R'000	Coverage ratio %
Stage 1	7 832 953	87.13	68 428	0.87	7 119 170	86.6	92 778	1.30
Stage 2	220 972	2.46	20 731	9.38	264 906	3.22	23 976	9.05
Stage 3	935 534	10.41	434 668	46.46	831 471	10.12	358 497	43.12
Total	8 989 459	100.00	523 827	5.83	8 215 547	100.00	475 251	5.78

Financial position – liabilities and equity

	Change % ¹	30 June 2023 R'000	30 June 2022 Restated R'000	30 June 2021 Restated R'000
Funding under repurchase agreements and interbank	(56.23)	351 885	803 976	700 067
Trading liabilities	(14.90)	441 344	518 596	658 957
Trade and other payables, provisions and taxation	50.28	1 674 712	1 114 419	1 073 859
Bank overdraft	64.98	113 081	68 541	30 392
Deposits from customers	7.57	5 629 443	5 233 182	4 732 764
Lease liability	(3.56)	151 518	157 116	43 205
Debt securities issued	24.36	3 720 138	2 991 426	2 741 583
Long-term loans	(44.65)	276 488	499 521	730 904
Total liabilities	6.52	12 358 609	11 602 185	10 711 731
Ordinary share capital and reserves	4.48	1 654 473	1 583 502	1 431 903
Preference share capital and share premium		–	–	43 313
Total liabilities and equity	6.27	14 013 082	13 185 687	12 186 947

¹ Movements calculated on rounded numbers for percentages and bps

Core funding base





Sum of the Parts

	30 June 2023 R'000	30 June 2022 Restated R'000
Headline Earnings by segment		
Asset Finance	143 745	163 810
Wealth	94 188	45 538
Business and Commercial Banking	(104 268)	(40 385)
Other	(20 982)	(29 122)
Total	112 683	139 841

- Asset Finance and Wealth contribute meaningfully to Group headline earnings
- While Business and Commercial Banking has strong deposit, trade and debtor finance, and banking solutions, the losses are being actively addressed through the strategic reset

PILLAR REVIEWS

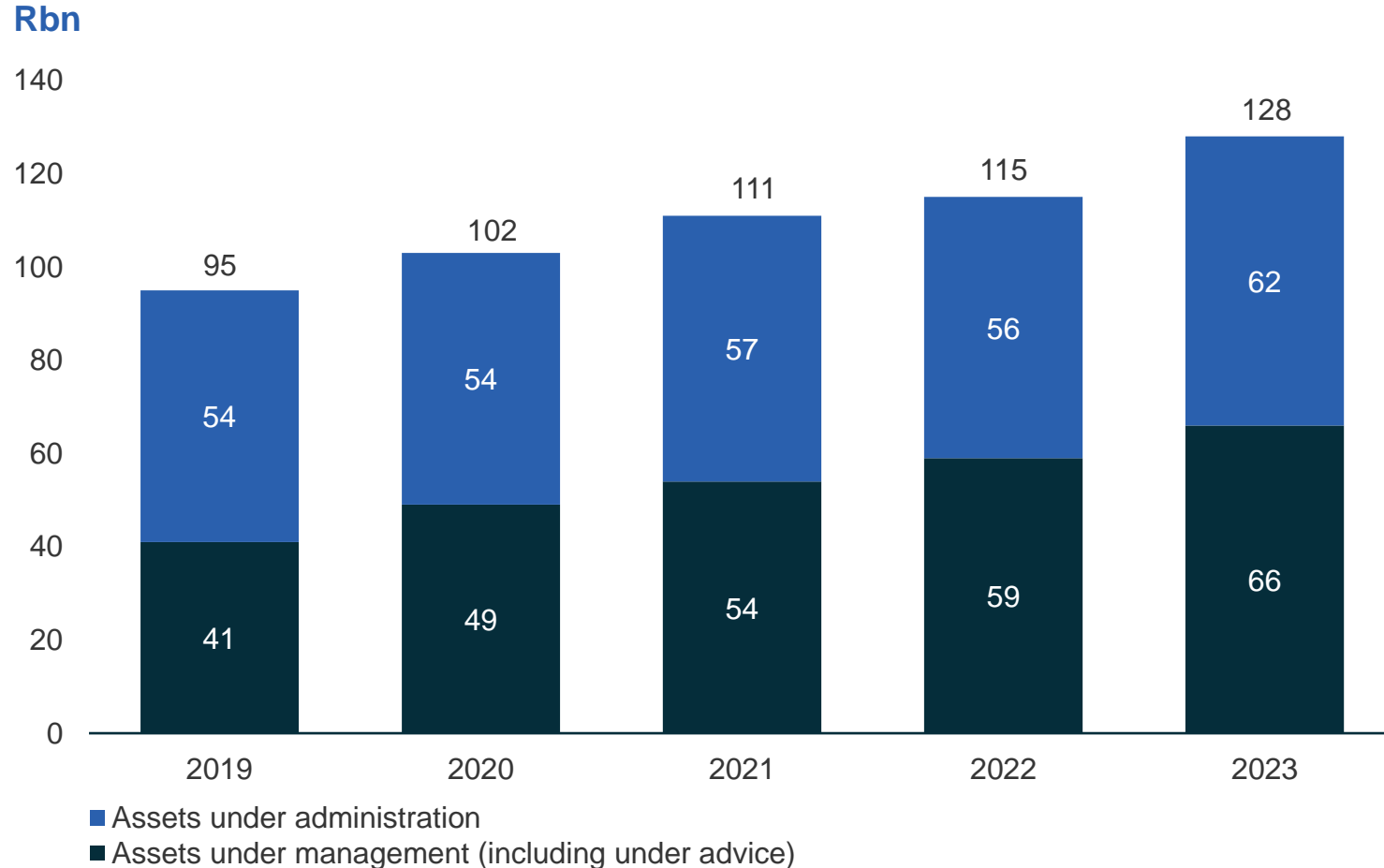


WEALTH PILLAR

Erol Zeki
CHIEF EXECUTIVE



Assets under management and advice (AUM)



- Assets under management (including advice) grew 12.3% from R59.2bn to R66.4bn.
- Asset growth was driven by a combination of:
 - Continued success of our distribution strategy
 - A stronger local equity market
 - Rand depreciation

More than 50% of the assets we advise on and manage, are offshore.

Wealth performance

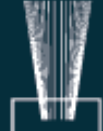
	Change % ¹	30 June 2023 R'000	30 June 2022 R'000
Total income (including associate income)	14.06	413 596	362 612
Credit impairment charges	(89.47)	(2)	(19)
Net income after impairments	14.07	413 594	362 593
Operating costs	(2.74)	(296 254)	(304 595)
Profit from operations	>100	117 340	57 998
Income tax expense	81.52	(23 186)	(12 773)
Profit for the year	>100	94 154	45 225
Headline earnings adjustment	(89.14)	34	313
Headline earnings	>100	94 188	45 538

¹ Movements calculated on rounded numbers for percentages and bps


Sasfin Wealth Awards




Raging Bull Awards 2022
Winner: Sasfin BCI High Yield Fund
 (Best South African Interest-Bearing Short-Term Fund)




Morningstar Awards 2022
Winner: Sasfin BCI Stable Fund (Best Cautious Allocation Fund)




SA Top Securities Brokers 2022
Winner: Top Full-service Broker & Top Lumpsum Archetype Award
Top 5: People's Choice Award




Top Wealth Manager Awards 2022
Top 3: People's Choice Wealth Manager, Retiree Archetype Wealth Manager and Boutique Wealth Manager



Raging Bull Awards 2021
Winner: Sasfin BCI Flexible Income Fund
 (Best South African Multi-Asset Income Fund)




Morningstar Awards 2021
Winner: Sasfin BCI Balanced Fund (Best Moderate Allocation Fund)




SA Top Wealth Managers 2021
Top 5: People's Choice Award & Boutique Wealth Manager




SA Top Securities Brokers 2021
Winner: Top Advice Broker
Top 5: People's Choice Award




Raging Bull Awards 2020
Winner: Sasfin BCI Flexible Income Fund
 (Best South African Multi-Asset Income Fund)




Morningstar Awards 2020
Winner: Sasfin BCI Balanced Fund (Best Moderate Allocation Fund)
Runner up: Sasfin BCI Prudential Fund (Best Aggressive Allocation Fund)



SA Top Stockbrokers 2020
Winner: Top Advice Broker
Top 3: People's Choice Award
Top 5: Relationship Manager Award



Raging Bull Awards 2019
Winner: Sasfin BCI Flexible Income Fund (Best South African Multi-Asset Income Fund)
Finalist: Sasfin BCI Balanced Fund (Best South African Multi-Asset Medium Equity Fund)



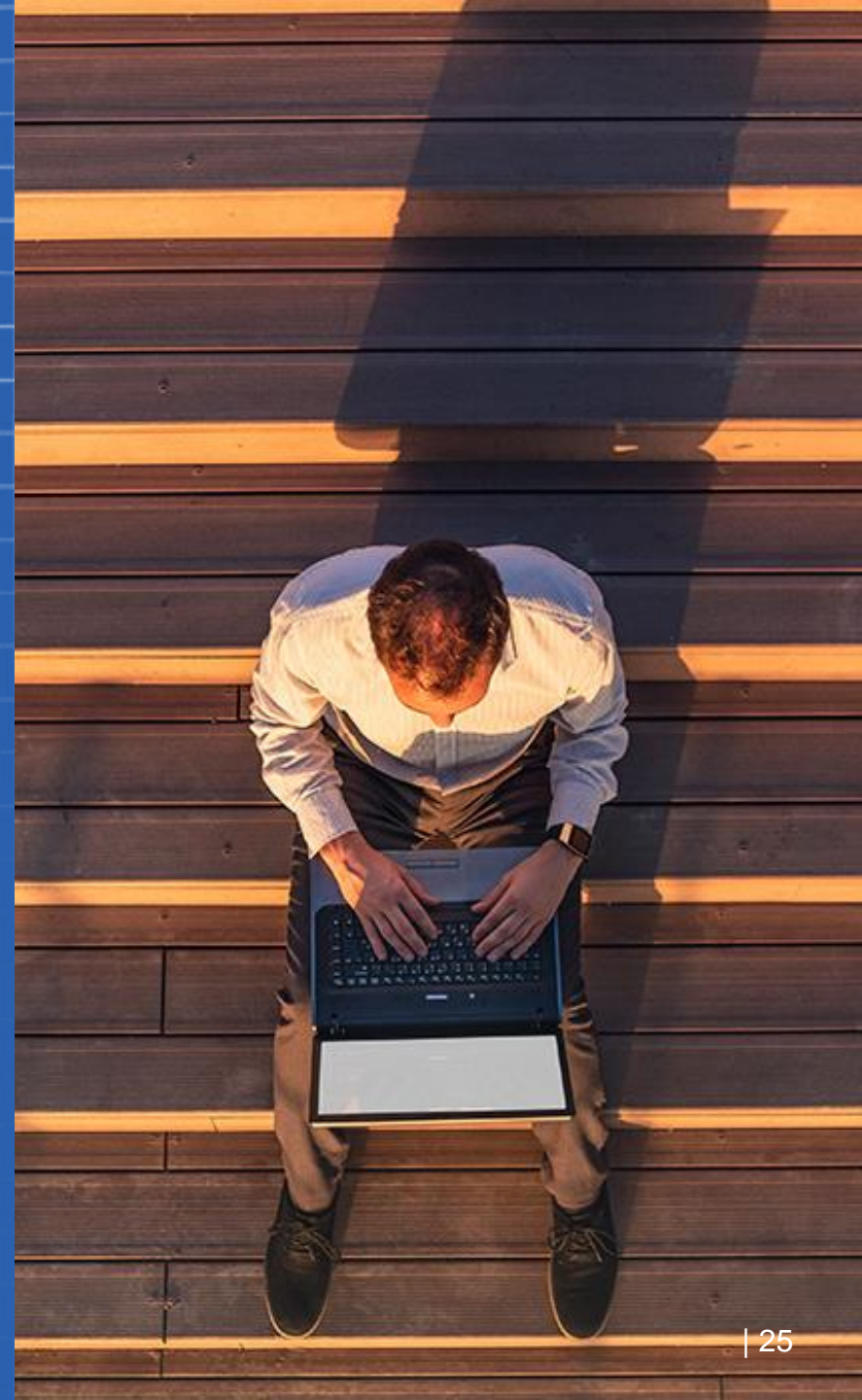
Raging Bull Awards 2018
Winner: Sasfin BCI Flexible Income Fund
 (Best South African Interest-Bearing Fund) &
 Sasfin BCI Flexible Income Fund (Best South African Multi-Asset Income Fund)

2024 Wealth focus

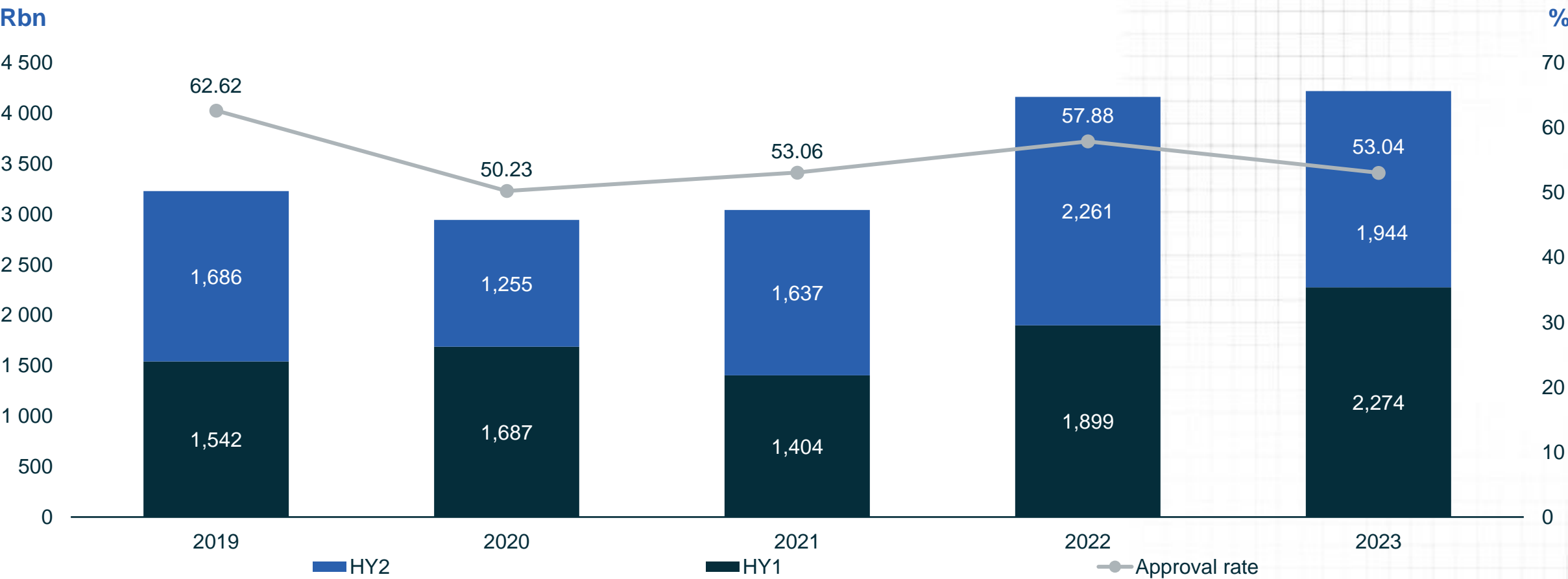
- Focus on growing our high profile and competent team
- Innovate across our broad set of global solutions, including multi-asset, differentiated and alternative products
- Unlock opportunities to grow our client base and assets, locally and offshore, through distribution as well as potential corporate action
- Grow in the institutional market as an asset manager
- Enhance our client experience and platforms, including future-proofing the business through process optimisation and technology



ASSET FINANCE



New business loans



Asset Finance performance

	Change % ¹	30 June 2023 R'000	30 June 2022 Restated R'000
Total income	3.81	613 351	590 832
Credit impairment charges	>100	(81 850)	(4 570)
Net income after impairments	(9.34)	531 501	586 262
Operating costs	(5.80)	(333 790)	(354 333)
Profit from operations	(14.75)	197 711	231 929
Income tax expense	(20.31)	(53 966)	(67 722)
Profit for the year	(12.46)	143 745	164 207
Headline earnings adjustment	>100	-	(397)
Headline earnings	(12.25)	143 745	163 810

¹ Movements calculated on rounded numbers for percentages and bps

2024 Focus

Asset Finance comprises:

- **Rental Finance**, where we are a market leader:
 - focused on supporting equipment suppliers in providing financing solutions to their clients
 - relationship go back four decades
 - granular, low value, high-volume and well diversified loan portfolio
- **Capital Equipment Finance**, where we compete directly with large banks (ABL transaction):
 - larger value loans concentrated on yellow metal, materials handling and production equipment
 - this portfolio has performed well over recent years and has seen meaningful growth



2024 Asset Finance Focus

- Ensure continuity and smooth transition while concluding ABL transaction
- Enhance our technology and data systems
- Continue to place our clients at the centre of everything we do
- Create an environment for our people to thrive
- Grow our participation in the alternative energy space
- Continued strengthening of our control and operational environments



BUSINESS AND COMMERCIAL BANKING



BCB performance

	Change % ¹	30 June 2023 R'000	30 June 2022 Restated R'000
Total income	8.04	303 900	281 274
Credit impairment charges	>100	(57 517)	(26 355)
Net income after impairments	(3.35)	246 383	254 919
Operating costs	31.61	(384 115)	(291 865)
Loss from operations	>100	(137 732)	(36 946)
Income tax expense	>100	30 045	12 868
Profit for the year	>100	(107 687)	(24 078)
Headline earnings adjustment	>100	3 419	(16 307)
Headline earnings	>100	(104 268)	(40 385)

¹ Movements calculated on rounded numbers for percentages and bps

Context – BCB

- While Net Income after Impairments decreased 3.4% to R246.4 million (2022: 254.9 million)
 - there was a material shift in the mix of Net Income After Impairments
 - Specialised Lending, Commercial Property Finance, FX, and revolving credit facilities collectively experienced a 29% reduction to R74.4m (2022: R102.9m)
 - Trade and Debtor Finance, Deposit Taking, and Transactional Banking experienced a 13% growth to R172m (2022: R152m)

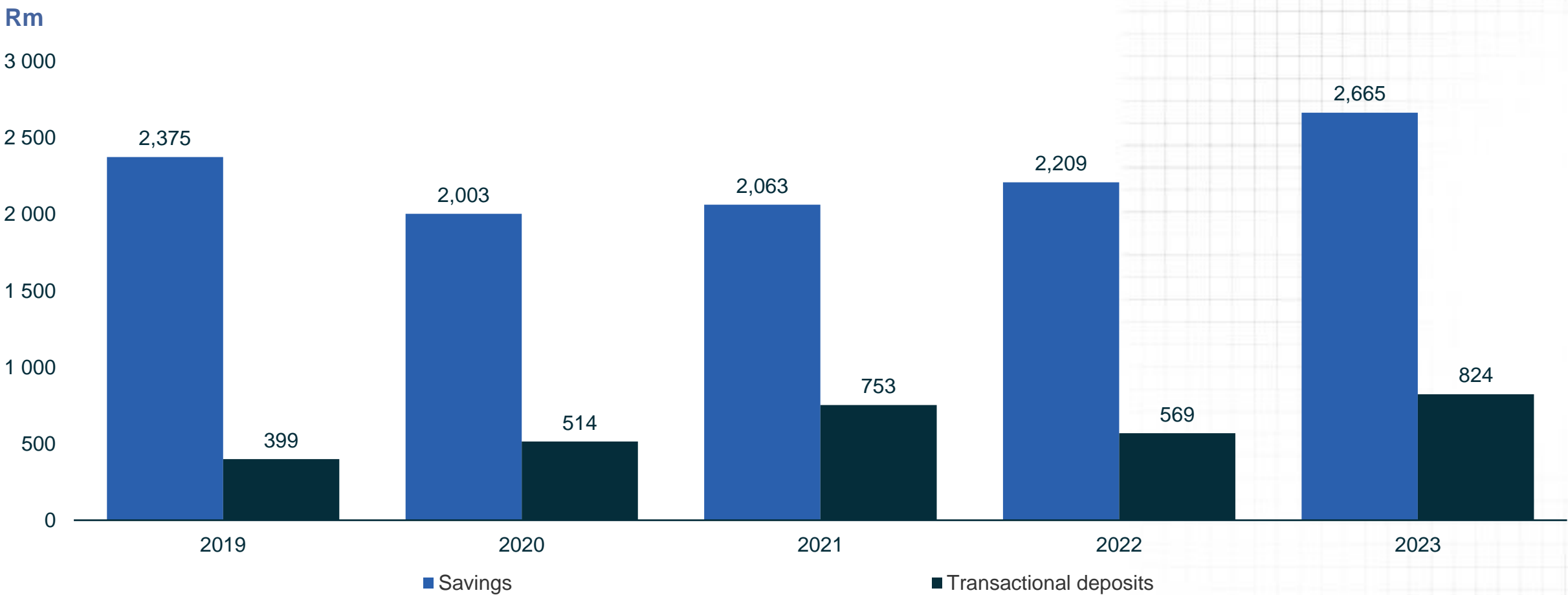
Context – BCB

- Sasfin had been on a journey of building out a diversified business banking coverage-led model over a number of years. This strategy came at a large cost including investing in management, new capabilities and our generalist sales team
- The strategy reset resulted in tough decisions, including:
 - Exiting our capital-intensive term-lending businesses. We exited our specialised lending portfolio in March and have entered into an agreement to dispose of our Commercial Property Finance business (ABL transaction).
 - reducing our headcount by 40 staff since February. This headcount was largely linked to building out the historic strategy.
- We are finalising a detailed review of our FX offering, emerging out of our strategy reset, and the investigations done
- The effect of all of the above was the primary driver of the large cost growth within the Pillar

Context – BCB

- Notwithstanding the challenges faced in this Pillar, Sasfin has built and fine-tuned strong capabilities in its:
 - Trade and Debtor Finance
 - Deposit taking
 - Transactional Banking to target clients
- Largely leveraged off the existing capabilities over a number of years

BCB deposit book growth



2024 Focus

In 2024 we will focus on:

- Competing effectively in business units where we have scale and differentiation
- Finalising the exit of non-core activities

This will result in improved, less volatile and consistent performance

We will do this while:

- Creating an environment for our people to thrive and supporting our core clients
- Strengthening our control and operational environments



PROSPECTS

Michael Sassoon
GROUP CHIEF EXECUTIVE OFFICER



The external environment

Challenges remain

Global Economy

- Increased inflation
- Increased interest rates
- Geopolitical tensions rising
- Slower growth

SA Economy

- Energy and water crisis
- Corruption
- Rising cost of living
- Unemployment remains high
- Weak economic growth
- Interest rates remain high
- FATF grey-listing
- Political landscape – 2024 elections

Tackling issues head on

- Last year Sasfin advised stakeholders that no stone will be left unturned through our expanded investigation into allegations of financial misconduct by clients and staff of our foreign exchange business unit
- We have cooperated with the relevant authorities
- SARB commissioned a separate investigation which has resulted in allegations of non-compliance which, subject to representations and remediation steps, may result in potential sanctions
- Terminated relationships with implicated clients, implicated employees dismissed, criminal charges laid
- Significant steps taken to strengthen the Group's lines of defence and we continue to enhance these further
- No evidence of involvement by members of senior management or of the board in financial misconduct
- External auditors lodged a suspected reportable irregularity, but notified IRBA that it is no longer taking place, in their professional opinion

Conclusion

- Strategic reset enabling greater positive earnings and ROE potential
- Fundamentally strong core businesses - Wealth, Rental Finance and core banking
- Tough decisions have been taken to streamline the business
- We continue to focus on:
 - People & culture
 - Backing our champions
 - Transforming our Society
 - Strengthening our operating platforms

Thank you

- I take this opportunity to thank:
 - Our clients, depositors and associates who we enjoy deep relationships with
 - Our board, management team and people who go beyond for our clients
 - Our regulators and auditors who provide necessary guidance, assurance and oversight
 - Our committed shareholders, particularly our strategic long-term owners

Disclaimer

The Group has, in good faith, made a reasonable effort to ensure the accuracy and completeness of the information contained in this report, including information that may be regarded as forward-looking statements.

Forward-looking statements are not statements of fact, but statements by the Board based on its current estimates, projections, expectations, beliefs and assumptions regarding the Group's future performance, and no assurance is given.

The risks and uncertainties inherent in the forward-looking statements include, but are not limited to, changes to IFRS and the interpretations, applications and practices as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of current and future litigation.

The Group does not undertake to update any forward-looking statements and does not assume responsibility for any loss or damage, however arising as a result of the reliance by any party thereon, including but not limited to, loss of earnings, profits, consequential loss or damage.

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Questions?

Thank you