sasfin Holdings Limited

Summarised Consolidated Group Results, Dividend Declaration and Changes to the Board

for the year ended 30 June 2021

▲ >100%	▲ >100%	▲ 11.65%	▲ >100%
HEADLINE EARNINGS	HEADLINE EARNINGS PER ORDINARY SHARE	TOTAL INCOME[1]	RETURN ON AVERAGE SHAREHOLDERS' EQUITY
R141.071 m	**438.24 cents**	**R1.303 bn**	**9.11%**
2020: (R48.617 m)	2020: (151.00 cents)	2020: R1.167 bn	2020: (3.12%)
		[1] including associate income	
▼ 425 bps	▼ 13.22%	▲ 1.82%	▲ 1.24%
COST-TO-INCOME RATIO	TOTAL ASSETS	TOTAL EQUITY[2]	GROSS LOANS AND ADVANCES
77.95%	**R12.155 bn**	**R1.563 bn**	**R7.251 bn**
2020: 82.20%	2020: R14.006 bn	2020: R1.535 bn	2020: R7.162 bn
		[2] excluding preference shares and non-controlling interest	
▼ 228 bps	▼ 0.21%	▲ 10.89%	▲ 146 bps
CREDIT-LOSS RATIO	NET AVAILABLE CASH[3]	ASSETS UNDER MANAGEMENT AND ADVICE[4]	GROUP CAPITAL ADEQUACY RATIO
75 bps	**R2.346 bn**	**R53.899 bn**	**18.06%[5]**
2020: 303 bps	2020: R2.351 bn	2020: R48.605 bn	2020: 16.59%
	[3] Total cash and liquid negotiable securities less funding under repurchase agreements	*[4] excluding under administration*	*[5] unaudited*

Sasfin Holdings Limited Incorporated in the Republic of South Africa (Company registration number 1987/002097/06) ("Sasfin" or "the Group" or "the Company") (Ordinary share code: SFN ISIN: ZAE000006565)

Financial highlights

For the year ended 30 June 2021

	% Change	30 June 2021	30 June 2020
Consolidated statement of financial position			
Total cash (Rm)	(25.71)	**1 286**	1 731
Negotiable securities (Rm)	(33.31)	**2 085**	3 126
Total assets (Rm)	(13.22)	**12 155**	14 006
Gross loans and advances (Rm)	1.24	**7 251**	7 162
Non-performing loans and advances (Rm)	(14.19)	**611**	712
Income statement			
Earnings/(loss) attributable to ordinary shareholders (Rm)		**77.644**	(60.176)
Headline earnings/(loss) (Rm)		**141.071**	(48.617)
Financial performance			
Return on ordinary shareholders' average equity (%)	>100	**9.11**	(3.12)
Return on total average assets (%)	>100	**1.08**	(0.34)
Operating performance			
Non-interest income to total income (%)		**57.25**	55.84
Cost-to-income ratio (%)		**77.95**	82.20
Credit-loss ratio (bps)		**75**	303
Non-performing advances to total amortised cost gross loans and advances (%)		**8.81**	10.26
Share statistics			
Earnings/(loss) per ordinary share (cents)	>100	**241.20**	(186.90)
Headline earnings/(loss) per ordinary share (cents)	>100	**438.24**	(151.00)
Number of ordinary shares in issue at end of the year ('000)		**32 301**	32 301
Number of ordinary shares in issue at end of the year excluding treasury shares ('000)		**30 773**	32 197
Weighted average number of ordinary shares in issue excluding treasury shares ('000)		**32 191**	32 197
Dividends per ordinary share for the year (cents)[1, 3]		**–**	48.89
Preference share dividend for the year (cents)		**–**	416.91
Net asset value per ordinary share (cents)	1.83	**4 839**	4 752
Capital adequacy			
Capital adequacy ratio (%)		**18.06**[2]	16.59

[1] *Based on the total shares in issue, including treasury shares.*

[2] *Unaudited.*

[3] *A dividend of 131.02 cents per share was declared by the Board on 27 August 2021. Refer to page 17 for more information.*

Condensed consolidated statement of financial position

at 30 June 2021

	30 June 2021 R'000	30 June 2020 R'000
ASSETS		
Cash and cash balances	**1 285 578**	1 731 243
Negotiable securities	**2 085 077**	3 126 595
Trading assets	**703 433**	1 060 342
Trade and other receivables	**511 941**	436 644
Non-current assets held for sale	**6 700**	6 700
Loans and advances	**6 715 951**	6 609 328
Current taxation asset	**26 595**	21 035
Investment securities	**540 061**	654 966
Investments at fair value through profit and loss	**519 972**	528 771
Equity accounted associates	**20 089**	126 195
Property, equipment and right-of-use assets	**65 068**	103 550
Investment property	**16 400**	13 123
Intangible assets and goodwill	**160 856**	205 206
Deferred tax asset	**37 584**	36 808
Total assets	**12 155 244**	14 005 540
LIABILITIES		
Funding under repurchase agreements and interbank	**700 067**	1 882 806
Trading liabilities	**658 957**	999 842
Current taxation liabilities	**5 093**	3 963
Trade and other payables	**722 531**	783 786
Bank overdraft	**30 392**	151 462
Provisions	**72 714**	41 629
Lease liabilities	**43 205**	70 266
Deposits from customers	**4 732 764**	5 138 778
Debt securities issued	**2 741 583**	2 743 823
Long-term loans	**730 904**	371 649
Deferred tax liability	**110 770**	94 531
Total liabilities	**10 548 980**	12 282 535
EQUITY		
Ordinary share capital	**321**	321
Ordinary share premium	**166 945**	166 945
Treasury shares	**(40 177)**	(177)
Reserves	**1 435 844**	1 367 830
Preference share capital	**18**	18
Preference share premium	**43 313**	188 068
Total equity	**1 606 264**	1 723 005
Total liabilities and equity	**12 155 244**	14 005 540

Condensed consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	30 June 2021 R'000	30 June 2020 R'000
Interest and similar income	**995 061**	1 285 549
Interest income calculated using the effective interest method	**947 447**	1 250 375
Other interest income	**47 614**	35 174
Interest and similar expense	**(457 081)**	(779 234)
Interest expense calculated using the effective interest method	**(440 234)**	(733 312)
Other interest expense	**(16 847)**	(45 922)
Net interest income	**537 980**	506 315
Non-interest income	**745 800**	640 180
Net fee and commission income	**416 112**	429 445
Fee and commission income	**628 388**	638 402
Fee and commission expense	**(212 276)**	(208 957)
Gains and losses on financial instruments	**168 845**	85 674
Other income	**160 843**	125 061
Total income	**1 283 780**	1 146 495
Credit impairments	**(150 696)**	(252 618)
Net income after impairments	**1 133 084**	893 877
Total operating costs	**(1 015 455)**	(959 040)
Employee costs	**(530 484)**	(517 605)
Other operating expenses	**(444 387)**	(424 784)
Impairments of non-financial assets	**(40 584)**	(16 651)
Profit/(loss) from operations	**117 629**	(65 163)
Share of associate profit	**18 962**	20 161
Profit/(loss) before income tax	**136 591**	(45 002)
Income tax	**(58 947)**	1 848
Profit/(loss) for the year	**77 644**	(43 154)
Other comprehensive income for the year, net of tax effects		
Items that may be subsequently reclassified to profit and loss:		
Foreign exchange differences on translation of foreign operation	**(40 843)**	41 313
Reclassification of foreign currency differences on loss of control	**(75 886)**	–
Reclassification of hedge reserves on loss of control	**107 099**	–
Total comprehensive income/(loss) for the year	**68 014**	(1 841)
Profit/(loss) attributable to:	**77 644**	(43 154)
Non-controlling interest	**–**	1 993
Preference shareholders	**–**	15 029
Equity holders of the Group	**77 644**	(60 176)
Total comprehensive income attributable to:	**68 014**	(1 841)
Preference Shareholders	**–**	15 029
Non-controlling interest	**–**	1 993
Equity holders of the Group	**68 014**	(18 863)
Earnings per share:		
Basic and diluted earnings/(loss) per share (cents)	**241.20**	(186.90)

Headline earnings reconciliation

For the year ended 30 June 2021

	30 June 2021 R'000	30 June 2020 R'000
Earnings/(loss) are determined as follows:		
Earnings attributable to equity holders of the Group	**77 644**	(60 176)
Headline adjustable items	**63 427**	11 559
Goodwill and intangible asset impairments	**40 583**	16 651
Gross	**40 583**	16 651
Tax impact	**–**	–
Loss/(profit) on loss of control of subsidiary	**31 016**	(4 674)
Investment property – fair value loss on non-current assets held for sale	**3 726**	1 707
Gain on dilution of interest in associate	**–**	(2 125)
Gain on disposal of interest in associate	**(11 898)**	–
Gross	**(21 195)**	–
Tax impact	**9 297**	–
Headline earnings/(loss)	**141 071**	(48 617)
Headline earnings/(loss) per ordinary share (cents)	**438.24**	(151.00)

Condensed consolidated statement of changes in equity

For the year ended 30 June 2021

	30 June 2021 R'000	30 June 2020 R'000
Opening total shareholders' equity	**1 723 005**	1 777 384
Total comprehensive income/(loss) for the year	**68 014**	(1 841)
Profit/(loss) for the year	**77 644**	(43 154)
Other comprehensive income net of income tax for the year	**(9 630)**	41 313
Foreign exchange differences on translation of foreign operations	**(40 843)**	41 313
Reclassification of foreign currency differences on loss of control	**(75 886)**	–
Reclassification of hedge reserves on loss of control	**107 099**	–
Changes in Ownership Interests		
Business Disposals	**–**	(5 666)
Transactions with owners recorded directly in equity		
Net increase in treasury shares	**(40 000)**	–
Preference share buy-back	**(144 755)**	–
Dividends to preference shareholders	**–**	(15 029)
Dividends to ordinary shareholders	**–**	(31 844)
Closing balance	**1 606 264**	1 723 005

Condensed consolidated statement of cash flows

For the year ended 30 June 2021

	30 June 2021 R'000	30 June 2020 R'000
Cash flows from operating activities	**248 096**	141 077
Changes in operating assets and liabilities	**(591 928)**	154 604
Net cash flows from operating activities	**(359 590)**	295 681
Net cash flows from investing activities	**117 980**	48 374
Net cash flows from financing activities	**(73 354)**	(31 052)
Net (decrease)/increase in cash and cash equivalents	**(314 964)**	313 003
Cash and cash equivalents at the beginning of the year	**1 579 781**	1 266 778
Effect of exchange rate fluctuations on cash held	**(9 631)**	–
Cash and cash equivalents at end of the year	**1 255 186**	1 579 781
Cash and cash equivalents	**1 285 578**	1 731 243
Overdraft	**(30 392)**	(151 462)

Condensed consolidated segmental analysis

For the year ended 30 June 2021

Previously management reported on three operating segments: Banking, Capital and Wealth. At the beginning of the 2021 financial year, internal restructuring occurred between existing segments. In order to better represent the revised operating model, management now reports on four segments (excluding the Group functions and inter-segment eliminations segment). These segments are Asset Finance, B\\Yond Business Banking, Capital and Wealth.

Accordingly, the segment information for the prior year has been restated.

	30 June 2021 R'000	30 June 2020 R'000
GEOGRAPHICAL SEGMENTS		
Total income		
South Africa	**1 277 094**	1 118 300
Asia Pacific	**6 686**	28 195
Total	**1 283 780**	1 146 495
Segment assets		
South Africa	**12 155 244**	13 487 003
Asia Pacific	**–**	518 537
Total	**12 155 244**	14 005 540
BUSINESS SEGMENTS		
Segment income		
Asset Finance	**579 444**	530 264
B\\Yond Business Banking	**111 030**	104 579
Capital (including Trade and Debtor Finance)	**170 579**	166 369
Wealth	**326 412**	313 425
Group and inter-segment eliminations	**96 315**	31 858
Total income	**1 283 780**	1 146 495
Segment profit/(loss)		
Asset Finance	**289 273**	68 937
B\\Yond Business Banking	**(40 269)**	(42 903)
Capital (including Trade and Debtor Finance)	**(4 648)**	(62 786)
Wealth	**77 476**	65 135
Group and inter-segment eliminations	**(185 241)**	(73 385)
Profit/(loss) for the year	**136 591**	(45 002)
Segment assets		
Asset Finance	**9 496 439**	7 881 294
B\\Yond Business Banking	**829 621**	698 244
Capital (including Trade and Debtor Finance)	**1 929 050**	2 049 219
Wealth	**984 589**	1 358 624
Group and inter-segment eliminations	**(1 084 455)**	2 018 159
Total assets	**12 155 244**	14 005 540
Segment liabilities		
Asset Finance	**9 002 987**	7 654 218
B\\Yond Business Banking	**858 616**	731 939
Capital (including Trade and Debtor Finance)	**1 808 348**	1 785 543
Wealth	**833 222**	1 080 661
Group and inter-segment eliminations	**(1 954 193)**	1 030 174
Total liabilities	**10 594 980**	12 282 535

Selected explanatory notes to the condensed consolidated financial statements

Condensed consolidated financial statements

The Condensed Consolidated Financial Statements comprise the following:

- Condensed Consolidated Statement of Financial Position
- Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- Condensed Consolidated Statement of Changes in Equity
- Condensed Consolidated Statement of Cash Flows
- Condensed Consolidated Segmental Analysis

at and for the year ended 30 June 2021.

Although these financial results were themselves not audited they are extracted from the consolidated and company annual financial statements which were audited by PricewaterhouseCoopers Inc who issued an unmodified audit opinion on the financial statements. Their audit opinion can be viewed on the Company's website, which also provides more details on the key audit matters on pages 9–17 of the annual financial statements.

The Board of directors (the Board) of the Group take full responsibility for the preparation of this report. These Condensed Consolidated Financial Statements have been prepared under the supervision of Angela Pillay, CA(SA), Group and Bank Financial Director. The results were made publicly available on 31 August 2021.

Basis of preparation and presentation of the condensed consolidated financial statements for the year ended 30 June 2021

The Condensed Consolidated Financial Statements have been prepared in accordance with and contain disclosure required by IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements (JSE Listings Requirements), and the requirements of the Companies Act of South Africa, No 71 of 2008, as amended (Companies Act).

The directors assess the Group's future performance and financial position on a continuous basis and have no reason to believe that the Group will not continue to be a going concern in the reporting year ahead. Consequently, the Condensed Consolidated Financial Statements have been prepared on the going concern basis.

The accounting policies applied in the Condensed Financial Statements are the same as those applied in the Group's Audited Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021.

The Condensed Consolidated Financial Statements are presented in ZAR. All entities in the Group, with the exception of Sasfin Asia Limited, operate in the Republic of South Africa with a functional currency of ZAR.

1. Impact of Covid-19

The operating conditions in the second half of 2021 were better than what was originally anticipated at the start of the Covid-19 pandemic. This is evidenced by the upward projections on GDP growth, with early interventions by government to stimulate growth and increased rollout of vaccines across the country. The impact of the more positive conditions in the second half was evidenced by improved collections and consequential improved credit impairments. The Group managed to grow total income across all business segments from increased volumes, improved pricing and uplift in fair value measurements in our Specialised Lending and Property portfolios, which have shown good growth over the year.

Selected explanatory notes to the condensed consolidated financial statements continued

2. Changes in legal and investment structure

- Sasfin Wealth (Proprietary) Limited (Sasfin Wealth), disposed of its 21.10% interest in its associate, Efficient Group Limited, for a disposal consideration of R146.261 million. The disposal was concluded on 3 December 2020.
- Sasfin Holdings Limited (SHL) sold 100% of its wholly owned subsidiary, SPH, to Sasfin Property Equity Investments Holdings (Proprietary) Limited (SPEIH), a fellow subsidiary of SHL. This internal reorganisation was effected at cost and concluded in March 2021.
- Sasfin Bank Limited's wholly owned subsidiary, Sasfin Asia Limited was wound up with effect from 31 May 2021.
- SHL's wholly owned subsidiary, Sasfin Property Holdings (Proprietary) Limited (SPH) sold 100% of its share of Sasfin Commercial Solutions (Global Trade) (Proprietary) Limited for R33.100 million. This disposal was concluded on 30 June 2021.

The above transactions were concluded in order to optimise the capital of the Group and streamline the business legal structure.

3. Related parties

There have been no material changes, by nature or amount, in transactions with related parties since the 2020 financial year-end.

4. Accounting standards, interpretations and amendments to existing standards that are not yet effective

There have been no changes of a significant nature in respect of such items from what has been previously reported.

5. Subsequent events

Settlement of Preference share buy-back

Sasfin acquired all of its issued preference shares by means of a repurchase of the preference shares, implemented by way of a scheme of arrangement. The unconditional obligation to the preference shareholders was raised as a liability at year-end, resulting in the reduction in preference share premium.

On 5 July 2021 Sasfin paid the Preference Shareholders for their preference shares and the shares were transferred back to SHL, to be held as authorised unissued shares.

Land Bank

On 19 July 2021 the Land Bank repaid 10% (R41.4 million) of the capital outstanding on the Land Bank bills held by Sasfin. The gross amount of Bills, at 30 June 2021, was R415.9 million, before stage 3 impairment of R121.6 million.

Operational loss

During August 2021, Sasfin Securities (Proprietary) Limited in the normal course of business participated in a corporate action on behalf of a client where an error occurred that resulted in an operational loss of R33.9 million. The Company is insured under professional indemnity insurance for such losses. The timing and quantum of any insurance settlement is currently uncertain.

New head office and lease

Sasfin Holdings Limited concluded a lease for a new head office in August 2021 with occupation expected to take place in December 2021. It is currently estimated that the resulting lease liability and asset will approximate R135 million.

Commentary

Purpose

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

Operating environment

The global and South African economy has performed better than anticipated. Locally, this was due to the strong performance in the commodity sector coupled with some of the early interventions by the government, including the reduction in interest rates and fiscal stimulus.

Against this backdrop Sasfin has delivered improved results, returning to profitability while taking active steps to support our stakeholders, including society at large. During this distressed time, our people have gone beyond expectations for our clients and our Company, ensuring meaningful progress in meeting the strategic objectives of the Group, while demonstrating compassion for others.

The economy, however, remains fragile, and the full impact of the third Covid-19 wave and recent civil unrest remain to be seen. New strains of the Coronavirus and the relatively low vaccination rates are a concern.

A streamlined business

During the year, Sasfin concluded several transactions to streamline the legal structure and optimise the capital of the Group. Most notably:

- Sasfin Wealth sold its 21.10% interest in Efficient Group (Proprietary) Limited for R146.2 million resulting in a post-tax profit of R12.2 million. The proceeds were distributed to SHL.
- Sasfin closed its Hong Kong operation, Sasfin Asia Limited. The foreign trade finance operations were moved to South Africa, releasing $12 million of capital to Sasfin Bank Limited. A once-off cost of R30.0 million was incurred, as a result of the unwinding of the hedging and foreign currency translation reserves.
- Sasfin sold 100% of Sasfin Commercial Solutions (Proprietary) Limited, resulting in a small loss. This enabled the Group to reallocate R30.0 million worth of capital.
- Sasfin impaired intangible assets of R40.6 million, some of which related to the sunsetting of legacy systems.

The above transactions and income statement effects were headline earnings adjustable items. The net result of these items was to cause headline earnings to be higher than profits; more importantly, however, the changes made are expected to enhance the Group's future earnings on a sustainable basis.

Additionally:

- Sasfin's repurchase of its preference shares became unconditional during the year, resulting in a liability to the preference shareholders of R144.7 million (including transactional costs) at year-end. The preference share premium was reduced by this amount. The transaction had no impact on earnings. Post year-end, the full liability was settled, and the preference shares were cancelled. This transaction will result in an uplift in regulatory capital and shareholders' equity in 2022.
- The Sasfin share incentive trust purchased 1,424,035 Sasfin shares for, R40.1 million in anticipation of a share incentive scheme which is being designed to align executives' interests to those of the shareholders of the Group. On consolidation these shares are a reduction against Group Equity.

Financial performance

Group headline earnings were R141.1 million (2020: loss of R48.6 million) for the year ended 30 June 2021. This improvement was largely because of improved credit performance and an increase in total income of 11.65% to R1.303 billion (2020: R1.167 billion). Group profit was R77.6 million (2020: Loss of R43.2 million). The headline earnings adjustments are due to the impact of the corporate transactions and the impairment of intangible assets detailed above. Return on Equity improved to 9.11% (2020: -3.12%).

The focus on improving credit quality and strengthening our distribution teams is yielding results. Each Sasfin Pillar recorded income growth. Non-interest revenue grew 16.50% and net interest income grew by 6.25%, despite marginal growth in loans and advances of 1.24%, as our cost of funding improved, and we focused on margins.

Once-off costs associated with the closing of Sasfin Asia Limited and the impairment of intangible assets contributed to the cost growth of 5.88%. Excluding these items, costs would have contracted by 0.78%, reflecting the focus on cost management. As a result of higher total income, the cost-to-income ratio improved to 77.95% (2020: 82.20%). Excluding headline adjustable items, which are not expected to recur in the next financial year, the cost-to-income ratio would have been 73.36%.

Financial, liquidity and capital position

Total assets declined 13.22% to R12.155 billion (2020: R14.006 billion) due to the Group's decision, during Covid-19, to reduce funding obtained under repurchase agreements. Net available cash dropped marginally by 0.21% to R2.346 billion (2020: R2.351 billion).

Gross loans and advances grew 1.24% to R7.251 billion (2020: R7.162 billion). Core funding (excluding funding received under repurchase agreements) dropped 2.02% to R8.236 billion as deposits fell 7.90% to R4.733 billion (2020: R5.139 billion), while long-term funding increased to R730.9 million (2020: R371.6 million).

The Group's capital adequacy ratio (unaudited) strengthened to 18.06% (2020: 16.59%) due to proactive capital management and a decline in risk weighted assets. The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) remain strong and above the regulatory requirements. As a result of the return to profitability and the strong capital and liquidity position, the Company has declared a dividend of 131.02 cents (2020: 48.89000 cents) per share.

Credit performance

Despite the fragile economy, our clients have demonstrated resilience. Through a focus on collection efforts, we have seen a marked improvement in arrears. Most clients who we worked closely with in the immediate aftermath of the first lockdown, have pleasingly brought their accounts back up to date.

As such, the profile of our book has improved over the year:

- Stage 1 Loans (up to date loans): 84.99% of total book (2020: 81.68%)
- Stage 2 Loans (overdue loans): 6.20% of total book (2020: 8.06%)
- Stage 3 Loans (non-performing loans): 8.81% of total book (2020: 10.26%)

This improvement in staging has, together with a reduction in non-performing loans of 14.18% to R611 million (2020: R712 million), been the primary driver for the decrease in the coverage ratio to 7.71% (June 2020: 7.96%) and a significant improvement in our income statement credit-loss ratio to 75bps (June 2019: 303bps). While the forward-looking assumptions have improved year-on-year, we continue to anticipate tough economic conditions.

The ECL provision on the Land Bank bills we held increased by R98.2 million (2020: R23.4 million) to R121.6 million at 30 June 2021. This is in addition to a negative mark-to-market of R13 million on Land Bank bonds held by Sasfin Wealth.

Commentary continued

Segmental overview

Asset Finance

Asset Finance delivered exceptional performance, achieving an operating profit of R289.3 million (2020: R68.9 million). Total income increased 9.27% due to better-quality margins and new business volumes nearing 2019 levels. Improved arrears from focused collection efforts resulted in a material decrease in impairments. Operating costs have been well managed and are down 3.60%.

Covid-19 had a significant impact on our clients, and we worked closely with our clients and suppliers to navigate the related uncertainty. We offered payment holidays, relief loans, and refinancing solutions where appropriate. We have focused on proactively managing supplier relationships and improving our client experience to grow our business. We carefully managed our growth by being mindful of the disproportionate impact of Covid-19 on certain sectors and exploring opportunities within our risk appetite criteria.

Asset Finance has been the pre-eminent business of Sasfin Bank for many years and we see continued scope to grow this business as we increasingly finance new asset types and roll out new products to support our clients. We anticipate increased demand for climate-friendly asset purchases and the use of software within the economy, which we are well placed to finance.

B\\YOND Business Banking

Sasfin continues to invest heavily in its digital business banking franchise which now incorporates integrated banking, foreign exchange, and lending focused on SMEs. Approximately 3,000 new business accounts were opened during the year with higher funding levels and increased credit utilisation. This business, which is responsible for generating lower cost funding for the Group, grew transactional deposits by 45%. The Pillar was, however, negatively impacted by the lower interest rates as the margin earned on transactional deposits fell. Despite this, B\\YOND Business Banking grew total income by 6.17%, with an increase in operating costs of 1.33% resulting in a reduced operating loss of R40.3 million (2020: R42.9 million).

Cost growth was negligible despite the increased investment, through the consolidation of the foreign exchange and transactional banking businesses, thus reducing duplication and creating efficiencies. As we transform the digital business banking experience, we continue to strengthen our client value proposition. We are growing our lending capabilities and have built new credit offerings, introduced a credit application scorecard for smaller loans and have put in place the necessary funding and support to focus on SME lending.

While we are focused on a strong digital product set, our ability to provide a human touch where it matters most, adds important value to our clients, especially as their needs evolve.

Sasfin Capital (including Trade and Debtor Finance)

Sasfin Capital posted an operating loss of R4.6 million (2020: R62.8 million loss). This significant improvement in performance was due to strong profits emerging from the specialised lending and property lending businesses, offset by continued pressure on the legacy private equity portfolio and lower utilisations in Trade and Debtor Finance.

We continue to exit private equity investments, where appropriate, on acceptable terms. The Trade and Debtor Finance business, which has achieved improved credit performance over the last couple of years, has experienced lower utilisation of limits as foreign supply chains of our clients were severely impacted by Covid-19. We have grown our specialised and property lending books by 60% to R688 million. These well-secured portfolios are performing to expectation. The loans typically include profit participation, which provide good revenue growth potential for Sasfin Capital.

Following the onshoring of our foreign trade finance business and the exit of Sasfin Commercial Solutions we will reduce costs in this business.

Sasfin Wealth

Sasfin Wealth increased operating profit to R77.5 million (2020: R65.1 million), primarily, because of growth in Assets Under Advice and Management (collectively AUM) to R53.9 billion (2020: R48.6 billion). Foreign assets under management have remained stable at 28% of total AUM, despite the stronger Rand at year-end. While the Pillar benefited from the disposal of Efficient, it was impacted by the negative mark-to-market on its exposure to the Land Bank as detailed above.

Our investment performance remains strong, as evidenced by our award-winning funds - the Sasfin BCI Flexible Income Fund won its third consecutive Raging Bull award, and the Sasfin Balanced Fund won its second consecutive Morningstar Award. We have also strengthened our advice franchise, as evidenced by Sasfin being recognised as one of the top five boutique wealth managers by Intellidex in the Top Wealth Managers survey for 2021.

Costs were well managed, coming in flat year-on-year, despite an investment in the distribution and technology teams. Sasfin Wealth continues to enhance its offering and strengthen its institutional asset management capabilities.

Prospects and refinement of strategy

Transforming our society

The last few months have reinforced the need for every business to play its role in transforming our society. In Sasfin’s case, we are:

- Improving access to SME finance via our Nasira partnership with the FMO (Dutch Development Bank)
- Driving ESG imperatives in the way we manage investments via a new association with RBN (an impact investment firm) and lending money in terms of our focus on affordable housing and climate-friendly asset types
- Enabling access to financial services of historically marginalised consumers via our relationship with Hello Paisa
- Enhancing our transformation focus as evidenced by our improved level 2 B-BBEE score, previously level 4

Transforming our society starts at home and, over the last year, we have supported our employees and their families to ensure that the impact that we endeavour to see in society is happening within our Company.

Going digital and future of work

After 14 years, our Waverley lease ends in May 2022. We will be moving to new premises at 140 West Street Sandton, where we will meaningfully change how we work. In evaluating what is in the best interests of clients and employees, we are adopting a hybrid work model. As such we expect no more than 60% of our employees to work from the office at any given point in the post-pandemic world. This has resulted in our taking reduced space and ensuring that the space is appropriately designed to support a hybrid work model. This will result in an improved employee value proposition while generating efficiencies. Given the IFRS-16 *Accounting* standards, the financial benefits are only expected to be realised on the income statement in FY 23.

Commentary continued

We continue to enhance our digital offering and have rolled out improved digital capabilities across the Group, including the introduction of a new credit scorecard, the imminent launch of our forex online platform, and improved data analytics capabilities, as we near the end of the risk data aggregation and risk reporting project, which will provide meaningful insights into our business.

Streamlined business

As detailed above, the Group has become far more streamlined, thereby optimising the capital of Sasfin. There are further opportunities to consolidate the business and eliminate inefficient structures, including exiting the legacy private equity portfolio. As we sunset old systems and move our business onto cloud-based platforms, there should be additional efficiencies to be gained into the future. This remains a major focus of the executive team.

Continued growth in Asset Finance and Sasfin Wealth

Asset Finance and Wealth have grown from strength to strength. Both these Pillars deliver excellent returns to the Group and remain the core focus of our business. Both of these businesses have been investing in new people, technologies and capabilities which ensure that there is scope for continued growth.

In Asset Finance, the focus is to deepen the credit curve and widen the asset types financed while working closely with our clients to provide them with solutions to their complex issues. In Wealth we are focused on strengthening our offshore capabilities, offering greater value to clients across the wealth spectrum through a combination of digital and high touch engagements, and are building further scale in our institutional asset management business.

Strengthening a credit-led business banking proposition

We are ready to take the next step in the journey of building a comprehensive business banking offering. Our credit product range has been broadened and now includes revolving credit facilities and term loans in addition to property loans and Trade and Debtor Finance.

We have integrated banking, credit, and foreign exchange for the benefit of our clients and our digital suite continues to evolve. Our offering focuses on both small and large businesses. We have built a comprehensive digital offering where clients are able to have their full business banking requirements met with no human touch. At the same time, we are growing a team of seasoned business and commercial bankers, as well as specialist transactors, to deliver meaningful value to business clients who are so often neglected by the banking industry.

Future changes to the composition of the Board

In compliance with Directive 4 of 2018 (issued by the Prudential Authority (PA)), Mr Roy Andersen and Mr Grant Dunnington have both decided to retire at the AGM on 25 November 2021, having served on the Board for more than 9 years.

Over the past two years, the Board carefully considered and managed continuity and succession of the Board and has identified Mr Deon de Kock as the new Chair to succeed Mr Roy Andersen, with his appointment effective from 25 November 2021. Deon joined the Board as an Independent Non-executive Director in August 2020. Given Deon's previous experience, including having previously been a Chair of a South African bank, in-depth induction programme, and the time invested by Deon over the last year on understanding Sasfin's business, the Board is comfortable that he can seamlessly move into the role of Chair.

We acknowledge the excellent contribution of our Board and, in particular, we thank our Chair, Mr Roy Andersen and our longest serving Independent Non-executive Director, Mr Grant Dunnington, both of whom as announced on SENS today, will be retiring at our upcoming AGM, for their invaluable contribution over the years. We wish Mr Deon De Kock, our in-coming Chair, all the best for his new role which he will assume at the AGM.

Conclusion

Sasfin has successfully weathered the Covid-19 storm to date. While challenging times in our country will remain, Sasfin has a solid foundation, and each of our Pillars is well positioned to take advantage of new opportunities as they present.

We continue to invest to ensure sustainable growth, and we are confident that our approach of blending digital capabilities where possible and high touch where it matters, will enable us to deliver improved value to all our stakeholders in the years ahead. With our strong capital and liquidity base, the Group is in a good position to grow both organically and acquisitively.

We thank our clients, who have been incredibly resilient, as evidenced by the improved credit performance, and our exceptional employees who have gone above and beyond for our clients and our Company.

Many South Africans have struggled against adversity over the last few years, but the entrepreneurial, compassionate, and resilient spirit remains embedded in so many. It is this spirit, that we are so focused on supporting among our business and investor clients, which will help rebuild our country.

Final ordinary share cash dividend
The directors have declared a final ordinary share cash dividend for the year ended 30 June 2021 of 131.02000 cents (2020: Nil) per share.

There was no interim ordinary dividend declared in the current year (2020: 48.89000 cents) for the six months ended 31 December 2020. The total ordinary dividend for the financial year ended 30 June 2021 amounts to 131.02000 cents (2020: 48.89000 cents) per share.

The ordinary dividend is payable to holders of ordinary shares recorded in the register of the Company at the close of business on Friday, 24 September 2021.

The salient dates relating to the ordinary dividend are as follows:

Last day to trade ‘cum’ the ordinary dividend
Monday, 20 September 2021

Ordinary shares commence trading ‘ex’ the ordinary dividend
Tuesday, 21 September 2021

Ordinary dividend record date
Thursday, 23 September 2021

Payment date of ordinary dividend
Monday, 27 September 2021

Ordinary share certificates may not be dematerialised or rematerialised between Tuesday, 21 September 2021 and Thursday, 23 September 2021, both days inclusive.

The above dates and times are subject to amendment. Any such amendment will be published on SENS and in the press.

The following further information is provided to shareholders with regards to the ordinary dividend declaration in respect of the dividends tax:

- The dividend has been declared from income reserves
- The dividend withholding tax rate is 20%, and a net dividend of 104.81600 cents (2020: 39.91200 cents) per share is paid to those shareholders who are not exempt from dividend withholding tax
- The issued number of ordinary shares as at declaration date is 32 301 441 (2020: 32 301 441)
- The issued number of ordinary shares (excluding treasury shares) as at declaration date is 30 772 847 (2020: 32 196 882)

Corporate details

Country of incorporation and domicile	South Africa
Independent Non-executive Chair	Roy Andersen[1]
Executive Directors	Michael Sassoon (Chief Executive Officer) Angela Pillay (Financial Director)
Independent Non-executive Directors	Deon de Kock Eileen Wilton Grant Dunnington[2] Mark Thompson Richard Buchholz (Lead) Tapiwa Njikizana[3]
Non-independent, Non-executive Directors	Gugu Dingaan Nontobeko Ndhlazi Shaun Rosenthal (Alternate) Roland Sassoon
Group Company Secretary	Charissa De Jager
Website and email	www.sasfin.com investorrelations@sasfin.com
Transfer secretaries	Computershare Investor Services (Proprietary) Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
Sponsor	Sasfin Capital (Proprietary) Limited (a member of the Sasfin Group)
Independent sponsor	Deloitte & Touche Sponsor Services (Proprietary) Limited
Auditors	PwC Inc
Registered office	29 Scott Street, Waverley, Johannesburg, 2090 Tel: +27 11 809 7500 Fax: +27 11 887 6167/2489
Postal address	PO Box 95104, Grant Park, Johannesburg, 2051
Company registration number	1987/002097/06
Tax reference number	9300/204/71/7

[1] *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until March 2023.*
[2] *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until the Group's 2021 AGM.*
[3] *Appointed 3 May 2021.*

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 or consequential loss or damage.

GREYMATTERFINCH # 15360

sasfin beyond a bank