

Sasfin Holdings Limited Interim Results for the half year ended 31 December 2019

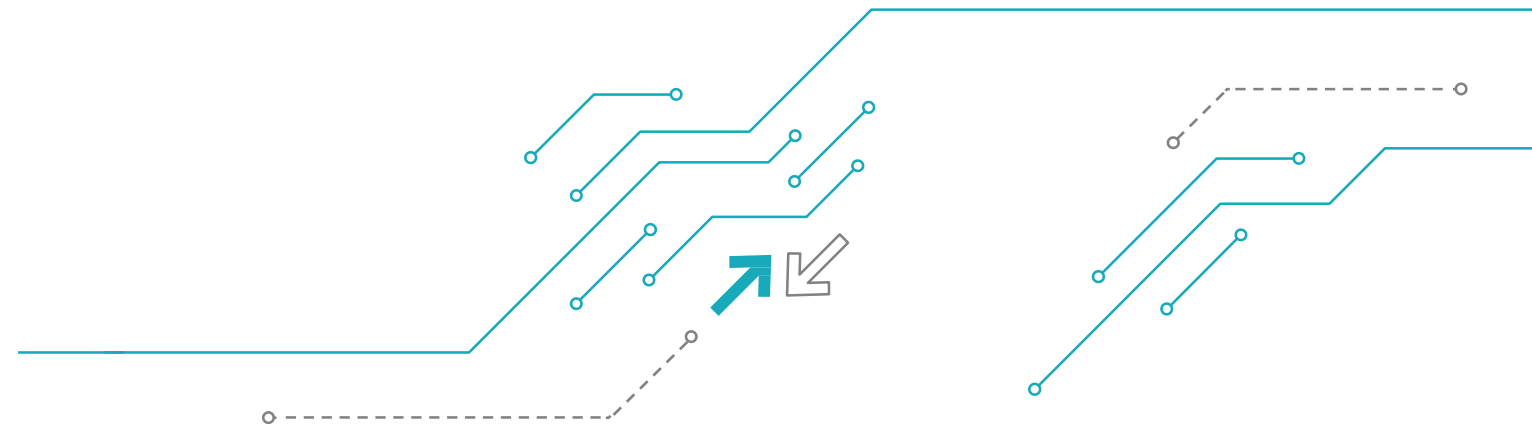
19 March 2020



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Agenda

FINANCIAL REVIEW	Angela Pillay, Group FD
PILLAR REVIEWS	Michael Sassoon, Group CEO
PROSPECTS	Michael Sassoon, Group CEO





Financial Review

Angela Pillay
Group Financial Director



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Results – key features

		Growth %**	31 December 2019	31 December 2018
Earnings per ordinary share (cents)	▲	5.67	244.44	231.31
Headline earnings per ordinary share (cents)	▼	2.27	244.44	250.12
Dividends per ordinary share (cents)	▼	2.27	48.73	49.86
Total assets (Rbn)	▲	6.86	14.527	13.594
Cash and cash equivalents (Rbn)	▲	44.29	1.606	1.113
Negotiable securities (Rbn)	▲	4.20	2.878	2.762
Gross loans and advances (Rbn)	▲	4.20	7.768	7.455
Total funding base (including prefs) (Rbn)	▲	4.97	10.404	9.911
Deposits from customers (Rbn)	▲	10.95	4.983	4.491
Total equity (Rbn*)	▲	7.50	1.648	1.533
Total assets under management and advice (excluding admin) (Rbn)	▲	18.43	44.077	37.219
Credit loss ratio (bps)	▼	6 bps	117	123
Group cost-to-income ratio (%)	▲	37 bps	74.33	73.96
Return on average shareholders' equity (%)	▼	72 bps	9.73	10.45
Return on average shareholders' tangible equity (%)	▼	67 bps	11.37	12.04
Return on average assets (%)	▼	7 bps	1.08	1.15
Group capital adequacy (%) (unaudited)	▲	40 bps	17.063	16.664

* Total equity excludes preference shares and non-controlling interests.

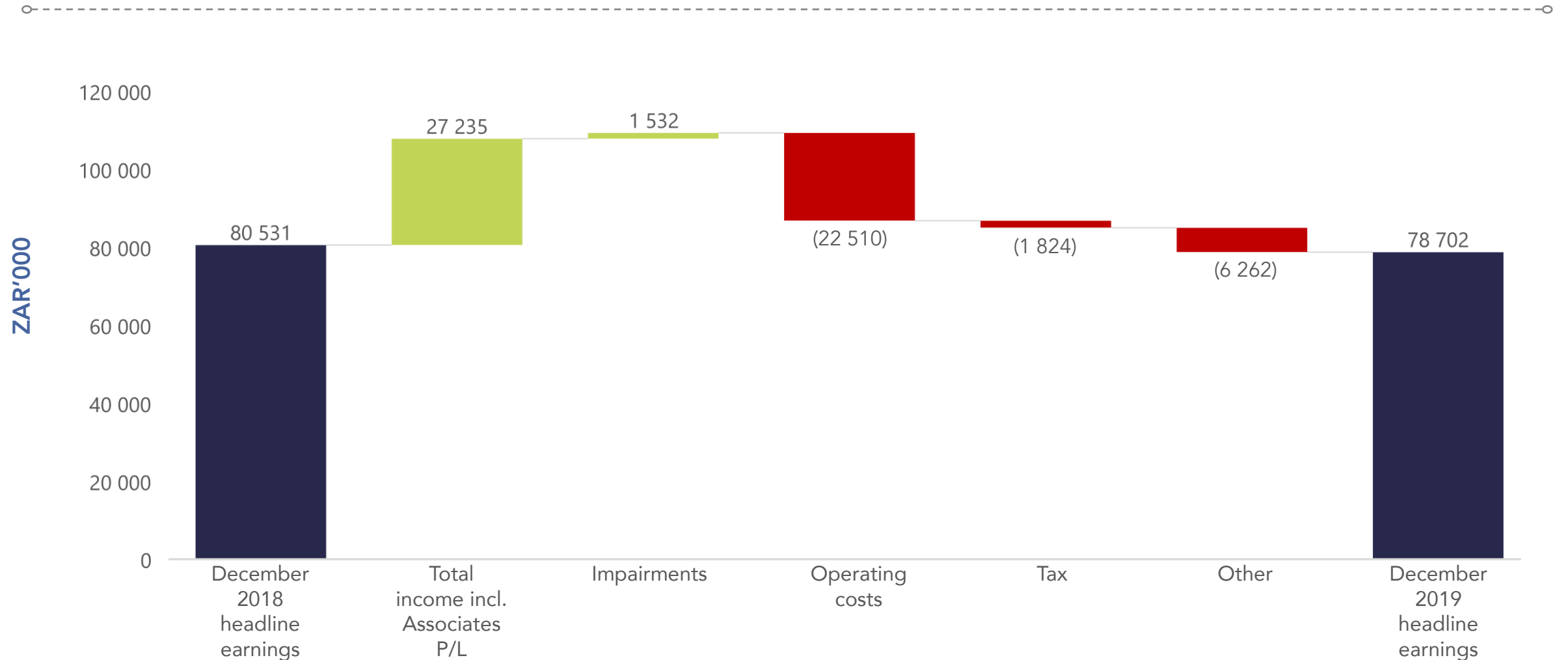
** Movements calculated on rounded numbers for percentages and bps throughout this document.

Headline earnings movements

Headline earnings decreased by 2.27% to R78.702 million (December 2018: R80.531 million)

- Profit up 5.37% year on year.
- Total income (including income from associates) grew by 4.43% to R642.352 million (December 2018: R615.117 million) with an improved earnings mix.
- A 6 bps improvement in the credit loss ratio to 117 bps (December 2018: 123 bps).
- Total costs up by 4.95%. The outlook for full year cost growth is lower.

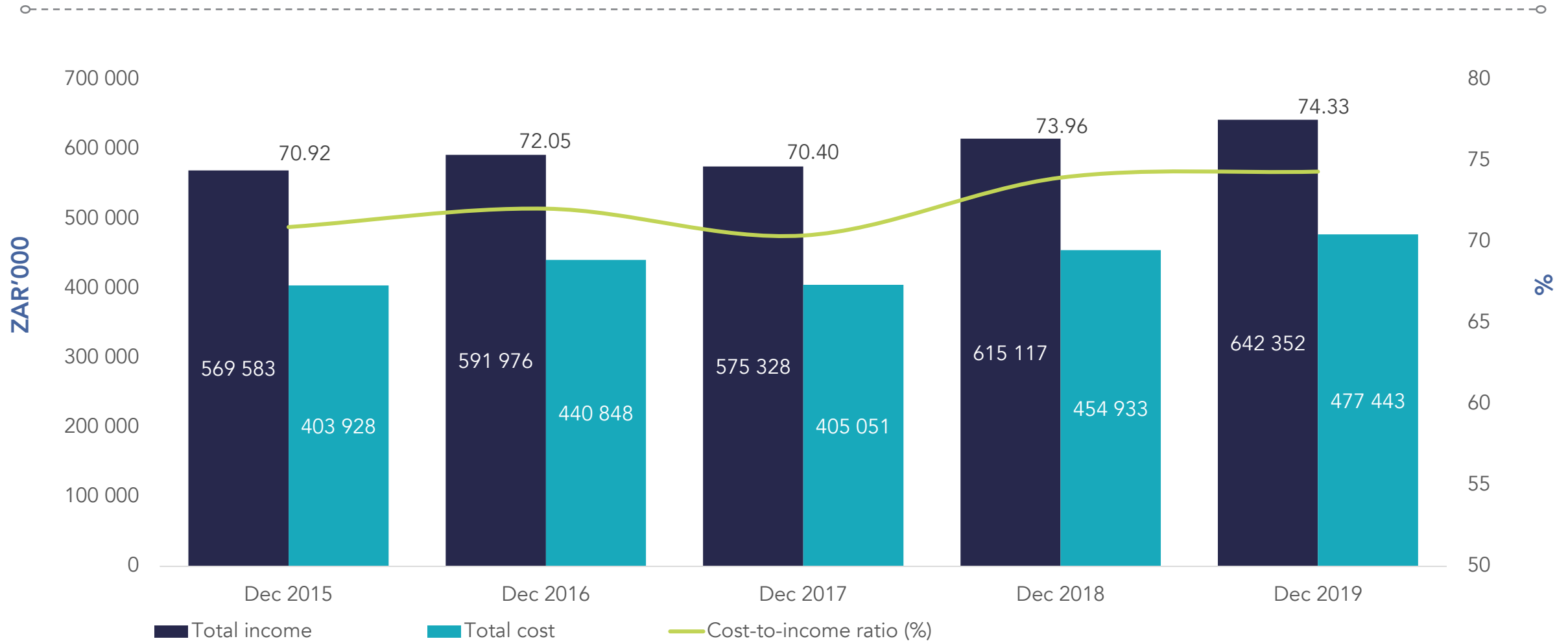
Headline earnings movements (continued)



Headline earnings, ROTE and ROE



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



Financial performance

			31 December 2019 R'000	31 December 2018 R'000
Net interest income			259 880	249 397
Non-interest income			374 454	359 157
Total income	▲	4.24	634 334	608 554
Impairment charges on loans and advances	▼	3.24	(45 743)	(47 275)
Net income after impairments	▲	4.87	588 591	561 279
Operating costs	▲	4.95	(477 443)	(454 933)
Staff costs	▲	4.27	(266 182)	(255 288)
Other operating expenses	▲	9.13	(211 261)	(193 590)
Impairments on non-financial assets			–	(6 055)
Profit from operations	▲	4.52	111 148	106 346
Share of net profit from associates			8 018	6 563
Income tax expense	▲	6.01	(32 168)	(30 344)
Profit for the period	▲	5.37	86 998	82 565
Preference shareholders			(7 536)	(7 441)
Non-controlling interest			(760)	(648)
Headline adjustable items			–	6 055
Headline earnings	▼	2.27	78 702	80 531

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Financial and capital position

Strengthened balance sheet with good deposit growth

- Total assets grew by 6.86% to R14.527 billion (December 2018: R13.594 billion).
- Gross loans and advances increased by 4.20% to R7.768 billion (December 2018: R7.455 billion).
- Cash and near cash* (net of repurchase agreements) improved to R2.474 billion (December 2018: R1.961 billion).

- Funding base grew by 4.97% to R10.404 billion (December 2018: R9.911 billion):
 - Healthy deposit growth of 10.96% to R4.983 billion.
 - Maturity profile of the funding base was lengthened.
- Our ordinary capital position has strengthened to R1.648 billion.
- The CAR improved to 17.06% (December 2018: 16.66%) due to increased profit appropriation.

* Including negotiable securities

Financial position – assets

		Growth %*	31 December 2019 R'000	31 December 2018 R'000
Cash and cash equivalents	▲	44.27	1 605 756	1 112 997
Negotiable securities	▲	4.18	2 877 664	2 762 151
Net loans and advances	▲	3.81	7 333 946	7 064 668
Trading assets	▲	10.46	1 341 129	1 214 157
Investments at fair value through profit and loss	▼	10.00	560 025	622 282
Interest in associates	▲	0.78	110 243	109 388
Other receivables	▼	23.62	276 479	361 970
Intangible assets and goodwill	▲	11.69	230 276	206 169
Investment property, property and equipment and taxation	▲	36.84	191 782	140 150
Total	▲	6.87	14 527 300	13 593 932

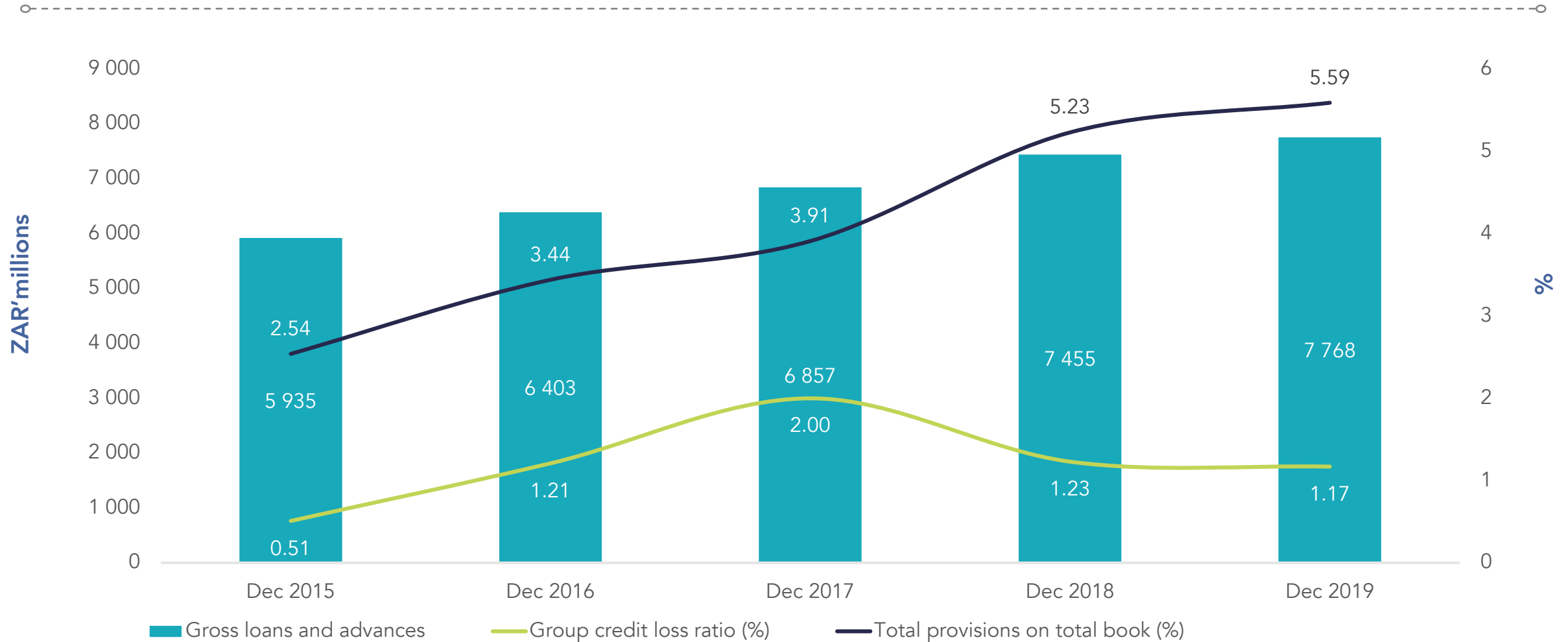
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Financial position – liabilities and equity

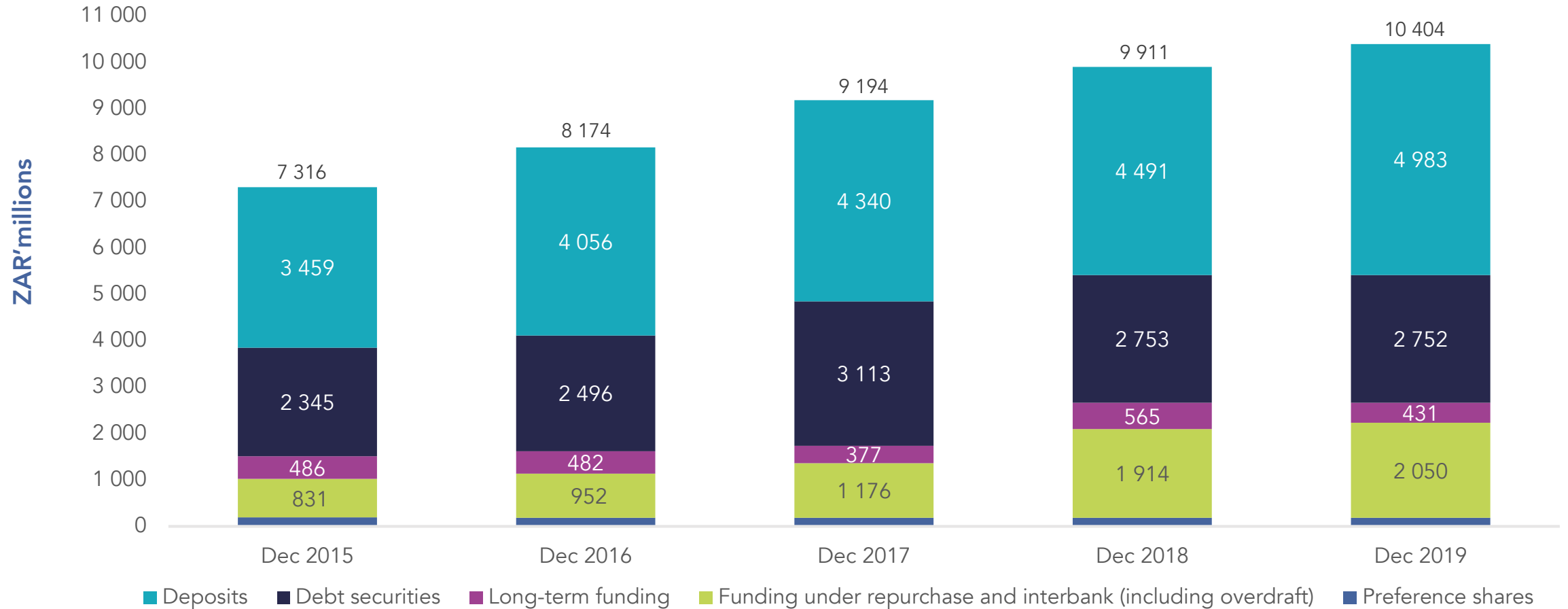
		Growth %*	31 December 2019 R'000	31 December 2018 R'000
Funding under repurchase agreements and interbank	▲	4.95	2 009 067	1 914 259
Trading liabilities	▲	9.58	1 350 499	1 232 400
Trade and other payables and provisions and taxation	▲	31.01	1 031 999	913 205
Bank overdraft	▲	>100	41 541	–
Deposits from customers	▲	10.95	4 983 459	4 491 425
Lease liability	▲	>100	88 031	–
Debt securities issued	▼	0.03	2 751 789	2 752 700
Long-term loans	▼	23.80	430 040	564 368
Total liabilities	▲	6.89	12 686 425	11 868 357
Ordinary share capital and reserves	▲	7.55	1 648 357	1 532 607
Preference share capital and share premium		–	188 086	188 086
Non-controlling interest	▼	9.22	4 432	4 882
Total liabilities and equity	▲	6.87	14 527 300	13 593 932

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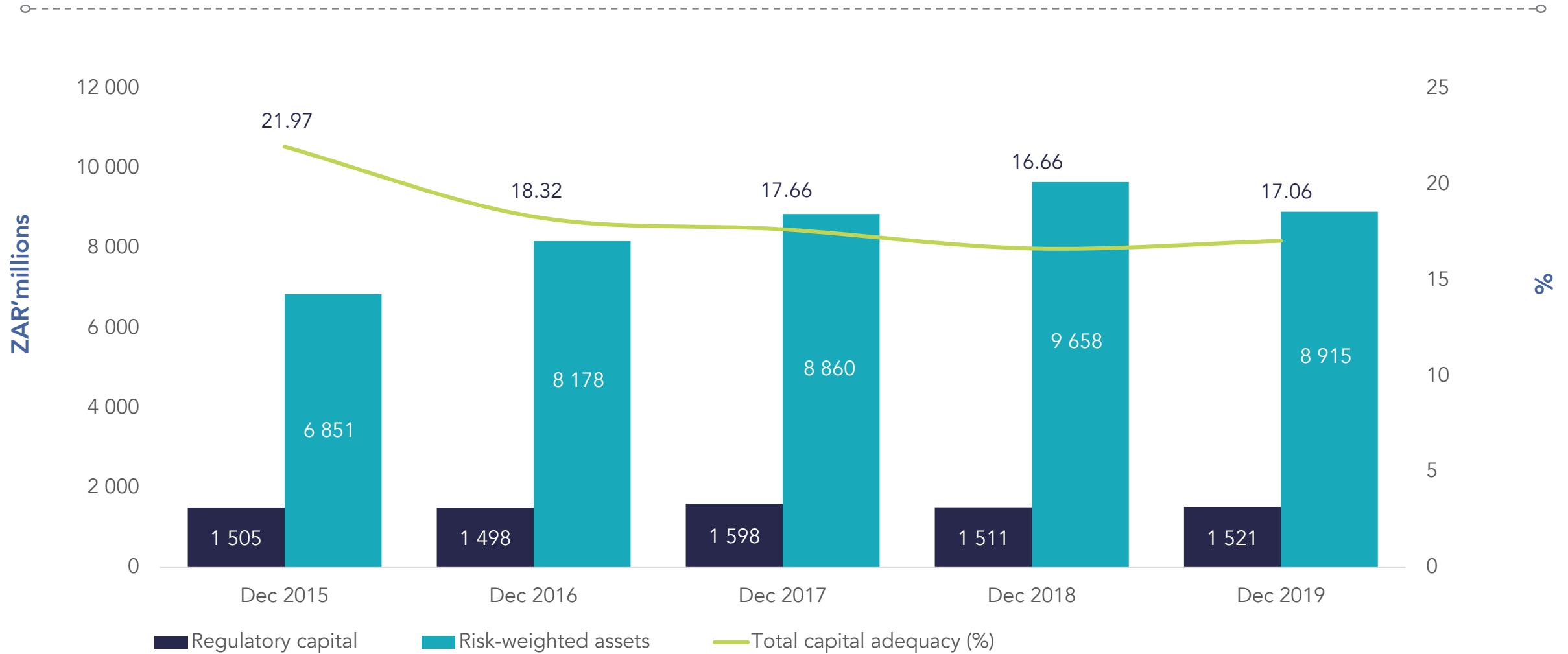
Gross loans and advances and credit risk



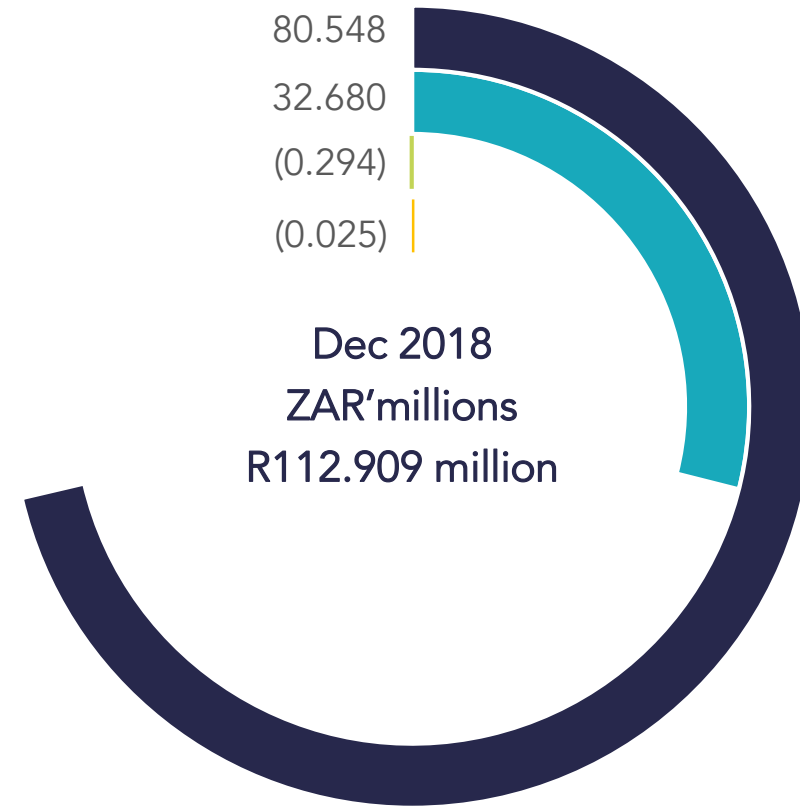
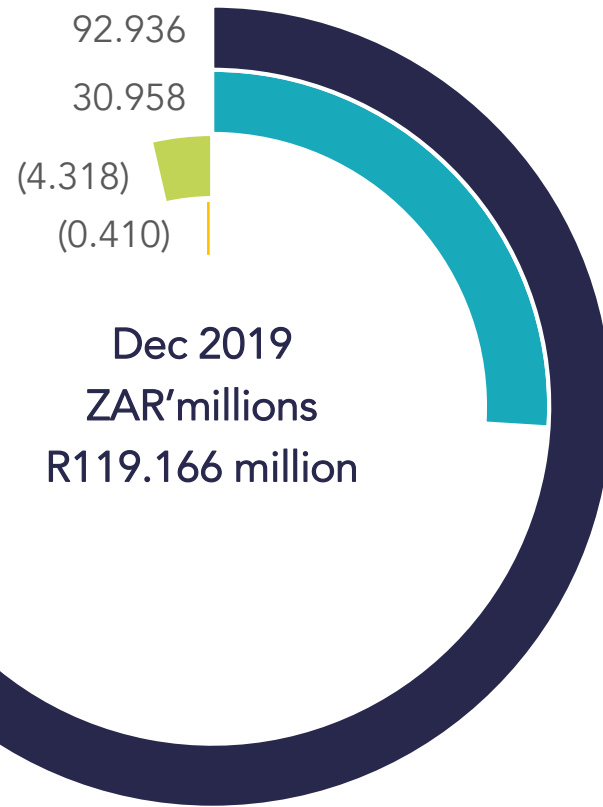
Stable and growing funding base



Capital adequacy – Group



Profit from operations – by Pillar



- Banking Pillar
- Wealth Pillar
- Capital Pillar
- Group Services

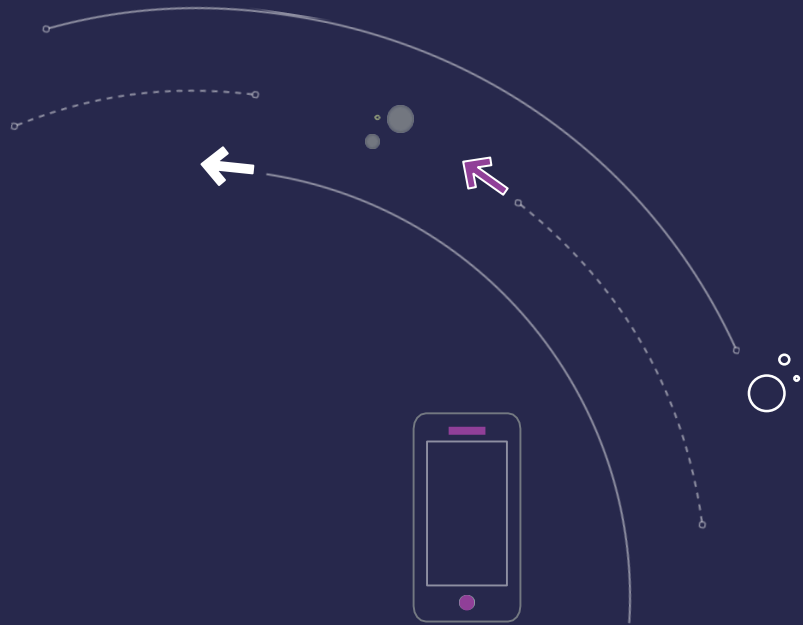
Pillar Reviews

Michael Sassoon
Group CEO



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Banking Pillar



Performance

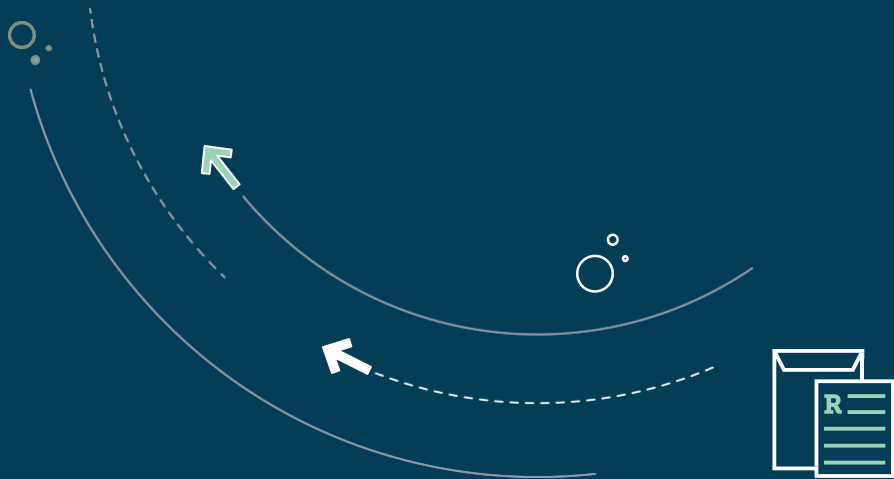
		Growth %*	December 2019 R'000 Bank	December 2018 R'000 Bank
Total income	▲	2.88	414 396	402 782
Impairment charges on loans and advances	▼	30.41	(31 219)	(44 861)
Net income after impairments	▲	7.06	383 177	357 921
Operating costs	▲	4.64	(290 241)	(277 373)
Profit from operations	▲	15.38	92 936	80 548

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Performance (continued)

- Asset Finance showed a good performance with an enhanced product mix with a broader industry focus.
- Trade and debtor finance showed improved performance. This business remains susceptible to the South African economy.
- We enhanced the credit quality of the loan book by reducing exposure to higher risk clients while ensuring loan book growth from good credit quality clients.
- Forex, Treasury and Asset Finance have bedded down their large system implementations.
- Our business banking offering continues to develop and is playing a critical role in generating lower-cost funding and introducing new clients.
- We continue to evolve the B\\YOND digital business banking platform and now offer digitally enabled revolving business loans and an App.
- Hello Paisa is performing ahead of expectations

Wealth Pillar



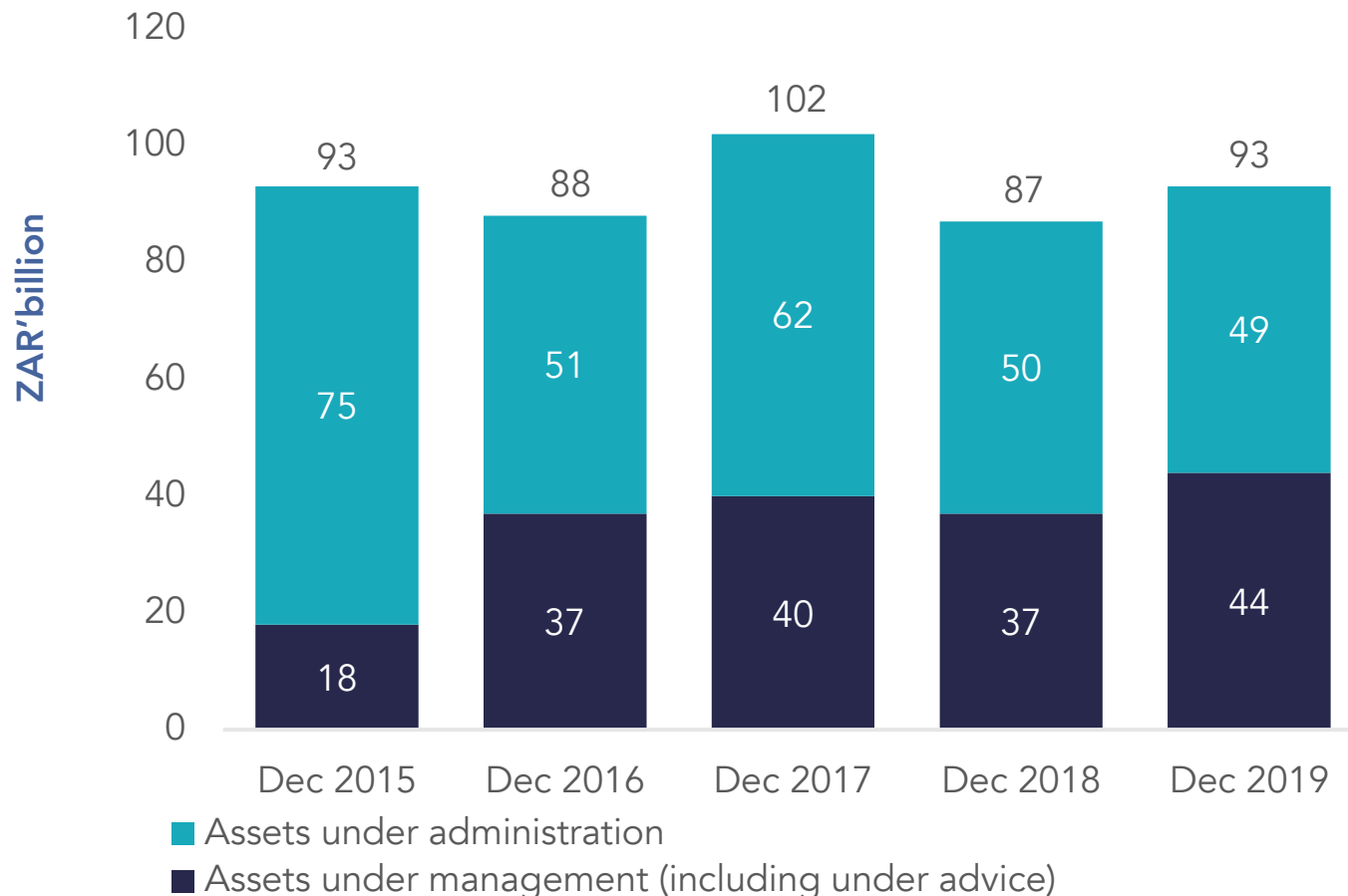
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Performance

		Growth %*	December 2019 R'000 Wealth	December 2018 R'000 Wealth
Total income (including associates)	▲	2.64	167 276	162 971
Operating costs	▲	4.63	(136 318)	(130 291)
Profit from operations	▼	5.27	30 958	32 680

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Assets under management and advice (AUM)



- Sasfin Wealth's performance has been negatively impacted by poor local equity markets and lower brokerage volumes.
- Sasfin Wealth has built a strong institutional asset manager and offshore portfolio management capability. This is evidenced in an increase of 18.43% in AUM to R44.077 billion.
- Institutional AUM now exceed R11 billion and offshore AUM increased to R11.672 billion (December 2018: R9.132 billion).
- Sasfin Asset Managers won another Raging Bull Award for the Sasfin BCI Flexible Income Fund as well as a Morningstar Award for the Sasfin BCI Balanced Fund.
- Strategic investments have performed well.

Capital Pillar



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Performance

		Growth %*	December 2019 R'000 Capital	December 2018 R'000 Capital
Total income	▲	27.95	62 996	49 235
Impairment charges on loans and advances	▲	>100	(14 525)	(2 414)
Net income after impairments	▲	3.52	48 471	46 821
Operating costs	▲	12.04	(52 789)	(47 115)
Loss from operations	▲	>100	(4 318)	(294)

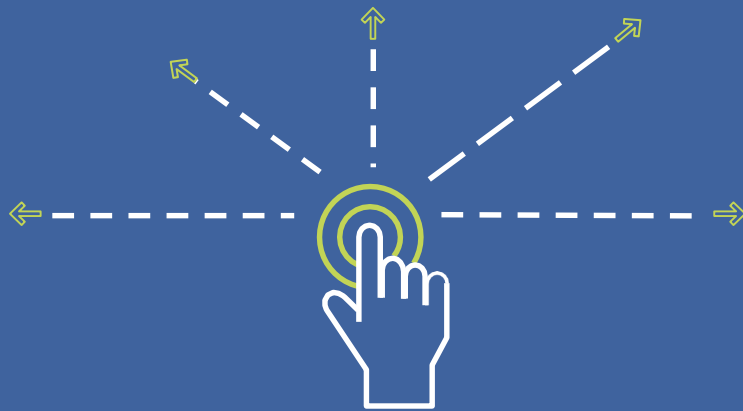
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Performance and positioning

- The Capital Pillar's performance was largely due to a significant increase in impairments relating to some of our private equity investments.
- The Pillar has undertaken a strategic transformation by offering term debt facilities to property and private business. The strategy has begun to show positive signs with an increase in loans and advances for the Pillar by R290 million, and there is a promising pipeline of new deals.
- The strategy to exit direct private equity, which has been a drain on our performance in recent years, is starting to bear fruit with investment securities down, in part due to some realisations in the portfolio.
- Sasfin Capital in conjunction with Sasfin Wealth will be launching a private equity fund focused on new opportunities in 2020.

Prospects

Michael Sassoon
Group CEO



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Coronavirus (Covid-19)

- Covid-19 is evolving rapidly, and the impact on local and global markets is volatile, severe and uncertain. This is to be expected to continue for some time. Our response is based on what we know today and our best assessment of the future.
- We have developed a five point plan to manage the impact of the pandemic:
 - **Point 1: Health and Safety:** Our top priority is the health and safety of all our stakeholders, and we have taken significant hygiene and other steps to ensure same. Our thoughts and prayers are with those impacted by Covid-19.
 - **Point 2: Business Continuity:** We have remote working capabilities to ensure effective business continuity. Over the last two weeks we have tested most of these processes and, by the end of this week, we expect 50% of our staff to be working from home with all our services available.
 - **Point 3: Financial Stability:** We have appropriate capital, liquidity and funding buffers to deal with short- to medium-term shocks. We have adopted a dynamic risk management approach in order to maintain prudent buffers during this time.
 - **Point 4: Stakeholder Engagement:** We are actively engaging with all our stakeholders including our people, clients, suppliers, investors and regulators.
 - **Point 5: Client Support:** We will do what we can, within sound business and governance principles, to support our clients during this challenging time.

A challenging environment

- The South African business credit environment and local markets are exceptionally challenging.
- We are adopting a cautious approach to granting credit and a very hands on approach with our clients.
- However, there are many strong businesses in South Africa that require credit to grow their businesses, and we are well placed to fulfill this role via our asset finance, business finance and specialised lending offerings.
- We continue to make meaningful strides in increasing our depositor funding base, enhancing our fee income in the Bank. This will ultimately reduce our cost of funding which will underpin our ability to grow a meaningful lending business.
- Sasfin Wealth has made notable strides in building an award-winning institutional asset manager which adopts a multi-asset class approach to investing and a strong private client offshore portfolio management capability.
- We have enhanced our capital position over the last year, in part by reducing our exposure to direct private equity.

Focus remains supporting client growth

- Over the last few years we undertook meaningful investment into our systems, products and people.
- Most of that investment is embedded in the system, and we are starting to see lower-cost growth.
- In challenging economic times, our focus is to continue to support the growth in the businesses and global wealth of our clients.
- In the medium term this will enable us to:
 - grow our non-interest revenue lines (in Sasfin Wealth and Sasfin Bank);
 - reduce our cost of funding (off the back of our business banking offering); and
 - grow our lending book appropriately.
- In light of the anticipated economic downturn resulting from Covid-19, we expect a challenging second six months.