



# Sasfin Holdings Limited Annual Results for the year ended 30 June 2019

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

17 September 2019



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# Agenda

INTRODUCTION

Peter du Toit, Investment Analysts Society

WELCOME

Roy Andersen, Chair: Sasfin Holdings Limited

FINANCIAL REVIEW

Angela Pillay, Group FD

BANKING PILLAR

Maston Lane, COO: Sasfin Bank

WEALTH PILLAR

Erol Zeki, CEO: Sasfin Wealth

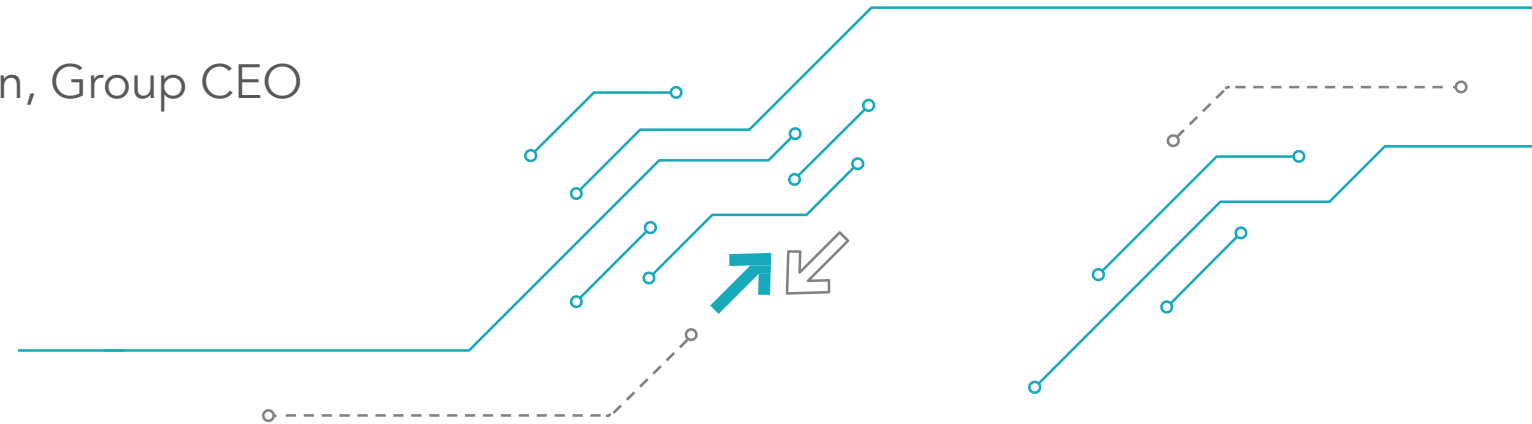
CAPITAL PILLAR

Francois Otto, Head: Sasfin Capital

PROSPECTS

Michael Sassoon, Group CEO

QUESTIONS



# Introduction

Peter du Toit  
Investment Analysts Society



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# Welcome

Roy Andersen  
Chair: Sasfin Holdings Limited



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# Financial Review

Angela Pillay  
Group Financial Director



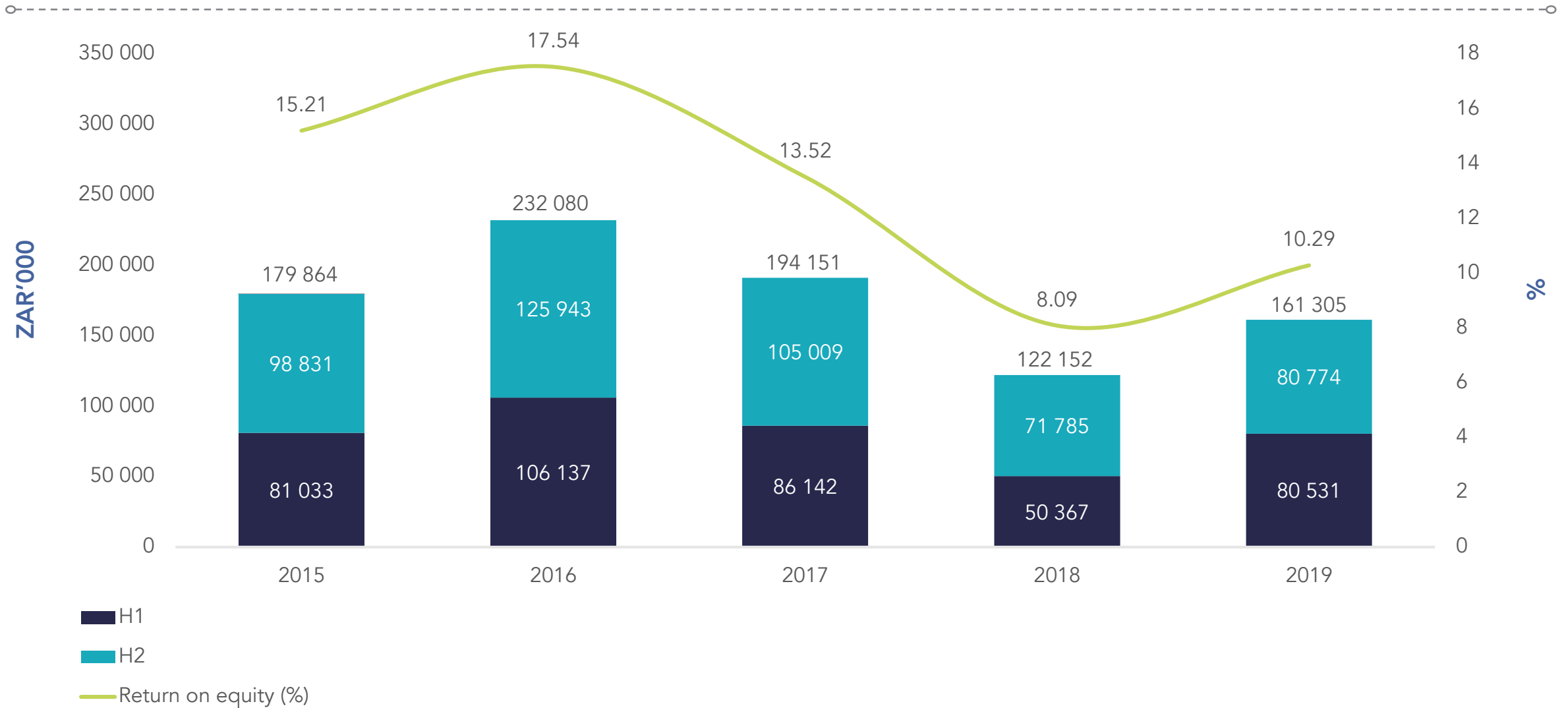
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# Headline earnings movements

## Headline earnings increase of 32.05% to R161.305 million (2018: R122.152 million)

- A 95bps improvement in the credit loss ratio to 102bps from 197bps
- Total income (including income from associates) grew by 2.21% to R1.25 billion with an improvement in the earnings mix
  - Income in Banking Pillar grew by 8.87%
  - Income in Wealth Pillar grew by 11.23%
  - Income in Capital Pillar reduced by 42.89%
- Cost growth of 9.54% due to investment in human capital and technology
  - Net investment of circa R50 million into emerging businesses resulting in a Group cost-to-income (CTI) of 76.59%
  - Core businesses CTI is 66.89%
- Taxation – improvement in the tax rate to historic levels of 23%

# Headline earnings and return on equity



# Financial and capital position

## Strengthened balance sheet with good loan growth in the second six months

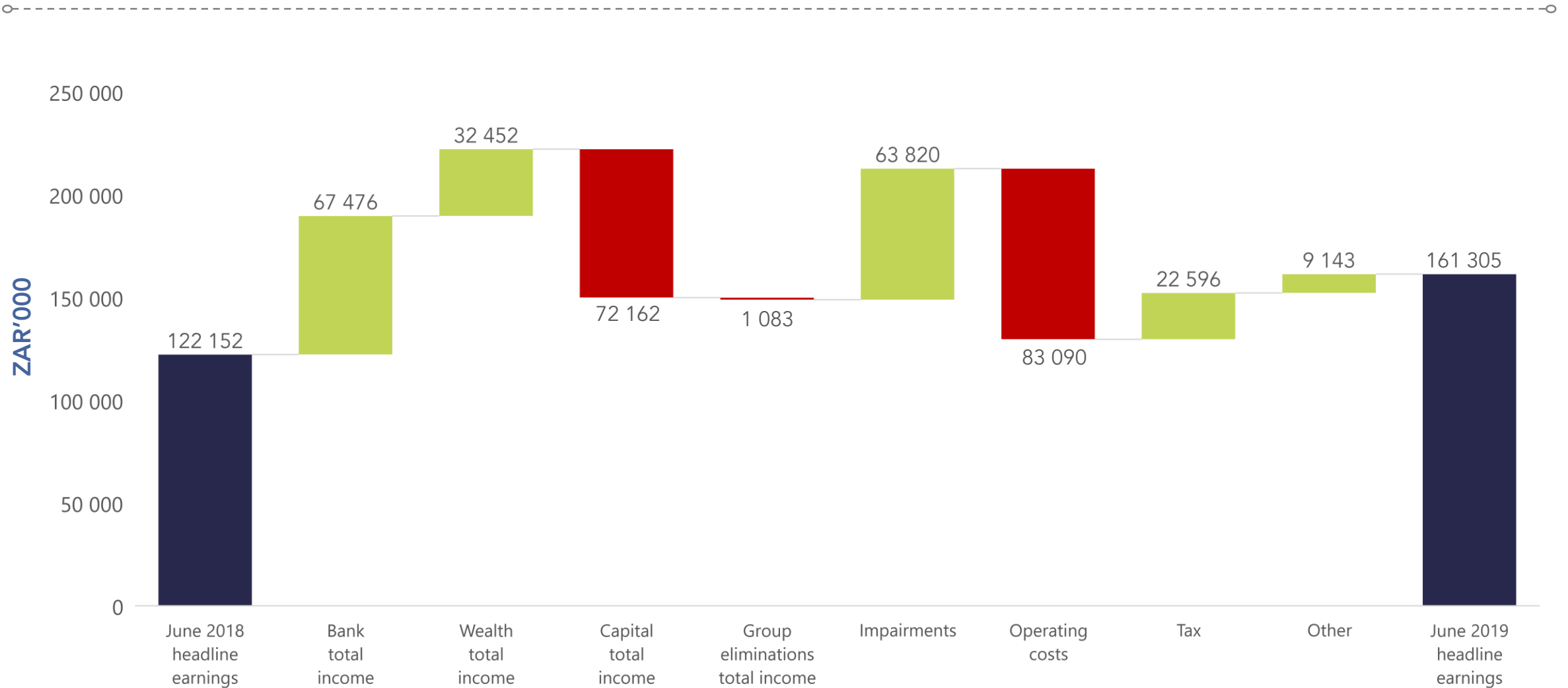
- Total assets grew by 1.97% to R14.60 billion
- Gross loans and advances largely flat at R7.89 billion
  - Loans had contracted to R7.46 billion in December off the back of the run-off of the ATFS book
  - Organic growth of 5.8% in loans in the second half
- Funding base grew to R10.74 billion
  - Healthy deposit growth of 12% to R4.98 billion
- Cash\* position improved to R4.39 billion
  - Maturity profile of the funding base was lengthened

\* Including negotiable securities.

- Regulatory capital has reduced as a result of:
  - IFRS 9 adjustment to opening retained earnings
  - Increased intangible assets
  - Phasing out of Tier 1 capital on preference shares
- The Board has increased capital to support future growth by reducing the dividend pay-out ratio to 20% for 2019
- The CAR improved to 15.783% (2018:15.136%) due to increased profit appropriation



# Headline earnings movements



# Results – key features

		Growth %	2019	2018
Headline earnings per share (cents)	▲	31.42	501.00	381.21
Headline earnings (R'm)	▲	32.05	161.305	122.152
Dividends per ordinary share (cents)	▼	33.97	99.88	151.26
Total income (R'bn) <sup>1</sup>	▲	2.21	1.246	1.219
Total assets (R'bn)	▲	1.97	14.601	14.319
Gross loans and advances (R'bn)	▼	0.18	7.889	7.903
Total funding base (R'bn) <sup>2</sup>	▲	3.71	10.736	10.352
Deposits from customers (R'bn)	▲	11.96	4.981	4.449
Total equity (R'bn) <sup>3</sup>	▲	2.39	1.586	1.549
Total assets under management and advice (R'bn) <sup>4</sup>	▲	3.67	41.119	39.663
Credit loss ratio (bps)	▼	95bps	102	197
Group cost-to-income ratio (%)	▲	513bps	76.59	71.46
Return on average shareholders' equity (%)	▲	220bps	10.29	8.09
Return on average assets (%)	▲	21bps	1.12	0.91
Group total capital adequacy (%) (unaudited)	▲	65bps	15.783	15.136

<sup>1</sup> Including associate income.

<sup>2</sup> Preference shares are included as part of the total funding base.

<sup>3</sup> Total equity excludes preference shares and non-controlling interests.

<sup>4</sup> Excluding under administration.

# Financial position – assets

		Growth %	30 June 2019 R'000	30 June 2018 R'000
Cash and negotiable securities	▲	13.52	4 390 305	3 867 574
Trading assets	▼	19.57	1 187 523	1 476 511
Other receivables	▲	9.43	410 776	375 380
Net loans and advances	▼	1.71	7 487 205	7 617 179
Investments at fair value through profit and loss	▲	3.08	635 298	616 319
Equity accounted associates	▲	>100	112 416	12 174
Investment property, property, plant and equipment, deferred taxation, intangible assets and goodwill	▲	6.76	377 879	353 947
<b>Total</b>	▲	1.97	<b>14 601 402</b>	<b>14 319 084</b>

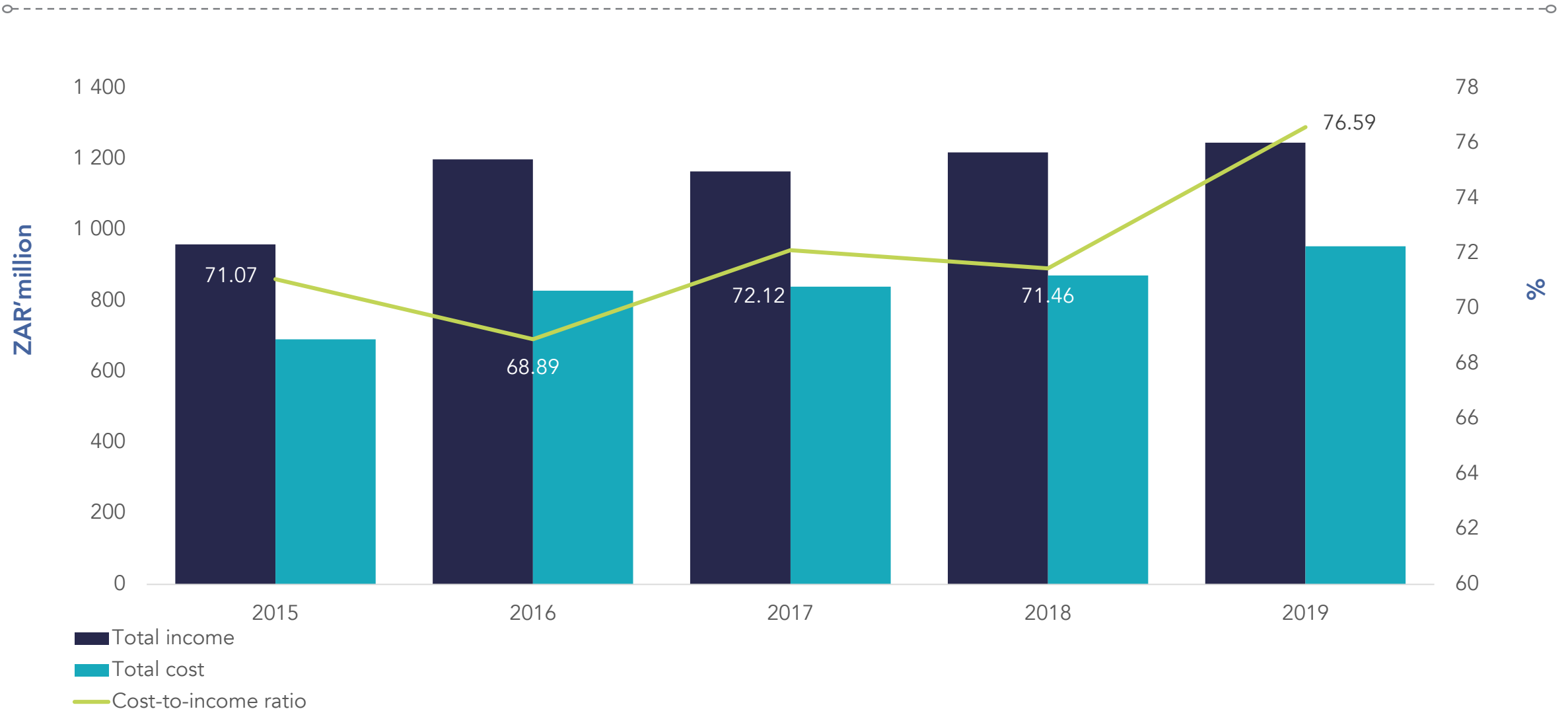
# Financial position – liabilities and equity

		Growth %	30 June 2019 R'000	30 June 2018 R'000
Funding under repurchase agreements and inter-bank (including overdraft)	▲	20.40	2 317 618	1 924 975
Trading liabilities	▼	18.86	1 175 828	1 449 203
Current taxation liability	▼	79.26	4 526	21 819
Provisions and other payables	▲	19.34	956 814	801 745
Deposits from customers	▲	11.95	4 981 067	4 449 344
Debt securities issued	▼	11.62	2 753 521	3 115 432
Long-term loans	▼	26.52	495 715	674 616
Deferred tax liability	▼	0.89	138 929	140 179
<b>Total liabilities</b>	▲	1.96	<b>12 824 018</b>	<b>12 577 313</b>
Ordinary share capital and reserves	▲	2.33	1 585 626	1 549 451
Preference share capital and premium		–	188 086	188 086
Non-controlling interest	▼	13.27	3 672	4 234
<b>Total liabilities and equity</b>	▲	1.97	<b>14 601 402</b>	<b>14 319 084</b>

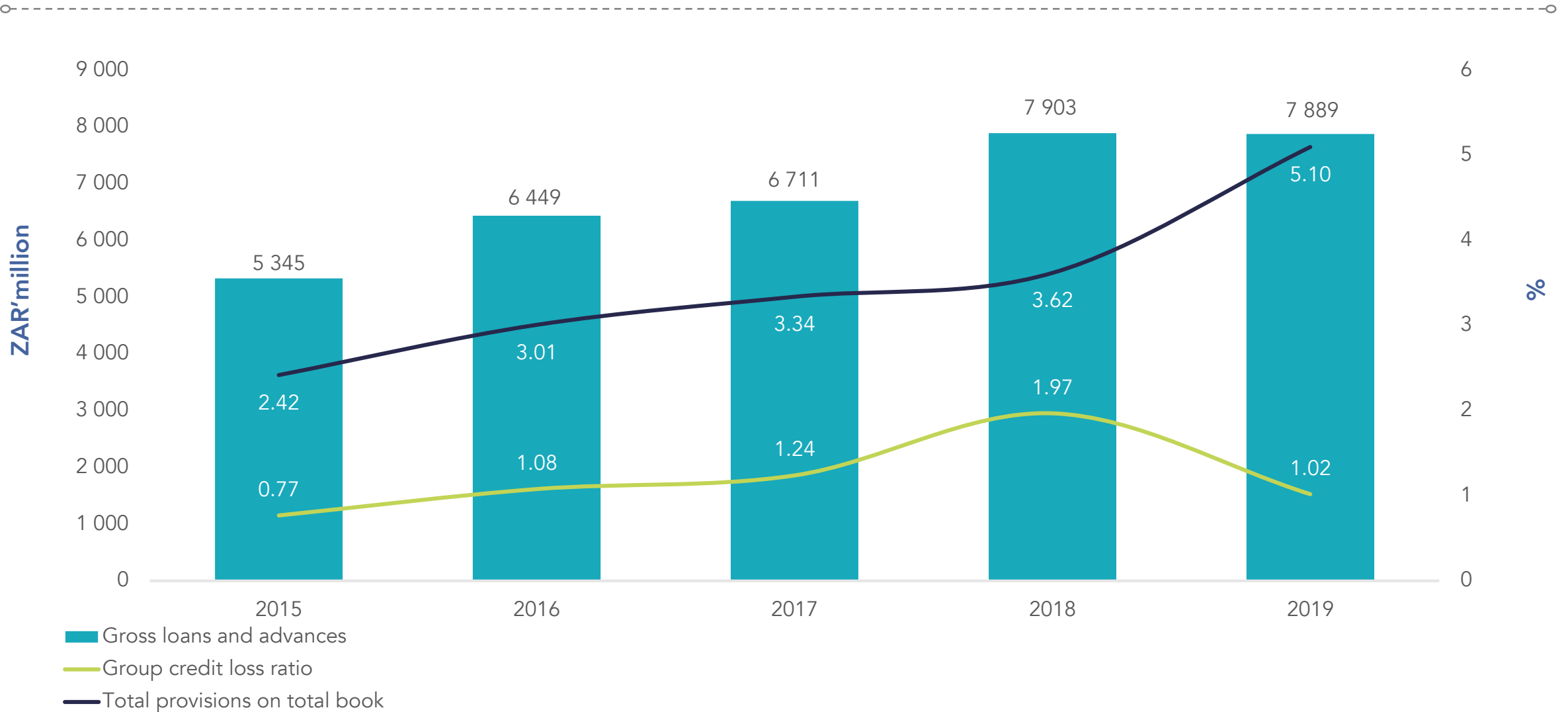
# Financial performance

		Growth %	30 June 2019 R'000	30 June 2018 R'000
Net interest income			499 272	472 779
Non-interest income			727 588	746 437
Share of associate income after tax			19 149	110
<b>Total income</b>	▲	2.19	1 246 009	1 219 326
Impairment charges on loans and advances	▼	44.26	(80 358)	(144 178)
<b>Net income after impairments</b>	▲	8.42	1 165 651	1 075 148
Operating costs	▲	9.54	(954 366)	(871 274)
Staff costs	▲	11.17	(504 421)	(453 741)
Other operating expenses	▲	7.30	(437 895)	(408 099)
Goodwill and intangible asset impairments			(12 050)	(9 436)
<b>Profit from operations</b>	▲	3.64	211 285	203 874
Income tax expense	▼	31.63	(48 832)	(71 428)
<b>Profit for the year</b>			162 453	132 446
Preference dividends			(14 955)	(15 531)
Non-controlling interest			562	(1 981)
Headline adjustable items			13 245	7 218
<b>Headline earnings</b>	▲	32.05	161 305	122 152

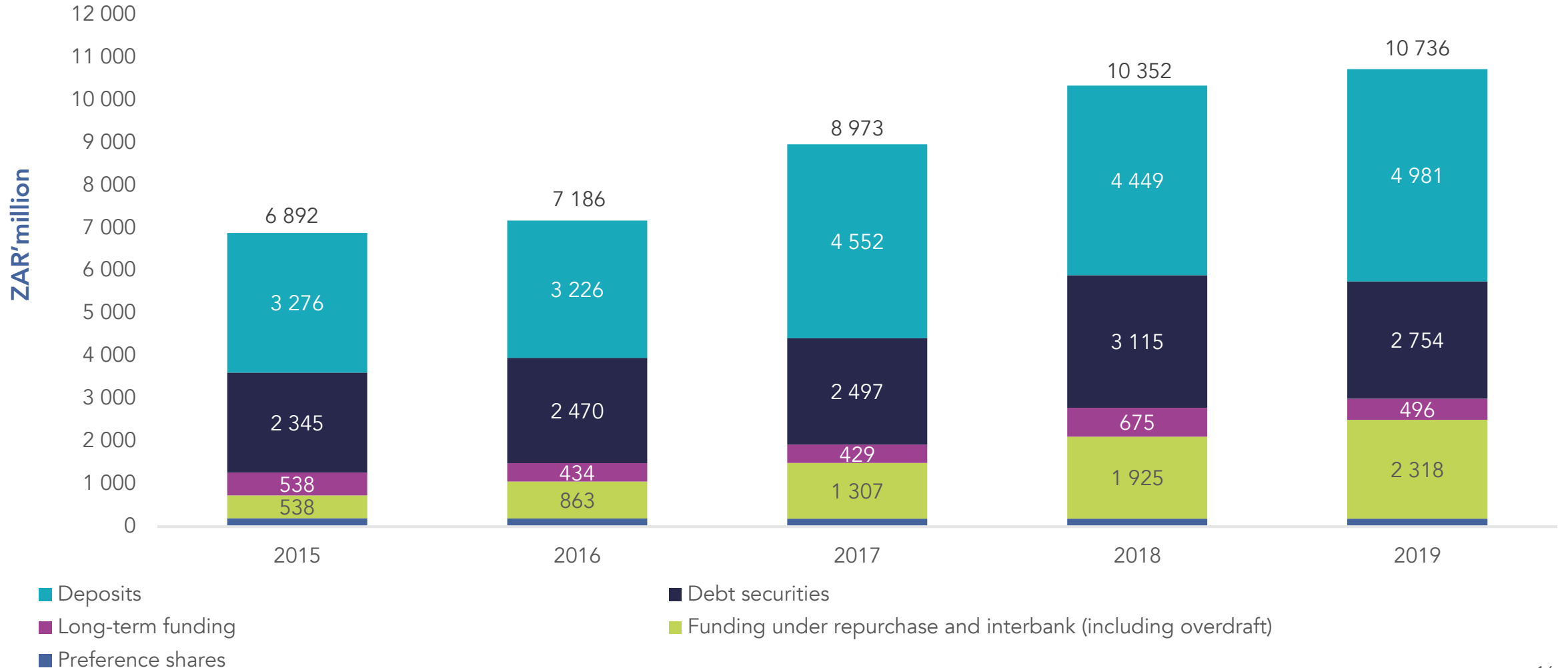
# Total income vs cost and cost-to-income ratio



# Gross loans and advances and credit risk



# Stable and growing funding base





# Treasury

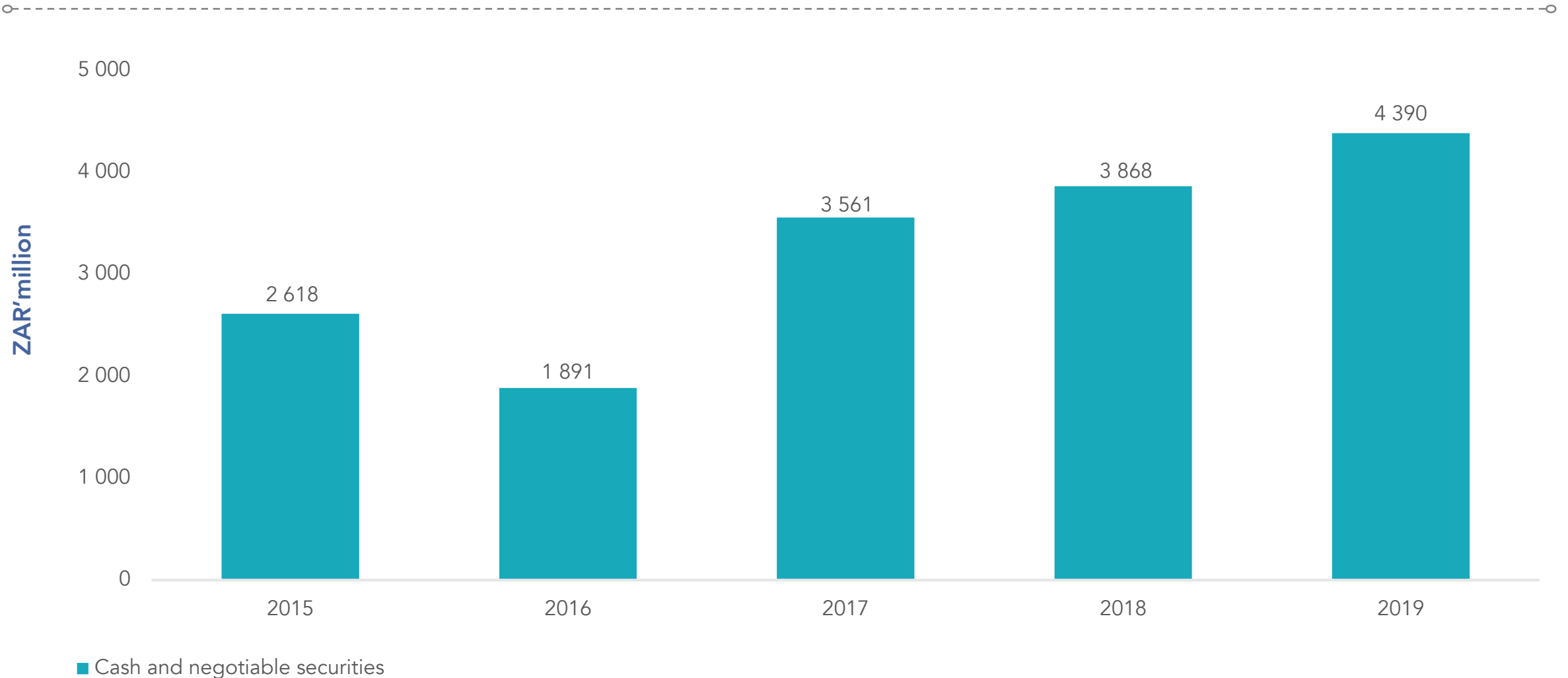
Treasury earnings were negatively impacted by:

- Lower interest received due to investment in low yielding assets
- Higher interest paid due to an increase in term deposits

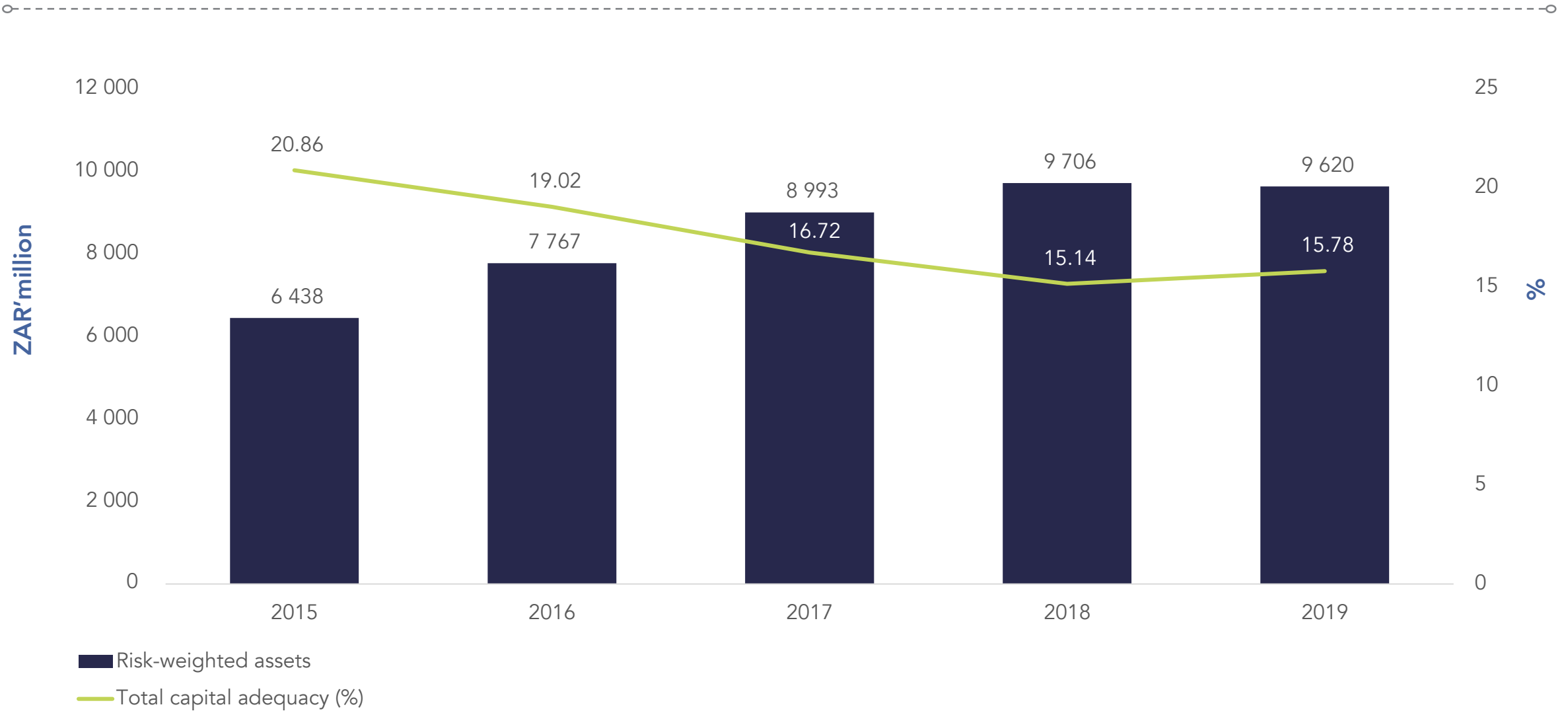
Treasury saw:

- Healthy deposit growth
- Improved cash position

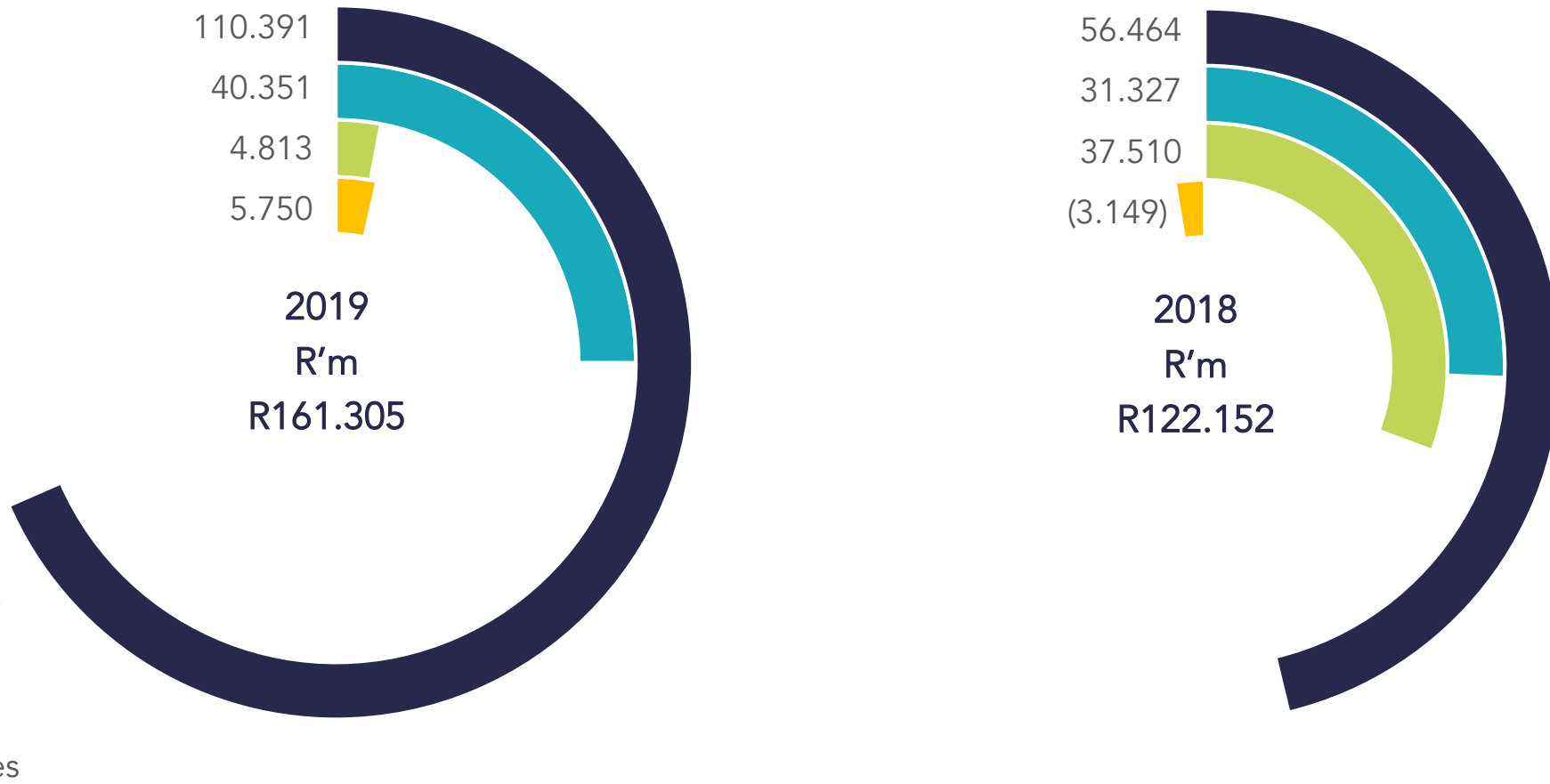
# Cash and negotiable securities



# Capital adequacy – Group



# Headline earnings for the year – by Pillar



# Banking Pillar

Maston Lane  
COO: Sasfin Bank



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# Positioning



## Asset suppliers

- We support the growth of asset suppliers by financing their clients

## Small business

- We help small business via our digital banking platform and team

## Medium business

- We support business growth via our working capital solutions

# Performance

Business segments		Growth %	2019 R'000 Bank	2018 R'000 Bank
Total income	▲	8.87	828 304	760 828
Impairment changes on loans and advances	▼	39.60	(80 019)	(132 491)
Net income after impairments	▲	19.09	748 285	628 337
Operating costs	▲	11.25	(579 266)	(520 668)
Profit before tax	▲	56.98	169 019	107 669
Taxation			(43 673)	(38 723)
Profit/(loss) for the year	▲	81.80	125 346	68 946
Preference dividends			(14 955)	(15 531)
Headline adjustments			–	3 049
Headline earnings for the year	▲	95.51	110 391	56 464

- ATFS book has been in the base since April 2018 and now in the performance numbers for a full year
- Non-interest income was positively impacted by early settlements and pay-for-use rental income as well as Transactional Banking
- Forex revenue is down year on year
- Significant credit loss improvement
- CTI is 69.93% vs prior year of 68.43%

# Business unit performance

## Asset finance

- Focused leadership team in place
- Bedded down the ATFS business
- Implemented the LeaseWave system
- Financing new asset classes
- Enhanced specialised distribution

## Trade and debtor finance

- Strengthened team and credit processes
- Sasfin Asia will be moving to Mauritius in 2020
- Greater use of credit insurance as alternative security
- On-boarded good new clients towards the end of the year
- Significant reduction in credit losses



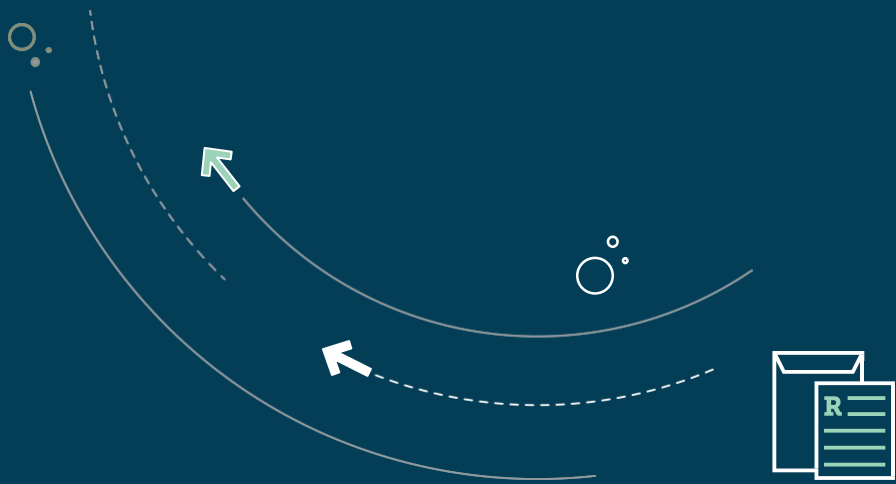
# Business unit performance continued

## Transactional banking

- Good growth in the number of users on the B\\YOND platform and ongoing enhancements implemented
- Introduced the roles capability which gives businesses with multiple users an effective banking experience
- Introducing revolving small business loans, digitally enabled Forex and a mobile app via B\\YOND
- Launched Hello Paisa to extend services to the previously unbanked

## Foreign exchange

- Launched the new Calypso trading system
- Trading volumes were disappointing
- We have conducted a strategic review of this business and have developed a four point programme which we are executing



# Wealth Pillar

Erol Zeki  
CEO: Sasfin Wealth



# Positioning

## Private clients

- We advise on and manage our clients wealth
- Our experienced investment team offer tailored solutions across asset classes, globally

## Institutional clients

- A level 1 B-BBEE boutique asset manager with award-winning fund managers in the income, equity and multi-asset classes
- Top decile and quartile performance across most of our funds
- Tailored institutional consulting solutions including the Sasfin Wealth Umbrella Retirement Fund

## Other

- Leading institutional fixed income broker
- Invested in strategically aligned industry players, DMA (formerly Saxo South Africa) and Efficient where we unlock synergies

# Performance

Business segments		Growth %	2019 R'000 Wealth	2018 R'000 Wealth
Total income*	▲	11.23	321 393	288 941
Operating costs	▲	9.52	(268 681)	(245 328)
Profit before tax			52 712	43 613
Taxation			(12 361)	(13 096)
Profit/(loss) for the year	▲	32.22	40 351	30 517
Headline adjustments and other			–	810
Headline earnings for the year	▲	28.81	40 351	31 327

\* Includes Share of associate profit and loss.

- Offshore revenue up 15%
- Local management fees lower year on year as local markets remain under pressure and clients continue to increase offshore exposure
- Brokerage flat year on year
- Increased stake in Efficient to circa 29%
- Share of associate income from Efficient (eight months) and DMA (full year)

# Assets under management and advice



- Increase largely due to net inflows into managed offshore portfolios and institutional asset management
- Growth of 20% in institutional assets under management
  - Sasfin BCI Flexible Income Fund was awarded two Raging Bull awards
- Positive net inflows into these areas offset the decline in assets in the broader local equity market
- Expanded global multi-asset investment solutions offering
- Excluding low-yielding assets under administration of R54 bn (2018: R57 bn)

# Outlook

- 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



# Capital Pillar

Francois Otto  
Head: Sasfin Capital

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# Positioning

Sasfin Capital enables growth in mid-market businesses by providing:

- specialised, bridging and equity finance for businesses looking to grow organically or through acquisitions
- finance to property entrepreneurs and
- corporate finance services including listings, mergers and acquisitions, as well as capital raising

Capital delivered disappointing headline earnings for the year of R4.81 million (2018: R37.51 million)

The weakened performance is a result of lower mark-to-market valuations and corporate advisory fees. The Pillar has been repositioned to focus on creating stable, capital-efficient earnings including initiatives to diversify the Group's non-interest revenue

Capital is building out its specialised finance offering, including solution-based lending. There is a high demand for this offering



# Performance

Business segments		Growth %	2019 R'000 Capital	2018 R'000 Capital
<b>Total income*</b>	▼	42.89	96 106	168 268
Impairment changes on loans and advances	▼	96.89	(339)	(10 911)
<b>Net income after impairments</b>	▼	25.93	95 767	157 357
Operating costs	▲	2.08	(106 415)	(104 244)
<b>Profit before tax</b>			(10 648)	53 113
Taxation			7 709	(13 931)
<b>Profit/(loss) for the year</b>	▼	>100	(2 939)	39 182
Minority interests			562	(1 982)
Headline adjustments			7 190	310
<b>Headline earnings for the year</b>	▼	87.17	4 813	37 510

\* Includes Share of associate profit and loss.

# Business unit performance

## Private equity

- Continued to hold and manage investments in the portfolio
- Some investee companies struggled in the current environment
- We are focused on optimising the current portfolio of investments and do not intend pursuing any new direct private equity investments in the coming year
- We intend to build a private markets fund management capability in the medium term in conjunction with Sasfin Asset Managers

## Property equity

- Built a strong portfolio of income-generating property investments, specifically in the student and affordable housing segments
- The book has grown significantly over the past two years
- Grown our specialised property lending portfolio in line with the Pillar's strategy

# Business unit performance continued

## Corporate finance and special opportunities

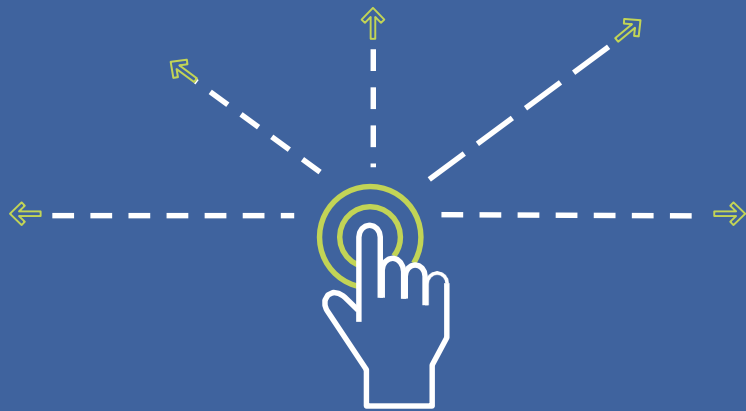
- Focused on specialised finance as a core business activity
- Advised on Sasfin's increased investment in Efficient
- Low corporate activity in the market resulted in low revenue

## Strategic investments

- Sasfin HRS and Sasfin Commercial Solutions performed satisfactorily. We are exploring various strategic alternatives with a view of optimising their value to the Group
- Sasfin took an equity stake in fintech lender Payabill to expand the Group's product offering into the underserved micro and small business lending segments

# Prospects

Michael Sassoon  
CEO: Sasfin Holdings Limited



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# Strengthened foundation

- Sasfin has undergone a period of much change in the past two years. This change required meaningful investment and resulted in increased inward focus
- Enhanced credit capability to ensure that we have a platform to generate sustainable asset growth
- Strong digital capabilities in place (B\\YOND, SWIP) which combined with our fintech investment (Payabill, DMA, Pay@) and commitment to open banking (Hello Paisa), continue to enhance our client offering
- Strong and experienced investment management team has created a menu of top-performing local and global investment offerings available to clients
- Deposit taking capabilities have been enhanced by B\\YOND which should result in a more scalable funding base

# Our growth path

- Focused client-centric strategy:
  - Asset suppliers
  - Small business
  - Medium business
  - Private clients
  - Institutional clients
- Focus on the right type of revenue growth by improving volumes at an acceptable margin, as well as ensuring better quality earnings
- Leverage our strong human capital, balance sheet and investment in digital solutions
- Ensure that our distribution engine is working optimally

# Outlook

- Each of our businesses can grow revenue by acquiring an incremental percentage of market share
- Continue to focus on credit quality
- Rate of net investment will stabilise, which together with a focus on cost management, should result in lower cost growth
- The combination of the above and with optimising our capital base, should result in improved ROE in the future

# Questions



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