

SASFIN HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1987/002097/06)

Share Code: SFN ISIN Number: ZAE000006565

("Sasfin Holdings" or "the Company")

CATEGORY 1 DISPOSAL BY SASFIN BANK LIMITED OF ITS CAPITAL EQUIPMENT FINANCE AND COMMERCIAL PROPERTY FINANCE BUSINESSES TO AFRICAN BANK LIMITED

1. INTRODUCTION

1.1 Sasfin Holdings shareholders ("**Shareholders**") are advised that Sasfin Holdings, via its wholly owned subsidiaries, Sasfin Bank Limited ("**SBL**") and Sasfin Private Equity Investment Holdings Proprietary Limited ("**SPEIH**") and African Bank Limited ("the **Purchaser**") entered into binding heads of agreement ("**Disposal Agreement**") on or about 12 October 2023 in terms of which, subject to certain suspensive conditions:

1.1.1 SBL will, as one indivisible transaction, dispose of its Capital Equipment Finance business ("**CEF Business**"), as a going concern ("**CEF Transaction**") and its Commercial Property Finance business ("**CPF Business**"), as a going concern, to the Purchaser; and

1.1.2 SPEIH (and SBL to the extent applicable) will dispose of various shares and claims in entities which form part of the CPF Business to the Purchaser ("**CPF Shares and Claims**").

The disposal of the CEF Business, the CPF Business and the CPF Shares and Claims constitutes "the **Disposal**".

1.2 The estimated aggregate consideration for the Disposal is approximately R3,26 billion.

2. DISPOSAL AGREEMENT

2.1 Subject Matter of the Disposal

2.1.1 CEF Transaction

SBL will dispose of its CEF Business, which is comprised of, *inter alia*, the following:

- 2.1.1.1 the loan book of SBL, together with all rights, title and interest in respect thereof, in relation to the CEF Business ("**CEF Loan Book**");
- 2.1.1.2 the goodwill attributable to the CEF Business;
- 2.1.1.3 the trade receivables of SBL in relation to the CEF Business, to the extent applicable; and
- 2.1.1.4 such employees of SBL as will transfer with the CEF Business in terms of section 197 of the Labour Relations Act No 66 of 1995 ("**LRA**").

2.1.2 CPF Transaction

2.1.2.1 SBL will dispose of its CPF Business, which is comprised of, *inter alia*, the following:

- 2.1.2.1.1 the loan book of SBL, together with all rights, title and interest in respect thereof, in relation to the CPF Business ("**CPF Loan Book**");
- 2.1.2.1.2 the goodwill attributable to the CPF Business;

- 2.1.2.1.3 the trade receivables of SBL in relation to the CPF Business, to the extent applicable; and
- 2.1.2.1.4 such employees of SBL as will transfer with the CPF Business in terms of section 197 of the LRA.
- 2.1.2.2 SPEIH (and SBL to the extent applicable) will dispose of various CPF Shares and Claims.

2.2 Suspensive Conditions

2.2.1 The disposal of the CEF Business and the CPF Business are subject to the fulfilment or waiver (where applicable) of the following suspensive conditions that by no later than 28 February 2024, or such later date as agreed:

2.2.1.1 comprehensive and inter-conditional agreements will have been entered into between the respective parties ("**Comprehensive Agreements**");

2.2.1.2 the Prudential Authority, established in terms of Section 32 of the Financial Sector Regulation Act No 9 of 2017 ("**Prudential Authority**"), will have approved the provision by SBL to the Purchaser of the requisite vendor due diligence reports relating to the CEF Business, the CPF Business and the CPF Shares and Claims and SBL will have delivered to the Purchaser the approved vendor due diligence reports. *The parties acknowledge that the Prudential Authority is not a party to the Disposal Agreement and cannot be held liable in terms of time stipulations, as it is subject to regulatory requirements that must be met before approvals can be granted;*

2.2.1.3 the Purchaser, having received from SBL the approved vendor due diligence reports, will have conducted a vendor due diligence verification investigation and will have delivered to SBL a notice that the Purchaser is satisfied with the vendor due diligence, having considered the result of its verification investigation on reasonable grounds;

2.2.1.4 the respective boards of directors of the parties shall have approved the conclusion and implementation of the Disposal;

2.2.1.5 the shareholders of Sasfin Holdings, in accordance with the Listings Requirements of the JSE Limited ("**JSE**") applicable to a Category 1 Transaction, shall have approved the conclusion and implementation of the Disposal;

2.2.1.6 the shareholder of SBL and the shareholders of the Purchaser shall have approved the Disposal; and

2.2.1.7 all requisite third party and/or regulatory consents, approvals and exemptions shall have been obtained.

2.2.2 The disposal of the Shares and Claims is subject to the fulfilment or waiver of the suspensive condition that such waivers and regulatory approvals and exemptions as are required for the transfer of these Shares and Claims shall have been obtained by no later than six months after the Closing Date.

2.3 Closing Date

2.3.1 The effective date of the disposal of the CEF Business and the CPF Business will be the 6th business day after the date on which the last of the suspensive conditions are fulfilled, or where applicable waived ("**Closing Date**").

2.3.2 On the Closing Date, all legal risk in and all benefit attaching to the CEF Business and the CPF Business will pass to the Purchaser against payment in cash of a portion of the purchase price as detailed in paragraph 2.4 below.

2.4 Disposal Consideration and Payment

2.4.1 The purchase price payable by the Purchaser to SBL for the CEF Business is an amount equal to the sum of –

2.4.1.1 the gross value of the CEF Loan Book at the Closing Date, net of the provision for expected credit losses, which provision shall be calculated in accordance with International Financial Reporting Standards (“IFRS”) 9 (“**CEF Loan Book Value**”); plus

2.4.1.2 R100,000,000 (representing the goodwill attributable to the CEF Business) (the “**Goodwill**”).

2.4.2 The purchase price payable by the Purchaser to SBL for the CPF Business is an amount equal to the sum of –

2.4.2.1 the gross value of the CPF Loan Book at the Closing Date, net of the provision for expected credit losses, which provision shall be calculated in accordance with IFRS 9 (“**CPF Loan Book Value**”); plus

2.4.2.2 33.3% of all profits actually realised following the Closing Date from profit share arrangements in respect of the CPF Loan Book as at the Closing Date (the “**Agterskot Amounts**”).

2.4.3 The CPF Shares and Claims are transferred at the fair market value of the Shares and the carrying value of the Claims.

2.4.4 The purchase price for the CEF Business is payable as follows:

2.4.4.1 On the Closing Date, the Purchaser will pay SBL an amount equal to 90% of the aggregate of:

2.4.4.1.1 the estimated total CEF Loan Book Value as at the Closing Date. This book had a value of circa R2,340 billion as at February 2023; and

2.4.4.1.2 Goodwill of R100,000,000.

2.4.4.2 No later than ninety days after the Closing Date, the Purchaser will pay to SBL an amount equal to the aggregate of R10,000,000 (being the remaining 10% of the Goodwill), plus the difference between the amount which the Purchaser calculates in good faith as the actual CEF Loan Book Value and the 90% of the CEF Loan Book Value paid on the Closing Date.

2.4.5 The purchase price for the CPF Business is payable as follows:

2.4.5.1 On the Closing Date the Purchaser pays SBL an amount equal to 90% of the estimated CPF Loan Book Value. This book had a value of circa R708 million as at February 2023.

2.4.5.2 No later than 90 days after the Closing Date the Purchaser shall pay SBL an amount equal to the difference between the amount which the Purchaser calculates in good faith as the actual CPF Loan Book Value and 90% of the CPF Loan Book Value paid on the Closing Date.

2.4.5.3 The Purchaser will pay SBL the Agterskot Amounts as and when they are realised.

2.4.5.4 The Purchaser will pay an aggregate amount of circa R112 million in respect of the CPF Shares and Claims, as and when they become unconditional, on or after the Closing Date.

2.5 Application of the Proceeds of the Disposal

The Disposal consideration will be paid in cash and will be deployed within the Sasfin Holdings group to fund its remaining operations and redirecting proceeds to the continued growth of its core businesses and with a view to enhancing total return to Shareholders.

2.6 Comprehensive Agreements

2.6.1 SBL, SPEIH and the Purchaser will enter into Comprehensive Agreements, which will include:

2.6.1.1 provisions that the Comprehensive Agreements in respect of the CEF Business and the CPF Business will be inter-conditional;

2.6.1.2 warranties and indemnities, and such limitation of liability provisions, as will be agreed between the parties; and

2.6.1.3 an acknowledgment that the transfer of the CEF Business and the CPF Business respectively fall within the ambit of the transfer of a business as a going concern, as contemplated in section 197 of the LRA and, accordingly, with effect from the Closing Date, the Purchaser will automatically be substituted in the place of SBL in the relevant employees' contracts of employment.

3. RATIONALE AND BACKGROUND TO THE DISPOSAL

3.1 Sasfin Holdings is a bank-controlling company which listed on the JSE in 1987 and currently comprises three business pillars being Asset Finance, Wealth and Business and Commercial Banking. The Sasfin Holdings board of directors is of the view that the Company trades at a significant discount to the sum of its parts valuation due to, *inter alia*, the high costs of being a tier two bank and a number of sub-scale business units.

3.2 As communicated in the Company's interim results released on 2 March 2023, it has been conducting a strategic review, including an assessment of the economic, political, and competitive landscape, with the intent of focusing on strengthening and unlocking the potential of its core businesses, where its strong competitive capabilities reside. Sasfin Holdings has started implementing a strategy to become a more focused and streamlined business. This has resulted in the disposal of and entering into agreements to dispose of certain non-core assets, with a view to redirecting resources to the continued growth of the core businesses. The Company is confident in the strength and scale of the Rental Finance and Wealth businesses, both in terms of financial strength and competitive positioning. Post this transaction, Sasfin Holdings retains its Wealth, Rental Finance and focused Banking businesses.

3.3 The Purchaser is owned by a consortium comprising of the Government Employees Pension Fund, the South African Reserve Bank Limited, Absa Group Limited, Capitec Bank Holdings Limited, FirstRand Limited, Investec Limited and Nedbank Group Limited. It has recently concluded the acquisition of Grindrod Bank Limited, marking its entry into the business banking arena. This acquisition will allow African Bank to meaningfully expand its business banking offering and to diversify its client base.

4. THE NET ASSETS AND PROFITS ATTRIBUTABLE TO SBL'S INTEREST IN THE CEF BUSINESS, THE CPF BUSINESS AND THE CPF SHARES AND CLAIMS

The financial information set out below has not been reviewed or reported on by a reporting accountant in terms of Section 8 of the JSE Listings Requirements and is the responsibility of Sasfin Holdings directors.

- 4.1 The unaudited value of the net assets that are the subject of the CEF Transaction as at 31 December 2022 was R2.29 billion and the unaudited profit after tax attributable to such net assets for the six months ending 31 December 2022 was R35 million.
- 4.2 The unaudited value of the net assets that are the subject of the CPF Transaction including the CPF Shares and Claims as at 31 December 2022 was R787 million and the unaudited loss after tax attributable to such net assets for the six months ending 31 December 2022 was R1 million.
- 4.3 The above-mentioned financial information has been extracted from the Sasfin Holdings unaudited and consolidated interim financial statements for the six months ended 31 December 2022, which were prepared in accordance with IFRS.

5. CATEGORISATION OF THE DISPOSAL

The Disposal, on an aggregated basis, is classified as a Category 1 Transaction in terms of the Listings Requirements of the JSE and must be approved by Shareholders in a general meeting. A circular incorporating a notice to convene the general meeting and setting out information regarding the Disposal and such financial information on the subject of the Disposal as is required by the JSE Listings Requirements, will be dispatched to Shareholders in due course.

Johannesburg
13 October 2023

Corporate Advisor to Sasfin Holdings
Opio Advisors, a division of Opio Ventures Proprietary Limited

Sponsor to Sasfin Holdings
Questco Corporate Advisory Proprietary Limited

Legal Advisors
Werksmans Attorneys