

**sasfin**

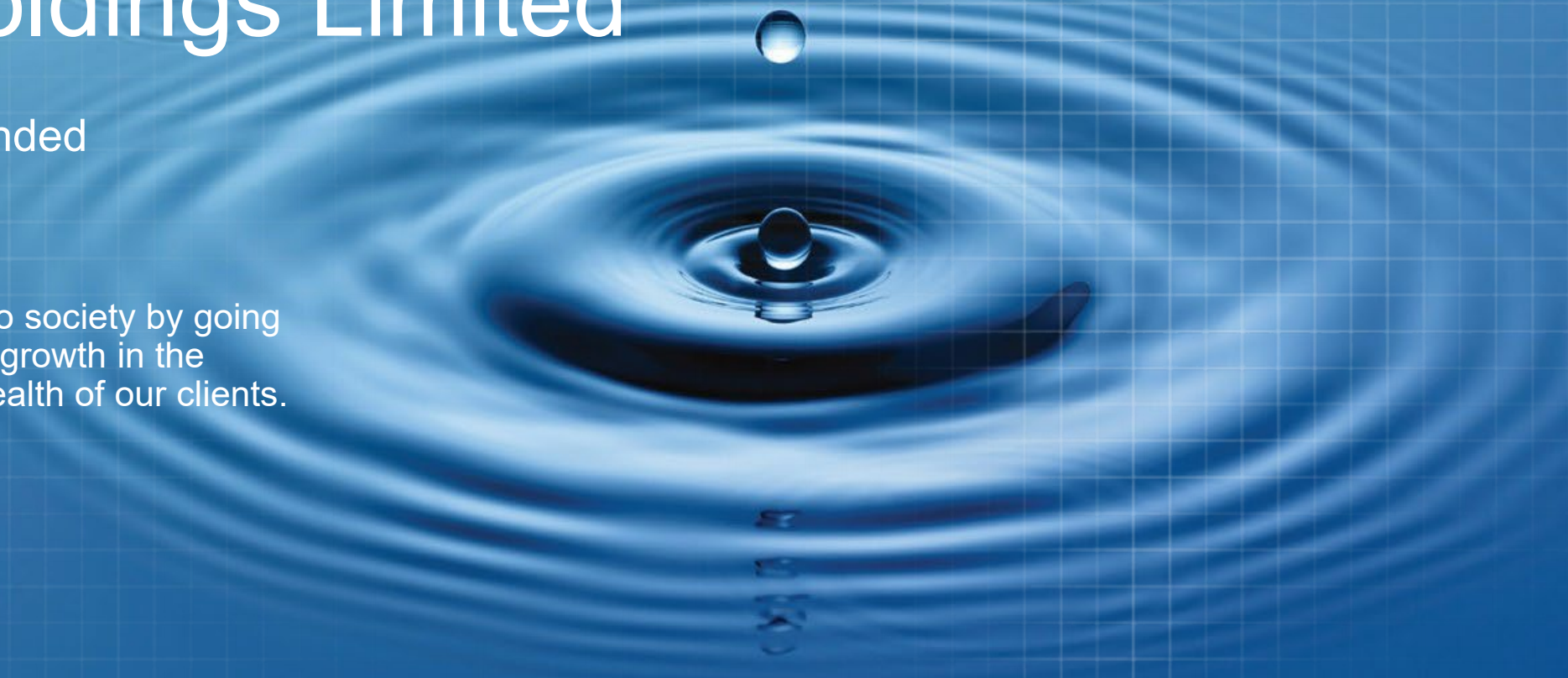
beyond a bank

# Sasfin Holdings Limited

Interim Results  
for the six months ended  
**31 December 2022**

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

**2 March 2023**



# WELCOME

## Harriet Heymans

GROUP FINANCIAL DIRECTOR





# Agenda

## FINANCIAL REVIEW

**Harriet Heymans**

Group Financial Director

## PILLAR REVIEWS AND PROSPECTS

**Michael Sassoon**

Group Chief Executive Officer

## QUESTIONS



# FINANCIAL REVIEW

Harriet Heymans

GROUP FINANCIAL DIRECTOR





# Financial and capital position

## NET ASSET VALUE PER SHARE

▲ 7.66% to 5 303 cents

## GROSS LOANS AND ADVANCES

▲ 22.54% to R9.435bn

## CAPITAL ADEQUACY RATIO<sup>2</sup>

▼ 16.34%  
(2021: 17.37%)

## CORE FUNDING

▲ 5.17% to R9.492bn



Customer deposits  
**6.85% to R5.941bn**



Debt securities issued  
**18.82% to R3.257bn**



Long-term funding  
**59.47% to R293.4m**

- Healthy net available cash<sup>1</sup> **of R1.61bn** which is down **35.19%** due to strong loan growth
- Liquidity coverage ratio and net stable funding ratio above the regulatory minimum

<sup>1</sup> Including liquid negotiable securities less funding received under repurchase agreements.

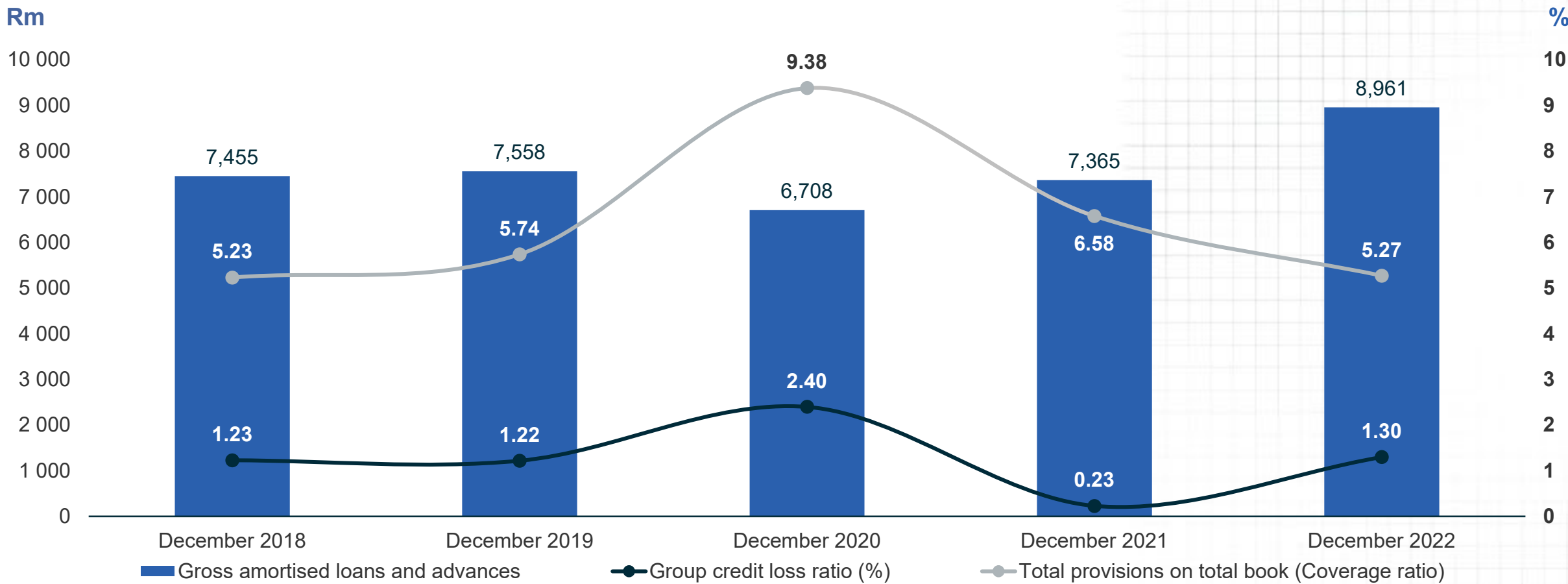
<sup>2</sup> Unaudited.

# Financial position: Assets

		Change % <sup>1</sup>	31 December 2022 R'000	31 December 2021 Restated R'000
Cash and negotiable securities	▼	19.24	2 576 222	3 189 873
Trading assets	▲	53.92	472 451	307 545
Other receivables	▼	9.65	504 749	558 647
Net loans and advances	▲	24.21	8 962 923	7 215 701
Investments at fair value through profit and loss	▲	4.94	549 022	523 157
Equity-accounted associates	▲	90.89	69 246	36 275
Intangible assets and goodwill	▼	17.6	129 740	157 448
Non-current assets held for sale, current and deferred taxation asset, property, equipment, right-of-use assets and investment property	▲	6.94	308 394	288 376
<b>Total</b>	▲	<b>10.55</b>	<b>13 572 747</b>	<b>12 277 022</b>

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

# Gross amortised loans and advances and credit risk





# Summary of IFRS 9 impairments

	Exposure R'000	Exposure %	ECL <sup>1</sup> R'000	Coverage %
<b>Gross amortised loans and advances</b>				
<b>31 December 2022</b>				
Stage 1	7 767 003	86.68	67 576	0.87
Stage 2	256 632	2.86	20 500	7.99
Stage 3	937 044	10.46	384 252	41.01
<b>Total</b>	<b>8 960 679</b>		<b>472 328</b>	<b>5.27</b>
<b>30 June 2022</b>				
Stage 1	7 132 287	86.68	92 778	1.30
Stage 2	264 906	3.22	23 976	9.05
Stage 3	831 471	10.10	358 497	43.12
<b>Total</b>	<b>8 228 664</b>		<b>475 251</b>	<b>5.78</b>
<b>31 December 2021 (Restated)</b>				
Stage 1	6 381 166	86.64	79 268	1.25
Stage 2	328 503	4.47	33 324	10.14
Stage 3	655 106	8.89	371 748	56.75
<b>Total</b>	<b>7 364 775</b>		<b>484 340</b>	<b>6.58</b>

<sup>1</sup> ECL: Expected Credit Loss.

The Group has experienced strong growth in loans over the last 12 months. This increase predominantly relates to the loan portfolios that have a lower loss given default due to their underlying security, which in turn translates into the lower coverage ratio.

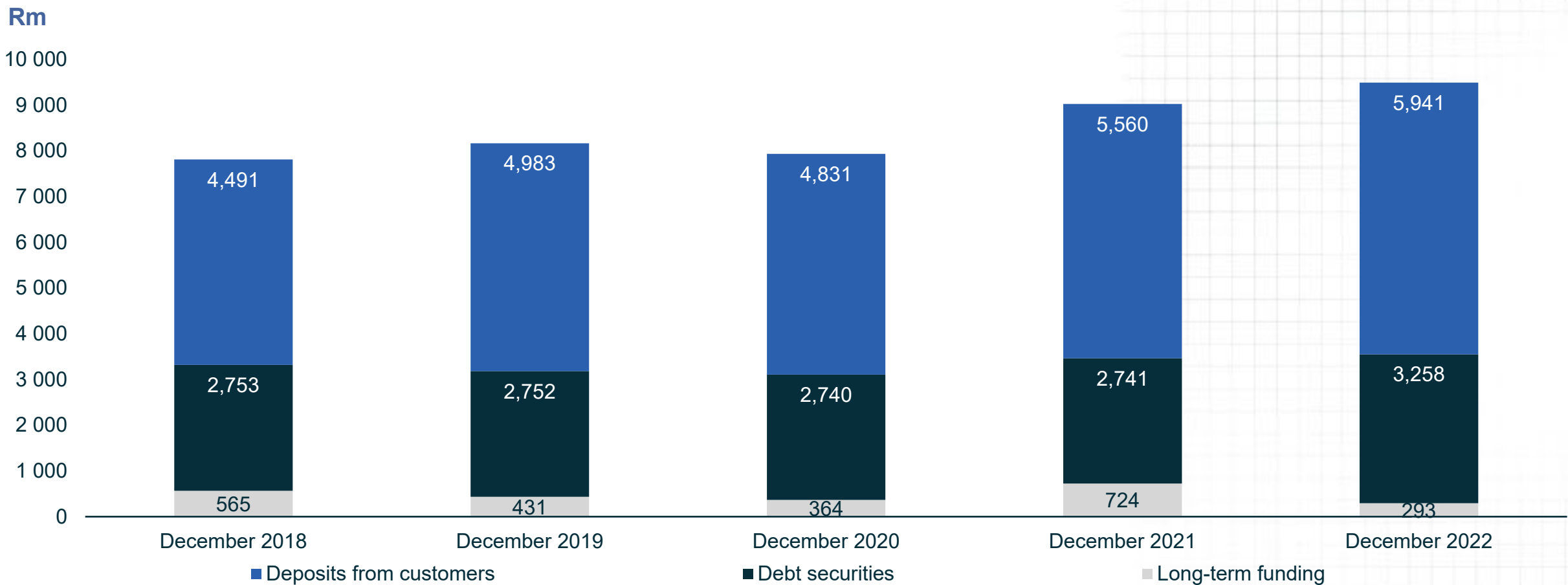


# Financial position: Liabilities and equity

		Change % <sup>1</sup>	31 December 2022 R'000	31 December 2021 Restated R'000
Funding under repurchase agreements and interbank	▲	46.01	730 285	500 154
Trading liabilities	▲	51.42	494 070	326 281
Trade and other payables, provisions and taxation	▲	36.27	909 416	667 372
Bank overdraft	▲	>100	73 524	35
Deposits from customers	▲	6.85	5 941 278	5 559 589
Lease liability	▼	4.60	159 348	167 040
Debt securities issued	▲	18.82	3 257 450	2 741 529
Long-term loans	▼	59.47	293 417	723 977
<b>Total liabilities</b>	▲	10.98	<b>11 858 788</b>	<b>10 685 977</b>
Ordinary share capital and reserves	▲	7.73	1 713 959	1 591 045
Preference share capital and share premium				
<b>Total liabilities and equity</b>	▲	<b>10.55</b>	<b>13 572 747</b>	<b>12 277 022</b>

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

# Core funding base





# Financial performance

## TOTAL INCOME

INCREASED **12.62%**

to R705.203m

(FY21: R626.179m)



Net interest income  
**+25.52%**



Non-interest revenue  
**+0.36%**

## CREDIT IMPAIRMENTS

INCREASED

to R81.85m



Credit loss ratio at  
**130 bps** from 23 bps

- Increase in stage 3 portfolio, which is well-secured

## OPERATING EXPENSES

INCREASED by 6.88% to

R538.068m (2021: R503.430m)



Staff costs increased  
**13.58%**

- Higher income resulted in the cost-to-income ratio improving to **76.30%** (2021: 80.40%)
- Effective tax rate of **20.66%** (2021: 26.48%)

## DIVIDENDS

Given the growth in lending activities and the challenging economic conditions, the Board of Directors of the Company has resolved not to pay an interim dividend for the six months ending 31 December 2022 (2021: 33.95 cents).

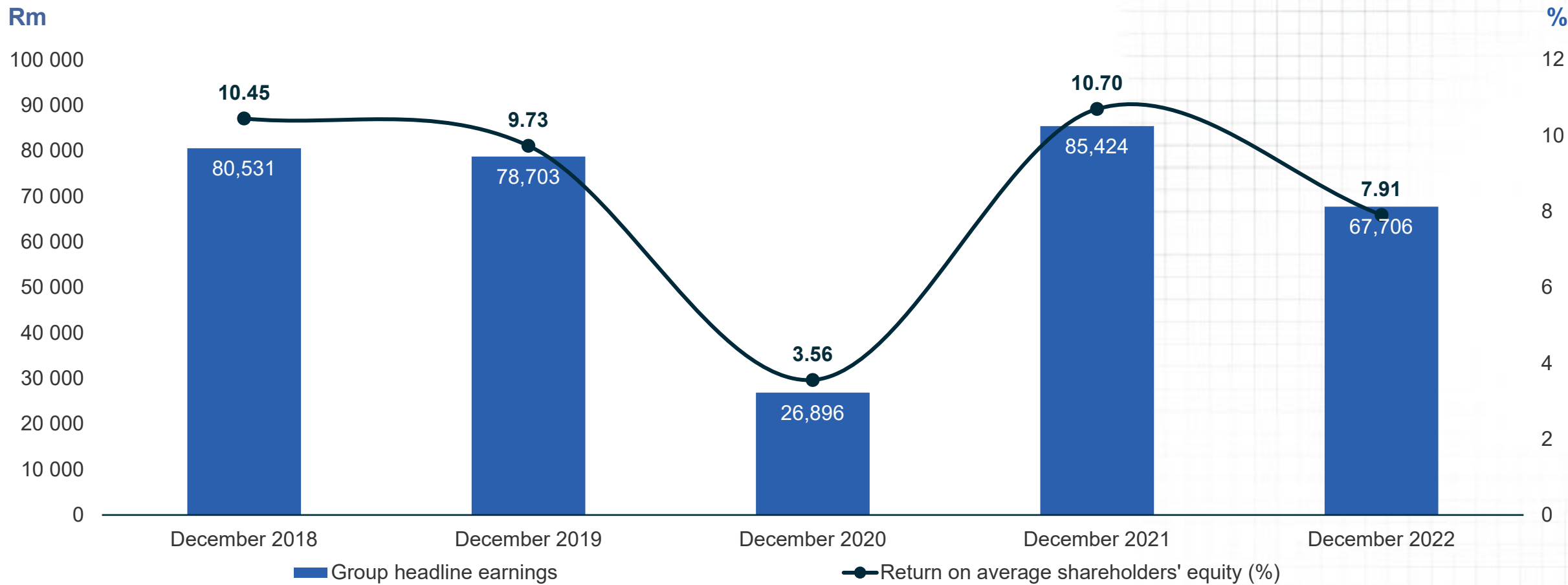
# Financial performance continued

		Change % <sup>1</sup>	31 December 2022 R'000	31 December 2021 Restated R'000
<b>Net interest income</b>	▲	25.52	<b>338 047</b>	269 312
Non-interest income	▲	0.36	<b>352 660</b>	351 396
<b>Total income</b>	▲	<b>11.28</b>	<b>690 707</b>	<b>620 708</b>
Impairment charges	▲	>100	<b>(81 582)</b>	(7 779)
<b>Net income after impairments</b>	▼	<b>0.62</b>	<b>609 125</b>	<b>612 929</b>
Operating costs	▲	6.88	<b>(538 068)</b>	(503 430)
Employee costs	▲	13.58	<b>(297 368)</b>	<b>(261 811)</b>
Other operating expenses	▼	0.38	<b>(240 700)</b>	(241 619)
<b>Profit from operations</b>	▼	35.11	<b>71 057</b>	<b>109 499</b>
Share of net profit from associates	▲	>100	<b>14 496</b>	5 471
Income tax expense	▼	41.94	<b>(17 677)</b>	(30 448)
<b>Profit for the period</b>	▼	<b>19.69</b>	<b>67 876</b>	<b>84 522</b>
Headline adjustable items	▼	>100	<b>(170)</b>	902
<b>Headline earnings</b>	▼	<b>20.74</b>	<b>67 706</b>	<b>85 423</b>

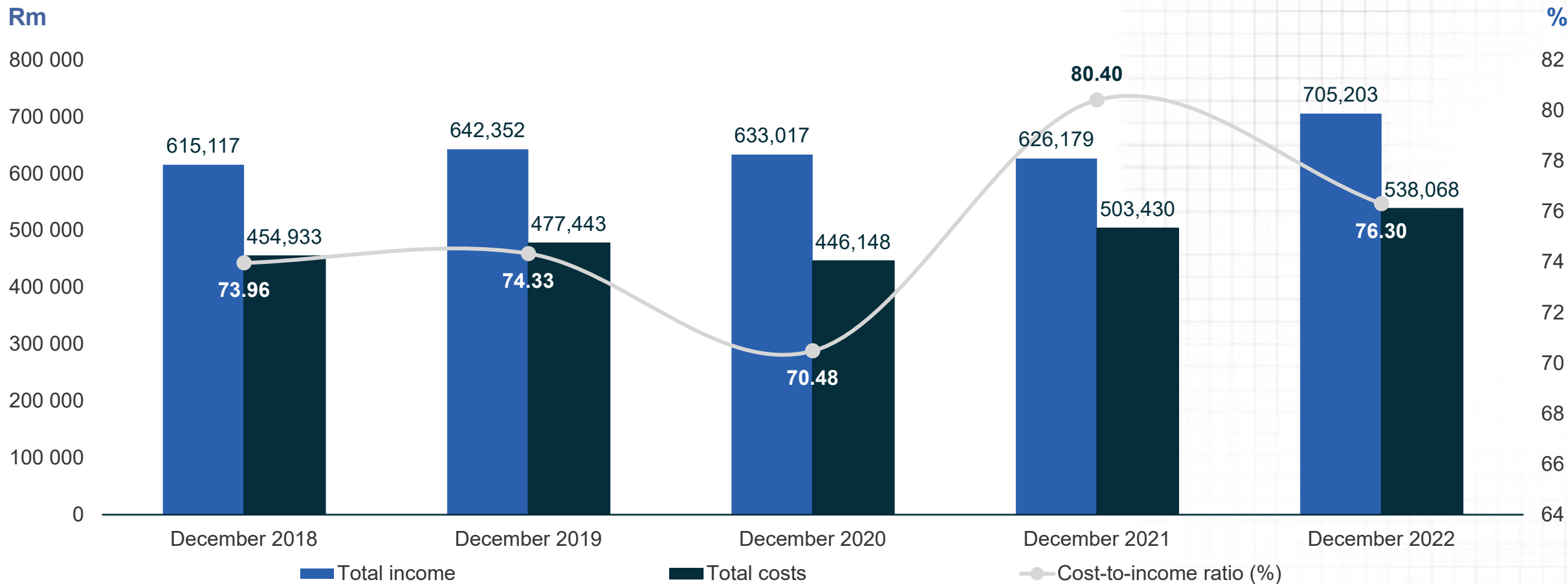
<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.



# Headline earnings and return on ordinary shareholders' average equity



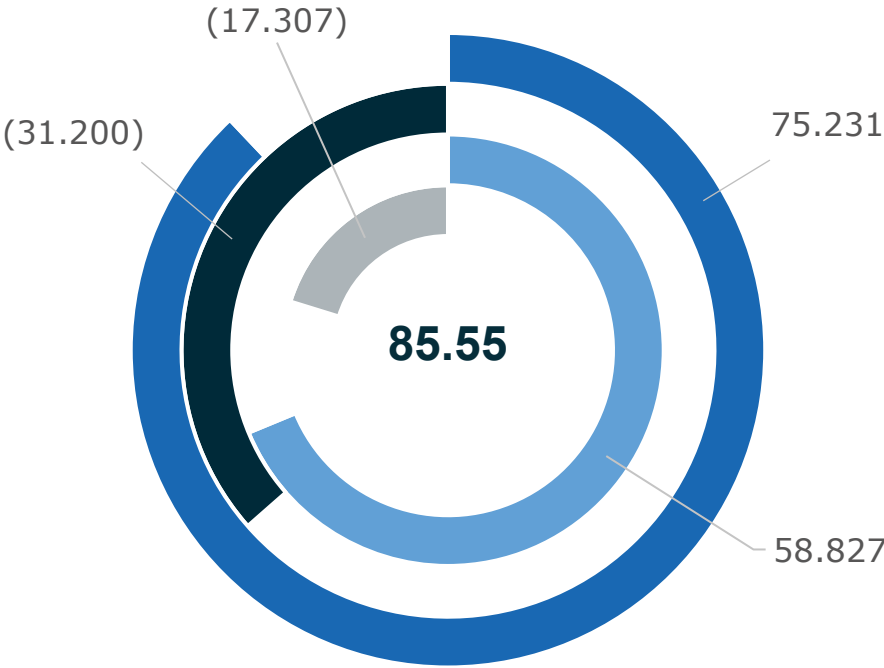
# Total income, total costs and cost-to-income ratio



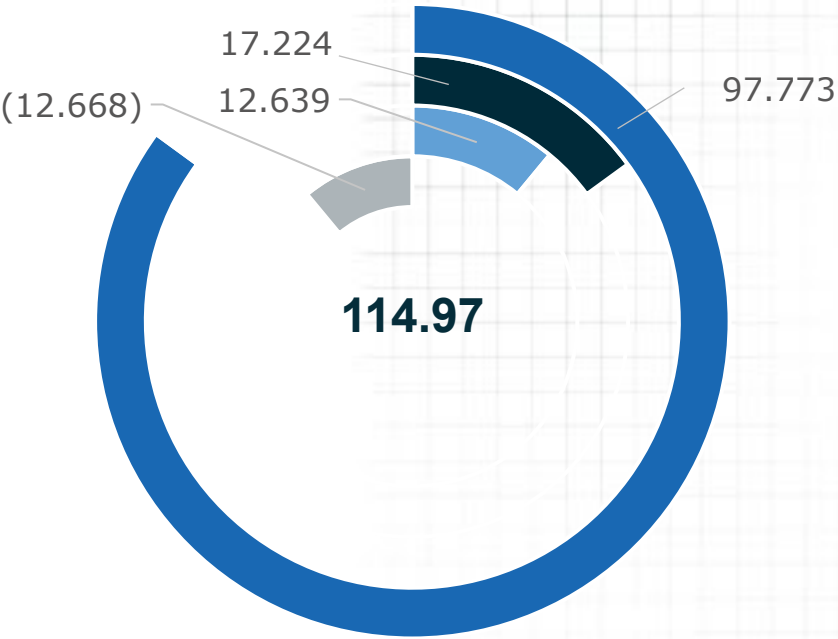


# Profit from operations: By Pillar

December 2022 (Rm)



December 2021 (Rm)



- Asset Finance
- Business and Commercial Banking
- Wealth
- Group and Treasury Eliminations

# Results: Key features

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- Increased loans to SA businesses drives 12.62% growth in total income.
- Solid and diversified funding base.
- Impairments return to pre Covid-19 levels.
- Continue to invest and strengthen our core capabilities to support ongoing growth.

# PILLAR REVIEWS

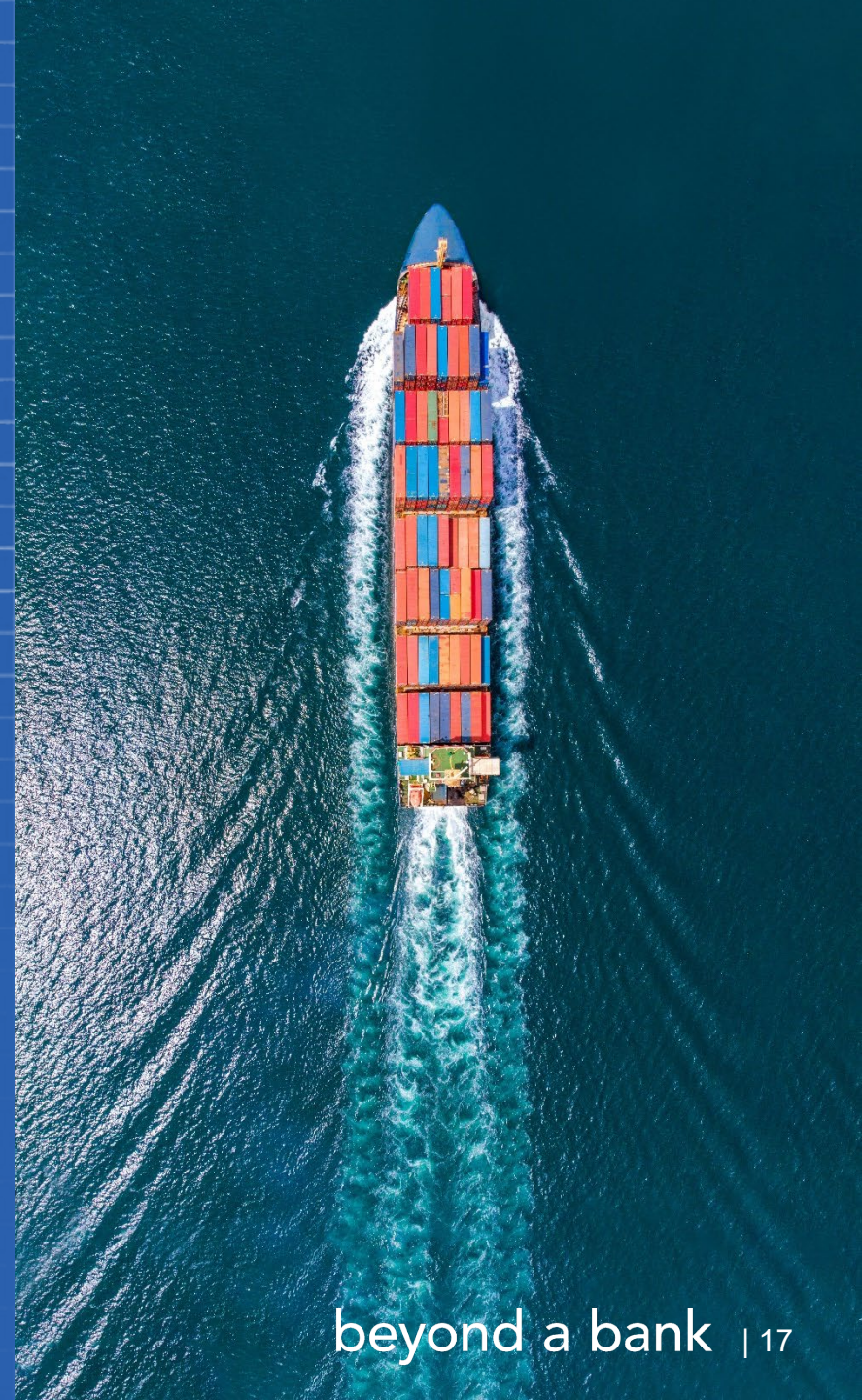
Michael Sassoon

GROUP CHIEF EXECUTIVE OFFICER

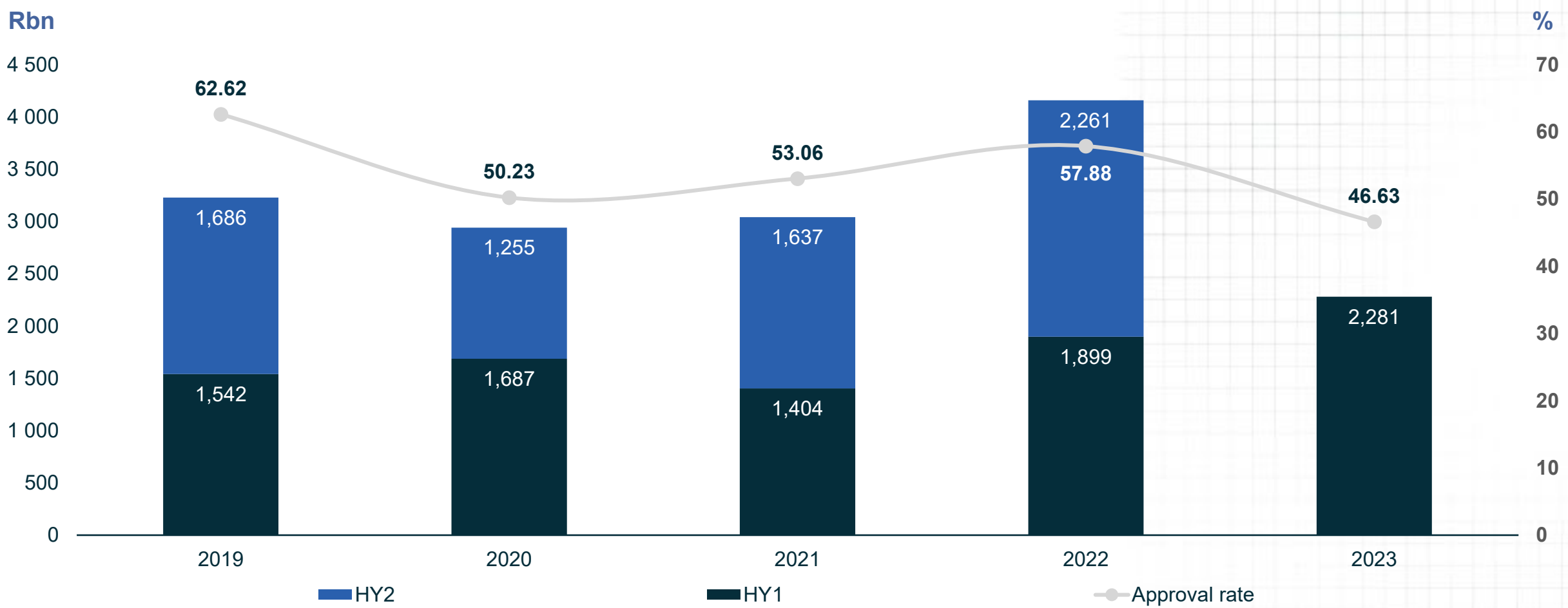




# ASSET FINANCE



# Asset Finance: New business loans



# Asset Finance: Performance

		Change % <sup>1</sup>	31 December 2022 R'000	31 December 2021 Restated R'000
<b>Total income</b>	▲	<b>11.86</b>	<b>298 575</b>	<b>266 918</b>
Credit impairment charges	▲	>100	(69 750)	(30 643)
<b>Net income after impairments</b>	▼	<b>3.15</b>	<b>228 825</b>	<b>236 275</b>
Operating costs	▲	10.90	(153 594)	(138 502)
<b>Profit from operations</b>	▼	<b>23.06</b>	<b>75 231</b>	<b>97 773</b>

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

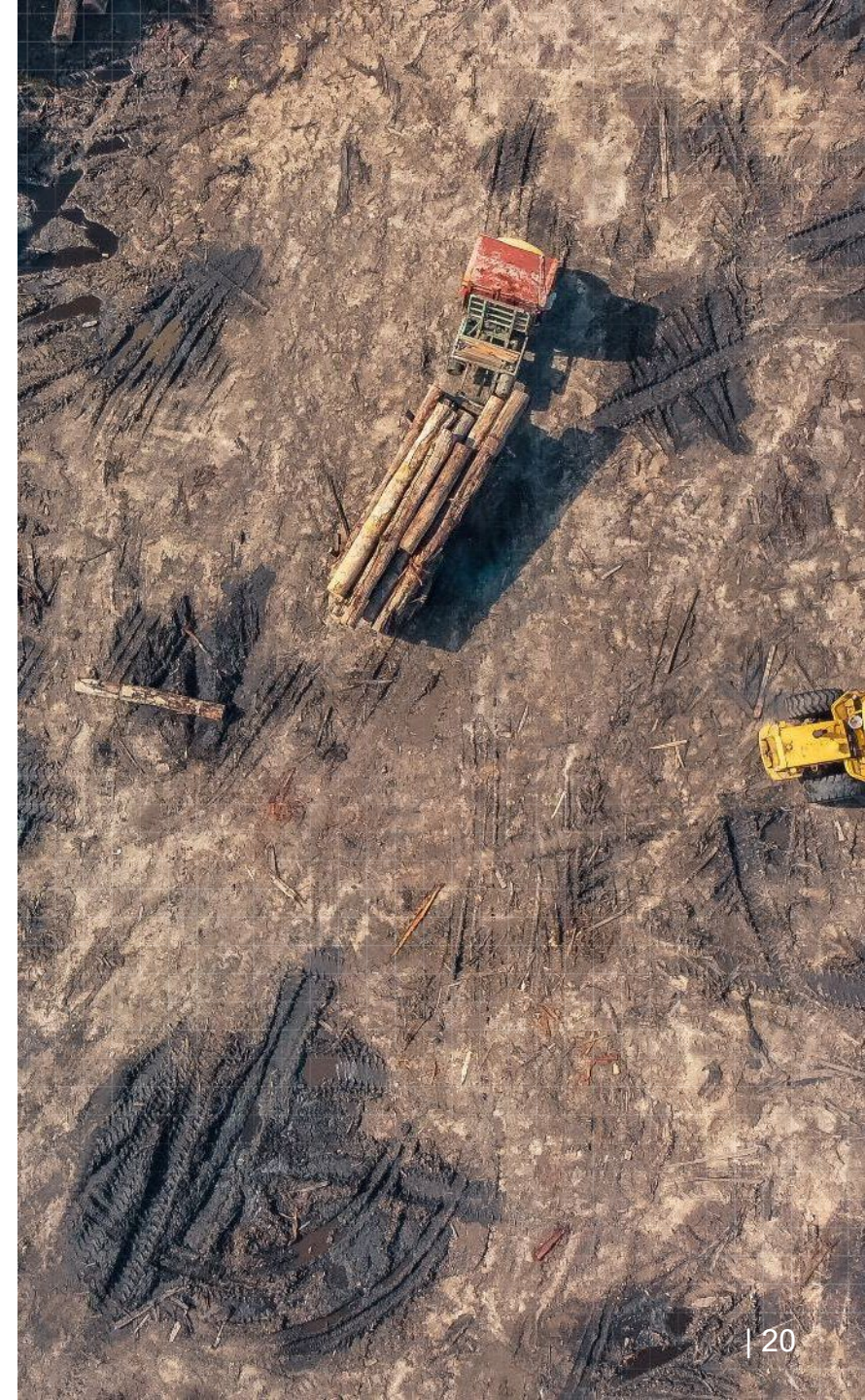


# Asset Finance: Drivers of performance

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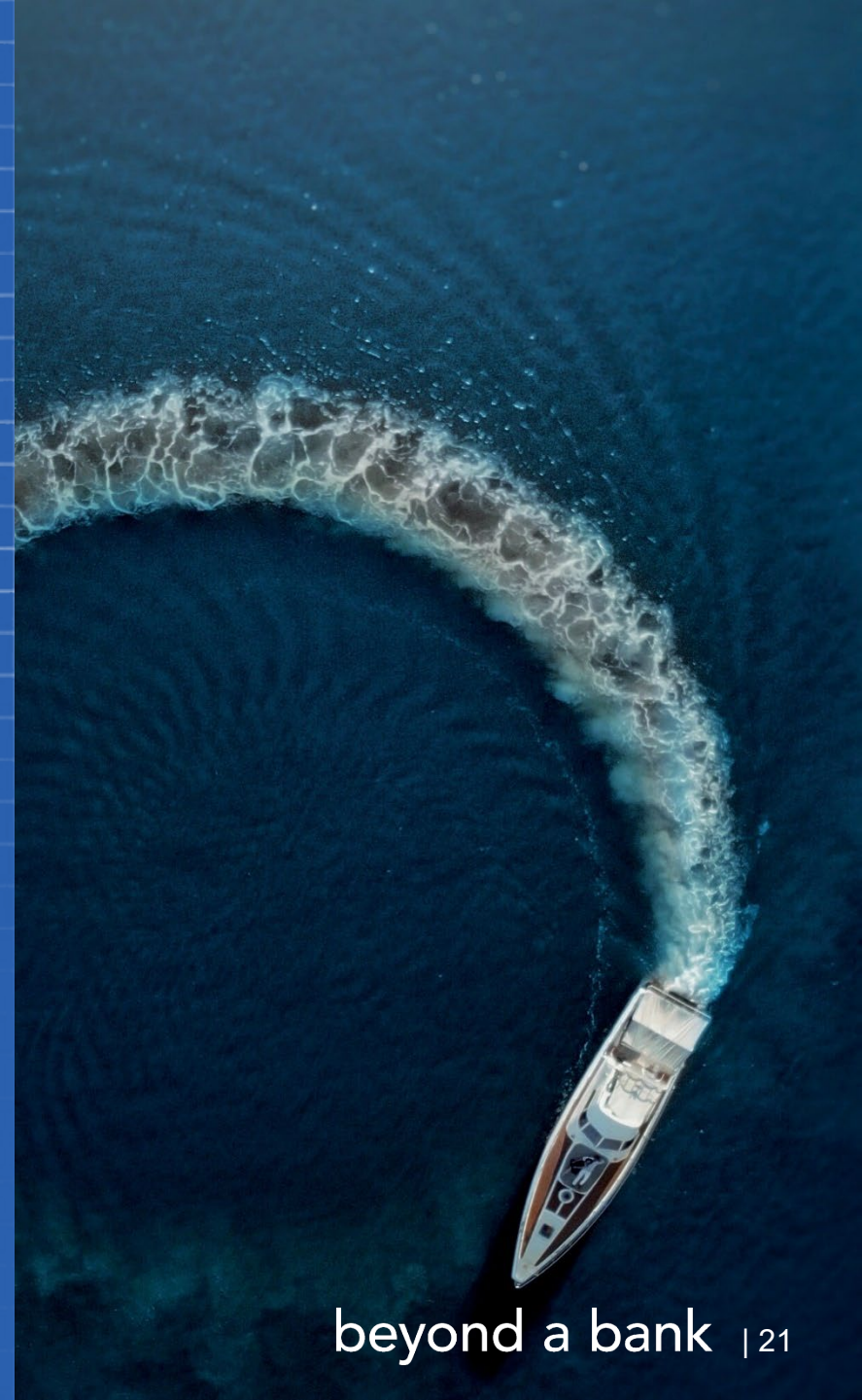
## Strong contributor

- Fundamentally good business with healthy returns.
- Healthy cost-to-income ratio remaining at 51%.
- Income growth of 11.86% to R298.575 million (2021: R266.918 million).
- The positive book growth year-on-year of 23%.
- While we grow the business we continue to strengthen our operating environment which has resulted in total operating costs increasing by 10.9%.
- Operating profit declined by 23.05% to R75.231 million (2021: R97.773 million) as a result of the higher impairments and operating costs.
- Higher impairments (R39 million increase) mainly in the Rental Finance book.





# WEALTH PILLAR



# Wealth: Performance

		Change % <sup>1</sup>	31 December 2022 R'000	31 December 2021 R'000
<b>Total income<sup>2</sup></b>	▲	11.26	201 792	181 364
<b>Net income after impairments</b>	▲	11.26	201 792	181 364
Operating costs	▼	15.27	(142 965)	(168 725)
<b>Profit from operations</b>	▲	>100	58 827	12 639

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

<sup>2</sup> Includes associate income.

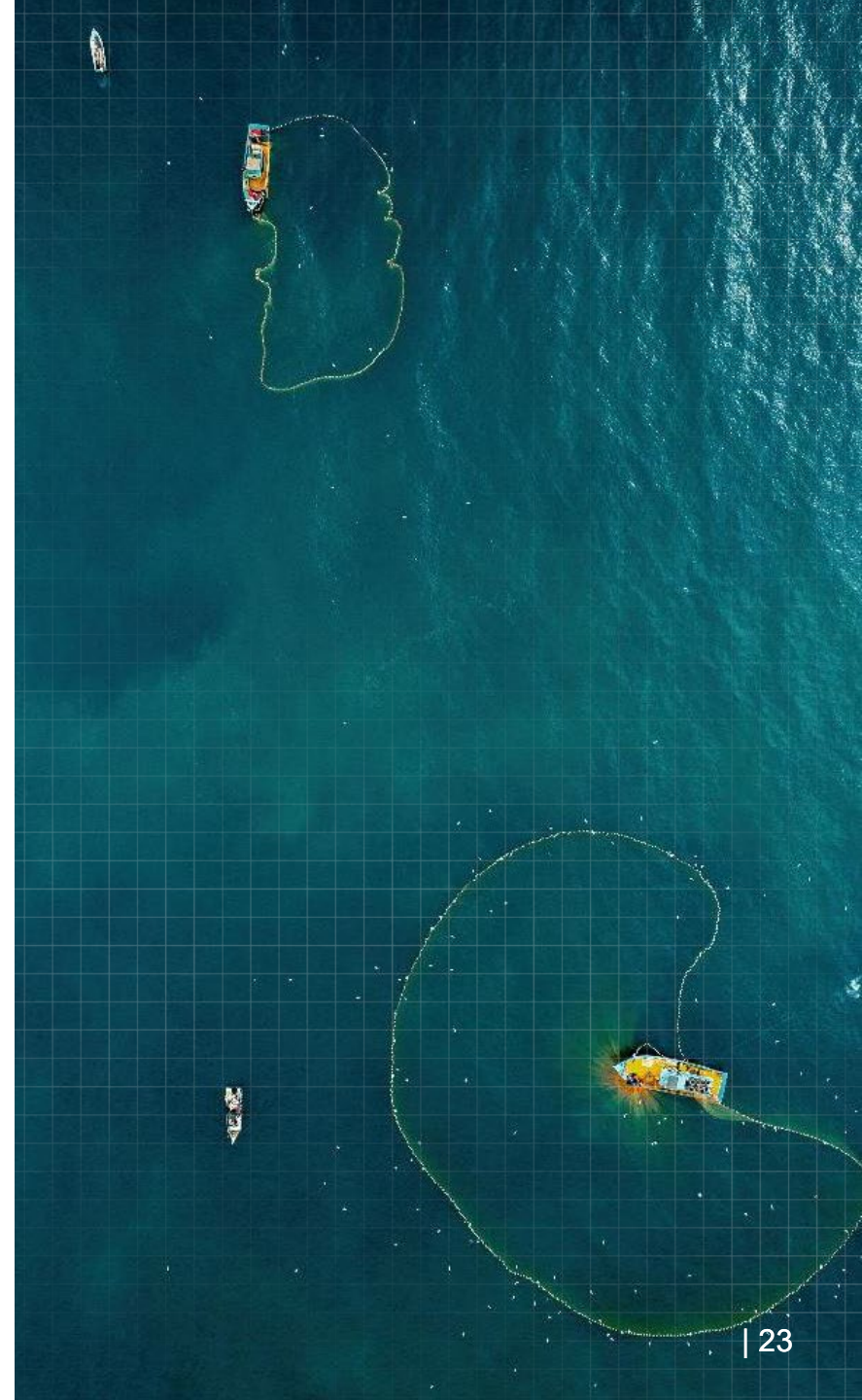


# Wealth: Drivers of performance

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## Strong contributor

- Income continued to grow in line with growth in assets under management and advice. Strong diversification of assets across asset classes globally has provided a strong hedge in Rand terms during challenging markets.
- Solid growth in income from associates also contributed to overall revenue growth and costs were well contained.
- Operating profit increased by 365.44% to R58.827 million (2021: R12.639 million), with the operational loss recognised in the prior year having a material impact on the year-on-year change.
- Cost-to-income ratio improved to 70.85% (2021: 93.03%).
- Wealth's ongoing investment in people, the investment process, strong governance and distribution continues to drive strong net inflows especially in Sasfin Asset Managers.



# Wealth: Award Winning Business

## A decade of accomplishments and recognition



### Raging Bull Awards 2014

**Winner:** Sasfin Met Equity Fund



### Morningstar Awards 2020

**Winner:** Sasfin BCI Balanced Fund (Best Moderate Allocation Fund)

**Runner up:** Sasfin BCI Prudential Fund (Best Aggressive Allocation Fund)



### Morningstar Awards 2021

**Winner:** Sasfin BCI Balanced Fund (Best Moderate Allocation Fund)



### Raging Bull Awards 2021

**Winner:** Sasfin BCI Flexible Income Fund (Best South African Multi-Asset Income Fund)



### Raging Bull Awards 2022

**Winner:** Sasfin BCI High Yield Fund (Best South African Interest-Bearing Short-Term 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)



### SA Top Stockbrokers 2020

**Winner:** Top Advice Broker

**Top 3:** People's Choice Award

**Top 5:** Relationship Manager Award



### SA Top Wealth Managers 2021

**Top 5:** People's Choice Award & Boutique Wealth Manager



### 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



### 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 2020

**Winner:** Sasfin BCI Flexible Income Fund (Best South African Multi-Asset Income Fund)



### SA Top Securities Brokers 2021

**Winner:** Top Advice Broker

**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

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Wealth



# BUSINESS AND COMMERCIAL BANKING (BCB)





# BCB: Performance

		Change % <sup>1</sup>	31 December 2022 R'000	31 December 2021 Restated R'000
<b>Total income</b>	▲	<b>22.83</b>	<b>164 159</b>	<b>133 645</b>
Credit impairment charges	▲	>100	(32 149)	19 123
<b>Net income after impairments</b>	▼	<b>13.59</b>	<b>132 010</b>	<b>152 768</b>
Operating costs	▲	20.41	(163 210)	(135 544)
<b>Profit/(Loss) from operations</b>	▼	<b>&gt;100</b>	<b>(31 200)</b>	<b>17 224</b>

<sup>1</sup> Movements calculated on rounded numbers for percentages and bps throughout this document.

# BCB: Drivers of performance

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## Increase in income offset by higher costs and credit impairments

- Net interest income increased by 95.9% largely driven by strong loan book growth in Commercial Banking<sup>1</sup> which earns healthy margins.
- Non-interest revenue remained flat with an increase in transactional income while foreign exchange income dropped.
- Increase in credit impairment charges impacted by loan book growth and the challenging economic environment.
- Cost increase primarily due to the investment into business banking, which is underperforming.

<sup>1</sup> Specialised Lending, Commercial Property Finance, Trade & Debtor Finance.



# PROSPECTS

Michael Sassoon

GROUP CHIEF EXECUTIVE OFFICER

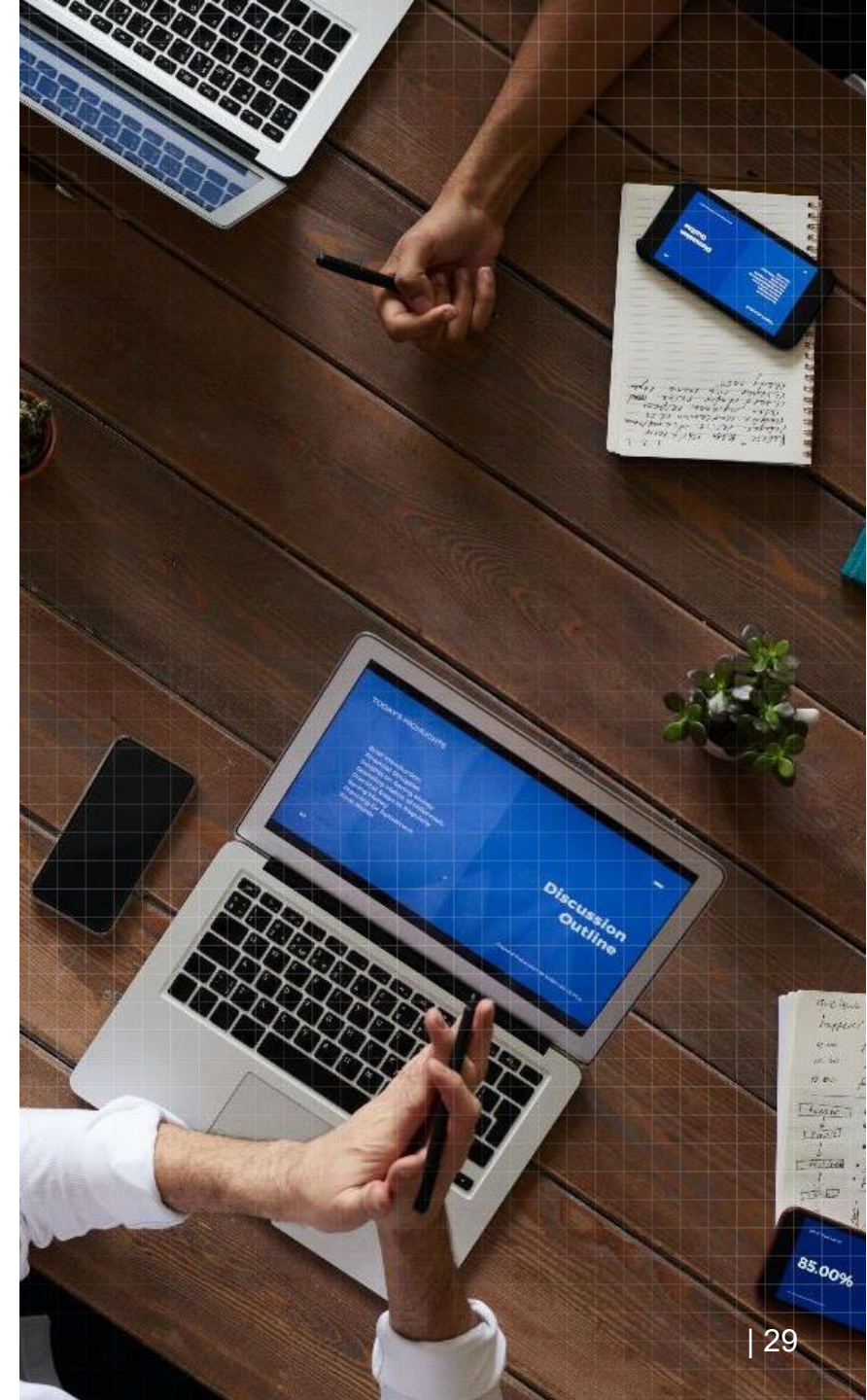




# Operating environment

## Macro environment

- Economic growth remains a challenge for South Africa, which is now facing the additional global impacts of high inflation and rising interest rates compounded by the local energy crisis and the FATF grey-listing. While the economy has recovered somewhat from the impact of the Covid-19 pandemic, the landscape remains challenging, with high levels of unemployment and low levels of business confidence.
- Despite the economic challenges, global and local financial markets have been relatively resilient.



# Investigation into suspected financial misconduct

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## Investigation into suspected financial misconduct

- As reported in our 30 June 2022 results, an independent investigation was commissioned into allegations of financial misconduct by certain suspended and former employees and clients of our Foreign Exchange business unit, which is ongoing. We continue to work with the relevant authorities in this regard.
- Given the sophisticated onslaught by criminals to circumvent regulations, we continue to actively strengthen and enhance our compliance and financial crimes prevention capabilities, with particular focus on our foreign exchange business.

# Prospects

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Sasfin has two fundamentally strong businesses which drive healthy returns in Asset Finance and Sasfin Wealth. These businesses have good prospects which we continue to unlock.

We have been on a journey to strengthen our Business and Commercial Banking pillar which has come at a large cost. While we are seeing positive signs in Commercial Banking, Business Banking is underperforming expectations which is impacting Group performance.

Given the challenging economic conditions and competitive landscape as well as the challenges faced in Business Banking, Sasfin is revisiting its strategy to drive the following key outcomes:

**1.** Living our purpose

**2.** Backing our Champions

**3.** Supporting our clients

The strategic review which is almost complete, is focused on ensuring solid credit performance while improving our cost-to-income ratio which should drive an improved return on equity.



# Disclaimer

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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

