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| SASFIN HOLDINGS LIMITED  (Incorporated in The Republic of South Africa)  (Registration Number 1987/002097/06)  Ordinary share code: SFN ISIN: ZAE000006565  (“Sasfin” or “the Company” or "the Group") |  |

**Unaudited condensed consolidated interim results for the six months ended 31 December 2022 short form announcement.**

**RESULTS**

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| --- | --- | --- | --- |
|  | **31 December 2022** | 31 December 20211 | % Change |
| Group headline earnings for the period (R'000) | **R67,706** | R 85,424 | -20.74% |
| Group headline earnings per ordinary share (cents) | **220.02** | 277.59 | -20.74% |
| Earnings per ordinary share (cents) | **220.57** | 274.66 | -19.69% |
| Total Income (R'000) | **R705,203** | R626,179 | 12.62% |
| Profit before income tax (R'000) | **R85,553** | R114,970 | -25.59% |
| Group profit (Rm) | **R67,876** | R84,522 | -19.69% |
| Cost to income ratio (%) | **76.30** | 80.40 | -410 bps |
| Return on equity (%) | **7.97** | 10.70 | -273 bps |
| Net asset value per ordinary share (cents) | **5,303** | 4,926 | 7.98% |
| Dividend per ordinary share (cents) | **-** | 33.95 | (100.00%) |
| Total assets (Rbn) | **13,573** | 12,277 | 10.56% |
| Gross loans and advances (Rbn) | **9,435** | 7,700 | 22.54% |
| Core Funding (Rbn) | **9,492** | 9,025 | 5.17% |
| Capital adequacy ratio (%) | **16.34** | 17.37 | -103 bps |
| Group coverage ratio (%) | **5.27%** | 6.58% | -131 bps |
| Credit loss ratio (bps) | **130** | 23 | 107 bps |

**1** Restated in accordance with restatement applied in the 30 June 2022 Annual Financial Statements.

**Financial performance**

Group headline earnings for the six months ended 31 December 2022 reduced by 20.74% to R67.706 million (2021: R85.424 million), resulting in a decline in return on equity to 7.97% (2021: 10.70%).

Total income (including income from associates) increased by 12.62% to R705.203 million (2021: R626.179 million) with net interest income growing 25.52%, mainly due to strong loan book growth at healthy margins, while non-interest revenue remained flat. Total costs grew by 6.88% to R538.068 million (2021: R503.430 million). The strong income growth resulted in the cost-to-income ratio improving to 76.30% (2021: 80.40%).

**Financial position**

Total assets increased 10.56% to R13.573 billion (2021: R12.277 billion), as a result of strong growth in net loans and advances of 24.21% to R8.963 billion (2021: R7.216 billion). Core funding (excluding funding received under repurchase agreements) increased by 5.17% to R9.492 billion (2021: R9.025 billion) as deposits from customers increased to R5.941billion (2021: R5.560 billion). Net available cash and near cash is at R1.605 billion (2021: R2.433 billion). Total ordinary shareholders equity increased by 7.66% to R1.713 billion (2021: R1.591 billion).

Despite higher equity, the Group capital adequacy ratio declined to 16.34% (2021: 17.37%), following strong loan growth. The liquidity coverage ratio and net stable funding ratio remain above regulatory requirements.

**Credit performance**

The reduction in earnings in the current period is largely due to higher impairment charges. In the first half of the prior year the Group saw a low impairment charge following strong recoveries as the Covid-19

pandemic abated. The credit loss ratio has therefore increased to 130 bps (2021: 23bps). The income statement impairment charge was further impacted by an amount of R47.6 million raised against trade and other receivables.

The loan growth was primarily in loan portfolios that have a lower loss given default due to the embedded security underlying these loans, which in turn translates into the lower coverage ratios to 5.27% (2021: 6.58%). Over 40% of our Stage 3 loans are covered by independently valued security in the form of property and yellow metal equipment and/or insurance held from blue chip counterparties.

Since June 2022, Stage 3 loans have deteriorated to 10.46% (June 2022: 10.10%). We continue to work

closely with those clients with fundamentally strong business models, who have faced cash flow pressures as a result of the economic challenges.

**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: 33.95026 cents).

**Segmental overview**

Asset Finance operating profit declined 23.05% to R75.231 million (2021: R97.773 million), as a result of the higher impairments following strong loan growth and the impact of rising interest rates on fixed contract margins. Healthy growth experienced in the loan book boosted the book to over R8 billion, resulting in income growth of 11.86% to R298.575 million (2021: R266.918 million). We continue to diversify and expand our offering, with the well-secured Specialised Equipment Finance book, growing to 30% (2021: 23%) of the total Asset Finance book.

We also continue to invest in strengthening our operational, financial and technology capabilities in Asset Finance to support our ongoing growth in this area. Demand for securitisation paper which provides excellent funding, in addition to deposits, remains strong.

Business and Commercial Banking recorded an operating loss of R31.200 million (2021: profit of

R17.224 million) mainly due to continued investment in Business Banking, and higher impairments following strong loan growth. Total Income grew 22.83% to R164.159 million (2021: R133.645 million) primarily from strong growth in the Commercial Banking (Trade and Debtor Finance, Specialised Lending and Commercial Property Finance) area, while Business Banking income remained flat.

Sasfin Wealth saw an increase in operating profit of 365.44% to R58.827 million (2021: R12.639 million), due to solid income growth and the effect of a once-off operational loss in the comparative period. Assets under advice and management (collectively referred to as AUM) remained steady at R62.836 billion (2021: R62.250 billion). Foreign assets continue to comprise a substantial part of total AUM at 22% (2021: 25%). Sasfin Wealth’s strong investment performance and distribution capability, continue to drive strong net inflows, particularly in Sasfin Asset Managers.

**Prospects**

Given the changing economic and competitive landscape, Sasfin is in the process of revisiting its strategy to drive the following key outcomes:

1. Living our purpose: Sasfin is committed to contributing to our society and, for the first time, became a level 1 B-BBEE contributor during the period. Sasfin Asset Managers recently announced a partnership with the Jobs Fund of National Treasury, which will enable Sasfin to provide funding to businesses that can demonstrate job creation. This follows the successful ongoing partnership with the Dutch Entrepreneurial Development Bank (FMO), where over R400 million of funding has been provided to youth, women and Covid-19 impacted businesses in the last twenty-four months, through our Nasira programme.

2. Backing our Champions: The Group is conducting a thorough strategic review, with the intent of focusing on strengthening and unlocking the potential of its core businesses, where our strong competitive capabilities reside.

3. Supporting our clients: South Africa has not been an easy environment for medium-sized businesses to operate in, over the past few years. Despite the economic challenges, most of our clients are performing exceptionally well, with 86% of our book in Stage 1. In the coming months we will continue to work closely with clients who are experiencing cashflow pressures and will endeavour to ensure that we have the on and off-balance sheet funding to support continued demand for credit.

**Conclusion**

Since June 2022 we have seen strong growth in our loan book and total funding and excellent continued

growth in Sasfin Wealth. While the tough and uncertain economic conditions are likely to persist for some

time, we are committed to supporting our core client base with our unique and competitive product and

service offering, underpinned by robust and responsible lending practices, while ensuring we strengthen our compliance and operating environment.

**Full Announcement**

This short-form announcement is the responsibility of the Directors of the Company and is a summary of the information in the full announcement and does not contain full or complete details. The full announcement is available for viewing on the following websites:

Company’s website: <https://www.sasfin.com/investor-relations/#results-and-reports>

JSE website: <https://senspdf.jse.co.za/documents/2023/jse/isse/sfn/H12023.pdf>

Any investment decision by investors and/or shareholders should be based on consideration of the full announcement, copies of which are also available for inspection at our offices and our sponsor’s offices on workdays during business hours, at no charge. Copies can also be requested from Sasfin’s company secretary at charissa.dejager@sasfin.com.

On behalf of the Board

Johannesburg

2 March 2023

Sponsor: Questco Corporate Advisory Proprietary Limited