SASFIN HOLDINGS LIMITED
(Incorporated in The Republic of South Africa)
(Registration Number 1987/002097/06)
("Sasfin" or "the Company" or "the Sasfin Group")
Ordinary share code: SFN ISIN: ZAE000006565
Preference share code: SFNP ISIN: ZAE000060273

TRADING UPDATE AND STATEMENT FOR THE TWELVE-MONTH PERIOD ENDING 30 JUNE 2020 INCLUDING THE EFFECTS OF COVID-19 ON SASFIN'S BUSINESS

Covid-19, and the associated lockdowns seen across the globe, has evolved rapidly, and the impact on the local and world markets has been volatile and severe. The full impact remains uncertain. This challenging environment is expected to endure for some time. The South African Reserve Bank's Prudential Authority has issued several directives over this period to enable the banking sector to better support the economy.

Many of the South African businesses, where Sasfin focuses its lending activities, have been significantly impacted by Covid-19. This has resulted in lower lending volumes, a lower demand for credit, and an increase in impairments. Despite this, Sasfin has retained a strong capital and liquidity position, and has been able to assist clients in their cash flow management over this period. These matters are detailed further below.

Sasfin developed a 5-point plan in early March 2020 to address the potential impact of Covid-19, which was communicated in our interim results presentation and the related SENS announcement on 19 March 2020. An update on that 5-point plan is described below.

1. Health and Safety

Sasfin has taken significant steps to ensure that we protect the health and safety of the Sasfin community, our top priority in the face of Covid-19. This included implementing best practices in terms of hygiene and social distancing.

2. Remote Working

Sasfin has been able to operate as an essential services provider throughout the various levels of lockdown. We quickly and successfully implemented remote working capabilities given the large investment in digital capabilities made in the last few years. This has resulted in less than 5% of our workforce working from our offices during Alert Levels 5 and 4, whilst ensuring that all our products and services have been available to clients with no unusual downtime experienced during this period. We anticipate that 90% of our employees will continue to work remotely during Alert Level 3, in line with the President's request that those companies which are able to ensure remote working should continue to do so.

3. Financial Stability

a. Capital

Sasfin has prioritised financial stability at this time. At 31 December 2019, our Group Capital Adequacy ratio was 17.063%. This has improved to 18.487% (well above the regulatory requirements) at 31 March 2020, as reflected in our Pillar 3 report issued on 29 May 2020. This increase is due to a decrease in risk weighted assets and an increase in capital as a result of profit appropriations. While the

Prudential Authority has reduced the required minimum capital adequacy ratio on an interim basis in the face of Covid-19, it is unlikely that Sasfin will utilise this dispensation. Given the expected increase in impairments, which we outline in greater detail below, we will continue to prioritise our capital position.

b. Funding and Liquidity

Our liquidity coverage ratio (LCR) at 31 March 2020 was 153% and remains well above regulatory requirements. Here too, although the Prudential Authority has given temporary relief to the Banks by reducing the required minimum liquidity coverage ratio from 100% to 80%, it is unlikely that Sasfin will find it necessary to utilise this dispensation. Our funding base has strengthened through this period.

Sasfin holds Land Bank bills which have historically been classified as High Quality Liquid Assets (HQLA), in terms of banking regulations. The Land Bank bills have been derecognised as level 2 HQLA due to the temporary suspension of such bills as eligible collateral for purposes of the refinancing operations of the South African Reserve Bank. At the end of May, Sasfin held total cash and near cash (net of repurchase agreements and excluding Land Bank bills) of R2.3bn and our LCR has improved from 153% to 182%.

The Land Bank plays a critical role in ensuring food security and a strong agricultural sector in South Africa. We take note of the assurances given by the Minister of Finance and National Treasury that the government must do what it can to support the Land Bank, and we are working closely with both the Land Bank and National Treasury to also do what we can to support the Land Bank at this time.

c. Credit

Given the far-reaching impacts of Covid-19 and the lockdown, businesses have come under increasing pressure. We are supporting our clients, and by the end of May had granted payment holidays to clients approximating slightly less than 20% of our total loans and advances. These payment holidays have been granted in terms of the Prudential Authority's directive relating to Covid-19 restructured loans.

We have seen a significant increase in impairments since our half year results. Our credit loss ratio is above our target through-the-cycle range and we anticipate this trend to continue in the coming months. Furthermore, as IFRS9 requires lenders to adopt a forward-looking view of the quality of their loans, we anticipate further increasing impairments in June. This is expected to have a negative impact on our earnings to 30 June 2020.

d. Other Earnings Impacts

There has been a marginal contraction in loans and advances since the half year at December 2019, arising from the impacts of Covid-19. Given Sasfin's conservative approach to credit granting, we anticipate a further reduction in loans and advances, which will result in lower than originally anticipated income to 30 June 2020. Apart from the negative endowment impact on the back of interest rate cuts, we do not anticipate any margin compression given the nature of Sasfin's funding base and business.

While we have a diversified Private and Property Equity portfolio, given the change in valuation risk parameters we foresee a write-down in the value of this portfolio in June, negatively impacting our

Capital Pillar. Our property portfolio is largely residential and therefore has not experienced the same level of challenges that properties in the industrial, commercial and retail sector have experienced.

Sasfin Wealth is performing well ahead of 2019 as a result of the strong investment performance it continues to deliver for clients, the weak rand (given the large exposure to offshore markets), net inflows, healthy trading volumes and the performance of its associates. Furthermore, as disclosed on SENS on 26 May 2020, Sasfin Wealth has entered into negotiations to dispose of its stake in Efficient Group Limited at R5.60 per share. This values Sasfin's holding in Efficient Group Limited at R146,3 million. The offer is subject to certain conditions which can only be met in the new financial year. Shareholders are therefore advised to continue to exercise caution when dealing in the Company's securities until a further detailed announcement is made.

Sasfin has taken steps to control its costs (including reducing bonus provisions in line with the Prudential Authority's guidance in this regard), which are expected to be flat compared to June 2019. This will be achieved without any retrenchments or salary cuts in the year caused by Covid-19.

4. Client Support

Sasfin has engaged proactively with its clients. We have hosted a range of webinars across all our business units reaching thousands of current and prospective clients at a fraction of the cost of our normal face-to-face engagements.

Our digital capabilities have proven invaluable with a net increase in new business clients being onboarded on our B\\YOND platform, with greater levels of utilisation.

5. Stakeholder engagement

In addition to the deep engagements we have had with our clients, we hold regular video-based meetings and webinars with our employees and other stakeholders to ensure that they are appropriately informed and supported.

We also are contributing to society at this most difficult time and have donated meaningfully to the Solidarity Fund, to schools involved in feeding schemes and to people within the Sasfin network (including our own employees and critical service providers' employees) who are facing difficulties.

Trading Statement

Given the above impacts, most notably the expected increase in impairments, shareholders are advised that headline earnings per share (HEPS) and earnings per share (EPS) for the year ending 30 June 2020 are expected to be more than 20% lower than the reported HEPS and EPS for the comparable period (June 2019 HEPS: 501 cents, June 2019 EPS: 459.86 cents).

A further trading statement will be issued in order to provide specific guidance once there is reasonable certainty regarding the extent of the decline, and the relevant HEPS and EPS ranges.

Shareholders are advised that the financial information contained in this trading update and trading statement have not been reviewed or reported on by Sasfin's external auditors.

Conclusion

Sasfin has a strong capital, funding and liquidity base and maintains healthy buffers to weather further shocks emerging from Covid-19. We continue to implement our strategic plan and are fast-tracking our digital capabilities given the changing working landscape.

Sasfin Group's results for the full year to 30 June 2020 are expected to be released to the market in the month of September 2020. The specific date is being finalised and will be communicated to shareholders in due course.

Johannesburg
8 June 2020

Sponsor: Sasfin Capital Proprietary Limited (a member of the Sasfin Group)

Independent Sponsor: Deloitte & Touche Sponsor Services Proprietary Limited