

SASFIN HOLDINGS LIMITED

(Incorporated in The Republic of South Africa)
(Registration Number 1987/002097/06)
Share code: SFN ISIN: ZAE000006565
("Sasfin" or "the Group")

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024 - SHORT FORM ANNOUNCEMENT

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

Salient features – Aggregated Group Results[#]

Key indicators

	2024	2023	%
Group Headline earnings (Rm)	(58.678)	112.683	(152.07)
Group Headline earning per share (cents)	(190.96)	366.18	(152.15)
Earnings per share (cents)	(195.57)	353.65	(155.30)
Total Income (including associate income) (Rbn)	1.279	1.389	(7.92)
Group (loss) / profit (Rm)	(60.10)	108.8	(155.24)
Cost to income ratio (%)	95.51	86.69	8.82
Return on equity (%)	(3.68)	6.81	(154.04)
Net Asset Value per share (cents)	4 930	5 122	(3.75)
Total assets (Rbn) ¹	12.861	14.031	(8.34)
Gross loans and advances (Rbn)	8.886	9.574	(7.19)
Deposits from customers (Rbn) ¹	5.367	5.647	(4.95)
Capital adequacy ratio (%)	15.87	16.23 ²	(2.22)
Group coverage ratio (%) ¹	6.35	5.83	8.92
Credit loss ratio (bps) ¹	165	117	41.03

¹ Numbers have been restated for 2023

² As published in Pillar III report for 30 June 2023

[#] Aggregated includes continuing and discontinued operations

Financial Performance

The Group posted a Headline Earnings loss of R58.68 million in 2024, compared to a profit of R112.68 million in 2023. Headline Earnings per share decreased from 366.18 cents to a loss of 190.96 cents per share resulting in NAV per share dropping 3.75% to 4.930 cents.

The previously communicated strategic reset has resulted in a strengthened balance sheet, which has enabled us to navigate the risks faced by the Group. In terms of the strategic reset and other risks faced by the Group, once off costs were incurred and short-term lost revenue opportunities contributed to a loss for the period.

This approach resulted in an increase in net available cash of 10.50% to R1.67 billion (2023: R1.51 billion). The increase in cash was a result of an intentional decrease in Gross Loans and Advances of 7.19% to R8.89 billion (2023: R9.57 billion), while Total Core Funding decreased by 1.63% to R9.67 billion (2023: R9.83 billion). Sasfin Wealth has maintained Assets Under Management and Advice of R64.98 billion (2023: R67.35 billion) during difficult economic conditions.

The loss was impacted by an increase in expected credit losses and a decline in non-interest income, driven by negative fair value adjustments in the Private Equity portfolio, and a provision raised in respect of the administrative sanctions received. The exiting of non-core activities also negatively impacted total income, while core operating costs remained flat. In due course, in terms of the strategic reset, costs are expected to reduce.

The Group's core businesses, Wealth and Rental Finance, continued to perform well, while increased losses were incurred in the Business and Commercial Banking ("BCB") business, which the Group intends exiting by the end of 2025. While earnings are likely to remain under pressure in the coming financial year, the expectation is that, thereafter, the Group will be better positioned to generate healthy returns, supported by the fundamental strengths of its core businesses.

Strategic update

In March 2023, Sasfin announced a strategic reset and has since then made meaningful progress, including:

- disposing of its Specialised Finance and Commercial Solutions businesses;
- concluding the disposal of its Commercial Property Finance ("CPF") business to ABL, post year end, and is in the final stages of implementing the disposal of its Capital Equipment Finance ("CEF") business to African Bank Limited ("ABL"), for an aggregate circa R3.14 billion (based on the June 2024 book closing value);
- closing its Foreign Exchange ("Forex") business and providing its core clients with alternative Forex solutions;
- progressing the exit of non-strategic private equity investments; and
- announcing its intended delisting from the JSE, subject to relevant approvals, which the Group aims to conclude in the coming months.

Following the proposed delisting, the Group will continue its strategic reset, by divesting from non-core activities, including BCB. This business has built strong capabilities over the years, holding significant inherent value with the potential to thrive in a different environment. This strategy will enable us to focus on our core Wealth and Rental Finance businesses. Significant progress has been made by exiting non-core activities and navigating challenges, positioning us well to execute the remaining strategy in the months ahead.

After due consideration and applying significant judgement, the CEF, CPF and Forex businesses were classified as discontinued operations for International Financial Reporting Standards (“IFRS”) presentation and disclosure purposes. The presentation of a discontinued operation does not change the Group’s aggregate income earned, expenses incurred or the profit for the year; rather it requires the categorisation of these items between continuing and discontinued operations. In terms of the IFRS requirements, only directly attributable income (before the associated cost of funding), related expenses and related taxes are considered as part of the discontinued operations.

From a commercial perspective, this treatment does not represent the true contribution of either the discontinued or continuing operations in future periods, as no funding costs (except for the interest on Series 2 securitised notes) were allocated to the discontinued operations and there is no assumed return considered from the future cash that will be realised from the sale of these operations. In other words, the disclosures relating to continuing operations (in terms of IFRS) show only the interest expenses associated with the R0.5 billion worth of securitised notes directly linked to the sale, and do not consider that Sasfin, in future periods, will receive R3.14 billion (before tax) and earn a return on the balance of R2.64 billion (before tax) if it was assumed to settle only the securitised notes and no other liabilities.

Therefore, this treatment, when considered in commercial terms, significantly overstates the profit from discontinued operations and overstates the loss of continuing operations.

For illustrative purposes, before considering any indirect costs, which will reduce post the disposal, if Sasfin were to earn a conservative aggregate top-line return of 10% on the net proceeds on the cash received, its annual continuing operations income would be c. R264 million (before tax) higher than what is presented in terms of IFRS.

Segmental performance overview

Asset Finance

The business performed well in a highly strained and challenging trading environment, in which our clients have shown remarkable resilience. Asset Finance continues to make a meaningful contribution to the Group, achieving an operating profit of R158.7 million for the year (2023: R197.7 million). The decline is primarily attributed to a 6% reduction in net-interest income and a 7% decrease in non-interest income. More stringent credit criteria resulted in a decline in the loan book of 1%, but the benefits of this can be seen in the 10.5% improvement in credit impairment charges. Credit losses and non-performing loans remained closely managed, with non-performing loans improving from 8.53% to 8.34%. This has been driven by our focus on enhancing collection systems and vendor management processes through increased automation, benefiting both the business and our clients. We have also continued to strengthen our operational, financial, and technological capabilities, improving efficiency and achieving a slight reduction in operating costs.

Wealth

The year in review marked another phase of growth for the Wealth pillar, which delivered a strong financial performance during 2024 achieving an operating profit (including associate income) of R139.8 million for the year (2023: R117.3 million), while growing its client base and expanding its investment offering. This was achieved in a year of market volatility and concentration of performance around global technology companies, while assets under management and advice (AUM) of R65.0 billion (2023: R67.4 billion[#]) were maintained. The offshore offering, continued on its strong growth trajectory, offset by some consolidation in local AUM. Sasfin Wealth continues to attract and retain top talent in the industry. Furthermore, investment in and development of our people has translated into various internal senior promotions over the last year as well as the continued success of our graduate programme. Several once-off items relating to prior periods boosted financial performance. These included the release of a provision relating to Land Bank exposure in the fixed income broking business and the settlement of an insurance claim linked to a previous operational loss in the stockbroking business.

^{#Restated}

Business and Commercial Banking

BCB recorded an operating loss of R156.09 million (2023: R137.7 million loss) as a result of higher impairments and lower total income. Net interest income reduced due to lower revenue generated by the Trade and Debtor Finance business coupled with a deliberate reduction in the property and specialised lending loan books. Non-interest revenue was negatively impacted by the closure of the foreign exchange business in the current year. We implemented several strategic measures which included the closure, disposal, and scaling back of non-core operations. These actions successfully reduced operating costs by 18%.

Dividend Declaration

As a result of the loss, the Board has resolved not to declare a dividend for 2024 (2023: 0.00 cents).

Short Form Announcement

This short-form announcement is the responsibility of the Directors of the Company and is a summary of the information in the Company's audited annual financial statements for the year ended 30 June 2024 published on SENS on 21 October 2024 ("Annual Results"), and does not contain full or complete details of the Annual Results, which are available for viewing on the following websites:

Company's website: <https://www.sasfin.com/investor-relations>

JSE website: <https://senspdf.jse.co.za/documents/2024/jse/isse/sfn/sfn2024.pdf>

While this announcement is not audited, the Annual Results from which the information in this announcement is derived, were audited by the Company's auditors, PricewaterhouseCoopers Inc, who expressed an unmodified opinion thereon. Their audit opinion can be viewed on the Company's website (<https://www.sasfin.com/investor-relations>).

Any investment decision by investors and/or shareholders should be based on consideration of the information contained in the Annual Results. Copies of the Annual Results are available for inspection at our offices on weekdays during business hours (at no charge) or via a secure electronic location on request from the Acting Company Secretary (by e-mail: howard.brown@sasfin.com).

Richard Buchholz

Chair

Michael Sassoon

Group Chief Executive Officer

Johannesburg

22 October 2024

Sponsor

Questco Corporate Advisory Proprietary Limited