

Sasfin grows headline earnings by 22% and joins the top-achievers in SA's banking sector

Written by Australian Business



(PRLEAP.COM) January 31, 2014 - Johannesburg, South Africa – [The banking group Sasfin Holdings](#)

grew its headline earnings by 22% to 421c a share in a year (June 2012 to June 2013). This earnings growth, in line with the interim number, is among the highest in the South African banking sector.

Dividends for the 12 months were up by 23% to 168c a share.

The directors are confident that Sasfin is positioned to grow its franchise value and enhance its value proposition to its target markets of entrepreneurial, private business, corporate and institutional clients. They also expect to see improved levels of business activity across all segments.

Roland Sassoon, the CEO, regards Sasfin's growth trajectory as sustainable on the back of its:

strong infrastructure and capital position; improved liquidity levels; diversified, yet synergistic product and service offering; and high-touch banking and financial services model. Total assets grew by 14% to R6,3 billion, largely as a result of a 17% increase in the Business Banking division, where loans and advances soared to R3,4 billion.

An expanded and lengthened funding base helped to generate a healthy surplus liquidity position of R1,6 billion.

Sassoon ascribes the Group's impressive earnings performance to a combination of strong revenue growth, tighter cost control and a lower tax charge of 20% against the previous year's 24%.

He draws attention to the "encouraging" 16% increase in total income, driven by the Group's increasing top-line growth initiatives and the 19% expansion of the non-interest revenue base.

Addressing an 18% overall cost increase, Sassoon explains the high number as deriving largely from the consolidation of the IQuad Group's cost base for the full financial year, increased software amortisation costs and staff growth.

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"Excluding this cost base, a year-on-year cost increase of 11% was recorded to support the Group's growth initiatives through investment in technology, employees and infrastructure."

While the Group's cost-to-income ratio increased from 70% to 72%, the cost-to-income ratio of the Banking Group declined from 71% to 62%. This is due to a relative increase in the contribution made by the more HR intensive non-banking activities, particularly in the Commercial Solutions and Wealth divisions, whilst the banking activities have become more efficient, notwithstanding a marginal increase in the Credit Loss ratio from 60bps to 70bps.

Highlights from the Group's segmental overview include:

Solid results from the Business Banking division, which accounts for 59% of the Group's profitability. Key factors behind the R90 million profit were a strong growth in loans and advances, margin retentions and a below-budget impairment charge. Sassoon notes that the credit loss ratio in this division had crept up to 58bps in the current year from 23bps in the previous year – which explains the division's flat financial 2013 performance. Sassoon says that the division has invested for the future and he accordingly expects robust growth for the 2014 financial year and beyond. The Wealth Management division improved its profit contribution by a steep 46% to R46 million following two years of impressive growth, with funds under advisement and management having increased by 31% to R72 billion. Sasfin Securities established a fixed income and repo trading desk by securing the services of one of the top trading teams in South Africa which will be managed by Leon Krynauw. Leon Krynauw (formerly a director of Renaissance Capital and prior to that BJM Securities) and his team are recognised as one of the leading fixed income trading units within the industry. This is a very exciting development for Sasfin particularly given the experience and reputation of the individuals involved and the ability for fixed income trading to synergise with the other areas of the Sasfin Group including Treasury, Corporate Finance (which includes debt capital market expertise), Wealth Management and Business Banking.

Sassoon predicts that the division will continue to grow rapidly, in the process evolving into a key profit driver.

The Treasury division grew its deposit base by 21% to R2,2 billion while continuing to develop its foreign exchange business through an expanded regional footprint and new sales channels. The Bank recently opened a Treasury office in Stellenbosch to serve the Western Cape region in a more focussed manner. Following two years of disappointing results, the Capital division increased its earnings to R10 million from a break-even position in 2012. The Commercial Solutions division was the Group's star performer, with earnings having grown by 75% to R34 million, primarily owing to a strong performance from the now wholly-owned IQuad Group, which has been fully integrated and renamed Sasfin Commercial Solutions. The division's activities comprise logistics, short-term insurance, healthcare consulting and business advisory activities. Commenting on the Group's financial position, capital and liquidity, Sassoon advises

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that against the background of an improved deposit mix and maturity profile, the Group's deposit base and funding continue to grow. "Overall, the funding position remains healthy, with a diversified funding base of R4,4 billion, up from R3,9 billion last year." He notes that the funding base enhances the bank's ability to meet the stringent Basel III liquidity coverage ratio requirements and the net stable funding ratio. "The Group's liquidity position remains very healthy with adequate liquidity buffers held for stress situations that may arise."

He says that Sasfin complies with the new Basel III requirements, both at a liquidity and capital level – well ahead of their respective implementation dates.

Sassoon draws attention to Sasfin's continued focus on growth in response to the changing banking and regulatory landscape. Initiatives include:

increased funding through term deposits and debt capital market instruments; profitable growth of existing divisions to benefit from economies of scale; investigation of prospective products and markets to expand the product range and penetrate new markets; ongoing upgrades of the IT infrastructure; and the creation of a new division to provide a transactional banking service offering. Sassoon also mentions that Norman Axten, after serving the Group for 14 years as an independent non-executive director, of which the last two were as Chairman, will be retiring at the forthcoming AGM. Roy Anderson will be taking over the Chairmanship of the Group and Bank at this date.

About Sasfin [Sasfin is an independent and diversified banking and financial services group](#) and has been listed on the JSE since 1987. Their products and services are designed to protect and grow its clients' financial assets and are integrated to create a bespoke solution for their specific needs. Sasfin believes that a close relationship and a thorough understanding of its clients' needs are absolutely essential to deliver the correct financial solution. This enables Sasfin to be "a partner beyond expectations". Sasfin divisions, being Business Banking, Treasury, Capital, Wealth Management and Commercial Solutions, offer a range of specialised products and services to assist clients at all stages of their business and investment lifecycle.