

FINBOND GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2001/015761/06)

Share code: "FGL" ISIN: ZAE000138095

Main Board – General Segment

("Finbond" or "the Company" or "the Group")

## **UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2024**

Finbond showed good progress as it recovers from the lingering effects of the COVID-19 pandemic and regulatory changes in the US state of Illinois. Loan sales exceeded pre-COVID and pre-Illinois regulatory change levels. Total loan sales have fully recovered in South Africa and Finbond returned to a profit before tax for the interim period.

Key indicators during the period under review:

- Total revenue increased 7.5% to R801.6 million (August 2023: R745.5 million\*).
- Net loan impairment expense to loan revenue improved 1.1% to 17.8% (August 2023: 18.9%\*).
- Loans and other advances increased 8.4% to R657.2 million (August 2023: R606.2 million\*).
- Cash and cash equivalents increased 2.9% to R576.6 million (August 2023: R560.1 million\*).
- Total assets increased 1.4% to R4.20 billion (August 2023: R4.15 billion\*).
- Net asset value per share increased 33.7% to R1.39 (August 2023: R1.04\*).
- Profit before tax increased more than 100% to R4.8 million (August 2023: Loss of R1.5 million\*).
- Headline loss attributable to owners of the company improved 7.8% to R9.1 million (August 2023: R9.9 million\*).

\*Results for the previous interim period have been restated. Please see additional information in the notes to the financial statements below.

### **ONGOING PROGRESS AND RECOVERY**

Finbond returned to profitability for the year ended 29 February 2024 and achieved a profit before tax for the six-month period under review. Progress has been made with Finbond's strategic recovery and growth initiatives, but the interim results confirm that some volatility remains as the Group continues its path to sustained profits after tax.

Loan sales were healthy in South Africa ("SA") and North America ("NA") and are 43.0% ahead of pre-COVID and Illinois regulatory change volumes. Our new Illinois product (SAIL), good growth in SA, and the investment in C1 Holdings, contributed to the improvement.

In SA, Finbond Mutual Bank ("FMB") and Supreme Finance ("SF") again exceeded their base pre-COVID 2020 comparative year and have set themselves up well to continue to improve.

International sales and profits are taking more time to recover for two reasons: first, lower demand for loans was caused by COVID consumer stimulus programmes (part of the United States (“US”) government’s response to COVID) increasing consumer savings levels. Consumer savings have only recently returned to pre-COVID levels, and Finbond expects to see a continued sales recovery in the future.

Second, regulatory changes in the US state of Illinois. The Group’s new Illinois SAIL product is a significantly lower margin product post regulatory change. SAIL loans are also longer-term products (~18-months), with interest earned over a longer period. However, IFRS9 requires accounting for the expected credit loss (“ECL”) on the full ~18-month loan balance in month one; therefore, the effect is the incurrence of up-front credit charges that are only offset over ~18-months of loan revenue.

Additionally, new products require upfront infrastructure costs. Although variable costs are added as volumes grow, fixed costs such as the branch network and infrastructure, IT systems, head office and support staff, etc. are already in place. SAIL will need more time to grow to produce good profits. To accelerate this process, meaningful progress has been made on cost efficiencies and restructurings to lower operating costs in line with sales growth.

## **FINANCIAL RESULTS**

In difficult trading conditions, Finbond performed satisfactorily during the six-month period.

Most of the Group’s revenue is derived from short-term consumer loans. Profit before tax increased more than 100%. Earnings per share and headline earnings per share decreased due to the significant decrease in Finbond’s shares in issue following the specific repurchase of shares that was finalised in December 2023. The repurchase is extremely beneficial to Finbond shareholders: the shares were permanently removed from share capital at an attractive price (29.11 cents per share); the net asset value per share increased; future profits will be spread over a smaller number of shares; and the value of each remaining share increased.

Despite a high inflationary environment, and thanks to smart cost-savings and efficiency initiatives, operating expenses were restricted to an increase of 7.5% to R490.8 million from R456.4 million\* last year (in line with increased revenues of 7.5%). The cost-to-income ratio remained stable at 61.2%. Finbond’s goal is to reduce the cost-to-income ratio as the business scales.

66% (August 2023: 64%\*) of total revenue was generated in SA, while 34% (August 2023: 36%\*) was generated in NA.

## **LIQUIDITY POSITION**

Finbond’s cash, cash equivalents and liquid assets at the end of August 2024 decreased 4.4% to R872.0 million from R911.8\* million a year ago. The decrease in cash and equivalents was due to: 1. Net cash outflows from growth in loan sales as the recovery continues, 2. intentionally decreased retail deposit balances as funding is managed at FMB (a cash outflow), 3. the repurchase of shares (a cash outflow), and 4. unrealised non-cash foreign exchange equity losses due to the strengthening ZAR exchange rate which decreased foreign cash balances, offset by: 5. cash dividends received from joint ventures and associates, and 6. FGL commercial paper balance increases as funding is managed for strategic initiatives and to build a surplus cash buffer for potential changes to the Commercial Paper Regulations in 2025.

Draft amendments to the Commercial Paper Regulations were issued by the South African Reserve Bank in July 2023, with a proposed effective date of January 2025. A significantly revised draft was received in July 2024 and opened for public comment until August 2024. Industry experts believe it is unlikely that the changes will be enacted in the current form or that the effective date will be January 2025. Nevertheless, Finbond was proactive to ensure that any potential changes will not have a significant impact on its business. Various initiatives are ongoing aimed at ensuring Finbond will meet the requirements to issue commercial paper under any changes to the Regulations. Alternative funding sources are also being investigated, and good progress has been made. It will be healthy for Finbond to diversify its funding base.

By the end of August 2024, FGL commercial paper amounted to R2.71 billion (August 2023: R2.41 billion) and FMB retail deposits amounted to R559.8 million (August 2023: R583.4 million). At the end of the reporting period, the average FGL commercial paper investment size was R2.0 million, the weighted average outstanding note term was 39.6 months and the weighted average interest rate was 10.9%. The average FMB retail deposit size was R369,000, the weighted average outstanding deposit term was 26.3 months and the weighted average interest rate 9.2%.

Finbond is not exposed to the uncertainty that accompanies the use of short-term corporate call deposits as a funding mechanism since the Group only accepts 60-month commercial paper investments and six- to 72-month fixed-term retail deposits. Given the long-term nature of Finbond's liabilities and the short-term nature of our assets (short-term consumer loans with an average outstanding book term of 3.2 months in SA and a weighted average term on loans granted of 4.4 months in North America), Finbond possesses a low-risk liquidity structure.

Cash received as a percentage of consumer capital granted during the period averaged a healthy 125.5%, despite the loan book's growth, compared to 121.4% in the corresponding period.

### **UPFRONT CREDIT SCORING**

Continuous upfront credit scoring and underwriting, pay date management and collections efforts remain robust and strong.

In SA, detailed affordability calculations are performed prior to extending any loans to determine whether clients can in fact afford the loan repayments. In line with Finbond's conservative approach, additional expense buffers are included in all affordability assessments. In NA, underwriting criteria is optimised within the prescripts of relevant laws and regulations to ensure maximum recoverability. This is evidenced by the Group's improved impairment numbers. We would rather have cash unutilised than extend loans to customers who cannot afford to repay them.

Finbond continued to apply strict upfront credit scoring and affordability criteria. Credit scores and impairment loss performance data on products are monitored monthly and are continually adjusted to reduce credit risk and further improve the quality of assets. Provisions to gross consumer loans and advances coverage marginally increased to 52.7% (August 2023: 50.0%\*) as Finbond's conservative IFRS 9 ECL models ensure it is adequately provisioned.

## COLLECTION RATES

Finbond's collection rate (payments received as a percentage of payments expected) for the six-month period averaged a healthy 97.4%.

In SA, collection rates averaged 87.7%, 0.7% above the targeted rate of 87% (based on expected payments received/instalments). Collection rates in North America averaged 105.7%, 5.7% above the targeted rate of 100% (based on total payments received/instalments).

## SOUTH AFRICAN OPERATIONS

Finbond's SA business' primary focus is small short-term consumer loans through its 439 branches. Total revenue increased 9.8% to R517.2 million (August 2023: R471.0 million\*) for the period. SA performed well and remains ahead of pre-COVID levels. The total net loan book increased 16.0% to R496.2 million (August 2023: R427.8 million\*).

SA operations received payments from short-term consumer loan customers of R1.45 billion, an increase of 12.2% compared to the last interim period's R1.29 billion, while granting R960.6 million in new loans, an increase of 10.0% compared to the last interim period's R873.5 million.

Finbond SA's average consumer loan size was R2,012 (August 2023: R1,986). The average term was 3.2 months (February 2023: 3.2 months).<sup>1</sup> Given the short-term nature of products, the loan portfolio is cash flow generative and a good source of internally generated liquidity. The loan portfolio turns over approximately four times a year.

Net impairment on loans and advances as a percentage of turnover year-to-date has strengthened to 19.0% compared to 20.3%\* in the corresponding period last year.

Finbond's lending practices have been consistently conservative over the past number of years. The Group's rejection or decline rates remain higher than those of its major competitors. Rejection rates in SA stood at between 76% and 91% for the 12- to 24-month products at the end of August 2024.

Capital weighted scores remain high, which suggests that the quality of loans is satisfactory.

During the period, FMB continued increasing its business lending book. This will be a growth area going forward, as the 'big' SA banks tighten their lending criteria, affecting good businesses with strong payment history.

---

<sup>1</sup> Based on the total number of loans granted.

## **NORTH AMERICAN OPERATIONS<sup>2</sup>**

Finbond's NA businesses primarily focus on short-term consumer loans offered through 180 branches operating in the following states: Alabama, Arizona, California, Illinois, Indiana, Louisiana, Michigan, Missouri, Mississippi, Nevada, South Carolina, Tennessee, and Wisconsin. Finbond also has a presence in Ontario, Canada and Panama. Consumer instalment loans are offered online in Illinois, Indiana, Missouri, South Carolina, and Wisconsin.

Total net subsidiary consumer loans and advances decreased by 9.8% to R161.0 million at August 2024 from R178.4 million\* last year. Investments in joint ventures comprise Americash Group (including its Illinois SAIL product) and Cashbak. The carrying value of joint ventures decreased 1.5% (from R871.5 million to R858.5 million). The balance was reduced by Finbond's share of cash dividends, and the strengthening ZAR to USD (if the ZAR were to weaken, the balance would increase). The balance was increased by Finbond's share of profits. During the period, Finbond's share of joint venture profit was R2.5 million, while its share of joint venture cash dividends was R39.9 million.

The investment in associate is C1 Holdings. This company again produced exceptional results. The carrying value of the associate decreased 1.3% (from R677.0 million to R668.4 million). The balance is also reduced by Finbond's share of cash dividends and the strengthening ZAR to USD but increased by profits. During the reporting period, Finbond's share of C1's profit was R80.2 million, while its share of C1's cash dividend was R96.3 million.

Total NA operations received payments from customers of R2.81 billion, a decrease of 4.0% compared to the last interim period's R2.92 billion, while granting R2.43 billion in new loans, a decrease of 6.6% compared to the corresponding period's R2.60 billion.

Total revenue from Finbond's NA short-term lending activities (including subsidiaries, joint ventures, and associates) increased 1.0% to R263.4 million (August 2023: R260.9 million\*).

As collections are strong in NA, net impairment on loans and advances as a percentage of turnover improved to 18.7% compared to last year's 20.2%\*. A key value driver is the quality of new business. Without quality, new business growth is meaningless and not sustainable.

The focus is on high quality, short-term loans. The weighted average term on loans granted was 4.4 months and the average loan size (across all loan type sales) \$589.

## **STRATEGIC INITIATIVES**

The world in general and specifically the markets in which Finbond operates continue to face challenges. Notwithstanding, the Group remains committed to building on its accomplishments and setting new standards of excellence.

---

<sup>2</sup> Sales and operating metrics include 100% of subsidiary results where ownership equals or exceeds 75%. For subsidiaries where ownership is below 75%, joint ventures and associates, results include only Finbond's specific ownership percentage. Branch numbers quoted above, however, include 100% of all investments i.e., the Group's full network.

Finbond's prospects for sustainable growth stand on three pillars: its operations in South Africa, North America and Europe. The Group is capitalising on the relative strength of its balance sheet and the resilience and perseverance it has built over the past 20 years to consolidate and grow.

A prudent and innovative strategy remains required to reposition Finbond in the current business environment. Strategic initiatives, in line with the Board approved five-year strategic plan, in the short and medium term are to:

- Grow the SA operations through increased business volumes and expansion of the branch network;
- Stabilise and then grow the international operations through expansion of the store network in NA and Latin America;
- Expand the business to other parts of Southern Africa through equity and/or debt investments;
- Diversify business operations through key strategic partnerships that can add additional distribution channels;
- Increase net profits through organic growth and strategic acquisitions; and
- Remain disciplined and thoughtful in capital allocation decisions.

The following strategic initiatives will be fast tracked to achieve the Group's objectives:

- Branch expansion in South Africa, organically and through acquisition;
- Closing, merging or selling loss-making branches in North America;
- Further restructuring operations in the US state of Illinois; and
- Cost-saving opportunities in South African collections.

## **LOOKING AHEAD**

Finbond is encouraged by its strong recovery in the past 18 months. The environment is challenging and the Group expects some volatility going forward, but is optimistic about the progress of the business. Finbond sees plenty of opportunities.

The Group is confident in its prospects for the medium- to long-term due to Finbond's management expertise, strong cash flow, solid liquidity and surplus cash position, uniquely positioned 439 branches in SA and 180 branches in NA (including joint ventures and associates), asset quality, access to funding and conservative risk management practices. The Group is well served by the determination, intelligence and entrepreneurial drive of its people.

## **DIVIDEND**

The Board has decided not to declare a dividend for the interim period ended 31 August 2024 (2023: no dividend).

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Interim unaudited 31 August 2024	Interim unaudited 31 August 2023 Restated*	% change	Full year audited 28 February 2024
<b>Assets</b>				
Cash and cash equivalents	576,591	560,122	3	455,719
Other financial assets at fair value through profit or loss	20,912	33,491	(38)	34,568
Other financial assets at amortised cost	274,467	318,212	(14)	360,002
Loans and other advances	657,206	606,175	8	619,057
Trade and other receivables	186,627	111,196	68	151,294
Loans to group companies	67,767	94,505	(28)	81,539
Investments in joint ventures	858,509	871,506	(1)	979,875
Investments in associates	668,440	677,013	(1)	749,932
Property, plant and equipment	156,797	147,958	6	149,836
Right of use assets	168,239	169,513	(1)	151,545
Investment property	115,296	122,721	(6)	117,721
Deferred taxation	137,441	107,868	27	99,798
Goodwill	295,934	306,201	(3)	305,345
Intangible assets	18,854	19,484	(3)	22,100
<b>Total Assets</b>	<b>4,203,080</b>	<b>4,145,965</b>	<b>1</b>	<b>4,278,331</b>
<b>Equity</b>				
Share capital	865,421	964,747	(10)	865,421
Reserves	302,745	397,502	(24)	489,192
Retained loss	(532,635)	(533,538)	0	(522,055)
<b>Equity attributable to owners of the Company</b>	<b>635,531</b>	<b>828,711</b>	<b>(23)</b>	<b>832,558</b>
Non-controlling interest	(1,618)	(5,189)	69	(600)
<b>Total Equity</b>	<b>633,913</b>	<b>823,522</b>	<b>(23)</b>	<b>831,958</b>
<b>Liabilities</b>				
Transactional deposits	39,506	36,534	8	36,878
Current tax payable	-	23,443	(100)	11,497
Trade and other payables	76,733	80,512	(5)	85,992
Lease liabilities	184,570	184,718	(0)	167,659
Fixed and notice deposits	559,790	583,430	(4)	590,759
Commercial paper	2,708,568	2,413,806	12	2,553,588
<b>Total Liabilities</b>	<b>3,569,167</b>	<b>3,322,443</b>	<b>7</b>	<b>3,446,373</b>
<b>Total Equity and Liabilities</b>	<b>4,203,080</b>	<b>4,145,965</b>	<b>1</b>	<b>4,278,331</b>

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Interim unaudited 31 August 2024	Interim unaudited 31 August 2023 Restated*	% change	Full year audited 28 February 2024
Interest income	417,698	404,412	3	821,526
Interest expense	(178,530)	(166,126)	(7)	(330,467)
<b>Net interest income</b>	<b>239,168</b>	<b>238,286</b>	0	<b>491,059</b>
Fee income	103,553	95,826	8	198,908
Other operating income	197,831	174,761	13	377,360
Income from joint ventures	2,430	2,549	(5)	34,974
Income from associates	80,081	67,989	18	142,572
Fair value adjustments	(2,272)	114	(2,093)	(4,760)
Foreign exchange gain/(loss)	58	(56)	204	(154)
Net impairment charge	(125,308)	(124,552)	(1)	(267,077)
Reversal of impairment/(impairment) of investment in joint ventures	-	-		12,372
Impairment of goodwill	-	-		(3,720)
Operating expenses	(490,812)	(456,414)	(8)	(950,888)
<b>Profit/(loss) before taxation</b>	<b>4,729</b>	<b>(1,497)</b>	416	<b>30,646</b>
Taxation	(16,354)	(10,195)	(60)	(32,002)
<b>Loss after taxation</b>	<b>(11,625)</b>	<b>(11,692)</b>	1	<b>(1,356)</b>
Foreign currency translation difference for foreign operations	(187,205)	41,665	(549)	138,443
<b>Total comprehensive (loss)/income for the year</b>	<b>(198,830)</b>	<b>29,973</b>	(763)	<b>137,087</b>
<b>Loss attributable to:</b>	<b>(11,625)</b>	<b>(11,692)</b>	1	<b>(1,356)</b>
Owners of the company	(10,580)	(10,926)	3	557
Non-controlling interest	(1,045)	(766)	(36)	(1,913)
<b>Total comprehensive (loss)/income attributable to:</b>	<b>(198,830)</b>	<b>29,973</b>	(763)	<b>137,087</b>
Owners of the company	(197,813)	30,821	(742)	133,346
Non-controlling interest	(1,017)	(848)	(20)	3,741
Total number of ordinary shares outstanding	456,601	794,125	(43)	456,601
Weighted average number of ordinary shares outstanding	456,601	794,125	(43)	736,634
Basic and diluted loss per share (cents)	(2.3)	(1.4)	(68)	0.1
Headline and diluted loss per share (cents)	(2.0)	(1.2)	(60)	(0.4)

<b>(Loss)/profit for the period attributable to owners of the company</b>	<b>(10,580)</b>	<b>(10,926)</b>	<b>3</b>	<b>557</b>
(Loss)/profit on disposal of property, plant and equipment	(419)	1,057	(140)	882
Reversal of impairment to joint ventures	-	-		(12,372)
Impairment of goodwill	-	-		3,720
Fair value changes of investment property	1,901	-	100	3,920
<b>Headline loss</b>	<b>(9,098)</b>	<b>(9,869)</b>	<b>8</b>	<b>(3,293)</b>

#### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

R'000	Interim unaudited 31 August 2024	Interim unaudited 31 August 2023 Restated*	% change	Full year audited 28 February 2024
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit/(loss) before taxation	4,729	(1,497)	416	30,646
Adjustments for non-cash items	79,534	148,653	(46)	262,975
Changes in working capital	(223,523)	(178,297)	25	(356,409)
Taxation paid	(44,382)	(31,306)	(42)	(70,250)
<b>Net cash flow from operating activities</b>	<b>(183,642)</b>	<b>(62,447)</b>	<b>(194)</b>	<b>(133,038)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(27,006)	(15,673)	(72)	(26,451)
Additions to investment property	-	(569)	100	(569)
Acquisition of other intangible assets	(1,523)	(2,152)	29	(4,674)
Acquisition of financial assets	-	(50,390)	100	(90,774)
Proceeds from sale of financial assets	97,138	6,867	1,315	33,733
Distributions received from associates	96,876	27,423	253	49,160
Distributions received from joint ventures	39,982	12,717	214	16,829
<b>Net cash flow from investing activities</b>	<b>205,467</b>	<b>(21,777)</b>	<b>1,044</b>	<b>(22,746)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Buy-back of shares	-	-		(99,326)
Proceeds from commercial paper	905,482	176,820	412	600,474
Repayments of commercial paper	(729,535)	(78,673)	(827)	(363,694)
Lease liabilities repaid	(47,655)	(46,004)	4	(93,440)
Interest paid on lease liabilities	(8,432)	(8,824)	177	(17,138)
<b>Net cash flow from financing activities</b>	<b>119,860</b>	<b>43,319</b>	<b>201</b>	<b>26,876</b>

<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>141,685</b>	<b>(40,905)</b>	446	<b>(128,908)</b>
Cash at the beginning of the year	455,719	585,040	(22)	585,040
Effect of movements in exchange rates	(20,814)	15,987	(230)	(413)
<b>CASH AT THE END OF THE PERIOD</b>	<b>576,591</b>	<b>560,122</b>	3	<b>455,719</b>

#### CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

R'000	Unaudited 31 August 2024	Unaudited 31 August 2023	Audited 28 February 2024
<b>Total equity at the beginning of the year</b>	831,958	792,625	792,625
<b>Change in share capital</b>			
Sale of treasury shares	-	-	892
Shares repurchased	-	-	(100,218)
<b>Change in reserves</b>			
Equity-settled share-based payment	786	924	1,572
Total comprehensive (loss)/income for the period	(197,813)	30,821	133,346
<b>Change in non-controlling interest</b>			
Total comprehensive (loss)/income for the period	(1,018)	(848)	3,741
<b>Total equity at the end of the period</b>	<b>633,913</b>	<b>823,522</b>	<b>831,958</b>

#### CONDENSED CONSOLIDATED SEGMENTAL INFORMATION

##### OPERATING SEGMENTS

R'000	Deposit and Debt finance Products	Lending	Property Investment	Transactiona l Banking	Other <sup>1</sup>	Total
<b>Six months ended 31 August 2024</b>						
Interest Income	16,843	398,972	-	53	1,830	417,698
Interest expense	(169,154)	(9,068)	-	(308)	-	(178,530)
<b>Net interest income/(expense)</b>	<b>(152,311)</b>	<b>389,904</b>	-	<b>(255)</b>	<b>1,830</b>	<b>239,168</b>
Fee income	-	87,012	-	16,541	-	103,553
Other operating income	-	196,785	1,046	-	-	197,831
Income from joint ventures	-	2,430	-	-	-	2,430
Income from associates	-	80,081	-	-	-	80,081
Fair value adjustments	153	-	(2,425)	-	-	(2,272)
Foreign exchange gain	-	-	-	-	58	58
Net impairment charge	-	(125,296)	-	(12)	-	(125,308)
Operating expenses ^	(4,591)	(458,386)	(592)	(18,616)	(8,627)	(490,812)
<b>Operating profit/(loss)</b>	<b>(156,749)</b>	<b>172,530</b>	<b>(1,971)</b>	<b>(2,342)</b>	<b>(6,739)</b>	<b>4,729</b>

Taxation	27,245	(46,583)	532	632	1,820	(16,354)
<b>Profit/(loss) after taxation</b>	<b>(129,504)</b>	<b>125,947</b>	<b>(1,439)</b>	<b>(1,710)</b>	<b>(4,919)</b>	<b>(11,625)</b>

^Operating expenses include, *inter alia*:

Bank charges	(1,085)	(42,879)	-	-	-	(43,964)
Collection charges	-	(26,840)	-	-	-	(26,840)
Depreciation and amortisation	-	(64,807)	-	-	-	(64,807)
Employee costs	-	(206,118)	-	(1,307)	(3,928)	(211,353)
Property related costs	-	(25,674)	(533)	-	-	(26,207)
Telephone and communication expenses	-	(16,180)	-	-	-	(16,180)
Transactional banking fees	-	-	-	(12,422)	-	(12,422)

#### Significant segment assets

Cash and cash equivalents	451,674	110,307	-	13,424	1,186	576,591
Other financial assets at fair value through profit or loss	20,912	-	-	-	-	20,912
Other financial assets at amortised cost	274,467	-	-	-	-	274,467
Loans and other advances	-	657,206	-	-	-	657,206
Trade and other receivables	-	181,136	-	2,886	2,605	186,627
Loans to group companies	-	67,767	-	-	-	67,767
Investments in joint ventures	-	858,509	-	-	-	858,509
Investments in associates	-	668,440	-	-	-	668,440
Property, plant and equipment	-	156,797	-	-	-	156,797
Right of use assets	-	168,239	-	-	-	168,239
Investment property	-	-	115,296	-	-	115,296
Goodwill	-	295,934	-	-	-	295,934
Intangible assets	-	18,854	-	-	-	18,854

#### Significant segment liabilities

Transactional deposits	-	-	-	39,506	-	39,506
Trade and other payables	-	69,676	-	4,125	2,932	76,733
Lease liabilities	-	184,570	-	-	-	184,570
Fixed and notice deposits	559,790	-	-	-	-	559,790
Commercial paper	2,708,568	-	-	-	-	2,708,568

R'000	Deposit and Debt finance Products	Lending	Property Investment	Transactional Banking	Other <sup>1</sup>	Total
<b>Six months ended 31 August 2023 (Restated*)</b>						
Interest Income	12,813	391,108	-	47	444	404,412
Interest expense	(157,059)	(8,821)	-	(246)	-	(166,126)
<b>Net interest income/(expense)</b>	<b>(144,246)</b>	<b>382,287</b>	<b>-</b>	<b>(199)</b>	<b>444</b>	<b>238,286</b>

Fee income	-	79,524	-	16,302	-	95,826
Other operating income	-	172,937	1,053	116	655	174,761
Income from joint ventures	-	2,549	-	-	-	2,549
Income from associates	-	67,989	-	-	-	67,989
Fair value adjustments	114	-	-	-	-	114
Foreign exchange gain	-	-	-	-	(56)	(56)
Net impairment charge	-	(124,552)	-	-	-	(124,552)
Operating expenses ^	(1,457)	(385,116)	(2,600)	(15,111)	(52,130)	(456,414)
<b>Operating profit/(loss)</b>	<b>(145,589)</b>	<b>195,618</b>	<b>(1,547)</b>	<b>1,108</b>	<b>(51,087)</b>	<b>(1,497)</b>
Taxation	28,710	(52,817)	418	(299)	(13,793)	(10,195)
<b>Profit/(loss) after taxation</b>	<b>(116,879)</b>	<b>142,801</b>	<b>(1,129)</b>	<b>809</b>	<b>(37,294)</b>	<b>(11,692)</b>

^Operating expenses include, inter alia:

Bank charges	(849)	(36,968)	-	(676)	(35)	(38,528)
Collection charges	-	(17,362)	-	-	-	(17,362)
Depreciation and amortisation	-	(57,050)	-	(95)	-	(57,145)
Employee costs	-	(145,811)	-	(1,154)	(55,956)	(202,921)
Property related costs	-	(25,102)	(1,321)	-	-	(26,423)
Telephone and communication expenses	-	(15,582)	-	(8)	-	(15,590)
Transactional banking fees	-	-	-	(11,942)	-	(11,942)

#### Significant segment assets

Cash and cash equivalents	436,073	94,872	-	12,660	16,517	560,122
Other financial assets at fair value through profit or loss	33,491	-	-	-	-	33,491
Other financial assets at amortised cost	318,212	-	-	-	-	318,212
Loans and other advances	-	606,175	-	-	-	606,175
Trade and other receivables	-	89,353	-	476	21,367	111,196
Loans to group companies	-	94,505	-	-	-	94,505
Investments in joint ventures	-	871,506	-	-	-	871,506
Investments in associates	-	677,013	-	-	-	677,013
Property, plant and equipment	-	105,569	-	149	42,240	147,958
Right of use assets	-	162,325	-	406	6,782	169,513
Investment property	-	-	122,721	-	-	122,721
Goodwill	-	306,201	-	-	-	306,201
Intangible assets	-	19,484	-	-	-	19,484

#### Significant segment liabilities

Transactional deposits	-	-	-	36,534	-	36,534
Trade and other payables	4,602	59,981	-	4,550	11,379	80,512
Lease liabilities	-	176,211	-	-	8,507	184,718
Fixed and notice deposits	583,430	-	-	-	-	583,430
Commercial paper	2,413,806	-	-	-	-	2,413,806

R'000	Deposit and Debt finance Products	Lending	Property Investment	Transactiona l Banking	Other <sup>1</sup>	Total
<b>Year ended 29 February 2024</b>						
Interest Income	33,459	779,857	-	94	8,116	821,526
Interest expense	(288,170)	(41,782)	-	(515)	-	(330,467)
<b>Net interest income/(expense)</b>	<b>(254,711)</b>	<b>738,075</b>	<b>-</b>	<b>(421)</b>	<b>8,116</b>	<b>491,059</b>
Fee income	-	172,842	-	26,066	-	198,908
Other operating income	-	375,217	1,954	189	-	377,360
Income from joint ventures	-	34,974	-	-	-	34,974
Income from associates	-	142,572	-	-	-	142,572
Fair value adjustments	240	-	(5,000)	-	-	(4,760)
Foreign exchange gain	-	-	-	-	(154)	(154)
Net impairment charge	-	(267,077)	-	-	-	(267,077)
Reversal of impairment of investment in joint venture	-	12,372	-	-	-	12,372
Impairment of goodwill	-	(3,720)	-	-	-	(3,720)
Operating expenses <sup>^</sup>	(2,770)	(888,258)	(5,954)	(29,333)	(24,573)	(950,888)
<b>Operating profit/(loss)</b>	<b>(257,241)</b>	<b>316,997</b>	<b>(9,000)</b>	<b>(3,499)</b>	<b>(16,611)</b>	<b>30,646</b>
Taxation	58,585	(85,589)	2,430	945	(8,373)	(32,002)
<b>Profit/(loss) after taxation</b>	<b>(198,656)</b>	<b>231,408</b>	<b>(6,570)</b>	<b>(2,554)</b>	<b>(24,984)</b>	<b>(1,356)</b>
<sup>^</sup> Operating expenses include, <i>inter alia</i> :						
Advertising	-	(5,002)	-	-	(7,114)	(12,116)
Bank charges	(1,540)	(78,448)	-	(1,393)	(65)	(81,446)
Collection charges	-	(44,894)	-	-	-	(44,894)
Depreciation and amortisation	-	(117,387)	-	(185)	(16)	(117,588)
Employee costs	(1,119)	(399,998)	(500)	(2,345)	(15,495)	(419,457)
Property related costs	-	(45,871)	(2,090)	-	-	(47,961)
Telephone and communication expenses	(16)	(31,184)	(8)	(17)	(112)	(31,337)
Transactional banking fees	-	-	-	(23,980)	-	(23,980)
<b>Significant segment assets</b>						
Cash and cash equivalents	355,341	85,140	-	13,264	1,974	455,719
Other financial assets at fair value through profit or loss	34,568	-	-	-	-	34,568
Other financial assets at amortised cost	360,002	-	-	-	-	360,002
Loans and advances	-	619,057	-	-	-	619,057
Trade and other receivables	-	144,247	-	1,586	5,461	151,294
Loans to group companies	-	81,539	-	-	-	81,539
Investments in joint ventures	-	979,875	-	-	-	979,875

Investments in associates	-	749,932	-	-	-	749,932
Property, plant and equipment	-	147,423	1,023	101	1,289	149,836
Right of use assets	-	151,545	-	-	-	151,545
Investment property	-	-	117,721	-	-	117,721
Goodwill	-	305,345	-	-	-	305,345
Intangible assets	-	22,100	-	-	-	22,100
<b>Significant segment liabilities</b>						
Transactional deposits	-	-	-	36,878	-	36,878
Trade and other payables	3,628	77,653	-	1,944	2,767	85,992
Lease liabilities	-	167,659	-	-	-	167,659
Fixed and notice deposits	590,759	-	-	-	-	590,759
Commercial paper	2,553,588	-	-	-	-	2,553,588

<sup>1</sup> 'Other' represents centralised corporate services, functions and expenses and corporate income tax assets and liabilities.

## GEOGRAPHICAL SEGMENTS

Six months ended 31 August 2024

R'000	South Africa	North America	Corporate <sup>2</sup>	Total
<b>Net profit</b>				
Interest Income	243,493	166,408	7,797	417,698
Interest expense	(39,840)	(82,976)	(55,714)	(178,530)
<b>Net interest income/(expense)</b>	<b>203,653</b>	<b>83,432</b>	<b>(47,917)</b>	<b>239,168</b>
Fee income	102,204	1,602	(253)	103,553
Management fee income	2,485	11,818	(14,303)	-
Other operating income	169,061	1,046	27,724	197,831
Income from joint ventures	-	2,430	-	2,430
Income from associates	-	80,081	-	80,081
Fair value adjustments	(2,272)	-	-	(2,272)
Foreign exchange gain	44	-	14	58
Net impairment charge	(94,783)	(31,598)	1,073	(125,308)
Operating expenses <sup>^</sup>	(316,452)	(162,936)	(11,424)	(490,812)
<b>Operating profit/(loss)</b>	<b>63,940</b>	<b>(14,125)</b>	<b>(45,086)</b>	<b>4,729</b>
Taxation	(17,892)	3,381	(1,843)	(16,354)
<b>Profit/(loss) after taxation</b>	<b>46,048</b>	<b>(10,744)</b>	<b>(46,929)</b>	<b>(11,625)</b>

<sup>^</sup>Operating expenses include, *inter alia*:

Bank charges	(39,377)	(3,716)	(871)	(43,964)
Collection charges	(26,412)	(428)	-	(26,840)
Depreciation and amortisation	(45,300)	(18,789)	(718)	(64,807)
Employee costs	(101,868)	(100,867)	(8,618)	(211,353)
Property related costs	(16,251)	(9,787)	(169)	(26,207)
Telephone and communication expenses	(13,366)	(2,703)	(111)	(16,180)

Transactional banking fees	(12,422)	-	-	(12,422)
<b>Significant segment assets</b>				
Cash and cash equivalents	125,005	368,280	83,306	576,591
Other financial assets at fair value through profit or loss	20,912	-	-	20,912
Other financial assets at amortised cost	256,577	-	17,890	274,467
Loans and other advances	496,224	160,982	-	657,206
Trade and other receivables	70,049	43,989	72,589	186,627
Loans to group companies	-	-	67,767	67,767
Investments in joint ventures	-	858,509	-	858,509
Investments in associates	-	668,440	-	668,440
Property, plant and equipment	55,382	46,434	54,981	156,797
Right of use assets	124,116	44,123	-	168,239
Investment property	115,296	-	-	115,296
Deferred taxation	50,533	74,377	12,531	137,441
Goodwill	197,550	98,384	-	295,934
Intangible assets	10,357	8,497	-	18,854
<b>Significant segment liabilities</b>				
Transactional deposits	39,506	-	-	39,506
Trade and other payables	48,642	12,028	16,063	76,733
Lease liabilities	137,887	46,683	-	184,570
Fixed and notice deposits	559,790	-	-	559,790
Commercial paper	-	-	2,708,568	2,708,568

#### Six months ended 31 August 2023 (Restated\*)

R'000	South Africa	North America	Corporate <sup>2</sup>	Total
<b>Net profit</b>				
Interest Income	223,332	176,734	4,346	404,412
Interest expense	(44,795)	(87,928)	(33,403)	(166,126)
<b>Net interest income/(expense)</b>	<b>178,537</b>	<b>88,806</b>	<b>(29,057)</b>	<b>238,286</b>
Fee income	94,450	1,607	(231)	95,826
Management fee income	2,253	9,841	(12,094)	-
Other operating income	150,939	2,214	21,608	174,761
Income from joint ventures	-	2,549	-	2,549
Income from associates	-	67,989	-	67,989
Fair value adjustments	114	-	-	114
Foreign exchange gain	(74)	-	18	(56)
Net impairment charge	(91,805)	(36,401)	3,654	(124,552)
Operating expenses <sup>^</sup>	(286,834)	(163,476)	(6,104)	(456,414)
<b>Operating profit/(loss)</b>	<b>47,580</b>	<b>(26,871)</b>	<b>(22,206)</b>	<b>(1,497)</b>
Taxation	(13,030)	7,046	(4,211)	(10,195)
<b>Profit/(loss) after taxation</b>	<b>34,550</b>	<b>(19,825)</b>	<b>(26,417)</b>	<b>(11,692)</b>

<sup>^</sup>Operating expenses include, *inter alia*:

Bank charges	(32,955)	(5,065)	(508)	(38,528)
Collection charges	(16,781)	(581)	-	(17,362)
Depreciation and amortisation	(41,457)	(15,016)	(672)	(57,145)
Employee costs	(96,602)	(99,263)	(7,056)	(202,921)
Property related costs	(13,618)	(12,657)	(148)	(26,423)
Telephone and communication expenses	(12,606)	(2,900)	(84)	(15,590)
Transactional banking fees	(11,942)	-	-	(11,942)

#### Significant segment assets

Cash and cash equivalents	132,376	278,609	149,137	560,122
Other financial assets at fair value through profit or loss	2,959	-	30,532	33,491
Other financial assets at amortised cost	317,961	-	251	318,212
Loans and other advances	427,778	178,397	-	606,175
Trade and other receivables	22,695	25,754	62,747	111,196
Loans to group companies	-	94,505	-	94,505
Investments in joint ventures	-	871,506	-	871,506
Investments in associates	-	677,013	-	677,013
Property, plant and equipment	48,941	55,007	44,010	147,958
Right of use assets	112,751	56,762	-	169,513
Investment property	122,721	-	-	122,721
Deferred taxation	36,326	89,354	(17,812)	107,868
Goodwill	197,550	108,651	-	306,201
Intangible assets	6,778	12,706	-	19,484

#### Significant segment liabilities

Transactional deposits	36,534	-	-	36,534
Current tax payable	(236)	-	23,680	23,444
Trade and other payables	47,209	21,185	12,118	80,512
Lease liabilities	126,298	58,420	-	184,718
Fixed and notice deposits	583,430	-	-	583,430
Commercial paper	-	-	2,413,806	2,413,806

#### Year ended 29 February 2024

R'000	South Africa	North America	Corporate <sup>2</sup>	Total
<b>Net profit</b>				
Interest Income	454,904	345,316	21,306	821,526
Interest expense	(81,549)	(166,326)	(82,592)	(330,467)
<b>Net interest income/(expense)</b>	<b>373,355</b>	<b>178,990</b>	<b>(61,286)</b>	<b>491,059</b>
Fee income	196,022	3,358	(472)	198,908
Management fee income	4,803	22,596	(27,399)	-
Other operating income	319,577	4,067	53,716	377,360
Income from joint ventures	-	34,974	-	34,974
Income from associates	-	142,572	-	142,572
Fair value adjustments	(4,760)	-	-	(4,760)
Foreign exchange gain	(144)	-	(10)	(154)

Net impairment charge	(189,002)	(72,994)	(5,081)	(267,077)
Reversal of impairment of investment in joint ventures	-	12,372	-	12,372
Impairment of goodwill	-	(3,720)	-	(3,720)
Operating expenses <sup>^</sup>	(601,612)	(336,181)	(13,095)	(950,888)
<b>Operating profit/(loss)</b>	<b>98,239</b>	<b>(13,966)</b>	<b>(53,627)</b>	<b>30,646</b>
Taxation	(27,592)	6,516	(10,926)	(32,002)
<b>Profit/(loss) after taxation</b>	<b>70,647</b>	<b>(7,450)</b>	<b>(64,553)</b>	<b>(1,356)</b>

<sup>^</sup>Operating expenses include, *inter alia*:

Advertising	(2,942)	(2,060)	(7,114)	(12,116)
Bank charges	(70,417)	(9,963)	(1,066)	(81,446)
Collection charges	(43,950)	(944)	-	(44,894)
Depreciation and amortisation	(84,879)	(31,283)	(1,426)	(117,588)
Employee costs	(202,002)	(202,341)	(15,114)	(419,457)
Property related costs	(25,113)	(22,657)	(191)	(47,961)
Telephone and communication expenses	(25,419)	(5,731)	(187)	(31,337)
Transactional banking fees	(23,980)	-	-	(23,980)

#### **Significant segment assets**

Cash and cash equivalents	124,250	279,970	51,499	455,719
Other financial assets at fair value through profit or loss	2,936	-	31,632	34,568
Other financial assets at amortised cost	360,002	-	-	360,002
Loans and other advances	444,266	174,791	-	619,057
Trade and other receivables	30,960	45,526	74,808	151,294
Loans to group companies	-	-	81,539	81,539
Investments in joint ventures	-	979,875	-	979,875
Investments in associates	-	749,932	-	749,932
Property, plant and equipment	52,195	53,179	44,462	149,836
Right of use assets	104,464	47,081	-	151,545
Investment property	117,721	-	-	117,721
Deferred taxation	52,421	76,825	(29,448)	99,798
Goodwill	197,549	107,796	-	305,345
Intangible assets	8,857	13,243	-	22,100

#### **Significant segment liabilities**

Transactional deposits	36,878	-	-	36,878
Current tax payable	11,937	(516)	76	11,497
Trade and other payables	56,439	19,032	10,521	85,992
Lease liabilities	117,647	50,012	-	167,659
Fixed and notice deposits	590,759	-	-	590,759
Commercial paper	-	-	2,553,588	2,553,588

<sup>2</sup> 'Corporate' represents centralised corporate and International corporate services, functions and expenses, unallocated corporate debt finance expenses, corporate income tax assets and liabilities, and corporate held debt finance liabilities.

## **Notes to the condensed consolidated financial statements**

Finbond Group Limited is a company domiciled in South Africa. The condensed consolidated financial statements of the Company as at and for the six months ended 31 August 2024 comprise the Company and its subsidiaries (together referred to as the “Group”).

### **Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with the requirements of the JSE Limited Listings Requirements and the requirements of the Companies Act of South Africa. The condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (“IFRS”) IAS 34 Interim Financial Reporting, and financial pronouncements as issued by the Financial Reporting Standards Council. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated annual financial statements of the Group as at and for the year ended 29 February 2024.

The accounting policies applied by the Group in these condensed consolidated financial statements are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements.

### **Use of judgements and estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements as at and for the year ended 29 February 2024. Significant judgements include:

#### *Impairment losses on loans and advances*

The Group uses quantitative and qualitative estimates for calculating expected credit losses (ECL) for loans and advances. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events.

The ECL is calculated using statistical models which incorporate observable data to give a best estimate of expected default rates and the loss given default (LGD). The LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the business group expects to receive, considering cash flows from any collateral. Statistical models are tailored for customer segments that have similar credit loss characteristics (i.e. by geography and product type). Where the ECL has been raised for individual exposures, management assesses the historical and expected cash flows and the recoverability of collateral at an individual exposure level. Model validation procedures are in place to ensure that the input assumptions applied within the models are a statistically reliable estimate.

In line with the fundamental principles of IFRS 9 Financial Instruments, the Group holds a provision against potential future losses resulting from changes in the economic environment. These forward-looking economic expectations are included in the ECL where adjustments are based on the group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. In addition to forward-looking macroeconomic information (FLI), other types of FLI, such as specific event risks and industry data, are considered in ECL estimates when required, through the application of management overlays. All model adjustments and management overlays are subject to group governance committee oversight. Continual oversight is provided by management and committees to monitor the reliability of financial reporting under IFRS 9.

The ECL has been calculated using statistical models that incorporate the continued economic impact of COVID-19 (and related higher consumer savings levels in the US due to COVID consumer directed stimulus) on our industry. The current observable data and forward-looking expectations in the models consider the resultant uncertainty surrounding the timing and extent of potential future defaults and recoveries. Negative, positive, and most likely scenarios have been determined based on independently sourced economic data and these scenarios have been weighted to determine a probabilistic view of the economy going forward.

#### *Impairment of goodwill, intangible assets (acquired trademark & brand names), and investments in joint ventures*

The recoverable amounts of cash-generating units and net investments in joint ventures have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may impact estimations and may then require adjustments to the carrying value of goodwill, intangible assets and/or investments in joint ventures.

The Group reviews and tests the carrying value of goodwill and intangible assets within cash generating units annually, or when events or changes in circumstances suggest that the carrying amount may not be recoverable, by preparing estimates of expected future cash flows.

The Group reviews and tests the carrying value of investments in joint ventures when events or changes in circumstances suggest that the carrying amount may not be recoverable, by preparing estimates of expected future cash flows.

Expected future cash flows used to determine recoverable amounts are inherently uncertain and could materially change over time. They are significantly affected by several factors including regulation, supply and demand for loans, profit margins, impairment rates, growth rates, together with economic factors such as inflation and interest rates.

#### *Deferred tax assets*

The Group recognises deferred tax assets for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. Management has gone to great lengths, and considered all available information in making this assessment.

### Going concern

The Directors have reviewed the Group's budgets, cash flow forecasts, as well as capital and liquidity stress testing for the next 5 years and considered the Group's ability to continue as a going concern in context of the current and anticipated economic environment.

Factors considered include the impact of the continued slower COVID recovery in our industry (particularly in North America due to unprecedented US consumer stimulus that directly targeted our lower income earning customers and led to significantly elevated but temporary consumer savings levels, dampening demand for our credit products), the continued replacement of Illinois sales volumes, revenue and products due to regulatory changes in this US state in March 2021, the current elevated global inflationary environment, and potential changes to commercial paper regulations in South Africa which may impact the Group's financing.

It should be noted that a high degree of judgement is required to estimate the full financial effect for the year ahead, and beyond. The above factors also serve to confirm that uncertainties lie ahead, and that the timing and magnitude of our various recovery and growth initiatives will continue to be influenced accordingly. Management performed robust capital, liquidity and cash flow stress testing based on multiple scenarios and levels of stress. This stress testing (updated and monitored monthly) continues to demonstrate that the Group remains sufficiently capitalised, with appropriate liquidity levels. Based on this review the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. The going concern basis therefore continues to apply and has been adopted in the preparation of the annual financial statements.

### Loans and advances

The following tables contain an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised.

R'000	Stage 1	Stage 2	Stage 3	Total
<b>Consumer loans and advances</b>				
<b>31 August 2024</b>				
Gross loans and advances before impairment	335,981	100,258	636,652	1,072,891
Expected credit loss allowance	(22,903)	(45,777)	(497,084)	(565,764)
<b>Net loans and advances</b>	<b>313,078</b>	<b>54,481</b>	<b>139,568</b>	<b>507,127</b>
ECL coverage (%)	6.8%	45.7%	78.1%	52.7%
<b>31 August 2023 (Restated*)</b>				
Gross loans and advances before impairment	400,721	111,147	476,276	988,144
Expected credit loss allowance	(18,286)	(44,652)	(431,021)	(493,959)
<b>Net loans and advances</b>	<b>382,435</b>	<b>66,495</b>	<b>45,255</b>	<b>494,185</b>
ECL coverage (%)	4.6%	40.2%	90.5%	50.0%

### 29 February 2024

Gross loans and advances before impairment	419,044	133,861	508,641	1,061,546
Expected credit loss allowance	(22,259)	(59,517)	(461,312)	(543,088)
<b>Net loans and advances</b>	<b>396,785</b>	<b>74,344</b>	<b>47,329</b>	<b>518,458</b>
ECL coverage (%)	5.3%	44.5%	90.7%	51.2%

### Mortgage loans and specialised finance loans

#### 31 August 2024

Gross loans and advances before impairment	100,804	7,329	85,915	194,048
Expected credit loss allowance	(3,003)	(1,046)	(39,920)	(43,969)
<b>Net loans and advances</b>	<b>97,801</b>	<b>6,283</b>	<b>45,995</b>	<b>150,079</b>
ECL coverage (%)	3.0%	14.3%	46.5%	22.7%

#### 31 August 2023 (Restated\*)

Gross loans and advances before impairment	48,577	11,003	123,742	183,322
Expected credit loss allowance	(1,349)	(1,194)	(68,789)	(71,332)
<b>Net loans and advances</b>	<b>47,228</b>	<b>9,809</b>	<b>54,953</b>	<b>111,990</b>
ECL coverage (%)	2.8%	10.9%	55.6%	38.9%

#### 29 February 2024

Gross loans and advances before impairment	43,338	11,468	100,219	155,025
Expected credit loss allowance	(1,513)	(1,760)	(51,153)	(54,426)
<b>Net loans and advances</b>	<b>41,825</b>	<b>9,708</b>	<b>49,066</b>	<b>100,599</b>
ECL coverage (%)	3.5%	15.3%	51.0%	35.1%

### Fair value measurement

The fair value hierarchy reflects the significance of the inputs used in making fair value measurements. The level within which the fair value measurement is categorised in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The different levels have been defined as follows:

Level 1: Fair value is based on quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly observable from market data.

Level 3: Fair value is determined through valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required, to reflect differences between the instruments.

*Financial risk management*

Fair value hierarchy and classification of financial assets and financial liabilities:

	Amortised cost	FVTPL	Total	Fair value	Hierarchy of valuation technique
R'000					
<b>31 August 2024</b>					
<b>Financial assets</b>					
Cash and cash equivalents	576,591	-	576,591	576,591	#
Other financial assets	274,467	20,912	295,379	295,379	Level 2
Loans and advances	657,206	-	657,206	657,206	#
Trade and other receivables	105,799	-	105,799	105,799	#
Loans to group companies	67,767	-	67,767	67,767	#
<b>Financial liabilities</b>					
Transactional deposits	39,506	-	39,506	39,506	#
Trade and other payables	73,580	-	73,580	73,580	#
Lease liabilities	184,570	-	184,570	184,570	#
Fixed and notice deposits	559,790	-	559,790	537,175	Level 2
Commercial paper	2,708,568	-	2,708,568	2,706,052	Level 2
<b>31 August 2023 (Restated*)</b>					
<b>Financial assets</b>					
Cash and cash equivalents	560,122	-	560,122	560,122	#
Other financial assets	318,212	33,491	351,703	351,703	Level 2
Loans and advances	606,175	-	606,175	606,175	#
Trade and other receivables	93,949	-	93,949	93,949	#
Loans to group companies	94,505	-	94,505	94,505	#
<b>Financial liabilities</b>					
Transactional deposits	36,534	-	36,534	36,534	#
Trade and other payables	75,677	-	75,677	75,677	#
Lease liabilities	184,718	-	184,718	184,718	#
Fixed and notice deposits	583,430	-	583,430	468,280	Level 2
Commercial paper	2,413,806	-	2,413,806	2,394,547	Level 2

**29 February 2024****Financial assets**

Cash and cash equivalents	455,719	-	455,719	455,719	#
Other financial assets	360,002	34,568	394,570	394,570	Level 2
Loans and advances	619,057	-	619,057	619,057	#
Trade and other receivables	101,343	-	101,343	101,343	#
Loans to group companies	81,539	-	81,539	81,539	#

**Financial liabilities**

Transactional deposits	36,878	-	36,878	36,878	#
Trade and other payables	80,168	-	80,168	80,168	#
Lease liabilities	167,659	-	167,659	167,659	#
Fixed and notice deposits	590,759	-	590,759	565,611	Level 2
Commercial paper	2,553,588	-	2,553,588	2,502,103	Level 2

# The fair value closely approximates their carrying amount due to their short-term nature or on-demand repayment terms.

**Valuation techniques used to derive level 2 and 3 fair values**

Level 2 fair values of other financial assets have been derived by using the rate as available in active markets.

Level 3 fair values of investment properties have been generally derived using the market value, the comparable sales method of valuation, and the residual land valuation method, as applicable to each property.

The fair value is determined by external, independent property valuers, having appropriate, recognised professional qualifications and recent experience in the location and category of the properties being valued. Independent external valuations are performed at least every 3 years unless management's annual fair value assessment indicates material changes to the property market and/or underlying assumptions, an input into current valuation models.

### Reconciliation of assets and liabilities measured at level 3

R'000	Opening balance	Additions /disposals	Losses recognised in profit or loss	Closing balance
<b>31 August 2024</b>				
<b>Assets</b>				
Investment property	117,721	-	(2,425)	115,296
<b>31 August 2023</b>				
<b>Assets</b>				
Investment property	122,152	569	-	122,721
<b>29 February 2024</b>				
<b>Assets</b>				
Investment property	122,152	569	(5,000)	117,721

No transfers of assets and liabilities within levels of fair value hierarchy occurred during the current period. There were no additions or disposals of investment properties during the period.

#### \* Restatement

##### **1. Partial book and stage 3 interest restatement**

During the prior reporting year, an error in the method used to derecognise loan books relating to loans and advances in default that had passed 'operational write-off' dates (in terms of internal policy) was identified. The loan books were previously partially written off/derecognised too early/too conservatively in terms of the requirements of IFRS 9 (the 'partial book'). This understated the amounts disclosed as the gross loan and the ECL allowance in prior years. Furthermore, interest income, using the effective interest rate ('EIR') applied to the net carrying value, was not recognised on the partial book. Apart from lower interest revenue, an additional effect of not recognising interest on the partial book was that all cash subsequently recovered on such loans, in excess of the carrying value, was recognised as bad debts recovered.

Management concluded that the partial write-off derecognition criteria was incorrectly applied for the partial book in terms of IFRS 9 in prior years and that a prior period restatement would be required to achieve gross recognition of the partial book and related ECL provision in the statement of financial position, along with an associated prior period restatement/reallocation of interest income, bad debts written off, bad debts recovered and ECL impairment expense in the statement of comprehensive income. The 'partial book' portion of the restatement was available and therefore made to the prior corresponding 6-month period (i.e., the 6 months ending 31 August 2023). The restatement however also required applying the EIR to the net carrying amount of the full partial book balance until ultimate IFRS write-off (to record appropriate stage 3 interest), as well as the associated remodelling of recovery forecast data on these updated balances, impacting the calculation of associated LGD's and ultimately the ECL provision recognised as part of the restatement. This 'stage 3 interest' portion of the restatement was however only available later during the prior reporting year, and therefore its impact on the 6 months ending 31 August 2023 is presented below. Reconsideration of the associated impact on tax and deferred tax was appropriately reconsidered and taken into account in both portions of the restatement. There was no impact on the statement of cash flows.

## **2. Investment in subsidiary control reassessment**

During the prior reporting year, an equity swap transaction occurred within the Americash Group which resulted in Finbond's shareholding reducing to 41.8% (from 58.3%) in one of the operating entities (S.A.I.L. LLC) forming part of its investment in the Americash Group. This reduction of majority equity shareholding, although only in one operating entity within the Americash Group, triggered a reassessment of control for the Americash Group investment, previously accounted for as an investment in subsidiary.

In the process of reassessing control, it was identified that pre-existing Operating Agreements provided joint control, and not unilateral control, despite Finbond's majority shareholding in the Americash Group. In this process, it was noted that a similar Operating Agreement was in existence and in force for another investment in North America, which had also previously been assessed and accounted for as an investment as subsidiary on the basis of Finbond's majority equity shareholding. A reassessment was performed for the Cashbak LLC Group and similarly resulted in a joint control scenario, on account of the terms and conditions of the Operating Agreement.

It was therefore concluded that the reassessments performed resulted in an indication of a prior period error, requiring reclassification of the two investments in subsidiaries (control) to investments in joint ventures (joint control), to be equity accounted for in terms of IAS 28: *Investments in Associates and Joint Ventures*.

The following tables summarise the impact on the Group's consolidated financial statements for the six months ended 31 August 2023:

R'000	Impact of correction of errors			As restated
	As previously reported	Stage 3 interest Adjustments	Control Adjustments	
<b>Consolidated statement of financial position</b>				
Cash and cash equivalents	678,453	-	(118,331)	560,122
Other financial assets at fair value through profit or loss	33,491	-	-	33,491
Other financial assets at amortised cost	318,212	-	-	318,212
Loans and advances	1,536,643	55,171	(985,639)	606,175
Trade and other receivables	162,353	-	(51,157)	111,196
Loans to group companies	-	-	94,505	94,505
Investments in joint ventures	-	-	871,505	871,505
Investments in associates	677,013	-	-	677,013
Property, plant and equipment	182,048	-	(34,090)	147,958
Right of use assets	295,546	-	(126,033)	169,513
Investment property	122,721	-	-	122,721
Deferred taxation	116,916	(9,048)	-	107,868
Goodwill	826,427	-	(520,226)	306,201
Intangible assets	150,809	-	(131,325)	19,484
<b>Total assets</b>	<b>5,100,632</b>	<b>46,123</b>	<b>(1,000,791)</b>	<b>4,145,964</b>
Transactional deposits	36,534	-	-	36,534
Current tax payable	23,444	-	-	23,444
Trade and other payables	125,178	-	(44,668)	80,510
Other loans	465,947	-	(465,947)	-
Lease liabilities	323,663	-	(138,945)	184,718
Fixed and notice deposits	583,430	-	-	583,430
Commercial paper	2,413,806	-	-	2,413,806
<b>Total liabilities</b>	<b>3,972,002</b>	<b>-</b>	<b>(649,560)</b>	<b>3,322,442</b>
Share capital	964,747	-	-	964,747
Reserves	386,316	11,186	-	397,502
Retained loss	(541,658)	8,119	-	(533,539)
	<b>809,405</b>	<b>19,305</b>	<b>-</b>	<b>828,710</b>
Non-controlling interest	319,225	26,817	(351,231)	(5,189)
<b>Total equity</b>	<b>1,128,630</b>	<b>46,122</b>	<b>(351,231)</b>	<b>823,521</b>
<b>Total equity and liabilities</b>	<b>5,100,632</b>	<b>46,122</b>	<b>(1,000,791)</b>	<b>4,145,963</b>

**Consolidated statement of comprehensive income**

Interest income	743,756	6,168	(345,512)	404,412
Interest expense	(194,315)	-	28,190	(166,125)
<b>Net interest income/(expense)</b>	<b>549,441</b>	<b>6,168</b>	<b>(317,322)</b>	<b>238,287</b>
Fee income	101,699	-	(5,872)	95,827
Other operating income	178,360	-	(3,599)	174,761
Income from joint ventures	-	-	2,549	2,549
Income from associate	67,989	-	-	67,989
Fair value adjustments	114	-	-	114
Foreign exchange gain	(56)	-	-	(56)
Net impairment charge	(171,045)	11,930	34,563	(124,552)
Operating expenses	(744,882)	-	288,465	(456,417)
<b>(Loss)/profit before taxation</b>	<b>(18,380)</b>	<b>18,098</b>	<b>(1,216)</b>	<b>(1,498)</b>
Taxation	(7,043)	(3,151)	-	(10,194)
<b>(Loss)/profit after taxation</b>	<b>(25,423)</b>	<b>14,947</b>	<b>(1,216)</b>	<b>(11,692)</b>
Foreign currency translation difference for foreign operations	47,363	(5,698)	-	41,665
<b>Total comprehensive income/(loss) for the year</b>	<b>21,940</b>	<b>9,249</b>	<b>(1,216)</b>	<b>29,973</b>
<b>Income/(loss) attributable to:</b>	<b>(25,423)</b>	<b>14,948</b>	<b>(1,217)</b>	<b>(11,692)</b>
Owners of the company	(18,982)	8,056	-	(10,926)
Non-controlling interest	(6,441)	6,892	(1,217)	(766)
<b>Total comprehensive income/(loss) attributable to:</b>	<b>21,940</b>	<b>23,846</b>	<b>(15,813)</b>	<b>29,973</b>
Owners of the company	14,359	16,462	-	30,821
Non-controlling interest	7,581	7,384	(15,813)	(848)
<b>(Loss)/earnings per share</b>				
Basic (loss)/earnings per share (cents)	(2.4)	1.0	-	(1.4)
Diluted (loss)/earnings per share (cents)	(2.3)	1.0	-	(1.2)
<b>Consolidated statement of cash flows</b>				
<b>Cash flows from operating activities</b>				
Cash generated from/(utilised in) operations	(152,371)	-	121,230	(31,141)
Taxation (paid)/received	(34,318)	-	3,012	(31,306)
<b>Net cash from operating activities</b>	<b>(186,689)</b>	<b>-</b>	<b>124,242</b>	<b>(62,447)</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(17,813)	-	(2,140)	(15,673)
Acquisition of intangible assets	(13,541)	-	11,389	(2,152)
Additions to Investment property	(569)	-	-	(569)
Proceeds from sale of financial assets	33,898	-	(27,031)	6,867
Acquisition of financial assets	(50,390)	-	-	(50,390)
Distributions received from associates	27,423	-	-	27,423
Establishment of businesses, net of cash received	19,308	-	(19,308)	-

Distributions received from joint ventures	-	-	12,717	12,717
<b>Net cash from investing activities</b>	<b>(1,684)</b>	-	<b>(20,093)</b>	<b>(21,777)</b>
<b>Cash flows from financing activities</b>				
Proceeds from other loans	18,536	-	(18,536)	-
Proceeds from commercial paper	176,820	-	-	176,820
Repayments of commercial paper	(78,673)	-	-	(78,673)
Lease liabilities repaid	(63,372)	-	17,368	(46,004)
Interest paid on lease liabilities	(12,346)	-	3,522	(8,824)
Dividends paid	(9,676)	-	9,676	-
<b>Net cash from financing activities</b>	<b>31,289</b>	-	<b>12,030</b>	<b>43,319</b>
<b>Net increase in cash and cash equivalents</b>	<b>(157,084)</b>	-	<b>116,179</b>	<b>(40,905)</b>
Cash at the beginning of the year	825,021	-	(239,981)	585,040
Effect of movements in exchange rates	10,515	-	5,472	15,987
<b>Total cash at end of the year</b>	<b>678,453</b>	-	<b>(118,330)</b>	<b>560,122</b>

The following table summarises the impact on the material notes to the Group's consolidated financial statements for the six months ended 31 August 2023:

R'000	Impact of correction of error			
	As previously reported	Stage 3 interest Adjustments	Control Adjustments	As restated
<b>Loans and advances</b>	<b>1,536,643</b>	<b>55,171</b>	<b>(985,639)</b>	<b>606,175</b>
Consumer loans and advances	1,425,358	54,466	(985,639)	494,185
Mortgage loans and specialised finance loans	111,285	705	-	111,990
<b>Analysis of net loans and advances</b>				
<b>CONSUMER LOANS AND ADVANCES</b>				
Gross loans and advances	2,679,188	89,312	(1,780,356)	988,144
Expected credit loss allowance	(1,253,830)	(34,846)	794,717	(493,959)
<b>Net loans and advances</b>	<b>1,425,358</b>	<b>54,466</b>	<b>(985,639)</b>	<b>494,185</b>
ECL coverage (%)	46.8%	39.0%	44.6%	50.0%
<b>MORTGAGE AND SPECIALISED FINANCE LOANS</b>				
Gross loans and advances	182,617	705	-	183,322
Expected credit loss allowance	(71,332)	-	-	(71,332)

<b>Net loans and advances</b>	<b>111,285</b>	<b>705</b>	-	<b>111,990</b>
ECL coverage (%)	39.1%	0%		38.9%

### **Going concern**

The financial statements have been prepared on a going concern basis. The basis presumes that management neither intends to cease trading nor has reason to believe that the foreseeable future of the Company is in doubt. Please also refer to the 'Use of judgements and estimates' note above for further detail.

**References to future financial performance included anywhere in this announcement have not been reviewed or reported on by the Group's external auditors.**

For and on behalf of the Board

Dr Malesela Motlatla

Dr Willem van Aardt

29 November 2024