

Finbond Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2001/015761/06)
Share code: FGL ISIN: ZAE00013895
("Finbond" or "the Company" or "the Group")

TRADING UPDATE – YEAR ENDING 28 FEBRUARY 2019

In terms of the Listings Requirements of the JSE Limited, companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the next period to be reported on will differ by more than 20% from that of the previous corresponding period.

In the Trading Update released by the Company on the Stock Exchange News Service ("SENS") on 8 February 2019, the board of directors ("Board") advised that Headline Earnings per share will decrease by at least 11.71 cents per share and Earnings per share will decrease by at least 10.95 cents per share for the year ending 28 February 2019 representing a percentage decrease of more than 35%.

Further to that announcement, the Board is satisfied that it now has the reasonable degree of certainty required to provide further guidance with regard to the financial results of the Group for the period under review as follows:

- Headline Earnings per share will decrease to between 18.7 cents and 15.3 cents per share, representing a percentage decrease of between 44.5% and 54.6% compared to the 33.7 cents per share reported for the prior year; and
- Earnings per share will decrease to between 7.2 cents and 4.0 cents per share, representing a percentage decrease of between 76.9% and 87.2% compared to the 31.3 cents per share reported for the prior year.

There will also be a restatement of prior year profit and the effects on Headline Earnings per share and Earnings per share will be as follows:

- Headline Earnings per share will decrease to between 18.7 cents and 15.3 cents per share, representing a percentage decrease of between 43.4% and 53.6% compared to the restated amount of 33.0 cents per share for the prior year; and
- Earnings per share will decrease to between 7.2 cents and 4.0 cents per share, representing a percentage decrease of between 76.4% and 86.9% compared to the restated amount of 30.5 cents per share for the prior year.

The expected decrease in **Headline Earnings per share** is mainly due to the following factors:

1. The non-recurrence of an exceptional profit of R22.6 million following a mandatory offer in the prior period.
2. The increase in the weighted average number of shares by 19.7% from 748,569,555 to 895,886,173, attributable to the rights issue in April 2018 and the scrip dividend in July 2018.
3. South African business volumes coming under pressure due to a large portion of Finbond's South African SASSA client base transitioning to the new SASSA card, resulting in a significant

reduction in Finbond's SASSA customer base. This new card was launched by the SA Post Office and SASSA on 3 May 2018, but does not avail the functionality to load EFT debits or stop orders, which limited Finbond's ability to extend credit to this segment of the market and led to significantly increased SASSA write-offs and impairments. This adverse SASSA development did not adversely affect Finbond's non-SASSA South African client base. As at the end of April 2019, both collection rates and business volumes in South Africa recovered to pre-SASSA transition levels.

The expected decrease in **Earnings per share** is mainly due to the following factors:

1. All the factors described under Headline Earnings per share above.
2. An abnormal downward fair value adjustment of R129.3 million relating to Finbond's property development assets in Mpumalanga and Gauteng. This abnormal fair value adjustment of R129.3 million represents a minor adverse impact of 3.8% on Finbond Group Limited assets that did not alter Finbond's risk profile.

None of the above adverse developments in South Africa or anomalous downward fair value adjustments affected Finbond's North American operations that contributed in excess of 84% of Headline Earnings.

During the period under review:

- Total Assets increased by 8.8% from R3.15 billion to R3.42 billion.
- Interest revenue increased by 17.4% from R1.54 billion to R1.81 billion.
- Cash and Cash Equivalents increased by 19.8% from R639.2 million to R765.5 million.
- Revenue from continuing operations increased by 8.2% to R2.58 billion (Feb 2018: R2.38 billion).
- Cash received from customers remained stable at R7.18 billion.

The financial information on which this trading statement is based has not been reviewed or reported on by Finbond's auditors. Finbond's audited results for the period ended 28 February 2019 are expected to be released on SENS on or before 31 May 2019.

Pretoria
27 May 2019

Sponsor:
Grindrod Bank Limited