

Finbond Group Limited

(Registration number: 2001/015761/06)

Share code: FGL ISIN: ZAE000138095

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

#### ACQUISITION OF AMERICA'S FINANCIAL CHOICE, ILLINOIS

Finbond shareholders are advised that as part of the Company's strategy to transform Finbond into a focused multinational alternative financial services business diversified across geographies, market segments and products with the majority of revenue in US\$, Finbond entered into an agreement to acquire 100% of America's Financial Choice Inc. ("AFC Transaction") in the United States of America with effect from 1 December 2017.

America's Financial Choice has a long and successful track record as an alternative lender specializing in instalment and auto title lending. The business operates through 20 brick and mortar locations in the state of Illinois.

#### 1. Rationale for the AFC Transaction

The AFC Transaction expands Finbond's North American branch network to 247.

Following this transaction Finbond will have extended its presence in the Chicagoland area and state of Illinois to 62 locations. Finbond currently has a presence in 16 US states namely California, Illinois, Wisconsin, Missouri, South Carolina, Tennessee, New Mexico, Utah, Nevada, Louisiana, Mississippi, Alabama, Oklahoma, Michigan, Florida and Indiana. In addition to the US States Finbond also has a presence in Ontario, Canada.

Following this strategic acquisition Finbond's North American Short-Term Lending Division will be advancing approximately US\$270 million (R3.84 billion) per annum.

The rationale for Finbond's continued expansion in the United States of America ("US") includes:

- Earnings enhancing growth.
- Geographical expansion.
- Growth in Finbond's core short-term lending competency.
- Diversification of country and political risk.
- Effective ZAR hedge.
- Economies of scale.
- Teaming up with US owner-managers with 10 - 30 years' experience operating a short-term unsecured lending business in the United States of America

The purchase consideration payable by Finbond to the seller is US\$ 7 million (R99.6 million) for 100% of the shares in America's Financial Choice Inc. at the closing date.

## 2. The AFC Transaction

### 2.1 Nature of business

America's Financial Choice is a US based short-term, auto title and instalment lender that specializes in the design and delivery of unique value and solution based short-term unsecured consumer instalment loans and auto title loans tailored around borrower requirements rather than institutionalized lending policies. The company has a wide range of consumer finance products that give them the unique ability to offer credit to a broad spectrum of the market.

AFC conducts its business through 20 brick and mortar locations in the state of Illinois since 2003. The company has two distinct market segments, the Chicagoland area and down state Illinois.

AFC's key strengths inter alia include:

- experienced management and sound business structure;
- strong market position in Illinois and a healthy focus on regulatory compliance
- healthy repeat customer base;
- focussed cash generative short-term instalment loan and title loan products;
- efficient collection capabilities; and
- proven ability to effectively steer through regulatory changes.

### 2.2 Salient features

The salient features of the America's Financial Choice Transaction are as follows:

- The purchase consideration payable by Finbond to the vendor is US\$7 million (R98 million) in cash for 100% of the shares in America's Financial Choice Inc.
- The expected closing date for the transaction is 1 December 2017.
- The value of the normalised assets of AFC at 31 December 2016 was US\$3.8 million (R53.2 million)
- The net profits after tax attributable to the assets of AFC for the year ended 31 December 2016 were US\$1.7 million (R 23.8 million), translating to a normalized EBITDA of \$ 2.1 million (R 29.4 million).

### 2.3 Conditions

The AFC transaction is subject to the following material conditions:

- Approval of the Board, Executive Committee, Investment Committee and Risk Committee of FGL to conclude the agreement.
- All relevant regulatory approvals and third-party consent required to execute the transaction has to be received by both parties.

## 3. Categorisation of the AFC Transaction

The America's Financial Choice Transaction is not a transaction in terms of the JSE Limited Listings Requirements. The constitutional documents of America's Financial Choice Inc. have been reviewed and do not conflict with Finbond's obligations in terms of compliance with the JSE Listing Requirements.

20 November 2017

Sponsor and Corporate Adviser

Grindrod Bank Limited