

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action to take, please immediately consult your broker, Central Securities Depository Participant ("CSDP"), banker, attorney, accountant, tax or other professional advisor.

Action required

1. **No action is required if you want to receive the cash dividend.**

2. If, instead of the cash dividend, you wish to elect to receive a **capitalisation issue share award** and you are holding certificated Finbond Group Limited ("Finbond") shares, you must complete the accompanying **Form of Election** in respect of all or part of your shareholding in accordance with the instructions contained in the Form of Election and lodge it with, or post it to, the transfer secretaries or fax it to +27 11 459 1872 so as to be received by them by no later than **12:00 on Friday, 13 July 2018**. Forms of Election received after this date and time will not be accepted. You are not required to pay for the shares to which you are entitled in terms of this capitalisation issue share award.

3. Finbond shareholders who have already **dematerialised** their shares through a CSDP or broker and wish to receive a **capitalisation issue share award** *in lieu* of the cash dividend must **instruct their CSDP or broker** accordingly. This should be done in terms of the agreement in existence between the dematerialised shareholder and the CSDP or broker.

4. If you have disposed of all your shares in Finbond on or before Thursday, 28 June 2018, but those shares are included in the number shown in Block (2) on the accompanying Form of Election, you should consult your broker or other professional advisor immediately for advice on how to deal with the Form of Election.



FINBOND GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2001/015761/06)

Share code: FGL ISIN: ZAE000138095

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

CIRCULAR TO FINBOND SHAREHOLDERS

regarding:

the declaration of a cash dividend of 9.91 cents per share, and the election to receive capitalisation issue shares of 2.52904 ordinary shares for every 100 ordinary shares held, *in lieu* of the cash dividend, to be paid or issued to shareholders recorded in the register of the Company at the close of business on Friday, 13 July 2018. If no action is taken by shareholders, they will receive the cash dividend.

IF YOU DO NOT COMPLETE AND SUBMIT THE ATTACHED FORM OF ELECTION, YOU WILL RECEIVE THE CASH DIVIDEND

Sponsor

Grindrod Bank



Date of issue: 20 June 2018

This Circular is available in English only. Copies of this Circular may be obtained from the registered offices of Finbond from Wednesday, 20 June 2018 until Friday, 13 July 2018. The circular will also be available in electronic form on the Company's website www.finbondlimited.com

CORPORATE INFORMATION AND ADVISORS

Directors

Dr van Aardt (*Chief Executive Officer*)
C Eksteen (*Chief Financial Officer*)
C van Heerden (*Chief Operating Officer*)
Dr M Motlatla[#] (*Chairperson*)
H Kotzé[#]
D Brits[#]
R Xaba[#]
Adv N Melville[#]
I Wilken-Jonker[#]
P Naudé[#]

[#] Non-executive
^{*} Independent

Sponsor

Grindrod Bank Limited
(Registration number 1994/007994/06)
4th Floor, Grindrod Tower
8A Protea Place
Sandton, 2194
(PO Box 78011, Sandton, 2146)

Transfer Secretaries

Link Market Services South Africa (Proprietary)
Limited
(Registration number 2000/007239/07)
13th floor
19 Ameshoff Street
Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000)

Company Secretary, Registration Number and Registered Office

Mr B Bredenkamp (*B.Com (Accounting), LLB, MBA*)
(Registration number 2001/015761/06)
Rigel Park
446 Rigel Ave South
Erasmusrand
Pretoria, 0181
(PO Box 2127, Brooklyn Square, 0075)

Website: www.finbondlimited.co.za

Date of incorporation: 2 July 2001

Place of Incorporation: Pretoria, South Africa

IMPORTANT DATES AND TIMES

2018

Record date in order to receive the election circular	Friday, 15 June
Declaration and Finalisation announcement for cash dividend and capitalisation issue share award on SENS	Friday, 15 June
Circular and form of election posted to shareholders	Wednesday, 20 June
Last day to trade in order to be eligible for cash dividend/capitalisation issue share award	Tuesday, 10 July
Shares trade ex-entitlement	Wednesday, 11 July
Provisional listing of maximum number of shares for the capitalisation issue share award at commencement of trade on the JSE Limited	Wednesday, 11 July
SENS announcement in respect of the cash payment applicable to fractional entitlements, based on the volume weighted average price on Wednesday, 11 July 2018, discounted by 10%, by no later than 09:00	Thursday, 12 July
Last day to elect to receive capitalisation issue share award, forms of election to reach the Transfer Secretaries by 12:00	Friday, 13 July
Record date	Friday, 13 July
Share certificates posted and Cash Dividend payments made, CSDP/broker accounts updated/credited, as applicable on	Monday, 16 July
Announcement of the results of the cash dividend/capitalisation issue share award on SENS	Monday, 16 July
Announcement of the results of the cash dividend/ capitalisation issue share award in the press	Tuesday, 17 July
Adjustment of number of new shares listed on or about	Wednesday, 18 July

Notes:

1. No shares will be dematerialised or rematerialised between Tuesday 10 July 2018 and Friday, 13 July 2018 (both days inclusive). All times quoted in this circular are South African times.
 2. Finbond shareholders who have already dematerialised their shares through a CSDP or broker must not complete the Form of Election but should instruct their CSDP or broker as to their capitalisation issue share award election. Dematerialised shareholders are required to notify their duly appointed CSDP or broker of their capitalisation issue share award election in the manner and time stipulated in the agreement governing the relationship between the shareholder and his/her/its CSDP or broker.
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(Incorporated in the Republic of South Africa)
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CIRCULAR TO FINBOND SHAREHOLDERS

1. INTRODUCTION

In the announcement regarding the Company's audited results for the year ended 28 February 2018 published on the Securities Exchange News Service ("SENS") on 30 May 2018 and in the press on 31 May 2018, and the announcement regarding the terms of the capitalisation issue share award published on SENS on 15 June 2018, shareholders were advised that the directors declared a cash dividend from retained earnings of 9.91 cents per share. However, shareholders will be entitled to elect to receive a capitalisation issue share award alternative in the form of the issue of fully paid Finbond shares in the ratio of 2.52904 ordinary shares for every 100 ordinary shares held, to ordinary shareholders recorded in the Finbond register on the record date, being Friday, 13 July 2018.

2. THE ELECTION TO RECEIVE CAPITALISATION ISSUE SHARES *IN LIEU* OF RECEIVING THE CASH DIVIDEND

2.1 Terms of the capitalisation issue share award

- 2.1.1 Subject to the terms contained in this circular and the accompanying Form of Election, ordinary shareholders recorded in the register of Finbond at the close of business on the record date will receive a cash dividend of 9.91 cents per share, provided that such shareholders have not elected to instead receive the capitalisation issue share award in respect of all or part of their shareholdings. The new ordinary shares to be issued pursuant to the elections received under the capitalisation issue share award will be issued at the issue price as described in paragraph 2.1.4 below, as fully paid-up by way of capitalisation of retained earnings and will, upon their issue, rank *pari passu* in all respects with the other Finbond shares then in issue.
- 2.1.2 Based on the 944 907 501 shares in issue as at 13 June 2018, being the last practicable date before the finalisation of this circular ("last practicable date") excluding the 29 520 724 treasury shares and the cash dividend of 9.91 cents per share, the maximum cash dividend will amount to R90 714 830. This maximum amount is clearly subject to the extent to which elections are made by shareholders to instead receive the capitalisation issue share award.
- 2.1.3 The **ratio of entitlement** of shareholders in respect of the capitalisation issue share award will be **2.52904 capitalisation issue shares for every 100 Finbond shares held** at the record date ("the ratio of entitlement"). Therefore, based on the shares in issue as at the last practicable date, excluding the 29 520 724 treasury shares, of 915 386 777, the maximum number of potential capitalisation issue shares that will be issued by the Company, if all shareholders elect to receive such capitalisation issue shares, is 23 150 477 shares.
- 2.1.4 The ratio of entitlement is based on the volume weighted average traded price per Finbond share on the JSE over the **five trading days up to and including Wednesday, 13 June 2018** of 391.84864 cents per share, which will be the issue price per Finbond share ("the issue price").

2.2 Fractions

The settlement and clearing system (Strate) used by the JSE does not permit fractions and fractional entitlements. Accordingly, where a shareholder's entitlement to new ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction of a new ordinary share will be rounded down to the nearest whole number resulting in allocations of whole securities and a cash payment to the shareholder for the fraction. This payment at the volume weighted average price of an ordinary Finbond share traded on the JSE on Tuesday, 10 July 2018, discounted by 10%, will be announced on SENS on Thursday, 12 July 2018.

2.3 Section 46 and 47 of the Companies Act, No 71 of 2008

A resolution of the board of directors has been passed authorising the distribution and confirming that the company has passed the solvency and liquidity test and that, since the test was done, there have been no material changes to the financial position of the Group.

2.4 Nominee companies

Arrangements have been made with the transfer secretaries to treat applications from nominee companies as separate applications on the submission of a breakdown of the beneficial owners of shares registered in the name of the nominee companies.

2.5 Tax implications

The cash dividend will be paid out of retained earnings and subject to South African Dividends Withholding Tax ("Dividends Tax") at a rate of 20%, resulting in a net cash dividend of 7.928 cents per share, unless the relevant shareholder is exempt from Dividends Tax or is entitled to a reduced rate in terms of the applicable double tax agreement.

The capitalisation issue share award is not subject to Dividends Tax. However, there are possible tax implications, for both resident as well as non-resident shareholders, of electing to receive shares under the capitalisation issue share award and shareholders are advised to obtain their own professional advice in this regard.

The company's income tax reference number is 9194313145. At the last practicable date the company had 944 907 501 ordinary shares in issue, of which 29 520 724 are held as treasury shares by Finbond Property Finance.

3. PROCEDURE FOR SHAREHOLDERS WHO ELECT TO RECEIVE THE CAPITALISATION ISSUE SHARE AWARD

- 3.1 Shareholders, who are holding certificated Finbond shares and wish to elect to receive the capitalisation issue share award, must complete the attached Form of Election in accordance with the instructions contained therein and lodge it with, or post it to Link Market Services South Africa (Proprietary) Limited, 13th floor, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) or fax it to +27 86 674 4381 so as to be received by them by no later than 12:00 on Friday, 13 July 2018.
- 3.2 Shareholders who have already dematerialised their Finbond shares through a CSDP or broker must not complete the Form of Election attached but should instruct their CSDP or broker as to their election in the manner and time stipulated by the CSDP or broker.
- 3.3 Shareholders may make the election in respect of all or any of their shares held on the record date. If an election is made in respect of part of a shareholding, shareholders will receive the cash dividend in respect of the ordinary shares for which the election to receive the capitalisation issue share award is not made, subject to any fractions arising which will be dealt with as set out in paragraph 2.2 above.

4. POSTING OF SHARE CERTIFICATES, DISTRIBUTION CHEQUES AND UPDATING/CREDITING OF CSDP OR BROKER ACCOUNTS

- 4.1 Share certificates, where applicable, in respect of the capitalisation issue share award and dividend cheques will be posted to certificated shareholders by registered post and ordinary mail, respectively, at the risk of such shareholders, on or about Monday, 16 July 2018 to their registered addresses or in accordance with instructions given to the transfer secretaries.
- 4.2 Dematerialised shareholders' CSDP/broker accounts will be credited/updated, according to the election made, on Monday, 16 July 2018.

5. LISTING OF NEW FINBOND SHARES

Application has been made to the JSE for the maximum possible number of capitalisation issue shares to be issued in terms of the capitalisation issue share award to be listed with effect from the commencement of business on Wednesday, 11 July 2018. An adjustment of the capitalisation issue shares listed will be made on or about Wednesday, 18 July 2018, in accordance with the actual elections made. The maximum amount to be capitalised from income reserves of Finbond in order to be able to issue the capitalisation issue shares as fully paid up will be R90 714 830.

6. EXCHANGE CONTROL

The following summary is intended as a guide only and is therefore not comprehensive. If you are in any doubt in regard hereto, please consult your CSDP, broker, attorney, accountant, banker or other professional adviser immediately.

Please note that shareholders may not elect, directly or indirectly, to receive the capitalisation issue share award if they are subject to regulations of overseas jurisdictions which do not permit them to receive the capitalisation issue share award unless certain exemptions from requirements of those jurisdictions are applicable. Restrictions must be applied at beneficial owner level, therefore, should an instruction be received to elect the capitalisation issue share award, it will be deemed that the beneficial owner is entitled to participate in such award.

In terms of the Exchange Control Regulations of the Republic of South Africa:

6.1 In the case of certificated shareholders:

- any share certificate that might be issued to non-resident shareholders will be endorsed “nonresident”;
- any new share certificates and cash dividend payments based on emigrants’ shares controlled in terms of the Exchange Control Regulations will be forwarded to the authorised dealer in foreign exchange controlling their blocked assets. The election by emigrants for the above purpose must be made through the authorised dealer in foreign exchange controlling their blocked assets. Such new share certificates will be endorsed “non-resident”; and
- cash dividend payments due to non-residents are freely transferable from South Africa. In respect of all non-residents of the common monetary area (collectively the Republic of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland), the cash dividend payments due will be sent to the registered address of the shareholder concerned or in accordance with instructions given to the Transfer Secretaries.

6.2 In the case of dematerialised shareholders:

- any shares issued to emigrants from the common monetary area and all other non-residents of the common monetary area, will be credited to their CSDP or Broker’s account and a “nonresident” annotation will appear in the CSDP or Broker’s register;
- any cash dividend paid to emigrants from the common monetary area, will be credited to their CSDP or Broker’s accounts which will arrange for the same to be credited directly to the shareholder’s blocked Rand account held by that shareholder’s authorised dealer and held to the order of that authorised dealer; and
- any cash dividend paid to non-resident shareholders who are not emigrants from the common monetary area, will be credited directly to the bank account nominated for the relevant shareholders, by their duly appointed CSDP or Broker. Non-resident and emigrant dematerialised shareholders will have all aspects relating to exchange control managed by their CSDP or Broker.

By order of the Board

FINBOND GROUP LIMITED
Dr W van Aardt
Chief Executive Officer

Pretoria
20 June 2018

TABLE OF ENTITLEMENT**ANNEXURE**

The following table sets out the number of new Finbond shares to which shareholders will be entitled, should the shareholders elect to receive the capitalisation issue share award. Shareholders shall be entitled to receive 2.52904 capitalisation issue shares for every 100 Finbond shares held, as illustrated below:

<i>Number of Shares held</i>	<i>Number of shares entitled to</i>	<i>Number of Finbond Shares held</i>	<i>Number of shares entitled to</i>
1	0.02529	1,000,000	25,290.40000
10	0.25290	2,000,000	50,580.80000
100	2.52904	3,000,000	75,871.20000
500	12.64520	4,000,000	101,161.60000
1,000	25.29040	5,000,000	126,452.00000
5,000	126.45200	6,000,000	151,742.40000
10,000	252.90400	7,000,000	177,032.80000
15,000	379.35600	8,000,000	202,323.20000
20,000	505.80800	9,000,000	227,613.60000
25,000	632.26000	10,000,000	252,904.00000
30,000	758.71200	20,000,000	505,808.00000
35,000	885.16400	30,000,000	758,712.00000
40,000	1,011.61600	40,000,000	1,011,616.00000
45,000	1,138.06800	50,000,000	1,264,520.00000
50,000	1,264.52000	60,000,000	1,517,424.00000
55,000	1,390.97200	70,000,000	1,770,328.00000
60,000	1,517.42400	80,000,000	2,023,232.00000
65,000	1,643.87600	90,000,000	2,276,136.00000
70,000	1,770.32800	100,000,000	2,529,040.00000
75,000	1,896.78000		
80,000	2,023.23200		
85,000	2,149.68400		
90,000	2,276.13600		
95,000	2,402.58800		
100,000	2,529.04000		
200,000	5,058.08000		
300,000	7,587.12000		
400,000	10,116.16000		
500,000	12,645.20000		
600,000	15,174.24000		
700,000	17,703.28000		
800,000	20,232.32000		
900,000	22,761.36000		

IMPORTANT: If you are in doubt as to how to deal with this Form of Election, you should consult your CSDP, Broker, banker, legal adviser, accountant, banker or other professional adviser immediately.

