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")

UNAUDITED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2017

EXECUTIVE OVERVIEW

The directors are pleased to present the financial results of the Finbond Group for the six months ended 31 August 2017.

During the six months under review Finbond successfully continued its earnings-enhancing growth strategy after concluding additional North American acquisitions while the South African business continued its strong organic growth.

Finbond Group Limited, with its 1,985 staff members (Feb 2017: 1,803; Aug 2016: 1,588) and 633 branches (Feb 2017: 550; Aug 2016: 470), specialises in the design and delivery of unique value- and solution-based savings, credit and transactional solutions tailored around depositor and borrower requirements rather than institutionalised policies and practices.

We exist to improve and transform the lives and livelihoods of our clients by making available modern, inclusive products and services that benefit and empower them.

Positive business momentum is contributing to improved results which are evident in the following achievements and significant developments:

- Earnings attributable to shareholders of R92.8 million, representing growth of 87.1% over the R49.6 million in the comparative period.
- Operating profit from continuing operations increased by 126.7% to R171.4 million (Aug 2016: R75.6 million).
- Headline earnings per share increased by 85.8% to 12.43 cents (Aug 2016: 6.69 cents).
- Earnings before interest, taxation, depreciation and amortization (EBITDA) increased by 120.4% to R315.8 million (Aug 2016: R143.3 million).
- Revenue from continuing operations increased by 105.5% to R1,110.1 million (Aug 2016: R540.3 million).
- Number of loans advanced grew by 30.3% to 880,387 (Aug 2016: 675,666) while the value of loans advanced increased by 56.3% to R2.5 billion (Aug 2016: R1.6 billion).
- Collection rate up 2% to 91% in South Africa and averaging 96% in North America.
- Cash received from customers increased by 65.0% to R3.3 billion (Aug 2016: R2.0 billion).
- Branch network increased by 83 branches to 633 branches.
- Finbond continued its expansion into the North American short-term lending market with the acquisition of 52 short-term unsecured lending stores in the United States of America to a total of 223 branches (Feb 2017: 171; Aug 2016: 91), while growing its South African network by 31 branches to a total of 410 branches (Feb 2017: 379; Aug 2016: 379).
- USD Revenue contributing 55.9% of Total Revenue
- National Consumer Tribunal dismissed the National Credit Regulator's claims against Finbond Mutual Bank

We remain focused on executing the Group’s five-year strategy and top business priorities; namely continued expansion into North America, optimal capital utilisation, earnings growth, conservative risk management, strict upfront credit scoring, good quality sales, effective collections, cost containment, diversifying bank product ranges, diversifying income streams to USD, consumer education and training, and development of staff members. This enabled us to achieve overall strong operational results despite the current difficult and challenging business environment.

SUSTAINABLE PROFITABILITY

Finbond increased revenue for the first six months of the financial year to R1,110.1 million, an increase of 105.5% over the comparative period.

The majority of profit for the period was derived from Finbond’s main economic driver, small short-term unsecured loans in the South African and North American markets.

Revenue earned in USD contributed 55.9% of total revenue, while 13.6% of net profit, attributable to the owners of the company, was earned in USD.

The Group’s return on equity saw an increase to end at 9.7%, from the 7.5% achieved during the comparative period. It is important to note that Finbond Mutual Bank maintains conservative capital adequacy and liquidity positions (i.e. a 32.6% capital adequacy ratio which is well above the prudential limit of 25%) which negatively skews the ratio.

HEALTHY CAPITAL POSITION

Finbond follows a conservative approach to capital management and holds a level of capital which supports its business, while also growing its capital base ahead of business requirements. Finbond’s capital position remains strong.

Total assets increased by 44.5% to R3.3 billion (Aug 2016: R2.3 billion), while liabilities increased by 58.5% to R2.1 billion (Aug 2016: R1.3 billion) compared with 28 February 2017 (assets: R3.2 billion; liabilities: R2.0 billion).

Finbond Mutual Bank remains well in excess of its minimum regulatory capital requirements, with an excess of R94 million over and above the R308 million required by the Registrar of Banks and an excess of R277.8 million over and above the normal DI 400 required minimum for mutual banks.

Although Finbond as a mutual bank is not subject to the Basel III requirements, Finbond Mutual Bank already complies with and significantly exceeds all Basel III requirements set for 2018 and 2019.

As at 31 August 2017, Finbond Mutual Bank’s:

- liquidity coverage ratio was 290% [190% more than required from 2019]
- net stable funding ratio was 411% [311% more than required from 2018]
- capital adequacy ratio was 32.6% [22.6% more than required from 2018].

FAVOURABLE JUDGMENT BY NATIONAL CONSUMER TRIBUNAL

The National Consumer Tribunal ("NCT"), handed down judgment in favour Finbond´s subsidiary, Finbond Mutual Bank (“FMB”), in the matter between the National Credit Regulator ("NCR") and FMB as the First Respondent (“the Referral”).

The Referral, which the NCR unilaterally initiated in 2015, primarily alleged that FMB’s customers were required to pay unreasonable premiums for the provision of credit life insurance in contravention of Section 106 (2) of the National Credit Act ("NCA"), was unanimously dismissed by a full panel of the NCT.

In its unanimous judgment dismissing the Referral, the NCT *inter alia* also pointed out that:

- FMB was entitled to require its consumers to maintain credit life insurance; and
- No evidence was presented by the NCR which justifies the NCT to make a finding that the insurance offered by FMB to its customers is unreasonable.

LOW RISK LIQUIDITY STRUCTURE

Finbond's liquidity position at the end of August 2017 reflects R402.7 million cash in bank (Aug 2016: R446.5 million). Overall cash, cash equivalents and liquid investments decreased by 7.1% to R595.3 million (Aug 2016: R640.9 million).

Cash received on loans and other advances to customers (including capital repaid, fees and interest) as a percentage of cash granted for the period from March 2017 to August 2017, averaged 131% (Aug 2016: 121%), reflecting the fact that despite consumer pressure, Finbond's conservative credit granting policies translate into a minimal impact on collections.

The deposit book totalled R1 090.1 million, a 7.4% increase from R1 014.9 million last year with an average interest rate of 9.85% (up from 9.73% last year), an average term of 25.4 months (down from 26.8 months last year) and an average deposit size of R378,423 (up from R362,192 last year). The increase in deposit size speaks favourably of the customer experience that Finbond has delivered to deposit clientele since launching the product as more and more depositors are choosing to increase their deposit size, trusting Finbond based on the positive results experienced with their initial deposit transactions.

Finbond is not exposed to the uncertainty that accompanies the use of corporate call deposits as a funding mechanism since Finbond accepts mainly 6 to 72 month fixed and indefinite term deposits. Given the long-term nature of Finbond's liabilities (fixed-term deposits with average term of 25 months) and short-term nature of its assets (short-term micro loans with an average term less than four months) Finbond possesses an unusually low risk liquidity structure as a result of this positive liquidity mismatch.

Finbond Mutual Bank is funded through 2,786 (Aug 2016: 2,695) individual fixed long-term deposits resulting in a smooth debt-maturity profile with no (0%) dependence on large funders or the debt capital markets and no concentration risk.

SOUTH AFRICAN SHORT-TERM UNSECURED LENDING

Finbond's South African business' main focus remains on small short-term loans. Total segment revenue from Finbond's short-term lending activities made up of interest, fee and insurance income (portfolio yield) increased by 32.8% to R375.0 million (Aug 2016: R282.4 million).

The overall gross short-term loan book reflected another period of positive growth totalling 18.0%, ending the six month period at R486.5 million (Aug 2016: R412.2 million).

During the period under review Finbond's average loan size was R1,475 and our average tenure was 4.04 months. Given the short-term nature of Finbond's products, Finbond's loan portfolio is cash flow generative and a good source of internally generated liquidity. The whole loan portfolio turns more than three times per year.

For the period ended 31 August 2017 Finbond received cash payments of R1,169.8 million from customers, 40.4% greater than last year, while granting R778.3 million in new loans, an increase of 32.7% period-on-period (Aug 2016: R833.3 million in cash received and R586.6 million in new loans granted). The ratio of cash received to cash granted was at 150.3% for the period under review. The period-on-period movement in the portfolio includes increases in numbers of both new clients serviced to 126,515 (26.5% more than in the six months ended August 2016: 99,983) and new contracts granted to 527,171 (25.8% more than in the six months ended August 2016: 419,010), setting new record monthly highs for the Group in both measures during the financial year.

Finbond's average short-term loan period is significantly shorter than that of our larger competitors and our average short-term loan size, significantly smaller. Given this conservative approach Finbond does not have any exposure to the 25 to 84 month, R21,000 to R180,000 long-term unsecured lending market that continues to cause significantly increased write-offs, bad debts and forced rescheduling of loans. Finbond's historic data and vintage curves indicates that shorter term loans offer lower risk as consumers are more likely to pay them back as opposed to longer term loans.

Furthermore, Finbond's short-term loan portfolio is not exposed to any concentration risk and does not have any significant exposure to any specific employer or industry.

NORTH AMERICAN UNSECURED LENDING

Finbond's North American business' main focus is on short-term small unsecured loans being offered through 223 branches, of which 9 are located in Alabama, 35 in California, 2 in Florida, 40 in Illinois, 5 in Indiana, 61 in Louisiana, 1 in Michigan, 10 in Mississippi, 14 in Missouri, 1 in Ohio, 9 in Oklahoma, 8 in South Carolina, 15 in Tennessee, 7 in Wisconsin and 6 in Toronto, Canada.

For the period under review 55.9% of Finbond's revenue was earned in USD and the intention is to grow the dollar earnings of the group to approximately 70% to 80% of net earnings in three to five years.

Total segment revenue from Finbond's North American short-term lending activities, made up of interest and fees (portfolio yield) amounted to $46.6 million (R652.0 million) (Aug 2016: $12.8 million) for the period under review with the overall gross short-term unsecured loan book ending the six month period at $54.3 million (R706.7 million) (Aug 2016: $12 million). For the period ended 31 August 2017 Finbond's average North American loan size was $346 (R4,928) at an average tenure of 6.07 months.

We are in the process of acquiring further branches located in Alabama, Missouri, Florida in the United States of America and Ontario in Canada. We are also in discussions with a number of larger strategic acquisition targets in the United States of America's short-term instalment lending and auto title lending market, as part of Finbond's phase 2 expansion plan.

CONSERVATIVE UPFRONT CREDIT SCORING

The current economic climate where the consumer remains under financial strain in South Africa places the consumer's ability to qualify for credit under adverse pressure. Finbond takes a conservative view when managing credit risk which begins at the credit granting stage based on credit score. The credit scores on all products are monitored on a monthly basis and the dynamic performance of the portfolio is regularly taken into account when considering potential tightening of scores.

Detailed affordability calculations continue to be performed prior to extending any loans in order to determine whether the client can in fact afford the loan repayments. Finbond's lending practices have been consistently conservative over the past number of years. Rejection rates stand at between 27% and 59% for the three to six month product range, and they remain at 76% to 91% for the 12 to 24 month product range at the end of August 2017.

IMPROVING BAD DEBTS AND IMPAIRMENTS

Finbond consistently applied the conservative impairment provisioning methodology that has been used in prior financial periods. Overall impairment provisions increased by 94.9% to R212.2 million (Aug 2016: R108.8 million) compared to gross loans and advances growth of 70.5% to R1 413.0 million (Aug 2016: R829.0 million) during the year. The impairment provisions for the core unsecured lending portfolio's (which represents 84.4% of the gross loans and advances) increased by 81.3% to R194.1 million (Aug 2016: R107.1 million) compared to gross loans and advances growth of 85.7% to R1 192.3 million (Aug 2016: R641.9 million) during the year while the remainder impairment provision increase is attributable to secured lending

Over the same period write-offs increased by 164.8% to R208.2 million (Aug 2016: R78.6 million), therefore given the prudent write-off and provisioning methodology, the Group has provided prudently for future losses on the portfolio.

Conservative lending practices and strict upfront credit scoring supported by robust collection strategies and processes were maintained and contributed to a 2.67% improvement in bad debts during 2017.

During the period, the Group further enhanced affordability calculations, thereby tightening credit granting criteria to even stricter levels than the already high levels previously set. Notwithstanding an increase in impairments, the arrears coverage ratio has improved to 110. 7% from 53.3% over the past year, despite the difficult external environment specifically in South Africa

The loan loss reserve, also referred to as risk coverage ratio (impairment provision/portfolio at risk: 90 days in arrears and longer), which is an indication of a micro-finance institution's ability to cope with the estimated loan losses, has remained relatively unchanged at the end of the reporting period at 247.1% (Aug 2016: 112.7%).

The 30-day arrears coverage ratio (impairment provision/portfolio at Risk: 30 days in arrears and longer) reflects an improvement in short-term arrears coverage, being recorded at 153.6%, which increased from a ratio of 66.5% at the end of August 2016. This improvement occurred as a combined result of continued and consistent conservative provisioning against future losses undertaken by management coupled with an improvement in the level of arrears in the portfolio at year-end.

Finbond recorded an increase in overall impairment expenses (including provision expenditure) of 153.9%, mainly attributable to the robust impairment and write-off policies being followed by the North American operations.

The overall unadjusted income statement, net impairment loss ratio was a negative 2.5% (Aug 2016: 19%), while Finbond's significantly lower and much more accurate adjusted loan loss ratios decreased during the year. Net impairment as a percentage of expected instalments amounting to 6.9% (Aug 2016: 6%) and net impairment as a percentage of cash received (which is more conservative than instalments due) stood at 7.2% at the end of August 2017 (Aug 2016: 6.9%). These adjusted measures are a more appropriate reflection of the impairment cost related to a short-term, low-value loan portfolio such as that held by Finbond compared traditional balance sheet ratios. The best measurement of arrears and impairments on the short-term products is against instalments due and not outstanding balances, because a large portion of a short-term loan is repaid before month-end/year-end and is therefore, not reflected on the balance sheet. Thus, computations based on the outstanding balance distort this ratio on short-term products.

STRATEGIC INITIATIVES AND FUTURE PROSPECTS

Strategic initiatives under way include:

- Growing market share through the increased sale of short- and medium-term products, specifically 30 days, 90 days and 6 months;
- Further refining, developing and improving all bank information technology systems and processes;
- Converting Finbond’s mutual banking license to a commercial banking license;
- Expansion of the South African branch network in high growth areas;
- Acquiring a further 40 to 60 branches located in Alabama, Missouri and Florida in the United States of America and Ontario in Canada; and
- Selective further strategic acquisitions in the South African and North American unsecured short-term lending markets.

The challenging and difficult macro-economic environment as well as the adverse market conditions in the South African market within which Finbond operates are not expected to abate in the short- and medium-term. However, we remain confident that we have the required resources and depth in management to successfully confront and overcome these various challenges.

We remain positive about our prospects for the future due to Finbond’s improved earnings and profitability despite difficult market conditions, improvement achieved in cash generated from operating activities, significant percentage of revenue now earned in USD, management expertise, strong cash flow, strong liquidity and surplus cash position, uniquely positioned 410 branch network in South Africa and 223 branches in North America (with a number of branches in the process of being acquired), superior asset quality, access to funding, conservative risk management and growth potential.

We believe that our continued growth in South Africa, the expansion into the North American short-term lending market and the implementation of our strategic action plan will ensure that we achieve results in the medium- and long-term.

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

DIVIDEND

No interim dividend has been declared.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	**Interim unaudited 31 August 2017**	**Interim unaudited 31 August 2016**	**% change**	**Full year audited 28 February 2017**
ASSETS				
Cash and cash equivalents	402 683	446 526	(10)	547 351
Other financial assets	192 593	194 368	(1)	207 717
Unsecured loans and other advances to customers	998 161	534 815	87	800 599
Secured loans and other advances to customers	202 706	185 326	9	220 958
Trade and other receivables	151 521	138 244	10	139 850
Property, plant and equipment	136 779	94 036	45	113 800
Investment property	286 662	271 060	6	278 185
Goodwill	820 293	404 364	103	752 699
Intangible assets	113 525	15 381	638	115 064
Other assets	612	3 713	(84)	1 379
Total Assets	**3 305 535**	**2 287 833**	44	**3 177 602**
Equity				
Share capital and premium	732 016	715 876	2	715 667
Reserves	(79 078)	(24 153)	227	(72 350)
Retained income	323 248	203 149	59	292 351
Equity attributable to owners of the Company	**976 186**	**894 872**	9	**935 668**
Non-controlling interest	196 670	47 225	316	201 740
Total Equity	**1 172 856**	**942 097**	24	**1 137 408**
Liabilities				
Bank overdraft	94 691	38 173	148	27 725
Trade and other payables	126 878	41 323	207	81 428
Purchase consideration	139 075	170 453	(18)	213 375
Fixed and Notice deposits	1 090 137	1 014 939	7	1 098 609
Commercial paper	87 692	-	100	-
Current tax payable	40 176	11 787	241	40 456
Loans from shareholders	503 021	18 000	2 695	508 440
Deferred tax	41 321	44 319	(7)	60 056
Other liabilities	9 688	6 742	44	10 105
Total Liabilities	**2 132 679**	**1 345 736**	58	**2 040 194**
Total Equity and Liabilities	**3 305 535**	**2 287 833**	44	**3 177 602**

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	**Unaudited Six months 31 August 2017**	**Unaudited Six months 31 August 2016**	**% Change**	**Audited Year to 28 February 2017**
Interest income	244 132	200 905	22	568 060
Interest expense	(100 228)	(55 304)	81	(144 929)
Net interest income	**143 904**	**145 601**	**(1)**	**423 131**
Fee income	681 784	218 842	212	740 416
Management fee income	42 312	26 875	57	58 229
Other operating income	141 907	90 502	57	186 939
Foreign exchange (loss)/gain	(3 274)	-	100	27 931
Net impairment charge on loans and advances	(228 766)	(90 118)	154	(296 213)
Operating expenses	(606 508)	(316 057)	92	(860 993)
Profit before taxation	**171 359**	**75 645**	**127**	**279 440**
Taxation charge	(54 128)	(21 178)	156	(98 994)
Profit for the period	**117 231**	**54 467**	**115**	**180 446**
Other comprehensive income				
Exchange differences on translation of foreign operations	(11 245)	(30 629)	(63)	(107 847)
Total comprehensive income for the period	**105 986**	**23 838**	**345**	**72 599**
Profit attributable to :				
Owners of the company	92 750	49 615	87	138 727
Non-controlling interest	24 481	4 852	405	41 719
Profit for the period	**117 231**	**54 467**	115	**180 446**
Total comprehensive income attributable to :				
Owners of the company	81 505	18 986	329	55 496
Non-controlling interest	24 481	4 852	405	17 103
Total comprehensive income	**105 986**	**23 838**	345	**72 599**
Total number of ordinary shares outstanding	750 567	747 712		746 712
Weighted average number of ordinary shares outstanding	747 149	741 065		746 539
Basic and diluted earnings per share (cents)	12.4	6.7	85	18.6
Headline earnings per share (cents)	12.4	6.7	85	18.6
Net profit attributable to owners of the company	92 750	49 615	87	138 727
Loss on disposal of property, plant and equipment	148	-		-
Headline earnings	**92 898**	**49 615**	87	**138 727**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOW

R'000	**Unaudited Six months 31 August 2017**	**Unaudited Six months 31 August 2016**	**% Change**	**Audited Year to 28 February 2017**
CASH FLOW FROM OPERATING ACTIVITIES				
Cash generated from operations	16 357	20 054	(18)	262 995
Taxation paid	(73 450)	(14 106)	421	(44 788)
Net cash flow from operating activities	**(57 093)**	**5 948**	(1 060)	**218 207**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(30 838)	(13 096)	135	(29 103)
Sale of property, plant and equipment	115	-	100	720
Purchase of investment property	(8 477)	(1 520)	458	(8 330)
Purchase of other intangible assets	(9 406)	(645)	1 358	(19 064)
Sale of financial assets	14 882	41 530	(64)	26 814
Net cash outflow from business combinations	(73 673)	(176 768)	(58)	(714 576)
Net cash flow from investing activities	**(107 397)**	**(150 499)**	(29)	**(743 539)**
CASH FLOW FROM FINANCING ACTIVITIES				
Issue of share capital	52 111	513 929	(90)	516 266
Share buy-back	(35 763)	(1 418)	2 422	(3 964)
Proceeds from shareholders' loans	36 549	(40 632)	(190)	490 440
Finance lease payments	(72)	56	(229)	1 873
Dividends paid	(99 969)	(25 438)	293	(66 064)
Net cash flow from financing activities	**(47 144)**	**446 497**	(111)	**938 551**
NET INCREASE/(DECREASE) IN CASH	**(211 634)**	**301 946**	(170)	**413 219**
Cash at the beginning of the period	519 626	106 407	388	106 407
CASH AT THE END OF THE PERIOD	**307 992**	**408 353**	(25)	**519 626**

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	**Unaudited** **31 August 2017**	**Unaudited** **31 August 2016**	**Audited** **28 February 2017**
Total equity at the beginning of the period	1 137 408	387 989	387 989
Change in share capital and premium			
Issue of shares	52 111	513 929	516 266
Purchase of treasury shares	(35 762)	(1 418)	(3 964)
Change in reserves			
Equity-settled share-based payment	(10 278)	-	4 405
Total comprehensive income for the period	81 505	18 986	55 496
Transfer between reserves	8 068	-	-
Dividends paid	(55 126)	(25 438)	(25 348)
Change in non-controlling interest			
Total comprehensive income for the period	24 481	4 852	17 103
Transfer between reserves	(8 068)	-	-
Dividends paid	(40 794)	-	-
Business combination	19 311	43 197	185 461
Total equity at the end of the period	**1 172 856**	**942 097**	**1 137 408**

SUMMARISED SEGMENTAL INFORMATION

OPERATING SEGMENTS

R'000	**Investment Products**	**Lending**	**Property Investment**	**Transactional Banking**	**Other**	**Total**
Six months ended 31 August 2017						
Net Interest Income	(32 077)	178 815	-	(86)	(2 748)	**143 904**
Interest income	10 279	230 311	-	-	3 542	**244 132**
Interest expense	(42 356)	(51 496)	-	(86)	(6 290)	**(100 228)**
Fee income	-	672 991	-	8 793	-	**681 784**
Management fee income	-	(249)	-	-	42 561	**42 312**
Other operating income	(242)	142 149	-	-	-	**141 907**
Foreign exchange loss	-	-	-	-	(3 274)	**(3 274)**
Net impairment charge on loans and advances	-	(228 793)	-	27	-	**(228 766)**
Operating expense	(11)	(575 787)	(959)	(7 135)	(22 616)	**(606 508)**
Profit/(Loss) before taxation	(32 330)	189 126	(959)	1 599	13 923	**171 359**

Taxation	8 860	(58 747)	263	(438)	(4 066)	**(54 128)**
(Loss)/profit for the period	(23 470)	130 379	(696)	1 161	9 857	**117 231**
Significant segment assets						
Cash and cash equivalents	117 037	236 158	-	5 702	43 786	**402 683**
Other Financial Assets	192 593	-	-	-	-	**192 593**
Loans and advances	-	1 200 867	-	-	-	**1 200 867**
Trade and other receivables	-	106 725	-	-	44 796	**151 521**
Property, Plant and Equipment	-	117 055	-	232	19 492	**136 779**
Investment Property	-	-	286 662	-	-	**286 662**
Goodwill	-	820 293	-	-	-	**820 293**
Intangible assets	-	113 525	-	-	-	**113 525**
Significant segment liabilities						
Deposits received from customers	1 090 137	-	-	-	-	**1 090 137**
Purchase consideration payable	-	139 075	-	-	-	**139 075**
Loans from shareholders	-	-	-	-	503 021	**503 021**
Six months ended 31 August 2016						
Net Interest Income	(21 861)	125 727	-	(156)	41 891	**145 601**
Interest income	8 162	180 366	-	-	12 377	**200 905**
Interest expense	(30 023)	(54 639)	-	(156)	29 514	**(55 304)**
Fee income	-	217 226	201	937	478	**218 842**
Management fee income	-	-	-	-	26 875	**26 875**
Other operating income	277	90 225	-	-	-	**90 502**
Net impairment charge on loans and advances	-	(83 995)	-	(5)	(6 118)	**(90 118)**
Operating expense	2 588	(299 082)	(1 088)	(3 812)	(14 663)	**(316 057)**
Profit/(Loss) before taxation	(18 996)	50 101	(887)	(3 036)	48 463	**75 645**
Taxation	5 318	(14 027)	248	850	(13 567)	**(21 178)**
(Loss)/profit for the period	(13 678)	36 074	(639)	(2 186)	34 896	**54 467**
Significant segment assets						

Cash and cash equivalents	74 440	367 424	-	3 777	885	**446 526**
Other Financial Assets	182 974	-	-	-	11 394	**194 368**
Loans and advances	-	720 141	-	-	-	**720 141**
Trade and other receivables	-	107 201	-	1 381	29 662	**138 244**
Property, Plant and Equipment	-	79 607	-	752	13 677	**94 036**
Investment Property	-	-	271 060	-	-	**271 060**
Goodwill	-	403 508	-	-	-	**403 508**
Significant segment liabilities						
Deposits received from customers	1 014 939	-	-	-	-	**1 014 939**
Purchase consideration payable	-	170 453	-	-	-	**170 453**
Year ended 28 February 2017						
Net Interest Income	(53 409)	485 967	-	2 772	(12 199)	**423 131**
Interest income	16 654	544 544	-	3 430	3 432	**568 060**
Interest expense	(70 063)	(58 577)	-	(658)	(15 631)	**(144 929)**
Fee income	-	738 229	-	2 187	-	**740 416**
Management fee income	-	-	-	-	58 229	**58 229**
Other lending income	-	186 939	-	-	-	**186 939**
Foreign exchange gain	-	-	-	-	27 931	**27 931**
Net impairment charge on loans and advances	-	(294 943)	-	(1 270)	-	**(296 213)**
Operating expense	1 647	(832 069)	(1 880)	(3 946)	(24 745)	**(860 993)**
Profit/(Loss) before taxation	(51 762)	284 123	(1 880)	(257)	49 216	**279 440**
Taxation	15 327	(100 381)	557	76	(14 573)	**(98 994)**
(Loss)/profit for the period	(36 435)	183 742	(1 323)	(181)	34 643	**180 446**
Significant segment assets						
Cash and cash equivalents	120 760	359 713	-	5 443	61 435	**547 351**
Other Financial Assets	207 359	358	-	-	-	**207 717**

Loans and advances	-	1 021 557	-	-	-	**1 021 557**
Trade and other receivables	-	107 481	-	-	32 369	**139 850**
Property, Plant and Equipment	4	103 584	-	471	9 741	**113 800**
Investment Property	-	-	278 185	-	-	**278 185**
Goodwill	-	752 699	-	-	-	**752 699**
Intangible assets	-	115 064	-	-	-	**115 064**
Significant segment liabilities						
Purchase consideration payable	-	213 375	-	-	-	**213 375**
Deposits received from customers	1 098 609	-	-	-	-	**1 098 609**
Loans from shareholders	-	-	-	-	508 440	**508 440**

GEOGRAPHICAL SEGMENTS

	Six months ended 31 August 2017			**Six months ended 31 August 2016**		
R'000	**South Africa**	**North America**	**Total**	**South Africa**	**North America**	**Total**
Net profit						
Interest Income	120 271	123 861	244 132	99 205	101 700	200 905
Interest expense	(60 558)	(39 670)	(100 228)	(50 955)	(4 349)	(55 304)
Net interest income	59 713	84 191	143 904	48 250	97 351	145 601
Fee income	193 465	488 319	681 784	132 317	86 525	218 842
Management fee income	42 561	(249)	42 312	26 875	-	26 875
Other operating income	133 149	8 758	141 907	85 627	4 875	90 502
Foreign exchange loss	(3 274)	-	(3 274)	-	-	-
Net impairment charge on loans and advances	(71 112)	(157 654)	(228 766)	(56 918)	(33 200)	(90 118)
Operating expenses	(244 005)	(362 503)	(606 508)	(193 665)	(122 392)	(316 057)
Profit before taxation	110 497	60 862	171 359	42 486	33 159	75 645
Taxation	(30 393)	(23 735)	(54 128)	(11 893)	(9 285)	(21 178)
Profit for the period	80 104	37 127	117 231	30 593	23 874	54 467
Significant segment assets						
Cash and cash equivalents	297 505	105 178	402 683	162 114	284 412	446 526
Other financial assets	192 593	-	192 593	194 368	-	194 368
Loans and advances	636 537	564 330	1 200 867	564 669	155 472	720 141
Property, plant and equipment	67 297	69 482	136 779	63 194	30 842	94 036
Investment property	286 662	-	286 662	271 060	-	271 060
Goodwill	198 736	621 557	820 293	192 389	211 975	404 364

Intangibles	171	113 354	113 525	171	15 210	15 381
Significant segment liabilities						
Purchase consideration payable	-	139 075	139 075	-	170 453	170 453
Fixed and Notice deposits	1 090 137	-	1 090 1379	1 014 939	-	1 014 939
Loans from shareholders	503 021	-	503 021	18 000	-	18 000

	Year ended 28 February 2017		
	South Africa	**North America**	**Total**
Net profit			
Interest Income	202 412	365 648	568 060
Interest expense	(107 385)	(37 544)	(144 929)
Net interest income	95 027	328 104	423 131
Fee income	299 782	440 634	740 416
Management fee income	73 167	(14 938)	58 229
Other operating income	173 783	13 156	186 939
Foreign exchange gain	27 931	-	27 931
Net impairment charge on loans and advances	(120 306)	(175 907)	(296 213)
Operating expenses	(403 253)	(457 740)	(860 993)
Profit before taxation	146 131	133 309	279 440
Taxation	(43 270)	(55 724)	(98 994)
Profit for the period	102 861	77 585	180 446
Significant segment assets			
Cash and cash equivalents	232 058	315 293	547 351
Other financial assets	207 717	-	207 717
Loans and advances	599 325	422 232	1 021 557
Trade and other receivables	124 531	15 319	139 850
Property, plant and equipment	58 929	54 871	113 800
Investment property	278 185	-	278 185
Goodwill	192 389	560 310	752 699
Intangible assets	171	114 893	115 064
Significant segment liabilities			
Purchase consideration payable	-	213 375	213 375
Fixed and Notice deposits	1 098 609	-	1 098 609
Loans from shareholders	508 440	-	508 440

Notes to the summarised consolidated financial statements

Finbond Group Limited is a company domiciled in South Africa. The summarised consolidated financial statements of the Company as at and for the six months ended 31 August 2017 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

Basis of preparation

The summarised 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 summarised 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, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and financial pronouncements as issued by the Financial Reporting Standards Council IAS 34 Interim Financial Reporting, the Companies Act and the JSE Listings Requirements. It does not include all of 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 28 February 2017.

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

The summarised consolidated financial statements were prepared under the supervision of Mr C Eksteen CA(SA), in his capacity as chief financial officer.

Estimates

The preparation of annual 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 summarised 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 28 February 2017.

Fair value measurement

Fair value hierarchy of instruments measured at fair value

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 on the basis of 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.

Levels of fair value measurements

R'000	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets and liabilities measured at fair value: Recurring				
Other financial assets	-	192 235	358	192 593
Investment property	-	-	286 662	286 662
Total	-	192 235	287 020	479 255

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. The IBNR provision is managed from industry data accumulated on the Alexander Forbes Risk and Insurance Services claim system, and is classified as a Level 3. 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. The valuation company provides the fair value of the Group's investment portfolio every twelve months.

Reconciliation of assets and liabilities measured at level 3 Rand Thousand

R'000	**Opening balance**	**Gains recognised in profit or loss**	**Subsequent capitalised expenditure**	**Closing balance**
Investment property	278 185	-	8 477	286 662

No transfers of assets and liabilities within levels of fair value hierarchy occurred during the current financial year.

Cash and cash equivalents are not fair valued and the carrying amount is presumed to equal fair value.

Short-term receivables and short-term payables are measured at amortised cost and approximate fair value, due to the short-term nature of these instruments. These instruments are not included in the fair value hierarchy.

Business Combination

During the reporting period the group acquired a number of branches in South Africa and USA as going concerns through business combinations:

R'000	**Interim unaudited 31 August 2017**	**Interim unaudited 31 August 2016**	**Full year audited 28 February 2017**
South Africa			
Recognised amounts of identifiable assets acquired and liabilities assumed			
Loans and other advances to customers	30 593	12 744	12 744
Other net assets	110	-	-
Total identifiable net assets at fair value	**30 703**	**12 744**	**12 744**
Goodwill arising on acquisition	6 347	39 413	39 413
Purchase consideration transferred	**37 050**	**52 157**	**52 157**
Consideration paid in cash	**37 050**	**52 157**	**52 157**
North America			
Recognised amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	4 824	50 386	82 430
Loans and other advances to customers	69 318	134 000	469 541
Property, plant and equipment	6 430	32 608	59 648
Intangible assets	-	-	126 601
Other assets	-	18 060	22 755
Total liabilities	(1 705)	(64 205)	(140 770)
Total identifiable net assets at fair value	**78 867**	**170 849**	**620 205**
Non-controlling interest measured at fair value	(19 717)	(46 103)	(259 211)
Goodwill arising on acquisition	64 049	225 883	621 961
Purchase consideration transferred	**123 199**	**350 629**	**982 955**
Consideration paid in cash	31 496	172 475	744 849
Contingent consideration liability	91 703	178 154	238 106
Total consideration	**123 199**	**350 629**	**982 955**

Events after the reporting period

There have been no subsequent events that require reporting.

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 Willie van Aardt

12 October 2017

Directors

Chairman: Dr MDC Motlatla* (BA, DCom (Unisa)); **Chief Executive Officer:** Dr W van Aardt (BProc (Cum Laude), LLM (UP), LLD (PUCHE) Admitted Attorney of The High Court of South Africa, QLTT (England and Wales), Solicitor of the Supreme Court of England and Wales); HJ Wilken-Jonker* (BCom Hons (Unisa); **Chief Financial Officer:** CH Eksteen (CA(SA), CPA(USA)); Adv J Noeth* (B Iuris LLB); Adv. N Melville* (BLaw, LLB (Natal) LLM (Cum Laude) (Natal) SEP (Harvard); RN Xaba* (CA(SA)); D Brits* (BCom, MBA (PUCHE); HG Kotze* (CA(SA), HDip Tax, Certificate in Treasury Management); **Chief Operating Officer:** C van Heerden (BCom (Risk), MBA).

Secretary: Ben Bredenkamp (BCom Acc, LLB (UP))

*Non-executive

Transfer secretaries: Link Market Services South Africa (Proprietary) Limited (Registration number 2000/007239/07) 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg, 2000)

Sponsor: Grindrod Bank Limited