

## **Finbond Group Limited**

(Registration number: 2001/015761/06)

Share code: FGL ISIN: ZAE000138095

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

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## **ACQUISITION OF 49% OF TRUSTCO FINANCE NAMIBIA**

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### **1. Introduction**

Finbond shareholders are advised that Finbond has entered into an agreement with TBN Holdings Ltd to acquire 49% of Namibian company Trustco Finance (Pty) Ltd ("Trustco Finance").

Trustco Finance provides educational loans to students enrolled at the Institute for Open Learning ("IOL") – the largest private distance-learning tertiary education institution in Namibia.

Trustco Finance is ultimately a 100% owned subsidiary of Trustco Group Holdings Limited, a Namibian company listed on the Namibian, Johannesburg and OTCQX stock exchanges.

### **2. Nature of Finbond Business and Rationale for the Transaction**

Finbond is a leading South African and North American financial services institution that specialises in the design and delivery of unique value and solution-based credit products tailored to borrower requirements rather than institutionalised policies and practices.

Finbond is a credit provider with both brick and mortar and online operations. Finbond conducts its business through a total of 589 stores (397 in South Africa, 192 in North America) with online offerings in both South Africa and 6 states in the US.

The rationale for the Transaction includes:

- Diversified earnings with significant growth opportunity;
- Expanding Finbond's online offering to Namibia;
- Expanding Finbond's operations to Namibia;
- Expanding Finbond's diversification with the addition of student lending; and
- Further diversification of country and political risk.

### **3. The Transaction**

#### **3.1. Nature of business of Trustco Finance**

Trustco Finance provides both short-term student loans (1 to 5 months) and long-term student loans (6 to 60 months).

Trustco Finance was acquired in 2005 with an initial loan portfolio of NAD 5 million and has grown from strength to strength during the past 18 years to become the preferred student loan lender in Namibia. Currently, Trustco Finance has a loan portfolio exceeding NAD 650 million and the loan book peaked at over

NAD 771 million at the start of 2017. Since 2005, Trustco Finance has disbursed loans of approximately NAD 1.3 billion (loan amount) and collected more than NAD 2.5 billion in instalments.

Trustco Finance' key strengths *inter alia* include:

- Senior management with extensive experience in student loans;
- Dominant market position with various licenses;
- A proven and scalable online student loan offering;
- Focused cash generative student loan products; and
- Robust collection technologies and processes

Trustco Finance's management has a long and successful track record within the student lending sector in Namibia. This, combined with well-developed systems, unique branded product offerings and a well-trained and motivated staff complement, provide Trustco Finance with a competitive advantage for achieving its objectives.

### **3.2. Salient terms**

The salient terms of the Transaction are as follows:

- The purchase consideration payable by Finbond will be R60 million for 49% of the shares in Trustco Finance.
- 50% of the purchase consideration set out above will be payable in cash on the signature of the definitive agreement on or before 31 July 2023.
- The remaining 50% of the purchase consideration will be payable when the Balance Sheet of Trustco Finance as at 31 August 2023 has been restructured to simplify the structure of Trustco Finance and to reflect the intention of the parties and has been audited without any qualification or modification.
- The anticipated effective date of the Transaction will be 1 August 2023.

### **3.3. Conditions precedent**

The Transaction remains subject to the following conditions precedent, to be fulfilled by no later than 31 July 2023:

- Finbond's Board and Investment Committee Approval;
- Trustco Finance's Board and Investment Committee approval;
- All regulatory approval as required; and
- Finalisation of a satisfactory due diligence investigation.

## **4. Financial Information**

The net asset value and net loss before tax of Trustco Finance amounted to ZAR 34 million and ZAR 179 million respectively, based on audited results for the year ended 31 August 2022. The audited results of Trustco Finance for the year ended 31 August 2022 were prepared in accordance with IFRS.

The Trustco Finance portfolio company was accounted for at a fair value of ZAR 183 million in Trustco Group Holdings' Annual Financial Statements as at 31 August 2022.

The net carrying amount of the student loan book of Trustco Finance as at 31 March 2023 per Trustco Finance's management accounts (in terms of IFRS 9) is ZAR 325 million. Finbond is satisfied with the quality of the management accounts.

Prior to the effective date, the Balance Sheet of Trustco Finance will be restructured to reflect the intention of the parties and Trustco Finance warrants that the restructure will lead to a net asset value of Trustco Finance at fair value of ZAR 226 million, based on Trustco Finance's contractual warranties. This net asset value has not been reviewed or reported on by the Company's auditors.

#### **5. Funding of the acquisition**

Finbond will fund the Transaction from surplus cash.

#### **6. Categorisation of the Transaction**

The Transaction is categorised as a Category 2 transaction in terms of the JSE Limited Listings Requirements and is therefore not subject to Finbond shareholder approval.

#### **7. Withdrawal of Cautionary Announcement**

Shareholders are referred to the cautionary announcements released on SENS on 4 April 2023, 6 April 2023 and 22 May 2023 and are advised that all the details of the Transaction are published in this announcement. The cautionary is withdrawn and shareholders are no longer required to exercise caution when dealing in the Company's securities.

*\* The NAD/ZAR exchange rate at close of business on 1 June 2023 equaled 1.00*

Pretoria  
2 June 2023

Sponsor and Corporate Adviser:  
Grindrod Bank Limited