

Finbond Group

Growing the international footprint

As the continent's undisputed financial hub, South Africa has witnessed more than a decade of stellar banking industry growth following 2007's global financial crisis. Retail banking holds particularly high potential, and McKinsey reports that this segment will soar in the future, with South Africa projected to account for the highest share of retail revenue growth in Africa, at least \$4bn between 2017 and 2023. Innovative local players Finbond Group is already capitalising on rising consumer demand, but its business model has proved so successful that it is also being exported to bigger markets.

Established in 2003, Finbond was an instant hit in South Africa. The group made a name for itself with a unique offering: value- and solutions-based financial services products designed with the client, rather than institutional needs, in mind. The group listed on the Johannesburg Stock Exchange in 2007, growing quickly in the preceding years and obtaining its mutual banking license from the South African Reserve Bank in 2012. CEO Dr. Willem van Aardt explained how strong local relationships and successful international partnerships have supported the group's stellar growth trajectory:

"Initially we were funded by the Dutch development bank FMO. We eventually got our banking license in 2012, which was a significant achievement at the time. South Africa has a very good and prudent banking system; at the time of applying for our banking license in 2010 it was ranked third globally by the World Economic Forum in terms of regulation. Because of the small banking crisis in the early 2000's, the Reserve Bank hadn't issued any new banking licenses to smaller local banks for 12 years, and we were the first one, which obviously made a significant positive impact on our business and helped us to grow."

Finbond's client centric model proved so successful that by 2016, it had expanded operations to the US and Canada. Its two brands in South Africa - Finbond Mutual Bank and Supreme Finance - are active in every segment of the financial services value chain, from investment products to consumer lending.

The group's South African operations comprise 366 branches, including 172 Finbond Mutual branches. Finbond also owns and operates a further 101 coastal and 93 inland branches of Supreme Finance. In the North America, 225 branches are spread across Canada



Dr. Willem van Aardt
CEO - Finbond Group

and 16 US states with a concentrated presence in Illinois, Louisiana, Tennessee, Alabama, Michigan and California, giving the group enviable geographic coverage in the world's largest economy.

Finbond also boasts a management team with a long and successful track record in the financial services, banking, and microfinance sectors, underpinning its reputation for well-developed systems, truly unique product offerings, and widespread adoption of the most advanced information technology. As Dr. van Aardt explained, deep knowledge of the local market through partnerships with owner manager entrepreneurs and a cautious approach to risk management have helped Finbond remain resilient in the face of

multiple external shocks over the years:

"If you look at our various liquidity ratios and capital adequacy ratios you will see that we run our business prudently and conservatively. We could be criticized, at certain times, for having too much cash relatively to the size of our business, but that's something we've learned through experience and over the years: the one thing that can kill the business is liquidity. We are conservative through the management of cash, and we keep a lot to protect us during difficult and turbulent times."

Having already forged successful partnerships with leading North American consumer finance company owner managers, the group is now looking to new markets and upscaled operations of its existing business as it seeks to grow its international footprint. In addition to a potential mid-term listing on an American stock exchange, the group plans to expand its horizons to Mexico and Latin America, two particularly high-potential markets.

In seeking and establishing partnerships for future expansion the group has a patient, rational and pragmatic approach while being opportunistic and Dr. van Aardt argued that the group has much to offer:

"Our key competitive advantage is our access to funding, prudent risk management and ability to manage through challenging times. We've been able to survive in South Africa whilst many were not able to do so. Although real risks remain as with any growing business we're excited about the strategy of our business going forward. We believe there's a demand for our product because we serve the important purpose of catering to the client, which is often overlooked by traditional banks."