DIVISIONS *continued*

TRANSACTION CAPITAL RISK SERVICES

TRANSACTION CAPITAL RISK SERVICES IS A TECHNOLOGY-LED, DATA-DRIVEN PROVIDER OF CUSTOMER MANAGEMENT AND CAPITAL SOLUTIONS THROUGH A SCALABLE AND BESPOKE PLATFORM, ENABLING ITS CLIENTS TO MITIGATE RISK THROUGH THEIR CUSTOMER ENGAGEMENT LIFECYCLE

1. *Innovative and bespoke technology systems that drive superior performance and efficiency*
2. *Generating in-depth insights from the continuous collection of accurate and valuable data to develop a consolidated view of an individual that enables precise and informed internal and external decisioning*
3. *Improving its clients' ability to originate, manage and collect from their customers through their lifecycles, thus maximising value*
4. *Assisting its clients to optimise their balance sheet by accelerating cash flow through structured capital solutions*
5. *Proactive workforce management and technology facilitate a flexible and dynamic servicing capability able to meet a client's unique requirements*
6. *Regarded as a trusted partner by large consumer-facing businesses and credit providers across multiple industries*
7. *Enabling clients to generate higher risk-adjusted returns through their engagements with their customers at the point of origination, management and collection*

PERFORMANCE OVERVIEW

HEADLINE EARNINGS
R168 MILLION ↑ 25%
37% of group

TOTAL INCOME
R1.1 BILLION ↑ 1%

PURCHASED BOOK DEBTS
R728 MILLION ↑ 30%

ASSET TURNOVER RATIO
71.1%

COST-TO-INCOME RATIO IMPROVED TO
77.4%
from 82.5% in 2015

RETURN ON EQUITY
31.5%
from 27.8% in 2015

DIVISIONAL OVERVIEW

Transaction Capital Risk Services

IMPROVES ITS CLIENTS' ABILITY TO ORIGINATE, MANAGE AND COLLECT FROM THEIR CUSTOMERS.

Its operational competencies include:

> Collection and recovery services and debt purchasing → MBD → Transaction Capital Recoveries
> Working capital, property and trade finance and commercial receivables management solutions to small- and medium-sized enterprises (SMEs) → Rand Trust → Transaction Capital Business Solutions
> Payment processing services → BDB → Transaction Capital Payment Solutions
> Data analytics and technology capabilities for customer management → Principa (A Transaction Capital Company)

REBRANDED IN 2016

SOCIETAL RELEVANCE

The activities of Transaction Capital Risk Services (TCRS) broadly contribute to the efficiency and effectiveness of the South African credit system. This includes the acquisition of distressed book debts, which assists clients to strengthen their balance sheets by accelerating cash flow and removing non-performing loans, thus improving their ability to continue providing debt finance into the consumer market. It also assists clients to lend responsibly, to identify which consumers to lend to, and to then collect successfully. This supports the affordability of credit by mitigating unnecessary pricing for risk.

In undertaking collections, the primary focus is on rehabilitating indebted consumers by helping them understand the importance of repaying their debts as a legal obligation, and structuring payments in a manner they can afford. This contributes to indebted consumers remaining active participants in the credit system.

Through Transaction Capital Business Solutions, SMEs that may not otherwise have access to credit, gain access to working capital finance.

DIVISIONS: TRANSACTION CAPITAL RISK SERVICES *continued*

MARKET CONTEXT

A challenging consumer credit environment

OF THE 35 MILLION ADULTS* IN SOUTH AFRICA, THERE ARE:

24 MILLION CREDIT ACTIVE CONSUMERS

9.7 MILLION NON-PERFORMING CREDIT CONSUMERS (NCR Q2 2016)

OVER **11 MILLION** SOUTH AFRICANS DESCRIBED AS "OVER-INDEBTED" (UP FROM 5 MILLION IN 2014)

Household debt to disposable income remains high at 75%

Between 2013 and 2014 86% of South Africans borrowed money (COMPARED TO 40% WORLDWIDE)

2014: South Africans were the biggest borrowers in the world (WORLD BANK REPORT)

TRANSACTION CAPITAL RISK SERVICES' MASTER DATA UNIVERSE

Transaction Capital Risk Services

R35.4 BILLION ASSETS UNDER MANAGEMENT

9.2 MILLION UNIQUE AND VALID ID NUMBERS

Each of which is uniquely scored with a TCRS propensity to pay score

95% COVERAGE OF SOUTH AFRICA'S NON-PERFORMING CREDIT CONSUMERS

1 in 4 South African adults

1 in 3 credit-active people

UP TO 5 ASSOCIATED TELEPHONE NUMBERS PER UNIQUE ID NUMBER

>6 MILLION UNIQUE AND VALID POSTAL ADDRESSES

Data is current, relevant and accurate as per:

- **CREDIT BUREAU DATA**
- **OTHER DATA SOURCES** such as the Department of Home Affairs and the Deeds Office
- Data from **PRINCIPAL PORTFOLIOS ACQUIRED**
- **MASTER DATA UNIVERSE** compliant with Protection of Personal Information Act

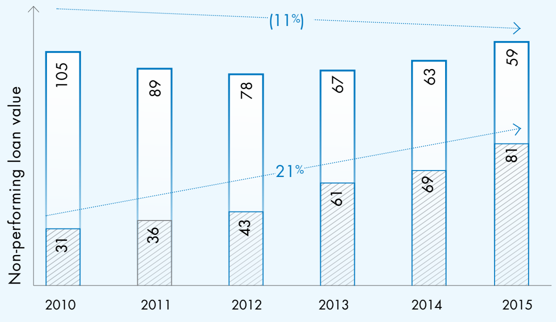
Opportunity to monetise data.

* *Aged 15 to 65*

Source: Statistics South Africa, National Credit Regulator (NCR), Accountancy SA February 2016, World Bank report, Global Findex database.

A GROWING UNSECURED CONSUMER NON-PERFORMING LOAN MARKET

Non-performing loan market size and growth (R billion)



TCRS target market (unsecured credit) — 2010 – 2015 CAGR: 21%

Mortgages and vehicle finance — 2010 – 2015 CAGR: (11%)

> Adverse economic conditions drive an increase in non-performing loans, stimulating demand from new and existing clients for debt recovery and related credit risk management services.

> In addition, this environment is conducive to an increased number of non-performing portfolios available to acquire at beneficial prices from clients requiring an immediate recovery from their non-performing loans.

Transaction Capital Recoveries

~R300 MILLION collected each month, resulting from

~400 000 payments received each month

~300 000 debit orders processed each month

~4.2 MILLION voice interactions each month

~25 MILLION outbound calls from the dialer each month

↑38% revenue per employee in 2016

Transaction Capital Payment Solutions

~200 000 disbursements for clients each month

~300 000 debit orders and NAEDO transactions processed for clients each month

TCRS's SCALABLE TECHNOLOGY PLATFORM

MASTER DATA UNIVERSE (MDU)

Data sourced from MDU for maximised ContactAbility

TRANSACTIONAL DATA

Transactional data enriched with collection and ContactAbility results

TECHNOLOGY

1. CORE TRANSACTIONAL SYSTEM
2. CAMPAIGN BUILDER
3. DIALER AND WORKFORCE MANAGEMENT
4. MANAGEMENT AND BUSINESS INFORMATION

1 CORE TRANSACTIONAL SYSTEM
> Customised per client
> Ease of use
> Quick to train
> ↓ Staff turnover
> ↓ Cost of collection

2 CAMPAIGN BUILDER
> Real-time management tools
> Automated messaging
> Champion challenging
> Predictive analytics to determine:
– Propensity to pay
– Right time to call
– Right day to pay
– Dynamic matter prioritisation

3 DIALER AND WORKFORCE MANAGEMENT
> Enhances scale of ContactAbility
> Schedule the workforce
> Flexible work hour selection
> ↑ Talk time (>3 hours per 6 hour shift)
> ↑ Activations (deeper penetration of customer base)

> PREDICTIVE ANALYTICS
> OPTIMISED CAMPAIGN

> ENHANCED CUSTOMER INTERACTION
> ENABLED OVER ANY OMNI-CHANNEL 5

> COLLECTIONS 6

4 MANAGEMENT AND BUSINESS INFORMATION
> Customised value-add insights to clients
> Allowing TCRS to win more mandates
> Enhanced management of compliance and reputation

5 ENABLED OVER ANY OMNI-CHANNEL
> Capability to contact customer on preferred contact method
– SMS
– Mobile phones
– Chat box
– Smartapp

6 COLLECTIONS
> Promise to pay management
> Multiple payment channels
– Banks
– Client infrastructure
– EFT
– Digital/internet
– 14 000 spaza shops

DIVISIONS: TRANSACTION CAPITAL RISK SERVICES *continued*

BUSINESS ACTIVITIES

CLIENT ENGAGEMENT MODEL

ORIGINATE

IDENTIFY AND WIN NEW CUSTOMERS USING DATA ANALYTICS

MANAGE

ENABLE PAYMENT PROCESSING AND CUSTOMER MANAGEMENT

COLLECT

SOLVE CLIENTS' IMPAIRED DEBT PROBLEM THROUGH COLLECTIONS, RECOVERIES, ACQUISITIONS OF NON-PERFORMING LOANS AND OTHER CAPITAL SOLUTIONS

R16 BILLION

CUSTOMER MANAGEMENT SOLUTIONS

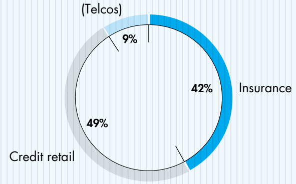
Leverages leading technology and data analytics capabilities to enable clients to effectively originate, manage and collect from their customers.

Ranked **1st or 2nd** by clients in 91% of 254 mandates (up 41%) on panels where TCRS is represented.

LEAD GENERATION AND CUSTOMER ACQUISITION

Principa
A Transaction Capital Company

- Lead generation
- Predictive analytics
- Segmentation modelling
- Systems (Smart and FICO)



PAYMENT AND ACCOUNT MANAGEMENT

Transaction Capital
Payment Solutions

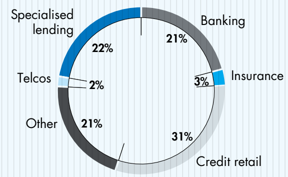
- Payment processing

Principa
A Transaction Capital Company

- Customer retention and profitability modelling
- Predictive analytics
- Systems (Smart and FICO)

Transaction Capital
Business Solutions

- Receivables management



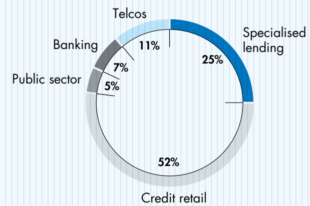
COLLECTION SERVICES

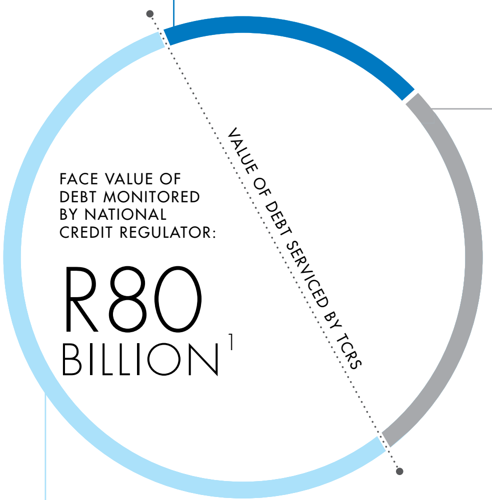
Transaction Capital
Recoveries

- Early stage rehabilitation
- Late stage collections
- Legal recoveries
- Business-to-business collections

Principa
A Transaction Capital Company

- Predictive analytics
- Segmentation modelling
- Systems (Smart and FICO)





Other fragmented participants in addressable market

R19 BILLION

CAPITAL SOLUTIONS

Applies technology and data analytics capabilities to acquire and collect on debt portfolios.

Provides financing and working capital solutions to SMEs.

> Fair value of purchased book debts of **R728 million**, with estimated remaining collections of **R1.3 billion**

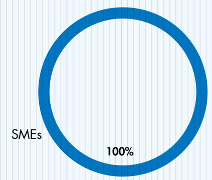
> **13 books purchased** this year for **R184 million**

> Asset turnover ratio is **71.1%**

SME FINANCING

Transaction Capital
Business Solutions

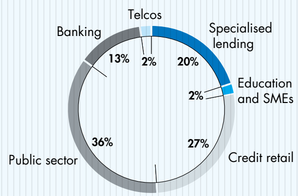
- Invoice discounting
- Trade finance
- Property finance



DEBT PURCHASING

Transaction Capital
Recoveries

- Spot book acquisitions
- Bespoke capital solutions
- Forward flow and gain share agreements



Sectors split by revenue per segment as at 30 September 2016.

Global Credit Ratings Co. upgraded Transaction Capital Recoveries' primary and special servicer ratings to SQ1-(ZA) and SQ1(ZA) respectively.

1 *R80 billion comprises credit monitored by the National Credit Regulator as at 30 June 2016. TCRS's target market also includes SMEs, education, insurance, public sector, telecommunications, state-owned entities (SOEs) and utilities.*

DIVISIONS: TRANSACTION CAPITAL RISK SERVICES *continued*

Q&A

with David McAlpin

Transaction Capital Risk Services CEO

Q *What has been the impact of the challenging economic environment, and how has TCRS responded?*

Again this year South African consumers' ability to service their debt has remained under pressure. This is largely due to negative factors such as higher inflation and interest rates, low economic growth and static employment rates. Despite these challenges, TCRS has continued to perform positively by actively realising opportunities that emerge in such an environment, and enhancing our technology and data capabilities to become more effective and efficient at what we do.

The buying of non-performing loan portfolios is certainly one of our success stories for the year. We've seen a greater number of non-performing loan portfolios come to market as credit providers seek to realise immediate or upfront value from their books in a challenging collections environment. We've thus stepped up our book buying activity considerably but conservatively, utilising our strong balance sheet and extensive data to selectively acquire 13 new portfolios for R184 million – the highest amount we've spent on book acquisitions in a single year. We've also become more proactive, engaging clients directly to negotiate on an exclusive basis and structuring more complex transactions such as gain share agreements to enable clients to continue participating in the value of these books.

Although our agency business continues to perform well, the tough consumer environment is making collections more challenging. We've mitigated the short-term impact by driving productivity improvements through technology and data. However, with the amendments to the National Credit Act (NCA) making it more difficult for credit providers to extend credit to consumers, we do expect growth in the national unsecured credit book to taper considerably over the next few years. We have thus continued to invest in expanding into adjacent market sectors not regulated by the NCA, specifically the insurance, telecommunications and municipal sectors, with key executives appointed to drive penetration into this client base.

As the culmination of our two-year strategy to integrate all our operations under one management team with an overarching strategy, focused on managing risk for our clients across their customers' lifecycle, all companies within TCRS were rebranded to leverage off Transaction Capital's brand equity. The new divisional brands are shown on page 51 of this report.

The strength of our services was reaffirmed in 2016, with Global Credit Ratings Co. upgrading the primary and special servicer ratings assigned to Transaction Capital Recoveries (previously MBD) to SQ1-(ZA) and SQ1(ZA) respectively; with the outlooks accorded as stable.

Q *TCRS describes itself as technology-led – what are some of your key technology initiatives?*

We've created a roadmap for our technology investments over the next few years. The first of these is our predictive dialer, which came online in 2016. In the collections business, knowing who, when and what number to call is probably the most fundamental step in the process, and the predictive dialer uses our analytics to do the legwork of scheduling calls for the appropriate time and determining whether the right party has answered the call. The productivity gains since the dialer came online have been immense – our number of monthly outbound calls has increased almost three-fold, resulting in over 4 million voice interactions per month.

What the predictive dialer has also allowed us to do is reduce our number of call centres, due to the increased number of matters our call centre agents can now deal with daily. Given that our call centre agents are highly incentivised based on performance, the higher number of voice interactions the predictive dialer enables creates an opportunity for them to lift their financial reward. Our call centre location strategy now centres on the three biggest metros – Johannesburg, Cape Town and Durban. The rationalisation of our call centres resulted in around 450 retrenchments, of which we successfully relocated some 250 people.

The other big technology story for the year is our master data universe (MDU), which establishes a database of over 9.2 million unique ID numbers linked to past payment behaviour and contact details. The database is fully compliant with the Protection of Personal Information Act. We've built this database over time, drawing on internal and external sources, and keep the data current, relevant and accurate by constantly enriching it with the results of our campaigns and contact attempts as well as information from non-performing loan portfolios we acquire. The MDU also allows us to bid on non-performing loan portfolios coming to market with more confidence as we're able to more accurately assess their value, in terms of what we'll be able to collect. We anticipate that this database will create significant operational leverage for the business in years to come.

The integration of the MDU and predictive dialer, with planned workforce management enhancements to be implemented in the 2017 financial year, is expected to impact positively on both revenue and cost savings over the next year. We'll continue to look at other technology investments that can drive productivity and successful collections.

Q *How have recent regulatory developments regarding financial services providers impacted TCRS?*

In addition to the impacts of amended national credit regulations on our clients, two pieces of legislation we've been monitoring closely are around non-authenticated early debit orders (NAEDO) and emolument attachment orders. The effective date for the migration from NAEDO to authenticated collections has been delayed to October 2019. This change will require consumers to give permission for debit orders to be loaded against their account, which although justified in terms of preventing debit order fraud, may create an avenue for consumers to delay debt repayment by frustrating the authentication process.

TCRS welcomes the Constitutional Court ruling on 13 September 2016 regarding emolument attachment orders (EAOs). We have not initiated any new EAOs as a collection mechanism for more than two years, and at end September 2016 less than 0.2% of our revenue was generated from historical EAOs.

Q *Looking further ahead, what does the next year hold for TCRS?*

Technology will remain a major theme of our investments going forward. We constantly scan the horizon to get a sense of where things are going – if there is going to be disruption in our industry, we want to be at the forefront of that. Rich data for analytics, frictionless payment solutions and social media are areas we expect will continue to develop and present opportunities over the longer term, and we have been engaging with agile technology start-ups to see how we can further enhance our capabilities.

In terms of growing revenue from non-NCA clients, we've got the right people in place to grow into our target sectors, and I am confident we'll make strong progress in this regard in the year ahead. Our technology and data investments will enable us to grow revenue from our core client base, and we will focus on increasing revenue from the Tier 1 banks, where we have generally been underrepresented.

Of the three acquisitions that took place during the year, two are South African companies that will enhance our current offerings, and one is Australian, where applying our non-performing loan book buying capabilities represents a significant untapped opportunity. This business is already strong in agency collections, including in the insurance, telecommunications and utilities sectors, and we look forward to working with the existing management team to both enhance our domestic capabilities, and to augment their expertise with our technology and data capabilities.

Acquisitions for the year are discussed on page 24.

ACQUISITIONS

100% of

recoveriescorp connect. engage. succeed.

75% of

Roadcover We Care...

Majority share of

the bean counter FINANCIAL SERVICES