PERFORMANCE

RONEN GOLDSTEIN
FINANCIAL DIRECTOR

FINANCIAL DIRECTOR'S REPORT

TRANSACTION CAPITAL'S OPERATIONS **DELIVERED PLEASING FINANCIAL RESULTS DESPITE CHALLENGING MARKET CONDITIONS** PERSISTING THROUGHOUT THE 2017 FINANCIAL YEAR.

HIGHLIGHTS

↑ 26%

CORE HEADLINE EARNINGS
R577 MILLION
2016: R458million

↑ 20%

CORE HEADLINE EARNINGS PER SHARE
96.4 CENTS
2016: 80.6 cents

↑ 33%

TOTAL DIVIDEND PER SHARE
40.0 CENTS
2016: 30.0 cents

Since Transaction Capital listed on the JSE Limited five years ago, the group has delivered high quality organic earnings growth with high cash conversion rates. Headline earnings per share for the five years to 30 September 2017 grew at a compound annual growth rate (CAGR) of 21%, with dividends per share growth at a CAGR of 36% since 30 September 2014.

During the 2017 financial year, Transaction Capital extended its track record of organic earnings growth. Earnings accretive acquisitions accelerated this growth, with core headline earnings up 26% to R577 million. Core headline earnings per share rose 20% to 96.4 cents, diluted slightly by the issue of 28.4 million shares as part of the accelerated bookbuild concluded on 2 February 2017, which raised R419 million. The group's strong balance sheet provides the capacity and flexibility for further acquisitions.

Despite difficult economic conditions, the performance of SA Taxi and Transaction Capital Risk Services (TCRS) has again demonstrated their defensive character, as detailed in the divisional reviews starting on pages 34 and 44 respectively.

The adoption of IFRS 9 in the 2015 financial year resulted in a more conservative, lower-risk balance sheet and higher quality earnings. This early adoption has removed any uncertainty relating to the implementation of IFRS 9 on future financial results and ratios.

The summarised financial results of the group are included in the financial results section starting on page 104. Core financial ratios exclude once-off acquisition costs of R22 million incurred during the financial year.

SUMMARISED CONSOLIDATED SEGMENT REPORT

FOR THE YEAR ENDED 30 SEPTEMBER

	SA Taxi		TCRS		Group executive office*		Group	
	2017 Rm	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm	**2017 Rm**	2016 Rm
Summarised income statement for the year ended 30 September 2017								
Net interest income	**885**	744	**77**	65	**45**	70	**1 007**	879
Impairment of loans and advances	**(253)**	(206)	**(7)**	(3)	**–**	–	**(260)**	(209)
Non-interest revenue	**427**	315	**1 485**	964	**25**	–	**1 937**	1 279
Operating costs	**(638)**	(541)	**(1 260)**	(796)	**(12)**	(11)	**(1 910)**	(1 348)
Non-operating loss	**–**	–	**(3)**	–	**–**	–	**(3)**	–
Profit before tax	**421**	312	**292**	230	**58**	59	**771**	601
Headline earnings attributable to equity holders of the parent	**303**	249	**211**	168	**41**	41	**555**	458
Once-off transaction and other acquisition-related costs	**–**	–	**22**	–	**–**	–	**22**	–
Core headline earnings attributable to equity holders of the parent	**303**	249	**233**	168	**41**	41	**577**	458
Summarised statement of financial position at 30 September 2017								
Assets								
Cash and cash equivalents	**608**	761	**161**	72	**175**	443	**944**	1 276
Loans and advances	**7 872**	6 675	**584**	515	**–**	–	**8 456**	7 190
Purchased book debts	**–**	–	**891**	728	**–**	–	**891**	728
Other investments	**–**	477	**–**	–	**–**	–	**–**	477
Other assets	**1 438**	964	**1 327**	364	**18**	92	**2 783**	1 420
Total assets	**9 918**	8 877	**2 963**	1 679	**193**	535	**13 074**	11 091
Liabilities								
Bank overdrafts	**136**	173	**–**	–	**–**	–	**136**	173
Interest-bearing liabilities	**6 879**	6 482	**968**	558	**344**	437	**8 191**	7 477
Group loans**	**1 164**	913	**107**	230	**(1 271)**	(1 143)	**–**	–
Other liabilities	**408**	167	**531**	285	**36**	11	**975**	463
Total liabilities	**8 587**	7 735	**1 606**	1 073	**(891)**	(695)	**9 302**	8 113
Total equity	**1 331**	1 142	**1 357**	606	**1 084**	1 230	**3 772**	2 978

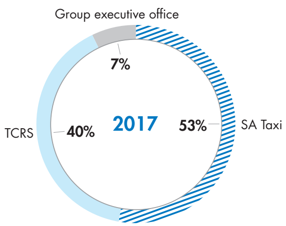
* *Group executive office numbers are presented net of group consolidation entries.*

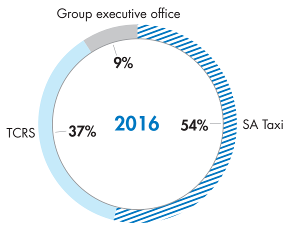
** *Of SA Taxi's total group loans of R1 164 million at 30 September 2017, R400 million is repayable on demand as part of the group's treasury management function. The remaining R764 million group loans is subordinated debt with fixed repayment terms. TCRS' total group loans of R107 million is repayable on demand.*

DIVISIONAL REVIEW

Group portfolio mix

	Rm		Growth	Contribution	
Core headline earnings	**2017**	2016	**2017**	**2017**	2016
SA Taxi	**303**	249	**22%**	**53%**	54%
TCRS	**233**	168	**39%**	**40%**	37%
Group executive office	**41**	41	**0%**	**7%**	9%
Total	**577**	458	**26%**	**100%**	100%
Core headline earnings per share (cents)	**96.4**	80.6	**20%**		





The composition of core headline earnings post the acquisitions in TCRS in the current year is expected to be more evenly weighted.

SA TAXI

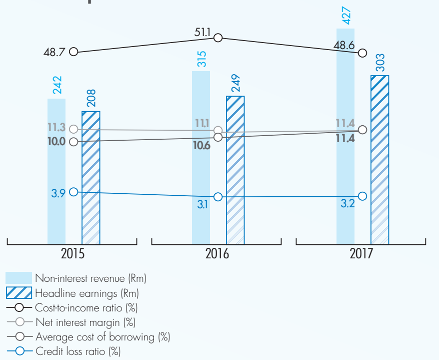
Financial and credit performance

		For the year ended 30 September		
		2017	2016	Movement
Financial performance				
Headline earnings attributable to the group	Rm	**303**	249	22%
Non-interest revenue	Rm	**427**	315	36%
Net interest income	Rm	**885**	744	19%
Net interest margin	%	**11.4**	11.1	
Cost-to-income ratio	%	**48.6**	51.1	
Credit performance				
Gross loans and advances	Rm	**8 303**	7 151	16%
Non-performing loan ratio	%	**17.1**	17.4	
Credit loss ratio	%	**3.2**	3.1	

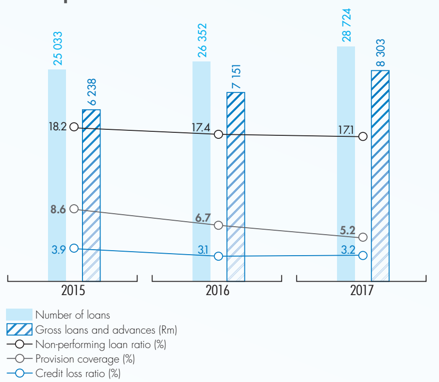
SA Taxi is a vertically integrated platform incorporating a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with financing and insurance competencies for focused vehicle types. These competencies, combined with its proprietary data and analytics skills, enable the division to provide asset-backed developmental credit and bespoke taxi insurance, and sell suitable vehicle models and allied services to taxi operators. Through this offering, SA Taxi delivers commercial benefits to taxi operators, helping them to ensure the viability and sustainability of their businesses.

SA Taxi's divisional review starting on page 34 includes details on its operating context, evolution since listing and engagement with stakeholders. A thorough understanding of its context and continuous engagement with stakeholders is vital to secure the effectiveness and sustainability of the industry, which will ultimately have a positive impact on SA Taxi's business over the long term.

Financial performance



Credit performance



Vehicle financing

SA Taxi's loans and advances portfolio, which comprises 28 724 vehicles, grew 16% to R8.3 billion. Growth of 9% in the number of loans and a 20% increase in the Rand value of loans originated supported this result. SA Taxi now finances more than 40% of new Toyota minibus taxi sales, compared to 36% in 2015.

Net interest income grew 19% to R885 million in line with book growth. SA Taxi's net interest margin increased to 11.4% due to slightly lower gearing and an improved non-performing loan ratio, despite an increase in the cost of borrowing. The recent downgrades of South Africa's credit rating and the industry protest action are not expected to have a meaningful impact on SA Taxi's net interest margin or credit metrics.

The risk-adjusted net interest margin improved to 8.2% from 8.0% in the prior year. The credit loss ratio of 3.2% remained at the bottom end of the division's risk tolerance of 3% to 4%, and the non-performing loan ratio improved to 17.1% from 17.4%. A combination of strong collection performance, high credit quality of loans originated in the retail dealership and conservative credit granting criteria supported this improvement.

Enhancing the value of vehicles through refurbishment enables SA Taxi to recover more than 73% of loan value on the sale of repossessed vehicles. The division operates the largest minibus taxi repair facility in Africa, and the average cost to repair repossessed vehicles was reduced further in the year. This was due to efficiencies achieved in the combined auto body repair and mechanical refurbishment centre.

Due to fewer non-performing loans, the reduced average cost to repair repossessed vehicles and higher recoveries on the re-sale of these vehicles, provision coverage reduced to 5.2%. At this level, SA Taxi's after tax credit loss remains conservatively covered at 2.3 times.

Despite political uncertainty and concern about the sovereign rating downgrades, SA Taxi raised R6 billion in debt facilities during the year, securing its requirements for the 2018 financial year.

65 SEE THE Q&A WITH MARK HERSKOVITS, EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT, FOR FURTHER DETAIL ON FUNDING INITIATIVES DURING THE YEAR

Non-interest revenue

SA Taxi's vertically integrated business model generates diversified non-interest revenue streams, including revenue from the sale of vehicles, telematics services and insurance products. New revenue streams are currently being explored together with industry leadership. Non-interest revenue for the year grew 36% to R427 million, now 33% of SA Taxi's revenue after interest expenses (2012: 26%).

VEHICLE RETAIL OPERATIONS

Loans originated through SA Taxi's dealership are more profitable than loans originated through external dealerships, with better product margins, insurance revenue and credit performance. Increasing the number of new and pre-owned taxi vehicles sold through the division's owned dealership therefore presents good opportunity for organic growth.

SA Taxi's dealership now also offers funding from certain South African banks, providing a wider choice of options and broadening its client base with the intention of offering its insurance and vehicle tracking products to these clients.

INSURANCE OPERATIONS

SA Taxi's short-term insurance business is a key driver of non-interest revenue, offering bespoke insurance products including comprehensive vehicle cover, passenger liability and instalment protection cover. The division is broadening its product offering, having initiated a credit life product during October 2017. On average, SA Taxi's insured clients have 1.8 SA Tax insurance products each.

SA Taxi's insurance operations now earn gross premiums of more than R550 million per year. At 30 September 2017, more than 85% of SA Taxi's financed clients were also insured by SA Taxi, with an annualised new premium written for its financed clients at R231 million for the year. In addition, SA Taxi has broadened its client base, now also insuring taxi operators not financed by the division. During the year under review, SA Taxi's annualised new premium written for non-SA Taxi financed clients was R52 million.

Loss ratios for both the financed and non-financed insurance portfolios are improving as a result of operational efficiencies. The business aims to improve its offering by processing a greater proportion of its insurance claims via SA Taxi's combined auto body and mechanical repair facility.

SA Taxi restructured its insurance operation during the year, which will now be consolidated in accordance with IFRS.

TECHNOLOGY AND DATA

The application of unique technology and data analysis is key to mitigating SA Taxi's risk. Data is accumulated daily from each minibus taxi and applied to credit decisions (to assess the prospective profitability of a proposed route), to collections (to determine profitability based on kilometres travelled in a specific month), and to repossessions and insurance.

Conclusion

With 16% growth in gross loans and advances, increasing net interest margins, strong credit performance, 36% growth in non-interest revenue and the cost-to-income ratio improving to 48.6% (2016: 51.1%), it is evident that SA Taxi's credit, operational and financial performance is robust. This translated into 22% growth in headline earnings of R303 million for the year.

TRANSACTION CAPITAL RISK SERVICES

Financial and operating performance

		For the year ended 30 September		
		2017	2016	Movement
Financial performance				
Core headline earnings attributable to the group	Rm	**233**	168	39%
Purchased book debts				
Value of purchased book debts acquired	Rm	**356**	184	93%
Purchased book debts	Rm	**891**	728	22%
Estimated remaining collections	Rm	**1 673**	1 313	27%

TCRS is a technology-led, data-driven provider of customer management solutions in South Africa and Australia. The division's scalable and bespoke fintech platform improves its clients' ability to originate, manage and collect from their customers. The division leverages its technology and data to mitigate risk and maximise value for clients throughout the customer engagement lifecycle.

TCRS acts both as an agent on an outsourced contingency or fee-for-service (FFS) basis, and as a principal in acquiring and then collecting on non-performing loan portfolios. This diversified revenue model across various consumer credit sectors is central to the division's defensive positioning, supporting its performance in different market conditions.

In line with its strategy to buy and develop complementary businesses, TCRS acquired 100% of Recoveries Corporation in Australia (effective 1 January 2017), 75% of Road Cover and 51% of The Beancounter (both effective 1 December 2016). The acquisitions will diversify TCRS' earnings over time, by geography and by sector. The operational integration of the three businesses in the year was executed successfully, and they performed to expectation.

TCRS' divisional review starting on page 44 includes details on its market context, business activities and evolution since listing.

Contingency and fee-for-service revenue

TCRS' strategy to deepen its penetration in its traditional market segments (i.e. retailers, specialist lenders and banks) and grow revenue from adjacent sectors supported its organic earnings growth in South Africa. In 89% of its 231 outsourced collection mandates in South Africa, TCRS is ranked as either the top or second-best recoveries agent. Furthermore, the adjacent insurance, telecommunication and public sectors now contribute 27% of TCRS' local contingency and FFS revenue, compared to 20% in the prior year.

The acquisition of Recoveries Corporation has diversified this revenue stream further. This business generated approximately R370 million in hard currency revenue over nine months, from a diversified client base in the insurance (24%), telecommunication and utility (16%), banking (16%) and public (25%) sectors in Australia. Recoveries Corporation is the market leader in the Australian insurance recoveries sector, and will facilitate the growth of TCRS' insurance recoveries offering in South Africa.

Acquisition of non-performing loan portfolios as principal

The current economic climate and TCRS' data, scale and capital position favour the acquisition of non-performing loan portfolios in South Africa from risk averse clients who prefer an immediate recovery against their non-performing loans. TCRS acquired 29 portfolios with a face value of R5.2 billion for R356 million during the year. TCRS now owns 195 principal portfolios with a face value of R12.2 billion, valued at R891 million at 30 September 2017. This is up 22% from R728 million a year ago.

Estimated remaining collections are at R1.7 billion, up from R1.3 billion at 30 September 2016, which will support future performance.

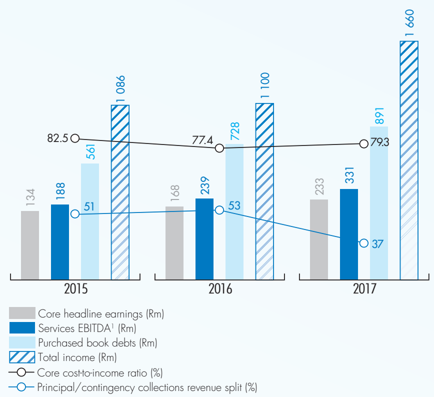
TCRS continues to seek opportunities to apply its analytics, pricing expertise and capital to the selective purchase of non-performing loan portfolios in a highly fragmented Australian debt collection market.

Other activities

PAYMENT SERVICES AND ACCOUNT MANAGEMENT

Transaction Capital Payment Solutions specialises in customised, innovative and flexible payment services, processing R27 billion in value per year via approximately three million disbursements and seven million debit orders and non-authenticated early debit orders (NAEDOs) for over 1 200 clients.

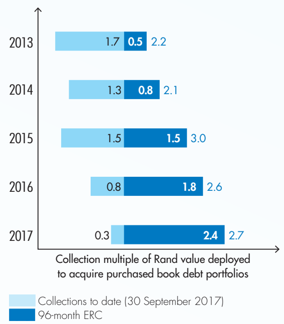
Financial performance



1. *Services EBITDA (excluding Transaction Capital Business Solutions).*

Purchased book debt performance

Estimated remaining collections (ERC)[1]
Vintage performance as at 30 September 2017



1. *Excludes contracts where TCRS does not have title of the underlying claim.*

VALUE-ADDED SERVICES, LEAD GENERATION AND CUSTOMER ACQUISITION

Through its acquisition of Road Cover, TCRS has entered the adjacent value-added services market segment in South Africa. Road Cover offers proprietary value-added services to the mass consumer market on a subscription basis. At a low cost, members have access to high quality legal and administrative services, including the administration of Road Accident Fund claims, Compensation for Occupational Injuries and Diseases Act claims, and claims against various road agencies and municipalities relating to damage to a member's motor vehicle due to poor road conditions. Road Cover's products are typically embedded in other subscription based products in the insurance, banking, motor and retail sectors, and are also distributed to consumers as a standalone product via direct marketing channels.

SME FINANCING AND SERVICES

Transaction Capital Business Solutions (TCBS), incorporating The Beancounter, provides business support (including fully outsourced accounting, payroll and tax services through "software-as-a-service" technology to small- and medium-sized enterprises (SMEs) on a monthly retainer basis) and SME finance to small businesses that may not otherwise have access to credit, thereby facilitating both SME growth and job creation.

TCBS' main activity includes disclosed invoice discounting, incorporating the outsourced management of debtors' books, processing on average 450 000 invoices to the value of approximately R8.5 billion per year. Other SME financing activities include targeted trade and property finance. At 30 September 2017, gross loans and advances grew to R570 million, up 15%.

Conclusion

Before taking the business acquisitions into account, TCRS' cost-to-income ratio remained stable from the prior year. The technological and operational enhancements initiated in 2016, together with aggressive cost containment initiatives, contributed to this result.

Including the effects of the acquisitions, core headline earnings growth of 39% to R233 million was achieved for the year ended 30 September 2017. Solid organic growth, augmented by the earnings accretive business acquisitions, underpinned this result.

The impact of foreign exchange on earnings from Recoveries Corporation was insignificant.

GROUP EXECUTIVE OFFICE

The group executive office contributed R41 million to the group's headline earnings for the year, resulting from efficient capital management and treasury functions relating to excess capital of around R650 million.

DIVIDEND POLICY AND DECLARATION

The dividend policy has been amended to a reduced cover ratio of 2 to 2.5 times (previously 2.5 to 3 times). This change has been implemented due to the improved quality of earnings as evidenced by high cash conversion rates and lower balance sheet risk, the stable capital requirements of the group and the ungeared net position of the holding company. All of these factors allow for a higher sustainable dividend policy going forward.

Following the interim dividend of 15 cents per share (2016 interim: 12 cents per share), and in line with the new dividend policy, the board has declared a final gross cash dividend of 25 cents per share (2016: 18 cents per share) for the six months ended 30 September 2017.

ACCOUNTING POLICIES AND ESTIMATES

It is Transaction Capital's objective to ensure that appropriate, understandable and sustainable accounting policies are adopted and implemented, which are aligned with the group's commercial realities, risks and strategies to the greatest extent possible.

There were no significant changes in accounting policies during the year under review. Accounting estimates have been assessed for appropriateness and validity.

AUDIT REPORT

The auditors issued an unmodified audit opinion for the financial year. Refer to the 2017 annual financial statements, available on www.transactioncapital.co.za, for more detail.

SUBSEQUENT EVENTS

No events which would have a material impact on either the financial position or operating results of the company have taken place between 30 September 2017 and the date of release of this report.

APPRECIATION

My sincere thanks to the group and operational finance teams for their diligence in ensuring that Transaction Capital is able to provide stakeholders with an accurate and meaningful analysis of its financial and operating performance, in line with the objectives set at the time of listing the group.

AS WE HAVE SEEN IN THE SUCCESS OF BOTH SA TAXI AND TCRS, HAVING SUFFICIENT RESOURCES TO FOCUS ON A SPECIALISED OPERATION ENABLES INNOVATION.

Q: *What are the key tenets of Transaction Capital's capital management philosophy?*

Transaction Capital owns and manages businesses that are non-traditional in nature, and success in these businesses requires differentiated thinking to operate them sustainably and profitably over time. Consequently, innovation for the capital management team has grown out of the innovation inherent in Transaction Capital. To reflect that, we updated the philosophy to bring innovation front and centre in how we manage capital, and it now forms the platform on which the rest of the philosophy sits.

As it is a competency that is core to our existence, the group has built an in-house team focused on creating optimal capital structures to meet the investment requirements and risk appetites of a range of debt investors. This is an uncommon approach for a corporate, but one that has served our purposes well by ensuring we are able to expertly manage the numerous funding structures we have.

As we have seen in the success of both SA Taxi and TCRS, having sufficient resources to focus on a specialised operation really does enable innovation. In serving these unique businesses, we have specialists in different areas of capital raising who come together to focus on creating solutions across the group. And in supporting businesses that are unique in many ways, we need to be as innovative as the businesses themselves in providing investors with the information and assurances they require to understand the businesses, and the ability of the businesses to manage risks and provide an acceptable return on capital invested.

In addition, we have developed several different funding vehicles to serve the different mandates and legal requirements governing different investors. Creating different entry points for investors requires a high degree of innovation, as we don't want to turn investors away because we can't offer them a product that suits their requirements and risk profiles. In this regard, we have been successful in implementing on-balance sheet, ring-fenced special purpose vehicles, ring-fenced securitisation and warehousing facility structures. With diversification being a key focus area for our debt capital markets team, a variety of structures have allowed us to secure funding from life companies, banks, development finance institutions (DFIs), asset managers and hedge funds. The capital markets team continues to investigate innovative opportunities to further diversify the group's funder base.

Q: As an extension to its innovative approach, how does the group protect investors and the businesses themselves across the different structures?

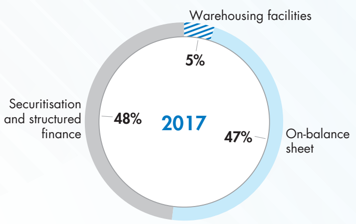
A core part of our philosophy is that we don't intermingle different risks across different parts of the group. Essentially, each business stands alone and is self sufficient, so each does not rely on any other in the group to continue operating. We also ring-fence the risk, preventing any risk of contamination across the different businesses or funding entities, with no cross-defaults or guarantees between structures. Again, this allows for multiple entry points for investors, as they do not need to be concerned about issues in any other entities.

Through sophisticated asset liability management (ALM) analytics, coupled with tolerance levels set by the asset and liability committee (ALCO), we have made carefully considered decisions to have controlled exposure to both short-term and bullet funding. Our proactive ALM management allows us to optimise our liquidity management while at the same time managing our cost of funding in the various structures. A limited short-term funding programme was established in SA Taxi during March 2017, which has been well received by investors.

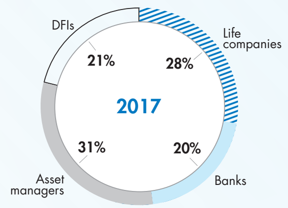
The other areas of innovation within capital management include:

- **Judicious risk management**
  - Optimal liquidity management between asset and liability cash flows
  - Effective management of interest rate risk, currency risk and roll-over risk
  - Controlled exposure to short-term instruments
  - Diversification by geography, capital pool, debt investor and funding mandate
- **Engaged debt investors**
  - Recurring investment by debt investors motivated by performance, the ease of transacting and appropriate risk-adjusted returns
  - Transparent and direct relationships with debt investors, where necessary facilitated by valued intermediaries

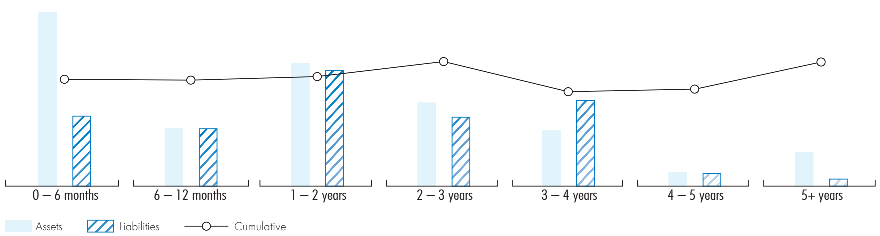
Diversification by funding structure



Diversification by debt investor category



Positive liquidity mismatch



Q: With different investors becoming more aware of the impact of their investments, how is the group tapping into this increasingly important investor group?

The mandates of impact investors look to fulfil specific objectives beyond pure financial returns. This is generally in businesses that generate some kind of social good, in areas like the environment, education or financial inclusion. In SA Taxi, we meet the criteria across a number of impact pillars, specifically financial inclusion, small business creation and support, and job creation. Also, more broadly, SA Taxi provides a national infrastructure benefit as the majority of South Africans rely on minibus taxis for transport.

The case for impact investing in TCRS is less straightforward, but organisations like the World Bank argue that collections businesses have an important role to play in ensuring the effectiveness of a credit system. The argument is that companies like Transaction Capital Recoveries collect on poorly performing debt that removes that burden from the balance sheets of banks, which can then be redeployed into the system. But most investors are not currently seeing collections as an impact investment, so we continue to apply a more traditional funding strategy for this business.

In TCBS, there is a clear impact in providing funding to our target market of small businesses who cannot access traditional funding as they are perceived to have higher risk. In supporting these small businesses, our positive impact on the economy is recognised and funded by impact investors accordingly, both locally and internationally.

We are fortunate to be in a space where impact investing is highly relevant for us, and we are very deliberate in tapping this market. We are also working hard to assess and measure the social impact of our businesses, as well as looking at other areas of impact. For instance, SA Taxi also provides an environmental benefit by financing newer, more fuel-efficient minibus taxis to replace older, less efficient vehicles. We are in the process of quantifying this value to build our environmental impact credentials to appeal to investors focused on this area.

We have had great success in tapping the European capital pools, with our first European DFI investors in 2010 continuing to support the group to this day. Having built a wide range of relationships with European investors over the past seven years, we have managed to grow the number of these impact investors to six. An important achievement this year was the conclusion of our first funding deal with a South African DFI in January 2017.

As at the 2017 financial year end, 21% of the group's debt is from social/impact investors.

34 & 44 FOR FURTHER DETAIL ON THE SOCIETAL RELEVANCE OF TRANSACTION CAPITAL'S DIVISIONS

Q: Transaction Capital closed a deal with a group of investors in the United States (US) in March 2017. Why the focus on entering the US market?

It was a deal two years in the making that was driven by our philosophy to diversify sources of funding. Our target was a group of US impact investors, the main one being a US government-owned DFI. As part of the requirements for the transaction, the US government was joined by three other private impact investors. They needed the legal documentation to be under New York law, so we set up a new entity within SA Taxi to house them, called SA Taxi Impact Fund.

It was a complicated transaction in dealing with four separate counterparties, but we are proud to have closed the biggest funding deal of the group to date – a USD200 million transaction. It has been a transformative deal in raising the group's profile internationally and gives us a massive funding boost to a level we have never seen before.

Q: What has the impact of the sovereign credit rating downgrades been on capital raising for the group?

The downgrades certainly present a challenge, but Transaction Capital has planned around a difficult market, at group and divisional level. The group's ratings also remain strong, reflecting the strength of our defensive businesses.

Credit ratings

- Moody's: Aaa.za(sf) rating for Transsec 3 senior notes (SA Taxi)
- Global Credit Ratings Co. reaffirmed Transaction Capital's R2 billion $A^{-}_{(ZA)}$ rated JSE-listed domestic note programme

110 REFER TO THE GROUP DATA SHEET FOR A FULL LISTING OF RATINGS FOR THE GROUP AND ITS DIVISIONS

We continued to have uninterrupted access to the debt capital markets over the year. Despite political instability and South Africa's sovereign rating downgrades in April 2017, we raised around R6 billion in debt facilities from 33 separate funding transactions in the 2017 financial year. This means that SA Taxi is fully funded for 2018, and we will only go back into the market selectively where it is opportune.

Amidst tough economic conditions coupled with increased political uncertainty, many corporates are being conservative and not issuing debt, resulting in an abundance of available liquidity in the South African market. It was against this backdrop that SA Taxi raised R505 million through its Transsec 3 issuance in November 2017, which was more than three times oversubscribed and 81 basis points cheaper than the Transsec 2 issuance. We are pleased with this result as it shows that, as a high quality corporate, we can be successful at raising cheaper debt despite volatility in the wider market.

Q: Why did Transaction Capital return to the equity market in February 2017?

After completing our three acquisitions, and considering our favourable share price at the time, we decided it was the right time to raise capital to re-fund our acquisitive strategy. The accelerated bookbuild was oversubscribed and only carried a small discount of 1% relative to the 30-day moving average share price. It was the first time we have tapped the equity markets since listing, and the interest of investors certainly showed the value they see in Transaction Capital.

With a strong balance sheet with excess capital of around R650 million, good liquidity and a robust capital adequacy position at 32.6%, we have strong credentials as a buyer and are in a position to move quickly on future acquisitions.

72 REFER TO THE CHAIRMAN'S REPORT FOR FURTHER DETAILS ON THE EQUITY AND SHAREHOLDING OF THE GROUP

		Year ended 30 September			Movement	
		2017	2016	2015	**2017**	2016
Capital adequacy						
Equity	Rm	**3 772**	2 978	2 611	**27%**	14%
Subordinated debt	Rm	**963**	965	1 194	**(0%)**	(19%)
Total capital	Rm	**4 735**	3 943	3 805	**20%**	4%
Less: goodwill	Rm	**(1 165)**	(200)	(197)	**>100%**	2%
Total capital less goodwill	Rm	**3 570**	3 743	3 608	**(5%)**	4%
Total assets less goodwill and cash and cash equivalents	Rm	**10 965**	9 615	8 337	**14%**	15%
Capital adequacy ratio	%	**32.6**	38.9	43.3		
Equity	%	**23.8**	28.9	29.0		
Subordinated debt	%	**8.8**	10.0	14.3		

CAPITAL AND FUNDING EVOLUTION SINCE LISTING

FEBRUARY 2012
>R1 billion raised from European DFIs since 2010

JUNE 2014
Transsec: R4 billion S&P rated and listed securitisation established

Initial issuance of R665 million

MARCH 2015
Over 20 funders

APRIL 2015
Transsec tap issuance: Privately placed R528 million

NOVEMBER 2015
Transsec 2: R4 billion S&P rated and listed securitisation established

Initial issuance of R396 million

Early adoption of IFRS 9

AUGUST 2016
Transsec 2 tap issuance: R451 million raised

NOVEMBER 2016
Established a R2 billion domestic note programme at group level

JANUARY 2017
First local DFI: R100 million debt facility

FEBRUARY 2017
Issued 28.4 million shares raising R419 million

Secured >R2 billion of debt facilities from US-based impact investors for the first time

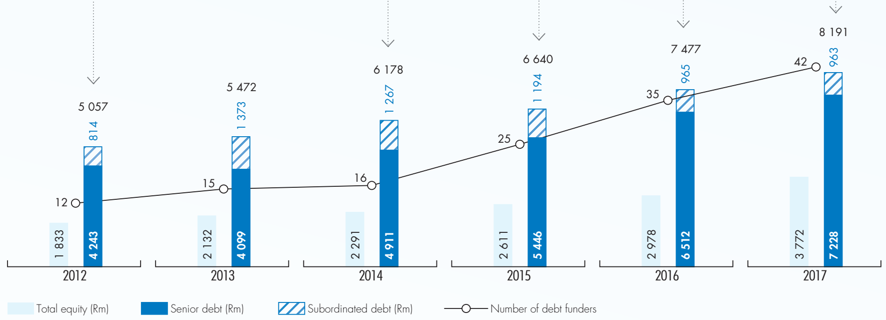
Funding base includes all the major South African banks

MARCH 2017
Accessed >R2 billion of debt funding from European DFIs since 2010

NOVEMBER 2017
Dividend policy amended to 2 to 2.5 times (4 to 5 times at listing)

Transsec 3: R2.5 billion Moody's rated and listed securitisation established

Initial issuance of R505 million more than 3 times oversubscribed



Transaction Capital early adopted IFRS 9 in 2015. As a result, all 2014 numbers are presented on a pro forma IFRS 9 basis. All numbers for 2012 and 2013 are presented on an IAS 39 basis, and exclude the impact of Bayport and Paycorp.