

TRANSACTION CAPITAL RISK SERVICES

A TECHNOLOGY-LED AND 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.

Innovative technology systems drive superior performance and efficiency

Generating in-depth insights from collecting accurate and valuable data to develop a consolidated view of individuals that enables precise and informed internal and external decisioning

Assisting clients by accelerating cash flow as an agent on an outsourced contingency or fee-for-service basis, or as a principal in acquiring and collecting non-performing loan portfolios

Proactive workforce management and technology facilitate a flexible and dynamic servicing capability able to meet the unique requirements of diverse clients

Enabling clients to generate higher risk-adjusted returns through their engagements with their customers at the point of origination, management and collection

Regarded as a trusted partner by large consumer-facing businesses and credit providers across multiple industries

Details on the operational competencies and related activities of each of Transaction Capital Risk Services' (TCRS) businesses can be found on pages 50 and 51.

SOCIETAL RELEVANCE

TCRS' activities broadly contribute to the efficiency and effectiveness of the South African and Australian credit systems. 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 (NPLs), 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.

**R588
MILLION**
LOANS ORIGINATED TO
BLACK-OWNED SMEs IN 2017

PERFORMANCE OVERVIEW

↑
39%

CORE HEADLINE EARNINGS
R233 MILLION
40% OF GROUP

↑
22%

PURCHASED
BOOK DEBTS
R891 MILLION

CORE COST-TO-INCOME
RATIO¹
79.3%
FROM 77.4% IN 2016

↑
93%

VALUE OF BOOK
DEBTS ACQUIRED
R356 MILLION

↑
27%

ESTIMATED REMAINING
COLLECTIONS
R1.7 BILLION

CORE RETURN
ON EQUITY¹
22.2%
FROM 31.5% IN 2016

Core financial ratios exclude once-off acquisition costs of R22 million incurred during 2017.
¹ Diluted due to acquisitions in 2017.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

STRATEGIC GROWTH INITIATIVES

- Current economic climate in South Africa favours acquisition of NPL portfolios
- Exploring the purchase of NPL portfolios as a principal in Australia
- Growth of TCRS' fledgling insurance recoveries offering in South Africa
- Road Cover products offered directly to consumers
- Bolton acquisitions in:
 - Value-added services in South Africa
 - Debt recoveries industry in Australia

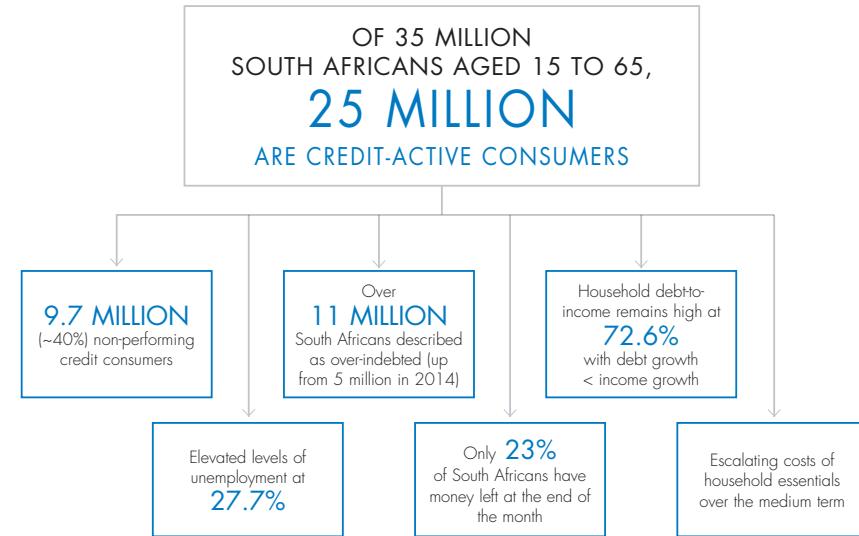
ACQUISITIONS

Three acquisitions within TCRS performing in line with expectations

- 100% of Recoveries Corporation (January 2017)
- 75% of Road Cover (December 2016)
- 51% of The Beancounter (December 2016)
- Operational integration executed successfully

MARKET CONTEXT

A CHALLENGING CONSUMER CREDIT ENVIRONMENT



OUTLOOK FOR SOUTH AFRICAN CONSUMERS

No longer-term effects signalling any meaningful improvement

Retail credit extension has tightened

Gradual deleveraging of the consumer will prevail

Consumers' disposable income stressed, negatively affecting their ability to repay debt

TCRS' DEFENSIVE POSITIONING WITHIN THE MARKET

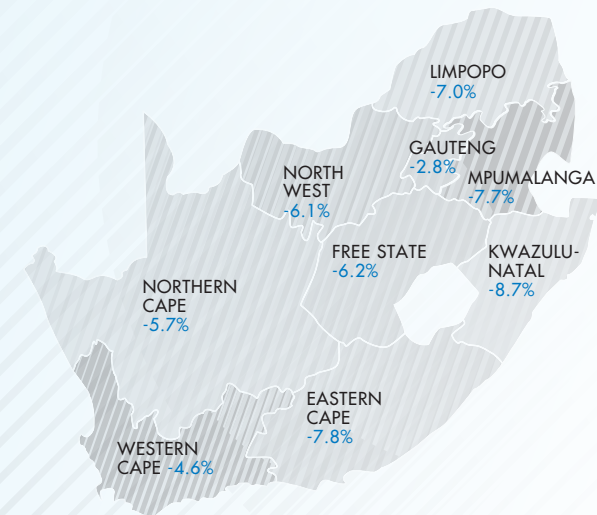
Increased number and size of NPL portfolios available to acquire as a principal from clients preferring immediate recovery from their NPLs

TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

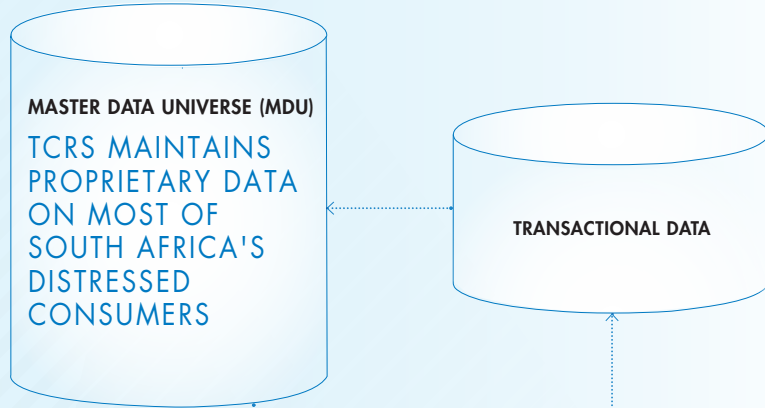
- Launched in June 2017
- Measures % change in rehabilitation prospects
 - TCRS algorithm to score propensity to repay debt
 - Empirically based with a sample of >5 million South African consumers in credit default
- National rehabilitation prospects
 - ∇ by 1.1% (Q2 17 vs. Q2 16)
 - ∇ by 0.9% (Q3 17 vs. Q3 16)
- Credit rehabilitation is a crucial element in growing an inclusive economy
 - Allows consumers to access credit and re-enter the consumer market
 - Allows lenders to maintain cleaner balance sheets to continue extending credit at more affordable costs

This deterioration reflects the vulnerability of South African consumers. While household debt to income has reduced, this is mainly due to debt growing at a slower pace than income, rather than an absolute decline in household debt.

The 25 basis points rate cut in July 2017 and lower inflation (5.1% at 30 September 2017) may improve the debt servicing ability of households, albeit moderately. No meaningful improvement in the consumer environment is expected, but tighter retail credit extension will support this gradual decrease in the debt burden of consumers.



TCRS' DATA, ANALYTICS AND SCALABLE TECHNOLOGY PLATFORM



Data sourced from MDU for maximised ContactAbility
Data is current, relevant and accurate as per:

- Credit Bureau data
- Other data sources, including the Department of Home Affairs and the Deeds Office
- Data from principal portfolios acquired

Transactional data enriched with collection and ContactAbility results

ANALYTICS

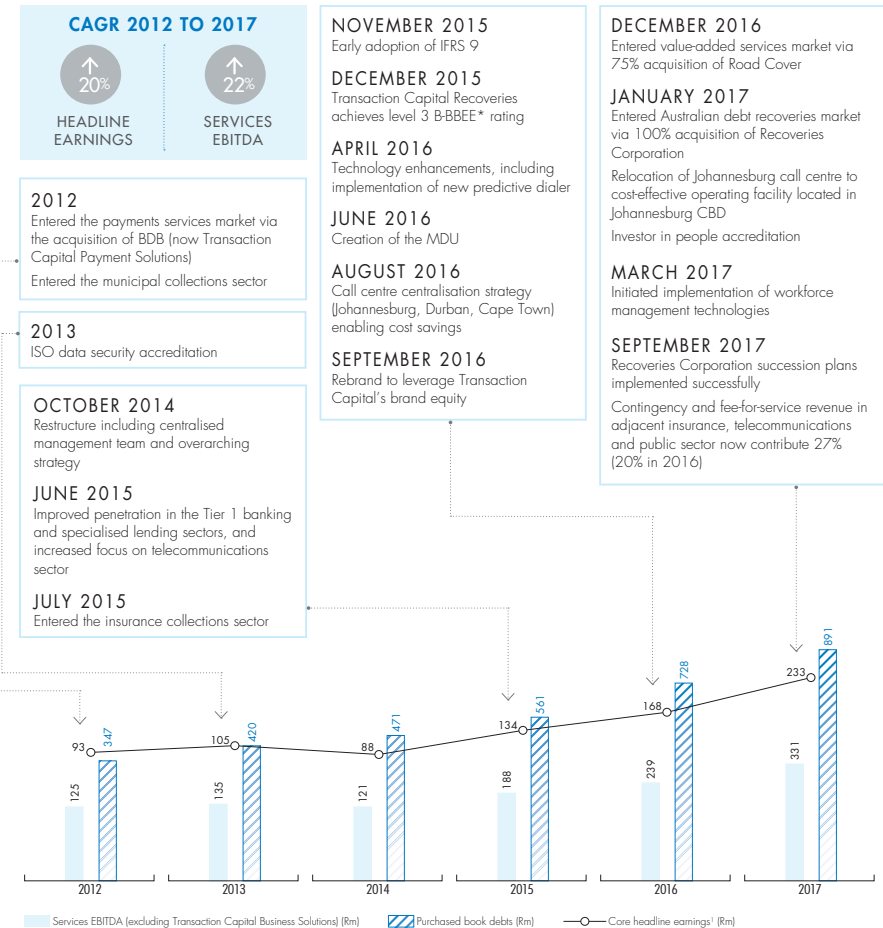
Predictive and layered voice analytics to determine:

- Optimised campaign
- Propensity to pay
- Right time to call
- Right day to pay
- Dynamic matter prioritisation
- Veracity of promise to pay

TECHNOLOGY TO ACHIEVE SCALE

- Dialer enhances scale of ContactAbility
 - Enabled over any omnichannel
 - ~27 MILLION outbound calls per month
 - ~5 MILLION voice interactions per month
 - ~560 000 payments received per month
- Workforce management enables:
 - Flexible work hour scheduling
 - Δ talk time
 - Δ activations
 - ∇ staff turnover
 - ∇ cost of collection
 - Call centres
Johannesburg >1 000 seats
Cape Town >250 seats
Durban >600 seats

TCRS' EVOLUTION SINCE LISTING



Financial years 1 October to 30 September. 1 Adopted IFRS 9 in 2015. 1 2014 numbers on a pro forma IFRS 9 basis. 1 2012 and 2013 numbers on an IAS 39 basis as reported.

1. Headline earnings attributable to the group.

* Broad-based black economic empowerment (B-BBEE).

BUSINESS ACTIVITIES
TCRS' DIVERSIFIED BUSINESS MODEL

AUD900 MILLION
TCRS Australia
R21 BILLION
TCRS South Africa
Contingency and fee-for-service collections

ORIGINATE

VALUE-ADDED SERVICES, LEAD GENERATION AND CUSTOMER ACQUISITION

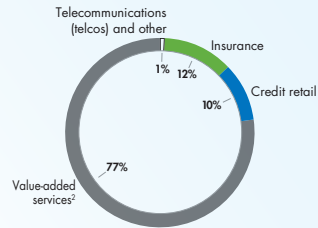


Assisting clients to identify and win new customers, and a provider of customer management solutions leveraging consulting, data analytics and technology capabilities



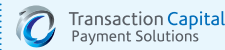
Provider of proprietary value-added services to the mass consumer market on a subscription basis

~2 MILLION clients (consumer subscriber base)



MANAGE

PAYMENT SERVICES AND ACCOUNT MANAGEMENT

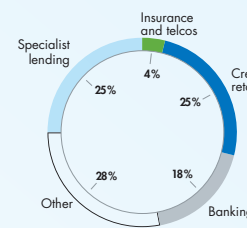


Specialist in customised, innovative and flexible payment processing services

~3 MILLION disbursements for clients each year

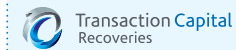
~7 MILLION debit orders and NAEDO³ transactions processed for clients each year

~R27 BILLION payments processed for clients each year



COLLECT

CONTINGENCY AND FEE-FOR-SERVICE COLLECTIONS

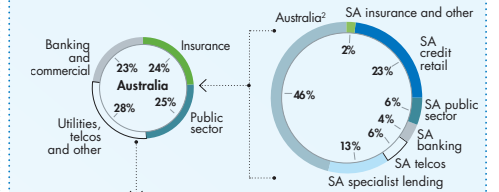


Provider of collection and recovery services, including early stage rehabilitation, late stage collections and legal recoveries

Ranked 1st or 2nd by clients in 89% of 231 mandates where TCRS is represented

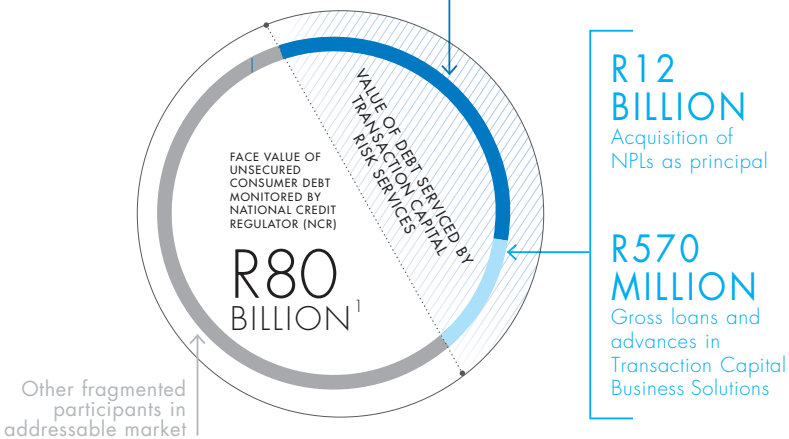
86 clients (2016: 83)

27% Revenue contribution from non-NCA⁴ debt (2016: 20%)



Provider of consumer customer management solutions, including debt recovery solutions, insurance claim recoveries, customer services and litigation management services

'National Credit Team of the Year' award
41 clients
~600 employees



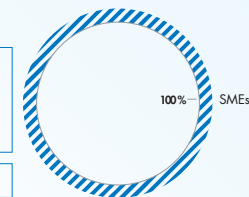
SME FINANCING AND SERVICES



Provider of business support and SME finance to small businesses, including invoice discounting, trade finance, property finance and fully outsourced accounting, payroll and tax services

~450 000 invoices worth ~R8.5 billion processed each year

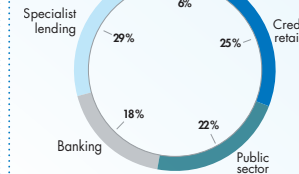
>400 clients



ACQUISITION OF NPL PORTFOLIOS TO BE COLLECTED AS PRINCIPAL



Intention to enter the NPL acquisition market in Australia



↑ 27%
to R1.7 billion
Estimated remaining collections

Acquired 29 portfolios for R356 million with a face value of R5.2 billion

↑ 22%
to R891 million
Purchased book debts

Pioneered this industry, acquiring the first NPL portfolio in 1999
195 portfolios owned in total with a face value of R12.2 billion

Sectors split by revenue per segment as at 30 September 2017.

1. R80 billion comprises credit monitored by the NCR as at 31 December 2016. TCRS' target market also includes sectors not regulated by the NCR, being SMEs, education, insurance, public sector, telecommunications, state-owned enterprises (SOEs) and utilities.

2. Revenue generated by businesses acquired in the year is only included from the effective date of the acquisition.

3. Nonauthenticated early debit orders (NAEDO). 4. National Credit Act (NCA).



Q: *The acquisition of Recoveries Corporation in Australia was effective 1 January 2017. What synergies are there between this business and the TCRS stable in South Africa?*

Recoveries Corporation in Australia is a very strong business with a 25-year history and an experienced management team. It's a contingency-based debt collection business that has been particularly successful in the government, insurance, utilities and financial sectors.

For TCRS, we have bought a good platform to serve as a springboard to move into the purchased debt ledger (PDL) sector. Referred to as NPL portfolio acquisitions in South Africa, it's an area where we are an industry leader locally, reflected in increased NPL portfolio acquisition activity this year within Transaction Capital Recoveries. This shift is largely due to the South African economic environment, where more clients are looking for the certainty of a return on their NPLs. In Australia, despite it being a developed market with many competitors across listed players, we see a big opportunity in the hybrid model of contingency collections and book buying. Also, with only four or five established book buyers in the market, sellers are eager for new entrants to drive competition.

Our local capabilities in valuing, buying and debt funding NPL portfolios can be leveraged in Australia, utilising Recoveries Corporation's well-established platform to collect on those portfolios. And as Recoveries Corporation has strong expertise in doing work for the sellers on a contingency basis, they already understand these clients and have experience collecting on their books.

We also see an opportunity to leverage technology in Recoveries Corporation, specifically in using enhanced business intelligence (BI) to create a leaner business in a competitive and tight first-world market. As we have seen in our operation in South Africa, investing in the right technology is key to lowering costs and increasing revenue.

In South Africa, we are looking to grow our insurance vertical. Recoveries Corporation's success in this sector is backed by well-honed insurance systems; we certainly stand to benefit from their expertise in growing locally.

Q: *The acquisition of majority stakes in Road Cover and The Beancounter were completed in December 2016. How do these businesses support TCRS' aspirations?*

Road Cover is a focused business with a socially relevant product, which also stands as a natural extension of our outbound call centre. Road Cover brings a strong understanding of product development expertise in that space, which we see supporting our focus on developing and bringing more value-added services to the market.

The Beancounter is a cloud-based accounting business that is providing cost-effective technology-enabled solutions in the SME space. We see it having a key role as a fintech incubator to further develop and automate our business solutions business.

Q: *Last year, TCRS made major investments in the predictive dialer and master data universe. What progress has been made in 2017?*

We have spent this year settling and optimising the dialer, and integrating it with the recently implemented workforce management and right time to call systems. These are driving further operational improvements, which

continues to protect revenue in a tough economic environment.

Building on these major investments, we have also made great strides in building our analytics and data capabilities, thus increasing the quality of our data sets.

With real-time data on a wide variety of metrics, we are generating enhanced BI that is enabling quick decisions and giving us the information we need to make further improvements to business processes.

Also, better analysis of our data means that we are better able to evaluate books and thus buy better quality books. This builds its own momentum, as we are able to win more books because we can pay more for quality books that further support higher revenue earnings.

In the contingency space, our technology platform and enhanced BI is supporting our ability to tailor new and innovative services for our clients. And as the position you hold on the panels is key to winning contracts, this is helping us maintain and improve our collections performance; in 2017, we were ranked as either the top or second-best recoveries agent in 89% of 231 outsourced collection mandates. With the market contracting, maintaining a leading position means we will continue to win more of the mandates in a smaller pool.

As the tough economic environment in South Africa persists, we continue to focus on achieving incremental gains by managing the factors in our control. Our technology platform and BI is key to finding new ways to keep our business lean. To protect revenue, we are maintaining and improving our collections performance in both the contingency and principal space. In a market where success is increasingly about specialism, Transaction Capital Recoveries' increasing data volumes and analysis are driving our ability to deepen and expand our expertise. As an example, we are moving into asset-backed books (vehicles and asset management, and home loans), where the depth and quality of our data is supporting our ability to value these books more confidently.

Across TCRS, our technology-led orientation means that we can leverage different specialisms to develop our complementary businesses. For example, Principa is developing deep expertise in providing solutions in big data, a key aspect of the massive changes facing the world in what is being called the fourth industrial revolution. They provide many innovative ideas that are beneficial to Transaction Capital Recoveries and, by extension, Recoveries Corporation in Australia. And as mentioned, The Beancounter is supporting developments in Transaction Capital Business Solutions as it moves deeper into the fintech space.

Q: *What developments were there during the year with regards to TCRS' people?*

As discussed last year, we rationalised our call centre locations to focus on Johannesburg, Cape Town and Durban. The retrenchment process is always a difficult one, but I'm glad to report that we minimised the number of retrenchments by moving over 250 of our staff to the main metros, with the move well managed and completed smoothly.

People development is a strategic and highly demanding focus in our business, with dedicated resources and ongoing investment.

We have many programmes in place to build a high-performance culture by developing and rewarding our people. Also, within the collections space, our managers work the call centre floor with tablets that provide a straight line of sight into live data to support real-time performance management.

Where agents are missing targets, they are given immediate support and provided with further training where necessary.

TCRS' investment in people was affirmed in January 2017, with Transaction Capital Recoveries being accredited as an Investors in People organisation.

In Australia, Recoveries Corporation has excellent people practices in place and they have built a strong and cohesive culture in the business. Leveraging our experience of optimising TCRS with technology, we will support Recoveries Corporation in retraining their teams to adopt to new ways of working and to ultimately provide better career opportunities.

Q: *What are the priorities for the coming year?*

Considering the stricter requirements of the revised B-BBEE codes, we are pleased that our commitment to making a meaningful contribution to

empowerment has seen us achieve level 3 under the revised codes. We are working diligently to achieve level 2, by looking at new structures that will allow us to work with like-minded partners and entrepreneurs in the areas where we want to grow the business – specifically in the public sector in areas such as SOEs, government entities like municipalities and metros, and tertiary education institutions. This falls in line with our strategic objective of driving organic growth.

We will also continue to leverage our diverse but complementary capabilities across the business. For example, Transaction Capital Payment Solutions has developed deep expertise in managing debit orders, and we are leveraging this core competency across the division, particularly in Transaction Capital Recoveries and for some of its clients.

Transaction Capital Business Solutions had a successful year providing working capital financing and receivable management solutions to SMEs in what has been a tough environment for its clients. As mentioned previously, The Beancounter will be leading the development of fintech solutions in further enhancing the value proposition.

We will continue to be opportunistic and pursue opportunities for acquisitive growth, both in South Africa and Australia, where we are looking to expand our operations. And as data and technology remain a key part of our efforts to optimise our operations, we continue to monitor developments in related industries. We are cognisant of the risk of potential disintermediation or disruption that global fintech developments present, but with our growing focus and capabilities in this space, we see opportunities to lead the market.

Against the backdrop of a competitive market in Australia and sustained stress in the South African economy, our deep analysis of increasing volumes of data is growing our understanding of the business and our clients. We will use this to drive incremental operational improvements and tailor innovative solutions to deepen our relationships with our clients.