Transaction Capital

# TRANSACTION CAPITAL
# INTERIM RESULTS

FOR THE HALF YEAR ENDED 31 MARCH

CONTENTS

Transaction Capital

# TRANSACTION CAPITAL RESULTS PRESENTATION

FOR THE HALF YEAR ENDED 31 MARCH

Transaction Capital

TRANSACTION CAPITAL
**INTERIM RESULTS**
PRESENTATION
FOR THE HALF YEAR ENDED 31 MARCH

# GROUP HIGHLIGHTS 2017

FOR THE HALF YEAR ENDED 31 MARCH

# TRANSACTION CAPITAL GROUP STRUCTURE

## HY17 FINANCIAL & OPERATIONAL HIGHLIGHTS (HY17 compared to HY16)

### SA Taxi — driving our nation forward

CEO: Terry Kier, 10-year group tenure

- R144 MILLION[1] HEADLINE EARNINGS ▲22%
- R7.8 BILLION GROSS LOANS & ADVANCES ▲16%
- R195 MILLION NON-INTEREST REVENUE ▲30%
- 3.3% CREDIT LOSS RATIO HY16 3.4%
- 24.1% RETURN ON EQUITY HY16 25.4%
- 17.2% NON-PERFORMING LOAN RATIO HY16 18.0%

A vertically integrated taxi platform incorporating vehicle procurement, retail, finance, insurance, repossession, spare part procurement & refurbishment capabilities, combined with SA Taxi's proprietary data to deploy developmental credit, distribute bespoke taxi insurance, sell focused vehicle models & other allied services to taxi operators, thus ensuring the sustainability of a fundamental mode of transport

### Transaction Capital

CEO: David Hurwitz, 12-year group tenure

- R254 MILLION[1] HEADLINE EARNINGS ▲21%
- 43.3 CPS HEADLINE EARNINGS PER SHARE ▲17%
- 581.3 CPS NET ASSET VALUE PER SHARE ▲22%
- 15 CPS INTERIM DIVIDEND PER SHARE ▲25%
- 16.1% RETURN ON EQUITY HY16 15.9%
- R9.2 BILLION[2] MARKET CAPITALISATION

### Transaction Capital Risk Services

CEO: Dave McAlpin, 9-year group tenure

- R93 MILLION[1] HEADLINE EARNINGS Core ▲33%, Excluding acquisitions ▲17%
- R930 MILLION PURCHASED BOOK DEBTS ▲63%
- 80.3% COST-TO-INCOME RATIO HY16 81.5%
- R210 MILLION VALUE OF PURCHASED BOOK DEBTS ACQUIRED ▲ >100%
- 20.6% RETURN ON EQUITY HY16 27.7%
- R1.5 BILLION ESTIMATED REMAINING COLLECTIONS ▲40%

A technology-led, data-driven provider of customer management services in South Africa & Australia through a scalable & bespoke platform, enabling its clients to mitigate risk through their customer engagement lifecycle

Financial ratios & results exclude once-off acquisition costs of R22 million incurred during HY17

1. Headline earnings attributable to the group, excluding minority interest | 2. Market capitalisation as at 31 March 2017

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# GROUP STRATEGIC & OPERATIONAL HIGHLIGHTS

### STRATEGIC POSITIONING OF OPERATING DIVISIONS

**Delivering robust organic growth**
- Occupy leading market positions
- Highly defensive businesses
- Vertically integrated & diversified business model
- Continued investment in technology & data
- Platforms to develop new products & expand into new markets

### UNGEARED & LIQUID BALANCE SHEET

- **28.4 million** shares issued raising **R419 million**
- Net asset value per share ▲ **22%**
- Liquid capital **~R600 million**
- Capacity & flexibility to continue investing in organic & acquisitive opportunities

### DEBT CAPITAL MARKETS

**Uninterrupted access to the debt capital markets**
- Despite political instability & South Africa's sovereign rating downgrade
- SA Taxi raised **>R4 billion** in HY17
- 2018 fully funded
- Accessed **>R2 billion** of debt funding from European DFIs since 2010
- Secured **>R2 billion** of debt facilities from US-based DFIs during HY17
- Established a **R2 billion** domestic note programme

### INTERIM DIVIDEND

- Interim dividend per share ▲ **25%** to **15cps**
- Interim dividend cover of **2.9 times** (HY16 3.1 times)
- Compound annual growth rate (CAGR) of **36%** since HY14

### ACQUISITIONS

**3 acquisitions within Transaction Capital Risk Services (TCRS)**
- 100% of Recoveries Corporation, effective 1 January 2017
- 75% of Road Cover, effective 1 December 2016
- 51% of The Beancounter, effective 1 December 2016
- Performing in line with expectations
- Integration is a key strategic & operational focus

### GROWTH OPPORTUNITIES

- Exploring the purchase of non-performing loan portfolios as a principal in Australia
- Growth of TCRS' fledgling insurance recoveries offering in South Africa
- Road Cover products offered through TCRS' clients; to SA Taxi's client & commuter base; & directly to consumers
- Bolt-on acquisitions

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# EVOLUTION SINCE LISTING

## MANAGEMENT INTERVENTIONS TO CREATE VALUE

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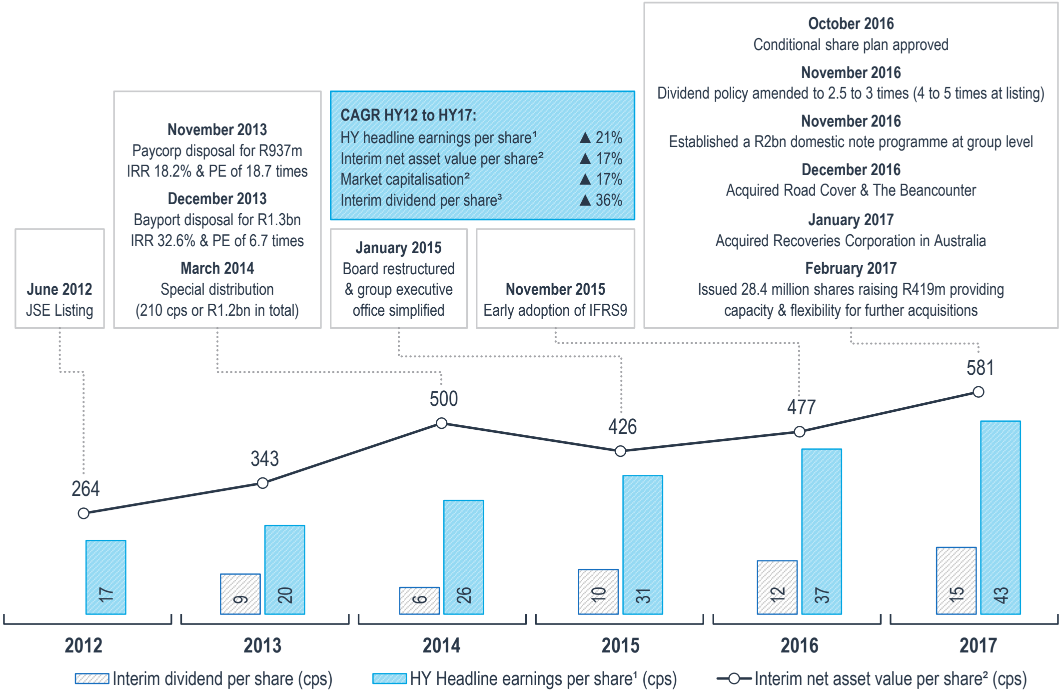


Financial years 1 October to 30 September | Adopted IFRS 9 in 2015. 2012 to 2014 numbers on an IAS 39 basis as reported

1. Core headline earnings per share, excluding impact of Paycorp & Bayport
2. 2012 & 2013 adjusted to account for special distribution paid in March 2014
3. CAGR between 2014 & 2017, excludes the impact of Paycorp & Bayport



## NOTES

# GROUP PORTFOLIO MIX

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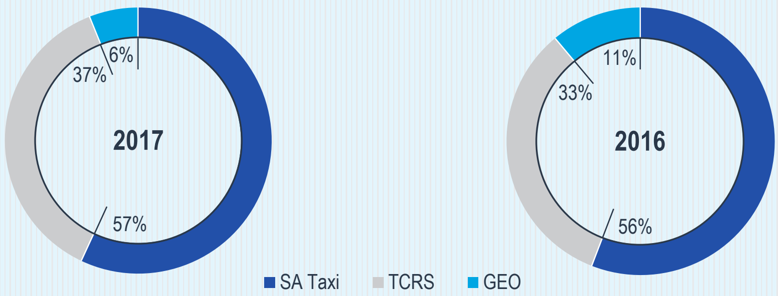
COMPOSITION OF EARNINGS POST ACQUISITIONS TO BE MORE EVENLY WEIGHTED




ACCRETIVE CASH DEPLOYMENT CONVERTING GEO CASH YIELD INTO TCRS EARNINGS

| | Rm | | Growth | Contribution | |
|---|---|---|---|---|---|
| **Headline earnings** | **2017** | **2016** | **2017** | **2017** | **2016** |
| SA Taxi[1] | 144 | 118 | 22% | 57% | 56% |
| TCRS[1] | 93 | 70 | 33% | 37% | 33% |
| Group executive office (GEO) | 17 | 22 | (23%)[2] | 6% | 11% |
| **Total** | **254** | **210** | **21%** | **100%** | **100%** |
| ***Cents per share*** | ***43.3*** | ***37.0*** | ***17%*** | | |

Headline earnings excludes once-off acquisition costs of R22 million incurred during HY17
1. Attributable to the group, excluding minority interest
2. Accretive cash deployment into acquisitions



# TRANSACTION CAPITAL
# RISK SERVICES

2017

FOR THE HALF YEAR ENDED 31 MARCH

# TRANSACTION CAPITAL RISK SERVICES (TCRS)

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1 *Innovative & bespoke technology systems that drive superior performance & efficiency*

2 *Generating in-depth insights from the continuous collection of accurate & valuable data to develop a consolidated view of an individual that enables precise & informed internal & external decisioning*

3 *Improving its clients' ability to originate, manage & collect from their customers through their lifecycles, thus maximising value*

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

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

5 *Proactive workforce management & technology facilitate a flexible & dynamic servicing capability able to meet a client's unique requirements*

6 *Regarded as a trusted partner by large consumer-facing businesses & 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 & collection*

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## NOTES

# ENVIRONMENT & MARKET CONTEXT

## CHALLENGING CONSUMER CREDIT ENVIRONMENT

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IN SOUTH AFRICA, OF THE 35 MILLION ADULTS[1] THERE ARE:

**24 MILLION** CREDIT ACTIVE CONSUMERS

- 9.8 MILLION NON-PERFORMING CREDIT CONSUMERS (NCR Q4 2016)
- OVER 11 MILLION SOUTH AFRICANS DESCRIBED AS "OVER-INDEBTED" (UP FROM 5 MILLION IN 2014)
- HOUSEHOLD DEBT TO DISPOSABLE INCOME REMAINS HIGH AT 74%

### ADVERSE MACRO-& SOCIO-ECONOMIC ENVIRONMENT

- Increased number & size of NPL portfolios available to acquire as a principal from clients preferring immediate recovery from their NPLs
- Consumers' disposable income stressed, negatively affecting their ability to repay debt
- Increased cost & extended time to collect

### REGULATORY ENVIRONMENT

- Stable over the past 18 months
- Regulatory changes re affordability assessments result in more responsible & lower levels of credit extension
- Earlier rehabilitation of consumers over medium-term

1. Aged 15 to 65

Source: NCR data at 31 December 2016 | Stats SA



# TCRS MARKET POSITIONING

## DATA, ANALYTICS & SCALABLE TECHNOLOGY PLATFORM

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### MASTER DATA UNIVERSE (MDU)

9.2 MILLION
UNIQUE & VALID ID NUMBERS
Each uniquely scored with a TCRS propensity to pay score

94%
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 & valid
POSTAL ADDRESSES

Data is current, relevant & accurate as per:

- CREDIT BUREAU DATA
- OTHER DATA SOURCES such as the Department of Home Affairs & the Deeds Office
- Data from PRINCIPAL PORTFOLIOS ACQUIRED

- Opportunity to monetise data
- POPI compliant

Data sourced from MDU for maximised ContactAbility

Transactional Data enriched with collection & ContactAbility results

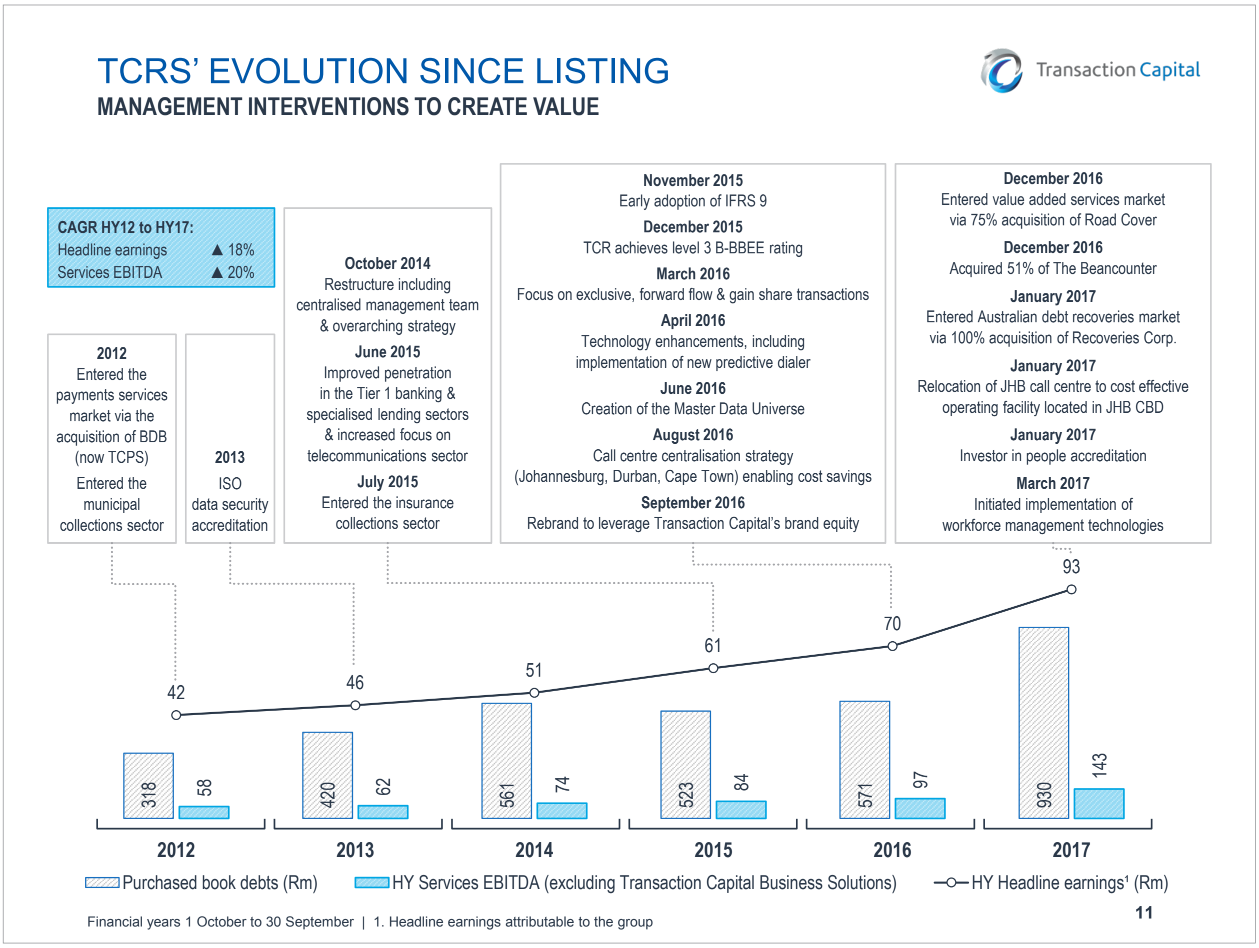
### CAMPAIGN BUILDER

Predictive analytics to determine:

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

### DIALER & WORKFORCE MANAGEMENT

- Enhances scale of ContactAbility
- Schedule the workforce
- Flexible work-hour selection
- ▲ talk time
- ▲ activations


TCRS' EVOLUTION SINCE LISTING
MANAGEMENT INTERVENTIONS TO CREATE VALUE
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CAGR HY12 to HY17:
Headline earnings ▲ 18%
Services EBITDA ▲ 20%
2012
Entered the payments services market via the acquisition of BDB (now TCPS)
Entered the municipal collections sector
2013
ISO data security accreditation
October 2014
Restructure including centralised management team & overarching strategy
June 2015
Improved penetration in the Tier 1 banking & specialised lending sectors & increased focus on telecommunications sector
July 2015
Entered the insurance collections sector
November 2015
Early adoption of IFRS 9
December 2015
TCR achieves level 3 B-BBEE rating
March 2016
Focus on exclusive, forward flow & gain share transactions
April 2016
Technology enhancements, including implementation of new predictive dialer
June 2016
Creation of the Master Data Universe
August 2016
Call centre centralisation strategy (Johannesburg, Durban, Cape Town) enabling cost savings
September 2016
Rebrand to leverage Transaction Capital's brand equity
December 2016
Entered value added services market via 75% acquisition of Road Cover
December 2016
Acquired 51% of The Beancounter
January 2017
Entered Australian debt recoveries market via 100% acquisition of Recoveries Corp.
January 2017
Relocation of JHB call centre to cost effective operating facility located in JHB CBD
January 2017
Investor in people accreditation
March 2017
Initiated implementation of workforce management technologies
42
46
51
61
70
93
318
58
420
62
561
74
523
84
571
97
930
143
2012
2013
2014
2015
2016
2017
Purchased book debts (Rm)
HY Services EBITDA (excluding Transaction Capital Business Solutions)
HY Headline earnings¹ (Rm)
Financial years 1 October to 30 September | 1. Headline earnings attributable to the group
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## NOTES

# TCRS' DIVERSIFIED BUSINESS MODEL

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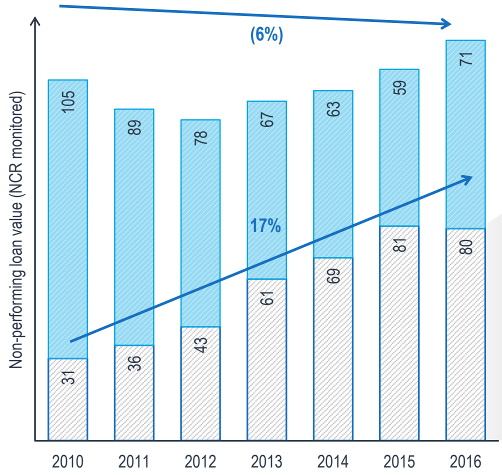
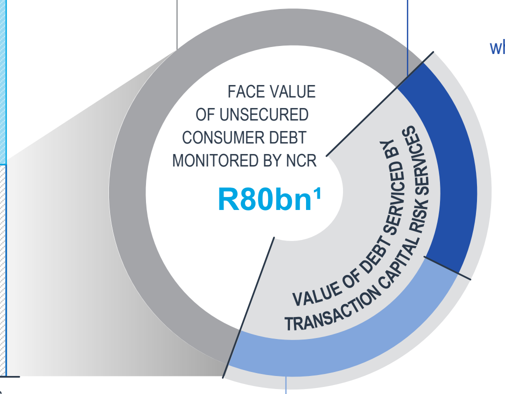
TCRS TARGET MARKET:
UNSECURED NON-PERFORMING CONSUMER CREDIT




NON-PERFORMING LOAN MARKET SIZE & GROWTH (Rbn)

TCRS target market (unsecured) | Mortgages & secured finance

Other fragmented participants in addressable market




**R14bn**

**Contingency & fee-for-service collections**

**We rank 1st or 2nd** by our clients in **89%** of the **217 MANDATES** where we are represented

In Australia
**A$600m**
Contingency & fee-for-service collections

**R18bn**

Acquisition of non-performing loan portfolios as principal

**180 books** in total
**13 portfolios** acquired for **R210m** in HY17
Asset turnover ratio **57.1%²**
Estimated remaining collections **R1.5bn**

Source: NCR
1. R80bn 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, SOEs & utilities
2. Gross principal book revenue as a percentage of average carrying value of purchased book debts



# TCRS' DIVERSIFIED BUSINESS MODEL

## 31 MARCH 2014

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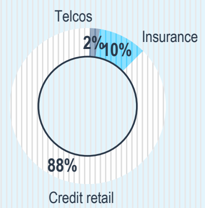
ORIGINATE | MANAGE | COLLECT

**R16** BILLION
Contingency & fee-for-service collections South Africa

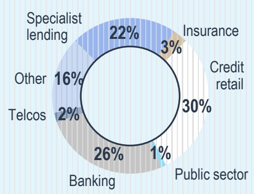
LEAD GENERATION AND CUSTOMER ACQUISITION

Principa



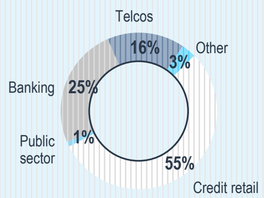

PAYMENT AND ACCOUNT MANAGEMENT

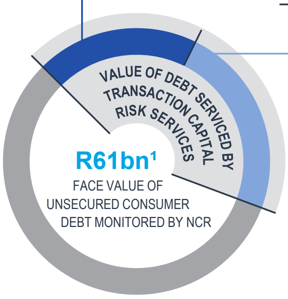
Transaction Capital Payment Solutions | Transaction Capital Business Solutions | Principa




COLLECTION SERVICES

Transaction Capital Recoveries



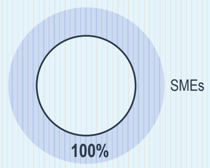




**R13** BILLION
Acquisition of non-performing loans as principal

**R318** MILLION
Gross loans & advances Transaction Capital Business Solutions

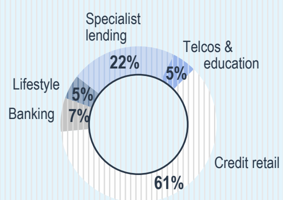
SME FINANCING

Transaction Capital Business Solutions




DEBT PURCHASING

Transaction Capital Recoveries




*Public sector 0% at 31 March 2014*

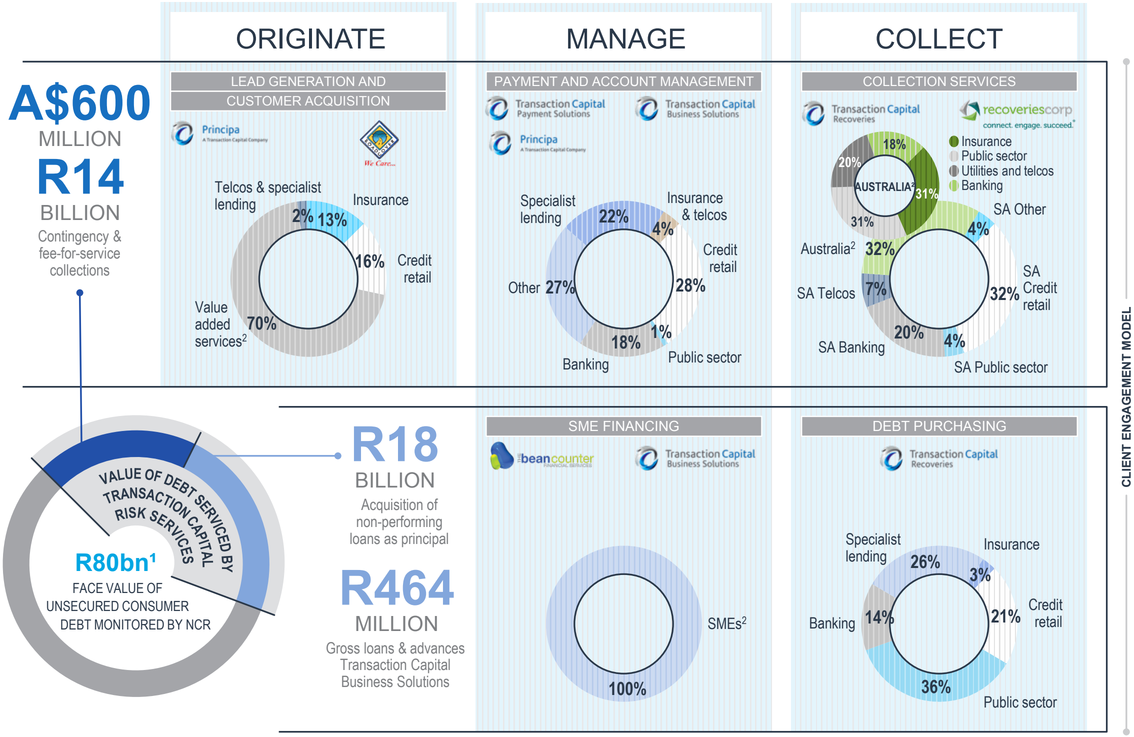
CLIENT ENGAGEMENT MODEL

Sectors split by revenue per segment as at 31 March 2014
1. R61bn comprises credit monitored by the NCR as at 31 December 2013. TCRS target market also includes sectors not regulated by the NCR, being SMEs, education, insurance, public sector, telecommunications, SOEs & utilities

## TCRS' DIVERSIFIED BUSINESS MODEL

**31 MARCH 2017**

Transaction Capital




Sectors split by revenue per segment as at 31 March 2017

1. R80bn 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, SOEs & utilities
2. Earnings generated by businesses acquired only included from the effective date of the acquisition

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## NOTES

# TCRS FINANCIAL PERFORMANCE

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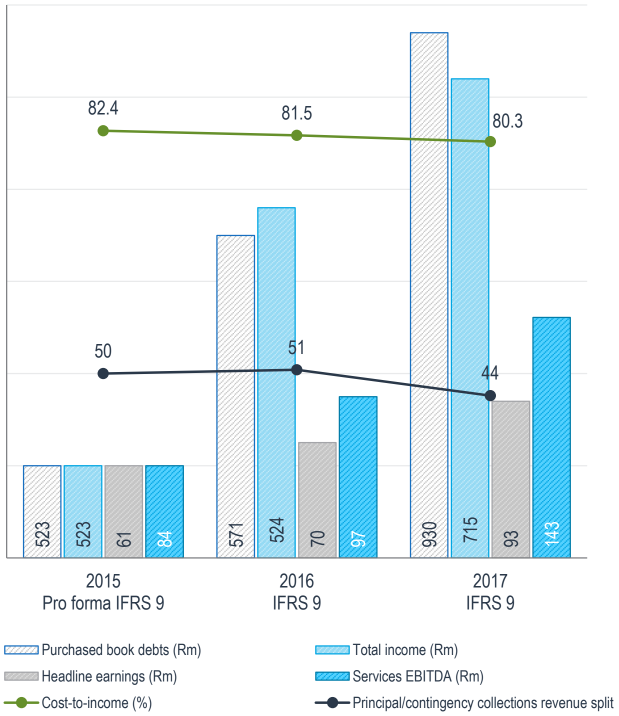


- Core headline earnings ▲ **33%** to **R93m**
  - Excludes once-off acquisition costs of **R22m**
  - Accretive cash deployment converting cash yield into earnings
- Headline earnings organic growth ▲ **17%[1]**
- Services EBITDA[2] organic growth ▲ **20%[1]**
- Contingency & fee-for-service revenue
  - Growing revenue from adjacent sectors
  - Insurance, telecommunications & public sector contributing **9%[1]**
- Cost-to-income ratio improved to **80.3%** from **81.5%**
  - Total costs ▼ **7%[1]**
  - Continued investment in data (MDU), technologies (dialer & workforce management) & analytics yielding efficiencies
  - Frugal cost management
- Transaction Capital Business Solutions
  - Gross loans & advances ▲ **10%** to **R464m**

1. Excluding the effect of acquisitions
2. Services EBITDA (excluding Transaction Capital Business Solutions)



# TCRS FINANCIAL PERFORMANCE

## PURCHASED BOOK DEBTS PERFORMANCE

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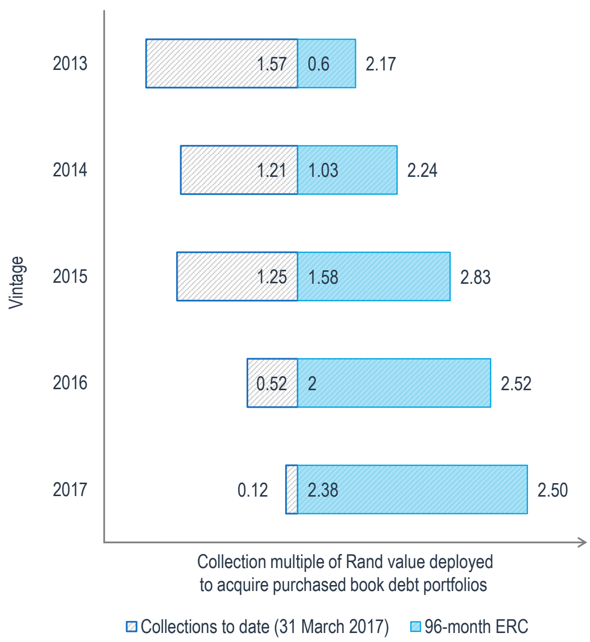
ESTIMATED REMAINING COLLECTIONS (ERC)
VINTAGE PERFORMANCE AS AT 31 MARCH 2017




- Principal revenue ▲ **19%** (HY16: 9%)
  - Purchased book debts ▲ **63%** to **R930m**
  - **13** portfolios acquired for **R210m** (FY16: R184m)
  - Current economic context stimulates acquisition of non-performing loan portfolios
  - **180** portfolios owned in total
- Focus on exclusive, forward flow & gain share transactions
- Continued but cautious progress in municipal sector
- Asset-turnover ratio remains high at **57.1%**
  - Diluted by high value of portfolio acquisitions
- 2017 ERC cover of **2.50 times**
  - ERC ▲ **40%** to **R1.5bn**
  - Longevity in the yield of principal portfolios on book, expected to support future positive performance
  - ERC is the estimated undiscounted remaining gross cash collections from purchased book debts to be recovered over the next 96 months, expressed as a multiple of the purchase price

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

# TCRS OPERATIONAL PERFORMANCE

## QUICK FACTS

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Transaction Capital Recoveries

**R300** MILLION
COLLECTED EACH MONTH

▲**32%** (since HY16)
REVENUE PER EMPLOYEE

RESULTING FROM

**~550 000**
PAYMENTS RECEIVED EACH MONTH

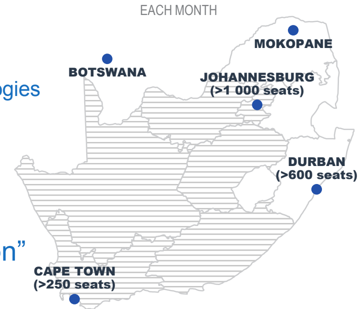
**~4.35** MILLION
VOICE INTERACTIONS EACH MONTH

**~25** MILLION
OUTBOUND CALLS FROM THE DIALER EACH MONTH

Workforce management (WFM) technologies improved to schedule the workforce

- Quick to scale
- Quick to train

"Investor in people organisation"
Accreditation in January 2017




Transaction Capital Payment Solutions

**~250 000**
DISBURSEMENTS FOR CLIENTS EACH MONTH

**~500 000**
DEBIT ORDERS & NAEDO TRANSACTIONS PROCESSED FOR CLIENTS EACH MONTH

RESULTING IN

**~R2.2** BILLION
OF PAYMENTS PROCESSED FOR CLIENTS EACH MONTH

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## NOTES

# SA TAXI

2017

FOR THE HALF YEAR ENDED 31 MARCH

## SA TAXI

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1. *An innovative & pioneering business model with operations expanding throughout the financing & asset value chain, building a scalable platform that can be leveraged in adjacent markets*
2. *A unique blend of vehicle procurement, retail, repossession & refurbishment capabilities, with financing & comprehensive insurance competencies for focused vehicle types*
3. *Valuable client & market insights developed from overlaying granular telematics, credit, vehicle & other data to enable precise & informed origination & collection decisioning & proactive risk management*

SA TAXI IS A VERTICALLY INTEGRATED TAXI PLATFORM UTILISING SPECIALIST CAPABILITIES AND ENRICHED PROPRIETARY DATA TO JUDICIOUSLY DEPLOY DEVELOPMENTAL CREDIT AND ALLIED BUSINESS SERVICES TO EMPOWER SMES THUS ENSURING THE SUSTAINABILITY OF A FUNDAMENTAL MODE OF TRANSPORT

4. *Enabling financial inclusion by proficiently securing funding from both local & international debt investors to judiciously extend developmental credit to SMEs that may otherwise not have access to credit from traditional financiers*
5. *Providing complementary business services that assist SMEs to maximise cash flow & protect their income-generating asset, thus improving their ability to succeed*
6. *Empowering under-served & emerging SMEs to build their businesses, which in turn creates further direct & indirect employment opportunities*
7. *Contributing to the recapitalisation & sustainability of the taxi industry – a critical pillar of the public transport sector servicing the majority of South Africa's working population*

# SA TAXI IMPACT

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## DELIVERING A SOCIAL & COMMERCIAL BENEFIT

### SME EMPOWERMENT & ECONOMIC TRANSFORMATION

SA Taxi facilitates asset ownership by black owned SMEs

BLACK OWNED SMEs | 100%

WOMEN OWNED SMEs | 20%

UNDER THE AGE OF 35 YEARS | 18%

**R1.4** BILLION
LOANS ORIGINATED CREATING
3 764
SMEs IN HY17

**R17.1** BILLION
LOANS ORIGINATED CREATING
61 344
SMEs SINCE 2008

### SUSTAINABLE JOB CREATION

DIRECT JOBS PER TAXI VEHICLE | **1.8**

DIRECT JOBS CREATED BY SA TAXI'S FLEET SINCE 2008 | **110 419**

**~ 600 000**
INDIRECT JOBS ENABLED BY THE MINIBUS TAXI INDUSTRY[1]

DIRECT JOBS CREATED BY SA TAXI'S FLEET IN HY17 | **6 775**

### PUBLIC TRANSPORT INFRASTRUCTURE

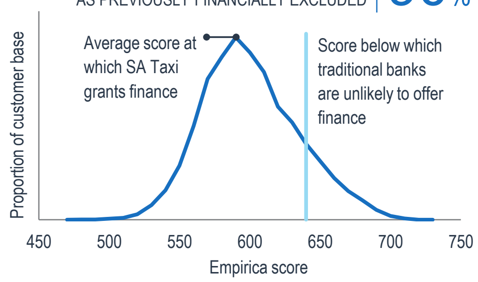
By providing end user finance SA Taxi enables the replacement of aged & unsafe minibus taxis with new safer & more reliable minibus taxis

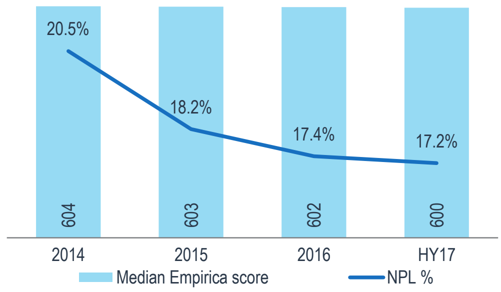
### ENVIRONMENTAL SUSTAINABILITY

SA Taxi enables replacement of aged less efficient vehicles with new & reduced emission vehicles

### INCLUSIVE GROWTH

PROPORTION OF CUSTOMERS CLASSIFIED AS PREVIOUSLY FINANCIALLY EXCLUDED | 90%




1. Department of Transport Minister Dipuo Peters address at National Council of Provinces Budget vote NCOP 2014/15

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## NOTES

# ENVIRONMENT & MARKET CONTEXT

**MINIBUS TAXI INDUSTRY IS RESILIENT & DEFENSIVE DESPITE SA'S ECONOMIC CLIMATE**

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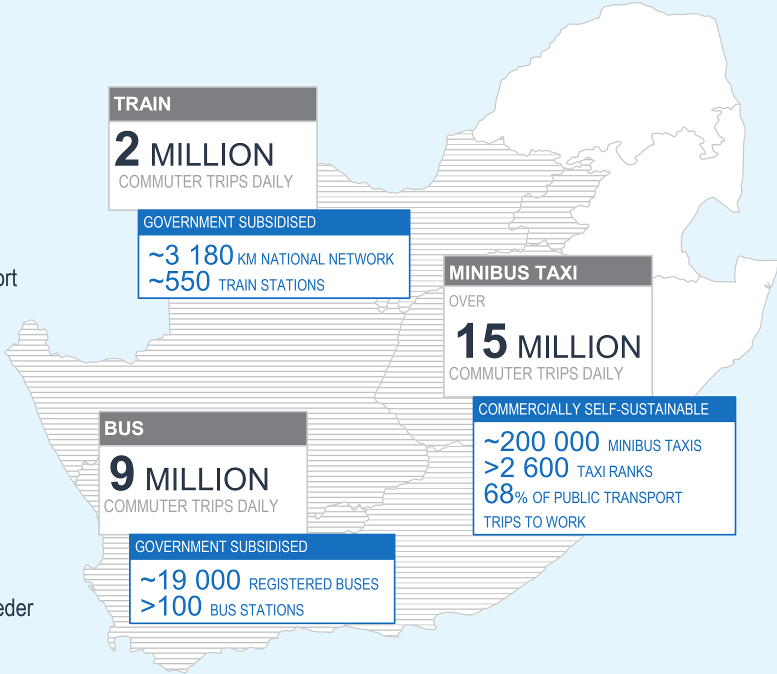
PUBLIC TRANSPORT COMMUTERS ARE HEAVILY RELIANT ON MINIBUS TAXIS GIVEN THE ACCESSIBILITY & EFFICIENCY

- **40%** of South Africans use public transport
- Minibus taxis are the dominant form of public transport
- **69%** of all households use minibus taxis (▲ from **59%** since 2003)
- Minibus taxi transport is a non-discretionary expense

INTEGRATED PUBLIC TRANSPORT NETWORK

- Minibus taxi serves as a trunk service in parallel with train & bus, & is also the feeder into these modes




SOURCE: National Land Transport Strategic Framework 2015 | Passenger statistics from Arrive Alive & StatsSA noting individuals can take more than one mode of transport | SABOA website | Stats SA Land Transport Survey February 2017

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# ENVIRONMENT & MARKET CONTEXT

**STRUCTURALLY DEMAND FOR MINIBUS TAXI VEHICLES EXCEEDS SUPPLY**

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DEMAND: AN AGEING NATIONAL FLEET

IN SOUTH AFRICA THERE ARE

**~200 000** MINIBUS TAXIS
- **70 000 - 80 000** FINANCED & INSURED
- **120 000 - 130 000** UNENCUMBERED & HENCE AGED

ON AVERAGE **OVER 9 YEARS OLD** → AN AGEING FLEET THAT IS UNSAFE, REQUIRING **REPLACEMENT** & **RECAPITALISATION** → **DRIVING HIGHER DEMAND** FOR VEHICLES, FINANCE & ALLIED SERVICES SUPPLIED BY SA TAXI

SUPPLY: MINIBUS TAXI SUPPLY IN SOUTH AFRICA

**TOYOTA SESFIKILE**
Most prevalent vehicle in the minibus taxi industry

**TOYOTA PRE-OWNED**
Predominantly SA Taxi refurbished vehicles

**NISSAN NV350**
Although relatively new, steadily gaining acceptance

**MERCEDES SPRINTER**
Mainly used for long-distance routes

**TOYOTA SESFIKILE**

PRODUCTION PER MONTH → ~1 000

SA TAXI'S SHARE OF TOYOTA SESFIKILE PRODUCTION → >41%
(**38%** IN 2015)

- Improved credit performance as SA Taxi is selective on credit risk, due to limited supply
- Improved recoveries as asset retains value due to demand exceeding supply
- Liquid market for high quality & affordable SA Taxi pre-owned vehicles

SOURCE: National Land Transport Strategic Framework 2015 | Passenger statistics from Arrive Alive & StatsSA noting individuals can take more than one mode of transport | SABOA website | Stats SA Land Transport Survey February 2017

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# ENVIRONMENT FOR MINIBUS TAXI OPERATORS

Transaction Capital

**DESPITE A CHALLENGING & LOW GROWTH SOUTH AFRICAN ECONOMIC ENVIRONMENT, ECONOMIC FACTORS AFFECTING MINIBUS TAXI OPERATORS REMAIN FAVOURABLE**

## ECONOMIC FACTORS

For the period 1 Jan 2014 to 31 Dec 2016

**TOYOTA MINIBUS TAXI PRICE**

CAGR ▲ 8.7%

**SA REPO RATE**

▲ 200 bps

**TAXI FARES**

Stepped increases experienced

**FUEL PRICE[1]** (per litre)

| 1 Jan 2014 | Average over the period |
|---|---|
| R13.22 | R12.32 |

**CONTINUED HIGH LEVELS OF UNEMPLOYMENT**

>24%

## STRUCTURAL ELEMENTS

**Structurally demand for minibus vehicles exceeds supply**

**Ageing fleet**

**Dominant mode of public transport**

**Integrated component of public transport network**

**Commercially self-sustainable**
No reliance on government for capital investment to build or ongoing subsidisation to maintain & operate

## RESULTS

**PROFITABLE & RESILIENT SMEs**

23%
repeat clients over the last 12 months

**IMPROVING CREDIT METRICS**

| Credit loss ratio CAGR (HY14 to HY17) | Non-performing loan ratio CAGR (HY14 to HY17) |
|---|---|
| ▼ 16% | ▼ 17% |

**USAGE OF MINIBUS TAXIS CONSISTENTLY HIGH**

KM travelled by the SA Taxi fleet in 2016
~1.5 BILLION KM

1. Includes petrol & diesel as per www.energy.gov.za

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## NOTES

# SA TAXI MARKET POSITIONING

## VERTICALLY INTEGRATED BUSINESS MODEL

Transaction Capital

IN SOUTH AFRICA THERE ARE

**~200 000** MINIBUS TAXIS

**~17 000** TO **20 000** POINT-TO-POINT TAXIS

SA Taxi *driving our nation forward*

**R7.8 BILLION** GROSS LOANS & ADVANCES

**27 142** FINANCED VEHICLES ON BOOK

**22 058**[1] INSURED THROUGH SA TAXI

**~R650 MILLION** ANNUAL VEHICLE TURNOVER IN SA TAXI RETAIL DEALERSHIP

**>20 000m²** COMBINED AUTO BODY REPAIR & MECHANICAL REFURBISHMENT CENTRE

**1 in 3** OF NATIONAL FINANCED MINIBUS TAXI FLEET IS FINANCED & INSURED BY SA TAXI

**>85%** OF SA TAXI'S MINIBUS TAXI OWNERS INSURE WITH SA TAXI

**~4 000** NON-FINANCED MINIBUS TAXIS

**~8%** AVERAGE RETAIL MARGIN PER VEHICLE

**~220 per month** VEHICLE REFURBISHMENT CAPACITY

**DATA & TELEMATICS** APPLIED IN CREDIT VETTING, INSURANCE, COLLECTIONS & VEHICLE RECOVERY

ON AVERAGE EACH OF OUR VEHICLES TRAVELS **6 500** KM PER MONTH

OUR VEHICLES TRAVEL ON **6 500 ROUTES** COVERING OVER **~800 000** KM

**▲7%** REVENUE FROM TELEMATICS SERVICES

1. 100% of taxis financed by SA Taxi are fully insured

Source: National Household Travel Survey 2013 | SA Taxi's best estimate through our engagement with the industry & extrapolation of internal data

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# SA TAXI EVOLUTION SINCE LISTING

## MANAGEMENT INTERVENTIONS TO CREATE VALUE

Transaction Capital

| CAGR HY12 to HY17: | |
|---|---|
| Headline earnings | ▲ 21% |
| Gross loans & advances | ▲ 12% |
| Non-performing loan ratio | ▼ 7% |
| Credit loss ratio | ▼ 11% |

**Non-interest revenue composition**
26% (HY12) to 32% (HY17)
**Recovery on repossession:**
<65% (HY12) to >73% (HY17)

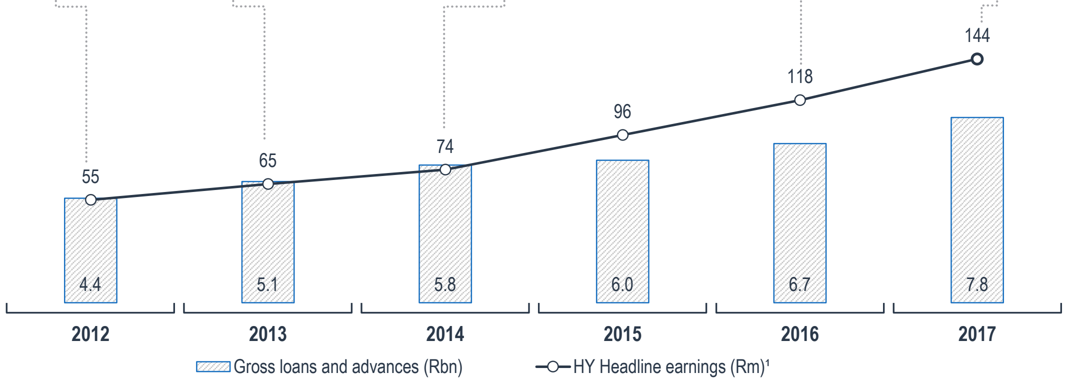
**June 2012**
Telematics applied to credit vetting via route mapping, in addition to repossession

**February 2013**
Operations relocated to Midrand
Mechanical workshop upgraded with all mechanical repairs done in-house
**August 2013**
Finance of Chinese vehicles discontinued

**October 2013**
Insurance cell established
Initiated insurance cover to non-financed clients
**March 2014**
Nissan NV350 launched
**August 2014**
Continued investment in proprietary data systems. Telematics applied in credit vetting, insurance, collections, repossession

**November 2015**
Early adoption of IFRS9
Point-to-point taxi business launched, leveraging off existing competencies
**February 2016**
Establishment of bespoke retail dealership in Midrand
**April 2016**
Refurbishment facilities extended to include auto body repair (panel)

**March 2017**
Since 2008:
R17.1 billion loans originated creating 61 344 SMEs, 110 419 direct jobs & ~135 000 indirect jobs
**March 2017**
Premium vehicles comprise 99.5% of loans & advances (78% in 2012)




Financial years 1 October to 30 September
1. Headline earnings attributable to the group

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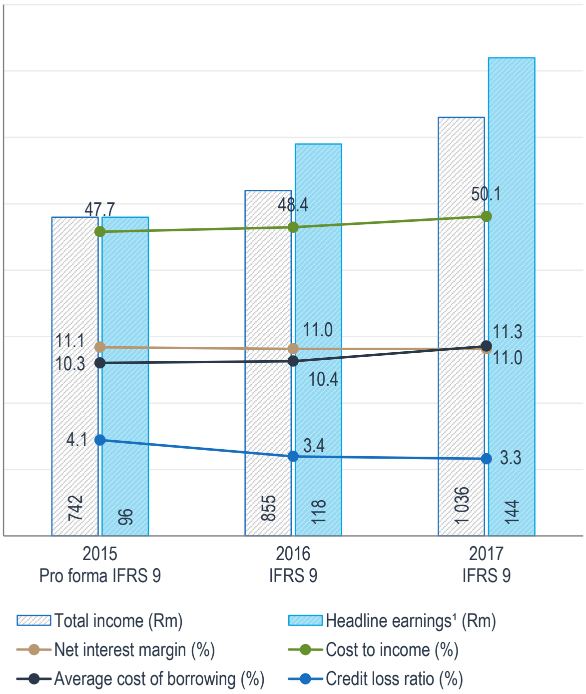
## SA TAXI FINANCIAL PERFORMANCE

Transaction Capital




- Headline earnings[1] ▲ **22%** to **R144m**
  - All organic growth
- NIM stable at **11.0%**
  - Funding costs ▲ by **90bps** to **11.3%**
  - ▲ foreign debt component, fully hedged to Rand
  - Average interest rate is **24.9%** on origination (NCA max cap of **34%)**
  - Anticipated ▲ interest rate cycle not expected to impact net interest margin
- Credit loss ratio improved from **3.4%** to **3.3%**
  - Risk-adjusted NIM ▲ from **7.6%** to **7.7%**
- Non-interest revenue ▲ **30%** to **R195m**
  - Loans originated via SA Taxi's dealership at margins of ~**8%**
  - Comprehensive insurance
    - **>85%** of financed clients also insured by SA Taxi
    - Non-financed minibus taxis insured ▲ **23%**
  - Revenue from telematics services ▲ **7%**
- Cost-to-income ratio ▲ from **48.4%** to **50.1%**
  - Investment in retail dealership, auto body repair centre, point-to-point taxi business
- Effective tax rate stabilised at **17.9%**

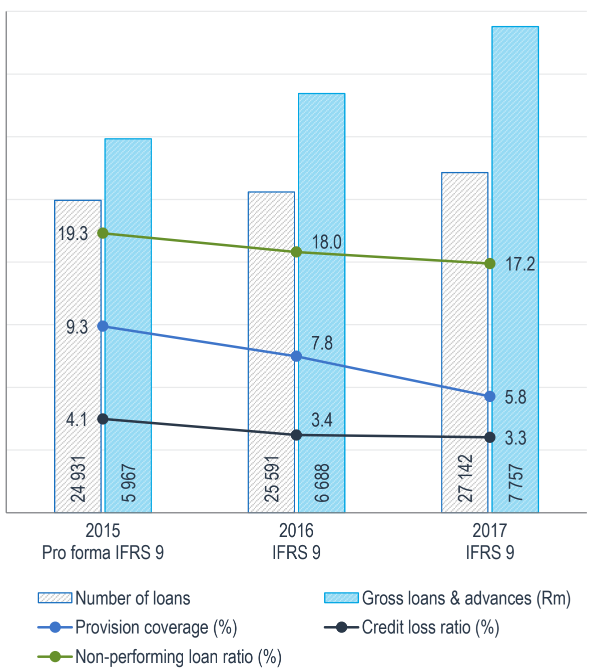
1. Headline earnings attributable to the group



## NOTES

# SA TAXI CREDIT PERFORMANCE

Transaction Capital



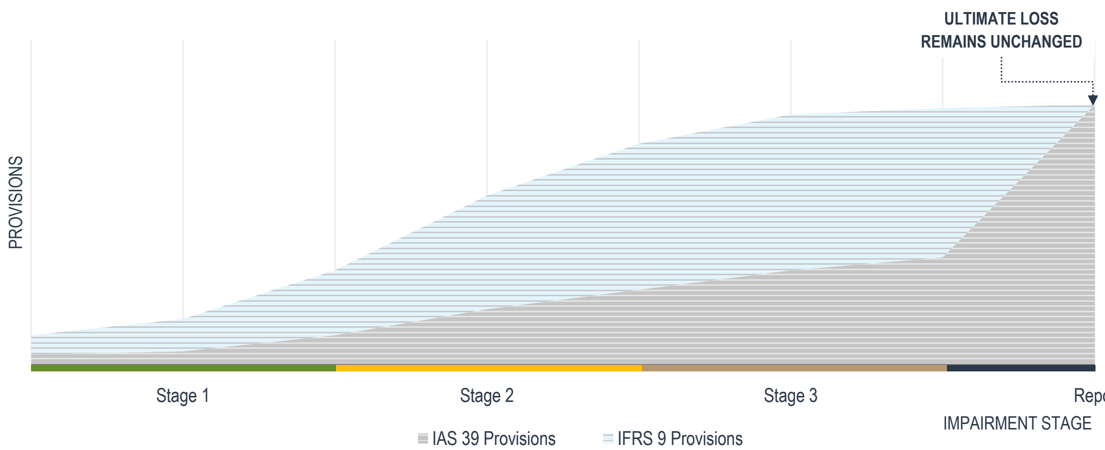

- Gross loans & advances ▲ **16%** to **R7.8bn**
  - › Number of loans originated ▲ **11%**
    - Number of Toyota loans on book ▲ **11.3%**
    - Toyota vehicle prices ▲ **12.5%** since 1 March 2016
  - › Number of loans on book ▲ **6%**
    - Active wind-down of Chinese vehicle portfolio
  - › Credit granting criteria remain conservative
- NPL ratio improved to **17.2%** from **18.0%**
  - › Continued strong collection performance
  - › Average balance per NPL ▼ **6%**
  - › Superior credit quality via retail dealership
  - › Enhanced via analytics applied to telematics data
- Credit-loss ratio improved from **3.4%** to **3.3%**
  - › Recover > **73%** of settlement value
  - › Improved quality & efficiencies in refurbishment centre
  - › Average repair cost ▼ **4%** (~R82 000 from ~R85 000)
  - › Target credit-loss ratio remains **3%** to **4%**
- Provision coverage at **5.8%**
  - › After tax credit-loss conservatively covered at **2.4** times
  - › IFRS 9 early adopted in 2015; more conservative provisioning methodology



# SA TAXI CREDIT PERFORMANCE

**IFRS 9 ADOPTION IN 2015: MORE CONSERVATIVE PROVISIONING METHODOLOGY**

Transaction Capital




**Construct of the book remains stable since year end**

| | Mar 2017 | Sep 2016 |
|---|---|---|
| Stage 1 | 70% | 70% |
| Stage 2 | 20% | 20% |
| Stage 3 | 10% | 10% |

**Improved quality of SA Taxi's loans & advances since listing**

| | 2012 | 2017 | CAGR % |
|---|---|---|---|
| Gross loans & advances (Rbn) | 4.4 | 7.8 | ▲ 12% |
| Non-performing loan ratio (%) | 24.3 | 17.2 | ▼ 7% |
| Credit loss ratio (%) | 5.8 | 3.3 | ▼ 11% |

# SA TAXI OPERATIONAL PERFORMANCE

Transaction Capital

## SA TAXI OPERATOR PROFILE

### VEHICLES ON BOOK

- **1.2** VEHICLES PER CUSTOMER
- **86%** TOYOTA VEHICLES
- **23%** LOANS ORIGINATED TO REPEAT CUSTOMERS (HY16 TO HY17)
- **3.7 YEARS** AVERAGE AGE OF VEHICLE
- **>85%** INSURED WITH SA TAXI

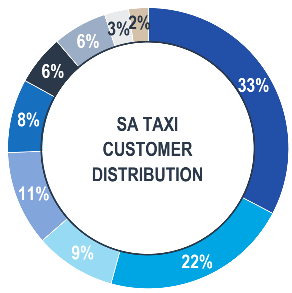
### CREDIT PROFILE OF LOANS ON BOOK

- **67 MONTHS** AVERAGE LOAN TERM
- **>R6 000** MINIMUM MONTHLY OPERATOR PROFIT
- **16.5%** AVERAGE DEPOSIT[1]
- **24.9%** WEIGHTED AVERAGE INTEREST RATE AT ORIGINATION
- **45 MONTHS** WEIGHTED AVERAGE REMAINING TERM
- **61%** AVERAGE APPROVAL RATE
- **600** AVERAGE EMPIRICA SCORE

### CUSTOMER PROFILE

- **100%** BLACK OWNED SMEs
- **20%** WOMEN OWNED SMEs
- **18%** UNDER THE AGE OF 35 YEARS
- **47 YEARS** AVERAGE AGE OF OWNER

## GEOGRAPHIC DISTRIBUTION




- Gauteng
- KwaZulu-Natal
- Mpumalanga
- Western Cape
- Eastern Cape
- North West
- Limpopo
- Free State
- Northern Cape

Percentages calculated based on rand value
1. Average deposit on new vehicles



## NOTES

# CAPITAL MANAGEMENT

2017

FOR THE HALF YEAR ENDED 31 MARCH

## CAPITAL & FUNDING EVOLUTION SINCE LISTING

Transaction Capital

**February 2012**
>R1bn raised from European DFIs since 2010

**June 2014**
Transsec: R4bn S&P rated & listed securitisation established
Initial issuance R665m

**March 2015**
Over 20 funders

**April 2015**
Transsec tap issuance: Privately placed R528m

**November 2015**
Transsec 2: R4bn S&P rated & listed securitisation established
Initial issuance R396m

**November 2015**
Early adoption of IFRS 9

**August 2016**
Transsec 2 tap issuance: R451m raised

**November 2016**
Dividend policy amended to 2.5 to 3 times (compared to 4 to 5 times at listing in 2012)

**November 2016**
Established a R2bn domestic note programme at TC group level

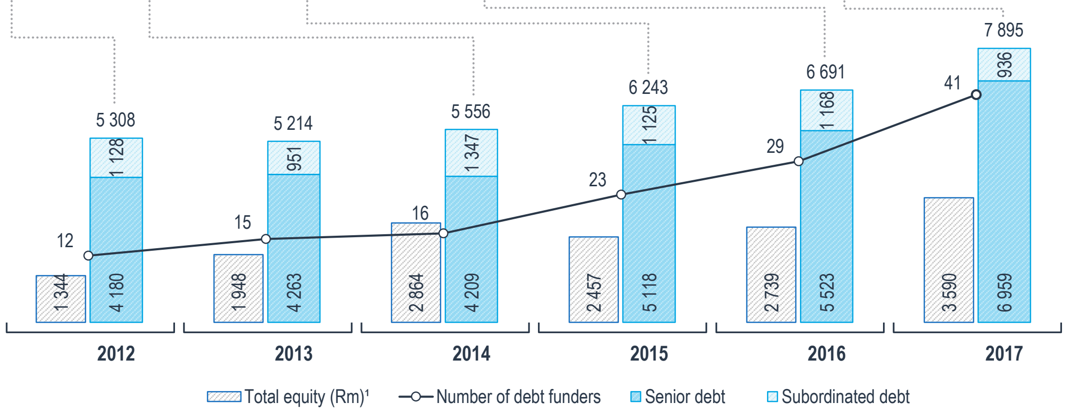
**January 2017**
First local DFI: R100m financing agreement concluded with **sefa**

**February 2017**
Issued 28.4 million shares raising R419m providing capacity & flexibility for further acquisitions

Secured >R2bn of debt facilities from US-based impact investors for the first time

Funding base includes all the major South African banks

**March 2017**
Accessed >R2bn of debt funding from European DFIs since 2010

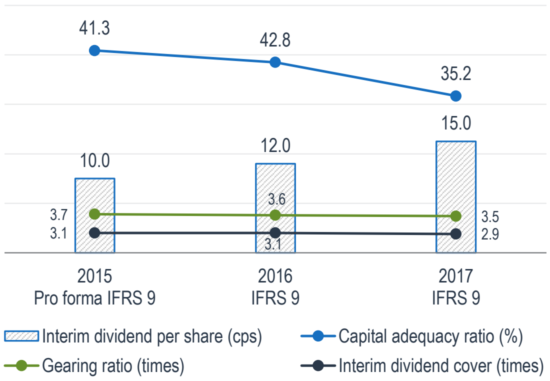



Financial years 1 October to 30 September | 2012 & 2013 excludes Bayport & Paycorp
1. Adopted IFRS 9 in 2015. 2012 to 2014 numbers on an IAS 39 basis as reported

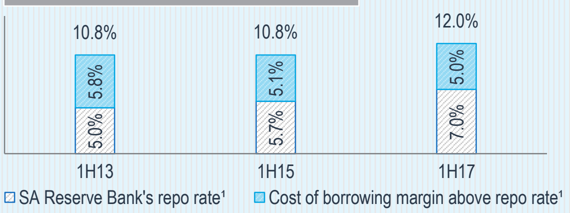
# CAPITAL MANAGEMENT

Transaction Capital

PERFORMANCE




COST OF BORROWING SINCE LISTING




- Uninterrupted access to the debt capital markets
  - Despite political instability & SA's sovereign rating downgrade in April 2017
  - Anticipated increasing interest rate cycle not expected to impact net interest margin
  - **2018** fully funded
- Continue to diversify funding sources
  - Diverse debt investor base (**>40**)
  - Secured **>R2bn** of debt facilities from US DFIs
  - **R2bn** A-$_{(ZA)}$ rated JSE-listed domestic note programme
  - Accessed **>R2bn** of debt funding from European DFIs since 2010
  - **17%** of debt in issue from DFIs (HY16: 12%)
- Group cost of borrowing ▲ from 11.0% to **12.0%**
  - Margin above repo improved to **5.0%**
  - ▲ foreign debt component, fully hedged to Rand
- Capital adequacy position remains robust at **35.2%**
  - **26.6%** equity
  - **8.6%** subordinated debt
- Net ungeared & liquid group balance sheet
- Liquid cash of ~**R600m** on balance sheet

1. Calculated using Transaction Capital's average cost of borrowing for the period & the South African Reserve Bank's average repo rate for the period

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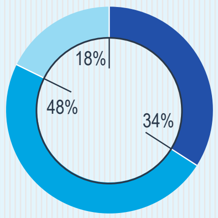
## NOTES

# FUNDING PHILOSOPHY

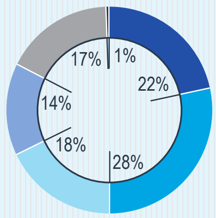
Transaction Capital

DIVERSIFICATION BY FUNDING STRUCTURE



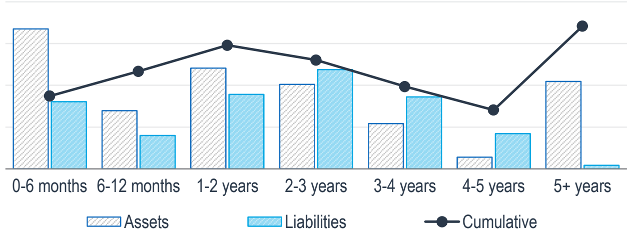

- Structured finance
- On-balance sheet
- Rated listed securitisation

DIVERSIFICATION BY DEBT INVESTOR CATEGORY




- Life companies
- Specialised asset managers & debt funds
- Banks
- Traditional asset managers
- DFIs
- Hedge funds

POSITIVE LIQUIDITY MISMATCH




## INNOVATION

Innovation is encouraged to cultivate unorthodox thinking & develop pioneering funding solutions

### DIVERSIFIED & ENGAGED DEBT INVESTORS

- Diversification by geography, capital pool, debt investor & funding structure
- Recurring investment motivated by performance, the ease of transacting & appropriate risk adjusted returns
- Transparent & direct relationships with debt investors, & where necessary facilitated by valued intermediaries

### JUDICIOUS RISK MITIGATION

- Positive liquidity management between asset & liability cash flows
- No exposure to overnight debt instruments & limited exposure to short term instruments
- No exposure to currency risk & effective management of interest rate risk
- Minimising rollover risk

### OPTIMAL CAPITAL STRUCTURES

- Bespoke & innovative funding structures to meet investment requirements & risk appetite of a range of debt investors
- Targeted capital structure per asset class
- No cross-default or guarantees between structures

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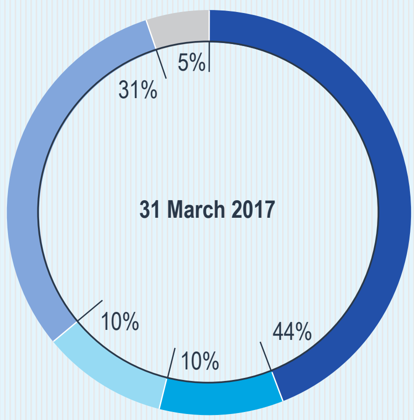
# SHAREHOLDING

Transaction Capital




- Directors of Transaction Capital & its subsidiaries
- Old Mutual Investment Group
- Allan Gray Proprietary Limited
- Remaining institutional shareholders
- Retail investors

- Accelerated bookbuild (Feb 2017)
  - › **28.4m** shares issued raising **R419m**
  - › Creates capacity for further acquisition opportunities
  - › Oversubscribed
  - › Predominantly taken up by institutional investors
    - Institutional shareholding ▲ from **26%** to **31%**
  - › Directors shareholding holding ▼ from **47%** to **44%**
    - Management not permitted to participate in the bookbuild
- Foreign ownership ▲ from **2%** to **5%**
- Retail investors ▼ from **7%** to **5%**
- Average daily liquidity in ZAR ▲ **20%**
  - › Free float percentage ▲ to **56%** (HY16: 53%)

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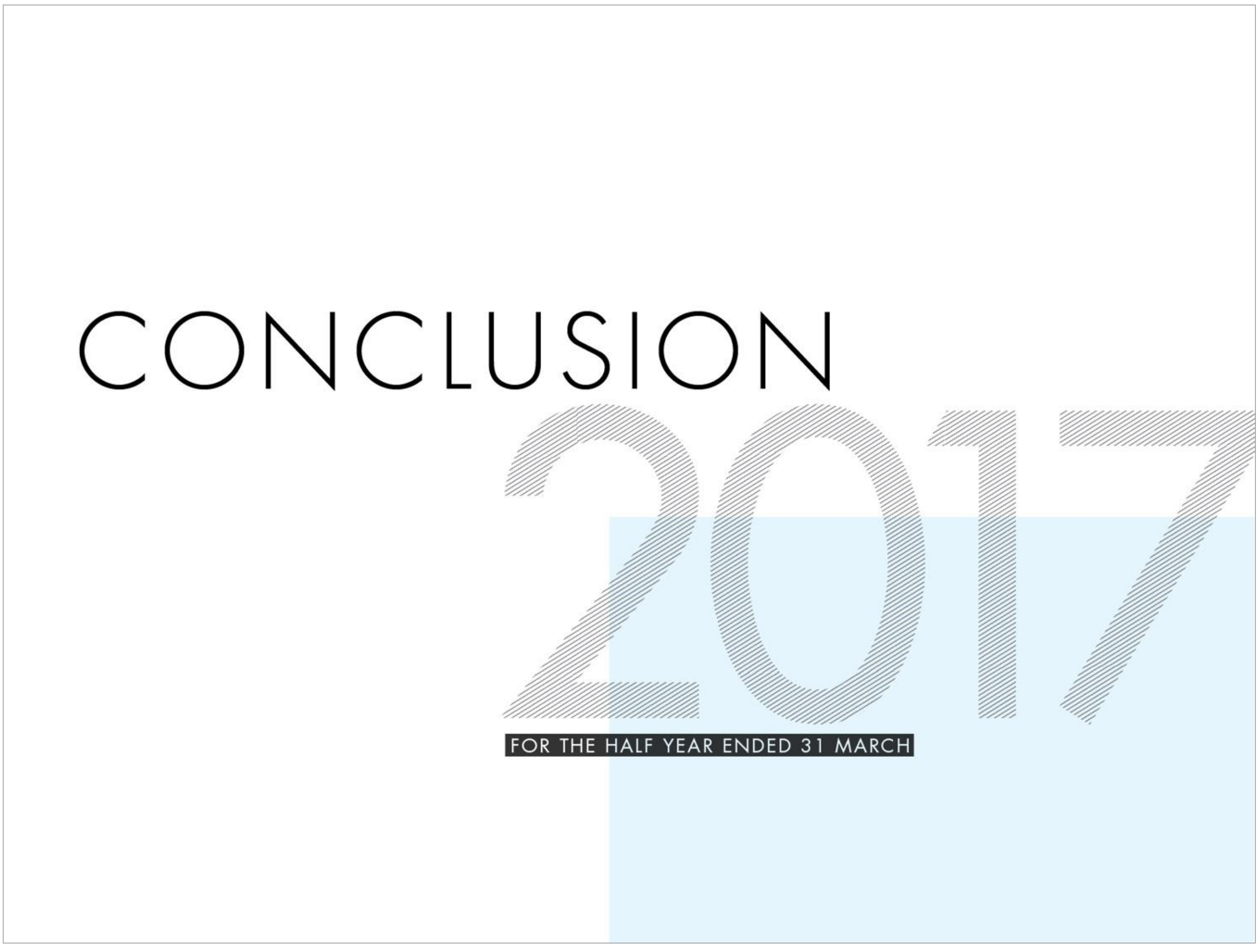


## NOTES

# INVESTMENT CASE

Transaction Capital

## COMPELLING & UNIQUE AS WE EXECUTE ON OUR MISSION

TRANSACTION CAPITAL IS POSITIONED IN **ATTRACTIVE MARKET SEGMENTS**
- Businesses occupy **strong market positions**
- Highly **defensive businesses** able to withstand difficult economic conditions

WITH **SPECIALISED CAPABILITIES** THAT ENABLE A **DEEP UNDERSTANDING OF ITS CHOSEN MARKETS**
- Deep **vertical integration** enabling application of specialised expertise to mitigate risk, participate in margin & provide a fuller service to clients
- Organic growth driven through innovating solutions **deeper into existing market segments** & leveraging capabilities to **enter adjacent markets** (local & international)
- **Superior data & leading-edge technology & analytics** capabilities differentiate our offerings, inform business decisions & mitigate risk

VIA A **DIVERSIFIED BUSINESS MODEL**
- Unique blend of highly **cash generative & capital related** businesses
- Diversified revenue model across adjacent **market segments & geographies**
- Enabling defensive positioning

AND A **BESPOKE & ROBUST CAPITAL STRUCTURE** GENERATING **APPROPRIATE RISK-ADJUSTED RETURNS**
- **Sufficient equity capital geared conservatively** to fund organic growth & acquisition activity
- Proven ability to raise debt capital efficiently from diversified range of debt investors

IS LED BY **SKILLED AND EXPERIENCED MANAGEMENT TEAMS**
- **Decentralised** experienced & specialised leadership
- **Specialised** intellectual capital applied over a much smaller asset base than in larger organisations

AND UNDERPINNED BY A ROBUST **GOVERNANCE FRAMEWORK & SOUND GOVERNANCE PRACTICES**
- Experienced, diverse & independent directors at group & subsidiary level
- Institutionalised governance, regulatory & risk management practices

WHICH TOGETHER POSITION IT FOR **SUSTAINABLE GROWTH**
- Decentralised businesses that are self-sustaining & sizable in their own right
- Track record of delivering predictable **high-quality earnings** with high cash conversion rates **& strong organic growth** prospects
- A **focused acquisition strategy** supported by a strong balance sheet

AND THE DELIVERY OF A **MEANINGFUL SOCIAL IMPACT**
- Businesses intentionally positioned to take advantage of demographic & socio-economic trends, **delivering both social & commercial benefit**

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# DISCLAIMER

Transaction Capital

This presentation may contain certain "forward-looking statements" regarding beliefs or expectations of the TC Group, its directors and other members of its senior management about the TC Group's financial condition, results of operations, cash flow, strategy and business and the transactions described in this presentation. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe", "expect", "anticipate", "intend", "estimate", "forecast", "project", "will", "may", "should" and similar expressions identify forward-looking statements but are not the exclusive means of identifying such statements. Such forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the TC Group and are difficult to predict, that may cause the actual results, performance, achievements or developments of the TC Group or the industries in which it operates to differ materially from any future results, performance, achievements or developments expressed by or implied from the forward-looking statements. Each member of the TC Group expressly disclaims any obligation or undertaking to provide or disseminate any updates or revisions to any forward-looking statements contained in this announcement.

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# INTERIM RESULTS

FOR THE HALF YEAR ENDED 31 MARCH

2017

Transaction Capital

# CONTENTS

# COMMENTARY

## HIGHLIGHTS

### SHARE STATISTICS PERFORMANCE

| | | |
|---|---|---|
| CORE HEADLINE EARNINGS PER SHARE[1] | 43.3 CENTS | **17%** 2016 37.0 CENTS |
| NET ASSET VALUE PER SHARE | 581.3 CENTS | **22%** 2016 477.2 CENTS |
| INTERIM DIVIDEND PER SHARE | 15.0 CENTS | **25%** 2016 12.0 CENTS |

### FINANCIAL PERFORMANCE

| | TRANSACTION CAPITAL GROUP | TRANSACTION CAPITAL RISK SERVICES | SA TAXI |
|---|---|---|---|
| **GROWTH IN CORE HEADLINE EARNINGS[1]** | R254 MILLION 21% | R93 MILLION 33% | R144 MILLION 22% |
| **CORE RETURN ON AVERAGE EQUITY (ROE)[1]** | 16.1% | 20.6% | 24.1% |

1 *Core financial ratios exclude once-off acquisition costs of R22 million incurred during the first half of the financial year.*

## INTRODUCTION

Transaction Capital is a non-deposit taking financial services group specialising in higher-risk segments of the financial services market. The group's divisions, SA Taxi and Transaction Capital Risk Services (TCRS), are positioned distinctly in relation to South Africa's demographic and socio-economic realities. This underpins their leading market positions and enables them to deliver both social and commercial benefits.

The group has delivered robust organic earnings growth consistently since it listed on the Johannesburg Stock Exchange (JSE) five years ago. Although SA Taxi and TCRS perform better in a positive economic environment, they are also defensive businesses able to withstand difficult economic conditions.

In line with its strategy to buy and develop complementary businesses that support the growth of its divisions, and to diversify internationally, Transaction Capital acquired the following businesses in TCRS during the period:

> 100% of Recoveries Corporation in Australia, effective 1 January 2017.

> 75% of Road Cover, effective 1 December 2016.

> 51% of The Beancounter, effective 1 December 2016.

Each business is cash generative with a proven track record and scalable business model, which the group is well placed to develop through active management and potential bolt-on acquisitions. Further information regarding the acquisitions may be found in the Stock Exchange News Service (SENS) announcement released on 22 November 2016, available on www.transactioncapital.co.za.

During the first half of the 2017 financial year, Transaction Capital continued to generate consistent organic earnings growth, which was accelerated by the earnings accretive business acquisitions. The group's earnings growth for the full 2017 financial year, excluding once-off acquisition costs, is expected to exceed the earnings growth achieved last year.

Transaction Capital grew core headline earnings by 21% to R254 million. Core headline earnings per share grew by 17% to 43.3 cents per share, diluted slightly by the 28.4 million shares issued as part of the R418.9 million accelerated bookbuild concluded on 2 February 2017. This enhanced the group's balance sheet, increasing net asset value per share by 22% to 581.3 cents per share, and creates the capacity and flexibility for further acquisition opportunities.

COMMENTARY *continued*

SA Taxi grew headline earnings by 22% and generated an ROE of 24.1%, while TCRS grew core headline earnings by 33% and generated a core ROE of 20.6%. TCRS incurred once-off acquisition costs of R22 million during the period.

Shareholders are reminded that the group early adopted IFRS 9 in the 2015 financial year, resulting in a more conservative and lower-risk balance sheet and a higher quality of earnings. This early adoption has removed uncertainty relating to the implementation of IFRS 9 on future financial results and ratios.

# TRANSACTION CAPITAL RISK SERVICES

| | | For the half year ended 31 March | | |
|---|---|---|---|---|
| | | **2017** | 2016 | **Movement** |
| Financial performance | | | | |
| Core headline earnings attributable to the group[1] | Rm | **93** | 70 | **33%** |
| Purchased book debts | | | | |
| Value of purchased book debts acquired | Rm | **210** | 41 | **>100%** |
| Purchased book debts | Rm | **930** | 571 | **63%** |
| Estimated remaining collections | Rm | **1 492** | 1 063 | **40%** |

1 *Core financial ratios exclude once-off acquisition costs of R22 million incurred during the first half of the financial year.*

## ENVIRONMENT AND MARKET POSITIONING

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

TCRS acts as an agent on an outsourced contingency or "fee-for-service" basis, or as a principal in acquiring and collecting on clients' non-performing loan portfolios. This diversified revenue model across various consumer credit sectors is central to its defensive positioning, which enables TCRS to continue delivering positive performance under a variety of market conditions.

South African consumers remain vulnerable, with persistently high levels of household debt-to-disposable income, low economic growth and high unemployment. Of the 24.31 million credit-active South African consumers at December 2016, 9.76 million had impaired credit records. This climate favours the acquisition of non-performing loan portfolios as a principal.

Although these macro- and socio-economic challenges affect consumers' ability to repay debt, regulatory changes regarding affordability assessments have prompted more responsible and lower levels of credit extension, particularly in the retail sector. This may result in earlier rehabilitation of the consumer over the medium term.

The business acquisitions made in the period will diversify TCRS' earnings over time, by geography and by sector. Specifically, Recoveries Corporation's revenue is generated in hard currency from outsourced collections in the insurance, telecommunication, utility and public sectors in Australia, whilst Road Cover allows TCRS to enter the adjacent value-added services market segment in South Africa.

## ORGANIC GROWTH PERFORMANCE (EXCLUDING THE EFFECT OF THE BUSINESS ACQUISITIONS)

### CONTINGENCY AND FEE-FOR-SERVICE REVENUE

TCRS' strategy to deepen its penetration in its traditional market segments (retailers, specialist lenders and banks) and grow revenue from adjacent sectors supported its organic earnings growth in South Africa.

In 89% of its 217 outsourced collection mandates, TCRS is ranked as either the top or second best recoveries agent. Furthermore, the adjacent insurance, telecommunication and public sectors now contribute 9% of TCRS' contingency and fee-for-service revenue.

### ACQUISITION OF NON-PERFORMING LOAN PORTFOLIOS AS PRINCIPAL

The current economic context, and TCRS' strong capital position, data analytics capability, technology and scale have enabled greater acquisitions of non-performing loan portfolios in South Africa from risk averse clients who prefer an immediate recovery against their non-performing loans.

During the first half of the 2017 financial year TCRS acquired 13 portfolios with a face value of R2.8 billion for R210 million. TCRS now owns 180 principal portfolios with a face value of R18.1 billion, valued at R930 million at 31 March 2017, up 63% from R571 million a year before.

Revenue from the collection of non-performing loans as principal has grown by 19%, a strong result when compared to the 9% growth for the half year ended 31 March 2016. Estimated remaining collections has increased to R1.5 billion from R1.1 billion at 31 March 2016, which is expected to support positive performance in future.

### OPERATIONAL PERFORMANCE

Before taking the business acquisitions into account, TCRS improved its operational leverage with total costs for the half year decreasing by 7%. The technological and operational enhancements implemented last year, together with aggressive cost containment initiatives, contributed to an improved cost-to-income ratio of 74.9% compared to 81.5% in the prior half year period. Prior to the effect of the acquisitions, TCRS grew earnings organically in the high-teens.

## EFFECT AND INTEGRATION OF RECENT BUSINESS ACQUISITIONS

Effective 1 December 2016, the earnings of Road Cover and The Beancounter were consolidated for four months. Effective 1 January 2017, Recoveries Corporation's earnings were consolidated for three months. The operational integration of the three businesses, to ensure they deliver on their investment cases, remains a key strategic and operational focus. Each of the businesses is performing in line with expectations.

In Recoveries Corporation, TCRS will apply the group's analytics, pricing expertise and capital to the purchase of non-performing loan portfolios in a highly fragmented Australian debt collection market. As most debt recovery activity in the Australian industry is according to this model, this presents good prospects for growth. Recoveries Corporation is the market leader in the Australian insurance recoveries sector, and will facilitate the growth of TCRS' fledgling insurance recoveries offering in South Africa.

Opportunities in Road Cover include offering their products to the mass consumer market in South Africa through TCRS' existing banking, retail, insurance, telecommunications and other clients. A strategy to deliver Road Cover's product directly to consumers via data analytics, lead generation and direct marketing channels is also being pursued.

## CONCLUSION

TCRS' diversified revenue model supported core headline earnings growth of 33% to R93 million for the half year ended 31 March 2017. Robust organic growth, augmented by the earnings accretive business acquisitions, underpinned this result.

As Recoveries Corporation was consolidated for only part of the period and currency movements were negligible, the impact of the foreign exchange translation loss on earnings was insignificant.

# SA TAXI

| | | For the half year ended 31 March | | |
|---|---|---|---|---|
| | | **2017** | 2016 | **Movement** |
| **Financial performance** | | | | |
| Headline earnings attributable to the group | Rm | **144** | 118 | **22%** |
| Non-interest revenue | Rm | **195** | 150 | **30%** |
| Net interest income | Rm | **412** | 356 | **16%** |
| Net interest margin | % | **11.0** | 11.0 | |
| **Credit performance** | | | | |
| Gross loans and advances | Rm | **7 757** | 6 688 | **16%** |
| Non-performing loan ratio | % | **17.2** | 18.0 | |
| Credit loss ratio | % | **3.3** | 3.4 | |

COMMENTARY *continued*

## ENVIRONMENT AND MARKET POSITIONING

SA Taxi is a vertically integrated platform incorporating vehicle procurement, retail, finance, insurance, repossession, spare part procurement and refurbishment capabilities. Combined with SA Taxi's proprietary data, these specialist competencies enable the division to extend asset-backed developmental credit, distribute bespoke taxi insurance and sell focused vehicle models and other allied business services to taxi operators. By helping taxi operators to ensure the sustainability of their businesses, SA Taxi has a business model that delivers a commercial benefit while improving this fundamental mode of transport.

With 69% of all South African households utilising minibus taxis, this dominant mode of transport is responsible for more than 15 million commuter trips per day, with no reliance on any government subsidy. In contrast, bus and rail transport requires huge capital investment and ongoing subsidisation from government to build, maintain and operate, and on a combined basis only accounts for 11 million commuter trips per day. For the majority of South African commuters, therefore, minibus taxi transport is a non-discretionary expense that offers the most accessible and cheapest means of travel. This structural element of South Africa's public transport system makes the minibus taxi industry resilient and defensive regardless of the socio-economic environment.

On balance, the economic drivers affecting a minibus taxi operator's business model remain favourable. For the three-year period from January 2014 to December 2016, Toyota has increased the price of its minibus taxi vehicle by an average 8.7% a year, to a current price of about R400 000. Petrol prices have remained below January 2014 levels for 25 of the 36 months. The repo interest rate has increased by 200 basis points over the same period. Commuter fares, which are set by minibus taxi associations taking operators' costs and commuter affordability into account, have been increased appropriately. This can be measured by SA Taxi's improving key credit metrics, demand for minibus taxi vehicles exceeding supply and the proportion of repeat loans originated to existing clients, which during the rolling 12 months ended 31 March 2017 was approximately 23%.

SA Taxi estimates that of the 200 000 national minibus taxi fleet, only 70 000 to 80 000 of these are financed with the remainder estimated to be older than nine years. The limited supply of minibus taxi vehicles into the local market extends the under-capitalisation and age of the national fleet. This structural element has resulted in long-term demand exceeding the supply of minibus taxi vehicles, underpinning SA Taxi's credit performance as it achieves high prices for its refurbished vehicles and remains selective on credit risk.

## VEHICLE FINANCING ACTIVITIES

SA Taxi's loans and advances portfolio comprises 27 142 vehicles, approximately one in every three of the financed national minibus taxi fleet. SA Taxi grew the number of loans originated during the first half of 2017 by 11%, now financing more than 40% of local new Toyota minibus taxi sales compared to 38% in 2015.

SA Taxi's loans and advances portfolio grew by 16% to R7.8 billion in the period. The combined effect of SA Taxi's 6% growth in the number of loans on book and minibus taxi price increases supported this result.

Net interest income grew by 16% in line with book growth, to R412 million. SA Taxi's net interest margin remained stable at 11.0%. An increasing interest rate environment anticipated from the downgrade of South Africa's credit rating is not expected to have a meaningful impact on SA Taxi's net interest margin or credit metrics as clients are able to afford higher repayments.

Despite the political uncertainty and concerns regarding South Africa's credit rating, SA Taxi still raised more than R4 billion in debt facilities during the period, securing its annual debt requirements for the 2018 financial year.

SA Taxi is funded by more than 30 distinctive debt investors, and continues to diversify its funding sources by accessing offshore capital pools. In addition to securing more than R2 billion of debt funding from European Development Finance Institutions (DFIs) since 2010, in February 2017 SA Taxi secured further debt facilities in excess of R2 billion from American DFIs. This long-term debt is raised in foreign currency and is fully hedged to Rand.

Reduced credit losses have resulted in an improved risk-adjusted net interest margin of 7.7% for the period. SA Taxi's credit loss ratio remained well within the internally set risk tolerance level of 3% to 4%, improving to 3.3% compared to 3.4% in the prior period. SA Taxi is able to recover more than 73% of the loan value when re-selling repossessed vehicles, as the security value of a taxi vehicle is enhanced in its refurbishment centre, the largest minibus taxi repair facility in Africa. The average cost to repair repossessed vehicles reduced further, driven by efficiencies achieved through SA Taxi's investment in its combined auto body repair and mechanical refurbishment centre.

A positive second order effect of vehicle manufacturers increasing new minibus vehicle prices is that pre-owned vehicle prices follow a similar trend. As SA Taxi's pre-owned product becomes more viable to its customers, SA Taxi is able to recover more when re-selling pre-owned refurbished vehicles in its retail dealership.

The non-performing loan ratio remains within management's expectations, improving to 17.2% from 18.0% in the prior period. A combination of continued strong collection performance, loans of superior credit quality originated via its retail dealership and conservative credit granting criteria supported this improvement.

With the early adoption of IFRS 9, SA Taxi's provisioning model is even more conservative, now based upon expected credit risk/loss (previously incurred credit loss). As a result of fewer non-performing loans, a cheaper average cost to repair repossessed vehicles and higher recoveries when re-selling such vehicles, provision coverage has reduced to 5.8%. At this level, SA Taxi's after tax credit loss remains conservatively covered at 2.4 times.

# NON-INTEREST REVENUE

Non-interest revenue for the half year increased by 30% to R195 million, now comprising 32% of SA Taxi's revenue after interest expense compared to 26% in 2015. SA Taxi's vertically integrated business model allows for diversified non-interest revenue streams, including revenue earned from the sale of vehicles, telematics services and insurance offerings.

## VEHICLE RETAIL OPERATIONS

SA Taxi's retail dealership, one of the largest dedicated taxi dealerships in the country selling Toyota, Nissan and Mercedes minibuses, and bespoke Toyota Corolla point-to-point taxi vehicles, has grown its annual vehicle turnover to more than R650 million.

Vehicles financed directly through SA Taxi's dealership outstrip the profitability of loans originated through affiliated and non-affiliated dealerships. Product margin, greater insurance revenue and better credit performance is achieved through this channel. The strategy of retailing new and pre-owned taxi vehicles through a SA Taxi owned dealership continues to present an organic growth opportunity.

SA Taxi's combined auto body repair and mechanical refurbishment centre spans more than 20 000 square metres and is estimated to be the largest buyer of Toyota spare parts in Africa. This centre is designed to feed SA Taxi's dealerships with approximately 220 quality refurbished taxi vehicles per month. This, together with its retail dealership channel and well-regarded brand, has enabled SA Taxi to establish the sale, financing and insuring of pre-owned vehicles as a core and profitable product offering.

## INSURANCE OPERATIONS

SA Taxi's short-term insurance business continues to be a key driver of non-interest revenue. SA Taxi requires its financed minibus taxis to be fully insured, and has designed a bespoke insurance product to meet its taxi owners' specific needs, including comprehensive vehicle cover, passenger liability as well as business interruption cover. SA Taxi is also responsible for product distribution, premium collections and claims management, and earns the underwriting profits associated with this insurance business.

At 31 March 2017, more than 85% of SA Taxi's financed portfolio was insured directly through SA Taxi, compared to 81.4% at the 2016 half year. Over this period, the number of insurance policies taken up by non-financed clients increased by 23%.

In response to client demand, newly developed insurance products specifically designed for taxi operators will be introduced later this year, such as credit life and warranty products. In addition, management is currently investigating offering Road Cover products to SA Taxi's client and commuter base.

SA Taxi intends to earn additional margin and hence improve insurance underwriting profits by processing a greater proportion of its insurance claims via SA Taxi's combined auto body and mechanical repair facility.

## UNIQUE USE OF DATA AND TECHNOLOGY

Technology remains key to mitigating SA Taxi's risk. Data is accumulated daily from each minibus taxi and applied to credit score cards, route profitability assessments, collection strategies and insurance pricing. SA Taxi's use of data and analytics has progressed over the years from repossession (tracking a vehicle's physical location), to credit decision-making (to assess the prospective profitability of a proposed route), to collections (determining current profitability based on kilometres travelled in a specific month), to insurance (whether the vehicle's average movement pattern has changed pointing to potential vehicle damage or theft). Leveraging this data to develop an application for minibus taxi operators represents the next step in SA Taxi's technology evolution. This data-rich application will provide operators with real-time information on the performance of their vehicles, enabling them to better manage their business. Revenue from telematics services increased by 7% from the prior period.

## POINT-TO-POINT TAXI OPERATIONS

The point-to-point taxi fleet, consisting of both metered and e-hail taxis, is not yet a significant component of SA Taxi's loans and advances portfolio. Management remains focused on leveraging SA Taxi's existing skill set in the procurement, sale, financing and insuring of point-to-point taxis.

# OPERATIONAL PERFORMANCE

SA Taxi's cost-to-income ratio has increased to 50.1% from 48.4% for the half year mainly due to continued investment in SA Taxi's retail dealership and insurance businesses as well as the establishment of the auto body repair centre and point-to-point taxi business.

# CONCLUSION

With 16% growth in gross loans and advances, stable net interest margins, 30% growth in non-interest revenue, improving credit performance and a marginally higher cost-to-income ratio it is evident that SA Taxi's credit, operational and financial performance is robust. This translated into 22% growth in headline earnings of R144 million for the period.

# GROUP EXECUTIVE OFFICE

The group executive office contributed R17 million to the group's headline earnings in the first half of the 2017 financial year, a decrease of 23% from the prior comparative period. This result is largely due to the deployment of more than R500 million of capital in December 2016 to fund business acquisitions accretive to TCRS' earnings.

# PROSPECTS AND STRATEGY

Transaction Capital's strategy is to drive organic growth by enhancing and developing each division to achieve deep vertical integration within current and adjacent market segments. The composition of its portfolio and the defensive positioning of its divisions augurs well for the group's performance going forward.

Acquisitions remain a key component of Transaction Capital's growth strategy. The group favours a conservative approach with a narrow focus on businesses operating within existing or adjacent market segments. More than R500 million was deployed in December 2016 to fund the business acquisitions made in the period. The R418.9 million of additional equity capital raised in February 2017 has ensured that the balance sheet remains well capitalised, liquid and ungeared at a holding company level. This will enable the group to pursue acquisition opportunities with the flexibility of immediate cash settlement.

In addition, the share issue is also expected to help continue building trading liquidity in Transaction Capital shares.

Transaction Capital continues to enjoy strong support from both local debt investors and international DFIs. During November 2016, Transaction Capital established a R2 billion credit rated and JSE-listed Domestic Note Programme. Transaction Capital has been accorded a A-(ZA) (Long Term, National Scale) and A1-(ZA) (Short Term, National Scale) credit rating from Global Credit Ratings Co. It is expected that this programme will enable the group to gain access to a new capital pool at an attractive cost.

Considering Transaction Capital's defensive positioning within the socio-economic context, management is confident about the group's prospects. The combination of robust organic growth together with the accretive acquisitions supports good growth in the medium term. In addition, earnings will become more evenly weighted between its two divisions after the business acquisitions.

# DIVIDEND DECLARATION

In line with the stated dividend policy of 2.5 to 3 times, the board has declared an interim gross cash dividend of 15 cents per share for the six months ended 31 March 2017 to those members on the record date appearing below. The dividend is declared out of income reserves. A dividend withholding tax of 20% will be applicable to the dividend to all shareholders that are not exempt from the dividend withholding tax, resulting in a net dividend of 12 cents per share. The salient features applicable to the interim dividend are as follows:

| | |
|---|---|
| Issued shares as at declaration date | 609 456 734 |
| Declaration date | Wednesday 24 May 2017 |
| Last day to trade cum dividend | Tuesday 20 June 2017 |
| Final day to trade ex-dividend | Wednesday 21 June 2017 |
| Record date | Friday 23 June 2017 |
| Payment date | Monday 26 June 2017 |

*Tax reference number: 9466/298/15/6*

Share certificates may not be dematerialised or rematerialised between Wednesday 21 June 2017 and Friday 23 June 2017, both dates inclusive.

On Monday 26 June 2017 the cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 26 June 2017 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday 26 June 2017.

# BASIS FOR PREPARATION

The financial information on which this announcement is based has not been reviewed and reported on by Transaction Capital's external auditors. The unaudited results of the group for the half year ended 31 March 2017 have been prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act, 71 of 2008, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts as a minimum and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), IAS 34: Interim Financial Reporting and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. The accounting policies and their application are in terms of IFRS and are consistent, in all material respects, with those details in Transaction Capital's prior year annual financial statements.

# APPROVAL BY THE BOARD OF DIRECTORS

Signed on behalf of the board of directors:

**David Hurwitz**
Chief executive officer

**Ronen Goldstein**
Financial director

24 May 2017

Enquiries:
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Telephone: +27 (0) 11 049 6700

Sponsor: Deutsche Securities (SA) Proprietary Limited

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2017

| | 2017 Unaudited Rm | 2016 Unaudited Rm | Change % |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | **782** | 965 | (19) |
| Taxation receivable | **30** | 24 | 25 |
| Trade and other receivables | **617** | 546 | 13 |
| Inventory | **222** | 97 | >100 |
| Loans and advances | **7 785** | 6 601 | 18 |
| Leased assets | **28** | – | 100 |
| Purchased book debts | **930** | 571 | 63 |
| Other loans receivable | **32** | 40 | (20) |
| Other investments | **590** | 425 | 39 |
| Intangible assets | **212** | 43 | >100 |
| Property and equipment | **122** | 65 | 88 |
| Goodwill | **696** | 200 | >100 |
| Deferred tax assets | **314** | 249 | 26 |
| **Total assets** | **12 360** | 9 826 | 26 |
| **Liabilities** | | | |
| Bank overdrafts | **147** | 22 | >100 |
| Taxation payable | **13** | 32 | (59) |
| Trade and other payables | **420** | 203 | >100 |
| Provisions | **45** | 12 | >100 |
| Interest-bearing liabilities | **7 895** | 6 691 | 18 |
| Senior debt | **6 959** | 5 523 | 26 |
| Subordinated debt | **936** | 1 168 | (20) |
| Deferred tax liabilities | **250** | 127 | 97 |
| **Total liabilities** | **8 770** | 7 087 | 24 |
| **Equity** | | | |
| Ordinary share capital | **1 046** | 460 | >100 |
| Reserves | **139** | 113 | 23 |
| Retained earnings | **2 358** | 2 134 | 10 |
| **Equity attributable to ordinary equity holders of the parent** | **3 543** | 2 707 | 31 |
| Non-controlling interests | **47** | 32 | 47 |
| **Total equity** | **3 590** | 2 739 | 31 |
| **Total equity and liabilities** | **12 360** | 9 826 | 26 |

# CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 MARCH 2017

| | **2017 Unaudited Rm** | 2016 Unaudited Rm | Change % |
|---|---|---|---|
| Interest and other similar income | **939** | 806 | 17 |
| Interest and other similar expense | **(475)** | (377) | 26 |
| Net interest income | **464** | 429 | 8 |
| Impairment of loans and advances | **(125)** | (112) | 12 |
| Risk-adjusted net interest income | **339** | 317 | 7 |
| Non-interest revenue | **843** | 611 | 38 |
| Operating costs | **(868)** | (656) | 32 |
| Non-operating (loss)/profit | **(2)** | 2 | <(100) |
| Profit before tax | **312** | 274 | 14 |
| Income tax expense | **(75)** | (62) | 21 |
| Profit for the period | **237** | 212 | 12 |
| Attributable to ordinary equity holders of the parent | **232** | 210 | 10 |
| Attributable to non-controlling equity holders | **5** | 2 | >100 |
| | | | |
| Basic and headline earnings per share (cents) | **39.5** | 37.0 | 7 |
| Diluted basic and headline earnings per share (cents) | **39.3** | 36.6 | 7 |
| Core headline earnings per share (cents) | **43.3** | 37.0 | 17 |
| Core diluted headline earnings per share (cents) | **43.0** | 36.6 | 17 |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 MARCH 2017

| | **2017 Unaudited Rm** | 2016 Unaudited Rm | Change % |
|---|---|---|---|
| Profit for the period | **237** | 212 | 12 |
| Other comprehensive income | **(4)** | (17) | (76) |
| Fair value losses on cash flow hedge | **(2)** | (3) | (33) |
| Deferred tax on above | **<1** | <1 | 0 |
| Exchange differences on translation of foreign operations | **(2)** | – | 100 |
| Fair value losses arising on valuation of assets held at fair value through other comprehensive income | **<(1)** | (14) | (100) |
| Total comprehensive income for the period | **233** | 195 | 19 |
| Attributable to ordinary equity holders of the parent | **228** | 193 | 18 |
| Attributable to non-controlling equity holders | **5** | 2 | >100 |

# CONDENSED HEADLINE EARNINGS RECONCILIATION

FOR THE HALF YEAR ENDED 31 MARCH 2017

Headline earnings is equal to profit after tax for the period as there are no headline earnings adjustments required.

| | 2017 Unaudited Rm | 2016 Unaudited Rm | Change % |
|---|---|---|---|
| Headline earnings | 232 | 210 | 10 |
| Transaction and other acquisition-related costs | 22 | – | 100 |
| Core headline earnings | 254 | 210 | 21 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 31 MARCH 2017

| | Share capital Rm | Reserves Rm | Retained earnings Rm | Ordinary shareholders equity Rm | Non-controlling interests Rm | Total equity Rm |
|---|---|---|---|---|---|---|
| Balance at 31 March 2016 | 460 | 113 | 2 134 | 2 707 | 32 | 2 739 |
| Total comprehensive income | – | 41 | 248 | 289 | 3 | 292 |
| Profit for the period | – | – | 248 | 248 | 3 | 251 |
| Other comprehensive income for the period | – | 41 | – | 41 | – | 41 |
| Dividends paid | – | – | (68) | (68) | (1) | (69) |
| Grant of share appreciation rights | – | 8 | – | 8 | – | 8 |
| Settlement of share appreciation rights | – | (13) | (29) | (42) | – | (42) |
| Issue of shares | 53 | – | – | 53 | – | 53 |
| Repurchase of shares | (3) | – | – | (3) | – | (3) |
| Balance at 30 September 2016 | 510 | 149 | 2 285 | 2 944 | 34 | 2 978 |
| Total comprehensive income | – | (4) | 232 | 228 | 5 | 233 |
| Profit for the period | – | – | 232 | 232 | 5 | 237 |
| Other comprehensive income for the period | – | (4) | – | (4) | – | (4) |
| Dividends paid | – | – | (104) | (104) | (1) | (105) |
| Additional non-controlling interests arising on acquisitions | – | – | – | – | 9 | 9 |
| Grant of share appreciation rights and conditional share plan | – | 9 | – | 9 | – | 9 |
| Settlement of share appreciation rights | – | (15) | (55) | (70) | – | (70) |
| Issue of shares | 536 | – | – | 536 | – | 536 |
| Balance at 31 March 2017 | 1 046 | 139 | 2 358 | 3 543 | 47 | 3 590 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 MARCH 2017

| | **2017 Unaudited Rm** | 2016 Unaudited Rm | Change % |
|---|---|---|---|
| Net cash (utilised)/generated by operating activities | **(110)** | 280 | <(100) |
| Net cash utilised by investing activities | **(646)** | (25) | >100 |
| Net cash generated/(utilised) by financing activities | **448** | (8) | >100 |
| Net (decrease)/increase in cash and cash equivalents | **(308)** | 247 | <(100) |
| Cash and cash equivalents at the beginning of the period | **943** | 696 | 35 |
| Cash and cash equivalents at the end of the period | **635** | 943 | (33) |

# CONDENSED SEGMENT REPORT
FOR THE HALF YEAR ENDED 31 MARCH 2017

| | SA Taxi | |
|---|---|---|
| | **2017 Unaudited Rm** | 2016 Unaudited Rm |
| **Condensed income statement for the half year ended 31 March 2017** | | |
| Net interest income | **412** | 356 |
| Impairment of loans and advances | **(124)** | (111) |
| Non-interest revenue | **195** | 150 |
| Total operating costs | **(304)** | (245) |
| Non-operating (loss)/profit | **–** | – |
| **Profit before tax** | **179** | 150 |
| Headline earnings attributable to equity holders of the parent | **144** | 118 |
| Transaction and other acquisition-related costs | **–** | – |
| **Core headline earnings attributable to equity holders of the parent** | **144** | 118 |
| **Condensed statement of financial position at 31 March 2017** | | |
| **Assets** | | |
| Cash and cash equivalents | **483** | 422 |
| Loans and advances | **7 305** | 6 166 |
| Leased assets | **28** | – |
| Purchased book debts | **–** | – |
| Other investments | **496** | 425 |
| Other assets and receivables | **949** | 835 |
| **Total assets** | **9 261** | 7 848 |
| **Liabilities** | | |
| Bank overdrafts | **141** | 18 |
| Interest-bearing liabilities | **6 757** | 5 571 |
| Group loans | **910** | 1 144 |
| Other liabilities and payables | **199** | 130 |
| **Total liabilities** | **8 007** | 6 863 |
| **Total equity** | **1 254** | 985 |

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

| TCRS | | Group executive office* | | Group | |
|---|---|---|---|---|---|
| **2017 Unaudited Rm** | 2016 Unaudited Rm | **2017 Unaudited Rm** | 2016 Unaudited Rm | **2017 Unaudited Rm** | 2016 Unaudited Rm |
| | | | | | |
| **28** | 30 | **24** | 43 | **464** | 429 |
| **(1)** | (1) | **–** | – | **(125)** | (112) |
| **642** | 461 | **6** | – | **843** | 611 |
| **(560)** | (400) | **(4)** | (11) | **(868)** | (656) |
| **(2)** | 2 | **–** | – | **(2)** | 2 |
| **107** | 92 | **26** | 32 | **312** | 274 |
| **71** | 70 | **17** | 22 | **232** | 210 |
| **22** | – | **–** | – | **22** | – |
| **93** | 70 | **17** | 22 | **254** | 210 |
| | | | | | |
| | | | | | |
| **91** | 87 | **208** | 456 | **782** | 965 |
| **480** | 435 | **–** | – | **7 785** | 6 601 |
| **–** | – | **–** | – | **28** | – |
| **930** | 571 | **–** | – | **930** | 571 |
| **–** | – | **94** | – | **590** | 425 |
| **1 258** | 342 | **38** | 87 | **2 245** | 1 264 |
| **2 759** | 1 435 | **340** | 543 | **12 360** | 9 826 |
| | | | | | |
| **6** | – | **–** | 4 | **147** | 22 |
| **794** | 530 | **344** | 590 | **7 895** | 6 691 |
| **205** | 119 | **(1 115)** | (1 263) | **–** | – |
| **541** | 234 | **(12)** | 10 | **728** | 374 |
| **1 546** | 883 | **(783)** | (659) | **8 770** | 7 087 |
| **1 213** | 552 | **1 123** | 1 202 | **3 590** | 2 739 |

# BUSINESS COMBINATIONS
FOR THE HALF YEAR ENDED 31 MARCH 2017

## Subsidiaries acquired

| | Principal activity | Date of acquisition | Proportion of voting equity interests acquired % | Consideration transferred Rm |
|---|---|---|---|---|
| Recoveries Corporation Group Limited (Recoveries Corporation) | Consumer customer management solutions | 31/12/2016 | **100** | **477** |
| RC Value Added Services Proprietary Limited (Road Cover) | Proprietary value-added services | 01/12/2016 | **75** | **120** |
| The Beancounter Financial Services Proprietary Limited (The Beancounter) | Outsourced accounting, payroll and tax services | 01/12/2016 | **51** | **10** |

Refer to the announcements released on SENS on 14 November 2016 and 22 November 2016 for further detail with regards to the abovementioned acquisitions.

## Consideration transferred

| | Recoveries Corporation Rm | Road Cover Rm | The Beancounter Rm | Total Rm |
|---|---|---|---|---|
| Cash | **377** | **120** | **10** | **507** |
| Contingent consideration arrangement* | **100** | **–** | **–** | **100** |
| Total | **477** | **120** | **10** | **607** |

* *Under the contingent consideration arrangement, the group is required to pay Recoveries Corporation a further potential AUD10 million over an earn-out period ending 31 October 2018. A maximum potential first earn-out payment of AUD2.5 million is payable at or about the end of June 2017 and AUD0.5 million is payable at or about the end of October 2017, subject to achieving certain profit warranties, with a maximum last earn-out payment of AUD7 million payable at or about the end of October 2018, again subject to achieving certain profit warranties. The present value of the contingent consideration on the date of acquisition was AUD9 million which represents the estimated fair value of this obligation at this date.*

There has been no change in the fair value of the contingent consideration since the acquisition date.

Acquisition-related costs amounting to R22 million (Recoveries Corporation R20.5 million, Road Cover R1.4 million and The Beancounter R0.1 million) have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the current period.

## Assets acquired and liabilities recognised at the date of acquisition

| | Recoveries Corporation Rm | Road Cover Rm | The Beancounter Rm | Total Rm |
|---|---|---|---|---|
| **Current assets** | | | | |
| Cash and cash equivalents | 21 | 4 | – | 25 |
| Trade and other receivables | 72 | – | 1 | 73 |
| Tax receivable | 4 | – | – | 4 |
| | | | | |
| **Non-current assets** | | | | |
| Property and equipment | 18 | 2 | – | 20 |
| Goodwill | 147 | – | – | 147 |
| Deferred tax asset | 14 | 1 | – | 15 |
| | | | | |
| **Current liabilities** | | | | |
| Provisions | (30) | – | – | (30) |
| Contingent liabilities raised in terms of IFRS 3 | – | (3) | – | (3) |
| Trade and other payables | (60) | – | (1) | (61) |
| | | | | |
| Net assets acquired and liabilities recognised | 186 | 4 | – | 190 |

The initial accounting for the acquisition of Recoveries Corporation has been provisionally determined at the end of the reporting period. For tax purposes, the tax values of certain Recoveries Corporation assets are required to be reset based on market values of the assets at the date of the acquisition. At the date of finalisation of these consolidated interim results, the necessary market valuations and other calculations from a tax perspective had not been finalised and have therefore only been provisionally determined based on the directors' best estimate of the likely tax values.

The receivables acquired in these transactions have a fair value of R73 million. The receivables acquired comprise principally trade receivables with a gross contractual amount of R59 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected are R4 million.

On acquisition of Road Cover, and in accordance with the requirements of IFRS 3, the group recognised an additional contingent liability of R3 million in respect of historic subscriber claims at acquisition date for which the costs associated with the settlement of claims is uncertain. The contingent liability was measured with reference to historic trend analysis of costs incurred associated with subscriber claims at the acquisition date and, if an outflow occurs, it is expected to be settled within 18 months of the acquisition date. There has been no change in the fair value of the contingent liability since the acquisition date.

## Non-controlling interests

The non-controlling interests in Road Cover (25%) and The Beancounter (49%) were measured at acquisition date at the non-controlling interests' proportionate share of the identifiable net assets.

# BUSINESS COMBINATIONS *continued*

## Goodwill arising on acquisition

| | Recoveries Corporation Rm | Road Cover Rm | The Beancounter Rm | Total Rm |
|---|---|---|---|---|
| Consideration transferred | **477** | **120** | **10** | **607** |
| Plus: non-controlling interests (25% in Road Cover, 49% in The Beancounter) | **–** | **9** | **<1** | **9** |
| Less: intangible assets identified from business combination | **(61)** | **(40)** | **(2)** | **(103)** |
| Plus: deferred tax on intangible assets identified from business combination | **14** | **10** | **1** | **25** |
| Less: fair value of identifiable net assets acquired | **(186)** | **(4)** | **–** | **(190)** |
| Goodwill arising on acquisition | **244** | **95** | **9** | **348** |

The consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Recoveries Corporation, Road Cover and The Beancounter. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

## Net cash outflow on acquisition of subsidiaries

| | 2017 Rm |
|---|---|
| Consideration paid in cash (excluding contingent consideration arrangement) | **507** |
| Less: cash and cash equivalents balance acquired | **(25)** |
| Net cash outflow | **482** |

## Impact of acquisitions on the results of the group

Included in profit attributable to equity holders of the group for the period, excluding acquisition costs, is R5 million attributable to the additional business generated by Recoveries Corporation, R6 million attributable by Road Cover and R0.4 million attributable by The Beancounter. Revenue for the period includes R115 million in respect of Recoveries Corporation, R23 million in respect of Road Cover and R4 million in respect of The Beancounter.

Had these business combinations been effected at 1 October 2016, revenue for the group for the interim period would have been R1 930 million, and the profit for the period attributable to equity holders of the group would have been R243 million. The directors consider these pro forma numbers to represent approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.

# FAIR VALUE DISCLOSURE

## FOR THE HALF YEAR ENDED 31 MARCH 2017

The fair values of financial assets and liabilities have been disclosed below:

| | **Carrying value 2017 Rm** | **Fair value 2017 Rm** | Carrying value 2016 Rm | Fair value 2016 Rm |
|---|---|---|---|---|
| Assets | | | | |
| Loans and advances | **7 785** | **7 772** | 6 601 | 6 593 |
| Purchased book debts | **930** | **930** | 571 | 571 |
| Other loans receivable | **32** | **32** | 40 | 40 |
| Trade and other receivables* | **527** | **527** | 631 | 631 |
| Cash and cash equivalents | **782** | **782** | 965 | 965 |
| Total | **10 056** | **10 043** | 8 808 | 8 800 |
| Liabilities | | | | |
| Interest-bearing liabilities | **7 895** | **7 955** | 6 691 | 6 592 |
| Fixed rate liabilities | **238** | **238** | 797 | 723 |
| Floating rate liabilities | **7 657** | **7 717** | 5 894 | 5 869 |
| Trade and other payables** | **358** | **358** | 314 | 314 |
| Bank overdrafts | **147** | **147** | 22 | 22 |
| Total | **8 400** | **8 460** | 7 027 | 6 928 |
| Net exposure | **1 656** | **1 583** | 1 781 | 1 872 |

* *Prepayments are not financial assets and therefore have been excluded from trade and other receivables.*

** *Revenue received in advance and deferred lease liabilities are not financial liabilities and therefore have been excluded from trade and other payables.*

# FAIR VALUE DISCLOSURE *continued*

## LEVEL DISCLOSURES
FOR THE HALF YEAR ENDED 31 MARCH 2017

| | 2017 | | | |
|---|---|---|---|---|
| | **Level 1 Rm** | **Level 2 Rm** | **Level 3 Rm** | **Total Rm** |
| Financial assets at fair value through profit or loss | | | | |
| Entry-level vehicles | **–** | **–** | **39** | **39** |
| Other financial assets | **–** | **–** | **172** | **172** |
| Financial assets at fair value through other comprehensive income | | | | |
| Derivatives | **–** | **56** | **–** | **56** |
| Other investments | **94** | **–** | **496** | **590** |
| Total financial assets | **94** | **56** | **707** | **857** |
| Financial liabilities at fair value through other comprehensive income | | | | |
| Derivatives | **–** | **6** | **–** | **6** |
| Total financial liabilities | **–** | **6** | **–** | **6** |

| | 2016 | | | |
|---|---|---|---|---|
| | Level 1 Rm | Level 2 Rm | Level 3 Rm | Total Rm |
| Financial assets at fair value through profit or loss | | | | |
| Entry-level vehicles | – | – | 90 | 90 |
| Other financial assets | – | – | 148 | 148 |
| Financial assets at fair value through other comprehensive income | | | | |
| Derivatives | – | 125 | – | 125 |
| Other investments | – | – | 425 | 425 |
| Total | – | 125 | 663 | 788 |

## Reconciliation of level 3 fair value measurements of financial assets

| | 2017 | | |
|---|---|---|---|
| | **Fair value through profit or loss Rm** | **Fair value through other comprehensive income Rm** | **Total Rm** |
| Opening balance | **220** | **370** | **590** |
| Total gains or losses | | | |
| In profit or loss | **(53)** | **–** | **(53)** |
| In other comprehensive income | **–** | **–** | **–** |
| Other movements* | **44** | **–** | **44** |
| Closing balance of fair value measurement | **211** | **370** | **581** |
| Capital deployed to cell | **–** | **126** | **126** |
| Closing balance of financial instrument | **211** | **496** | **707** |

| | 2016 | | |
|---|---|---|---|
| | Fair value through profit or loss Rm | Fair value through other comprehensive income Rm | Total Rm |
| Opening balance | 266 | 343 | 609 |
| Total gains or losses | | | |
| In profit or loss | (25) | – | (25) |
| In other comprehensive income | – | (14) | (14) |
| Other movements* | (3) | – | (3) |
| Closing balance of fair value measurement | 238 | 329 | 567 |
| Capital deployed to cell | – | 96 | 96 |
| Closing balance of financial instrument | 238 | 425 | 663 |

* *Other movements include charges on accounts less collections received and write-off's for entry-level vehicles as well as movements in other financial assets.*

# FAIR VALUE DISCLOSURE *continued*

## Sensitivity analysis of valuations using unobservable inputs

As part of the group's risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The financial instruments that most impact this sensitivity analysis are those with the more illiquid and/or structured portfolios. The stresses are applied independently and do not take account of any cross correlation between separate asset classes that would reduce the overall effect on the valuations. A significant parameter has been deemed to be one which may result in a change in the fair value asset or liability of more than 10%. This is demonstrated by the following sensitivity analysis which includes a reasonable range of possible outcomes:

## Movement in fair value given a 10% change in significant assumptions:

| | **2017** | | 2016 | |
|---|---|---|---|---|
| SA Taxi – loans and advances: entry-level vehicles | **10% Favourable Rm** | **10% Unfavourable Rm** | 10% Favourable Rm | 10% Unfavourable Rm |
| Significant unobservable input and description of assumption | | | | |
| Average collateral value | **2** | **(2)** | 2 | (2) |
| Discount rate: The rate used to discount projected future cash flows to present value | **2** | **(2)** | 4 | (3) |
| Total | **4** | **(4)** | 6 | (5) |

| | **2017** | | 2016 | |
|---|---|---|---|---|
| SA Taxi – other investments | **10% Favourable Rm** | **10% Unfavourable Rm** | 10% Favourable Rm | 10% Unfavourable Rm |
| Significant unobservable input and description of assumption | | | | |
| Premium per policy: average insurance premium per policy in a year | **15** | **(15)** | 16 | (16) |
| Gross loss ratio: reported claims (excluding the movement in the claims that are incurred but not yet reported reserve) expressed as a percentage of gross written premium in a year | **95** | **(95)** | 84 | (84) |
| Mid-term insurance cancellations: number of policies cancelled during a year expressed as a percentage of total policies insured at the beginning of a year | **5** | **(5)** | 5 | (5) |
| Discount rate: the rate used to discount projected future cash flows to present value | **6** | **(6)** | 17 | (16) |
| Total | **121** | **(121)** | 122 | (121) |

| | **2017** | | 2016 | |
|---|---|---|---|---|
| Transaction Capital Recoveries – other financial assets | **10% Favourable Rm** | **10% Unfavourable Rm** | 10% Favourable Rm | 10% Unfavourable Rm |
| Significant unobservable input and description of assumption | | | | |
| Cash flows: change in the expected revenue | **<1** | **(1)** | 3 | (4) |
| Cash flows: change in expected costs | **<1** | **(1)** | 1 | (1) |
| Discount rate: the rate used to discount projected future cash flows to present value | **1** | **(2)** | 3 | (3) |
| Total | **1** | **(4)** | 7 | (8) |

# GROUP DATA SHEET

FOR THE HALF YEAR ENDED 31 MARCH

2017

Transaction Capital

# DATA SHEET
AT 31 MARCH 2017

All numbers and ratios presented in this data sheet are inclusive of the consolidated results of recent acquisitions from effective acquisition date and exclude transaction and other acquisition-related costs of R22 million.

| | | Half year ended 31 March | | Movement | Year ended 30 September |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| **TRANSACTION CAPITAL GROUP** | | | | | |
| **Condensed consolidated income statement** | | | | | |
| Interest and other similar income | Rm | **939** | 806 | **17%** | 1 688 |
| Interest and other similar expense | Rm | **(475)** | (377) | **26%** | (809) |
| Net interest income | Rm | **464** | 429 | **8%** | 879 |
| Impairment of loans and advances | Rm | **(125)** | (112) | **12%** | (209) |
| Risk-adjusted net interest income | Rm | **339** | 317 | **7%** | 670 |
| Non-interest revenue | Rm | **843** | 611 | **38%** | 1 279 |
| Total core operating costs | Rm | **(846)** | (656) | **29%** | (1 348) |
| Advertising, marketing and public relations | Rm | **(7)** | (4) | **75%** | (11) |
| Amortisation of intangible assets | Rm | **(12)** | (4) | **>100%** | (13) |
| Amortisation of purchased book debts | Rm | **(75)** | (55) | **36%** | (112) |
| Audit fees | Rm | **(7)** | (5) | **40%** | (11) |
| Bank charges | Rm | **(10)** | (6) | **67%** | (14) |
| Commissions paid | Rm | **(11)** | (6) | **83%** | (17) |
| Communication costs | Rm | **(33)** | (28) | **18%** | (56) |
| Consulting fees | Rm | **(12)** | (10) | **20%** | (23) |
| Cost of sale of goods | Rm | **(23)** | (17) | **35%** | (40) |
| Depreciation | Rm | **(15)** | (9) | **67%** | (22) |
| Directors emoluments | Rm | **(5)** | (3) | **67%** | (8) |
| Electricity and water | Rm | **(9)** | (7) | **29%** | (14) |
| Employee expenses | Rm | **(439)** | (345) | **27%** | (704) |
| Fees paid | Rm | **(19)** | (16) | **19%** | (34) |
| Information technology | Rm | **(17)** | (14) | **21%** | (29) |
| VAT disallowed | Rm | **(17)** | (16) | **6%** | (30) |
| Operating lease rentals | Rm | **(32)** | (23) | **39%** | (30) |
| Professional fees | Rm | **(7)** | (6) | **17%** | (15) |
| Risk management | Rm | **(8)** | (6) | **33%** | (12) |
| Staff welfare | Rm | **(10)** | (6) | **67%** | (12) |
| Travel | Rm | **(7)** | (6) | **17%** | (12) |
| Training and seminars | Rm | **(5)** | (3) | **67%** | (7) |
| Other | Rm | **(66)** | (61) | **8%** | (122) |
| Core operating income | Rm | **336** | 272 | **24%** | 601 |
| Non-operating (loss)/profit | Rm | **(2)** | 2 | **<(100%)** | – |
| Core profit before tax | Rm | **334** | 274 | **22%** | 601 |
| Income tax expense | Rm | **(75)** | (62) | **21%** | (138) |
| Core profit for the period | Rm | **259** | 212 | **22%** | 463 |

| | | Half year ended 31 March 2017 | Half year ended 31 March 2016 | Movement 2017 | Year ended 30 September 2016 |
|---|---|---|---|---|---|
| **TRANSACTION CAPITAL GROUP continued** | | | | | |
| **Condensed consolidated income statement continued** | | | | | |
| Core profit and headline earnings for the period attributable to: | | **259** | 212 | **22%** | 463 |
| Ordinary equity holders of the parent | Rm | **254** | 210 | **21%** | 458 |
| Non-controlling equity holders | Rm | **5** | 2 | **>100%** | 5 |
| Transaction and other acquisition-related costs | Rm | **22** | – | **100%** | – |
| Number of shares | m | **609.5** | 567.3 | **7%** | 571.9 |
| Weighted average number of shares in issue | m | **586.6** | 567.9 | **3%** | 568.5 |
| **Condensed consolidated statement of financial position** | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | Rm | **782** | 965 | **(19%)** | 1 276 |
| Inventory | Rm | **222** | 97 | **>100%** | 201 |
| Loans and advances | Rm | **7 785** | 6 601 | **18%** | 7 190 |
| Purchased book debts | Rm | **930** | 571 | **63%** | 728 |
| Other investments | Rm | **590** | 425 | **39%** | 477 |
| Intangible assets | Rm | **212** | 43 | **>100%** | 93 |
| Goodwill | Rm | **696** | 200 | **>100%** | 200 |
| Property and equipment | Rm | **122** | 65 | **88%** | 104 |
| Other assets | Rm | **1 021** | 859 | **19%** | 822 |
| Total assets | Rm | **12 360** | 9 826 | **26%** | 11 091 |
| Liabilities | | | | | |
| Bank overdrafts | Rm | **147** | 22 | **>100%** | 173 |
| Interest-bearing liabilities | Rm | **7 895** | 6 691 | **18%** | 7 477 |
| Senior debt | Rm | **6 959** | 5 523 | **26%** | 6 512 |
| Subordinated debt | Rm | **936** | 1 168 | **(20%)** | 965 |
| Other liabilities | Rm | **728** | 374 | **95%** | 463 |
| Total liabilities | Rm | **8 770** | 7 087 | **24%** | 8 113 |
| Equity | | | | | |
| Equity attributable to ordinary equity holders of the parent | Rm | **3 543** | 2 707 | **31%** | 2 944 |
| Non-controlling interests | Rm | **47** | 32 | **47%** | 34 |
| Total equity | Rm | **3 590** | 2 739 | **31%** | 2 978 |
| Total equity and liabilities | Rm | **12 360** | 9 826 | **26%** | 11 091 |
| **Shareholder statistics** | | | | | |
| Core headline earnings per share | cents | **43.3** | 37.0 | **17%** | 80.6 |
| Net asset value per share | cents | **581.3** | 477.2 | **22%** | 514.8 |
| Interim dividend per share | cents | **15.0** | 12.0 | **25%** | 12.0 |
| Core dividend cover | times | **2.9** | 3.1 | **(6%)** | 2.7 |

# DATA SHEET *continued*

| | | Half year ended 31 March 2017 | Half year ended 31 March 2016 | Movement 2017 | Year ended 30 September 2016 |
|---|---|---|---|---|---|
| **TRANSACTION CAPITAL GROUP continued** | | | | | |
| **Capital adequacy** | | | | | |
| Equity | Rm | **3 590** | 2 739 | **31%** | 2 978 |
| Subordinated debt | Rm | **936** | 1 168 | **(20%)** | 965 |
| Total capital | Rm | **4 526** | 3 907 | **16%** | 3 943 |
| Less: Goodwill | Rm | **(696)** | (200) | **>100%** | (200) |
| Total capital less goodwill | Rm | **3 830** | 3 707 | **3%** | 3 743 |
| Total assets less goodwill and cash and cash equivalents | Rm | **10 882** | 8 661 | **26%** | 9 615 |
| Capital adequacy ratio | % | **35.2** | 42.8 | | 38.9 |
| Equity | % | **26.6** | 29.3 | | 28.9 |
| Subordinated debt | % | **8.6** | 13.5 | | 10.0 |
| **Performance indicators** | | | | | |
| Total income | Rm | **1 782** | 1 417 | **26%** | 2 967 |
| Core cost-to-income ratio | % | **64.7** | 63.1 | | 62.5 |
| Average cost of borrowing | % | **12.0** | 11.0 | | 11.3 |
| Core return on average assets | % | **4.3** | 4.2 | | 4.4 |
| Core return on average equity | % | **16.1** | 15.9 | | 16.9 |
| Average assets | Rm | **11 968** | 9 974 | **20%** | 10 422 |
| Average equity | Rm | **3 154** | 2 648 | **19%** | 2 718 |
| Average interest-bearing liabilities | Rm | **7 935** | 6 864 | **16%** | 7 142 |
| Gearing | times | **3.5** | 3.6 | **(3%)** | 3.8 |
| Employees | number | **4 052** | **3 822** | **6%** | 3 260 |
| **SA TAXI** | | | | | |
| **Condensed income statement** | | | | | |
| Interest and other similar income | Rm | **841** | 705 | **19%** | 1 486 |
| Interest and other similar expense | Rm | **(429)** | (349) | **23%** | (742) |
| Net interest income | Rm | **412** | 356 | **16%** | 744 |
| Impairment of loans and advances | Rm | **(124)** | (111) | **12%** | (206) |
| Non-interest revenue | Rm | **195** | 150 | **30%** | 315 |
| Total operating costs | Rm | **(304)** | (245) | **24%** | (541) |
| Profit before tax | Rm | **179** | 150 | **19%** | 312 |
| Total income | Rm | **1 036** | 855 | **21%** | 1 801 |
| Profit after tax | Rm | **147** | 120 | **23%** | 254 |
| Profit and headline earnings for the period attributable to: | Rm | **147** | 120 | **23%** | 254 |
| Ordinary equity holders of the parent | Rm | **144** | 118 | **22%** | 249 |
| Non-controlling equity holders | Rm | **3** | 2 | **50%** | 5 |
| **Other information** | | | | | |
| Depreciation | Rm | **8** | 4 | **100%** | 12 |
| Amortisation of intangible assets | Rm | **4** | 2 | **100%** | 6 |

| | | Half year ended 31 March 2017 | Half year ended 31 March 2016 | Movement 2017 | Year ended 30 September 2016 |
|---|---|---|---|---|---|
| **SA TAXI continued** | | | | | |
| **Condensed statement of financial position** | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | Rm | **483** | 422 | **14%** | 761 |
| Inventory | Rm | **222** | 97 | **>100%** | 201 |
| Loans and advances | Rm | **7 305** | 6 166 | **18%** | 6 675 |
| Other investments | Rm | **496** | 425 | **17%** | 477 |
| Intangible assets | Rm | **29** | 16 | **81%** | 30 |
| Goodwill | Rm | **63** | 63 | **0%** | 63 |
| Property and equipment | Rm | **69** | 38 | **82%** | 71 |
| Other assets | Rm | **594** | 621 | **(4%)** | 599 |
| Total assets | Rm | **9 261** | 7 848 | **18%** | 8 877 |
| | | | | | |
| Liabilities | | | | | |
| Bank overdrafts | Rm | **141** | 18 | **>100%** | 173 |
| Interest-bearing liabilities | Rm | **6 757** | 5 571 | **21%** | 6 482 |
| Senior debt | Rm | **6 196** | 5 080 | **22%** | 5 991 |
| Subordinated debt | Rm | **561** | 491 | **14%** | 491 |
| Group loans | Rm | **910** | 1 144 | **(20%)** | 913 |
| Other liabilities | Rm | **199** | 130 | **53%** | 167 |
| Total liabilities | Rm | **8 007** | 6 863 | **17%** | 7 735 |
| | | | | | |
| Segment net assets | Rm | **1 254** | 985 | **27%** | 1 142 |
| | | | | | |
| **Capital adequacy** | | | | | |
| Equity | Rm | **1 254** | 985 | **27%** | 1 142 |
| Group funding | Rm | **910** | 1 144 | **(20%)** | 913 |
| Subordinated debt | Rm | **561** | 491 | **14%** | 491 |
| Total capital | Rm | **2 725** | 2 620 | **4%** | 2 546 |
| Less: goodwill | Rm | **(63)** | (63) | **0%** | (63) |
| Total capital less goodwill | Rm | **2 662** | 2 557 | **4%** | 2 483 |
| Total assets less goodwill and cash and cash equivalents | Rm | **8 715** | 7 363 | **18%** | 8 053 |
| Capital adequacy ratio | % | **30.5** | 34.7 | | 30.8 |
| Equity | % | **24.1** | 28.1 | | 24.7 |
| Subordinated debt | % | **6.4** | 6.6 | | 6.1 |

# DATA SHEET *continued*

| | | Half year ended 31 March 2017 | Half year ended 31 March 2016 | Movement 2017 | Year ended 30 September 2016 |
|---|---|---|---|---|---|
| **SA TAXI continued** | | | | | |
| **Financial measures** | | | | | |
| Net interest margin | % | **11.0** | 11.0 | | 11.1 |
| Cost-to-income ratio | % | **50.1** | 48.4 | | 51.1 |
| Average cost of borrowing | % | **11.3** | 10.4 | | 10.6 |
| Return on average assets | % | **3.2** | 3.1 | | 3.1 |
| Return on average equity | % | **24.1** | 25.4 | | 25.5 |
| Gross yield on average gross loans and advances | % | **27.6** | 26.3 | | 26.9 |
| Average assets | Rm | **9 172** | 7 850 | **17%** | 8 259 |
| Average equity | Rm | **1 195** | 946 | **26%** | 996 |
| Average gross loans and advances | Rm | **7 519** | 6 498 | **16%** | 6 697 |
| Average interest-bearing liabilities | Rm | **7 565** | 6 704 | **13%** | 7 006 |
| Employees | number | **875** | 734 | **19%** | 840 |
| **Operational measures** | | | | | |
| Status | | | | | |
| Number of loans | number | **27 142** | 25 591 | **6%** | 26 352 |
| Gross loans and advances | Rm | **7 757** | 6 688 | **16%** | 7 151 |
| Impairment provision | Rm | **(452)** | (522) | **(13%)** | (476) |
| Net loans and advances | Rm | **7 305** | 6 166 | **18%** | 6 675 |
| Leases/repossessions (loans and advances, on value) | % | **95/5** | 95/5 | | 95/5 |
| Premium/entry-level (gross loans and advances, on value) | % | **99/1** | 99/1 | | 99/1 |
| Originations | | | | | |
| Number of loans originated | number | **3 764** | 3 382 | **11%** | 6 866 |
| Value of loans originated | Rm | **1 443** | 1 150 | **25%** | 2 409 |
| Average remaining loan term | months | **45** | 44 | **2%** | 44 |
| % New/existing client (on value) | % | **77/23** | 74/26 | | 73/27 |
| New vehicle originations | Rm | **1 101** | 880 | **25%** | 1 819 |
| Average origination value | R | **383 369** | 340 035 | **13%** | 350 930 |
| Credit performance | | | | | |
| Credit loss ratio | % | **3.3** | 3.4 | | 3.1 |
| Provision coverage | % | **5.8** | 7.8 | | 6.7 |
| Non-performing loans | Rm | **1 332** | 1 205 | **11%** | 1 242 |
| Non-performing loan ratio | % | **17.2** | 18.0 | | 17.4 |
| Non-performing loan coverage | % | **33.9** | 43.3 | | 38.3 |
| Impairment provision % repossessions | % | **32.8** | 38.4 | | 30.0 |

| | | Half year ended 31 March 2017 | Half year ended 31 March 2016 | Movement 2017 | Year ended 30 September 2016 |
|---|---|---|---|---|---|
| **SA TAXI continued** | | | | | |
| **Environment** | | | | | |
| Estimated minibus taxi market | vehicles | **200 000** | 200 000 | **0%** | 200 000 |
| Estimated minibus taxi market – financed | vehicles | **70 000** | 70 000 | **0%** | 70 000 |
| Price of a new Toyota Sesfikile (petrol) | R | **401 300** | 371 000 | **8%** | 393 500 |
| Average repo rate | % | **7.0** | 6.4 | | 6.7 |
| Average market petrol price per litre | R | **12.92** | 12.08 | **7%** | 12.29 |
| **TRANSACTION CAPITAL RISK SERVICES (TCRS)** | | | | | |
| **Condensed income statement** | | | | | |
| Interest and other similar income | Rm | **73** | 63 | **16%** | 136 |
| Interest and other similar expense | Rm | **(45)** | (33) | **36%** | (71) |
| Net interest income | Rm | **28** | 30 | **(7%)** | 65 |
| Impairment of loans and advances | Rm | **(1)** | (1) | **0%** | (3) |
| Non-interest revenue | Rm | **642** | 461 | **39%** | 964 |
| Total core operating costs | Rm | **(538)** | (400) | **35%** | (796) |
| Non-operating profit | Rm | **(2)** | 2 | **<(100%)** | – |
| Core profit before tax | Rm | **129** | 92 | **40%** | 230 |
| Total income | Rm | **715** | 524 | **36%** | 1 100 |
| Core profit after tax | Rm | **95** | 70 | **36%** | 168 |
| Core profit and headline earnings for the period attributable to: | | **95** | 70 | **36%** | 168 |
| Ordinary equity holders of the parent | Rm | **93** | 70 | **33%** | 168 |
| Non-controlling equity holders | Rm | **2** | – | **100%** | – |
| Transaction and other acquisition-related costs | Rm | **22** | – | **100%** | – |
| Core EBITDA (excluding Transaction Capital Business Solutions (TCBS)) | Rm | **143** | 97 | **47%** | 239 |
| **Other information** | | | | | |
| Depreciation | Rm | **6** | 4 | **50%** | 9 |
| Amortisation of intangible assets | Rm | **8** | 3 | **>100%** | 7 |

# DATA SHEET *continued*

| | | Half year ended 31 March | | Movement | Year ended 30 September |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| **TCRS continued** | | | | | |
| **Condensed statement of financial position** | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | Rm | **91** | 87 | **5%** | 72 |
| Loans and advances | Rm | **480** | 435 | **10%** | 515 |
| Purchased book debts | Rm | **930** | 571 | **63%** | 728 |
| Property and equipment | Rm | **51** | 24 | **>100%** | 30 |
| Intangible assets | Rm | **183** | 27 | **>100%** | 63 |
| Goodwill | Rm | **632** | 76 | **>100%** | 76 |
| Other assets | Rm | **392** | 215 | **82%** | 195 |
| Total assets | Rm | **2 759** | 1 435 | **92%** | 1 679 |
| Liabilities | | | | | |
| Bank overdrafts | Rm | **6** | – | **100%** | – |
| Interest-bearing liabilities | Rm | **794** | 530 | **50%** | 558 |
| Senior debt | Rm | **794** | 530 | **50%** | 558 |
| Group loans | Rm | **205** | 119 | **72%** | 230 |
| Other liabilities | Rm | **541** | 234 | **>100%** | 285 |
| Total liabilities | Rm | **1 546** | 883 | **75%** | 1 073 |
| Segment net assets | Rm | **1 213** | 552 | **>100%** | 606 |
| **Financial measures** | | | | | |
| Non-interest revenue net of amortisation | Rm | **567** | 406 | **40%** | 852 |
| Core cost-to-income ratio | % | **80.3** | 81.5 | | 77.4 |
| Average cost of borrowing | % | **9.6** | 9.9 | | 10.1 |
| Core return on average assets | % | **8.4** | 9.9 | | 11.3 |
| Core return on average equity | % | **20.6** | 27.7 | | 31.5 |
| Core return on average assets excluding TCBS | % | **9.9** | 13.2 | | 15.0 |
| Core return on average equity excluding TCBS | % | **19.9** | 27.4 | | 31.1 |
| Core return on sales | % | **13.3** | 13.4 | | 15.3 |
| Average assets | Rm | **2 271** | 1 412 | **61%** | 1 482 |
| Average equity | Rm | **902** | 505 | **79%** | 534 |
| Average interest-bearing liabilities | Rm | **939** | 669 | **40%** | 701 |
| Employees | number | **3 150** | 3 066 | **3%** | 2 395 |

| | | Half year ended 31 March | | Movement | Year ended 30 September |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| **TCRS continued** | | | | | |
| **Operational measures** | | | | | |
| Contingency and fee-for-service (FFS)/principal collections revenue split | % | **56/44** | 49/51 | | 47/53 |
| TCRS South Africa | | | | | |
| Number of contingency and FFS clients | number | **84** | 80 | **5%** | 83 |
| Number of direct staff | number | **2 142** | 2 676 | **(20%)** | 2 035 |
| Call centres | number | **6** | 11 | **(45%)** | 6 |
| Assets under management | Rb | **32.1** | 31.8 | **1%** | 35.4 |
| Contingency and FFS | Rb | **14.0** | 15.3 | **(8%)** | 16.1 |
| Principal | Rb | **18.1** | 16.5 | **10%** | 19.3 |
| Average book value of purchased book debts | Rm | **835** | 513 | **63%** | 599 |
| Asset turnover ratio | % | **57.1** | 72.4 | | 71.1 |
| Estimated remaining collections | Rm | **1 492** | 1 063 | **40%** | 1 313 |
| TCRS Australia | | | | | |
| Number of contingency and FFS clients | number | **49** | n/a | **n/a** | n/a |
| Number of direct staff | number | **469** | n/a | **n/a** | n/a |
| Call centres | number | **2** | n/a | **n/a** | n/a |
| Assets under management | Rb | **6.1** | n/a | **n/a** | n/a |
| Contingency and FFS | Rb | **6.1** | n/a | **n/a** | n/a |
| TCBS | | | | | |
| Gross loans and advances | Rm | **464** | 423 | **10%** | 497 |
| Impairment provision | Rm | **(10)** | (11) | **(9%)** | (11) |
| Loans and advances | Rm | **454** | 412 | **10%** | 486 |

# DATA SHEET *continued*

| | | Half year ended 31 March | | Movement | Year ended 30 September |
|---|---|---|---|---|---|
| | | **2017** | 2016 | **2017** | 2016 |
| **GROUP EXECUTIVE OFFICE*** | | | | | |
| **Condensed income statement** | | | | | |
| Net interest income | Rm | **24** | 43 | **(44%)** | 70 |
| Non-interest revenue | Rm | **6** | – | **100%** | – |
| Operating costs | Rm | **(4)** | (11) | **(64%)** | (11) |
| Profit before tax | Rm | **26** | 32 | **(19%)** | 59 |
| Profit after tax | Rm | **17** | 22 | **(23%)** | 41 |
| Headline earnings | Rm | **17** | 22 | **(23%)** | 41 |
| **Other information** | | | | | |
| Depreciation | Rm | **1** | – | **100%** | 1 |
| **Condensed statement of financial position** | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | Rm | **208** | 456 | **(54%)** | 443 |
| Property and equipment | Rm | **2** | 3 | **(33%)** | 3 |
| Other assets | Rm | **130** | 84 | **55%** | 89 |
| Total assets | Rm | **340** | 543 | **(37%)** | 535 |
| Liabilities | | | | | |
| Interest-bearing liabilities | Rm | **344** | 590 | **(42%)** | 437 |
| Group loans | Rm | **(1 115)** | (1 263) | **(12%)** | (1 143) |
| Other liabilities | Rm | **(12)** | 14 | **<(100%)** | 11 |
| Total liabilities | Rm | **(783)** | (659) | **19%** | (695) |
| Segment net assets | Rm | **1 123** | 1 202 | **(7%)** | 1 230 |
| Employees | number | **27** | 22 | **23%** | 25 |

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

# PRO FORMA INFORMATION

The following information is presented in order to facilitate the comparison of 2015, 2016 and 2017 financial information. The pro forma information presents the effects of the adoption of IFRS 9 for the half year ended 31 March 2015, based on the assumption that the adoption of IFRS 9 was implemented on 1 October 2014. Refer to the announcement released on SENS on 24 November 2015 for the full pro forma effect of the early adoption of IFRS 9.

| | | Half year ended 31 March | | | Movement | |
|---|---|---|---|---|---|---|
| | | **2017** | 2016 | 2015 Pro forma | **2017** | 2016 |
| **TRANSACTION CAPITAL GROUP** | | | | | | |
| **Consolidated income statement** | | | | | | |
| Core headline earnings | Rm | **254** | 210 | 176 | **21%** | 19% |
| Net interest income | Rm | **464** | 429 | 402 | **8%** | 7% |
| **Consolidated statement of financial position** | | | | | | |
| Loans and advances | Rm | **7 785** | 6 601 | 5 866 | **18%** | 13% |
| Total assets | Rm | **12 360** | 9 826 | 9 097 | **26%** | 8% |
| Equity | Rm | **3 590** | 2 739 | 2 457 | **31%** | 11% |
| **Shareholder statistics** | | | | | | |
| Core headline earnings per share | cents | **43.3** | 37.0 | 30.9 | **17%** | 20% |
| Net asset value per share | cents | **581.3** | 477.2 | 426.4 | **22%** | 12% |
| **Performance indicators** | | | | | | |
| Total income | Rm | **1 782** | 1 417 | 1 308 | **26%** | 8% |
| Core cost-to-income ratio | % | **64.7** | 63.1 | 65.2 | | |
| Core return on average assets | % | **4.3** | 4.2 | 3.9 | | |
| Core return on average equity | % | **16.1** | 15.9 | 15.0 | | |
| Gearing | times | **3.5** | 3.6 | 3.7 | **(3%)** | (3%) |
| Capital adequacy ratio | % | **35.2** | 42.8 | 41.3 | | |
| **SA TAXI** | | | | | | |
| **Credit performance** | | | | | | |
| Gross loans and advances | Rm | **7 757** | 6 688 | 5 967 | **16%** | 12% |
| Impairment provision | Rm | **(452)** | (522) | (556) | **(13%)** | (6%) |
| Non-performing loan ratio | % | **17.2** | 18.0 | 19.3 | | |
| Credit loss ratio | % | **3.3** | 3.4 | 4.1 | | |
| Provision coverage | % | **5.8** | 7.8 | 9.3 | | |
| Non-performing loan coverage | % | **33.9** | 43.3 | 48.3 | | |
| **Performance indicators** | | | | | | |
| Headline earnings | Rm | **144** | 118 | 96 | **22%** | 23% |
| Net interest margin | % | **11.0** | 11.0 | 11.1 | | |
| Average cost of borrowing | % | **11.3** | 10.4 | 10.3 | | |
| Cost-to-income ratio | % | **50.1** | 48.4 | 47.7 | | |
| **TRANSACTION CAPITAL RISK SERVICES** | | | | | | |
| **Performance indicators** | | | | | | |
| Core headline earnings | Rm | **93** | 70 | 61 | **33%** | 15% |
| Non-interest revenue | Rm | **642** | 461 | 457 | **39%** | 1% |
| Core cost-to-income ratio | % | **80.3** | 81.5 | 82.4 | | |
| Core EBITDA (excluding TCBS) | Rm | **143** | 97 | 84 | **47%** | 15% |
| Purchased book debts | Rm | **930** | 571 | 523 | **63%** | 9% |

# FORMULAE
## AND DEFINITIONS

| ITEM | DEFINITION |
|---|---|
| **Asset turnover ratio** | Gross principal book revenue expressed as a percentage of average carrying value of purchased book debts |
| **Average equity attributable to ordinary equity holders of the parent** | Sum of equity attributable to ordinary equity holders of the parent at the end of each month from September to March divided by 7 |
| **Average gross loans and advances** | Sum of gross loans and advances at the end of each month from September to March divided by 7 |
| **Average interest-bearing liabilities** | Sum of interest-bearing liabilities at the end of each month from September to March divided by 7 |
| **Average total assets** | Sum of total assets at the end of each month from September to March divided by 7 |
| **Average cost of borrowing** | Interest expense expressed as a percentage of average interest-bearing liabilities |
| **Capital adequacy ratio** | Total equity plus subordinated debt capital less goodwill expressed as a percentage of total assets less goodwill and cash and cash equivalents |
| **Core cost-to-income ratio** | Core operating costs expressed as a percentage of net interest income plus non-interest revenue |
| **Core headline earnings** | Headline earnings excluding transaction and other acquisition-related costs |
| **Core headline earnings per share** | Core headline earnings divided by weighted average number of ordinary shares in issue |
| **Core operating costs** | Operating costs excluding transaction and other acquisition-related costs |
| **Core profit for the period** | Profit for the period excluding transaction and other acquisition-related costs |
| **Core return on average assets** | Core profit for the period expressed as a percentage of average total assets |
| **Core return on average equity** | Core profit for the period attributable to ordinary equity holders of the parent expressed as a percentage of average equity attributable to ordinary equity holders of the parent |
| **Core return on total sales** | Core profit for the period expressed as a percentage of total income |
| **Cost-to-income ratio** | Total operating costs expressed as a percentage of net interest income plus non-interest revenue |
| **Credit loss ratio** | Impairment of loans and advances expressed as a percentage of average gross loans and advances |
| **EBITDA** | Profit before net interest income, tax, depreciation and amortisation of intangible assets (specifically excluding amortisation of purchased book debts) excluding Transaction Capital Business Solutions |
| **Effective tax rate** | Income tax expense expressed as a percentage of profit before tax |
| **Entry-level vehicles** | Vehicles brands: CAM, CMC, Jinbei, King Long, Polar Sun, Foton, Force Traveller, Peugeot |
| **Estimated remaining collections** | Estimated undiscounted value of remaining gross cash collections of purchased book debts, estimated to be recovered over the next 96 months |
| **Gearing** | Total assets divided by equity attributable to ordinary equity holders of the parent expressed in times |

| ITEM | DEFINITION |
|---|---|
| **Gross loans and advances** | Gross loans and advances specifically exclude the value of the written-off book brought back on to the balance sheet |
| **Gross yield on average assets** | Total income divided by average assets |
| **Gross yield on average gross loans and advances** | Total income divided by average gross loans and advances |
| **Headline earnings** | Headline earnings is defined and calculated as per the circular titled Headline Earnings issued by the South African Institute of Chartered Accountants (SAICA) as amended from time to time, currently being basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items |
| **Headline earnings per share** | Headline earnings divided by weighted average number of ordinary shares in issue |
| **Net asset value per share** | Equity attributable to ordinary equity holders of the parent divided by number of ordinary shares in issue |
| **Net interest margin** | Net interest income as a percentage of average gross loans and advances |
| **Non-performing loan coverage** | Impairment provision expressed as a percentage of non-performing loans |
| **Non-performing loan ratio** | Non-performing loans expressed as a percentage of gross loans and advances |
| **Non-performing loans** | (a) the balance outstanding of loans and advances with a contractual delinquency greater than three months including repossessed stock on hand (b) reduced by the balance of such outstanding loans and advances for which three cumulative qualifying payments have been received in the three month period preceding the measurement date |
| **Premium vehicles** | Non entry-level vehicles |
| **Provision coverage** | Impairment provision expressed as a percentage of gross loans and advances |
| **Return on average assets** | Profit for the period expressed as a percentage of average total assets |
| **Return on average equity** | Profit for the period attributable to ordinary equity holders of the parent expressed as a percentage of average equity attributable to ordinary equity holders of the parent |
| **Return on total sales** | Profit for the period expressed as a percentage of total income |
| **Structurally subordinated debt** | Senior debt issued by a holding company within the group |
| **Subordinated debt** | Debt subordinated by agreement with the lender plus structurally subordinated debt |
| **Total income** | Interest and other similar income plus non-interest revenue |
| **Weighted average number of ordinary shares in issue** | The number of ordinary shares in issue at the beginning of the period increased by shares issued during the year, weighted on a time basis for the year during which they have participated in the income of the group excluding treasury shares |

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