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Transaction Capital

TRANSACTION CAPITAL INTEGRATED ANNUAL REPORT **2017**

2017

INTEGRATED ANNUAL REPORT

Transaction Capital

ABOUT THIS REPORT

The Transaction Capital integrated annual report (the report) for the year ended 30 September 2017 provides insight into Transaction Capital's business and strategy, and an analysis of its financial, operational, social and governance performance.

SCOPE AND BOUNDARY

The scope of this report covers the group holding company and its divisions, as set out in the group profile on page 4. While Transaction Capital operates primarily in South Africa, the group's strategy to expand internationally has progressed, and this report also covers its operations in Australia.

Group executive management was significantly involved in the preparation of this report and believes the information provided covers all the factors deemed to be material to the group's ability to create value. Group and divisional executives determine materiality based on their ongoing engagement with stakeholders and with reference to group and divisional strategies. The narrative of this report includes details on specific stakeholder concerns and the response of Transaction Capital and its divisions.

Although the report is considered to be relevant to all stakeholders, it is aimed primarily at providers of financial capital, to inform their assessment of Transaction Capital's ability to create value over the longer term.

This report includes summarised financial results and other selected financial information (from page 104 to 119). The full annual financial statements are available at Transaction Capital's registered office and on its website, www.transactioncapital.co.za.

REPORTING FRAMEWORKS

This report is prepared in accordance with International Financial Reporting Standards (IFRS), the JSE Listings Requirements and the South African Companies Act 71 of 2008, and with reference to the International Reporting <IR> Framework of the International Integrated Reporting Council (IIRC).

Transaction Capital conforms to the principles contained in the King IV Report on Corporate Governance for South Africa (King IV).

ASSURANCE OF THE REPORT

External

Deloitte & Touche audited the annual financial statements. The scope of the audit was limited to the information set out in the annual financial statements and does not extend to the content of this report. The unmodified assurance statement forms part of the annual financial statements, available on www.transactioncapital.co.za.

Internal

The audit, risk and compliance (ARC) committee acknowledges its responsibility on behalf of the board to ensure the integrity of the report. The ARC committee has accordingly applied its collective mind to the report and believes that it appropriately and sufficiently addresses all material matters and fairly presents the integrated performance of Transaction Capital and its divisions for the year, within the stated scope and boundary. The ARC committee recommended this report to the board for approval. The board approved the report for distribution to stakeholders on 15 January 2018.

DAVID HURWITZ
Chief executive officer

RONEN GOLDSTEIN
Financial director

CONTENTS

ONLINE

ABOUT TRANSACTION CAPITAL

GROUP PROFILE

Transaction Capital

Transaction Capital owns businesses that operate in highly specialised and under-served segments of the South African and Australian financial services market.

Transaction Capital's two market-leading divisions, led by entrepreneurial and experienced management teams, represent a diversified and scalable financial services platform, underpinned by a mature governance framework. The divisions leverage their proprietary data and technology to create value for their customers.

SA Taxi

driving our nation forward

A vertically integrated platform incorporating vehicle procurement, retail, finance, insurance, repossession and refurbishment capabilities. Combined with its proprietary data, these competencies enable the division to provide asset-backed developmental credit and bespoke taxi insurance, and sell suitable vehicle models and allied services to taxi operators.

See the SA Taxi review from page 34 to 43.

Transaction Capital Risk Services

A technology-led, data-driven provider of customer management solutions in South Africa and Australia. The division's scalable and bespoke fintech platform improves its clients' ability to originate, manage and collect from their customers.

See the Transaction Capital Risk Services (TCRS) review from page 44 to 53.

To **sustainably create value for its shareholders** over time, Transaction Capital's activities include:

DRIVING STRATEGY, GROWTH AND PERFORMANCE

- Strengthen the leading market positions and scale of its divisions by enhancing and refining its specialist capabilities to achieve deeper vertical integration in current market segments, and apply these capabilities to new complementary market segments.

DELIVERING A STRONG PIPELINE OF FUNDING

- Due to its ability to manage the credit risk associated with its chosen market segments to a level acceptable to funders, Transaction Capital continues to enjoy uninterrupted access to local and international funding pools. Thus, Transaction Capital is able to serve as a conduit between local and international funders and small- and medium-sized enterprises (SMEs).

MANAGING THE ADEQUACY AND DEPLOYMENT OF CAPITAL

- Judiciously invest equity capital, conservatively leveraged with local and international debt, into accurately assessed asset classes to achieve superior risk-adjusted returns.

OVERSEEING MANAGEMENT OF CREDIT, INVESTMENT AND REGULATORY RISK

- Leverage its specialist capabilities to manage credit risk that arises due to the nature of its chosen market segments, and to manage investment risk when allocating capital.
- Manage uncertainty and the cost of compliance due to the constant evolution of financial services regulations, which requires awareness of, preparation for, and participation in legislative developments.

ENSURING HIGH-CALIBRE TALENT TO DRIVE A HIGH-PERFORMANCE CULTURE

- Transaction Capital's ability to differentiate itself through intellectual capital is a function of its people, who the group motivates, engages, develops and rewards to foster innovation, cultivate leadership and sustain a high-performance culture.

OUTCOMES

POSITIONED DELIBERATELY IN RELATION TO DEMOGRAPHIC AND SOCIO-ECONOMIC REALITIES, TRANSACTION CAPITAL'S DIVISIONS DELIVER BOTH **COMMERCIAL RETURNS** AND **SOCIAL BENEFITS.**

The defensive nature of Transaction Capital's business enables **consistent and resilient earnings growth** over time, generating superior returns.

↑ 21%
HEADLINE EARNINGS COMPOUND ANNUAL GROWTH RATE (CAGR) SINCE LISTING

↑ 26%
2017 CORE HEADLINE EARNINGS
R577 MILLION

↑ 20%
2017 CORE HEADLINE EARNINGS PER SHARE
96.4 CENTS

↑ 33%
2017 TOTAL DIVIDEND PER SHARE
40.0 CENTS

MARKET CAPITALISATION AT 30 SEPTEMBER 2017
R9.3 BILLION

Core financial results and ratios exclude once-off acquisition costs of R22 million incurred during the year.

Growth rates compare 2017 to 2016.

Transaction Capital's focus on under-served market segments creates **broader stakeholder value** and positions the group as **socially relevant.**

See pages 34 and 44 for the societal relevance of its divisions.

SA TAXI
R2.9 BILLION LOANS ORIGINATED, CREATING **7 480 SMEs** IN 2017

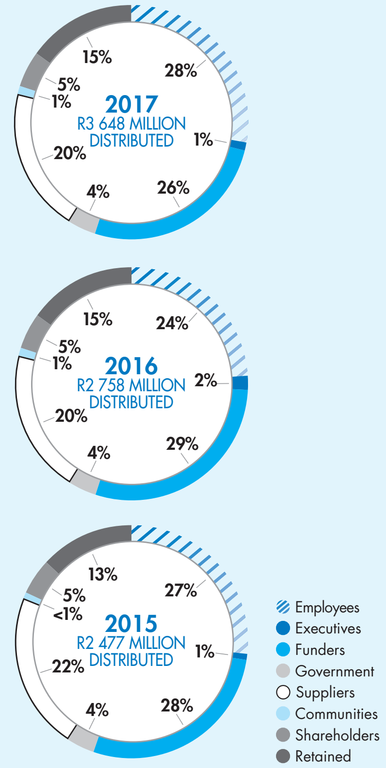
TCRS CONTRIBUTES TO THE EFFICIENCY AND EFFECTIVENESS OF **NATIONAL CREDIT SYSTEMS**

4 095
TOTAL EMPLOYEES

→ SA TAXI
12 HOURS
TRAINING PER EMPLOYEE

→ TCRS
78 HOURS
TRAINING PER EMPLOYEE

VALUE DISTRIBUTED TO STAKEHOLDERS



Transaction Capital's divisions occupy **leading market positions** due to their specialist focus on under-served market segments.

See pages 36 and 46 for the market context in which its divisions operate.

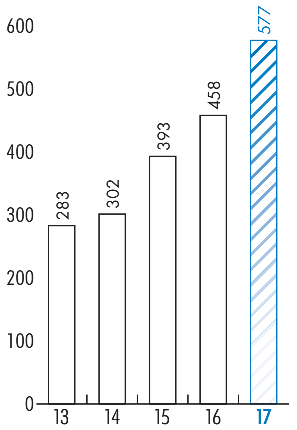
1 IN 3
of the national financed minibus taxi fleet is financed and insured by SA Taxi

1ST OR 2ND
ranking by clients in 89% of Transaction Capital Recoveries' 231 mandates

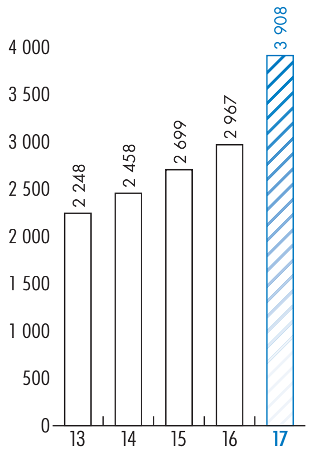
PERFORMANCE OVERVIEW

FINANCIAL HIGHLIGHTS

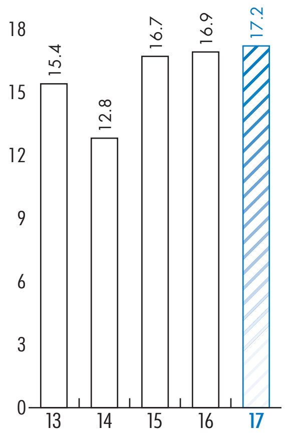
CORE HEADLINE EARNINGS (Rm)



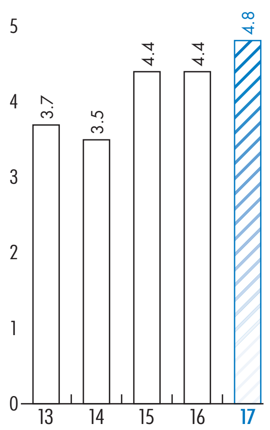
TOTAL INCOME (Rm)



RETURN ON EQUITY (%)



RETURN ON ASSETS (%)



STRATEGIC AND OPERATIONAL HIGHLIGHTS

STRATEGIC POSITIONING OF OPERATING DIVISIONS

Delivering robust organic growth

- Occupy leading market positions with highly defensive businesses
- Vertically integrated, diversified and scalable financial services platforms
- Leverage proprietary data and technology to develop new products and expand into new markets

UNGEARED AND LIQUID BALANCE SHEET

- Balance sheet remains well capitalised
- 28.4 million shares issued, raising R419 million in 2017
- Liquid excess capital of approximately R650 million
- Capital adequacy ratio of 32.6%
- Capacity and flexibility to continue investing in organic and acquisitive opportunities
- Early adoption of IFRS 9 in 2015

DEBT CAPITAL MARKETS

Uninterrupted access to debt capital markets

- Despite political instability and South Africa's sovereign rating downgrade
- SA Taxi raised R6 billion in 2017, with 2018 fully funded
- Secured over R2 billion of debt facilities from US-based development finance institutions (DFIs) during 2017
- R505 million Transsec 3 issuance, more than three times oversubscribed and priced 81 basis points lower than Transsec 2

Credit ratings

- Moody's awarded a Aaa.za(sf) rating to Transsec 3 senior notes
- Global Credit Ratings Co. reaffirmed Transaction Capital's R2 billion $A_{(ZA)}$ rated JSE-listed domestic note programme

IMPROVED DIVIDEND POLICY

- High quality organic earnings growth with high cash conversion rates
- Dividends growing at an accelerated rate when compared to earnings
- Final dividend per share increased 39% to 25 cents
- Total dividend per share increased 33% to 40 cents
- Dividend policy amended to 2 to 2.5 times (previously 2.5 to 3 times)
- Total dividend cover of 2.4 times (2016: 2.7 times)

EVOLUTION SINCE LISTING

SINCE LISTING IN 2012, MANAGEMENT HAS IMPLEMENTED A NUMBER OF INTERVENTIONS TO SUPPORT STRONG ORGANIC GROWTH, ENSURE IMPROVEMENT ACROSS KEY METRICS AND CREATE VALUE FOR STAKEHOLDERS.

CAGR 2012 TO 2017

21%	26%	36%
CORE HEADLINE EARNINGS PER SHARE[1]	TOTAL SHAREHOLDER RETURNS[2]	TOTAL DIVIDEND PER SHARE[3]

JUNE 2012
Listed on the JSE Limited

NOVEMBER 2013
Paycorp disposal for R937 million

DECEMBER 2013
Bayport disposal for R1.3 billion

MARCH 2014
Capital distribution of 210 cents per share (cps) or R1.2 billion in total

JANUARY 2015
Board restructured and group executive office simplified

NOVEMBER 2015
Early adoption of IFRS 9

OCTOBER 2016
Conditional share plan approved

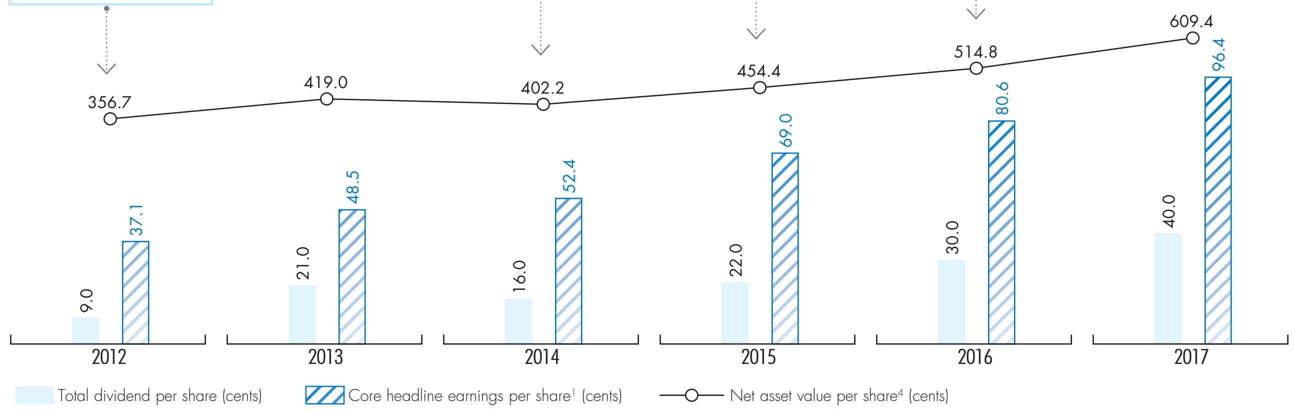
NOVEMBER 2016
Established a R2 billion domestic note programme

DECEMBER 2016
Acquired Road Cover and The Beancounter

JANUARY 2017
Acquired Recoveries Corporation in Australia

FEBRUARY 2017
Issued 28.4 million shares raising R419 million

NOVEMBER 2017
Dividend policy amended to 2 to 2.5 (4 to 5 times at listing)
Improved dividend cover to 2.4 times (2013: 4.5 times)



1. Core headline earnings per share, excluding the impact of Paycorp and Bayport. | 2. Sunday Times 'Top 100 Companies over 5 years' 2017.
3. CAGR between 2014 and 2017, excluding the impact of Paycorp and Bayport. | 4. 2012 and 2013 adjusted to account for the capital distribution paid in March 2014.

Core financial results and ratios exclude once-off acquisition costs of R22 million incurred during 2017.

Transaction Capital early adopted IFRS 9 in 2015. As a result, all 2014 numbers are presented on a pro forma IFRS 9 basis. All numbers for 2012 and 2013 are presented on an IAS 39 basis, as previously reported.

MISSION AND INVESTMENT CASE

MISSION: PROVIDING SPECIALISED FINANCIAL AND ALLIED SERVICES IN HIGHLY SPECIALISED AND UNDER-SERVED SEGMENTS OF THE FINANCIAL SERVICES SECTOR.

INVESTMENT CASE: EXECUTING ON TRANSACTION CAPITAL'S MISSION CREATES A **COMPELLING** AND **UNIQUE** INVESTMENT CASE:

TRANSACTION CAPITAL COMPRISES A **DIVERSIFIED PORTFOLIO** OF **FINANCIAL SERVICES ASSETS**

- Two **well established, autonomous and unique** financial services businesses:
  - **SA Taxi**
  - **Transaction Capital Risk Services (TCRS)**
- Positioned in **attractive market segments** occupying **leading market positions**
- **Highly defensive businesses** able to withstand difficult economic conditions
- **Deep vertical integration** enabling the application of **specialised expertise to mitigate risk, participate in margin and provide a broader service to clients**
- **Superior data, leading-edge technology and analytics capabilities** differentiate our offerings, inform business decisions and mitigate risk
- Via a **diversified business model:**
  - Unique blend of highly **cash generative and capital-related businesses**
  - **Diversified revenue model** across adjacent market segments and geographies

WITH A **BESPOKE AND ROBUST CAPITAL STRUCTURE** INCORPORATING **R650 MILLION OF EXCESS CAPITAL**

- **Conservative equity capital structure** to fund organic growth and acquisition activity:
  - **Ungeared** at holding company level
  - **Proven ability to raise debt and equity capital** efficiently from a diversified range of local and international investors

ESTABLISHED AS A **SCALABLE FINANCIAL SERVICES PLATFORM**

- For SA Taxi and TCRS to **develop new products and expand into new markets**
- For Transaction Capital to collaborate in **introducing new organic and/or acquisitive growth opportunities**
- For Transaction Capital to **realise synergies and cross-selling opportunities** within existing products

WHICH IS LED BY AN **ENTREPRENEURIAL OWNER-MANAGER TEAM**

- **Empowered** ownership culture
- **Decentralised, entrepreneurial, proven and long-serving leadership**
- **Specialised intellectual capital** applied over a much smaller asset base than in larger organisations

UNDERPINNED BY A ROBUST **CORPORATE GOVERNANCE FRAMEWORK AND SOUND GOVERNANCE PRACTICES**

- Experienced, diverse and **independent directors** at group and subsidiary level
- **Institutionalised governance**, regulatory and risk management practices
- **Conservative accounting policies** (including the early adoption of IFRS 9)

WHICH TOGETHER POSITION IT FOR **SUSTAINABLE GROWTH**

- Decentralised businesses that are self-sustaining and sizable in their own right
- Track record of delivering predictable **high-quality earnings** with high cash conversion rates and strong organic growth prospects
- **Dividends growing** at an accelerated rate when compared to earnings
- A **focused acquisition strategy:**
  - **Earnings accretive acquisitions of relevant and scalable business platforms,** whose value can be developed by Transaction Capital
  - Acquisition strategy supported by **R650 million of excess cash, highly cash generative businesses, supportive capital markets and a strong unleveraged balance sheet**

AND THE DELIVERY OF **A MEANINGFUL SOCIAL IMPACT**

- Businesses favourably positioned in relation to demographic and socio-economic trends, **delivering both a social and commercial benefit**
- SA Taxi facilitates:
  - **Asset ownership by black-owned SMEs, financial inclusion, SME empowerment and sustainable job creation**
  - **Improved public transport infrastructure**
  - **Environmental sustainability**
- TCRS facilitates:
  - **Credit rehabilitation** of over-indebted consumers
  - Lenders to maintain **cleaner balance sheets to continue extending credit affordably**

STRATEGY

1 ORGANIC GROWTH

Develop specialised capabilities and industry solutions to achieve deep vertical integration within existing market segments, and further develop and apply these competencies to create new positions within adjacent and new market segments, thereby driving organic growth.

2 CREDIT RISK AND CAPITAL MANAGEMENT

Judiciously invest equity capital, conservatively leveraged with local and international debt, into accurately assessed asset classes to achieve superior risk-adjusted returns.

3 DATA AND TECHNOLOGY

Generate in-depth insights from the continuous collection of diverse, accurate and valuable data sets to enable precise decisioning and proactive risk management, and leverage data, analytics and technology within a dynamic servicing platform to drive profitable growth.

4 ACQUISITIVE GROWTH

Target quality assets operating within Transaction Capital's focused market segments that will enhance its capabilities, and whose business models and value can be enhanced through active management.

5 PEOPLE

Develop, engage and reward employees and executives to engender a high-performance culture.

1 STRATEGIC OBJECTIVE

ORGANIC GROWTH

DEVELOP SPECIALISED CAPABILITIES AND INDUSTRY SOLUTIONS TO ACHIEVE DEEP VERTICAL INTEGRATION WITHIN EXISTING MARKET SEGMENTS, AND FURTHER DEVELOP AND APPLY THESE COMPETENCIES TO CREATE NEW POSITIONS WITHIN ADJACENT AND NEW MARKET SEGMENTS, THEREBY DRIVING ORGANIC GROWTH.

To continue driving organic growth, Transaction Capital's divisions are empowered to:

- Continue growing their client base.
- Enhance their value proposition by introducing existing clients to new products and services.
- Move into adjacent markets and new segments within existing markets where they can apply their specialised capabilities.

Transaction Capital's divisions are focused on narrow market segments, enabling them to identify, develop and implement highly customised solutions specific to those markets. This level of specialisation enables them to operate in under-served and higher-risk market segments.

The scale and leading market positions of Transaction Capital's divisions enable them to strengthen their competitive positions through deepening penetration of products and services within existing (vertical) and complementary (adjacent) market segments.

2017 PROGRESS

SA TAXI

The limited supply of new minibus taxis into the local market has exacerbated the under-capitalisation and ageing of the national fleet, which has resulted in long-term demand for vehicles exceeding supply. This supported SA Taxi's improving credit performance, as it is able to resell refurbished vehicles and be selective on credit risk.

- SA Taxi's loans and advances portfolio, which comprises 28 724 vehicles, grew 16% to R8.3 billion. Growth of 9% in the number of loans and a 20% increase in the Rand value of loans originated supported this result. SA Taxi now finances more than 40% of new Toyota minibus taxi sales compared to 36% in 2015.
- Net interest income grew 19% to R885 million in line with book growth. SA Taxi's net interest margin increased to 11.4% due to slightly lower gearing and an improved non-performing loan (NPL) ratio, despite an increase in the cost of borrowing.
- The vehicle retail operations are being expanded by also offering funding from banks to capture additional vehicle sales, attracting high-quality clients and offering stand-alone insurance and tracking services.
- The insurance business broadened its client base. At 30 September 2017, more than 85% of SA Taxi's financed clients were also insured by SA Taxi, with SA Taxi's annualised new premium written for its financed clients at R231 million for the year. In addition, SA Taxi now also insures taxi operators not financed by the division. During the year under review, SA Taxi's annualised new premium written for non-SA Taxi financed clients was R52 million.
- SA Taxi's short-term insurance business is a key driver of non-interest revenue, offering bespoke insurance products including comprehensive vehicle cover, passenger liability and instalment protection cover. The division is broadening its product offering, having initiated a credit life product during October 2017, with the launch of further new products planned. On average, SA Taxi's insured clients have 1.8 SA Taxi insurance products each.
- Loss ratios for both the financed and non-financed insurance portfolios are improving as a result of operational efficiencies. The business aims to improve its offering by processing a greater proportion of its insurance claims via SA Taxi's combined auto body and mechanical repair facility.

TCRS

- The current economic climate and TCRS' data, scale and capital position favour the acquisition of NPL portfolios in South Africa from risk averse clients who prefer an immediate recovery against their NPL portfolios. TCRS acquired 29 portfolios with a face value of R5.2 billion for R356 million during the year.
- TCRS' strategy to deepen its penetration in its traditional market segments (i.e. retailers, specialist lenders and banks) and grow revenue from adjacent sectors supported its organic earnings growth in South Africa. In 89% of its 231 outsourced collection mandates in South Africa, TCRS is ranked as either the top or second-best recoveries agent. Furthermore, the adjacent insurance, telecommunication and public sectors now contribute 27% of TCRS' local contingency and fee-for-service revenue, compared to 20% in the prior year.
- Recoveries Corporation's capabilities and systems in insurance are being leveraged to grow the South African insurance vertical.
- The acquisition of Recoveries Corporation has diversified TCRS' revenue from a geographic perspective. This business generated approximately R370 million in hard currency revenue over nine months, from a diversified client base in the insurance (24%), telecommunication and utility (16%), banking (16%) and public (25%) sectors in Australia.
- Transaction Capital Payment Solutions processed payments of R27 billion in value for the year via approximately three million disbursements and seven million debit orders and non-authenticated early debit orders (NAEDOs) for over 1 200 clients.
- Transaction Capital Business Solutions processed an average of 450 000 invoices to the value of more than R8.5 billion in the year.

LOOKING FORWARD

SA TAXI

- Maintain market leadership as a provider of finance, insurance, technology and allied services to SMEs in the fixed route minibus taxi industry.
- Loans originated through SA Taxi's dealership are more profitable than loans originated through external dealerships, with better product margins, insurance revenue and credit performance. Increasing the number of new and pre-owned minibus taxi vehicles sold through SA Taxi's dealership therefore presents good opportunity for organic growth.
- In insurance, management is investigating offering additional products.
- New revenue streams being explored with industry leadership, in addition to achieving further efficiencies within SA Taxi's verticals.

TCRS

- TCRS remains focused on increasing revenue from non-National Credit Act regulated clients, including the outsourced collection of outstanding claims in the public, insurance and telecommunication sectors.
- Looking to increase revenue from Tier 1 banks where its penetration has been disproportionately lower.
- TCRS continues to seek opportunities to apply its analytics, pricing expertise and capital to the selective purchase of NPL portfolios in a highly fragmented Australian debt collection market.
- Moving into buying non-performing asset-backed portfolios (e.g. vehicles and home loans).
- Offering Road Cover products to the mass consumer market in South Africa through TCRS (via its banking, retail, insurance, telecommunication and other corporate client base) and delivering Road Cover's product directly to consumers via data analytics, lead generation and direct marketing channels.
- Maintain Transaction Capital Recoveries' highly regarded status on all agency panels.
- With low growth environments in South Africa and Australia, maintain specialist focus to drive incremental growth in revenue and reduce costs.

2 STRATEGIC OBJECTIVE CREDIT RISK AND CAPITAL MANAGEMENT

JUDICIOUSLY INVEST EQUITY CAPITAL, CONSERVATIVELY LEVERAGED WITH LOCAL AND INTERNATIONAL DEBT, INTO ACCURATELY ASSESSED ASSET CLASSES TO ACHIEVE SUPERIOR RISK-ADJUSTED RETURNS.

Transaction Capital is sufficiently capitalised to fund organic growth, to take advantage of opportunities to deploy capital into its existing businesses, and to acquire complementary businesses that can be enhanced by or contribute to its specialist capabilities.

In addition, Transaction Capital is conservatively geared with debt capital accessed through diversified funding structures that are attractive to a broad range of local and international investors, who have an in-depth understanding of the underlying businesses and their asset classes.

2017 PROGRESS

TRANSACTION CAPITAL

- Issued 28.4 million shares, raising R419 million in equity through an accelerated bookbuild, which was oversubscribed.
- In line with Transaction Capital's strategy to diversify its funding structures and instruments, it established a R2 billion credit-rated and JSE-listed domestic note programme, namely TransCapital Investments Limited. Transaction Capital has been awarded an A- (Long Term, National Scale) and A1- (Short Term, National Scale) credit rating from Global Credit Ratings Co. It is expected that this programme will enable Transaction Capital to gain access to a new capital pool at an attractive cost to fund organic growth and acquisitive activity.

SA TAXI

Despite the downgrade in South Africa's credit rating in April 2017 and political instability, SA Taxi enjoyed uninterrupted access to both local and international debt capital markets, with a strong funding pipeline available. Its annual debt requirements for the 2018 financial year have already been fully funded:

- Raised R6 billion in debt facilities from 33 separate funding transactions during the year.
- With funding from more than 40 distinct debt investors, the division continues to diversify its funding sources.
- In February 2017, SA Taxi secured further long-term debt facilities from US-based DFIs in foreign currency, which is fully Rand hedged once drawn.
- Further, SA Taxi issued R505 million of Moody's credit-rated and JSE-listed debt via its Transsec 3 securitisation programme, which was oversubscribed by more than three times and issued at a weighted average cost of 180 basis points above 3 month JIBAR, 81 basis points lower than SA Taxi's prior Transsec issuance.
- Strong collection performance, high credit quality of loans originated in the retail dealership and conservative credit granting criteria supported an improvement in the NPL ratio to 17.1% (2016: 17.4%).
- SA Taxi's credit loss ratio of 3.2% remained at the bottom end of its risk tolerance of 3% to 4%. SA Taxi recovers more than 73% of loan value on the sale of repossessed vehicles by enhanced vehicle values through refurbishment.

TCRS

TCRS continued to apply its strong balance sheet and extensive data to the selective acquisition of certain of the increased number of NPL portfolios available for purchase from clients who require an immediate recovery against their NPLs in a difficult consumer credit market.

- Acquired 29 portfolios with a face value of R5.2 billion for R356 million during the year. TCRS now owns 195 principal portfolios with a face value of R12.2 billion, valued at R891 million at year end.
- Estimated remaining collections are at R1.7 billion, up from R1.3 billion at 30 September 2016. Recent successful book acquisitions are expected to support positive future performance.
- Given its strong cash conversion rate, portfolio acquisitions are funded with internally generated cash flows that are conservatively leveraged with debt.

LOOKING FORWARD

TRANSACTION CAPITAL

- The group's balance sheet remains well capitalised, liquid and ungeared with excess capital of around R650 million, providing the capacity for further acquisitions with the flexibility for immediate cash settlement.

SA TAXI

- A combination of high credit quality of loans originated in the retail dealership, strong collection performance and conservative credit granting criteria are expected to support low teen book growth, a stable net interest margin and slightly improving credit metrics over the medium term.
- SA Taxi's annual debt requirements for the 2018 financial year have already been fully funded to protect against any volatility in the local debt capital markets, including potential further downgrades of South Africa's credit rating.
- Continue to source debt via ring-fenced, limited recourse asset-backed funding structures that facilitate investor diversification and avoid cross-collateralisation or risks across businesses, while retaining residual exposure through equity or subordinated financing and servicing obligations.
- Continue to access debt capital via the attractiveness of its higher-yielding operational assets; its ability to assess, mitigate and manage risk; and its direct and long-standing relationships with capital providers.
- Further diversify access to capital by geography and funder.

TCRS

- Increase the number and size of NPL portfolios it acquires.
- Focus on bespoke capital transactions with targeted clients to apply its capital to acquire NPL portfolios and deliver superior risk-adjusted returns.
- Continue to seek opportunities to apply its analytics, pricing expertise and capital to the selective purchase of NPL portfolios in a highly fragmented Australian debt collection market.

3 STRATEGIC OBJECTIVE
DATA AND TECHNOLOGY

GENERATE IN-DEPTH INSIGHTS FROM THE CONTINUOUS COLLECTION OF DIVERSE, ACCURATE AND VALUABLE DATA SETS TO ENABLE PRECISE DECISIONING AND PROACTIVE RISK MANAGEMENT, AND LEVERAGE DATA, ANALYTICS AND TECHNOLOGY WITHIN A DYNAMIC SERVICING PLATFORM TO DRIVE PROFITABLE GROWTH.

Both SA Taxi and TCRS generate in-depth insights from the continuous collection of diverse, accurate and valuable data sets to enable precise decisioning and proactive risk management.

2017 PROGRESS

SA TAXI

- Continued to generate valuable client and market insights from overlaying granular telematics, credit, vehicle and other data to enable precise and informed loan origination and collection decisioning.
- This application of unique technology and data analysis is key to mitigating SA Taxi's risk. Data is accumulated daily from each minibus taxi and applied to credit decisions (to assess the prospective profitability of a proposed route), to collections (to determine profitability based on kilometres travelled in a specific month), and to repossessions and insurance, resulting in an improved NPL ratio.

TCRS

- Expanded its master data universe (MDU) to maintain proprietary data on the majority of South Africa's 9.7 million distressed consumers, supporting significant operational leverage.
- Focused on bedding down the predictive dialer and preview dialer systems along with workforce management and 'right time to call' to optimise these investments.
- Building momentum in data volumes and analytics capabilities overlaid with valuable business intelligence, is enabling the development of different metrics, supporting quicker decisions and its ability to assess and buy better quality books, as well as compete effectively on price.

LOOKING FORWARD

SA TAXI

- Continue to invest in information technology, data management and analytics (specifically telematics and tracking data) to solidify its leading ability to assess and manage credit, insurance and operational risk, as evidenced by continually improving credit performance.
- Continue deepening its capabilities in behavioural and data science to enhance predictive analytics.
- Increase provision of telematics data to taxi owners, giving them a deeper understanding of their business operations and further empowering them as business owners.
- Extend provision of select telematics data to minibus taxi commuters.

TCRS

- Follow up extensive technology investments and implementations 'around the call' (through the dialer and workforce management initiatives) with 'in the call' technology, supporting more effective calls through capabilities including layered voice analytics.
- Implement technology solutions to drive next generation collection processes, frictionless payment, digital customer engagement, enhanced contactability and data-driven analytics.
- Leverage Transaction Capital Recoveries' leading data and technology capabilities developed in South Africa to improve business intelligence and analysis in Recoveries Corporation in Australia to drive higher revenue and decrease costs.
- Continue leveraging The Beancounter as a fintech incubator in driving automation solutions for Transaction Capital Business Solutions.
- Continue assessing new and disruptive technologies to ensure TCRS remains abreast of risks and opportunities.

4 STRATEGIC OBJECTIVE
ACQUISITIVE GROWTH

TARGET QUALITY ASSETS OPERATING WITHIN TRANSACTION CAPITAL'S FOCUSED MARKET SEGMENTS THAT WILL ENHANCE ITS CAPABILITIES, AND WHOSE BUSINESS MODELS AND VALUE CAN BE ENHANCED THROUGH ACTIVE MANAGEMENT.

Transaction Capital has a proven track record of creating value through identifying, pricing, acquiring and integrating new businesses, and then developing them to achieve scale and leading positions in their market segments.

Transaction Capital applies stringent criteria when evaluating potential acquisitions to ensure that it will enhance its specialist capabilities with a view to expanding internationally.

Furthermore, it favours a narrow focus on assets whose competitiveness and value can be enhanced by active management within its existing divisions. Although earnings are an important consideration when evaluating potential acquisitions, Transaction Capital is more interested in the ability of a business to be developed and grow organically, as set out in its investment criteria.

INVESTMENT CRITERIA

Target **quality assets** operating **within focused market segments** that will enable Transaction Capital to **enhance its capabilities**, and whose **business model and value can be enhanced through active management.**

BUSINESS MODEL

- Scalable business model with a proven track record.
- Focused business with potential for high return on equity.
- Driven by systems, data and analytics, and ability to augment these with Transaction Capital's technology capabilities.
- Ease of integration into Transaction Capital's existing divisions.
- Ability to enhance Transaction Capital's current services to clients.
- Scalable business platforms whose competitiveness and value can be developed and enhanced by Transaction Capital.

CULTURE

- Alignment with Transaction Capital's values.
- Client- and solutions-orientated.
- Entrepreneurial management who are co-invested.
- Strong relationships with its clients.
- Experienced teams whose skills will benefit Transaction Capital.

CAPABILITIES

- Deep knowledge of its industry and chosen market segments.
- Strong management team.
- Business platforms that can be developed and scaled.
- Intellectual property and expertise that can augment Transaction Capital's existing capabilities and facilitate access to new verticals.

MARKET POSITION

- Established platforms with robust organic growth.
- Delivering predictable, quality earnings with high cash conversion rates.
- Niche market participant within Transaction Capital's existing or adjacent market segments.
- Potential for consolidating market position.
- Strong organic and acquisitive growth prospects.
- International targets that will grow the portfolio, diversify risk and contribute hard currency earnings.

2017 PROGRESS

In line with its strategy to buy and develop complementary businesses, TCRS acquired:

- 100% of Recoveries Corporation in Australia, effective 1 January 2017.
- 75% of Road Cover, effective 1 December 2016.
- 51% of The Beancounter, effective 1 December 2016.

These acquisitions will diversify TCRS' earnings over time, by geography and by sector.

The operational integration of these three businesses was executed successfully, with each business performing to expectation. As earnings accretive acquisitions, these businesses accelerated earnings growth and demonstrated the probity of Transaction Capital's investment criteria and due diligence processes.

The acquisition of **Recoveries Corporation** has:

- Generated approximately R370 million in hard currency revenue over nine months, from a diversified client base in the insurance (24%), telecommunication and utility (16%), banking (16%) and public (25%) sectors in Australia.
- As the market leader in the Australian insurance recoveries sector, facilitated the growth of TCRS' insurance recoveries offering in South Africa.

At Recoveries Corporation, the succession plan has been implemented successfully, with the chief operating officer (who has been in the business for 17 years) being appointed as Recoveries Corporation chief executive officer (CEO). Transaction Capital has also appointed a CEO and chief financial officer (CFO) of TCRS Australia. Their main mandate is to:

- Support Recoveries Corporation in diversifying into adjacent markets (specifically to seek selective opportunities to purchase NPL portfolios in a highly fragmented Australian debt collection market).
- Support and assist the Recoveries Corporation CEO to succeed in that role.
- Find, assess and develop other acquisition opportunities in Australia.

Through its acquisition of **Road Cover,** TCRS has:

- Entered the adjacent value-added services market segment in South Africa.

The acquisition of **The Beancounter** is:

- Enabling TCRS to augment its offering to its SME client base.
- Supporting the development of leading fintech business support solutions.

LOOKING FORWARD

TRANSACTION CAPITAL

- Continue to apply active management, sharing of skills, enhancing technology and monetising its proprietary data to enhance the business models and value of the new businesses.
- Continue to pursue opportunities for acquisitive growth, supported by the group's well capitalised, liquid and ungeared balance sheet. The proven investment criteria will be applied meticulously to assess all opportunities.

5 STRATEGIC OBJECTIVE
PEOPLE

DEVELOP, ENGAGE AND REWARD EMPLOYEES AND EXECUTIVES TO ENGENDER A HIGH-PERFORMANCE CULTURE.

All the factors that underpin enhanced performance require the highest calibre of leadership and specialist technical expertise. Transaction Capital motivates, develops and engages with its employees and executives to drive innovation, cultivate leadership and maintain a high-performance culture.

Transaction Capital prioritises the appointment, development and devolvement of authority and responsibility to competent management over time. Transaction Capital has established cohesive leadership teams within its divisions that have assumed ownership and continue to deliver on clearly defined strategies.

Remuneration structures and development programmes for senior management facilitate attraction, retention, recognition and development. Transaction Capital seeks to preserve sufficient flexibility of management to support management's entrepreneurial spirit, while maintaining management accountability and robust risk processes.

The group executive office has an experienced and specialised leadership team with proven entrepreneurial, merger and acquisition, technical, financial and risk management skills. The necessary expertise, capabilities and skills of key operational functions are devolved to its divisions, and divisional executives are thus accountable for the performance of their respective businesses. The divisions are supported by the capabilities of the group executive office, as and when required. Strong institutionalised governance, regulatory and risk management practices are maintained at both the group executive office and divisional level.

With 4 095 employees, Transaction Capital acknowledges its role in creating meaningful employment opportunities and empowering its talent.

PEOPLE PHILOSOPHY

Entrepreneurial, high-performance culture
A sense of ownership and motivation to innovate, within specific business models and risk parameters.

Transaction Capital establishes cohesive leadership teams within its divisions that have the responsibility and requisite level of operational authority to deliver on their strategies.

Executive capability
Executives are appropriately qualified and have deep experience within their areas of specialisation. This intellectual capital is typically applied over a much smaller asset base at Transaction Capital than in other larger organisations, with the concomitant expectation of higher performance.

Specialisation
Executives, management and employees are expected to become specialists in their role, by applying broader experience to a narrow focus.

In TCRS, senior managers employed to deepen the division's penetration into adjacent market segments apply their professional experience and skills to a narrower market segment compared to their previous roles. For example, specific senior managers focus only on collections in the public or telecommunications sectors, or originations in the insurance sector.

In SA Taxi's auto body repair centre, becoming a specialist mechanic for one vehicle type.

Reward
Fair remuneration commensurate with the level of skill, experience, seniority and industry practice, and performance incentives where appropriate.

The Transaction Capital Limited Conditional Share Plan, approved by shareholders on 20 October 2016, is a mechanism to attract and retain key employees while providing them with the opportunity to share in the success of the division, and to align their interest with that of shareholders.

Meaningful employment
Engender an understanding of the broader social context applicable to each employee's role, in line with the societal relevance of Transaction Capital's divisions.

SA TAXI

2017 PROGRESS

- 70 promotions of which 65 are black*
- 93% of high-potential employees retained
- 40% of employees are women
- 83% of employees are black*
- 49 training programmes conducted, of which 21 are accredited
- 12 training hours per employee
- 88% of employees who received training are black*

HEADCOUNT AT YEAR END

Gender	African	Coloured	Indian	White	Total
Male	450	11	15	106	582
Female	300	14	13	56	383
Total	**750**	**25**	**28**	**162**	**965**
	78%	2%	3%	17%	100%

KEY INITIATIVES

LEADERSHIP PROGRAMMES

- GIBS THINK TANK
  The programme hosts prominent South African leaders who discuss ethical and governance topics facing society to promote ethics, trust and conscious business decisions. This forum increases the exposure for executives and senior management to ethical issues facing businesses in South Africa more broadly.
- THE MENTORSHIP PROGRAMME
  12 specialists, senior and middle managers mentored 12 junior managers and employees. Of the participants, 42% were women and 58% were black.
- THE DRIVE PROGRAMME
  19 employees from across SA Taxi are participating in an NQF aligned certificate in Management Development from Milpark Business School. The delegates are clustered into cross-functional groups to research a pertinent business topic and present their recommendations to the executive committee. Of the participants, 95% are black and 47% are women.

Black includes African, Indian and Coloured South Africans.

OTHER PROGRAMMES

- GO BIG
  The Go Big Rewards Programme recognises exceptional employee contributions to SA Taxi's success, including social and community contribution and acting in accordance with SA Taxi's values.
- LEARNERSHIPS
  SA Taxi hosts a Retail Insurance Qualification NQF Level 4 learnership for two groups, consisting of eight SA Taxi employees and 27 Harambee unemployed learners, of whom 91% are black.
- ADULT BASIC EDUCATION AND TRAINING PROGRAMME
  Five employees are participating in this programme, all of whom are black.

TCRS

2017 PROGRESS

- 225 promotions of which 64% are women
- 89% of high-potential employees retained
- 74% of employees are women
- 92% of employees are black*
- 160 training programmes conducted, attended by 19 600 delegates
- 78 training hours per employee
- 98% of employees who received training are black*

HEADCOUNT AT YEAR END

Gender	African	Coloured	Indian	White	Total
Male	373	59	103	104	639
Female	1 153	237	304	91	1 785
Total	**1 526**	**296**	**407**	**195**	**2 424**
	63%	12%	17%	8%	100%

TCRS employs a further 678 employees through Recoveries Corporation in Australia, in addition to the statistics provided above.

KEY INITIATIVES

INVESTORS IN PEOPLE

- INVESTORS IN PEOPLE (IIP)
  Transaction Capital Recoveries (TCR) achieved accreditation at the 'developed' level based on the new IIP standards that aim to drive a culture of high performance. TCR is the first South African company in its industry to be accredited in the international IIP standard, which sets out best practices in people leadership and development.

LEADERSHIP PROGRAMMES

- LEVELS OF LEADERSHIP PROGRAMME
  Following the successful launch of two levels (Platinum and Gold) targeting senior managers in 2016, the programme was expanded in 2017 to include high-potential employees across all levels of the organisation, from call centre agents through to middle managers. Levels of Leadership aims to identify, engage and develop talented individuals who have the potential and drive to develop and grow within the organisation and form part of the leadership pipeline. There are currently 232 employees participating in the programme.
- TIME TO THINK
  The principles of the Thinking Environment was introduced to 100 leaders in the business as a leadership tool to facilitate collaboration, accountability, inclusive leadership and independent thinking, and inspire courageous conversations and employee engagement.
- INTERNAL LEARNERSHIP
  Generic Management NQF Level 4 learnerships were offered to selected managers in the call centre. 17 managers completed this course and were awarded certification from the Services Sector Education and Training Authority (SETA).
- LEAD LEADERSHIP DEVELOPMENT PROGRAMME
  76 leaders across all branches participated in the LEAD programme, which included the Quickstart module and six other modules focused on management and leadership development.
- I AM ACCOUNTABLE PROGRAMME
  93 leaders who participated in the first phase of this accountability project have nominated other leaders in their teams to participate in the next phase.

LEARNERSHIPS

- CONTACT CENTRE SUPPORT NQF LEVEL 2
  Currently undertaken by 85 employees, due for completion in 2018.
- DEBT RECOVERY NQF LEVEL 4
  Attended by 36 employees.

FUNDING PROGRAMMES

- THE NISELA AND FUNDZA FUNDING PROGRAMMES
  R1.7 million was spent on the development of 130 employees and 110 dependants.
- DISABILITY TRAINING
  More than R885 000 was spent on up-skilling disabled staff through accredited training providers.

DEVELOPMENT PROGRAMMES

- ACCREDITED DEBT RECOVERY PROGRAMME
  940 call centre employees received Debt Recovery Certification, an accredited skills programme through the Finance and Accounting Services SETA.
- GRADUATE DEVELOPMENT PROGRAMME
  Increased the number of graduates on the programme from four in the prior year to 16. Eight graduates are working on a pilot programme in TCR's call centres and two have been successful in securing permanent employment in the business knowledge environment.
- PROJECT IGNITE
  An internal development programme that enables individuals with senior qualifications, but who are currently performing more junior roles in the call centre environment, to further their careers within the business. A total of 26 employees are currently receiving mentorship from leaders.

ADDITIONAL PROGRAMMES

- TPNG
  195 employees attended the Five Finger financial training that equips employees with basic financial principles for surviving financially.
- WINNING WAYS WITH WINNIE
  Winnie Kunene facilitated sessions for 17 employees across all branches, focusing on financial planning and career exploration.
- WORKFORCE MANAGEMENT (WFM)
  WFM was rolled out in all branches with over 1 700 employees trained in the year.
- C3 CHALLENGE
  An annual competition that gives high-performing call centre agents with 100% attendance a chance to win a car. This initiative boosts morale, promotes healthy competition and heightens employee motivation and engagement.

Q&A WITH DAVID HURWITZ
CHIEF EXECUTIVE OFFICER

TRANSACTION CAPITAL'S DIVERSIFIED PORTFOLIO OF FINANCIAL SERVICES ASSETS COMPRISE WELL ESTABLISHED, AUTONOMOUS AND UNIQUE BUSINESSES GROUPED INTO TWO DISTINCT DIVISIONS – SA TAXI AND TCRS.

The focused application of the group's strategy over the year has ensured that our portfolio continues to leverage its deep vertical integration and specialism to achieve organic growth. Our evolving competencies in data and analytics continue to drive profitable growth by improving our risk management capabilities, supporting management decisioning and control, and providing the insights needed to develop and refine our product offerings to defined customer segments.

This year, the group has created value through the acquisition of suitable and complementary businesses, and continues to support divisional management in integrating these businesses and developing them to achieve scale and leading positions in their market.

We develop, engage and reward our employees and executives to engender our high-performance culture, deepen our expertise and promote innovation.

Despite persistent weakness in the South African economy, our performance in credit risk and capital management has remained strong. The group remains sufficiently capitalised and conservatively leveraged, with a strong balance sheet giving us the flexibility to pursue opportunities as they arise.

Q: What are the key highlights of Transaction Capital's results for the 2017 financial year?

Transaction Capital extended its track record of robust organic earnings growth over the year.

SA Taxi's 22% growth in headline earnings to R303 million was all organic. With 16% growth in gross loans and advances, increasing net interest margins, strong credit performance, 36% growth in non-interest revenue and the cost-to-income ratio improving to 48.6%, it is evident that SA Taxi's credit, operational and financial performance is robust.

Before taking the business acquisitions into account, TCRS grew headline earnings by 12%, from a 10% increase in revenue and a stable cost-to-income ratio driven by the technological and operational enhancements initiated in 2016, together with aggressive cost containment initiatives. The earnings accretive business acquisitions accelerated this growth, with core headline earnings growing by 39% to R233 million including the effects of the acquisitions.

From a group perspective, core headline earnings grew 26% to R577 million and core headline earnings per share rose 20% to 96.4 cents, diluted slightly by the issue of 28.4 million shares as part of the accelerated bookbuild concluded on 2 February 2017, which raised R419 million.

With high cash conversion rates and lower balance sheet risk, stable capital requirements and the ungeared net position of the group, the improved quality of Transaction Capital's earnings has allowed it to amend its dividend policy to an improved cover ratio of 2 to 2.5 times.

72 FOR DETAILS ON THE GROUP'S DIVIDEND POLICY AND DIVIDEND DECLARATION, SEE THE CHAIRMAN'S REPORT

Despite political instability and the sovereign ratings downgrade in South Africa, the group continued to enjoy uninterrupted access to the debt capital markets. SA Taxi raised approximately R6 billion in debt facilities from 33 separate funding transactions in 2017, which includes securing over R2 billion of debt facilities from DFIs in the United States for the first time. SA Taxi also issued R505 million of Moody's credit-rated and JSE-listed debt via its Transsec 3 securitisation programme. The performance of Transaction Capital's divisions has again demonstrated their defensive character.

65 FOR MORE DETAILS ON FUNDING AND CAPITAL MANAGEMENT, SEE THE Q&A WITH MARK HERSKOVITS, EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT

Q: SA Taxi continued to entrench its position in the vital minibus taxi industry over the year. What were the key developments for the division?

The minibus taxi industry makes the largest contribution to South Africa's economy of all components of the now integrated public transport network. In its role in improving this fundamental mode of public transport, SA Taxi is a key transformation partner and major contributor in the industry value chain. The division facilitates financial inclusion, job creation and economic transformation by extending developmental credit to black-owned taxi operators, most of whom do not easily qualify for traditional finance. Some nine out of 10 of SA Taxi's clients would not qualify for finance from South African banks.

Since 2008, the division has extended more than R18.6 billion in loans to taxi operators, supporting the creation of an estimated 64 689 SMEs, more than 116 000 direct jobs and a further 194 000 indirect jobs. This social impact is achieved in the context of improving South Africa's public transport infrastructure, as financing taxi operators enables them to replace old and unsafe vehicles with new, safer and reduced emission minibus taxis.

The group is seeing continued growth in the minibus taxi industry due to population growth, increasing commuter density due to urbanisation and a 20% decrease in passenger vehicle sales since 2013. Also, it is the only public transport mode that does not receive government subsidies, unlike bus and rail, and has remained self-sustainable and resilient despite the persistently high unemployment rate. In fact, SA Taxi has seen improving credit metrics through different economic cycles over the past eight years.

Unlike traditional vehicle and asset financiers, SA Taxi provides a full service for operators, with finance accompanied by insurance, retail, maintenance and refurbishment services. Its deep investment and specialisation in the minibus taxi vertical, together with its proprietary telematics data set, stand as key competitive advantages and barriers to entry for competitors.

In June 2017, factions in the industry embarked on mass protest action that was widely reported on. Their frustrations, fuelled by economic pressures, were directed at government for the lack of subsidies and funding, original equipment manufacturers (OEMs) for vehicle price increases, financial institutions for insufficient or costly finance and insurance products, fuel companies, and retail malls for inadequate infrastructure to accommodate minibus taxi ranks.

While SA Taxi did not anticipate the protest, given no evidence of undue stress in its loan book, it immediately intensified its engagement with industry leadership to understand the concerns of its most important constituency, and made a number of concessions to provide immediate relief to its clients. In consultation with the industry, a key concession for SA Taxi was reducing its highest interest rate, despite being well below the regulated maximum interest rate of 33.75% for developmental credit providers, from 28.5% to 26.5% on future loans originated.

An unfortunate outcome of reducing the top interest rate is that clients in the highest risk segment have become unviable for finance, thereby impeding SA Taxi's ability to facilitate financial inclusion in this segment. SA Taxi is not a deposit-taking institution and thus raises its debt capital from local banks, asset managers and institutional investors, as well as international DFIs who provide long-term debt in foreign currency, which carries the additional cost of currency hedging. This serves as a major determinant of its cost structure and therefore its pricing. Preserving credit quality by keeping credit extension within defined risk parameters is necessary to sustainably finance the greatest number of clients, to benefit the industry as a whole.

42 FURTHER STEPS TAKEN BY SA TAXI ARE DISCUSSED IN DETAIL IN THE Q&A WITH TERRY KIER, SA TAXI CEO

Encouragingly, a direct outcome of the protest action has been deeper collaboration between industry leadership and SA Taxi, who are working together to achieve sustainable benefits for the industry. Initiatives include discussions with OEMs to procure larger quantities of vehicles to be sold directly through SA Taxi's dealership, which will enable it to hold retail prices as low as possible by limiting unnecessary charges and add-ons to vehicles that add no income-producing value.

In addition, SA Taxi and industry leadership are jointly lobbying government to channel funding into the minibus taxi industry, which will support the favourable recapitalisation of the national fleet. Indications are that government is acknowledging the importance of the industry as an integral part of an integrated public transport system, with legislation promulgated to this effect. Given the geographic spread of South Africa's population, long travel distances and the historical under-investment in rail and bus networks, greater focus on integrating minibus taxis signals a positive development.

These combined efforts to secure the effectiveness and sustainability of the industry are expected to have a positive impact on SA Taxi's business over the long term. SA Taxi remains committed to its responsibility to support the overall sustainability of the industry, which creates significant value as an employer and enabler of socio-economic activity.

Q: How did Transaction Capital Risk Services' business model support its performance over the year?

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

As detailed in the chairman's report, South African consumers and SMEs remain under immense pressure. Transaction Capital's Consumer Credit Rehabilitation Index provides empirical evidence to support this contention, showing ongoing deterioration in the national rehabilitation prospects of South African consumers already in a default position.

72 DETAILS ON THE CHALLENGING OPERATING CONTEXT FACING THE GROUP ARE DISCUSSED IN THE CHAIRMAN'S REPORT

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

However, the current economic climate and TCRS' data, scale and capital position favour the acquisition of NPL portfolios in South Africa from risk averse clients who prefer an immediate recovery against their NPLs. TCRS acquired 29 portfolios with a face value of R5.2 billion for R356 million during the year. TCRS now owns 195 principal portfolios with a face value of R12.2 billion, valued at R891 million at 30 September 2017.

In line with its strategy to buy and develop complementary businesses, TCRS acquired 100% of Recoveries Corporation in Australia, 75% of Road Cover and 51% of The Beancounter in South Africa. These acquisitions will diversify TCRS' earnings over time, by geography and by sector. The operational integration of the three businesses in the year was executed successfully. I am pleased to report that these new businesses in TCRS' portfolio performed to expectation, demonstrating that Transaction Capital's investment criteria are sound.

TCRS continues to seek opportunities to apply its analytics, pricing expertise and capital to the selective purchase of NPL portfolios in a highly fragmented Australian debt collection market. TCRS has also appointed a CEO and CFO of TCRS Australia to focus its intention to seek out opportunities in this market, while supporting Recoveries Corporation in extending its business within adjacent and new market segments.

Q: What strategic opportunities are on the horizon for Transaction Capital?

Transaction Capital's strategy is to drive organic growth in each division through deep vertical integration within core and adjacent market segments. As SA Taxi and TCRS gain deeper insight into their respective sectors, underpinned by a maturing understanding of their social relevance, they are able to identify and create further value for all stakeholders.

This model is supported by the group's conservative approach to acquisitions, with a focus on acquiring and developing established platforms within these core and adjacent market segments. More than R500 million was deployed to fund the business acquisitions made in the year. The R419 million of equity capital raised thereafter has ensured that the group's balance sheet remains well capitalised, liquid and ungeared. With excess capital of around R650 million, the group has the flexibility for immediate cash settlement of any future acquisitions.

SA Taxi will continue to deepen its vertical integration, with new businesses and product offerings in development. The division is expanding its insurance business by broadening its client base and product offering, and further reducing the cost of claims through efficiencies in its auto body and mechanical repair facility. In vehicle retail operations, extending its funding offering to include financing from banks is providing the opportunity to capture additional vehicle sales, attract higher quality clients and offer our stand-alone insurance and tracking services to a wider market.

42 FURTHER DETAILS ON SA TAXI'S PROSPECTS ARE DISCUSSED IN THE Q&A WITH TERRY KIER, SA TAXI CEO

TCRS will continue its focus on acquiring NPL portfolios, given the economic conditions in South Africa that favour this strategy. In Australia, the division will be exploring the purchasing of NPL portfolios as a principal, extending the hybrid model that has supported its success locally. The division is also focused on growing its fledgling insurance recoveries offering in South Africa and extending Road Cover products directly to consumers. It will continue to pursue opportunities for bolt-on acquisitions to support growth in South Africa's value-added services industry and Australia's debt recoveries industry.

52 FURTHER DETAILS ON TCRS' PROSPECTS ARE DISCUSSED IN THE Q&A WITH DAVID MCALPIN, TCRS CEO

Despite difficult economic conditions, the performance of SA Taxi and TCRS has again demonstrated their defensive character. Robust organic growth of the group's high quality earnings, blended with the returns of the acquired businesses, will position Transaction Capital to continue to increase earnings and dividends in line with past performance.

DIRECTORATE

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHRISTOPHER **SEABROOKE** (64)

BCom, BAcc (University of KwaZulu-Natal), MBA (University of the Witwatersrand), FCMA (UK) | Appointed: June 2009

CHAIRMAN

Chris is a financier and investor who has been a director of more than 25 listed companies. He is currently CEO and controlling shareholder of Sabvest Limited, chairman of Metrofile Holdings Limited, Net1 U.E.P.S. Technologies Inc and Torre Industries Limited, deputy chairman of Massmart Holdings Limited and a director of Brait S.E., Cell C Limited, Datatec Limited and Rolfes Holdings Limited. Chris is also a director of numerous unlisted companies, including chairman of Conance Limited (UK) and General Pacific Capital Limited (Monaco), and deputy chairman of SA Bias Industries Proprietary Limited (RSA). He is a former chairman of the South African State Theatre and former deputy chairman of both the inaugural National Arts Council and the founding board of Business & Arts South Africa.

PHUMZILE **LANGENI** (43)

BCom (University of KwaZulu-Natal), BCom (Hons) (Unisa) | Appointed: June 2009

A stockbroker by training, Phumzile is executive chairman of Afropulse Group Proprietary Limited, non-executive chairman of Mineworkers Investment Company Proprietary Limited, a non-executive director of Massmart Holdings Limited, Imperial Holdings Limited, Primedia Proprietary Holdings Limited, The Ridge School Board, Metrofile Holdings and Redefine Properties Limited. Phumzile is also an independent non-executive director on the boards of SA Taxi and Transaction Capital Risk Services. She was previously the economic adviser to the former Minister of Minerals and Energy. Previously, Phumzile also worked as an executive director and vice president of dual-listed junior platinum miner, Anooraq Resources.

KUBEN **PILLAY** (57)

BA, LLB (University of the Witwatersrand), MCJ (Howard School of Law) | Appointed: August 2016

Kuben was appointed as CEO of the advertising division of Primedia Limited in September 2002 and as CEO of the group in September 2009. Kuben was appointed as the executive chairman of Primedia Limited in February 2014, and relinquished his position in January 2015, after which he served in the capacity of non-executive chairman until December 2016. An attorney by profession, Kuben was a managing financial partner at attorneys Cheadle Thompson and Haysom before joining Mineworkers Investment Company Proprietary Limited in 1996 as founding executive director. He has previously served as the chairman of Mineworkers Investment Company, and is currently the non-executive chairman of Cell C Limited as well as a non-executive of the Outsurance group of companies. Kuben has previously both chaired and served on the boards of public companies.

OLUFUNKE **IGHODARO** (54)

BSc (Hons) (University of Salford), FCA (England and Wales) | Appointed: April 2017

Olufunke has served as CFO of Tiger Brands Limited and Primedia Limited. She is a fellow of the Institute of Chartered Accountants in England and Wales, and was an executive director of Kagiso Trust Investment group where she set up the inaugural private equity fund.

Olufunke is a non-executive director of the members' advisory board for Africa of the Institute of Chartered Accountants in England and Wales, a non-executive director of Datatec Limited and an executive director of Emerging Markets Telecommunications Services Limited (formerly known as Etisalat Nigeria).

NON-EXECUTIVE DIRECTORS

ROBERTO **ROSSI** (55)

BSc (MechEng) and Graduate Diploma (IndEng) (University of the Witwatersrand), BProc (Unisa) | Appointed: September 2003

Roberto founded Miners Credit Guarantee in 1991 to provide credit card-type facilities to mine workers. In 1998, Nisela Growth Investments (part of African Bank) acquired 50% of the shareholding in Miners Credit Guarantee. Shortly thereafter, Roberto assumed an executive role at African Bank Limited and was subsequently responsible for establishing, acquiring and operating several of the businesses owned by African Bank. After selling his remaining shares in Miners Credit Guarantee to African Bank in 2003, Roberto partnered with Jonathan Jawno and Michael Mendelowitz to acquire and grow the group of companies that in 2007 became the foundation of Transaction Capital.

PAUL **MILLER** (53)

BCom, LLB (University of Cape Town) | Appointed: July 2017

Paul is a qualified corporate lawyer who built his career at the international law firm Berwin Leighton Paisner LLP, where he became a senior partner and led the capital markets team for a number of years. During his 25 year legal career he built an international corporate practice and executed numerous equity capital market transactions and merger and acquisition deals, with a particular focus on the real estate, financial services and technology sectors.

Paul is the CEO of Everglen Capital Proprietary Limited (formerly JMR Holdings Proprietary Limited) and a non-executive director of Stenprop Limited, which is listed on the JSE Limited and the Bermuda Stock Exchange. He is also a consultant to Berwin Leighton Paisner LLP.

EXECUTIVE DIRECTORS

DAVID **HURWITZ** (46)

BAcc (Hons), HDipTax (University of the Witwatersrand), CA(SA) | Appointed: April 2012

CHIEF EXECUTIVE OFFICER

David is a chartered accountant, having served his articles at Grant Thornton, Johannesburg. He has been active in debt capital markets since 1997, holding employment at both a specialist structured finance organisation and a large local bank. In 2005 he joined Transaction Capital's founding shareholders to acquire African Bank's Commercial Vehicle Finance division (now SA Taxi). Shortly thereafter Transaction Capital was formed, where David established and led the capital markets team for a period of five years, and later served as the CFO of SA Taxi for 18 months. He was appointed to Transaction Capital's main board as group chief risk officer in April 2012 and thereafter served as the group CFO. In January 2014, David was appointed as the group CEO of Transaction Capital Limited.

JONATHAN **JAWNO** (51)

BCom (Hons), Graduate Diploma Accounting (University of Cape Town), CA(SA) | Appointed: March 2003

EXECUTIVE DIRECTOR

After completing his articles at Arthur Andersen, Jonathan co-founded Stratvest in 1995. In 1997, African Bank (then Theta Financial Services Limited) acquired 50% of Stratvest, leading to the formation of Nisela Growth Investments. He held the position of joint CEO of Nisela Growth Investments until 2002. Thereafter Jonathan went on to acquire and grow the group of companies that in 2007 became the foundation of Transaction Capital. Jonathan was appointed as an executive director in June 2010.

MICHAEL **MENDELOWITZ** (52)

BCom (Hons), Graduate Diploma Accounting (University of Cape Town), CA(SA) | Appointed: March 2003

EXECUTIVE DIRECTOR

After completing his articles at Deloitte & Touche in 1990, Michael co-founded Stratvest in 1995. In 1997, African Bank (then Theta Financial Services Limited) acquired 50% of Stratvest, leading to the formation of Nisela Growth Investments. He held the position of joint CEO of Nisela Growth Investments until 2002. Thereafter Michael went on to acquire and grow the group of companies that in 2007 became the foundation of Transaction Capital. Michael was appointed as an executive director in December 2011.

MARK **HERSKOVITS** (43)

BBusSci (Finance), Post Graduate Diploma in Accounting (University of Cape Town), CA(SA), CFA | Appointed: January 2014

EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT

Mark served his articles at Deloitte & Touche in Johannesburg. After staying on as a manager until 2001, he joined Rand Merchant Bank as a corporate bond investment analyst in the special projects international division. In 2007, Mark joined Transaction Capital and was involved in various acquisitions for the group. He joined the capital markets division in 2009 and headed up the team from June 2010, where he remained until his appointment in January 2014 as group CFO. In August 2016, Mark transferred to SA Taxi in the role of capital markets director, but retaining the overall responsibility for the group's capital management strategy and activities.

RONEN **GOLDSTEIN** (36)

BCom, BCom (Hons) (University of the Witwatersrand), CA(SA), CFA | Appointed: August 2016

FINANCIAL DIRECTOR

Ronen served his articles at PricewaterhouseCoopers in Johannesburg, and held positions at KPMG and Standard Bank. Ronen joined Transaction Capital in 2012 and has been involved in all aspects of the group executive office, including tax, company secretarial, remuneration and group finance. With effect from 1 December 2014, Ronen was appointed as the group's company secretary, overseeing the company's secretarial function and corporate governance structures. In August 2016, Ronen was appointed as financial director with responsibility for the group's finance and accounting functions.

DIVISIONS

SA TAXI

A VERTICALLY INTEGRATED TAXI PLATFORM INCORPORATING 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

An innovative and pioneering business model with operations expanding throughout the financial services and asset value chain, building a scalable platform

A unique blend of vehicle procurement, retail, repossession and refurbishment capabilities, with financing and insurance competencies for focused vehicle types

Valuable client and market insights developed from overlaying granular telematics, credit, vehicle and other data to enable precise and informed origination and collection decisioning, and proactive risk management

Enabling financial inclusion by proficiently securing funding from both local and international debt investors to judiciously extend developmental credit to small- and medium-sized enterprises (SMEs) that may otherwise not have access to credit from traditional financiers

Providing complementary business services that assist SMEs to maximise cash flow and protect their income-generating assets, thus improving their ability to succeed

Empowering under-served and emerging SMEs to build viable and sustainable businesses, which in turn creates further direct and indirect employment opportunities

Contributing to the recapitalisation and sustainability of the minibus taxi industry, a critical pillar of the public transport sector servicing the majority of South Africa's working population

SOCIETAL RELEVANCE

SA Taxi operates on the premise of developmental or empowerment financing, filling a critical funding gap by supporting entrepreneurs who would otherwise remain outside the formal economy, thus also contributing to job creation.

Its focus on financing SMEs delivers both a commercial and social benefit through a shared value approach in a critical pillar of South Africa's public transport sector.

SME empowerment and economic transformation

- **100%** black-owned SMEs
- **21%** women-owned SMEs
- **17%** under the age of 35 years
- **R2.9 billion** loans originated, creating **7 480 SMEs** in 2017
- **R18.6 billion** loans originated, creating **64 689 SMEs** since 2008

Public transport infrastructure

- **R18.6 billion** of end-user finance since 2008, enabling the replacement of aged and unsafe minibus taxis with new, safer and more reliable minibus taxis

Sustainable job creation

- **1.8** direct jobs per taxi vehicle
- **>116 000** direct jobs created by SA Taxi's fleet since 2008
- **~600 000** indirect jobs enabled by the minibus taxi industry[1]
- **>13 400** direct jobs created by SA Taxi's fleet in 2017

Environmental sustainability

- SA Taxi enables replacement of aged and less efficient vehicles with **new and reduced-emission vehicles**

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

PERFORMANCE OVERVIEW

HEADLINE EARNINGS	R303 MILLION[1]	↑ 22%; 53% OF GROUP
GROSS LOANS AND ADVANCES	R8.3 BILLION	↑ 16%
NON-INTEREST REVENUE	R427 MILLION	↑ 36%
NON-PERFORMING LOAN RATIO	17.1%	FROM 17.4% IN 2016
RETURN ON EQUITY	25.3%	FROM 25.5% IN 2016
CREDIT LOSS RATIO	3.2%	FROM 3.1% IN 2016

1. Headline earnings attributable to the group.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

JUNE 2017 PROTEST ACTION

Immediate assistance to clients

- Reduced top interest rate to 26.5% on future loans to be originated

SA Taxi and industry leadership have formed accretive partnerships and are jointly engaging industry participants to achieve sustainable industry benefits

- Original equipment manufacturers (OEMs): Procure more vehicles through SA Taxi's dealerships and keep prices as low as possible
- Government: Lobbying to channel funding into the minibus taxi industry

STRATEGIC GROWTH INITIATIVES

Vertical integration

- New vertically integrated businesses under consideration

Expanding SA Taxi's insurance business

- Broadened client base (financed, non-financed, commuter)
- Broadened product offering (comprehensive vehicle cover, instalment protection, passenger liability, credit life)
- Reduced cost of claim (efficiencies in SA Taxi's auto body and mechanical repair facility)

Vehicle retail operations

- Offering funding from banks to capture additional vehicle sales, attract high quality clients, and offer stand-alone insurance and tracking services

MARKET CONTEXT

DESPITE SOUTH AFRICA'S ECONOMIC CLIMATE, THE MINIBUS TAXI INDUSTRY IS RESILIENT, DEFENSIVE AND GROWING

See pages 46 and 47 for more details on factors affecting South African consumers.

STRUCTURAL ELEMENTS WITHIN THE PUBLIC TRANSPORT SECTOR SUPPORT SA TAXI'S DEFENSIVE BUSINESS MODEL

40% OF SOUTH AFRICANS USE PUBLIC TRANSPORT

BUS (↓ 1%)

- <1 million commuter trips daily
- >19 000 registered buses
- >100 bus stations
- ~1 billion kms travelled per year

BUS RAPID TRANSPORT (BRT)

- ~120 000 commuter trips daily
- 3 metropolitans
- <700 registered buses
- ~100 bus stations
- <100 routes

RECEIVES 56% OF GOVERNMENT SUBSIDY

TRAIN (↓ >30%)

- 1 million commuter trips daily
- ~3 180 kms national network
- ~500 train stations

RECEIVES 44% OF GOVERNMENT SUBSIDY

MINIBUS TAXI (↑)

- >15 million commuter trips daily
- >200 000 minibus taxis
- >2 600 taxi ranks
- ~15 billion kms travelled per year

RECEIVES NO GOVERNMENT SUBSIDY yet the industry remains COMMERCIALLY SELF-SUSTAINABLE

MINIBUS TAXI USAGE HAS GROWN AT A HIGHER RATE THAN OTHER PUBLIC TRANSPORT MODES

- **69%** of all households (being **>9.9 million** households) use minibus taxis (from 59% in 2003)
- Minibus taxi usage increased **>15%** since 2013

DRIVEN BY:

- Population growth of **7%** since 2013
- Increasing commuter density due to urbanisation
- New passenger vehicles sales **reduced 20%** since 2013

ENVIRONMENT FOR MINIBUS TAXI OPERATORS

INCREASES IN VEHICLE AND OPERATING COSTS

For the period 1 October 2015 to 30 September 2017

- ↑75bps SOUTH AFRICAN REPO RATE
- ↑8% TOYOTA MINIBUS TAXI PRICE CAGR*

For the 12 months ended 30 September 2017

- ↑6% **PETROL**, ↑7% **DIESEL** FUEL PRICE (per litre)
- Marginal increase VEHICLE MAINTENANCE COSTS
- ↑6% DRIVER WAGES
- ↑9% FINANCE INSTALMENTS AND INSURANCE PREMIUMS

FARES RAISED IN RESPONSE

- ↑5% **SHORT DISTANCE**
- ↑7% **LONG DISTANCE**

TAXI FARES For the 12 months ended 30 September 2017

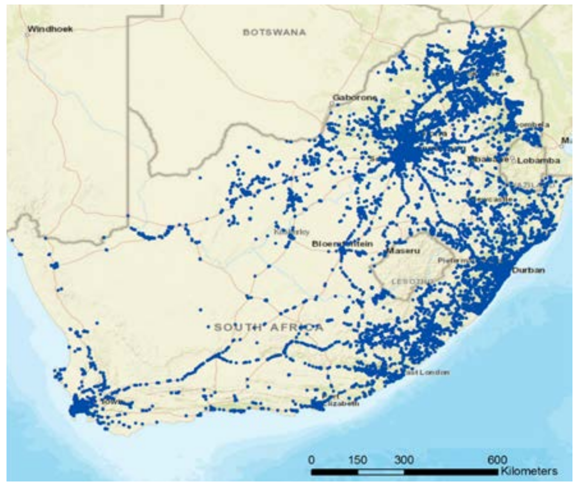
ONGOING RESILIENCE AND PROFITABILITY OF MINIBUS TAXI OPERATORS

- TREND CONTINUING FOR HIGHER UTILISATION OF MINIBUS TAXIS
- IMPROVING CREDIT METRICS IN SA TAXI PORTFOLIO
- ~R50 BILLION ANNUAL ESTIMATED INDUSTRY REVENUE
- INCREASING REGULATION AND CAPITALISATION TRANSFORMING THE INDUSTRY AND ATTRACTING A MORE SOPHISTICATED OPERATOR

Source: Statistics SA Land Transport Survey July 2017. | NAAMSA Sales Results. | National Treasury Public Transport & Infrastructure system report. | Department of Transport – Transport Infrastructure report. | Passenger Rail Agency of SA. | SA Bus Operators Association. | FIN 24 – "New public transport system" 14/10/2017. | Websites: Rea Vaya, MyCiTi, Rustenberg Rapid Transport.

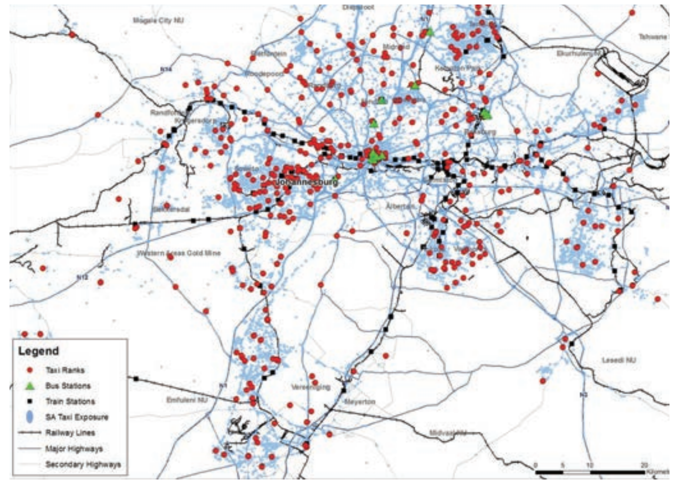
* *Compound annual growth rate (CAGR).*

MINIBUS TAXIS ARE THE DOMINANT MODE OF PUBLIC TRANSPORT > IN AN INTEGRATED PUBLIC TRANSPORT NETWORK



- 40% of South Africans use public transport
- Minibus taxi transport is a non-discretionary expense
- Public transport commuters rely on minibus taxis given their accessibility, affordability, reliability and flexibility

Source: SA Taxi fleet movement on 28 October 2017.



MINIBUS TAXIS SERVE AS A TRUNK SERVICE IN PARALLEL WITH TRAIN AND BUS, AND ALSO SERVE AS THE FEEDER INTO THESE MODES

>200 000 MINIBUS TAXIS OPERATING NATIONALLY

STRUCTURALLY, DEMAND FOR MINIBUS TAXIS EXCEEDS SUPPLY

DEMAND DRIVEN BY AN AGEING NATIONAL FLEET REQUIRING REPLACEMENT AND RECAPITALISATION

- 70 000 – 80 000 FINANCED AND INSURED
- 120 000 – 130 000 UNENCUMBERED, HENCE AGED
- >9 YEARS OLD ON AVERAGE

Driving higher demand for vehicles, finance and allied services supplied by SA Taxi

MINIBUS TAXI SUPPLY

TOYOTA SESFIKILE
Most prevalent vehicle in the industry

TOYOTA PRE-OWNED
Predominantly SA Taxi refurbished vehicles

NISSAN NV350
Steadily gaining acceptance

MERCEDES SPRINTER
Mainly used for long distance routes

~1 000 RETAIL SALES PER MONTH

>40% SA TAXI'S SHARE OF MONTHLY RETAIL SALES (36% in 2015)

Resulting in:

- 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

SA TAXI'S OPERATOR PROFILE

1 in 3
Financed and insured by SA Taxi

1.2
Vehicles per customer

>85%
Insured with SA Taxi

4.3 YEARS
Average age of vehicles

>R6 000
Minimum monthly operator profit

24.4%
Weighted average interest rate at origination

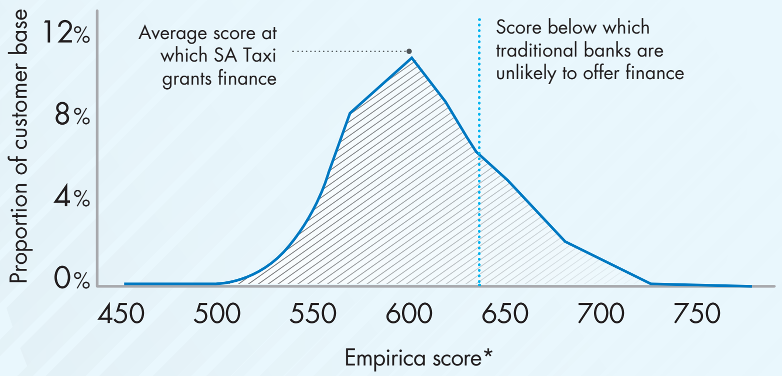
17.6%
Average deposit on new vehicles

67 MONTHS
Average loan term

>200 000
MINIBUS TAXIS OPERATING NATIONALLY

INCLUSIVE GROWTH

- **90%** of clients classified as previously financially excluded
- SA Taxi grants finance at an average Empirica score of **602**
- Traditional banks unlikely to grant finance below Empirica score of **640**



* Proprietary TransUnion credit score.

SA TAXI'S EVOLUTION SINCE LISTING

CAGR 2012 TO 2017

↑ 19%
HEADLINE EARNINGS[1]

↑ 12%
GROSS LOANS AND ADVANCES

↓ 11%
CREDIT LOSS RATIO

↓ 8%
NON-PERFORMING LOAN RATIO

33%
NON-INTEREST REVENUE COMPOSITION
FROM 26% IN 2012

>73%
RECOVERY ON REPOSSESSION
FROM <65% IN 2012

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

OCTOBER 2013
Insurance cell established
Insurance cover extended to financed and non-financed clients

MARCH 2014
Nissan NV350 launched

AUGUST 2014
Telematics applied in credit vetting, insurance, collections and repossession

NOVEMBER 2015
Early adoption of IFRS 9

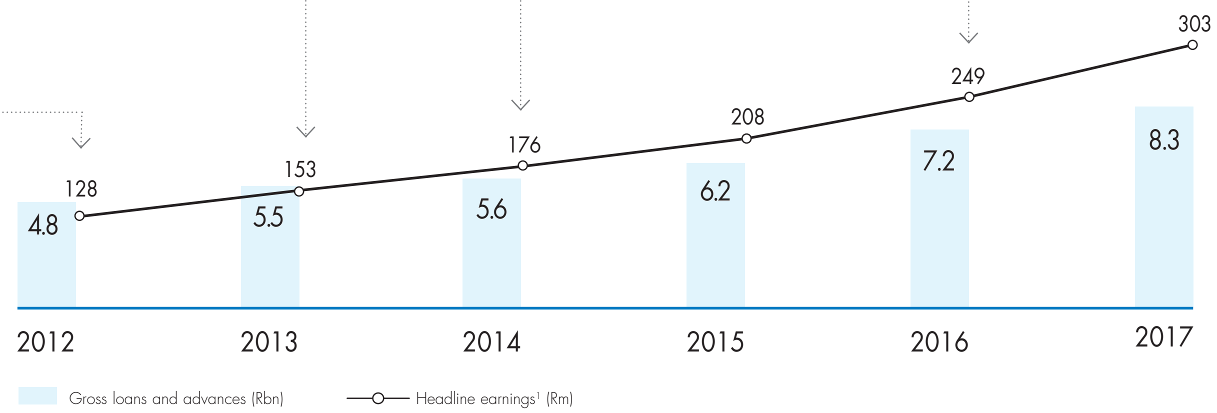
FEBRUARY 2016
Established bespoke retail dealership in Midrand

APRIL 2016
Refurbishment facilities extended to include auto body repair

JULY 2017
Accounting consolidation of SA Taxi's insurance cell captive

SEPTEMBER 2017
Premium vehicles comprise 99.7% of loans and advances (79% in 2012)

OCTOBER 2017
Broadened insurance offering to include credit life



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

1. Headline earnings attributable to the group.

BUSINESS ACTIVITIES

A VERTICALLY INTEGRATED BUSINESS MODEL

FINANCING OPERATIONS

R8.3 BILLION
GROSS LOANS AND ADVANCES

~29 000
FINANCED VEHICLES ON BOOK

EQUITY ALLOCATION AND DEBT RAISING

24.8%
CAPITAL ADEQUACY RATIO

>40
DIVERSIFIED FUNDERS

COLLECTIONS

~R270 MILLION
AVERAGE MONTHLY COLLECTIONS IN 2017

CREDIT UNDERWRITING AND LOAN ORIGINATION

SA TAXI'S CREDIT-GRANTING PHILOSOPHY

SA Taxi has developed its own innovative developmental credit philosophy and strategy. This approach is built on the proprietary data and industry knowledge amassed over many years. This niche capability evaluates each taxi owner as a small business and not solely on their individual credit score, enabling it to extend credit in this niche, under-served market segment.

When deciding to grant credit, SA Taxi considers:

- ROUTE **PROFITABILITY**
- OPERATOR **CREDIBILITY**
- VEHICLE **SUSTAINABILITY**
- TAXI ASSOCIATION **CREDIBILITY**

INSURANCE OPERATIONS

All financed vehicles are required to have comprehensive insurance. SA Taxi has designed its highly competitive comprehensive insurance products that are sold through its insurance cell captive entity established in partnership with Guardrisk Insurance Company.

EXPANDING CLIENT BASE

>R550 MILLION
GROSS PREMIUMS PER YEAR

>85%
OF SA TAXI'S MINIBUS TAXI OWNERS INSURE WITH SA TAXI[1]

R231 MILLION
SA TAXI FINANCED: ANNUALISED NEW WRITTEN PREMIUM

R52 MILLION
NON SA TAXI FINANCED: ANNUALISED NEW WRITTEN PREMIUM

BROADENING PRODUCT OFFERING

- Comprehensive motor vehicle cover
- Passenger liability
- Instalment protection cover
- Credit life insurance

1.8
NUMBER OF PRODUCTS PER INSURED CLIENT

VEHICLE RETAIL AND REFURBISHMENT OPERATIONS

VEHICLE SUPPLY AND RETAIL

SA Taxi originates its loans and allied services through three key distribution channels: affiliated dealers, non-affiliated dealers and SA Taxi's own retail channel. SA Taxi's retail dealership achieves higher returns and provides a profitable and reliable marketplace for the sale of new and refurbished pre-owned vehicles.

~R650 MILLION
ANNUAL VEHICLE TURNOVER IN SA TAXI RETAIL DEALERSHIP

~8%
AVERAGE RETAIL MARGIN PER VEHICLE

REFURBISHMENT, REPAIRS AND MAINTENANCE SERVICES

SA Taxi has reduced its loss ratios through reducing refurbishment costs and improving both turnaround times and product quality. The efficiencies created through SA Taxi's own facility arise from economies of scale and its focus on specific vehicle types, allowing for specialisation, bulk procurement power and time saved by controlling the entire process in-house.

>20 000m²
COMBINED AUTO BODY REPAIR AND MECHANICAL REFURBISHMENT CENTRE

REPOSSESSION AND RESALE

SA Taxi's ability to refurbish and refinance recovered vehicles enables it to participate in the liquid pre-owned market, ensuring retention of asset value.

>73%
RECOVERY RATES ON REPOSSESSION, REFURBISHMENT AND RESALE

DATA AND TELEMATICS OPERATIONS

underpin the ability of the business to operate in a higher-risk market, and are applied in credit vetting, insurance, collections and repossession.

SA TAXI HAS BEEN TRACKING MINIBUS TAXIS FOR ~10 YEARS

ON AVERAGE, EACH OF SA TAXI'S VEHICLES TRAVELS 6 500 KMS PER MONTH

SA TAXI'S VEHICLES OPERATE ON ~6 500 ROUTES COVERING ~800 000 KMS

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

Q&A WITH TERRY KIER

SA TAXI CEO

Q: In June 2017, factions in the minibus taxi industry embarked on mass protest action. What was SA Taxi's response to the concerns raised?

The protests were directed at a number of industry stakeholders, including government for the lack of subsidies and funding, OEMs for vehicle price increases, financial institutions for insufficient or costly finance and insurance products, fuel companies, and retail malls for inadequate infrastructure to accommodate minibus taxi ranks. The protests were also fuelled by frustrations at the industry's lack of participation in the full value chain, along with economic pressures being felt in the industry and country more broadly.

Although SA Taxi did not anticipate the protest, given no evidence of undue stress in the loan book, we immediately intensified engagement with industry leadership to understand their concerns.

Despite being well below the regulated maximum interest rate of 33.75% for developmental credit providers, SA Taxi, in consultation with the industry, agreed to reduce its highest interest rate from 28.5% to 26.5% on future loans originated to assist its clients.

An unfortunate outcome of reducing the top interest rate is that clients in the highest risk segment have become unviable for finance, thereby impeding SA Taxi's ability to facilitate financial inclusion in this segment.

We also quickly introduced other relief measures, such as assisting clients who had their vehicles repossessed to clear their credit records at bureaus, and instituting a 60-day moratorium on repossessions, which ended on 9 August 2017.

SA Taxi's response was positively received by the market and we continued to originate at forecasted market share.

Encouragingly, a direct outcome of the protest action has been deeper collaboration between industry leadership and SA Taxi, who are working together to achieve sustainable benefits for the industry. Initiatives include discussions with OEMs to procure larger quantities of vehicles to be sold directly through SA Taxi's dealership, which will enable it to hold retail prices as low as possible by limiting unnecessary charges and add-ons to vehicles that add no income producing value.

Finally, one of the specific requirements of the industry was for a full credit life insurance product that would extinguish the capital outstanding on a loan in the event of the death of an operator. Working with the industry, we managed to rapidly build and launch a credit life product in October 2017, in response to this demand. Credit Life is a client-centred and saleable product.

Q: Is there a need for further financial support in the industry?

As a long-standing participant in the industry, we understand its importance as the primary network and mode of transport for the majority of South Africans. In effect, the minibus taxi industry is completely embedded into the economic framework of the country, and is by far the most flexible and cost effective from an infrastructural point of view.

The industry has achieved this even with no subsidy from government, unlike bus and rail. While this makes it a highly defensive industry that has remained self-sustaining through numerous economic cycles, we believe that more direct support is certainly required to enhance its sustainability. Whether it is an economic model to support the scrapping of old taxis, a direct or fuel subsidy, or access to cheaper funding for funders, or indeed a hybrid of all of these, support is required. SA Taxi is playing its part by working alongside the industry to lobby for this support.

As David has mentioned earlier in his Q&A on page 24, Transaction Capital raises its debt capital from local banks, asset managers and institutional investors, as well as international development finance institutions, which determines our cost structures. SA Taxi and industry leadership are also lobbying government to channel funding into the minibus taxi industry. SA Taxi could play a central role in passing on the benefits of this funding to the operators if this support is provided. As the backbone of South Africa's public transport network, our objective is to support operators with relevant products and services that ensure the sustainability of their businesses.

Q: What have the broader impacts of the protest action been for SA Taxi?

The one undoubtable positive outcome of the protests has been a closer working relationship between SA Taxi and the industry. While we were close to the industry before, we are now seeing benefits through initiatives and coordinated approaches across the value chain. These will continue to strengthen the industry and deepened our ability to provide relevant and targeted products to support growth.

Understanding the social relevance of our business has always been pronounced and embedded in the DNA of SA Taxi, but the protest action served as a reminder for SA Taxi and indeed the whole value chain that the sustainability of the industry depends on all participants being able to generate value. This year, we have become more involved in building up the industry alongside our business.

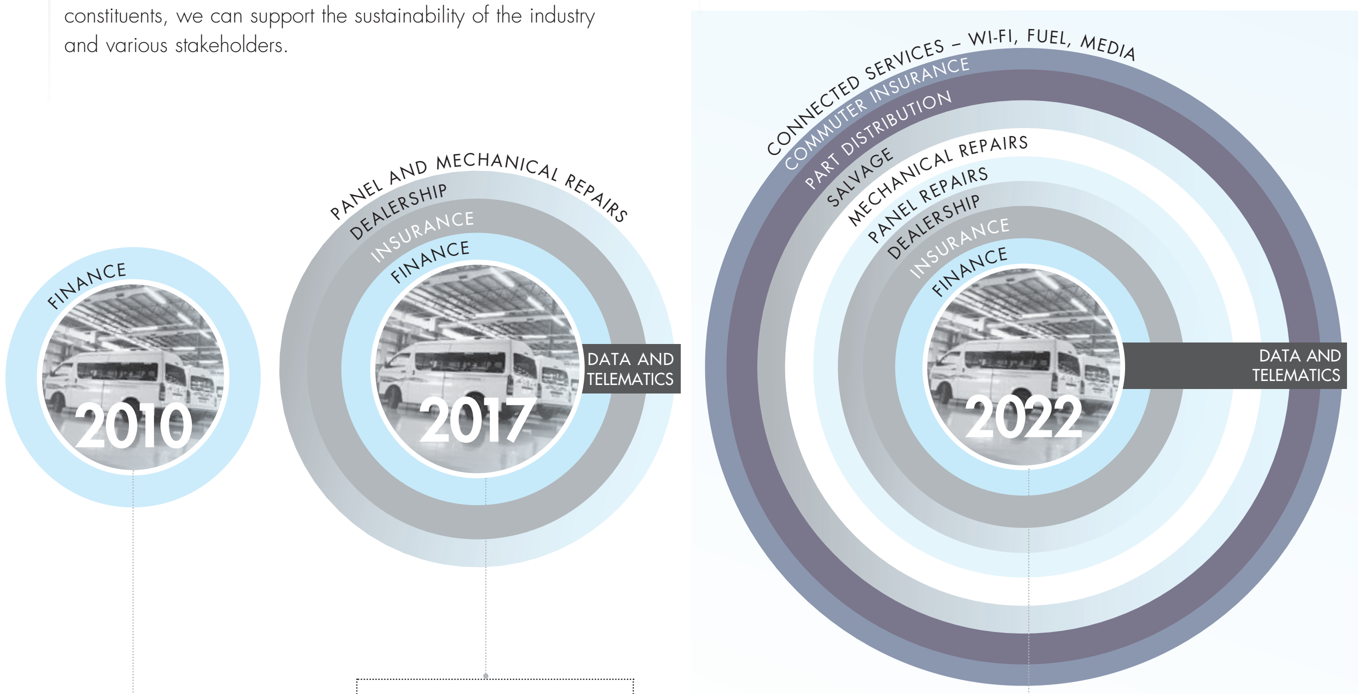
The essence is that we have a responsibility in creating shared value by enabling real benefits for participants across the industry. This is not done for charity, but in a proper understanding that shared value is only possible if the commercial health of your own business is maintained. If we continue to grow a good socially relevant business that provides competitive and appropriate products to our constituents, we can support the sustainability of the industry and various stakeholders.

That is now part of the journey for SA Taxi – to leverage the business we have built to ensure that the entire industry benefits. We can only do this by continuing to collaborate and connect with the industry as it evolves in South Africa.

Q: What is on the horizon for SA Taxi?

Over the next two years, the main transition for SA Taxi will be shifting the business beyond our focus on the operator as our only market. Effectively, we also see the minibus taxi as a catalyst in accessing the driver and commuter market. This would include utilising the operator and the driver as commissioned agents in expanding our product offering to the much wider commuter market. This also builds on our shared value approach by opening new revenue streams for operators and drivers, and further reduces risk for SA Taxi. It is another step in deepening the vertical with the taxi at the centre. Ultimately, our ability to access and engage with the commuter base will allow us to transform the business from having a client base of more than 200 000 taxi operators to 15 million commuters.

This approach is set out in our vision statement for SA Taxi: The minibus taxi is the catalyst for extending our customer base, creating value at new frontiers, and digitising the industry to unlock value from data and insights.



Initially, SA Taxi only provided a finance offering to taxi operators.

We have expanded our offering and extended our operations into many key verticals of the finance and insurance value chains.

Our vision is to extend our products and services to additional verticals, unlocking value in the industry. This expansion will leverage off our experience in the minibus taxi industry and provide bespoke services to the wider customer base.

We are also extending our capabilities in technology by making significant investments in data science to unlock greater insight into our clients and the industry. While we have done well on traditional credit metrics, we see a great opportunity in non-traditional metrics that will help us better understand behaviour in the nuances of the routes, seasonality, timing and the like. This is a shift to predictive analytics for our business, which will help us look forward and manage risk much more effectively. Again, this is set to have a multiplier effect across our integrated business model, especially in areas like insurance.

This coming year is an inflection point for SA Taxi, where we will have the data and capabilities to look further ahead in building a focused business. We see the beauty of the model in its specialism, driven by knowledge and data.

TRANSACTION CAPITAL RISK SERVICES

A **TECHNOLOGY-LED** AND **DATA-DRIVEN** PROVIDER OF **CUSTOMER MANAGEMENT SOLUTIONS** IN SOUTH AFRICA AND AUSTRALIA. THE DIVISION'S **SCALABLE AND BESPOKE FINTECH PLATFORM** IMPROVES ITS CLIENTS' ABILITY TO ORIGINATE, MANAGE AND COLLECT FROM THEIR CUSTOMERS. THE DIVISION LEVERAGES ITS TECHNOLOGY AND DATA TO **MITIGATE RISK AND MAXIMISE VALUE** FOR **CLIENTS** THROUGHOUT THE CUSTOMER ENGAGEMENT LIFECYCLE.

Innovative technology systems drive superior performance and efficiency

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

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

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

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

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

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

SOCIETAL RELEVANCE

TCRS' activities broadly contribute to the efficiency and effectiveness of the South African and Australian credit systems. This includes the acquisition of distressed book debts, which assists clients to strengthen their balance sheets by accelerating cash flow and removing non-performing loans (NPLs), thus improving their ability to continue providing debt finance into the consumer market.

It also assists clients to lend responsibly, to identify which consumers to lend to, and to then collect successfully. This supports the affordability of credit by mitigating unnecessary pricing for risk.

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

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

R588 MILLION
LOANS ORIGINATED TO BLACK-OWNED SMEs IN 2017

PERFORMANCE OVERVIEW

↑ 39%
CORE HEADLINE EARNINGS
R233 MILLION
40% OF GROUP

↑ 93%
VALUE OF BOOK DEBTS ACQUIRED
R356 MILLION

↑ 22%
PURCHASED BOOK DEBTS
R891 MILLION

↑ 27%
ESTIMATED REMAINING COLLECTIONS
R1.7 BILLION

CORE COST-TO-INCOME RATIO[1]
79.3%
FROM 77.4% IN 2016

CORE RETURN ON EQUITY[1]
22.2%
FROM 31.5% IN 2016

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

STRATEGIC AND OPERATIONAL HIGHLIGHTS

STRATEGIC GROWTH INITIATIVES

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

ACQUISITIONS

Three acquisitions within TCRS performing in line with expectations

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

MARKET CONTEXT

A CHALLENGING CONSUMER CREDIT ENVIRONMENT

OF 35 MILLION
SOUTH AFRICANS AGED 15 TO 65,
25 MILLION
ARE CREDIT-ACTIVE CONSUMERS

9.7 MILLION
(~40%) non-performing credit consumers

Over
11 MILLION
South Africans described as over-indebted (up from 5 million in 2014)

Household debt-to-income remains high at
72.6%
with debt growth
< income growth

Elevated levels of unemployment at
27.7%

Only **23%**
of South Africans have money left at the end of the month

Escalating costs of household essentials over the medium term

OUTLOOK FOR SOUTH AFRICAN CONSUMERS

- No longer-term effects signalling any meaningful improvement
- Retail credit extension has tightened
- Gradual deleveraging of the consumer will prevail
- Consumers' disposable income stressed, negatively affecting their ability to repay debt

TCRS' DEFENSIVE POSITIONING WITHIN THE MARKET

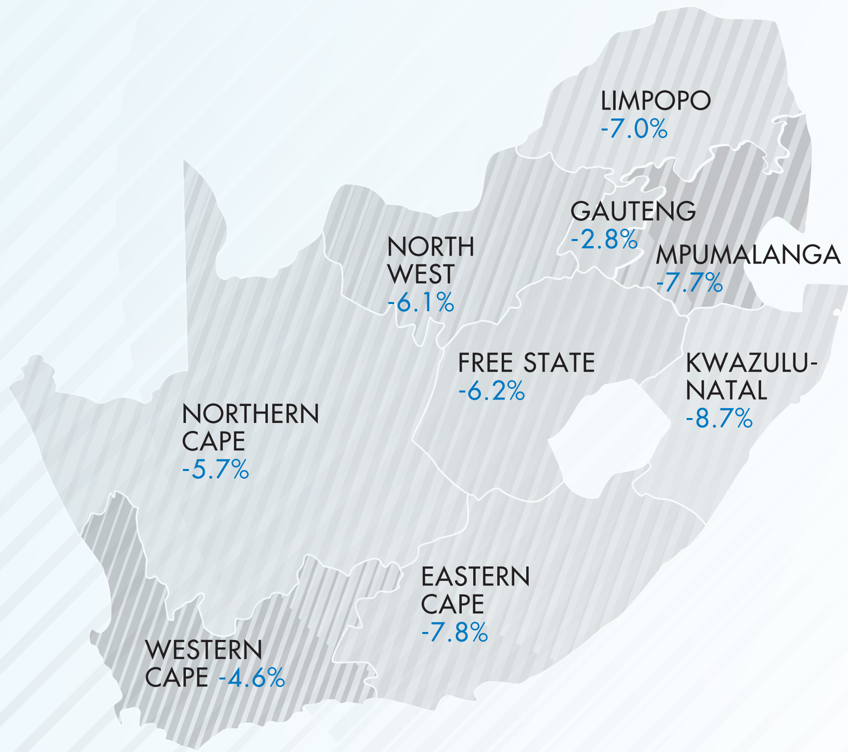
Increased number and size of NPL portfolios available to acquire as a principal from clients preferring immediate recovery from their NPLs

TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

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

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

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



TCRS' DATA, ANALYTICS AND SCALABLE TECHNOLOGY PLATFORM

MASTER DATA UNIVERSE (MDU)

TCRS MAINTAINS PROPRIETARY DATA ON MOST OF SOUTH AFRICA'S DISTRESSED CONSUMERS

TRANSACTIONAL DATA

Data sourced from MDU for maximised ContactAbility

Data is current, relevant and accurate as per:

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

Transactional data enriched with collection and ContactAbility results

ANALYTICS

Predictive and layered voice analytics to determine:

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

TECHNOLOGY TO ACHIEVE SCALE

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

Johannesburg >1 000 seats
Cape Town >250 seats
Durban >600 seats

TCRS' EVOLUTION SINCE LISTING

CAGR 2012 TO 2017

20% HEADLINE EARNINGS

22% SERVICES EBITDA

2012
Entered the payments services market via the acquisition of BDB (now Transaction Capital Payment Solutions)
Entered the municipal collections sector

2013
ISO data security accreditation

OCTOBER 2014
Restructure including centralised management team and overarching strategy

JUNE 2015
Improved penetration in the Tier 1 banking and specialised lending sectors, and increased focus on telecommunications sector

JULY 2015
Entered the insurance collections sector

NOVEMBER 2015
Early adoption of IFRS 9

DECEMBER 2015
Transaction Capital Recoveries achieves level 3 B-BBEE* rating

APRIL 2016
Technology enhancements, including implementation of new predictive dialer

JUNE 2016
Creation of the MDU

AUGUST 2016
Call centre centralisation strategy (Johannesburg, Durban, Cape Town) enabling cost savings

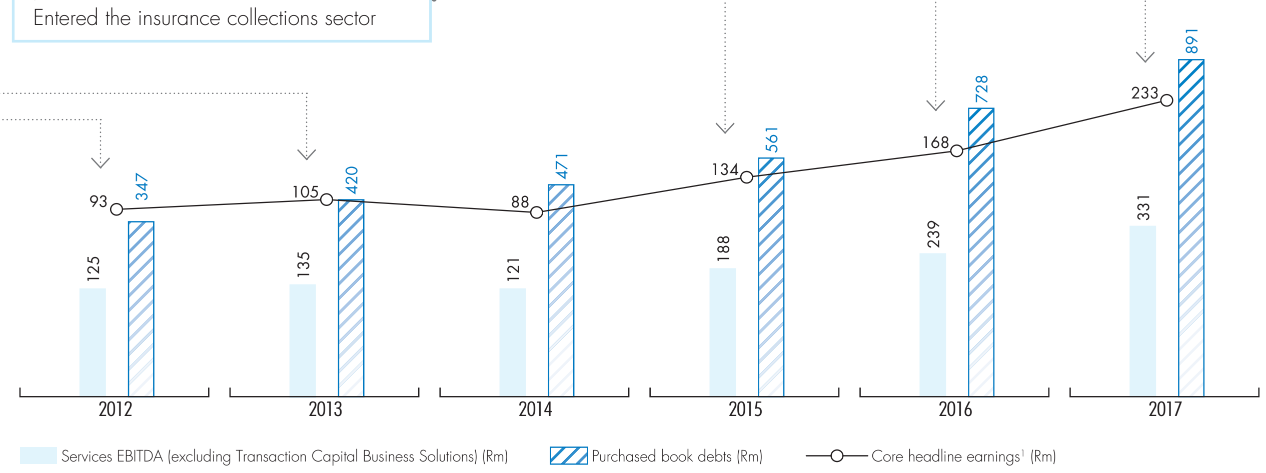
SEPTEMBER 2016
Rebrand to leverage Transaction Capital's brand equity

DECEMBER 2016
Entered value-added services market via 75% acquisition of Road Cover

JANUARY 2017
Entered Australian debt recoveries market via 100% acquisition of Recoveries Corporation
Relocation of Johannesburg call centre to cost-effective operating facility located in Johannesburg CBD
Investor in people accreditation

MARCH 2017
Initiated implementation of workforce management technologies

SEPTEMBER 2017
Recoveries Corporation succession plans implemented successfully
Contingency and fee-for-service revenue in adjacent insurance, telecommunications and public sector now contribute 27% (20% in 2016)



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

1. Headline earnings attributable to the group.
** Broad-based black economic empowerment (B-BBEE).*

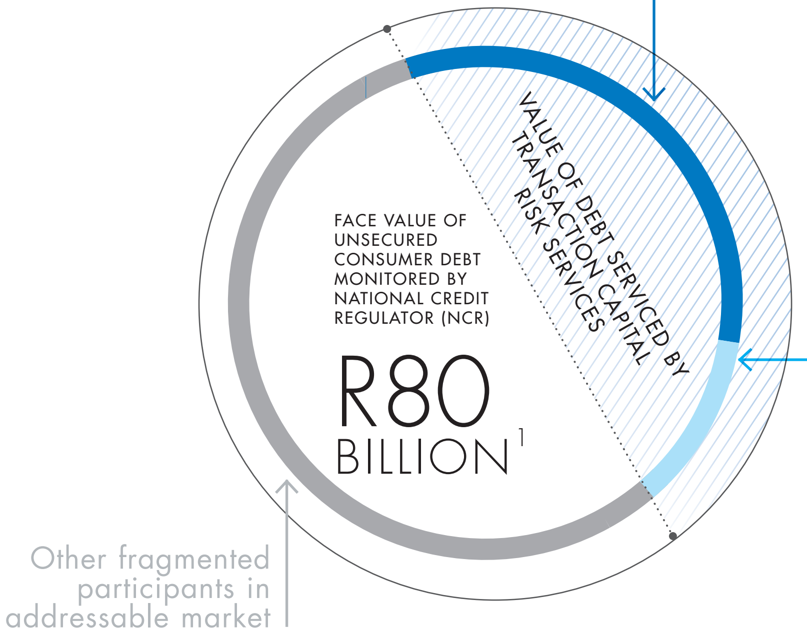
BUSINESS ACTIVITIES

TCRS' DIVERSIFIED BUSINESS MODEL

AUD900 MILLION
TCRS Australia

R21 BILLION
TCRS South Africa

Contingency and fee-for-service collections



R12 BILLION
Acquisition of NPLs as principal

R570 MILLION
Gross loans and advances in Transaction Capital Business Solutions

ORIGINATE

VALUE-ADDED SERVICES, LEAD GENERATION AND CUSTOMER ACQUISITION

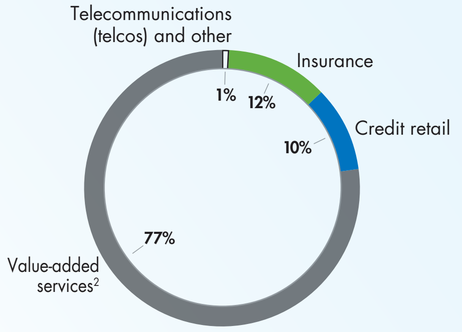
Principa A Transaction Capital Company

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

We Care...

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

~2 MILLION clients (consumer subscriber base)



MANAGE

PAYMENT SERVICES AND ACCOUNT MANAGEMENT

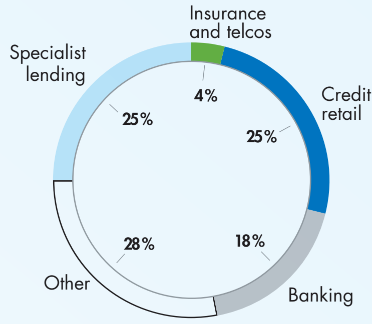
Transaction Capital Payment Solutions

Specialist in customised, innovative and flexible payment processing services

~3 MILLION disbursements for clients each year

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

~R27 BILLION payments processed for clients each year



SME FINANCING AND SERVICES

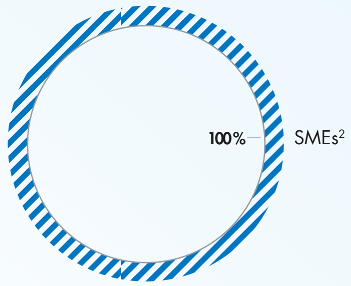
beancounter FINANCIAL SERVICES

Transaction Capital Business Solutions

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

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

>400 clients



COLLECT

CONTINGENCY AND FEE-FOR-SERVICE COLLECTIONS

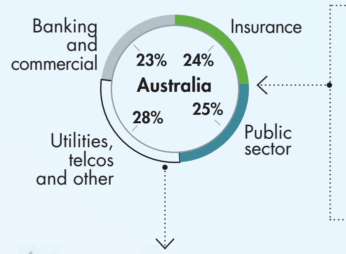
Transaction Capital Recoveries

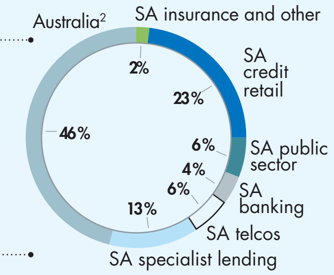
Provider of collection and recovery services, including early stage rehabilitation, late stage collections and legal recoveries

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

86 clients (2016: 83)

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





recoveriescorp connect. engage. succeed.

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

'National Credit Team of the Year' award

41 clients

~600 employees

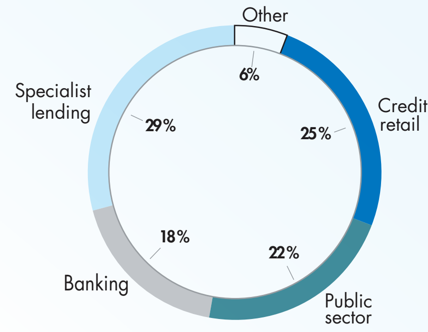
ACQUISITION OF NPL PORTFOLIOS TO BE COLLECTED AS PRINCIPAL

Transaction Capital Recoveries

27% to R1.7 billion
Estimated remaining collections

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

22% to R891 million
Purchased book debts



Intention to enter the NPL acquisition market in Australia

Pioneered this industry, acquiring the first NPL portfolio in 1999

195 portfolios owned in total with a face value of R12.2 billion

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

1. R80 billion comprises credit monitored by the NCR as at 31 December 2016. TCRS' target market also includes sectors not regulated by the NCR, being SMEs, education, insurance, public sector, telecommunications, state-owned enterprises (SOEs) and utilities.
2. Revenue generated by businesses acquired in the year is only included from the effective date of the acquisition.
3. Non-authenticated early debit orders (NAEDO). | 4. National Credit Act (NCA).

Q&A WITH DAVID MCALPIN
TCRS CEO

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

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

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

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

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

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

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

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

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

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

We have spent this year settling and optimising the dialer, and integrating it with the recently implemented workforce management and right time to call systems. These are driving further operational improvements, which continues to protect revenue in a tough economic environment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERFORMANCE

RONEN GOLDSTEIN
FINANCIAL DIRECTOR

FINANCIAL DIRECTOR'S REPORT

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

HIGHLIGHTS

↑ 26%

CORE HEADLINE EARNINGS
R577 MILLION
2016: R458million

↑ 20%

CORE HEADLINE EARNINGS PER SHARE
96.4 CENTS
2016: 80.6 cents

↑ 33%

TOTAL DIVIDEND PER SHARE
40.0 CENTS
2016: 30.0 cents

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

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

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

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

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

SUMMARISED CONSOLIDATED SEGMENT REPORT

FOR THE YEAR ENDED 30 SEPTEMBER

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

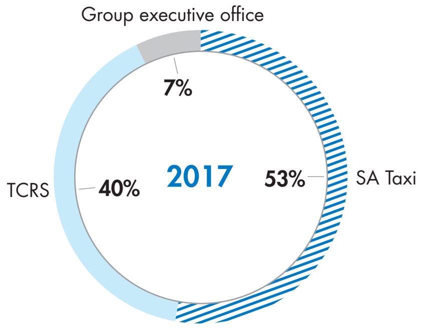
* *Group executive office numbers are presented net of group consolidation entries.*

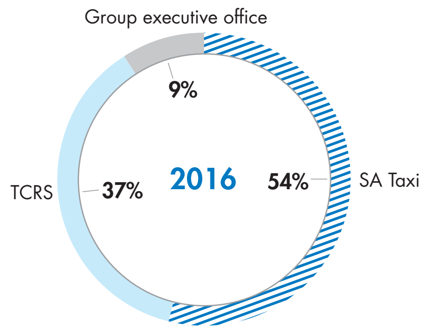
** *Of SA Taxi's total group loans of R1 164 million at 30 September 2017, R400 million is repayable on demand as part of the group's treasury management function. The remaining R764 million group loans is subordinated debt with fixed repayment terms. TCRS' total group loans of R107 million is repayable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

DIVISIONAL REVIEW

Group portfolio mix

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





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

SA TAXI

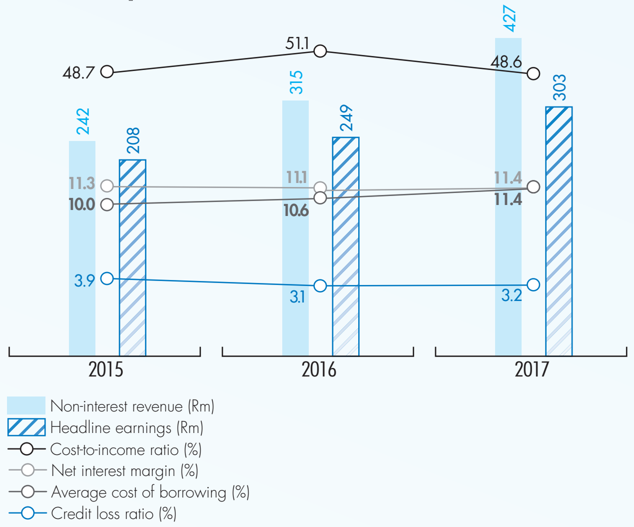
Financial and credit performance

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

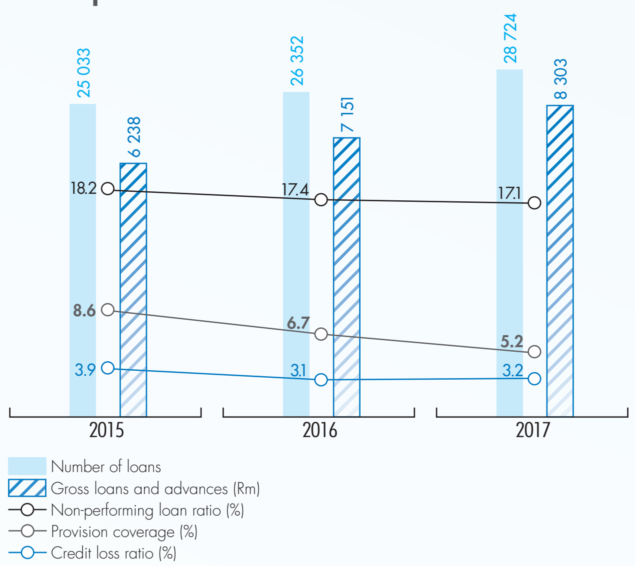
SA Taxi is a vertically integrated platform incorporating a unique blend of vehicle procurement, retail, repossession and refurbishment capabilities with financing and insurance competencies for focused vehicle types. These competencies, combined with its proprietary data and analytics skills, enable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

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

Financial performance



Credit performance



Vehicle financing

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

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

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

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

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

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

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

Non-interest revenue

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

VEHICLE RETAIL OPERATIONS

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

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

INSURANCE OPERATIONS

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

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

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

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

TECHNOLOGY AND DATA

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

Conclusion

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

TRANSACTION CAPITAL RISK SERVICES

Financial and operating performance

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

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

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

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

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

Contingency and fee-for-service revenue

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

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

Acquisition of non-performing loan portfolios as principal

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

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

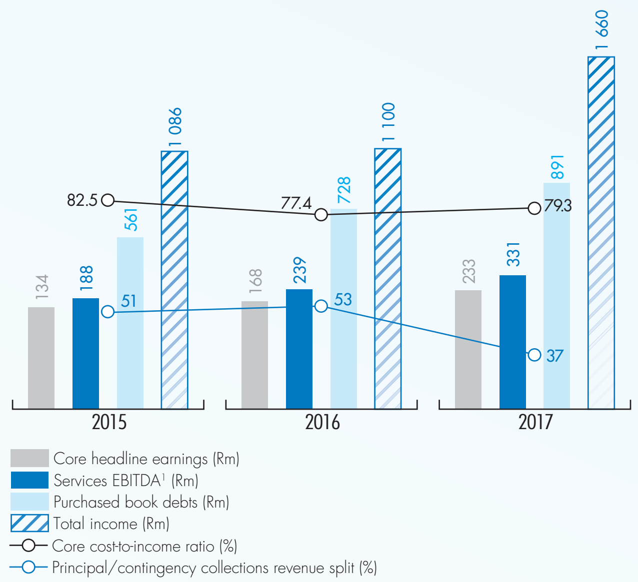
TCRS continues to seek opportunities to apply its analytics, pricing expertise and capital to the selective purchase of non-performing loan portfolios in a highly fragmented Australian debt collection market.

Other activities

PAYMENT SERVICES AND ACCOUNT MANAGEMENT

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

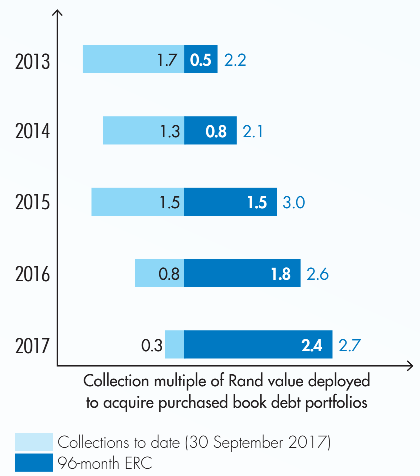
Financial performance



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

Purchased book debt performance

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



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

VALUE-ADDED SERVICES, LEAD GENERATION AND CUSTOMER ACQUISITION

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

SME FINANCING AND SERVICES

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

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

Conclusion

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

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

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

GROUP EXECUTIVE OFFICE

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

DIVIDEND POLICY AND DECLARATION

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

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

ACCOUNTING POLICIES AND ESTIMATES

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

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

AUDIT REPORT

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

SUBSEQUENT EVENTS

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

APPRECIATION

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

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

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

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

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

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

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

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

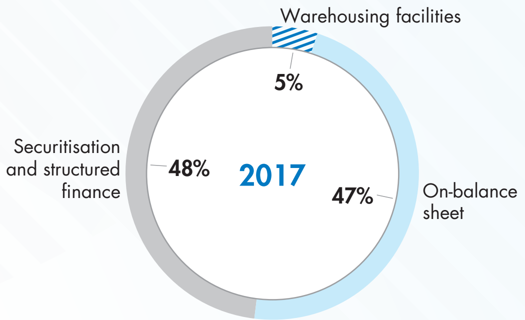
A core part of our philosophy is that we don't intermingle different risks across different parts of the group. Essentially, each business stands alone and is self sufficient, so each does not rely on any other in the group to continue operating. We also ring-fence the risk, preventing any risk of contamination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

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

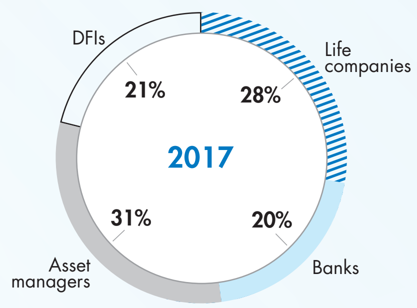
The other areas of innovation within capital management include:

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

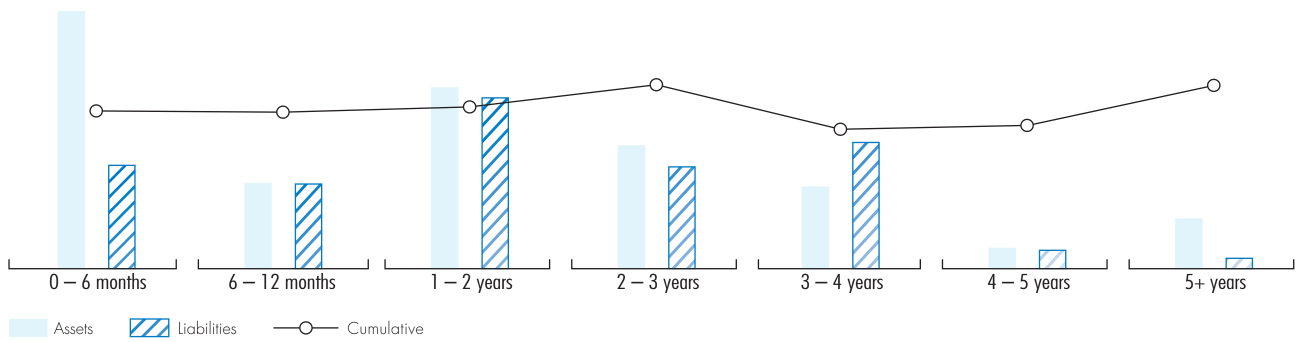
Diversification by funding structure



Diversification by debt investor category



Positive liquidity mismatch



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

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

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

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

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

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

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

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

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

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

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

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

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

Credit ratings

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

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

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

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

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

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

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

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

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

CAPITAL AND FUNDING EVOLUTION SINCE LISTING

FEBRUARY 2012
>R1 billion raised from European DFIs since 2010

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

Initial issuance of R665 million

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

Initial issuance of R396 million

Early adoption of IFRS 9

AUGUST 2016
Transsec 2 tap issuance: R451 million raised

MARCH 2015
Over 20 funders

APRIL 2015
Transsec tap issuance: Privately placed R528 million

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

JANUARY 2017
First local DFI: R100 million debt facility

FEBRUARY 2017
Issued 28.4 million shares raising R419 million

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

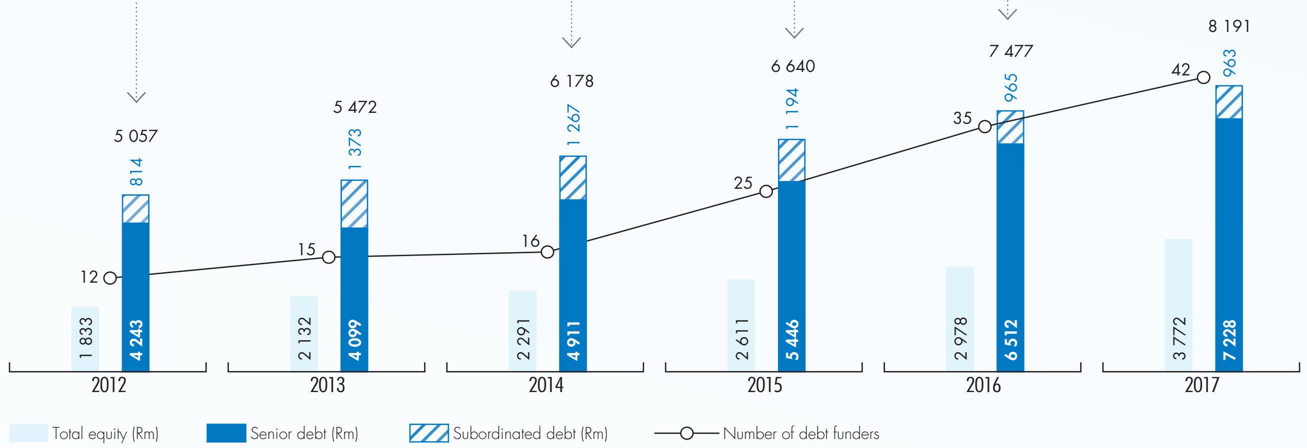
Funding base includes all the major South African banks

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

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

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

Initial issuance of R505 million more than 3 times oversubscribed



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

GOVERNANCE

CHRISTOPHER SEABROOKE
CHAIRMAN

CHAIRMAN'S REPORT

INTRODUCTION

THE 2016 AND 2017 FINANCIAL YEARS WERE CHARACTERISED BY HEIGHTENED CONCERNS REGARDING SOUTH AFRICA'S ECONOMIC POTENTIAL AND SOCIO-POLITICAL STABILITY, WITH THE CONCOMITANT RISK OF SOUTH AFRICA'S LOCAL CURRENCY RATING DOWNGRADE EXPECTED TO REMAIN AS A CENTRAL THEME IN THE IMMEDIATE FUTURE.

Consumers and the small- and medium-sized enterprise (SME) sector in South Africa remain vulnerable, with low real wage growth, high unemployment levels (currently estimated at 27.7%), the persistently high cost of household essentials despite slightly lower levels of inflation, only slightly reduced levels of household debt to income (72.6% for the second quarter of 2017) and muted gross domestic product (GDP) growth continuing to impact business confidence.

The combined effect of these factors is seen in the results of Transaction Capital's Consumer Credit Rehabilitation Index (CCRI), which samples over five million consumers from Transaction Capital Risk Services' proprietary database. It showed that the national rehabilitation prospects of South African consumers already in a default position deteriorated by 1.1% in the second quarter of 2017 (compared to the corresponding quarter in 2016), followed by a further deterioration of 0.9% in the third quarter of 2017 (compared to the third quarter in 2016).

While household debt to income has reduced, this is mainly due to debt growing at a slower pace than income, rather than an absolute decline in household debt. The 25 basis points rate cut in July 2017 and lower inflation (5.1% at 30 September 2017) may improve the debt servicing ability of households, albeit moderately. No meaningful improvement in the consumer environment is expected, and tighter retail credit extension will support this gradual decrease in the debt burden of consumers.

Stable medium-term GDP growth is expected in Australia, which will serve to further diversify Transaction Capital's earnings over time.

HIGHLY DEFENSIVE BUSINESSES DELIVERING STRONG GROWTH

Despite persistent challenges in the South African market, Transaction Capital has continued to deliver high-quality organic earnings growth with high cash conversion rates since it listed on the JSE Limited five years ago. Headline earnings per share for the five years to 30 September 2017 grew at a compound annual growth rate (CAGR) of 21%, with dividends per share growth at a CAGR of 36% since 30 September 2014.

GOVERNANCE CHANGES

The board welcomed two new non-executive directors in the year. Olufunke Ighodaro, appointed to the board on 1 April 2017 as an independent non-executive director, brings a wealth of business experience and chairs the group's audit, risk and compliance committee. Olufunke has served as chief financial officer of Tiger Brands Limited and Primedia Limited. Paul Miller, a qualified corporate lawyer who built his career at the international law firm Berwin Leighton Paisner LLP, was appointed to the board on 1 July 2017. Paul has executed numerous equity capital market transactions and merger and acquisition deals during his 25-year legal career, and is also the chief executive officer of Everglen Capital Proprietary Limited. We welcome Olufunke and Paul to the board, and look forward to their contribution to Transaction Capital's growth.

We also welcome Theresa Palos, who was appointed as company secretary with effect from 2 March 2017. Theresa replaces Statucor (Pty) Ltd.

David Woollam and Dumisani Tabata resigned as independent non-executive directors with effect from 2 March 2017, and Moses Kgosana resigned as an independent non-executive director with effect from 8 September 2017. The board thanks these directors for their years of service to the group, and wishes them well in their future endeavours.

The annual performance evaluation of the board, conducted in November 2017, reaffirmed the effectiveness of the board in its direction of the group.

The King IV Report on Corporate Governance (King IV), released in November 2016, further advances South Africa's leadership in corporate governance and places the spotlight firmly on ethical and effective leadership. Transaction Capital conforms to the principles contained in King IV.

SHAREHOLDING

In February 2017, Transaction Capital returned to the equity market for the first time since listing. In an accelerated bookbuild, the group issued 28.4 million shares, raising R419 million to create the capacity for further acquisition opportunities. The issuance was oversubscribed and predominantly taken up by institutional investors.

As management was not permitted to participate in the bookbuild, the shareholding of directors decreased from 46% to 44%. Thus, the group's free float percentage is now at 56% (2016: 54%), with its institutional shareholding and foreign ownership increasing to 31% (2016: 28%) and 6% (2016: 3%) respectively.

The implementation of the Transaction Capital Limited Conditional Share Plan (CSP) was approved by shareholders on 20 October 2016.

The CSP strengthens Transaction Capital's ability to attract and retain key employees while providing them with the opportunity to share in the success of the relevant division in which they are employed, and creates alignment between their interests and that of shareholders. The remuneration report starting on page 92 provides further detail on the CSP.

DIVIDEND POLICY AND DIVIDEND DECLARATION

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

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

CONCLUSION

Transaction Capital owns businesses that operate in highly specialised and under-served segments of the South African and Australian financial services market. Its market-leading divisions, SA Taxi and Transaction Capital Risk Services, led by entrepreneurial and experienced management teams, represent a diversified and scalable financial services platform, underpinned by a mature governance framework. The divisions leverage their proprietary data and technology to create value for their customers. Positioned deliberately in relation to demographic and socio-economic realities, they deliver both commercial returns and social benefits.

Despite persistent challenges in the economic environment, these defensive businesses continue to deliver strong performance and high-quality earnings.

I extend my appreciation to the group's leadership for providing strategic clarity and direction, and for the dedication and commitment of its more than 4 000 employees. My thanks also extend to the board for ongoing guidance and insight, and the group's bankers, funders and advisers for their continued support.

GOVERNANCE REPORT

THE BOARD OF DIRECTORS OF TRANSACTION CAPITAL IS THE FOCAL POINT OF ITS CORPORATE GOVERNANCE FRAMEWORK. THE GROUP FOLLOWS A STAKEHOLDER-INCLUSIVE APPROACH TO GOVERNANCE, WITH THE BOARD BEING ULTIMATELY RESPONSIBLE AND ACCOUNTABLE TO STAKEHOLDERS FOR THE PERFORMANCE, ACTIVITIES AND CONTROL OF THE GROUP.

KING IV

The King IV Report on Corporate Governance for South Africa was released on 1 November 2016 and is effective for financial years commencing from 1 April 2017. In line with the JSE Listings Requirements, Transaction Capital has transitioned to the new code, as encouraged. King IV advocates an outcome-based approach and defines corporate governance as the exercise of ethical and effective leadership towards achieving the following governance outcomes:

- Ethical culture
- Good performance
- Effective control
- Legitimacy

Transaction Capital has set out its governance structures in line with the 16 principles of King IV. The application of King IV is on an apply and explain basis, and many of the practices underpinning the principles form an integral part of the group's internal controls, policies and procedures governing corporate conduct. The application of recommended practices have been adopted and reported on as necessary as part of the transition to King IV, taking into account Transaction Capital's business operations and its governance structure.

The board is committed to complying with legislation, regulations and best practices relevant to the group. The board regards the process of assessing and monitoring adherence to adopted governance standards as dynamic and endeavours to continually improve governance structures within the group. This is aligned with the aspirational nature of the King IV principles.

PRINCIPLE 1:

Ethical leadership

The governing body should lead ethically and effectively.

The board maintains a high level of individual and collective responsibility, accountability, fairness and transparency, which together drive a culture of risk awareness, ethical behaviour and value creation.

The board is responsible for the strategic direction of the group, which it considers in conjunction with the group's values and ethics charter. The group's values (available on its website, www.transactioncapital.co.za) provide the foundation for effective and ethical leadership, and are the basis for all deliberations, decisions and actions at board level and within every area of the business.

BOARD OF DIRECTORS

The board provides effective and responsible leadership based on an ethical foundation by directing strategy and operations in a way that supports sustainable business, while considering the short- and long-term impacts on society, the environment and stakeholders, as per the group's sustainability policy.

The board acts as the custodian of governance and has approved a formal charter that sets out its responsibilities in this regard. The board is responsible for appointing the chief executive officer (CEO) and for monitoring his management of the performance of Transaction Capital's assets and resources against approved strategic and financial objectives.

The board delegates specific responsibilities to appropriately mandated and constituted sub-committees, set out on page 79. The audit, risk and compliance (ARC) committee and the social and ethics committee both fulfil the statutory governance requirements on behalf of Transaction Capital and its divisions.

82 DETAILS OF RISK CATEGORIES MANAGED BY THE BOARD SUB-COMMITTEES ARE INCLUDED IN THE RISK REPORT

PRINCIPLE 2:

Organisation values, ethics and culture

The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

ETHICS

Transaction Capital's ethics charter outlines the group's core values of integrity, respect, excellence and innovation. In addition, it describes Transaction Capital's guiding business principles that direct all business dealings within the group, by employees and with other stakeholders. As an ethical roadmap for the group, the ethics charter requires all group operations to conduct business with honesty and integrity, and in accordance with the highest legal and ethical standards.

The CEO is the custodian of the charter, and is assisted by the group's ethics officer. The board reviews the charter annually.

Transaction Capital maintains an independent whistle blowing hotline operated by an external service provider. Reports can be made anonymously through the hotline and are directed to the group ethics officer for investigation or escalation. In addition, reporting of unethical or fraudulent behaviour to line management and the respective human resources departments of the group's businesses is encouraged. This is reported on in the social and ethics committee meetings as well as the relevant board meetings.

PRINCIPLE 3:

Responsible corporate citizenship

The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

Responsible corporate citizenship is integrated into the group's strategy, and its principles underpin all key aspects of the business. Ultimate responsibility lies with the board, with oversight vested in the social and ethics committee and the ARC committee.

The social and ethics committee monitors targets and measures many of the aspects listed under the King IV practices (including employment equity, fair remuneration, equal work for equal pay, safety, health, economic transformation, public health and safety, consumer protection, community development and protection of human rights). The ARC committee is responsible for the prevention, detection and response to fraud and corruption. It is also responsible for tax policy.

The sustainability policy governs interactions with the group's stakeholders. Stakeholder engagement takes place at all levels, across the subsidiaries and group. The sustainability policy has been approved by the board and adopted by the group.

In addition, the ARC committee oversees the preparation of the integrated report, with certain sections being reviewed by the external and internal auditors where appropriate.

Each division's societal relevance is core to achieving the group's strategic objectives.

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

PRINCIPLE 4:

Strategy, implementation and performance

The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

The board has set out its mission, strategy and associated risks in this integrated report, with Transaction Capital's core values available on its website. In directing strategy, the board considers the risks and opportunities related to the context in which the group operates, to create value for all stakeholders.

The board has delegated the formulation and implementation of group strategy to management with the required input from the board. The board has approved the group strategy along with key performance criteria and targets for management to assess the implementation of the group strategy.

The ARC committee assists the board with the governance of risks, as detailed in the committee's terms of reference. The board assesses the overall viability of the company with regards to its reliance and effects on capital, solvency and liquidity, and its status as a going concern.

PRINCIPLE 5:

Reports and disclosure

The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.

The board has approved the group's strategy, together with its risks and opportunities, which are all included in this integrated report. The integrated report enables stakeholders to make an informed decision about the group's direction.

Based on the recommendation of the ARC committee, the board approves the annual financial statements, the integrated annual report and any other reports published by the company.

PRINCIPLE 6:

Role of the governing body

The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The board of directors of Transaction Capital is the focal point of its corporate governance framework. The group follows a stakeholder-inclusive approach to governance, with the board being ultimately responsible and accountable to stakeholders for the performance, activities and control of the group.

The board has adopted the board charter and approves board sub-committee terms of reference and group policies. The board charter and group policies regulate how the board conducts itself in the best interest of the company and its stakeholders, taking into account the principles of good corporate governance and legislation.

Annual reviews are conducted as part of the board's workplan. The board charter provides for obtaining independent, external professional advice and for non-executive directors to set up meetings with management, where necessary.

75 SEE PRINCIPLE 1 FOR MORE DETAIL

Transaction Capital's governance and compliance framework facilitates the board's role of providing direction and oversight. It sets a high level of accountability to support consistent compliance with regulatory requirements and the group's risk appetite, and at the same time encourages an entrepreneurial mindset as a key driver of performance.

Each of Transaction Capital's divisions has its own board of directors, with each division's governance processes aligned to Transaction Capital's governance framework, thereby appropriately allocating various levels of authority to individuals and committees throughout the group structure. The activities of each division's board include reviewing and providing input on the corporate strategy, business plans, risk propensity, budgets and sustainability. The strategies, business plans and performance criteria for each division are clearly defined, with appropriate key performance indicators in place to measure and monitor performance against their strategies.

PRINCIPLE 7:

Composition of the governing body

The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

The board, in conjunction with the nominations committee, assesses the composition and membership of the board and board committees holistically on an annual basis.

The non-executive directors bring independent judgement and experience to the board's deliberations and decisions. Non-executive directors are chosen based on the appropriateness of their business skills and expertise to the strategic direction of the group. The nominations committee and the board take into account the diversity of academic qualifications, technical expertise, industry knowledge, experience, business acumen, race and gender when board appointments are considered. No one individual or group of individuals has unfettered powers of decision-making.

In addition, Transaction Capital supports the principles and aims of gender diversity at board level. The group has adopted a gender diversity policy with a voluntary target of employing at least two female directors at board level, which was met in the reporting period. The nominations committee will assess the set targets and fulfilment thereof annually.

Based on its most recent assessment performed in November 2017, the board, together with the nominations committee, is satisfied that the board's composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

In terms of their fiduciary duties, directors should act independently in exercising their judgement and fulfilling their duties, and should not have their discretion fettered in any way. This requires that directors apply their minds honestly and make decisions in the best interest of the organisation on all matters presented to the board.

Directors do not participate on matters in which they may be conflicted. The notion of the independence of directors is also a structural issue that considers their relationship to other parties in assessing their independence. The independence of non-executive directors is assessed annually.

All committees have fully functional structures, with clear objectives set out in their respective terms of reference. Through the chairman of each committee, the committees report back to the board at each board meeting. The committees also report to stakeholders annually as required (be it in the integrated report and/or at the annual general meeting (AGM)).

The composition of each division's board includes non-executive directors, some of whom may be executive or non-executive directors of Transaction Capital. Directors of these boards are of sufficient calibre, experience, diversity and number for their views to carry significant weight in the decisions of the group and divisional CEOs.

Appointment and induction process

The nominations committee assists in identifying suitable board members, and performs background and reference checks prior to their appointment.

New directors are introduced to Transaction Capital through a formal induction programme, which is the responsibility of the company secretary and/or financial director, and consists of an information pack, detailed discussions on the environment and operations of each of the major businesses, and site visits. Formal induction processes were fulfilled for all director appointments during the period.

Consultation process

Directors are encouraged to take independent advice, where necessary, for the proper execution of their duties and responsibilities. This is done at Transaction Capital's expense, after consultation with the chairman. In addition, directors have unrestricted access to the group's auditors and professional advisers, and to the advice and services of the company secretary.

After advising the CEO of their intention to do so, directors may attend any committee or subsidiary board meeting, and have unrestricted access to any executive, manager or employee in the group as well as to any information generated by the group.

In addition, the company provides training to directors, as required.

BOARD APPOINTMENTS, EVALUATIONS AND PROCESSES

Transaction Capital's board comprises the following members:

Independent non-executive directors

- Christopher Seabrooke (chairman)
- Phumzile Langeni
- Kuben Pillay
- Olufunke Ighodaro (appointed 1 April 2017)

The following members resigned during the year:

- Dumisani Tabata (resigned 2 March 2017)
- David Woollam (resigned 2 March 2017)
- Moses Kgosana (resigned 8 September 2017)

Non-executive directors

- Roberto Rossi
- Paul Miller (appointed 1 July 2017)

Executive directors

- David Hurwitz (CEO)
- Ronen Goldstein (financial director)
- Mark Herskovits (executive director: capital management)
- Jonathan Jawno (executive director)
- Michael Mendelowitz (executive director)

28 THE BIOGRAPHIES OF GROUP DIRECTORS ARE PROVIDED IN THE DIRECTORATE SECTION

This year, Christopher Seabrooke, David Hurwitz and Mark Herskovits will retire by rotation and are standing for re-election at the AGM. These directors have been appraised by the board and their re-election is recommended. In addition, those directors appointed during the year will also be nominated for election as directors.

Chairman

Christopher Seabrooke is the independent non-executive chairman of the Transaction Capital board and is responsible for leading the board in fulfilling its mandate. The offices of chairman and CEO are separate. The board appoints the chairman from among its members annually and, together with the nominations committee, is responsible for the succession plan of the chairman. The chairman's performance is reviewed as part of the board's annual assessments, the result of which showed that the chairman leads ethically and effectively.

Chief executive officer

David Hurwitz is the group CEO, responsible for the leadership of Transaction Capital and the implementation of the strategies, structures and policies adopted by the board. The board appoints the CEO and sets the terms of his employment contract.

The board and its sub-committees have delegated authority to the CEO and management in line with the approved authority framework. Each year during November, the chairman and company secretary facilitate a formal performance appraisal of the CEO comprising an evaluation by each director. In addition, the CEO's employment contract is assessed for adequacy on an annual basis.

Financial director

Ronen Goldstein is the financial director of Transaction Capital and is responsible for reporting on Transaction Capital's financial performance. The ARC committee and the board are satisfied with the financial director's qualifications, experience and competence to fulfil this role. The finance function was assessed as adequate by the ARC committee for the full financial period.

Company secretary

With effect from 2 March 2017, Theresa Palos replaced Statucor (Pty) Ltd as company secretary. The board is satisfied with the qualifications, experience and competence of Theresa Palos.

All directors have access to the services and advice of the company secretary, who supports the board as a whole and the directors individually in fulfilling their duties.

The company secretary is required to fulfil duties under the Companies Act and the JSE Listings Requirements, and to ensure that appropriate procedures and processes are in place for board proceedings. The company secretary is a resource in the group on governance, ethics and legislative changes. The company secretary is entitled to obtain independent advice to achieve these objectives.

The board has assessed the company secretary function as adequate and is satisfied that an arm's length relationship is maintained.

BOARD MEETINGS

Directors are required to attend all board meetings. The board follows a formal workplan that includes strategy, operational and financial performance, risk and governance. Progress against the group's strategic objectives is reported on at each meeting.

The company secretary is responsible for circulating the agenda and other meeting papers in good time. Formal board papers are prepared for each item on the meeting's agenda, including reports by the executive office. At least four board meetings are held annually, one of which includes a strategic review.

BOARD AND COMMITTEE MEETING ATTENDANCE FOR THE YEAR UNDER REVIEW

		Board	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
Number of meetings held for the year		**4**	**3**	**2**	**2**	**2**	**4**
Board member	Status						
Christopher Seabrooke	Independent non-executive	3	2	1	1	–	3
Phumzile Langeni	Independent non-executive	4	3	–	–	2	–
Moses Kgosana[1]	Independent non-executive	3	2	–	–	–	–
Kuben Pillay	Independent non-executive	4	–	2	2	–	–
Olufunke Ighodaro[2]	Independent non-executive	3	3	–	–	–	3
Roberto Rossi	Non-executive	4	–	2	2*	–	–
Paul Miller[3]	Non-executive	2	–	–	1	–	–
David Hurwitz	Executive	4	3*	2*	2*	2	4
Mark Herskovits	Executive	4	–	–	–	–	4
Jonathan Jawno	Executive	4	3*	2*	2	–	4
Michael Mendelowitz	Executive	4	–	2*	2*	–	–
Ronen Goldstein	Executive	4	3*	2*	2*	2	4*

* *Invitee.*

1. *Moses Kgosana resigned on 8 September 2017.*
2. *Olufunke Ighodaro was appointed as an independent non-executive director on 1 April 2017 and attended all relevant meetings since date of appointment.*
3. *Paul Miller was appointed as a non-executive director on 1 July 2017 and attended all relevant meetings since date of appointment.*

Succession planning

The nominations committee is responsible for formulating the formal succession plans of the board, the CEO and the CEO's direct reports. The committee reviews these succession plans annually. On approval of the succession plans, the CEO conducts alignment discussions with potential successors, where necessary, which may result in direct development interventions.

PRINCIPLE 8:

Committees of the governing body

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.

Board sub-committees

A delegation of authority is in place for board sub-committees. Board sub-committees have terms of reference, which are reviewed annually.

The governance function of the board sub-committees is outlined in the respective approved committee terms of reference.

Included in each committee's terms of reference is the imperative to enhance the standard of governance within the group, together with clearly defined authority delegation and reporting procedures. The board receives formal feedback from the chairman of each committee at each board meeting. Copies of the minutes of committee meetings are included in board documentation.

To align with King IV, changes were made to committee compositions, which were effective from 1 November 2017. Paul Miller has been appointed to the remuneration committee, replacing Jonathan Jawno, and Kuben Pillay has been appointed to the social and ethics committee, replacing Ronen Goldstein.

BOARD SUB-COMMITTEES AT DATE OF REPORT

	NOMINATIONS	REMUNERATION	SOCIAL AND ETHICS	AUDIT, RISK AND COMPLIANCE	ASSET AND LIABILITY
Chairperson	Christopher Seabrooke[1]	Kuben Pillay[1]	Phumzile Langeni[1]	Olufunke Ighodaro[1]	David Hurwitz[3]
Members	Roberto Rossi[2] Kuben Pillay[1]	Christopher Seabrooke[1] Paul Miller[2]	David Hurwitz[3] Kuben Pillay[1]	Phumzile Langeni[1] Christopher Seabrooke[1]	Christopher Seabrooke[1] Olufunke Ighodaro[1] Mark Herskovits[3] Jonathan Jawno[3]
Functions managed	■ Directors ■ People ■ Succession	■ People ■ Remuneration ■ Retention	■ Transformation ■ Sustainability ■ Ethics	■ Accounting, tax and compliance ■ Information and technology ■ Internal audit ■ Risk ■ Credit	■ Funding ■ Liquidity ■ Capital
Number of meetings per year	At least two	At least two	At least two	At least three	At least four
Composition	Non-executive directors, the majority of whom are independent. The chairman is the independent non-executive chairman of the board.	All members are non-executive, the majority of which are independent.	The chairperson is an independent non-executive director. The committee comprises a majority of non-executive directors.	Independent non-executive directors.	Includes an independent non-executive director as necessary.

1. *Independent non-executive director.*
2. *Non-executive director.*
3. *Executive director.*

PRINCIPLE 9:

Delegation to management

The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.

Assessment of the effectiveness of the board, its committees and the company secretary

A formal performance evaluation of the board, its committees and the company secretary is conducted annually by means of an evaluation questionnaire, to review the mix of skills, performance during the year, contribution and independence of individual directors, and the effectiveness of committees. Results of the evaluations provide the basis for improvement of the board and its committees for the following year.

The nominations committee workplan allows for a discussion of board performance as well as that of committees, the chair and members.

Based on the annual evaluations undertaken during November 2017, the board is satisfied that:

- All directors are committed to their roles and are performing to acceptable standards.
- The board and its committees are effective and operating to an appropriate standard.
- The group's risk management processes are operating effectively.
- All directors and committee members have the appropriate qualifications, experience and skills required to fulfil the respective committee's mandate.
- Independent non-executive directors meet the criteria for independence in terms of King IV.
- The expertise, performance and experience of the chairman, CEO, financial director, internal audit executive and the company secretary are adequate (refer principle 7 starting on page 76).

PRINCIPLE 10:

Performance and effectiveness

The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and effective exercise of authority and responsibilities.

The board appoints the CEO and has a delegation of authority in place, in terms of which the CEO clearly leads the implementation and execution of strategy and policy, and serves as the link between the board and management. The CEO is accountable to and reports to the board. The role of CEO is clearly defined and his performance assessed by the board.

The board approves the appointment of the company secretary. Access to the company secretary and independent advice is available, where necessary.

An authority matrix is in place for the group governing the authority delegated to group management and matters reserved for decision by the board.

Annual reviews of directors, committees and the company secretary are performed.

PRINCIPLE 11:

Risk and opportunity governance

The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

Transaction Capital has a board-approved risk framework, policy, risk appetite and tolerance levels, top risks and ongoing risk oversight and monitoring.

82 FURTHER DISCLOSURE IS MADE IN THE RISK REPORT

PRINCIPLE 12:

Technology and information governance

The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.

The board has delegated the governance of information and technology to the ARC committee, which also ensures that an IT governance reporting framework is in place. Chief information officers (CIOs) are appointed at each of the divisions, with the appointments ratified by the group CEO. IT expenditure is reported on and governed under the group's authority framework.

Each subsidiary sets its own strategy with regard to technology and information, and reports thereon to its board. Disaster recovery and business continuity plans are in place for the group and are tested regularly. Compliance, information security, risk and the control environment are all dealt with within each IT team.

16 SEE STRATEGIC OBJECTIVE 3 THAT SETS OUT DETAILS OF TRANSACTION CAPITAL'S STRATEGY AROUND DATA AND TECHNOLOGY

PRINCIPLE 13:

Compliance governance

The governing body should govern compliance with applicable laws and adopted standards in a way that supports the organisation being ethical and a good corporate citizen.

The ARC committee and social and ethics committee takes responsibility for compliance oversight. Board processes are in place to keep up to date with changes in the legislative landscape. The group-wide risk framework specifically manages compliance risk, with dedicated internal compliance functions in place in the divisions.

COMPLIANCE

Regulatory compliance is non-negotiable. This approach is explicitly articulated in Transaction Capital's values and ethics charter.

The board proactively oversees the review of the group's systems of control and governance. It also continuously recommends enhancements to ensure that each division is managed ethically, in compliance with legislative requirements and in line with best practice governance guidelines.

Suitably qualified compliance officers are employed in the divisions, which have high levels of regulatory compliance requirements, interaction and reporting. The roles of the compliance officers are to:

- Identify the applicable legislative, regulatory and governance requirements.
- Prepare relevant monitoring programmes relating to the above-mentioned requirements.
- Recommend improvements to the functional heads within the businesses, and assist with implementation.

Quarterly compliance reports are submitted by the divisions to the group legal and compliance function, which in turn prepares a consolidated compliance report that is submitted to the ARC committee for consideration.

The divisions actively engage with legal counsel to garner advice on the application and implementation of any proposed new legislation, as well as potential effects on their respective businesses. No fines or non-monetary sanctions for non-compliance were levied against any business in the group during the year.

REGULATORY ENVIRONMENT

Due to the nature of its businesses, the group is subject to a range of regulations and legislation including, without limitation:

- National Credit Act (NCA).
- Debt Collectors Act (DCA).
- Insurance-related legislation including the Financial Advisory and Intermediary Services Act (FAIS), the Short-term Insurance Act and Long-term Insurance Act.
- Financial Intelligence Centre Act (FICA).
- Consumer Protection Act (CPA).
- Competition Act.
- Legislation relating to the corporate affairs of the group, including the Companies Act, the Financial Markets Act (FMA), the JSE Listings Requirements and the JSE Debt Listings Requirements.
- Tax-related legislation including the Income Tax Act and the Value-added Tax Act.
- Labour-related legislation including the Labour Relations Act, the Basic Conditions of Employment Act and the Employment Equity Act.
- Second-hand Goods Act.

Compliance with the letter and spirit of all laws, regulations and codes is required. The board, supported by the ARC committee, is responsible for keeping abreast of changes to the legislative landscape.

PRINCIPLE 14:

Remuneration governance

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The remuneration committee is responsible for establishing and overseeing remuneration policy that promotes the achievement of strategic objectives and encourages individual performance at all levels within the group.

Shareholder approval is required for the remuneration policy and its implementation, and the non-executive directors' fees.

92 DETAILS OF THE REMUNERATION POLICY AND ITS IMPLEMENTATION ARE SET OUT IN THE REMUNERATION REPORT

Remuneration consists of base pay and short- and long-term incentives that are deemed to adequately remunerate executives while aligning executives with the requirements of shareholders.

PRINCIPLE 15:

Assurance

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The ARC committee is responsible for monitoring the appropriateness of the combined assurance model and applies a co-ordinated approach to all assurance activities. This includes considering the objectives of combined assurance and assessing its effectiveness. In addition, the ARC committee considers the robustness of the combined assurance model in order to place reliance thereon.

The ARC committee oversees the internal audit function and the external audit function. The ARC committee is satisfied that the external auditor remains independent of the organisation and the group has a policy in place to address the provision of non-audit services by the external auditors.

The ARC committee considers the financial reporting procedures that are in place and whether these procedures are operating effectively.

INTERNAL AUDIT

The purpose, authority and responsibility of the internal audit function are defined in the internal audit charter, which is aligned with the requirements of the International Standards for the Professional Practice of Internal Auditing.

The group internal audit executive reports administratively to the Transaction Capital CEO and functionally to the ARC committee chairman. Internal audit has remained independent of all operational functions.

The role of internal audit is to support the achievement of strategic objectives (and the supporting operational, financial and compliance objectives) through a systematic, disciplined approach to evaluating and recommending improvements that serve to increase the effectiveness of internal controls, risk management and governance processes. The annual internal audit plan is based on an assessment of risk areas identified by internal audit and management, and is updated as appropriate to ensure it is responsive to changes in the business. An independent quality review on internal audit was conducted during 2016, and the internal audit function was found to generally conform to the International Standards for the Professional Practice of Internal Auditing, which is the highest rating awarded during such a review.

In accordance with Transaction Capital's combined assurance model, internal audit continues to liaise with external audit and other identified assurance providers to effectively assure against key risks.

PRINCIPLE 16:

Stakeholders

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

Transaction Capital's sustainability policy governs the relationship with stakeholders, with the board and social and ethics committee assuming responsibility for stakeholder engagement.

Engagement with stakeholders is considered and discussed at divisional and group board level. Group-wide stakeholder engagement is reported on at each social and ethics committee meeting, the minutes of which are included in the board packs ahead of quarterly board meetings. A stakeholder engagement report is submitted to divisional and group boards bi-annually. The divisions have detailed stakeholder engagement plans in place and report on these to their boards.

82 SEE THE RISK REPORT THAT SETS OUT DETAILS ON THE RELATIONSHIP WITH KEY STAKEHOLDERS

RISK REPORT

APPROACH TO RISK MANAGEMENT

Transaction Capital defines risk as uncertain future events that could influence its ability to achieve its objectives.

Risk is quantified by the combination of the probability of an event occurring and the consequence thereof. Risk is a condition in which the possibility of loss is inextricably linked to uncertainty. Thus, a detailed framework for managing risk is required to facilitate rational decision-making under uncertain circumstances.

Risk management entails the deliberate planning, arranging and controlling of activities and resources to minimise the negative impact of all risks to tolerable levels, and to maximise potential opportunities and positive impacts of all risks in the pursuit of achieving the group's strategic objectives.

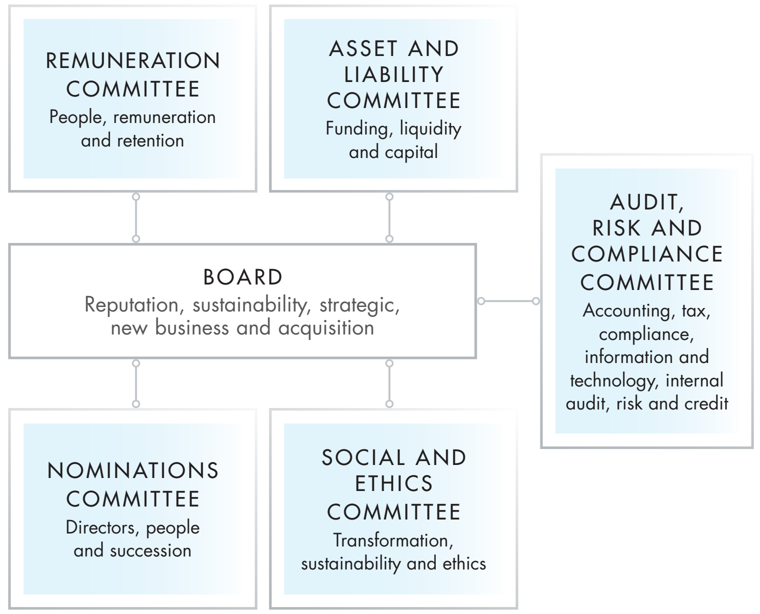
Risk tolerances on key performance and strategic metrics are determined by each of the group's divisions and approved and monitored by the ARC committee.

RISK FRAMEWORK AND THE GOVERNANCE OF RISK

The board is ultimately responsible for the governance of risk. The board delegates the responsibility for managing risk appropriately to respective board committees, divisional boards and management, and monitors risk identification and management quarterly.

In terms of the enterprise-wide risk management framework, the board itself retains responsibility for monitoring reputational and sustainability risk. The monitoring of all other risks is assigned to sub-committees with continuous board oversight, in line with the overall governance structure. The risk framework specifically identifies the risk categories that comprise the group's risk universe. These risk categories, and the respective committees to which oversight responsibility is mandated, are illustrated on the next page.

Risk universe



Risk management committees are in place for each division, significant business functions (such as the capital markets team) and for the group as a whole. These committees are responsible for maintaining detailed risk registers, including mitigating factors and management's responses thereto. The individual risk registers are reported and discussed at divisional board meetings, with material risks and mitigants reviewed by the ARC committee and board, where appropriate.

The profile of each risk details the nature of the threats the group faces, their impact on the business (taking into account financial and non-financial impacts) and the likelihood of occurrence. The profile also incorporates information pertaining to the level of controls in place and the corrective actions either required or in place.

The group considers financial risk against targets according to a return on equity (ROE) model, which is considered appropriate as the group's sustainability is founded on profit measures coupled with appropriate capital structures. In this regard, the group's capital structure is managed centrally by the executive, capital markets, risk and cash management teams.

Ongoing engagement with stakeholders ensures that external views are represented in the risk identification process. For the purpose of risk identification, stakeholders are prioritised according to their influence, the time and effort the group invests in managing the relationship, and the group's dependency on them. Transaction Capital's sustainability policy sets out the responsibility for overseeing the relationship with each stakeholder group.

Engagement with stakeholders is considered and discussed at divisional and group board level. Group-wide stakeholder engagement is reported on at each social and ethics committee meeting, the minutes of which are included in the board packs ahead of quarterly board meetings. A stakeholder engagement report is submitted to divisional and group boards bi-annually.

SIMPLIFIED RISK FRAMEWORK

ESTABLISH OBJECTIVE
- Link to strategy
- Set financial and non-financial targets and timelines

IDENTIFY RISK
- Stakeholder engagement
- Risk workshops
- Understand key revenue/loss points
- Relevant data

QUANTIFY RISK
- Event description
- Likelihood assessment (per approved risk quantification framework)
- Impact assessment (per approved risk quantification framework)

MITIGATE RISK
- Existing controls
- Required improvements, including responsibilities and timelines
- Monitoring of the above
- Opportunity maximisation

DETERMINE ADDITIONAL CAPITAL HELD FOR RISK PURPOSES
- Risk exposure based on above
- Simple 'rule of thumb' calculations
- Mathematical simulations using actual loss data
- Market guidance on capital levels including existing investors and/or credit rating agents

TOP RISKS

TOP RISKS ARE IDENTIFIED THROUGH THE ENTERPRISE RISK MANAGEMENT (ERM) PROCESS. THE GROUP'S TOP RISKS, MITIGATING ACTIONS AND RELATED STAKEHOLDER CONCERNS ARE AS FOLLOWS:

RISK 01

Funding and capital risk, relating to:

- A challenging debt and capital raising environment due to market events (such as the potential for further sovereign ratings downgrades and generally challenging market conditions).
- Inappropriate deployment of capital.

Stakeholder concerns

- Maintaining appropriate access to funding in an environment where funding may be difficult to obtain.
- Increased costs of funding impacting net interest margin earned.
- Inappropriate allocation of capital resulting from sub-optimal capital management.

Mitigation

A dedicated capital markets team is focused on managing the group's funding requirements, including a diversified fundraising strategy and applying a focused strategy to each funding source. The group's funding strategy seeks to diversify funding sources on the basis of:

- Geography (local and international funders).
- Funder type (including banks, asset managers, institutional investors, development finance institutions, impact investors and hedge funds).
- Individual investors.
- Structure type (including securitisation, note programmes, syndicated loan programmes and bespoke funding structures).
- Instrument (such as rated or unrated, listed or unlisted, bilateral and syndicated loans, and bespoke debentures).

Quarterly asset and liability committee (ALCO) meetings provide rigorous monitoring and oversight of concentration, roll-over, interest rate, counterparty, liquidity and regulatory risks. ALCO has approved and established policies and tolerances to manage these risks, while providing the flexibility needed to maintain agility in responding to changing economic and business conditions.

The above-mentioned measures have led to SA Taxi fulfilling its annual debt requirements for the 2018 financial year, and Transaction Capital Risk Services (TCRS) raising adequate funding facilities to fund its book buying aspirations.

Over R500 million of capital was deployed in accretive acquisitions during the year, generating diversified revenue streams by product and geography.

R419 million was raised in an oversubscribed accelerated bookbuild, providing the capacity and flexibility for further acquisitions.

Rigorous investment criteria are adhered to (see risk 2 and 3 that follow), with active treasury management of excess funds.

65 SEE THE Q&A WITH MARK HERSKOVITS, EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT, FOR FURTHER DETAIL

RISK 02

Acquisition risk, including the ability to identify, implement and integrate potential acquisitions, and the potential for disproportionate demands on executives' time.

Stakeholder concerns

- Inappropriate identification of targets and the ineffective subsequent integration thereof adversely affecting the returns and value proposition of the group.

Mitigation

Acquisitions are assessed against Transaction Capital's acquisition strategy and stringent investment criteria.

18 SEE STRATEGIC OBJECTIVE 4 FOR TRANSACTION CAPITAL'S ACQUISITION STRATEGY AND INVESTMENT CRITERIA

The board applies its collective mind to the funding of acquisitions to ensure an appropriate combination of debt and equity funding to maintain appropriate risk-adjusted returns.

In addition, appropriate board approval is required to conclude transactions. Rigorous implementation processes ensure that Transaction Capital's governance and reporting requirements are adequately met, the progress of which is monitored by the divisional and group boards.

Transaction Capital executives are actively involved in the management and ongoing affairs of acquisitions after a transaction is completed.

RISK 03

Risk of reduced ROE following recent acquisitions.

Stakeholder concerns

- Transaction Capital's inability to generate returns on invested capital to meet shareholder requirements.

Mitigation

In line with the strict acquisition criteria discussed under risk 2, the group's recent acquisitions have been ROE accretive.

In addition, recent acquisitions have diversified the revenue and earnings streams of the group, both from a geographic and product perspective.

The group continues to actively pursue various organic and acquisitive growth opportunities.

RISK 04

Uncertain regulatory environment, including the volume of new or amended regulations being promulgated, and the potential for unintended consequences of pro-consumer regulations.

Stakeholder concerns

- Transaction Capital's ability to effectively and efficiently respond to regulatory uncertainty and change.
- The impact of regulatory uncertainty and change on the profitability of the business.

Mitigation

Ongoing engagement with regulators and appropriate representation on industry bodies is maintained to gain an early understanding of proposed legislation and position Transaction Capital appropriately for change.

Compliance functions are embedded within the divisions that have high levels of regulatory compliance requirements, to act as a resource for regulatory compliance information and provide guidance to avoid regulatory breaches.

The group legal function partners with the divisions to provide guidance on the interpretation of legal and regulatory requirements, and facilitates the process of obtaining independent views from attorneys and senior counsel, where doubt exists in the interpretation of regulatory requirements.

Mitigation efforts have resulted in Transaction Capital being largely unaffected by regulatory developments.

RISK 05

The ability to acquire a sufficient number of non-performing loan (NPL) portfolios at an acceptable price, and to then generate sufficient yield from these acquired portfolios (applicable to Transaction Capital Recoveries (TCR)).

Stakeholder concerns

- Inappropriate return on funds invested to acquire purchased books.

Mitigation

Operational initiatives include:

- Substantial investment in and development of technology infrastructure to further improve collections.
- Continuous enhancement of analytics capabilities to leverage superior data.
- Centralised call centre infrastructure to ensure consistent and efficient collections performance.
- Obtaining appropriate group and divisional executive approval for potential purchases.
- Initiating and concluding exclusive negotiations with several of its larger clients, ensuring high-quality purchases and enabling bespoke purchase agreements.

63 SEE THE FINANCIAL DIRECTOR'S REPORT FOR PERFORMANCE IN ACQUIRING NPL PORTFOLIOS

RISK 06

The impact of difficult economic conditions and stringent regulatory requirements on revenue (applicable to TCRS).

Stakeholder concerns

- Lower growth in revenue.

Mitigation

- TCRS' strategy includes increasing revenue from non-NCA regulated clients, including the outsourced collection of outstanding claims in the insurance, telecommunications and public sectors, in addition to Tier 1 banks.
- Revenue streams continue to be developed by innovative, bespoke product offerings and solutions.
- Recent acquisitions have provided the group with the ability to further diversify its product offering and geographic footprint.

18 SEE STRATEGIC OBJECTIVE 4 FOR MORE DETAIL ON ACQUISITIONS DURING THE YEAR

RISK 07

Public sector finances are generally in a poor state, making it a class of counterparty that needs to be managed closely to ensure payments are received timeously (applicable to TCR).

Stakeholder concerns

- Non-adherence to payment terms and working capital strain.

Mitigation

Management engages regularly with relevant parties in the public sector to ensure compliance with agreement terms.

RISK 08

The ability to diversify revenue streams beyond minibus taxis into other market segments, to ensure growth over the longer term (applicable to SA Taxi).

Stakeholder concerns

- Constraints to long-term sustainable growth.

Mitigation

SA Taxi is strategically positioned to deepen its vertical integration into its current market segment while leveraging its existing competencies. This includes expanding its direct sales retail channel, enhancing its telematics services and expanding its insurance offering.

34 SEE SA TAXI'S DIVISIONAL REVIEW, WHICH INCLUDES THE Q&A WITH TERRY KIER, FOR MORE INFORMATION ON HOW IT IS EXPANDING BEYOND THE FINANCING OF MINIBUS TAXIS

RISK 09

Market forces beyond the group's control (interest rates, exchange rates, fuel prices, limited fare increases, increases in vehicle prices) impacting the affordability of monthly instalments (applicable to SA Taxi).

Stakeholder concerns

- Protest action from within the South African taxi industry.
- Credit quality of the book and of new business may be negatively impacted.
- Muted collections performance and/or origination activity due to affordability.

Mitigation

- Credit policies are adjusted appropriately and adhered to stringently, with credit vintages being consistently monitored.
- The ability to grant credit to creditworthy customers not being serviced by traditional credit providers to secure an under-served market segment.
- The efficiency of SA Taxi's ability to repossess, refurbish and resell vehicles assists in maintaining low levels of ultimate credit loss.
- Intensive and continuous engagement and collaboration with key industry stakeholders and associations to ensure the sustainability of the taxi operator and industry as a whole.
- The effectiveness of SA Taxi's ability to manage this risk is reflected in continued improvements in its credit performance.

88 FOR FURTHER DETAILS ON SA TAXI'S CREDIT PERFORMANCE

KEY RISKS

Key risks are those risks that require specific and ongoing operational, governance and strategic management. Key risks are different from top risks (set out on pages 84 to 87) as they are anticipated to be ongoing due to the strategy and business model of the group, while top risks are identified through the ERM process.

Transaction Capital's key risks are as follows:

Credit risk

Credit risk, or default risk, relates to the lender's risk of loss arising from a borrower who does not pay their full contractual instalment. In the case of Transaction Capital, and as a result of its target market, the risk of non-payment is higher than for traditional lenders. This heightened credit risk is controlled through substantial operational capacity, coupled with a higher risk-adjusted yield.

IFRS 9 was early adopted in the 2015 financial year, resulting in a higher quality of earnings due to a more conservative provisioning methodology against loans and advances, and the amortisation profile of purchased book debts being better aligned with the collection profile. This early adoption has reduced balance sheet risk for Transaction Capital and removed uncertainty relating to the implementation of IFRS 9 on future financial results and ratios.

The loss allowance for a financial instrument is measured at the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Purchased NPL portfolios are considered credit-impaired assets that are specifically impaired (stage 3) and are measured using lifetime expected credit losses from the onset. These assets remain in stage 3 for the duration of the financial instrument.

Loan portfolios are divided into performing loans and NPLs. As the group's assets are developmental in nature, in terms of the traditionally under-served market segments it lends to, a higher than average level of arrears is expected, which may not necessarily result in credit loss. The group's impairment provision models take into account both contractual default and recent payment history. Provisions are held against financial assets to cover expected losses in terms of IFRS 9.

At group level, credit risk is monitored by the ARC committee, while SA Taxi and Transaction Capital Business Solutions (TCBS) have their own credit committees responsible for credit risk (of which membership includes group executives), which meet at least quarterly.

Aspects of credit risk that are monitored include changes to origination strategies, new business approvals, and collections strategy and performance.

While SA Taxi exclusively services the minibus taxi industry, it has limited exposure to a single counterparty, with the largest exposure to a single borrower being negligible as a percentage of assets exposed to credit risk.

Credit risk is managed operationally at the time of origination and in terms of collections thereafter. TCR has entered into a collection agreement with various public sector counterparties. Public sector finances are generally in a poor state, making it a class of counterparty that needs to be managed closely to ensure payments are received timeously.

SA TAXI

The cost of the risk relating to SA Taxi at 30 September is calculated below.

	2017	2016
Interest income % – average gross loans and advances	**22.7**	22.2
Interest expense % – average gross loans and advances	**(11.3)**	(11.1)
Net interest income % – average gross loans and advances (net interest margin)	**11.4**	11.1
Impairment expense % – average gross loans and advances (cost of credit)	**(3.2)**	(3.1)
Risk-adjusted net interest income % – average gross loans and advances	**8.2**	8.0

The net interest income margin increased to 11.4% due to slightly lower gearing and an improved NPL ratio, despite an increase in the cost of borrowing. The recent downgrades of South Africa's credit rating and the industry protest action have not had a meaningful impact on SA Taxi's net interest margin or other credit metrics. The risk-adjusted net interest margin improved to 8.2% from 8.0% in the prior year.

SA Taxi's provisions and NPLs are set out below.

		2017	2016
NPL ratio	%	**17.1**	17.4
Provision coverage	%	**5.2**	6.7
Credit loss ratio	%	**3.2**	3.1

The credit loss ratio of 3.2% remained at the bottom end of the division's risk tolerance of 3% to 4%, and the NPL ratio improved to 17.1% from 17.4%. A combination of strong collection performance, high credit quality of loans originated in the retail dealership, conservative credit granting criteria and the ability to refurbish and re-sell high quality vehicles supported this improvement.

Enhancing the value of vehicles through refurbishment enables SA Taxi to recover more than 73% of loan value on the sale of repossessed vehicles. The division operates the largest minibus taxi repair facility in Africa, and the average cost to repair repossessed vehicles was reduced further in the year. This was due to efficiencies achieved in the combined auto body repair and mechanical refurbishment centre. Due to fewer NPLs, the reduced average cost to repair repossessed vehicles and higher recoveries on the re-sale of these vehicles, provision coverage reduced to 5.2%. At this level, SA Taxi's after tax credit loss remains conservatively covered at 2.3 times.

The business continues to rely on Toyota minibus taxis for new vehicle originations, thus potential shortages of these vehicles presents a risk. The dominance of Toyota supports a stable market value for the sale of repossessed refurbished vehicles, which underpins SA Taxi's credit model. While SA Taxi's market share of Toyota minibus originations is steadily increasing, SA Taxi is implementing various initiatives in increasing its quota of new vehicle sales.

SA Taxi is also continually diversifying its product lines to counter the reliance on Toyota minibus taxis, including working with Nissan and Mercedes, with the Mercedes Sprinter mainly used for long-distance routes, to ensure their minibus taxi vehicle market is sustainable, and increasing the supply of repossessed refinanced (i.e. pre-owned) Toyota minibus vehicles to meet supply shortfalls.

TCRS

In TCR, purchased NPL portfolios have inherent credit risk, which is reflected in the heavily discounted purchase price to face value. TCR has its own investment committee responsible for credit risk, which meets as required when portfolios are being considered for acquisition. The approval of an investment in a new NPL portfolio involves the divisional executives and group executive directors, depending on whether its value falls above a certain threshold.

The current economic climate and TCRS' data, scale and capital position favour the acquisition of NPL portfolios in South Africa from risk averse clients who prefer an immediate recovery against their NPLs.

TCRS acquired 29 portfolios with a face value of R5.2 billion for R356 million during the year. TCRS now owns 195 principal portfolios with a face value of R12.2 billion, valued at R891 million at 30 September 2017.

		2017	2016
Asset turnover ratio	%	**52.1**	71.7
Estimated remaining collections	Rm	**1 673**	1 313

Liquidity risk

Liquidity risk arises when a borrowing entity within the group does not possess adequate cash resources to meet its payment obligations as they fall due, or where it can only access liquidity on materially disadvantageous terms.

Liquidity risk in the group is primarily controlled through cash-flow matching. This is achieved through setting the duration and repayment terms of debt facilities at the time of issue to suit the projected cash inflows from assets, and through careful monitoring and management of the maturity of debt that has a lump-sum payment due at maturity, where these exist.

The positive liquidity mismatch graph included in the capital management report on page 66 illustrates a liquidity mismatch favourable to debt investors, where asset receipts occur in advance of debt payments, resulting in reduced liquidity risk.

The group's funding strategy is directed by the funding requirements established in the divisional budgets and forecasts, and approved by the divisional and group boards. The capital markets team is mandated to raise sufficient capital, taking into account business needs, the specific demands and the state of the debt markets, and the requirements of debt investor mandates. This results in a well-diversified funding base.

65 SEE THE Q&A WITH MARK HERSKOVITS, EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT, FOR MORE DETAIL ON DIVERSIFICATION BY BOTH FUNDING CATEGORY AND FUNDING STRUCTURE

Capital risk

Capital risk is the risk that the group will have insufficient capital to absorb its losses and fund its growth.

The divisions of the group are not subject to regulatory capital adequacy requirements. Capital is managed using internally generated capital adequacy models, taking into account targeted growth rates, ROE, contractual financial covenants, stress testing and targeted credit ratings.

Equity capital is raised at group level where necessary, and then allocated to the divisions based on the capital requirements for each funding structure. Goodwill is not included in assets and is deducted from capital in line with market practices when calculating the capital adequacy ratio.

During the year under review, Transaction Capital deployed in excess of R500 million to three acquisitions. In February 2017, the group raised R419 million in an accelerated bookbuild process. The group's balance sheet remains well capitalised, liquid and ungeared (on a net basis). With excess capital of around R650 million, the group has the flexibility for immediate cash settlement of any future acquisitions.

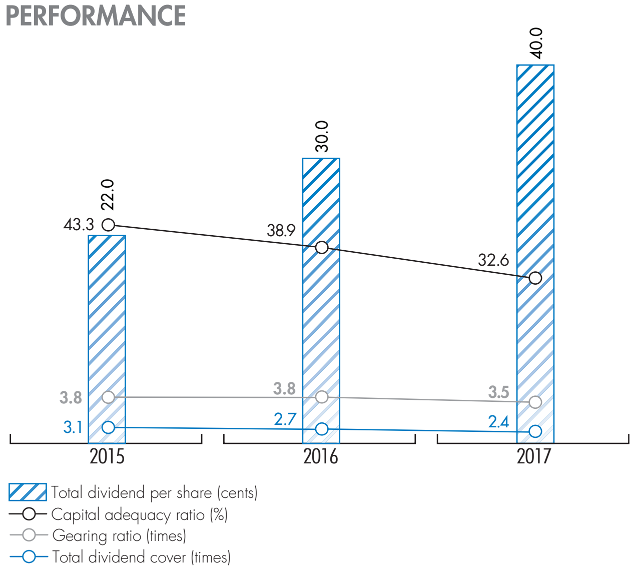
In addition, the dividend policy has been amended to an improved cover ratio of 2 to 2.5 times (previously 2.5 to 3 times).

72 SEE THE CHAIRMAN'S REPORT FOR MORE INFORMATION ON THE REVISED DIVIDEND POLICY AND THE DIVIDEND DECLARATION

The cost of borrowing increased in the year under review due to a meaningful proportion of funding being raised from international investors (in line with the group's strategy to diversify its funding sources), offset to an extent by a decrease in the repo rate. Loans denominated in foreign currency are all fully hedged as Transaction Capital does not take exchange rate risk. The associated hedge costs have contributed to the increase in the cost of borrowing.

No forward cover has been taken on foreign exchange movements arising from Recoveries Corporation's earnings.

PERFORMANCE



Interest rate risk

Interest rate risk is the risk that arises from fluctuating interest rates.

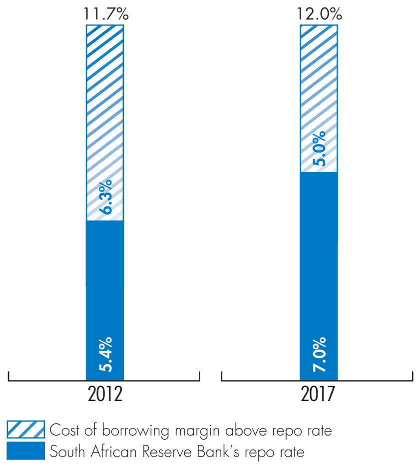
The group's general interest rate risk management strategy is to match the re-pricing characteristics of assets to liabilities; thus, if a division originates floating-rate assets, it should issue floating-rate debt or hedge accordingly.

However, each division can deviate from this policy, subject to ALCO approval. In this instance, ALCO reviews the decisions of management and can exercise its discretion to change these decisions if it considers the risk to be out of line with the group's risk tolerance and interest rate forecast. Strategies, including hedging, are used to limit losses arising from interest rate basis risk or to take advantage of structurally low rates. Hedge accounting is applied to remove unnecessary volatility from the income statement.

Furthermore, the group typically manages interest rate risk through risk-adjusted excess spread, where asset yields are sufficient to absorb movements in interest rates, as well as interest rate risk strategies.

The group prepares an interest rate forecast quarterly that is approved by ALCO and is used for budgets, forecasts and interest rate decision-making purposes. ALCO monitors the sensitivity of the group's net interest income in response to a parallel yield curve shift. Hedges are considered where undue volatility in earnings can materialise.

COST OF BORROWING SINCE LISTING



Information technology risk

The group manages and maintains a significant volume of confidential personal information in its daily operations. Through the consideration of relevant ISO standards and best practice, the group has executed appropriate measures to protect this information against loss, damage, destruction, and unlawful access. In addition to physical security, key interventions that have been implemented include state-of-the-art firewalls enabled for deep packet inspection, encryption technology, rigorous scanning processes to detect viruses and malware, and ongoing external vulnerability testing. The group has adopted a paperless policy, and employee training programmes geared towards information technology security and awareness are regularly conducted.

The group invests heavily in information technology to ensure that its businesses are efficient and to reduce the risk of disruption.

42 & 52 SEE THE Q&As WITH TERRY KIER AND DAVID MCALPIN FOR FURTHER DETAILS IN THIS REGARD

Operational risk including people risk

To manage operational risk, the group adopts specific operational risk practices that assist management to understand the risks and reduce the risk profile, in line with the group's risk appetite. The objective in managing operational risk is to increase the efficiency and effectiveness of the group's resources, minimise operational losses and exploit opportunities.

People risk relates to the risk of inadequate management of human capital practices, policies and processes, resulting in the inability to attract, manage, develop and retain competent resources. People risk management includes recruitment procedures for screening employees, training and change management programmes, and human resource and succession planning policies.

The group's human capital statistics and policies are reviewed by the social and ethics committee. Succession planning is performed by each division, with the nominations committee (and ultimately the board) reviewing succession plans at least annually.

92 SEE THE REMUNERATION REPORT FOR MORE INFORMATION ON THE GROUP'S REMUNERATION POLICY AND IMPLEMENTATION

Transformation risk

As a responsible corporate citizen, the group supports transformation objectives in South Africa that seek to address historical imbalances. In addition, many of the group's businesses are required to maintain minimum broad-based black economic empowerment (B-BBEE) scores to retain clients. During the 2015 financial year, two B-BBEE transactions were finalised, with a B-BBEE trust taking an ownership stake in TCR and Principa respectively.

	B-BBEE level
SA TAXI	4
TCR	3
PRINCIPA	4
TCBS	5
ROAD COVER	4
THE BEANCOUNTER	4
GROUP EXECUTIVE OFFICE	5

Transformation risk is monitored by the social and ethics committee, as well as the divisional and group boards.

Compliance risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss or damage to reputation that the group may suffer as a result of failure to comply with laws, regulation and similar standards and/or internal group policies, authority levels, prescribed practices and ethical standards applicable to its subsidiaries.

Compliance risk is monitored by the ARC committee. Each division with high levels of regulatory compliance requirements has a suitably experienced compliance officer, who has identified the relevant regulations and similar standards applicable to that specific division.

80 SEE THE GOVERNANCE REPORT FOR APPLICABLE LEGISLATION

The group retains central legal advisory resources while compliance governance levels at each business remain appropriate. Ongoing engagement with regulators and appropriate representation on industry bodies is maintained to gain early understanding of proposed legislation and to appropriately position the group for change.

REMUNERATION REPORT

TRANSACTION CAPITAL CONSIDERS COMPENSATION A CRITICAL DETERMINANT OF ORGANISATIONAL PERFORMANCE AND SUSTAINABILITY. THIS VIEW IS FOUNDED IN THE BELIEF THAT ALL FACTORS THAT UNDERPIN ENHANCED PERFORMANCE REQUIRE THE HIGHEST CALIBRE OF LEADERSHIP AND SPECIALIST TECHNICAL EXPERTISE, AND THAT STAKEHOLDERS' INTERESTS ARE BEST SERVED BY ALIGNING STRATEGY, BUSINESS MODEL, STRUCTURE, STAFFING AND COMPENSATION. WITHOUT ATTRACTING, MOTIVATING AND RETAINING THE BEST AVAILABLE TALENT, EVEN THE BEST STRATEGIES, BUSINESS MODELS AND STRUCTURES WILL FAIL.

These principles are reflected in Transaction Capital's fifth strategic objective (page 20), which emphasises the group's commitment to investing in human and intellectual capital. This investment is informed firstly by the view that in every field of endeavour there is a normal distribution of talent, and secondly that the performance and sustainability of Transaction Capital will correlate highly with where its employees rank within that distribution. Put simply, the better Transaction Capital's people, the better the company.

Attracting and retaining high-calibre talent depends on providing both intrinsic and extrinsic rewards. While this remuneration report deals with the latter, intrinsic rewards are reflected in Transaction Capital's employee value proposition, which strives to provide talented individuals with good leadership, personal development and support, and meaningful work in an intellectually stimulating environment. To complement this, compensation policies are directed at sustaining a performance-driven culture where the most talented people at all levels consider Transaction Capital and its divisions an employer of choice.

GOVERNANCE OF COMPENSATION

Principle 14 of the King IV report states:

"The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term."

Transaction Capital has considered the impact of King IV, as well as the JSE Listings Requirements, and has updated the remuneration report to align with the enhanced disclosure requirements. The board of directors approved the remuneration report and believe that the performance criteria that are used to measure and determine short- and long-term incentive awards are aligned with Transaction Capital's goals, strategies and outcomes.

REMUNERATION COMMITTEE COMPOSITION AND MANDATE

The board of directors of the company has ultimate responsibility for the appropriateness of remuneration policies and executive remuneration. The board has delegated oversight of this responsibility to the group's remuneration committee, which comprises the following non-executive directors, the majority of whom are independent:

- Kuben Pillay (chairman of the committee; independent non-executive director).
- Christopher Seabrooke (chairman of the board; independent non-executive director).
- Paul Miller (non-executive director, replacing Jonathan Jawno's membership of the committee with effect from 1 November 2017).

The remuneration committee's mandate is to strive to ensure that the group's remuneration policies:

- Are fair, responsible and transparent.
- Attract, motivate, reward and retain human capital.
- Promote the achievement of strategic objectives within the organisation's risk appetite.
- Promote positive outcomes.
- Promote an ethical culture and responsible corporate citizenship.

It is with this in mind that a well-designed remuneration policy strikes a balance between the interests of shareholders and executives, and the principles of good governance. The remuneration committee assesses the mix of fixed remuneration, variable remuneration and long-term incentives to meet the group's needs and strategic objectives, in addition to reviewing the robustness of incentive schemes in ensuring continued contribution to shareholder value. It is the responsibility of the remuneration committee to oversee that the implementation and execution of the remuneration policy achieves its objectives.

PRINCIPLES OF REMUNERATION

The following overarching principles are applied to remuneration:

- The remuneration policies are approved by the remuneration committee and the board.
- Transaction Capital attempts to eliminate differential compensation related to gender, race and location, and applies the principle of equal work for equal pay.
- Compensation is defined on a cost-to-company basis, with all benefits included and fully taxed.
- Formal and informal research and benchmarking are performed to determine market norms for similar positions.
- Remuneration is aligned to individual outputs measured through performance management systems that focus on goals achieved and exceeded.
- Performance incentives are used to drive specific behaviours that support group, divisional or departmental performance. Incentives and bonuses at executive level are aligned to profit growth and relevant returns metrics, in addition to key outputs and personal performance. In certain instances, a portion of these incentives may be deferred or delivered in the form of share plan awards to support retention.
- In those instances where an executive's decisions are likely to have a material impact on shareholder value, an element of their compensation may be aligned with the medium- to longer-term value of Transaction Capital or each respective division, specifically through defined long-term incentive schemes (see part 1 that follows for the group's compensation principles).
- Any change to the compensation of any individual at every level of the group must be approved by the supervisor of the individual's supervisor, with the remuneration committee approving the compensation of all executive directors, including the CEO and his direct reports, and certain functional specialists.
- No employees or directors have employment terms that exceed six months' notice.
- Where relevant, the company is not under any obligation to make exit payments for leaving executives, and this may be considered on a case-by-case basis. Subject to the remuneration committee's approval, "good leavers" in terms of the long-term incentives will receive a pro-rata benefit due to them, subject to meeting each tranche's performance requirements.

SHAREHOLDER ENGAGEMENT

At the 2016 annual general meeting, 94.2% of shareholders voted in favour of the group's remuneration policy. No significant changes in the remuneration policy have occurred in the current year.

The group's remuneration policy and the implementation thereof will be placed before shareholders for consideration and approval under the terms of separate advisory non-binding votes at the annual general meeting as recommended by King IV and prescribed by the JSE Listings Requirements.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the remuneration implementation resolution, or both, then pursuant to paragraph 3.91 of the JSE Listings Requirements, the company will extend an invitation to dissenting shareholders to engage with the company to discuss the reason for their dissenting votes.

PART 1

OVERVIEW OF REMUNERATION POLICY

The success of Transaction Capital and its divisions relies on a wide range of leadership, managerial, functional and technical skills. Many of these skills are unique to specific divisions, departments or organisational levels. The entrepreneurial spirit of the group requires that the remuneration policy remains competitive and flexible, while still able to achieve positive outcomes, and promote an ethical culture and good corporate citizenship.

General staff

Throughout Transaction Capital, fixed and variable compensation policies and practices are structured to attract, motivate and retain the specific talent and skills required at each level for the progress of the group and its divisions. For the most part, these policies are determined by, and according to, divisional or departmental requirements within the governance guidelines described previously.

Leadership

Transaction Capital regards the individual and collective intellectual acuity, education, experience and industry knowledge of its most senior leaders and talent pool as a core capability and a source of competitive advantage. As such, the compensation, recruitment, performance, development and succession of the group's top executives is monitored directly by the CEO, together with his direct reports, with oversight by the remuneration and nominations committees and the board.

Executive compensation strives to attract, reward and retain the highest calibre of individuals in terms of education, expertise and experience, while aligning executive remuneration with stakeholder priorities.

The group operates a total cost to company philosophy where base package and benefits (including defined contributions to retirement funds, medical aid and other insured benefits) form part of the employees' fixed cost to company remuneration. Employees also participate in the short-term incentive scheme in the form of a performance bonus plan. Two key long-term incentive plans are in operation – the share appreciation rights plan (SAR plan) and the conditional share plan (CSP).

The different components of remuneration, the policy that governs it and the strategic intent and drivers are summarised in the table that follows.

REMUNERATION COMPONENT	REMUNERATION POLICY	STRATEGIC INTENT AND DRIVERS
Basic salary	Total guaranteed pay (TGP) measured against the 60th percentile of the market.	The TGP is market-related, provides executives with a competitive stable income and provides a standard of living consistent with the demands of a specific position. The fixed portion represents a sufficiently high portion of the total remuneration to avoid over dependence on the variable components.
Benefits	Group life, provident fund, medical cover and disability cover.	Provides financial structures for death, retirement, health and wellness.
Short-term incentives (STIs)	Variable annual incentives based on the achievement of divisional/group quantitative objectives, with a qualitative portion of the bonus awarded based on individual performance (where appropriate) and a portion deferred in certain circumstances. STIs are bespoke in nature (for the group, divisions and function) and are specifically designed with individualised qualitative objectives to promote performance and/or achieve pre-defined performance requirements (this includes growth in profits and other return metrics where appropriate). Financial objectives include profit growth and relevant returns (for example, return on invested capital in SA Taxi or return on sales in TCRS). Quantitative STIs may be awarded to reward superior performance.	STIs reward specific behaviour and promote retention, while rewarding the executive based on a combination of assessment of the individual's and business' performance. In defining an individual's performance, the remuneration committee considers both financial and non-financial performance. The STI provides means to enjoy a higher quality of life through superior performance.
Long-term incentives (LTIs)	Executives participate in a LTI scheme where their decisions or behaviour is likely to have an impact on shareholder value. These schemes serve to harmonise the required attributes of shareholder alignment, retention of key talent and long-term sustained performance. LTI plans relate to the valuation of the group or its divisions, realisable over the medium to long term. Refer page 96 for a full description of the LTIs available to executives.	Rewards executives for achieving strategic objectives and positive outcomes in the medium to long term, while aligning objectives with stakeholders. Market-related long-term reward and retention for executives and key talent provides opportunity to accumulate wealth based on continued employment and company performance and valuation.
Total reward	Providing a competitive and attractive total compensation with a portion paid over the medium to long term.	To attract, motivate, align and retain scarce talent and to discourage dysfunctional short-term behaviour.

LONG-TERM INCENTIVES

- **Share appreciation rights plan**

The SAR plan allows executives and senior managers to participate in the appreciation of Transaction Capital's share price over time, subject to pre-defined performance criteria.

The SAR plan is an option-type plan (at no cost to the participant), with SARs awarded being equity-settled subsequent to the exercise thereof. A SAR is a conditional right awarded to a participant to receive such number of shares, the value of which is equal to the difference between the market value of the Transaction Capital share on the date of exercise and the date of grant. In other words, the participant is able to enjoy the increase in Transaction Capital's share price from the date of grant until the date on which the conditional rights are exercised.

The share price growth over the SAR period is settled in Transaction Capital ordinary shares, with the gain subject to income tax. To the extent that the SAR grant price exceeds Transaction Capital's share price at the time of exercise, no gain or cost is realised by participants.

Subject to specific performance criteria, being the achievement of continuous growth in group headline earnings per share of over CPI +5%, the SARs vest in full after four years of award date and are exercisable for a 12-month period. SAR awards granted until May 2014 were awarded with a three-year vesting period, with all awards post this date vesting four years after the award date.

While the SAR plan has been a successful retention mechanism since listing, the conditional share plan discussed below is favoured as a more appropriate retention tool with better alignment of performance to shareholder interests. This is in line with international trends towards less volatile and lower geared LTIs, which have proved to provide better alignment with shareholder interests and are more likely to avoid extreme pay-outs. As such, no new SAR awards were granted in the current year. The remuneration committee will assess the future use of SARs on a periodic basis as required. Those SAR awards already in issue will continue to vest as per the SAR plan.

- **Conditional share plan**

Transaction Capital has adopted a decentralised management structure by devolving authority and responsibility to its respective divisions, namely SA Taxi and TCRS. This strategic objective has resulted in the requirement for an LTI scheme which has, as its primary objective, the linking of the scheme's performance to that of the relevant division. The CSP operates as a specific LTI scheme that directly links to the performance of each division. It caters for divisional executives who are believed to be in a position to directly impact and shape the performance of a division, while delivering on the division's strategy. Transaction Capital group executives are incentivised based on the performance of the group as a whole.

The purpose of the CSP is to incentivise participants to deliver the relevant division's business strategy over the long term, and acts as a retention mechanism and tool to attract prospective employees. The CSP will furthermore provide participants with the opportunity to share in the success of the relevant division in which he/she is employed and provide alignment between the participants and shareholders.

The CSP was approved by shareholders at a general meeting held on 20 October 2016. It is anticipated that annual CSP awards will occur in November/December each year, with May awards catering for new joiners and special circumstances. The first tranche of CSPs was awarded in November 2016. All awards are subject to remuneration committee approval.

The remuneration committee believes that the CSP is a superior long-term incentive for Transaction Capital's objectives. The CSP offers participants certainty in that it comprises a fixed number of conditional shares. While its ultimate value will depend on performance, CSP awards will always have a value.

The CSP mechanism, which is overseen and approved by the remuneration committee, operates as follows:

- A valuation of each division will be performed by an independent expert on the date of the CSP award (to obtain a valuation per notional share of each division). Transaction Capital executives are awarded CSPs at the prevailing share price of Transaction Capital on date of award.
- Key executives are awarded notional CSPs in each division (or Transaction Capital) for zero cost, based on retention and/or performance criteria set by the remuneration committee. The CSPs awarded to executives will be based on a notional share held in each division, giving executives direct exposure to the performance of that division (or based on Transaction Capital's share price for its executives).
- An updated valuation of each division will be performed by an independent expert on the date of vesting of the CSP.
- Employees are required to remain in the employ of the group to be eligible for vesting of the CSP (subject to standard "good leaver" rules).
- Employees who resign or are dismissed will forfeit any CSP awards that have not vested.
- Once the vesting period has passed and/or performance criteria are met (where relevant), the participant will receive shares in Transaction Capital to the value of the notional CSP on date of vesting.

The CSP achieves the following objectives:

- It motivates and rewards participants for creating long-term value through the opportunity to earn significant reward for superior performance.
- It creates a direct line of sight between the performance of each division and the incentive earned.
- Participants receive a right to receive a full share as opposed to the increase in value of a share.
- The CSP directly aligns the interests of the participants with those of shareholders.

The remuneration committee has approved a policy that the number of Transaction Capital shares issued in terms of the CSP awards will not exceed more than 5% of the issued ordinary shares of Transaction Capital at the time of approval of the CSP by shareholders.

- **General share purchase scheme**

The general share purchase scheme facilitated voluntary investment whereby executives were able to receive loan funding to purchase shares at market value. The scheme primarily operated prior to the listing of Transaction Capital in 2012 and was largely wound down in the 2014 financial year. No further allocations will be made in terms of this scheme, which terminated in December 2017.

- **Direct investment**

In appropriate circumstances, senior executives of a business may be afforded the opportunity to co-invest in that business (generally by way of an equity subscription partly funded by the company), thereby incentivising and aligning their long-term interests with those of the business, Transaction Capital and its shareholders.

Founders

Jonathan Jawno and Michael Mendelowitz are executive directors of the group, while Roberto Rossi is a non-executive director with a consulting and project contract, and therefore not independent by definition.

As the founder directors, Jonathan Jawno, Michael Mendelowitz and Roberto Rossi continue to be actively involved in various aspects of the group's businesses in support of executive line management. This involvement may include strategy, operations, acquisitions, disposals, capital raising and management, regulatory matters and participation in group and divisional management where appropriate. The board believes that the founder directors' participation in this manner adds considerable value for shareholders on an ongoing basis.

Following the restructure of the shareholding of the founder directors, completed in November 2016, Everglen Capital Proprietary Limited (in which the respective family trusts of the founder directors hold equal shareholdings) continues to be the largest shareholder of reference of the group.

Due to the circumstances and history, the remuneration and fee arrangements of the founder directors are not conventionally structured. None of the founder directors participate in any of the group's employee share schemes or other LTI plans. The base packages of the executive founder directors are well below market-related fees for directors of their calibre. The non-executive director fees and consulting services of the non-executive founder director are also below market. At the end of each financial year, the independent non-executive members of the remuneration committee meet with the founder directors and, in consultation with the CEO, consider their inputs and successes during the year. The remuneration committee then awards incentive bonuses and contract adjustments relative to quantitative and qualitative performance, with reference to market benchmarks for listed companies comparable in size and industry.

Non-executive directors

The annual fees paid to non-executive directors of the company for their services as directors and as members of the various board committees are determined on a market-related basis and are benchmarked against industry norms. No additional meeting attendance fees are paid.

The fees are approved by the remuneration committee and the board prior to being presented to shareholders for approval at the company's annual general meeting.

Directors are required to retire on the third anniversary of their appointment and may offer themselves for re-election. As appropriate, the board, through the nominations committee, proposes their re-election to shareholders.

Non-executive directors do not participate in any of the group's LTI plans.

PART 2

IMPLEMENTATION REPORT

Executive compensation

The following table shows a breakdown of the annual remuneration (excluding SAR and CSP awards) of directors and prescribed officers for the year ended 30 September:

	2017				2016			
	Salary R	Benefits R	Annual incentive bonus R	Total R	Salary R	Benefits R	Annual incentive bonus R	Total R
Executive directors								
David Hurwitz	**3 150 802**	**548 207**	**2 728 688**	**6 427 697**	2 848 492	685 376	2 598 750	6 132 618
Mark Herskovits	**2 194 536**	**436 401**	**2 618 140**	**5 249 077**	2 104 560	407 540	1 228 500	3 740 600
Jonathan Jawno	**1 341 480**	**183 570**	**4 000 000**	**5 525 050**	1 057 200	162 840	4 800 000	6 020 040
Michael Mendelowitz	**1 341 480**	**183 570**	**4 000 000**	**5 525 050**	1 057 200	162 840	4 800 000	6 020 040
Ronen Goldstein	**1 592 500**	**186 725**	**1 166 667**	**2 945 892**	265 417	31 121	1 166 667	1 463 205
Prescribed officers								
Terry Kier	**2 842 422**	**2 327 828**	**2 040 500**	**7 210 750**	2 728 524	1 909 962	2 887 500	7 525 986
David McAlpin	**2 824 393**	**292 007**	**2 337 300**	**5 453 700**	2 664 522	275 478	2 327 500	5 267 500
Total	**15 287 613**	**4 158 308**	**18 891 295**	**38 337 216**	12 725 915	3 635 157	19 808 917	36 169 989

Total guaranteed package

Executive TGP is determined based on the findings of an outsourced benchmarking engagement, utilising the Paterson Classic system as an indicator of grades for the executive team. Formal and informal research coupled with market norms and industry practice also influenced the policies and practices in place. The remuneration committee believes that the TGP is fair in light of the outcomes of the benchmarking undertaken and relative market norms.

Short-term incentives

QUANTITATIVE

Bespoke and individualised quantitative targets are pre-set and assessed annually by the remuneration committee to promote individual and group performance. The following factors are taken into account:

- Group:
  - Growth in headline earnings per share above CPI.
  - Return on equity achieved.
- Divisions:
  - Growth in earnings per share above CPI.
  - Return on invested capital.
  - Where relevant, return on sales and new business origination.
- Where appropriate, STIs were awarded for individualised targets being met.
- In general terms, employees can achieve a maximum quantitative STI of up to nine months of the employee's TGP.

QUALITATIVE

Where individual performance warrants, the remuneration committee may reward superior qualitative performance over and above quantitative targets set. The remuneration committee will consider individual performance in meeting strategic imperatives, such as capital management, acquisitions, operational projects and integration. In exercising this discretion, the remuneration committee must satisfy itself that such payments are fair and reasonable, and are disclosed to shareholders as required by remuneration governance principles.

The overall award of STIs for executive directors mirrors the performance of the business, and hence is determined as reasonable and aligned with shareholder interests. It achieves the objective of promoting the strategic objective within the organisation's risk appetite and promotes positive outcomes.

The rationale and context for the remuneration of executive directors is as follows:

Chief executive officer
David Hurwitz

David Hurwitz' incentive bonus of R2 728 688 for 2017 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share and return on equity achieved.
- A qualitative bonus for the overall improvement in the state of the group during 2017, the integration of the acquisitions completed in 2017, and progress in achieving the group's strategic objectives, including stringent capital management in a challenging trading environment.

Executive director: capital management
Mark Herskovits

Mark Herskovits' incentive bonus of R2 618 140 for 2017 comprised:

- A quantitative bonus for the growth of SA Taxi's earnings per share and return on equity achieved.
- A qualitative bonus for meeting the group's capital management requirements well into the 2018 financial year, diversifying SA Taxi's funding sources (in particular with US-based development finance institutions) and managing the group's cost of funding.

Executive director
Jonathan Jawno

Jonathan Jawno's incentive bonus of R4 000 000 for 2017 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share.
- A qualitative bonus for his specific role in the management of risk and capital.

Executive director
Michael Mendelowitz

Michael Mendelowitz' incentive bonus of R4 000 000 for 2017 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share.
- A qualitative bonus for his specific contribution toward capital deployment as well as strategic and acquisitive opportunities.

Financial director
Ronen Goldstein

Ronen Goldstein's incentive bonus of R1 166 667 for 2017 comprised:

- A quantitative bonus for the growth of the group's headline earnings per share and return on equity achieved.
- A qualitative bonus for the overall continued improvement in the state of the financial and risk structures and reporting of the group during 2017, the implementation and integration of the acquisitions completed in 2017, and implementation of key group projects.

Prescribed officer
Terry Kier

Terry Kier's incentive bonus of R2 040 500 for 2017 comprised:

- A quantitative bonus for the growth of the division's earnings.
- A qualitative bonus for the progress in achieving the division's strategic objectives, including stringent capital management in a challenging trading environment.

Prescribed officer
David McAlpin

David McAlpin's incentive bonus of R2 337 300 for 2017 comprised:

- A quantitative bonus for the growth of the division's earnings.
- A qualitative bonus the integration of the acquisitions completed in 2017 and progress in achieving the division's strategic objectives.

Long-term incentives

SHARE APPRECIATION RIGHTS PLAN

All SAR awards were approved by the remuneration committee, with the first tranche of the SAR plan vesting on 12 July 2016. No SARs were awarded in the current year. In previous years, executives were awarded SARs based on executive performance, potential, tenure, job grade, current fixed compensation and STIs relative to market benchmarks; the recommendation of the CEO; and the reasonably expected growth in Transaction Capital's share price.

The following table shows the SAR position of executive directors and prescribed officers as at 30 September 2017:

	Present value of SARs R	Number of SARs	Vesting period (years)	Number of SARs vested during the year and not exercised	Number of SARs exercised during the year	Gains on SARs exercised during the year R
Executive directors						
David Hurwitz						
Granted on 11 July 2013[1]	–	–	3	–	2 004 494	22 303 067
Granted on 18 November 2013	–	–	3	–	979 049	10 379 705
Granted on 25 November 2014	1 029 000	300 000	4	–	–	–
Granted on 26 November 2015	830 000	250 000	4	–	–	–
Mark Herskovits						
Granted on 11 July 2013[1]	–	–	3		939 607	10 099 004
Granted on 18 November 2013	–	–	3	–	1 251 578	13 220 041
Granted on 25 November 2014	857 500	250 000	4	–	–	–
Granted on 26 November 2015	498 000	150 000	4	–	–	–
Ronen Goldstein						
Granted on 18 November 2013	–	–	3	–	70 180	717 703
Granted on 25 November 2014	343 000	100 000	4	–	–	–
Granted on 26 November 2015	498 000	150 000	4	–	–	–
Prescribed officers						
Terry Kier						
Granted on 18 November 2013	–	–	3	–	979 049	10 012 188
David McAlpin						
Granted on 25 November 2014	2 578 280	751 685	4	–	–	–
Granted on 26 November 2015	664 000	200 000	4	–	–	–

1. Tranche vested and exercisable from 13 July 2017. SARs exercised by participants in the current year.

Jonathan Jawno and Michael Mendelowitz do not participate in the SAR plan.

Refer to note 24.1 in the annual financial statements for further details on the SAR plan.

CONDITIONAL SHARE PLAN

The CSP operates as a specific LTI scheme that directly links to the performance of each division. It caters for divisional executives who are believed to be in a position to directly impact and shape the performance of a division, while delivering on the division's strategy. Transaction Capital group executives are incentivised based on the performance of the group as a whole.

The purpose of the CSP is to incentivise participants to deliver the relevant division's business strategy over the long term, and acts as a retention mechanism and tool to attract prospective employees. The CSP will furthermore provide participants with the opportunity to share in the success of the relevant division in which he/she is employed and provide alignment between the participants and shareholders.

The remuneration committee approved the following criteria for the tranche of CSPs awarded in November 2017:

Vesting period:

- Retention element (30% of award): to vest in equal proportions in full after years three and four, subject to continued employment (November 2016 and May 2017 awards: to vest in full after three years, subject to continued employment).
- Performance element (70% of award): to vest as follows (and linked to performance criteria below):
  - Two years: 14.0%
  - Three years: 17.5%
  - Four years: 17.5%
  - Five years: 21.0%

  (November 2016 and May 2017 awards: to vest in equal proportions in years two, three and four, and linked to performance requirements.)

Performance criteria: the following performance criteria have been set (per division for divisional executives, and on a consolidated basis for group executives):

Continuing headline earnings per share growth over vesting period*	% of CSP to be awarded
CPI	20%
CPI +5%	100%

** Growth levels in between bands will be vested on a proportionate basis.*

The performance and vesting periods of future awards will be assessed for appropriateness by the remuneration committee on an annual basis.

The following table shows the CSP position of executive directors and prescribed officers as at 30 September 2017:

	Component	Present value of CSP award R	Number of CSPs	Vesting periods (years)
Executive directors				
David Hurwitz	Group			
Granted on 22 November 2016		1 684 672	131 821	2 to 4
Granted on 22 November 2017		1 665 106	132 186	2 to 5
Mark Herskovits	SA Taxi			
Granted on 22 November 2016		1 249 900	159 977	2 to 4
Granted on 29 May 2017		1 663 004	214 988	2 to 4
Granted on 22 November 2017		839 072	94 480	2 to 5
Ronen Goldstein	Group			
Granted on 22 November 2016		1 273 374	99 638	2 to 4
Granted on 22 November 2017		823 797	65 398	2 to 5
Prescribed officers				
David McAlpin	Transaction Capital Risk Services			
Granted on 22 November 2016		5 892 530	1 303 817	2 to 4
Granted on 22 November 2017		5 689 807	1 181 474	2 to 5

No CSPs vested in the financial year ended 30 September 2017.

Jonathan Jawno, Michael Mendelowitz and Terry Kier do not participate in the CSP.

Refer to note 24.2 in the annual financial statements for further details on the CSP.

TRANSACTION CAPITAL GENERAL SHARE SCHEME

The following table shows the position as at 30 September 2017:

	2017			2016		
Executive director	**Number of shares**	**Value of shares R**	**Value of funding R**	Number of shares	Value of shares R	Value of funding R
David Hurwitz	**77 409**	**1 180 487**	**662 599**	424 175	5 408 231	2 839 733
Total	**77 409**	**1 180 487**	**662 599**	424 175	5 408 231	2 839 733

All amounts outstanding were settled in December 2017, with this scheme being discontinued.

DIRECT INVESTMENT

Terry Kier (CEO of SA Taxi) holds a direct investment of 2% in SA Taxi Holdings Proprietary Limited, incentivising him and directly aligning his long-term interests with those of SA Taxi, Transaction Capital and its shareholders.

Terry Kier owes a wholly-owned subsidiary of Transaction Capital an amount of R26 million at 30 September 2017. The loan was granted on an interest-free basis and will be repaid from dividends and proceeds from the shares or upon certain pre-determined events. Appropriate fringe benefits tax has been levied on the interest-free loan, the benefit of which is included in the executive compensation table.

Terry Kier no longer participates in the SAR or CSP plans.

Non-executive directors' fees for 2017

The following table details fees paid to non-executive directors for directorship and membership of committees, with no additional meeting attendance fees. This is due to board members providing input to the company on an ongoing basis, not limited to the attendance of meetings.

The fees paid to non-executive directors have been determined on a market-related basis, as recommended by the remuneration committee and the board, and approved by shareholders at the annual general meeting. As from 1 June 2017, VAT is payable on non-executive directors' fees, where appropriate.

Board members	C Seabrooke[1] R	D Woollam[2] R	P Langeni[3] R	D Tabata[4] R	R Rossi[5] R	M Kgosana[6] R	K Pillay R	O Ighodaro[7] R	P Miller[8] R	Total R
Chairperson (including committee attendance)	1 375 000	–	–	–	–	–	–	–	–	**1 375 000**
Director	–	104 167	308 333	104 167	308 333	286 458	308 333	175 000	87 500	**1 682 291**
Audit, risk and compliance committee (chairperson)	–	–	–	–	–	341 146	–	23 438	–	**364 584**
Audit, risk and compliance committee (member)	–	62 500	150 000	–	–	–	–	65 625	–	**278 125**
Asset and liability committee (chairperson)	–	52 083	–	–	–	–	–	–	–	**52 083**
Asset and liability committee (member)	–	–	–	–	–	–	–	60 000	–	**60 000**
Remuneration committee (chairperson)	–	–	–	52 083	–	–	145 833	–	–	**197 916**
Remuneration committee (member)	–	–	–	–	–	–	25 000	–	–	**25 000**
Nominations committee (member)	–	–	–	25 000	95 000	–	70 000	–	–	**190 000**
Social and ethics committee (chairperson)	–	–	197 917	–	–	–	–	–	–	**197 917**
Total annual fees	1 375 000	218 750	656 250	181 250	403 333	627 604	549 166	324 063	87 500	**4 422 916**

1. *Christopher Seabrooke is also the chairman of the nominations committee, and a member of the remuneration committee, ARC committee and asset and liability committee.*
2. *Resigned as a non-executive director effective 2 March 2017.*
3. *In addition to the fees received above, Phumzile Langeni received directors' fees of R247 797 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and Transaction Capital Risk Services (Pty) Ltd.*
4. *Resigned as a non-executive director effective 2 March 2017.*
5. *In addition to the fees received above, Roberto Rossi received R1 096 667 for consulting services and R2 400 000 for corporate finance and legal services rendered to the group.*
6. *Resigned as a non-executive director effective 8 September 2017.*
7. *Appointed as a non-executive director effective 1 April 2017.*
8. *Appointed as a non-executive director effective 1 July 2017.*

Non-executive directors' fees for 2016

Board members	C Seabrooke[1] R	D Woollam R	P Langeni[2] R	D Tabata R	R Rossi[3] R	M Kgosana[4] R	K Pillay[5] R	Total R
Chairperson (including committee attendance)	1 200 000	–	–	–	–	–	–	**1 200 000**
Director	–	250 000	250 000	250 000	250 000	135 417	41 667	**1 177 084**
Audit, risk and compliance committee (chairperson)	–	160 417	–	–	–	189 583	–	**350 000**
Audit, risk and compliance committee (member)	–	81 250	150 000	–	–	–	–	**231 250**
Asset and liability committee (chairperson)	–	62 500	–	–	–	–	–	**62 500**
Remuneration committee (chairperson)	–	–	–	125 000	–	–	–	**125 000**
Remuneration committee (member)	–	–	–	–	–	–	10 000	**10 000**
Nominations committee (member)	–	–	–	60 000	60 000	–	–	**120 000**
Social and ethics committee (chairperson)	–	–	125 000	–	–	–	–	**125 000**
Total annual fees	1 200 000	554 167	525 000	435 000	310 000	325 000	51 667	**3 400 834**

1. *Christopher Seabrooke is also the chairman of the nominations committee, and a member of the remuneration committee, ARC committee and asset and liability committee.*
2. *In addition to the fees received above, Phumzile Langeni received directors' fees of R200 000 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and Transaction Capital Risk Services (Pty) Ltd.*
3. *In addition to the fees received above, Roberto Rossi received R890 000 for consulting services.*
4. *Appointed as a non-executive director effective 15 March 2016.*
5. *Appointed as a non-executive director effective 1 August 2016.*

FINANCIAL INFORMATION

FINANCIAL RESULTS

The information presented on pages 106 to 109 is an extract from the audited annual financial statements, but is not itself audited. The directors take full responsibility for the preparation of the information presented in this section, and that the information has been correctly extracted from the underlying audited financial statements.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER

	2017 Rm	2016 Rm
Assets		
Cash and cash equivalents	**944**	1 276
Tax receivables	**22**	28
Trade and other receivables	**687**	472
Inventories	**212**	201
Loans and advances	**8 456**	7 190
Leased assets	**–**	40
Purchased book debts	**891**	728
Other loans receivable	**41**	35
Other investments	**–**	477
Intangible assets	**247**	93
Property and equipment	**150**	104
Goodwill	**1 165**	200
Deferred tax assets	**259**	247
Total assets	**13 074**	11 091
Liabilities		
Bank overdrafts	**136**	173
Tax payables	**19**	8
Trade and other payables	**584**	286
Provisions	**147**	14
Interest-bearing liabilities	**8 191**	7 477
Senior debt	**7 228**	6 512
Subordinated debt	**963**	965
Deferred tax liabilities	**225**	155
Total liabilities	**9 302**	8 113
Equity		
Ordinary share capital	**1 056**	510
Reserves	**34**	149
Retained earnings	**2 628**	2 285
Equity attributable to ordinary equity holders of the parent	**3 718**	2 944
Non-controlling interest	**54**	34
Total equity	**3 772**	2 978
Total equity and liabilities	**13 074**	11 091

SUMMARISED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER

	2017 Rm	2016 Rm
Interest and other similar income	**1 971**	1 688
Interest and other similar expense	**(964)**	(809)
Net interest income	**1 007**	879
Impairment of loans and advances	**(260)**	(209)
Risk-adjusted net interest income	**747**	670
Non-interest revenue	**1 937**	1 279
Operating costs	**(1 910)**	(1 348)
Non-operating loss	**(3)**	–
Profit before tax	**771**	601
Income tax expense	**(203)**	(138)
Profit for the year	**568**	463
Profit for the year attributable to:		
Ordinary equity holders of the parent	**555**	458
Non-controlling interests	**13**	5
Earnings per share (cents)		
Basic and headline earnings per share	**92.8**	80.6
Diluted basic and headline earnings per share	**92.2**	80.0

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER

	2017 Rm	2016 Rm
Profit for the year	**568**	463
Other comprehensive income		
Movement in cash flow hedging reserve	**(8)**	(3)
Fair value losses arising during the year	**(12)**	(4)
Deferred tax	**4**	1
Movement in equity instruments held at fair value	**(72)**	27
Exchange gains on translation of foreign operations	**15**	–
Total comprehensive income for the year	**503**	487
Total comprehensive income attributable to:		
Ordinary equity holders of the parent	**490**	482
Non-controlling interests	**13**	5

SUMMARISED CONSOLIDATED HEADLINE EARNINGS RECONCILIATION
FOR THE YEAR ENDED 30 SEPTEMBER

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

	2017 Rm	2016 Rm
Headline earnings	555	458
Transaction and other acquisition-related costs	22	–
Core headline earnings	577	458

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER

	Share capital Rm	Reserves Rm	Retained earnings Rm	Ordinary equity holders Rm	Non-controlling interest Rm	Total equity Rm
Balance at 30 September 2015	468	122	1 991	2 581	30	2 611
Total comprehensive income	–	24	458	482	5	487
Profit for the year	–	–	458	458	5	463
Other comprehensive income	–	24	–	24	–	24
Grant of share appreciation rights	–	16	–	16	–	16
Settlement of share appreciation rights	–	(13)	(29)	(42)	–	(42)
Dividends paid	–	–	(135)	(135)	(1)	(136)
Issue of shares	53	–	–	53	–	53
Repurchase of shares	(11)	–	–	(11)	–	(11)
Balance at 30 September 2016	510	149	2 285	2 944	34	2 978
Total comprehensive income	–	(65)	555	490	13	503
Profit for the year	–	–	555	555	13	568
Other comprehensive income	–	(65)	–	(65)	–	(65)
Grant of share appreciation rights and conditional share plan	–	18	–	18	–	18
Settlement of share appreciation rights	–	(20)	(64)	(84)	–	(84)
Transfer to retained earnings	–	(48)	48	–	–	–
Dividends paid	–	–	(196)	(196)	(3)	(199)
Issue of shares	557	–	–	557	–	557
Repurchase of shares	(11)	–	–	(11)	–	(11)
Non-controlling interests arising on business combinations	–	–	–	–	10	10
Balance at 30 September 2017	1 056	34	2 628	3 718	54	3 772

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER

	2017 Rm	2016 Rm
Cash flow from operating activities		
Cash generated by operations	1 134	908
Income taxes paid	(51)	(87)
Dividends received from insurance activities	115	71
Dividends paid	(199)	(136)
Cash flow from operating activities before changes in operating assets and liabilities	999	756
Increase in operating assets and liabilities	(1 126)	(727)
Loans and advances	(1 572)	(1 245)
Leased assets	–	(40)
Purchased book debts	(280)	(279)
Net proceeds from interest-bearing liabilities	726	837
Changes in working capital	(238)	(137)
Increase in inventories	(127)	(180)
(Increase)/decrease in trade and other receivables	(223)	10
Increase in trade and other payables	112	33
Net cash utilised by operating activities	(365)	(108)
Cash flow from investing activities		
Business combinations	(226)	(3)
Acquisition of property and equipment	(66)	(67)
Acquisition of intangible assets	(70)	(77)
Decrease in other investments	–	31
(Increase)/decrease in other loans receivable	(6)	221
Net cash (utilised)/generated by investing activities	(368)	105
Cash flow from financing activities		
Repurchase of shares	(11)	(11)
Issue of shares	449	–
Net cash generated/(utilised) by financing activities	438	(11)
Net decrease in cash and cash equivalents	(295)	(14)
Cash and cash equivalents at the beginning of the year*	1 103	1 117
Cash and cash equivalents at the end of year*	808	1 103

* *Cash and cash equivalents are presented net of bank overdrafts.*

GROUP DATA SHEET

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

		Year ended 30 September			Movement	
		2017	2016	2015	**2017**	2016
TRANSACTION CAPITAL GROUP						
Summarised consolidated income statement						
Interest and other similar income	Rm	**1 971**	1 688	1 504	**17%**	12%
Interest and other similar expense	Rm	**(964)**	(809)	(683)	**19%**	18%
Net interest income	Rm	**1 007**	879	821	**15%**	7%
Impairment of loans and advances	Rm	**(260)**	(209)	(233)	**24%**	(10%)
Risk-adjusted net interest income	Rm	**747**	670	588	**11%**	14%
Non-interest revenue	Rm	**1 937**	1 279	1 195	**51%**	7%
Core operating costs	Rm	**(1 888)**	(1 348)	(1 295)	**40%**	4%
Advertising, marketing and public relations	Rm	**(12)**	(11)	(9)	**9%**	22%
Amortisation of intangible assets	Rm	**(31)**	(13)	(7)	**>100%**	86%
Amortisation of principal book portfolio	Rm	**(117)**	(112)	(130)	**4%**	(14%)
Audit fees	Rm	**(17)**	(11)	(12)	**55%**	(8%)
Bank charges	Rm	**(20)**	(14)	(12)	**43%**	17%
Commissions paid	Rm	**(19)**	(17)	(12)	**12%**	42%
Communication costs	Rm	**(79)**	(56)	(60)	**41%**	(7%)
Consulting fees	Rm	**(32)**	(23)	(14)	**39%**	64%
Depreciation	Rm	**(32)**	(22)	(17)	**45%**	29%
Directors' emoluments	Rm	**(10)**	(8)	(10)	**25%**	(20%)
Electricity and water	Rm	**(19)**	(14)	(12)	**36%**	17%
Employee expenses	Rm	**(1 050)**	(704)	(671)	**49%**	5%
Fees paid	Rm	**(39)**	(34)	(30)	**15%**	13%
Handling, logistics and storage	Rm	**(38)**	(40)	(31)	**(5%)**	29%
Information technology	Rm	**(40)**	(29)	(24)	**38%**	21%
VAT disallowed	Rm	**(28)**	(30)	(29)	**(7%)**	3%
Operating lease rentals	Rm	**(70)**	(30)	(39)	**>100%**	(23%)
Professional fees	Rm	**(16)**	(15)	(14)	**7%**	7%
Risk management	Rm	**(18)**	(12)	(11)	**50%**	9%
Staff welfare	Rm	**(21)**	(12)	(13)	**75%**	(8%)
Travel	Rm	**(16)**	(12)	(13)	**33%**	(8%)
Training and seminars	Rm	**(12)**	(7)	(8)	**71%**	(13%)
Other	Rm	**(152)**	(122)	(117)	**25%**	4%
Core operating income	Rm	**796**	601	488	**32%**	23%
Non-operating (loss)/profit	Rm	**(3)**	–	14	**100%**	(100%)
Equity accounted loss	Rm	**–**	–	(3)	**n/a**	(100%)
Core profit before tax	Rm	**793**	601	499	**32%**	20%
Income tax expense	Rm	**(203)**	(138)	(94)	**47%**	47%
Core profit for the year	Rm	**590**	463	405	**27%**	14%
Core profit for the year attributable to:	Rm	**590**	463	405	**27%**	14%
Ordinary equity holders	Rm	**577**	458	401	**26%**	14%
Non-controlling interests	Rm	**13**	5	4	**>100%**	25%
Transaction and other acquisition-related costs	Rm	**22**	–	–	**100%**	n/a

		Year ended 30 September			Movement	
		2017	2016	2015	**2017**	2016
TRANSACTION CAPITAL GROUP continued						
Core headline earnings						
Core profit attributable to ordinary equity holders	Rm	**577**	458	401	**26%**	14%
Adjusted for:						
Profit on disposal of joint venture	Rm	**–**	–	(8)	**n/a**	100%
Core headline earnings	Rm	**577**	458	393	**26%**	17%
Summarised consolidated statement of financial position						
Assets						
Cash and cash equivalents	Rm	**944**	1 276	1 169	**(26%)**	9%
Inventories	Rm	**212**	201	21	**5%**	>100%
Loans and advances	Rm	**8 456**	7 190	6 160	**18%**	17%
Purchased book debts	Rm	**891**	728	561	**22%**	30%
Other investments	Rm	**–**	477	481	**(100%)**	(1%)
Intangible assets	Rm	**247**	93	32	**>100%**	>100%
Goodwill	Rm	**1 165**	200	197	**>100%**	2%
Property and equipment	Rm	**150**	104	60	**44%**	73%
Other assets	Rm	**1 009**	822	1 022	**23%**	(20%)
Total assets	Rm	**13 074**	11 091	9 703	**18%**	14%
Liabilities						
Bank overdrafts	Rm	**136**	173	52	**(21%)**	>100%
Interest-bearing liabilities	Rm	**8 191**	7 477	6 640	**10%**	13%
Senior debt	Rm	**7 228**	6 512	5 446	**11%**	20%
Subordinated debt	Rm	**963**	965	1 194	**(0%)**	(19%)
Other liabilities	Rm	**975**	463	400	**>100%**	16%
Total liabilities	Rm	**9 302**	8 113	7 092	**15%**	14%
Equity						
Equity attributable to ordinary equity holders of the parent	Rm	**3 718**	2 944	2 581	**26%**	14%
Non-controlling interests	Rm	**54**	34	30	**59%**	13%
Total equity	Rm	**3 772**	2 978	2 611	**27%**	14%
Total equity and liabilities	Rm	**13 074**	11 091	9 703	**18%**	14%
Shareholder statistics						
Number of shares	m	**610.1**	571.9	568.1	**7%**	1%
Weighted average number of shares in issue	m	**598.3**	568.5	569.3	**5%**	(0%)
Core headline earnings per share	cents	**96.4**	80.6	69.0	**20%**	17%
Net asset value per share	cents	**609.4**	514.8	454.4	**18%**	13%
Interim dividend per share	cents	**15.0**	12.0	10.0	**25%**	20%
Final dividend per share	cents	**25.0**	18.0	12.0	**39%**	50%
Total dividend per share	cents	**40.0**	30.0	22.0	**33%**	36%
Total core dividend cover	times	**2.4**	2.7	3.1		

		Year ended 30 September			Movement	
		2017	2016	2015	**2017**	2016
TRANSACTION CAPITAL GROUP continued						
Capital adequacy						
Equity	Rm	**3 772**	2 978	2 611	**27%**	14%
Subordinated debt	Rm	**963**	965	1 194	**(0%)**	(19%)
Total capital	Rm	**4 735**	3 943	3 805	**20%**	4%
Less: goodwill	Rm	**(1 165)**	(200)	(197)	**>100%**	2%
Total capital less goodwill	Rm	**3 570**	3 743	3 608	**(5%)**	4%
Total assets less goodwill and cash and cash equivalents	Rm	**10 965**	9 615	8 337	**14%**	15%
Capital adequacy ratio	%	**32.6**	38.9	43.3		
Equity	%	**23.8**	28.9	29.0		
Subordinated debt	%	**8.8**	10.0	14.3		
Performance indicators						
Total income	Rm	**3 908**	2 967	2 699	**32%**	10%
Core cost-to-income ratio	%	**64.1**	62.5	64.2		
Average cost of borrowing	%	**12.0**	11.3	10.7		
Core return on average assets	%	**4.8**	4.4	4.4		
Core return on average equity	%	**17.2**	16.9	16.7		
Average assets	Rm	**12 391**	10 422	9 135	**19%**	14%
Average equity	Rm	**3 364**	2 718	2 422	**24%**	12%
Average interest-bearing liabilities	Rm	**8 009**	7 142	6 367	**12%**	12%
Gearing	times	**3.5**	3.8	3.8		
Debt funders	number	**42**	35	25	**20%**	40%
Credit rating						
Transaction Capital R2 billion Domestic Note Programme (GCR rated)						
Long-term		**A-(ZA)**	n/a	n/a		
Short-term		**A1-(ZA)**	n/a	n/a		
Employees	number	**4 095**	3 260	3 913	**26%**	(17%)
SA TAXI						
Summarised income statement						
Interest and other similar income	Rm	**1 765**	1 486	1 290	**19%**	15%
Interest and other similar expense	Rm	**(880)**	(742)	(618)	**19%**	20%
Net interest income	Rm	**885**	744	672	**19%**	11%
Impairment of loans and advances	Rm	**(253)**	(206)	(233)	**23%**	(12%)
Non-interest revenue	Rm	**427**	315	242	**36%**	30%
Operating costs	Rm	**(638)**	(541)	(445)	**18%**	22%
Profit before tax	Rm	**421**	312	236	**35%**	32%
Total income	Rm	**2 192**	1 801	1 532	**22%**	18%
Pre-provision profit	Rm	**674**	518	469	**30%**	10%
Profit after tax	Rm	**309**	254	212	**22%**	20%
Profit and headline earnings for the year attributable to:	Rm	**309**	254	212	**22%**	20%
Ordinary equity holders	Rm	**303**	249	208	**22%**	20%
Non-controlling interests	Rm	**6**	5	4	**20%**	25%

		Year ended 30 September			Movement	
		2017	2016	2015	**2017**	2016
SA TAXI continued						
Other information						
Depreciation	Rm	**15**	12	7	**25%**	71%
Amortisation of intangible assets	Rm	**10**	6	3	**67%**	100%
Summarised statement of financial position						
Assets						
Cash and cash equivalents	Rm	**608**	761	594	**(20%)**	28%
Inventories	Rm	**212**	201	17	**5%**	>100%
Loans and advances	Rm	**7 872**	6 675	5 703	**18%**	17%
Other investments	Rm	**–**	477	481	**(100%)**	(1%)
Intangible assets	Rm	**44**	30	14	**47%**	>100%
Goodwill	Rm	**499**	63	60	**>100%**	5%
Property and equipment	Rm	**79**	71	33	**11%**	>100%
Other assets	Rm	**604**	599	626	**1%**	(4%)
Total assets	Rm	**9 918**	8 877	7 528	**12%**	18%
Liabilities						
Bank overdrafts	Rm	**136**	173	44	**(21%)**	>100%
Interest-bearing liabilities	Rm	**6 879**	6 482	5 429	**6%**	19%
Senior debt	Rm	**6 292**	5 991	5 011	**5%**	20%
Subordinated debt	Rm	**587**	491	418	**20%**	17%
Group loans*	Rm	**1 164**	913	1 019	**27%**	(10%)
Other liabilities	Rm	**408**	167	134	**>100%**	25%
Total liabilities	Rm	**8 587**	7 735	6 626	**11%**	17%
Segment net assets	Rm	**1 331**	1 142	902	**17%**	27%
Capital adequacy						
Equity	Rm	**1 331**	1 142	902	**17%**	27%
Group loans*	Rm	**764**	913	1 019	**(16%)**	(10%)
Subordinated debt	Rm	**587**	491	418	**20%**	17%
Total capital	Rm	**2 682**	2 546	2 339	**5%**	9%
Less: goodwill	Rm	**(499)**	(63)	(60)	**>100%**	5%
Total capital less goodwill	Rm	**2 183**	2 483	2 279	**(12%)**	9%
Total assets less goodwill and cash and cash equivalents	Rm	**8 811**	8 053	6 874	**9%**	17%
Capital adequacy ratio	%	**24.8**	30.8	33.2		
Equity	%	**18.1**	24.7	27.1		
Subordinated debt	%	**6.7**	6.1	6.1		

* *Of the total group loans at 30 September 2017 of R1 164 million, R400 million is repayable on demand as part of the group's treasury management function and as such has been excluded from the capital adequacy calculation. The remaining R764 million group loans are subordinated debt with fixed repayment terms.*

		Year ended 30 September			Movement	
		2017	2016	2015	**2017**	2016
SA TAXI continued						
Financial measures						
Net interest margin	%	**11.4**	11.1	11.3		
Risk-adjusted net interest margin	%	**8.2**	8.0	7.4		
Cost-to-income ratio	%	**48.6**	51.1	48.7		
Average cost of borrowing	%	**11.4**	10.6	10.0		
Gearing	times	**7.7**	8.0	8.6		
Debt funders	number	**41**	34	25	**21%**	36%
Return on average assets	%	**3.3**	3.1	3.0		
Return on average equity	%	**25.3**	25.5	28.4		
Weighted average interest rate at origination	%	**24.4**	25.2	23.9		
Average assets	Rm	**9 410**	8 259	6 999	**14%**	18%
Average equity	Rm	**1 199**	996	750	**20%**	33%
Average gross loans and advances	Rm	**7 786**	6 697	5 958	**16%**	12%
Average interest-bearing liabilities	Rm	**7 704**	7 006	6 173	**10%**	13%
Employees	number	**965**	840	627	**15%**	34%
Operational measures						
Status						
Number of loans	number	**28 724**	26 352	25 033	**9%**	5%
Gross loans and advances	Rm	**8 303**	7 151	6 238	**16%**	15%
Impairment provision	Rm	**(431)**	(476)	(535)	**(9%)**	(11%)
Net loans and advances	Rm	**7 872**	6 675	5 703	**18%**	17%
Leases/repossessions (loans and advances, on value)	%	**98/2**	95/5	96/4		
Premium/entry-level (gross loans and advances, on value)	%	**100/0**	99/1	98/2		
Originations						
Number of loans originated	number	**7 480**	6 866	6 005	**9%**	14%
Value of loans originated	Rm	**2 901**	2 409	1 931	**20%**	25%
New vehicle originations	Rm	**2 236**	1 819	1 375	**23%**	32%
Average loan term at origination	months	**67**	67	67	**0%**	0%
Average remaining loan term	months	**47**	44	40	**7%**	10%
% New/existing client (on value)	%	**74/26**	73/27	76/24		
Average origination value	R	**387 807**	350 930	321 565	**11%**	9%
Credit performance						
Credit loss ratio	%	**3.2**	3.1	3.9		
After tax credit loss coverage	times	**2.3**	3.1	3.1		
Provision coverage	%	**5.2**	6.7	8.6		
Non-performing loans	Rm	**1 421**	1 242	1 138	**14%**	9%
Non-performing loan ratio	%	**17.1**	17.4	18.2		

		Year ended 30 September			Movement	
		2017	2016	2015	**2017**	2016
SA TAXI continued						
Insurance performance						
Financed: annualised new written premium	Rm	**231**	200	n/a	**16%**	n/a
Non-financed: annualised new written premium	Rm	**52**	46	n/a	**13%**	n/a
Products per insured client	number	**1.8**	1.7	n/a	**6%**	n/a
Credit ratings						
Transsec 1 R4 billion Asset Backed Note Programme (S&P rated)						
Class A Notes		**zaAA(sf)**	zaAAA(sf)	zaAAA(sf)		
Class B Notes		**zaAA(sf)**	zaAA(sf)	zaAA(sf)		
Class C Notes		**zaAA(sf)**	zaA(sf)	zaA(sf)		
Class D Notes		**zaA+(sf)**	zaBBB-(sf)	zaBBB-(sf)		
Transsec 2 R4 billion Asset Backed Note Programme (S&P rated)						
Class A Notes		**zaAA(sf)**	zaAAA(sf)	n/a		
Class B Notes		**zaAA-(sf)**	zaA(sf)	n/a		
Class C Notes		**zaA(sf)**	zaBBB(sf)	n/a		
Transsec 3 R2.5 billion Asset Backed Note Programme (Moody's rated)						
Class A1 Notes		**P-1.za(sf)**	n/a	n/a		
Class A2 Notes		**Aaa.za(sf)**	n/a	n/a		
Class A3 Notes		**Aaa.za(sf)**	n/a	n/a		
Class B Notes		**Aa3.za(sf)**	n/a	n/a		
Environment						
Estimated minibus taxi market ('000)	vehicles	**>200**	200	200		
Estimated minibus taxi market – financed ('000)	vehicles	**70**	70	70		
Price of a new Toyota Sesfikile (petrol)	R	**401 300**	393 500	346 300	**2%**	14%
Average repo rate	%	**7.0**	6.7	5.8		
Average petrol price per litre	R	**13.00**	12.29	12.40	**6%**	(1%)

		Year ended 30 September 2017	2016	2015	Movement 2017	Movement 2016
TRANSACTION CAPITAL RISK SERVICES (TCRS)						
Summarised income statement						
Interest and other similar income	Rm	**175**	136	133	**29%**	2%
Interest and other similar expense	Rm	**(98)**	(71)	(62)	**38%**	15%
Net interest income	Rm	**77**	65	71	**18%**	(8%)
Impairment of loans and advances	Rm	**(7)**	(3)	–	**>100%**	>100%
Non-interest revenue	Rm	**1 485**	964	953	**54%**	1%
Core operating costs	Rm	**(1 238)**	(796)	(845)	**56%**	(6%)
Equity accounted loss	Rm	**–**	–	(3)	**n/a**	(100%)
Non-operating (loss)/profit	Rm	**(3)**	–	14	**100%**	(100%)
Core profit before tax	Rm	**314**	230	190	**37%**	21%
Total income	Rm	**1 660**	1 100	1 086	**51%**	1%
Core profit after tax	Rm	**240**	168	142	**43%**	18%
Core profit for the year attributable to:	Rm	**240**	168	134	**43%**	25%
Ordinary equity holders	Rm	**233**	168	134	**39%**	25%
Non-controlling interests	Rm	**7**	–	–	**100%**	n/a
Core headline earnings						
Core profit attributable to ordinary equity holders	Rm	**233**	168	142	**39%**	18%
Adjusted for:						
Profit on disposal of joint venture	Rm	**–**	–	(8)	**n/a**	(100%)
Core headline earnings	Rm	**233**	168	134	**39%**	25%
Core headline earnings (pre-acquisition)	Rm	**188**	168	134	**12%**	25%
Transaction and other acquisition-related costs	Rm	**22**	–	–	**100%**	n/a
Core EBITDA (excluding Transaction Capital Business Solutions (TCBS))	Rm	**331**	239	188	**38%**	27%
Other information						
Depreciation	Rm	**16**	9	8	**78%**	13%
Amortisation of intangible assets	Rm	**21**	7	3	**>100%**	>100%

		Year ended 30 September 2017	2016	2015	Movement 2017	Movement 2016
TCRS continued						
Summarised statement of financial position						
Assets						
Cash and cash equivalents	Rm	**161**	72	57	**>100%**	26%
Loans and advances	Rm	**584**	515	457	**13%**	13%
Purchased book debts	Rm	**891**	728	561	**22%**	30%
Property and equipment	Rm	**69**	30	23	**>100%**	30%
Intangible assets	Rm	**203**	63	20	**>100%**	>100%
Goodwill	Rm	**669**	76	71	**>100%**	7%
Other assets	Rm	**386**	195	185	**98%**	5%
Total assets	Rm	**2 963**	1 679	1 374	**76%**	22%
Liabilities						
Bank overdrafts	Rm	**–**	–	8	**n/a**	(100%)
Interest-bearing liabilities	Rm	**968**	558	467	**73%**	19%
Senior debt	Rm	**968**	558	467	**73%**	19%
Group loans*	Rm	**107**	230	166	**(53%)**	39%
Other liabilities	Rm	**531**	285	246	**86%**	16%
Total liabilities	Rm	**1 606**	1 073	887	**50%**	21%
Segment net assets	Rm	**1 357**	606	487	**>100%**	24%

* *The total group loans at 30 September 2017 of R107 million are repayable on demand as part of the group's treasury management function.*

		2017	2016	2015	Movement 2017	Movement 2016
Financial measures						
Non-interest revenue net of amortisation	Rm	**1 368**	852	823	**61%**	4%
Core cost-to-income ratio	%	**79.3**	77.4	82.5		
Average cost of borrowing	%	**9.7**	10.1	8.8		
Core return on average assets	%	**9.4**	11.3	9.9		
Core return on average equity	%	**22.2**	31.5	27.8		
Core return on average assets excluding TCBS	%	**11.1**	15.0	13.0		
Core return on sales	%	**14.5**	15.3	13.1		
Average assets	Rm	**2 565**	1 482	1 437	**73%**	3%
Average equity	Rm	**1 051**	534	510	**97%**	5%
Average interest-bearing liabilities	Rm	**1 008**	701	705	**44%**	(1%)
Employees	number	**3 102**	2 395	3 265	**30%**	(27%)

		Year ended 30 September			Movement	
		2017	2016	2015	**2017**	2016
TCRS continued						
Operational measures						
Contingency and fee-for-service (FFS)/principal collections revenue split	%	**63/37**	47/53	49/51		
TCRS South Africa						
Number of contingency and FFS clients	number	**86**	83	81	**4%**	2%
Number of direct staff	number	**2 017**	2 035	2 787	**(1%)**	(27%)
Call centres	number	**7**	6	11	**17%**	(45%)
Assets under management	Rbn	**33.2**	35.4	35.4	**(6%)**	0%
Contingency and FFS	Rbn	**21.0**	16.1	19.4	**30%**	(17%)
Principal	Rbn	**12.2**	19.3	16.0	**(37%)**	21%
Average book value of purchased book debts	Rm	**884**	599	538	**48%**	11%
Asset turnover ratio	%	**52.1**	71.1	71.7		
Estimated remaining collections	Rm	**1 673**	1 313	1 034	**27%**	27%
TCRS Australia						
Number of contingency and FFS clients	number	**41**	n/a	n/a	**n/a**	n/a
Number of direct staff	number	**543**	n/a	n/a	**n/a**	n/a
Call centres	number	**2**	n/a	n/a	**n/a**	n/a
Assets under management	Rbn	**9.6**	n/a	n/a	**n/a**	n/a
Contingency and FFS	Rbn	**9.6**	n/a	n/a	**n/a**	n/a
TCBS						
Gross loans and advances	Rm	**570**	497	433	**15%**	15%
Impairment provision	Rm	**(8)**	(11)	(11)	**(27%)**	0%
Loans and advances	Rm	**562**	486	422	**16%**	15%
Servicer ratings						
Primary Servicer (GCR rated)		**SQ1-(ZA)**	SQ1-(ZA)	SQ2+(ZA)		
Special Servicer (GCR rated)		**SQ1(ZA)**	SQ1(ZA)	SQ1-(ZA)		
Environment: South Africa*						
Credit active consumers (million)	number	**24.7**	23.9	23.1	**3%**	3%
Non-performing credit consumers (million)	number	**9.7**	9.6	10.4	**1%**	(8%)
Household debt to income	%	**72.6**	74.8	77.3		
Unemployment rate	%	**27.7**	27.1	25.5		

** Latest available published information at time of reporting.*

		Year ended 30 September			Movement	
		2017	2016	2015	**2017**	2016
GROUP EXECUTIVE OFFICE*						
Summarised income statement						
Net interest income	Rm	**45**	70	78	**(36%)**	(10%)
Non-interest revenue	Rm	**25**	–	–	**100%**	n/a
Operating costs	Rm	**(12)**	(11)	(5)	**9%**	>100%
Profit before tax	Rm	**58**	59	73	**(2%)**	(19%)
Profit after tax	Rm	**41**	41	51	**0%**	(20%)
Headline earnings	Rm	**41**	41	51	**0%**	(20%)
Other information						
Depreciation	Rm	**1**	1	–	**0%**	100%
Summarised statement of financial position						
Assets						
Cash and cash equivalents	Rm	**175**	443	518	**(60%)**	(14%)
Property and equipment	Rm	**2**	3	4	**(33%)**	(25%)
Other assets	Rm	**16**	89	279	**(82%)**	(68%)
Total assets	Rm	**193**	535	801	**(64%)**	(33%)
Liabilities						
Interest-bearing liabilities	Rm	**344**	437	744	**(21%)**	(41%)
Group loans	Rm	**(1 271)**	(1 143)	(1 185)	**11%**	(4%)
Other liabilities	Rm	**36**	11	20	**>100%**	(45%)
Total liabilities	Rm	**(891)**	(695)	(421)	**28%**	65%
Segment net assets	Rm	**1 084**	1 230	1 222	**(12%)**	1%
Employees	number	**28**	25	21	**12%**	19%

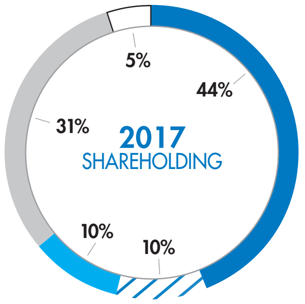
** Group executive office numbers are presented net of group consolidation entries.*

SHAREHOLDER INFORMATION

SHAREHOLDER ANALYSIS

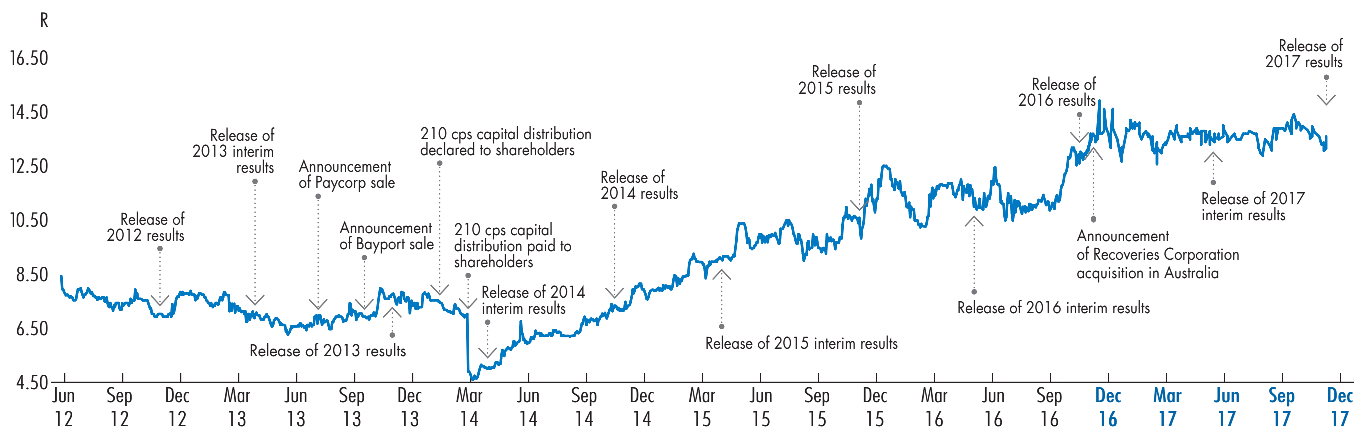
AT 30 SEPTEMBER 2017

	Number of shareholders	Number of shares million	Number of shares %
Non-public			
Directors of Transaction Capital and its subsidiaries and their associates	13	267	44
Sub-total	**13**	**267**	**44**
Public			
Old Mutual Investment Group	1	63	10
Allan Gray	1	59	10
Remaining institutional shareholders	90	188	31
Retail investors	753	33	5
Sub-total	**845**	**343**	**56**
Total	**858**	**610**	**100**



- Directors of Transaction Capital and its subsidiaries and their associates
- Old Mutual Investment Group
- Allan Gray
- Remaining institutional shareholders
- Retail investors

Transaction Capital share price performance since listing (June 2012)



PERFORMANCE ON THE JSE

1 October 2016 – 30 September 2017		
Traded share prices		
Closing	R	**15.25**
High	R	**16.00**
Low	R	**12.07**
Volume weighted average (VWAP)	R	**14.41**
Closing price/net asset value per share	times	**2.50**
Price earnings ratio based on core headline earnings for the year	times	**15.82**
Volume of shares traded during the year	units	**56 743 283**
Market capitalisation	Rbn	**9.3**

NOTICE OF ANNUAL GENERAL MEETING

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Action required

If you are in any doubt as to what action you should take arising from this notice, please consult with your broker, Central Securities Depository Participant (CSDP) representative/agent/manager, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all of your shares in Transaction Capital, please forward this notice to the purchaser of such shares or to the broker, CSDP representative/agent/manager, banker, accountant, attorney or other agent through whom the disposal of your Transaction Capital shares was effected.

Transaction Capital does not accept any responsibility and will not be held liable for any failure on the part of the broker or CSDP of any holder of dematerialised Transaction Capital shares to notify such shareholder of this notice and the annual general meeting.

Transaction Capital

Transaction Capital Limited
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE code: TCP ISIN: ZAE000167391
('Transaction Capital' or the 'company' or the 'group')

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING

FOR THE YEAR ENDED 30 SEPTEMBER 2017 AND CONVENED IN TERMS OF SECTION 61(7) OF THE COMPANIES ACT, NO. 71 OF 2008, AS AMENDED ('THE COMPANIES ACT')

Notice is hereby given that the annual general meeting of shareholders of the company will be held in the William Meeting Room, Ground Floor, Transaction Capital, 230 Jan Smuts Avenue, Dunkeld West on Thursday, 8 March 2018 at 09:00 or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Limited (JSE) Listings Requirements (the 'JSE Listings Requirements') for the purposes of transacting the business set out below and considering (and, if deemed fit, passing, with or without modification) the ordinary and special resolutions contained in this notice in the manner required by the Companies Act and subject to the JSE Listings Requirements.

Record date to receive notice of annual general meeting	Friday 12 January 2018
Last date to trade to be eligible to attend, participate in and vote at annual general meeting	Tuesday 27 February 2018
Record date to be eligible to attend, participate and vote at annual general meeting	Friday 2 March 2018
Forms of proxy to be lodged preferably by	Tuesday 6 March 2018 at 09:30

This document is important and requires your immediate attention. Shareholders' attention is drawn to the notes at the end of this notice, which contain important information regarding shareholders' participation at the annual general meeting.

Copies of the integrated annual report containing this notice are available in English only and may be obtained from the date of issue of this notice of annual general meeting until the date of the annual general meeting, both days inclusive, during normal business hours from the registered office of the company and the offices of the transfer secretaries, the addresses of which are set out in the "Administration" section of the integrated annual report and at the end of this notice.

The purpose of the annual general meeting is for the following business to be transacted and for the ordinary and special resolutions set out below to be proposed:

A. Audited financial statements

To present the audited financial statements of the group and the company as envisaged in section 30 of the Companies Act, including the directors' report, external auditor's report and the audit, risk and compliance committee report for the year ended 30 September 2017.

B. Ordinary and special resolutions

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

1. ORDINARY RESOLUTION NUMBER 1

Re-election of director

Resolved that:

C Seabrooke, who retires in terms of the company's memorandum of incorporation, and who, being eligible, has offered himself for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act.

2. ORDINARY RESOLUTION NUMBER 2

Re-election of director

Resolved that:

D Hurwitz, who retires in terms of the company's memorandum of incorporation, and who, being eligible, has offered himself for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act.

3. ORDINARY RESOLUTION NUMBER 3

Re-election of director

Resolved that:

M Herskovits, who retires in terms of the company's memorandum of incorporation, and who, being eligible, has offered himself for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act.

4. ORDINARY RESOLUTION NUMBER 4

Election of director

Resolved that:

O Ighodaro, who was appointed to the board during the year, retires automatically at this meeting, and who, being eligible, has offered herself for election, be elected in terms of section 68(2)(a) of the Companies Act.

5. ORDINARY RESOLUTION NUMBER 5

Election of director

Resolved that:

P Miller, who was appointed to the board during the year, retires automatically at this meeting, and who, being eligible, has offered himself for election, be elected in terms of section 68(2)(a) of the Companies Act.

Explanation and effects of ordinary resolution numbers 1 to 5 – re-election or election of directors:

In terms of clause 21.2 of the company's memorandum of incorporation, one third of the board of directors (board) retire annually by rotation and all directors who have held office for three years since their last election or appointment also retire. All directors retiring at the annual general meeting have indicated their willingness to stand for re-election.

Directors who were appointed subsequent to the last annual general meeting retire at the following meeting. These directors have indicated their willingness to stand for election.

The directors have reviewed the composition of the board and recommend the re-election or election of each of the above-mentioned directors which will enable the company, *inter alia*, to:

- Responsibly maintain a mixture of business skills and experience relevant to the company and the group, and balance the requirements of transformation, continuity and succession planning; and
- Comply with corporate governance requirements, in respect of the balance of executive, non-executive and independent directors on the board.

A brief curriculum vitae of the company directors is set out on pages 28 to 31 of the integrated annual report, of which this notice forms part.

6. ORDINARY RESOLUTION NUMBER 6

Appointment of members of the audit, risk and compliance committee

Section 94(2) of the Companies Act

Resolved that:

O Ighodaro, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company and the Companies Act, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act (subject to being elected as a director in terms of the ordinary resolution 4 above).

7. ORDINARY RESOLUTION NUMBER 7

Appointment of members of the audit, risk and compliance committee

Section 94(2) of the Companies Act

Resolved that:

P Langeni, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company and the Companies Act, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act.

8. ORDINARY RESOLUTION NUMBER 8

Appointment of members of the audit, risk and compliance committee

Section 94(2) of the Companies Act

Resolved that:

C Seabrooke, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company and the Companies Act, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act (subject to being re-elected as a director in terms of the ordinary resolution 1 above).

Explanation and effects of ordinary resolution numbers 6 to 8 – appointment of members of the audit, risk and compliance committee:

All public companies are required to have an audit committee comprising at least three persons who are independent non-executive directors and eligible in terms of section 94 of the Companies Act. In terms of section 94(2) of the Companies Act, an audit committee must be elected annually at the annual general meeting of a public company. The section 94 requirements of the Companies Act are fulfilled by the audit, risk and compliance committee. It is noted that the independent non-executive chairman of the board is also a member of the audit, risk and compliance committee.

9. ORDINARY RESOLUTION NUMBER 9

Appointment of auditors

Sections 90 and 94(7) of the Companies Act

Resolved that:

On recommendation of the audit, risk and compliance committee, as envisaged in section 94(7)(a) of the Companies Act, Deloitte & Touche (with Lito Nunes as the lead audit partner) be re-appointed as the independent external auditors of the company until the conclusion of the next annual general meeting of the company, it being recorded that such appointment be in accordance with the provisions of clause 18 of the company's memorandum of incorporation.

Explanation and effect of ordinary resolution number 9 – appointment of auditors:

In terms of section 90(1) of the Companies Act, a public company is to appoint an auditor each year at its annual general meeting. The effect of this ordinary resolution will be to re-appoint Deloitte & Touche as auditors for the company, with Lito Nunes as the lead audit partner, in accordance with the terms of the company's memorandum of incorporation.

10. ORDINARY RESOLUTION NUMBER 10

Non-binding advisory vote on remuneration policy

Resolved that:

The company's remuneration policy be and is hereby endorsed by way of a non-binding advisory vote.

11. ORDINARY RESOLUTION NUMBER 11

Non-binding advisory vote on remuneration implementation report

Resolved that:

The company's remuneration implementation report be and is hereby endorsed by way of a non-binding advisory vote.

Explanation and effect of ordinary resolution numbers 10 and 11 – non-binding advisory vote on remuneration policy:

In accordance with the recommendations of the King IV Report on Corporate Governance for South Africa 2016 as well as the JSE Listings Requirements, the board (with the assistance of the remuneration committee) has presented the remuneration policy and implementation report to shareholders in two separate non-binding advisory votes.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the remuneration implementation resolution, or both, then pursuant to paragraph 3.91 of the JSE Listings Requirements, the company will extend an invitation to dissenting shareholders to engage with the company to discuss the reason for their dissenting votes.

The complete remuneration policy and implementation report appears on pages 92 to 103 of the integrated annual report, of which this notice forms part.

12. ORDINARY RESOLUTION NUMBER 12

Issue of securities for acquisitions in circumstances other than those covered by special resolution number 5

Resolved that:

The authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the board until the conclusion of the next annual general meeting, and that the board be and is hereby authorised and empowered to issue such unissued ordinary shares as consideration for acquisitions in any way they may deem fit, subject to:

12.1. The memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements, where applicable;

12.2. Such issue being an issue only for securities of a class already in issue or where this is not the case, such issue must be limited to such securities or rights that are convertible into securities of a class already in issue; and

12.3. The board's authority in terms hereof is limited to a maximum of 30 533 866 ordinary shares, being 5% of the ordinary shares in issue as at the date of issue of this notice.

Explanation and effect of ordinary resolution number 12 – issue of securities for acquisitions in circumstances other than those covered by special resolution number 5:

This ordinary resolution number 12 is to obtain a general authority from shareholders authorising the directors to issue authorised (but unissued) ordinary securities for acquisitions in compliance with the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements, where applicable.

13. ORDINARY RESOLUTION NUMBER 13

Authority to act

Resolved that:

Any director of the company or the company secretary, all with the power of substitution, be and is hereby authorised to carry out and to do all such things and matters as may be or are necessary in connection with all resolutions, and which may be required to give effect to such resolutions including, without limitation, being authorised to make, amend and sign all and any such necessary documents, letters, applications, announcements and affidavits as may be required for purposes of and in connection with the resolutions and giving effect to them, and including Companies and Intellectual Property Commission forms that may be required.

Explanation and effect of ordinary resolution number 13 – authority to act:

Ordinary resolution number 13 grants authority to any director or the company secretary to carry out, execute all documents and do all such things as he/she may in his/her discretion consider necessary or appropriate in connection with and to implement and give effect to the ordinary and special resolutions.

14. SPECIAL RESOLUTION NUMBER 1

Approval of non-executive directors' and committee members' fees

Sections 66(8) and 66(9) of the Companies Act

Resolved that:

The following annual fees shall be paid to non-executive directors of the company for their services as directors, audit, risk and compliance committee members and other board committee members quarterly in arrears, which have been determined by the board through the remuneration committee on a market-related basis (with no additional meeting attendance fees):

	Annual fees 2018 R**	Annual fees 2017 R
Directors		
Chairman (including membership of four committees)	**1 590 000**	1 500 000
Other directors	**371 000**	350 000
Audit, risk and compliance committee*		
Chairman	**397 500**	375 000
Member	**159 000**	150 000
Other board committees*		
Chairman	**265 000**	250 000
Member	**127 200**	120 000
Non-executive directors of subsidiaries		
Non-executive director of a group subsidiary company (in conjunction with being a non-executive director of Transaction Capital)	**116 600**	110 000

** Fees for audit, risk and compliance committee and other board committee members are in addition to board member fees.*

*** The proposed fees are exclusive of VAT which may become payable thereon depending on the status of the individual director's tax position.*

The proposed changes will come into effect from the date of the annual general meeting. This authority shall endure until the earlier of a superseding resolution being passed by shareholders or two years from the date of passing of this resolution.

Explanation and effect of special resolution number 1 – approval of non-executive directors' and committee members' fees:

Section 66 of the Companies Act provides that, in order for directors to be remunerated for their services as directors, the remuneration must be in accordance with a special resolution approved by shareholders within the previous two years. The proposed non-executive directors' fees increase by 6% compared to the prior year.

15. SPECIAL RESOLUTION NUMBER 2

Authority to provide financial assistance in terms of section 45 of the Companies Act

Section 45 of the Companies Act

Resolved that:

The board may, subject to compliance with the requirements of the company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the company to provide at any time and from time to time during the period of 2 (two) years commencing on the date of the adoption of this special resolution, direct or indirect financial assistance, including without limitation by way of lending money, guaranteeing a loan or other obligation, securing any debt or obligation, or otherwise, as envisaged in section 45 of the Companies Act to a related or inter-related company or corporation (as such term is defined in section 2 of the Companies Act) or to a member of a related or inter-related corporation, or to a person related to any such company or corporation (subject to the provisions of section 45 of the Companies Act) provided that such financial assistance may be granted up to a limit of R6 billion per transaction on the basis that the aggregate net outstanding financial assistance provided in terms of section 45 of the Companies Act will not at any time exceed R12 billion.

Such authority is to endure for a period of 2 (two) years following the date on which this resolution is adopted or earlier renewal.

Explanation and effect of special resolution number 2 – authority to provide financial assistance in terms of section 45 of the Companies Act:

The reason for special resolution number 2 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to one or more related or inter-related companies or corporations (as such term is defined in section 2 of the Companies Act) in accordance with the provisions of section 45 of the Companies Act. The effect of special resolution number 2 is that the company will have the necessary authority to provide financial assistance to the category of potential recipients as and when required but provided that the board will not approve a resolution to authorise such financial assistance unless the directors are satisfied that:

- Immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
- The terms under which the financial assistance is proposed to be given in terms of section 45 are fair and reasonable to the company.

The general authority from shareholders in special resolution number 2 will allow the company to continue giving financial assistance, including, without limitation, making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances, to one or more related or inter-related companies, subject to the cap on the amount of this financial assistance which may be granted, as contemplated in the special resolution. If approved, this general authority will expire at the end of 2 (two) years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the company's future annual general meetings.

16. SPECIAL RESOLUTION NUMBER 3

Authority to provide financial assistance in terms of section 44 of the Companies Act

Section 44 of the Companies Act

Resolved that:

The board may, subject to compliance with the requirements of the company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the company to provide, at any time and from time to time during the period of 2 (two) years commencing on the date of the adoption of this special resolution, direct or indirect financial assistance envisaged in section 44 of the Companies Act, to any present or future subsidiary of the company for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company, subject to the provisions of section 44 of the Companies Act, including without limitation by way of loan, guarantees, the provision of security, the giving of indemnities, the giving of warranties, or otherwise, as envisaged in section 44 of the Companies Act.

Explanation and effect of special resolution number 3 – authority to provide financial assistance in terms of section 44 of the Companies Act:

The reason for special resolution number 3 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to any present or future subsidiary of the company for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. The effect of special resolution number 3 is that the company will have the necessary authority to provide financial assistance as contemplated in section 44 of the Companies Act when required but provided that the board will not approve a resolution to authorise such financial assistance unless the directors are satisfied that:

- Immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
- The terms under which the financial assistance is proposed to be given in terms of section 44 are fair and reasonable to the company.

The general authority from shareholders in special resolution number 3 will allow the company to give financial assistance as envisaged in section 44 of the Companies Act, which includes without limitation, the making of loans, the giving of guarantees, the provision of security, the giving of warranties, the giving of indemnities, or otherwise for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of 2 (two) years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the company's future annual general meetings.

17. SPECIAL RESOLUTION NUMBER 4

General authority to repurchase securities

Sections 5.72, 5.68, 5.79 and 11.26 of the JSE Listings Requirements

Resolved that:

The company and/or a present or future subsidiary company are hereby authorised as a general authority, and as permitted in terms of clause 35 of the company's memorandum of incorporation, to repurchase securities issued by the company on such terms and conditions as may be determined by the directors from time to time, subject to the restrictions placed by the Companies Act and the following provisions of the JSE Listings Requirements:

- That the repurchase of securities be effected on the open market through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- That this general authority be valid only until the next annual general meeting or for fifteen months from the date of the passing of this resolution, whichever is the earlier date;
- That an announcement be made giving such details as may be required in terms of the JSE Listings Requirements when the company has cumulatively repurchased 3% of the initial number (the number of that class of securities in issue at the time that the general authority is granted by the passing of this special resolution) of the relevant class of securities and for each 3% in aggregate of the initial number of that class acquired thereafter;
- At any point in time the company may only appoint one agent to effect any repurchase on the company's behalf;
- Repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Listings Requirements unless a repurchase programme is in place where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company will instruct an independent third party, which makes its investment decision in relation to the company's securities independently of, and uninfluenced by, the company prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- The general repurchase of securities shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued capital of that class at the date on which this resolution is passed;
- In terms of the Companies Act, a maximum of 10% in aggregate of the company's issued capital may be repurchased by the subsidiaries of the company;

- The repurchase of securities may not be made at a price greater than 10% above the weighted average of the market value of the securities as determined over the five business days immediately preceding the date on which the transaction is effected. The JSE will be consulted for a ruling if the company's securities have not traded in such five business day period;
- If the company enters into derivative transactions that may or will result in the repurchase of securities in terms of this general authority, such transactions will be subject to the provisions of the JSE Listings Requirements;
- The board must pass a resolution that they authorised the repurchase and that the company and the group have passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the group; and
- Any general repurchase is subject to exchange control regulations and approvals in place at that point in time.

Explanation and effect of special resolution number 4 – general authority to repurchase securities:

The explanation for special resolution number 4 is to grant the board the general authority and requisite approval to enable and facilitate the acquisition by the company and/or a present or future subsidiary of the company of the company's own securities, subject to the provisions of the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements. The effect of special resolution number 4 is that the company and/or a present or future subsidiary company is authorised to repurchase its own securities at any time while the general authority exists, in compliance with the provisions of the JSE Listings Requirements, the Companies Act and the memorandum of incorporation of the company. Please see additional information to consider in respect of this special resolution in the section of this notice marked "Additional information, record dates, voting, proxies and electronic participation" on page 132 of this notice of annual general meeting.

This general authority to acquire the company's securities replaces the general authority granted by the shareholders at the previous annual general meeting of the company held on 2 March 2017.

It is recorded that, at present, the board has no specific intention with regard to the utilisation of the general authority which is the subject of special resolution number 4.

18. SPECIAL RESOLUTION NUMBER 5

General authority to allot and issue authorised but unissued securities for cash

Section 5.52 of the JSE Listings Requirements as read with clause 19.9 of the memorandum of incorporation

Resolved that:

The directors are hereby authorised as a general authority, to allot and issue the authorised but unissued securities for cash, upon such terms and conditions and to such persons as they in their discretion may determine, subject to the provisions of the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements provided that:

- The securities be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- Securities may only be issued to public shareholders as defined in the JSE Listings Requirements, and not to related parties, unless the JSE agrees otherwise;
- The securities which are the subject of general issues for cash:
  - In the aggregate may not exceed 5% of the company's equity securities in issue of that class as at the date of the passing of the notice of the annual general meeting, being 30 533 866 ordinary shares, provided that such authorisation be valid only until the next annual general meeting or fifteen months from the date of passing the resolution, whichever is the earlier date; and
  - In the event of a sub-division or consolidation of the issued equity securities during the period contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
- Any equity securities issued under this authority during the period must be deducted from the number above;
- The calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the annual general meeting, and excludes treasury shares;

- The maximum discount at which such securities may be issued or sold, as the case may be, is 10% of the weighted average traded price of such securities on the JSE over the 30 business days preceding the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE will be consulted for a ruling if the company's securities have not traded in such 30 business day period;
- Any such general issues are subject to exchange control regulations and approval at that point in time;
- An announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per security (and if applicable, diluted earnings and diluted headline earnings per security) will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% of the number of securities in issue prior to the issue, in accordance with section 11.22 of the JSE Listings Requirements; and
- This authority includes any options/convertible securities that are convertible into an existing class of equity securities.

Explanation and effect of special resolution number 5 – general authority to allot and issue authorised but unissued securities:

The explanation for special resolution number 5 is to authorise and approve the company's allotment and issue of authorised but unissued securities by the board upon such terms and conditions and to such persons as they in their discretion may determine subject to limitations and other provisions contained herein, in the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements.

In terms of the JSE Listings Requirements, in order to be adopted, this resolution is ordinarily passed as an ordinary resolution adopted by achieving a 75% majority of the votes cast. In terms of clause 19.9 of the company's memorandum of incorporation, for so long as the company is listed on the JSE, if any of the JSE Listings Requirements require an ordinary resolution to be passed with a 75% majority, the resolution shall instead be required to be passed by a special resolution. Accordingly, this general authority to issue securities for cash is being obtained as a special resolution.

C. Report relating to the social and ethics committee to the annual general meeting

This report is contained on page 9 of the annual financial statements, available on www.transactioncapital.co.za. The chairperson of the committee will be available at the annual general meeting to answer any questions thereon.

D. Trading update

A verbal trading update, to be presented by the chief executive officer of the company at the annual general meeting, will simultaneously be released on the Stock Exchange News Service of the JSE.

E. Other business

To transact any other business that may be transacted at an annual general meeting.

ADDITIONAL INFORMATION, RECORD DATES, VOTING, PROXIES AND ELECTRONIC PARTICIPATION

Additional information

For the purpose of considering special resolution number 4, and in compliance with paragraph 11.26 of the JSE Listings Requirements, the information listed below has been included in the integrated annual report, in which this notice of annual general meeting is included, at the places indicated:

- Major shareholders – refer to page 122; and
- Share capital of the company – refer to page 55 of the annual financial statements.

The directors, whose names are set out on pages 28 to 31 of this integrated annual report, collectively and individually accept full responsibility for the accuracy of the above information as contemplated in paragraph 11.26 of the JSE Listings Requirements, for the purpose of special resolution number 4, and certify that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries in this regard to ascertain such facts, and that all information required by law and the JSE Listings Requirements is contained herein.

After the last practicable date prior to publishing this notice, being Wednesday, 17 January 2018, there have been no material changes in the financial or trading position of the group that have occurred since 30 September 2017 other than as disclosed in the integrated annual report of which this notice forms part.

Record dates

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of receiving notice of this annual general meeting is Friday, 12 January 2018.

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of being entitled to attend, participate and vote at the annual general meeting is Friday, 2 March 2018.

The last day to trade in the company's shares for the purpose of being entitled to attend, participate and vote at the annual general meeting is Tuesday, 27 February 2018.

Attendance, voting and proxies

1. In terms of the JSE Listings Requirements, as read with the Companies Act, 75% of the votes cast by equities securities holders present or represented by proxy at the meeting must be cast in favour of the above special resolutions for them to be approved.
2. In terms of the Companies Act and save where the contrary is specified in this notice, a majority of the votes cast by shareholders present or represented by proxy at the meeting must be cast in favour of the ordinary resolution for it to be approved.
3. In terms of the company's memorandum of incorporation, on a show of hands each shareholder, or proxy as the case may be, entitled to vote shall have one vote, irrespective of the number of securities held by that person or proxy, as the case may be. On a poll, every person entitled to vote shall have the number of votes determined in accordance with the voting rights associated with the securities in question which, for clarity, shall be one vote for every ordinary share held.
4. Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration are entitled:
   4.1. To attend, participate and vote at the annual general meeting in person; or alternatively
   4.2. At any time, to appoint any individual, including an individual who is not a shareholder of the company, as a proxy to participate in, and speak at and vote at, the annual general meeting on behalf of the shareholder by completing the form of proxy which is attached to this notice, and delivering it as contemplated in paragraph 5 below.
5. The person so appointed need not be a shareholder of the company. Forms of proxy should be (but are not required to be) forwarded to reach the company's transfer secretaries by delivering it to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, so as to be received by them preferably by no later than 09:30 on Tuesday, 6 March 2018, to allow for processing of such proxies and the orderly arrangement of matters on the date of the annual general meeting. Any form of proxy not handed to the transfer secretaries at this time may be handed to the chairman of the annual general meeting at any time before the proxy exercises any rights of the shareholder at the annual general meeting.
6. Forms of proxy must only be completed by shareholders who have dematerialised their shares with 'own-name' registration or who have not dematerialised their shares.

7. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own-name' registration, who are unable to attend the annual general meeting but wish to be represented thereat, must not complete the attached form of proxy, but must instead contact their CSDP representative/agent/manager or broker (as the case may be) in the manner and time stipulated in the agreement entered into by such shareholder and the CSDP or broker (as the case may be) to furnish the CSDP representative/agent/manager or broker (as the case may be) with their voting instructions and in the event that such shareholders wish to attend the annual general meeting, to obtain the necessary letter of representation from their CSDP representative/agent/manager or broker (as the case may be).
8. The memorandum of incorporation of the company, in accordance with subsection 62(3)(e)(i) of the Companies Act, restricts the number of proxies that may be appointed to one per shareholder and in accordance with the provisions of subsection 58(3)(b) restricts the ability for a proxy to delegate his/her authority to another person.
9. Before any person may attend or participate in the annual general meeting, the person must present reasonably satisfactory identification in terms of section 63(1)(a) of the Companies Act. The company will regard presentation by a participant of an original valid driver's licence, identity document or passport to be satisfactory identification.

Electronic participation

Shareholders or their duly appointed proxies will be given the right, as authorised in the memorandum of incorporation and in accordance with the provisions of the Companies Act, to participate by way of electronic communication at the annual general meeting by way of dialling into telephone conference facilities.

Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries by completing and submitting the application form (enclosing the documents referred to in the application form) attached to this notice to the transfer secretaries at Computershare Investor Services Proprietary Limited by delivering it to Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa or emailing it to theresap@transactioncapital.co.za or by facsimile to fax number +27 049 6899, to be received by them by no later than 12:00 on Tuesday, 6 March 2018.

By no later than 14:00 on Wednesday, 7 March 2018, shareholders or their duly appointed proxies will be advised by email, telephone call or text message of the relevant telephone number and access code to allow them to dial in and participate electronically in the annual general meeting.

Shareholders, or their proxies, may not vote electronically. If they wish to vote at the annual general meeting, such parties must complete and deliver the proxy form attached to this notice (and must comply with the notes and instructions contained in the proxy form in this regard) or contact their CSDP representative/agent/manager if they wish to have their vote counted and are not able to attend the meeting in person and vote in person.

Shareholders and their proxies must take note that the cost of the electronic communication facilities will be for the account of the company although the cost of the shareholder's telephone call will be for his/her/its own expense.

By order of the board of directors of the company.

THERESA PALOS
Company secretary
Transaction Capital Limited
23 January 2018

Registered office
Transaction Capital
230 Jan Smuts Avenue
Dunkeld West
Johannesburg
2196

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)
South Africa

NOTES TO THE FORM OF PROXY

(including a summary of rights in terms of section 58 of the Companies Act, 71 of 2008, as amended (the 'Companies Act'))

In terms of section 58 of the Companies Act:

1.1 a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at the annual general meeting on behalf of such shareholder (section 58(1)(b));

1.2 a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy ('Proxy Instrument') (section 58(3)(b)) (but see note 16);

1.3 irrespective of the form of the Proxy Instrument:

1.3.1 the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder (see note 5) (section 58(4)(a));

1.3.2 any appointment by a shareholder of a proxy is revocable, unless the Proxy Instrument states otherwise (section 58(4)(b)); and

1.3.3 if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company (section 58(4)(c)).

1.4 a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the company's memorandum of incorporation, or the Proxy Instrument, provides otherwise (section 58(7)) (see note 3).

1.5 the revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 1.3.3 above (section 58(5));

1.6 if the Proxy Instrument has been delivered to a company, as long as that appointment remains in effect, any notice required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered by the company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the company to do so in writing and paid any reasonable fee charged by the company for doing so (section 58(6)(b));

1.7 if the company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of Proxy Instrument:

1.7.1 the invitation must be sent to every shareholder entitled to notice of the annual general meeting at which the proxy is intended to be exercised (section 58(8)(a)); and

1.7.2 the invitation or form of Proxy Instrument supplied by the company must:

1.7.2.1 bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));

1.7.2.2 contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and

1.7.2.3 provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the annual general meeting, or is to abstain from voting (section 58(8)(b)(iii));

1.8 the company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and

1.9 the proxy appointment remains valid only until the end of the annual general meeting at which it was intended to be used, subject to paragraph 1.5 above.

NOTES:

1. Each shareholder is entitled to appoint one proxy (who need not be a shareholder of Transaction Capital) to attend, speak and vote (or abstain from voting) in place of that shareholder at the annual general meeting.

2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice (in the event that the appointed proxy is unable to act) in the space/s provided with or without deleting "the chairman of the annual general meeting" but the shareholder must initial any such deletion. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow, it being recorded that the memorandum of incorporation of the company prohibits a shareholder from appointing more than 1 (one) proxy.

3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided.

4. Failure to comply with the above will be deemed to authorise and direct the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholder's votes exercisable at the annual general meeting.

5. Completed forms of proxy and the authority (if any) under which they are signed should be (but are not required to be) lodged with or posted to the transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received preferably by no later than 09:30 on Tuesday, 6 March 2018 (48 hours prior to the annual general meeting) to allow for processing of such proxies and the orderly arrangement of matters on the date of the annual general meeting, or handed to the chairman of the annual general meeting at any time before the appointed proxy exercise/s any of the relevant shareholder's rights at the annual general meeting (or at any time before any adjournment or postponement of the annual general meeting).

6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of the proxy appointed in terms hereof, should such shareholder wish to do so.

7. The chairman of the annual general meeting may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of the company.

8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. Any insertion, deletion, alteration or correction made to the form of proxy but not complying with the aforegoing will be deemed not to have been validly effected.

9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by Transaction Capital or the transfer secretaries.

10. Section 63(1) of the Companies Act requires that meeting participants provide reasonably satisfactory identification. The company will regard presentation of a participant's original valid driver's licence, identity document or passport to be satisfactory identification.

11. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by Transaction Capital or the transfer secretaries or waived by the chairman of the annual general meeting.

12. Where shares are held jointly, all joint shareholders are required to sign this form of proxy.

13. A shareholder who is a minor must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Transaction Capital or the transfer secretaries.

14. Dematerialised shareholders who do not own shares in 'own-name' dematerialised form and who wish to attend the annual general meeting, or to vote by way of proxy, must contact their CSDP representative/agent/manager, broker or nominee who will furnish them with the necessary letter of representation to attend the annual general meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the shareholder and his/her CSDP, broker or nominee.

15. This form of proxy shall be valid at any resumption of an adjourned or postponed annual general meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned or postponed annual general meeting if it could not have been used at the annual general meeting from which it was adjourned or postponed for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall, in addition to the authority conferred by the Companies Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the annual general meeting, and subject to any specific direction contained in this form of proxy as to the manner of voting.

16. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, provided that no notification in writing of such death, mental disorder, revocation or transfer as aforesaid shall have been received by the transfer secretaries before the commencement of the annual general meeting or adjourned annual general meeting at which the proxy is used.

17. Any proxy appointed in terms of this form of proxy may not delegate his/her authority to act on behalf of the relevant shareholder. In terms of the memorandum of incorporation of the company, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid for 1 (one) year from the date upon which it was signed.

FORM OF PROXY

Transaction Capital

TRANSACTION CAPITAL LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE code: TCP ISIN: ZAE000167391
('Transaction Capital' or the 'company' or the 'group')

For use by certificated shareholders and own-name dematerialised shareholders only. All other dematerialised shareholders must contact their CSDP representative/agent/manager or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

I/We (full names in BLOCK LETTERS) ____________________

of (address in BLOCK LETTERS) ____________________

being (a) registered shareholder(s) of the company holding ____________ ordinary shares in the company hereby appoint:

(i) (full names in BLOCK LETTERS) ____________________

of (address in BLOCK LETTERS) or, failing him/her, ____________________

(ii) (full names in BLOCK LETTERS) ____________________

of (address in BLOCK LETTERS) ____________________

or, failing him/her, the chairman of the annual general meeting, as my/our proxy to participate in, speak and vote (whether by polling or by show of hands) for me/us and on my/our behalf at the annual general meeting of the company to be held at the William Meeting Room, Ground Floor, Transaction Capital, 230 Jan Smuts Avenue, Dunkeld West on Thursday, 8 March 2018 and at any adjournment(s) thereof, and to vote or abstain from voting on the ordinary and special resolutions to be proposed at such meeting as follows:

RESOLUTIONS

	In favour	Against	Abstain
Ordinary resolution number 1 – Re-election of C Seabrooke as a director			
Ordinary resolution number 2 – Re-election of D Hurwitz as a director			
Ordinary resolution number 3 – Re-election of M Herskovits as a director			
Ordinary resolution number 4 – Election of O Ighodaro as a director			
Ordinary resolution number 5 – Election of P Miller as a director			
Ordinary resolution number 6 – Appointment of O Ighodaro as a member of the audit, risk and compliance committee			
Ordinary resolution number 7 – Appointment of P Langeni as a member of the audit, risk and compliance committee			
Ordinary resolution number 8 – Appointment of C Seabrooke as a member of the audit, risk and compliance committee			
Ordinary resolution number 9 – Appointment of Deloitte & Touche as auditors			
Ordinary resolution number 10 – Non-binding advisory vote on remuneration policy			
Ordinary resolution number 11 – Non-binding advisory vote on remuneration implementation report			
Ordinary resolution number 12 – Issue of securities for acquisitions in circumstances other than those covered by special resolution 5			
Ordinary resolution number 13 – Authority to act			
Special resolution number 1 – Approval of non-executive directors' and committee members' fees			
Special resolution number 2 – Authority to provide financial assistance in terms of section 45 of the Companies Act			
Special resolution number 3 – Authority to provide financial assistance in terms of section 44 of the Companies Act			
Special resolution number 4 – General authority to repurchase securities			
Special resolution number 5 – General authority to allot and issue authorised but unissued securities for cash			

Please indicate with an 'x' in the appropriate spaces above how you wish your votes and/or abstentions to be cast.

If you return this form duly signed without any specific directions indicated with an 'x' in the appropriate spaces above, the proxy will be entitled to vote or abstain as he/she thinks fit in his/her discretion.

A proxy may not delegate his/her authority to act on your behalf to another person.

Signed at ____________________ on ____________________ 2018

Name in BLOCK LETTERS: ____________________ Signature: ____________________

Please refer to the notes on page 134 for instructions on the use of this form of proxy and a summary of the rights of the shareholder and the proxy.

ELECTRONIC PARTICIPATION AT ANNUAL GENERAL MEETING

TRANSACTION CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE code: TCP ISIN: ZAE000167391
('Transaction Capital' or the 'company' or the 'group')

Shareholders, or their proxies, will be given the right, as authorised in the memorandum of incorporation and provided for in the Companies Act, 71 of 2008, as amended (the 'Companies Act'), to participate by way of electronic communication at the annual general meeting. Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries by completing this application form and by delivering it to the transfer secretaries at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa or emailing it to theresap@transactioncapital.co.za or by facsimile to fax number +27 049 6899, as soon as possible but in any event, by no later than 12:00 on Tuesday, 6 March 2018.

Shareholders, or their proxies, may not vote electronically and must use the proxy form attached for this purpose or contact their CSDP if they wish to have their vote counted and are not able to attend the meeting in person and vote in person.

By no later than 14:00 on Wednesday, 7 March 2018, shareholders or their duly appointed proxies will be advised by email, telephone call or text message of the relevant telephone number and access code to allow them to dial in and participate electronically in the annual general meeting.

The company will bear the cost of establishing the electronic communication whilst the cost of the shareholder (or his/her proxy) dialling in will be for his/her/its own account.

By signature of this form, the shareholder or his/her proxy indemnifies and holds harmless the company against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the annual general meeting or any interruption in the ability of the shareholder or proxy to participate in the annual general meeting via electronic communication whether or not the problem is caused by any act or omission on the part of the shareholder, proxy or anyone else, including without limitation the company and its employees.

INFORMATION REQUIRED FOR PARTICIPATION BY ELECTRONIC COMMUNICATION

Full names of shareholder or authorised representative (for company or other legal entity): ____________________

Identity number or registration number of individual/entity: ____________________

Email address: ____________________

Cell phone number: ____________________

Telephone number including dialling codes: ____________________

Name of CSDP or broker if shares are dematerialised: ____________________

CSDP or broker contact number: ____________________

DOCUMENTS REQUIRED TO BE ATTACHED TO THIS APPLICATION FORM

1. In order to vote at the annual general meeting, shareholders who have not dematerialised their shares or who hold their shares in own-name registration are to appoint a proxy, which proxy may only participate and vote at the annual general meeting provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and is also to be attached to this application.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the annual general meeting, must be attached to this application.
3. A CSDP or broker registered in the company's sub-register participating on behalf of the beneficial owner of shares are requested to identify the beneficial owner on whose behalf they are acting and to attach a copy of the instructions from such owner.
4. Holders of dematerialised shares must request their broker or CSDP to issue them with the necessary authority to attend. The authorisation must be attached to this application.
5. A certified copy of the valid identity document/passport/driver's licence of the person attending the annual general meeting by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Signed at: ____________________ on ____________________ 2018

Signature: ____________________

Assisted by (where applicable): ____________________

Applications to participate by electronic communication will only be considered if this form is completed in full, signed by the shareholder, proxy or representative and delivered to the transfer secretaries as aforesaid. The company may in its sole discretion accept any incomplete forms.

ADMINISTRATION

JSE code: TCP
ISIN: ZAE000167391
JSE Limited sector: Financial Services
Listing date: 7 June 2012
Year-end: 30 September
Company registration number: 2002/031730/06
Country of incorporation: South Africa

DIRECTORS

Executive

David Hurwitz (chief executive officer)
Jonathan Jawno (executive director)
Michael Mendelowitz (executive director)
Mark Herskovits (executive director: capital management)
Ronen Goldstein (financial director)

Independent non-executive

Christopher Seabrooke (chairman)
Phumzile Langeni
Kuben Pillay
Olufunke Ighodaro

NON-EXECUTIVE

Roberto Rossi
Paul Miller

COMPANY SECRETARY AND REGISTERED OFFICE

Theresa Palos
230 Jan Smuts Avenue
Dunkeld West
Johannesburg, 2196
(PO Box 41888, Craighall, 2024)

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
(Registration number 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

LEGAL ADVISERS

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/018200/21)
150 West Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

INDEPENDENT AUDITORS

Deloitte & Touche
(Practice number 902276)
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)

FORMULAE AND DEFINITIONS

ITEM	DEFINITION
After tax credit loss coverage	Provision coverage divided by after tax credit loss ratio
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 September divided by 13
Average gross loans and advances	Sum of gross loans and advances at the end of each month from September to September divided by 13
Average interest-bearing liabilities	Sum of interest-bearing liabilities at the end of each month from September to September divided by 13
Average assets	Sum of assets at the end of each month from September to September divided by 13
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 year	Profit for the year excluding transaction and other acquisition-related costs
Core return on average assets	Core profit for the year expressed as a percentage of average assets
Core return on average equity	Core profit for the year 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 sales	Core profit for the year 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

FORMULAE AND DEFINITIONS continued

ITEM	DEFINITION
Gross loans and advances	Gross loans and advances 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 as 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
Pre-provision profit	Profit before tax excluding impairment of loans and advances
Provision coverage	Impairment provision expressed as a percentage of gross loans and advances
Return on average assets	Profit for the year expressed as a percentage of average assets
Return on average equity	Profit for the year 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 sales	Profit for the year expressed as a percentage of total income
Risk-adjusted net interest margin	Net interest margin less credit loss ratio
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 year 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