Transaction Capital

INTEGRATED ANNUAL REPORT 2013

HOW WE THINK

Strategic choices are both deliberate and emergent. Put differently, how we compete is a function of our pointed decisions on market, business model, organisational structure, business infrastructure and people. It is also a function of our response to unexpected environmental, industry and competitive developments.

Deliberate strategic choices are the foundation for planning, organisation and professionalism. Emergent strategic choices are an agile response to new threats, or the entrepreneurial discovery and exploitation of often obscure opportunity.

Sustainable financial performance results from the efficacy with which both such choices are implemented in the interests of stakeholders.

Our 2013 integrated report aims to illustrate this approach.

Mark Lamberti

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INTRODUCTION

Transaction Capital is a non-deposit taking financial services group operating in asset-backed lending (serving small-to-medium enterprises) and credit services (serving banks and major credit providers) mainly in South Africa.

Transaction Capital is led by a group executive office that directs, co-ordinates, controls and governs the operating entities, firstly to enhance their competitive position; and secondly, to extract value from the composition and capabilities of the group's portfolio of assets in a manner that a shareholder could not.

Transaction Capital has established a sound record of acquiring or founding and then developing businesses beyond their entrepreneurial origins to achieve scale and meaningful market positions in selected niches. In doing so the most important objectives are the expansion of a competitive presence and the reduction of costs to enhance pricing and the value proposition to clients.

We translate such market positions into societal and stakeholder value through strategic insight; organisational and leadership development; the ability to assess and manage credit and operational risk; the efficient allocation of capital; the raising of high quality competitive funding; the management of liquidity, funding and interest rate risk; and the development of a strong culture of governance, accountability, ethics and transparency.

We dispose of subsidiaries, with primary regard to the interests of shareholders, when: we anticipate diminishing returns on our investment of time, capital and resources; the value of the business can be enhanced by another owner or by it being totally independent; or they are no longer a strategic fit for the group. The Paycorp and Bayport disposals subsequent to year end met all of these criteria. The sale of Bayport shifts strategic focus from consumption lending to developmental finance and has further reduced the risk profile of the asset portfolio.

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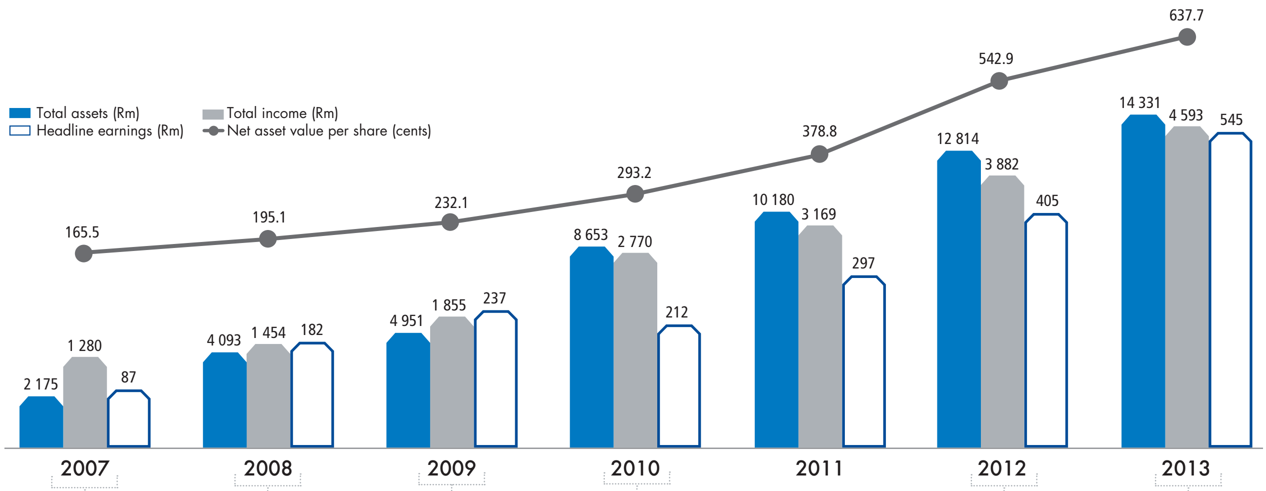
REFER TO VISION AND STAKEHOLDER RESPONSIVENESS

In crafting our vision, we have carefully defined the manner in which each of the group's identified stakeholder constituencies will come to perceive Transaction Capital. Our vision is our definition of victory, which we strive for in how we think, how we act and how we're managed.

CHRONOLOGY AND GROWTH



2007 MBD CS, CMS, SA Taxi and Principa Decisions merge with Paycorp to form Transaction Capital.

2008 Mark Lamberti is appointed executive chairman. Transaction Capital acquires 90% of Rand Trust.

2009 In compliance with good governance Mark Lamberti becomes CEO, with non-executive director Christopher Seabrooke becoming chairman.

2010 Transaction Capital acquires 82.65% of Bayport.

2012 Transaction Capital lists on the JSE on 7 June.

2013 Transaction Capital announces intention to dispose 100% holding in Paycorp.

"Profits involving a social purpose represent a higher form of capitalism – one that will enable society to advance more rapidly while allowing companies to grow even more. The result is a positive cycle of company and community prosperity, which leads to profits that endure.

Creating shared value presumes compliance with the law and ethical standards, as well as mitigating any harm caused by the business, but goes far beyond that. The opportunity to create economic value through creating societal value will be one of the most powerful forces driving growth in the global economy. This thinking represents a new way of understanding customers, productivity, and the external influences on corporate success. It highlights the immense human needs to be met, the large new markets to serve, and the internal costs of social and community deficits – as well as the competitive advantages available from addressing them…"

Porter and Kramer, 2011

ABOUT THIS REPORT

We are pleased to present to stakeholders Transaction Capital's integrated annual report for the year ended 30 September 2013, our first full year as a listed entity. This, our second integrated report, explains the group's business model and strategy, analyses its financial, economic, social and governance performance, and suggests its prospects for the future.

To demonstrate the integrated thinking that is intrinsic to the group's business model, we have attempted to clearly articulate the group's strategic approach and decision-making processes. This is reflected in the theme for this report: How we think.

As indicated in the introduction to our report, strategic clarity is fundamental to our approach to creating value. We continue to make considerable progress in achieving this. We believe this is demonstrated in this year's report.

SCOPE AND BOUNDARY

The scope of this integrated report covers the group holding company and its subsidiaries, which are set out in the Group structure and profile on page 18.

The group operates primarily in South Africa with small operations in Namibia and Dubai.

The report specifically includes Paycorp and Bayport for which agreements of sale were concluded subsequent to year end. The performance and financial position of Paycorp has been accounted for as a discontinued operation in the income statement and as a non-current asset classified as held for sale in the balance sheet. Bayport has been fully consolidated into the results for the year under review.

The content included in this integrated annual report is considered to be material and therefore useful and relevant to our stakeholders, especially in evaluating Transaction Capital's ability to create and sustain value over the short, medium and long term. The group executive determines materiality with inputs from stakeholder intelligence gathered through engagement at group and subsidiary level. The discussion of our material issues is specifically set out to answer the key questions raised in our engagements with the relevant stakeholders in each case. The group's main stakeholders are described on page 74.

The report includes abridged annual financial statements (page 91 to 93), with the full annual financial statements available on the group website, www.transactioncapital.co.za.

REPORTING FRAMEWORKS

We have prepared the report in accordance with International Financial Reporting Standards (IFRS), the JSE Listings Requirements and the South African Companies Act, 71 of 2008. We have applied most of the principles contained in the King Code on Governance Principles for South Africa 2009 (King III). Where we depart from certain principles, this is explained (see page 68). We have considered the International Integrated Reporting Council (IIRC) consultation draft framework in preparing this year's report.

APPROVAL OF THE REPORT

EXTERNAL

The group's external auditors, Deloitte & Touche, have audited the annual financial statements. The scope of the audit has been limited to the information set out in the annual financial statements and does not extend to the content of the integrated annual report.
The assurance statement is provided online as part of the annual financial statements.

At this early stage of integrated reporting, the group has not sought external verification of the non-financial content of the integrated report. It is our intention to do so in subsequent reports on a limited basis, where such verification adds value to the overall quality of the report.

INTERNAL

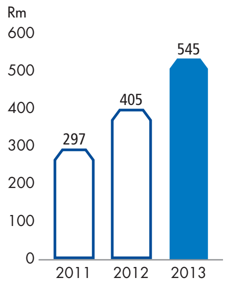
The audit committee acknowledges its responsibility on behalf of the board to ensure the integrity of the integrated report. The committee has accordingly applied its collective mind to the report and believes that it appropriately and sufficiently addresses all material issues, and fairly presents the integrated performance of Transaction Capital and its subsidiaries for the year, within the scope and boundary set out above. The audit committee recommended this integrated report to the board for approval.

Mark J. Lamberti, Chief Executive Officer

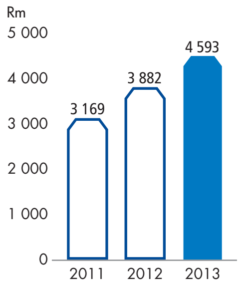
David Hurwitz, Chief Financial Officer

FINANCIAL PERFORMANCE

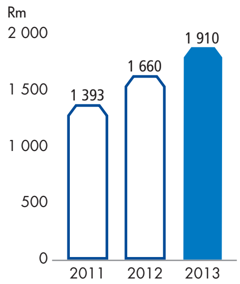
Headline earnings



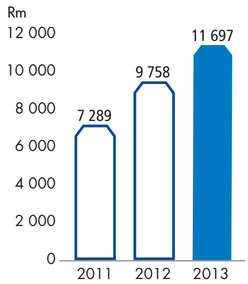
Total income



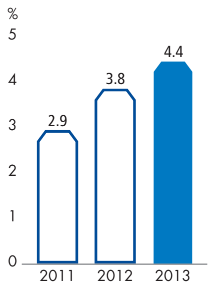
Non-interest revenue



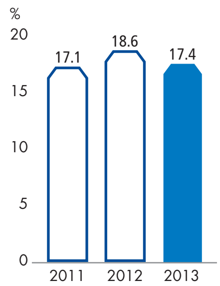
Gross loans and advances



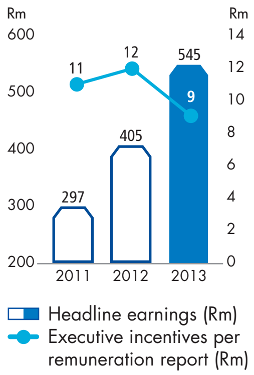
Return on assets



Return on equity



Executive incentives alignment with performance



DISPOSAL OF PAYCORP AND BAYPORT SUBSEQUENT TO YEAR END

DISTRIBUTION OF
200 CPS
UNDER CONSIDERATION

46 REFER TO USE OF PROCEEDS

SOCIAL PERFORMANCE

B-BBEE SCORE: LEVEL
FOUR
2012: Level four

Asset-backed lending

NUMBER OF TAXIS FINANCED IN THE YEAR:
23 453
BRINGING THE TOTAL NUMBER OF TAXIS FINANCED BY SA TAXI TO OVER 35 000

AVERAGE VALUE OF LOANS GRANTED:
R268 479
PER LOAN

Unsecured lending

NUMBER OF LOANS GRANTED IN 2013:
344 547

AVERAGE VALUE OF LOAN GRANTED:
R14 308
PER LOAN

Credit services

ASSETS UNDER MANAGEMENT:
R25.8 billion

FAIR VALUE OF PRINCIPAL PORTFOLIO:
R437 million

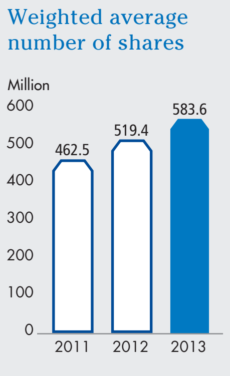
NUMBER OF COLLECTION AGENTS:
2 744

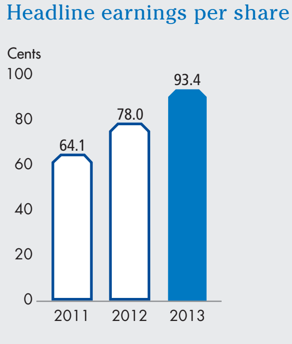
Payment services

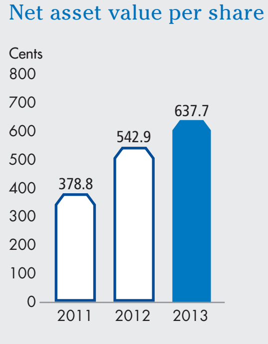
TOTAL ATM DISBURSEMENTS:
R35.6 billion

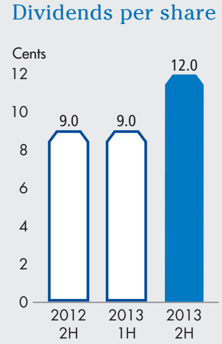
NUMBER OF ACTIVE ATMs:
4 651

SHARE PERFORMANCE









VALUE DISTRIBUTED TO STAKEHOLDERS

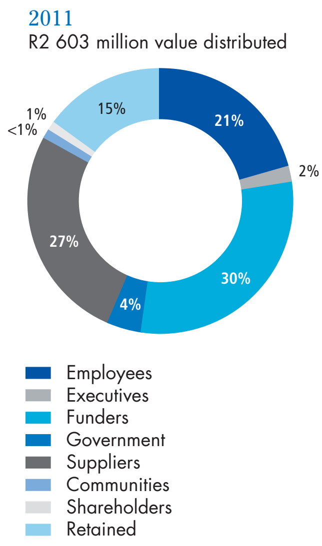
R836 million
PAID TO THE 5 386 EMPLOYEES
WHOSE TALENT AND EFFORTS DETERMINE OUR PROGRESS

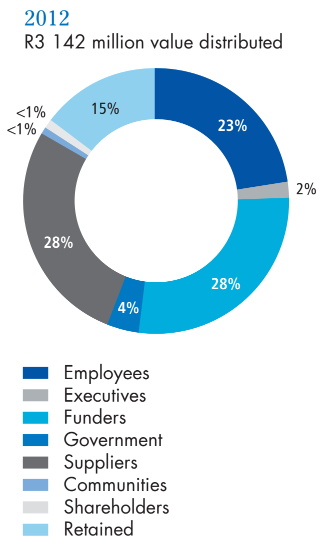
R108 million
PAID IN TAXES
TO FINANCE THE OBJECTIVES OF THE NATIONAL GOVERNMENT

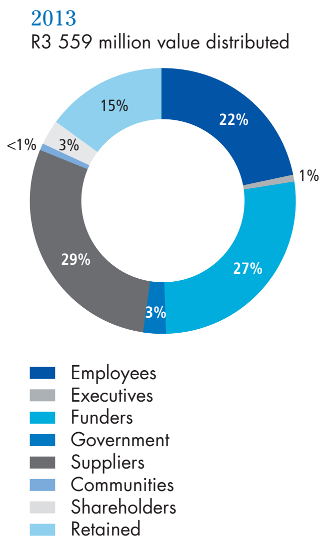
R105 million
PAID TO SHAREHOLDERS
WHO PROVIDE THE EQUITY TO ENSURE OUR SUSTAINABILITY

R948 million
INTEREST PAID TO DEBT FUNDERS
WHOSE INVESTMENT FACILITATES OUR NON-DEPOSIT TAKING BUSINESS MODEL

R519 million
RETAINED IN THE BUSINESS
TO FUND FUTURE REQUIREMENTS







HOW WE

THINK

08-39

The foundational elements of our business philosophy are: our vision, which prioritises our stakeholders; our mission, which focuses our strategic intent; and our values, which guide our every action in accomplishing our aims. These statements go beyond inspirational eloquence, to provide qualitative templates against which our performance and behaviour can be measured.

VISION

Our vision is a measurable definition of victory: our success will be determined by the positive opinion of our stakeholders.

CLIENTS will regard Transaction Capital's subsidiaries as their first choice when utilising the cost-effective, innovative, differentiated services they provide, while acknowledging the expertise, value and cachet that accrues from their being part of the Transaction Capital group.

EXECUTIVES and **MANAGERS** will regard Transaction Capital's strategy of collaborative value creation through and between focused subsidiaries as intellectually stimulating and intrinsically rewarding, while demanding high quality leadership.

EMPLOYEES will regard Transaction Capital as a prestigious and preferred employer in financial services, providing personal development, intra-company advancement and highly competitive compensation in exchange for commitment, thought leadership and performance.

FUNDERS will regard Transaction Capital as an innovative group that exemplifies the highest standards of risk management, transparency, disclosure, prudence, compliance, governance and ethics.

SUPPLIERS will regard Transaction Capital and its subsidiaries as demanding but fair clients whose expertise, interpersonal skills, efficient administration, financial stability and long-term orientation make them desirable business partners.

SHAREHOLDERS will regard Transaction Capital as a well understood, respected, niched financial services investment that renders a consistent growth of high quality returns through innovative entrepreneurship.

LAW MAKERS and **REGULATORS** will regard Transaction Capital as an approachable group that complies fully with the letter and spirit of all laws, regulations and codes.

THE COMMUNITY will regard Transaction Capital and its subsidiaries as a responsible caring southern African group, deeply committed to investing in the education and upliftment of the underprivileged.

Progress made against our vision

The following strategic interventions have brought us closer to achieving our vision through **reducing risk** in the portfolio and **positioning the group for growth**:

Enhanced the customer value proposition in all businesses – *in response to competitive scanning, informal feedback and formally researched **client** needs.*

Finalised and implemented recruitment, assessment, development, compensation and succession policies – *in response to the shortage of **executive and senior managerial** general and functional **leadership** talent.*

Defined and commenced implementation of an appropriate employee value proposition in each business – *in response to **employees'** need for meaningful extrinsic and intrinsic rewards.*

Maintained and improved credit ratings, and created new funding structures – *in response to **funders'** need for appropriately rated, diversified debt investment structures.*

Ensured appropriate group executive committee level interface with providers of goods, services and professional counsel in all subsidiaries – *in response to **suppliers'** need to deal with decision makers.*

Maintained earnings and book growth, while rationing capital for credit quality, disposing of two major divisions and aligning central overheads to the smaller group – *in response to **shareholders'** need for sustainable higher quality risk-adjusted returns, and a balance sheet able to withstand a stressed consumer credit economy and fund meaningful acquisitive growth.*

Appointed a chief legal officer who established a centralised legal office – *in response to **law makers'** extensive promulgation of relevant legislation, general vacillation and uncertainty from regulators and the need for a consistent group-wide approach to contracts and litigation.*

Developed an awareness that while our increasing corporate social investment was necessary to reduce societal inequity, our businesses if properly directed were the greatest force for societal good – *in response to the **community's** need for responsible caring capitalism.*

Our mission is a **measurable definition of PURPOSE** – that sets out the assets and competencies we use to achieve our vision. Effective execution of the components of our mission will result in a compelling investment case and relative financial outperformance.

OUR MISSION

Transaction Capital provides **financial and allied services in selected mass, emerging and under-served markets in South Africa** through a managed portfolio of non-deposit taking, specialised businesses, which:

> benefit from **value accretive structures and processes;**

> have the potential to **achieve scale and market leading positions;**

> are adequately capitalised and sustained by **robust liquidity and debt capital positions,** achieved through diversified funding structures that attract debt capital from a broad range of local and international investors and capital pools that have an in-depth understanding of the underlying businesses and asset classes;

> **mitigate risk** by management focus, proven operational capabilities, strong corporate governance and strict compliance with regulatory frameworks;

> develop **leading and proprietary technologies** in credit, risk, collections, payments, information management and human capital; and

> operate under the **active direction and management of an experienced team** whose strategic insight, financial acumen, credit risk expertise, entrepreneurial creativity and deep market knowledge has established a proven record of value creation and growth in alternative assets.

MARKET | INTERVENTION | LIFECYCLE | FUNDING | RISK | TECHNOLOGY | LEADERSHIP

OUR INVESTMENT CASE

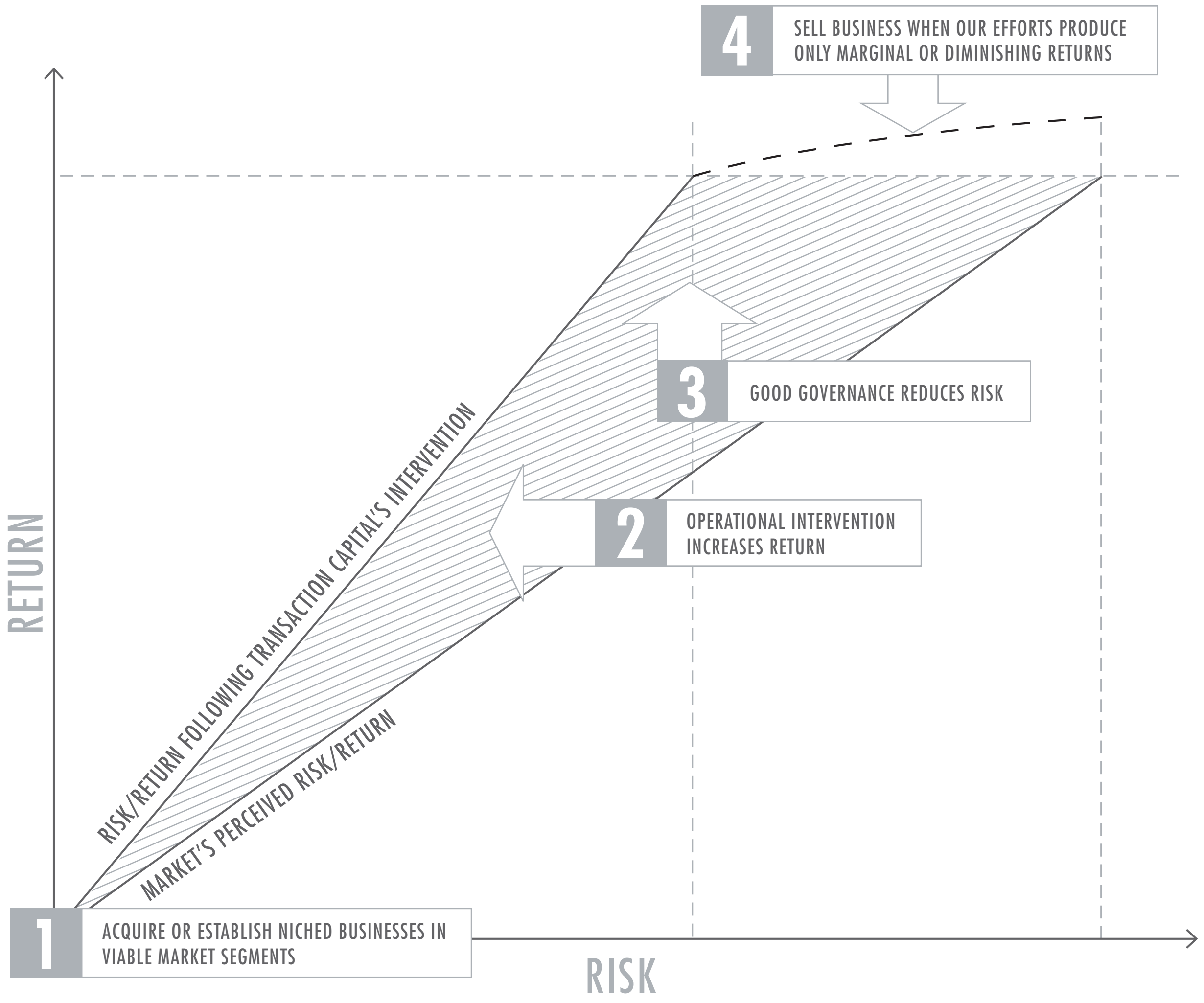
WHAT DIFFERENTIATES US	STRATEGICALLY WELL POSITIONED TO OPTIMISE GROWTH AND RETURNS IN RELATION TO THE INDUSTRY AND MACRO-ECONOMIC ENVIRONMENT	THROUGH A SPECIALISED FINANCIAL AND ALLIED SERVICES BUSINESS	WITH AN ESTABLISHED AND DIVERSIFIED FUNDING POSITION	FOCUSED ON ASSET QUALITY AND RISK MANAGEMENT	LED BY A PROVEN ENTREPRENEURIAL MANAGEMENT TEAM	OPERATING WITHIN A ROBUST GOVERNANCE FRAMEWORK
THE FEATURES THAT POSITION US FOR GROWTH	Positioned to service growing middle-class and under-served small-to-medium enterprises (SME) market. Counter-cyclical opportunities such as collection management versus book buying.	Portfolio of strategically aligned niched businesses with strong market positions. Increasing opportunities for a non-deposit taking group as financial services become more regulated.	Capital levels well positioned to optimise the equity and debt structures, fund organic growth, and underpin medium-term acquisitive activity to yield an acceptable risk-adjusted return to shareholders. Proven ability to raise debt capital from a diversified range of debt investors.	Major investment in skills and information technology for productivity, asset management and risk mitigation. Capital rationing shifts focus from book growth to improved credit quality via the origination of high quality assets.	Experienced leadership with proven entrepreneurial, merger and acquisition, technical, financial and risk management skills. Continual group-wide investment in executive education, expertise and experience. Judicious investment in technology platforms.	Experienced, diverse independent directors. Institutionalised governance, regulatory and risk management practices.

BUSINESS MODEL

Transaction Capital identifies high yielding under-served market opportunities or underperforming asset classes, carefully evaluating the actual and perceived risks associated with them.

Transaction Capital then mitigates risk by:

> formulating defensible competitive strategies;
> defining a viable business model;
> allocating appropriate equity capital;
> raising high quality competitive funding;
> appointing and developing competent management;
> assessing and managing credit and operational risk to acceptable levels;
> establishing a strong culture of governance, accountability, ethics and transparency; and
> scaling the specific business to achieve an acceptable risk-adjusted return.



Transaction Capital's business model enables it to create and protect value over the lifecycle of its assets:

1 We **acquire** or **establish** niche businesses which:
- operate within viable market segments;
- focus on previously under-served markets;
- have strategic, operating and financial merit;
- have potential for sound organic growth;
- have the ability to gain significant competitive advantage; and
- can leverage leading and proprietary technologies to achieve operational excellence.

2 We **add value** to these businesses in excess of the tangible or intangible costs imposed on them by being part of a group through **active intervention** to enhance their strategic, human, operating and financial performance.

3 Our business model is circumscribed by **good governance**, compliance and control systems.

4 We **sell** businesses when our investment of resources, capital and time is expected to produce less than concomitant returns. This can occur through changes in: the macro- and micro-economy; the competitive milieu; counterparty strategies and policies, regulation and risk. The composition of the group's portfolio and the structure of its operating divisions is therefore always subject to review in the interests of shareholders, with due regard to other stakeholders.

GROUP EXECUTIVE OFFICE

The group executive office is responsible for:

- identifying opportunities and mitigating early stage risk of new acquisitions;
- adding value to these subsidiaries over their lifecycle as part of the group, in excess of the tangible or intangible costs imposed on them by being part of the group; and
- considering the disposal of an asset if it is determined that another owner is better able to add value, and where fair return on the group's efforts can be achieved.

The group executive office is well resourced to fulfil its responsibilities. It is staffed by executives whose education, experience and entrepreneurial record spans the full gamut of the group's requirements, with particular expertise in strategy, organisation, human capital, mergers and acquisitions, credit, risk and governance.

The group executive office holds the individual businesses responsible for operating performance within the parameters of board-approved strategies and budgets. The group structure set out on page 18 provides an overview of the group's current subsidiaries.

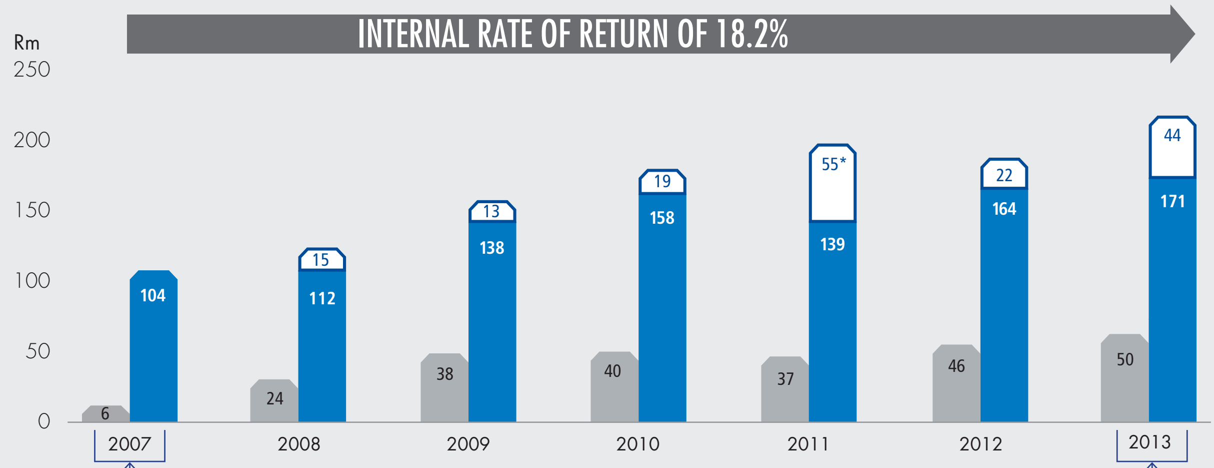
BOARD OF DIRECTORS

Transaction Capital has a strong, diverse board that effectively and continually tests management's strategy and practices. The board comprises executive and non-executive directors with a depth of relevant experience and expertise in strategy, banking, capital markets, human capital, credit, risk, law and business leadership.

OUR STRATEGY IN ACTION

We have a sound track record of acquiring or founding and then developing businesses beyond their entrepreneurial origins to achieve scale and meaningful market positions. The example of Paycorp below illustrates the group's strategy in action, and how we measure value.

PAYCORP LIFECYCLE AS PART OF THE GROUP



HOW WE MEASURE VALUE

- Headline earnings**
- Net asset value
- Dividend paid

*A special dividend to the value of R45 million was declared and paid to Transaction Capital in 2011.
**Headline earnings excludes the impact of classification to held for sale.

TRANSACTION CAPITAL ACQUIRES PAYCORP FOR
R431 million

TRANSACTION CAPITAL SELLS PAYCORP TO PRIVATE EQUITY FIRM ACTIS FOR
R937 million

"Being part of Transaction Capital and working closely with the group executives has enhanced Paycorp's strategic focus, leadership development and corporate governance. We're equally appreciative of the group's recognition that Actis can unlock further value for Paycorp."

Steven Kark – Paycorp CEO

Q&A WITH CEO DESIGNATE DAVID HURWITZ

Q: WITH THE SIGNIFICANT CHANGES IN THE PORTFOLIO AND THE LEADERSHIP OF TRANSACTION CAPITAL, HAS THE STRATEGY CHANGED?

Not at all, Transaction Capital's strategy is clearly defined and hasn't changed. The recent disposals have positioned Transaction Capital strongly in relation to both aspects of its strategy – to enhance the competitive positioning of our existing businesses within their chosen market segments, and then to identify and acquire new businesses and create value through active intervention. Our risk profile has improved considerably, we have the capital base needed to grow our businesses organically, and the liquidity to make the appropriate acquisitions. In terms of the leadership changes, Mark's succession planning has been very systematic and has equipped me to take Transaction Capital forward and deliver on its strategy. The executive team and I also have the support of a board of exceptional calibre, with a depth of skills that are highly relevant to what we need to do to create value for our shareholders.

Q: TAKE US THROUGH SOME OF YOUR PLANS FOR ORGANIC GROWTH.

In each of our businesses, we're focused on doing what we already do well even better – by strengthening our value propositions to clients and understanding in detail what the levers are to drive higher profitability. From this basis, we're looking at opportunities to evolve the businesses to secure new avenues for growth. SA Taxi is focused on growing its book and reducing non-performing loans by increasing its exposure to premium vehicles. The business is also developing new products for existing customers and looking at financing an entirely new portfolio of vehicles for tradesmen – with a pilot already underway. Rand Trust is broadening its distribution to attract new clients and developing its product offering to retain existing clients, while leveraging the economies of scale it has achieved. MBD CS is servicing new credit providers in both the public and private sectors, and taking advantage of the current softness in the consumer economy, which is advantageous for book buying. This will position the business well for any economic upturn. Principa Decisions is diversifying its revenue base, and the joint venture in the Middle East is very exciting in this regard. So based on the dominant market positions our businesses have, there are exciting opportunities for growth and we have clear plans to take advantage of them.

Q: IN RELATION TO ACQUISITIONS, IS THERE ANYTHING ON THE RADAR?

We continue to look for and assess acquisition opportunities as a feature of our strategy. Notwithstanding the streamlining of the group executive office in line with the smaller size of the portfolio, we're well structured and well resourced to do so. We understand that the pressure is on for us to use the capital we have, but we won't act hastily or irresponsibly in making acquisitions that do not align with the group's strategy. We need to be absolutely certain that we can grow the value and manage down the risk of the asset through deliberate strategic intervention, implementing the most effective organisational and capital structures, and putting the right people in place to execute on our strategic intent. Everything we do is carefully considered through the lens of our strategy, whether we are looking to buy a business or to strengthen and grow those currently in our portfolio.

Q: IT SOUNDS LIKE YOU'RE EXCITED ABOUT THE WAY FORWARD?

I'm really excited to take the group forward and I believe our growth story is a compelling one. We have a clear and differentiated strategy, and the resources – in the calibre of executive and non-executive skills as well as the capital position – to deliver on it. I have every confidence in the executive teams, both at group and subsidiary levels. We've been successful in attracting and retaining highly qualified and experienced people, many of whom are accustomed to managing larger assets. This supports the specialist expertise and focused attention that is the hallmark of Transaction Capital and underpins our interventionist approach. Finally, my heartfelt thanks must go to Mark for his exceptional leadership of the group and his mentorship of me personally, and for leaving Transaction Capital in far better shape than when he joined it.

Transaction Capital places the strategic positioning of the group among its highest priorities. This task entails the pursuit of two objectives, both utilising a judicious combination of the finest elements of formal theory and entrepreneurial creativity.

The first objective is to enhance the competitive position of each business unit within its chosen market segment. This requires the definition and delivery of a value proposition to clients, counterparties and employees which is unique relative to competitors. The second objective is to create value arising from the composition and capabilities of the group, in excess of the tangible and intangible costs thereof. This requires the agglomeration of a portfolio of businesses through financially accretive acquisitions and disposals, and the subsequent creation of value through directive leadership and intervention, restructuring and skills transfer. The successful achievement of these two objectives results in the creation of value for shareholders often in businesses or assets that are not otherwise accessible to them.

STRATEGIC THRUST 1

ENHANCE RETURNS THROUGH OPERATIONAL EXCELLENCE, GROUP INTERVENTION AND GOVERNANCE

While each operating and functional entity has made great progress in recent years, not all are operating at the requisite level of efficiency. Continued investment in people and technology are expected to result in higher productivity, cost reduction and risk mitigation.

Concurrently, directive group interventions in strategy, capital, credit risk, human capital, compensation, internal control and compliance are made to enhance the performance of subsidiaries. This is achieved through a superior ability to assess and direct the management of credit and operational risk; efficient allocation of equity capital; the raising of high quality and competitive debt funding; the management of liquidity, funding and interest rate risk; and the development and oversight of a strategic plan.

Financial services in South Africa are subject to a wide range of laws, regulation, compliance and disclosure. Transaction Capital has embraced and institutionalised the governance systems these requirements necessitate through the composition of board committees, and the levels of fiduciary and managerial oversight and authority formally imposed on the operating and functional entities.

STRATEGIC THRUST 2

LEVERAGE EXISTING CAPABILITIES AND INFRASTRUCTURE TO DRIVE ORGANIC GROWTH

Transaction Capital's entrepreneurial record and understanding of credit and collections in emerging market segments can be leveraged across a broader range of niche markets and products than the group currently serves.

Transaction Capital focuses on identifying, developing and then offering specialised financial products and services in selected market segments that have been historically under-served by the traditional banking sector. Over the years, its businesses have transitioned beyond their entrepreneurial origins to achieve scale and strong market positions. The benefits of scale not only allow for greater penetration of its chosen products into an under-served market and the further strengthening of its competitive position, but over time also allow for reduced pricing and greater product differentiation as the benefits of scale are passed on to its customers. Transaction Capital is intentionally positioned to take advantage of South Africa's macro- and socio-economic context.

We therefore aim to expand the group and each business organically within viable niches of the South African financial services sector through: the continued growth of the group's client base and distribution outlets; cross-selling to existing clients; new product development; and the identification of potential adjacent niches within the financial services sector. Transaction Capital will continually target and segment new clients and ensure that the economic value to the group of existing clients is increased over time.

In addition, Transaction Capital's businesses have strong partner relationships with leading South African financial institutions, banks, retailers and other credit providers, from which they can develop additional business opportunities.

STRATEGIC THRUST 3

TARGET AND INTEGRATE ACCRETIVE ACQUISITIONS

The leaders of Transaction Capital have a proven record of accreting value by identifying, pricing, acquiring and integrating new businesses, and then developing them to achieve scale and strong market positions. This is achieved by: evaluating, managing and mitigating identified risks to acceptable levels; allocating equity capital and introducing appropriately priced wholesale debt funding to such businesses; attracting and retaining the requisite talent; and establishing suitable managerial and governance practices to generate an attractive risk-adjusted return.

While significant acquisitive growth opportunities exist to exploit our expertise, a conservative approach in their selection will persist with a narrow focus on the acquisition of assets, the competitiveness and value of which can be enhanced by active management within the group.

Although there are sufficient opportunities organically to drive short- to medium-term growth within its existing operations, Transaction Capital will consider acquisitive growth within the ambit of its capabilities and experience in South Africa and the broader southern African region.

STRATEGIC THRUST 5

SECURE LONG-TERM FUNDING TO SUPPORT THE GROUP'S PROGRESS

Transaction Capital's ability to expand and improve the competitive positions of its businesses depends in part on the group's ability to raise sufficient capital.

The group operates a dedicated capital markets team to structure and raise debt and equity capital for all its businesses. This team actively manages a wholesale funding programme, enabling it to secure sufficient long-term funding from a wide range of South African and international investors, through various funding structures, including securitisation, structured finance and syndicated loans.

We believe that the group's ability to source funding results in part from the attractiveness of its high yielding operating assets; its transparent, ring-fenced funding structures; and its direct and strong relationships with capital investors.

It is likely that a significant portion of the group's financing will continue to be sourced from ring-fenced, limited recourse asset-backed funding structures. This funding structure facilitates investor diversification and avoids cross-subsidies or risks across businesses, while the group retains residual exposure through equity or subordinated financing and servicing obligations.

Since 2006, Transaction Capital has issued more than R23 billion of debt, established a favourable liquidity and funding position with limited exposure to short-term debt instruments, maintained a positive liquidity mismatch where average debt maturities exceed average asset durations, and has not accepted deposits.

STRATEGIC THRUST 4

IMPROVE DATA AND SKILLS TO ASSESS, MANAGE AND MITIGATE RISK

Transaction Capital's focus and experience in emerging market segments has resulted in a deep understanding of credit risk and the development of specialist risk assessment tools based on proprietary data relevant to these markets. The business models rely on proximity to the end customer, delivering a competitive advantage to Transaction Capital in the accurate pricing and management of credit risk.

The volume and granularity of information required to service clients and control assets and people in Transaction Capital is significant. While the integrity of data is sound throughout the organisation, very few of the operating entities have utilised technology to the point where differentiation, speed, simplicity or low cost constitutes a competitive advantage. Investments in business process redefinition and information and processing technologies are expected to produce benefits in excess of their cost over the next three years. Transaction Capital's executives are appropriately qualified and many have deep and lengthy experience within the group. External appointments bring relevant expertise and experience from other financial institutions. This intellectual capital is applied typically over a much smaller asset base than in larger organisations with a concomitant expectation of higher performance.

The most senior management of the group have been recognised by their membership of the Top 50. The compensation, benefits and programmes attached to this membership facilitate the attraction, retention and development of key management and encourage collaboration between executives across the group. Transaction Capital's aim is to preserve sufficient flexibility to support management's entrepreneurial spirit and innovation, while maintaining management accountability and robust risk processes.

TRANSACTION CAPITAL

TOTAL INCOME **R4 593 million**[1]

HEADLINE EARNINGS **R545 million**[2]

CONTINUING HEADLINE EARNINGS **R480 million**

LENDING

TOTAL INCOME **R3 741 million**

HEADLINE EARNINGS **R362 million**

ASSET-BACKED LENDING TOTAL INCOME 30% OF GROUP | HEADLINE EARNINGS 30% OF GROUP

SA Taxi
driving our nation forward

CEO: Terry Kier (47) BA (Hons)
Group/subsidiary tenure – six years

BUSINESS TYPE: Financier of independent small-to-medium enterprises (SMEs) in the minibus taxi industry.

Leading specialised lender to SME minibus taxi operators in South Africa, providing loans through finance leases together with insurance and other related products, utilising a combination of credit assessment methodologies, including minibus taxi route profitability analysis, vehicle quality assessment and traditional credit scoring.

SOCIETAL RELEVANCE: SA Taxi finances SMEs that may not otherwise have access to credit from traditional banks, contributing to job creation, and enabling and improving the safety of public transport in South Africa.

EMPLOYEES: 484

Rand Trust
business, on your terms

CEO: Deon Pienaar (40) BCom (Hons), CA(SA), CISA Group/subsidiary tenure – six years

BUSINESS TYPE: Provider of working capital to SMEs through invoice discounting and commercial debtors' management.

SOCIETAL RELEVANCE: Rand Trust provides finance to SMEs that may not otherwise have access to credit from traditional banks, thereby facilitating SME growth.

EMPLOYEES: 80

UNSECURED LENDING TOTAL INCOME 51% OF GROUP | HEADLINE EARNINGS 37% OF GROUP

Bayport
loans for you

CEO: Stuart Stone (44) BCom (Hons), CA(SA)
Group/subsidiary tenure – nine years

BUSINESS TYPE: Bayport is a provider of unsecured credit and related products, including insurance products and cellular subscription agreements.

Provider of unsecured credit and related products to the emerging middle-income consumer segment in South Africa. The mobile sales distribution model consists of a mobile agency force backed up by a branch network, strategic alliances and sophisticated call centres to make contact with new clients. Bayport uses superior IT systems and has considerable risk and credit assessment capability.

SOCIETAL RELEVANCE: Bayport finances individuals who may not otherwise have access to credit from traditional banks, contributing to the improvement of living standards and education.

EMPLOYEES: 1 326

TOTAL INCOME
R806 million

SERVICES

HEADLINE EARNINGS
R160 million[3]

CREDIT SERVICES TOTAL INCOME 18% OF GROUP | HEADLINE EARNINGS 17% OF GROUP

MBD Credit Solutions
asset intelligence

CEO: Charl van der Walt (48) BAcc (Hons), CA(SA)
Group/subsidiary tenure – 13 years

BUSINESS TYPE: MBD CS collects distressed consumer and commercial debt as agent on behalf of South Africa's leading credit providers, and as principal on acquired book debts.

Externally rated South African leader in receivables management comprising the collection of pre-charged off accounts, charge off accounts and distressed debt. It operates on an outsourced contingency basis on behalf of its clients and as principal for its acquired portfolios. MBD CS operates call centres in nine locations throughout South Africa, with 2 744 call centre agents.

SOCIETAL RELEVANCE: MBD CS provides comprehensive credit reports, financial education and debt negotiation services to individuals through Credit Health, one of its subsidiary companies.

EMPLOYEES: 2 962

Principa
profitable decisions

CEO: David McAlpin (52) BCom, MBA, ACMA Group/subsidiary tenure – five years

BUSINESS TYPE: Provider of credit lifecycle consulting services, predictive modelling and reseller of related software.

SOCIETAL RELEVANCE: Principa Decisions works with a wide range of credit providers in South Africa to ensure credit is granted responsibly and only marketed and provided to individuals who have the appropriate financial capacity and ability to repay.

EMPLOYEES: 77

PAYMENT SERVICES PROFIT FROM DISCONTINUED OPERATIONS R65 MILLION

Paycorp Holdings
payment services

CEO: Steven Kark (40) BCom, Postgraduate Diploma of Business Administration
Group/subsidiary tenure – 14 years

BUSINESS TYPE: Paycorp comprises ATM Solutions, which owns, installs, operates and maintains ATMs and EFT terminals off bank premises, and DrawCard, a prepaid card issuer.

Paycorp is South Africa's largest payments group, owning its own third-party transaction switch and owning, deploying and operating 4 651 off-site ATMs, with a 16% market share. It is also a Visa certified provider of stored value prepaid card solutions and deploys debit and credit card terminals. Paycorp operates nationally and is a South African Reserve Bank system operator.

SOCIETAL RELEVANCE: Paycorp drives financial inclusion by providing access to ATMs, EFT terminals and debit cards.

EMPLOYEES: 387

DISCONTINUED OPERATION
Paycorp was classified as a discontinued operation in the 2013 financial results. Bayport was disposed of after year end and was not classified as a discontinued operation.

1 Total income includes the group executive office, which contributed R46 million (1%) to total income for the year.
2 Headline earnings includes the group executive office, which contributed R23 million (4%) to headline earnings for the year.
3 Headline earnings of R160 million for the services division includes R65 million classified as profit from discontinued operations relating to the payment services division.

MATERIAL ISSUE 1

Defining, measuring and communicating how the group creates stakeholder value, including its approach to acquisitions, mergers and disposals.

KEY QUESTIONS FROM STAKEHOLDERS

> How does Transaction Capital enhance the growth and performance of its subsidiaries?
> What are the key criteria used when considering changes to the portfolio?
> What will the group look like in three years' time?

PERFORMANCE AGAINST OBJECTIVES IN 2013

OBJECTIVES	PERFORMANCE
Regular review of the operating and competitive environment.	Anticipated all major market and competitive developments.
Defensible competitive strategies.	**SA Taxi** – entrenched SA market leadership in minibus taxi finance to new small-to-medium enterprises (SMEs) through focused client-centric initiatives, restructured insurance capabilities and loss mitigation through upgraded refurbishment facility. **Rand Trust** – expanded footprint to Gauteng. **Bayport** – focused on lower-risk clients with "credit health" value proposition. **MBD CS** – entrenched SA market leadership in the collection of accounts receivables as agent and principal, through aggressive purchasing of distressed debt and developing call centre facilities and capabilities. **Principa Decisions** – built on SA market leadership in credit risk consulting and software, with new venture in Saudi Arabia. **Paycorp** – extended footprint as SA's leading independent deployer and operator of ATMs through location and security strategies.
Appropriate business model, organisational structure, leadership and staffing.	Monthly chief executive officer (CEO) review and refinement of business model, structure and executive staffing.
Appropriate capital structure.	Refer to material issue 4 (page 28).
Budgetary control.	Monthly performance management and corrective action by CEO, deputy CEO, chief financial officer (CFO) and executive committee.
Percentage revenue growth target of mid-teens.	Total income increased 18.3% to R4 593 million.
Percentage earnings growth target of mid-twenties.	Headline earnings up 34.6% to R545 million. Headline earnings per share up 19.7% to 93.4 cents per share.

KEY CRITERIA WHEN CONSIDERING CHANGES TO PORTFOLIO

ACQUISITION CRITERIA	PERFORMANCE
Viable seller: > Is the current owner and/or management disposed to a transaction?	Target A declined
Strategic fit: > Does the target have potential to achieve market leadership in its niche?	Targets B and C declined
Operational fit: > Will the acquired business be enhanced by Transaction Capital's resources and capabilities? > Will Transaction Capital obtain an acceptable return on effort?	Target D declined
Financial viability: > Does the purchase price represent good value? > Will Transaction Capital obtain an acceptable risk-adjusted return on investment?	Target E declined
DISPOSAL CRITERIA	**PERFORMANCE**
Diminishing returns on investment of time, capital and resources.	Paycorp
Prospective buyer's ability to create greater value and willingness to pay a premium.	Paycorp Bayport
Market developments undermining potential returns.	Bayport

WHAT WILL TRANSACTION CAPITAL LOOK LIKE IN THREE YEARS' TIME?

PORTFOLIO	TARGET
All existing companies will have grown revenue and earnings.	Earnings growth of SA Taxi, Rand Trust, MBD CS and Principa Decisions each targeted at about 20% per annum before acquisitions.
Additions to the portfolio, moving into new but associated areas.	Accretive deployment of R900 million in equity available for acquisitions.
LEADERSHIP	**TARGET**
New group leadership to deliver new vision.	Establishing David Hurwitz as CEO and Mark Herskovits as CFO as effective visionary leaders of group.
Highly respected divisional management.	Integrated development and succession plans in place for every direct report of the CEO's direct reports.

MATERIAL ISSUE 2

MANAGING CREDIT RISK

KEY QUESTIONS FROM STAKEHOLDERS

> How has Transaction Capital responded to the current lending environment and increased consumer indebtedness?

> How has Transaction Capital positioned itself in the credit markets compared to its peers?

CHALLENGES ENCOUNTERED IN 2013

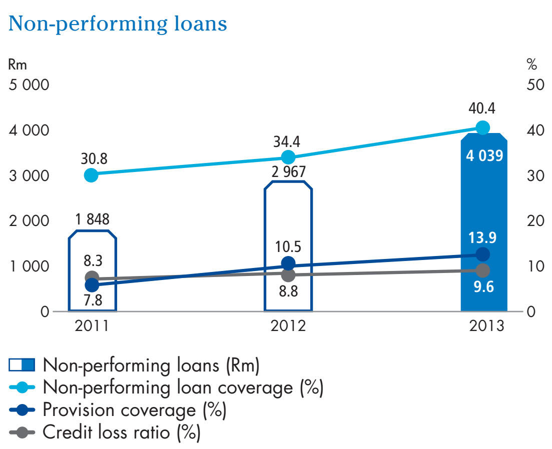
> Challenging consumer environment

> Regulatory uncertainty

PERFORMANCE AGAINST OBJECTIVES IN 2013

OBJECTIVES	PERFORMANCE
Contain credit losses and non-performing loans within risk appetite levels approved by the board. Respond effectively and efficiently to market changes.	• **Group performance** > Non-performing loans of R4 039 million (2012: R2 967 million). > Credit loss ratio of 9.6% (2012: 8.8%). • **SA Taxi** > Credit performance continues to improve through its strategic focus to finance premium vehicles, enhancing credit/origination quality and improving collections. > Non-performing loans ratio increased due to inventory held on-book for longer time periods to improve the quality of repair which will result in improved credit loss ratios. > The biggest challenge remains the elimination of exposure to entry-level vehicles, and to refurbish repossessed vehicles into high quality, mechanically sound vehicles that can be sold for cash or refinanced. Various initiatives have been undertaken to accelerate the implementation of the strategy (refer to page 60 to 61 in the CFO's report). • **Bayport** > Vintage curves from the first half of the 2013 financial year indicate a deterioration in credit quality, triggering corrective action by management in the form of increased provisioning, improved collection strategies and further tightening of lending criteria, which has resulted in lower disbursement levels for the year. This has accelerated the seasoning of the book, resulting in adverse movements within the credit quality indicators (specifically non-performing loans). > The non-performing loans ratio increased from 30.6% at 30 September 2012 to 35.1% at 30 September 2013. The increase is as a result of: current consumer stress within the unsecured lending market; lower disbursement levels; and a late stage collections process that lagged expected activity levels during the first half of the year. > Provision coverage was increased from 16.6% in September 2012 to 22.5% in September 2013, while non-performing loans coverage increased from 54.3% to 64.2% over the same period. The impairment expense for the year ended 30 September 2013 of R755 million has grown 52.8% or R261 million, when compared to the previous year, which is above the growth in gross loans and advances of 23.5% over the same comparative period.

OBJECTIVES	PERFORMANCE
Position subsidiaries in market segments to achieve superior risk-adjusted returns.	> SA Taxi has traditionally competed in a very narrow segment of the market in which it has extensive experience and considerable credit data; it has defined the market in which it operates further by providing a differentiated non-financial services product to a narrower selection of credit clients. > Rand Trust continued to service a narrow selection of SMEs and increased its exposure to larger clients. > Bayport has grown its profits and returns off a small market share of about 3%, which enabled it to be nimble and selective in the granting of credit in the unsecured lending market. Bayport's performance is therefore not a direct consequence of conditions in this market.
Differentiate through product design.	> SA Taxi's offering is well differentiated and not easily replicated; the development of clients' businesses through innovation increases SA Taxi's ability to generate free cash flow. > Rand Trust manages credit risk by limiting the 'loan-to-value' of total credit granted to 70% of the total value of the security, while managing its clients' entire working capital flows. > Bayport manages credit exposure through its financial health product, and its uncomplicated lower than average value, shorter-term loans.
Grow loans and advances at acceptable risk levels.	> SA Taxi discontinued financing entry-level vehicles. > An active strategy to lend to lower-risk clients was implemented at SA Taxi and Bayport. > Given the weakening consumer economy and current conditions in the unsecured lending market, Bayport management's primary focus was improved credit quality, resulting in the tightening of credit criteria and an adjusted credit and origination strategy early in the year. The result was that the average disbursement levels of R170 million per month for the year remained well below the average budgeted disbursement levels. > Capital rationing constrained growth, with origination strategies targeting lower credit risk, not book growth, resulting in a slowing rate of growth in unsecured lending. > Gross loans and advances grew to R11 697 million (2012: R9 758 million). > Bayport reduced origination levels on cellular subscription agreements, which typically carries a higher credit risk.
Maintain robust governance processes on credit risk.	> Group executives are invitees to subsidiary credit committees, which meet monthly. > Heightened awareness and credit policy changes made in response to current environment. > Group risk committee continued to maintain and monitor risk tolerances and authority frameworks.
Originate loans at acceptable risk tolerance levels to achieve an optimal return on capital invested.	> Continuous advancement of statistical scoring techniques. > Disciplined capital structure and framework with focus on return on equity and internal rate of return.



MATERIAL ISSUE 2
CONTINUED

KEY RISKS AND RISK MITIGATION

RISKS	MITIGATION
Slowdown in legal collection processes based on regulatory changes.	> Industry representation and input to formulating policy and regulation. > Continued compliance.
Potential cap on credit life insurance leading to reduced non-interest revenue.	> Comply with regulatory changes. > Future plans/budget based on lower insurance premiums.
Continued weakening of the consumer environment; growth in unemployment.	> Heightened vigilance in who we provide credit to. > Capital rationing.
The impact of SA Taxi's withdrawal from offering finance to non-Toyota deals in the entry-level vehicle market.	> Continued analysis and response to vehicle market changes.
The ineffectiveness of historical data and models in predicting credit performance at time of origination, which could have negative impact on origination decision-making.	> Decision-making to be based on more current information and risk buffers applied.

OBJECTIVES FOR 2014

OBJECTIVES	ACTIONS
Reduce non-performing loans and credit loss ratios through growth in loans and advances to lower-risk clients and vehicles.	SA Taxi to improve credit losses in the following manner: > Improved origination by lending to lower-risk clients and improved credit scores; > Improve collections to reduce rolls into non-performing loans; and > Improve efficiency in Taximart which will result in reduced impairments.
Continued representation on industry bodies in rapidly changing regulatory environment.	> Industry body representation to be monitored and improved.

3

MATERIAL ISSUE

MANAGING REGULATORY RISK

KEY QUESTIONS FROM STAKEHOLDERS

> How does Transaction Capital respond to regulatory uncertainty?

> How has Transaction Capital positioned itself in anticipation of regulatory changes?

> Could regulatory change significantly impact future earnings?

> What regulatory conditions would enhance Transaction Capital's performance?

CHALLENGES ENCOUNTERED IN 2013

Over the past year, the progress and employment creation capacity of business in South Africa was diminished by the following government, legislator and regulator behaviour:

- Populist, confrontational anti-business rhetoric, delivered with no appreciation of, or concern for, the negative impact on investor sentiment or corporate sustainability;
- Well intentioned but misguided and unco-ordinated legislation from multiple and sometimes competing ministries;
- Little or no response to business comment on proposed legislation;
- Inadequate assessment of the consequences, bureaucracy and costs arising from individual and cumulative laws and regulations;
- Poor service delivery by qualitatively and quantitatively understaffed regulatory authorities;
- Inaccessible regulators;
- Inefficient courts and corrupt court officials; and
- Extremely poor enforcement of existing laws and regulations.

These factors contributed to regulatory uncertainty and risk in the financial services sector.

During the previous financial year the following regulatory changes were mooted:

- Revisions to the National Credit Act (NCA);
- A credit information amnesty;
- Credit affordability assessment guidelines;
- The Financial Sector Code;
- Insurance Binder Regulations;
- A discussion paper issued by the Financial Services Board (FSB) regarding the review of third-party cell captive insurance and similar arrangements;
- Revisions to the Codes of Good Practice for Broad-based Black Economic Empowerment;
- The Protection of Personal Information Act;
- Changes to labour legislation including the Labour Relations Act, the Basic Conditions of Employment Act, the Employment Equity Bill and the Women Empowerment and Gender Equality Bill;
- A review of Payment Interchange;
- The Financial Markets Act (which replaced the Securities Services Act);
- Amendments to the Electronic Communications and Transactions Act; and
- The Licensing of Businesses Bill.

3 MATERIAL ISSUE CONTINUED

PERFORMANCE AGAINST OBJECTIVES IN 2013

OBJECTIVES	PERFORMANCE
Attempt to mitigate regulatory uncertainty.	> Group and subsidiary directors retained or obtained membership of the following industry bodies with a view to early understanding and proactive influence of proposed legislation: – Business Leadership South Africa; – Credit Providers Association; – National Credit Industry Steering Committee; – National Debt Mediation Association; – Large Non-Bank Lenders Association; – MicroFinance South Africa; and – Association of Debt Recovery Agents. > Transaction Capital sought clarity on various matters from the courts regarding the interpretation of the NCA. None of the rulings received were unfavourable.
Interpret and implement all laws and regulations.	> The group legal and compliance function gave guidance to subsidiaries on the interpretation of legal and regulatory requirements, and procured independent advice from attorneys and senior counsel when necessary. > Pending or imminent legislative change was continually debated by the group board and executive committee, and divisional CEOs were held accountable for the implementation of the necessary controls, systems and processes.
Communicate and demonstrate to regulators Transaction Capital's unequivocal commitment to complying with the letter and spirit of all laws and regulations.	> Signalled commitment to responsible market conduct by publically associating the group with the accord between the National Treasury, the South African Reserve Bank, the FSB and the Banking Association of South Africa. > Established central oversight of rigorous compliance functions in all subsidiaries to anticipate and prevent regulatory breaches.
Consider regulatory conditions required to enhance performance.	> The group legal and compliance structure and reporting system provides for: – submissions from subsidiaries regarding new legislation or amendments to existing legislation, regulations and codes of conduct; – regulatory engagements including requests from regulators for documentation or other evidence, meetings with regulators, on-site visits, enquiries by and to regulators; – managing any litigation that affects the operational model of the subsidiaries; – obtaining legal opinions; – reviewing and drafting of material agreements; – ensuring consistency in interpreting and applying legal and regulatory provisions through sound decision-making, internal quality assurance, staff training and knowledge management; and – allowing subsidiaries to make informed decisions about how to achieve compliance with applicable legislation. > Government should commit to regulatory impact studies, which accurately evaluate the intended benefits of individual and cumulative laws and regulations, relative to their administrative and financial burden, particularly on small businesses.

OBJECTIVES	PERFORMANCE
Assess the impact of regulatory change on future earnings and the value of the company.	> The impact of new regulation on earnings entailed an accurate estimate of, and subsequent budgeting for, the direct and indirect costs of new systems, processes and controls, or the potential reduction of revenue or profitability. > Proposed but uncertain regulatory change was evaluated in each subsidiary and management's assessment of the most likely outcome was budgeted for. > Although very difficult to quantify, the impact of regulatory uncertainty on the market value of the company was substantial as the investment community imputed punitive regulatory action in their trading decisions. While control of the share price is beyond the mandate of management, the CEO and CFO expended substantial time and effort in apprising the financial community of the manner in which mooted regulation was likely to affect earnings.

KEY RISKS AND RISK MITIGATION

RISKS	MITIGATION
Compliance risk, which is the risk of legal or regulatory sanctions or financial loss that the group may suffer as a result of failure to comply with: laws, regulations and similar standards applicable to its business; and/or internal group policies, authority levels, prescribed practices and ethical standards.	> The chief legal officer manages the group legal and compliance function, which co-ordinates and reviews regulatory matters and the group's responses. > The group risk and compliance committee reviews compliance and legal risk every quarter. > Compliance officers are embedded within subsidiaries.
Inadequate reporting and transparency regarding compliance and adapting to regulatory changes.	> Appointment of a chief legal officer during the year. > Introduced the group legal and compliance policy to ensure authorised personnel know and appropriately manage compliance risk. > Introduced the compliance reporting structure to ensure that all compliance matters are escalated to the compliance officer within the subsidiary, who in turn is supported by the group compliance office.

OBJECTIVES FOR 2014

OBJECTIVES	ACTIONS
Communicate and demonstrate to all stakeholders Transaction Capital's unequivocal commitment to compliance.	> Improve client satisfaction scores. > Ensure accurate media reports. > Rapid resolution of enquiries/queries from regulators.
Proactive assessment of and response to a fast-moving regulatory environment.	> Manage the impact of new laws and regulations on financial performance or risk-adjusted returns.
Maintain a robust legal and regulatory structure.	The group legal, compliance and reporting structure will continue to facilitate: > informed decisions by subsidiaries' regarding compliance with new or amended legislation, regulation and codes of conduct; > appropriate engagement with regulatory authorities, including enquiries, requests for documentation, meetings and on-site visits; > the management of any litigation that affects subsidiaries' operational model; > obtaining appropriate legal counsel; > reviewing and drafting of material contracts; and > group-wide consistency in the interpretation and application of laws and regulation.

4 MATERIAL ISSUE

MANAGING THE ADEQUACY AND ALLOCATION OF CAPITAL

KEY QUESTIONS FROM STAKEHOLDERS

> How does Transaction Capital ensure optimal deployment of capital to achieve its stated objectives?

> How will Transaction Capital manage excess capital arising from disposals?

CHALLENGES ENCOUNTERED IN 2013

> The challenging consumer environment has heightened concerns regarding the risk in debt and equity markets, raising the cost of both debt and equity.

> Higher capital requirements in SA Taxi.

> Heightened activity around credit ratings.

> Greater volume and frequency of information required in debt and equity markets.

PERFORMANCE AGAINST OBJECTIVES IN 2013

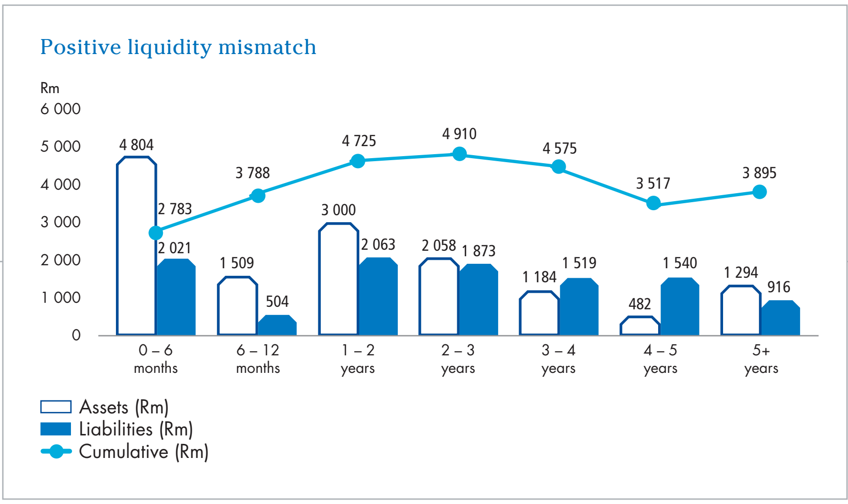
OBJECTIVES	PERFORMANCE
Obtain debt and equity capital necessary for the maintenance and growth of each business.	> Current equity levels following listing are considered appropriate. > 21 institutions invested R5.6 billion of debt capital. > Four new debt investors were introduced to the group. > Cost of borrowing decreased from 10.7% to 10.3%. > Capital adequacy ratio improved from 35.7% to 41.6%. > SA Taxi's warehouse facility was set up with a view of obtaining a rating from Standard & Poor's (S&P) and listing the facility at a later stage. > Successful bond auction of R660 million during March 2013, and R700 million on 30 September 2013 by Bayport Securitisation.
Provide stability for each business.	> Group treasury function manages excess capital centrally. > Excess capital reduced in parts of the group for redeployment where needed in other parts of the group. > Excess cash across the group deployed more efficiently by delaying debt issuance and investing more efficiently in money markets. > Adequate funding lines (set out on the next page) underpin stability of budgeted debt capital.
Maintain credit rating.	> Maintained Moody's credit rating for SA Taxi Securitisation of As2.za (sf) on senior notes with mezzanine notes upgraded to A3.za (sf). > Obtained credit rating of zAa-1 (sf) from international credit rating agency S&P for Bayport Securitisation's senior notes.

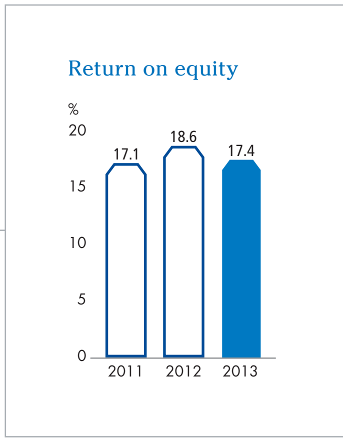
OBJECTIVES	PERFORMANCE
Withstand possible shocks.	> Introduced simulation modelling for capital determination according to statistical confidence levels.
Achieve adequate risk-adjusted return on capital invested.	> Focused on the optimisation of return on assets (ROA), to obtain adequate return on equity (ROE). > New equity issued as part of listing in 2012 resulted in increased weighted average number of shares and headline earnings per share growing at a lower rate than headline earnings, resulting in a lower ROE in 2013. > ROA of 4.4% (2012: 3.8%). > ROE of 17.4% (2012: 18.6%). > Gearing of 3.9 times (2012: 4.0). > Introduced return on invested capital (ROIC) measure as part of executive management incentive scheme.

Capital adequacy ratio		2013	2012	Change %
Equity	Rm	**3 895**	3 304	17.9
Subordinated debt capital	Rm	**2 131**	1 477	44.3
Total capital	Rm	**6 026**	4 781	26.0
Less: goodwill	Rm	**(594)**	(927)	(35.9)
Total capital less goodwill	Rm	**5 432**	3 854	40.9
Total assets less goodwill and cash and cash equivalents	Rm	**13 064**	10 786	21.1
Capital adequacy ratio	%	**41.6**	35.7	16.5
Equity	%	**25. 3**	22.0	15.0
Subordinated debt	%	**16.3**	13.7	19.0

FUNDING RUNWAY	MONTHS
SA TAXI	10
RAND TRUST	8
BAYPORT	12
MBD CS	12

Months = number of months of funded budgeted origination.
Principa Decisions and Paycorp do not require any third-party funding.





4 MATERIAL ISSUE

CONTINUED

KEY RISKS AND RISK MITIGATION

RISKS	MITIGATION
Liquidity risk, which may arise due to an inability to maintain funding runways, and inadequate policies and actions to manage short-term debt in issue.	> Capital markets team monitors liquidity daily. > Capital markets team reports to board through asset and liability committee (ALCO). > Quarterly ALCO committee meetings.
Inadequate ROE.	> Introduced incentives based on ROIC across the group in 2013. > Chief investment officer dedicated to identifying and assessing potential acquisitions.
Inadequate capital levels.	> Quarterly ALCO review. > Monthly management review of capital levels. > Meeting financial covenants.

OBJECTIVES FOR 2014

OBJECTIVES	ACTIONS
Successful deployment of excess capital following receipt of proceeds from disposal of Paycorp and Bayport.	The environment is constantly scanned for acquisitive opportunities. It is likely that a distribution of 200 cents per share will be paid.
Heightened awareness and monitoring of ROE in existing businesses and products. Improve decision-making in terms of framework and greater quantitative analysis. Revisiting models against actual performance.	ROE of 25% at product level; while the group ROE is diluted from excess capital, the operations will remain focused on target ROE levels.
Continued access to debt capital markets at appropriate prices.	Funding runway of minimum six months per business.
Maintenance of adequate capital levels and continued improvement of treasury function.	Hold excess funds at group for deployment at higher yield or to delay external debt draws.
Continued migration of actual debt and equity levels to optimal calculated levels.	Amendment to capital structure and securing Tier II funders where appropriate.

MATERIAL ISSUE 5

Attracting and retaining high calibre talent; developing, nurturing and positioning leaders within well-designed organisational structures; and delivering a compelling value proposition to all employees and executives.

KEY QUESTIONS FROM STAKEHOLDERS

> How successful has Transaction Capital been in attracting and retaining high calibre talent?

> How has this been achieved?

PERFORMANCE AGAINST OBJECTIVES IN 2013

OBJECTIVES	PERFORMANCE
Attracting high calibre talent (refer to diagram on page 33).	> Recognition of the most senior leaders of Transaction Capital, who are dispersed throughout the group's various businesses, was given effect with the creation in 2009 of the Top 50. > At the end of the year under review, Transaction Capital had 74 executives in the Top 50. > The appointment, performance, development, succession and compensation of Top 50 executives was overseen and directed by the CEO and his direct reports, most notably the group human capital executive. > Substantial resources were devoted to the selection and development of the Top 50 through assessment, feedback, performance management, development, mentoring and succession programmes. Given the depth of functional and subject matter experts in the Top 50, most development initiatives were directed at enhancing leadership skills and addressing development needs identified through psychometric, 360-degree and subordinate assessments. > Notable features of the group's Top 50 executives are as follows: – On average, each executive holds 2.25 degrees and/or diplomas; – Their average age is 41 years; – All have been described in a 360-degree assessment as 'bright' and 93% as 'strategic'; – 8.1% have been promoted in the last year; – 78% have received formal training in 2013; – 89% have attended leadership development interventions in 2013; and – 8% have received coaching support in 2013. > The executive stability ratio is 72% (executives whose tenure is greater than three years). > 73% of executives have an identified successor; 33% have succession coverage (two identified successors and an emergency successor). > In an engagement survey among the executive team, the most engaging aspects of the group were found to be 'highly meaningful work' and 'culture and values of the group'.

MATERIAL ISSUE 5 CONTINUED

OBJECTIVES	PERFORMANCE
Retain and develop high calibre talent (employee value proposition: refer to diagram on next page).	> Transaction Capital retains talent through offering: – thought leadership; – an intellectually stimulating environment; – a diverse and progressive culture; – flexible working arrangements; and – employee wellbeing and social responsibility initiatives. > Transaction Capital's leaders respect, develop and support organisational mentoring programmes. The group's learning and growth opportunities include the following: – High potential (HIPO) employees are identified and developed through various programmes; the promotion rate of HIPO employees is 21% for the group; – All Transaction Capital subsidiaries have invested in mentoring initiatives; – The HIPO resignation rate or turnover is 5%. The financial services benchmark is 5% to 10% (statistics from CLC); and – The following development programmes have been implemented: • SETA-registered internships and learnerships for HIPO employees; • New management development programmes; and • Management development programmes. > Transaction Capital offers competitive compensation for position and performance, and intrinsic reward for value added. > Transaction Capital offers personal development and career progression opportunities. > Transaction Capital offers meaningful work assignments and clear objectives and goals.
Transformation.	Transaction Capital aims to contribute to transformation in a measured manner, both qualitatively and quantitatively, to realise broad-based sustainable change for its stakeholders and the broader South African society: > 64% of new hires during the year are from previously disadvantaged groups; > 24% of people employed were between the ages of 18 and 25; > The number of jobs created compared to the previous financial year increased by 158%; > Transaction Capital invested R40 million in enterprise development; > Transaction Capital invested R12 million in socio-economic development initiatives; and > R6 million was invested in employee training and skills development.

OBJECTIVES FOR 2014

The objectives for 2014 are summarised in the following diagrams:

TALENT ACQUISITION

Group electronic on-boarding initiative.

Subsidiary structured live on-boarding initiatives.

Business unit and manager on-boarding initiative.

Thorough assessment process through structured multiple interview levels, verified academic history, psychometric and work assessments for HIPO and critical roles, reference, qualification, credit and criminal checks.

80th percentile of experience, education and expertise for the talent pool of each employment level.

Preferred supplier partnerships with talent acquisition agencies.

Opportunities available on social media tools.

Executive referrals and networks.

Graduate recruitment programme.

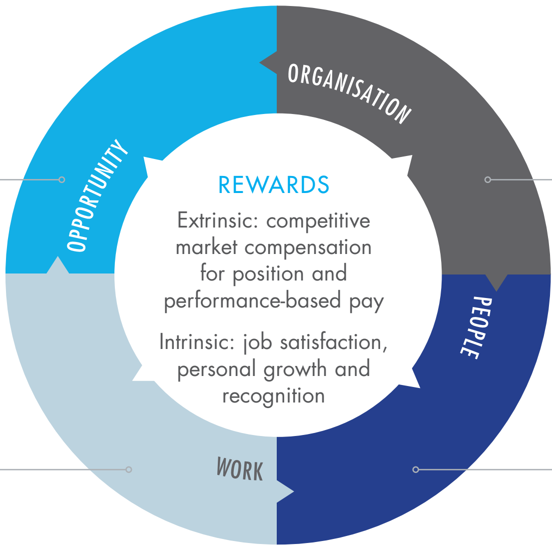
EMPLOYEE VALUE PROPOSITION

Personal development and career progression opportunities are available at Transaction Capital:

> Covenant or alignment discussions, personal development plans, succession planning, assessment and feedback. Intercompany transfers and assignments.

Challenging and meaningful work, healthy work-life balance:

> Access to tools and resources, clear objectives and goals. Effective performance evaluation.



Transaction Capital organisational offering:

> Thought leadership, intellectually stimulating environment, diverse and progressive culture, flexible work arrangements that meet needs, focus on employee wellness and socially responsible values, respect, integrity, innovation and competence.

Leadership and colleague offering:

> Leaders who respect, develop and support. Organisational mentoring programmes.

> Productive peer relationships, networking opportunities, quality social connections.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHRISTOPHER **SEABROOKE** (60)

BCom (University of KwaZulu-Natal), BAcc (University of KwaZulu-Natal), MBA (University of the Witwatersrand), FCMA (UK)

Chairman

Appointed: June 2009

Chris is an international financier and investor who has been a director of more than 20 listed companies, both in South Africa and abroad. He is currently chief executive officer of Sabvest Limited, chairman of Metrofile Holdings Limited, deputy chairman of Massmart Holdings Limited and a director of Brait S.E., Net1 U.E.P.S. Technologies Inc. and Datatec Limited. Chris is also a director of a number of unlisted companies, including the Mineworkers Investment Company Proprietary Limited and Primedia Holdings Limited, a former chairman of the South African State Theatre, former deputy chairman of the founding boards of the National Arts Council and Business and Arts South Africa, and a current member of the Institute of Directors.

PHUMZILE **LANGENI** (39)

BCom (University of KwaZulu-Natal), BCom (Hons) (Unisa)

Appointed: June 2009

A stock broker by training, Phumzile is executive chairman of Afropulse Group Proprietary Limited and executive chairman of Astrapak Limited, a non-executive director of Massmart Holdings Limited, Imperial Holdings Limited, Peermont Global Proprietary Limited, Primedia Proprietary Holdings Limited, St Mary's Foundation Board, the Mineworkers Investment Company Proprietary Limited, Metrofile Holdings and the Port Regulator. She was previously the economic adviser to the former Minister of Minerals and Energy. Phumzile also previously worked as an executive director and vice president of dual-listed junior platinum miner, Anooraq Resources.

CEDRIC **NTUMBA** (31)

BCom (Hons) (University of Johannesburg), CA(SA)

Appointed: June 2012

Cedric is CEO of ISF Global Partners, an emerging investment firm. He is chairman of The South African Ballet Theatre and co-founded The Little Ashford Group. He is a UK Chevening Scholar, member of the University of Oxford Business Alumni Network and a Fellow of both the Swiss-based Crans Montana Forum and the Archbishop Tutu Leadership Fellowship. Cedric was a private equity deal executive at one of South Africa's leading investment firms and served in a non-executive capacity on the boards and committees of various public sector and private companies.

DUMISANI **TABATA** (58)

BProc (University of Fort Hare), LLB (University of KwaZulu-Natal)

Appointed: February 2010

Dumisani was admitted as an attorney of the High Court of South Africa in 1984, and in 1996 was appointed as an acting Judge of the High Court, in which position he served for three terms. He was one of the founding partners of Smith Tabata & Van Heerden in King William's Town, where he is today a director. Dumisani has served as deputy chairman of the ABSA Bank regional board in the Eastern Cape. He is an executive director of Vuwa Investments Proprietary Limited and director of Smith Tabata Incorporated East London and Smith Tabata Buchanan Boyes in Cape Town and Johannesburg.

DAVID **WOOLLAM** (49)

BCom (Hons) (University of KwaZulu-Natal), BAccSc (Unisa), CA(SA)

Appointed: February 2012

David has over 20 years' experience in both South Africa and the United Kingdom in the financial services industry. After qualifying as a chartered accountant, David spent 10 years working in the investment banking and derivative industry in London. In 1999, he returned to South Africa to join BoE Bank as CFO and in 2001 was appointed to the position of executive director of BoE Limited. In 2002, David joined African Bank as group finance director and in 2008, was appointed as CEO of African Bank Limited. He now operates as an independent consultant, director of companies and private equity investor.

SHAUN **ZAGNOEV** (47)

BSc (ElecEng), MSc (ElecEng), MBA (University of the Witwatersrand)

Appointed: June 2007

Shaun is currently a partner at Ethos Private Equity where he has been involved in investing in a wide array of businesses for 19 years. Prior to that he worked as a management consultant with Gemini Consulting. Shaun has sat on the boards of 21 companies.

EXECUTIVE DIRECTORS

MARK JAMES **LAMBERTI** (63)

BCom (UNISA,) MBA (University of the Witwatersrand), PPL (Harvard)
Chief executive officer

Appointed: June 2008

For the past 30 years, Mark has served in an executive or non-executive capacity on the boards of various public companies in the retail, technology, media, and telecommunications fields and as chairman or a director of a number of industry associations and educational institutions.

On 1 July 2007, after serving for almost 19 years as the architect and leader of Massmart Holdings Limited, Mark retired as deputy chairman and chief executive to become non-executive chairman of the board. In 2011, Walmart purchased a 51% controlling share of Massmart and invited Mark to remain as chairman of the reconstituted board.

Mark joined Transaction Capital in July 2008 as executive chairman and, in keeping with good corporate practice, he relinquished the chairmanship in September 2009.

To complement his commercial interests, Mark serves as a director and executive committee member of Business Leadership South Africa, an organisation representing the interests of South Africa's 60 largest corporations, and is a trustee and executive committee member of the National Education Collaborative Trust, a government, business, labour and civil society initiative to support the education objectives of the National Development Plan.

Mark's achievements have been widely acknowledged throughout his career, most notably as the 2001 winner of the Ernst and Young South Africa's Best Entrepreneur Award and the 2004 winner of the Italian South African Businessman of the Year Award. In 2012, he received the prestigious Wits Business School Manex Award for demonstrating ethical leadership, managerial excellence and societal relevance throughout a distinguished career. In 2013, Mark was designated a Chartered Director (SA) by the Institute of Directors on the basis of his public record and established status as a director of public companies.

JONATHAN **JAWNO** (47)

BCom (Hons), Graduate Diploma Accounting (University of Cape Town), CA(SA)
Deputy chief executive officer

Appointed: March 2003

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 and went on to acquire and grow the group of companies that was ultimately merged with Paycorp Holdings in 2007 to form Transaction Capital. Jonathan was appointed as an executive director in June 2010.

DAVID **HURWITZ** (42)

BAcc (Hons), HDipTax (University of the Witwatersrand), CA(SA)
Chief financial officer

Appointed: April 2012

David served articles at Grant Thornton in Johannesburg. He has been active in debt capital markets since 1997, and in 2005 joined Jonathan Jawno, Michael Mendelowitz and Roberto Rossi to acquire African Bank's Commercial Vehicle Finance division (now SA Taxi). Shortly thereafter, David established the capital markets team at Transaction Capital, and served as the CFO of SA Taxi for 18 months from May 2010. David was appointed as an executive director in April 2012.

MICHAEL **MENDELOWITZ** (48)

BCom (Hons), Graduate Diploma Accounting (University of Cape Town), CA(SA)
Chief investment officer

Appointed: March 2003

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. Michael held the position of joint CEO of Nisela Growth Investments until 2002 and went on to acquire and grow the group of companies that was ultimately merged with Paycorp Holdings in 2007 to form Transaction Capital. Michael was appointed as an executive director in December 2011.

STEVEN **KARK** (40)

BCom (University of the Witwatersrand), Postgraduate Diploma of Business Administration (Thames University)
Chief executive officer of Paycorp

Appointed: April 2007

Steven commenced his business career at Interbrand, a subsidiary of Brandcorp Proprietary Limited, where he became a director. In 1999, Steven co-founded the Kanderlane Group (subsequently renamed Paycorp Holdings). He is chairman of the Association of Payment System Operators, a member of the Young Presidents Organisation and a founding board member of the ATM Industry Association Africa.

Steven was awarded Top Performing Business of the Year at Topco National Business Awards in 2013.

ROBERTO **ROSSI** (51)

BSC (MechEng) and Graduate Diploma (IndEng) (University of the Witwatersrand), (BProc) (Unisa)
Executive director

Appointed: September 2003

Roberto founded Miners Credit Guarantee in 1991 to provide credit card-type facilities to mine workers. In 1998, Nisela Growth Investments acquired 50% of the shareholding in Miners Credit Guarantee. Roberto assumed an executive role at African Bank and was subsequently responsible for the establishment, acquisition and operation of 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 ultimately merged with Paycorp Holdings in 2007 to form Transaction Capital. Roberto was appointed as an executive director in February 2012.

EXECUTIVE COMMITTEE

MARK JAMES **LAMBERTI** (63)

Chief executive officer

See directorate.

JONATHAN **JAWNO** (47)

Deputy chief executive officer

See directorate.

DAVID **HURWITZ** (42)

Chief financial officer

See directorate.

MICHAEL **MENDELOWITZ** (48)

Chief investment officer

See directorate.

STEVEN **KARK** (40)

Chief executive officer of Paycorp

See directorate.

ROBERTO **ROSSI** (51)

Executive director

See directorate.

STUART **STONE** (44)

BCom (Hons), Postgraduate Diploma Accounting (University of Cape Town), CA(SA)

Chief executive officer of Bayport

Stuart served articles at Kessel Feinstein in Cape Town. He founded Grand Furnishers, a successful Cape-based independent furniture retailer, followed by Credit Direct, a joint venture with Theta Investments (a division of African Bank) in 1998. Two years later, Credit Direct was divisionalised into African Bank and went on to become a significant part of the bank's distribution channel, and Stuart became part of African Bank's executive team. In 2001, he co-founded Bayport. Transaction Capital acquired a controlling interest in Bayport Financial Services Proprietary Limited in February 2010. The Bayport acquisition did not include the purchase of any operations outside of South Africa.

TERRY **KIER** (47)

BA (Hons), PDM (University of the Witwatersrand)

Chief executive officer of SA Taxi

Terry was part of the original team that drove the growth of Software Connection into a national chain. Thereafter, he co-founded SoftwareMart in partnership with JSE Limited-listed OfficeMart, before joining Softline in the early 90s. He filled a number of executive positions within the Softline Group and was part of the team that saw Softline Holdings Limited list on the JSE Limited in 1996. He went on to become the CEO of Pastel Software and remained a Softline Holdings board member. In 2005, he left Softline to start a medical software company which was sold to the Bytes Technology Group in 2007. Terry joined Transaction Capital as CEO of Mortgage Capital to build a property-focused business unit within the group. In August 2010, Terry was appointed CEO of SA Taxi.

CHARL **VAN DER WALT** (48)

BAcc (Hons) (University of Potchefstroom), CA(SA)
Chief executive officer of MBD CS

Charl served articles at Coopers Theron du Toit, now PwC, in Johannesburg. From 1993 to 2000, he practiced as a registered auditor and accountant at Kruger and Co where he was admitted as a partner. He joined the MBD CS group as CFO in May 2000 and was appointed CEO in October 2005. Charl is active in the financial services industry serving as president of the Board of the Association of Debt Recovery Agents (ADRA), the industry representative in South Africa. He is also the appointed African representative of the American-based organisation, The Association of Credit and Collection Professionals (ACA International).

MARK **HERSKOVITS** (38)

BBusSci Finance, Postgraduate Diploma Accounting (University of Cape Town), CA(SA), CFA
Head of capital markets
(Permanent invitee to the executive committee)

Mark served articles at Deloitte & Touche in Johannesburg. After remaining on as a manager until 2001, he joined Rand Merchant Bank as an investment analyst in the special projects international division. In 2007, Mark joined Transaction Capital as a private equity transactor. In June 2010, he was appointed head of capital markets.

DEON **PIENAAR** (40)

BCom (Hons) (University of the Free State), CA(SA)
Chief executive officer of Rand Trust
(Permanent invitee to the executive committee)

Deon spent nine years with the Nedbank Group ultimately taking up the portfolio of deputy chief internal auditor in 2005.

Deon joined MBD CS in 2007, until taking up the role as CEO of Mortgage Capital before joining Rand Trust as CEO in February 2012.

PETER **KATZENELLENBOGEN** (67)

BCom (University of Pretoria), CTA (University of the Witwatersrand), CA(SA)
Company secretary

Appointed: September 2009

Peter joined PKF (Jhb) Inc. in 1968 and was admitted as a partner in 1974 and as managing director in November 1999. Peter also served as national chairman of PKF in southern Africa and as the African representative to PKF International Limited. He is the chairman of the Chartered Accountants Medical Aid Fund investment committee and a member of its disputes panel. He has served as trustee and treasurer of numerous trusts, body corporates and social organisations.

DAVID **McALPIN** (52)

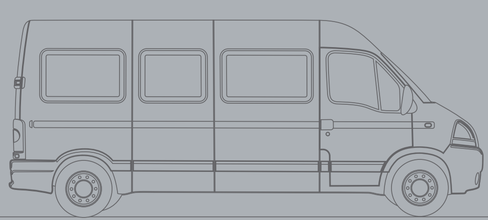
BCom (Rhodes University), MBA (University of Cape Town), ACMA
Chief executive officer of Principa Decisions
(Permanent invitee to the executive committee)

David has extensive international and local business experience and has held senior executive positions in the Massmart Group, CNA, Forza and the Lewis Group. During his seven years with the Massmart Group, David held the positions of commercial director and managing director of Dion Stores. David was the CEO of Forza (a listed luxury motor and outdoor leisure lifestyle distribution group) for four years and was the managing director of CNA for three years, where he was responsible for the turnaround and repositioning of the company.

NET ASSET VALUE PER SHARE INCREASED BY **17.5%** TO **637.7 CENTS**

TOTAL INCOME INCREASED BY **18.3%** TO **R4 593 MILLION**

HEADLINE EARNINGS INCREASED BY **34.6%** TO **R545 MILLION**

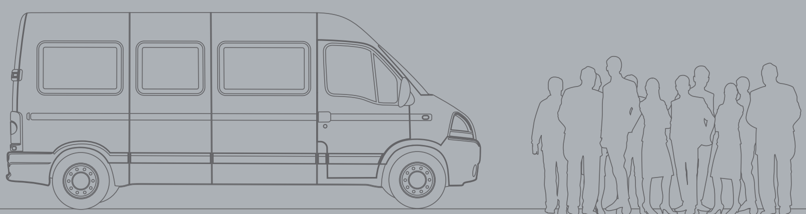


HOW WE'VE

PERFORMED

40-65

"Transaction Capital remains committed to investing in the organic and acquisitive growth of non-deposit taking niched financial services businesses, with a view to rendering acceptable risk-adjusted returns to shareholders." *Mark Lamberti*



INTRODUCTION

In the past financial year, the group achieved very satisfactory results notwithstanding the effects of the soft economy and the deteriorating actual and perceived conditions in the unsecured lending industry.

CHAIRMAN'S REPORT

The year was also marked by considerable corporate activity – firstly in the consideration of a number of potential acquisitions that were ultimately not concluded, and secondly in the receipt of unsolicited offers for two of the group's major divisions, which after a detailed review of strategy and the price/return/risk factors inherent in the offers, were accepted.

PERFORMANCE

Headline earnings per share for the year increased by 19.7% to 93.4 cents per share, driven partially by a 19.9% increase in gross loans and advances to R11 697 million, and also by a 15.8% increase in return on average assets to 4.4%.

I refer shareholders to the detailed reviews of the chief executive officer (CEO) and the chief financial officer (CFO).

STRATEGY

The CEO and his team, and subsequently the board, were obliged to reconsider the overall strategy of the Transaction Capital group when offers were received for its Paycorp and Bayport divisions. The CEO, supported by the board, determined that value for shareholders would be optimised by accepting these offers and maintaining the group's espoused strategic direction off a lower base, while accommodating the reduced scale of the group thereafter with a more streamlined group office and shared service structure at the centre.

These developments are dealt with in detail in the reports of the CEO and CFO.

GOVERNANCE AND DIRECTORATE

During the year Brenda Madumise resigned from the board. I thank her for her service on the board and committees.

Steven Kark has resigned as an executive director pursuant to the sale of the Paycorp division. Steven was one of the founders of the group and CEO of Paycorp. He added enormous value to the group for which we extend our sincere thanks and we wish him well in his future endeavours.

Pursuant to the downsizing of Transaction Capital after the sale of two of its divisions, as from 15 January 2014 the board will comprise 11 directors, of whom six will be non-executive and five will be independent by definition.

The most major change has been the decision by Mark Lamberti not to renew his contract as CEO. Mark has been an inspirational leader for Transaction Capital, having strategised and corporatised a collection of sound assets into a cohesive group, producing growing returns for shareholders and having achieved a successful initial public offering (IPO) in 2012. Mark's skills and experience will not be lost to the group as he will be taking over from me as non-executive chairman.

Our CFO, David Hurwitz, will be appointed CEO and Mark Herskovits will take the role of CFO. I congratulate David and Mark and look forward to continuing to work with them.

The group's committee structure has been changed. The board committees will now comprise:

- Audit and risk committee;
- Nominations committee;
- Remuneration committee; and
- Social and ethics committee.

The asset and liability committee will become a management committee but will be monitored by and will report to the board through the audit and risk committee.

THE WAY FORWARD

The streamlined Transaction Capital group now comprises four sound business units, all with organic and acquisitive growth prospects. In addition, after the payment of the special distribution being contemplated by the board, sufficient surplus capital will be retained to enable the group to make meaningful acquisitions for cash and shares.

I remain excited about the group's prospects and look forward to the next phase of its growth.

SHAREHOLDERS

I am pleased to welcome all new shareholders who have invested in the group during the year. At the year end, the group had 1 239 shareholders on its register.

APPRECIATION

I have been honoured to lead the board as chairman over the past three years and privileged to work with a strong group of fellow directors and a highly proficient management team. I thank them for their support. I look forward to my future association with Transaction Capital as independent lead non-executive director and a member of three of the four board committees.

I would also like to take this opportunity of thanking our bankers and other funders for their continued support over the past three years.

CHRISTOPHER SEABROOKE

15 January 2014

INTRODUCTION

Transaction Capital ended its first full year as a public company with financial results in line with expectations, but with a portfolio of assets substantially different from those purchased by public shareholders in June 2012.

CEO'S REPORT TO STAKEHOLDERS

The financial results were the consequence of our deliberate strategies and plans, while the change in portfolio was a response to unforeseen opportunities to crystallise value for shareholders while reducing the range and complexity of risks.

In this, our second integrated annual report, we review our progress and performance in a challenging environment and describe the manner in which we think about advancing the interests of all stakeholders.

FINANCIAL HIGHLIGHTS

Transaction Capital made pleasing progress towards its strategic, structural, organisational and operating objectives, culminating in a sound financial performance:

> Total income grew 18.3% to R4 593 million;

> Non-interest revenue grew 15.1% to R1 910 million;

> Headline earnings up 34.6% to R545 million from R405 million;

> Weighted average number of shares up 12.4% to 583.6 million shares from 519.4 million shares;

> Headline earnings per share up 19.7% to 93.4 cents from 78.0 cents;

> Gross loans and advances grew 19.9% to R11 697 million;

> Return on assets up 15.8% to 4.4% from 3.8%;

> Return on equity of 17.4% was achieved, down from 18.6%;

> Net asset value per share up 17.5% to 637.7 cents from 542.9 cents;

> Final dividend declared per share increased 33.3% to 12 cents per share; and

> A distribution of 200 cents per share under consideration by the board.

Commentary by the chief financial officer (CFO) and extensive detail on the financial state and performance of Transaction Capital are provided elsewhere in this report.

ENVIRONMENT

Despite decade-long interest rate lows, and a continued migration of lower-income consumers to middle-income segments, the South African consumer economy softened throughout the year. As employment and real wage growth slowed, exchange rate-related inflation eroded disposable income, labour unrest escalated, and lenders decreased the growth rate of unsecured credit extension to generally over-indebted lower- and middle-income consumers.

The financial services environment remained competitive as participants pursued market share, technological advantage and non-interest and transactional revenues. As predicted at the half year, major lenders reported deteriorating credit metrics and, in keeping with their commitment to regulatory compliance and responsible market conduct, implemented more conservative credit, origination, collection, provision and write-off policies.

Regulatory uncertainty abated slightly as certain policies were announced and the authorities moderated initial positions in response to the lobbying and self-regulation of established lenders. Poor enforcement by regulators and unchecked abuse by opportunistic lenders and debt counsellors remains a threat to unsophisticated users and compliant operators throughout the financial services sector.

CORPORATE STRATEGY

As a group we have always been clear about two strategic obligations.

The first is to ensure the defensible competitive stance of each business unit within its chosen market segment, through the definition and delivery of a relatively unique and compelling value proposition to clients, counterparties and employees.

The second is, over time, to deliver value beyond that which the business units would generate as freestanding entities. This after all is the raison d'etre of any group, but it is easier said than done. It starts with the agglomeration of a portfolio of companies across which specific market intelligence, assets, expertise or capabilities can be leveraged, and is realised through direction, collaboration and sharing that augments rather than undermines the value creation and psychological ownership of subsidiary leaders.

The pursuit of both of these objectives is complicated by the accelerating rate of change, driven world-wide by demographic shifts, capital mobility, information ubiquity, empowered consumers, technology, and regulatory and legal complexity. As a small financial services group, Transaction Capital was touched in some way by each of these over the past year. A nimble response was necessary.

Throughout the year we made progress towards our first strategic objective by strengthening the competitive position of each operating unit:

> SA Taxi entrenched its position as the leading financier of entry-level minibus taxi operators by refining its credit and origination criteria, enhancing its value proposition to clients, and relocating and upgrading its refurbishment facility.

> Rand Trust invested in a distribution strategy directed at increasing scale, and successfully shifted the traditional Western Cape dominance of its business to Gauteng.

> Bayport developed new distribution channels, products and services to differentiate its offering from conventional unsecured loan providers.

> MBD CS strengthened its market leadership in receivables collections by accelerating its purchases of distressed debt,

while extending its range of credit collection products and services.

> Principa Decisions sustained its pre-eminence as South Africa's premier credit risk consultancy and offset the challenges of the local credit environment by growing its business in the Middle East.

> Paycorp increased the sophistication of its ATM location and security technologies to increase values and volumes per ATM, while increasing its footprint as South Africa's largest independent ATM network.

The performance of the subsidiaries was enhanced by directive group executive office interventions in strategy, capital, credit risk, human capital, compensation, audit and compliance.

All of the above was planned and represented to stakeholders at the time of listing. Two major transactions were not.

DISPOSAL OF PAYCORP AND BAYPORT

Early in the year we were approached by pan-emerging market private equity firm Actis, who expressed interest in purchasing Paycorp. Our approach to this unsolicited offer was consistent with our frequently espoused obligation to consider disposing of a subsidiary if the performance of that subsidiary could be enhanced by another owner, as reflected in a premium price.

The synergies and added value that Actis might realise by virtue of its investments in an Indian ATM network and various banks in Africa was reflected in the subsequently negotiated price of R937 million or 18.7 times earnings to September 2013, providing a compelling 18.2% internal rate of return (IRR) for Transaction Capital excluding the benefit of gearing. The effective date of the transaction was 1 November 2013, when the net sale proceeds were received. Paycorp was thus accounted for as a 'held for sale' asset in the 2013 financial year, with the impact of this classification contributing R15 million to your group's discontinued operation's headline earnings.

The second major transaction was always envisaged but not in the form ultimately consummated.

In 2010, consistent with its strategic objective to acquire and grow niched financial services businesses, Transaction Capital acquired 82.65% of Bayport Financial Services (BFS) for R537 million. The minority share was owned by Stuart Stone and Grant Kurland who founded and remained significant shareholders of Bayport Management Limited (BML), which since its establishment in 2002 had expanded into six African countries and Colombia.

At the time of acquisition, BFS mooted the possibility of Transaction Capital acquiring BML at a later date and re-integrating the two businesses under the management of the founding partners. Regrettably, three years later, the higher earnings and ratings of BML, Transaction Capital's low price earnings multiple, and the ramifications of the group being dominated by unsecured lending, all pointed to the envisaged transaction being dilutive with a diminution of risk-adjusted returns for shareholders.

Following due consideration of these issues and an offer from BML, precipitated by an investment into that company by a private equity house, the board elected to reverse its initial ambition by selling Transaction Capital's interest in BFS to BML. The transaction, announced on 23 October 2013 and subject to various conditions and approvals, was concluded at R1.3 billion, being 6.7 times earnings to September 2013 and delivering a 32.6% IRR to Transaction Capital excluding the benefits of gearing. All conditions precedent to the sale of Bayport were fulfilled on 30 December 2013.

It is rare for a newly listed group to dispose of half its assets and earnings, and the circumstances and implications were weighed carefully, resulting in some far reaching conclusions.

USE OF PROCEEDS

The conclusion regarding capital was that a sufficient portion of the proceeds should be retained to optimise the equity and debt structures of the continuing subsidiaries, fund organic growth, and underpin medium-term acquisitive activity, with the balance of R1.2 billion returned to shareholders.

The board's intention to consider declaring a distribution of 200 cents per share was announced on 26 November 2013, subject to the closure of the Bayport transaction, and absent any unforeseen capital requirements arising in the interim.

RESTRUCTURE OF THE BOARD AND GROUP OFFICE

The conclusion regarding costs was that the board and group office should be restructured and downsized to accommodate the requirements of the smaller Transaction Capital group.

To this end, Steven Kark and Cedric Ntumba resigned as directors on 26 November 2013. Steven is an exceptional entrepreneur and leader, and his contribution to Transaction Capital has been significant both in creating and delivering the value of Paycorp, and as a director. Cedric, the most recent appointment to the board, has served as an independent non-executive director and audit committee member during a very active 18-month period of the company's history. I thank both gentlemen for their contribution and wish them well with their future endeavours.

All directors' fees or compensation was altered concomitant with their new responsibilities and all group executive office functions were either devolved to subsidiaries or reduced to support the smaller portfolio.

The above changes positioned Transaction Capital with a board of eleven directors (comprising six non-executives, five of whom are independent) and a substantially reduced group office, both resized to meet the group's governance, leadership and affordability requirements, without compromising the strategic and growth objectives espoused at the time of listing.

SUCCESSION

Coincident with and allied to the restructuring, the expiry of my service contract at the end of November 2013 precipitated the implementation of an integrated succession process regarding four key appointments with effect from 15 January 2014.

Christopher Seabrooke will stand down as independent non-executive chairman to become lead independent director, and I will resign as chief executive officer (CEO) to become non-executive chairman of the board.

David Hurwitz will be appointed CEO. David's education, experience and knowledge of the assets, people and counterparties of Transaction Capital make him the obvious candidate for the position. For the past nine years he has served Transaction Capital and its predecessor companies as head of debt capital, chief financial officer of SA Taxi, and group CFO, in which capacity he latterly held line responsibility for Rand Trust and Principa Decisions. I have every confidence that his technical and managerial capabilities are well suited to the leadership requirements of the next phase in Transaction Capital's development.

The depth of talent in Transaction Capital is exemplified by the appointment of Mark Herskovits to the board as CFO. Mark is a chartered accountant and chartered financial analyst who has been with your group for almost six years as deputy head of debt capital and thereafter head of capital markets. During this period, which spanned the global financial crisis, Transaction Capital raised R18 billion of debt capital, due in large part to Mark's efforts. His close working relationship with David and similar familiarity with the group, make his an equally obvious appointment.

LOOKING FORWARD

Transaction Capital remains committed to investing in the organic and acquisitive growth of non-deposit taking niched financial services businesses, with a view to rendering acceptable risk-adjusted returns to shareholders.

Subsequent to the disposals mentioned above, Transaction Capital will comprise SA Taxi and Rand Trust in the asset-backed small-to-medium enterprises finance division, and MBD CS and Principa Decisions in the credit services division. These subsidiaries epitomise the unique characteristics necessary to sustain leadership within their chosen niches and, fuelled by the retained proceeds of the recent disposals, provide a solid platform for the organic and acquisitive growth of earnings and returns.

APPRECIATION AND PROSPECTS

My resignation in January will mark almost six years as the CEO of Transaction Capital.

During that time we have closed or disposed of 10, acquired four and merged five operating entities. We have replaced five of my direct reports and made a substantial investment in the employment and development of a deep pool of talented individuals. We have imbedded strategic thinking, operational control, credit and risk processes, and thorough governance and compliance, all pursuant to the JSE listing of the group last year.

Today the tangible net asset value, capital adequacy, quality of earnings, returns, calibre of human capital, complexity, risk profile, governance and transparency of Transaction Capital is significantly improved on what I inherited in June 2008.

It has been a challenging period of personal growth and learning during which I have been privileged to work with many talented individuals, most notably David Hurwitz who so ably assisted me in entrenching the standards expected of a public company.

The 2013 results are the culmination of the support over many years of clients, bankers, debt investors, professional advisers, shareholders, board members, partners, and most of all the 5 386 fellow leaders and colleagues who have dedicated their working lives to Transaction Capital. My gratitude is due to you all.

Notwithstanding the challenging environment, the early 2014 performance of Transaction Capital is in line with the guidance on revenue and profit growth rates provided on listing, albeit off a lower base.

Finally, in reviewing my tenure I am pleased to have accomplished the four major objectives expected of a business leader: to leave the asset in a better state than it was found; to facilitate saleability for shareholders; to secure a successor; and to make one's exit seamless for stakeholders.

MARK J. LAMBERTI

15 January 2014

INTRODUCTION

Transaction Capital's sound operational and financial performance in its first full year as a public company enabled it to achieve the financial objectives envisaged on listing the group.

During the year under review, Transaction Capital was repositioned to substantially reduce the range and complexity of risks and to increase tangible net asset value, ultimately creating value for shareholders.

This active intervention culminated in two significant transactions, both of which were concluded subsequent to the 2013 year end. It has also resulted in satisfying financial and operational results, and a conservative capital position to fund organic growth and acquisitions in the medium term.

CFO'S REPORT TO STAKEHOLDERS

The first transaction was the consequence of an unsolicited offer from Actis, a private equity investor, resulting in the sale of Paycorp. This disposal was in line with Transaction Capital's business model (refer to pages 12 to 14), specifically our frequently espoused view that we are obliged to consider disposing of a subsidiary if the performance and value of that subsidiary can be enhanced by another owner. The premium price Actis paid for the asset validated our thinking in this regard.

All conditions precedent were fulfilled on 31 October 2013. The enterprise value of R937 million received on 1 November 2013 represents 18.7 times Paycorp's earnings to September 2013 (21.6 times based on Paycorp's 2012 earnings), providing an 18.2% internal rate of return (IRR) excluding gearing benefits. The transaction has enhanced shareholder value without in any way being prejudicial to the sustainability of Paycorp or to its stakeholders. Paycorp has been accounted for as a discontinued operation in the 2013 financial year.

The second transaction was the sale of Transaction Capital's 82.65% share in Bayport for R1.3 billion to Bayport Management Limited, represented by the original founders of Bayport. The rationale for the transaction, as set out fully in the Terms Announcement released on SENS late in October 2013, is summarised as:

> The negative sentiment with regard to the unsecured lending sector has resulted in the market ignoring Bayport's superior performance. The business has grown steadily, strengthening its differentiated strategy, executive calibre, governance and quality of earnings under Transaction Capital's stewardship. However, by virtue of its footprint and performance in high growth African economies, Bayport Management Limited has higher earnings and a higher equity rating than Bayport.

> Further organic or acquisitive growth in this market segment would increase Transaction Capital's exposure to unsecured lending to an unacceptable level, being in excess of the group's risk appetite, specifically after the sale of Paycorp had reduced the group's size.

> The combined entity of Bayport Management Limited and Bayport presents a compelling business case, with the potential to realise increased strategic, operational and financial synergies as an independent emerging market financial services business, funding organic and acquisitive growth with the support of local and international debt and equity investors.

The proposed transaction price of R1.3 billion is 6.7 times earnings to September 2013, providing a 32.6% IRR excluding gearing benefits. All conditions precedent to the sale of Bayport were fulfilled on 30 December 2013.

HEADLINE EARNINGS PER SHARE
▲19.7% TO **93.4 cents**

NET ASSET VALUE PER SHARE
▲17.5% TO **637.7 cents**

WEIGHTED AVERAGE NUMBER OF SHARES
▲12.4% TO **583.6 million**

RETURN ON ASSETS
▲15.8% TO **4.4%**

RETURN ON EQUITY **17.4%**
18.6% ACHIEVED IN 2012

TOTAL INCOME INCREASED BY
18.3% TO **R4 593 million**

NON-INTEREST REVENUE INCREASED BY
15.1% TO **R1 910 million**

GROSS LOANS AND ADVANCES GREW
19.9% TO **R11 697 million**

DISTRIBUTION OF **200 cents**
PER SHARE UNDER CONSIDERATION

HEADLINE EARNINGS
▲34.6% TO **R545 million**

FINAL DIVIDEND ▲33.3%
TO **12 cents per share**
BRINGS TOTAL DIVIDEND FOR THE YEAR TO **21 CENTS PER SHARE**

As the board approved the transaction subsequent to the financial year end and not all conditions precedent had been met, Bayport has been accounted for as a continuing operation.

These transactions evidence Transaction Capital's strategy to target, acquire and integrate value accretive acquisitions of non-deposit taking niched financial services businesses, and to enhance their competitive position. This is achieved through a superior ability to: assess and manage credit and operational risk; allocate equity capital efficiently; raise high quality and competitive debt funding; manage liquidity, funding and interest rate risk; develop and oversee the implementation of a strategic plan and a strong culture of governance, accountability, ethics and transparency.

As indicated, our strategy requires Transaction Capital to dispose of a subsidiary if another owner can enhance its performance and value, reflected in the premium price a potential buyer offers. Transaction Capital remains committed to this strategy.

Subsequent to the two disposals, Transaction Capital will comprise SA Taxi and Rand Trust in the asset-backed small-to-medium enterprise (SME) finance division and MBD CS and Principa Decisions in the credit services division. These subsidiaries epitomise the unique characteristics necessary to sustain market leadership within their chosen niches.

We intend to retain a sufficient portion of the proceeds arising from the disposal of Paycorp and Bayport to optimise the equity and debt structures in the continuing subsidiaries, fund organic growth and facilitate significant acquisitive activity in the medium term. Furthermore, the board intends to declare a distribution of 200 cents per share, absent of any unforeseen capital requirements arising prior to date of receipt of proceeds from the Bayport disposal.

Coinciding with the disposals, and given the expiry of the CEO's service contract, the board and group office has been restructured and resized appropriately. All group office functions have either been devolved to subsidiaries or reduced to accord with the requirements of a smaller Transaction Capital.

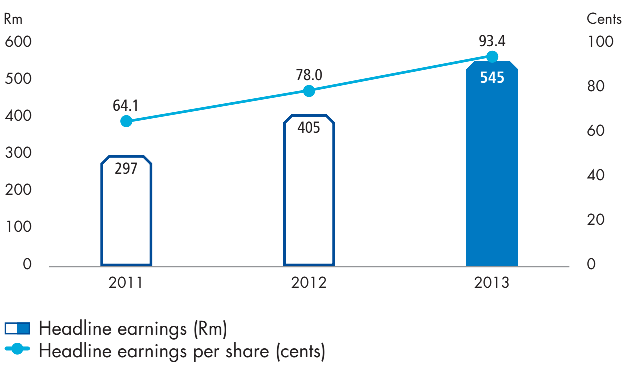
HIGHLIGHTS

Transaction Capital made strong progress in relation to its strategic and operating objectives during the year ended 30 September 2013, culminating in an excellent financial performance.

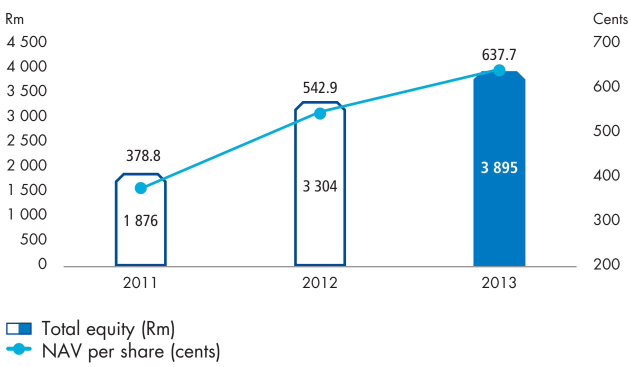
Performance of the continuing operations in comparison to the prior year is summarised below:

> Total income grew 18.3% to R4 593 million from R3 882 million;
> Non-interest revenue grew 15.1% to R1 910 million from R1 660 million;
> Gross loans and advances grew 19.9% to R11 697 million from R9 758 million;
> Headline earnings from continuing operations grew 33.7% to R480 million from R359 million;
> Headline earnings per share grew 19.1% to 82.3 cents from 69.1 cents;
> Return on assets up 14.7% to 3.9% from 3.4%; and
> Return on equity of 15.3% was achieved, down from 16.4% in the prior twelve months.

Headline earnings



Equity/NAV per share

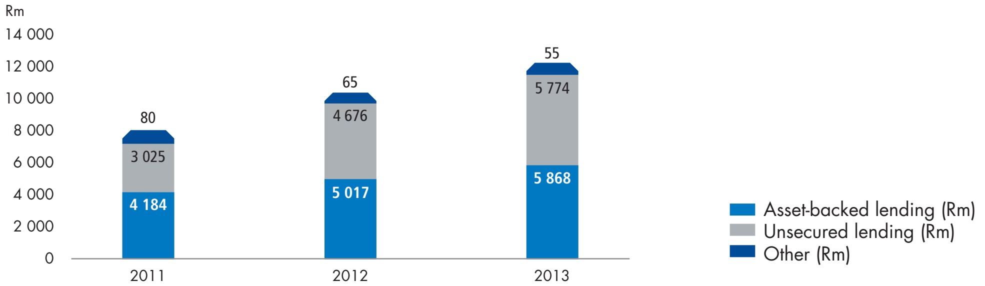


FINANCIAL POSITION

Assets	2013 Audited Rm	2012 Audited Rm	Change %
Cash and cash equivalents	**673**	1 101	(38.9)
Inventories	**85**	203	(58.1)
Loans and advances	**10 232**	8 780	16.5
Purchased book debts	**420**	347	21.0
Other investments	**481**	316	52.2
Intangible assets	**21**	36	(41.7)
Property and equipment	**96**	308	(68.8)
Goodwill	**594**	927	(35.9)
Non-current assets classified as held for sale	**769**	–	100.0
Other assets	**960**	796	20.6
Total assets	**14 331**	12 814	11.8

LOANS AND ADVANCES

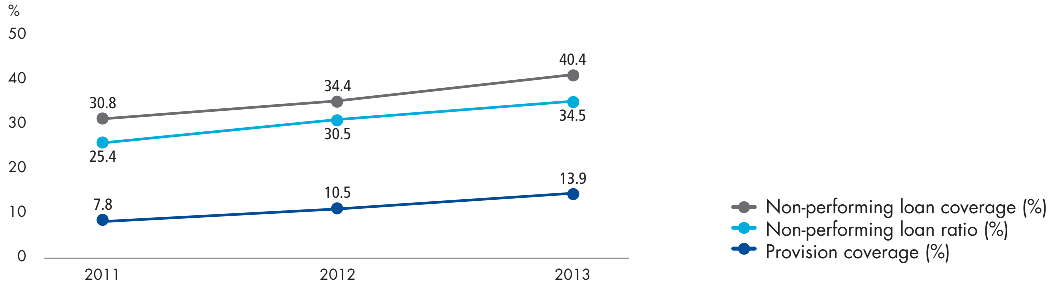
Gross loans and advances



Conservative growth of 19.9% in gross loans and advances to R11 697 million was due to slower growth in unsecured and asset-backed lending, resulting in an evenly balanced asset portfolio.

The slowdown in the growth rate of gross loans and advances was deliberate. The group achieved this by: implementing capital rationing; developing origination strategies targeting improved credit quality rather than book growth; and reducing its risk appetite in relation to unsecured lending, slowing its growth rate to 23.5% from 54.6% in the prior year.

Asset quality



The deterioration in the non-performing loan ratio from 30.5% to 34.5% arose from a deteriorating non-performing loan ratio in both the asset-backed lending (30.7% to 34.3%) and unsecured lending (30.6% to 35.1%) divisions. Transaction Capital reacted by strengthening provisioning and increasing equity levels. Non-performing loan coverage was concomitantly strengthened from 34.4% to 40.4%, provision coverage increased from 10.5% to 13.9%, while capital adequacy levels were improved during the year to 41.6%.

In asset-backed lending, credit quality improved due to more stringent credit scoring, improved collections and an origination strategy focused on premium vehicles, at 97% of total vehicles financed in the year. However, the rate of refinancing repossessed vehicles slowed as more comprehensive refurbishments were required to ensure the requisite quality. This resulted in an increase in the number of repossessed vehicles being held, causing the non-performing loan ratio to increase from 30.7% to 34.3%. Non-performing loan coverage was therefore strengthened from 15.5% to 15.9%, as was provision coverage from 4.7% to 5.5%.

In unsecured lending, vintage curves from the first half of the 2013 financial year revealed a deterioration in credit quality. This triggered more intensive collection strategies and a further tightening of lending criteria, resulting in lower disbursement levels for the year. The slower growth in gross loans and advances of 23.5% accelerated the seasoning of the book. This, together with the slowdown in the late stage collection process for the year due to the implementation of system improvements, resulted in the adverse movement in the non-performing loan ratio to 35.1%. This was addressed through an improvement in the non-performing loan coverage from 54.3% to 64.2% and the provision coverage from 16.6% to 22.5%.

PURCHASED BOOK DEBTS

The softer consumer credit economy has created an advantageous environment for book buying. During the year, MBD CS acquired book debts with a face value of R1.9 billion for a cost of R119 million, and incurred an amortisation cost of R46 million due to the cash flows generated by the portfolio. We expect the benefits of the investment in purchased book debts, underpinned by MBD CS's improved collections capability, to be realised in the 2014 financial year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents declined year-on-year due to the group making its quarterly debt repayments on 30 September 2013 rather than 1 October as in the prior year. On a normalised basis cash and cash equivalents increased by R192 million.

ASSETS CLASSIFIED AS HELD FOR SALE

The classification of Paycorp as a non-current asset held for sale was the main driver for the year-on-year decline in property and equipment, inventories, goodwill and intangible assets.

OTHER INVESTMENTS

Other investments represent the group's investments in the insurance cell captives of the asset-backed lending and unsecured lending businesses. These investments are carried at fair value while movements are recognised in the available-for-sale reserve. Increased client offerings, SA Taxi's insurance arrangement with a new underwriter and the growth in the loans and advances portfolio drove the year-on-year growth in other investments.

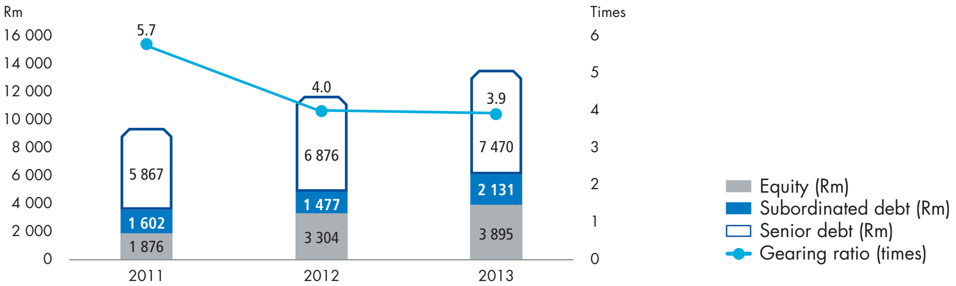
Equity and liabilities	2013 Audited Rm	2012 Audited Rm	Change %
Equity			
Ordinary share capital	1 779	1 792	(0.7)
Other reserves	385	268	43.7
Retained earnings	1 551	1 112	39.5
Equity attributable to ordinary equity holders of the parent	3 715	3 172	17.1
Non-controlling interests	180	132	36.4
Total equity	3 895	3 304	17.9
Liabilities			
Bank overdrafts	71	158	(55.1)
Tax payables	2	13	(84.6)
Trade and other payables	386	827	(53.3)
Provisions	2	3	(33.3)
Interest-bearing liabilities	9 601	8 353	14.9
Senior debt	7 470	6 876	8.6
Subordinated debt	2 131	1 477	44.3
Deferred tax liabilities	194	156	24.4
Liabilities directly associated with non-current assets classified as held for sale	180	–	100.0
Total liabilities	10 436	9 510	9.7
Total equity and liabilities	14 331	12 814	11.8

CAPITAL MANAGEMENT

Generating the appropriate risk-adjusted return on the capital deployed within the business remains a strategic objective.

The group's capital adequacy ratio improved to 41.6% at 30 September 2013, of which 25.3% comprises of equity with the balance of 16.3% being subordinated debt, resulting in a gearing ratio of 3.9 times. The group is favourably capitalised and well positioned to fund organic growth opportunities.

Capital structure



Capital adequacy calculation		2013	2012	2011
Equity	Rm	3 895	3 304	1 876
Subordinated debt capital	Rm	2 131	1 477	1 602
Total capital	Rm	6 026	4 781	3 478
Less: goodwill	Rm	(594)	(927)	(930)
Total capital less goodwill	Rm	5 432	3 854	2 548
Total assets less goodwill and cash and cash equivalents	Rm	13 064	10 786	8 597
Capital adequacy ratio	%	41.6	35.7	29.6
Equity	%	25.3	22.0	11.0
Subordinated debt	%	16.3	13.7	18.6

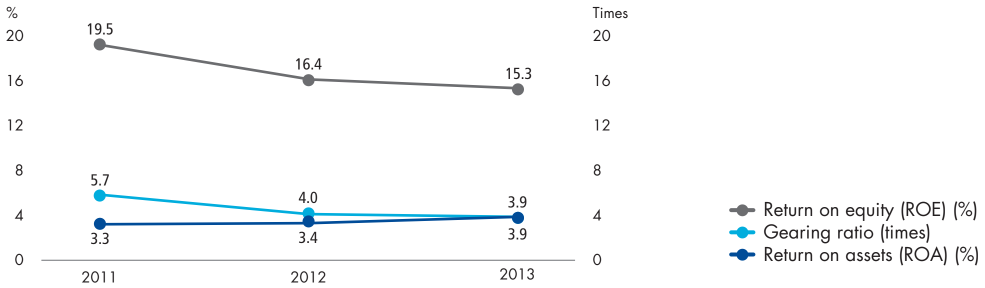
EQUITY MANAGEMENT

In addition to the retained earnings for the year, equity levels in the group increased further due to an increase in the fair value of Transaction Capital's insurance businesses. The board approved and declared a final dividend of 12 cents per share on 26 November 2013, bringing the total dividend declared to 21 cents per share for the year. Dividend cover of 4.4 times is in line with the group's dividend policy of maintaining a cover ratio of four to five times of annual headline earnings.

The disposals of Paycorp and Bayport will enhance the group's capital adequacy levels. Thus, subject to the closure of the Bayport transaction expected by the end of January 2014, and having taken full account of the medium-term capital requirements of the group, the board intends to declare a distribution of 200 cents per share, unless any unforeseen capital requirements arise in the interim.

Despite the return on average assets improving from 3.8% to 4.4%, the return on average equity ratio declined to 17.4% which was the result of the equity capital raised during the 2012 financial year.

ROE/ROA from continuing operations



DEBT MANAGEMENT

Transaction Capital, as a non-deposit taking financial services business, relies on a proven wholesale funding model. In the year, the group continued to find support in debt capital markets, accessing more than R5.6 billion in debt from 21 institutions and attracting four new debt investors. Interest-bearing liabilities increased 14.9% to R9 601 million, lower than the rate of growth of gross loans and advances.

Transaction Capital's wholesale funding model continues to incorporate the following conservative principles:

> A 'positive liquidity mismatch' is maintained, such that the average debt duration exceeds average asset duration, and cash collections from assets are used to redeem amortising debt. Thus, debt is raised primarily to fund asset growth and not to refinance mismatched debt.

> Term instruments are generally issued on an amortising basis to reduce liquidity risk and match cash flows.

> No exposure to overnight debt instruments exists with limited exposure to twelve-month rolling instruments.

> Direct relationships between Transaction Capital's capital markets team and the debt capital market participants allow debt investors to gain an in-depth understanding of the group's business.

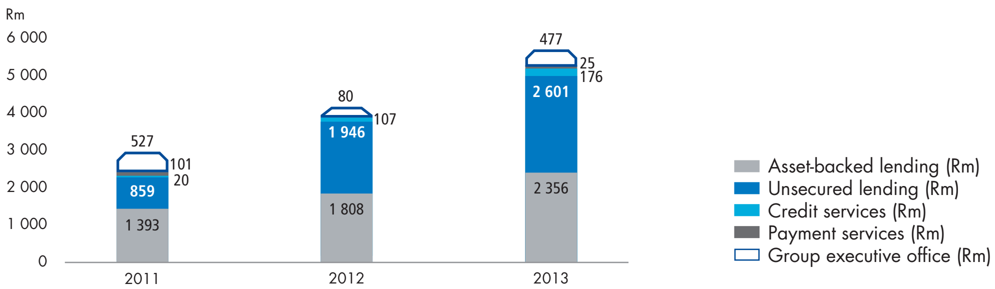
> The majority of debt is raised in ring-fenced funding structures with no cross-default clauses, allowing investor diversification, ensuring no co-mingling of risk, and leveraging capital optimally per individual asset class.

> Capital adequacy levels are targeted per asset class, using a bottom-up approach to capital management.

Following Moody's downgrade of South Africa's local currency rating ceiling to A1 in September 2012, the rating agency placed SA Taxi Securitisation's senior and mezzanine notes on review. During August 2013, Moody's confirmed the ratings of the senior notes at 'Aa2.za' and upgraded the rating of the mezzanine notes by three notches to 'A3.za'. Significant credit enhancement, which protects against sovereign risk and counterparty risk, primarily drove the rating action.

In addition, Standard & Poors completed its first time rating of Bayport Securitisation during the final quarter of the 2013 financial year, with Bayport Securitisation being awarded a 'za.A' credit rating for its senior debt.

Debt issued by division



Bayport's funding strategy continues to involve the regular issuance of credit rated and listed notes via its Bayport Securitisation structure. These notes remained attractive to a broad range of debt investors and, despite the generally negative market sentiment towards unsecured lending, R2.6 billion in debt was raised for Bayport. During the year, eight new debt investors were added to the Bayport Securitisation debt programme.

The funding environment for SA Taxi remained largely positive with R1.6 billion of debt raised mostly via its syndicated loan programme, which is designed to attract local investors and international development finance institutions, and an unrated and unlisted structured finance programme with general local debt capital market appeal. A revolving warehouse facility was concluded with SA Taxi's lead bankers and implemented in the third quarter of the 2013 financial year. SA Taxi's future funding strategy involves the ongoing refinancing of this facility via the regular issuance of highly rated listed notes via a securitisation structure. The implementation of this new securitisation structure is progressing as planned, with the first issuance of debt planned towards the second half of the 2014 financial year.

The excellent growth in gross loans and advances in Rand Trust necessitated the raising of additional funding, which included R83 million from a single institution. MBD CS raised R176 million of debt funding via an increased loan facility from its lead bankers. R98 million of this was in the form of a term loan from a single institution. Finally, during the fourth quarter, the group raised R477 million of subordinated debt from two institutions for the purposes of organic growth.

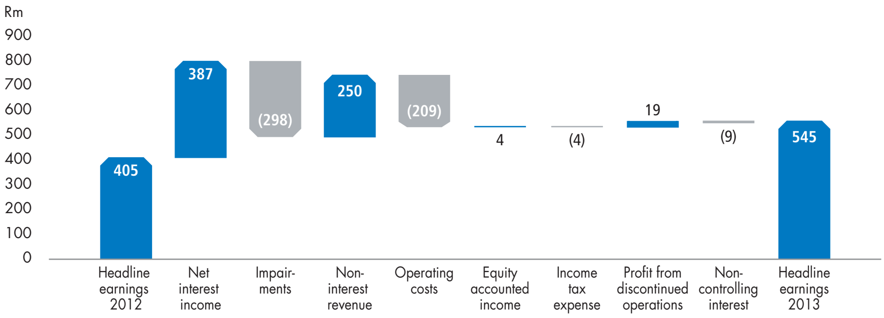
PERFORMANCE

	2013 Audited Rm	2012 Audited Rm	Change %
Net interest income	**1 735**	1 348	28.7
Impairment of loans and advances	**(1 038)**	(740)	40.3
Risk-adjusted net interest income	**697**	608	14.6
Non-interest revenue	**1 910**	1 660	15.1
Operating costs	**(1 990)**	(1 784)	11.5
Equity accounted earnings	**4**	–	100.0
Profit before tax	**621**	484	28.3
Income tax expense	**(100)**	(96)	4.2
Profit from continuing operations	**521**	388	34.3
Profit from discontinued operations	**65**	46	41.3
Profit for the year	**586**	434	35.0
Attributable to ordinary equity holders of the parent	**544**	401	35.7
Attributable to non-controlling equity holders	**42**	33	27.3

HEADLINE EARNINGS

Headline earnings for the year ended 30 September 2013 grew 34.6% to R545 million. A combination of incremental contributions from all of the group's divisions, in terms of revenue growth and cost containment, underpinned this result.

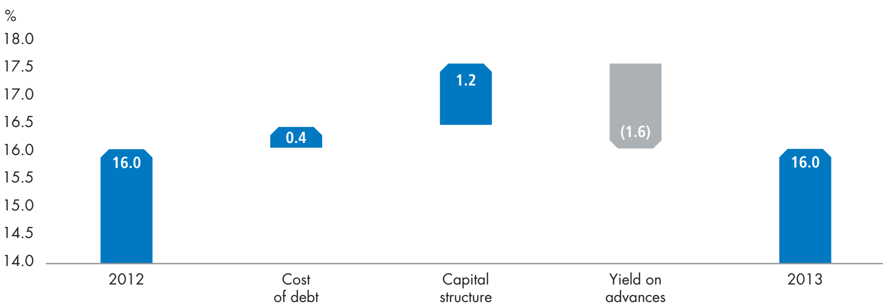
Headline earnings



NET INTEREST INCOME

Net interest income grew 28.7% to R1 735 million, with the net interest margin of 16.0% remaining unchanged. A breakdown of net interest income is included below:

Net interest margin



- Interest and other similar income increased 20.7% to R2 683 million as a result of the increase in net loans and advances of 16.5% and the focus on higher yielding unsecured loans.
- The reduction in cost of funding had a positive impact on the group's net interest margin. The increased weighting of equity in the capital structure in the prior year and the deployment of the equity raised on IPO into the lending businesses had a positive impact on the net interest margin of 120 basis points. A further 40 basis points benefit was achieved through a reduction in the actual cost of debt, mainly due to lower market benchmark rates.
- A lower yield on gross loans and advances put negative pressure on the net interest margin of 160 basis points. This was a result of the 50 basis points reduction in the repo rate in late July 2012, and lower yields being achieved as a greater proportion of the book rolls into non-performing loan status.

IMPAIRMENT OF LOANS AND ADVANCES

The group's credit loss ratio increased from 8.8% to 9.6%. This was due to the increased weighting in the loan portfolio of unsecured loans and advances, which have a higher associated credit loss ratio, and the increase in the credit loss ratio of unsecured lending. Encouragingly, the credit loss ratio of asset-backed lending declined from the prior year's levels.

Credit quality improved in the asset-backed lending division due to more stringent credit scoring, improved collections, improved efficiencies at Taximart and an origination strategy focused on premium vehicles. This resulted in lower credit losses of 5.2%, compared to 5.4% a year ago.

In the unsecured lending division, a good collections performance from March to December 2012 resulted in stable non-performing loans during this period. However, weaker collections performance, specifically in late stage collections, during the first half of the 2013 financial year resulted in a deterioration in the non-performing loan ratio. In turn, this required a higher non-performing loan coverage ratio. Consequently, the credit loss ratio increased from 13.0% to 14.1% on a year-on-year basis.

NON-INTEREST REVENUE

Non-interest revenue grew 15.1% to R1 910 million mainly due to the 19.9% growth in gross loans and advances, which drove fee and commission income as well as growth in insurance-related income. The modest 2.1% growth in collection-based revenue at MBD CS adversely affected non-interest revenue growth.

OPERATING COSTS

The cost-to-income ratio improved from 59.3% to 54.6% as a result of excellent cost control across the group and the increased weighting of the lower cost-to-income ratio lending operations. Total expenses grew 11.5% to R1 990 million as assets in the lending divisions and revenue generating activities in the services divisions expanded, with a concomitant investment in human capital and technology.

INCOME TAX EXPENSE

Investment income from the underwriting profits earned on insurance products in asset-backed and unsecured lending is fully taxed in the hands of our insurance partners, and is received by the group as an after tax dividend. This resulted in an effective tax rate for the group of 16.1%, down 3.7% mainly due to an increase in this investment income.

PROFIT FROM DISCONTINUED OPERATIONS

The sale of Paycorp resulted in it being classified as a non-current asset held for sale from 1 July 2013 until 1 October 2013, in terms of IFRS 5: *Non-current assets held for sale and discontinued operations.*

The accounting impact is set out below:

- The assets and liabilities of Paycorp have each been disclosed on separate lines, classified as assets or liabilities held for sale, on the group's statement of financial position;
- Paycorp's profit contribution has been disclosed on a single line as profit for the year from discontinued operations on the group's income statement. Profit from discontinued operations grew 41.3% mainly due to the R15 million contribution to headline earnings referred to below;
- The depreciation and amortisation of Paycorp's assets was suspended from 1 July 2013. After deducting costs associated with the disposal, this resulted in an increase in headline earnings of R15 million; and
- The profit on the sale of Paycorp has been accounted for in the 2014 financial year, and has been excluded from headline earnings.

ABRIDGED SEGMENT REPORT

	Asset-backed lending		Credit services		Group executive office	
	2013 Audited Rm	2012 Audited Rm	2013 Audited Rm	2012 Audited Rm	2013 Audited Rm	2012 Audited Rm
Summarised income statement for the year ended 30 September 2013						
Net interest income	**667**	552	**(1)**	4	**20**	(17)
Impairment of loans and advances	**(281)**	(245)	**(2)**	(1)	**–**	–
Non-interest revenue	**218**	191	**790**	769	**15**	(25)
Total operating costs	**(403)**	(333)	**(666)**	(652)	**(2)**	6
Equity accounted earnings	**–**	–	**4**	–	**–**	–
Profit before tax	**201**	165	**125**	120	**33**	(36)
Impact of classification to held for sale	**–**	–	**–**	–	**–**	–
Profit from discontinued operations	**–**	–	**–**	–	**–**	–
Headline earnings	**163**	133	**95**	88	**23**	(28)
Total headline earnings	**163**	133	**95**	88	**23**	(28)
Return on average assets (ROA) (%)	**2.7**	2.5	**12.2**	12.4		
Return on average equity (ROE) (%)	**32.3**	39.3	**27.3**	28.8		
Services: EBITDA			**134**	125		
Net interest margin (%)	**12.3**	12.1				
Cost-to-income ratio (%)	**45.5**	44.8	**84.4**	84.4		
Average cost of borrowing (%)	**10.1**	11.2	**8.2**	8.2		
Credit loss ratio (%)	**5.2**	5.4				
ATM disbursements (Rb)						
Number of employees	**564**	555	**3 039**	2 518	**70**	56
Summarised statement of financial position at 30 September 2013						
Assets						
Cash and cash equivalents	**226**	528	**32**	57	**36**	92
Loans and advances	**5 577**	4 801	**47**	59	**–**	–
Purchased book debts	**–**	–	**420**	347	**–**	–
Other investments	**175**	57	**–**	–	**–**	–
Non-current assets classified as held for sale	**–**	–	**–**	–	**769**	–
Other assets and receivables	**453**	388	**234**	255	**300**	514
Total assets	**6 431**	5 774	**733**	718	**1 105**	606
Liabilities						
Bank overdrafts	**71**	137	**–**	–	**–**	–
Interest-bearing liabilities	**4 398**	4 468	**151**	140	**922**	449
Senior debt	**3 947**	4 103	**151**	140	**–**	–
Subordinated debt	**451**	365	**–**	–	**922**	449
Group	**1 078**	410	**–**	22	**(1 295)**	(901)
Liabilities directly associated with non-current assets classified as held for sale					**180**	–
Other liabilities and payables	**185**	267	**204**	226	**71**	47
Total liabilities	**5 732**	5 282	**355**	388	**(122)**	(405)
Total equity	**699**	492	**378**	330	**1 227**	1 011
Capital adequacy ratio (%)	**31.7**	23.0	**48.7**	47.9		
Provision coverage (%)	**5.5**	4.7				
Non-performing loan ratio (%)	**34.3**	30.7				
Non-performing loan coverage (%)	**15.9**	15.5				
Assets under management (Rb)			**25.8**	23.2		
Number of collection agents			**2 744**	1 983		
Number of active ATMs						

* *Assets classified as held for sale comprise R418 million of Paycorp assets, R332 million of goodwill related to Paycorp and R19 million increase in assets due to the held for sale depreciation and amortisation reversal required.*

** *Liabilities held for sale comprise R247 million of Paycorp liabilities, less R67 million of intergroup loans which eliminate on consolidation.*

Group before unsecured lending		Unsecured lending		Group – continuing		Payment services – discontinued		Group	
2013 Audited Rm	2012 Audited Rm	2013 Audited Rm	2012 Audited Rm	2013 Audited Rm	2012 Audited Rm	2013 Audited Rm	2012 Audited Rm	2013 Audited Rm	2012 Audited Rm
686	539	1 049	809	1 735	1 348	–	–	1 735	1 348
(283)	(246)	(755)	(494)	(1 038)	(740)	–	–	(1 038)	(740)
1 023	935	887	724	1 910	1 660	–	–	1 910	1 660
(1 071)	(980)	(919)	(805)	(1 990)	(1 784)	–	–	(1 990)	(1 784)
4	–	–	–	4	–	–	–	4	–
359	249	262	234	621	484	–	–	621	484
–	–	–	–	–	–	15	–	15	–
–	–	–	–	–	–	50	46	50	46
281	193	199	166	480	359	–	–	480	359
281	193	199	166	480	359	65	46	545	405
		4.3	4.6	3.9	3.4	12.3	12.1	4.4	3.8
		17.7	23.2	15.3	16.4	30.3	30.5	17.4	18.6
134	125			134	125	–	–	134	125
		19.6	21.2	16.0	16.0			16.0	16.0
		47.5	52.5	54.6	59.3	86.6	86.3	54.6	59.3
		9.9	10.3	10.3	11.0	10.3	9.6	10.3	11.0
		14.1	13.0	9.6	8.8			9.6	8.8
						35.6	28.6		
3 673	3 129	1 326	1 179	4 999	4 308	387	389	5 386	4 697
						*			
294	677	379	270	673	947	–	154	673	1 101
5 624	4 860	4 608	3 920	10 232	8 780	–	–	10 232	8 780
420	347	–	–	420	347	–	–	420	347
175	57	305	259	481	316	–	–	481	316
769	–	–	–	769	–	–	–	769	–
987	1 157	770	810	1 756	1 967	–	303	1 756	2 270
8 269	7 098	6 062	5 259	14 331	12 357	–	457	14 331	12 814
						**			
71	137	–	–	71	137	–	21	71	158
5 471	5 057	4 129	3 229	9 601	8 286	–	67	9 601	8 353
4 098	4 243	3 371	2 566	7 470	6 809	–	67	7 470	6 876
1 373	814	758	663	2 131	1 477	–	–	2 131	1 477
(217)	(469)	217	469	–	–	–	–	–	–
180	–			180	–			180	–
460	540	125	254	584	794	–	205	584	999
5 965	5 265	4 471	3 952	10 436	9 317	–	293	10 436	9 510
2 304	1 833	1 591	1 307	3 895	3 140	–	164	3 895	3 304
		40.5	43.9	40.1	35.7	53.4	54.0	41.6	35.7
		22.5	16.6	13.9	10.5			13.9	10.5
		35.1	30.6	34.5	30.4			34.5	30.4
		64.2	54.3	40.4	34.4			40.4	34.4
						4 651	4 381		

SEGMENT REVIEW

Headline earnings per segment

Segment	2013 Rm	2012 Rm	Change %	Contribution to headline earnings 2013 %	Contribution to headline earnings 2012 %
Asset-backed lending	**163**	133	22.6	**30.0**	32.8
Unsecured lending	**199**	166	19.9	**36.5**	41.0
Credit services	**95**	88	8.0	**17.4**	21.7
Group executive office	**23**	(28)	182.1	**4.2**	(6.9)
Headline earnings from continuing operations	**480**	359	33.7	**88.1**	88.6
Headline earnings from discontinued operations	**65**	46	41.3	**11.9**	11.4
Headline earnings	**545**	405	34.6	**100.0**	100.0

LENDING

Asset-backed lending – SA Taxi and Rand Trust

Gross loans and advances grew 17.0% to R5 868 million, yielding a 22.6% increase in headline earnings to R163 million.

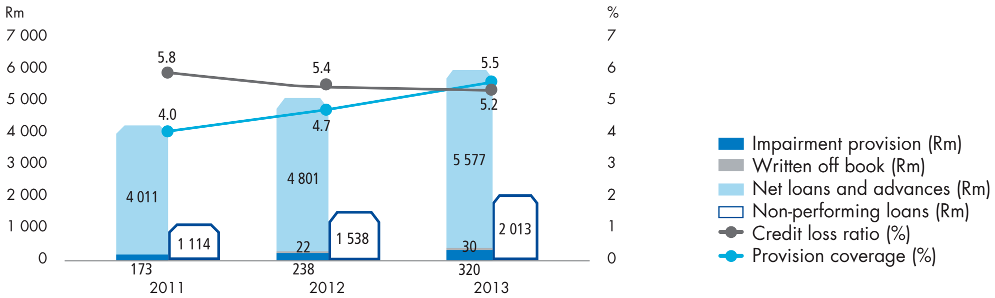
SA Taxi is a specialist financier of mini-bus taxis to SMEs. Its strategic intent over the medium term is to focus on financing higher value, lower risk premium vehicles and to take a conservative approach to refinancing previously repossessed vehicles, while making an orderly exit from financing entry-level vehicles. The resulting improvement in credit quality is expected to sustain growth in gross loans and advances in the medium term at current rates as turnover remains subdued, but should increase the quality of the book in the medium term.

The division's net interest margin remained relatively stable at 12.3% as: loan sizes increased due to the inflationary increases in the cost price of the new vehicles; the portfolio mix shifted towards better credit quality premium vehicles; the cost of debt reduced; and the interest margin at Rand Trust narrowed as larger clients were targeted.

Financial performance		2013	2012	Change %
Financial measures				
Net interest margin	%	**12.3**	12.1	1.7
Average cost of borrowing	%	**10.1**	11.2	(9.8)
Cost-to-income ratio	%	**45.5**	44.8	1.6
Return on assets (ROA)	%	**2.7**	2.5	8.0
Status				
Number of loans	Number	**23 453**	22 649	3.5
Average gross loans and advances	Rm	**5 181**	4 387	18.1
% Leases/repossessions (loans and advances)	%	**93/7**	94/6	
% Premium/entry level (gross loans and advances)	%	**80/20**	79/21	
Originations				
Number of loans originated	Number	**5 811**	6 248	(7.0)
Value of loans originated	Rm	**1 560**	1 533	1.8
New/existing clients	%	**80/20**	81/19	
% New vehicle originations	Rm	**1 217**	1 134	7.3
% Premium/entry level (disbursements)	%	**97/3**	92/8	4.9
Average origination value	R	**268 479**	245 378	9.4
Credit performance				
Impairment of loans and advances	Rm	**(281)**	(245)	14.7
Non-performing loans	Rm	**2 013**	1 538	30.9
Credit loss ratio	%	**5.2**	5.4	(3.7)
Provision coverage	%	**5.5**	4.7	17.0
Non-performing loan ratio	%	**34.3**	30.7	11.7
Non-performing loan coverage	%	**15.9**	15.5	2.3
Impairment provision % repossessions	%	**30.7**	32.8	(6.5)

Credit quality improved due to more stringent credit scoring, improved collections and the focus of the origination strategy on premium vehicles. This resulted in lower credit losses of 5.2%, compared to 5.4% a year ago. The rate of refinancing of repossessed vehicles slowed as more comprehensive refurbishment was required to ensure the requisite quality. This resulted in a higher number of repossessed vehicles being held, causing the non-performing loan ratio to increase from 30.7% to 34.3%. Non-performing loan coverage was strengthened from 15.5% to 15.9% and provision coverage from 4.7% to 5.5%, while the division's capital adequacy ratio improved from 23.0% to 31.7%.

Key performance indicators



Non-interest revenue comprising mainly insurance revenue, fee income and car tracking income increased 14.1% to R218 million year-on-year. In the last quarter of the 2013 financial year, SA Taxi entered into a new insurance arrangement with Guardrisk. This is enabling SA Taxi to expand and customise its existing suite of insurance products, thereby enhancing the value proposition offered to taxi owners.

The cost-to-income ratio increased marginally to 45.5% due to: broadening the value proposition to clients; investment in a more client-centric business model, including the launch of Shiyela, a client rewards programme; and the continued investment in Taximart. Operational efficiencies from the relocation of SA Taxi's businesses to a single site in Midrand during the second quarter of the financial year offset the increase in costs.

Rand Trust provides receivables discounting and commercial debtor management to SMEs. Rand Trust has invested heavily in its distribution channel, marketing mechanisms and client offering to create scale, diversify its client base, increase clients' utilisation of available facilities and improve retention of long-term clients. A 33.0% increase in revenue generated was further enhanced by the economies of scale realised in the operation. The business expanded its reach outside its traditional Western Cape target market, increasing its presence in Gauteng. Rand Trust will continue to focus on innovation, specifically in its distribution channels and marketing strategies, to bring its enhanced client offerings to its SME target market.

Unsecured lending – Bayport

Bayport is a provider of unsecured personal loans to middle-market consumers. The division's headline earnings grew 19.9% to R199 million from a 23.5% growth in gross loans and advances to R5 774 million.

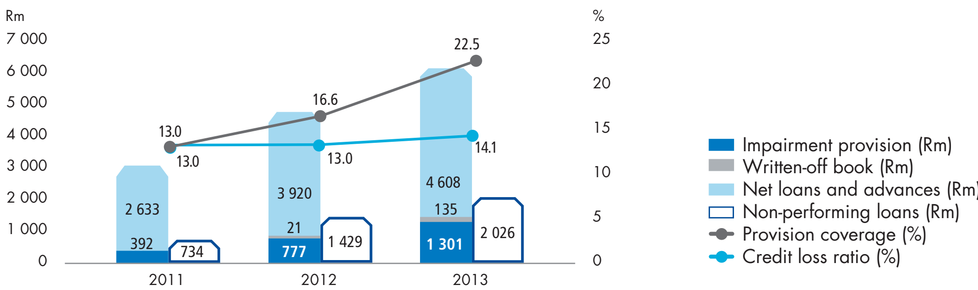
		2013	2012	Change %
Financial measures				
Net interest margin	%	**19.6**	21.2	(7.5)
Average cost of borrowing	%	**9.9**	10.3	(4.0)
Cost-to-income ratio	%	**47.5**	52.5	(9.6)
Return on assets (ROA)	%	**4.3**	4.6	(6.8)
Status				
Number of loans	Number	**344 547**	335 339	2.7
% Retail loans/cellular (loans and advances)	%	**93/7**	92/8	
Average gross loans and advances	Rm	**5 348**	3 814	40.2
Originations				
Number of loans originated	Number	**142 719**	202 744	(29.6)
Value of loans originated	Rm	**2 042**	2 719	(24.9)
New/existing clients	%	**32/68**	39/61	
Average disbursement	R	**14 308**	13 412	6.7
Average term	Months	**47**	44	7.7
Credit performance				
Impairment of loans and advances	Rm	**(755)**	(494)	52.8
Non-performing loans	Rm	**2 026**	1 429	41.8
Credit loss ratio	%	**14.1**	13.0	9.0
Provision coverage	%	**22.5**	16.6	35.6
Non-performing loan ratio	%	**35.1**	30.6	14.8
Non-performing loan coverage	%	**64.2**	54.3	18.3

Growth in gross loans and advances slowed to 23.5%, compared to 54.6 % in 2012, due to a conservative origination strategy that involved capital rationing and a reduction in credit risk appetite. Average monthly disbursement declined 25% year-on-year to R170 million, with 68% of originations weighted towards a proven customer base with a known payment history. Bayport will remain conservative in targeting client and employer segments while actively monitoring credit quality, loan size and term. The average loan disbursement rose 6.7% to R14 308, slightly higher than inflation, but remained well below the industry average of R18 211.

The non-performing loan ratio declined from 30.6% to 35.1%. This was due to: consumer stress within the unsecured lending market; lower disbursement levels which accelerated the seasoning of the book; and late stage collections that lagged expected activity levels during the first half of the year, which were a result of ensuring the highest levels of compliance with regulations and the fair treatment of clients. These elevated non-performing loan levels were addressed through continued prudence in the provisioning methodology, increasing provision coverage from 16.6% to 22.5% and non-performing loan coverage from 54.3% to 64.2%, while maintaining a capital adequacy ratio of 40.5%.

The significant increase in provision coverage and non-performing loan coverage resulted in the credit loss ratio deteriorating to 14.1%. The written off book was valued at R135 million or 9 cents in the rand at 30 September 2013, with the higher write-off rate contributing to the growth in this asset.

Key performance indicators



The weakening in the credit ratios resulted in more loans entering an income suspension state, adversely impacting non-interest revenue and the net interest margin, which fell to 19.6%.

Strict cost containment combined with continued investment in systems and process improvements realised efficiencies in the business, resulting in a year-on-year improvement in the cost-to-income ratio from 52.5% to 47.5%.

On 23 October 2013, Transaction Capital announced the sale of its 82.65% interest in Bayport to Bayport Management Limited, subject to various conditions and approvals.

SERVICES

Credit services – MBD CS and Principa Decisions

The credit services division, which faced difficult trading conditions as the softer consumer credit environment affected both collections and credit consulting, increased headline earnings by 8.0% to R95 million.

		2013	2012	Change %
Financial measures				
Services EBITDA	Rm	**134**	125	7.2
Average cost of borrowing	%	**8.2**	8.2	–
Cost-to-income ratio	%	**84.4**	84.4	–
Principal revenue as % of average book value of purchased book debts	%	**65.1**	87.6	(25.6)
Assets under management	Rb	**25.8**	23.2	11.2
Agency	Rb	**14.4**	13.6	5.9
Principal	Rb	**11.4**	9.6	18.8
Average book value of purchased book debts	Rm	**393**	314	25.2
Agency/principal collections revenue split	%	**52/48**	53/47	
Status				
Number of agency clients		**66**	52	27
Number of call centres		**9**	9	–
Number of collection agents		**2 744**	1 983	38
Employees		**3 039**	2 518	21

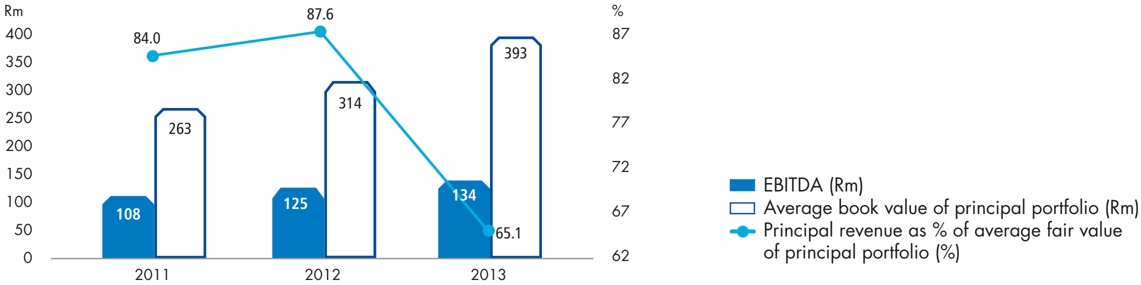
MBD CS collects distressed consumer and commercial debt as an agent for credit providers and as principal on purchased book debts.

Net purchased book debts increased 21.0% to R420 million, following the acquisition of book debts with a face value of R1.9 billion for R119 million. These acquisitions, combined with R43 million of acquisitions in the last quarter of the 2012 financial year, necessitated an increase in MBD CS's facilities and personnel in an expanded Johannesburg CBD call centre, as well as the optimisation of existing collection capacity and strategies. The resulting disruption, together with a weakening credit consumer environment, negatively affected revenue generation.

It is expected that the benefits of the investment in purchased book debts together with MBD CS's augmented collections capability will be realised during the 2014 financial year.

Revenue grew a modest 2.4% with 48% of all revenue being generated by principal collections, which continued to lag the growth in purchased book debts. Stringent cost management supported a stable cost-to-income ratio of 84.4%, after absorbing expenditure incurred in the expansion of its call centre capacity.

Key performance indicators



Principa Decisions provides credit risk consultancy services and software.

The softening in the South African consumer credit economy had an adverse impact on the business's ability to generate revenue in its traditional market. The Qarar joint venture with Simah in the Middle East is now fully operational with strong US dollar-based revenues earned during the second half of the 2013 financial year.

Payment services – Paycorp (Discontinued operation)

Paycorp comprises ATM Solutions, which owns, installs, operates and maintains off bank premises ATMs and electronic funds transfer (EFT) terminals, and DrawCard, a prepaid card issuer. Headline earnings grew 41.3% to R65 million, which includes R15 million of headline earnings attributable to the classification of Paycorp as held for sale. The growth in Paycorp was driven by strong performance in the core ATM Solutions business.

A combination of active ATMs growing 6.2% to 4 651 machines, the continued relocation of underperforming ATMs to better sites, and high network uptime levels, yielded a 24.4% increase in ATM disbursements. Payment-based income grew 11.2% offset by slightly increased vandalism levels and fee structure pressure from certain banking partners.

On 6 August 2013, Transaction Capital entered into an agreement to dispose of 100% of Paycorp to a company owned by funds of emerging market private equity firm Actis, with minority ownership obtained by the Paycorp management team.

		2013	**2012**	**Change %**
Financial measures				
Services EBITDA	Rm	**142**	129	10.0
Cost-to-income ratio	%	**86.6**	86.3	0.3
Status				
ATM disbursements	Rb	**35.6**	28.6	24.4
ATM revenue	Rm	**476**	428	11.2
Number of active ATMs	Units	**4 651**	4 381	6.2
Vandalism losses	Rm	**7**	5	40.0

GROUP EXECUTIVE OFFICE

The group executive office is structured to recover its operational costs during the year from the operating divisions. The group executive office has, however, reflected a profit for the year due to interest earned on cash and cash equivalents deployed to the operations.

All group executive office functions and costs have either been devolved to subsidiaries or reduced to support Transaction Capital's smaller portfolio.

ACCOUNTING POLICIES AND ESTIMATES

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

The group therefore elected to early adopt IFRS 10: *Consolidated Financial Statements*, IFRS 11: *Joint Arrangements*, IAS 27: *Separate Financial Statements* (as revised in 2011), IAS 28: *Investments in Associates and Joint Ventures* (as revised in 2011) and IFRS 12: *Disclosure of Interests in Other Entities* during the second half of the year. The group believes that adopting these standards has improved the disclosure of the nature and risks associated with interests in other entities. The major change as a result of the early adoption is the recognition of insurance cell captives as available for sale assets at fair value through equity. These standards have been applied retrospectively.

The group implemented a new long-term incentive scheme for executives in the form of a share appreciation rights (SAR) plan vesting over a three-year period, to be granted on an annual basis. The SAR is considered to be a share-based payment transaction in accordance with IFRS 2 due to the fact that the value of the incentive is linked to the share price and is paid in return for employee services. The fair value of the SAR on the grant date will be charged to the income statement over the vesting period of three years as required. The fair value of each grant will only be adjusted for the expected number of participants to leave Transaction Capital's employment and for failure to meet the required performance condition. The group will account for the impact of deferred tax on these transactions due to timing differences in the recognition of the expense and issuance of the shares.

In addition, non-income generating assets (mainly cash) and corresponding liabilities have been offset in line with IFRS, resulting in the better reflection of the return yielded by these assets.

None of the above requires restatement in the group financial statements. Comparative information has been reclassified where necessary to provide a more meaningful analysis.

POST BALANCE SHEET EVENTS

On 6 August 2013, Transaction Capital entered into an agreement to dispose of 100% of Paycorp to a company owned by funds of emerging market private equity firm Actis, with minority ownership by the Paycorp management team, for R937 million. All conditions precedent were fulfilled on 31 October 2013 with the effective date of the transaction being 1 November 2013, when the net sale proceeds were received by Transaction Capital.

On 23 October 2013, Transaction Capital announced the sale of its 82.65% interest in Bayport to Bayport Management Limited, for R1.3 billion subject to various conditions and approvals. The board approved the transaction subsequent to the financial year end. All conditions precedent to the sale of Bayport were subsequently fulfilled on 30 December 2013.

APPRECIATION

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

DAVID HURWITZ

15 January 2014

HOW WE'RE

MANAGED

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 throughout the group.

GOVERNANCE

The Transaction Capital board of directors is the focal point of the group's corporate governance system and is ultimately responsible and accountable to stakeholders for the performance, activities and control of the group.

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 throughout the group.

The authority, responsibility and accountability of the board is delegated to the group chief executive officer (CEO) and sequentially to his line or functional reports and in turn to their reports.

The board is responsible for strategic direction and sets the group's values and ethics charter.
Our values are:

> We value **integrity** before all else.

> We value **competence** as the foundation of personal and corporate progress.

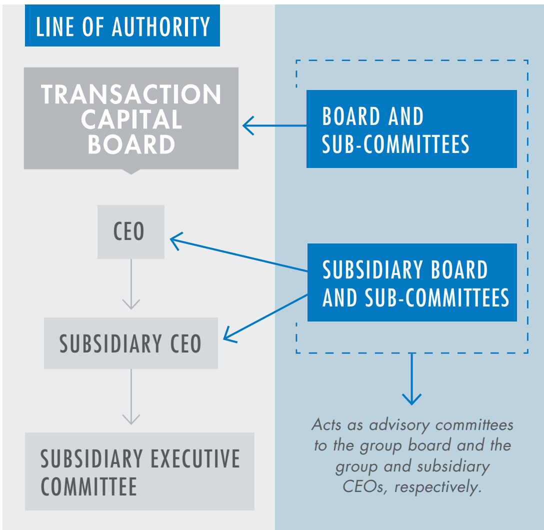
> We value **respect** for all who come into our lives.

> We value **innovation** as the solution to every challenge or problem we will face.

These values provide the foundation for effective leadership and are the basis for all deliberations, decisions and actions at board level as well as within every area of the business. The group follows a stakeholder-inclusive approach to governance.

GOVERNANCE AND COMPLIANCE FRAMEWORK

The group's framework for corporate governance and compliance facilitates the board's role of providing direction and oversight. It also 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 entrepreneurial behaviour, which remains the key driver of group performance.

Each of the group's operating subsidiaries has its own advisory board of directors, and each subsidiary's governance processes are aligned to the group's governance framework, which appropriately allocates various levels of authority to individuals and committees throughout the organisational hierarchy. The strategies, business plans and performance criteria for each subsidiary are clearly defined, with appropriate key performance indicators having been implemented to measure and monitor performance against their strategies.

The subsidiary boards play an advisory role within each business, which includes reviewing and providing opinions on the corporate strategy, business plans, risk propensity and budgets of their respective businesses. These boards may include directors considered to be non-executive in relation to their respective subsidiaries, but who may be executive or non-executive directors of Transaction Capital.

Directors of subsidiary boards are of sufficient calibre, experience and number for their views to carry significant weight in the decisions of the group chief executive and subsidiary chief executives.

REFER TO OUR KING III REGISTER ON www.transactioncapital.co.za FOR FULL DETAIL ON OUR COMPLIANCE WITH KING III FOR THE 2013 FINANCIAL YEAR.

KING III

Transaction Capital's governance structures are in accordance with the principles and recommended practices, where applicable, of the King Code on Governance Principles for South Africa 2009 (King III). In addition, the board is committed to complying with all legislation, regulations and best practices relevant to the group. The board regards the process of analysing and monitoring adherence to adopted governance standards as dynamic and endeavours to continually improve the governance structures within the group.

The directors are not aware of material non-compliance with the principles as set out in King III, other than the following exceptions:

Principle 2.18 As a result of the resignation of Brenda Madumise on 28 April 2013, the board comprised six executive directors (including the CEO and CFO) and six independent non-executive directors for the remainder of the 2013 financial year. The board and the nominations and remuneration committee were in the process of finding a suitable replacement when it received the offer from Actis to purchase the Paycorp group. A decision was taken not to pursue the appointment further as Steven Kark would initially become a non-executive director on conclusion of the transaction, restoring the correct balance between executive (five) and non-executive (seven) directors.

Principle 8.2. (Partially applied) Interaction with shareholders, funders and regulators is managed centrally by the group. Other stakeholder engagement is managed by each subsidiary company. Stakeholder relationships form an integral part of each subsidiary's and the group's business strategy. In an attempt to continuously improve the group's management of stakeholder relationships, Transaction Capital is formalising a strategic stakeholder management framework for the group, which will incorporate a formal stakeholder policy that will enhance the monitoring of stakeholder relationships by the board. This process will also feed into the integrated report.

Principle 9.3 Sustainability reporting and disclosure should be independently assured

A process for independent assurance of sustainability-related information and disclosure will be proposed to the audit committee during the 2014 financial year and will be implemented over an agreed period.

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.

The board is responsible for appointing the CEO and for monitoring his/her management of the performance of the assets and resources of the group against approved strategic and financial objectives.

The board recognises that strategy, risk, performance and sustainability are inextricably linked. The board informs and approves the strategy and ensures that it is aligned to the purpose of the company, its value drivers and the legitimate interests and expectations of its stakeholders.

The board is specifically responsible for monitoring the management of risks in the reputational and sustainability risk categories of the enterprise-wide risk management framework. Details of risk categories managed by the board sub-committees are included in the material issues section of this report starting on page 20.

The board delegates specific responsibilities to appropriately mandated and constituted sub-committees, which are set out on pages 70 to 71. The audit committee and the social and ethics committee both fulfil the statutory governance requirements on behalf of all the group's subsidiaries.

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 satisfied that it has discharged its duties and obligations during the year under review.

BOARD APPOINTMENTS, EVALUATIONS AND PROCESSES

Transaction Capital has a unitary board structure comprising the following members:

INDEPENDENT NON-EXECUTIVE DIRECTORS

> Christopher Seabrooke (chairman)
> Phumzile Langeni
> Cedric Ntumba
> Dumisani Tabata
> David Woollam
> Shaun Zagnoev

Brenda Madumise resigned as an independent non-executive director during the year.

EXECUTIVE DIRECTORS

> Mark Lamberti (CEO)
> Jonathan Jawno (deputy CEO)

- David Hurwitz (chief financial officer)
- Michael Mendelowitz (chief investment officer)
- Steven Kark (executive director)
- Roberto Rossi (executive director)

Biographies of group directors are set out on pages 34 to 37 of this report.

CHAIRMAN

Christopher Seabrooke is the 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, and together with the nominations and remuneration committee, is responsible for the succession plan of the chairman, whose performance is reviewed as part of the board's annual self-assessment.

CHIEF EXECUTIVE OFFICER

Mark Lamberti is the CEO of the group and is responsible for the leadership thereof. The board appoints the CEO and sets the terms of his/her employment contract. The CEO directs the company and implements the strategies, structures and policies adopted by the board. All board authority conferred on management is delegated through the CEO. Each year during November, the chairman facilitates a comprehensive formal performance appraisal of the CEO comprising a self-evaluation and an evaluation by each non-executive director by way of questionnaires.

SKILL, EXPERTISE AND EXPERIENCE REQUIREMENTS

The directors bring independent judgment and experience to the board's deliberations and decisions. Non-executive directors are chosen for their business skills and expertise appropriate to the strategic direction of the company. The nominations and remuneration 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.

APPOINTMENT AND INDUCTION PROCESS

The nominations and remuneration committee assists with identifying suitable board members and performs background and reference checks prior to their appointment. No one individual or group of individuals has unfettered powers of decision-making. New directors are introduced to the group through a formal induction programme. This programme is the responsibility of the company secretary, and consists of an information pack, detailed discussions on the environment and operations of each of the major subsidiaries as well as site visits.

CONSULTATION PROCESS

Directors are encouraged to take independent advice, where necessary, for the proper execution of their duties and responsibilities. This is done at the company'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.

ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD

A formal performance evaluation of the board is conducted annually by means of a self-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 performance of executive directors is evaluated annually through the group's performance management system.

Based on the annual evaluations undertaken during November 2013, 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 are considered to have the appropriate qualifications, experience and skills required to fulfil the respective committee's mandate; and
- independent non-executive directors meet the criteria for independence in terms of King III.

SUCCESSION PLANNING

The nominations and remuneration 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 which may result in direct development interventions.

COMPANY SECRETARY

Peter Katzenellenbogen was appointed as company secretary in September 2009. He has a BCom in accounting and is a Chartered Accountant (SA). In addition, he has many years' experience in the company secretarial department of an audit and accounting firm.

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

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

The board is satisfied that his qualifications, experience and competence are adequate for his position. The board confirms that the company secretary is not a director of the company and maintains an arm's length relationship with the board.

BOARD SUB-COMMITTEES

The oversight function of the board sub-committees is outlined in the approved committee charters. Included in each committee's charter is the imperative to enhance the standard of governance within the group together with clearly defined delegated authority 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.

	NOMINATIONS AND REMUNERATION	RISK AND COMPLIANCE	ASSET AND LIABILITY	SOCIAL AND ETHICS	AUDIT	EXECUTIVE COMMITTEE
CHAIRMAN	**DUMISANI TABATA[1]**	**DAVID WOOLLAM[1]**	**JONATHAN JAWNO**	**PHUMZILE LANGENI[1]**	**DAVID WOOLLAM[1]**	**MARK LAMBERTI**
Members	Christopher Seabrooke[1] Phumzile Langeni[1] Shaun Zagnoev[1]	Christopher Seabrooke[1] Jonathan Jawno David Hurwitz Roberto Rossi Dawid Spangenberg[2] Stephen Williamson[2] Ian Wood[2] Charl van der Walt[2] Stephen Hochstadter[2]	Christopher Seabrooke[1] David Woollam[1] David Hurwitz Lorenzo Cardoso[2] Mark Herskovits[2] Stephen Williamson[2]	Cedric Ntumba[1] Roberto Rossi	Phumzile Langeni[1] Cedric Ntumba[1] Christopher Seabrooke[1]	Jonathan Jawno Michael Mendelowitz Roberto Rossi David Hurwitz Steven Kark Terry Kier[2] Stuart Stone[2] Charl van der Walt[2]
Risk categories managed	People	Operational Compliance Credit Insurance and assurance	Funding Capital	Transformation	Accounting Tax Information technology	Strategy New business acquisition
Number of meetings per year	At least three	At least four	At least four	At least two	At least four	At least ten
Number of independent non-executive directors	Minimum two Currently four	Minimum one Currently two	Minimum one Currently two	Minimum one Currently two	Minimum three Currently four	Not applicable
Progress during the year	> Reviewed and approved the proposed succession plans of the Top 50 executive team. > Approved and implemented an annual calendar detailing the annual functions of the committee. > Implemented a new Top 50 structure which distinguishes between senior managers and executives. Talent management of executives will be the responsibility of the group and talent management of senior managers will be the responsibility of the divisions. > Approved an amended Top 50 incentive scheme for the 2014 financial year, which allows for a greater portion of the incentive to be issued in shares and less in cash. > Reviewed and approved a share appreciation rights (SAR) scheme as a long-term incentive for the Top 50 executives. The first allocation was implemented during the year.	> Continued risk assessment and management across the group. > Heightened credit risk awareness and management given the challenging macro-economic environment. > Formed a group legal and regulatory oversight and advisory function. > Further developed and embedded the risk management framework. > Placed greater emphasis on quantitative analysis, including capital adequacy and operational risk. > Brought the management of the group's business insurance under the risk function. > Improved understanding and use of key performance indicators within the businesses. > Improved the applicability and monitoring of risk tolerance metrics and levels.	> Approved and monitored the content and application of the following policies: i) Rollover risk; ii) Concentration risk; iii) Interest rate risk; iv) Currency risk; v) Rate basis mismatch; vi) Cash flow mismatch risk; vii) Financial covenant adherence risk; viii) Liquidity risk; ix) Short-term funding; and x) Surplus cash investment. > Managed interest rate risk by recommending various hedging strategies where appropriate.	> Reviewed and approved the committee's charter. > Reviewed and approved the social and ethics framework. > Approved and implemented an annual calendar detailing the annual functions of the committee and the topics to be reviewed. > Drafted a supply chain framework with the intention of establishing an anti-corruption framework, which will be essential in reducing risk in the group's supply chain. The framework is based on the United Nations Global Compact (UNGC) guide for reducing corruption risk and the Organisation for Economic Co-operation and Development (OECD) Principles and Companies Act 2008. > A policy on executive travel was implemented throughout the group to mitigate the risk of executives travelling together.	> Detailed review of accounting policies resulting in early adoption of IFRS 10, 11 and 12. > Approved the accounting policy for new share appreciation rights scheme. > Reviewed and launched projects to further enhance the level of corporate governance (IT governance and stakeholder engagement). > Continued to focus on improvements within the control environment ensuring a smooth year-end audit process. > Appointment of Christopher Seabrooke as a member of audit committee improved the capability of the committee to discharge its duties.	> Reviewed the group structure to ensure a balanced portfolio of complementary assets, specifically Paycorp and Bayport disposals. > Tested group strategies against each other. > Conducted environmental reviews focusing on positioning in the unsecured lending market. > Continued intercompany transacting between businesses in the group.

1 Independent non-executive director.
2 Member of management.

BOARD MEETINGS

Directors are required to attend all board meetings. The board works to a formal agenda that covers strategy, operational performance, risk and governance. Progress against the group's strategic thrusts 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 discussion item on the meeting's agenda including reports by the CEO and chief financial officer (CFO). At least four board meetings are held annually, one of which includes a strategic review. Meeting attendance is detailed in the table below:

Committees		Board	Audit	Nominations and remuneration	Risk and compliance	Asset and liability	Social and ethics
No of meetings held during the financial year		5	6	3	4	4	4
Committee members and meeting attendance							
Christopher Seabrooke	Independent non-executive	5/5	6/6	3/3	4/4	4/4	
Phumzile Langeni	Independent non-executive	5/5	5/6	3/3			4/4
Brenda Madumise[1]	Independent non-executive	1/2					3/3
Cedric Ntumba	Independent non-executive	5/5	6/6				
Dumisani Tabata	Independent non-executive	5/5	6/6	3/3	4/4		
David Woollam	Independent non-executive	5/5	6/6			4/4	
Shaun Zagnoev	Non-executive	5/5	6/6	2/3			
Mark Lamberti	Executive	5/5	5/6	3/3	3/4		1/1
David Hurwitz	Executive	5/5	6/6	1/1	4/4	4/4	
Jonathan Jawno	Executive	5/5	5/6	3/3	4/4	4/4	
Steven Kark	Executive	5/5					
Michael Mendelowitz	Executive	5/5		3/3			
Roberto Rossi	Executive	5/5	6/6		4/4		2/3
Peter Katzenellenbogen	Company secretary	5/5	6/6		4/4		

1 Brenda Madumise resigned 28 April 2013.

THE BOARD'S APPROACH TO COMPLIANCE

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

The board proactively oversees reviews of the company's systems of controls and governance. It also recommends enhancements on an ongoing basis to ensure that the business is managed ethically, in compliance with legislative requirements and best practice governance guidelines.

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

> identify the universes of relevant legislative, regulatory and governance requirements;

> prepare relevant monitoring programmes relating to the abovementioned requirements; and

> recommend improvements to the functional heads within the businesses, and assist with implementation.

A centralised compliance assurance function was initiated during the year under the direction of the group chief legal officer, in close co-operation with the compliance officers of the underlying businesses. The main purpose of the function is to provide assurance to the board with regard to compliance. The roles of the centralised compliance monitoring officers are to:

> identify relevant business processes and review the level of compliance with regard to design and implementation of controls to ensure compliance;

> report to the businesses and the group as to the levels of compliance; and

> report to the group and subsidiary boards to provide adequate assurance on levels of compliance.

Compliance reports and assessments are provided to the internal audit department for effectiveness testing.

Assessments of compliance during the year reported that compliance within the group and its subsidiaries is adequate, and included recommendations for improvement. No fines or non-monetary sanctions for non-compliance were levied against any company in the group during the year.

The group has an independent whistle blowers' hotline operated by an external service provider. Reports can be made anonymously through the tip-off line and reports are directed to the group assurance executive for escalation or investigation. In addition, reporting of unethical or fraudulent behaviour to line management and the respective human resources departments of the group's businesses is encouraged.

REGULATORY ENVIRONMENT

Transaction Capital's businesses are subject to a range of regulatory requirements. Legislation most relevant to the group includes:

> National Credit Act (NCA);
> Debt Collectors Act (DCA);
> Financial Advisory and Intermediary Services Act (FAIS);
> Financial Intelligence Centre Act (FICA);
> Consumer Protection Act (CPA);
> Competition Act;
> Companies Act;
> Income Tax Act;
> Value-added Tax Act;
> Short-term Insurance Act;
> Long-term Insurance Act; and
> JSE Listings Requirements.

Compliance with the letter and spirit of all laws, regulations and codes is required.

The board, supported by the risk and compliance committee, is responsible for keeping abreast of changes to the legislative landscape. Of particular relevance to the group during the year is the proposed Protection of Personal Information (POPI) legislation, which will have a significant impact on all group businesses. Gap analysis in business processes are mostly complete, to ensure that POPI compliance is achieved.

One request for information was received in terms of the Promotion of Access to Information Act during the year, which was appropriately dealt with.

INTERNAL AUDIT

The group assurance executive reports functionally to the chairman of the audit committee and administratively to the CFO and has direct access to all executives.

The group has an effective risk-based internal audit function that systematically analyses and evaluates business processes and associated controls. The internal audit methodology reviews end-to-end business processes to support the appropriate identification of all inadequacies and inefficiencies. Internal audit reporting includes comments on the company's internal controls, risk management and governance processes.

Internal audit provides information on instances of fraud, corruption, unethical behaviour and other irregularities to the appropriate level of management/executive and/or non-executive directors. The internal audit function adheres to the Institute of Internal Auditors' standards and code of ethics and continuously promotes the values and ethics set out in the Transaction Capital values and ethics charter. A written assessment on the adequacy and effectiveness of the system of internal controls, risk management and governance processes is provided annually.

Apart from internal audit's assurance role, the function acts as adviser and business partner to the executive management of subsidiaries.

STAKEHOLDER ENGAGEMENT

Our vision positions the group's stakeholders as core to our business and defines the responses we hope to elicit from them. The intelligence gathered in our engagements with stakeholders is a key input to our risk management processes at subsidiary and group level. Alongside our vision, the following table sets out our key stakeholders and how we performed in relation to them.

	MAIN INITIATIVES DURING THE YEAR	VISION
CLIENTS AND CONSUMERS	> Agent network offering convenient interaction at the client's place of work, home or other location. > Launched customer-centric products and services, e.g. Khusela Insurance. > Surveys for walk-in and call centre clients and general customer experience survey. > Sponsorship of Consumer Financial Vulnerability Index (CFVI) in conjunction with Unisa. > Customer relationship managers interacting with clients on a regular basis. > Digital customer contact.	Clients will regard Transaction Capital's subsidiaries as their first choice when utilising the cost-effective, innovative, differentiated services they provide, while acknowledging the expertise, value and cachet that accrues from their being part of the Transaction Capital group.
EXECUTIVES, MANAGERS AND EMPLOYEES	> Top 50 development programme. > New managers, management and senior management development programmes. > Executive branch visits. > Events such as team-building and celebrating achievements. > ICAS wellness programme. > Leadership surveys. > Quarterly Transaction Capital talks hosted by the CEO. > Quarterly 'Capital Ideas' magazine. > Regular performance appraisals. > Annual CEO covenant discussions with executives.	Executives and managers will regard Transaction Capital's strategy of collaborative value creation through and between focused subsidiaries as intellectually stimulating and intrinsically rewarding, while demanding high quality leadership. Employees will regard Transaction Capital as a prestigious and preferred employer in financial services, providing personal development, intracompany advancement and highly competitive compensation, in exchange for commitment, thought leadership and performance.
FUNDERS	> Monthly covenant reports, semi-annual and annual management accounts and financial statements for listed debt structures. > Voluntary semi-annual debt investor meetings at Transaction Capital. > General discussions with funders. > Roadshows to present funding opportunities to potential investors. > Attend capital markets conferences.	Funders and counterparties will regard Transaction Capital as an innovative group that exemplifies the highest standards of risk management, transparency, disclosure, prudence, compliance, governance and ethics.

	MAIN INITIATIVES DURING THE YEAR	VISION
SUPPLIERS	> Key suppliers are selected through service reviews, quality checks, pricing comparisons and Broad-based Black Economic Empowerment (B-BBEE) credentials. > Engaged with new black women-owned and B-BBEE-accredited suppliers and continued early settlement for black-owned suppliers. > Introduced enterprise development to integrate suppliers into the group subsidiaries' supply chains. > Weekly liaison with major suppliers.	Suppliers will regard Transaction Capital and its subsidiaries as demanding but fair clients whose expertise, interpersonal skills, efficient administration, financial stability and long-term orientation make them desirable business partners.
SHAREHOLDERS	> Transaction Capital's website is kept up to date and covers issues of interest to stakeholders. > Regular one-on-one meetings and conference calls. > SENS and other announcements posted on our group website, published in business press where relevant, and posted to shareholders where appropriate. > Regular engagement with financial media. > Regular local and international investor presentations/ roadshows. > Integrated report. > Results presentations. > Annual general meetings.	Shareholders will regard Transaction Capital as a well understood, respected, niched financial services investment that renders a consistent growth of high quality returns through innovative entrepreneurship.
LAW MAKERS AND REGULATORS	> Regular engagement by senior management and executives with regulators, including the National Credit Regulator and the Financial Services Board. > Continued thought leadership on financial vulnerability through the CFVI and Business Financial Vulnerability Index (BFVI), in partnership with the University of South Africa. > Collaboration with government departments, including the Department of Transport (SA Taxi) and the Department of Trade and Industry (Transaction Capital). > Regular updates on regulatory changes and discussion about issues with large legal firms.	Law makers and regulators will regard Transaction Capital as an approachable group that complies fully with the letter and spirit of all laws, regulations and codes.
THE COMMUNITY	> The group's societal relevance is demonstrated through its strategy of aligning its products and services with the financial and social needs of the developing and underprivileged segments of South African society. > Offered various educational programmes to local communities. > Priorities aligned with government's development priorities.	The community will regard Transaction Capital and its subsidiaries as a responsible, caring southern African group, deeply committed to investing in the education and upliftment of the underprivileged.

RISK

As detailed in the chief executive officer's (CEO) report, the South African consumer economy softened during the year as employment and real wage growth slowed, inflation eroded disposable income, labour disputes intensified, and major lenders decelerated the rate of unsecured credit granted to generally over-indebted lower- and middle-income consumers.

Together with these macro-economic realities, the financial services environment in which the group operates remains challenging due to:

> continued regulatory uncertainty affecting most of Transaction Capital's operating divisions; and
> a competitive financial services environment, as participants pursued market share.

During the year, the group repositioned itself within the market segments it operates in, substantially reducing the range and complexity of the risks it faced. The group has successfully disposed of its Paycorp and Bayport subsidiaries, both of which were concluded subsequent to the 2013 financial year end and which ultimately support the creation of shareholder value.

APPROACH TO RISK MANAGEMENT

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

The group's approach to risk management is to identify and evaluate actual and potential risk areas, followed by one or a combination of the following actions:

> **Avoidance** – the decision not to become involved in a risk;
> **Termination** – the decision to withdraw from a risk;
> **Transfer** – the sharing of the burden of loss or benefit of gain with another party;
> **Tolerance** – the decision to accept a risk;
> **Exploitation** – the decision to take advantage of a risk; and
> **Treatment** – the application of measures to modify a risk.

Risk management entails the deliberate planning, arranging and controlling of activities and resources to minimise the negative impacts of all risks to levels that can be tolerated by the board, and to maximise potential opportunities and positive impacts of all risks.

The group applies a 'bottom-up' approach to risk management in terms of which risks are identified and managed primarily at individual exposure, asset class and operational levels where the strategic objectives are determined.

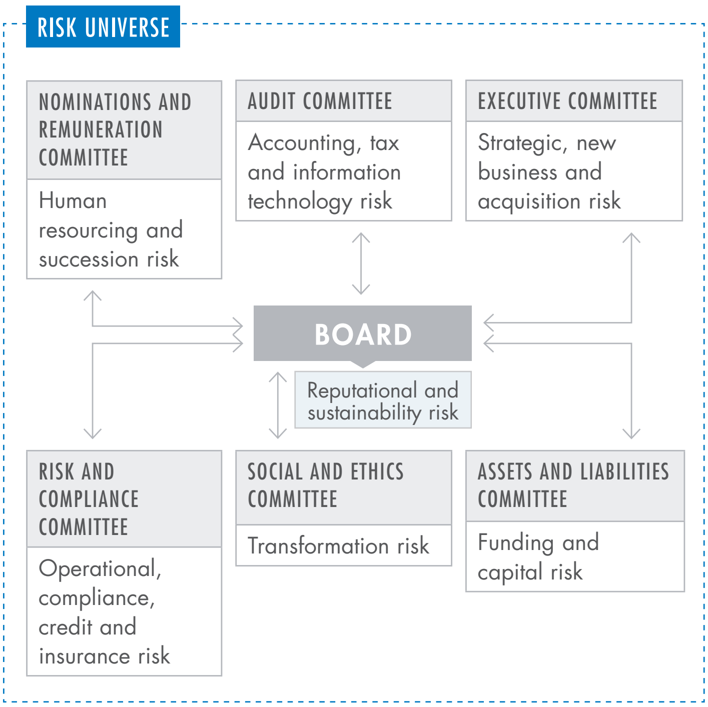
The group defines its risk appetite as the level of residual risk that it is prepared or willing to accept without further mitigating actions being put in place, or the amount, type and tenure of risk that it is willing to accept in the pursuit of value. The group's risk appetite may vary for different risks.

RISK FRAMEWORK AND THE GOVERNANCE OF RISK

The board of directors is ultimately responsible for the governance of risk. The board delegates to respective board committees and management the responsibility to ensure that the group manages risks appropriately, and monitors such management on a quarterly basis.

In terms of the enterprise-wide risk management framework, the board itself retains responsibility for monitoring reputational and sustainability risk, while 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 14 risks categories, set out in the following table:

RISK GOVERNANCE STRUCTURE



Risks are recorded in a risk register for each division and for the group as a whole, and are reported to and discussed by the risk and compliance committee. The risk profile examines the nature of the threats the group faces, their impact on the business taking into account financial and non-financial effects and the likelihood of occurrence, incorporating the level of controls in place and corrective actions established and required.

The group measures operational changes against targets according to a return on equity (ROE) model. The ROE measure is considered appropriate as the group's sustainability is founded on profit measures coupled with appropriate capital structures. In this regard, capital structure and adequacy is managed centrally between the capital markets, risk and treasury teams.

SIMPLIFIED RISK FRAMEWORK

1 OBJECTIVE ESTABLISHMENT

a. LINK TO STRATEGY
b. SET FINANCIAL AND NON-FINANCIAL TARGETS AND TIMELINES

2 RISK IDENTIFICATION

a. STAKEHOLDER ENGAGEMENT
b. RISK WORKSHOPS
c. UNDERSTAND KEY REVENUE/LOSS POINTS
d. DATA

3 RISK IDENTIFICATION

a. EVENT DESCRIPTION
b. LIKELIHOOD ASSESSMENT (PER APPROVED RISK QUANTIFICATION FRAMEWORK)
c. IMPACT ASSESSMENT (PER APPROVED RISK QUANTIFICATION FRAMEWORK)

4 RISK MITIGATION

5 CAPITAL REQUIREMENT DETERMINATION (SINCE CAPITAL IS KEPT FOR RISK)

a. RISK
b. SIMPLE 'RULE OF THUMB' CALCULATIONS
c. MATHEMATICAL SIMULATIONS USING ACTUAL LOSS DATA
d. MARKET GUIDANCE ON CAPITAL LEVELS INCLUDING EXISTING INVESTORS AND/OR RATING AGENTS

Notable risks are monitored by the risk and compliance as well as asset and liability committees.

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 page 82 to 83) as they are expected to be ongoing due to the strategy and business model of the group, while top risks are identified through the enterprise risk management (ERM) process.

The group's key risks are detailed in the sections that follow:

CREDIT RISK

Credit risk relates to the lender's risk of loss arising from a borrower who does not make payments. This event is termed a 'default'. In the case of Transaction Capital, as a result of its target client market, the risk of non-payment is higher than for traditional lenders. This heightened credit risk is offset by substantial operational capacity and efficiency, coupled with a greater risk-adjusted yield.

The cost of the risk relating to SA Taxi and Rand Trust is calculated below:

	SA Taxi	Rand Trust
Interest income % average loans and advances	22.3	31.3
Interest expense % average loans and advances	(9.9)	(9.5)
Net interest income % average loans and advances	12.4	21.8
Impairment expense % average loans and advances	(5.7)	(0.5)
Risk-adjusted net interest income % average loans and advances	6.7	21.3

At group level, credit risk is monitored by the risk and compliance committee. In addition, each of the lending subsidiaries has its own credit committee which is responsible for its credit risk and meets at least monthly. The subsidiary's executive committee, representatives from Principa Decisions, as well as the group CEO, CFO and executive directors, attend these meetings.

Factors that are monitored in relation to credit risk include changes to origination strategies, new business approvals and collections performance.

The group 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. The largest indirect exposure to any single counterparty group would be the South African Government, as an employer, within the unsecured loan portfolio. The group considers this risk to be acceptable as there are different departments within government which mitigates the risk. The group is also exposed to asset concentration risk to people categorised as living standards measure (LSM) 4 to 7 in terms of its unsecured loan portfolio and the minibus taxi industry in general.

During the year, in response to the challenging credit environment, the group reduced credit risk by increasing its proportion of lending to lower-risk applicants and discontinuing the finance of repossessed entry-level vehicles. The positive impact of these changes is expected in the medium term. Bayport developed new distribution channels and products to target lower-risk clients.

Credit granting criteria were tightened during the first quarter to manage monthly disbursements levels within capital constraints and improve credit quality, resulting in Bayport's originations being weighted 68% towards repeat clients as at September 2013. The marked reduction in disbursements from February 2013 onwards, driven by a tightening in credit appetite, resulted in the reduction of the number of mobile sales agents at Bayport. Corrective action has been taken by management, including revising the origination strategy. Various new origination channels are currently being initiated, the most notable of which is an outbound call centre strategy targeting higher credit quality clients. It is expected that these new channels will become material contributors to new advances and will reduce the current dependency on the mobile agent force.

Purchased book debts have considerable inherent credit risk and this is reflected in the heavily discounted purchase price. The approval of an investment in a new purchased book debt involves the operating division's executive committee, the group CEO, CFO and executive directors.

Credit risk is controlled at the time of origination and in terms of collections thereafter.

NON-PERFORMING LOANS

Through analysis, loan portfolios are divided into traditional performing loans and non-performing loans. As the group's assets are developmental in nature, in terms of the traditionally under-served market segments they lend to, a higher than average level of arrears is expected. The group's impairment provision models take into account both contractual default and recent payment history, as the latter is considered to be a more appropriate indicator of impairment or loss. Provisions are held against financial assets to cover expected and actual losses in terms of International Financial Reporting Standards.

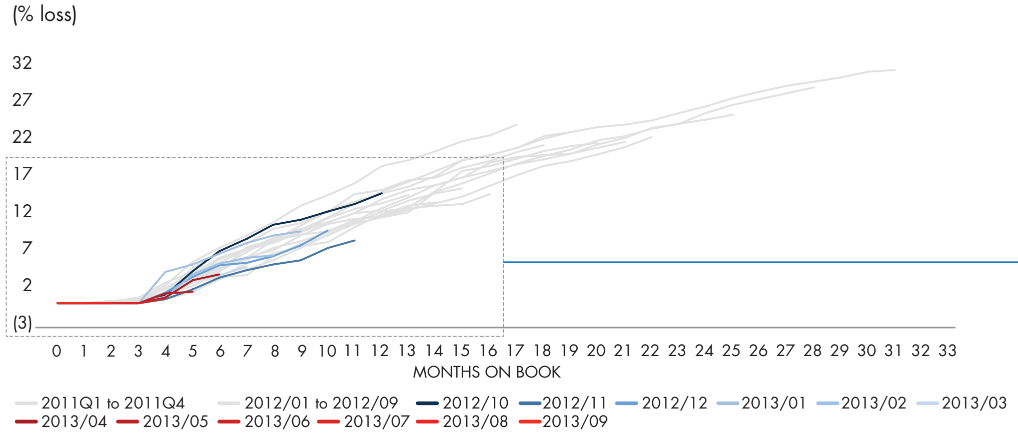
The increase in non-performing loans in SA Taxi resulted from the inferior credit performance of entry-level vehicles and the increase in the value of repossessed vehicles (which is considered to be a non-performing loan). SA Taxi has discontinued the financing of new entry-level vehicles and the refinancing of repossessed entry-level vehicles. The value of stock has increased due to:

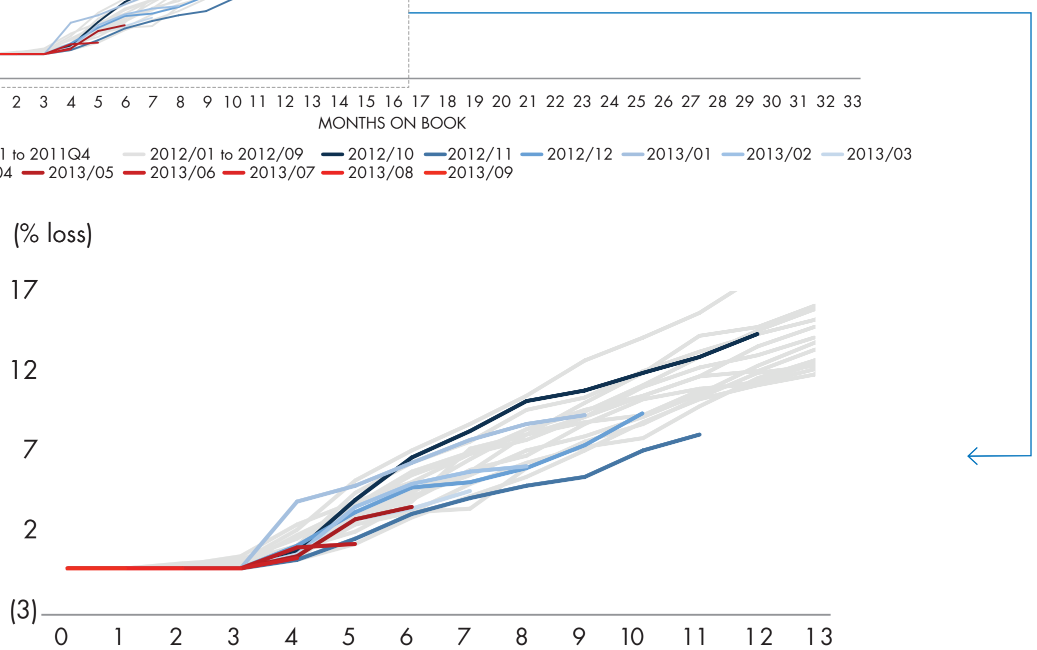
> The strategic imperative to increase the quality of stock. The stock is held for longer periods to ensure a higher quality of repair; and
> Targeting better credit risk when refinancing repossessed vehicles, thus resulting in stock being held for longer periods to ensure higher credit quality.

Provisions and non-performing loans		Sep 2013	Mar 2013	Sep 2012	Mar 2012
Bayport	Non-performing loan ratio	**35.1%**	30.6%	30.6%	28.2%
	Provision coverage	**22.5%**	17.9%	16.6%	14.7%
	Non-performing loan coverage	**64.2%**	58.6%	54.3%	52.0%
	Credit loss ratio	**14.1%**	14.2%	13.0%	12.6%
SA Taxi	Non-performing loan ratio	**36.4%**	34.0%	31.9%	29.4%
	Provision coverage	**5.7%**	5.1%	4.9%	4.1%
	Non-performing loan coverage	**15.6%**	15.0%	15.3%	14.1%
	Credit loss ratio	**5.4%**	5.1%	5.6%	5.8%
	Net repossession stock value (Rm)	**380**	253	262	219

Non-performing loans are further monitored through vintage analysis:

SA Taxi group A vintage performance analysis





Recent months' vintage curves have tracked below older vintages. The vintages are expected to further improve following further tightening of credit risk appetite and the implementation of improved scorecards.

LIQUIDITY RISK

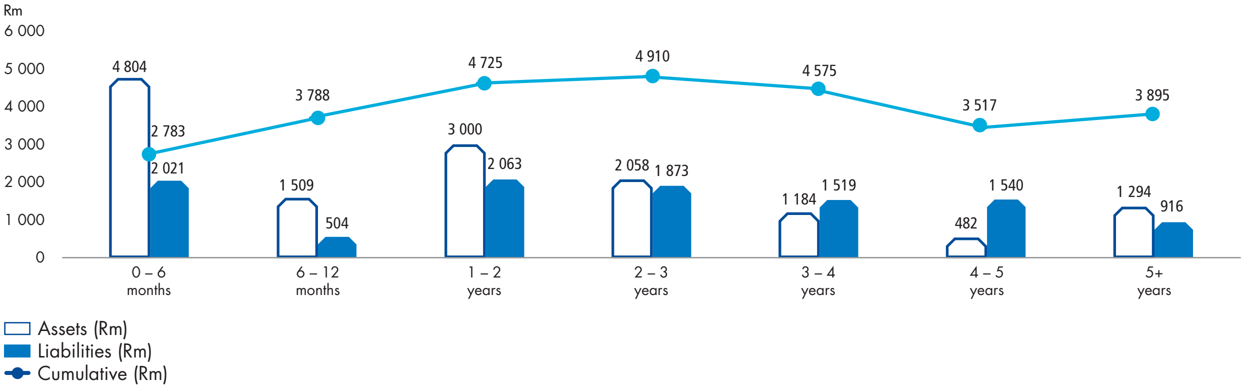
Liquidity risk arises when a borrowing entity within the group does not possess adequate cash resources to meet its payment obligations as they fall due, or can only access liquidity on materially disadvantageous terms.

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.

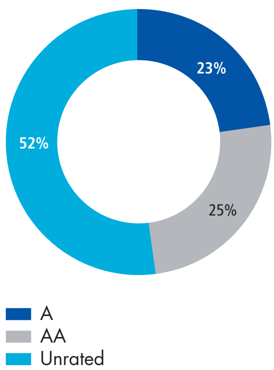
The graph below illustrates a liquidity mismatch favourable to debt investors where asset receipts occur in advance of debt payments, resulting in reduced liquidity risk.

The group's funding strategy is directed by the funding requirements established in the budgets and forecasts produced by the operating divisions and approved by the board. A debt strategy is in place for each operating subsidiary, taking into account its business needs, the demands of the debt markets and the requirements of specific debt investor mandates. This results in a well-diversified funding base, demonstrated below:

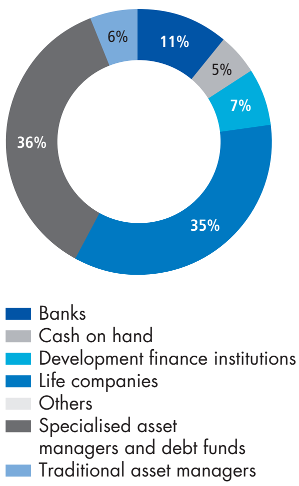
Positive liquidity mismatch



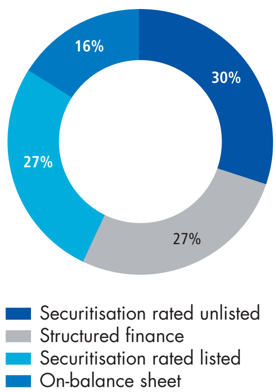
Credit rating



Funder



Structure



CAPITAL RISK

Capital risk is the risk that the group will be unable to absorb losses, maintain public confidence and support the competitive growth of its business.

The group is not subject to regulatory capital adequacy requirements. Capital is managed using metrics including targeted growth rates, return on equity, contractual financial covenants, stress testing and targeted credit ratings. Equity capital is raised at group level, and then allocated to the various subsidiaries based on the capital requirements for each ring-fenced funding structure or asset class. Goodwill is not included in assets and is deducted from capital in line with market practices when calculating the capital adequacy ratio.

The group's practice of leveraging its equity has resulted in a relatively high proportion of subordinated debt capital and a corresponding relatively high average funding cost.

INTEREST RATE RISK

The group typically manages interest rate risk through a risk-adjusted excess spread where asset yields are sufficient to absorb movements in interest rates. The group's general interest rate risk management strategy is to match the re-pricing characteristics of assets to liabilities.

As a policy, the unsecured lending division originates fixed-rate assets and issues fixed-rate debt, while the asset-backed lending division originates floating-rate assets and issues floating-rate debt.

Each business can, however, deviate from this policy, subject to asset and liability committee approval. In this instance, the committee 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. Strategies, including hedging, are used to limit losses arising from interest rate basis risk or to take advantage of structurally low rates.

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

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 includes inadequate recruitment procedures for screening employees, training and change management programmes and human resource and succession planning policies.

The group's people risk measures are as follows:

People metric measured	SA Taxi	Rand Trust	MBD CS	Principa Decisions
Number of employees	484	80	2 962	77
Staff turnover	2.0%	3.8%	3.0%	0.0%
Number of vacancies	12	4	88	4
Critical personnel without two successors planned	9	3	17	4
Critical personnel without 'hot replacement'	14	3	10	6

All of the above performance indicators are in line with expectations. The number of vacancies at MBD CS relates mainly to the high turnover call centre. The large number of training hours in MBD CS relates to training of call centre staff (including new hires) as well as to MBD CS's 'Investment in people' drive.

COMPLIANCE RISK

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

Overall, compliance risk is monitored by the risk and compliance committee. Each business has a suitably experienced compliance officer, who has identified the relevant regulations applicable to that specific business. These statutes include: National Credit Act; Financial Advisory and Intermediary Services Act; Financial Intelligence Centre Act; Debt Collectors Act; Magistrates' Court Act; Companies Act; Protection of Personal Information Act and Consumer Protection Act.

During the year, a group legal and compliance function was established, with the following mandate:

> Co-ordinate compliance monitoring;

> Maintain and build key regulatory relationships and observe and participate in important regulatory changes affecting the group;

> Ensure consistency across the group on fundamental legal and regulatory matters; and

> Handle legal matters internally.

TOP RISKS

Top risks are identified through the ERM process. The group's top nine risks, mitigating actions and related stakeholder concerns are set out in the following table:

RISKS	MITIGATION	STAKEHOLDER CONCERNS
1. Uncertain regulatory environment and the perception of regulators that the group's subsidiaries engage in unethical and unlawful business practices.	> The group is a member of a number of industry bodies, to maintain a view of the future direction of the regulatory environment. > Compliance functions are embedded within the subsidiaries as a resource for regulatory compliance information and to guide against regulatory breaches. > The group legal and compliance function partners with the subsidiaries 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 doubts exist in the interpretation of regulatory requirements.	> Transaction Capital's ability to effectively and efficiently respond to regulatory uncertainty and change. > The impact of regulatory uncertainty and change on the sustainability of the business. > The impact of regulatory change on future earnings.
2. Weak consumer environment impacting all areas of credit risk and performance.	> Tightening credit criteria. > Redesigning and improving credit scorecards. > Data analytics in all areas of credit, including use of external data such as credit bureaus. > Refining risk appetite and tolerances. > Redefining acceptable exposure levels through reduced loan term and value and increased deposits. > Differentiated product design to reduce risk. > Specific positioning within market segments. > Increased governance and oversight of credit risk. > Increased capital and provisions.	> Transaction Capital's response to the current lending environment and to increased consumer indebtedness. > Transaction Capital's positioning compared to its peers.
3. Declining Broad-based Black Economic Empowerment (B-BBEE) rating due to changes in legislation.	> Support education through a meaningful corporate social investment strategy. > Ensure that Transaction Capital's workforce is representative of the South African population at all levels of the applicable talent pool. > Assist in enterprise development of black businesses. > Report to stakeholders in an effective, timeous and transparent manner.	> Transformation of the business.
4. Obtaining the correct organisational and cost structure following the sale of Bayport and Paycorp.	> Reduction of group office and redeployment of group executives into the subsidiaries to ensure that critical skills are maintained.	> High levels of costs incurred in a smaller group resulting in depressed earnings.

RISKS	MITIGATION	STAKEHOLDER CONCERNS
5. Risk of negative carry-on cost of equity and reduced ROE following disposal of subsidiaries.	> The group is actively considering the following alternatives for excess cash due to disposals: – Acquisitions; – Distribution to shareholders; and – Ensuring that subsidiaries are appropriately capitalised to fund organic growth.	> Transaction Capital's ability to generate returns on invested capital in excess of the market's returns.
6. Ability to adequately service purchased book debts to generate the appropriate returns (MBD CS).	> Significant operational intervention through: – investment and development of technology infrastructure to further improve collections; – higher calibre business analytics; – enhanced training of employees at all levels, from basic skills to Harvard graduate programmes; and – expanding the call centre and appointing new collectors.	> Generating the appropriate return on funds invested to buy purchased books.
7. Risk of insurance substitutions (SA Taxi).	> Improved product offering. > Increased market reach to include non-financed clients. > Risk-based pricing. > Various customer initiatives. > Increased distribution channels. > Increased use of Cartrack technology and data analytics.	> SA Taxi's ability to sustain and/or increase insurance revenues.
8. Risk of not achieving scale under the restructured group.	> Continued growth of the business through: – expanding product sets and value propositions; – improving efficiencies through technology; – further differentiating subsidiaries; – leveraging scale in niche subsidiaries; and – considering acquisitions.	> Transaction Capital's ability to achieve scale off a smaller asset base.
9. Effectiveness of Taximart to refurbish repossessed vehicles cost effectively.	> Calibration of Taximart to a reasonable output/cost/quality benchmark. > Maturing of the restructured organisational design. > Sourcing low cost high quality parts. > Shifting the focus from various products (including entry-level vehicles) to premium-level vehicles only.	> The ability of Taximart to contribute to reducing credit losses.

REMUNERATION

Transaction Capital considers compensation a critical determinant of organisational performance and sustainability.

This view is founded in the belief that stakeholders' interests are best served by aligning strategy, business model, structure, staffing and compensation. Without attracting, motivating and retaining the highest available calibre of staff, even the best strategies, business models and structures will fail.

These principles are reflected in Transaction Capital's fourth strategic thrust (page 17), 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, we believe that the better our people, the better our company.

We acknowledge that attracting and retaining high calibre talent depends on providing both intrinsic and extrinsic rewards. While this report deals with the latter, our intrinsic rewards are reflected in the Transaction Capital 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, our compensation policies are directed at sustaining a performance-driven culture such that the most talented people at all levels consider Transaction Capital a preferred employer.

GOVERNANCE OF COMPENSATION

The success of Transaction Capital relies on a wide range of leadership, managerial, functional and technical skills. Many of these skills are unique to specific subsidiaries, departments or organisational levels. The features of the group's approach to compensation are as follows:

> Compensation is defined on a cost to company basis with all benefits included and fully taxed.

> Any change to the compensation of any individual at every level of the company must be approved by the supervisor of the individual's supervisor, with the nominations and remuneration committee recommending to the board the compensation of the chief executive officer (CEO) and his direct reports.

> As part of the annual budgeting process, the group executive office provides guidelines on the percentage increase of fixed compensation to be applied throughout the group. These percentages generally take into account increases in consumer price inflation (CPI), individual performance and level in the organisational hierarchy, with percentages decreasing at higher levels.

> Individual subsidiaries and departments employ formal and informal research to determine market norms for positions similar to theirs.

> Remuneration is aligned to individual outputs measured through performance management systems that focus on goals achieved and exceeded.

> Incentives and bonuses at executive level are aligned to profit growth and relevant returns.

> Monthly or annual performance incentives are used as appropriate to drive specific behaviours supportive of group, subsidiary or departmental performance. In certain instances, a portion of these incentives is deferred to enhance retention.

> Transaction Capital attempts to eliminate differential compensation related to gender, race and location.

> While the most senior executives are employed by different subsidiaries or departments, Transaction Capital regards these individuals as a group resource to be deployed wherever and whenever necessary in the interests of both the group and the individual's career development. As such, their compensation policies are determined by the group executive office, with reference to regular formal surveys of compensation for similar positions.

> 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 appreciation of the value of Transaction Capital, specifically through a share appreciation rights scheme.

> No employees or directors have employment terms that exceed six months' notice.

COMPENSATION PRINCIPLES

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 subsidiaries. For the most part, these policies are determined by, and according to the requirements of, subsidiaries or departments within the governance constraints 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, they are classified as members of the Top 50 and their compensation (together with their recruitment, performance, development and succession) is monitored directly by the chief executive with assistance from his direct reports.

Top 50 compensation strives to attract, reward and retain individuals in the 80th percentile of education, expertise and experience, using three forms of compensation:

> Total guaranteed pay (TGP) around the 60th percentile of the market. The TGP provides executives with a competitive stable income.

> Variable short-term incentives (STI) for individual quantitative and qualitative achievement aligned to corporate objectives, paid annually with a deferred portion paid out over the following three years provided the individual is employed with the group during this time. STI rewards specific behaviour and promotes retention.

> A long-term incentive (LTI) related to the appreciation of the company's share price, realisable over two to five years. The LTI creates alignment with shareholders and is the major retention mechanism.

The compensation objective is that total reward (TGP plus STI plus LTI) over time and on average, approximates the 80th percentile of the market.

2013 REMUNERATION COMPONENTS

REMUNERATION COMPONENT	REMUNERATION POLICY	STRATEGIC INTENT AND DRIVERS
Basic salary	Guaranteed package at the 60th percentile of market.	Competitive with market. Provides a standard of living consistent with the demands of a specific position.
Benefits	Group life; medical cover; provident fund; disability cover.	Competitive with market. Provides financial structures for death, retirement, health and wellness.
Short-term incentive	Annual incentive based on the achievement of financial and qualitative objectives, with a portion retained for three years. Financial objectives include profit growth and relevant returns (for example return on invested capital in the lending businesses or return on sales in the services businesses). Qualitative objectives are set annually at individual, group or company level.	Above market. Provides means to enjoy a higher quality of life through superior performance.
Long-term incentive	Share appreciation rights scheme.	Market-related long-term reward and retention for executives and key talent provides risk-free opportunity to accumulate wealth based on share price performance and tenure.
Ownership opportunity	General share purchase scheme.	Provides selected executives with loans to purchase shares over five years with all the associated shareholder risks and benefits.
Total reward	Providing total compensation at the 80th percentile of the market with a significant portion paid over the medium term.	To attract, motivate, align and retain scarce talent and to discourage dysfunctional short-term behaviour.

2013 EXECUTIVE COMPENSATION

During 2012, remuneration consultants from Pricewaterhouse-Coopers conducted a comprehensive review of the group's executive compensation and policies. The 2013 policies and practices were based on the findings of this review, using the Paterson Classic system as an indicator of current grades for the executive team.

The following Top 50 statistics provide an overview of executive compensation during the financial year:

> Membership increased by 2.5% from 72 members to 74 members;

> TGP increased by 4.3% from R118 571 217 (R1 602 314 per member) to R123 626 022 (R1 670 622 per member); and

> STI decreased by 37.5% from R69 794 112 (R943 164 per member) to R43 622 881 (R589 498 per member).

SHORT-TERM INCENTIVE

The 2013 STI was based on the following:

> Growth of group earnings per share above CPI or growth of subsidiary profit after tax above CPI, with exponentially higher months TGP awarded for higher levels of growth;

> Return on sales for the services business and return on invested capital for the lending businesses;

> No more than four qualitative criteria aimed at the achievement of individual or company-specific objectives; and

> 12.5% of the 2013 STI earnings will be deferred (6.25% for one year; 3.75% for two years and 2.50% for three years).

The table alongside indicates the relative apportionment of individual incentive to quantitative (financial) performance and qualitative (specific non-financial) performance:

	Quantitative	Qualitative
Executive committee	80%	20%
Divisional chief executive officers	80%	20%
Divisional directors/senior executives	77%	33%
Divisional executives/senior managers	64%	36%

LONG-TERM INCENTIVE

During the 2013 financial year, the group introduced a share appreciation rights (SAR) scheme for executives and senior managers, to achieve the group's objective of retaining talented individuals and aligning their long-term interests with those of shareholders.

The SAR scheme allows executives and senior managers to participate on a risk-free basis in the appreciation of the group's share price over time. The group made the first allocation of SARs to these individuals in July 2013 and will continue to issue SARs on an annual basis. The SARs vest in full after three years, subject to certain performance conditions. The share price growth over each three-year period will be settled in Transaction Capital ordinary shares, with the gain subject to income tax.

The existing general share purchase scheme was established in 2009 and facilitates voluntary investment by all executives and senior managers. At year end, 51 (2012: 70) executives owned 3.6% (2012: 5.4%) of the company through 21 million (2012: 32 million) scheme shares valued at R147 million (2012: R221 million), on which they owed R143 million (2012: R207 million). The granting of loans to executives and senior managers to purchase shares was done at full risk to the individuals to ensure alignment with the interests of shareholders. This resulted in no IFRS 2 share-based payment expense or treasury shares being recognised for the year under review. No further allocations were made in this year on the scheme.

EXECUTIVE DIRECTORS' REMUNERATION

The following table shows a breakdown of the annual remuneration (excluding share awards) of directors for the year ended 30 September:

Executive director	Total guaranteed pay 2013 R	Annual incentive bonus 2013 R	Total 2013 R	Total guaranteed pay 2012 R	Annual incentive bonus 2012 R	Total 2012 R
Mark Lamberti	2 989 712	3 760 288	6 750 000	4 560 030	6 375 000	10 935 030
David Hurwitz[1]	3 067 972	1 500 000	4 567 972	1 245 458	3 470 833	4 716 291
Jonathan Jawno	2 586 284	400 000	2 986 284	2 361 713	1 600 000	3 961 713
Steven Kark[2]	2 643 592	1 000 000	3 643 592	2 517 707	–	2 517 707
Michael Mendelowitz[3]	1 220 040	1 800 000	3 020 040	1 686 150	666 667	2 352 817
Roberto Rossi[4]	1 686 150	800 000	2 486 150	1 333 333	–	1 333 333
Tim Jacobs[5]	–	–	–	1 025 086	n/a	1 025 086
	14 193 750	9 260 288	23 454 038	14 729 477	12 112 500	26 841 977

1 Appointed as executive director in April 2012.
2 Reclassified to non-executive director from 1 November 2013.
3 Appointed group chief investment officer in December 2012.
4 Appointed executive director in February 2012.
5 Resigned as director in January 2012.

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

CHIEF EXECUTIVE OFFICER – **MARK LAMBERTI**

Mr Lamberti's extended service agreement ended on 30 November 2013. This has been extended on the same terms and conditions to 15 January 2014 when he will resign as CEO.

Mr Lamberti's incentive bonus of R3 760 288 for 2013 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for the overall improvement in the state of the group during 2013.

CHIEF FINANCIAL OFFICER – **DAVID HURWITZ**

Mr Hurwitz's incentive bonus of R1 500 000 for 2013 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for the overall improvement in the state of the financial and risk structures and reporting of the group during 2013.

DEPUTY CHIEF EXECUTIVE OFFICER – **JONATHAN JAWNO**

Mr Jawno's incentive bonus of R400 000 for 2013 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for his specific role in the management of risk and capital.

CHIEF INVESTMENT OFFICER – **MICHAEL MENDELOWITZ**

Mr Mendelowitz's incentive bonus of R1 800 000 for 2013 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for his specific contribution in the negotiation and structuring of corporate transactions.

CHIEF LEGAL OFFICER – **ROBERTO ROSSI**

Mr Rossi's incentive bonus of R800 000 for the 2013 financial year comprised:

> a quantitative bonus for the growth of the group's earnings per share; and

> a qualitative bonus for his specific contribution in regulatory and legal matters.

PAYCORP CHIEF EXECUTIVE OFFICER – **STEVEN KARK**

Mr Kark's incentive bonus of R1 000 000 for 2013 was based on the overall performance of Paycorp in 2013.

PRESCRIBED OFFICERS' REMUNERATION

The following table shows a breakdown of the annual remuneration of prescribed officers for the year ended 30 September:

Prescribed officer	Total guaranteed pay 2013 R	Annual incentive bonus 2013 R	Total 2013 R	Total guaranteed pay 2012 R	Annual incentive bonus 2012 R	Total 2012 R
Prescribed officer A	3 519 035	–	3 519 035	3 425 000	2 801 050	6 226 050
Prescribed officer B	2 600 000	1 841 667	4 441 667	2 275 000	2 820 790	5 095 790
Prescribed officer C	2 700 000	450 000	3 150 000	2 315 000	2 430 750	4 745 750
	8 819 035	2 291 667	11 110 702	8 015 000	8 052 590	16 067 590

NON-EXECUTIVE DIRECTORS' FEES FOR 2013

Fees are paid to non-executive directors quarterly in arrears and determined by the board on a market-related basis as recommended by the nominations and remuneration committee.

Board members	C Seabrooke R	D Woollam R	P Langeni[1] R	D Tabata R
Director	–	250 000	250 000	250 000
Chairman	893 000	–	–	–
Audit committee (chairman)	–	473 000	–	–
Audit committee (member)	170 000	–	170 000	–
Asset and liability committee (member)	130 000	130 000	–	–
Nominations and remuneration committee (chairman)	–	–	–	300 000
Nominations and remuneration committee (member)	130 000	–	130 000	–
Risk and compliance committee (chairman)	–	300 000	–	–
Risk and compliance committee (member)	130 000	–	–	–
Social and ethics committee (chairman)	–	–	83 333	–
Social and ethics committee (member)	–	–	75 833	–
Total annual fees	1 453 000	1 153 000	709 167	550 000

1 Appointed as chairman of social and ethics committee on 29 April 2013.
2 The fees for Mr Zagnoev are paid directly to Ethos Technology Fund I and Ethos Private Equity Fund V comprising various private equity investors on whose behalf he is a partner.
3 Resigned as non-executive director, effective 29 April 2013.

NON-EXECUTIVE DIRECTORS' FEES FOR 2012

Board members	C Seabrooke R	D Woollam[1] R	P Langeni R	D Tabata R
Director	–	166 667	250 000	250 000
Chairman	850 000	–	–	–
Audit committee (chairman)	–	200 000	–	–
Audit committee (member)	–	–	170 000	–
Asset and liability committee (member)	130 000	86 667	–	–
Nominations and remuneration committee (chairman)	–	–	–	300 000
Nominations and remuneration committee (member)	130 000	–	130 000	–
Risk and compliance committee (chairman)	–	200 000	–	–
Risk and compliance committee (member)	85 000	–	–	–
Social and ethics committee (chairman)	–	–	–	–
Social and ethics committee (member)	–	–	65 000	–
Initial public offering committee fees	100 000	100 000	–	–
Subsidiary directorships and fees	–	140 500	–	–
Total annual fees	1 295 000	893 834	615 000	550 000

1 Appointed chairman of the risk and compliance committee and chairman of the audit committee, effective February 2012.
2 The fees for Mr Zagnoev are paid directly to Ethos Private Equity of which he is a partner.
3 Appointed as independent non-executive director and member of the audit committee, effective June 2012.
4 Resigned as non-executive director and appointed group chief investment officer, effective December 2011.
5 Resigned as non-executive and appointed executive director, effective February 2012.
6 Resigned as chairman of the audit committee and as a non-executive director, effective February 2012.
7 Resigned as chairman of the risk and compliance committee and as a non-executive director, effective February 2012.

CONCLUSION

Transaction Capital is mindful of the sensitivities surrounding executive compensation and will therefore:

> adhere to King III or any other industry-specific guidelines in the payment and disclosure of executive compensation;

> disclose the principles and practices used to determine executive compensation;

> offer full explanation and disclosure in those instances where executive compensation is not aligned to short-term performance;

> exercise caution in making awards to departing executives; and

> disclose voting by shareholders on executive compensation.

S Zagnoev[2] R	C Ntumba R	B Madumise[3] R	Total R
250 000	250 000	145 833	**1 395 833**
–	–	–	**893 000**
–	–	–	**473 000**
–	170 000	–	**510 000**
–	–	–	**260 000**
–	–	–	**300 000**
130 000	–	–	**390 000**
–	–	–	**300 000**
–	–	–	**130 000**
–	–	116 667	**200 000**
–	54 167	–	**130 000**
380 000	474 167	262 500	**4 981 833**

S Zagnoev[2] R	C Ntumba[3] R	B Madumise R	M Mendelowitz[4] R	R Rossi[5] R	D Konar[6] R	R Shuter[7] R	Total R
250 000	83 333	250 000	62 500	62 500	83 333	125 000	**1 583 333**
–	–	–	–	–	–	–	**850 000**
–	–	–	–	–	150 000	–	**350 000**
–	56 667	–	–	–	–	42 500	**269 167**
–	–	–	–	–	–	32 500	**249 167**
–	–	–	–	–	–	–	**300 000**
130 000	–	–	–	–	–	–	**390 000**
–	–	–	–	–	–	112 500	**312 500**
–	–	–	–	42 500	–	42 500	**170 000**
–	–	100 000	–	–	–	–	**100 000**
–	–	–	–	–	–	–	**65 000**
–	–	–	–	–	–	–	**200 000**
–	–	–	–	–	–	–	**140 500**
380 000	140 000	350 000	62 500	105 000	233 333	355 000	**4 979 667**

FINANCIAL
INFORMATION

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 September

	2013 Audited Rm	2012 Audited Rm	Change %
Assets			
Cash and cash equivalents	**673**	1 101	(38.9)
Tax receivables	**64**	28	128.6
Trade and other receivables	**505**	410	23.2
Inventories	**85**	203	(58.1)
Loans and advances	**10 232**	8 780	16.5
Purchased book debts	**420**	347	21.0
Other loans receivable	**280**	228	22.8
Equity accounted investments	**4**	–	100.0
Other investments	**481**	316	52.2
Intangible assets	**21**	36	(41.7)
Property and equipment	**96**	308	(68.8)
Goodwill	**594**	927	(35.9)
Deferred tax assets	**107**	130	(17.7)
Non-current assets classified as held for sale	**769**	–	100.0
Total assets	**14 331**	12 814	11.8
Liabilities			
Bank overdrafts	**71**	158	(55.1)
Tax payables	**2**	13	(84.6)
Trade and other payables	**386**	827	(53.3)
Provisions	**2**	3	(33.3)
Interest-bearing liabilities	**9 601**	8 353	14.9
Senior debt	**7 470**	6 876	8.6
Subordinated debt	**2 131**	1 477	44.3
Deferred tax liabilities	**194**	156	24.4
Liabilities directly associated with non-current assets classified as held for sale	**180**	–	100.0
Total liabilities	**10 436**	9 510	9.7
Equity			
Ordinary share capital and premium	**1 779**	1 792	(0.7)
Other reserves	**385**	268	43.7
Retained earnings	**1 551**	1 112	39.5
Equity attributable to ordinary equity holders of the parent	**3 715**	3 172	17.1
Non-controlling interests	**180**	132	36.4
Total equity	**3 895**	3 304	17.9
Total equity and liabilities	**14 331**	12 814	11.8

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September

	2013 Audited Rm	2012 Audited Rm	Change %
Interest and other similar income	**2 683**	2 222	20.7
Interest and other similar expense	**(948)**	(874)	8.5
Net interest income	**1 735**	1 348	28.7
Impairment of loans and advances	**(1 038)**	(740)	40.3
Risk-adjusted net interest income	**697**	608	14.6
Non-interest revenue	**1 910**	1 660	15.1
Operating costs	**(1 990)**	(1 784)	11.5
Equity accounted earnings	**4**	–	100.0
Profit before tax	**621**	484	28.3
Income tax expense	**(100)**	(96)	4.2
Profit from continuing operations	**521**	388	34.3
Profit from discontinued operations	**65**	46	41.3
Profit for the year	**586**	434	35.0
Attributable to ordinary equity holders of the parent	**544**	401	35.7
Attributable to non-controlling equity holders	**42**	33	28.7
Basic earnings per share	**93.2**	77.3	20.6
Diluted basic earnings per share	**93.2**	77.3	20.6
Headline and diluted headline earnings per share	**93.4**	78.0	19.8
Headline and diluted headline earnings per share – continuing operations	**82.3**	69.1	19.1
Headline and diluted headline earnings per share – discontinued operations	**11.1**	8.9	24.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September

	2013 Audited Rm	2012 Audited Rm	Change %
Profit for the year	**586**	434	35.0
Other comprehensive income	**122**	149	(18.1)
Fair value gains/(losses) arising during the year on cash flow hedge	**10**	(6)	
Amount removed from other comprehensive income and recognised in profit and loss	**–**	4	
Fair value gains arising on valuation of available-for-sale investment	**115**	149	
Deferred tax	**(3)**	2	
Total comprehensive income for the year	**708**	583	21.4
Attributable to ordinary equity holders of the parent	**659**	523	26.0
Attributable to non-controlling equity holders	**49**	60	(18.3)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September

	Share capital and premium	Other reserves	Retained earnings	Ordinary share-holders' equity	Non-controlling interests	Total equity
Balance at 30 September 2011	908	146	731	1 785	91	1 876
Total comprehensive income	–	122	401	523	60	583
Profit for the year	–	–	401	401	33	434
Other comprehensive income for the year	–	122	–	122	27	149
Dividends paid	–	–	–	–	(4)	(4)
Transactions with non-controlling equity holders	–	–	(20)	(20)	(15)	(35)
Issue of shares	913	–	–	913	–	913
Repurchase of shares	(11)	–	–	(11)	–	(11)
Share issue costs	(18)	–	–	(18)	–	(18)
Balance at 30 September 2012	1 792	268	1 112	3 172	132	3 304
Total comprehensive income	**–**	**115**	**544**	**659**	**49**	**708**
Profit for the year	**–**	**–**	**544**	**544**	**42**	**586**
Other comprehensive income for the year	**–**	**115**	**–**	**115**	**7**	**122**
Dividends paid	**–**	**–**	**(105)**	**(105)**	**–**	**(105)**
Transactions with non-controlling equity holders	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Issue of share appreciation rights	**–**	**2**	**–**	**2**	**–**	**2**
Repurchase of shares	**(13)**	**–**	**–**	**(13)**	**–**	**(13)**
Balance at 30 September 2013	**1 779**	**385**	**1 551**	**3 715**	**180**	**3 895**

ABRIDGED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 September

	2013 Audited Rm	2012 Audited Rm	Change %
Net cash utilised by operating activities	**(31)**	(372)	91.7
Net cash utilised by investing activities	**(165)**	(4)	(4 025.0)
Net cash (utilised)/raised by financing activities	**(13)**	849	(101.5)
Net (decrease)/increase in cash and cash equivalents	**(209)**	473	(155.4)
Cash and cash equivalents at beginning of the year	**943**	470	100.6
Cash and cash equivalents at beginning of the year relating to discontinued operations	**(132)**	–	(100.0)
Cash and cash equivalents at beginning of the year from continuing operations	**811**	470	71.5
Cash and cash equivalents at end of year	**602**	943	(36.2)

Data sheet

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
TRANSACTION CAPITAL GROUP						
Headline earnings						
Profit attributable to ordinary equity holders of the parent	Rm	**544**	401	250	**36%**	60%
Adjustments for:						
Loss on disposal of tangible assets	Rm	**–**	1	–	**(100%)**	100%
Impairment of assets	Rm	**–**	3	2	**(100%)**	50%
Impairment of goodwill	Rm	**1**	–	–	**100%**	n/a
Capital loss on discontinued operations	Rm	**–**	–	45	**n/a**	(100%)
Headline earnings	Rm	**545**	405	297	**35%**	36%
Adjustment for:						
Trading profit on discontinued operations	Rm	**(65)**	(46)	(12)	**41%**	283%
Headline earnings from continuing operations	Rm	**480**	359	284	**34%**	26%
Listing costs	Rm	**–**	19	1	**(100%)**	1 800%
Normalised headline earnings	Rm	**480**	378	285	**27%**	33%
Number of shares	Number m	**582 581 177**	584 304 184	471 176 222	**0%**	24%
Weighted average number of shares in issue		**583.6**	519.4	462.5	**12%**	12%
Shareholder statistics						
Basic earnings per share	cents	**93.2**	77.3	64.1	**21%**	21%
Basic earnings per share from continuing operations	cents	**82.1**	68.4	64.1	**20%**	8%
Headline earnings per share	cents	**93.4**	78.0	64.1	**20%**	22%
Headline earnings per share from continuing operations	cents	**82.3**	69.1	61.4	**19%**	13%
Net asset value per share	cents	**637.7**	542.9	378.8	**17%**	43%
Tangible net asset value per share	cents	**532.1**	378.1	173.0	**41%**	119%
Interim dividend per share	cents	**9.0**	–	–	**100%**	n/a
Final dividend per share	cents	**12.0**	9.0	–	**33%**	100%
Capital adequacy ratio						
Equity	Rm	**3 895**	3 304	1 876	**18%**	76%
Subordinated debt capital	Rm	**2 131**	1 477	1 602	**44%**	(8%)
Total capital	Rm	**6 026**	4 781	3 478	**26%**	37%
Less: goodwill	Rm	**(594)**	(927)	(930)	**(36%)**	0%
Total capital less goodwill	Rm	**5 432**	3 854	2 548	**41%**	51%
Total assets less goodwill and cash and cash equivalents	Rm	**13 064**	10 786	8 597	**21%**	25%
Capital adequacy ratio	%	**41.6**	35.7	29.6	**17%**	21%
Equity	%	**25.3**	22.0	11.0	**15%**	100%
Subordinated debt	%	**16.3**	13.7	18.6	**19%**	(26%)

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
TRANSACTION CAPITAL GROUP continued						
Performance indicators						
Gross loans and advances	Rm	**11 697**	9 758	7 289	**20%**	34%
Carrying value of written off book	Rm	**165**	43	–	**284%**	100%
Impairment provision	Rm	**(1 630)**	(1 021)	(569)	**60%**	79%
Provision coverage	%	**13.9**	10.5	7.8	**32%**	35%
Non-performing loan ratio	%	**34.5**	30.5	25.4	**13%**	20%
Non-performing loan coverage	%	**40.4**	34.4	30.8	**17%**	12%
Non-performing loans	Rm	**4 039**	2 967	1 848	**36%**	61%
Average assets	Rm	**13 509**	11 293	9 236	**20%**	22%
Average tangible assets	Rm	**12 548**	10 325	8 549	**22%**	21%
Average equity	Rm	**3 123**	2 161	1 459	**45%**	48%
Average tangible equity	Rm	**2 162**	1 193	497	**81%**	140%
Average gross loans and advances	Rm	**10 848**	8 447	6 809	**28%**	24%
Average interest-bearing liabilities	Rm	**9 201**	8 137	7 105	**13%**	15%
Total income	Rm	**4 593**	3 882	3 169	**18%**	22%
Net interest margin	%	**16.0**	16.0	14.5	**0%**	10%
Credit loss ratio	%	**9.6**	8.8	8.3	**9%**	6%
Non-interest revenue as a % of total income	%	**41.6**	42.8	44.0	**(3%)**	(3%)
Cost-to-income ratio	%	**54.6**	59.3	59.2	**(8%)**	0%
Effective tax rate	%	**16.1**	19.8	23.3	**(19%)**	(15%)
Return on average assets (ROA)	%	**4.4**	3.8	2.9	**16%**	31%
Return on average assets (ROA) – Continuing operations	%	**3.9**	3.4	3.3	**15%**	3%
Return on average tangible assets	%	**4.7**	4.2	3.2	**12%**	31%
Return on average tangible assets – Continuing operations	%	**4.2**	3.8	3.6	**11%**	6%
Return on average equity (ROE)	%	**17.4**	18.6	17.1	**(6%)**	9%
Return on average equity (ROE) – Continuing operations	%	**15.3**	16.4	19.5	**(7%)**	(16%)
Return on average tangible equity	%	**25.1**	33.6	50.3	**(25%)**	(33%)
Return on average tangible equity – Continuing operations	%	**22.1**	29.8	57.1	**(26%)**	(48%)
Services: EBITDA	Rm	**277**	254	215	**9%**	18%
Services: EBITDA – Continuing operations	Rm	**135**	125	108	**8%**	16%
Gearing	Times	**3.9**	4.0	5.7	**(3%)**	(30%)
Debt issued	Rm	**5 635**	3 941	2 900	**43%**	36%
Gross yield on average assets	%	**34.0**	34.4	33.3	**(1%)**	3%
Gross yield on average gross loans and advances	%	**42.3**	46.0	46.5	**(8%)**	(1%)
Return on total sales (ROS)	%	**11.3**	10.0	9.8	**13%**	2%
Return on total sales (ROS) – Continuing operations	%	**10.2**	8.9	8.6	**15%**	3%
Average cost of borrowing	%	**10.3**	10.7	11.0	**(4%)**	(3%)
Employees	Number	**5 386**	4 697	4 305	**15%**	9%

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
ASSET-BACKED LENDING						
Abridged income statement						
Interest and other similar income	Rm	**1 178**	1 030	936	**14%**	10%
Interest and other similar expense	Rm	**(512)**	(478)	(442)	**7%**	8%
Net interest income	Rm	**667**	552	494	**21%**	12%
Impairment of loans and advances	Rm	**(281)**	(245)	(242)	**15%**	1%
Non-interest revenue	Rm	**218**	191	156	**14%**	22%
Total operating costs	Rm	**(403)**	(333)	(271)	**21%**	23%
Profit before tax	Rm	**200**	165	137	**21%**	20%
Total income	Rm	**1 396**	1 221	1 092	**14%**	12%
Profit after tax	Rm	**163**	133	110	**23%**	21%
Headline earnings	Rm	**163**	133	109	**23%**	22%
Other information						
Depreciation	Rm	**7**	6	6	**17%**	0%
Amortisation of intangible assets	Rm	**1**	1	2	**0%**	(50%)
Abridged statement of financial position						
Assets						
Cash and cash equivalents	Rm	**226**	528	182	**(57%)**	190%
Other investments	Rm	**175**	57	65	**207%**	(12%)
Loans and advances	Rm	**5 577**	4 801	4 011	**16%**	20%
Property and equipment	Rm	**28**	16	15	**75%**	7%
Goodwill and intangibles	Rm	**65**	60	63	**8%**	(5%)
Goodwill	Rm	**60**	60	62	**0%**	(3%)
Intangibles	Rm	**5**	–	1	**100%**	(100%)
Other assets	Rm	**360**	312	412	**15%**	(24%)
Total assets	Rm	**6 431**	5 774	4 748	**11%**	22%
Liabilities						
Bank overdrafts	Rm	**71**	137	180	**(48%)**	(24%)
Interest-bearing liabilities	Rm	**4 398**	4 468	3 891	**(2%)**	15%
Senior debt	Rm	**3 947**	4 103	3 467	**(4%)**	18%
Subordinated debt	Rm	**451**	365	424	**24%**	(14%)
Group	Rm	**1 078**	410	197	**163%**	108%
Other liabilities	Rm	**185**	267	155	**(31%)**	72%
Total liabilities	Rm	**5 732**	5 282	4 423	**9%**	19%
Segment net assets	Rm	**699**	492	325	**42%**	51%
Capital adequacy						
Equity	Rm	**699**	492	325	**42%**	51%
Group	Rm	**855**	398	197	**115%**	102%
Subordinated debt capital	Rm	**451**	365	424	**24%**	(14%)
Total capital	Rm	**2 005**	1 255	946	**60%**	33%
Less: goodwill	Rm	**(60)**	(60)	(62)	**0%**	(3%)
Total capital less goodwill	Rm	**1 945**	1 195	884	**63%**	35%
Total assets less goodwill and cash and cash equivalents	Rm	**6 145**	5 187	4 505	**18%**	15%
Capital adequacy ratio	%	**31.7**	23.0	19.6	**38%**	17%

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
ASSET-BACKED LENDING continued						
Financial measures						
Net interest margin	%	**12.3**	12.1	11.8	**2%**	3%
Cost-to-income ratio	%	**45.5**	44.8	41.6	**2%**	8%
Return on average assets (ROA)	%	**2.7**	2.5	2.4	**8%**	4%
Gross yield on average gross loans and advances	%	**25.7**	26.8	26.1	**(4%)**	3%
Return on average equity (ROE)	%	**32.3**	39.3	53.9	**(18%)**	(27%)
Average cost of borrowing	%	**10.1**	11.2	11.1	**(10%)**	1%
Credit loss ratio	%	**5.2**	5.4	5.8	**(4%)**	(7%)
Provision coverage	%	**5.5**	4.7	4.0	**17%**	18%
Non-performing loan ratio	%	**34.3**	30.7	26.6	**12%**	15%
Non-performing loan coverage	%	**15.9**	15.5	15.5	**3%**	0%
Debt issued	Rm	**2 356**	1 808	1 393	**30%**	30%
Average assets	Rm	**5 989**	5 220	4 659	**15%**	12%
Average gross loans and advances	Rm	**5 440**	4 555	4 188	**19%**	9%
Average equity	Rm	**504**	338	204	**49%**	66%
Average interest-bearing liabilities	Rm	**5 080**	4 264	3 965	**19%**	8%
Employees	Number	**564**	555	411	**2%**	35%
Operational measures						
SA Taxi						
Status						
Number of loans	Number	**23 453**	22 649	21 673	**4%**	5%
Gross loans and advances	Rm	**5 529**	4 800	4 045	**15%**	19%
Carrying value of written off book	Rm	**30**	22	–	**36%**	100%
Impairment provision	Rm	**(315)**	(235)	(169)	**34%**	39%
Loans and advances	Rm	**5 243**	4 587	3 876	**14%**	18%
% Leases/Repossessions (loans and advances, on value)	%	**93/7**	94/6	96/4	**(1%)**	(2%)
% Premium/Entry-level (gross loans and advances, on value)	%	**80/20**	79/21	78/22	**1%**	1%
Face value of written off book recognised	Rm	**600**	440	n/a	**36%**	n/a
Average gross loans and advances	Rm	**5 181**	4 387	4 030	**18%**	9%
Originations						
Number of loans originated	Number	**5 811**	6 248	6 389	**(7%)**	(2%)
Value of loans originated	Rm	**1 560**	1 533	1 415	**2%**	8%
% New/Existing clients (on value)	%	**80/20**	81/19	77/23	**(1%)**	5%
New vehicle originations	Rm	**1 217**	1 134	1 058	**7%**	7%
% Premium/Entry-level (new vehicle disbursements, value)	%	**97/3**	92/8	79/21	**5%**	16%
Average origination value	R	**268 479**	245 378	222 030	**9%**	11%
Credit performance						
Non-performing loans	Rm	**2 013**	1 538	1 114	**31%**	38%
Credit loss ratio	%	**5.4**	5.6	6.0	**(4%)**	(7%)
Provision coverage	%	**5.7**	4.9	4.2	**16%**	17%
Non-performing loan ratio	%	**36.4**	31.9	27.5	**14%**	16%
Non-performing loan coverage	%	**15.6**	15.3	15.2	**2%**	1%
Impairment provision % repossessions	%	**30.7**	32.8	29.7	**(6%)**	10%
Rand Trust						
Gross loans and advances	Rm	**339**	217	139	**56%**	56%
Impairment provision	Rm	**(5)**	(3)	(4)	**67%**	(25%)
Loans and advances	Rm	**334**	214	135	**56%**	59%
Average debtor days outstanding	Days	**44**	41	41	**7%**	0%

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
UNSECURED LENDING						
Abridged income statement						
Interest and other similar income	Rm	**1 458**	1 149	798	**27%**	44%
Interest and other similar expense	Rm	**(409)**	(340)	(274)	**20%**	24%
Net interest income	Rm	**1 049**	809	524	**30%**	54%
Impairment of loans and advances	Rm	**(755)**	(494)	(323)	**53%**	53%
Non-interest revenue	Rm	**887**	724	609	**23%**	19%
Total operating costs	Rm	**(919)**	(805)	(616)	**14%**	31%
Profit before tax	Rm	**262**	234	194	**12%**	20%
Total income	Rm	**2 345**	1 873	1 407	**25%**	33%
Profit after tax	Rm	**239**	198	158	**21%**	25%
Headline earnings	Rm	**199**	166	138	**20%**	20%
Other information						
Depreciation	Rm	**20**	16	10	**25%**	60%
Amortisation of intangible assets	Rm	**12**	16	16	**(25%)**	0%
Abridged statement of financial position						
Assets						
Cash and cash equivalents	Rm	**379**	270	131	**40%**	106%
Other investments	Rm	**305**	259	102	**18%**	154%
Inventories	Rm	**83**	173	132	**(52%)**	31%
Loans and advances	Rm	**4 608**	3 920	2 633	**18%**	49%
Property and equipment	Rm	**48**	42	30	**14%**	40%
Goodwill and intangibles	Rm	**459**	465	476	**(1%)**	(2%)
Goodwill	Rm	**446**	446	447	**0%**	0%
Intangibles	Rm	**13**	19	29	**(32%)**	(34%)
Other assets	Rm	**180**	130	121	**38%**	7%
Total assets	Rm	**6 062**	5 259	3 625	**15%**	45%
Liabilities						
Interest-bearing liabilities	Rm	**4 129**	3 229	2 448	**28%**	32%
Senior debt	Rm	**3 371**	2 566	1 947	**31%**	32%
Subordinated debt	Rm	**758**	663	501	**14%**	32%
Group	Rm	**217**	469	285	**(54%)**	65%
Other liabilities	Rm	**125**	254	144	**(51%)**	76%
Total liabilities	Rm	**4 471**	3 952	2 877	**13%**	37%
Segment net assets	Rm	**1 591**	1 307	748	**22%**	75%
Capital adequacy						
Equity	Rm	**1 591**	1 307	748	**22%**	75%
Group	Rm	**217**	469	285	**(54%)**	65%
Subordinated debt capital	Rm	**758**	663	501	**14%**	32%
Total capital	Rm	**2 566**	2 439	1 535	**5%**	59%
Less: goodwill	Rm	**(446)**	(446)	(447)	**0%**	0%
Total capital less goodwill	Rm	**2 120**	1 994	1 088	**6%**	83%
Total assets less goodwill and cash and cash equivalents	Rm	**5 237**	4 543	3 047	**15%**	49%
Capital adequacy ratio	%	**40.5**	43.9	35.7	**(8%)**	23%

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
UNSECURED LENDING continued						
Financial measures						
Net interest margin	%	**19.6**	21.2	21.0	**(8%)**	1%
Cost-to-income ratio	%	**47.5**	52.5	54.3	**(10%)**	(3%)
Return on average assets (ROA)	%	**4.3**	4.6	5.1	**(7%)**	(10%)
Gross yield on average gross loans and advances	%	**43.8**	49.1	56.5	**(11%)**	(13%)
Return on average equity (ROE)	%	**17.7**	23.2	24.2	**(24%)**	(4%)
Average cost of borrowing	%	**9.9**	10.3	12.8	**(4%)**	(20%)
Credit loss ratio	%	**14.1**	13.0	13.0	**8%**	0%
Provision coverage	%	**22.5**	16.6	13.0	**36%**	28%
Non-performing loan ratio	%	**35.1**	30.6	24.3	**15%**	26%
Non-performing loan coverage	%	**64.2**	54.3	53.2	**18%**	2%
Debt issued	Rm	**2 601**	1 946	859	**34%**	127%
Average assets	Rm	**5 542**	4 280	3 083	**29%**	39%
Average equity	Rm	**1 123**	712	561	**58%**	27%
Average interest-bearing liabilities	Rm	**4 131**	3 305	2 140	**25%**	54%
Employees	Number	**1 326**	1 179	964	**12%**	22%
Operational measures						
Bayport						
Distribution						
Branches	Number	**55**	56	55	**(2%)**	2%
Kiosks	Number	**33**	33	33	**0%**	0%
Mobile agents	Number	**1 743**	2 211	1 580	**(21%)**	40%
Status						
Number of loans	Number	**344 547**	335 339	257 879	**3%**	30%
Gross loans and advances	Rm	**5 774**	4 676	3 025	**23%**	55%
Carrying value of written off book	Rm	**135**	21	–	**543%**	100%
Impairment provision	Rm	**(1 301)**	(777)	(392)	**67%**	98%
Loans and advances	Rm	**4 608**	3 920	2 633	**18%**	49%
% Retail loans/Cellular (loans and advances, on value)	%	**93/7**	92/8	91/9	**1%**	1%
Face value of written off book recognised	Rm	**1 473**	926	–	**59%**	100%
Non-performing loans	Rm	**2 026**	1 429	734	**42%**	95%
Average gross loans and advances	Rm	**5 348**	3 814	2 490	**40%**	53%
Originations						
Number of agreements originated	Number	**142 719**	202 744	155 887	**(30%)**	30%
Value of agreements originated	Rm	**2 042**	2 719	1 850	**(25%)**	47%
New/Existing clients (on value)	%	**32/68**	39/61	52/48	**(18%)**	(25%)
Average disbursement	R	**14 308**	13 412	11 869	**7%**	13%
Average term (on value)	Months	**47**	44	35	**7%**	26%

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
CREDIT SERVICES						
Abridged income statement						
Interest and other similar income	Rm	**16**	18	3	**(11%)**	500%
Interest and other similar expense	Rm	**(16)**	(14)	(11)	**14%**	27%
Net interest income	Rm	**(1)**	4	(8)	**(125%)**	(150%)
Impairment of loans and advances	Rm	**(2)**	–	–	**(100%)**	n/a
Non-interest revenue	Rm	**790**	769	632	**3%**	22%
Total operating costs	Rm	**(666)**	(652)	(533)	**2%**	22%
Equity accounted earnings	Rm	**4**	–	–	**100%**	n/a
Profit before tax	Rm	**125**	120	91	**4%**	32%
Total income	Rm	**806**	787	635	**2%**	24%
Profit after tax	Rm	**95**	88	64	**8%**	38%
Headline earnings	Rm	**95**	88	61	**8%**	44%
Services: EBITDA	Rm	**134**	125	108	**7%**	16%
Other information						
Depreciation	Rm	**8**	8	8	**0%**	0%
Amortisation of intangible assets	Rm	**1**	–	1	**100%**	(100%)
Abridged statement of financial position						
Assets						
Cash and cash equivalents	Rm	**32**	57	48	**(44%)**	19%
Inventories	Rm	**–**	2	–	**(100%)**	100%
Loans and advances	Rm	**47**	59	–	**(20%)**	100%
Gross loans and advances	Rm	**56**	65	–	**(14%)**	100%
Impairment provision	Rm	**(9)**	(6)	–	**50%**	(100%)
Purchased book debts	Rm	**420**	347	308	**21%**	13%
Property and equipment	Rm	**19**	15	14	**27%**	7%
Goodwill and intangibles	Rm	**73**	72	65	**1%**	11%
Goodwill	Rm	**71**	71	64	**0%**	11%
Intangibles	Rm	**2**	1	1	**100%**	0%
Other assets	Rm	**142**	167	105	**(15%)**	59%
Total assets	Rm	**733**	718	540	**2%**	33%
Liabilities						
Interest-bearing liabilities	Rm	**151**	140	71	**8%**	97%
Senior debt	Rm	**151**	140	71	**8%**	97%
Subordinated debt	Rm	**–**	–	–	**n/a**	n/a
Group	Rm	**–**	22	–	**(100%)**	100%
Other liabilities	Rm	**204**	226	185	**(10%)**	22%
Total liabilities	Rm	**355**	388	256	**(9%)**	52%
Segment net assets	Rm	**378**	330	284	**14%**	17%

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
CREDIT SERVICES continued						
Financial measures						
Cost-to-income ratio	%	**84.4**	84.4	85.5	**0%**	(1%)
Return on average assets (ROA)	%	**12.2**	12.4	12.2	**(2%)**	2%
Return on average equity (ROE)	%	**27.3**	28.8	22.4	**(5%)**	29%
Capital adequacy ratio	%	**48.7**	47.9	51.3	**2%**	(7%)
Average cost of borrowing	%	**8.2**	8.2	9.0	**0%**	(9%)
Return on sales (ROS)	%	**11.8**	11.2	10.1	**5%**	11%
Debt issued	Rm	**176**	107	20	**64%**	435%
Average assets	Rm	**779**	711	525	**10%**	35%
Average equity	Rm	**346**	306	272	**13%**	13%
Average interest-bearing liabilities	Rm	**196**	158	94	**24%**	68%
Employees	Number	**3 039**	2 518	2 518	**21%**	0%
Operational measures						
MBD CS						
Number of agency clients	Number	**66**	52	45	**27%**	16%
Number of collection agents	Number	**2 744**	1 983	2 269	**38%**	(13%)
Call centres	Number	**9**	9	8	**0%**	13%
Assets under management	Rb	**25.8**	23.2	22.4	**11%**	4%
Agency	Rb	**14.4**	13.6	13.4	**6%**	1%
Principal	Rb	**11.4**	9.5	9.0	**20%**	6%
Average book value of purchased book debts	Rm	**393**	314	263	**25%**	19%
Principal revenue as % of average book value of purchased book debts	%	**65.1**	87.6	84.0	**(26%)**	4%
% Agency/Principal collections revenue split	%	**52/48**	53/47	58/42	**(2%)**	(9%)
Employees	Number	**2 962**	2 444	2 451	**21%**	0%
Principa Decisions						
Employees	Number	**77**	74	67	**4%**	10%
PAYMENT SERVICES						
Abridged income statement						
Interest and other similar income	Rm	**2**	2	9	**0%**	(78%)
Interest and other similar expense	Rm	**(9)**	(9)	(9)	**0%**	0%
Net interest income	Rm	**(7)**	(7)	–	**0%**	(100%)
Non-interest revenue	Rm	**523**	467	428	**12%**	9%
Total operating costs	Rm	**(447)**	(397)	(378)	**13%**	5%
Profit before tax	Rm	**68**	63	50	**8%**	26%
Total income	Rm	**525**	469	437	**12%**	7%
Profit after tax	Rm	**50**	46	37	**9%**	24%
Impact of classification to held for sale	Rm	**15**	–	–	**100%**	n/a
Headline earnings of discontinued operation	Rm	**65**	46	37	**41%**	24%
Services: EBITDA	Rm	**142**	129	107	**10%**	21%
Other information						
Depreciation	Rm	**64**	55	55	**16%**	0%
Amortisation of intangible assets	Rm	**7**	4	2	**75%**	100%

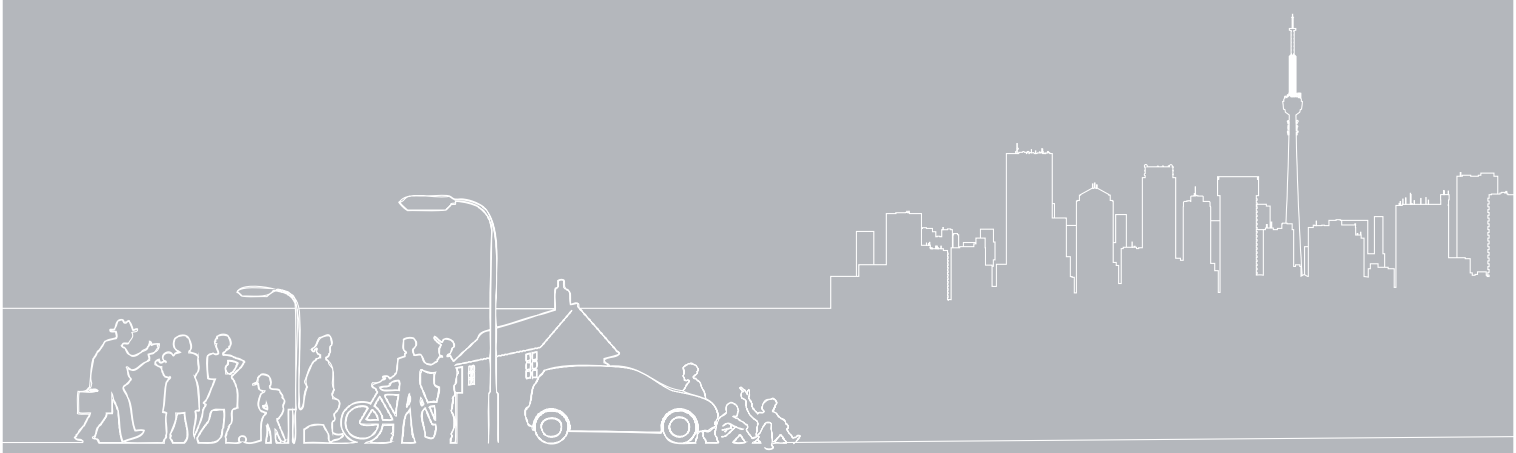
at 30 September		2013	2012	2011	Change % 2013	Change % 2012
PAYMENT SERVICES continued						
Abridged statement of financial position						
Assets						
Cash and cash equivalents	Rm	**98**	154	82	**(36%)**	88%
Inventories	Rm	**28**	28	23	**0%**	22%
Property and equipment	Rm	**243**	233	219	**4%**	6%
Goodwill and intangibles	Rm	**14**	13	11	**8%**	18%
Goodwill	Rm	**–**	–	1	**n/a**	(100%)
Intangibles	Rm	**14**	13	10	**8%**	30%
Other assets	Rm	**35**	29	23	**21%**	26%
Total assets	Rm	**418**	457	358	**(9%)**	28%
Liabilities						
Bank overdrafts	Rm	**29**	21	3	**38%**	600%
Interest-bearing liabilities	Rm	**–**	67	91	**(100%)**	(26%)
Senior debt	Rm	**–**	67	91	**(100%)**	(26%)
Subordinated debt	Rm	**–**	–	–	**n/a**	n/a
Group	Rm	**67**	–	–	**100%**	n/a
Other liabilities	Rm	**151**	205	125	**(26%)**	64%
Total liabilities	Rm	**247**	293	219	**(16%)**	34%
Segment net assets	Rm	**171**	164	139	**4%**	18%
Financial measures						
Cost-to-income ratio	%	**86.6**	86.3	88.3	**0%**	(2%)
Return on average assets (ROA)	%	**12.3**	12.1	9.7	**2%**	25%
Return on average equity (ROE)	%	**30.3**	30.5	23.6	**(1%)**	29%
Capital adequacy ratio	%	**53.4**	54.0	50.2	**(1%)**	8%
Average cost of borrowing	%	**10.3**	9.6	9.0	**7%**	7%
Return on sales (ROS)	%	**9.5**	9.9	8.4	**(4%)**	18%
Debt issued	Rm	**25**	–	101	**100%**	(100%)
Average assets	Rm	**408**	380	381	**7%**	0%
Average equity	Rm	**165**	154	148	**7%**	4%
Average interest-bearing liabilities	Rm	**78**	83	99	**(6%)**	(16%)
Employees	Number	**387**	389	369	**(1%)**	5%
Operational measures						
Paycorp						
Number of active ATMs	Number	**4 651**	4 381	4 072	**6%**	8%
ATM disbursements	Rb	**35.6**	28.6	25.1	**24%**	14%
ATM revenue	Rm	**476**	428	384	**11%**	11%
Vandalism losses	Rm	**7**	5	14	**40%**	(64%)

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
GROUP EXECUTIVE OFFICE						
Abridged income statement						
Interest and other similar income	Rm	**31**	25	39	**24%**	(36%)
Interest and other similar expense	Rm	**(11)**	(42)	(62)	**(74%)**	(32%)
Net interest income	Rm	**20**	(17)	(23)	**(218%)**	(26%)
Non-interest revenue	Rm	**15**	(25)	(4)	**(160%)**	525%
Total operating costs	Rm	**(2)**	6	10	**(133%)**	(40%)
Profit before tax	Rm	**33**	(36)	(19)	**(192%)**	89%
Total income	Rm	**46**	–	35	**100%**	(100%)
Profit after tax	Rm	**23**	(31)	(23)	**(174%)**	35%
Headline earnings	Rm	**23**	(28)	(22)	**(182%)**	27%
Headline earnings – Mortgage Capital (discontinued)	Rm	**–**	–	(26)	**n/a**	(100%)
Other information						
Depreciation	Rm	**–**	–	1	**n/a**	(100%)
Amortisation of intangible assets	Rm	**2**	2	2	**0%**	0%
Abridged statement of financial position						
Assets						
Cash and cash equivalents	Rm	**36**	92	210	**(61%)**	(56%)
Inventories	Rm	**–**	–	1	**n/a**	(100%)
Loans and advances	Rm	**–**	–	76	**n/a**	(100%)
Gross loans and advances	Rm	**–**	–	80	**n/a**	(100%)
Impairment provision	Rm	**–**	–	(4)	**n/a**	(100%)
Property and equipment	Rm	**1**	2	1	**(50%)**	100%
Goodwill and intangibles	Rm	**19**	353	355	**(95%)**	(1%)
Goodwill	Rm	**18**	350	355	**(95%)**	(2%)
Intangibles	Rm	**1**	3	–	**(67%)**	100%
Other assets	Rm	**1 049**	159	266	**560%**	(40%)
Total assets	Rm	**1 105**	606	909	**82%**	(33%)
Liabilities						
Interest-bearing liabilities	Rm	**922**	449	968	**105%**	(54%)
Senior debt	Rm	**–**	–	291	**n/a**	(100%)
Subordinated debt	Rm	**922**	449	677	**105%**	(34%)
Group	Rm	**(1 295)**	(901)	(482)	**44%**	87%
Other liabilities	Rm	**251**	47	44	**434%**	7%
Total liabilities	Rm	**(122)**	(405)	529	**(70%)**	(177%)
Segment net assets	Rm	**1 227**	1 011	380	**21%**	166%
Debt issued	Rm	**477**	80	527	**496%**	(85%)
Employees	Number	**70**	56	43	**25%**	30%

at 30 September		2013	2012	2011	Change % 2013	Change % 2012
ENVIRONMENT						
General environment						
Average repo rate	%	**5.0**	5.4	5.6	**(7%)**	(4%)
CPI	%	**6.2**	5.5	5.7	**13%**	(4%)
Average GDP growth (June for 2013)	%	**1.8**	2.6	2.9	**(31%)**	(10%)
Unemployment rate	%	**24.7**	24.9	25.0	**(1%)**	0%
Specific environment						
Estimated minibus taxi market	Vehicles	**200 000**	200 000	200 000	**0%**	0%
Estimated minibus taxi market – financed	Vehicles	**60 000**	60 000	60 000	**0%**	0%
Unsecured debtors book at September (June for 2013) NCR	Rb	**168.1**	140.0	101.1	**20%**	39%
Unsecured credit granted to September (June for 2013) NCR	Rb	**99.7**	100.2	73.7	**0%**	35%
Consumers with impaired records NCR (June for 2013)	%	**48.0**	47.0	46.2	**2%**	2%
NCR industry average months originated (year ended 30 June for 2013)	Months	**45**	43	39	**5%**	10%
NCR industry average balance originated (year ended 30 June for 2013)	R'000	**18**	18	16	**0%**	13%

SHAREHOLDER INFORMATION

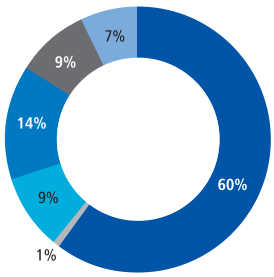
105-120



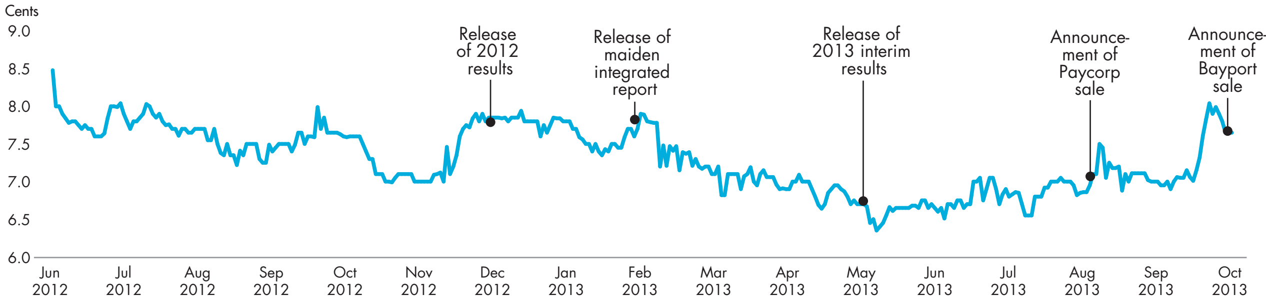
SHAREHOLDER ANALYSIS

	Number of shareholders	Number of shares million	Number of shares %
Non-public			
Directors of Transaction Capital and its subsidiaries and their associates	40	352	60
Transaction Capital employees (excluding directors), including other employee funded share ownership	78	6	1
Sub-total	**118**	**358**	**61**
Public			
Old Mutual Life Assurance Co. South Africa Ltd.	1	50	9
Remaining institutional shareholders	39	82	14
Ethos Private Equity	1	52	9
Retail investors	1 080	41	7
Sub-total	**1 121**	**225**	**39**
Total	**1 239**	**583**	**100**

Shareholder analysis
Number of shares (%)



Share price performance since listing
(June 2012)



Performance on the JSE		**2013**
1 October 2012 – 30 September 2013		
Traded share prices		
closing	R	**7.00**
high	R	**7.99**
low	R	**6.35**
volume weighted average (VWAP)	R	**7.21**
Closing price/net asset value per share		**1.08**
Price earnings ratio based on headline earnings for the year		**13.34**
Volume of shares traded during the year	Units	**45 827 220**
Market capitalisation	R	**4 083 395 530**

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 your broker, Central Securities Depository Participant (CSDP), banker, accountant, attorney or other professional adviser 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, 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: ZAE 000167391
('Transaction Capital' or the 'company')

NOTICE TO SHAREHOLDERS OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 30 SEPTEMBER 2013

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 to all shareholders recorded in the company's securities register on Friday, 21 February 2014 that the annual general meeting of shareholders of the company will be held in the Lord of The Rings Meeting Room, Ground Floor, Transaction Capital House, 14 Pongola Crescent, Eastgate Extension 17, Sandton on Tuesday, 04 March 2014 at 09:30 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), which meeting may be attended by, participated in and voted at by shareholders recorded in the company's securities register as at Friday, 21 February 2014 (with the last day to trade in order to be able to attend and vote at the annual general meeting being Friday, 14 February 2014), 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.

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 with regard to shareholder 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

1. To present the audited financial statements of the company and its subsidiaries (the group), as envisaged in section 3 of the Companies Act, including the directors' report, external auditors' report and the audit committee report, for the year ended 30 September 2013.

2. To consider the report by the chief executive officer of the company.

B. ORDINARY AND SPECIAL RESOLUTIONS

To consider and, if deemed fit, to pass, with or without modification, the following ordinary and special resolutions:

NOTICE OF ANNUAL GENERAL MEETING continued

1. SPECIAL RESOLUTION NUMBER 1

APPROVAL OF NON-EXECUTIVE DIRECTORS' AND COMMITTEE MEMBERS' FEES

Sections 65(11), 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 and risk committee members and other board committee members quarterly in arrear, which have been determined by the board through the nominations and remuneration committee on a market-related basis (with no additional meeting attendance fees) and in accordance with the provisions set out below:

	Proposed maximum annual fees from January 2014 R
Directors	
Chairman (including committee attendances)	1 200 000
Lead independent director (including committee attendances)	1 000 000
Other directors	250 000
Audit and risk committee	
Chairman	350 000
Member	150 000
Other board committees	
Chairman	125 000
Member	60 000

Fees for audit and risk committee and board committee members are in addition to board member fees, except as stated above.

Explanation and effect of special resolution number 1, approval of non-executive directors' and committee members' fees:

In terms of sections 65(11), 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by shareholders within the previous two years and if this is not prohibited in terms of the company's memorandum of incorporation. The passing of this special resolution will have the effect of approving the remuneration and the basis therefor, of each of the non-executive directors of the company and committee members up until the year ending 30 September 2015 in accordance with section 66(9) of the Companies Act.

2. 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 loans, guarantees, the provision of security 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) (subject to the provisions of section 45 of the Companies Act) provided that such financial assistance may be granted up to a limit of R2 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 R4 billion.

Such authority is to endure for a period of 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 approvals 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 44 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, 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. 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 two years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the next annual general meeting.

Notification

Shareholders are hereby notified in terms of section 45(5) of the Companies Act that the board has passed the corresponding resolutions to take effect on the passing of this special resolution by shareholders.

3. 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 person 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 approvals from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to any person 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:

NOTICE OF ANNUAL GENERAL MEETING continued

> 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 two years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the next annual general meeting.

4. SPECIAL RESOLUTION NUMBER 4

GENERAL AUTHORITY TO REPURCHASE SECURITIES

Sections 5.72, 5.68, 5.79, 5.84 and 11.26 of the JSE Listings Requirements

Resolved that:

The directors 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 them subject to the restrictions placed by the Companies Act and the following provisions of the JSE Listings Requirements:

> that the company is enabled by the memorandum of incorporation to repurchase such securities;

> 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 full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

> 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 in any one financial year;

> 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 requirements in the first, third, fifth, sixth and seventh bullets above, and the provisions of the JSE Listings Requirements, including, inter alia, the following requirements:

(a) the strike price of any put option written by the company less the value of the premium received by the company for that put option may not be greater than the fair value of a forward agreement based on a spot price not greater than the maximum price in the ninth bullet above;

(b) the strike price and any call option may be greater than the maximum price in the ninth bullet above at the time of entering into the derivative agreement, but the company may not exercise the call option if it is more than 10% out the money; and

(c) the strike price of the forward agreement may be greater than the maximum price (in the ninth bullet above) but limited to the fair value of a forward agreement calculated from a spot price not greater than the maximum price in the ninth bullet above.

> the company may not enter the market to proceed with the repurchase of its securities until the company's sponsor has confirmed in writing to the JSE that the company and its directors have complied with their responsibilities as set out in Schedule 25 of the JSE Listings Requirements; and

> the board must pass a resolution that they authorised the repurchase and that the company 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.

The directors are of the opinion that, after considering the effect of the maximum repurchase permitted and for a period of twelve months after the date of this notice of annual general meeting:

> the assets of the company and the group, as fairly valued, exceed the liabilities of the company and the group, as fairly valued;

> it appears that the company and the group will be able, in the ordinary course of business, to pay their debts as they become due in the ordinary course of business for a period of twelve months after the date on which the test is considered;

> working capital of the company and the group will be adequate for ordinary business purposes; and

> share capital and reserves of the company and the group will be adequate for ordinary business purposes.

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 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 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 115 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 5 March 2013.

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.

5. 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;

NOTICE OF ANNUAL GENERAL MEETING continued

> the securities which are the subject of general issues for cash:
  – in the aggregate in any one financial year may not exceed 15% of the company's equity securities in issue of that class as at the date of the passing of the notice of annual general meeting, limited to 75 million ordinary shares, provided that such authorisation be valid only until the next annual general meeting or fifteen months from the date of passing resolution, whichever is the earlier date;
  – the calculation of the company's listed equity securities must be a factual assessment of the company's listed equity securities as at the date of the notice of annual general meeting, excluding treasury shares;
  – the specific number of shares representing the number up to 15% of the company's listed equity securities as at the date of the notice of annual general meeting must be included as a number in the resolution seeking the general issue for cash authority;
  – any equity securities issued under the authority during the period contemplated in the first bullet above must be deducted from such number in the third bullet above; and
  – in the event of a sub-division or consolidation of the issued equity securities during the contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
> 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;
> any such general issues are subject to exchange control regulations and approval at that point in time;
> a SENS 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% or more of the number of securities in issue prior to the issue; 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% (seventy five per cent) 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.

6. SPECIAL RESOLUTION NUMBER 6

AMENDMENT TO THE MEMORANDUM OF INCORPORATION OF THE COMPANY

Resolved that:

in terms of section 16(1)(c) read with 16(5)(b) of the Companies Act, the memorandum of incorporation of the company be and is hereby amended, with effect from the date of passing this resolution, by the deletion of clause 18.11 in its entirety and the replacement therefore with a new clause 18.11, as set out below, it being resolved that save for the contemplated amendment of clause 18.11 of the company's memorandum of incorporation, the memorandum of incorporation shall remain unaltered and shall be and continue to be of full force and effect in accordance with its provisions:

"18.11 Any firm of Auditors appointed by the Company as the Auditor shall ensure that the individual responsible for performing the Audit must comply with the requirements of the Companies Act, provided that:

18.11.1 the same individual may not serve as the Auditor or designated Auditor for more than 5 (five) consecutive financial years, which period, for the avoidance of doubt, will commence on 1 May 2011, being the effective date of the Companies Act;

18.11.2 if an individual has served as the Auditor or designated Auditor for 2 (two) or more consecutive financial years and then ceases to be the Auditor or designated Auditor, the individual may not be appointed again as the Auditor or designated Auditor until after the expiry of at least 2 (two) further financial years."

Explanation and effect of special resolution number 6, amendment of memorandum of incorporation of the company:

The board has proposed the aforementioned amendment of the provisions of clause 18.11 of the memorandum of incorporation of the company. The proposed amendments do not alter the substantive content of clause 18.11 of the memorandum of incorporation but rather clarifies the calculation methodology of the time period referred to in clause 18.11.1 of the company's memorandum of incorporation. The period of time referred to is that which an auditor or designated auditor may hold such office in respect of the company. Save for the amendment to clause 18.11 contemplated in the special resolution 6 above, the remaining provisions of the company's memorandum of incorporation will remain unaltered.

This resolution, if passed, will be of effect from the date of the passing of this resolution, subject to the delivery and filing by the company of the notice of amendment with the Companies and Intellectual Property Commission (the CIPC) and the CIPC's issuing a registration certificate in respect of the amendment.

7. ORDINARY RESOLUTION NUMBER 1

RE-ELECTION OF DIRECTORS

Resolved that:

The following directors, who retire in terms of the company's memorandum of incorporation, and who, being eligible, have offered themselves for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act, each by way of a separate vote:

1. JM Jawno
2. MP Mendelowitz
3. R Rossi
4. DD Tabata

Explanation and effects of ordinary resolution number 1, re-election of directors:

In terms of clause 21.2 of the company's memorandum of incorporation one third of the non-executive directors retire annually by rotation and all directors who have held office for three years since their last election or appointment also retire. The directors retiring at the annual general meeting have indicated their willingness to stand for re-election.

The re-election of each of the aforementioned directors must be voted on by way of separate ordinary resolutions.

The directors have reviewed the composition of the board of directors of the company (the board) and recommend the re-election of each of JM Jawno, MP Mendelowitz, R Rossi and DD Tabata 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.

8. ORDINARY RESOLUTION NUMBER 2

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.

Explanation and effect of ordinary resolution number 2, non-binding advisory vote on remuneration policy:

The company is required in terms of the King Code of Corporate Governance for South Africa to put the company's remuneration policy to shareholders who can vote thereon in a non-binding advisory capacity.

NOTICE OF ANNUAL GENERAL MEETING continued

9. ORDINARY RESOLUTION NUMBER 3

APPOINTMENT OF MEMBERS OF AUDIT COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

The following independent non-executive directors of the company, each of whom meet the required criteria for a member of the audit committee stipulated in the memorandum of incorporation of the company, are each elected as a member of the audit committee, by way of a separate vote, 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:

1. DF Woollam
2. C Seabrooke
3. P Langeni

Explanation and effects of ordinary resolution number 3, appointment of members of the audit 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 election of each of the aforementioned independent non-executive directors as audit committee members will be voted upon by way of separate ordinary resolutions.

10. ORDINARY RESOLUTION NUMBER 4

APPOINTMENT OF AUDITORS

Sections 90 and 94(7) of the Companies Act

Resolved that:

On recommendation of the current audit committee, as envisaged in section 94(7)(a) of the Companies Act, Deloitte & Touche (with L 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 4, 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, together with L Nunes as individual registered auditor, as auditors for the company, in accordance with the terms of the company's memorandum of incorporation.

11. ORDINARY RESOLUTION NUMBER 5

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 are hereby authorised and empowered to issue such unissued ordinary shares as consideration for acquisitions in any way they may deem fit, subject to:

11.1. the memorandum of incorporation of the company, and the Companies Act, where applicable;

11.2. 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

11.3. the board's authority in terms hereof is limited to a maximum of 57 900 000 (fifty seven million nine hundred thousand) ordinary shares, being 10% of the ordinary shares in issue as at the last practicable date, being Friday, 10 January 2014.

Explanation and effect of ordinary resolution number 5, issue of securities for acquisitions in circumstances other than those covered by special resolution number 5:

It is necessary for the board to obtain the prior authority of the shareholders as may be required in terms of the memorandum of incorporation of the company. This ordinary resolution number 5 is accordingly to obtain a general authority from shareholders authorising the directors to issue authorised (but unissued) ordinary securities for acquisitions.

12. ORDINARY RESOLUTION NUMBER 6

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 the above aforesaid resolutions and which may be required to give effect to such aforesaid 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 (CIPC) forms that may be required.

Explanation and effect of ordinary resolution number 6, authority to act:

Ordinary resolution number 6 grants authority to any director or the company secretary to carry out, execute all documents and do all such things as he may in his discretion consider necessary or appropriate in connection with and to implement and give effect to the ordinary and special resolutions above.

C. OTHER BUSINESS

To transact any other business that may be transacted at an annual general meeting.

D. REPORT RELATING TO THE SOCIAL AND ETHICS COMMITTEE TO THE ANNUAL GENERAL MEETING

This report is contained in the annual financial statements. The chairman of the committee will be available at the meeting to answer any questions thereon.

E. TRADING UPDATE

A verbal trading update, to be presented by the CEO of the company at the annual general meeting, will simultaneously be released on SENS.

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 annual financial statements, in which this notice of annual general meeting is included, at the places indicated:

> directors and members of the executive committee – refer to pages 34 to 39;

> major shareholders – refer to page 105;

> directors' interests in securities – refer to page 3 of the annual financial statements; and

> share capital of the company – refer to page 46 of the annual financial statements.

The directors, whose names are set out on pages 34 to 39 of the integrated annual report, collectively and individually accept full responsibility for the accuracy of the above information as contemplated in 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.

There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the company is aware), which may have or have had a material effect on the company's financial position over the last twelve months.

After the last practicable date prior to publishing this notice being Friday, 10 January 2014, there have been no material changes in the financial or trading position of the group that have occurred since 30 September 2013 other than as disclosed in the integrated annual report of which this notice forms part.

NOTICE OF ANNUAL GENERAL MEETING continued

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, 10 January 2014.

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, 21 February 2014.

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 Friday, 14 February 2014.

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 6 below.

5. The person so appointed need not be a shareholder of the company. Forms of proxy must be forwarded to reach the company's transfer secretaries by delivering it to Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 or posting it to the transfer secretaries at PO Box 61763, Marshalltown, 2107, South Africa, so as to be received by them preferably by no later than 09:30 on Monday, 03 March 2014. Any form of proxy not handed to the transfer secretaries at this time may be handed up 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 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 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 or broker (as the case may be).
8. The memorandum of incorporation of the company, in accordance with sub-section 62(3)(e)(i) of the Companies Act, restricts the number of proxies that may be appointed to 1 per shareholder and in accordance with the provisions of sub-section 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)(d) 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 70 Marshall Street, Johannesburg, 2001 or posting it to the transfer secretaries at PO Box 61763, Marshalltown, 2107, South Africa, to be received by them by no later than 12:00 on Friday, 28 February 2014.

By no later than 09:30 on Monday, 03 March 2014, 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 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.

PJ Katzenellenbogen
Company secretary
Transaction Capital Limited
15 January 2014

Registered office
Transaction Capital House
Sandhavon Office Park
14 Pongola Crescent
Eastgate Extension 17
Sandton, 2196

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61763, Marshalltown, 2107)
South Africa

NOTES TO 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 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 must be lodged with or posted to the transfer secretaries: Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) to be received preferably by no later than 09:30 on Monday, 03 March 2014 (24 hours prior to 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 drivers' 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, 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 in so far as it provides otherwise, be deemed to confer the power generally to act at the annual general meeting, 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 LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE: Code TCP ISIN: ZAE 000167391
(the company)

FORM OF PROXY

For use by certificated shareholders and own-name dematerialised shareholders only. All other dematerialised shareholders must contact their CSDP 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 Lord of the Rings Meeting Room, Ground Floor, Transaction Capital House, 14 Pongola Crescent, Eastgate Extension 17, Sandton on Tuesday, 04 March 2014 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
Special resolution number 1 – Approval of 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			
Special resolution number 6 – Amendment to the memorandum of incorporation of the company			
Ordinary resolution number 1 – Re-election of directors – each to be voted on as a separate resolution:			
• JM Jawno			
• MP Mendelowitz			
• R Rossi			
• DD Tabata			
Ordinary resolution number 2 – Non-binding advisory vote on remuneration policy			
Ordinary resolution number 3 – Appointment of members of audit committee – each to be voted on as a separate resolution:			
• DF Woollam			
• CS Seabrooke			
• P Langeni			
Ordinary resolution number 4 – Appointment of auditors			
Ordinary resolution number 5 – Issue of securities in circumstances other than those covered by special resolution number 4			
Ordinary resolution number 6 – Authority to act			

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 ____________________ 2014

Name in BLOCK LETTERS: ____________________ Signature: ____________________

Please refer to the notes 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: ZAE 000167391
(the "company")

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, 70 Marshall Street, Johannesburg, 2001 *or* posting it to the transfer secretaries at PO Box 61763, Marshalltown, 2107, South Africa, as soon as possible but in any event, by no later than 12:00 on Friday, 28 February 2014.

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 09:30 on 03 March 2014, 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 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 ____________________ 2014

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

Share 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

Mark Lamberti (chief executive officer)
Jonathan Jawno (deputy chief executive officer)
David Hurwitz (chief financial officer)
Michael Mendelowitz (chief investment officer)
Steven Kark (Paycorp chief executive officer)
Roberto Rossi (chief legal officer)

INDEPENDENT NON-EXECUTIVE

Christopher Seabrooke (chairman)
Phumzile Langeni
Cedric Ntumba
Dumisani Tabata
David Woollam
Shaun Zagnoev

COMPANY SECRETARY AND REGISTERED OFFICE

Peter Katzenellenbogen
14 Pongola Crescent
Sandhavon Office Park
Eastgate Extension 17
Sandton, 2199
(PO Box 41888, Craighall, 2024)

SPONSOR

Deutsche Securities (SA) Proprietary Limited
(A non-bank member of the Deutsche Bank Group)
(Registration number 1995/011798/07)
3 Exchange Square
87 Maude Street
Sandton, 2196
(Private Bag X9933, Sandton, 2146)

LEGAL ADVISERS

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/01800/21)
150 West Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(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)

STUDIO 5

FORMULAE AND DEFINITIONS

ITEMS	DEFINITIONS
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 TANGIBLE ASSETS	Sum of tangible assets at the end of each month from September to September divided by 13
AVERAGE TANGIBLE EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	Sum of equity attributable to ordinary equity holders of the parent less goodwill and intangible assets at the end of each month from September to September divided by 13
AVERAGE TOTAL ASSETS	Sum of total 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
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) for the credit services and payment services segments only
EFFECTIVE TAX RATE	Income tax expense expressed as a percentage of profit before tax
ENTRY-LEVEL VEHICLES	Vehicle brands: CAM, CMC, Jinbei, King Long, Polar Sun, Foton, Force Traveller, Peugeot
GEARING	Total assets divided by equity attributable to ordinary equity holders of the parent expressed in times
GROSS LOANS AND ADVANCES	Gross loans and advances specifically exclude the value of the written off book brought back on to the balance sheet
HEADLINE EARNINGS	Headline earnings is defined and calculated as per the guidance issued by the South African Institute of Chartered Accountants (SAICA) in circular 3/2009 of August 2009, currently being basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items
HEADLINE EARNINGS FROM CONTINUING OPERATIONS	Headline earnings adjusted for non-headline items arising from discontinued operations as defined in SAICA circular 3/2009

FORMULAE AND DEFINITIONS

CONTINUED

ITEMS	DEFINITIONS
HEADLINE EARNINGS PER SHARE	Headline earnings divided by weighted average number of ordinary shares in issue
HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS	Headline earnings from continuing operations 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 consecutive payments have been received in the three-month period preceding the measurement date
NORMALISED HEADLINE EARNINGS	Headline earnings adjusted for non-headline items arising from discontinued operations as defined in SAICA circular 3/2009 and the cost of listing equity and debt instruments on an exchange
NORMALISED HEADLINE EARNINGS PER SHARE	Normalised headline earnings divided by weighted average number of ordinary shares in issue
PREMIUM VEHICLES	Non-entry level vehicles
PROVISION COVERAGE	Impairment provision expressed as a percentage of gross loans and advances
RETURN ON AVERAGE ASSETS	Profit for the year expressed as a percentage of average total assets
RETURN ON AVERAGE TANGIBLE ASSETS	Profit for the year expressed as a percentage of average tangible 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 AVERAGE TANGIBLE EQUITY	Profit for the year attributable to ordinary equity holders of the parent expressed as a percentage of average tangible equity attributable to ordinary equity holders of the parent
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
TANGIBLE ASSETS	Total assets less goodwill and other intangible assets
TANGIBLE NET ASSET VALUE PER SHARE	Equity attributable to ordinary equity holders of the parent less goodwill and other intangible assets divided by number of ordinary shares in issue
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 period during which they have participated in the income of the group excluding treasury shares

Transaction Capital

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