INTEGRATED ANNUAL REPORT 2016

Transaction Capital

ABOUT THIS REPORT

THE TRANSACTION CAPITAL INTEGRATED ANNUAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016 PROVIDES INSIGHT INTO ITS BUSINESS MODEL AND STRATEGY AND AN ANALYSIS OF FINANCIAL, OPERATIONAL, SOCIAL AND GOVERNANCE PERFORMANCE.

SCOPE AND BOUNDARY

The scope of this report covers the group holding company and its divisions, as set out in the group profile on page 8. Transaction Capital operates primarily in South Africa; however, going forward this report will increasingly cover operations outside South Africa as the group's strategy to expand internationally progresses.

Group executive management was significantly involved in the preparation of the Integrated Annual Report, and believes the information provided covers all the factors deemed to be material to the group's ability to create value. Group and divisional executives determine materiality based on their ongoing engagement with stakeholders and with reference to group and divisional strategies. Although the report is considered to be relevant to all stakeholders, it is aimed primarily at providers of financial capital, to inform their assessment of Transaction Capital's ability to create value over the longer term.

This report includes condensed financial results and other selected financial information (from page 102 to 115). The full annual financial statements are available at Transaction Capital's registered office and on its website, www.transactioncapital.co.za.

REPORTING FRAMEWORKS

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

Transaction Capital conforms to the principles contained in the King Code on Governance Principles for South Africa 2009 (King III), with one partial compliance area noted and explained in the governance report starting on page 76 and the King III register available online.

Transaction Capital is in the process of performing a gap analysis against King IV, and will aim to adopt King IV in the next financial year, to the extent possible.

Transaction Capital early adopted IFRS 9: Financial Instruments (IFRS 9) in the 2015 financial year. The financial tables and commentary in this report provide a comparison of the 2016 results and the 2015 published results, both of which have been prepared in accordance with IFRS 9. All 2014 comparative numbers in this report are pro forma, calculated as if IFRS 9 was adopted on 1 October 2013.

ASSURANCE OF THE REPORT

External

Deloitte & Touche audited the annual financial statements. The scope of the audit was limited to the information set out in the annual financial statements and does not extend to the content of the Integrated Annual Report. The unmodified assurance statement forms part of the annual financial statements, available online. Transaction Capital has not sought external verification of the non-financial content of the Integrated Annual Report.

Internal

The audit, risk and compliance committee acknowledges its responsibility on behalf of the board to ensure the integrity of the Integrated Annual Report. The committee has accordingly applied its collective mind to the report and believes that it appropriately and sufficiently addresses all material matters, and fairly presents the integrated performance of Transaction Capital and its divisions for the year, within the stated scope and boundary. The audit, risk and compliance committee recommended this report to the board for approval. The board approved the Integrated Annual Report for distribution to stakeholders on 16 January 2017.

DAVID HURWITZ, chief executive officer
RONEN GOLDSTEIN, financial director

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ABOUT TRANSACTION CAPITAL

INTRODUCTION

TRANSACTION CAPITAL IS A JSE-LISTED NON-DEPOSIT TAKING FINANCIAL SERVICES GROUP COMPRISING TWO DISTINCT DIVISIONS THAT OPERATE IN HIGHLY SPECIALISED MARKET SEGMENTS PERCEIVED TO BE OF HIGHER RISK.

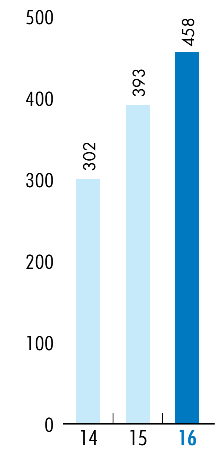
Transaction Capital's divisions are intentionally positioned within carefully chosen market segments where they can take advantage of South Africa's demographic and socio-economic trends. This enables them to deliver both a social and commercial benefit and supports their defensive positioning, which enables the divisions to maintain performance even under challenging macro- and socio-economic conditions.

The ability of Transaction Capital's divisions to operate in higher-risk or under-served market segments rests on their narrow focus, deep specialisation, enriched proprietary data and analytical capabilities, leading technology systems and excellent people to mitigate risk. Transaction Capital augments and refines the specialist capabilities of its divisions to facilitate growth through deeper vertical integration within their existing market segments and enabling them to leverage their capabilities to enter new, adjacent market segments.

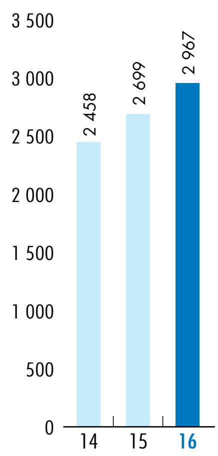
PERFORMANCE OVERVIEW

FINANCIAL PERFORMANCE

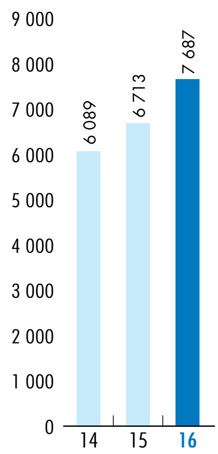
HEADLINE EARNINGS (Rm)



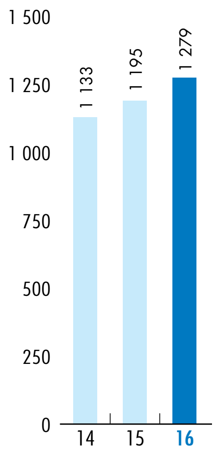
TOTAL INCOME (Rm)



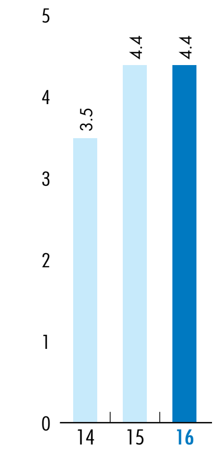
GROSS LOANS AND ADVANCES (Rm)



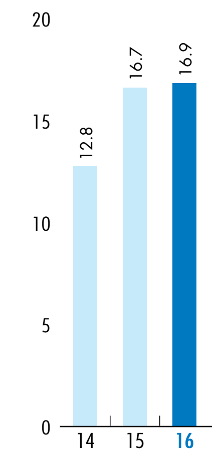
NON-INTEREST REVENUE (Rm)



RETURN ON ASSETS (%)

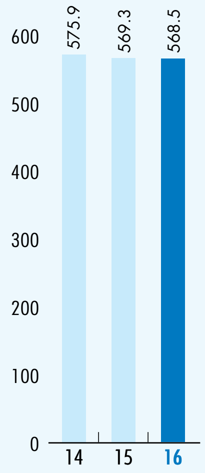


RETURN ON EQUITY (%)

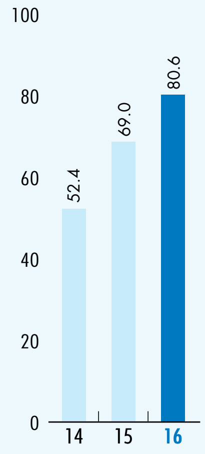


SHARE PERFORMANCE

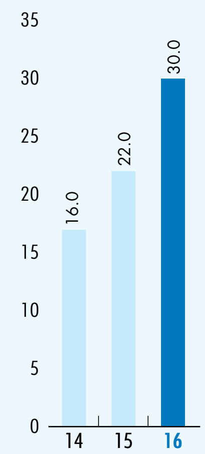
WEIGHTED AVERAGE NUMBER OF SHARES (million)



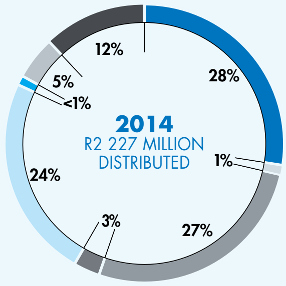
HEADLINE EARNINGS PER SHARE (cents)

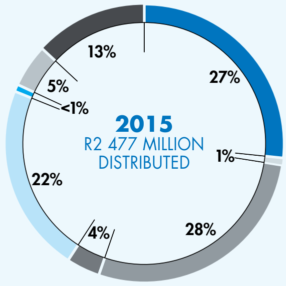


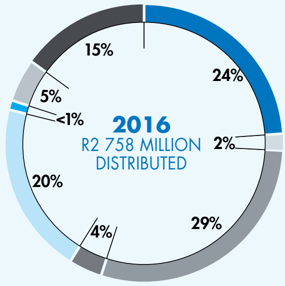
DIVIDEND PER SHARE (cents)



VALUE DISTRIBUTED TO STAKEHOLDERS







Employees
Executives
Funders
Government
Suppliers
Communities
Shareholders
Retained

STRATEGIC AND OPERATIONAL HIGHLIGHTS

ACQUISITION ACTIVITY

Accretive utilisation of capital via three acquisitions within Transaction Capital Risk Services (TCRS):

International

> 100% of Australian-based Recoveries Corporation Group Limited (Recoveries Corporation)

South Africa

> Majority share of RC Value Added Services (Pty) Ltd (Road Cover)

> Majority share of The Beancounter Financial Services (Pty) Ltd (The Beancounter)

Acquisition search continues.

See page 24 for more detail on acquisitions.

DEBT CAPITAL MARKETS

Uninterrupted access to debt capital markets:

> Near fully funded for 2017

> SA Taxi:
- Raised R3.5 billion in the 2016 financial year
- R513 million Transsec 2 tap issuance

Future initiatives:

> Created Transaction Capital's R2 billion Domestic Note Programme

> Accessed over R1.5 billion of debt funding from the European Development Finance Institution (DFI) capital market since 2010

> Strategic imperative to further penetrate global DFI markets

Credit ratings:

> S&P Global upgraded Transsec 1 (SA Taxi)

> Global Credit Ratings Co. awarded a zaA- rating to Transaction Capital's Domestic Note Programme

See the CEO's report on page 30 for more on debt funding.

UNGEARED AND LIQUID BALANCE SHEET

After acquisitions:

> Capital adequacy ratio of >35%

> Liquid capital of ~R300 million remaining

> Continue to invest in organic and acquisitive opportunities

See the financial director's report on page 60 for more on Transaction Capital's balance sheet.

IMPROVED DIVIDEND POLICY

> Dividend policy amended to 2.5 to 3 times

> Previously 3 to 4 times

> Total dividend cover of 2.7 times

EARLY ADOPTION OF IFRS 9

> More conservative provisioning methodology resulting in a higher quality of earnings

> Removes uncertainty regarding implementation of IFRS 9 on future results and ratios

RESTRUCTURING OF FOUNDERS' SHAREHOLDING

Founders' individual shareholdings consolidated into a single holding structure:

> Committed shareholder of reference

> Displays founders' continued confidence in Transaction Capital

> Enhances Transaction Capital's rating in capital markets

See the chairman's report on page 74 for more on the restructuring of shareholding.

ORGANISATIONAL CHANGES

Independent non-executive directors:

> Appointment of Kuben Pillay and Moses Kgosana

> Appointment of Funke Ighodaro effective 1 April 2017

> David Woollam and Dumisani Tabata not available for re-election at the annual general meeting in March 2017

Executive directors:

> Ronen Goldstein appointed as financial director

> Mark Herskovits appointed as executive director with responsibility for group capital management (previously group chief financial officer)

See the governance report starting on page 76 for more on board changes.

CONDITIONAL SHARE PLAN

> Approved by shareholders on 20 October 2016

> Mechanism to attract and retain key executives

> Creates alignment with shareholders

> Executives participate in value created within their division and at a group level

See the remuneration report starting on page 92 for more on the conditional share plan.

OPERATING CONTEXT

Gross domestic product (GDP) growth in South Africa remains constrained due to a combination of global and domestic macro- and socio-economic factors:

> **Global:** developments such as the slowdown in Chinese economic growth, the UK's decision to leave the European Union and an anticipated increase in US interest rates impacting the performance of developing economies.

> **Political:** political instability and concerns around a potential sovereign ratings downgrade resulted in lower business and consumer confidence.

> **Social:** persistent low employment levels, low real wage growth and social unrest.

> **Economic:** higher inflation caused by currency weakness and food inflation due to the ongoing drought. Household debt-to-disposable income ratio remains elevated at 75%.

The combination of these factors means that consumers and the small- and medium-sized enterprise (SME) sector in South Africa remain vulnerable.

The defensive and market-leading positions of Transaction Capital's divisions enables them to grow earnings despite a challenging and low-growth economic environment.

See the SA Taxi and TCRS divisional reviews on pages 44 and 52 respectively for an overview of their market positioning.

REGULATORY ENVIRONMENT

The regulatory environment in South Africa is more stable, with the pace of new regulations and amendments to existing regulations impacting financial services providers moderating. Key regulatory developments in 2016 include:

> Amendments to the National Credit Act (NCA):

– Regulations on the limitations of fees and interest rates came into effect on 6 May 2016.

– Regulations on affordability assessments performed by credit providers were introduced by the National Credit Regulator in September 2015, which may not be conducive to credit expansion.

SA Taxi is compliant with the regulations, with no material impact on profitability.

In the medium term these regulations may negatively impact the volume of matters handed over to TCRS. Cognisant of this, TCRS continues to expand into adjacent markets that are not regulated by the National Credit Regulator, including the public, telecommunications and insurance sectors.

SA Taxi is compliant with the regulations, with no impact on its ability to extend credit to its customers.

– Amendments regarding the prescription of debt were enacted during March 2015, with limited effect on TCRS.

Transaction Capital Recoveries applies conservative interpretation favouring the consumer when collecting or buying non-performing loan portfolios.

> Various developments regarding emolument attachment orders.

Transaction Capital Recoveries' exposure to emolument attachment orders is insignificant, having not initiated new emolument attachment orders for more than two years.

SA Taxi has never utilised emolument attachment orders.

> Changes to legislation regarding non-authenticated early debit orders (NAEDO), which would require consumers to confirm with their bank before an early debit order becomes active on their account, has been delayed to October 2019.

GROUP PROFILE

Transaction Capital

is a non-deposit taking financial services group operating in highly specialised market segments perceived to be of higher risk.

CEO: DAVID HURWITZ
BAcc (Hons), HDipTax, CA(SA)
Group tenure: 11 years

HEADLINE EARNINGS
R458 MILLION
↑ 17%

HEADLINE EARNINGS PER SHARE
80.6 CENTS PER SHARE
↑ 17%

RETURN ON EQUITY
16.9%

MARKET CAPITALISATION
R7.3 BILLION
↑ 30%

TOTAL DIVIDEND COVER
2.7 TIMES

TOTAL DIVIDEND PER SHARE
30 CENTS PER SHARE
↑ 36%

NUMBER OF EMPLOYEES
3 260

To position its divisions to take advantage of **opportunities arising from South Africa's macro- and socio-economic context**, Transaction Capital:

DRIVES STRATEGY, GROWTH AND PERFORMANCE

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

MANAGES THE ADEQUACY AND DEPLOYMENT OF CAPITAL

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

OVERSEES MANAGEMENT OF CREDIT, INVESTMENT AND REGULATORY RISK

> *Leverage its specialist capabilities to manage credit risk that arises due to the nature of its chosen market segments, and to manage investment risk when allocating capital.*

> *Manage uncertainty and the cost of compliance due to the constant evolution of financial services regulations, which requires awareness of, preparation for and participation in legislative developments.*

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

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

These activities enable Transaction Capital to **sustainably create value for its shareholders** over time.

Transaction Capital comprises two autonomous and decentralised divisions of scale, that are intentionally positioned within carefully chosen market segments to take advantage of demographic and socio-economic trends, enabling them to deliver both a social and commercial benefit:

SA Taxi
driving our nation forward

A vertically integrated taxi platform utilising specialist capabilities and enriched proprietary data to judiciously deploy developmental credit, insurance, technology and allied business services to SMEs in the under-served taxi industry, thus ensuring the sustainability of a fundamental mode of transport.

See the SA Taxi review from page 42 to 49.

Transaction Capital Risk Services

A technology-led, data-driven provider of customer management and capital solutions through a scalable and bespoke platform, thereby improving its clients' ability to originate, manage and collect from their customers.

See the Transaction Capital Risk Services review from page 50 to 57.

OUTCOMES

Divisions occupy **leading market positions,** due to their specialist focus on narrow market segments.

See pages 44 and 52 for the market positioning of Transaction Capital's divisions.

→ 1 in 4 of the national financed minibus taxi fleet is financed and insured by SA Taxi.

Transaction Capital Risk Services' coverage of non-performing credit-active South African adults is at 95%.

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

→ Defensive and market-leading positioning enabled earnings growth since listing in 2012 of 24% on average per annum, despite a challenging and low-growth South African economic environment.

A **conduit between local and international funders and SMEs,** due to Transaction Capital's ability to manage the higher risk associated with its chosen market segments to a level acceptable to funders.

→ Continue to enjoy **uninterrupted access to both local and international funding pools,** with a strong funding pipeline available.

Established R2 BILLION zaA- credit-rated Domestic Note Programme.

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

See pages 43 and 51 for the societal relevance of Transaction Capital's divisions.

VALUES AND VISION

VALUES

Transaction Capital's values are embedded throughout its divisions, providing the foundational principles that guide how it does business and how it interacts with its stakeholders.

INTEGRITY

goes beyond complying with laws, regulations and company policy, to having strong moral principles that inform decisions and actions regarding Transaction Capital's business and all its stakeholders.

EXCELLENCE

means that Transaction Capital strives to always get better at what it does, which requires that its people take the time to improve themselves as individuals and as professionals, and being prepared for the next challenge.

RESPECT

requires an understanding and appreciation of diversity and different perspectives, and the dignified and equal treatment of all stakeholders.

INNOVATION

is what enables Transaction Capital to keep ahead of its competitors, overcome challenges, deal with new and difficult situations, and discover new ways to address the needs of its stakeholders.

VISION

Transaction Capital's vision recognises that its success ultimately depends on its stakeholders having positive regard for the group and its divisions, which requires that Transaction Capital meets their legitimate needs and expectations as determined through constructive mutual engagement.

Transaction Capital's definition of success is when:	How Transaction Capital's vision is being achieved:
CLIENTS consider Transaction Capital's divisions their first choice when choosing the specialised, innovative and differentiated services they provide.	> *Improving and growing customer value propositions through deeper vertical integration within chosen market segments.* > *Ongoing client engagement identifies risks and opportunities which feeds back into improving customer value propositions.* > *Applying specialised competencies, operational capacity, experience and capital to meeting client needs strengthens Transaction Capital's reputation and market leadership.*
SUPPLIERS see Transaction Capital and its divisions as demanding but fair clients whose expertise, interpersonal skills, efficient administration, financial stability and long-term sustainability make them attractive business partners.	> *Ensuring appropriate executive-level interface with providers of goods, services and professional counsel in all businesses.*
FUNDERS regard Transaction Capital and its divisions as financially stable investments that provide exposure to niche market segments and exemplify the highest standards of risk management, transparency, disclosure, prudence, innovation, compliance, governance and ethics.	> *Further diversifying investor base through new funding structures and channels through which to invest.* > *Enhancing funder relationships through ongoing engagement, informal feedback and formally researched funder needs.* > *Intentional positioning of divisions to maintain defensible positions under challenging economic conditions through effective risk management and mitigation, as evidenced by stable and improved credit ratings.*
LAW MAKERS and **REGULATORS** experience Transaction Capital and its divisions as approachable, transparent and socially relevant corporate citizens that comply fully with the letter and spirit of all laws, regulations and codes.	> *Oversight of group legal function with appropriate expertise at divisional level to closely monitor regulatory developments.* > *Ongoing engagement with regulators and appropriate representation on industry bodies, to gain early understanding of proposed legislation and appropriately positioning Transaction Capital for change.* > *Engaging with law makers and regulators to contribute to regulatory environments that benefit the industries Transaction Capital serves.*
EMPLOYEES consider Transaction Capital and its divisions as leading employers that provide personal development, advancement and appropriate reward in exchange for their commitment and performance.	> *Appropriate employee value propositions implemented in each business.* > *Providing work that is meaningful with a direct societal impact.* > *Competitive remuneration policies, with select employees participating in long-term incentive schemes.*
EXECUTIVES and **MANAGERS** regard Transaction Capital's strategy of empowering executives and devolving responsibility as intellectually stimulating and intrinsically rewarding, while demanding high quality and thought leadership.	> *Diligently adhering to recruitment, assessment, development and succession policies.* > *Compensation aligned to both the specific performance of each division as well as group performance.* > *Devolvement of operational functions and accountability for performance to divisional executives is largely complete.* > *Executive and senior manager participation in long-term incentive schemes.*
SHAREHOLDERS regard Transaction Capital and its divisions as well understood, respected, transparent and ethical specialised financial services investments that provide consistent growth in high-quality risk-adjusted returns through innovative entrepreneurship, exceptional risk management and prudence.	> *Maintaining stable earnings and book growth, while rationing capital for credit quality.* > *Devolving certain functions to divisions resulting in cost efficiencies and reductions.* > *Continual focus on developing and augmenting the specialist capabilities of divisions.* > *Maintaining strong relationships with investors through ongoing engagement, informal feedback and formally researched shareholder needs.*
SOCIETY shares in the value Transaction Capital and its divisions create by providing services that are relevant to under-served market segments and answer social needs.	> *Divisions are intentionally positioned within carefully chosen market segments, exposed to South Africa's demographic and socio-economic trends, enabling them to deliver both a social and commercial benefit.* > *Maintaining focus on providing financial and allied services to market segments that are under-served due to perceived higher risk.* > *In SA Taxi, supporting the establishment, development and sustainability of small- and medium-sized enterprises, helping them to service society's public transport needs in a safer and more efficient manner.* > *In Transaction Capital Risk Services, contributing to the effective functioning of the broader credit system and the rehabilitation of indebted consumers.*

MISSION

INVESTMENT CASE

TRANSACTION CAPITAL IS POSITIONED IN ATTRACTIVE MARKET SEGMENTS

- *Divisions occupy strong market positions and are highly defensive, enabling them to withstand difficult economic conditions.*
- *Ongoing replacement of the national taxi fleet stimulates demand for vehicles, finance, insurance and allied services in an industry that remains the cornerstone of South Africa's public transport infrastructure.*
- *Current economic environment stimulates demand for consumer credit risk services. Transaction Capital Risk Services can apply its strong balance sheet and extensive data to selective acquisition of the increased number of non-performing loan portfolios available for purchase from clients requiring an immediate recovery against their non-performing loans.*

WITH SPECIALISED CAPABILITIES THAT ENABLE A DEEP UNDERSTANDING OF ITS CHOSEN MARKETS

- *Deep vertical integration within chosen niched market segments enables Transaction Capital to apply its specialised expertise to mitigate risk, participate in margin and to provide a fuller service to clients, thus entrenching its competitive advantage.*
- *Superior data and leading-edge technology and analytics capabilities differentiate offerings, inform business decisions and mitigate risk.*
- *Decentralised expertise, robust processes and skilled people enable effective capital and credit risk management.*

AND A BESPOKE AND ROBUST CAPITAL STRUCTURE GENERATING APPROPRIATE RISK-ADJUSTED RETURNS

- *Sufficient capitalisation with equity that is geared conservatively to fund organic growth, and supports medium-term acquisition activity to yield an acceptable risk-adjusted return to shareholders.*
- *Proven ability to raise debt capital efficiently from a diversified range of debt investors.*
- *Track record of delivering predictable high-quality earnings with high cash conversion rates and strong organic growth prospects.*

Providing specialised financial and allied services in selected higher-risk and under-served segments of the financial services sector.

Executing on Transaction Capital's mission creates a **compelling** and **unique** investment case:

IS LED BY SKILLED AND EXPERIENCED MANAGEMENT TEAMS

- Experienced and specialised leadership with proven entrepreneurial, merger and acquisition, technical, financial and risk management skills.
- Executives have extensive experience within their areas of specialisation, and apply this intellectual capital over a much smaller asset base than in larger organisations, with an accompanying expectation of higher performance.
- Continual, focused group-wide investment in executive education, expertise and experience.

AND UNDERPINNED BY A ROBUST GOVERNANCE FRAMEWORK AND SOUND GOVERNANCE PRACTICES

- Experienced, diverse and independent directors at group and divisional level ensure impactful and effective governance.
- Institutionalised governance, regulatory and risk management practices are embedded at both group and divisional level.

WHICH TOGETHER POSITION IT FOR SUSTAINABLE GROWTH

- Decentralised divisions that are self-sustaining and sizable in their own right.
- Organic growth supported by driving differentiated and new solutions deeper into existing market segments and leveraging capabilities to enter new adjacent market segments (local and international).
- A focused acquisition strategy supported by a strong balance sheet.

AND THE DELIVERY OF A MEANINGFUL SOCIAL IMPACT

- Divisions are intentionally positioned within carefully chosen market segments to take advantage of demographic and socio-economic trends, enabling them to deliver both social and commercial benefit.

STRATEGY

Transaction Capital drives organic and acquisitive growth within its divisions

by **developing specialised capabilities and industry solutions** to achieve **deep vertical integration** within existing market segments,

and developing and applying these competencies to create **new positions within adjacent or new market segments,**

thereby **strengthening performance** and **market positioning**

through **in-depth insights** from the continuous collection of **diverse, accurate and valuable data sets** to enable **precise and proactive risk management,**

robust capital management,

and **effective people practices,**

all facilitated by a **technology-led, flexible and dynamic servicing platform.**

The **core components** of Transaction Capital's strategy

1 ORGANIC GROWTH

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

2 CREDIT RISK AND CAPITAL MANAGEMENT

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

3 DATA AND TECHNOLOGY

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

4 ACQUISITIVE GROWTH

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

5 PEOPLE

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

STRATEGIC OBJECTIVE 01

ORGANIC GROWTH

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

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

> Continue growing their client base.

> Enhance their value proposition by introducing existing clients to new products and services.

> Move into adjacent markets and new segments within existing markets where they can apply their specialised capabilities.

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

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

2016 PROGRESS

SA TAXI

> Established a retail dealership in Midrand, Johannesburg in February 2016, selling new and pre-owned vehicles. A second dealership is being piloted in KwaZulu-Natal and a Polokwane dealership is under consideration.

> Acquired and expanded Zebra Cabs, enabling SA Taxi to apply its specialised competencies developed for the minibus taxi industry to the metered taxi industry.

> Continued to improve its credit loss ratio and insurance loss ratio, supported by greater efficiencies in its mechanical refurbishment centre and augmented by the establishment of a new auto body repair centre.

> Continued strong performance of its insurance business, with most SA Taxi-financed clients choosing to insure with SA Taxi, and continued growth in the number of non-financed clients insured by SA Taxi.

> Further enhanced the pre-owned product as a core, profitable component of its product portfolio, by developing refurbishment and retail capabilities to deepen its penetration in the highly liquid pre-owned vehicle market.

TRANSACTION CAPITAL RISK SERVICES (TCRS)

- In 91% of its 254 mandates (2015: 180 mandates; up 41%), TCRS continues to be the top or second ranked recoveries agent. Due to this, TCRS enjoys deep penetration into the credit retail and specialist lending segments of its market, and aims to increase revenue from the Tier 1 banks where its penetration has been disproportionately lower.
- Rebranding of TCRS and its constituent businesses to leverage off Transaction Capital's brand equity. This rebranding exercise is the culmination of a two-year journey to integrate all risk services operations under one management team with an overarching strategy, focused on managing risk for all its clients across their customers' lifecycle.
- Transaction Capital Recoveries (TCR) was upgraded in terms of its primary and special servicer ratings to SQ1-(za) and SQ1(za) respectively, with a stable outlook, by Global Credit Ratings Co.

LOOKING FORWARD

SA TAXI

- Maintain market leadership as a provider of finance, insurance, technology and allied services to small- and medium-sized enterprises (SMEs) in the fixed route minibus taxi industry.
- Realise further synergies between its specialist capabilities with a specific focus on the dealership channel and pre-owned vehicles.
- Leverage telematics data and technology innovations across the minibus and metered taxi businesses.
- Build scale in the metered taxi business, with the intention to consolidate, recapitalise, standardise and formalise the existing metered taxi industry.

TCRS

- Cognisant of the changes to the legislative environment, which in the medium term may constrain its clients' ability to extend credit, TCRS is strategically focused on increasing revenue from non-NCA regulated clients, including the outsourced collection of outstanding claims in the public, insurance and telecommunications sectors.
- Further drive its co-ordinated go-to-market strategy to access new business from existing clients and identify synergies between its businesses.
- Maintain TCR's highly regarded status on all agency panels.

STRATEGIC OBJECTIVE 02

CREDIT RISK AND CAPITAL MANAGEMENT

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

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

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

2016 PROGRESS

SA TAXI

With growing concerns of a potential downgrade in South Africa's credit rating, SA Taxi intensified its fundraising activities, raising more than R3.5 billion of debt during the year. It enjoys continued uninterrupted access to both local and international funding pools, with a strong funding pipeline available. Despite the above-mentioned challenge in its operating context, SA Taxi has already fulfilled most of its annual debt requirements for the 2017 financial year:

> Returned to the local listed debt capital markets during August 2016 by tapping its rated and listed securitisation programme, Transsec 2, successfully issuing R513 million of debt. The tap issuance was privately placed with nine investors, three of which were first-time investors, at a weighted average cost of funding of 241 basis points (bps) above three-month JIBAR, which is approximately 100bps lower than SA Taxi's average cost of funding.

> In October 2016, S&P Global performed their annual review of the Transsec 1 structure, upgrading the ratings on the class B notes (from zaAA to zaAA+), class C notes (from zaA to zaA+), and class D notes (from zaBBB- to zaBBB+), and reaffirming the ratings on the class A notes (zaAAA). The improvement in credit ratings correlates to the strong performance of SA Taxi.

- The non-performing loan ratio continues to improve due to a combination of continued strong collection performance, loans of superior credit quality being originated via SA Taxi's retail dealership and conservative credit granting criteria, which are continuously enhanced via the analytics applied to SA Taxi's telematics data.
- SA Taxi's credit loss ratio continues to improve. SA Taxi recovers on average 72% of loan value when re-selling repossessed vehicles, as the security value of a minibus taxi is enhanced via SA Taxi's combined mechanical refurbishment and auto body repair centre; now one of the largest Toyota repair centres in Africa.

TCRS

- Applies its strong balance sheet and extensive data to the selective acquisition of certain of the increased number of non-performing loan portfolios available for purchase from clients who require an immediate recovery against their non-performing loans in this difficult consumer credit market. In total, 13 new portfolios were purchased during the 2016 financial year for R184 million, some of which were negotiated on an exclusive basis and not via the usual competitive auction process.
- Currently owns 167 principal portfolios valued at R728 million with an asset turnover ratio of 71.1% and estimated remaining collections of R1 313 million. Based on this historical performance, recent successful book acquisitions are expected to deliver positive future performance.
- Given its strong cash conversion rate, portfolio acquisitions are funded with internally generated cash flows conservatively leveraged with debt.
- Extended services to SMEs to include property and trade financing, in addition to invoice discounting.

LOOKING FORWARD

TRANSACTION CAPITAL

- In line with Transaction Capital's strategy to diversify its funding structures and instruments, Transaction Capital has established a R2 billion credit-rated and JSE-listed Domestic Note Programme, namely TransCapital Investments Limited. Transaction Capital has been awarded a A- (Long Term, National Scale) and A1- (Short Term, National Scale) credit rating from Global Credit Ratings Co. It is expected that this programme will enable Transaction Capital to gain access to a new capital pool at an attractive cost to fund organic growth and acquisitive activity.

SA TAXI

- Continue to source debt via ring-fenced, limited recourse asset-backed funding structures that facilitate investor diversification and avoid cross-collateralisation or risks across businesses, while retaining residual exposure through equity or subordinated financing and servicing obligations.
- Continue to access debt capital via the attractiveness of its higher-yielding operational assets; its ability to assess, mitigate and manage risk; and its direct and long-standing relationships with capital providers.
- Further diversify access to capital by geography and funder. SA Taxi has accessed more than R1.5 billion of debt funding from the European Development Finance Institution (DFI) capital market since 2010, and it is of strategic significance that it is now broadening its access to other DFI markets as well.

TCRS

- Increase the number and size of non-performing loan portfolios it acquires.
- Focus on bespoke capital transactions with targeted clients, to apply its excess capital to acquire non-performing loan portfolios to deliver superior risk-adjusted returns.
- Exclusive negotiations for the structured and ongoing sales of portfolios with several of its larger clients are underway, designing and delivering innovative, client-specific capital solutions, including forward-flow book acquisitions and structural outsourcing transactions, in addition to spot book acquisitions.

STRATEGIC OBJECTIVE 03

DATA AND TECHNOLOGY

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

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

2016 PROGRESS

SA TAXI

> Valuable client and market insights developed from overlaying granular telematics, credit, vehicle and other data to enable precise and informed loan origination and collection decisioning and proactive risk management. This data is enhanced as more data is accumulated daily from each minibus taxi, thus contributing to improved credit scoring, route profitability assessments, collection strategies and insurance pricing, all resulting in an improved non-performing loan ratio.

> Valuable client insights gained through the collation of all information relating to an individual provides a holistic, single view of the client.

> Developed and implemented a passenger and driver platform for metered taxis, offering passengers multiple booking and payment options.

TCRS

> Expanded its master data universe (MDU), an internal database of 9.2 million unique consumer records, which is expected to create significant operational leverage.

> An enhanced predictive dialer was implemented alongside the existing preview dialer in the Johannesburg, Durban and Cape Town call centres in July 2016, resulting in increased call centre activity, improved right party contact and an associated increase in payments being observed.

> The implementation of the dialer together with the enhanced MDU has enabled TCRS to reduce its workforce, closing four of its regional call centres (being Klerksdorp, Mokopane, Polokwane and Rustenburg).

> This together with other aggressive cost containment initiatives contributed to an improved cost-to-income ratio of 77.4% from 82.5%.

LOOKING FORWARD

SA TAXI

> Continue to invest in information technology, data management and analytics (specifically telematics and tracking data) to solidify its leading ability to assess and manage credit, insurance and operational risk, as evidenced by continually improving credit performance.

> Further develop innovations in the metered taxi passenger and driver platform, including payment platforms that encourage trips and improve transparency and safety in the industry.

> Telematics data is used internally by SA Taxi to facilitate improved credit scoring, route profitability assessments, collection strategies and insurance pricing. This data is now also provided to the taxi owner, giving them a deeper understanding of their business operations and further empowering them as business owners. A further application will be the provision of this data to commuters in the minibus taxi industry, which is already leading practice in the global metered taxi industry.

TCRS

> Continued integration of the MDU and dialer with planned workforce management enhancements, is expected to have a positive impact in the 2017 financial year via both a lift in revenue and cost savings. Leads can be generated and products can be distributed directly into its internal database of 9.2 million unique consumers.

> Implement technology solutions to drive next-generation collection processes, frictionless payment, digital customer engagement, enhanced contactability and data-driven analytics.

STRATEGIC OBJECTIVE 04

ACQUISITIVE GROWTH

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

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

Transaction Capital applies stringent criteria when evaluating potential acquisitions, to ensure that they will enhance its specialist capabilities and with a view to expanding internationally. Furthermore, it favours a narrow focus on assets whose competitiveness and value can be enhanced by active management within its existing divisions. Although earnings are an important consideration when evaluating potential acquisitions, Transaction Capital is more interested in a business's ability to be developed and to grow organically, as set out in its investment criteria.

INVESTMENT CRITERIA

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

MARKET POSITION

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

CAPABILITIES

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

BUSINESS MODEL

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

CULTURE

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

STRATEGIC OBJECTIVE 04
ACQUISITIVE GROWTH
continued

2016 PROGRESS

Transaction Capital entered into three acquisitions in 2016, in line with its strategy to diversify the group internationally and to apply its capabilities to adjacent market segments. Transaction Capital has applied its stringent investment criteria when evaluating these acquisitions, favouring a narrow focus on quality assets operating within its existing or adjacent market segments.

Although these companies are excellent businesses in and of themselves, they also have scalable business models and proven track records, and will benefit from Transaction Capital's active management, sharing of skills, enhancing technology and monetising its proprietary data to enhance their business model and value.

ACQUISITION OF RECOVERIES CORPORATION GROUP LIMITED (RECOVERIES CORPORATION)

Transaction Capital entered an agreement to acquire 100% of the equity in Recoveries Corporation for a maximum purchase consideration of AUD43 million, with AUD33 million being payable upon the acquisition becoming effective and a further potential AUD10 million becoming payable over an earn-out period ending 30 June 2018. This acquisition provides Transaction Capital with a strong entry point into the Australian market and the opportunity to expand geographically into a developed, English-speaking economy. Transaction Capital will thus diversify concentration risk as it earns hard currency-based returns.

Founded in 1991 in Melbourne, Australia, Recoveries Corporation provides consumer customer management solutions to a well-diversified blue-chip client base within the government, insurance, banking and finance, utilities and telecommunications market sectors within Australia. Services include debt recovery solutions (including early stage rehabilitation, late stage collections and legal recoveries), insurance claims recoveries (including claims recoveries and claim file audits), customer services (including reminder calls for pre-collection, courtesy calls, payment arrangement reminders and demand calls), and litigation management via its legal firm, Mason Black Lawyers. Recoveries Corporation employs approximately 600 people across its entire business comprising its Australian operations in Melbourne and Sydney, and offshore call centre and administration operations in Suva, Fiji.

Recoveries Corporation is an efficient platform that Transaction Capital intends to develop and scale. The Australian debt collection industry is highly fragmented (with approximately 20 companies accounting for 85% of the market), which provides Transaction Capital with an opportunity to expand acquisitively in Australia. In addition, Recoveries Corporation is exclusively a contingent debt collection agency, receiving fees-for-services. Transaction Capital will apply its analytics, pricing expertise and capital management capabilities to the purchase of non-performing loan portfolios in Australia to facilitate Recoveries Corporation's expansion into this adjacent market. The purchasing of non-performing loan portfolios comprises the majority of debt recovery activity in the Australian industry and accordingly presents an attractive growth prospect.

Recoveries Corporation is a niche market participant with proven technology, strong data analytics skills, and deep industry knowledge operating within the credit risk services market segment. Recoveries Corporation thus possesses intellectual property and expertise that can enhance Transaction Capital's specialist capabilities thereby assisting Transaction Capital to grow its share in existing market segments and/or facilitate access to new verticals. Recoveries Corporation's 25 years of expertise in the insurance recoveries industry will augment Transaction Capital's competencies and facilitate the growth of its fledgling insurance recoveries offering in South Africa.

Following this acquisition, Recoveries Corporation's founders will retain their executive director positions and remain closely involved in the organic growth and day-to-day operations of the business.

ACQUISITION OF RC VALUE ADDED SERVICES (PTY) LTD (ROAD COVER)

During November 2016, Transaction Capital concluded an agreement to acquire a controlling interest in Road Cover.

Founded in 2005, Road Cover offers its proprietary value-added services to the mass consumer market on a subscription basis. Subscribing members obtain access, at no additional cost, to high-quality legal and administrative services aimed to assist with the complexity and cost associated with lodging and processing claims against state-run public schemes or state insurance funds, with members receiving 100% of their awarded claims. Services include the administration of Road Accident Fund claims, Compensation for Occupational Injuries and Diseases Act claims and the administration of claims against various road agencies and municipalities relating to damage to a member's motor vehicle due to poor road conditions.

Road Cover's products are typically embedded in other subscription-based products in the insurance, banking, motor and retail industries, and are also distributed to consumers as a standalone product via direct marketing channels.

The acquisition provides TCRS with a strong entry point into the adjacent value-added services market, where it can leverage its existing competencies to enhance Road Cover's existing market position. The rationale is to offer Road Cover's products to the mass consumer market through TCRS's existing banking, retail, insurance, telecommunications and other clients, thus enabling these clients to generate higher risk-adjusted returns through their engagements with their customers at point of origination. As a separate strategy, leads can be generated and products can be distributed directly into TCRS's internal database of 9.2 million unique consumers as well as into SA Taxi's client base. Finally, in addition to enhancing the scale of Road Cover, efficiencies can also be achieved with regard to client origination, management (i.e. payment) and collection processes.

Following this acquisition, Road Cover's founder will retain a 25% ownership of the company and will remain the company's CEO, responsible for the continued organic growth of Road Cover's high-quality earnings and the consolidation of this highly fragmented market segment through a build-by-acquisition strategy.

ACQUISITION OF THE BEANCOUNTER FINANCIAL SERVICES (PTY) LTD (THE BEANCOUNTER)

Founded in 2008, The Beancounter is a fully outsourced accounting, payroll and tax services provider utilising "software as a service" technology, and is well-positioned in its market segment with solid organic growth prospects. It provides services on a monthly retainer basis and is one of the leading specialists in cloud accounting.

The acquisition of The Beancounter will enable TCRS to augment its offering to its SME client base.

STRATEGIC OBJECTIVE 05

PEOPLE

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

All the factors that underpin enhanced performance require the highest calibre of leadership and specialist technical expertise. Transaction Capital seeks to motivate, engage with and develop its employees and executives to foster innovation, cultivate leadership and sustainably maintain a high-performance culture.

Transaction Capital motivates, engages with and develops its employees and executives to foster innovation, cultivate leadership and sustainably maintain a high-performance culture, and prioritises the appointment, development and over time devolvement of authority and responsibility to competent management. Over the years, Transaction Capital has established cohesive leadership teams within its divisions that have assumed ownership and delivered on their strategies.

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

Remuneration structures and development programmes for the most senior management are designed to facilitate their attraction, retention, recognition and development.

The aim is to preserve sufficient flexibility to support management's entrepreneurial spirit and innovation, while maintaining management accountability and robust risk processes.

The necessary expertise, capabilities and skills of key operational functions are devolved to its divisions. Executives are thus accountable for the performance of their respective business. Strong institutionalised governance, regulatory and risk management practices are maintained at both the group executive office and divisional level. The group executive office continues to possess experienced and specialised leadership with proven entrepreneurial, merger and acquisition, technical, financial and risk management skills, which it applies to augment the skills and capabilities of the divisions.

As a significant employer, Transaction Capital acknowledges its role in creating employment opportunities and empowering talent.

PEOPLE PHILOSOPHY

Entrepreneurial culture: a sense of ownership and motivation to innovate, within specific business models and risk parameters.

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

Specialisation: executives, management and employees are expected to become specialists in their role, whether they are applying broader experience to a narrow focus in a senior management role, collecting for a specific client, or, in SA Taxi's auto body repair centre, becoming a specialist mechanic for one vehicle type.

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

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

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

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

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

STRATEGIC OBJECTIVE 05 PEOPLE *continued*

2016 PROGRESS

SA TAXI

35 promotions of which **34** are black*

93% of high-potential employees retained

41% of employees are women

82% of employees are black*

33 training programmes conducted, of which **16** are accredited

13 training hours per employee

87% of employees who received training are black*

GENDER	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
MALE	380	10	11	93	494
FEMALE	264	14	12	56	346
TOTAL	644	24	23	149	840
	76%	3%	3%	18%	

Key initiatives

LEADERSHIP PROGRAMMES

> **Leadership Academy:** 72 managers participated in the Leadership Academy to enhance their leadership skills. Of the participants, 47% were women, 71% were black and 50% were at junior employee level.

> **Leadership Starter Pack:** 68 new managers participated in this management development programme. Of the participants, 44% were women and 90% were black.

> **The DRIVE programme** hosted 22 people from across SA Taxi, clustered into cross-functional groups that research a pertinent business topic and present their recommendations to the executive committee. In addition, a number of specialists, senior and middle managers participated in a mentorship programme.

OTHER PROGRAMMES

> **GO BIG:** a rewards programme that recognises exceptional employee contributions to SA Taxi's success, including social and community contribution and acting in accordance with SA Taxi's values.

> **Learnerships:** the following two Financial Advisory and Intermediary Services (FAIS) learnerships were conducted during the year: the Harambee Learnership for 12 unemployed learners, all of whom received permanent positions with SA Taxi; and the Insurance Learnership, with six of eight learners completing the programme.

> **Adult Basic Education and Training Programme:** six employees participated in this programme, all of whom were black.

> **Apprenticeship programme:** five black employees are registered on this programme, to gain trade skills with workplace experience within the repair and refurbishment facility.

2016 PROGRESS

TCRS

294 promotions of which **172** are women

90% of high-potential employees retained

72% of employees are women

92% of employees are black*

103 training programmes conducted

76 training hours per employee

98% of employees who received training are black*

GENDER	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
MALE	410	66	84	100	660
FEMALE	1 104	252	294	85	1 735
TOTAL	**1 514**	**318**	**378**	**185**	**2 395**
	63%	13%	16%	8%	

Key initiatives

LEADERSHIP PROGRAMMES

> **Levels of Leadership programme:** introduced for 'platinum' and 'gold' level employees during the year (with the intention to roll out to lower employment levels during early 2017), the programme aims to foster a culture of leadership, develop a robust succession pipeline and in so doing, create sound foundations for upcoming leaders. During 2016, 50 employees participated in the programme.

> **Internal leadership – Generic Management NQF level 4:** this learnership was offered to selected managers in the call centres during 2016. Nine managers completed this course and will receive certification from the Services Sector Education and Training Authority (SETA) once externally moderated.

> **LEAD leadership development programme:** 270 leaders across all branches participated in the LEAD programme, which offers 19 modules on management and leadership development.

> **I Am Accountable programme:** 92 leaders participated in the crucial accountability project to equip them with a basic toolkit and understanding for driving a culture of accountability, contributing to building a high-performance culture.

LEARNERSHIPS

> **Contact Centre Support NQF level 2** was completed by 47 employees during 2016, with a further 87 awaiting final moderation for completion.

> **Debt Recovery NQF level 4** was attended by 60 employees.

FUNDING PROGRAMMES

> **The Nisela and Fundza funding programmes** provide employees with funding to assist with dependent and personal development. In 2016, 219 employees and 80 dependents participated.

> **Disability training:** more than R855 000 was spent on up skilling disabled staff in 2016 through accredited training providers.

DEVELOPMENT PROGRAMMES

> **External graduate development programme:** provides workplace experience to graduates, with four graduates participating in the programme in 2016. Of these graduates, two were provided with permanent employment and one remains on the programme.

> **Project Ignite:** an internal graduate programme that enables individuals with senior qualifications, but who are currently performing more junior roles, to further their careers within the business. A total of 35 employees are currently participating in the programme.

OTHER PROGRAMMES

> **Accredited debt recovery programme:** over 800 call centre employees received their Debt Recovery Certification on this accredited skills programme through the Finance and Accounting Services Sector SETA.

> **Ambassadors programme:** the ambassadors programme gives high-potential employees a platform to grow and make an impact in their branches by giving them the opportunity to be a role model, promote the brand and be the embodiment of company values while inspiring others with their journey to success. 44 ambassadors have participated in the programme since its launch in 2010.

> **C3 challenge:** C3 is an annual competition where call centre agents can win a car based on the competition criteria (exceptional performance and 100% attendance). It is a performance recognition initiative that boosts morale, promotes healthy competition and heightens employee motivation and engagement.

**Black includes African, Indian and Coloured South Africans.*

CEO'S REPORT

THE CONSTITUTION OF TRANSACTION CAPITAL'S PORTFOLIO OF ASSETS UNDER TWO DISTINCT DIVISIONAL PILLARS – SA TAXI AND TRANSACTION CAPITAL RISK SERVICES (TCRS) – has enabled the group to continue executing on its strategic focus of deploying its capital and resources to drive organic and acquisitive growth, thus enhancing the scale and entrenching the leading market positions of its divisions.

Transaction Capital's divisions operate within carefully chosen market segments, where they can take advantage of South Africa's demographic and socio-economic trends, enabling them to deliver both a social and commercial benefit. This intentional positioning continued to contribute to consistent organic growth since listing on the Johannesburg Stock Exchange more than four years ago.

While both SA Taxi and TCRS perform better in a positive economic environment, their defensive positioning enables them to withstand challenging macro- and socio-economic conditions, which have remained key features of the South African operating context.

These defining characteristics of the group resulted in strong progress towards achieving its strategic and operational objectives during the 2016 financial year, and delivering pleasing results in line with expectations. Headline earnings and headline earnings per share increased 17% to R458 million and 80.6 cents per share respectively, together with a sustained improvement across credit metrics.

DRIVING GROWTH AND PERFORMANCE

In SA Taxi, retailing of both new and pre-owned taxi vehicles represents a significant medium-term organic growth opportunity. SA Taxi launched a retail dealership in Midrand in February 2016, which deepens its vertical integration in the minibus taxi market segment further. This dealership is one of the largest dedicated taxi dealerships in South Africa, selling Toyota, Nissan and Mercedes minibuses, and the bespoke Toyota Corolla metered taxi vehicles. SA Taxi's entry into the retailing of new and pre-owned vehicles enables it to attract a client of better credit quality, to grow profitability through participation in product margin, and provides a channel to drive the uptake of its insurance offering. SA Taxi is piloting a second dealership in

KwaZulu-Natal and considering a third dealership in Polokwane, Limpopo. SA Taxi's focus on increasing its participation in the pre-owned vehicle market segment signals a shift in mindset from viewing the repossession, refurbishment and resale of pre-owned vehicles purely as a tool for mitigating risk, to establishing pre-owned vehicles as a core and profitable product offering.

SA Taxi's specialist refurbishment capabilities, together with its retail dealership channel and well-regarded brand, uniquely positions it to grow its participation in this highly liquid market, and enables it to maximise profitability when selling pre-owned taxi vehicles. Market factors including currency volatility are exerting upward pressure on new vehicle prices, which creates a strong business case for providing quality pre-owned vehicles at a lower price-point, backed up by SA Taxi's ability to service and maintain these vehicles going forward.

SA Taxi's short-term comprehensive insurance business continues to be a key driver of non-interest revenue. The launch of SA Taxi's auto body repair centre enables it to bring the cost of claims down even further by leveraging its scale, procurement capabilities and highly efficient refurbishment processes. SA Taxi's ability to effect repairs faster and at a lower cost than other insurers – who outsource these capabilities – is a significant differentiator that enables it to get customers' vehicles back on the road as quickly as possible. Looking forward, the introduction of newly developed insurance products specifically designed for taxi operators will further support the sustainability of SA Taxi's small- and medium-sized enterprise (SME) customers. SA Taxi has also been successful in growing its portfolio of non-financed insured vehicles, and this presents a substantial opportunity for its insurance business going forward.

The acquisition and relaunch of Zebra Cabs enables SA Taxi to apply its specialist capabilities to create a defensible position in the adjacent metered taxi market segment. As with the minibus taxi business, SA Taxi brings a greater level of standardisation to this market – in terms of vehicle type, pricing, service levels and booking platform – which will

HEADLINE EARNINGS
R458 MILLION
↑ 17%

CEO'S REPORT *continued*

support the further formalisation of an industry that is still largely fragmented. Zebra Cabs will enable SA Taxi to generate the deep data and telematics required to gain robust insights through its analytics capabilities, necessary for driving scale. Thus, SA Taxi's intention is not to become a dominant operator of metered taxis, but instead to use its insights to develop financial and allied products and services that leverage its existing capabilities to support the sustainability of SMEs operating in this market segment, with the addition of booking systems and frictionless payment channels driven by data and technology; a capability that in future could also be applied to the minibus taxi segment.

Technology remains a key underpin to SA Taxi's ability to operate in market segments perceived to be higher-risk. Its use of data and analytics has progressed over the years from repossession (tracking a vehicle's physical location), to credit decision-making (to test prospective profitability of a proposed route), to collections (determining current profitability based on kilometres travelled in a specific month), to insurance (whether the vehicle's average movement pattern has changed pointing to potential vehicle damage or theft). Leveraging this data to develop an application for minibus taxi operators represents the next step in SA Taxi's technology evolution. This data-rich application will provide operators with real-time information on the performance of their vehicles, integrating the functionality and insights described above to enable them to better manage their business.

In TCRS, the two most prominent opportunities for driving organic growth are to further leverage and enhance its proprietary data and technology capabilities to improve efficiencies and grow revenue from its existing clients, and to apply its expertise to grow its presence in adjacent market segments – most notably in insurance, telecommunications and the public sector.

Establishing a master data universe has created a robust database of individual consumer records that further improves the collections process, in terms of assessing customers' credit track records and assessing how likely they can be successfully contacted when needed. This database is continuously enhanced with internally generated data (including recent collection data or whether a contact attempt is successful or not), as well as information from credit bureaus, other external sources and from principal portfolios acquired by Transaction Capital Recoveries. TCRS may also apply its master data universe to generate leads directly for its proprietary products, or on behalf of its clients.

Together with an enhanced predictive dialer and increasingly sophisticated workforce management, TCRS is set to further improve its collections performance and grow revenue from its core client base – most notably credit retailers and specialist lenders – in an environment in which collections are becoming increasingly challenging. The business will also focus on increasing revenue from the Tier 1 banks, where its penetration has been disproportionately lower.

In addition to economic challenges impacting on collections, regulatory changes regarding affordability assessments, prescription, interest rate caps and credit life insurance are tempering credit providers' ability to extend credit. Although growth in the national unsecured credit book has not yet shown signs of slowing, it is anticipated that this will become increasingly evident over the next few years as the slowdown in new credit extension filters through. TCRS's focus on applying its specialist capabilities to adjacent sectors not regulated under the National Credit Act – including the insurance, telecommunications and public sectors – will help mitigate a potential drop-off in collections mandates from credit retail clients. The division has appointed industry experts to deepen penetration into these sectors, which already account for a significant and growing proportion of its sector exposure.

A benefit of current economic conditions is that TCRS can apply its strong balance sheet and extensive data to the selective acquisition of certain of the increased number of non-performing loan portfolios available for purchase, as clients seek immediate recovery against their non-performing loans. The risk of more challenging recoveries against these acquired portfolios is mitigated by database and technology investments. Also, the constant improvement in its data has enabled TCRS to continuously refine its pricing methodology for these portfolios and reliably predict the value and timing of recoveries.

This diversification – in terms of undertaking both agency and principal collections – is central to TCRS's defensive business model, which enables it to continue delivering a positive performance under a variety of market conditions. To further grow its portfolio of purchased book debts, it has initiated exclusive negotiations for the structured and ongoing sales of portfolios with several larger clients, and in some cases, it proposes gain share agreements to enable clients to continue participating in the value of their non-performing loan portfolios.

CAPITAL MANAGEMENT AND DEPLOYMENT

Transaction Capital's ability to successfully access and deploy capital is essential to growing and enhancing the competitive positions of its divisions. Transaction Capital has a proven track record in this regard; it has demonstrated its skill for converting higher-risk asset classes into viable investments that fall within investors' risk parameters by identifying, mitigating and packaging risk, and ensuring the right strategies and people are in place to sustainably deliver appropriate risk-adjusted returns. It is an effective approach that is evidenced by the continued excellent credit ratings Transaction Capital has achieved.

To mitigate the impact of the potential downgrade of South Africa's sovereign credit rating on future funding requirements, Transaction Capital intensified its fundraising activities. Transaction Capital achieved a notable success in diversifying its funding structures and instruments by establishing a R2 billion credit-rated and JSE-listed Domestic Note Programme, namely TransCapital Investments Limited, which was awarded an A- (Long Term, National Scale) and A1- (Short Term, National Scale) credit rating from Global Credit Ratings Co. Transaction Capital anticipates that this programme will enable it to access a new capital pool at an attractive cost to fund organic and acquisitive growth activity.

SA Taxi continued to enjoy uninterrupted access to both local and international funding pools, raising more than R3.5 billion of debt during the year and fulfilling most of its annual debt requirements for the 2017 financial year. Terry Kier details SA Taxi's achievements in securing funding in his Q&A on page 48.

Transaction Capital continued to scan the environment for opportunities to make acquisitions and deploy excess capital, favouring a conservative approach with a narrow focus on assets operating within existing or adjacent market segments. In evaluating opportunities, Transaction Capital looks for acquisitions that have high-quality earnings, with high cash conversion rates and strong organic growth prospects that make them sound acquisitions on a standalone basis. Transaction Capital also seeks acquisitions with the potential to be developed and enhanced through active management, and benefit from and contribute to Transaction Capital's skills and technology capabilities; as well as international acquisitions to diversify earnings and risk exposure geographically.

CEO'S REPORT *continued*

In line with these intentions, Transaction Capital entered into three acquisitions in the latter part of the year, all within the scope of TCRS's activities. The first, Recoveries Corporation Group Limited (Recoveries Corporation), signals Transaction Capital's expansion outside South Africa. Based in Melbourne, Australia, Recoveries Corporation provides domestic consumer customer management solutions in the government, insurance, banking and finance, utilities and telecommunications sectors. It is an efficient platform that Transaction Capital intends to develop and scale, growing it beyond its exclusive focus on agency collections to leveraging the group's analytics, pricing and capital management capabilities to expand adjacently into the purchase of non-performing loan portfolios in Australia. The Australian debt collection industry is highly fragmented (with approximately 20 companies accounting for 85% of the market), which provides Transaction Capital with an opportunity to build on this acquisition and expand acquisitively in Australia. Furthermore, Recoveries Corporation's vast expertise in the insurance recoveries industry will augment Transaction Capital's competencies and facilitate the growth of its fledgling insurance recoveries offering in South Africa.

The second acquisition – a controlling interest in RC Value Added Services (Pty) Ltd (Road Cover) – provides TCRS with a strong entry into the adjacent value-added services market, where it can leverage its existing competencies to enhance Road Cover's market position. The primary intention is to provide Road Cover's subscription-based legal and administrative services to consumers through TCRS's existing clients as a value-added product, enabling its clients to generate higher risk-adjusted returns. As a separate strategy, leads can be generated and value-added products can be distributed directly to customers within TCRS's internal database.

Lastly, as a fully outsourced accounting, payroll and tax services provider through "software as a service" technology, the acquisition of The Beancounter Financial Services (Pty) Ltd (The Beancounter) will enable TCRS to augment its offering to its SME client base. The Beancounter provides services on a monthly retainer basis and is one of the leading specialists in cloud accounting. The business is well-positioned with solid organic growth prospects.

In line with Transaction Capital's investment strategy to retain executive talent and institutional knowledge, the founders of these businesses will remain vested, closely involved in driving organic growth and managing day-to-day operations. All are excellent businesses in and of themselves, with scalable business models and proven track records.

Strategic objective 4 on page 22 provides further detail on Transaction Capital's acquisition strategy and its acquisitions during the year.

ENSURING A HIGH-PERFORMANCE CULTURE

Transaction Capital's high-performance culture is a product of many of the factors that make its business unique. Its entrepreneurial culture is retained by devolving authority and responsibility into its divisions to give its people a sense of ownership. This motivates them to innovate within defined business model and risk parameters, and with corporate support including a robust governance framework.

Executives within the group are appropriately qualified and have deep experience within their areas of specialisation. The highly defined market segments in which Transaction Capital operates requires them to typically apply this intellectual capital to a much smaller asset base than in larger organisations, with the concomitant expectation of higher performance.

This need for specialist application of skills – to apply a narrower focus that requires a different approach to what an individual may be accustomed to – extends throughout the working environments across Transaction Capital and its divisions. It has proven its ability to retrain people with a broader skillset to be effective in these environments: whether a generalist mechanic who now understands that to mitigate credit risk, their role is to get a customer's vehicle back on the road quickly and work to a standard that ensures a vehicle can operate reliably for an extended period; or an insurance agent who understands that their role is not to repudiate claims, but to, again, mitigate credit risk by getting a customer's claim resolved as quickly as possible. Throughout the divisions, Transaction Capital's people are specialists – in raising capital or managing risk in the minibus taxi industry, specialist Toyota minibus mechanics, specialists in taxi insurance, specialists in customer and capital management in specific industries, and specialist collections agents for specific clients or sectors.

Transaction Capital provides fair remuneration commensurate with the level of skill, experience, seniority of its people as well as industry practice. Performance incentives are utilised where appropriate, to further motivate high performance. The Transaction Capital Limited Conditional Share Plan, approved by shareholders on 20 October 2016, is a mechanism to attract and retain key employees while providing them with the opportunity to participate in the value created within their division, and to align their interest with that of shareholders.

The societal relevance of Transaction Capital's divisions also means that it offers meaningful employment, and its people understand the broader social significance of their roles. This includes supporting the functioning of South Africa's public transport system and helping to rehabilitate indebted consumers. Having a sense of purpose in what you do is a key underpin of a high-performance culture.

CONCLUSION

Transaction Capital is comfortable that the current composition of its portfolio is correct. The positioning of its businesses is sufficiently defensive within their respective market segments, enabling them to prosper despite South Africa's challenging macro- and socio-economic context. Transaction Capital remains comfortable that it can successfully navigate a dynamic regulatory environment, and where there may be second-order effects on its clients, that its diversification strategies will sufficiently mitigate potential negative impacts.

Transaction Capital remains committed to investing in organic and acquisitive growth opportunities in SA Taxi and TCRS. This will be done in a manner that augments and develops these platforms to enhance their scale and entrench their leading market positions, thereby generating societal and stakeholder value. Given its positioning within this socio-economic context, Transaction Capital remains confident that the group is well-positioned for continued growth in the medium term.

DIRECTORATE

INDEPENDENT NON-EXECUTIVE DIRECTORS

Christopher **SEABROOKE** (63)

01

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

CHAIRMAN

Appointed: June 2009

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

Phumzile **LANGENI** (42)

02

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

Appointed: June 2009

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

Dumisani **TABATA** (61)

03

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** (52)

04

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

Appointed: February 2012

David has over 20 years' experience in the financial services industry in both South Africa and the United Kingdom. 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 chief financial officer (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.

Moses **KGOSANA** (57)

05

BCompt, BCompt (Hons) (Unisa), CA(SA)

Appointed: March 2016

Moses is a chartered accountant by profession, with over 34 years of accounting, audit and advisory experience within the public and private sectors. Moses was a founding member of KMMT Chartered Accountants, which merged with KPMG in 2002. Prior to retiring from KPMG in 2015, Moses held the positions of chief executive of KPMG South Africa, chairman of the Policy Board and executive director of Consumer Markets for KPMG South Africa, chairman of KPMG Africa and member of KPMG's Europe, Middle East and Africa (EMEA) and International Board. Moses is also a non-executive director of JSE-listed Alexander Forbes Group Holdings Limited, Famous Brands Limited, Imperial Holdings Limited and Massmart Holdings Limited.

Kuben **PILLAY** (56)

06

BA, LLB (University of the Witwatersrand), MCJ (Howard School of Law)

Appointed: August 2016

Kuben joined Primedia as an executive director in May 2000 and was appointed as CEO of the advertising division of Primedia in September 2002, and as CEO of the group in September 2009. Kuben was appointed as the executive chairman of Primedia in February 2014, and relinquished his position in January 2015, after which he served in the capacity of non-executive chairman until December 2016. An attorney by profession, Kuben was a managing financial partner at attorneys Cheadle Thompson and Haysom before joining Mineworkers Investment Company Proprietary Limited in 1996 as a founding executive director. He has previously served as the chairman of Mineworkers Investment Company, and is currently a non-executive director of the Outsurance group of companies. Kuben has previously both chaired and served on the boards of public companies.

DIRECTORATE *continued*

NON-EXECUTIVE DIRECTOR

Roberto **ROSSI** (54)

01

BSc (MechEng) and Graduate Diploma (IndEng) (University of the Witwatersrand), BProc (Unisa)

Appointed: September 2003

Roberto founded Miners Credit Guarantee in 1991 to provide credit card-type facilities to mine workers. In 1998, Nisela Growth Investments (part of African Bank) acquired 50% of the shareholding in Miners Credit Guarantee. Shortly thereafter, Roberto assumed an executive role at African Bank Limited and was subsequently responsible for 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 in 2007 became the foundation of Transaction Capital.

EXECUTIVE DIRECTORS

David **HURWITZ** (45)

02

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

CHIEF EXECUTIVE OFFICER

Appointed: April 2012

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

Jonathan **JAWNO** (50)

03

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

EXECUTIVE DIRECTOR

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 in 2007 became the foundation of Transaction Capital. Jonathan was appointed as an executive director in June 2010.

Michael **MENDELOWITZ** (51)

04

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

EXECUTIVE DIRECTOR

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 in 2007 became the foundation of Transaction Capital. Michael was appointed as an executive director in December 2011.

Mark **HERSKOVITS** (42)

05

BBusSci (Finance), Post Graduate Diploma in Accounting (University of Cape Town), CA(SA), CFA

EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT

Appointed: January 2014

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

Ronen **GOLDSTEIN** (35)

06

BCom, BCom (Hons) (University of the Witwatersrand), CA(SA), CFA

FINANCIAL DIRECTOR

Appointed: August 2016

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

DIVISIONS

DIVISIONS

SA TAXI

1 *An innovative and pioneering business model with operations expanding throughout the financing and asset value chain, building a scalable platform that can be leveraged in adjacent markets*

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

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

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

DIVISIONAL OVERVIEW

SA Taxi is a uniquely vertically integrated business that applies its operational competencies predominantly towards independent small- and medium-sized enterprises (SMEs) in the fixed route minibus taxi industry. This focus, together with its specialisation in a small number of specific vehicle types, enables it to extend credit, allied financial services and business support to taxi operators that may not otherwise have access to these services.

Given its success in the minibus taxi industry, SA Taxi leverages the associated competencies to expand into adjacent markets and asset classes such as the metered taxi industry.

4 *Enabling financial inclusion by proficiently securing funding from both local and international debt investors to judiciously extend developmental credit to SMEs that may otherwise not have access to credit from traditional financiers*

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

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

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

PERFORMANCE OVERVIEW

HEADLINE EARNINGS
R249 MILLION 20%
54% of group

NON-INTEREST REVENUE
R315 MILLION 30%

GROSS LOANS AND ADVANCES
R7.2 BILLION 15%

NON-PERFORMING LOAN RATIO IMPROVED TO
17.4%
from 18.2% in 2015

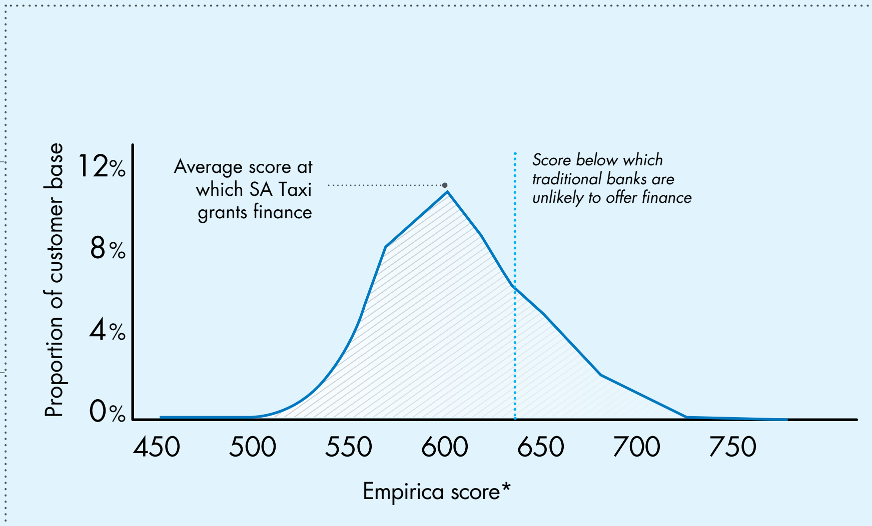
CREDIT LOSS RATIO IMPROVED TO
3.1%
from 3.9% in 2015

RETURN ON EQUITY
25.5%
from 28.4% in 2015

SOCIETAL RELEVANCE

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

Its focus on financing newer vehicles fitted with the latest safety technology, together with its high-quality refurbishment capabilities, contributes to safer and lower-emissions public transport in South Africa.



*Proprietary TransUnion credit score

DIVISIONS: SA TAXI *continued*

MARKET CONTEXT

IN SOUTH AFRICA THERE ARE:

~200 000 MINIBUS TAXIS

68% OF ALL PUBLIC TRANSPORT TRIPS TO WORK

69% OF HOUSEHOLDS UTILISE MINIBUS TAXIS

70% OF INDIVIDUALS WHO ATTEND EDUCATIONAL INSTITUTIONS ARE ESTIMATED TO USE MINIBUS TAXIS

~17 000 TO 20 000 METERED TAXIS

SA Taxi driving our nation forward

R7.2 BILLION CURRENTLY FINANCED

26 352 FINANCED VEHICLES ON BOOK

22 136 INSURED THROUGH SA TAXI*

3.4 years AVERAGE AGE OF VEHICLES ON BOOK

6 866 VEHICLES FINANCED IN 2016

1.2 VEHICLES PER CUSTOMER

ON AVERAGE EACH SA TAXI-FINANCED VEHICLE TRAVELS **6 500 KMS PER MONTH**

SA TAXI-FINANCED VEHICLES TRAVEL ON **~6 500 ROUTES** COVERING OVER **~800 000 KMS**

~1.5 BILLION KMS TRAVELLED BY SA TAXI'S FLEET IN 2016

Zebra Cabs

260 METERED TAXIS ON BOOK

2020 TARGET: 3 000

100% OF CUSTOMERS ARE BLACK-OWNED SMEs

21% OF CUSTOMERS ARE WOMEN-OWNED SMEs

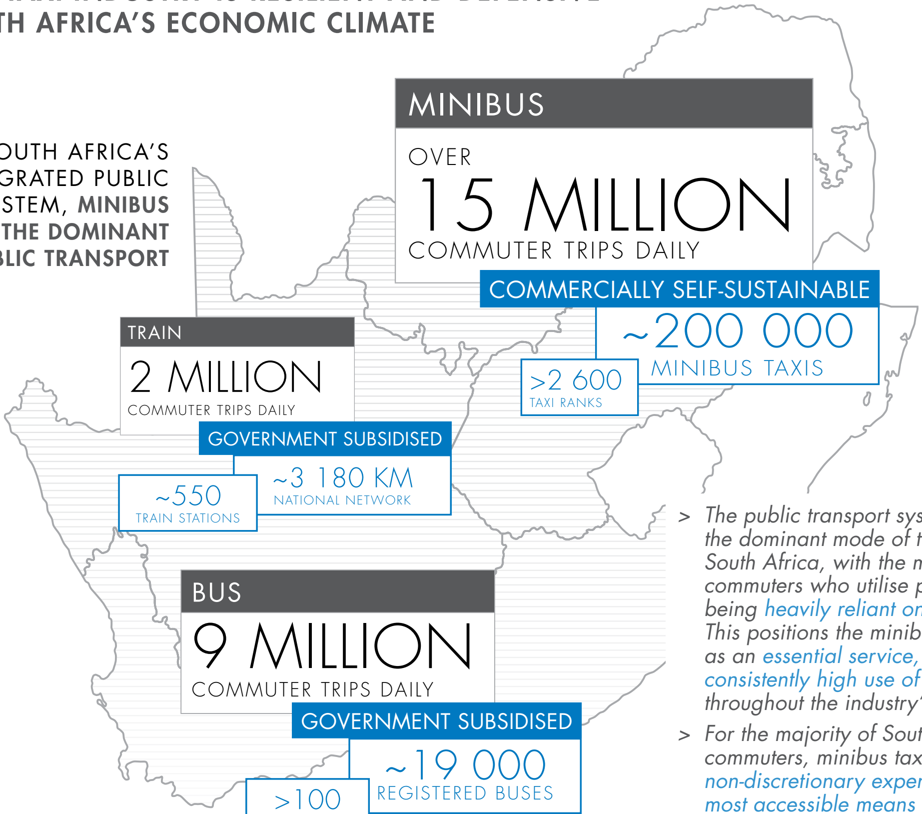
1 IN 4 OF THE NATIONAL FINANCED MINIBUS TAXI FLEET IS FINANCED AND INSURED BY SA TAXI

* *100% of taxis financed by SA Taxi are fully insured. 85% of SA Taxi's taxi owners choose to insure with SA Taxi. Additionally SA Taxi insures ~3 700 minibus taxis not financed by SA Taxi.*

Source: National household travel survey 2013, National land transport strategic framework 2015, Statistics South Africa, Arrive Alive, SABOA website, 'HERE' points of interest dataset (Q4 – 2015).

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

WITHIN SOUTH AFRICA'S INTEGRATED PUBLIC TRANSPORT SYSTEM, **MINIBUS TAXIS ARE THE DOMINANT FORM OF PUBLIC TRANSPORT**



MINIBUS
OVER
15 MILLION
COMMUTER TRIPS DAILY

COMMERCIALLY SELF-SUSTAINABLE
~200 000 MINIBUS TAXIS
>2 600 TAXI RANKS

TRAIN
2 MILLION
COMMUTER TRIPS DAILY

GOVERNMENT SUBSIDISED
~3 180 KM NATIONAL NETWORK
~550 TRAIN STATIONS

BUS
9 MILLION
COMMUTER TRIPS DAILY

GOVERNMENT SUBSIDISED
~19 000 REGISTERED BUSES
>100 BUS STATIONS

> *The public transport system remains the dominant mode of transport in South Africa, with the majority of commuters who utilise public transport being heavily reliant on minibus taxis. This positions the minibus taxi industry as an essential service, and supports the consistently high use of minibus taxis throughout the industry's existence.*

> *For the majority of South African commuters, minibus taxi transport is a non-discretionary expense that offers the most accessible means to travel to places of employment, or to travel to and from other public transport nodes.*

STRUCTURALLY, DEMAND FOR MINIBUS VEHICLES EXCEEDS SUPPLY

DEMAND: AGEING NATIONAL FLEET

~200 000 MINIBUS TAXIS

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

SUPPLY: MINIBUS TAXI SALES IN SOUTH AFRICA

MAJOR PREMIUM BRANDS

MINIBUS TAXI VEHICLE SALES PER MONTH	~1 380
SA TAXI'S MARKET SHARE OF FINANCED VEHICLES	38%

CHINESE MANUFACTURED VEHICLES	~140
SA TAXI'S MARKET SHARE	0%

TOYOTA SES'FIKILE
Most prevalent vehicle in the minibus taxi industry

TOYOTA PRE-OWNED
Predominantly SA Taxi refurbished vehicles

NISSAN NV350
Although relatively new, steadily gaining market acceptance from taxi operators

MERCEDES SPRINTER
Mainly used for long-distance routes

> Improved credit performance as SA Taxi can be selective on credit risk due to limited supply.
> Improved recoveries as asset retains value due to demand exceeding supply.
> Liquid market for high quality and affordable SA Taxi pre-owned vehicles.

DIVISIONS: SA TAXI *continued*

BUSINESS ACTIVITIES

ENABLING SMEs

FINANCIAL SERVICES

EQUITY ALLOCATION AND DEBT RAISING

Adequately capitalised and conservatively geared from both local and international debt investors. SA Taxi has over 30 debt investors, many of which have reinvested. Funding structures include on-balance sheet syndicated loans, structured finance as well as the Transsec programmes (rated and JSE-listed asset-backed notes).

- Over R3.5 billion raised in the 2016 financial year.
- A future focus on reducing the cost of debt.
- Successfully penetrating global Development Finance Institution (DFI) capital markets.

CREDIT UNDERWRITING AND LOAN ORIGINATION

SA Taxi has developed its own innovative developmental credit philosophy and strategy. This approach is built on the proprietary data and industry knowledge amassed over the years, enabling it to differentiate between the perceived and actual risk within the minibus taxi industry. This niche capability evaluates each taxi owner as a small business and not solely the individual's credit score.

VEHICLES

VEHICLE SUPPLY AND RETAIL

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

- SA Taxi's retail sales accounted for 21% of the rand value of loan originations in the 2016 financial year.
- In February 2016 SA Taxi established a retail dealership in Midrand. SA Taxi is piloting a second dealership in KwaZulu-Natal and considering a third dealership in Polokwane.

PASSENGER PLATFORM

Owner-driver management

SA Taxi is building this competency in the metered taxi industry through the management of its own owner-driver fleet consisting of 260 metered taxis. This includes a robust vehicle management and dispatch system and comprehensive bespoke driver training.

SA TAXI'S CREDIT-GRANTING PHILOSOPHY

enables it to extend credit in niche, under-served market segments

WHEN DECIDING TO GRANT CREDIT, SA TAXI CONSIDERS:

- **PROFITABILITY** OF THE ROUTE
- **SUITABILITY** OF THE VEHICLE
- **CREDIBILITY** OF THE OPERATOR
- **CREDIBILITY** OF THE TAXI ASSOCIATION

Adherence to set risk appetite and risk strategy through appropriate governance
Assurance through independent audit, monitoring specific risk metrics and effective corporate governance frameworks

Informed decisions through consistent analysis of the book and originations
Regular stress testing and evaluation of the book and origination in both the short and long term, embedding scenario-based thinking

Manged by a sustainable credit origination and management platform
Managing the team and systems that deliver ongoing excellence at high volumes by mastering their required competencies

SERVICING SMEs

INSURANCE

All financed vehicles are required to have comprehensive insurance. SA Taxi has designed its own highly competitive comprehensive insurance products that it sells through its own insurance cell captive entity established in partnership with Guardrisk Insurance Company. These products are tailored to the needs and risks of the taxi industry.

- Comprehensive insurance offered to the entire minibus taxi market, with >3 700 policies taken up by non-financed clients.
- 85% of financed customers choose SA Taxi's insurance product.
- New products to be designed for both taxi operators and commuters.
- Less than 1% of claims are repudiated.
- Cost of claim to be reduced via SA Taxi's refurbishment facility.

MANAGING RETURNS FROM SMEs

COLLECTIONS

SA Taxi's collection philosophy is centred on supporting and enabling SMEs. Ongoing improvements in non-performing loans and credit losses are due to strong collection performance and conservative credit granting.

>R250 million collected per month.

REPOSSESSION

SA Taxi's use of proprietary data and its years of experience in the industry has led to improved recoveries leveraging tracking technology and strong relationships with minibus taxi associations and other industry participants.

Recovery rates of more than 72% of settlement value.

REPAIRS, MAINTENANCE SERVICES AND REFURBISHMENT

SA Taxi's ability to refurbish and resell vehicles has enabled it to reduce its loss ratios through reducing refurbishment costs, improving turnaround times and improving product quality. Services now include a range of repair and maintenance services that ensure taxi owners' vehicles are repaired timeously and are back on the road as soon as possible. The efficiencies created through SA Taxi's own facility arise from economies of scale and its focus on specific vehicle types, allowing for specialisation, bulk procurement power and time saved by controlling the entire process in-house.

SA Taxi's facility now spans over 20 000m² making it one of the largest Toyota repair centres in Africa.

RESALE

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

Increasing new vehicle prices supports second-hand prices and hence recovery rates.

Trip acquisitions

SA Taxi has started building its corporate and consumer value propositions in the metered taxi industry to facilitate the ease of use of its metered taxis, and thus drive revenue for the owner-driver. This will support the driver's success while improving safety, transparency and reliability in the metered taxi industry.

Technology platform and payments

The development of a metered taxi technology platform includes systems that manage stock, dispatch and trips, and facilitates easy, reliable and secure payments.

An opportunity to apply metered taxi technology to minibus taxi data.

Growth opportunity

PROPRIETARY TELEMATICS DATA AND ANALYTICS USED THROUGHOUT THE VALUE CHAIN PROVIDES CRITICAL INSIGHT FOR BUSINESS DECISIONS:

- Data collected is applied to the credit vetting process, allowing SA Taxi to better understand credit risk and route profitability.
- Historical data is used to bolster the accuracy in pricing a taxi owner's insurance risk as well as to identify when there is a lack of movement, which could indicate an insurance claim.
- Data is used to obtain an understanding of a minibus taxi's monthly performance before collection action is taken. This background informs how collection agents interact with the taxi owner.
- Live location data along with a driver's historical data are utilised in aiding the vehicle recovery process.

Service offering to customers

Looking forward, data will be provided to the taxi owner, giving them a deeper understanding of their business operations and further empowering them as business owners.

DIVISIONS: SA TAXI *continued*

Q&A

with Terry Kier
SA Taxi CEO

Q *What is your view on SA Taxi's performance in the year, and what are some of the strategic highlights?*

SA Taxi has continued to perform well in an environment where many companies have struggled to grow revenue and profit. We operate in a market that provides a crucial service to most of South Africa's working population, which is core to the defensive nature of SA Taxi. Our credit performance remains robust, which indicates both the excellent credit risk management within SA Taxi and the maturation of the minibus taxi industry more broadly, where we're seeing operators generally run better businesses.

This year we expanded our capabilities considerably. The launch of our retail dealership in Midrand in February 2016 has enabled us to benefit from the greater profitability of vehicles financed directly through our own dealership – both in terms of the greater proportion of non-interest revenue earned and better loan performance. We anticipate selling, financing and insuring more than 2 600 vehicles a year through our dealerships, which in addition to Midrand will include Durban and potentially Polokwane. We will also consider extending our dealer footprint nationally depending on the performance of these initial dealerships.

The launch of our auto body repair centre will benefit our insurance business from a cost of claim perspective, our finance business from a credit loss perspective and enable us to build our presence in the pre-owned market. Together with our refurbishment capability, we can put quality pre-owned vehicles back into the market that are safe and more affordable, and we can be sure that the vehicle will be a valuable and reliable asset to the operator which mitigates credit risk.

The maturation of our risk methodology has enabled us to offer interest rates competitive with those of major banks, which together with our specialisation in minibus taxis and our ability to enhance an operator's business has resulted in us starting to attract customers of a higher credit quality.

Q *Take us through some of SA Taxi's initiatives to grow into adjacent market segments?*

Zebra Cabs represents a major step in opening a new vertical for SA Taxi, in which we can apply the capabilities we've refined in the minibus taxi business. Under SA Taxi's ownership, the business has delivered in line with our projections and has become a stable yet evolving part of our portfolio. We've learnt many valuable lessons over the past months, and we continue to engage with international metered taxi companies to understand this type of business in more mature markets.

The technology platform we've deployed that underpins the metered taxi business provides significant room for further development. The benefit of this platform to SA Taxi is that it provides us with rich data that, through our analytics capabilities, will enable us to build scorecards and models needed to scale this business over time.

One of the biggest differences between the metered and minibus taxi businesses is the need to help drivers acquire customers. The ability to hail a cab using the platform is essential, but we also need to make sure it offers greater accessibility and convenience. One way to improve accessibility is to implement a technology-driven ranking capability, so being able to monitor when a driver leaves their allocated space at a hotel, and making sure another driver is ready to take that space so that we maintain a constant presence at key passenger locations. From a convenience perspective, we've implemented frictionless payment and introduced a call centre to facilitate corporate bookings.

As with the minibus taxi business, these initiatives aim to support the sustainability of SMEs, not for philanthropic reasons, but to mitigate default risk by helping their business generate more revenue and providing other capabilities that support and protect value in their business. Our auto body repair centre can quickly undertake the frequent small repairs required by metered taxi vehicles, such as dents and scratches, given the importance of a metered taxi driver projecting a professional image. Likewise, we provide drivers with a course in customer service, to contribute to building a service culture in the local industry.

Our Bakkie pilot – which I spoke about last year – was called off as we learnt that we couldn't build scale in this adjacent market by leveraging our existing capabilities. Although the business we wrote was good, our established approach to assessing credit risk – which for minibus taxis would consider the profitability of the route and quality of the asset – was not sufficient for the Bakkie market as we found that we would need to assess each individual business type, for example plumbers or couriers. To create a defensible position in an adjacent market sector we need to build volume, and the complexity in assessing risk for individual tradespeople didn't align to SA Taxi's approach.

Q *How have you ensured sufficient funding for SA Taxi, given concerns of a sovereign ratings downgrade over the past year?*

Securing sufficient funding is always a major focus for us, but the impending potential sovereign ratings downgrade and broader economic uncertainty required that we redouble our efforts. I'm pleased that we've continued to enjoy the support of both domestic and international investors, which speaks to the underlying quality and fundamentals of SA Taxi as an investment. Our efforts resulted in SA Taxi fulfilling most of its annual debt requirements for the 2017 financial year.

In August 2016, we returned to the local listed debt capital markets tapping Transsec 2 – our S&P Global-rated and JSE-listed securitisation programme – with an issuance of R513 million of debt. The tap issuance was privately placed with nine investors, three of which were first-time investors, at a weighted average cost of funding of 241 basis points above three-month JIBAR, which is about 100 basis points lower than SA Taxi's average cost of funding.

In October 2016, following S&P Global's review of the Transsec 1 structure, the ratings on the class A notes was re-affirmed at zaAAA, and the ratings on the class B notes were upgraded from zaAA to zaAA+, class C notes from zaA to zaA+, and class D notes from zaBBB- to zaBBB+. These improvements in credit ratings correlate to SA Taxi's strong performance across all metrics.

Diversifying our funding sources and accessing offshore capital pools remain key focus areas for our debt capital team. SA Taxi has accessed more than R1.5 billion of debt funding from the European DFI capital market since 2010, and is successfully penetrating the global DFI capital markets.

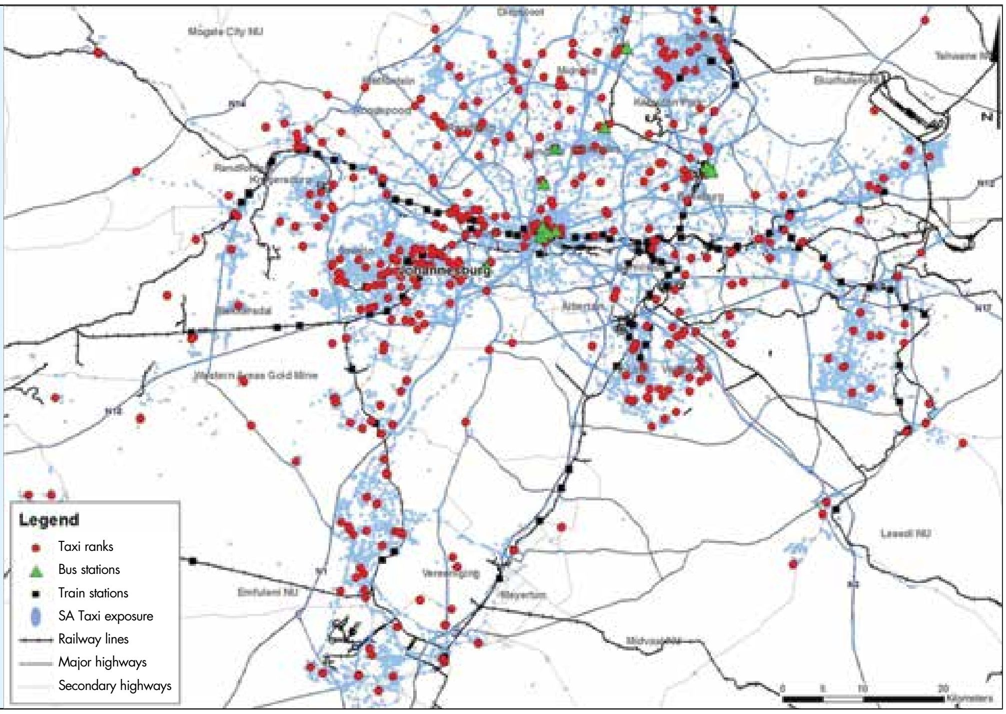
Q *Looking further ahead, what are some of the opportunities SA Taxi is exploring?*

Our primary focus will continue to be to drive organic growth. Within the minibus and metered taxi verticals, we constantly ask "what else does this industry need?", and look to develop new products or services that leverage our existing capabilities. Any acquisitions we consider will be smaller acquisitions that enable us to augment our capabilities, with a specific focus on the ongoing enhancement of our data and using technology to create new ways to support our SME clients.

One example in terms of technology is developing an application for minibus taxi operators that will provide them with real-time information on the performance of their vehicles. As the minibus taxi industry has matured, we've seen greater appetite for the tools and insights that can help operators to better manage their business, and we've got the rich data needed to further empower them as business owners. Looking even further ahead, we will consider opportunities for sharing technologies we've developed and insights gained across the minibus and metered taxi businesses.

Minibus taxis are fundamental to South Africa's integrated public transport network. Given the spatial distribution of bus and rail transport nodes, which are often not conveniently located relative to the majority of public transport users' homes or workplaces, minibus taxis serve as an essential interlink between commuters and public transport infrastructure.

See page 44 for an overview of SA Taxi's market positioning.



Source: SA Taxi telematics data as at 11 October 2016, National land transport strategic framework 2015.

TRANSACTION CAPITAL RISK SERVICES

1. *Innovative and bespoke technology systems that drive superior performance and efficiency*
2. *Generating in-depth insights from the continuous collection of accurate and valuable data to develop a consolidated view of an individual that enables precise and informed internal and external decisioning*
3. *Improving its clients' ability to originate, manage and collect from their customers through their lifecycles, thus maximising value*

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

DIVISIONAL OVERVIEW

Transaction Capital Risk Services

IMPROVES ITS CLIENTS' ABILITY TO ORIGINATE, MANAGE AND COLLECT FROM THEIR CUSTOMERS.

Its operational competencies include:

> Collection and recovery services and debt purchasing
> Working capital, property and trade finance and commercial receivables management solutions to small- and medium-sized enterprises (SMEs)
> Payment processing services
> Data analytics and technology capabilities for customer management

4 Assisting its clients to optimise their balance sheet by accelerating cash flow through structured capital solutions

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

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

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

PERFORMANCE OVERVIEW

HEADLINE EARNINGS
R168 MILLION
37% of group
25%

TOTAL INCOME
R1.1 BILLION
1%

PURCHASED BOOK DEBTS
R728 MILLION
30%

ASSET TURNOVER RATIO
71.1%

COST-TO-INCOME RATIO IMPROVED TO
77.4%
from 82.5% in 2015

RETURN ON EQUITY
31.5%
from 27.8% in 2015

REBRANDED IN 2016

MBD → Transaction Capital Recoveries

Rand Trust → Transaction Capital Business Solutions

BDB → Transaction Capital Payment Solutions

→ Principa A Transaction Capital Company

SOCIETAL RELEVANCE

The activities of Transaction Capital Risk Services (TCRS) broadly contribute to the efficiency and effectiveness of the South African credit system. This includes the acquisition of distressed book debts, which assists clients to strengthen their balance sheets by accelerating cash flow and removing non-performing loans, thus improving their ability to continue providing debt finance into the consumer market. It also assists clients to lend responsibly, to identify which consumers to lend to, and to then collect successfully. This supports the affordability of credit by mitigating unnecessary pricing for risk.

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

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

MARKET CONTEXT

A challenging consumer credit environment

OF THE 35 MILLION ADULTS* IN SOUTH AFRICA, THERE ARE:

24 MILLION
CREDIT ACTIVE CONSUMERS

9.7 MILLION
NON-PERFORMING CREDIT CONSUMERS
(NCR Q2 2016)

OVER
11 MILLION
SOUTH AFRICANS DESCRIBED AS "OVER-INDEBTED"
(UP FROM 5 MILLION IN 2014)

Household debt to disposable income remains high at 75%

Between 2013 and 2014 86% of South Africans borrowed money (COMPARED TO 40% WORLDWIDE)

2014: South Africans were the biggest borrowers in the world (WORLD BANK REPORT)

TRANSACTION CAPITAL RISK SERVICES' MASTER DATA UNIVERSE

Transaction Capital Risk Services

R35.4 BILLION
ASSETS UNDER MANAGEMENT

9.2 MILLION
UNIQUE AND VALID ID NUMBERS
Each of which is uniquely scored with a TCRS propensity to pay score

95%
COVERAGE OF SOUTH AFRICA'S NON-PERFORMING CREDIT CONSUMERS

1 in 4
South African adults

1 in 3
credit-active people

UP TO 5
ASSOCIATED TELEPHONE NUMBERS PER UNIQUE ID NUMBER

>6 MILLION
UNIQUE AND VALID POSTAL ADDRESSES

Data is current, relevant and accurate as per:

CREDIT BUREAU DATA

OTHER DATA SOURCES such as the Department of Home Affairs and the Deeds Office

Data from **PRINCIPAL PORTFOLIOS ACQUIRED**

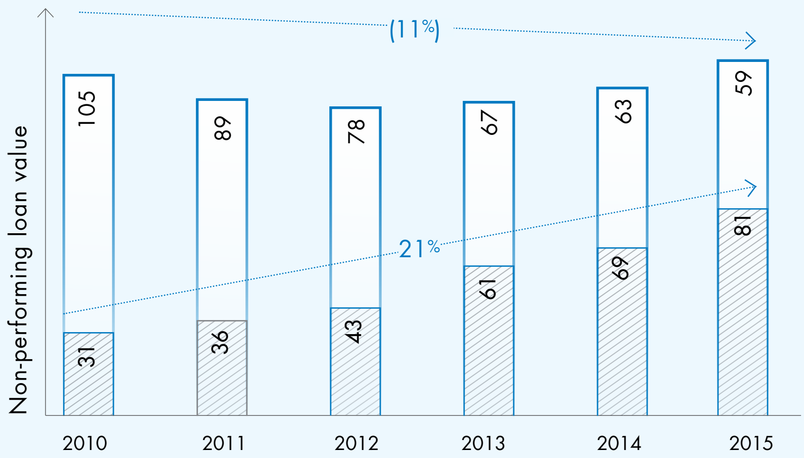
MASTER DATA UNIVERSE compliant with Protection of Personal Information Act

Opportunity to monetise data.

* *Aged 15 to 65*
Source: Statistics South Africa, National Credit Regulator (NCR), Accountancy SA February 2016, World Bank report, Global Findex database.

A GROWING UNSECURED CONSUMER NON-PERFORMING LOAN MARKET

Non-performing loan market size and growth (R billion)



TCRS target market (unsecured credit) 2010 – 2015 CAGR: 21%
Mortgages and vehicle finance 2010 – 2015 CAGR: (11%)

> Adverse economic conditions drive an increase in non-performing loans, stimulating demand from new and existing clients for debt recovery and related credit risk management services.

> In addition, this environment is condusive to an increased number of non-performing portfolios available to acquire at beneficial prices from clients requiring an immediate recovery from their non-performing loans.

Transaction Capital Recoveries

~R300 MILLION
collected each month, resulting from

~400 000
payments received each month

~300 000
debit orders processed each month

~4.2 MILLION
voice interactions each month

~25 MILLION
outbound calls from the dialer each month

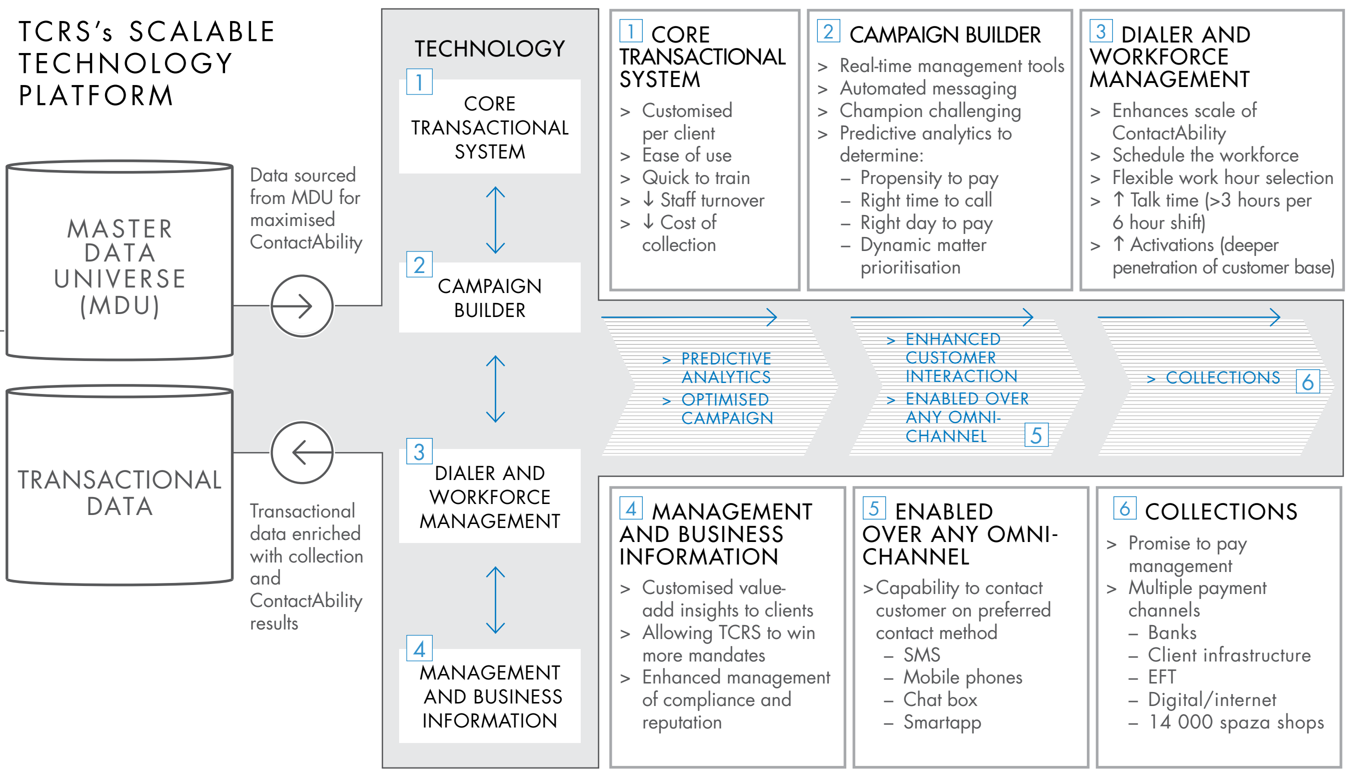
↑38%
revenue per employee in 2016

Transaction Capital Payment Solutions

~200 000
disbursements for clients each month

~300 000
debit orders and NAEDO transactions processed for clients each month

TCRS's SCALABLE TECHNOLOGY PLATFORM



1 CORE TRANSACTIONAL SYSTEM
- Customised per client
- Ease of use
- Quick to train
- ↓ Staff turnover
- ↓ Cost of collection

2 CAMPAIGN BUILDER
- Real-time management tools
- Automated messaging
- Champion challenging
- Predictive analytics to determine:
  - Propensity to pay
  - Right time to call
  - Right day to pay
  - Dynamic matter prioritisation

3 DIALER AND WORKFORCE MANAGEMENT
- Enhances scale of ContactAbility
- Schedule the workforce
- Flexible work hour selection
- ↑ Talk time (>3 hours per 6 hour shift)
- ↑ Activations (deeper penetration of customer base)

4 MANAGEMENT AND BUSINESS INFORMATION
- Customised value-add insights to clients
- Allowing TCRS to win more mandates
- Enhanced management of compliance and reputation

5 ENABLED OVER ANY OMNI-CHANNEL
- Capability to contact customer on preferred contact method
  - SMS
  - Mobile phones
  - Chat box
  - Smartapp

6 COLLECTIONS
- Promise to pay management
- Multiple payment channels
  - Banks
  - Client infrastructure
  - EFT
  - Digital/internet
  - 14 000 spaza shops

DIVISIONS: TRANSACTION CAPITAL RISK SERVICES *continued*

BUSINESS ACTIVITIES

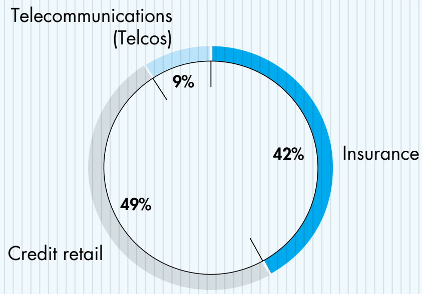
ORIGINATE

IDENTIFY AND WIN NEW CUSTOMERS USING DATA ANALYTICS

LEAD GENERATION AND CUSTOMER ACQUISITION

Principa
A Transaction Capital Company

- Lead generation
- Predictive analytics
- Segmentation modelling
- Systems (Smart and FICO)

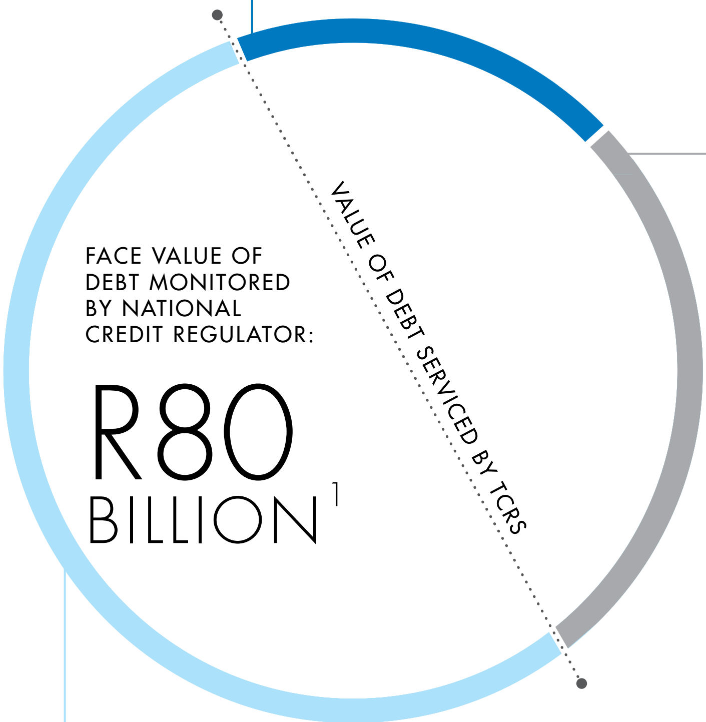


R16 BILLION

CUSTOMER MANAGEMENT SOLUTIONS

Leverages leading technology and data analytics capabilities to enable clients to effectively originate, manage and collect from their customers.

Ranked **1st or 2nd** by clients in 91% of 254 mandates (up 41%) on panels where TCRS is represented.



Other fragmented participants in addressable market

R19 BILLION

CAPITAL SOLUTIONS

Applies technology and data analytics capabilities to acquire and collect on debt portfolios.

Provides financing and working capital solutions to SMEs.

> Fair value of purchased book debts of **R728 million**, with estimated remaining collections of **R1.3 billion**

> **13 books purchased** this year for **R184 million**

> Asset turnover ratio is **71.1%**

Global Credit Ratings Co. upgraded Transaction Capital Recoveries' primary and special servicer ratings to SQ1-(ZA) and SQ1(ZA) respectively.

MANAGE

ENABLE PAYMENT PROCESSING AND CUSTOMER MANAGEMENT

PAYMENT AND ACCOUNT MANAGEMENT

Transaction Capital Payment Solutions

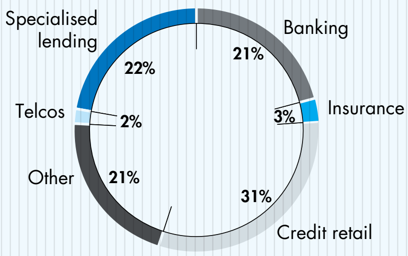
- Payment processing

Principa
A Transaction Capital Company

- Customer retention and profitability modelling
- Predictive analytics
- Systems (Smart and FICO)

Transaction Capital Business Solutions

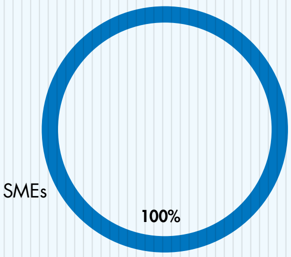
- Receivables management



SME FINANCING

Transaction Capital Business Solutions

- Invoice discounting
- Trade finance
- Property finance



COLLECT

SOLVE CLIENTS' IMPAIRED DEBT PROBLEM THROUGH COLLECTIONS, RECOVERIES, ACQUISITIONS OF NON-PERFORMING LOANS AND OTHER CAPITAL SOLUTIONS

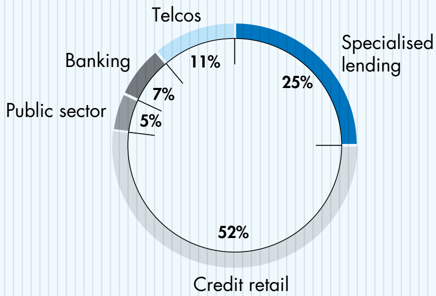
COLLECTION SERVICES

Transaction Capital Recoveries

- Early stage rehabilitation
- Late stage collections
- Legal recoveries
- Business-to-business collections

Principa
A Transaction Capital Company

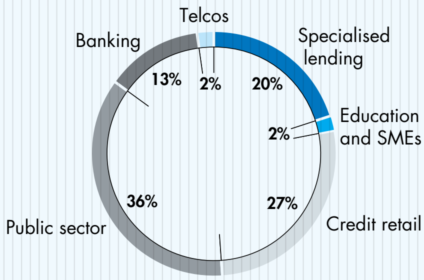
- Predictive analytics
- Segmentation modelling
- Systems (Smart and FICO)



DEBT PURCHASING

Transaction Capital Recoveries

- Spot book acquisitions
- Bespoke capital solutions
- Forward flow and gain share agreements



CLIENT ENGAGEMENT MODEL

Sectors split by revenue per segment as at 30 September 2016.

1 *R80 billion comprises credit monitored by the National Credit Regulator as at 30 June 2016. TCRS's target market also includes SMEs, education, insurance, public sector, telecommunications, state-owned entities (SOEs) and utilities.*

DIVISIONS: TRANSACTION CAPITAL RISK SERVICES *continued*

Q&A

with David McAlpin

Transaction Capital Risk Services CEO

Q *What has been the impact of the challenging economic environment, and how has TCRS responded?*

Again this year South African consumers' ability to service their debt has remained under pressure. This is largely due to negative factors such as higher inflation and interest rates, low economic growth and static employment rates. Despite these challenges, TCRS has continued to perform positively by actively realising opportunities that emerge in such an environment, and enhancing our technology and data capabilities to become more effective and efficient at what we do.

The buying of non-performing loan portfolios is certainly one of our success stories for the year. We've seen a greater number of non-performing loan portfolios come to market as credit providers seek to realise immediate or upfront value from their books in a challenging collections environment. We've thus stepped up our book buying activity considerably but conservatively, utilising our strong balance sheet and extensive data to selectively acquire 13 new portfolios for R184 million – the highest amount we've spent on book acquisitions in a single year. We've also become more proactive, engaging clients directly to negotiate on an exclusive basis and structuring more complex transactions such as gain share agreements to enable clients to continue participating in the value of these books.

Although our agency business continues to perform well, the tough consumer environment is making collections more challenging. We've mitigated the short-term impact by driving productivity improvements through technology and data. However, with the amendments to the National Credit Act (NCA) making it more difficult for credit providers to extend credit to consumers, we do expect growth in the national unsecured credit book to taper considerably over the next few years. We have thus continued to invest in expanding into adjacent market sectors not regulated by the NCA, specifically the insurance, telecommunications and municipal sectors, with key executives appointed to drive penetration into this client base.

As the culmination of our two-year strategy to integrate all our operations under one management team with an overarching strategy, focused on managing risk for our clients across their customers' lifecycle, all companies within TCRS were rebranded to leverage off Transaction Capital's brand equity. The new divisional brands are shown on page 51 of this report.

The strength of our services was reaffirmed in 2016, with Global Credit Ratings Co. upgrading the primary and special servicer ratings assigned to Transaction Capital Recoveries (previously MBD) to SQ1-(ZA) and SQ1(ZA) respectively; with the outlooks accorded as stable.

Q *TCRS describes itself as technology-led – what are some of your key technology initiatives?*

We've created a roadmap for our technology investments over the next few years. The first of these is our predictive dialer, which came online in 2016. In the collections business, knowing who, when and what number to call is probably the most fundamental step in the process, and the predictive dialer uses our analytics to do the legwork of scheduling calls for the appropriate time and determining whether the right party has answered the call. The productivity gains since the dialer came online have been immense – our number of monthly outbound calls has increased almost three-fold, resulting in over 4 million voice interactions per month.

What the predictive dialer has also allowed us to do is reduce our number of call centres, due to the increased number of matters our call centre agents can now deal with daily. Given that our call centre agents are highly incentivised based on performance, the higher number of voice interactions the predictive dialer enables creates an opportunity for them to lift their financial reward. Our call centre location strategy now centres on the three biggest metros – Johannesburg, Cape Town and Durban. The rationalisation of our call centres resulted in around 450 retrenchments, of which we successfully relocated some 250 people.

The other big technology story for the year is our master data universe (MDU), which establishes a database of over 9.2 million unique ID numbers linked to past payment behaviour and contact details. The database is fully compliant with the Protection of Personal Information Act. We've built this database over time, drawing on internal and external sources, and keep the data current, relevant and accurate by constantly enriching it with the results of our campaigns and contact attempts as well as information from non-performing loan portfolios we acquire. The MDU also allows us to bid on non-performing loan portfolios coming to market with more confidence as we're able to more accurately assess their value, in terms of what we'll be able to collect. We anticipate that this database will create significant operational leverage for the business in years to come.

The integration of the MDU and predictive dialer, with planned workforce management enhancements to be implemented in the 2017 financial year, is expected to impact positively on both revenue and cost savings over the next year. We'll continue to look at other technology investments that can drive productivity and successful collections.

Q *How have recent regulatory developments regarding financial services providers impacted TCRS?*

In addition to the impacts of amended national credit regulations on our clients, two pieces of legislation we've been monitoring closely are around non-authenticated early debit orders (NAEDO) and emolument attachment orders. The effective date for the migration from NAEDO to authenticated collections has been delayed to October 2019. This change will require consumers to give permission for debit orders to be loaded against their account, which although justified in terms of preventing debit order fraud, may create an avenue for consumers to delay debt repayment by frustrating the authentication process.

TCRS welcomes the Constitutional Court ruling on 13 September 2016 regarding emolument attachment orders (EAOs). We have not initiated any new EAOs as a collection mechanism for more than two years, and at end September 2016 less than 0.2% of our revenue was generated from historical EAOs.

Q *Looking further ahead, what does the next year hold for TCRS?*

Technology will remain a major theme of our investments going forward. We constantly scan the horizon to get a sense of where things are going – if there is going to be disruption in our industry, we want to be at the forefront of that. Rich data for analytics, frictionless payment solutions and social media are areas we expect will continue to develop and present opportunities over the longer term, and we have been engaging with agile technology start-ups to see how we can further enhance our capabilities.

In terms of growing revenue from non-NCA clients, we've got the right people in place to grow into our target sectors, and I am confident we'll make strong progress in this regard in the year ahead. Our technology and data investments will enable us to grow revenue from our core client base, and we will focus on increasing revenue from the Tier 1 banks, where we have generally been underrepresented.

Of the three acquisitions that took place during the year, two are South African companies that will enhance our current offerings, and one is Australian, where applying our non-performing loan book buying capabilities represents a significant untapped opportunity. This business is already strong in agency collections, including in the insurance, telecommunications and utilities sectors, and we look forward to working with the existing management team to both enhance our domestic capabilities, and to augment their expertise with our technology and data capabilities.

Acquisitions for the year are discussed on page 24.

ACQUISITIONS

100% of recoveriescorp

75% of Roadcover

Majority share of the bean counter financial services

PERFORMANCE

FINANCIAL DIRECTOR'S REPORT

TRANSACTION CAPITAL'S OPERATIONS DELIVERED GRATIFYING FINANCIAL RESULTS DESPITE CHALLENGING MARKET CONDITIONS PERSISTING THROUGHOUT THE 2016 FINANCIAL YEAR. HEADLINE EARNINGS AND HEADLINE EARNINGS PER SHARE INCREASED BY 17% TO R458 MILLION AND 80.6 CENTS PER SHARE RESPECTIVELY. GROUP AND DIVISIONAL PERFORMANCE AND RETURN ON EQUITY ARE PRESENTED BELOW:

	SA Taxi	Transaction Capital Risk Services (TCRS)	Group
Growth in headline earnings	20%	25%	17%
Return on average equity (ROE)	25.5%	31.5%	16.9%

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

The financial tables and commentary in this report provide a comparison of the 2016 results and the 2015 published results, both of which have been prepared in accordance with IFRS 9. All 2014 comparative numbers in this report are pro forma, calculated as if IFRS 9 was adopted on 1 October 2013.

The condensed financial results of the group are included in the financial results section starting on page 102.

KEY PERFORMANCE HIGHLIGHTS

HEADLINE EARNINGS
R458 MILLION
↑ 17%
2015: R393 MILLION

HEADLINE EARNINGS PER SHARE
80.6 CENTS
↑ 17%
2015: 69.0 CENTS

RETURN ON AVERAGE EQUITY
16.9%
2015: 16.7%

TOTAL DIVIDEND PER SHARE
30.0 CENTS
↑ 36%
2015: 22.0 CENTS

TOTAL DIVIDEND COVER
2.7 TIMES
2015: 3.1 TIMES

FINANCIAL DIRECTOR'S REPORT *continued*

SUMMARISED DIVISIONAL REPORT

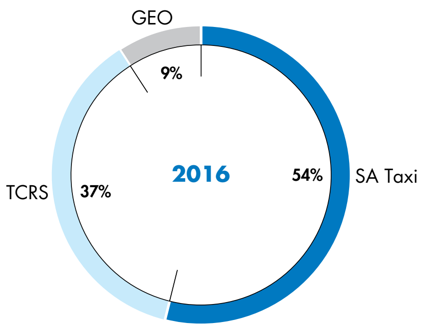
	SA Taxi	
	2016 Rm	2015 Rm
Condensed income statement for the year ended 30 September 2016		
Net interest income	**744**	672
Impairment of loans and advances	**(206)**	(233)
Non-interest revenue	**315**	242
Total operating costs	**(541)**	(445)
Non-operating profit	**–**	–
Equity accounted earnings	**–**	–
Profit before tax	**312**	236
Headline earnings attributable to equity holders of the parent	**249**	208
Condensed statement of financial position at 30 September 2016		
Assets		
Cash and cash equivalents	**761**	594
Loans and advances	**6 675**	5 703
Leased assets	**40**	–
Purchased book debts	**–**	–
Other investments	**477**	481
Other assets and receivables	**924**	750
Total assets	**8 877**	7 528
Liabilities		
Bank overdrafts	**173**	44
Interest-bearing liabilities	**6 482**	5 429
Group loans	**913**	1 019
Other liabilities and payables	**167**	134
Total liabilities	**7 735**	6 626
Total equity	**1 142**	902

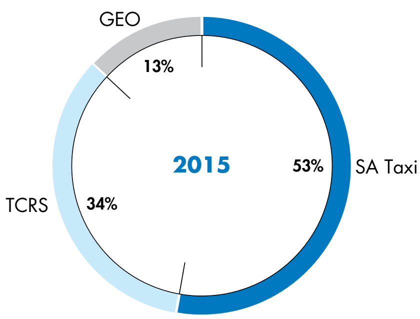
TCRS		Group executive office (GEO)		Group	
2016 Rm	2015 Rm	**2016 Rm**	2015 Rm	**2016 Rm**	2015 Rm
65	71	**70**	78	**879**	821
(3)	–	**–**	–	**(209)**	(233)
964	953	**–**	–	**1 279**	1 195
(796)	(845)	**(11)**	(5)	**(1 348)**	(1 295)
–	14	**–**	–	**–**	14
–	(3)	**–**	–	**–**	(3)
230	190	**59**	73	**601**	499
168	134	**41**	51	**458**	393
72	57	**443**	518	**1 276**	1 169
515	457	**–**	–	**7 190**	6 160
–	–	**–**	–	**40**	–
728	561	**–**	–	**728**	561
–	–	**–**	–	**477**	481
364	299	**92**	283	**1 380**	1 332
1 679	1 374	**535**	801	**11 091**	9 703
–	8	**–**	–	**173**	52
558	467	**437**	744	**7 477**	6 640
230	166	**(1 143)**	(1 185)	**–**	–
285	246	**11**	20	**463**	400
1 073	887	**(695)**	(421)	**8 113**	7 092
606	487	**1 230**	1 222	**2 978**	2 611

DIVISIONAL REVIEW

HEADLINE EARNINGS PER DIVISION

	Rm		Growth	Contribution	
	2016	2015	**2016**	**2016**	2015
SA Taxi	**249**	208	20%	**54%**	53%
TCRS	**168**	134	25%	**37%**	34%
GEO	**41**	51	(20%)	**9%**	13%
Total	**458**	393	17%	**100%**	100%
Cents per share	**80.6**	69.0	17%		





The composition of headline earnings following the three acquisitions in TCRS in the 2017 financial year will be more evenly weighted.

SA TAXI

FINANCIAL AND OPERATING PERFORMANCE

		2016	2015	Movement
Financial performance				
Headline earnings attributable to the group	Rm	**249**	208	20%
Non-interest revenue	Rm	**315**	242	30%
Net interest income	Rm	**744**	672	11%
Net interest margin	%	**11.1**	11.3	
Average cost of borrowing	%	**10.6**	10.0	
Credit performance				
Gross loans and advances	Rm	**7 151**	6 238	15%
Impairment provision	Rm	**(476)**	(535)	(11%)
Non-performing loan ratio	%	**17.4**	18.2	
Credit loss ratio	%	**3.1**	3.9	
Provision coverage	%	**6.7**	8.6	
Non-performing loan coverage	%	**38.3**	47.0	

SA Taxi is a vertically integrated minibus and metered taxi platform utilising specialist capabilities and enriched proprietary data to judiciously deploy developmental credit and allied business services to empower small- and medium-sized enterprises (SMEs), ensuring the sustainability of a fundamental mode of transport.

SA Taxi's strategic and operational results have translated into pleasing financial performance in 2016, with headline earnings attributable to the group increasing by 20% to R249 million.

SA Taxi's number of active loan clients increased by 2%. The total number of clients was impacted by the active wind-down of SA Taxi's loan portfolio of entry-level vehicles, together with constrained supply of new Toyota minibus taxis as a result of Toyota closing its local assembly facility for five months during the prior year to enable a full plant rebuild. Toyota supply subsequently normalised, with the number of active clients within the Toyota loan portfolio increasing by 9.2% for the year. Growth in gross loans and advances was further positively impacted by Toyota steadily increasing vehicle prices by 13.6% since 1 October 2015, resulting in 15% growth in SA Taxi's gross loans and advances for the year. SA Taxi's R7.2 billion loans and advances portfolio as at 30 September 2016 comprised 26 352 vehicles.

The net interest margin decreased marginally to 11.1%. SA Taxi's average cost of borrowing increased slightly by 60 basis points to 10.6%. This increase is attributable to the 100 basis point increase in the repo rate over the past 12 months, and an increased component of SA Taxi's funding being raised in foreign currency and fully hedged to the South African rand. In addition, with growing concerns of a potential downgrade of South Africa's credit rating, SA Taxi raised more than R3.5 billion of debt during the 2016 financial year, filling most of its annual debt requirements for the 2017 financial year but resulting in excess cash on hand and thus a negative cost of carry. To counter this, SA Taxi selected better quality clients, with the combined effect of the increased funding cost and reduced credit losses yielding an improved risk-adjusted net interest margin of 8.0%, compared to 7.4% in the prior year.

SA Taxi's credit loss ratio continued to improve to 3.1% for the year, compared to 3.9% for the prior year. SA Taxi is able to recover more than 72% of the loan value when re-selling repossessed vehicles, as the security value of a taxi vehicle is enhanced through SA Taxi's mechanical refurbishment centre; now one of the largest Toyota repair centres in Africa. The average cost to repair repossessed stock has continued to decrease due to further efficiencies achieved from SA Taxi's investment into its combined auto body repair and mechanical refurbishment centre, offset slightly by more expensive spare parts procurement as a result of the weaker rand. Further, a positive second-order effect of Toyota increasing new vehicle prices is that pre-owned minibus taxi vehicle prices follow a similar trend, increasing by 10.4% this year in SA Taxi's retail dealership.

The non-performing loan ratio continued to improve, reducing from 18.2% in the prior year to 17.4% due to a combination of continued strong collection performance, loans of superior credit quality being originated via its retail dealership and conservative credit granting criteria, which are continuously enhanced based on the analytics applied to SA Taxi's telematics data. This data is accumulated daily from each minibus taxi and applied to credit scorecards, route profitability assessments, collection strategies and insurance pricing.

A more conservative provisioning methodology against loans and advances was assumed during the 2015 financial year with the early adoption of IFRS 9. This accounting statement requires SA Taxi's loans and advances portfolio to be segregated based on expected credit risk/loss. A greater component of the portfolio is currently categorised as lower risk when compared to the prior year (70.5% currently in the lowest risk stage (being stage 1), versus 68.6% at 30 September 2015), which is driven by SA Taxi's record collection levels, lower non-performing loans and lower credit losses. Due to this, SA Taxi's provision coverage has reduced but remains adequate as evidenced by the better-quality loans and advances portfolio. With provision coverage levels at 6.7%, SA Taxi's after tax credit loss remains conservatively covered at 3.1 times (2015: 3.1 times).

CREDIT PROFILE OF LOANS ON BOOK

AVERAGE LOAN TERM
67 MONTHS

MINIMUM MONTHLY PROFIT OF SME (PER VEHICLE)
>R6 000

AVERAGE DEPOSIT ON NEW VEHICLES
17.3%

WEIGHTED AVERAGE INTEREST RATE AT ORIGINATION
25.2%

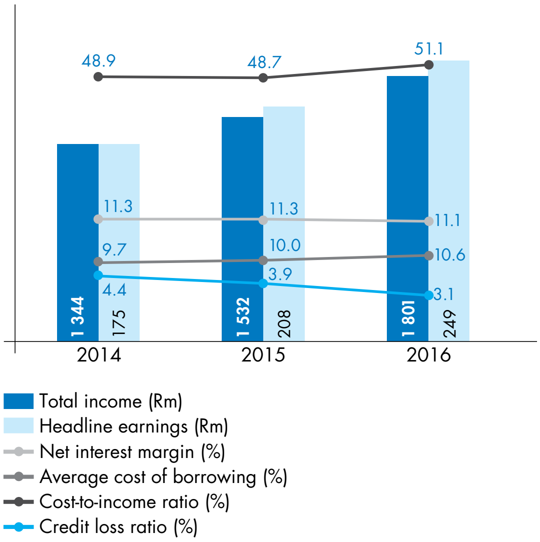
WEIGHTED AVERAGE REMAINING TERM
44 MONTHS

AVERAGE APPROVAL RATE
59%

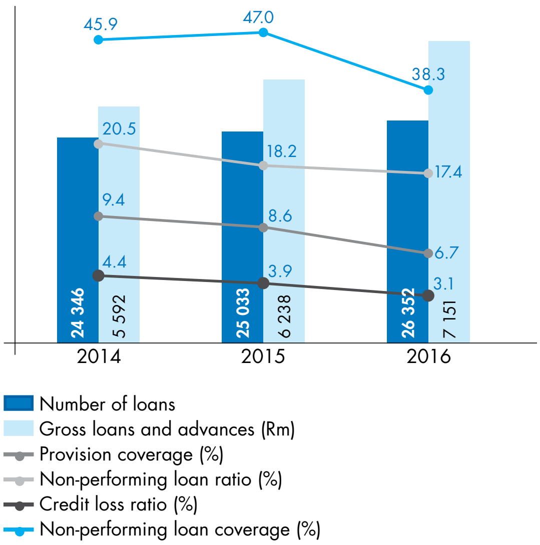
AVERAGE EMPIRICA SCORE
602

FINANCIAL DIRECTOR'S REPORT *continued*

FINANCIAL PERFORMANCE



CREDIT PERFORMANCE



SA Taxi's financial and operational risk exposure to entry-level vehicles has significantly reduced, supporting the higher credit quality of its portfolio. Entry-level vehicles now account for less than 1.0% of the value of SA Taxi's loan portfolio.

In line with SA Taxi's strategic objective to achieve deep vertical integration within South Africa's taxi industry, it continues to uplift, diversify and enhance its non-interest revenue. The component of SA Taxi's earnings derived from non-interest revenue increased by 30% to R315 million. This was mainly achieved through:

> Direct sales via SA Taxi's retail dealership:
SA Taxi's retail dealership is considered to be one of the largest dedicated taxi dealerships in South Africa selling Toyota, Nissan and Mercedes minibuses, and bespoke Toyota Corolla metered taxi vehicles. A second dealership in KwaZulu-Natal selling pre-owned vehicles only has been piloted, with a further dealership in Polokwane currently under consideration. SA Taxi anticipates selling, financing and insuring more than 2 600 vehicles per year directly via its retail dealerships, which will constitute approximately 30% of the vehicles financed by SA Taxi. The profitability of vehicles financed directly through SA Taxi's dealership outstrips the profitability of loans originated through other sales channels (being affiliated and non-affiliated dealerships). This can be ascribed to a greater proportion of non-interest revenue earned (being product margin and insurance revenue) and better loan performance.

> SA Taxi's short-term insurance activities:
SA Taxi requires its financed minibus taxis to be fully insured, and has thus designed a bespoke insurance product to meet its taxi clients' specific needs, including comprehensive vehicle cover as well as passenger liability and business interruption cover. As at 30 September 2016, 84.5% of SA Taxi's financed portfolio was insured directly through SA Taxi, with an additional 3 756 insurance policies taken up by non-financed clients. SA Taxi is responsible for distributing the insurance product, collecting premiums and managing claims. Given these responsibilities, SA Taxi participates in the underwriting profits associated with this insurance business.

> Metered taxis:
Zebra Cabs commenced operations in Gauteng during the 2016 financial year, operating approximately 260 metered taxis on its platform at the end of the financial year. Zebra Cabs contributed slightly towards SA Taxi's non-interest revenue growth for the year.

SA Taxi's investment into its retail dealership, insurance businesses and Zebra Cabs, and the establishment of its auto body repair centre, contributed to an increase in the cost-to-income ratio to 51.1%, from 48.7% in the prior year.

With positive growth in gross loans and advances, improving credit performance, strong growth in non-interest revenue and a marginally increasing cost-to-income ratio, it is evident that SA Taxi's credit, operational and financial performance remained robust in the 2016 financial year.

TRANSACTION CAPITAL RISK SERVICES

FINANCIAL AND OPERATING PERFORMANCE

		2016	2015	Movement
Financial performance				
Headline earnings	Rm	**168**	134	25%
Non-interest revenue	Rm	**964**	953	1%
Total costs	Rm	**796**	845	(6%)
Cost-to-income ratio	%	**77.4**	82.5	
Return on sales	%	**15.3**	13.1	
Purchased book debts				
Number of purchased book debts acquired	Number	**13**	7	86%
Value of purchased book debts acquired	Rm	**184**	166	11%
Purchased book debts	Rm	**728**	561	30%
Estimated remaining collections (ERC)	Rm	**1 313**	1 034	27%
Asset turnover ratio	%	**71.1**	71.7	

TCRS is a technology-led, data-driven provider of customer management and capital solutions through a scalable and bespoke platform, enabling its clients to mitigate risk through their customer engagement lifecycle.

In the context of a challenging operating environment, it is pleasing to report that TCRS grew headline earnings by 25% to R168 million in the 2016 financial year. Operational leverage was achieved as total operating costs across TCRS reduced by 6%, with return on sales increasing to 15.3% from 13.1% in the prior year.

TCRS's ability to grow agency revenue and generate returns from acquired non-performing loan portfolios has remained constrained during the year, mainly caused by negative key economic indicators such as increased inflation, increased interest rates, low economic growth and static employment rates, all contributing to increased financial pressure on an already distressed and vulnerable consumer credit sector. Thus, TCRS's non-interest revenue grew by 1%, impacted mainly by modest growth in both agency collections and principal collections in particularly difficult trading conditions, as well as revenue contraction at Principa. Earnings from the Transaction Capital Business Solutions division (previously Rand Trust) were only marginally higher this year, as management maintained credit risk at acceptable levels by targeting better quality SME clients and thus yielding high quality earnings.

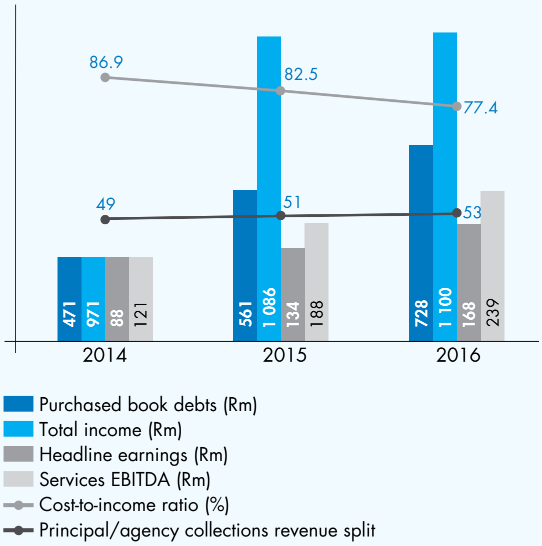
However, TCRS is a defensive business intentionally positioned to withstand difficult economic conditions. In this environment, TCRS can apply its strong balance sheet and extensive data towards the selective acquisition of an increased number of non-performing loan portfolios available for purchase from clients who require an immediate recovery of non-performing loans in this difficult consumer credit market. In total, 13 new portfolios were purchased during the 2016 financial year for R184 million. TCRS has also initiated exclusive negotiations for the structured and ongoing sales of portfolios with several of its larger clients.

TCRS owns 167 principal portfolios valued at R728 million as at 30 September 2016, increasing by 30% from R561 million in the prior year. The asset turnover ratio remains high at levels greater than 70%, with estimated remaining collections increasing to R1 313 million, from R1 034 million as at 30 September 2015. Thus recent successful book acquisitions are expected to deliver positive future performance.

In this depressed consumer economy, TCRS is able to take advantage of its strong market position and reputation to further service existing and new clients who are displaying increased demand for collection and related credit risk management services. In 91% of its 254 mandates, TCRS continues to be the top or second ranked recoveries agent. As a result, TCRS enjoys deep penetration into the credit retail and specialist lending segments of its market, and aims to increase revenue from the Tier 1 banks where its penetration has been disproportionately lower. TCRS is also well positioned to assist municipalities in enhancing the collection of both their performing and non-performing loan portfolios and remains cautiously optimistic about its prospects in this market.

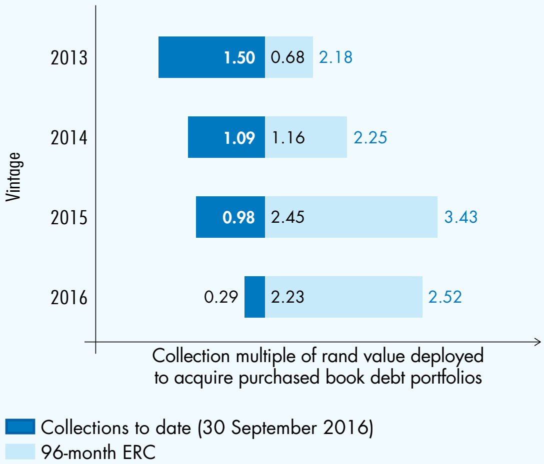
FINANCIAL DIRECTOR'S REPORT *continued*

FINANCIAL PERFORMANCE



PURCHASED BOOK DEBT PERFORMANCE

Estimated remaining collections (ERC)
Vintage performance as at 30 September



Further, after a successful pilot earlier in the year, an enhanced predictive dialer was implemented alongside the existing preview dialer in the Johannesburg, Durban and Cape Town call centres in July 2016, resulting in increased call centre activity, improved right party contact and an associated increase in payments. Future technological enhancements are expected to create significant operational leverage in the years to come. This, together with other aggressive cost containment initiatives, contributed to an improved cost-to-income ratio of 77.4% from 82.5%.

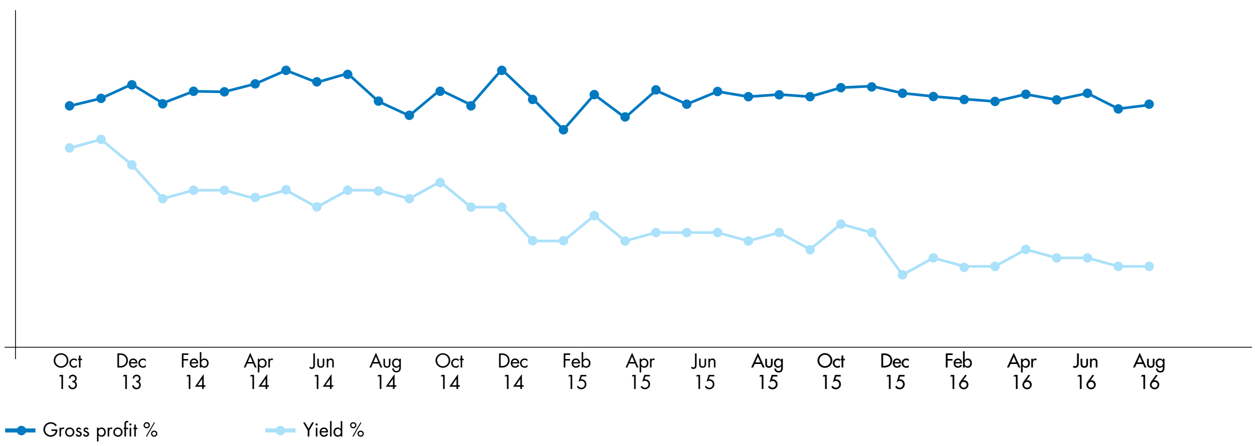
While the deadline for migration from non-authenticated early debit orders (NAEDO) to authenticated collections was originally set by regulators for 1 October 2016, the implementation of this legislation has been delayed and is to be phased in up until October 2019. In addition, TCRS welcomes the Constitutional Court judgment on 13 September 2016 regarding emolument attachment orders (EAOs) and as a matter of policy does not initiate new EAOs as a collection mechanism. Previously EAOs were only used as a last resort, with less than 0.2% of TCRS's revenue at 30 September 2016 being generated from historical EAOs.

The strength of TCRS's services was reaffirmed in 2016 with Global Credit Ratings Co. (GCR) upgrading the primary and special servicer ratings assigned to Transaction Capital Recoveries (previously MBD) to SQ1-(ZA) and SQ1(ZA) respectively; with the outlooks accorded as stable.

GROUP EXECUTIVE OFFICE

The group executive office contributed R41 million to the group's headline earnings in the 2016 financial year, a decrease of 20% from the 2015 financial year, largely due to lower interest earned on cash on hand after the scheduled receipt of the R215 million vendor loan from Bayport as part of the sale of that business during 2014.

PRINCIPAL BOOKS YIELD PERFORMANCE (%)



TCRS's defensive business model produces steady returns in an environment of falling yields.

CAPITAL MANAGEMENT

FUNDING

Transaction Capital, as a non-deposit taking financial services business, relies on a proven wholesale funding model. Transaction Capital believes 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 debt capital investors. The group continued to raise its funding from diversified sources both locally and internationally. Local funding sources comprise debt capital market issuances, banks, Development Finance Institutions (DFIs) and impact investor funding. International funding is raised from commercial funders, foreign DFIs, impact investors and commercial funders.

With growing concerns regarding a potential downgrade of South Africa's credit rating, Transaction Capital intensified its fundraising activities during the year and the group continued to find strong support, accessing approximately R4.6 billion in debt from over 20 institutions. The substantial diversification of debt investors as well as a number of recurring investments from existing debt investors is illustrative of funders' recognition of the group's strong performance and risk-adjusted returns.

SA Taxi successfully returned to the local listed debt capital markets during November 2015 and August 2016 with issuances of listed, S&P Global-rated notes via the asset-backed note programme of Transsec 2 (RF) Ltd, raising over R800 million on a cumulative basis with six new investors participating. In October 2016, S&P Global performed their annual review of the Transsec 1 structure, upgrading the ratings on the class B notes (from zaAA to zaAA+), class C notes (from zaA to zaA+), and class D notes (from zaBBB- to zaBBB+), and reaffirming the ratings on the class A notes (zaAAA). The improvement in credit ratings correlates to the strong performance of SA Taxi.

Transaction Capital Business Solutions (TCBS) and Transaction Capital Recoveries both secured additional term facilities which will be drawn down over the relevant availability periods. Notably, TCBS secured investments from two new funders, one of which is an international DFI and the other a local impact investment fund.

In line with Transaction Capital's strategy to diversify its funding structures and instruments, Transaction Capital received formal approval from the JSE Limited to list its R2 billion Domestic Note Programme (Programme). As guarantor under the Programme, Transaction Capital has been awarded an A- (Long Term, National Scale) and A1- (Short Term, National Scale) credit rating from GCR. The Programme will enable Transaction Capital to further diversify its sources of funding by accessing new capital pools at competitive rates to fund both organic and acquisitive growth opportunities. The Programme is anticipated to launch its debut issuance during the course of 2017, subject to business requirements and market conditions.

Pressure in the corporate credit market remains a concern, in light of the macro-economic backdrop. This has, however, largely been offset by a general lack of supply of corporate paper in the market resulting in demand for issuers such as the Transaction Capital group being robust.

Political risks both within and outside South Africa could still contribute to further market volatility. In particular, the impact on the exchange rate and sovereign credit ratings could negatively affect fundraising activities, especially in the international market. It is for this reason that SA Taxi has been proactive in securing a significant pipeline from international funders during the year, leaving the business in a very healthy position for the foreseeable future. Although the market has had its difficulties, Transaction Capital has enjoyed uninterrupted access to both local and international funding pools and has already satisfied most of its funding requirements for the 2017 financial year.

LOOKING FORWARD

Transaction Capital has a structured, well-articulated and agile funding strategy. The overall objective of the funding strategy is to ensure that the group raises diversified funding while maintaining acceptable funding costs and minimising liquidity, interest rate and foreign exchange risk. In ensuring successful implementation of the funding strategy Transaction Capital focuses on the following philosophy:

INNOVATION IN FUNDING

Innovation is encouraged to cultivate unorthodox thinking and develop pioneering funding solutions.

Transaction Capital's approach to funding seeks:

Diversified and engaged debt investors

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

Judicious risk mitigation

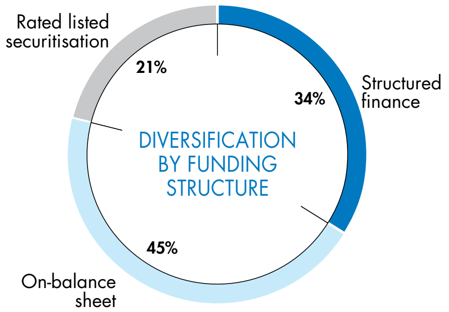
- Positive liquidity management between asset and liability cash flows
- No exposure to overnight debt instruments and limited exposure to short-term instruments
- No exposure to currency risk and effective management of interest rate risk
- Minimising roll over risk

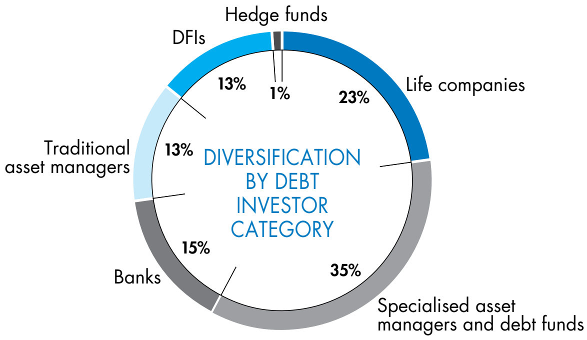
Optimal capital structures

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

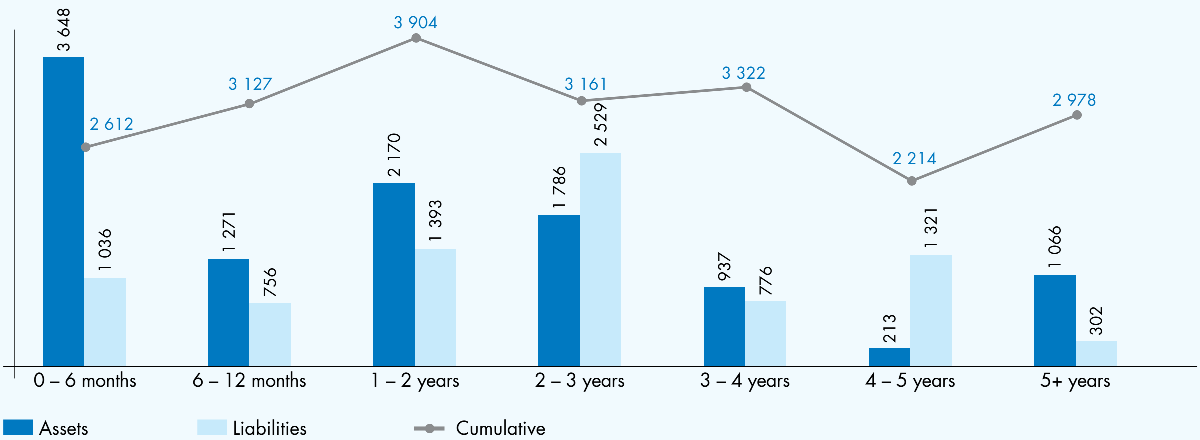
FINANCIAL DIRECTOR'S REPORT *continued*

Over the next five years, the anticipated funding requirements for the group amount to approximately R15 billion. Transaction Capital has developed a robust long-term funding strategy to ensure these requirements are met.





POSITIVE LIQUIDITY MISMATCH (Rm)

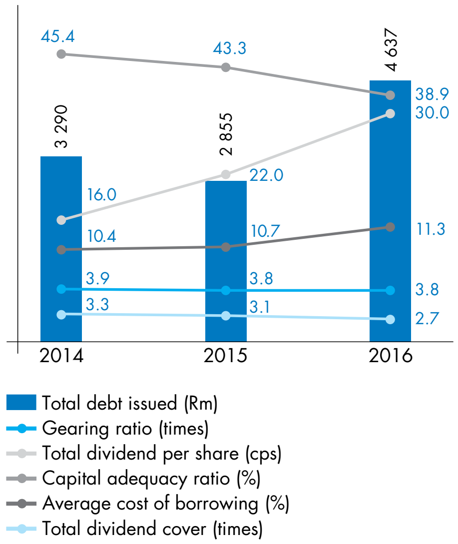


CAPITAL

Transaction Capital's balance sheet remained well capitalised, liquid and net ungeared at a holding company level. Capital adequacy levels at 30 September 2016 remained high at 38.9%:

		2016	2015	Movement
Capital adequacy ratio				
Equity	Rm	**2 978**	2 611	14%
Subordinated debt	Rm	**965**	1 194	(19%)
Total capital	Rm	**3 943**	3 805	4%
Less: Goodwill	Rm	**(200)**	(197)	2%
Total capital less goodwill	Rm	**3 743**	3 608	4%
Total assets less goodwill and cash and cash equivalents	Rm	**9 615**	8 337	15%
Capital adequacy ratio	%	**38.9**	43.3	
Equity	%	**28.9**	29.0	
Subordinated debt	%	**10.0**	14.3	

CAPITAL PERFORMANCE



Subsequent to the financial year-end, Transaction Capital deployed in excess of R500 million in the acquisition of Australian-based Recoveries Corporation Group Limited (Recoveries Corporation) as well as RC Value Added Services (Pty) Ltd (Road Cover) and The Beancounter Financial Services (Pty) Ltd (The Beancounter). After these acquisitions, the group remains appropriately capitalised with approximately R300 million liquid cash on its balance sheet to fund organic and acquisitive growth, over and above the available funding discussed above.

EQUITY

Transaction Capital's dividend policy has been amended to a reduced cover ratio of 2.5 to 3 times, from 3 to 4 times previously. This change has been implemented due to the higher quality of earnings as evidenced by lower balance sheet risk, the stable capital requirements of the group, and the ungeared position of the holding company, which have all allowed for a higher sustainable dividend policy going forward.

The board approved and declared a final dividend of 18 (2015: 12) cents per share on 22 November 2016, bringing the total dividend declared for the year to 30 (2015: 22) cents per share. The dividend is declared out of income reserves. Dividend cover of 2.7 times is in line with the group's revised dividend policy.

Return on equity improved to 16.9%, driven by higher headline earnings and effective but conservative capital deployment. Generating an appropriate risk-adjusted return on the capital deployed within the divisions remains a key strategic objective, which has been enhanced by the deployment of excess capital.

ACCOUNTING POLICIES AND ESTIMATES

It is Transaction Capital's objective to ensure that appropriate, understandable and sustainable accounting policies are adopted and implemented, that are aligned with the group's commercial realities, risks and strategies to the greatest extent possible. There were no significant changes in accounting policies during the year under review. Accounting estimates have also been assessed for appropriateness and validity.

AUDIT REPORT

In terms of the International Auditing and Assurance Standards Board (IAASB), new reporting requirements for the external audit report will be applicable for years ending on or after 15 December 2016. Transaction Capital has elected to early adopt this requirement, with the auditors reporting their audit opinion per the updated standards. The auditors issued an unmodified audit opinion for the financial period. Refer to the 2016 annual financial statements for more detail.

SUBSEQUENT EVENTS

The following events have taken place between 30 September 2016 and the date of the release of this report and may have a material impact on either the financial position or operating results of Transaction Capital:

> Refer to the chairman's report (page 74) regarding the specific issues for shares for cash to JMR Holdings (Pty) Ltd.

> On 20 October 2016, shareholders approved the conditional share plan, the first issue of which was granted to participants on 22 November 2016.

> On 13 November 2016, the company signed a share sale agreement to acquire 100% of Recoveries Corporation for AUD33 million with an additional AUD10 million payable within 18 months, subject to performance conditions. Refer to the announcement released on SENS on 14 November 2016 for more detail.

> During November 2016, Transaction Capital concluded agreements to acquire a controlling interest in Road Cover and a majority share in The Beancounter. Refer to the announcement released on SENS on 22 November 2016 for more information.

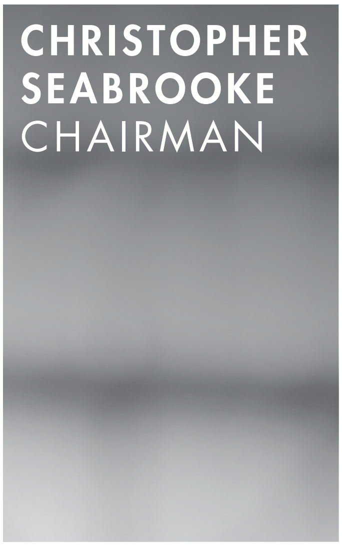
APPRECIATION

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

RONEN GOLDSTEIN
24 January 2017

GOVERNANCE

CHAIRMAN'S REPORT



INTRODUCTION

The 2016 financial year was characterised by heightened concerns regarding South Africa's economic potential and socio-political stability, with the concomitant risk of a sovereign ratings downgrade a central theme of national discourse. Systemically, employment levels remain low with little or no real wage growth, with consumers and smaller businesses being most vulnerable to the effects of inflationary pressures and currency volatility.

In this environment, Transaction Capital's divisions again demonstrated the resilience afforded by their defensive positioning, with the group achieving headline earnings growth of 17% to R458 million. In anticipation of the potential deterioration in South Africa's credit rating, the group was successful in securing the funding required to drive growth and enhance the competitive position of its divisions, while at the same time continuing to diversify its funding base.

Transaction Capital has made strong progress in enhancing the organic growth potential of its divisions, within both existing and adjacent market segments, and announced three strategic acquisitions that will augment its capabilities and give effect to the group's ambition to expand internationally.

These initiatives are discussed in the divisional reviews (pages 42 to 57), the strategy section on page 24 and in the CEO's report on page 30.

GOVERNANCE AND ORGANISATIONAL CHANGES

On 1 August 2016, Mark Herskovits assumed the role of capital management executive for Transaction Capital, having served as group chief financial officer since January 2014. Mark will be exclusively responsible for Transaction Capital's funding and capital markets engagements, with a predominant focus on SA Taxi. Mark will remain an executive director of Transaction Capital and a member of the group's asset and liability committee (ALCO). With effect from 1 August 2016, Ronen Goldstein was appointed as financial director of Transaction Capital.

The board welcomed two new independent non-executive directors in the year. Moses Kgosana, appointed to the board on 14 March 2016, brings over 34 years of accounting, audit and advisory experience to the board, and chairs the group's audit, risk and compliance committee. On 1 August 2016, Kuben Pillay was appointed to the board, bringing a wealth of business experience. Kuben has served as chief executive officer and non-executive chairman of the Primedia Group, and was a founding executive of the Mineworkers Investment Company Proprietary Limited. The board looks forward to the contributions of its new directors.

David Woollam, who has served on the board since February 2012, and Dumisani Tabata, who has served on the board since February 2010, have indicated that they will not be available for re-election at the next annual general meeting. The board thanks them both for their valuable contribution to the board, and wish them well in their future endeavours.

On 1 April 2016, Transaction Capital's ALCO was constituted as a formal committee of the Transaction Capital board. The ALCO, elevated from its previous status as a management committee, will continue to oversee and monitor the activities and risks arising from the management of Transaction Capital's assets and liabilities.

The annual performance evaluation of the board, conducted in November 2016, reaffirmed the effectiveness of the board in its direction of the group.

The governance report starting on page 76 provides more information on the findings of the evaluation and the activities of the board in the year.

The King IV Report on Corporate Governance, released in November 2016, further advances South Africa's leadership in corporate governance and places the spotlight firmly on ethical and effective leadership. Transaction Capital is in the process of performing a gap analysis against King IV, and will aim to adopt King IV in the next financial year, to the extent possible.

SHAREHOLDING

The restructure of shareholding was approved by shareholders at the general meeting on 20 October 2016, resulting in JMR Holdings Proprietary Limited, a company controlled by Transaction Capital's founding shareholders, now owning approximately 43.5% of the company. This increased investment and commitment of the founding shareholders will facilitate continued confidence in Transaction Capital, thus enhancing its debt and equity capital market activities and ability to attract and retain management talent and skills.

The implementation of the Transaction Capital Limited Conditional Share Plan (CSP) was also approved by shareholders at the same meeting on 20 October 2016. The CSP strengthens Transaction Capital's ability to attract and retain key employees while providing them with the opportunity to share in the success of the relevant division in which they are employed, and creates alignment between their interests and that of shareholders.

CONCLUSION

Transaction Capital's intentional positioning in market segments perceived to be of higher risk, and its ability to apply its specialist capabilities to mitigate this risk and to create an avenue for providers of capital to invest in niche asset classes, are defining features that will continue to serve the group well even as challenging economic conditions persist.

The management team of Transaction Capital have the depth of skill, entrepreneurial flair and sense of strategic clarity to conduct the business of the group in a manner that will continue to create value for its stakeholders. I extend my appreciation to the group's leadership, and thank the board for their ongoing guidance and commitment. I also thank our bankers, funders and advisers for their continued support.

GOVERNANCE REPORT

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

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

The board is responsible for strategic direction and sets the group's values and ethics charter. The group's values, set out on page 10, 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.

BOARD OF DIRECTORS

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

The board is responsible for appointing the chief executive officer (CEO) and for monitoring his management of the performance of Transaction Capital's assets and resources against approved strategic and financial objectives.

The board 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 group, 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 risk report starting on page 82.

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

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 effectively during the year under review.

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 confirm that the company has complied with the principles as set out in King III, with one partial compliance area noted as follows:

> *Principle 9.3 Sustainability reporting and disclosure should be independently assured.*

Although a process for independent assurance of sustainability-related information and disclosure has not been implemented, a sustainability policy has been approved by the board and adopted by the group. In addition, the ARC committee oversees the preparation of the Integrated Annual Report, with certain sections being reviewed by the external and internal auditors where appropriate. External verification will be sought at an appropriate time.

The King Committee published the final King IV Report on Corporate Governance for South Africa (King IV) on 1 November 2016. King IV replaces King III in its entirety. King IV is effective in respect of financial years commencing on or after 1 April 2017. Transaction Capital is in the process of performing a gap analysis and will aim to adopt King IV in the next financial year, to the extent possible.

GOVERNANCE AND COMPLIANCE FRAMEWORK

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

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

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

BOARD APPOINTMENTS, EVALUATIONS AND PROCESSES

Transaction Capital's board comprises the following members:

INDEPENDENT NON-EXECUTIVE DIRECTORS

> Christopher Seabrooke (chairman)
> Phumzile Langeni
> Dumisani Tabata
> David Woollam
> Moses Kgosana (appointed 14 March 2016)
> Kuben Pillay (appointed 1 August 2016)

Shaun Zagnoev resigned as an independent non-executive director on 8 December 2015.

NON-EXECUTIVE DIRECTOR

> Roberto Rossi

EXECUTIVE DIRECTORS

> David Hurwitz (CEO)
> Ronen Goldstein (financial director) (appointed 1 August 2016)
> Mark Herskovits (executive director: capital management) (appointed 1 August 2016, previously group chief financial officer)
> Jonathan Jawno (executive director)
> Michael Mendelowitz (executive director)

From 1 August 2016, Mark Herskovits was appointed as capital management executive for the Transaction Capital group, in which position he is responsible for Transaction Capital's funding and capital markets engagements, with a predominant focus on SA Taxi. Mark remains an executive director of Transaction Capital and a member of the group's asset and liability committee (ALCO). With effect from that date, Ronen Goldstein was appointed as the financial director of Transaction Capital.

Refer to page 36 for the biographies of group directors.

In compliance with King III, Transaction Capital's board for the period covered by this report comprised of 12 directors, being:

> Seven non-executive directors (six of whom are independent); and
> Five executive directors.

David Woollam and Dumisani Tabata will not be available for re-election at the company's forthcoming annual general meeting (AGM). As a result, they will respectively resign from such date. To augment the board's skillset, and in line with Transaction Capital's gender diversity policy, the company is pleased to announce the appointment of Funke Ighodaro to the board effective from 1 April 2017.

Following the above-mentioned changes, the board will comprise six non-executive directors (five of whom are independent) and five executive directors.

CHAIRMAN

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

CHIEF EXECUTIVE OFFICER

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

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

FINANCIAL DIRECTOR

As described on page 77, and in line with the group's succession planning, Ronen Goldstein was appointed as financial director of Transaction Capital with effect from 1 August 2016. The ARC committee as well as the board are satisfied with the financial director's qualifications, experience and competence to fulfil this role. The finance function was assessed as adequate by the ARC committee for the full financial period.

COMPANY SECRETARY

With effect from 1 August 2016, Statucor Proprietary Limited (Statucor) replaced Ronen Goldstein as company secretary. The board is satisfied with the qualifications, experience and competence of Statucor as a provider of company secretarial services.

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

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

The board has considered the consultants, shareholders and board of Statucor, and is satisfied that an arm's length relationship is maintained between itself and Statucor.

SKILL, EXPERTISE AND EXPERIENCE REQUIREMENTS

The directors bring independent judgement and experience to the board's deliberations and decisions. Non-executive directors are chosen based on the appropriateness of their business skills and expertise to the strategic direction of the group. The nominations committee and the board take into account the diversity of academic qualifications, technical expertise, industry knowledge, experience, business acumen, race and gender when board appointments are considered.

In addition to the above, Transaction Capital supports the principles and aims of gender diversity at board level. Transaction Capital has adopted a gender diversity policy, whereby it voluntarily targets employing at least two women directors at board level. With the appointment of Funke Ighodaro to the board effective 1 April 2017, the above voluntary targets will be met. The nominations committee will assess the set targets and fulfilment thereof annually.

APPOINTMENT AND INDUCTION PROCESS

The nominations 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 Transaction Capital through a formal induction programme, which is the responsibility of the company secretary and/or financial director, and consists of an information pack, detailed discussions on the environment and operations of each of the major businesses 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 Transaction Capital's expense, after consultation with the chairman. In addition, directors have unrestricted access to the group's auditors and professional advisers, and to the advice and services of the company secretary.

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

ASSESSMENT OF THE EFFECTIVENESS OF THE BOARD, ITS COMMITTEES AND THE COMPANY SECRETARY

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

Based on the annual evaluations undertaken during November 2016, the board is satisfied that:

> All directors are committed to their roles and are performing to acceptable standards.

> The board and its committees are effective and operating to an appropriate standard.

> The group's risk management processes are operating effectively.

> All directors and committee members have the appropriate qualifications, experience and skills required to fulfill the respective committee's mandate.

> Independent non-executive directors meet the criteria for independence in terms of King III.

> The expertise, performance and experience of the chairman, CEO, financial director and the company secretary are adequate.

SUCCESSION PLANNING

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

BOARD SUB-COMMITTEES

The governance function of the board sub-committees is outlined in the respective approved committee terms of reference. A brief description of each committee's mandate can be found at www.transactioncapital.co.za.

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

BOARD SUB-COMMITTEES

	NOMINATIONS[1]	REMUNERATION[1]	SOCIAL AND ETHICS	AUDIT, RISK AND COMPLIANCE[1]	ASSET AND LIABILITY[1]
Chairperson	Christopher Seabrooke[2]	Dumisani Tabata[2]	Phumzile Langeni[2]	Moses Kgosana[2]	David Woollam[2]
Members	Dumisani Tabata[2] Roberto Rossi[3]	Christopher Seabrooke[2] Kuben Pillay[2] Jonathan Jawno[4]	David Hurwitz[4] Ronen Goldstein[4]	Phumzile Langeni[2] Christopher Seabrooke[2] David Woollam[2]	Christopher Seabrooke[2] David Hurwitz[4] Mark Herskovits[4] Jonathan Jawno[4]
Functions managed	> People > Succession	> People > Remuneration	> Transformation > Sustainability > Ethics	> Accounting/tax/compliance > Information technology > Internal audit > Risk > Credit	> Funding > Capital
Number of meetings per year	At least two	At least two	At least two	At least three	At least four
Composition	Non-executive directors, the majority of whom are independent. The chairperson is the independent non-executive chairman of the board.	A majority of independent non-executive directors.	The chairperson is an independent non-executive director.	Independent non-executive directors.	Includes independent non-executive directors as necessary.

1 Note proposed changes below 2 Independent non-executive director 3 Non-executive director 4 Executive director

As a result of the forthcoming board changes described above, the following committee appointments and/or changes will be made effective from the AGM and the appointment of Funke Ighodaro:

> Kuben Pillay will be appointed as chairman of the remuneration committee.

> Kuben Pillay will be appointed to the nominations committee.

> Funke Ighodaro will be appointed as a member of the ARC committee and ALCO.

> David Hurwitz will be appointed as the chairman of ALCO.

BOARD MEETINGS

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

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

Board and committee meeting attendance in the year under review was as follows:

		Independent board[1]	Board	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
Number of meetings held for the year		**2**	**5**	**3**	**2**	**3**	**2**	**3**
Board member	**Status**							
Christopher Seabrooke	Independent non-executive	2	5	3	2	3	–	3
Phumzile Langeni	Independent non-executive	2	5	3	–	–	2	–
Dumisani Tabata	Independent non-executive	2	4	–	1	2	–	–
David Woollam	Independent non-executive	1	4	2	–	–	–	2
Moses Kgosana[2]	Independent non-executive	–	3	3	–	–	–	–
Kuben Pillay[3]	Independent non-executive	2	3	–	–	3	–	–
Roberto Rossi	Non-executive	–	4	–	2	2*	–	–
David Hurwitz	Executive	–	5	3*	2*	3*	1	3
Mark Herskovits	Executive	–	4	–	–	–	1	2
Jonathan Jawno	Executive	–	5	3*	2*	3	–	3
Michael Mendelowitz	Executive	–	5	–	2*	3*	–	–
Ronen Goldstein	Executive	2	5	3*	2*	3*	2	3*
Statucor	Company secretary[4]	2*	3*	2*	–	–	–	–

* *Invitee*

1 *The independent board was constituted to assess the fairness of the JMR restructure transaction described in the chairman's report starting on page 74.*

2 *Appointed as an independent non-executive director on 14 March 2016 and attended all relevant meetings since date of appointment.*

3 *Appointed as an independent non-executive director on 1 August 2016 and attended all relevant meetings since date of appointment.*

4 *Ronen Goldstein was company secretary until 31 July 2016, after which date he was replaced by Statucor.*

COMPLIANCE

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

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

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

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

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

The businesses affected by proposed new legislation have actively engaged legal counsel to garner advice on the application and implementation thereof and the potential effect on their respective businesses. No fines or non-monetary sanctions for non-compliance were levied against any business in the group during the year.

REGULATORY ENVIRONMENT

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

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

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

Transaction Capital Limited (the legal entity) does not employ any employees, and as such no employment equity statistics for this entity have been included in this report.

INTERNAL AUDIT

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

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

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

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

ETHICS

The Transaction Capital ethics charter requires all group operations to conduct their business with honesty and integrity, and in accordance with the highest legal and ethical standards.

The charter aligns the requirements for ethical conduct with the group's key principles and values, guiding stakeholders in how to act in accordance with these values.

The board reviews the charter annually, which is supported by a group ethics strategy, awareness framework and governance policies. Transaction Capital has an independent whistle blowing hotline operated by an external service provider. Reports can be made anonymously through the hotline and reports are directed to the group ethics officer 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.

RISK REPORT

TRANSACTION CAPITAL'S PRIMARY RISK EXPOSURES ARISE FROM GENERAL CONDITIONS IN THE FINANCIAL SERVICES SECTOR, THE GROUP'S BUSINESS OPERATIONS AND TO A LESSER EXTENT THE MACRO-ECONOMIC ENVIRONMENT.

For more on regulatory developments impacting the financial services environment in which the group operates, see the CEO's report starting on page 30.

For an overview of funding markets, see the financial director's report starting on page 60.

For more on the macro-economic environment and its impact on the group, see the CEO's report starting on page 30.

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

For more on credit performance, see page 88 of this report.

APPROACH TO RISK MANAGEMENT

Transaction Capital defines risk as uncertain future events that could influence its ability to achieve its objectives. Risk is quantified by the combination of the probability of an event occurring and the consequence thereof.

Risk is a condition in which the possibility of loss is inextricably linked to uncertainty. Thus a detailed framework for managing risk is required to facilitate rational decision-making under uncertain circumstances.

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

Risk tolerances are determined by each of the group's divisions and approved and monitored by the audit, risk and compliance (ARC) committee.

RISK FRAMEWORK AND THE GOVERNANCE OF RISK

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

In terms of the enterprise-wide risk management framework, the board itself retains responsibility for monitoring reputational and sustainability risk, 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 the risk categories that comprise the group's risk universe. These risk categories, and the respective committees to which oversight responsibility is mandated, are illustrated on the next page.

Risk universe

REMUNERATION COMMITTEE
People and remuneration risk

ASSET AND LIABILITY COMMITTEE
Funding and capital risk

BOARD
Reputational, sustainability, strategic, new business and acquisition risk

AUDIT, RISK AND COMPLIANCE COMMITTEE
Accounting, tax, compliance, information technology, internal audit and credit risk

NOMINATIONS COMMITTEE
People and succession risk

SOCIAL AND ETHICS COMMITTEE
Transformation, sustainability and ethics risk

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

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

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

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

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

SIMPLIFIED RISK FRAMEWORK

OBJECTIVE ESTABLISHMENT

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

RISK IDENTIFICATION

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

RISK QUANTIFICATION

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

RISK MITIGATION

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

DETERMINATION OF ADDITIONAL CAPITAL HELD FOR RISK PURPOSES

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

TOP RISKS

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

RISK 01

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

STAKEHOLDER CONCERNS

> Transaction Capital's ability to effectively and efficiently respond to regulatory uncertainty and change.

> The impact of regulatory uncertainty and change on the sustainability of the business.

MITIGATION

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

Refer to the CEO's report on page 30 for further detail on regulatory risk management.

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

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

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

RISK 02

Funding and capital risk, including a challenging debt and capital raising environment due to market events (such as the potential for a sovereign ratings downgrade and generally challenging market conditions).

STAKEHOLDER CONCERNS

> Maintaining appropriate access to funding in an environment where funding is scarce.

MITIGATION

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

> Geography (local and international funders).

> Funder type (including banks, asset managers, institutional investors, Development Finance Institutions, impact investors and hedge funds).

> Individual investors.

> Structure type (including securitisation, note programmes, syndicated loan programmes and bespoke funding structures).

> Instrument (such as rated or unrated, listed or unlisted, bilateral and syndicated loans, and bespoke debentures).

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

The above-mentioned measures have led to SA Taxi fulfilling most of its annual debt requirements for the 2017 financial year.

Refer to the financial director's report on page 60 for further detail.

RISK 03

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

STAKEHOLDER CONCERNS

- The executive team's ability to integrate and manage acquisitions outside South Africa.
- Effective integration of recent acquisitions to be value accretive.
- The group's ability to conclude further appropriate acquisitions.

MITIGATION

Acquisitions are assessed against Transaction Capital's acquisition strategy and stringent investment criteria. Further considerations include whether:

- A sound financial and business case exists for the potential acquisition.
- There will be a good cultural fit between the group and the acquisition.
- The acquisition can be funded through an appropriate combination of debt and equity, which would result in an appropriate risk-adjusted return.
- The target is not inappropriately exposed to regulatory, compliance or other risks.

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

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

Refer to page 22 for Transaction Capital's acquisition strategy and investment criteria.

RISK 04

Risk of reduced ROE following recent acquisitions.

STAKEHOLDER CONCERNS

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

MITIGATION

In line with the strict acquisition criteria discussed under Risk 3 above, recent acquisitions are expected to be ROE accretive once implemented.

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

RISK REPORT *continued*

RISK 05

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

STAKEHOLDER CONCERNS

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

MITIGATION

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

RISK 06

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

STAKEHOLDER CONCERNS

> Appropriate return on funds invested to acquire purchased books.

MITIGATION

Operational initiatives include:

> Substantial investment in and development of technology infrastructure to further improve collections.

> Continuous enhancement of analytics capabilities to leverage superior data.

> Centralised call centre infrastructure to ensure consistent collections performance.

> Obtaining appropriate group and divisional executive approval for potential purchases.

> TCR has initiated exclusive negotiations with several of its larger clients, ensuring high-quality purchases and enabling bespoke purchase agreements.

Refer to page 67 for performance in acquiring non-performing loan portfolios.

RISK 07

The impact of difficult economic conditions on revenue (Transaction Capital Risk Services (TCRS)).

STAKEHOLDER CONCERNS

> Loss of revenue.

MITIGATION

> TCRS's strategy includes increasing revenue from non-NCA regulated clients, including the outsourced collection of outstanding claims in the insurance, telecommunications and public sectors in addition to Tier 1 banks.

> A co-ordinated go-to-market strategy following the integration of TCRS's businesses, with account managers assigned to key clients.

> New products being developed and implemented to create new revenue streams.

> Recent acquisitions will diversify TCRS's revenue by geography and product type.

Refer to page 24 for more detail on recent acquisitions.

RISK 08

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

STAKEHOLDER CONCERNS

> Constraints to long-term sustainable growth.

MITIGATION

SA Taxi is strategically positioned to extend operations into adjacent market segments while leveraging its exisiting competencies.

This includes expanding its direct sales retail channel nationally, developing its insurance offering and integrating the Zebra Cabs operations.

Refer to SA Taxi's divisional review starting on page 42 for more on how it is expanding beyond the financing of minibus taxis.

RISK 09

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

STAKEHOLDER CONCERNS

> Credit quality of book and of new business may be negatively impacted.

MITIGATION

> Credit policies are adhered to, with credit vintages being consistently monitored.

> Product innovation and design initiatives are being implemented.

> The efficiency of SA Taxi's ability to repossess, refurbish and resell vehicles assists in maintaining low levels of ultimate credit loss.

> The effectiveness of SA Taxi's ability to manage this risk is reflected in continued improvements in its credit performance.

Refer to page 88 for SA Taxi's credit performance.

MANAGED RISKS

Managed risks refer to those included in the prior year that have been successfully managed to the extent that they no longer represent a top risk.

Risks	How they are managed
Non-authenticated early debit orders (NAEDO): > NAEDO will be phased out over a period of time, to be replaced by authenticated collections.	The implementation of this legislation has been delayed and will be phased in until October 2019. Despite this delay, TCRS continues to explore various alternative payment options.
Risk of reduced ROEs following disposals of subsidiaries.	Subsequent to the financial year-end, Transaction Capital deployed in excess of R500 million to three acquisitions. After these acquisitions, the group remains appropriately capitalised with approximately R300 million liquid cash on its balance sheet to fund organic and acquisitive growth.

KEY RISKS

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

Transaction Capital's key risks are detailed in the sections that follow:

CREDIT RISK

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

The adoption of IFRS 9 in the 2015 financial year has resulted in the recognition of credit losses utilising an expected loss model. Losses are now recognised prior to actually being incurred, resulting in more conservative credit metrics than in prior years.

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

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

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

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 is the minibus taxi industry in general.

During the year, SA Taxi continued to lend to lower-risk applicants and to refurbish and resell high-quality vehicles, both of which improved the non-performing loan (NPL) ratio.

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

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

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

	2016	2015
Interest income % average gross loans and advances	**22.2**	21.6
Interest expense % average gross loans and advances	**(11.1)**	(10.3)
Net interest income % average gross loans and advances (net interest margin)	**11.1**	11.3
Impairment expense % average gross loans and advances (cost of credit)	**(3.1)**	(3.9)
Risk-adjusted net interest income % average gross loans and advances	**8.0**	7.4

Provisions and non-performing loans

			2016	2015
SA Taxi	Non-performing loan ratio	%	**17.4**	18.2
	Provision coverage	%	**6.7**	8.6
	Non-performing loan coverage	%	**38.3**	47.0
	Credit loss ratio	%	**3.1**	3.9
	Net repossession stock value	Rm	**335**	227

SA Taxi

The NPL ratio continued to improve to 17.4% from 18.2% in the prior year, due to a combination of continued strong collection performance, loans of superior credit quality being originated via its retail dealership and conservative credit granting criteria, which are continuously enhanced via the analytics applied to SA Taxi's telematics data.

SA Taxi's credit loss ratio continued to improve to 3.1% for the year, compared to 3.9% for 2015. SA Taxi is able to recover on average 72% of loan value when re-selling repossessed vehicles, as the security value of a taxi vehicle is enhanced through SA Taxi's mechanical refurbishment centre. The average cost to repair repossessed stock has continued to reduce due to SA Taxi's investment in its combined auto body repair and mechanical refurbishment centre, offset slightly by more expensive spare part procurement as a result of the weaker rand. Further, a positive second-order effect of Toyota increasing new vehicle prices is that pre-owned minibus taxi vehicle prices follow a similar trend, increasing by 10.4% this year in SA Taxi's retail dealership.

A more conservative provisioning methodology against loans and advances was assumed during the 2015 financial year with the early adoption of IFRS 9. This accounting statement requires SA Taxi's loans and advances portfolio to be segregated based on expected credit risk/loss. A greater component of the portfolio is currently categorised as lower risk when compared to the prior year (70.5% currently in the lowest risk stage (being Stage 1), versus 68.6% at 30 September 2015). This is driven by SA Taxi's record collection levels, lower non-performing loans and lower credit losses. Thus provision coverage has reduced but remains adequate as evidenced by the better quality loans and advances portfolio. With provision coverage levels at 6.7%, SA Taxi's after tax credit loss is conservatively covered 2.7 times.

SA Taxi's financial and operational risk exposure to entry-level vehicles has reduced significantly, resulting in improving credit quality for the portfolio. Entry-level vehicles now account for less than 1.0% of the value of SA Taxi's loan portfolio.

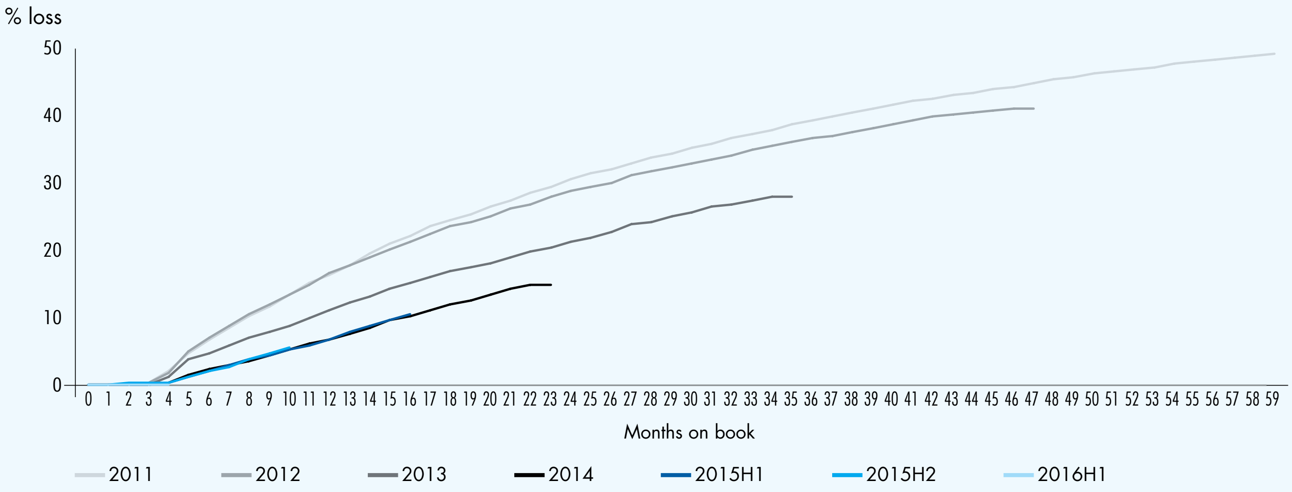
The business continues to rely on Toyota minibus taxis for new vehicle originations, thus potential shortages of these vehicles presents a risk. This risk manifested in the 2015 financial year when Toyota's plant underwent a refurbishment process, which impacted the level of new vehicle originations. The dominance of Toyota supports a stable market value for the sale of repossessed refurbished vehicles, which underpins SA Taxi's credit model. SA Taxi is continually diversifying its product lines to counter the reliance on Toyota minibus taxis, including working with Nissan to ensure their minibus taxi vehicle market is sustainable, increasing the supply of repossessed refinanced Toyota minibus vehicles to meet supply shortfalls, and entering into the metered taxi market.

NON-PERFORMING LOANS

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

NPLs are further monitored through vintage analysis:

SA TAXI VINTAGE ANALYSIS (TOTAL BOOK)



RISK REPORT *continued*

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 positive liquidity mismatch graph included in the financial director's report on page 70 illustrates a liquidity mismatch favourable to debt investors, where asset receipts occur in advance of debt payments, resulting in reduced liquidity risk.

The group's funding strategy is directed by the funding requirements established in the divisional budgets and forecasts and approved by the divisional and group boards. The capital markets team is mandated to raise sufficient capital, taking into account business needs, the specific demands and the state of the debt markets and the requirements of debt investor mandates. This results in a well-diversified funding base. See the financial director's report on page 70 for more detail on diversification by both funding category and funding structure.

CAPITAL RISK

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

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

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

Subsequent to the financial year-end, Transaction Capital deployed in excess of R500 million to three acquisitions. After these acquisitions, the group remains appropriately capitalised with approximately R300 million liquid cash on its balance sheet to fund organic and acquisitive growth.

The cost of borrowing increased in the year under review as a result of increases in the repo rate and due to a meaningful proportion of funding being raised from international investors, in line with the strategy to diversify the funding base. Loans denominated in foreign currency are all fully hedged as Transaction Capital does not take exchange rate risk. The associated hedge costs have contributed to the increase in the cost of borrowing.

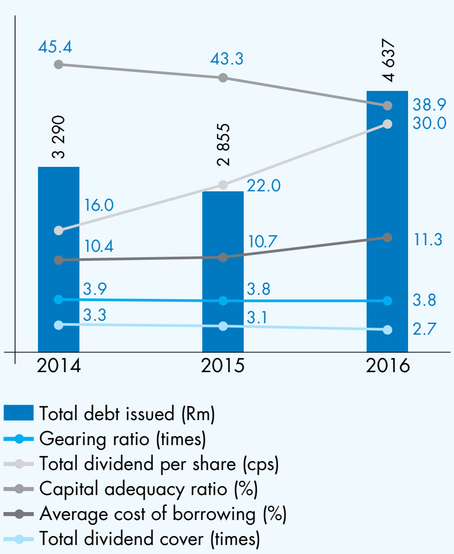
INTEREST RATE RISK

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

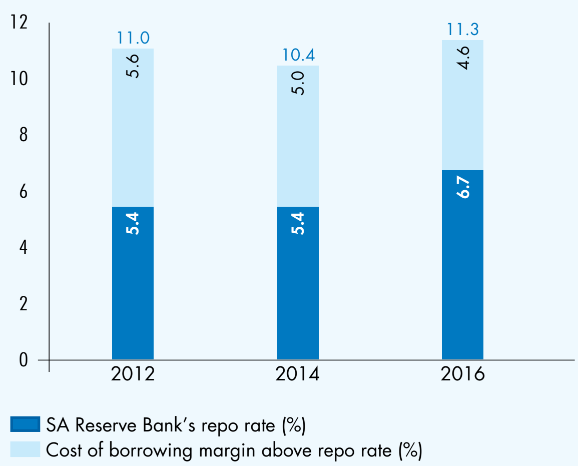
The group's general interest rate risk management strategy is to match the re-pricing characteristics of assets to liabilities, thus if a division originates floating-rate assets it should issue floating-rate debt or hedge accordingly.

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

CAPITAL PERFORMANCE



COST OF BORROWING SINCE LISTING



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

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

OPERATIONAL RISK INCLUDING PEOPLE RISK

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

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

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

TRANSFORMATION RISK

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

	SA Taxi	TCR	Principa	TCBS	GEO
B-BBEE level	4	3	4	5	5

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

COMPLIANCE RISK

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

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

See page 81 in the governance report for applicable legislation.

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

See page 7 for regulatory developments considered during the year.

REMUNERATION REPORT

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

These principles are reflected in Transaction Capital's fifth strategic objective (page 26), which emphasises the group's commitment to investing in human and intellectual capital. This investment is informed firstly by the view that in every field of endeavour there is a normal distribution of talent, and secondly that the performance and sustainability of Transaction Capital will correlate highly with where its employees rank within that distribution. Put simply, the better Transaction Capital's people, the better the company.

Attracting and retaining high-calibre talent depends on providing both intrinsic and extrinsic rewards. While this remuneration report deals with the latter, intrinsic rewards are reflected in 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, compensation policies are directed at sustaining a performance-driven culture such that the most talented people at all levels consider Transaction Capital and its divisions an employer of choice.

GOVERNANCE OF COMPENSATION

The success of Transaction Capital and its divisions relies on a wide range of leadership, managerial, functional and technical skills. Many of these skills are unique to specific 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 group must be approved by the supervisor of the individual's supervisor, with the remuneration committee recommending the compensation of the chief executive officer (CEO), his direct reports and certain functional specialists.

> 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.

> Formal and informal research and benchmarking are performed to determine market norms for similar positions.

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

> Incentives and bonuses at executive level are aligned to profit growth and relevant returns in addition to personal performance.

> Performance incentives are used to drive specific behaviours supportive of group, business or departmental performance. In certain instances, a portion of these incentives may be deferred to support retention.

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

> The remuneration policies of the divisions are approved by the remuneration committee and the board. In those instances where an executive's decisions are likely to have a material impact on shareholder value, an element of their compensation may be aligned with the medium- to longer-term value of Transaction Capital or each respective division, specifically through defined long-term incentive schemes (LTIs) (see compensation principles below).

> 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 divisions. For the most part, these policies are determined by, and according to, divisional or departmental requirements within the governance guidelines described previously.

LEADERSHIP

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

Executive compensation strives to attract, reward and retain the highest calibre of individuals in terms 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 (STIs) for individual quantitative and qualitative performance aligned to corporate and individual objectives, paid annually with a deferred portion where appropriate. STIs are bespoke in nature, and are specifically designed with individualised qualitative objectives to promote performance and/or achieve pre-defined performance requirements. In addition, quantitative STIs may be awarded to reward superior performance. The annual STI requirements are approved by the remuneration committee. STIs reward specific behaviour and promote retention.

> LTI plans relate to the valuation of the company or its divisions, realisable over the medium to long term. The LTI plans create alignment with shareholders and are the major retention mechanism:

- **Share appreciation rights (SAR) plan**

  The SAR plan allows executives and senior managers to participate in the appreciation of Transaction Capital's share price over time. Subject to specific performance criteria, which is the achievement of continuous growth in group headline earnings per share of over CPI +5%, the SARs vest in full after four years of award date and are exercisable for a 12-month period. SAR awards granted until May 2014 were awarded with a three-year vesting period. The share price growth over the SAR period will be settled in Transaction Capital ordinary shares, with the gain subject to income tax. To the extent that the SAR grant price exceeds Transaction Capital's share price at the time of exercise, no gain or cost is realised by participants.

  The first tranche of the SAR plan vested on 12 July 2016. During the 2016 financial year a total of 7 344 576 SARs were exercised by participants resulting in 4 902 334 Transaction Capital shares being issued in settlement of the SAR obligation.

  While the SAR plan has been a very successful retention mechanism since listing, the conditional share plan discussed below is favoured as a more appropriate retention and alignment tool for the purposes of incentivising employees. As such, it is anticipated that no new SAR awards will be granted in the forthcoming period. The remuneration committee will assess future use of SARs on a periodic basis as required. Those SAR awards already in issue will continue to vest as per the SAR plan.

REMUNERATION REPORT *continued*

– **Conditional share plan (CSP)**

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

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

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

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

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

- A valuation of each division will be performed by an independent expert on the date of CSP award (to obtain a valuation per notional share of each division). Transaction Capital executives will be awarded CSPs at the prevailing share price of Transaction Capital on date of award.
- Key executives will be awarded notional CSPs in each division (or Transaction Capital) for zero cost, based on retention and/or performance criteria set by the remuneration committee. The CSPs awarded to executives will be based on a notional share held in each division, giving executives direct exposure to the performance of that division (or based on Transaction Capital's share price for its executives).
- An updated valuation of each division will be performed by an independent expert on the date of vesting of the CSP.
- The remuneration committee approved the following criteria for the first tranche of the CSPs awarded. The following requirements will be assessed by the remuneration committee on an annual basis, and may be adjusted as necessary:
  - Vesting period:
    - » Retention element (30% of award): to vest in full after three years, subject to continued employment.
    - » Performance element (70% of award): to vest in equal proportions in years two, three and four, and linked to performance requirements.
  - Performance criteria: the following performance criteria have been set (per division for divisional executives, and on a consolidated basis for group executives):

Continuing headline earnings growth over vesting period*	% of CSP award to be vested
CPI	20%
CPI +5%	100%

** Growth levels in between bands will be vested on a proportional basis.*

  - Employees are required to remain in the employ of the group to be eligible for CSP vestings (subject to standard "good leaver" rules).
  - Employees who resign or are dismissed will forfeit any CSP awards that have not vested.

> Once the vesting period has passed and/or performance criteria are met (where relevant), the participant will receive shares in Transaction Capital to the value of the notional CSP on date of vesting.

The CSP achieves the following objectives:

> It will motivate and reward participants for creating long-term value through the opportunity to earn significant reward for superior performance.

> It will create a direct line of sight between the performance of each division and the incentive earned.

> Participants receive a right to receive a full share as opposed to the increase in value of a share.

> The CSP directly aligns the interests of the participants with those of shareholders.

– **General share purchase scheme**

The general share purchase scheme facilitated voluntary investment whereby executives were able to receive loan funding to purchase shares at market value. The scheme was largely wound down in the 2014 financial year. No further allocations will be made in terms of this scheme, which is expected to terminate in December 2018.

– **Direct investment**

In appropriate circumstances, senior executives of a business may be afforded the opportunity to subscribe for direct equity in that business, thereby incentivising and aligning their long-term interests with those of the business, Transaction Capital and its shareholders.

2016 REMUNERATION COMPONENTS

REMUNERATION COMPONENT	REMUNERATION POLICY	STRATEGIC INTENT AND DRIVERS
Basic salary	Guaranteed package measured against the 60th percentile of the 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 bespoke and individualised qualitative objectives, with a quantitative portion of the bonus awarded subject to the remuneration committee's discretion, and a portion retained where appropriate. Financial objectives include profit growth and relevant returns (for example return on invested capital in SA Taxi or return on sales in Transaction Capital Risk Services' businesses).	Competitive with market. Provides means to enjoy a higher quality of life through superior performance.
Long-term incentive	SAR plan and CSP.	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.
Total reward	Providing a competitive and attractive total compensation with a portion paid over the medium term.	To attract, motivate, align and retain scarce talent and to discourage dysfunctional short-term behaviour.

2016 EXECUTIVE COMPENSATION

TOTAL GUARANTEED PACKAGE

Executive TGP was determined based on the findings of an outsourced benchmarking engagement, utilising the Paterson Classic system as an indicator of grades for the executive team. Formal and informal research coupled with market norms and industry practice also influenced the policies and practices in place.

SHORT-TERM INCENTIVE

The 2016 STI was based on the following:

> Growth of group earnings per share above CPI or growth of individual business profit after tax above CPI, with exponentially higher STIs awarded for higher levels of growth.

> Return on invested capital in SA Taxi and return on sales for Transaction Capital Risk Services' businesses.

> Where appropriate, STIs were awarded for individualised targets being met.

> Where appropriate, and as determined by the remuneration committee, certain executives were awarded qualitative STI payments based on superior individual performance.

LONG-TERM INCENTIVE

Executives were awarded SARs based on executive performance, potential, tenure, job grade, current fixed compensation and short-term incentive relative to market benchmarks; the recommendation of the CEO; and the reasonably expected growth in Transaction Capital's share price. Awards were granted in November 2015 and May 2016 (to new joiners and in certain special circumstances); have a vesting period of four years; and are subject to predefined performance criteria. All SAR awards were approved by the remuneration committee.

While outside of the 2016 financial year, the first issuance of the CSP took place in November 2016, based on the criteria described on page 94.

REMUNERATION REPORT *continued*

EXECUTIVE DIRECTORS' REMUNERATION

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

Executive director	**Salary 2016 R**	**Benefits 2016 R**	**Annual incentive bonus 2016 R**	**Total 2016 R**	Salary 2015 R	Benefits 2015 R	Annual incentive bonus 2015 R	Total 2015 R
David Hurwitz	**2 848 492**	**685 376**	**2 598 750**	**6 132 618**	2 526 801	828 309	2 200 000	5 555 110
Mark Herskovits	**2 104 560**	**407 540**	**1 228 500**	**3 740 600**	2 010 156	368 922	1 170 000	3 549 078
Jonathan Jawno	**1 057 200**	**162 840**	**4 800 000**	**6 020 040**	1 069 308	150 732	2 000 000	3 220 040
Michael Mendelowitz	**1 057 200**	**162 840**	**4 800 000**	**6 020 040**	1 069 155	150 885	2 000 000	3 220 040
Ronen Goldstein[1]	**265 417**	**31 121**	**1 166 667**	**1 463 205**	–	–	–	–
Total	**7 332 869**	**1 449 717**	**14 593 917**	**23 376 502**	6 675 420	1 498 848	7 370 000	15 544 268

1 Appointed as an executive director effective 1 August 2016.

SHARE APPRECIATION RIGHTS

The following table shows the position as at 30 September 2016:

Executive director	Present value of SAR R	Number of SARs	Vesting period (years)	Number of SARs vested during the year and not exercised	Number of SARs exercised during the year	Gains on SARs exercised R
David Hurwitz						
– Granted on 11 July 2013	3 200 000	2 004 494	3	2 004 494	–	–
– Granted on 18 November 2013	2 092 570	979 049	3	–	–	–
– Granted on 25 November 2014	1 029 000	300 000	4	–	–	–
– Granted on 24 November 2015	830 000	250 000	4	–	–	–
Mark Herskovits						
– Granted on 11 July 2013	2 700 000	1 691 292	3	939 607	751 685	5 417 021
– Granted on 18 November 2013	2 675 060	1 251 578	3	–	–	–
– Granted on 25 November 2014	857 000	250 000	4	–	–	–
– Granted on 24 November 2015	498 000	150 000	4	–	–	–
Ronen Goldstein						
– Granted on 11 July 2013	100 000	62 640	3	–	62 640	451 418
– Granted on 18 November 2013	150 000	70 180	3	–	–	–
– Granted on 25 November 2014	343 000	100 000	4	–	–	–
– Granted on 24 November 2015	498 000	150 000	4	–	–	–

Refer to note 25 in the annual financial statements for more detail on the SAR plan.

CONDITIONAL SHARE PLAN

While outside the 2016 financial year, the following CSP's were awarded on 22 November 2016:

Executive director	Present value of CSP award R
David Hurwitz	
– Granted on 22 November 2016	1 684 672
Mark Herskovits	
– Granted on 22 November 2016	1 249 900
Ronen Goldstein	
– Granted on 22 November 2016	1 273 374

Note: vesting criteria are shown on page 94.

TRANSACTION CAPITAL GENERAL SHARE SCHEME

Executive director	Number of shares 2016	Value of shares 2016 R	Value of funding 2016 R	Number of shares 2015	Value of shares 2015 R	Value of funding 2015 R
David Hurwitz	**424 175**	**5 408 231**	**2 839 733**	679 740	6 797 400	4 032 649
Mark Herskovits	**–**	**–**	**–**	592 444	5 924 440	2 391 695

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

CHIEF EXECUTIVE OFFICER – DAVID HURWITZ

Mr Hurwitz' incentive bonus of R2 598 750 for 2016 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 2016, and progress in achieving the group's strategic objectives including the conclusion of acquisitions and stringent capital management in a challenging trading environment.

FINANCIAL DIRECTOR – RONEN GOLDSTEIN

Mr Goldstein's incentive bonus of R1 166 667 for 2016 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and
> a qualitative bonus for the overall continued improvement in the state of the financial and risk structures and reporting of the group during 2016, and implementation of key group projects.

EXECUTIVE DIRECTOR – JONATHAN JAWNO

Mr Jawno's incentive bonus of R4 800 000 for 2016 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.

Mr Jawno does not participate in the SAR plan or CSP.

EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT – MARK HERSKOVITS

Mr Herskovits' incentive bonus of R1 228 500 for 2016 comprised:

> a quantitative bonus for the growth of the group's earnings per share; and
> a qualitative bonus for meeting the group's capital management requirements well into the 2017 financial year.

EXECUTIVE DIRECTOR – MICHAEL MENDELOWITZ

Mr Mendelowitz' incentive bonus of R4 800 000 for 2016 comprised:

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

Mr Mendelowitz does not participate in the SAR plan or CSP.

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

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

Following the JMR restructure (detailed on page 75), JMR Holdings Proprietary Limited (in which the respective family trusts of the founder directors hold equal shareholdings) continues to be the largest shareholder of reference of the group.

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

REMUNERATION REPORT *continued*

PRESCRIBED OFFICERS' REMUNERATION

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

Prescribed officer	**Salary 2016 R**	**Benefits 2016 R**	**Annual incentive bonus 2016 R**	**Total 2016 R**	Salary 2015 R	Benefits 2015 R	Annual incentive bonus 2015 R	Total 2015 R
Prescribed Officer A	**2 664 522**	**275 478**	**2 327 500**	**5 267 500**	2 546 430	262 443	1 633 333	4 442 206
Prescribed Officer B	**2 728 524**	**1 909 962**	**2 887 500**	**7 525 986**	2 607 356	1 853 090	1 375 000	5 835 446
Total	**5 393 046**	**2 185 440**	**5 215 000**	**12 793 486**	5 153 786	2 115 533	3 008 333	10 277 652

NON-EXECUTIVE DIRECTORS' FEES FOR 2016

The following table illustrates fees paid to non-executive directors for membership of committees. Fees are paid to non-executive directors quarterly in arrears with no additional meeting attendance fees. This is due to board members providing input to the company on an ongoing basis, not limited to the attendance of meetings.

The fees paid to non-executive directors have been determined on a market-related basis, as recommended by the remuneration committee and the board, and approved by shareholders at the annual general meeting.

Board members	C Seabrooke[1] R	D Woollam R	P Langeni[2] R	D Tabata R	R Rossi[3] R
Chairperson (including committee attendance)	1 200 000	–	–	–	–
Director	–	250 000	250 000	250 000	250 000
Audit, risk and compliance committee (chairperson)	–	160 417	–	–	–
Audit, risk and compliance committee (member)	–	81 250	150 000	–	–
Asset and liability committee (chairperson)	–	62 500	–	–	–
Remuneration committee (chairperson)	–	–	–	125 000	–
Remuneration committee (member)	–	–	–	–	–
Nominations committee (member)	–	–	–	60 000	60 000
Social and ethics committee (chairperson)	–	–	125 000	–	–
Total annual fees	1 200 000	554 167	525 000	435 000	310 000

1 Mr Seabrooke is also the chairman of the nominations committee and a member of the remuneration committee, audit risk and compliance committee and the asset and liability committee.

2 In addition to the fees received above, Ms Langeni received directors' fees of R200 000 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and Transaction Capital Risk Services (Pty) Ltd.

3 Mr Rossi received R890 000 for consulting services, in addition to the fees above.

4 Appointed as a non-executive director effective 15 March 2016.

5 Appointed as a non-executive director effective 1 August 2016.

NON-EXECUTIVE DIRECTORS' FEES FOR 2015

Board members	C Seabrooke R	D Woollam R	P Langeni[1] R	D Tabata R
Chairperson (including committee attendance)	1 200 000	–	–	–
Director	–	250 000	250 000	250 000
Audit, risk and compliance committee (chairperson)	–	350 000	–	–
Audit, risk and compliance committee (member)	–	–	150 000	–
Remuneration committee (chairperson)	–	–	–	125 000
Nominations committee (member)	–	–	–	60 000
Social and ethics committee (chairperson)	–	–	125 000	–
Total annual fees	1 200 000	600 000	525 000	435 000

1 In addition to the fees received above, Ms Langeni received directors' fees of R200 000 for acting as an independent non-executive director of SA Taxi Finance Holdings (Pty) Ltd and MBD Credit Solutions Holdings (Pty) Ltd.

2 Resigned effective 8 December 2015.

3 Mr Rossi received R890 000 for consulting services, in addition to the fees above.

M Kgosana[4] R	K Pillay[5] R	Total R
–	–	**1 200 000**
135 417	41 667	**1 177 083**
189 583	–	**350 000**
–	–	**231 250**
–	–	**62 500**
–	–	**125 000**
–	10 000	**10 000**
–	–	**120 000**
–	–	**125 000**
325 000	51 667	**3 400 833**

S Zagnoev[2] R	R Rossi[3] R	Total R
–	–	**1 200 000**
250 000	250 000	**1 250 000**
–	–	**350 000**
–	–	**150 000**
–	–	**125 000**
–	60 000	**120 000**
–	–	**125 000**
250 000	310 000	**3 320 000**

CONCLUSION

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

- Adhere to King Codes of Governance Principles with regard to remuneration (King III and the recently released King IV) 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.

FINANCIAL INFORMATION

FINANCIAL RESULTS

The information presented on pages 102 to 105 is an extract from the audited annual financial statements, but is not itself audited. The directors take full responsibility for the preparation of the information presented in this section, and that the information has been correctly extracted from the underlying audited financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER

	2016 Rm	2015 Rm	Movement %
Assets			
Cash and cash equivalents	**1 276**	1 169	9
Tax receivables	**28**	27	4
Trade and other receivables	**472**	483	(2)
Inventories	**201**	21	>100
Loans and advances	**7 190**	6 160	17
Leased assets	**40**	–	100
Purchased book debts	**728**	561	30
Other loans receivable	**35**	257	(86)
Other investments	**477**	481	(1)
Intangible assets	**93**	32	>100
Property and equipment	**104**	60	73
Goodwill	**200**	197	2
Deferred tax assets	**247**	255	(3)
Total assets	**11 091**	9 703	14
Liabilities			
Bank overdrafts	**173**	52	>100
Tax payables	**8**	13	(38)
Trade and other payables	**286**	253	13
Provisions	**14**	17	(18)
Interest-bearing liabilities	**7 477**	6 640	13
Senior debt	**6 512**	5 446	20
Subordinated debt	**965**	1 194	(19)
Deferred tax liabilities	**155**	117	32
Total liabilities	**8 113**	7 092	14
Equity			
Ordinary share capital and premium	**510**	468	9
Reserves	**149**	122	22
Retained earnings	**2 285**	1 991	15
Equity attributable to ordinary equity holders of the parent	**2 944**	2 581	14
Non-controlling interest	**34**	30	13
Total equity	**2 978**	2 611	14
Total equity and liabilities	**11 091**	9 703	14

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm	Movement %
Interest and other similar income	**1 688**	1 504	12
Interest and other similar expense	**(809)**	(683)	18
Net interest income	**879**	821	7
Impairment of loans and advances	**(209)**	(233)	(10)
Risk-adjusted net interest income	**670**	588	14
Non-interest revenue	**1 279**	1 195	7
Operating costs	**(1 348)**	(1 295)	4
Non-operating profit	**–**	14	(100)
Equity accounted earnings	**–**	(3)	(100)
Profit before tax	**601**	499	20
Income tax expense	**(138)**	(94)	47
Profit for the year	**463**	405	14
Attributable to non-controlling equity holders	**5**	4	25
Attributable to ordinary equity holders of the parent	**458**	401	14
Basic earnings per share (cents)	**80.6**	70.4	14
Diluted basic earnings per share (cents)	**80.0**	69.8	15
Headline earnings per share (cents)	**80.6**	69.0	17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm	Movement %
Profit for the year	**463**	405	14
Other comprehensive income	**24**	14	71
Fair value losses arising on the cash flow hedge during the year	**(4)**	(1)	>100
Deferred tax	**1**	<1	100
Fair value gains arising on valuation of assets held at fair value through other comprehensive income	**27**	15	80
Total comprehensive income for the year	**487**	419	16
Attributable to non-controlling equity holders	**5**	4	25
Attributable to ordinary equity holders of the parent	**482**	415	16

FINANCIAL RESULTS *continued*

HEADLINE EARNINGS RECONCILIATION
FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm	Movement %
Profit attributable to ordinary equity holders of the parent	**458**	401	14
Headline earnings adjustable item added			
Profit on sale of joint venture	**–**	(8)	(100)
Headline earnings	**458**	393	17

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER

	Share capital and premium Rm	Other reserves Rm	Retained earnings Rm	Ordinary shareholders' equity Rm	Non-controlling interests Rm	Total equity Rm
Balance at 30 September 2014	483	96	2 384	2 963	–	**2 963**
IFRS 9 transitional adjustments	–	–	(672)	(672)	–	**(672)**
Revised opening balance	483	96	1 712	2 291	–	**2 291**
Total comprehensive income	–	14	401	415	4	**419**
Profit for the year	–	–	401	401	4	**405**
Other comprehensive income for the year	–	14	–	14	–	**14**
Dividends paid	–	–	(114)	(114)	–	**(114)**
Grant of share appreciation rights	–	16	–	16	–	**16**
Share appreciation rights – settlements	–	(4)	(8)	(12)	–	**(12)**
Issue of shares	12	–	–	12	–	**12**
Repurchase of shares	(27)	–	–	(27)	–	**(27)**
Transactions with non-controlling equity holders	–	–	–	–	26	**26**
Balance at 30 September 2015	468	122	1 991	2 581	30	**2 611**
Total comprehensive income	**–**	**24**	**458**	**482**	**5**	**487**
Profit for the year	**–**	**–**	**458**	**458**	**5**	**463**
Other comprehensive income for the year	**–**	**24**	**–**	**24**	**–**	**24**
Dividends paid	**–**	**–**	**(135)**	**(135)**	**(1)**	**(136)**
Grant of share appreciation rights	**–**	**16**	**–**	**16**	**–**	**16**
Share appreciation rights – settlements	**–**	**(13)**	**(29)**	**(42)**	**–**	**(42)**
Issue of shares	**53**	**–**	**–**	**53**	**–**	**53**
Repurchase of shares	**(11)**	**–**	**–**	**(11)**	**–**	**(11)**
Balance at 30 September 2016	**510**	**149**	**2 285**	**2 944**	**34**	**2 978**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

	2016 Rm	2015 Rm	Movement %
Net cash utilised in operating activities	**(108)**	(9)	>100
Net cash generated from/(utilised) in investing activities	**105**	(91)	>100
Net cash utilised by financing activities	**(11)**	(27)	(59)
Net decrease in cash and cash equivalents	**(14)**	(127)	(89)
Cash and cash equivalents at the beginning of the year	**1 117**	1 244	(10)
Cash and cash equivalents at the end of the year	**1 103**	1 117	(1)

DATA SHEET

		Year ended 30 September		Movement
		2016	2015	**2016**
TRANSACTION CAPITAL GROUP				
Consolidated income statement				
Interest and other similar income	Rm	**1 688**	1 504	**12%**
Interest and other similar expense	Rm	**(809)**	(683)	**18%**
Net interest income	Rm	**879**	821	**7%**
Impairment of loans and advances	Rm	**(209)**	(233)	**(10%)**
Risk-adjusted net interest income	Rm	**670**	588	**14%**
Non-interest revenue	Rm	**1 279**	1 195	**7%**
Total operating costs	Rm	**(1 348)**	(1 295)	**4%**
Advertising, marketing and public relations	Rm	**(11)**	(9)	**22%**
Amortisation of intangibles	Rm	**(13)**	(7)	**86%**
Amortisation of purchased book debts	Rm	**(112)**	(130)	**(14%)**
Bank charges	Rm	**(14)**	(12)	**17%**
Commissions paid	Rm	**(17)**	(12)	**42%**
Communication costs	Rm	**(56)**	(60)	**(7%)**
Consulting fees	Rm	**(23)**	(14)	**64%**
Cost of sale of goods	Rm	**(40)**	(31)	**29%**
Depreciation	Rm	**(22)**	(17)	**29%**
Employee expenses	Rm	**(704)**	(671)	**5%**
Fees paid	Rm	**(34)**	(30)	**13%**
Information technology	Rm	**(29)**	(24)	**21%**
Audit fees	Rm	**(11)**	(12)	**(8%)**
Operating lease rentals – premises	Rm	**(30)**	(39)	**(23%)**
Risk management	Rm	**(12)**	(11)	**9%**
Staff welfare	Rm	**(12)**	(13)	**(8%)**
Travel	Rm	**(12)**	(13)	**(8%)**
Input VAT disallowed	Rm	**(30)**	(29)	**3%**
Other	Rm	**(166)**	(161)	**3%**
Operating income	Rm	**601**	488	**23%**
Non-operating profit	Rm	**–**	14	**(100%)**
Equity accounted earnings	Rm	**–**	(3)	**(100%)**
Profit before tax	Rm	**601**	499	**20%**
Income tax expense	Rm	**(138)**	(94)	**47%**
Profit for the year	Rm	**463**	405	**14%**
Profit for the year attributable to:				
Ordinary equity holders of the parent	Rm	**458**	401	**14%**
Non-controlling equity holders	Rm	**5**	4	**25%**
Headline earnings				
Profit attributable to ordinary equity holders	Rm	**458**	401	**14%**
Adjustments for:				
Profit on disposal of joint venture	Rm	**–**	(8)	**(100%)**
Headline earnings	Rm	**458**	393	**17%**
Number of shares	m	**571.9**	568.1	**1%**
Weighted average number of shares in issue	m	**568.5**	569.3	**(0%)**

		Year ended 30 September		Movement
		2016	2015	**2016**
TRANSACTION CAPITAL GROUP continued				
Consolidated statement of financial position				
Assets				
Loans and advances	Rm	**7 190**	6 160	**17%**
Leased assets	Rm	**40**	–	**100%**
Purchased book debts	Rm	**728**	561	**30%**
Property and equipment	Rm	**104**	60	**73%**
Inventories	Rm	**201**	21	**857%**
Goodwill	Rm	**200**	197	**2%**
Intangible assets	Rm	**93**	32	**191%**
Cash and cash equivalents	Rm	**1 276**	1 169	**9%**
Other investments	Rm	**477**	481	**(1%)**
Other assets	Rm	**782**	1 022	**(23%)**
Total assets	Rm	**11 091**	9 703	**14%**
Liabilities				
Interest-bearing liabilities	Rm	**7 477**	6 640	**13%**
Senior debt	Rm	**6 512**	5 446	**20%**
Subordinated debt	Rm	**965**	1 194	**(19%)**
Bank overdrafts	Rm	**173**	52	**233%**
Other liabilities	Rm	**463**	400	**16%**
Total liabilities	Rm	**8 113**	7 092	**14%**
Equity				
Equity attributable to ordinary equity holders of the parent	Rm	**2 944**	2 581	**14%**
Non-controlling interest	Rm	**34**	30	**13%**
Total equity	Rm	**2 978**	2 611	**14%**
Total equity and liabilities	Rm	**11 091**	9 703	**14%**
Shareholder statistics				
Basic earnings per share	cents	**80.6**	70.4	**14%**
Headline earnings per share	cents	**80.6**	69.0	**17%**
Diluted basic earnings per share	cents	**80.0**	69.8	**15%**
Net asset value per share	cents	**514.8**	454.4	**13%**
Tangible net asset value per share	cents	**463.5**	414.0	**12%**
Interim dividend per share	cents	**12.0**	10.0	**20%**
Final dividend per share	cents	**18.0**	12.0	**50%**
Total dividend per share	cents	**30.0**	22.0	**36%**
Total dividend cover	cents	**2.7**	3.1	**(13%)**

DATA SHEET *continued*

		Year ended 30 September 2016	2015	Movement 2016
TRANSACTION CAPITAL GROUP continued				
Capital adequacy ratio				
Equity	Rm	**2 978**	2 611	**14%**
Subordinated debt	Rm	**965**	1 194	**(19%)**
Total capital	Rm	**3 943**	3 805	**4%**
Less: Goodwill	Rm	**(200)**	(197)	**2%**
Total capital less goodwill	Rm	**3 743**	3 608	**4%**
Total assets less goodwill and cash and cash equivalents	Rm	**9 615**	8 337	**15%**
Capital adequacy ratio	%	**38.9**	43.3	
Equity	%	**28.9**	29.0	
Subordinated debt	%	**10.0**	14.3	
Performance indicators				
Gross loans and advances	Rm	**7 687**	6 713	**15%**
Impairment provision	Rm	**(497)**	(553)	**(10%)**
Leased assets	Rm	**40**	–	**100%**
Provision coverage	%	**6.5**	8.2	
Non-performing loan ratio	%	**16.3**	17.0	
Non-performing loan coverage	%	**39.8**	48.6	
Non-performing loans	Rm	**1 250**	1 138	**10%**
Capital adequacy ratio	%	**38.9**	43.3	
Average assets	Rm	**10 422**	9 135	**14%**
Average tangible assets	Rm	**10 076**	8 830	**14%**
Average equity	Rm	**2 718**	2 422	**12%**
Average tangible equity	Rm	**2 372**	2 118	**12%**
Average gross loans and advances	Rm	**7 180**	6 437	**12%**
Average interest-bearing liabilities	Rm	**7 142**	6 367	**12%**
Total income	Rm	**2 967**	2 699	**10%**
Net interest margin	%	**12.2**	12.8	
Credit loss ratio	%	**2.9**	3.6	
Non-interest revenue as a % of total income	%	**43.1**	44.3	
Cost-to-income ratio	%	**62.5**	64.2	
Effective tax rate	%	**23.0**	18.8	
Return on average assets (ROA)	%	**4.4**	4.4	
Return on average tangible assets (ROTA)	%	**4.6**	4.6	
Return on average equity (ROE)	%	**16.9**	16.7	
Return on average tangible equity (ROTE)	%	**19.3**	19.1	
EBITDA (Transaction Capital Recoveries and Principa)	Rm	**239**	188	**27%**
Gearing	times	**3.8**	3.8	**0%**
Return on total sales (ROS)	%	**15.6**	15.0	
Average cost of borrowing	%	**11.3**	10.7	
Employees	Number	**3 260**	3 913	**(17%)**

		Year ended 30 September 2016	2015	Movement 2016
SA TAXI				
Condensed income statement				
Interest and other similar income	Rm	**1 486**	1 290	**15%**
Interest and other similar expense	Rm	**(742)**	(618)	**20%**
Net interest income	Rm	**744**	672	**11%**
Impairment of loans and advances	Rm	**(206)**	(233)	**(12%)**
Non-interest revenue	Rm	**315**	242	**30%**
Total operating costs	Rm	**(541)**	(445)	**22%**
Profit before tax	Rm	**312**	236	**32%**
Total income	Rm	**1 801**	1 532	**18%**
Profit after tax	Rm	**254**	212	**20%**
Headline earnings	Rm	**254**	212	**20%**
Profit and headline earnings for the year attributable to:				
Ordinary equity holders of the parent	Rm	**249**	208	**20%**
Non-controlling equity holders	Rm	**5**	4	**25%**
Other information				
Depreciation	Rm	**12**	7	**71%**
Amortisation of intangible assets	Rm	**6**	3	**100%**
Statement of financial position				
Assets				
Cash and cash equivalents	Rm	**761**	594	**28%**
Other investments	Rm	**477**	481	**(1%)**
Inventories	Rm	**201**	17	**1 082%**
Loans and advances	Rm	**6 675**	5 703	**17%**
Leased assets	Rm	**40**	–	**100%**
Property and equipment	Rm	**71**	33	**115%**
Goodwill and intangibles	Rm	**93**	74	**26%**
Goodwill	Rm	**63**	60	**5%**
Intangibles	Rm	**30**	14	**114%**
Other assets	Rm	**559**	626	**(11%)**
Total assets	Rm	**8 877**	7 528	**18%**
Liabilities				
Bank overdrafts	Rm	**173**	44	**293%**
Interest-bearing liabilities	Rm	**6 482**	5 429	**19%**
Senior debt	Rm	**5 991**	5 011	**20%**
Subordinated debt	Rm	**491**	418	**17%**
Group loans	Rm	**913**	1 019	**(10%)**
Other liabilities	Rm	**167**	134	**25%**
Total liabilities	Rm	**7 735**	6 626	**17%**
Segment net assets	Rm	**1 142**	902	**27%**

DATA SHEET *continued*

		Year ended 30 September 2016	2015	Movement 2016
SA TAXI continued				
Capital adequacy				
Equity	Rm	**1 142**	902	**27%**
Group loans	Rm	**913**	1 019	**(10%)**
Subordinated debt	Rm	**491**	418	**17%**
Total capital	Rm	**2 546**	2 339	**9%**
Less: Goodwill	Rm	**(63)**	(60)	**5%**
Total capital less goodwill	Rm	**2 483**	2 279	**9%**
Total assets less goodwill and cash and cash equivalents	Rm	**8 053**	6 874	**17%**
Capital adequacy ratio	%	**30.8**	33.2	
Financial measures				
Net interest margin	%	**11.1**	11.3	
Cost-to-income ratio	%	**51.1**	48.7	
Return on average assets (ROA)	%	**3.1**	3.0	
Return on average tangible assets (ROTA)	%	**3.1**	3.1	
Gross yield on average gross loans and advances	%	**26.9**	25.7	
Return on average equity (ROE)	%	**25.5**	28.4	
Return on average tangible equity (ROTE)	%	**30.7**	36.0	
Average cost of borrowing	%	**10.6**	10.0	
Debt issued	Rm	**3 316**	2 418	**37%**
Average assets	Rm	**8 259**	6 999	**18%**
Average tangible assets	Rm	**8 179**	6 926	**18%**
Average gross loans and advances	Rm	**6 697**	5 958	**12%**
Average equity	Rm	**996**	750	**33%**
Average tangible equity	Rm	**827**	592	**40%**
Average interest-bearing liabilities	Rm	**7 006**	6 173	**13%**
Employees	Number	**840**	627	**34%**
Operational measures				
Status				
Total number of loans	Number	**26 352**	25 033	**5%**
Gross loans and advances	Rm	**7 151**	6 238	**15%**
Impairment provision	Rm	**(476)**	(535)	**(11%)**
Net loans and advances	Rm	**6 675**	5 703	**17%**
Leased assets	Rm	**40**	–	**100%**
% Leases/Repossessions (Loans and advances, on value)	%	**95/5**	96/4	
% Premium/Entry-level (gross loans and advances, on value)	%	**99/1**	98/2	
Average gross loans and advances	Rm	**6 697**	5 958	**12%**
Originations				
Number of loans originated	Number	**6 866**	6 005	**14%**
Value of loans originated	Rm	**2 409**	1 931	**25%**
Average remaining loan term	Months	**39**	40	**(3%)**
% New/existing client (on value)	%	**73/27**	76/24	
New vehicle originations	Rm	**1 819**	1 375	**32%**
% Premium/Entry-level (new vehicle disbursements, on value)	%	**100/0**	100/0	

		Year ended 30 September 2016	2015	Movement 2016
SA TAXI continued				
Operational measures continued				
Average origination value	R	**350 930**	321 565	**9%**
Credit performance				
Credit loss ratio	%	**3.1**	3.9	
Provision coverage	%	**6.7**	8.6	
Non-performing loans	Rm	**1 242**	1 138	**9%**
Non-performing loan ratio	%	**17.4**	18.2	
Non-performing loan coverage	%	**38.3**	47.0	
Impairment provision % repossessions	%	**30.0**	38.7	
TRANSACTION CAPITAL RISK SERVICES (TCRS)				
Condensed income statement				
Interest and other similar income	Rm	**136**	133	**2%**
Interest and other similar expense	Rm	**(71)**	(62)	**15%**
Net interest income	Rm	**65**	71	**(8%)**
Impairment of loans and advances	Rm	**(3)**	–	**100%**
Non-interest revenue	Rm	**964**	953	**1%**
Total operating costs	Rm	**(796)**	(845)	**(6%)**
Equity accounted earnings	Rm	**–**	(3)	**(100%)**
Non-operating profit	Rm	**–**	14	**(100%)**
Profit before tax	Rm	**230**	190	**21%**
Total income	Rm	**1 100**	1 086	**1%**
Profit after tax	Rm	**168**	142	**18%**
Profit attributable to ordinary equity holders	Rm	**168**	142	**18%**
Adjusted for:				
Profit on disposal of joint venture	Rm	**–**	(8)	**(100%)**
Headline earnings	Rm	**168**	134	**25%**
EBITDA (Transaction Capital Recoveries and Principa)	Rm	**239**	188	**27%**
Other information				
Depreciation	Rm	**9**	8	**13%**
Amortisation of intangible assets	Rm	**7**	3	**133%**

DATA SHEET *continued*

		Year ended 30 September 2016	2015	Movement 2016
TRANSACTION CAPITAL RISK SERVICES continued				
Statement of financial position				
Assets				
Cash and cash equivalents	Rm	**72**	57	**26%**
Loans and advances	Rm	**515**	457	**13%**
Purchased book debts	Rm	**728**	561	**30%**
Property and equipment	Rm	**30**	23	**30%**
Goodwill and intangibles	Rm	**139**	91	**53%**
Goodwill	Rm	**76**	71	**7%**
Intangibles	Rm	**63**	20	**215%**
Other assets	Rm	**195**	185	**5%**
Total assets	Rm	**1 679**	1 374	**22%**
Liabilities				
Bank overdrafts	Rm	**–**	8	**(100%)**
Interest-bearing liabilities	Rm	**558**	467	**19%**
Senior debt	Rm	**558**	467	**19%**
Group loans	Rm	**230**	166	**39%**
Other liabilities	Rm	**285**	246	**16%**
Total liabilities	Rm	**1 073**	887	**21%**
Segment net assets	Rm	**606**	487	**24%**
Financial measures				
Non-interest revenue net of amortisation	Rm	**852**	823	**4%**
Cost-to-income ratio	%	**77.4**	82.5	
Return on average assets (ROA)	%	**11.3**	9.9	
Return on average equity (ROE)	%	**31.5**	27.8	
Return on average assets (ROA) excluding Transaction Capital Business Solutions	%	**15.0**	13.0	
Return on average equity (ROE) excluding Transaction Capital Business Solutions	%	**31.1**	26.8	
Capital adequacy ratio	%	**49.6**	46.5	
Average cost of borrowing	%	**10.1**	8.8	
Return on sales (ROS)	%	**15.3**	13.1	
Average assets	Rm	**1 482**	1 437	**3%**
Average equity	Rm	**534**	510	**5%**
Average interest-bearing liabilities	Rm	**701**	705	**(1%)**
Employees	Number	**2 395**	3 265	**(27%)**

		Year ended 30 September 2016	2015	Movement 2016
TRANSACTION CAPITAL RISK SERVICES continued				
Operational measures				
Number of agency clients	Number	**83**	81	**2%**
Number of direct staff	Number	**2 035**	2 787	**(27%)**
Call centres	Number	**6**	11	**(45%)**
Assets under management	Rb	**35.4**	35.4	**0%**
Agency	Rb	**16.1**	19.4	**(17%)**
Principal	Rb	**19.3**	16.0	**21%**
Average book value of purchased book debts	Rm	**599**	538	**11%**
Asset turnover ratio (ATO)	%	**71.1**	71.7	
Agency/Principal collections revenue split	%	**47/53**	49/51	
Estimated remaining collections (ERC)	Rm	**1 313**	1 034	**27%**
Transaction Capital Business Solutions (formerly Rand Trust)				
Gross loans and advances	Rm	**497**	433	**15%**
Impairment provision	Rm	**(11)**	(11)	**0%**
Loans and advances	Rm	**486**	422	**15%**
GROUP EXECUTIVE OFFICE				
Condensed income statement				
Net interest income	Rm	**70**	78	**(10%)**
Net operating costs	Rm	**(11)**	(5)	**120%**
Profit before tax	Rm	**59**	73	**(19%)**
Profit after tax	Rm	**41**	51	**(20%)**
Headline earnings	Rm	**41**	51	**(20%)**
Other information				
Depreciation	Rm	**1**	–	**100%**
Statement of financial position				
Assets				
Cash and cash equivalents	Rm	**443**	518	**(14%)**
Property and equipment	Rm	**3**	4	**(25%)**
Other assets	Rm	**89**	279	**(68%)**
Total assets	Rm	**535**	801	**(33%)**
Liabilities				
Interest-bearing liabilities	Rm	**437**	744	**(41%)**
Group loans	Rm	**(1 143)**	(1 185)	**(4%)**
Other liabilities	Rm	**11**	20	**(45%)**
Total liabilities	Rm	**(695)**	(421)	**65%**
Segment net assets	Rm	**1 230**	1 222	**1%**
Employees	Number	**25**	21	**19%**
ENVIRONMENT				
Estimated minibus taxi market	Vehicles	**200 000**	200 000	**0%**
Estimated minibus taxi market – financed	Vehicles	**70 000**	70 000	**0%**
Consumers with impaired records NCR	%	**40.2**	45.0	

DATA SHEET *continued*

PRO FORMA INFORMATION

The following information is presented in order to facilitate the comparison of 2014, 2015 and 2016 financial information. The pro forma information presents the effects of the adoption of IFRS 9 for the year ended 30 September 2014, based on the assumption that the adoption of IFRS 9 was implemented on 1 October 2013. Refer to the SENS announcement released on 24 November 2015 for full pro forma effect of early adoption of IFRS 9.

The pro forma financial information has been reported on by Deloitte & Touche in terms of International Standard on Assurance Engagements 3420 – Assurance Engagements to Report on the compilation of Pro Forma Financial Information and their Reporting Accountant's Report can be inspected at the registered office of the company.

		Year ended 30 September			Movement	
		2016	2015	2014 Pro forma	**2016**	2015
Consolidated income statement						
Headline earnings from continuing operations	Rm	**458**	393	302	**17%**	30%
Net interest income	Rm	**879**	821	725	**7%**	13%
Consolidated statement of financial position						
Loans and advances	Rm	**7 190**	6 160	5 540	**17%**	11%
Total assets	Rm	**11 091**	9 703	8 945	**14%**	8%
Equity	Rm	**2 978**	2 611	2 291	**14%**	14%
Shareholder statistics						
Headline earnings per share from continuing operations	cents	**80.6**	69.0	52.4	**17%**	32%
Net asset value per share	cents	**514.8**	454.4	402.2	**13%**	13%
Tangible net asset value per share	cents	**463.8**	414.0	365.2	**12%**	13%
Performance indicators						
Gross loans and advances	Rm	**7 687**	6 713	6 089	**15%**	10%
Impairment provision	Rm	**(497)**	(553)	(549)	**(10%)**	1%
Provision coverage	%	**6.5**	8.2	9.0		
Non-performing loan ratio	%	**16.3**	17.0	18.8		
Non-performing loan coverage	%	**39.8**	48.6	47.9		
Non-performing loans	Rm	**1 250**	1 138	1 145	**10%**	(1%)
Capital adequacy ratio	%	**38.9**	43.3	45.4		
Gearing	times	**3.8**	3.8	3.9	**0%**	(3%)
Net interest margin	%	**12.2**	12.8	13.0		
Total income	Rm	**2 967**	2 699	2 458	**10%**	10%
Credit loss ratio	%	**2.9**	3.6	4.2		
Cost-to-income ratio	%	**62.5**	64.2	67.8		
Return on average assets (ROA)	%	**4.4**	4.4	3.5		
Return on average tangible assets (ROTA)	%	**4.6**	4.6	3.7		
Return on average equity (ROE)	%	**16.9**	16.7	12.8		
Return on average tangible equity (ROTE)	%	**19.3**	19.1	14.7		
Interim dividend per share	cents	**12.0**	10.0	6.0	**20%**	67%
Final dividend per share	cents	**18.0**	12.0	10.0	**50%**	20%
Total dividend per share	cents	**30.0**	22.0	16.0	**36%**	38%
Total dividend cover	times	**2.7**	3.1	3.3	**(13%)**	(6%)

PRO FORMA INFORMATION continued

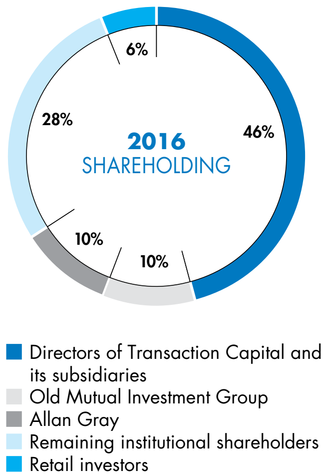
		Year ended 30 September			Movement	
		2016	2015	2014 Pro forma	**2016**	2015
SA TAXI						
Credit performance						
Gross loans and advances	Rm	**7 151**	6 238	5 592	**15%**	12%
Impairment provision	Rm	**(476)**	(535)	(526)	**(11%)**	2%
Non-performing loan ratio	%	**17.4**	18.2	20.5		
Credit loss ratio	%	**3.1**	3.9	4.4		
Provision coverage	%	**6.7**	8.6	9.4		
Non-performing loan coverage	%	**38.3**	47.0	45.9		
Performance indicators						
Headline earnings	Rm	**254**	212	175	**20%**	21%
Net interest margin	%	**11.1**	11.3	11.3		
Average cost of borrowing	%	**10.6**	10.0	9.7		
Cost-to-income ratio	%	**51.1**	48.7	48.9		
TRANSACTION CAPITAL RISK SERVICES						
Performance indicators						
Headline earnings	Rm	**168**	134	88	**25%**	52%
Non-interest revenue	Rm	**964**	953	861	**1%**	11%
Purchased book debts	Rm	**728**	561	471	**30%**	19%
Cost-to-income ratio	%	**77.4**	82.5	86.9		
Services: EBITDA (Transaction Capital Recoveries and Principa)	Rm	**239**	188	121	**27%**	55%

SHAREHOLDER INFORMATION

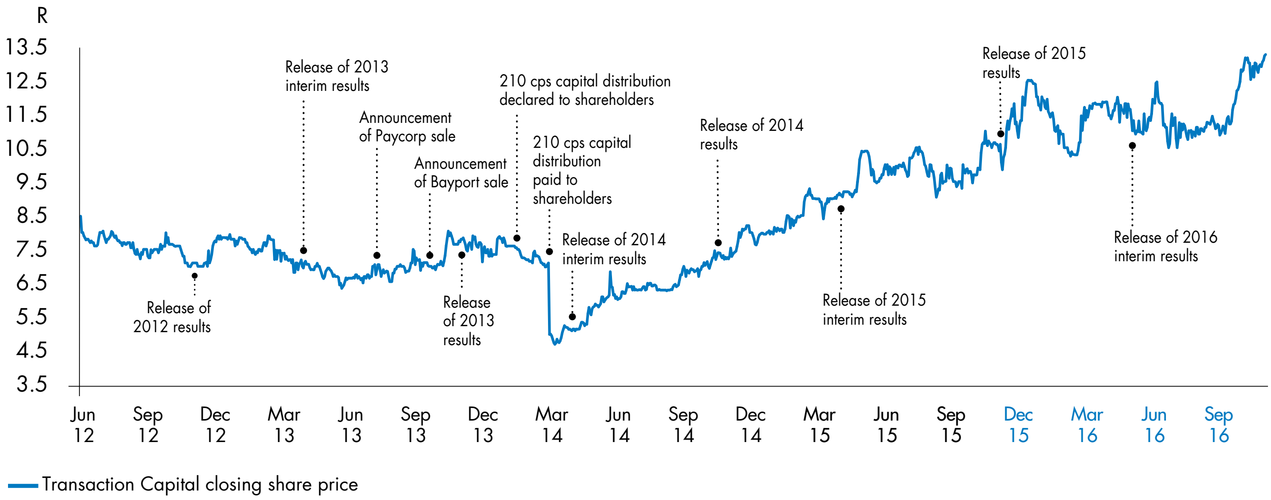
SHAREHOLDER ANALYSIS

AT 30 SEPTEMBER 2016

	Number of shareholders	Number of shares million	Shareholding %
Non-public			
Directors of Transaction Capital and its subsidiaries	16	262	46
Sub-total	**16**	**262**	**46**
Public			
Old Mutual Investment Group	1	58	10
Allan Gray	1	58	10
Remaining institutional shareholders	69	160	28
Retail investors	686	34	6
Sub-total	**757**	**310**	**54**
Total	**773**	**572**	**100**



TRANSACTION CAPITAL SHARE PRICE PERFORMANCE SINCE LISTING (JUNE 2012)



PERFORMANCE ON THE JSE

		2016
1 October 2015 – 30 September 2016		
Traded share prices		
closing	R	**12.75**
high	R	**12.80**
low	R	**9.35**
volume weighted average (VWAP)	R	**11.09**
Closing price/net asset value per share		**2.48**
Price earnings ratio based on headline earnings for the year		**15.82**
Volume of shares traded during the year	Units	**87 807 200**
Market capitalisation	Rm	**7 291**

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 advisor immediately.

If you have disposed of all of your shares in Transaction Capital, please forward this notice to the purchaser of such shares or to the broker, CSDP, 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 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 2016 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, 24 February 2017 that the annual general meeting of shareholders of the company ('annual general meeting') will be held in the William Meeting Room, Ground Floor, Transaction Capital, 230 Jan Smuts Avenue, Dunkeld West on Thursday, 2 March 2017 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, 24 February 2017 (with the last day to trade in order to be able to attend and vote at the annual general meeting being Tuesday, 21 February 2017), 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. The record date to determine which shareholders are entitled to receive the notice of annual general meeting is Friday, 13 January 2017.

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 shareholders' participation at the annual general meeting.

Copies of the Integrated Annual Report containing this notice are available in English only and may be obtained from the date of issue of this notice of annual general meeting until the date of the annual general meeting, both days inclusive, during normal business hours from the registered office of the company and the offices of the transfer secretaries, the addresses of which are set out in the "Administration" section of the Integrated Annual Report and at the end of this notice.

The purpose of the annual general meeting is for the following business to be transacted and for the ordinary and special resolutions set out below to be proposed:

A. Audited financial statements

1. To present the audited financial statements of the group and the company as envisaged in section 30 of the Companies Act, including the directors' report, external auditor's report and the audit, risk and compliance committee report for the year ended 30 September 2016.
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. ORDINARY RESOLUTION NUMBER 1

Re-election of director

Resolved that:

J Jawno, who retires in terms of the company's memorandum of incorporation, and who, being eligible, has offered himself for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act.

2. ORDINARY RESOLUTION NUMBER 2

Re-election of director

Resolved that:

P Langeni, who retires in terms of the company's memorandum of incorporation, and who, being eligible, has offered herself for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act.

3. ORDINARY RESOLUTION NUMBER 3

Re-election of director

Resolved that:

R Rossi, who retires in terms of the company's memorandum of incorporation, and who, being eligible, has offered himself for re-election, be re-elected in terms of section 68(2)(a) of the Companies Act.

The date of appointment, educational qualifications, other significant directorships and details of appointments to company and board committees for each director standing for re-election are set out on pages 36 to 39 of the Integrated Annual Report, of which this notice forms part.

4. ORDINARY RESOLUTION NUMBER 4

Election of director

Resolved that:

M Kgosana, who was appointed to the board during the year, retires automatically at this meeting, and who, being eligible, has offered himself for election, be elected in terms of section 68(2)(a) of the Companies Act.

5. ORDINARY RESOLUTION NUMBER 5

Election of director

Resolved that:

K Pillay, who was appointed to the board during the year, retires automatically at this meeting, and who, being eligible, has offered himself for election, be elected in terms of section 68(2)(a) of the Companies Act.

6. ORDINARY RESOLUTION NUMBER 6

Election of director

Resolved that:

R Goldstein, who was appointed to the board during the year, retires automatically at this meeting, and who, being eligible, has offered himself for election, be elected in terms of section 68(2)(a) of the Companies Act.

The date of appointment, educational qualifications, other significant directorships and details of appointments to company and board committees for each new director standing for election are set out on pages 36 to 39 of the Integrated Annual Report, of which this notice forms part.

Explanation and effects of ordinary resolutions number 1 to 6, re-election or election of directors:

In terms of clause 21.2 of the company's memorandum of incorporation one third of 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.

Directors who were appointed/co-opted subsequent to the last annual general meeting retire at the following meeting. These directors have indicated their willingness to stand for election.

The directors have reviewed the composition of the board of directors of the company (board) and recommend the re-election or election of each of the above-mentioned directors which will enable the company, *inter alia*, to:

> responsibly maintain a mixture of business skills and experience relevant to the company and the group and balance the requirements of transformation, continuity and succession planning; and

> comply with corporate governance requirements, in respect of the balance of executive, non-executive and independent directors on the board.

It is noted that D Woollam and D Tabata have given notice to the company that they will not be available to continue as directors and will resign as directors of the company from the date of the annual general meeting.

7. ORDINARY RESOLUTION NUMBER 7

Appointment of members of audit, risk and compliance committee

Section 94(2) of the Companies Act

Resolved that:

M Kgosana, as an independent non-executive director of the company, who meets the required criteria for a member and chairman of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act (subject to being elected as a director in terms of the ordinary resolution 4 above).

8. ORDINARY RESOLUTION NUMBER 8

Appointment of members of audit, risk and compliance committee

Section 94(2) of the Companies Act

Resolved that:

P Langeni, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act (subject to being re-elected as a director in terms of the ordinary resolution 2 above).

9. ORDINARY RESOLUTION NUMBER 9

Appointment of members of audit, risk and compliance committee

Section 94(2) of the Companies Act

Resolved that:

C Seabrooke, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company, be elected as a member of the audit, risk and compliance committee, until the next annual general meeting of the shareholders of the company, subject to the provisions of the memorandum of incorporation of the company and the Companies Act.

Explanation and effects of ordinary resolutions number 7 to 9, appointment of members of the audit, risk and compliance committee:

All public companies are required to have an audit committee comprising at least three persons who are independent non-executive directors and eligible in terms of section 94 of the Companies Act. In terms of section 94(2) of the Companies Act, an audit committee must be elected annually at the annual general meeting of a public company. The section 94 requirements of the Companies Act are fulfilled by the audit, risk and compliance committee. It is noted that the independent non-executive chairman of the board is also a member of the audit, risk and compliance committee.

The election of each of the afore-mentioned independent non-executive directors as audit, risk and compliance committee members will be voted on by way of separate ordinary resolutions.

10. ORDINARY RESOLUTION NUMBER 10

Appointment of auditors

Sections 90 and 94(7) of the Companies Act

Resolved that:

On recommendation of the audit, risk and compliance committee, as envisaged in section 94(7)(a) of the Companies Act, Deloitte & Touche (with M Jordan 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 10, appointment of auditors:

In terms of section 90(1) of the Companies Act, a public company is to appoint an auditor each year at its annual general meeting. The effect of this ordinary resolution will be to re-appoint Deloitte & Touche, as auditors for the company, with M Jordan as the lead audit partner, in accordance with the terms of the company's memorandum of incorporation.

11. ORDINARY RESOLUTION NUMBER 11

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 11, non-binding advisory vote on remuneration policy:

In terms of the King Code on Governance Principles for South Africa it is recommended that the company put the company's remuneration policy to shareholders who can vote thereon in a non-binding advisory capacity.

12. ORDINARY RESOLUTION NUMBER 12

Issue of securities for acquisitions in circumstances other than those covered by special resolution number 5

Resolved that:

The authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the board until the conclusion of the next annual general meeting, and that the board be and is hereby authorised and empowered to issue such unissued ordinary shares as consideration for acquisitions in any way they may deem fit, subject to:

12.1. the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements, where applicable;

12.2. such issue being an issue only for securities of a class already in issue or where this is not the case, such issue must be limited to such securities or rights that are convertible into securities of a class already in issue; and

12.3. the board's authority in terms hereof is limited to a maximum of 29 046 540 ordinary shares, being 5% of the ordinary shares in issue as at the date of issue of this notice.

Explanation and effect of ordinary resolution number 12, issue of securities for acquisitions in circumstances other than those covered by special resolution number 5:

This ordinary resolution number 12 is to obtain a general authority from shareholders authorising the directors to issue authorised (but unissued) ordinary securities for acquisitions in compliance with the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements, where applicable.

13. ORDINARY RESOLUTION NUMBER 13

Authority to act

Resolved that:

Any director of the company or the company secretary, all with the power of substitution, be and is hereby authorised to carry out and to do all such things and matters as may be or are necessary in connection with all resolutions and which may be required to give effect to such resolutions including without limitation being authorised to make, amend and sign all and any such necessary documents, letters, applications, announcements and affidavits as may be required for purposes of and in connection with the resolutions and giving effect to them and including Companies and Intellectual Property Commission forms that may be required.

Explanation and effect of ordinary resolution number 13, authority to act:

Ordinary resolution number 13 grants authority to any director or the company secretary to carry out, execute all documents and do all such things as he/she may in his/her discretion consider necessary or appropriate in connection with and to implement and give effect to the ordinary and special resolutions.

14. SPECIAL RESOLUTION NUMBER 1

Approval of non-executive directors' and committee members' fees

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

	Proposed annual fees 2017 R	Annual fees 2014 to 2016 R
Directors		
Chairman (including membership of four committees)	**1 500 000**	1 200 000
Other directors	**350 000**	250 000
Audit, risk and compliance committee		
Chairman	**375 000**	350 000
Member	**150 000**	150 000
Other board committees		
Chairman	**250 000**	125 000
Member	**120 000**	60 000
Non-executive directors of subsidiaries		
Non-executive director of a group subsidiary company (in conjunction with being a non-executive director of Transaction Capital)	**110 000**	100 000

Fees for audit, risk and compliance committee and other board committee members are in addition to board member fees.

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

Post the disposals of Paycorp and Bayport in the 2014 financial year, Transaction Capital restructured its board composition and board committees and commensurately reduced its non-executive director fees accordingly. No increases to non-executive director fees were awarded in the 2015 and 2016 financial years. Taking into account the growth of the group, and the increasing requirements of the non-executive directors, the new fees have been inflation adjusted and benchmarked as per the above table. The above non-executive directors' fees have been assessed by the remuneration committee to be market-related.

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 of each of the non-executive directors of the company and committee members for the next two years in accordance with section 66(9) of the Companies Act. The proposed changes will come into effect from the date of the annual general meeting.

15. SPECIAL RESOLUTION NUMBER 2

Authority to provide financial assistance in terms of section 45 of the Companies Act

Section 45 of the Companies Act

Resolved that:

The board may, subject to compliance with the requirements of the company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the company to provide at any time and from time to time during the period of 2 (two) years commencing on the date of the adoption of this special resolution, direct or indirect financial assistance, including without limitation by way of 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 R4 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 R8 billion.

Such authority is to endure for a period of 2 (two) years following the date on which this resolution is adopted or earlier renewal.

Explanation and effect of special resolution number 2, authority to provide financial assistance in terms of section 45 of the Companies Act:

The reason for special resolution number 2 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to one or more related or inter-related companies or corporations (as such term is defined in section 2 of the Companies Act) in accordance with the provisions of section 45 of the Companies Act. The effect of special resolution number 2 is that the company will have the necessary authority to provide financial assistance to the category of potential recipients as and when required but provided that the board will not approve a resolution to authorise such financial assistance unless the directors are satisfied that:

> immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and

> the terms under which the financial assistance is proposed to be given in terms of section 45 are fair and reasonable to the company.

The general authority from shareholders in special resolution number 2 will allow the company to continue giving financial assistance, including, without limitation, making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances, 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 2 (two) years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the company's future annual general meetings.

16. SPECIAL RESOLUTION NUMBER 3

Authority to provide financial assistance in terms of section 44 of the Companies Act

Section 44 of the Companies Act

Resolved that:

The board may, subject to compliance with the requirements of the company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the board being satisfied that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the company), authorise the company to provide, at any time and from time to time during the period of 2 (two) years commencing on the date of the adoption of this special resolution, direct or indirect financial assistance envisaged in section 44 of the Companies Act, to any present or future subsidiary of the company for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company, subject to the provisions of section 44 of the Companies Act, including without limitation by way of loan, guarantees, the provision of security, the giving of indemnities, the giving of warranties, or otherwise, as envisaged in section 44 of the Companies Act.

Explanation and effect of special resolution number 3, authority to provide financial assistance in terms of section 44 of the Companies Act:

The reason for special resolution number 3 is to obtain approval from the shareholders of the company to enable the company to provide financial assistance, when the need arises, to any present or future subsidiary of the company for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. The effect of special resolution number 3 is that the company will have the necessary authority to provide financial assistance as contemplated in section 44 of the Companies Act when required but provided that the board will not approve a resolution to authorise such financial assistance unless the directors are satisfied that:

> immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test as contemplated in the Companies Act; and
> the terms under which the financial assistance is proposed to be given in terms of section 44 are fair and reasonable to the company.

The general authority from shareholders in special resolution number 3 will allow the company to give financial assistance as envisaged in section 44 of the Companies Act, which includes without limitation, the making of loans, the giving of guarantees, the provision of security, the giving of warranties, the giving of indemnities, or otherwise for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of 2 (two) years from the date on which this resolution is passed. There is, however, the intention to renew the authority annually at the company's future annual general meetings.

17. SPECIAL RESOLUTION NUMBER 4

General authority to repurchase securities

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

Resolved that:

The company and/or a present or future subsidiary company are hereby authorised as a general authority, and as permitted in terms of clause 35 of the company's memorandum of incorporation, to repurchase securities issued by the company on such terms and conditions as may be determined by the directors from time to time, subject to the restrictions placed by the Companies Act and the following provisions of the JSE Listings Requirements:

> that the 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 has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company will instruct an independent third party, which makes its investment decision in relation to the company's securities independently of, and uninfluenced by, the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
> the general repurchase of securities shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued capital of that class 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 provisions of the JSE Listings Requirements; and

NOTICE OF ANNUAL GENERAL MEETING *continued*

> the board must pass a resolution that they authorised the repurchase and that the company and the group have passed the solvency and liquidity test as set out in section 4 of the Companies Act, and that since the test was done there have been no material changes to the financial position of the group.

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, equal or exceed the liabilities of the company and the group, as fairly valued. For this purpose the assets and liabilities are recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements, which comply with the Companies Act;
> 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 and/or a present or future subsidiary of the company of the company's own securities, subject to the provisions of the memorandum of incorporation of the company, the Companies Act and the JSE Listings Requirements. The effect of special resolution number 4 is that the company and/or a present or future subsidiary company is authorised to repurchase its own securities at any time while the general authority exists, in compliance with the provisions of the JSE Listings Requirements, the Companies Act and the memorandum of incorporation of the company. Please see additional information to consider in respect of this special resolution in the section of this notice marked "Additional Information, Record Dates, Voting, Proxies And Electronic Participation" on page 128 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 3 March 2016.

It is recorded that at present, the board has no specific intention with regard to the utilisation of the general authority which is the subject of special resolution number 4.

18. SPECIAL RESOLUTION NUMBER 5

General authority to allot and issue authorised but unissued securities for cash

Section 5.52 of the JSE Listings Requirements as read with clause 19.9 of the memorandum of incorporation

Resolved that:

The directors are hereby authorised as a general authority, to allot and issue the authorised but unissued securities for cash, upon such terms and conditions and to such persons as they in their discretion may determine, subject to the provisions of the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements provided that:

> the securities be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
> securities may only be issued to public shareholders as defined in the JSE Listings Requirements, and not to related parties, unless the JSE agrees otherwise;
> the securities which are the subject of general issues for cash:
  – in the aggregate may not exceed 5% of the company's equity securities in issue of that class as at the date of the passing of the notice of the annual general meeting, being 29 046 540 ordinary shares, provided that such authorisation be valid only until the next annual general meeting or fifteen months from the date of passing the resolution, whichever is the earlier date; and
  – in the event of a sub-division or consolidation of the issued equity securities during the period contemplated in the first bullet above, the existing authority must be adjusted accordingly to represent the same allocation ratio.
> the maximum discount at which such securities may be issued or sold, as the case may be, is 10% of the weighted average traded price of such securities on the JSE over the 30 business days preceding the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE will be consulted for a ruling if the company's securities have not traded in such 30 business day period;
> any such general issues are subject to exchange control regulations and approval at that point in time;
> an announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per security (and if applicable, diluted earnings and diluted headline earnings per security) will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% of the number of securities in issue prior to the issue; and
> this authority includes any options/convertible securities that are convertible into an existing class of equity securities.

Explanation and effect of special resolution number 5, general authority to allot and issue authorised but unissued securities:

The explanation for special resolution number 5 is to authorise and approve the company's allotment and issue of authorised but unissued securities by the board upon such terms and conditions and to such persons as they in their discretion may determine subject to limitations and other provisions contained herein, in the Companies Act, the memorandum of incorporation of the company and the JSE Listings Requirements.

In terms of the JSE Listings Requirements, in order to be adopted, this resolution is ordinarily passed as an ordinary resolution adopted by achieving a 75% majority of the votes cast. In terms of clause 19.9 of the company's memorandum of incorporation, for so long as the company is listed on the JSE, if any of the JSE Listings Requirements require an ordinary resolution to be passed with a 75% majority, the resolution shall instead be required to be passed by a special resolution.

Accordingly, this general authority to issue securities for cash is being obtained as a special resolution.

C. Report relating to the social and ethics committee to the annual general meeting

This report is contained on page 9 of the annual financial statements. The chairperson of the committee will be available at the meeting to answer any questions thereon.

D. Trading update

A verbal trading update, to be presented by the chief executive officer of the company at the annual general meeting, will simultaneously be released on the Stock Exchange News Service of the JSE.

E. Other business

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

NOTICE OF ANNUAL GENERAL MEETING *continued*

ADDITIONAL INFORMATION, RECORD DATES, VOTING, PROXIES AND ELECTRONIC PARTICIPATION

Additional information

For the purpose of considering special resolution number 4, and in compliance with paragraph 11.26 of the JSE Listings Requirements, the information listed below has been included in the Integrated Annual Report, in which this notice of annual general meeting is included, at the places indicated:

- major shareholders – refer to page 118; and
- share capital of the company – refer to page 49 of the annual financial statements.

The directors, whose names are set out on pages 36 to 39 of the Integrated Annual Report, collectively and individually accept full responsibility for the accuracy of the above information as contemplated in paragraph 11.26 of the JSE Listings Requirements, for the purpose of special resolution number 4, and certify that to the best of their knowledge and belief, there are no other facts, the omission of which, would make any statement false or misleading and that they have made all reasonable enquiries in this regard to ascertain such facts and that all information required by law and the JSE Listings Requirements is contained herein.

After the last practicable date prior to publishing this notice being Tuesday, 17 January 2017, there have been no material changes in the financial or trading position of the group that have occurred since 30 September 2016 other than as disclosed in the Integrated Annual Report of which this notice forms part.

Record dates

The record date on which shareholders must be recorded as such in the register of shareholders of the company for the purposes of receiving notice of this annual general meeting is Friday, 13 January 2017.

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, 24 February 2017.

The last day to trade in the company's shares for the purpose of being entitled to attend, participate and vote at the annual general meeting is Tuesday, 21 February 2017.

Attendance, voting and proxies

1. In terms of the JSE Listings Requirements, as read with the Companies Act, 75% of the votes cast by equities securities holders present or represented by proxy at the meeting must be cast in favour of the above special resolutions for them to be approved.
2. In terms of the Companies Act and save where the contrary is specified in this notice, a majority of the votes cast by shareholders present or represented by proxy at the meeting must be cast in favour of the ordinary resolution for it to be approved.
3. In terms of the company's memorandum of incorporation, on a show of hands each shareholder, or proxy as the case may be, entitled to vote shall have one vote, irrespective of the number of securities held by that person or proxy, as the case may be. On a poll, every person entitled to vote shall have the number of votes determined in accordance with the voting rights associated with the securities in question which, for clarity, shall be one vote for every ordinary share held.
4. Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own-name" registration are entitled:

   4.1. to attend, participate and vote at the annual general meeting in person; or alternatively

   4.2. at any time, to appoint any individual, including an individual who is not a shareholder of the company, as a proxy to participate in, and speak at and vote at, the annual general meeting on behalf of the shareholder by completing the form of proxy which is attached to this notice and delivering it as contemplated in paragraph 5 below.
5. The person so appointed need not be a shareholder of the company. Forms of proxy must be forwarded to reach the company's transfer secretaries by delivering it to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, so as to be received by them preferably by no later than 09:30 on Tuesday, 28 February 2017. Any form of proxy not handed to the transfer secretaries at this time may be handed to the chairman of the annual general meeting at any time before the proxy exercises any rights of the shareholder at the annual general meeting.
6. Forms of proxy must only be completed by shareholders who have dematerialised their shares with "own-name" registration or who have not dematerialised their shares.

7. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own-name" registration, who are unable to attend the annual general meeting but wish to be represented thereat, must not complete the attached form of proxy, but must instead, contact their CSDP 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 subsection 62(3)(e)(i) of the Companies Act, restricts the number of proxies that may be appointed to one per shareholder and in accordance with the provisions of subsection 58(3)(b) restricts the ability for a proxy to delegate his/her authority to another person.
9. Before any person may attend or participate in the annual general meeting, the person must present reasonably satisfactory identification in terms of section 63(1)(a) of the Companies Act. The company will regard presentation by a participant of an original valid driver's licence, identity document or passport to be satisfactory identification.

Electronic participation

Shareholders or their duly appointed proxies will be given the right, as authorised in the memorandum of incorporation and in accordance with the provisions of the Companies Act, to participate by way of electronic communication at the annual general meeting by way of dialling into telephone conference facilities.

Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries by completing and submitting the application form (enclosing the documents referred to in the application form) attached to this notice to the transfer secretaries at Computershare Investor Services Proprietary Limited by delivering it to Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa or emailing it to roneng@transactioncapital.co.za or facsimileing it to fax no +27 049 6899, to be received by them by no later than 12:00 on Tuesday, 28 February 2017.

By no later than 14:00 on Wednesday, 1 March 2017, 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.

RONEN GOLDSTEIN
Financial director
Transaction Capital Limited
24 January 2017

Registered office
Transaction Capital
230 Jan Smuts Avenue
Dunkeld West
Johannesburg
2196

Transfer Secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)
South Africa

NOTES TO THE FORM OF PROXY

(including a summary of rights in terms of section 58 of the Companies Act, 71 of 2008, as amended (the 'Companies Act'))

In terms of section 58 of the Companies Act:

1.1 a shareholder may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at the annual general meeting on behalf of such shareholder (section 58(1)(b));

1.2 a proxy may delegate her or his authority to act on behalf of a shareholder to another person, subject to any restriction set out in the instrument appointing such proxy ('Proxy Instrument') (section 58(3)(b)) (but see note 16);

1.3 irrespective of the form of the Proxy Instrument:

1.3.1 the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder (see note 5) (section 58(4)(a));

1.3.2 any appointment by a shareholder of a proxy is revocable, unless the Proxy Instrument states otherwise (section 58(4)(b)); and

1.3.3 if an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by: (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the company (section 58(4)(c)).

1.4 a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the company's memorandum of incorporation, or the Proxy Instrument, provides otherwise (section 58(7)) (see note 3).

1.5 the revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered as contemplated in paragraph 1.3.3 above (section 58(5));

1.6 if the Proxy Instrument has been delivered to a company, as long as that appointment remains in effect, any notice required by the Companies Act or the company's memorandum of incorporation to be delivered by the company to the shareholder must be delivered by the company to the shareholder (section 58(6)(a)), or the proxy or proxies, if the shareholder has directed the company to do so in writing and paid any reasonable fee charged by the company for doing so (section 58(6)(b));

1.7 if the company issues an invitation to shareholders to appoint one or more persons named by the company as a proxy, or supplies a form of Proxy Instrument:

1.7.1 the invitation must be sent to every shareholder entitled to notice of the annual general meeting at which the proxy is intended to be exercised (section 58(8 (a)); and

1.7.2 the invitation or form of Proxy Instrument supplied by the company must:

1.7.2.1 bear a reasonably prominent summary of the rights established in section 58 of the Companies Act (section 58(8)(b)(i));

1.7.2.2 contain adequate blank space, immediately preceding the name(s) of any person(s) named in it, to enable a shareholder to write the name, and if desired, an alternative name of a proxy chosen by the shareholder (section 58(8)(b)(ii)); and

1.7.2.3 provide adequate space for the shareholder to indicate whether the appointed proxy is to vote in favour of or against any resolution(s) to be put at the annual general meeting, or is to abstain from voting (section 58(8)(b)(iii));

1.8 the company must not require that the proxy appointment be made irrevocable (section 58(8)(c)); and

1.9 the proxy appointment remains valid only until the end of the annual general meeting at which it was intended to be used, subject to paragraph 1.5 above.

NOTES:

1. Each shareholder is entitled to appoint one proxy (who need not be a shareholder of Transaction Capital) to attend, speak and vote (or abstain from voting) in place of that shareholder at the annual general meeting.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice (in the event that the appointed proxy is unable to act) in the space/s provided with or without deleting "the chairman of the annual general meeting" but the shareholder must initial any such deletion. The person whose name stands first on this form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow, it being recorded that the memorandum of incorporation of the company prohibits a shareholder from appointing more than 1 (one) proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided.
4. Failure to comply with the above will be deemed to authorise and direct the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholder's votes exercisable at the annual general meeting.
5. Completed forms of proxy and the authority (if any) under which they are signed must be lodged with or posted to the transfer secretaries: Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received preferably by no later than 09:30 on Tuesday, 28 February 2017 (48 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 driver's licence, identity document or passport to be satisfactory identification.
11. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by Transaction Capital or the transfer secretaries or waived by the chairman of the annual general meeting.
12. Where shares are held jointly, all joint shareholders are required to sign this form of proxy.
13. A shareholder who is a minor must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Transaction Capital or the transfer secretaries.
14. Dematerialised shareholders who do not own shares in "own-name" dematerialised form and who wish to attend the annual general meeting, or to vote by way of proxy, must contact their CSDP, broker or nominee who will furnish them with the necessary letter of representation to attend the annual general meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the shareholder and his/her CSDP, broker or nominee.
15. This form of proxy shall be valid at any resumption of an adjourned or postponed annual general meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned or postponed annual general meeting if it could not have been used at the annual general meeting from which it was adjourned or postponed for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall, in addition to the authority conferred by the Companies Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the annual general meeting, and subject to any specific direction contained in this form of proxy as to the manner of voting.
16. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, provided that no notification in writing of such death, mental disorder, revocation or transfer as aforesaid shall have been received by the transfer secretaries before the commencement of the annual general meeting or adjourned annual general meeting at which the proxy is used.
17. Any proxy appointed in terms of this form of proxy may not delegate his/her authority to act on behalf of the relevant shareholder. In terms of the memorandum of incorporation of the company, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid for 1 (one) year from the date upon which it was signed.

FORM OF PROXY

TRANSACTION CAPITAL LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE: Code TCP ISIN: ZAE 000167391
('Transaction Capital' or the 'company')

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 BLOCKLETTERS) ______________________________

or, failing him/her, the chairman of the annual general meeting, as my/our proxy to participate in, speak and vote (whether by polling or by show of hands) for me/us and on my/our behalf at the annual general meeting of the company to be held at the William Meeting Room, Ground Floor, Transaction Capital, 230 Jan Smuts Avenue, Dunkeld West on Thursday, 2 March 2017 and at any adjournment(s) thereof, and to vote or abstain from voting on the ordinary and special resolutions to be proposed at such meeting as follows:

RESOLUTIONS

	In favour	Against	Abstain
Ordinary resolution number 1 – Re-election of J Jawno as a director			
Ordinary resolution number 2 – Re-election of P Langeni as a director			
Ordinary resolution number 3 – Re-election of R Rossi as a director			
Ordinary resolution number 4 – Election of M Kgosana as a director			
Ordinary resolution number 5 – Election of K Pillay as a director			
Ordinary resolution number 6 – Election of R Goldstein as a director			
Ordinary resolution number 7 – Appointment of M Kgosana as a member and chairman of audit, risk and compliance committee			
Ordinary resolution number 8 – Appointment of P Langeni as a member of audit, risk and compliance committee			
Ordinary resolution number 9 – Appointment of C Seabrooke as a member of audit, risk and compliance committee			
Ordinary resolution number 10 – Appointment of Deloitte & Touche as auditors			
Ordinary resolution number 11 – Non-binding advisory vote on remuneration policy			
Ordinary resolution number 12 – Issue of securities for acquisitions in circumstances other than those covered by special resolution 5			
Ordinary resolution number 13 – Authority to act			
Special resolution number 1 – Approval of non-executive directors' and committee members' fees			
Special resolution number 2 – Authority to provide financial assistance in terms of section 45 of the Companies Act			
Special resolution number 3 – Authority to provide financial assistance in terms of section 44 of the Companies Act			
Special resolution number 4 – General authority to repurchase securities			
Special resolution number 5 – General authority to allot and issue authorised but unissued securities for cash			

Please indicate with an 'x' in the appropriate spaces above how you wish your votes and/or abstentions to be cast.

If you return this form duly signed without any specific directions indicated with an 'x' in the appropriate spaces above, the proxy will be entitled to vote or abstain as he/she thinks fit in his/her discretion.

A proxy may not delegate his/her authority to act on your behalf to another person.

Signed at ______________________________ on ______________________________ 2017

Name in BLOCK LETTERS: ______________________________ Signature: ______________________________

Please refer to the notes on page 130 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
('Transaction Capital' or 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, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, **or** posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa **or** emailing it to roneng@transactioncapital.co.za **or** facsimileing it to fax no +27 049 6899, as soon as possible but in any event, by no later than 12:00 on Tuesday, 28 February 2017.

Shareholders, or their proxies, may not vote electronically and must use the proxy form attached for this purpose or contact their CSDP if they wish to have their vote counted and are not able to attend the meeting in person and vote in person.

By no later than 14:00 on Wednesday, 2 March 2016, shareholders or their duly appointed proxies will be advised by email, telephone call or text message of the relevant telephone number and access code to allow them to dial in and participate electronically in the annual general meeting.

The company will bear the cost of establishing the electronic communication whilst the cost of the shareholder (or his/her proxy) dialling in will be for his/her/its own account.

By signature of this form, the shareholder or his/her proxy indemnifies and holds harmless the company against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the annual general meeting or any interruption in the ability of the shareholder or proxy to participate in the annual general meeting via electronic communication whether or not the problem is caused by any act or omission on the part of the shareholder, proxy or anyone else, including without limitation the company and its employees.

INFORMATION REQUIRED FOR PARTICIPATION BY ELECTRONIC COMMUNICATION

Full names of shareholder or authorised representative (for company or other legal entity): ______________________

Identity number or registration number of individual/entity: ______________________

Email address: ______________________

Cell phone number: ______________________

Telephone number including dialling codes: ______________________

Name of CSDP or broker if shares are dematerialised: ______________________

CSDP or broker contact number: ______________________

DOCUMENTS REQUIRED TO BE ATTACHED TO THIS APPLICATION FORM

1. In order to vote at the annual general meeting, shareholders who have not dematerialised their shares or who hold their shares in own-name registration are to appoint a proxy, which proxy may only participate and vote at the annual general meeting provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and is also to be attached to this application.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the annual general meeting, must be attached to this application.
3. A CSDP or broker registered in the company's sub-register participating on behalf of the beneficial owner of shares are requested to identify the beneficial owner on whose behalf they are acting and to attach a copy of the instructions from such owner.
4. Holders of dematerialised shares must request their broker or CSDP to issue them with the necessary authority to attend. The authorisation must be attached to this application.
5. A certified copy of the valid identity document/passport/driver's licence of the person attending the annual general meeting by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Signed at: ______________________ on ______________________ 2017

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

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

Independent non-executive

Christopher Seabrooke (chairman)
Phumzile Langeni
Dumisani Tabata
David Woollam
Moses Kgosana
Kuben Pillay

Non-executive

Roberto Rossi

REGISTERED OFFICE

Finance House
230 Jan Smuts Avenue
Dunkeld West
Johannesburg, 2196
(PO Box 41888, Craighall, 2024)

COMPANY SECRETARY

Statucor Proprietary Limited
(Registration number 1989/005394/07)
Summit Place
221 Garsfontein Road
Menlyn, 0081
(PO Box 95436, Waterkloof, 0145)

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 2006/018200/21)
150 West Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

INDEPENDENT AUDITORS

Deloitte & Touche
(Practice number 902276)
Deloitte Place
The Woodlands, 20 Woodlands Drive
Woodmead
Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)

STUDIO 5

ITEM	DEFINITION
Headline earnings from continuing operations	Headline earnings adjusted for non-headline items arising from discontinued operations as defined in SAICA's circular titled Headline Earnings
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 cumulative qualifying 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's circular titled Headline Earnings 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
Return on total sales	Profit for the year expressed as a percentage of total income
Structurally subordinated debt	Senior debt issued by a holding company within the group
Subordinated debt	Debt subordinated by agreement with the lender plus structurally subordinated debt
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 year during which they have participated in the income of the group excluding treasury shares

FORMULAE AND DEFINITIONS

ITEM	DEFINITION
Asset turnover ratio	Gross principal book revenue expressed as a percentage of average carrying value of purchased book debts
Average equity attributable to ordinary equity holders of the parent	Sum of equity attributable to ordinary equity holders of the parent at the end of each month from September to 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. Tangible assets excludes investments fair valued through equity for accounting purposes
Average tangible equity attributable to ordinary equity holders of the parent	Sum of equity attributable to ordinary equity holders of the parent less goodwill, intangible assets and fair value movements through equity relating to investments 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 Transaction Capital Recoveries (MBD) and Principa 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
Estimated remaining collections	Estimated undiscounted value of remaining gross cash collections of purchased book debts, estimated to be recovered over the next 96 months
Gearing	Total assets divided by equity attributable to ordinary equity holders of the parent expressed in times
Gross loans and advances	Gross loans and advances specifically exclude the value of the written-off book brought back on to the balance sheet
Gross yield on average gross loans and advances	Total income divided by average gross loans and advances
Gross yield on average assets	Total income divided by average assets
Headline earnings	Headline earnings is defined and calculated as per the circular titled Headline Earnings issued by the South African Institute of Chartered Accountants (SAICA), as amended from time to time, currently being basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items

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