2019

INTEGRATED ANNUAL REPORT

Transaction Capital

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ONLINE

- Audited annual financial statements
  Including:
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  - *Directors' report*
  - *Audit, risk and compliance committee report*
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  - *Independent auditor's report*
- King IV application register
- Impact report (with supplementary environmental, social and governance information)

ABOUT THIS REPORT

Our integrated annual report (this report) provides insight into Transaction Capital's business model and strategy, and evaluates our governance processes, our commercial and social performance, and our prospects for continued value creation for our stakeholders.

SCOPE AND BOUNDARY

This report covers the financial year from 1 October 2018 to 30 September 2019, and includes material developments subsequent to the financial year end, up to the board approval date of this report. The scope of this report covers the group holding company and its divisions, as set out on page 6. While Transaction Capital (the group) operates primarily in South Africa, this report also assesses our operations in Australia and our expansion into selected markets in the European Union.

Although this 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 short, medium and longer term. As such, this report includes comment on our relationships with key stakeholder groups, and how we respond to their concerns and balance their interests.

MATERIALITY

Group executive management was extensively involved in preparing this report and believes it covers all the factors deemed to be material to the group's ability to sustainably generate robust commercial returns and positive social impact. This year, to confirm this assertion of completeness, we conducted a formal materiality determination process. The scope of this independent analysis was limited to board reports, board and committee meeting minutes, and interviews with group executive management.

This information was selected as it includes matters that executive management and board committees deemed relevant enough to elevate to the board, and the subsequent record of the board's deliberation on them. We will continue to refine the materiality determination process over time.

Another development in this year's reporting process has been to give stakeholders an enhanced perspective of the group's governance processes. The chairpersons of board committees provide an overview of key deliberations and decisions taken within each committee, followed by a governance report focusing on how governance structures and processes support the creation and protection of value over time.

This report includes summarised consolidated annual financial statements and other selected financial information (from page 132 to 157).

→ *The full annual financial statements are available online at **www.transactioncapital.co.za**.*

DISCLAIMER

This report contains certain forward-looking statements regarding beliefs or expectations of Transaction Capital's directors and other members of its senior management about the group's financial condition, results of operations, cash flow, strategy and business. These include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. Forward-looking statements are not guarantees of future performance; rather, they are based on current views and assumptions, and involve known and unknown risks, uncertainties and other factors. Consequently, no assurance can be given that forward-looking statements will prove accurate, and readers are advised not to place undue reliance thereon.

REPORTING FRAMEWORKS

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

Transaction Capital conforms to the principles contained in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV).

ASSURANCE OF THE REPORT

EXTERNAL

The auditors, Deloitte & Touche, have issued an unmodified audit opinion on the annual financial statements. The audit was conducted in accordance with International Standards on Auditing. The scope of the audit was limited to the information set out in the annual financial statements and does not extend to the content of this report.

INTERNAL

The audit, risk and compliance (ARC) committee is responsible for monitoring the appropriateness of the combined assurance model and applies a co-ordinated approach to assurance activities. Combined assurance includes monitoring and oversight across executive and senior management, internal and external audit, as well as the board and its committees.

The ARC committee acknowledges its responsibility on behalf of the board to ensure the integrity of this report. Accordingly, it has applied its collective mind to this report and believes it appropriately and sufficiently addresses all material matters and fairly presents the integrated performance of Transaction Capital and its divisions for the year, within the stated scope and boundary.

The ARC committee recommended this report to the board for approval, obtained on 13 January 2020.

CHRISTOPHER SEABROOKE
Chairman of the board

DAVID HURWITZ
Chief executive officer

SEAN DOHERTY
Chief financial officer

01

ABOUT TRANSACTION CAPITAL

GROUP PROFILE

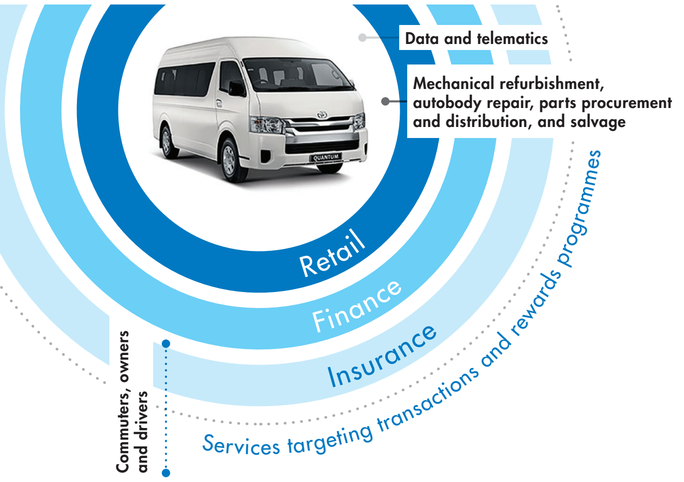
Transaction Capital is an active investor in and operator of credit-orientated alternative assets. These assets are managed by experienced entrepreneurial management teams that employ a rigorous value-led investment approach to generate risk-adjusted interest returns and capital appreciation, while delivering social value.

Transaction Capital's two market-leading divisions are diversified and scalable business platforms that leverage their specialised expertise, proprietary data and technology to create value for customers. Positioned deliberately in relation to socio-economic dynamics, both are highly defensive businesses able to deliver good commercial returns and positive social impact in variable economic conditions.

Transaction Capital

SA Taxi
driving our nation forward

SA Taxi is a vertically integrated business platform utilising specialist capabilities, enriched proprietary data and technology to provide developmental finance, insurance and other services to empower small- and medium-sized enterprises (SMEs) and create shared value opportunities, thus ensuring the sustainability of the minibus taxi industry.



SA Taxi *driving our nation forward*

SA Taxi AUTO PARTS
SA Taxi AUTO REPAIRS
SA Taxi DIRECT
SA Taxi FOUNDATION
SA Taxi PROTECT
SA Taxi REWARDS

→ *See the SA Taxi review for details on its value proposition, performance, social impact, market context, activities and strategic growth initiatives.* ***Page 68 to 83.***

Transaction Capital Risk Services

Transaction Capital Risk Services (TCRS) is a technology-led, data-driven provider of services and capital solutions relating to credit-orientated alternative assets originated and managed through scalable and bespoke platforms operating in South Africa, Australia and select international markets.

SERVICES

Contingency and fee-for-service collection services
(South Africa and Australia)

Transactional services
(South Africa)

- Payment processing services.
- Payroll services.
- Data analytics and software.

Value-added services
(South Africa)

- Subscription-based services for the mass consumer market.

Transaction Capital Recoveries
Transaction Capital Payment Solutions
Accsys A Transaction Capital Company
Principa A Transaction Capital Company
recoveriescorp connect. engage. succeed.
Road Cover We Care...

CAPITAL SOLUTIONS

Acquisition of non-performing consumer loan portfolios (NPL portfolios) to be collected as principal
(South Africa and Australia)

Specialised credit
(South Africa and select international markets)

- Origination and acquisition of credit-related alternative assets.
- Working capital finance and debtor administration solutions provided to SMEs.

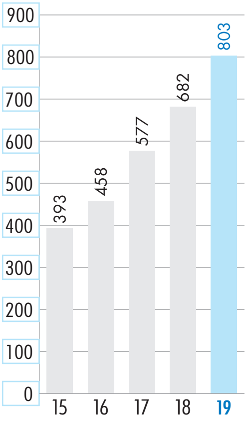
Transaction Capital Specialised Credit
Transaction Capital Recoveries
Transaction Capital Business Solutions
Transaction Capital Property Mezz Partners
recoveriescorp connect. engage. succeed.

→ *See the TCRS review for details on its value proposition, performance, social impact, market context, strategic growth initiatives and activities.* ***Page 84 to 99.***

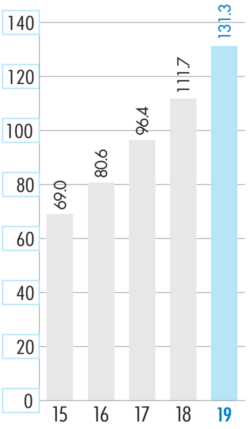
PERFORMANCE OVERVIEW

TRANSACTION CAPITAL'S FIVE-YEAR PERFORMANCE

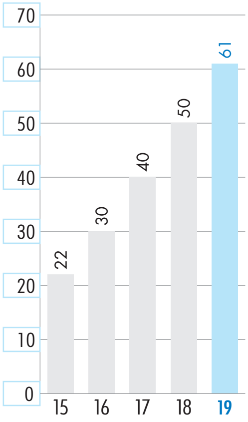
CORE HEADLINE EARNINGS
(Rm)



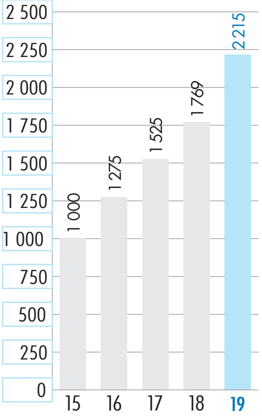
CORE HEADLINE EARNINGS
PER SHARE (cents)



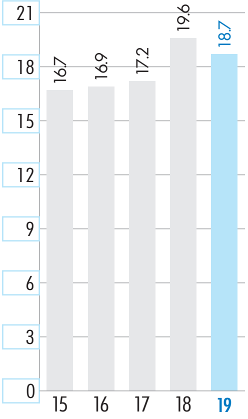
DIVIDEND PER SHARE
(cents)



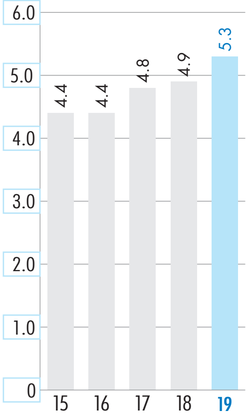
SHARE PRICE
(cents)



CORE RETURN ON EQUITY*
(%)



CORE RETURN ON ASSETS
(%)



** Transaction Capital has undeployed capital of R950 million (2018: R650 million). Core return on equity excluding undeployed capital is 21.9% (2018: 22.8%).*

Core financial results and ratios exclude once-off costs of R84 million attributable to the group relating to SA Taxi's ownership transaction with the South African National Taxi Council (SANTACO), which arose in the first half of the 2019 financial year. R81 million of these costs are non-cash and in accordance with IFRS 2 – Share-based Payment. A further R3 million relates to early debt settlement costs.

BUSINESS MODEL

Transaction Capital's business activities serve to strengthen the leading market positions and scale of its businesses. It does this by enhancing and refining specialist capabilities required to achieve deeper vertical integration in current market segments and to enter complementary market segments. Our divisions are positioned deliberately in relation to socio-economic dynamics, enabling them to deliver good commercial returns and positive social impact in variable economic conditions.

CAPITAL INPUTS

INTELLECTUAL CAPITAL

Specialist credit risk management skills in alternative asset classes, active strategic intervention and effective capital management.

HUMAN CAPITAL

Partnerships with entrepreneurial founders and high-calibre executives, and development of exceptional management teams.

FINANCIAL CAPITAL

Effective capital management whereby permanent equity capital is invested, giving debt capital providers access to highly bespoke assets that match their objectives.

SOCIAL AND RELATIONSHIP CAPITAL

Enhanced customer value propositions and mutually beneficial relationships with partners, suppliers and other stakeholders.

REPUTATIONAL CAPITAL

Mature governance frameworks, highest ethical standards and compliance with all relevant laws, regulations, codes and standards.

BUSINESS ACTIVITIES

1 Identify credit-oriented alternative asset classes in which our core risk and capital management skills provide distinct competitive advantages.

2 Apply core skills to accurately assess and mitigate risk, and underwrite and price assets, for the purpose of servicing, originating or acquiring them.

3 Identify, develop and partner with entrepreneurial, innovative and experienced founders and managers of businesses, who are invariably co-invested in the business platforms that manage and de-risk assets.

4 Mobilise an optimal balance of equity and debt capital to fund the growth of business platforms and their underlying assets.

5 Grow data-driven business platforms to scale, with competitive value propositions, diversified and resilient revenue streams, and best-of-breed technology and processing capability to ensure operational effectiveness.

6 As business platforms are established for organic growth, identify new opportunities to redirect financial capacity, intellectual property, technologies and infrastructure to expand into adjacent market segments, related asset classes and new geographic markets, thereby growing our earnings base.

DELIVERING ON OUR MISSION

Transaction Capital's mission is to provide specialised financial and allied services in highly specialised and under-served segments of the financial services sector.

GOVERNANCE

See the governance report on page 20 for a detailed review of the group's stakeholder-inclusive approach to governance.

RISK MANAGEMENT

See the risk report on page 102 for a detailed review of the group's risk framework and the governance of risk.

CAPITAL OUTCOMES

INTELLECTUAL CAPITAL

Market-leading and socially relevant business platforms with scale and resilience, delivering to their above-market growth and return potential.

HUMAN CAPITAL

Exceptional management teams with succession depth, and a culture of ownership, innovation and high-performance in our business platforms.

FINANCIAL CAPITAL

Established track record of delivering excellent earnings and capital growth to shareholders, and reliable risk-adjusted interest returns to debt capital providers.

SOCIAL AND RELATIONSHIP CAPITAL

Measurable social impact through serving underdeveloped market segments to create broader stakeholder value.

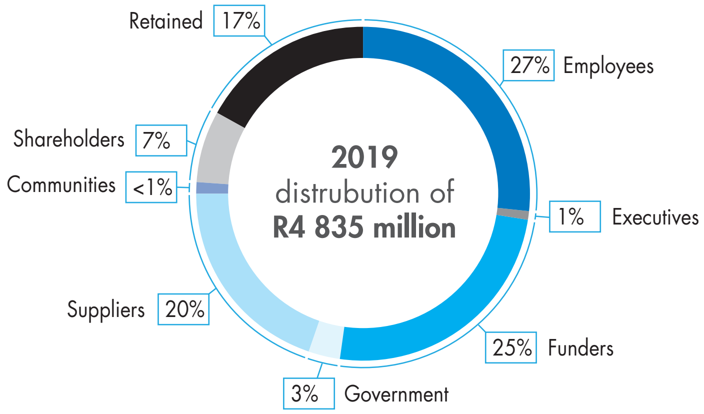
REPUTATIONAL CAPITAL

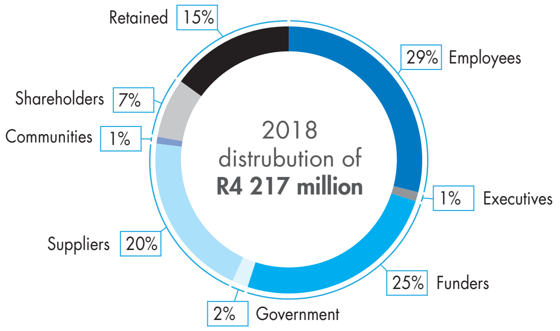
Trusted public company with good standing in both the local and international investment communities, and among customers, regulators and other stakeholders.

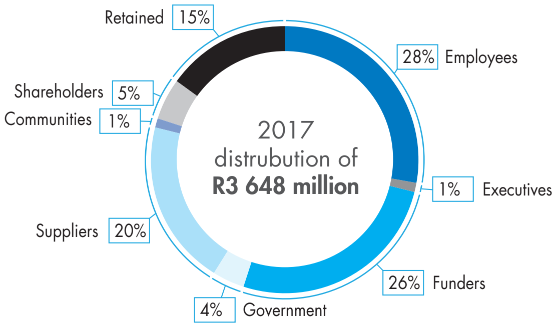
COMMERCIAL RETURNS

See the CFO's report on **page 52** for details on our financial performance.

VALUE DISTRIBUTED TO STAKEHOLDERS







SOCIAL IMPACT

- Inclusive growth via credit extension to facilitate black asset ownership – **page 70.**
- Support job creation and sustainable SME empowerment in the minibus taxi industry – **page 70.**
- Develop public transport infrastructure and enhance road safety – **page 70.**
- Support the minibus taxi industry's ability to invest in industry sustainability – **page 81.**
- Contribute to the efficiency and effectiveness of the South African and Australian credit systems – **page 86.**
- Enable indebted consumers to remain active in the credit system – **page 86.**

INVESTMENT CASE

Transaction Capital's business model supports a **compelling and unique** investment case:

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

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

WITH A **BESPOKE AND CONSERVATIVE CAPITAL STRUCTURE** INCORPORATING **R950 MILLION OF UNDEPLOYED CAPITAL**

- **Conservative equity capital structure** to fund organic growth and acquisition activity.
- Capital management approach supporting sustainable growth through an **optimal balance of debt and equity.**
- **Proven ability to raise debt and equity capital efficiently** from a diversified range of local and international investors.
- **Ungeared and debt-free** at holding company level.

ESTABLISHED AS A **SCALABLE FINANCIAL SERVICES PLATFORM**

- **Decentralised businesses** that are self-sustaining and sizeable in their own right.
- **Highly competitive, efficient, technology-driven operating platforms** which manage our assets.
- For SA Taxi and TCRS to develop **new products** and expand into **new markets.**
- For Transaction Capital to **innovate in introducing new organic and acquisitive growth opportunities.**

LED BY AN **EXPERIENCED ENTREPRENEURIAL OWNER-MANAGER TEAM**

- Identify, assess, develop and partner with **entrepreneurial, innovative and experienced founders, owners and managers of businesses.**
- **Ownership culture.**
- **Empowered, entrepreneurial, innovative, proven and long-serving leadership.**
- **Specialised intellectual capital** applied over a much smaller asset base than in larger organisations.

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

- **Experienced, diverse and independent directors** at group and subsidiary level.
- **Institutionalised governance, regulatory and risk management** practices.
- **Conservative accounting policies** (including the early adoption of IFRS 9 and IFRS 17).

WHICH TOGETHER POSITION THE GROUP FOR **SUSTAINABLE HIGH-QUALITY EARNINGS GROWTH**

- Active **investor in and operator of credit-orientated alternative assets:**
  - By identifying opportunities to leverage our high intellectual property, leading technologies and low-cost operational infrastructure.
  - To expand into attractive adjacent market segments, related alternative asset classes and geographic markets.
  - By applying expertise to assess, mitigate, underwrite and price credit risk in originating new assets or acquiring existing assets.
- Unrelenting **investment into and precise implementation of innovative strategic initiatives.**
- Track record of **high-quality earnings** with **high cash conversion rates and strong organic growth prospects.**
- **Dividends growing faster than earnings.**

TO GENERATE **RISK-ADJUSTED INTEREST RETURNS AND CAPITAL APPRECIATION**

- **Value-led investment approach.**
- Seeking investment outcomes that combine attractive risk-adjusted interest returns from our asset portfolios enhanced by capital appreciation in the value of the operating platforms.

AND THE DELIVERY OF **MEANINGFUL SOCIAL IMPACT**

- Businesses deliberately positioned in relation to demographic and socio-economic trends to deliver **shared value** through **commercial returns and meaningful and positive social impact.**
- SA Taxi facilitates:
  - **Asset ownership by black-owned SMEs, financial inclusion, SME empowerment and sustainable job creation.**
  - **Improved public transport infrastructure.**
  - **Environmental sustainability.**
- TCRS facilitates:
  - **Credit rehabilitation** of over-indebted consumers.
  - Lenders to maintain cleaner balance sheets to **continue extending credit affordably.**

02

GOVERNANCE

CHAIRMAN'S REPORT

OVERVIEW

Transaction Capital (the group) remains among the best performers on the JSE Limited. Over the past five years, the group has delivered compound annual growth in core headline earnings per share and dividends per share of 20% and 31%, respectively. The group's market capitalisation has risen to R13.6 billion from R3.9 billion at 30 September 2014, and an investment of R10 000 in Transaction Capital then would have grown to R38 757 today, assuming the reinvestment of dividends paid. This achievement in returning value to our shareholders earned the group second place in this year's Sunday Times Top 100 Company Awards.

In the 2019 financial year, the group continued its excellent performance, with strong organic growth lifting both core headline earnings and core headline earnings per share by 18%. The resilience of the group's businesses and divisional management's relentless focus on deepening and delivering their growth strategies underpinned this performance in the context of deteriorating economic conditions in South Africa and volatility in international markets. In line with our dividend policy of 2 to 2.5 times earnings, the board of directors (the board) declared total dividends of 61 cents per share, up 22% on last year, supported by high-quality earnings and healthy cash conversion rates.

With active support from the group executive office, SA Taxi and Transaction Capital Risk Services (TCRS) have demonstrated their ability to grow earnings sustainably. The divisions continue to deepen the competitiveness of their value propositions, introducing new products to drive growth in their existing market segments and to expand their total addressable markets. The group also continues to apply its specialist expertise to assess and enter adjacent markets and new geographies that present attractive opportunities for risk-adjusted returns in the credit-orientated alternative asset classes in which we invest and operate.

→ *Details on the group's strategic growth opportunities can be found in the Q&A with David Hurwitz, CEO. See **page 46**.*

→ *Details on the group's financial performance can be found in the CFO's report. See **page 52**.*

The competitive positions of the group's businesses, and their ability to sustain quality earnings growth, are underpinned by well-considered governance structures and processes. An important focus for the board this year has been to enhance oversight and compliance processes, and initiate the process of mandatory audit firm rotation at group level. We also made changes to our remuneration policy after extensive engagement with stakeholders. To further entrench the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV), key changes have been made to board roles, and we continue to look for and appoint independent non-executive directors with skills that are relevant to the group's strategy and markets.

→ *Details on these changes are provided in the letters from the chairpersons of the board committees that follow, and in the Governance and Remuneration reports on **pages 20 and 114** respectively.*

OPERATING ENVIRONMENT

There has been no respite in the challenging economic conditions, particularly in South Africa. Gross domestic product (GDP) growth has averaged less than 1% a year for the last four years, constrained by low consumer and business confidence, and high unemployment and household debt. Despite a benign inflation outlook, wage growth below inflation and a volatile Rand are exacerbating these constraints, and the economy is likely to remain weak.

This does not bode well for unemployment, which reached a record high of 29.1% in the third quarter of 2019. With consumers already over-indebted, recently reported increases in unsecured credit extension are unlikely to benefit South Africa's economic growth momentum. Instead, consumers are expected to struggle to reduce their debt burdens over the medium term.

In Australia, GDP growth slowed to 1.8% in the second half of 2019, reflecting lower household consumption and declining home prices. However, unemployment levels remained steady, reported at 5.3% in October 2019. The Reserve Bank of Australia forecast GDP growth of 2.3% for 2019. Despite high levels of household debt-to-income at approximately 190%, lower interest rates and greater leniency in debt affordability assessments is easing credit extension, albeit slightly.

Economic growth in the Eurozone continues to decelerate. The European Union reported 1.1% year-on-year growth in GDP in the third quarter of 2019.

With European regulators pressuring banks to dispose of their non-performing loans earlier, the European distressed debt market reached its peak in 2018 with non-performing loan disposals totalling €205.1 billion in gross book value.

→ *Details on the operating environment for SA Taxi and TCRS are included in their respective market context sections. See* ***pages 72 and 88****.*

RESILIENCE AND GROWTH

SA Taxi and TCRS have been deliberately positioned to deliver good commercial returns in different market conditions. With high levels of operational efficiency, both divisions continue to demonstrate their defensive character in the current operating context.

SA Taxi has evolved into a vertically integrated minibus taxi platform, able to apply its specialist capabilities, enriched proprietary data and technology to provide developmental finance, insurance and other services to empower minibus taxi operators. From its beginnings in finance, SA Taxi's services are now integrated along the full minibus taxi value chain from vehicle retail, autobody and mechanical repairs, insurance, the procurement, distribution and retail of parts, to specialised rewards programmes. SA Taxi's growth prospects are underpinned by its efforts to create sustainable value for the minibus taxi industry, which is entirely made up of small- and medium-sized enterprises (SMEs).

The ground-breaking ownership transaction between SA Taxi and the South African National Taxi Council (SANTACO) was finalised on 6 February 2019. Besides the immediate financial benefit of the transaction, the operational benefits of a stronger relationship with SANTACO have been accretive to SA Taxi's earnings, and we expect these benefits to support earnings growth over the medium term.

→ *Details on the progress of the partnership with SANTACO can be found in the Q&A with Terry Kier, SA Taxi CEO. See* ***page 80****.*

TCRS has developed into a technology-led, data-driven provider of service and capital solutions relating to credit-orientated alternative assets originated and managed through scalable and bespoke platforms. The division offers collection services on a contingency and fee-for-service basis and acquires consumer non-performing loan portfolios to be collected as principal, as well as transactional services, specialised credit and value-added services. This diversification by revenue model and sector provides TCRS with ample organic growth opportunities in both its South African and Australian operations.

The group's recent selective entry into the fragmented European specialised credit market will provide further diversification of TCRS's earnings base.

→ *Details on the expansion into the European market can be found in the Q&A with David Hurwitz, CEO. See* ***page 49****.*

SHAREHOLDER MATTERS

As announced to the market on 12 July 2019, the families of Michael Mendelowitz and Roberto Rossi, two founders of Transaction Capital, undertook a process to rearrange the ownership of their interests in the group, with no change in their absolute beneficial holdings. Each of the Mendelowitz and Rossi families' shareholdings in Transaction Capital, held by Everglen Capital Proprietary Limited, were disposed of to the Rutland Trust and Sugar Tube Trust by way of a distribution in kind. Each trust now owns 9.69% of the issued ordinary share capital of Transaction Capital. Michael Mendelowitz is a trustee and contingent discretionary beneficiary of the Rutland Trust, and Roberto Rossi is a trustee and contingent discretionary beneficiary of the Sugar Tube Trust.

Subsequently, as announced on 27 September 2019, the family of Jonathan Jawno, also a founder of Transaction Capital, undertook a similar process to rearrange the ownership of their interests in the group, also with no change in their absolute beneficial holdings. The Jawno family's shareholding, held by Kimberley Investment Trust, was disposed of to Pilatucom Holdings Limited, such that it now owns 9.69% of the issued ordinary share capital of Transaction Capital. All the shares of Pilatucom Holdings Limited are held by trusts of which Jonathan Jawno is a contingent discretionary beneficiary.

In two tranches over the course of the year, the Public Investment Corporation SOC Limited (PIC) increased its shareholding in the group. At 30 September 2019, the PIC held 9% of the ordinary shares of Transaction Capital, and they have since increased this to more than 10%. Over and above generating financial returns for its clients, the PIC seeks to invest in companies that drive inclusive growth. We believe the PIC's increased shareholding in Transaction Capital is an endorsement of the group's ability to create commercial and social value.

CHANGES IN DIRECTORATE

Buhle Hanise was appointed to the Transaction Capital board as an independent non-executive director from 1 January 2019, and serves as a member of the audit, risk and compliance (ARC) committee and the asset and liability committee (ALCO). Kuben Pillay was appointed as lead independent non-executive director from 15 July 2019. Kuben has been a director of Transaction Capital since August 2016 and serves as the chairman of the remuneration committee and as a member of the nominations committee and social and ethics committee.

Ronen Goldstein resigned as financial director of the company on 31 May 2019 and remained until 31 August 2019 to facilitate an effective handover to his successor. The board thanks Ronen for his valuable contribution to the group and wishes him well in his future endeavours. Sean Doherty was consequently appointed as an executive director and chief financial officer, on 1 June 2019. Sean has more than 20 years' experience in the financial services industry, most recently as head of new business innovation and ventures of Standard Bank's Corporate and Investment Banking division, and chief operating officer and chief financial officer of Standard Bank's Investment Banking division. The board welcomes Sean and looks forward to his contribution.

PROSPECTS AND APPRECIATION

The group's businesses are well positioned and highly efficient, with good opportunity to sustain their delivery of quality earnings growth by deepening their penetration in existing markets and cautiously entering new markets. Transaction Capital's entrepreneurial management teams will continue to implement their growth strategies with discipline, and innovate in developing new products and services and in applying technology. On this basis, we expect the group to deliver organic earnings and dividend growth over the medium term, at least in line with the group's past performance.

Given the challenges facing businesses locally and internationally, I commend the group and divisional management, and indeed all Transaction Capital's people, for achieving excellent results and staying focused on delivering both good commercial returns and positive social impact.

My thanks to the board for their invaluable counsel and contribution to Transaction Capital's success, and also to the group's bankers, funders and advisers for their continued support.

COMMITTEE LETTERS

AUDIT, RISK AND COMPLIANCE COMMITTEE LETTER

Activities during the 2019 financial year for the ARC committee included recommendations on and monitoring of the implementation of changes to key group functions impacting the control environment. These changes were made to enhance board and committee oversight and maintain a robust system of controls across the group.

Internal audit applies a systematic risk-based approach to evaluate, improve and provide assurance on the effectiveness of internal controls, risk management and governance processes at group and divisional level. As such, the board maintains ongoing focus on the integrity of this key function and provides specific oversight to ensure it remains sufficiently resourced over time to fulfil its mandate. The growth of the group's divisions in existing and adjacent market verticals (including into new product types), required corresponding growth in the capacity and capability of internal audit.

In 2019, Transaction Capital appointed a new group internal audit executive who will augment the required competencies of this key function. The previous head has relocated to SA Taxi to leverage their deep understanding of this division and will now serve as SA Taxi's head of internal audit. An experienced audit executive will be employed as head of internal audit at TCRS. These changes will also ensure the internal audit function remains sufficiently resourced at group and divisional level over the medium term, to provide assurance on the strategic growth initiatives described in this report.

The ARC committee also considered the tenure of Deloitte & Touche, who have been Transaction Capital's auditors for 11 years. During this time, we rotated audit partners ahead of the five-year mandatory audit partner rotation requirement. However, the ARC committee has recommended to the board that a new audit firm be appointed for the 2022 financial year. This is ahead of the mandatory audit firm rotation rule of the Independent Regulatory Board for Auditors, which takes effect from 1 April 2023.

The ARC committee provides oversight on the credit and insurance provisioning models for SA Taxi and the amortised cost model for TCRS. We assess the group and divisional risk registers quarterly and ensure that risks are correctly identified, prudently monitored and adequately mitigated, where possible, by management.

SA Taxi elected to early adopt IFRS 17 – Insurance Contracts, effective from 1 October 2017. As the new accounting standard replacing IFRS 4, IFRS 17 aligns insurance provisioning policies to IFRS 9 in that provisions are based on a forward-looking expected loss model rather than an incurred loss model. In addition, IFRS 15 – Revenue from Contracts with Customers, was adopted this year. The ARC committee provided oversight over the process to adopt these accounting standards.

→ *Details on the quality of earnings for the group and divisions, as well as the adoption of IFRS 17 in SA Taxi, can be found in the CFO's report. See **page 52**.*

ALCO provides regular and comprehensive feedback to the ARC committee on its rigorous monitoring and oversight of funding, liquidity, interest rate, counterparty, currency and regulatory risks. Established policies and tolerances are in place to manage these risks while maintaining agility to respond to changing economic and business conditions. The group's conservative approach to capital management continues to ensure that its balance sheet is well capitalised and liquid, and debt-free at a holding company level. As we expect TCRS's acquisition of non-performing consumer loan portfolios (NPL portfolios) in the 2020 financial year to be at least in line with that of 2019, a portion of the group's undeployed capital has been allocated towards this strategic organic growth initiative. In this regard, ALCO has provided ongoing monitoring of the capital adequacy and capital allocation models of the divisions, and focused on continued access to the debt capital markets to fund these and other organic growth opportunities.

→ *Details on the group's capital management strategy and performance can be found in the Capital management report. See **page 62**.*

For the year ahead, the focus areas for the ARC committee include:

- Bedding down the new internal audit structures.
- Continued capacitation of the risk, finance and governance functions.
- Continued improvement in disclosure in the annual financial statements and integrated annual report.
- Overseeing the implementation of new accounting standards and interpretations, specifically IFRS 16 – Leases.
- Operational risk management as the group expands into new growth verticals.
- Monitoring the effective allocation of capital to sustainable growth initiatives.

Diane Radley

Audit, risk and compliance
committee chair

SOCIAL AND ETHICS COMMITTEE LETTER

During the year, the social and ethics committee focused on key initiatives to drive progress on transformation and ethical conduct across the group, along with a greater emphasis on environmental, social and governance (ESG) disclosure to stakeholders.

Transformation is high on the social and ethics committee's agenda. In October 2019, the committee held a dedicated meeting to discuss the group's plans and progress on transformation, and in particular employment equity. In addition, focused employment equity targets have been built into the succession planning processes in each division.

In light of the many publicised corporate and ethics failures, both within South Africa and internationally, the board deemed it appropriate to raise the profile of the ethics functions within the group, thereby ensuring that ethics receives the right focus required in the current environment. Under the board's direction and my guidance as chair of the social and ethics committee, the social and ethics committee considered and recommended refinements to the processes and structure of the group and divisional ethics functions to maintain the group's progressive approach to managing ethics and to adequately support the group's growth trajectory.

The group chief executive officer (CEO) and each divisional CEO are ultimately responsible for ethics, which serves as a common platform to inform the actions and decisions of every leader and employee across the group. With effect from 1 August 2019, the role of ethics executive has been incorporated into the governance portfolio of the group company secretary. Following this restructure, the ethics function will now consist of a senior executive at the group executive office, who has direct access to the group board of directors and subsidiary boards, as required. Dedicated ethics teams at each of the divisions, staffed by senior resources, will be established, thereby extending and deepening ethics structures across the group.

To accelerate the transformation objectives and embed an ethical culture within the group, transformation and ethics targets have been included as qualitative measures in the discretionary component of short-term incentive targets for key executives across the Transaction Capital group. These targets are minimum hurdles that each executive must attain in order to qualify for the full qualitative remuneration component.

As part of the ongoing governance enhancements, the board adopted an anti-bribery and corruption policy during the year, which is publicly available on the company website (at www.transactioncapital.co.za).

The social and ethics committee noted an increasing emphasis on ESG matters among shareholders and investors, and indeed all stakeholders. Transaction Capital's divisions are positioned deliberately in relation to socio-economic dynamics to deliver robust commercial returns and positive social impact in different economic conditions. This integrated annual report includes a number of key measures of our social impact and disclosure on our governance processes and policies. The group will be enhancing its ESG reporting over time and the social and ethics committee will monitor its progress in developing relevant metrics, setting targets and disclosing performance.

Although Transaction Capital has a low overall impact on the natural environment, we continue to undertake initiatives to reduce our environmental impact. These initiatives are reported to the committee on a quarterly basis.

→ *Details on the social impact of the divisions can be found in the respective Impact sections. See* ***pages 70 and 86****.*

→ *Details on governance can be found in the Governance report. See* ***page 20****.*

For the year ahead, the focus areas for the social and ethics committee include:

- Transformation, and particularly employment equity.
- Implementing the ethics functions within the divisions.
- Setting appropriate metrics and targets to enhance disclosure of the group's ESG performance.

Phumzile Langeni

Social and ethics committee chair

REMUNERATION COMMITTEE LETTER

For Transaction Capital, compensation is a critical determinant of organisational performance and sustainability. This view is based on the belief that all factors that underpin enhanced performance require the highest calibre of leadership and specialist technical expertise, and that stakeholders' interests are best served by aligning strategy, business model, structure, staffing and compensation.

Although over 80% of shareholders voted in favour of the group's remuneration policy at the 2018 annual general meeting (far above the 75% required by King IV), the remuneration committee engaged extensively with shareholders as well as key investors on areas of concern. As a result of these engagements, Transaction Capital has enhanced key aspects of its remuneration policy and related disclosures to ensure it addresses all key concerns and aligns to market best practice.

Transaction Capital has included further disclosure on its executive remuneration scorecard in the remuneration report. The remuneration committee has also overseen specific enhancements to align the conditional share plan (CSP) to international best practice, with the CSP now only vesting in years three, four and five. Also, we have removed the 'retention' component of the CSP, such that the award of the CSP now relates only to defined performance hurdles being met. An additional category has been implemented to award super-performance, where selected executives (as approved by the remuneration committee on every CSP issuance) will receive an additional component of their CSP settlement value if they achieve predetermined stretch performance criteria.

The structure of our short-term incentives (STIs) has also been refined, with performance measured against defined and expanded quantitative and qualitative criteria, and a discretionary component based on individual performance.

The remuneration committee is committed to remaining at the forefront of governance developments. It is proposing the adoption of a malus and clawback policy for short-term and long-term incentive awards, which will be put to shareholders for their approval, if deemed fit, at the annual general meeting (AGM). The intention is to have a policy that would allow the business to adjust variable remuneration (both short-term and long-term incentives) awarded to participants before the vesting of an award (malus) and in the case of participants who are members of the executive committees, to recover variable pay after vesting or even payment (clawback), under appropriate circumstances. In this way the business would be able to recover value from key executives and thereby align risk and individual reward.

→ *Further details on the revised remuneration policy, executive scorecard, STI criteria and malus and clawback policy are available in the Remuneration report. See* ***page 114****.*

We will continue to engage with shareholders to ensure Transaction Capital's remuneration policy supports business performance and remains aligned to the interests of its stakeholders.

Kuben Pillay

Lead independent non-executive director
and remuneration committee chair

NOMINATIONS COMMITTEE LETTER

The board, through the nominations committee, assesses the composition and membership of the board and its sub-committees annually. The composition of the board reflects an appropriate combination of knowledge, skills, experience, diversity and independence, as well as knowledge of the group and its specialism in credit-orientated alternative assets.

King IV recommends that the majority of the board is comprised of non-executive directors, most of whom should be independent. The current board comprises five executive directors and seven non-executive directors, of whom five are independent.

In November 2019, the board conducted its annual assessment of directors' independence and determined that both long-standing non-executive directors, Christopher Seabrooke and Phumzile Langeni, continue to act independently.

The annual assessment process involved a self-assessment of independence by each non-executive director and an assessment of all the non-executive directors by the board collectively.

→ *Details on the criteria for evaluating independence can be found in the Governance report. See* ***page 25****.*

In addition, as part of the group's ongoing alignment to the King IV principles, Kuben Pillay was appointed as lead independent non-executive director with effect from 15 July 2019. This role is primarily to support the chairman of the board by serving as a sounding board, facilitating decision-making in instances of conflicts of interest and being an avenue of communication for other directors.

The board has also constituted a standing independent committee, comprised of three independent non-executive directors – Christopher Seabrooke, Diane Radley and Kuben Pillay. This committee is empowered and mandated to make decisions where a purely independent view is required or where there may be a conflict of interest. The committee may engage group executives or external advisers as required to fulfil its mandate.

To bolster the technical skills and experience of the subsidiary boards, the group has appointed an external consultant with extensive financial services, investment, capital management, credit and organisational skills. Craig Dreyer is a permanent invitee to the SA Taxi and TCRS boards, and a member of SA Taxi's insurance advisory, credit and debt capital markets executive committees, and TCRS's investment committees (which encompasses both Transaction Capital Recoveries and TC Global Finance). Craig Dreyer will also be providing coaching and mentoring to the group and divisional CFOs.

Finally, the nominations committee continues to evaluate and enhance succession planning for group and divisional executives to ensure that Transaction Capital has sufficient executive bandwidth to support its growth over time, with a specific focus on transformation.

For the year ahead, the committee will focus on:

- Appointing additional independent non-executive directors to the board with skills that are relevant to the group's strategy and markets.
- Evaluating and enhancing succession planning with a specific focus on transformation.

Christopher Seabrooke

Chairman of the board and nominations committee chair

Kuben Pillay

Lead independent non-executive director and nominations committee member

GOVERNANCE REPORT

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

OUR GOVERNANCE PHILOSOPHY

Transaction Capital's board is committed to remaining at the forefront of corporate governance, beyond its commitment to complying with legislation, regulations and best practices relevant to the group. The board regards the process of assessing and monitoring adherence to adopted governance standards as a dynamic process, and endeavours to continually improve governance structures to match the group's growth and evolution.

Transaction Capital's governance structures are aligned to the principles of King IV, which advocates an outcomes-based approach. King IV defines corporate governance as the exercise of ethical and effective leadership to achieve the governance outcomes of:

- An ethical culture.
- Good performance.
- Effective control.
- Legitimacy.

The board assessed the group's application of King IV and has satisfied itself that the group complied with these principles, in all material aspects, for the year under review.

→ *The King IV application register is available at* ***www.transactioncapital.co.za.***

The following enhancements to governance structures were implemented in 2019:

- Kuben Pillay was appointed as lead independent non-executive director with effect from 15 July 2019.
- A standing independent committee comprising three independent non-executive directors was constituted: Christopher Seabrooke, Kuben Pillay and Diane Radley. The committee is empowered and mandated to make decisions where a purely independent view is required or where there may be a conflict of interest. The committee may engage group executives or external advisers as required to fulfil its mandate.
- The remuneration policy was updated after extensive engagement with shareholders and investors on areas of concern.

  → *Detail on these changes can be found in the Remuneration report. See* ***page 116****.*
- An anti-bribery and corruption policy was adopted, which is available on www.transactioncapital.co.za.
- The ethics charter was revised to reflect the evolution of the group and its businesses, align to best practice and ensure practical application in addressing the key ethical risks of the group.
- The role of ethics executive was incorporated into the governance portfolio of the group company secretary, with the intention of appointing divisional ethics officers to serve as the custodians of the ethics function in their respective divisions.
- The growth of the group's divisions in existing and adjacent market verticals (including into new product types) required corresponding growth in the capacity and capability of internal audit. A new group internal audit executive was appointed to augment the required competencies of this key function.
- The ARC committee has recommended to the board that a new audit firm be appointed for the 2022 financial year. This is ahead of the mandatory audit firm rotation rule of the Independent Regulatory Board for Auditors, which takes effect from 1 April 2023.

ETHICAL LEADERSHIP

The board maintains a high level of individual and collective responsibility and accountability, and strives for fairness and transparency in all its dealings. Together, these principles drive a culture of ethical leadership and support the creation of value for all the group's stakeholders.

The board is responsible for the strategic direction of the group, which it considers in conjunction with the group's values and ethics charter. The group's values form a common platform for effective, responsible and ethical leadership, and are the basis for all deliberations, decisions and actions at board level and within every area of the business.

The board directs strategy to ensure business sustainability, while considering the short- and long-term impacts on society, the environment and stakeholders, as per the group's sustainability policy.

ETHICS AND CULTURE

The group's ethics charter constitutes a formally documented policy to guide and entrench an ethical and values-based culture across the group. The charter was first developed prior to the group's listing on the JSE Limited in 2012 and was revised in 2019 to reflect the evolution of the group and its businesses.

Revisions were made under the guidance of ethics consultancy Ethics Monitor to ensure that the charter aligns with best practice, is applicable to the group and its growth ambitions, is practical in application, and relevant to all its stakeholders. Focus groups were conducted with employees and management at the group executive office and across both divisions, and their feedback incorporated into the revised charter. The core values of integrity, excellence, respect and innovation remain, with a new value of accountability added. In this context, accountability means being responsible for one's own conduct, learning from mistakes and not blaming others.

With effect from 1 August 2019, the role of ethics executive has been incorporated into the governance portfolio of the group company secretary, who has direct access to the group board of directors and subsidiary boards, as required. Divisional ethics officers will be appointed to serve as the custodians of the ethics function in their respective divisions to further extend and deepen ethics structures across the group.

Transaction Capital maintains an independent whistleblowing hotline operated by an external service provider. Reports can be made anonymously and all ethics-related incidents are investigated. Executive management is provided with a report on the results of the investigation and appropriate action is taken. Furthermore, unethical or fraudulent behaviour can be reported to line management and the respective human resources departments of the group's businesses.

A new framework has been introduced to manage ethics reporting. The ethics function will assess any ethical issues raised against a matrix that categorises the severity of any breach based on the employee and their seniority, and the nature and magnitude of the breach. This assessment will determine which resource will investigate the breach (across different internal levels or involving external investigators) and to whom it will be reported. This approach removes subjectivity from the assessment, enhancing fairness and transparency in the group's approach to managing ethics.

The group has also adopted an anti-bribery and corruption policy, which includes guidelines for donations (including political donations) and sponsorships.

Regular ethics reporting is provided to the social and ethics committee and, where relevant, the ARC committee and the board.

SUSTAINABILITY FRAMEWORK

The sustainability policy has been approved by the board and adopted by the group. It mandates the social and ethics committee, the ARC committee, ALCO and Transaction Capital's executives with overseeing specific sustainability matters to ensure that the group and its businesses operate in an ethical, corruption-free and sustainable way.

The group's divisions are positioned deliberately in relation to socio-economic dynamics, enabling them to deliver good commercial returns and positive social impact in different economic conditions. By focusing on under-served market segments and contributing to the effective functioning and sustainability of their respective industries, the social relevance of the divisions is core to achieving the group's strategic objectives.

RESPONSIBLE CORPORATE CITIZENSHIP

Ultimate responsibility for corporate citizenship lies with the board, with oversight vested in the social and ethics committee and the ARC committee. The principles of responsible corporate citizenship underpin all key aspects of the business.

The social and ethics committee monitors many of the aspects listed under the King IV practices (including employment equity, fair remuneration, equal pay for equal work, safety, health, economic transformation, public health and safety, consumer protection, community development and protection of human rights). The ARC committee is responsible for preventing, detecting and responding to fraud and corruption, as well as tax policy.

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders forms an integral part of the group's strategy. The sustainability policy governs the relationship and interaction with stakeholders, with the board and the social and ethics committee assuming responsibility for stakeholder engagement.

Stakeholder engagement takes place at all levels, across subsidiaries and the group. Engagement with shareholders and investors takes place on a continuous basis through site visits, roadshows, meetings and ongoing interactions facilitated by the investor relations team. A stakeholder engagement report is submitted to the board bi-annually.

Engagement with employees and other key stakeholders is reported at each social and ethics committee meeting, the minutes of which are included in the board packs ahead of quarterly board meetings.

The divisions each have their own tailored stakeholder engagement plans in place, which are reported, considered and discussed at their respective board meetings.

GOVERNANCE FRAMEWORK AND STRUCTURES

THE ROLE OF THE BOARD OF DIRECTORS

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

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

The board delegates specific responsibilities to appropriately mandated and constituted sub-committees. The ARC committee and the social and ethics committee fulfil the statutory governance functions on behalf of Transaction Capital, its divisions and group subsidiaries in terms of the Companies Act 71 of 2008 and King IV.

→ *Details on the board sub-committees can be found later in this report. See* ***page 29****.*

→ *The ARC and social and ethics committee reports are included in the annual financial statements, available online at* ***www.transactioncapital.co.za****.*

All committees have fully functional structures, with clear objectives set out in their respective terms of reference. Through their chairmans, the committees report back to the board at each board meeting. The committees also report to stakeholders annually as required, in the integrated annual report and at the AGM if required.

The board, in conjunction with the nominations committee, is responsible for appointing the CEO and for monitoring his management of the performance of the group's assets and resources against approved strategic and financial objectives.

An authority framework is in place for the group that governs the authority delegated to group management and matters reserved for approval by the board.

STRATEGY AND REPORTING FUNCTIONS OF THE BOARD

The board has set out the group's mission (page 8), strategy (pages 38 to 45) and associated risks (pages 102 to 111) in this integrated annual report. In undertaking its duties of directing the group's strategy, assessing its business model and enhancing sustainability to create value for all stakeholders, the board takes into consideration the risks and opportunities related to the context in which the group operates.

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

→ *Details on the targets can be found in the Remuneration report. See* ***page 114****.*

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

The integrated annual report enables stakeholders to make an informed decision about the group's strategic direction, performance and prospects. The ARC committee oversees the preparation of the integrated annual report, with certain sections being reviewed by the external and internal auditors where appropriate. Based on the recommendation of the ARC committee, the board approves the annual financial statements, the integrated annual report and any other reports published by the company.

BOARD COMPOSITION

The board, through the nominations committee, assesses the composition and membership of the board and board committees annually.

Non-executive directors bring independent judgement and experience to the board's deliberations and decisions, with the structure of the board ensuring that no one individual or group of individuals has unfettered powers of decision-making.

The board charter and nominations committee terms of reference prescribe that non-executive directors are selected on the basis that their business skills and expertise are appropriate to the group's strategic direction and its specialism in credit-orientated alternative assets. The board and nominations committee consider the academic qualifications, technical expertise, industry knowledge, experience, business acumen and diversity of board appointments. In addition, the board considers the integrity and leadership skills, as well as other directorships and commitments, of all directors to ensure that they have sufficient time available to fulfil their responsibilities.

The annual board review was performed in November 2019; based on this assessment, the board and nominations committee are satisfied that the board's overall composition (as well as that of its sub-committees) reflects an appropriate combination of knowledge, skills, experience, diversity and independence, as well as knowledge of the group and its specialism in credit-orientated alternative assets.

BOARD SKILLS MATRIX

The board skills matrix (set out below) provides an overview of the existing skills, knowledge and experience of the board. The skills matrix is assessed together with the overall board tenure, diversity and independence of directors.

		Nomination committee/ board assessment	
SKILLS AREAS	**DESCRIPTION**	**BALANCE OF SKILLS AND EXPERIENCE**	**CONCLUSION**
Industry experience	■ Broader financial services, including insurance and funds management.	Appropriate	Adequate
	■ Capital markets.	Appropriate	Adequate
Strategy	■ Strategic planning and implementation.	Appropriate	Adequate
	■ Mergers and acquisitions.	Appropriate	Adequate
	■ Capital raising.	Appropriate	Adequate
Governance	■ Establishing, monitoring and assessing the effectiveness of governance structures.	Appropriate	Adequate
Risk and compliance oversight	■ Managing areas of major risk to the organisation, including financial, environmental, regulatory, workplace health and safety, social and technology risks.	Appropriate	Adequate
People management and remuneration	■ Experience in managing people.	Appropriate	Adequate
	■ Knowledge of remuneration policy and the associated legislative and governance frameworks.	Appropriate	Adequate
Financial performance	■ Knowledge of accounting standards.	Appropriate	Adequate
	■ Ability to review and analyse financial statements.	Appropriate	Adequate
	■ Ability to analyse financial drivers in the business.	Appropriate	Adequate
Information and technology strategy	■ Knowledge of the strategic use and governance of information management, and information and technology, including personal information, privacy and security risk management.	Appropriate	Gap identified; additional skills being considered.
International experience	■ Knowledge of managing businesses in foreign jurisdictions and the associated risks and opportunities these present.	Appropriate	Gap identified; additional skills being considered.

BOARD TENURE

	0 – FIVE YEARS	SIX – NINE YEARS	>NINE YEARS
Independent non-executive directors	■ Buhle Hanise ■ Kuben Pillay ■ Diane Radley	–	■ Phumzile Langeni ■ Christopher Seabrooke
Non-executive directors	■ Paul Miller	–	■ Roberto Rossi
Executive directors	■ Sean Doherty	■ Mark Herskovits ■ David Hurwitz	■ Jonathan Jawno ■ Michael Mendelowitz

AVERAGE TENURE OF THE BOARD

7.6 years

BOARD AVERAGE AGE

	NUMBER OF DIRECTORS
<50 years	**5**
50 – 60 years	**6**
>60 years	**1**

AVERAGE AGE OF THE BOARD

51 years

DIVERSITY

The group supports the principles and aims of diversity at board level, and has a diversity policy in place to address gender and racial diversity.

PROMOTION OF DIVERSITY AT BOARD LEVEL

		Board representation		
	Target	**2019**	2018	
Number of female directors	3	**3**	3	Target met
Number of black directors	3	**3**	3	Target met

The nominations committee assesses diversity targets and progress in meeting targets annually. These targets align to the JSE Listings Requirements on the promotion of diversity in areas such as gender, race, culture, age, field of knowledge, skills and experience.

INDEPENDENCE

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

The annual assessment process involved a self-assessment of independence by each non-executive director and an assessment of all the non-executive directors by the board. The criteria against which each director's independence was evaluated is set out on the next page.

In addition, as part of the group's alignment to the King IV principles, the board appointed Kuben Pillay as lead independent non-executive director with effect from 15 July 2019.

As part of the assessment of directors' independence, the board specifically determined that both long-standing non-executive directors, Christopher Seabrooke and Phumzile Langeni, continue to act independently.

→ *Details on the role of lead independent non-executive director can be found later in this report. See* ***page 27****.*

INDEPENDENCE AND CONFLICTS OF INTEREST CRITERIA (aligned to King IV)

Is the director a significant provider of financial capital or of ongoing funding to Transaction Capital; or an officer, employee or representative of such a provider of financial capital or funding?

……

Is the director a significant or ongoing professional adviser to Transaction Capital, other than as a member of the board?

Does the director participate in a share-based incentive scheme offered by the company?

……

Is the director a member of the governing body or executive management of a significant customer of, or supplier to, Transaction Capital?

Does the director own securities in Transaction Capital, the value of which is material to the personal wealth of the director?

……

Is the director a member of the governing body or executive management of another organisation that is a related party to Transaction Capital?

Has the director been in the employ of Transaction Capital as an executive manager during the preceding three years, or is the director a related party to such an executive manager?

……

Is the director entitled to remuneration contingent on the performance of Transaction Capital?

Was the director the designated external auditor responsible for performing the statutory audit for Transaction Capital, or was the director a key member of the external audit firm, during the preceding three financial years?

……

In the case of an independent director whose length of service exceeds nine years, has the length of their service compromised their ability to act in an independent manner?

APPOINTMENT OF DIRECTORS

The nominations committee assists in identifying suitable board members, with the board skills matrix (page 23) serving to identify additional skills and experience required to augment the collective capability of the board.

The committee ensures background and reference checks are completed prior to the appointment of new directors to the board.

New directors are introduced to Transaction Capital through a formal induction programme, which is the responsibility of the company secretary and/or the chief financial officer (CFO). The programme includes detailed discussions on the environment and operations of each of the major businesses, site visits, and an information pack on the group. Formal induction processes were conducted for those directors appointed during the reporting period.

BOARD APPOINTMENT PROCESS

Nominations committee assesses board skills, knowledge, experience and diversity.

Nominations committee identifies suitable candidates for board membership.

Nominations committee makes recommendations to the board on appointment and re-election of directors.

New candidates are subject to background and reference checks prior to appointment.

Board approves director as a candidate.

New directors undergo formal induction through the induction programme.

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

BOARD APPOINTMENTS, EVALUATIONS AND PROCESSES

Transaction Capital's board comprises the following members:

INDEPENDENT NON-EXECUTIVE DIRECTORS

- Buhle Hanise
- Phumzile Langeni
- Kuben Pillay (lead independent non-executive director)
- Diane Radley
- Christopher Seabrooke (chairman)

NON-EXECUTIVE DIRECTORS

- Paul Miller
- Roberto Rossi

EXECUTIVE DIRECTORS

- Sean Doherty (CFO) (appointed 1 June 2019)
- Mark Herskovits (executive director: capital management)
- David Hurwitz (CEO)
- Jonathan Jawno
- Michael Mendelowitz

Ronen Goldstein resigned as financial director on 31 May 2019.

This year, Mark Herskovits, David Hurwitz, Jonathan Jawno and Phumzile Langeni will retire by rotation and are standing for re-election at the AGM. These directors have been appraised by the board and their re-election is recommended. In addition, Sean Doherty, who was appointed in the 2019 financial year, will also be nominated for election as a director.

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

Formal performance evaluations of the board, its committees and the company secretary are conducted annually by means of an evaluation questionnaire. The evaluations assess the combination 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 enhancements to the board and its committees for the following year, specifically focusing on assessing the overall effectiveness and independence of the board.

The nominations committee workplan includes discussions on board performance as well as that of committees, the chairman and members.

Based on the annual evaluations undertaken during November 2019, the board is satisfied that:

- All directors are committed to their roles and are performing to acceptable standards.
- The board and its committees are effective and operating to an appropriate standard.
- The group's risk management processes are operating effectively.
- All directors and committee members have the appropriate qualifications, experience and skills required to fulfil the respective committee's mandate.
- Independent non-executive directors meet the criteria for independence in terms of King IV.

Assessments of the expertise, performance and experience of the chairman, lead independent non-executive director, CEO, CFO, internal audit executive and the company secretary found that they are performing adequately.

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 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 annual board review, the result of which showed that the chairman leads effectively and ethically.

The offices of chairman and CEO are separate.

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuben Pillay was appointed as the lead independent non-executive director of the Transaction Capital board on 15 July 2019. In line with the recommendation of King IV, the lead independent non-executive director performs specific duties primarily aimed at supporting the chairman by serving as a sounding board to the chairman, facilitating decision-making in instances of conflicts of interest and being an avenue of communication for other directors.

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

During November each year, the chairman and company secretary facilitate a formal performance appraisal of the CEO, comprising an evaluation by each director. In addition, the adequacy of the CEO's employment contract is assessed annually. The annual review concluded that the CEO is effective and ethical in leading and managing the group.

CHIEF FINANCIAL OFFICER

Sean Doherty was appointed as the CFO of Transaction Capital on 1 June 2019. In this role, Sean is responsible for reporting on Transaction Capital's financial performance and overall risk management. The ARC committee and the board are satisfied with the CFO's qualifications, experience and competence to fulfil this role. The finance function was assessed as adequate by the ARC committee for the 2019 financial year.

COMPANY SECRETARY

Theresa Palos is the company secretary of Transaction Capital. The board is satisfied with the qualifications, experience and competence of the company secretary. 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 on governance in the group and is responsible for ethics, having assumed the role of group ethics executive. The company secretary is entitled to obtain independent advice to achieve these objectives.

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

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 MEETINGS

Directors are required to attend all board meetings. The board follows a formal workplan that includes strategy, operational and financial performance, risk and governance. Progress against the group's strategic objectives is reported on at each meeting. The company secretary is responsible for circulating the agenda and other meeting papers in good time. Formal board papers are prepared for each item on the meeting's agenda, including reports by the executive office. At least four board meetings are held annually, one of which includes a strategic review.

BOARD AND COMMITTEE MEETING ATTENDANCE FOR THE YEAR UNDER REVIEW

		Board	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
Number of meetings held for the year		**5**	**3**	**2**	**2**	**3**	**4**
Board member	**Appointment date**						
INDEPENDENT NON-EXECUTIVE DIRECTORS							
Buhle Hanise[1]	January 2019	5	3	–	–	–	4
Phumzile Langeni	June 2009	5	2	–	–	3	–
Kuben Pillay[2]	August 2016	5	–	2	2	3	–
Diane Radley	July 2018	5	3	–	–	–	4
Christopher Seabrooke	June 2009	5	3	2	2	–	4
NON-EXECUTIVE DIRECTORS							
Paul Miller	July 2017	5	–	–	2	–	–
Roberto Rossi	September 2003	5	–	2	2*	–	–
EXECUTIVE DIRECTORS							
Sean Doherty[3]	June 2019	2	2*	2*	2*	–	2*
Ronen Goldstein[4]		3	1*	–	–	–	1*
Mark Herskovits	January 2014	5	–	–	–	–	4
David Hurwitz	April 2012	5	3*	2*	2*	3	4
Jonathan Jawno	March 2003	5	3*	2*	2*	–	4
Michael Mendelowitz	March 2003	5	–	2*	2*	–	–

** Attended as invitee.*

[1] *Buhle Hanise was appointed as an independent non-executive director and a member of the ARC committee and ALCO on 1 January 2019.*

[2] *Kuben Pillay was appointed as the lead independent non-executive director on 15 July 2019.*

[3] *Sean Doherty was appointed as CFO on 1 June 2019.*

[4] *Ronen Goldstein resigned as financial director on 31 May 2019.*

BOARD SUB-COMMITTEES

Terms of reference for board sub-committees are reviewed annually. The governance function of the board sub-committees is outlined in the respective committee terms of reference approved by the board.

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 chairperson of each committee at each board meeting. Copies of the minutes of committee meetings are included in the board documentation.

BOARD SUB-COMMITTEES AT DATE OF REPORT

	Audit, risk and compliance	Nominations	Remuneration	Social and ethics	Asset and liability
CHAIRPERSON	Diane Radley	Christopher Seabrooke	Kuben Pillay	Phumzile Langeni	David Hurwitz
MEMBERS	Buhle Hanise Phumzile Langeni Christopher Seabrooke	Kuben Pillay Roberto Rossi	Paul Miller Christopher Seabrooke	David Hurwitz Kuben Pillay	Buhle Hanise Mark Herskovits Jonathan Jawno Diane Radley Christopher Seabrooke
FUNCTIONS MANAGED	■ Accounting, tax and compliance ■ Information and technology ■ Internal audit ■ Risk ■ Credit	■ Directors ■ People ■ Succession	■ People ■ Remuneration ■ Retention	■ Stakeholders ■ Transformation ■ Sustainability ■ Ethics	■ Funding ■ Liquidity ■ Capital
NUMBER OF MEETINGS PER YEAR	At least three	At least two	At least two	At least two	At least four
COMPOSITION	Independent non-executive directors.	Non-executive directors, the majority of whom are independent. The chairperson is the independent non-executive chairman of the board.	All members are non-executive, the majority of whom are independent.	The chairperson is an independent non-executive director. The committee comprises a majority of non-executive directors.	Includes independent non-executive directors as necessary.

SUBSIDIARY BOARDS

Each of Transaction Capital's divisions has its own board of directors, with governance processes aligned to Transaction Capital's governance framework to appropriately allocate levels of authority to individuals and committees throughout the group structure.

The composition of each division's board includes non-executive directors, some of whom may be executive or non-executive directors of Transaction Capital. Directors of these boards are of sufficient calibre, experience, diversity and number for their views to carry significant weight in board decisions. The activities of each division's board include reviewing and providing input on corporate strategy, business plans, risk propensity, budgets and sustainability. Strategies, business plans and performance criteria are clearly defined, with appropriate key performance indicators in place to measure and monitor performance against their strategies.

COMBINED ASSURANCE FRAMEWORK

AUDIT, RISK AND COMPLIANCE

The ARC committee is responsible for overseeing the external and internal audit functions, as well as the combined assurance model and its objectives, which include:

- Enabling an effective internal control environment.
- Supporting the integrity of information used for internal decision-making by management, the board and its committees.
- Ensuring the integrity of external reports.

Internal audit, risk management and compliance collaborate on combined assurance to support the board, and to effectively cover the group's significant risks and material matters.

EXTERNAL AUDIT

The ARC committee is satisfied that the external auditor remains independent of the organisation. The group has a policy in place to address the provision of non-audit services by the external auditors. The ARC committee considers the financial reporting procedures that are in place and whether these procedures are operating effectively.

The ARC committee considered the tenure of Deloitte & Touche, who have been Transaction Capital's auditors for 11 years. During this time, the group has rotated audit partners ahead of the five-year mandatory audit partner rotation requirement. However, as mentioned earlier, the ARC committee has recommended to the board that a new audit firm be appointed for the 2022 financial year. This is ahead of the mandatory audit firm rotation rule of the Independent Regulatory Board for Auditors, which takes effect from 1 April 2023.

INTERNAL AUDIT

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

The group internal audit executive reports administratively to the CFO and functionally to the chairperson of the ARC committee. 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 group and its businesses.

An independent quality review on internal audit was conducted during 2016, and the internal audit function was found to generally conform to ISPPIA, which is the highest rating awarded during such a review. The next independent quality review is set to take place in 2021. 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.

In 2019, Transaction Capital appointed a new group internal audit executive at group level, and positions have been established for heads of internal audit at each division. The previous head has relocated to SA Taxi and an experienced audit executive will be employed as head of internal audit at TCRS. These changes will ensure that the internal audit function remains sufficiently resourced at group and divisional levels over the medium term, to provide assurance on the strategic growth initiatives described in this integrated annual report.

RISKS AND OPPORTUNITIES

Transaction Capital has a board-approved risk framework, which sets the policy, risk appetite and tolerance levels of the group, identifies the top risks, and ensures ongoing risk oversight and monitoring for the group. The board is assisted by the ARC committee and ALCO in governing risk in a way that supports the group's strategic objectives.

→ *Detail on the group's approach to risk management, and its top and key risks can be found in the Risk report. See* ***page 102****.*

INFORMATION AND TECHNOLOGY

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

In 2018 the group implemented an updated IT policy that addresses the governance of IT in line with the recommended practices of King IV. Each subsidiary sets its own strategy with regards to IT, which is reported to its board and the ARC committee.

Disaster recovery and business continuity plans are in place for the group and are tested regularly. Compliance, information security, cybersecurity, risk and the control environment are all managed within each IT team. In the current reporting period, the IT functions reported to the ARC committee that adequate arrangements are in place for business continuity, with proactive monitoring of intelligence in place to identify and respond to potential cyberattacks. General cybersecurity measures are in place in both divisions.

COMPLIANCE FRAMEWORK

COMPLIANCE STRUCTURES

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

Regulatory compliance is non-negotiable. The board proactively oversees the review of the group's systems of control and governance. It also continuously recommends enhancements to ensure that each division is managed ethically, in compliance with legislative requirements and in line with best practice governance guidelines. Suitably qualified compliance officers are employed in the divisions to provide the following functions:

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

Quarterly divisional compliance reports are submitted to the ARC committee and board for consideration. The divisions actively engage with legal counsel, where necessary, for advice on the application and implementation of any proposed new legislation, as well as on potential effects on their respective businesses.

As per the requirements of the JSE Debt Listings Requirements, adherence to the governance framework and King IV principles in relation to TransCapital Investment Limited have been overseen by Transaction Capital's ARC committee.

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.
- Debt Collectors Act.
- Financial Sector Regulation Act.
- Insurance-related legislation including the Financial Advisory and Intermediary Services Act, the Insurance Act, the Short-term Insurance Act and Long-term Insurance Act.
- Financial Intelligence Centre Act.
- Consumer Protection Act.
- Competition Act.
- Legislation relating to the corporate affairs of the group, including the Companies Act, the Financial Markets Act, 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.
- Electronic Communication and Transaction Act.
- National Payment System 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.

KEY REGULATORY DEVELOPMENTS

National Credit Regulator

The National Credit Amendment Act was signed into law in August 2019. It introduced, inter alia, the debt intervention application process. This will apply to TCRS but does not apply to SA Taxi as it is a developmental credit provider. As yet, no date has been published regarding the Act's commencement date.

→ *Details on the impact of the Act can be found in the Q&A with David McAlpin, TCRS CEO. See **page 94**.*

Competition Commission

The Competition Commission has published a notice informing all interested parties that the market inquiry into land-based public passenger transport will be completed by 31 March 2020. SA Taxi is contributing to the inquiry through its involvement in industry representative bodies, including SANTACO.

Short-term Insurance Act

Regulations published in September 2018 have now become effective. The regulations ensure that a written agreement is in place between an intermediary and insurer, where the intermediary collects premiums on the insurer's behalf. Consequently, SA Taxi Protect has concluded written binder and intermediary agreements with Guardrisk.

REMUNERATION GOVERNANCE

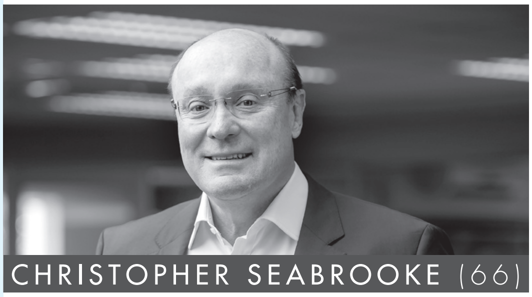
The remuneration committee is responsible for establishing and overseeing the group's remuneration policy, which promotes the achievement of strategic objectives and encourages individual performance at all levels within the group.

Remuneration consists of base pay and short- and long-term incentives that are deemed to adequately remunerate executives while aligning executive performance with the requirements of shareholders. The remuneration policy and its implementation report are put forward for separate non-binding advisory votes at the AGM. At the AGM held on 7 March 2019, the remuneration policy and implementation report both received the requisite non-binding advisory votes to pass, at 80% and 90% respectively. The remuneration policy was updated after extensive engagement with shareholders and investors on areas of concern.

→ *Detail on enhancements to the remuneration policy and remuneration disclosure can be found in the Remuneration report. See **page 116**.*

DIRECTORATE

INDEPENDENT NON-EXECUTIVE DIRECTORS



CHRISTOPHER SEABROOKE (66)

BCom, BAcc (University of KwaZulu-Natal), MBA (Wits Business School), FCMA (UK)

Appointed: June 2009

CHAIRMAN

Chris is a financier and investor with extensive experience in financial services, including credit-orientated and speciality finance assets, which enhances the board's ability to provide strategic counsel. He is currently CEO of Sabvest Limited, chairman of Metrofile Holdings Limited and Net1 U.E.P.S. Technologies Inc, and a director of Brait S.E. and Rolfes Holdings Limited. Chris 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.

BUHLE HANISE (37)

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

Appointed: January 2019

After completing her articles with KPMG, Buhle held credit management positions at The Standard Bank of South Africa Limited and Nedbank Limited, and is now a senior manager at the Industrial Development Corporation (IDC). She is a non-executive director of OUTsurance Holdings Limited and holds other directorships on IDC-related entity boards, including the South African Forestry Company Limited and Biodx Biological Chemical Technologies Proprietary Limited. She is also deputy president of African Women Chartered Accountants. In addition to her primary qualifications, Buhle holds advanced certificates in Business Rescue Practice, Insolvency Law and Practice, and Emerging Markets and Country Risk Analysis, and completed the Development Finance Programme at the University of Stellenbosch Business School.

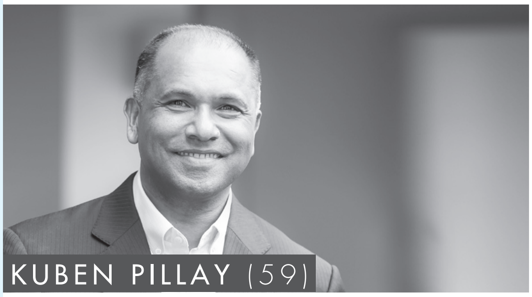
PHUMZILE LANGENI (45)

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

Appointed: June 2009

In April 2018, Phumzile was appointed by the President of the Republic of South Africa, Cyril Ramaphosa, as one of four special investment envoys tasked with raising USD100 billion over a five-year period. Prior to this, she served as an economic adviser to the former Minister of Minerals and Energy. Phumzile is a stockbroker by training.

Phumzile is executive chairman of Afropulse Group Proprietary Limited, non-executive chairman of Imperial Logistics Limited and independent non-executive chairman of both the Mineworkers Investment Company Proprietary Limited and Primedia Holdings Proprietary Limited. Phumzile also serves as the lead independent non-executive director of Massmart Holdings Limited and Metrofile Limited.



KUBEN PILLAY (59)

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

Appointed: August 2016

LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR

Kuben held various executive positions within Primedia Limited from September 2002 to February 2014, including serving as CEO of the advertising division, group CEO, and thereafter group executive chairman. From February 2014 to December 2016, he served in the capacity of non-executive chairman of Primedia Limited. An attorney by profession, Kuben was a managing financial partner at attorneys Cheadle Thompson and Haysom before joining Mineworkers Investment Company Proprietary Limited in 1996 as founding executive director, and later as the non-executive chairman of Mineworkers Investment Company. Kuben currently serves as a non-executive director of the OUTsurance group of companies. He was appointed as Transaction Capital's lead independent non-executive director in July 2019.

DIANE RADLEY (53)

BCom (Rhodes), BCom (Hons) (Unisa), CA(SA),
MBA (Wits Business School),
AMP (Harvard Business School)

Appointed: July 2018

Diane was a partner at PricewaterhouseCoopers, where she led the Transaction Services Group that advised on local and international listings and corporate transactions. In 2001, she joined Allied Electronics Corporation Limited as their CFO and was also appointed as a non-executive director at Allied Technologies Limited (Altech), Bytes Technology Group Limited, Omnia Holdings Limited and Women Investment Portfolio Holdings Limited (Wiphold). In 2008, Diane served as Old Mutual South Africa's group finance director and in 2010 was appointed as Old Mutual Investment Group's CEO until the end of 2016. Diane is currently a non-executive director of JSE-listed Murray & Roberts Holdings Limited and Australian Securities Exchange-listed Base Resources Limited, and serves as a trustee on the DG Murray Trust, a public innovator committed to developing South Africa's potential through strategic investment.

NON-EXECUTIVE DIRECTORS

PAUL MILLER (55)

BCom, LLB (University of Cape Town)

Appointed: July 2017

Paul qualified as a corporate lawyer in England and built his career at the international law firm Berwin Leighton Paisner LLP, where he led the London-based capital markets team for a number of years. During his 26-year legal career, he built an international corporate practice and executed numerous equity capital market transactions and merger and acquisition deals, with a particular focus on the financial services sector.

Paul is the CEO of Everglen Capital Partners LLP and a non-executive director of Stenprop Limited, which is listed on the JSE Limited and the London Stock Exchange. He is also a consultant to Bryan Cave Leighton Paisner LLP.

ROBERTO ROSSI (57)

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

EXECUTIVE DIRECTORS

DAVID HURWITZ (48)

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

Appointed: April 2012

CHIEF EXECUTIVE OFFICER

In 2005, David 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 five years and then served as the CFO of SA Taxi for 18 months. He was appointed to Transaction Capital's main board as group chief risk officer in April 2012 and thereafter served as the group CFO. In January 2014, David was appointed as the group CEO of Transaction Capital Limited. 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 a specialist structured finance organisation and a large local bank.

SEAN DOHERTY (42)

BAcc (Hons) (University of Johannesburg), CA(SA), MBA (IE Business School), AMP (Columbia Business School), ACMA (UK)

Appointed: June 2019

CHIEF FINANCIAL OFFICER

Sean served his articles at Deloitte & Touche in Johannesburg and has more than 20 years' experience in the financial services industry. Most recently, Sean has held the positions of head of new business innovation and ventures of Standard Bank's Corporate and Investment Banking division and chief operating officer and CFO of Standard Bank's Investment Banking division. Sean was appointed as an executive director of the Transaction Capital board and CFO with effect from 1 June 2019.

MARK HERSKOVITS (45)

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

Appointed: January 2014

EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT

Mark served his articles at Deloitte & Touche in Johannesburg. After staying on as a manager until 2001, he joined Rand Merchant Bank as a corporate bond investment analyst in the special projects international division. In 2007, Mark joined Transaction Capital to assist in the corporate activity required to establish the group. He joined the capital markets division in 2009 and led the team from June 2010, where he remained until his appointment in January 2014 as group CFO. In August 2016, Mark was appointed to his current role with primary responsibility for the group's capital management strategy and activities.

JONATHAN JAWNO (53)

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

Appointed: March 2003

EXECUTIVE DIRECTOR

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

MICHAEL MENDELOWITZ (54)

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

Appointed: March 2003

EXECUTIVE DIRECTOR

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

03

STRATEGY AND PERFORMANCE

STRATEGY

Transaction Capital is an active investor in and operator of credit-orientated assets including distressed debt, speciality credit and other alternative assets. Central to our business model is to identify value assets; to apply our specialist expertise to assess, price, underwrite and mitigate the inherent credit risk of these assets; and to fund their growth with an optimal balance of equity appropriately leveraged with debt, according to our sophisticated capital management approach.

Our strong decentralised divisional management teams manage these assets within well-governed, efficient operational platforms. SA Taxi and Transaction Capital Risk Services (TCRS) operate in specialised, under-served segments of the South African and Australian financial services markets. They are strategically well positioned in their markets and are defensive, delivering shared value through good commercial returns and meaningful social impact, even in low-growth environments.

To drive sustainable future earnings growth, we continue to leverage our intellectual property (IP), leading technologies and low-cost scalable platforms into alternative credit-orientated asset classes in adjacent market segments and selected larger geographic markets.

STRATEGIC OBJECTIVE 1

ORGANIC GROWTH

- Leverage specialised capabilities at group and divisional level to develop industry solutions that deepen vertical integration within existing market segments, driving good commercial returns and positive social impact.
- Apply these competencies to create new positions within adjacent and new market segments, and new geographies to drive organic growth.

KEY OUTCOMES IN 2019

SA TAXI

- The division concluded the ground-breaking ownership transaction with the South African National Taxi Council (SANTACO), with immediate financial and operational benefits, and strong prospects for medium-term growth through greater penetration of the minibus taxi value chain.
  - Strategic partnership with SANTACO is informing a deeper understanding of customers, driving collaborative new product development and access to a larger addressable market.
  - Initiatives under way to support the profitability of minibus taxi operators and the sustainability of the minibus taxi industry.

SA TAXI DIRECT

- Number of minibus taxis sold grew by 14% on last year.
- Pre-owned market buoyant in challenging economic environment for operators.

SA TAXI FINANCE

- Strong growth in the loans and advances portfolio.
  - Supported by momentum in the finance of refurbished pre-owned minibus taxis.
  - Operators continue to seek a more affordable but reliable alternative to buying a new minibus taxi in a challenging economic environment.
- Good take-up of new lower interest rate finance product.

SA TAXI PROTECT

- Expanded total addressable market of insurance clients in the open market via its broker network.
- Broadened the product offering with credit life and other products.

SA TAXI AUTO REPAIRS AND SA TAXI AUTO PARTS

- Repair and refurbishment capacity increased to approximately 220 minibus taxis per month in SA Taxi Auto Repairs.
- Majority of SA Taxi Auto Parts retail customers are new to SA Taxi, exposing SA Taxi's brand and services to a wider market.

SA TAXI REWARDS

- Established in partnership with SANTACO.
- SA Taxi Rewards commenced a new tyre rewards programme in partnership with Bridgestone.
- Further rewards programmes aimed at parts procurement are under consideration.

→ *Q&A with David Hurwitz, CEO – **page 46**.*

→ *Q&A with Terry Kier, SA Taxi CEO – **page 80**.*

→ *CFO's report – **page 52**.*

TRANSACTION CAPITAL RISK SERVICES

TCRS SOUTH AFRICA

- The division's high IP, rich data, scale and capital position continues to support the acquisition of non-performing consumer loan portfolios (NPL portfolios) in the current economic conditions, securing predictable annuity revenue growth to underpin its future performance.
  - Invested R1 064 million in NPL portfolios (2018: R639 million).
- TCRS is now also acquiring NPL portfolios prior to write-off and those collected via legal process, which is extending its total addressable market.
- Efforts to drive the development of the NPL portfolio market include:
  - Educating clients on best practice in selling their NPL portfolios.
  - Increasing sophistication in accessing higher volumes of portfolios sold on a bilateral, contractually recurring basis (known as a forward flow model).
  - Introducing new sellers to the market.
- In contingency and fee-for-service (FFS) collection services, TCRS is deepening its penetration in traditional and adjacent market segments, according to its sector specialisation strategy.

→ *Q&A with David Hurwitz, CEO – **page 46**.*

→ *Q&A with David McAlpin, TCRS CEO – **page 94**.*

TCRS AUSTRALIA

- Recoveries Corporation's contingency and FFS collections business is growing by deepening penetration in traditional market segments and adjacent sectors.
  - New mandates from existing clients and new clients won.
- Its cautious and selective acquisition of NPL portfolios as principal continues.
  - Invested R122 million in NPL portfolios (2018: R23 million).

→ *Q&A with David Hurwitz, CEO – **page 46**.*

→ *Q&A with David McAlpin, TCRS CEO – **page 94**.*

TC GLOBAL FINANCE

- TC Global Finance was established to pursue credit-orientated asset growth in select international markets.
  - Specific niches in the fragmented distressed debt and specialised credit market in Europe are being targeted, with initial returns meeting expectations.

→ *Q&A with David Hurwitz, CEO – **page 46**.*

IN BRIEF

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

STRATEGIC OBJECTIVE 2

RISK AND CAPITAL MANAGEMENT

- Maintain conservative capital management approach by accessing and deploying capital optimally and efficiently in funding credit-orientated alternative asset growth.
- Apply an investment approach that emphasises exhaustive due diligence investigation, data analysis and risk quantification to add value to the design and implementation of operational strategy and ensure risk is kept within tolerance levels, thereby creating value for shareholders in a unique manner.

KEY OUTCOMES IN 2019

CAPITAL MANAGEMENT

GROUP

- Strong balance sheet provides the financial capacity and strategic flexibility to fund organic and acquisitive growth opportunities.
  - Group balance sheet debt-free at holding company level, with undeployed capital of R950 million.
- Optimisation of the group's capital structure continues, with capital adequacy strengthening to 29.9% (2018: 28.3%).
  - 26.7% equity and 3.2% subordinated debt.
- Track record for strong growth and good commercial returns continues to support robust access to equity capital from a well-managed and supportive shareholder base.
- Maintained favourable access to debt capital markets.
  - R8.2 billion in debt facilities raised from 38 funding transactions.
  - Average cost of borrowing reduced to 11.1% (2018: 11.5%).
- Stated dividend policy of 2 to 2.5 times earnings met.

→ *Q&A with David Hurwitz, CEO – **page 46**.*

→ *Capital management report – **page 62**.*

SA TAXI

- Settled approximately R1.0 billion of interest-bearing debt, improving its capital adequacy ratio to 22.4%.
- Raised R5.5 billion in debt facilities, with funding requirements secured for the 2020 financial year.
- Issued R1.7 billion of Moody's credit-rated and JSE-listed debt via its Transsec 4 securitisation programme in the lowest priced Transsec issuances to date.
- Exploring opportunities with local developmental finance institutions (DFIs) to replace more expensive international DFI funding.

→ *Capital management report – **page 62**.*

TCRS

- Restructured TCRS's funding arrangements to support its increased capital requirements, creating one simplified and efficient structure across TCRS South Africa.

→ *Capital management report – **page 62**.*

SA TAXI
CREDIT RISK MANAGEMENT

- Increasing demand for and volume of repossessed and refurbished minibus taxi vehicles sold enabled the division to maintain credit losses within expectations.
  - Demand driven by operators seeking to lower monthly instalments by purchasing a reliable and affordable alternatives to new minibus taxis in an environment of high fuel and vehicle prices.
  - Average of 220 pre-owned vehicles financed by SA Taxi Finance per month (2018: ~150).
  - SA Taxi Auto Repairs and SA Taxi Auto Parts continued to reduce the average cost to repair vehicles.
- Conservative credit granting criteria and strong collection performance kept non-performing loans (NPLs) and the credit loss ratio in line with expectations.

→ *CFO's report – **page 52**.*

SA TAXI
INSURANCE RISK MANAGEMENT

- Reduced cost of claim achieved through efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts.
  - Supported lower claims ratio and stable premiums, enhancing competitiveness.
  - Expansion of SA Taxi Auto Repairs' facility currently under way to increase capacity to repair insured vehicles and further lower the cost of claim.
- Early adoption of IFRS 17 – Insurance Contracts, resulting in a more robust balance sheet due to increased provisions and eliminating future uncertainty relating to the adoption of IFRS 17 on results.

→ *Q&A with David Hurwitz, CEO – **page 46**.*

→ *Q&A with Terry Kier, SA Taxi CEO – **page 80**.*

→ *CFO's report – **page 52**.*

TCRS
INVESTMENT RISK MANAGEMENT

- The division's existing NPL portfolio is delivering predictable annuity revenue growth.
  - Estimated remaining collections up 50% to R4.5 billion.

→ *Q&A with David Hurwitz, CEO – **page 46**.*

→ *Q&A with David McAlpin, TCRS CEO – **page 94**.*

→ *CFO's report – **page 52**.*

IN BRIEF

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.

Despite the challenging economic conditions, the divisions continue to manage risks effectively and achieve appropriate risk-adjusted returns.

STRATEGIC OBJECTIVE 3

DATA, TECHNOLOGY AND ANALYTICS

- Leverage data, analytics and technology to scale and support highly competitive and efficient operating platforms that deliver sustainable and profitable growth.
- Generate in-depth insights from the continuous collection and analysis of diverse, accurate and valuable data sets to enable precise decisioning and proactive risk management.

KEY OUTCOMES IN 2019

SA TAXI

- Leveraging telematics and data analysis to enhance safety by changing driver behaviour in the minibus taxi industry.
- Invested around R100 million in different technology systems, including an insurance claims administration system and a stock management system, to support operational efficiencies.
- SA Taxi Protect claims management system enhancing its customer value proposition.

→ *Q&A with David Hurwitz, CEO – **page 46**.*

→ *Q&A with Terry Kier, SA Taxi CEO – **page 80**.*

TCRS

- Continued to investigate and implement new technologies in artificial intelligence and digital communications, and apply behavioural science in collection services in South Africa.
- Enriched the master data universe in South Africa and building the Australian database.
- Investments in data and analytics, and deployment of technologies proven in South Africa, supported improved performance in Recoveries Corporation in Australia.
- Database development and ongoing investment in new technologies should enable TCRS to deliver higher productivity and operational efficiencies, particularly in Australia.

→ *Q&A with David Hurwitz, CEO – **page 46**.*

→ *Q&A with David McAlpin, TCRS CEO – **page 94**.*

IN BRIEF

Both divisions continue to invest in data, technology and analytics, which enhance efficiencies, improve margins and enable value-added services.

STRATEGIC OBJECTIVE 4
ACQUISITIVE GROWTH

- Target quality assets in focused market segments, in line with defined acquisition criteria, to enhance the specialised capabilities, growth prospects and value of divisions.

KEY OUTCOMES IN 2019

TCRS

- The division continues to assess opportunities for complementary bolt-on acquisitions in adjacent sectors in South Africa and Australia.
  - TCRS Australia acquired a 25% stake in a leading Australian debt administration business, Lanyana Financial Group.

→ *Q&A with David McAlpin, TCRS CEO – **page 94**.*

ACQUISITION CRITERIA

Transaction Capital applies **stringent criteria** when evaluating **potential acquisitions** to ensure that it will **enhance its specialist capabilities**

BUSINESS MODEL

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

CULTURE

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

CAPABILITIES

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

MARKET POSITION

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

IN BRIEF

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.

STRATEGIC OBJECTIVE 5
PEOPLE

- Maintain best practice governance standards, led by a board with skills relevant to the group's strategy and markets.
- Identify, assess, develop and partner with entrepreneurial, innovative and experienced founders, owners and managers of businesses.
- Develop, engage and reward employees and executives to engender an entrepreneurial, high-performance, ethical and inclusive culture.

KEY OUTCOMES IN 2019

GROUP

- Transaction Capital supports transformation objectives in South Africa that seek to address historical imbalances.
  - From 2019, transformation targets included as qualitative measures in the discretionary component of short-term incentives for key executives.

→ *Remuneration report – **page 114**.*

SA TAXI

- Increased the representation of employees who are black to 86% (2018: 84%).
- Increased training for black employees to 88% (2018: 69%).

→ *SA Taxi's impact: Supporting our people – **page 71**.*

TCRS

- Continued to refine and implement the division's employee value proposition, based on a unified and standardised human resources framework.
  - In South Africa, Investors in People Organisation accreditation affirmed for Transaction Capital Recoveries at 'developed' level against the new standards.
- Established talent structures to develop a pool of selected successors, supported by a mentorship programme.
- Ongoing focus on training and development.
- TCRS Australia focused on developing greater management depth, supported by enhanced management and performance systems.

→ *Q&A with David McAlpin, TCRS CEO – **page 94**.*

PEOPLE PHILOSOPHY

- Board succession planning seeks to balance specialised understanding of the group's businesses with new perspectives to enhance strategic guidance, oversight and control.
- The group executive office has an experienced and specialised leadership team with proven entrepreneurial, merger and acquisition, technical, financial and risk management skills.
- Divisional executives are accountable for the competitiveness, relevance and performance of their respective businesses, with active support from the group executive office.

These objectives are operationalised within the divisions in the following way:

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

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

The group preserves sufficient flexibility of management to support entrepreneurial spirit, while maintaining management accountability and robust risk processes.

The Transaction Capital ethics charter defines our vision, mission and values, and outlines our approach to operating as a values-based group. It is implemented in the divisions through a dedicated ethics structure.

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

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.

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

In SA Taxi, long-serving senior management apply their experience across the division to support ongoing specialisation in each segment.

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

Performance incentives applied to drive specific behaviours that support group, divisional or departmental performance and ensure alignment with the group's sustainability and transformation objectives.

The Transaction Capital Limited Conditional Share Plan is a mechanism to attract and retain key employees while providing them with the opportunity to share in the success of the division, and to align their interests with those of shareholders.

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

TCRS's employee value proposition provides a unified and standardised human resources framework across the full spectrum of benefits, including ongoing training and development, and opportunities for professional growth.

The SA Taxi Way defines the culture of the business.

IN BRIEF

With 4 662 employees, Transaction Capital acknowledges its role in creating meaningful employment opportunities and empowering its talent.

The success of the group, especially in a persistently challenging local economy, comes down to our ability to attract, retain and develop our people. They are the foundation of our ability to engage meaningfully with our clients, innovate in respective markets, leverage technology and data, and create shared value for our stakeholders.

Q&A
WITH DAVID HURWITZ

CEO

Q HOW DOES TRANSACTION CAPITAL'S BUSINESS MODEL CREATE SHARED VALUE?

A We have refined our business model over the last 20 years and proven its effectiveness in generating attractive risk-adjusted returns from carefully identified credit-orientated alternative assets. The strong growth of our business platforms, which manage these assets, has significantly increased their value, adding capital appreciation to the total return delivered to our shareholders.

An important contributor to Transaction Capital's success has been the hands-on involvement of the group's founders, who individually remain among our largest single shareholders. This has become part of the group's DNA; as an active shareholder, we are highly engaged in the strategic positioning of our businesses and the development of their growth strategies. We continue to identify and acquire new credit-orientated assets within the specialised asset classes that continue to be our focus, to drive future earnings growth – which is the basis for shared value.

The ability of our business platforms to grow consistently and return value to our shareholders is rooted in highly competitive value propositions that support their customers' profitability (commercial value). This is significantly enhanced by the value they create for their stakeholders more broadly; by focusing on under-served market segments and contributing to the effective functioning and sustainability of their respective industries, our business platforms are positioned as socially relevant (social value). This concept of delivering shared value is a key consideration in operationalising the group's business model, and in the relevance and resilience of our business platforms.

Q TRANSACTION CAPITAL'S BUSINESS MODEL DESCRIBES AN ITERATIVE CYCLE OF ASSET GROWTH AND BUSINESS DEVELOPMENT. HOW WAS THE MODEL APPLIED IN GROWING SA TAXI?

A SA Taxi's core competency at inception was in providing bespoke finance to minibus taxi operators through SA Taxi Finance. A high degree of specialist skill is required to accurately assess, mitigate, underwrite and price the credit risk associated with these loans, so we identified a highly specialised management team to run the business. Over the years, this team has co-invested in SA Taxi, reflecting their entrepreneurial character.

Working closely with the management team, we expanded the platform to include SA Taxi Direct (our retail division that procures and sells new and refurbished minibus taxis), followed by SA Taxi Auto Repairs (our autobody and mechanical refurbishment facility – which plays an instrumental role in managing credit losses in the event of default and repossession). SA Taxi Auto Repairs rebuilds pre-owned minibus taxis efficiently to a high quality, and SA Taxi Direct sells these reliable pre-owned vehicles, providing an affordable alternative to new vehicles for operators seeking lower finance instalments. This enhances the value of repossessed vehicles, enabling SA Taxi to recover more than 75% of the loan value given repossession. In addition, this vertical integration along the minibus taxi value chain served to enhance SA Taxi's service offering to customers, and diversified its revenue model and earnings base.

SA Taxi's analytics expertise and proprietary database, supported by a sophisticated telematics network, is another key competitive advantage for SA Taxi Finance, providing data insights that are applied to reduce credit risk, underwrite credit and inform collection and repossession strategies.

The next iteration of development for SA Taxi came from the realisation that we could leverage these competencies in another segment of the minibus taxi value chain – by providing insurance to minibus taxi operators using SA Taxi's data to inform the pricing of insurance premiums, and accident prevention and detection. Further, lowering the cost of insurance claims is a competitive advantage as the auto repair work relating to a portion of our insurance claims is done internally by SA Taxi Auto Repairs. This allows SA Taxi Protect to offer competitively priced premiums to its customers.

In SA Taxi Protect (our minibus taxi insurance business), we grew a team of insurance specialists within the business who already understood the minibus taxi industry. We built a portfolio and enhanced our data capabilities to mitigate insurance risk. (It is worth noting that each new segment we penetrate in the minibus taxi value chain enriches our data advantage across all our businesses.) SA Taxi Protect has achieved substantial growth by developing new insurance products for minibus taxi operators and expanding its addressable market beyond clients financed by SA Taxi Finance. These open market clients are acquired via its established and growing broker network.

The most recent addition to SA Taxi's service offering has been SA Taxi Auto Parts, launched last year. SA Taxi Auto Parts started by importing parts directly from manufacturers to lower the cost of repair in SA Taxi Auto Repairs. It moved into retailing these parts directly to the industry soon after that, including new and refurbished quality checked parts salvaged from repossessed or written-off vehicles that are uneconomical to repair. Besides extending SA Taxi's service offering to its customers, this vertical integration reduces the cost of repair with knock-on benefits to SA Taxi Finance's credit loss ratio and SA Taxi Protect's claims ratio.

In this systematic way, SA Taxi has built a strong market position in an industry that is highly resilient and performs a critical function in South Africa's national transport system. SA Taxi's credibility in the industry was certainly the basis on which we were able to originate and conclude, on 6 February 2019, the first-of-its-kind ownership transaction with SANTACO.

With SANTACO as a strategic partner, SA Taxi gains a first-hand understanding of the industry – insight that is already being applied to developing highly bespoke and competitive new products. This stands to deepen SA Taxi's relevance in the minibus taxi industry even further, and is an exciting next phase in its growth story. We are excited to demonstrate the full extent of the shared value this transformative partnership can create for the minibus taxi industry.

→ *See the Q&A with Terry Kier, SA Taxi CEO for details on the benefits of the ownership transaction with SANTACO on* ***page 80****.*

Q SA TAXI HAD AN OUTSTANDING YEAR IN 2019. WHAT WERE ITS PERFORMANCE HIGHLIGHTS?

A Most importantly, the benefits of SA Taxi's strategic partnership with SANTACO exceeded our expectations of what could be achieved in so short a time. The expected financial benefits of the ownership transaction, in improved net interest margins from lower leverage and interest expense savings, combined with the almost immediate operational benefits of the partnership with SANTACO, boosted SA Taxi's operational and financial performance in the year.

SA Taxi Finance grew its loans and advances portfolio significantly. Strong financing of SA Taxi's pre-owned minibus taxis, which increased to an average of about 220 units per month (from about 150 per month last year) supported this result. Our consistently conservative credit granting criteria and strong collection performance buffered the impact of the difficult economic conditions on customers' ability to service their loans, keeping our NPLs and credit loss ratio in line with our expectations.

SA Taxi Direct experienced strong sales in the pre-owned minibus taxi segment, driven by SA Taxi's reputation for providing reliable pre-owned vehicles, which provide an affordable alternative to new vehicles for operators seeking lower finance instalments and insurance premiums.

On average, SA Taxi Protect kept its premiums stable. As I have explained, its ability to reduce its cost of claim through SA Taxi Auto Repairs and SA Taxi Auto Parts supports competitively priced premiums. The 20% increase in gross written premium recorded for the year was realised mostly through new customer acquisition, mainly in the open market, and from the sale of new insurance products.

Sales in SA Taxi Auto Parts exceeded our expectations. Pleasingly, around half of its clients are not existing finance or insurance clients of SA Taxi, which demonstrates the success this business has had in broadening its total addressable market and cross-selling to new clients.

SA Taxi Rewards also made good progress, launching a new partnership with Bridgestone to provide custom designed and more cost-effective tyres that will enhance both the profitability of minibus taxi operators and the safety of their vehicles.

SA Taxi invested around R100 million in different technology systems this year, including an insurance claims administration system and a stock management system. These systems were implemented on time and within budget, and are working well. Investment into technology has continued, including implementing a front-end credit assessment system and a loan management system.

→ *See the Q&A with Terry Kier, SA Taxi CEO for more detail on SA Taxi's operational performance on* ***page 80****.*

→ *See the CFO's report for details on SA Taxi's financial performance on* ***page 52****.*

Q FROM THIS HIGH BASE, HOW ARE SA TAXI'S GROWTH PROSPECTS LOOKING IN THE MEDIUM TERM?

A The new strategic springboard established through SA Taxi's partnership with SANTACO will support good earnings growth, at least over the medium term.

The drivers of this growth will be our fast-growing finance and insurance businesses. SA Taxi Finance should sustain mid-teen growth in gross loans and advances, with the trends seen in 2019 expected to continue. SA Taxi Protect will grow its gross written premium by continuing to broaden its product offering and expanding its client base through its broker network. There is still scope to improve its insurance claims ratio and credit losses via technology, data management and predictive analytics, along with procurement and operational efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts.

SA Taxi Auto Parts and SA Taxi Rewards will support a broader earnings base in the medium term and beyond. While earnings from SA Taxi Auto Parts and SA Taxi Rewards are currently a small component of non-interest revenue, both businesses are growing and are set to become meaningful contributors from 2021 onwards.

We expect SA Taxi's recent investment in technology to support further operational efficiencies, and we will consider additional investments over the medium term to enhance its operational resilience in economic conditions that show little sign of improvement.

Q TURNING TO TCRS, HOW HAS THE GROUP'S BUSINESS MODEL BEEN APPLIED IN DRIVING NEW GROWTH OPPORTUNITIES?

A The same iterative process of asset growth and business development informed TCRS's entry into the Australian debt collection market in 2016. TCRS in South Africa has, over the last 20 years, developed a market-leading business in the collection of NPL portfolios. We identified that this specialist skill could be largely replicated and tailored to the Australian collections market, which is concentrated in this asset class but significantly larger than the South African market.

In Australia, we identified a privately owned business with a 25-year track record of collecting unsecured consumer claims as an agent in various sectors. Recoveries Corporation, an owner-managed business with a strong entrepreneurial management team, was an excellent strategic fit for TCRS. The business was under-invested in technology and management capability, and did not have the capital to invest in acquiring NPL portfolios as principal, which forms the major part of the Australian collections market. Our relatively small initial investment in acquiring this business gave us a foothold in the market and the opportunity to gain a deeper understanding of the Australian collections industry.

We've worked closely with the business to develop greater management depth, and have invested in technology, data and business information systems, proven in South Africa, to drive operational efficiencies and growth. We're currently assessing the viability of outsourcing certain functions to our South African low-cost centre of excellence in an ongoing pilot project.

Underpinned by our growing Australian database and the technology, analytics and pricing expertise we established in the business, Recoveries Corporation is now cautiously and selectively acquiring NPL portfolios as principal. This represents a significant medium-term opportunity for TCRS to grow and diversify Recoveries Corporation's earnings base.

→ *See the Q&A with David McAlpin, TCRS CEO for details on progress in Australia on* ***page 94****.*

The latest development in TCRS's growth story has been to establish TC Global Finance to pursue credit-orientated asset growth in select international markets. We believe that specific niches in the fragmented distressed debt and specialised credit market in Europe, which is many times larger than the South African and Australian markets, presents a compelling growth opportunity.

Transaction Capital's founders, in their personal capacity, have been investors in the global distressed debt and specialised credit market for many years, particularly in Europe. Their direct involvement in this opportunity, alongside TCRS, has enabled a low-risk entry into these selected niches of the European market and provided us access to their network of specialist credit managers in this region.

It is important to reiterate, as we have done in our engagement with investors, that we do not intend to pursue the larger and more concentrated segment of the European distressed debt and specialised credit market, which represents unacceptably high risk for insufficient returns. This segment is highly competitive, dominated by large players with access to cheap capital and leverage, deployed for moderate returns.

Instead, TCRS will focus on acquiring a highly selective and diversified portfolio of specialised credit-related alternative assets with the potential for higher yields. Initially, these assets will be accessed through and managed by specialist credit managers in Europe who co-invest with TC Global Finance. Over time, we will consider direct acquisitions through bilateral transactions.

This strategy is giving Transaction Capital and our shareholders unique access to attractive niche opportunities in a very large market, without concentration risk in any particular portfolio, asset class, asset originator, collection platform or geographic market. Our entry into the European specialised credit market has required no initial investment in goodwill and we have not had to incur the costs or risks of business integration. TCRS has invested €2.7 million to date, with €1.4 million of this amount invested after our financial year end. Initial returns have been in line with our expectations and on this basis, we have allocated a portion of our undeployed capital to this strategic growth initiative.

→ *See the Capital management report for details on capital allocation to strategic growth initiatives on* ***page 62****.*

Although the capital earmarked for this growth opportunity is small in proportion to the group's asset base, it will diversify TCRS's earnings base further and we expect it to continue generating low double-digit hard currency risk-adjusted interest returns. For a relatively small initial investment, the benefit of gaining a deeper understanding of the international credit-oriented alternative assets sector, with the potential to participate in emerging opportunities, is meaningful.

TCRS's deep skills in specialist credit, especially its analytics and pricing expertise, in combination with its operational scale, is proving credible in identifying, investigating and negotiating with our European counterparts. TCRS's operational platform in South Africa is large by European standards and, in time, we believe the potential exists to leverage its high-IP, lower-cost services (including our best-of-breed technology and back-end processing) to support our European partners, as we have done in Australia.

Over the medium term, in line with our business model, we will consider the merit of building our own business platforms to manage our credit-orientated asset portfolios in Europe, by partnering with entrepreneurial owners and management teams to grow these businesses to scale.

Q HOW HAS TCRS PERFORMED OVER THE YEAR, GIVEN THE VARIABLE CONDITIONS IN ITS MARKETS?

A In collection services, TCRS's business activities are diversified across sectors, clients and geographies, which lowers concentration risk. This supported a good performance and returns in very tough market conditions in South Africa. This business segment delivered excellent revenue growth, with the collection of NPL portfolios acquired as principal performing better than we expected and offsetting the impact of the slowdown in contingency and FFS collections.

In a considerably easier market environment, the Australian collections business outperformed our expectations. As I've mentioned, TCRS is deploying technologies proven in South Africa in its Australia operations, and this delivered higher productivity, effectiveness and efficiency, and lower operating costs per activity in the year.

In the transactional services and value-added services segments, however, our businesses felt the pain of the operating environment in South Africa. Despite this, Transaction Capital Payment Solutions and Road Cover both managed to contribute positively to earnings growth.

The increasing risk in the small- and medium-sized enterprise (SME) sector in South Africa has forced Transaction Capital Business Solutions (TCBS) to proactively curb its extension of credit to the sector, which has affected growth in gross loans and advances since the second half of 2018. TCBS has been clustered with TC Global Finance within Transaction Capital Specialised Credit, which will focus on deploying capital in specialised credit markets, as I have described.

→ *See the CFO's report for details on TCRS's financial performance on* ***page 52****.*

Q WHAT ARE TCRS'S MEDIUM-TERM GROWTH DRIVERS?

A TCRS's existing NPL portfolio, which will deliver predictable annuity revenue growth, will underpin its future performance. In the coming financial year, we expect the acquisition of NPL portfolios to be at least in line with activity in 2019. In South Africa, the economic climate and higher levels of credit extension (reported by the National Credit Regulator) will support this expectation. In Australia, TCRS will continue to establish a more meaningful position in the Australian NPL portfolio market, and we have allocated a portion of our undeployed capital to support this strategic growth initiative.

Expanding and enriching its database and ongoing investment in new technologies should enable TCRS to deliver even higher productivity and operational efficiencies, particularly in its Australian operations. Given the smaller relative size of the Australian business, it stands to benefit from enhanced efficiencies as we grow this platform to scale. We will continue to assess the pilot project to outsource certain functions in our Australian business to our South African low-cost centre of excellence. We believe this has the potential to deliver further efficiencies and revenue growth, in addition to providing a scalable platform for third-party offshoring solutions.

In the medium term, TC Global Finance will complement TCRS's organic growth opportunities in the fragmented segment of the European distressed debt and specialised credit market. Our deployment of capital in this market will be patient and cautious. We expect this venture to make a small contribution to earnings in the 2020 financial year, becoming more meaningful from 2021 onwards. As we have said in our announcements to the market, the pace and progression of this opportunity will depend on the risk-adjusted returns we achieve on the initial investments we make.

With its strong balance sheet, TCRS will continue to assess opportunities for complementary bolt-on acquisitions in adjacent sectors in both South Africa and Australia.

Q FINALLY, WHAT DO THESE GROWTH EXPECTATIONS FOR SA TAXI AND TCRS MEAN FOR TRANSACTION CAPITAL?

A The group's strong balance sheet provides the financial capacity and strategic flexibility to fund the organic and acquisitive growth opportunities I have outlined. We expect the group to deliver organic earnings over the medium term in line with the group's past performance. This assumes no investment acquisitions, which if achieved, may present further upside in earnings growth. Of course, although our businesses are both highly resilient, any upturn in South Africa's economic growth trajectory could also mean upside potential for our growth expectations in the next three to five years.

The strategic progress we've made in the last year should give our stakeholders confidence in the group's ability to continue applying our business model in new avenues for growth, to sustain our trajectory of delivering good commercial returns and positive social impact in our markets.

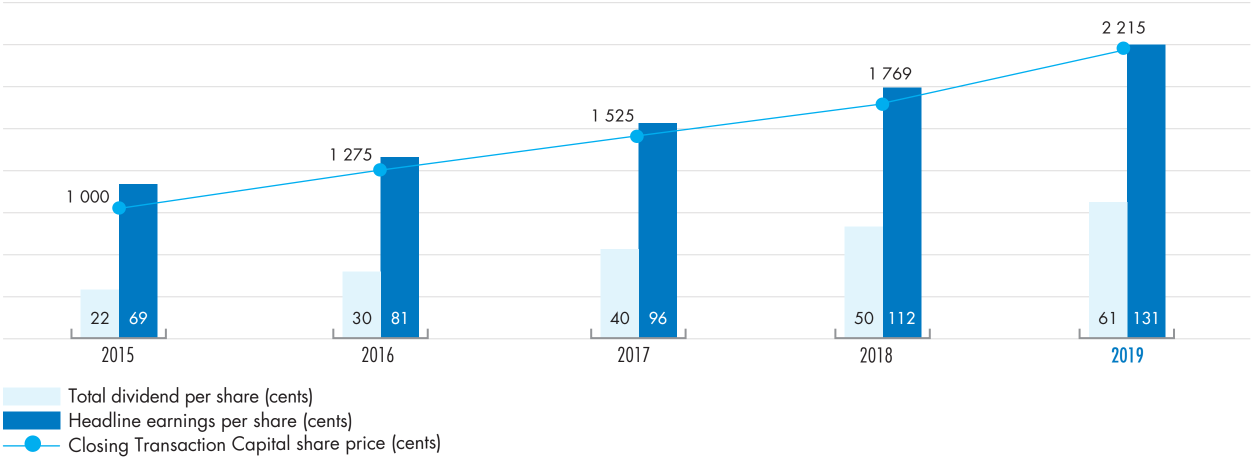
CFO'S REPORT

SEAN DOHERTY

CONSISTENT VALUE CREATION

Despite the economic deterioration in South Africa, Transaction Capital delivered excellent organic growth in 2019, driven by strong client acquisition, innovative product development, focused operational execution and robust risk management. Both core headline earnings and core headline earnings per share increased 18% to R803 million and 131.3 cents respectively. SA Taxi grew core headline earnings 38%, resulting in the group's attributable portion of SA Taxi's core headline earnings growing by 21% to R446 million. TCRS achieved headline earnings growth of 15% to R313 million.

TRANSACTION CAPITAL'S FIVE-YEAR PERFORMANCE



Over the past five years, Transaction Capital has achieved compound annual growth in core headline earnings per share of 20%. Dividends per share have grown faster than earnings at 31% per year. In the 2019 financial year, the total dividend per share was 22% higher at 61 cents per share, supported by high-quality earnings and healthy cash conversion rates.

THE YEAR UNDER REVIEW

HIGHLIGHTS IN 2019

The ownership transaction between SA Taxi and SANTACO was finalised on 6 February 2019. SANTACO's 25% stake in SA Taxi was co-funded by The Standard Bank of South Africa and Futuregrowth Asset Management by way of preference shares to the value of R1.2 billion, with SA Taxi providing R521 million of vendor finance through the issue of a new class of preference share.

The group successfully implemented International Financial Reporting Standard (IFRS) 17 – Insurance Contracts in SA Taxi, with an effective retrospective adoption date of 1 October 2017.

The group adopted IFRS 15 – Revenue from Contracts with Customers, which took effect in the 2019 financial year. It has no material impact on the group.

TCRS restructured its funding arrangements to support the division's increased capital requirements. Through the new treasury structure, **TCRS increased its funding facilities to R2.4 billion,** from half that amount in 2018.

↑ 18%

CORE HEADLINE EARNINGS PER SHARE

131.3 cents

2018: 111.7 cents

↑ 22%

TOTAL DIVIDEND PER SHARE

61.0 cents

2018: 50.0 cents

On 5 September 2019, the group received shareholder approval to implement a structure with **Transaction Capital's founders to deploy €100 million into specialised credit-orientated assets in Europe.** The venture is accounted for using equity accounting.

On 10 November 2019, **Transaction Capital was awarded second place in the Sunday Times Top 100 Company Awards**, which ranks the value delivered to shareholders by companies listed on the JSE Limited over five years.

CORE HEADLINE EARNINGS
attributable to the group

TRANSACTION CAPITAL GROUP[1]

↑ 18%

R803 million

2018: R682 million

SA TAXI

↑ 21%

R446 million

2018: R368 million

TRANSACTION CAPITAL RISK SERVICES

↑ 15%

R313 million

2018: R273 million

The summarised consolidated annual financial statements are included in the financial information section starting on page 134 of this report. Core financial results and ratios exclude once-off costs of R84 million attributable to the group relating to SA Taxi's ownership transaction with SANTACO, which arose in the first half of the 2019 financial year. R81 million of these costs are non-cash and in accordance with IFRS 2 – Share-based Payment. A further R3 million relates to early debt settlement costs.

2018 balances have been restated for the early adoption of IFRS 17 – Insurance Contracts. Refer to page 57 for further detail in this regard.

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1. *Transaction Capital's group core headline earnings include R44 million from the group executive office, R446 million from SA Taxi and R313 million from TCRS.*

CONSOLIDATED SEGMENT REPORT

	SA Taxi	
	2019 Rm	2018 Restated* Rm
SUMMARISED INCOME STATEMENT		
For the year ended 30 September		
Net interest income	**1 217**	979
Impairment of loans and advances	**(322)**	(306)
Non-interest revenue	**584**	498
Operating costs	**(896)**	(674)
Non-operating profit/(loss)	**–**	–
Equity accounted income	**–**	–
PROFIT BEFORE TAX	**583**	497
Profit attributable to ordinary equity holders of parent	**365**	368
Headline earnings adjustments	**–**	–
Once-off transaction costs***	**81**	–
CORE HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**446**	368
SUMMARISED STATEMENT OF FINANCIAL POSITION		
At 30 September		
ASSETS		
Cash and cash equivalents	**693**	677
Trade and other receivables	**965**	769
Inventories	**831**	478
Loans and advances	**10 412**	9 026
Purchased book debts	**–**	–
Equity accounted investment	**–**	–
Other assets	**885**	933
TOTAL ASSETS	**13 786**	11 883
LIABILITIES		
Bank overdrafts	**99**	116
Trade and other payables	**275**	333
Insurance contract liabilities	**537**	607
Interest-bearing liabilities	**9 929**	9 503
Senior debt	**9 249**	7 650
Subordinated debt	**517**	683
Finance leases	**–**	–
Group loans	**163**	1 170
Other liabilities	**192**	56
TOTAL LIABILITIES	**11 032**	10 615
TOTAL EQUITY	**2 754**	1 268

* *Restated for the early adoption of IFRS 17 – Insurance Contracts.*

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

*** *Transaction Capital's core financial ratios exclude once-off costs of R84 million attributable to the group relating to SA Taxi's ownership transaction with SANTACO, which arose in the first half of the 2019 financial year. R81 million of these costs are non-cash and in accordance with IFRS 2 – Share-based Payment. A further R3 million relates to early debt settlement costs.*

Transaction Capital Risk Services		Group executive office**		Group	
2019 Rm	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Restated* Rm
(13)	51	**75**	70	**1 279**	1 100
(14)	(15)	**–**	–	**(336)**	(321)
2 104	1 837	**–**	–	**2 688**	2 335
(1 650)	(1 510)	**(16)**	(11)	**(2 562)**	(2 195)
7	(3)	**–**	–	**7**	(3)
4	–	**–**	–	**4**	–
438	360	**59**	59	**1 080**	916
321	273	**41**	41	**727**	682
(8)	–	**–**	–	**(8)**	–
–	–	**3**	–	**84**	–
313	273	**44**	41	**803**	682
194	168	**32**	55	**919**	900
317	360	**5**	(3)	**1 287**	1 126
1	–	**–**	–	**832**	478
579	566	**–**	–	**10 991**	9 592
2 382	1 374	**–**	–	**2 382**	1 374
92	–	**–**	–	**92**	–
1 035	1 066	**40**	17	**1 960**	2 016
4 600	3 534	**77**	69	**18 463**	15 486
282	–	**–**	–	**381**	116
396	368	**38**	36	**709**	737
–	–	**–**	–	**537**	607
1 821	1 345	**(944)**	(1 031)	**10 806**	9 817
1 038	1 103	**–**	–	**10 287**	8 753
–	–	**–**	377	**517**	1 060
2	4	**–**	–	**2**	4
781	238	**(944)**	(1 408)	**–**	–
361	330	**5**	–	**558**	386
2 860	2 043	**(901)**	(995)	**12 991**	11 663
1 740	1 491	**978**	1 064	**5 472**	3 823

SA TAXI

For the year ended 30 September

		2019	2018 Restated	Movement
FINANCIAL PERFORMANCE				
Core headline earnings	Rm	**519**	376	38%
Core headline earnings attributable to the group	Rm	**446**	368	21%
Non-interest revenue	Rm	**584**	498	17%
Net interest income	Rm	**1 217**	979	24%
Net interest margin	%	**12.2**	11.2	
Core cost-to-income ratio	%	**44.2**	45.6	
CREDIT PERFORMANCE				
Gross loans and advances	Rm	**10 753**	9 264	16%
Non-performing loan ratio	%	**17.9**	17.5	
Credit loss ratio	%	**3.2**	3.5	

→ *SA Taxi's divisional review provides detail on its strategic and operational highlights, social impact, market context and business activities, starting on* ***page 68****.*

SANTACO OWNERSHIP TRANSACTION

As stated earlier, the ownership transaction between SA Taxi and SANTACO was finalised on 6 February 2019 (refer to the SENS announcements on 19 November 2018 and 6 February 2019).

→ *Available at* ***www.transactioncapital.co.za/SENS.php****.*

Of the R1.2 billion net proceeds from the transaction, SA Taxi settled approximately R1.0 billion of interest-bearing debt, with the remainder retained to fund growth. The immediate financial benefit of the transaction (improved net interest margins from lower leverage and interest expense savings of R55 million post tax), and the operational benefits of a stronger relationship with SANTACO, have been accretive to SA Taxi's earnings.

For the period 6 February 2019 to 30 September 2019, Transaction Capital consolidated 81.4% of SA Taxi's headline earnings, compared to 98.5% previously.

SA TAXI FINANCE AND SA TAXI AUTO REPAIRS (INCLUDING AUTOBODY REPAIR AND MECHANICAL REFURBISHMENT)

In the last five years, SA Taxi's loans and advances portfolio has shown a relatively stable compound annual growth rate of about 12%. This year, the portfolio grew 16% to R10.8 billion comprising 32 441 loans, with the number of loans originated increasing 11%. Higher vehicle retail prices, Toyota's increased production of minibus taxis, SA Taxi's launch of a lower interest rate product for better quality customers and higher loan origination volumes on Nissan vehicles supported this growth. Strong momentum in the sale and finance of its fully refurbished pre-owned minibus taxis also contributed to growth as operators seek a more affordable but reliable alternative to buying a new minibus taxi in a challenging economic environment.

Net interest income grew 24% to R1.2 billion, with the net interest margin improving to 12.2% (2018: 11.2%). This was mainly due to the settlement of interest-bearing debt of about R1.0 billion in February 2019 following the SANTACO transaction. A robust risk-adjusted net interest margin of 9.0% was attributable to SA Taxi's higher net interest margin and slightly better credit metrics. The NPL ratio of 17.9% (2018: 17.5%) has remained in line with our expectations of about 18%.

Our consistently conservative credit granting criteria and strong collection performance was offset marginally by the difficult economic conditions.

Improved recoveries on repossessed vehicles supported an improved credit loss ratio of 3.2%, at the bottom end of our risk tolerance of 3% to 4%. This was partially attributable to a lower average cost to refurbish vehicles due to efficiencies in SA Taxi Auto Repairs, together with SA Taxi Auto Parts' cost-efficient procurement of parts and higher recoveries on salvage. At 4.8%, provision coverage remains adequate.

→ *See the Capital management report for details on funding initiatives during the year on* ***page 62****.*

SA TAXI DIRECT

SA Taxi's dealership sells new and pre-owned minibus taxis, providing operators with a reliable and affordable alternative to buying new vehicles. Loans originated through its dealerships are more profitable than loans originated through external channels due to product margin earned, higher take-up of insurance products and improved credit performance.

SA Taxi's retail dealerships in Midrand and Polokwane showed strong momentum in 2019. The number of minibus taxis sold grew by 14% on last year, generating gross revenue of about R900 million. New dealerships are being considered in the medium term.

SA TAXI PROTECT

SA Taxi's insurance business is the main component of non-interest revenue, with the gross written premium growing 20% to R823 million, driven by new customer acquisition. The business broadened its client base via its broker network, specifically targeting open market clients (i.e. insurance clients not financed by SA Taxi Finance). Penetration of SA Taxi's financed customer base remained stable, with the majority of SA Taxi Finance's clients choosing to be insured through SA Taxi Protect.

On average, individual insurance premiums remained stable. SA Taxi Protect's competitive advantage is its ability to reduce its cost of claim through efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts, which supports a competitively priced insurance premium. The cost of claim remains in our target range of between 50% and 60%.

ADOPTION OF IFRS 17 – INSURANCE CONTRACTS

SA Taxi elected to early adopt IFRS 17 – Insurance Contracts in the 2019 financial year, with no material impact on headline earnings. Prior year balances have been restated accordingly, applying the transitional provisions of Appendix C to IFRS 17. SA Taxi was well positioned to early adopt IFRS 17 and absorb the resulting equity adjustment due to the buffer provided by the undeployed capital on the group's balance sheet, following the conclusion of the ownership transaction with SANTACO (refer to page 56).

The benefits of early adopting IFRS 17 include:

- Closer alignment of the group's accounting policies with its operations.
- Alignment of insurance provisioning with the IFRS 9 – Financial Instruments provisioning model, in that provisions are based on a forward-looking expected loss model rather than an incurred loss model.
- A more robust balance sheet due to increased provisions, an approach favoured by management in light of the challenging economic conditions.
- Removing future uncertainty relating to the implementation of IFRS 17 on financial results and ratios.

The initial adoption of IFRS 17 resulted in a net adjustment of R370 million to the opening retained earnings balance for the financial year ended 30 September 2018, being the earliest period for which comparative information is presented in the annual financial statements. The table below sets out the reconciliation of SA Taxi's opening retained earnings balance pre and post the adoption of IFRS 17.

	Rm
RETAINED EARNINGS – 30 SEPTEMBER 2017 (AS PREVIOUSLY REPORTED)	**1 331**
Insurance contract liabilities	**(514)**
Benefits ceded on insurance contracts relating to inventories	**(53)**
Benefits ceded on insurance contracts relating to loans and advances	**(205)**
Benefits accruing to insurance contract holders	**(256)**
Deferred tax assets	**144**
RETAINED EARNINGS – 1 OCTOBER 2017 (RESTATED)	**961**

Additional insurance contract liabilities of R514 million relate to provisions raised for the remaining coverage of onerous contracts, as well as the inclusion of discounting and an appropriate risk adjustment in the liability for incurred claims. A corresponding deferred tax asset has been recognised at the tax rate of 28%.

The group's exposure to the underlying financed portfolio consists of both credit risk (measured in accordance with IFRS 9) and insurance risk (measured in accordance with IFRS 17), which are inextricably linked. To the extent that an insured event affects the recovery of the underlying asset, and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the insurance contract liabilities relating to the active financed debtors and repossessed vehicle stock portfolios is ceded to loans and advances or inventories (where the repossessed vehicle stock has moved into a repair or realisation channel). All other insurance liabilities are reflected as part of insurance contract liabilities.

Refer to the group annual financial statements (available online at www.transactioncapital.co.za) for more information on the nature and impact of the changes as a result of the adoption of IFRS 17.

SA TAXI AUTO PARTS

SA Taxi Auto Parts imports and locally procures new minibus taxi parts directly from source. In addition, its salvage operation recovers and refurbishes used parts from vehicles that are not economically viable to repair. This contributes to a reduced vehicle refurbishment cost. In 2019, SA Taxi Auto Parts supplied parts to the value of approximately R6 million per month to SA Taxi Auto Repairs and has recently started distributing to its network of preferred external autobody repairers as well.

SA Taxi Auto Parts also retails well-priced new and pre-owned auto parts to taxi operators via its parts retail facility in Midrand, targeting existing clients of SA Taxi, as well as other operators in the open market. With the majority of these retail customers not previously being SA Taxi clients, this initiative exposes SA Taxi's brand and services to a wider market, presenting potential for cross sell organic revenue growth opportunities. Retail sales have exceeded initial expectations, achieving revenue of approximately R3 million per month in 2019.

SA TAXI REWARDS

In close collaboration with the minibus taxi industry, SA Taxi Rewards was established in 2018 to leverage the industry's purchasing power to negotiate better pricing to benefit minibus taxi operators, associations and ultimately the entire industry.

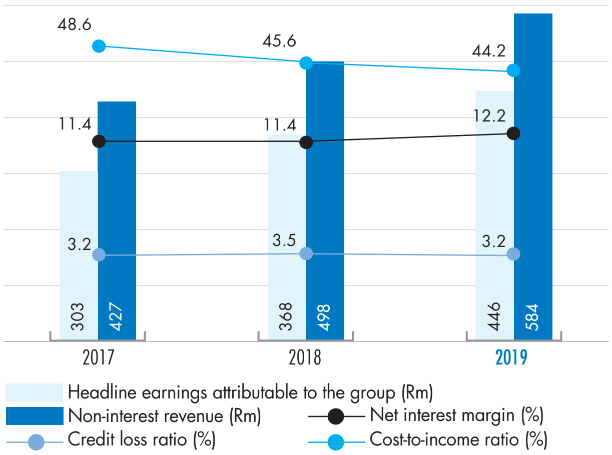
In October 2019, SA Taxi Rewards partnered with Bridgestone to launch its tyre programme. This offers operators a tyre at a lower cost and of higher quality, with a safety specification designed specifically for minibus taxis. Operators who are members of SA Taxi Rewards accrue additional rewards.

CONCLUSION

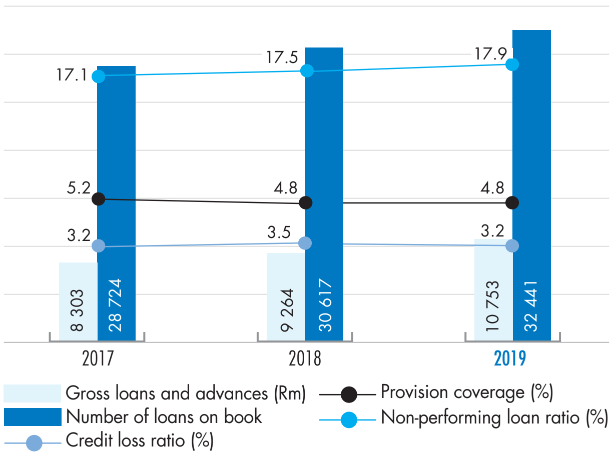
Despite the challenging environment, SA Taxi recorded a strong operational, credit and financial performance for 2019. This is evident in accelerated gross loans and advances growth of 16%, higher net interest margins at 12.2% and 17% growth in non-interest revenue. SA Taxi is continually assessing opportunities and investing into adjacent and vertically integrated sectors of the minibus taxi industry to support future organic growth. This investment is offset by new revenue lines and investment into technology to drive operational efficiencies. The cost-to-income ratio improved to 44.2%.

SA Taxi's organic growth lifted core headline earnings by 38%, resulting in the group's attributable portion of SA Taxi's core headline earnings growing by 21% to R446 million.

FINANCIAL PERFORMANCE



CREDIT PERFORMANCE



TRANSACTION CAPITAL RISK SERVICES

For the year ended 30 September

		2019	2018	Movement
FINANCIAL PERFORMANCE				
Headline earnings attributable to the group	Rm	**313**	273	15%
Non-interest revenue	Rm	**2 104**	1 837	15%
PURCHASED BOOK DEBTS				
Cost price of purchased book debts acquired	Rm	**1 186**	662	79%
Carrying value of purchased book debts	Rm	**2 382**	1 374	73%
Estimated remaining collections – 120 months	Rm	**4 480**	2 989	50%

→ *TCRS's divisional review provides detail on its strategic and operational highlights, social impact, market context and business activities, starting on* ***page 84****.*

COLLECTION SERVICES

In its most significant business activity, TCRS acts either as a principal in acquiring and then collecting on NPL portfolios, or as a service provider on an outsourced contingency or FFS basis. These business activities are diversified across sectors, clients and geographies, which lowers concentration risk and supports good performance and returns in different market conditions.

TCRS's collection services business delivered organic revenue growth of 21%, driven by an increase of more than 20% from our South African collection activities. Excellent revenue growth in the collection of NPL portfolios acquired as principal performed ahead of expectations and has positively offset the impact of the expected slowdown in contingency and FFS collections in South Africa. The Australian collections business performed ahead of expectations with revenue in Australia growing by low double digits during the year.

ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL

TCRS invested R1 064 million in South African NPL portfolios and a further R122 million into Australian NPL portfolios. At 30 September 2019, TCRS owned 273 NPL portfolios with a face value of R23 795 million. Valued at R2 382 million (an increase of 73% from R1 374 million a year ago), this asset will support strong and predictable annuity revenue (estimated at R4 480 million, an increase of 50% from R2 989 million a year ago) over the medium term.

We expect the acquisition of NPL portfolios in the 2020 financial year to be at least in line with that of 2019. The increases in credit extension reported by the National Credit Regulator in South Africa, the economic climate which favours the acquisition of NPL portfolios, and TCRS's active involvement in developing and broadening this sector should support this expectation in South Africa, as will our strategy to establish a more meaningful position in the larger Australian market. A portion of our undeployed capital has been allocated towards this strategic organic growth initiative.

CONTINGENCY AND FFS REVENUE

Recoveries Corporation in Australia posted a robust performance, growing revenue organically in low double digits by gaining new mandates from existing clients and winning new clients. Operating costs were kept stable, achieving significant operational leverage. Greater management depth, investment in data and analytics, the deployment of technologies proven in South Africa into our Australia operations, and implementing business information, payment automation and collection technologies supported this pleasing result.

The South African contingency and FFS division is performing in line with expectations in the difficult consumer credit environment. Despite the lower volumes and yields from contingency matters handed over for collection, TCRS continues to deepen its penetration in its traditional market segments (banks, retailers and specialist lenders) as well as in adjacent sectors (insurance, telecommunication and public sectors), according to its sector specialisation strategy.

TRANSACTIONAL SERVICES AND VALUE-ADDED SERVICES

Transaction Capital Payment Solutions and Road Cover, as services-orientated businesses, have been impacted by the persistently challenging operating environment in South Africa. Notwithstanding this, both contributed positively to the earnings growth of TCRS.

TRANSACTION CAPITAL SPECIALISED CREDIT

TC GLOBAL FINANCE

TC Global Finance was established in 2019 to pursue growth opportunities in select international markets. The fragmented European specialised credit market, which is many times larger than the South African and Australian markets, presents an attractive growth opportunity. TCRS is targeting niche higher-yielding credit-orientated alternative assets in this market directly through bilateral transactions and indirectly via co-investments in partnership with its network of specialist credit managers.

This strategy will provide Transaction Capital with unique access to niche European specialist credit managers, without concentration risk to any particular portfolio, asset class, asset originator, collection platform or geographic market. This strategy serves to diversify TCRS's earnings base further and we expect it to deliver low double-digit hard currency returns.

TCRS has invested €2.7 million to date, with €1.4 million thereof invested after 30 September 2019. Initial returns are in line with our communicated expectations. A portion of our undeployed capital has been allocated towards this strategic organic growth initiative.

In time we intend to replicate Transaction Capital's business model by investing into niche credit-orientated asset portfolios, building scalable servicing platforms to manage these assets by leveraging TCRS's IP, technologies and low-cost South African infrastructure, and partnering entrepreneurial owners and management teams.

TRANSACTION CAPITAL BUSINESS SOLUTIONS – SOUTH AFRICA

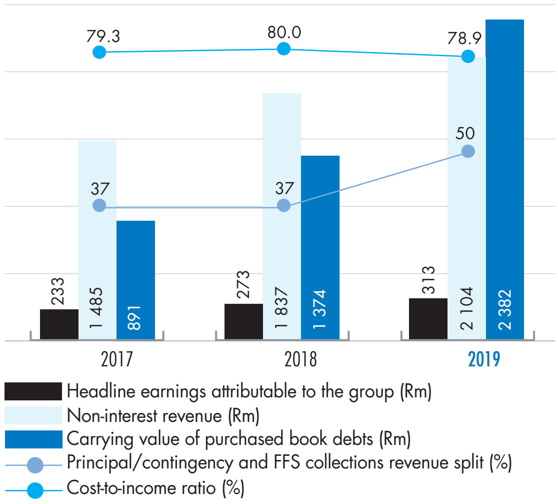
Cognisant of the higher risk in the SME sector, TCBS has proactively curbed gross loans and advances growth to this sector since the second half of 2018.

CONCLUSION

TCRS grew headline earnings by 15% to R313 million, with excellent growth in revenue from the collection of NPL portfolios acquired as principal and a robust performance from our Australian collections business. Outsourcing certain functions from Australia to our South African low-cost centre of excellence, currently in pilot phase, could support future efficiencies and enable additional organic growth.

TCRS's cost-to-income ratio improved to 78.9% (2018: 80.0%), driven by our continued investment in technology. TCRS continues to deploy technologies proven in South Africa into its Australia operations, resulting in higher productivity, effectiveness and efficiency, and lower operating costs per activity. The division continues to explore the benefits of new technologies, including artificial intelligence.

FINANCIAL PERFORMANCE



GROUP EXECUTIVE OFFICE

The group executive office added R44 million to the group's headline earnings for the year from the efficient management of its capital. This result is net of central costs incurred by the group executive office and includes cost recoveries from SA Taxi and TCRS.

The Transaction Capital holding company balance sheet is strong and debt free, with undeployed capital of R950 million. This provides Transaction Capital with ample capacity to fund organic and acquisitive growth.

DIVIDEND POLICY AND DECLARATION

Following the interim dividend of 27 cents per share (2018 interim: 21 cents per share), and in line with the stated dividend policy of 2 to 2.5 times, the board has declared a final gross cash dividend of 34 cents per share (2018: 29 cents per share) for the six months ended 30 September 2019. Total core dividend cover for the financial year was 2.2 times.

ACCOUNTING POLICIES AND ESTIMATES

Transaction Capital's objective is to ensure that appropriate, understandable and sustainable accounting policies are adopted and implemented, which are aligned with the group's commercial realities, risks and strategies to the greatest extent possible. The group has consistently applied all accounting policies in the current financial year, with the exception of the adoption of IFRS 17 – Insurance Contracts and IFRS 15 – Revenue from Contracts with Customers.

→ *The early adoption of IFRS 17 is discussed in detail on* ***page 57****.*

The group adopted IFRS 15 with effect from 1 October 2018, applying a modified retrospective approach. As a result, 2018 comparative numbers have not been restated for the adoption of IFRS 15. IFRS 15 replaces all existing revenue recognition criteria in IAS 18 – Revenue and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of the standards on leases, insurance contracts and financial instruments. The adoption of IFRS 15 had no material impact on the revenue recognition of the group, as the majority of the group's revenue falls within the scope of IFRS 9 – Financial Instruments and IFRS 17 – Insurance Contracts. The adoption resulted in a R9 million debit adjustment to the group's opening retained earnings balance. Refer to note 33 in the group annual financial statements for further disclosure in this regard.

AUDIT REPORT

The auditors issued an unmodified audit opinion for the 2019 financial year. Refer to the group annual financial statements, available on www.transactioncapital.co.za, for more detail.

LOOKING FORWARD

SUBSEQUENT EVENTS

Transaction Capital acquired 100% of FIHRST Management Services Proprietary Limited (FIHRST Management Services) for R180 million, with the transaction completed on 1 December 2019. FIHRST Management Services provides payroll management services and third-party payments in South Africa. It will be consolidated as part of TCRS and included in the transactional services division.

No further events that would have a material impact on either the financial position or operating results of Transaction Capital have taken place between 30 September 2019 and the date of release of this report.

IFRS 16 – LEASES

IFRS 16 – Leases will come into effect in the 2020 financial year. IFRS 16 introduces a comprehensive model for identifying lease arrangements and accounting treatments for both lessors and lessees and will supersede the current lease guidance. A preliminary assessment indicates that the group will recognise lease liabilities estimated at R478 million and right-of-use assets of approximately R416 million.

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 operational performance.

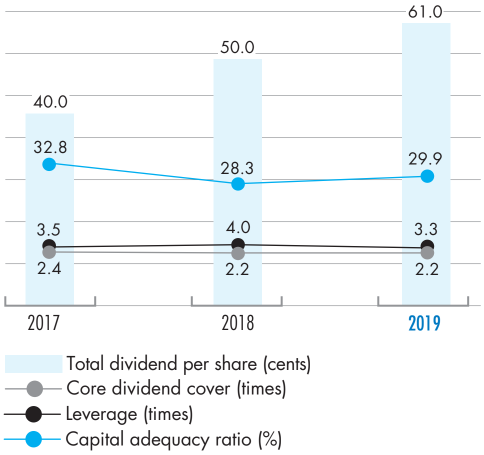
CAPITAL MANAGEMENT REPORT

MARK HERSKOVITS
EXECUTIVE DIRECTOR:
CAPITAL MANAGEMENT

The group's capital management strategy remains conservative and appropriate for the current economic conditions. At holding company level, our balance sheet is strong and debt free with undeployed capital of R950 million, providing ample capacity to fund organic and acquisitive growth.

The group's financial position was supported by both SA Taxi and TCRS meeting their respective return targets in the year. SA Taxi achieved core return on equity of 24.6% against a medium-term target of 25%. TCRS achieved return on assets of 8.1% against a target of 8% over the medium term, which is a more appropriate measure of return for the division.

GROUP PERFORMANCE



OPTIMISING OUR CAPITAL STRUCTURE

Our capital adequacy targets are set according to our internal stress risk models, credit rating requirements and loan covenants. Underpinned by our strong ratings and reputation in the equity capital markets, the group has favourable access to equity capital from our well-managed and supportive shareholder base.

Our capital management strategy informs our efforts to access and deploy capital optimally and efficiently in funding our operations and growth initiatives.

OUR FUNDING PHILOSOPHY

INNOVATIVE THINKING

Innovative thinking is encouraged and cultivated to develop pioneering funding solutions.

ENGAGED DEBT INVESTORS

- Recurring investment by debt investors motivated by performance, the ease of transacting and appropriate risk-adjusted returns.
- Transparent and direct relationships with debt investors, facilitated by valued intermediaries where necessary.

JUDICIOUS RISK MITIGATION

- Optimal liquidity management between asset and liability cash flows.
- Effective management of interest rate, currency and roll-over risk.
- Controlled exposure to short-term instruments.
- Diversification by geography, capital pool, debt investor and funding mandate.

OPTIMAL CAPITAL STRUCTURES

- Proactively managing valuable capital and funds raised across the group.
- Bespoke and innovative funding structures to meet the investment requirements and risk appetite of a range of debt investors, while also targeting an optimal weighted average cost of capital.
- No cross-collateralisation between structures.

To support an optimal capital structure, we set specific targets appropriate to each division:

SA TAXI

We target equity (tier 1 capital) of between **18% – 20%** and debt (tier 2 capital) of between **2.5% – 7.5%.**

The ownership transaction with SANTACO enabled SA Taxi to settle approximately R1.0 billion of interest-bearing debt, improving the division's capital adequacy ratio to 22.4% (2018: 20.5%) and rebalancing tier 1 and 2 capital to within our target range.

→ *For more detail on the financial effects of the ownership transaction between SA Taxi and SANTACO, see the CFO's report on* ***page 52.***

TCRS SOUTH AFRICA

We target **40%** equity and **60%** debt in the acquisition of NPL portfolios as principal.

TCRS's capital structure is managed according to the proportion of equity and the type of debt used, rather than a pure capital adequacy model, to ensure appropriate leverage across the NPL portfolio.

TCRS AUSTRALIA

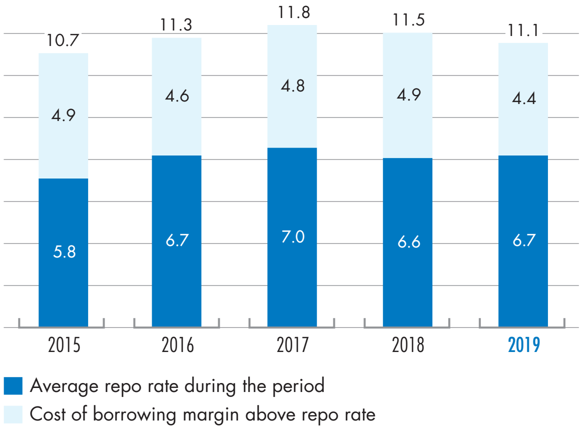
We target **50%** equity and **50%** debt in the acquisition of NPL portfolios as principal.

ACCESS TO CAPITAL

The group's capital adequacy strengthened to 29.9%, from 28.3% in the prior year, comprising 26.7% equity and 3.2% subordinated debt. SA Taxi is well capitalised for growth, and no further equity capital will be required from its shareholders for the foreseeable future for organic growth. The group also has sufficient undeployed equity capital on its balance sheet to fund TCRS's planned strategic organic growth initiatives.

A feature of South African capital markets is the demand for quality corporate paper and spreads. This favours the group in raising local funding at competitive rates, based on the proven performance and resilience of our portfolios. The group's track record for quality earnings growth has been rewarded with improved ratings over time, which has assisted in lowering our cost of funding. In the 2019 financial year, the group's average cost of borrowing reduced to 11.1%, from 11.5% in the prior year, and we achieved a margin above average repo rate of 4.4%.

COST OF BORROWING (%)



The group's strong balance sheet and access to substantial funds gives us the flexibility to apply the most appropriate funding solutions to the needs of each business, across the spectrum of equity or debt capital. Our good standing among debt capital providers enabled us to raise R8.2 billion in debt facilities from 38 funding transactions across the group during the year.

SA Taxi raised R5.5 billion in debt facilities, securing its funding requirements for the 2020 financial year. Its funding mix balances the cost of debt against the benefit of longer duration debt facilities from a diversified base of 36 distinct local and international debt investors. The demand for SA Taxi's debt issuances has remained strong, supporting favourable pricing. SA Taxi issued R1.7 billion of Moody's credit rated and JSE-listed debt via its Transsec 4 securitisation programme, priced at a weighted average cost of 173 basis points above three-month JIBAR. These were the lowest priced Transsec issuances to date.

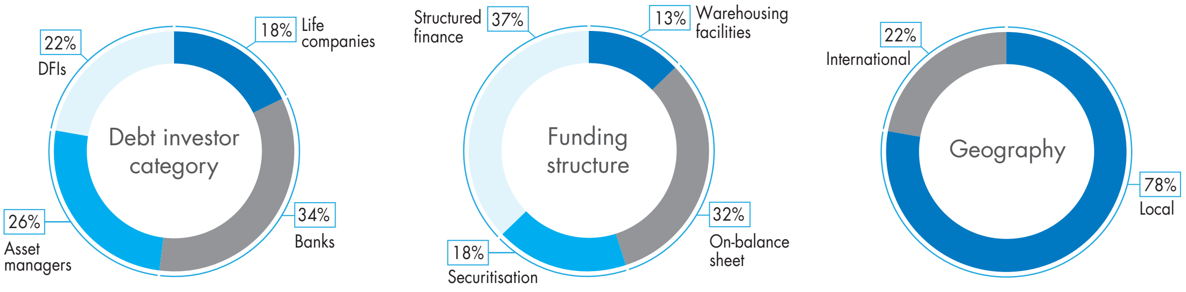
The capital management team has also continued to optimise SA Taxi's mix of local and international funding. Most of SA Taxi's international funders are DFIs, which are less sensitive to market risk and unlikely to materially change their investment focus in the event that South Africa's sovereign credit falls below investment grade. As these loans are generally of a longer tenure, they give us the flexibility to draw down on facilities over extended periods. However, this funding is inevitably more expensive, mainly because it is fully hedged into ZAR as the group does not accept exchange rate risk, which adds significant hedging costs to the cost of international funding. Currently, international debt forms 24% of SA Taxi's funding mix. We are working to grow the proportion of cheaper local funding, including attracting local DFI funding, to reduce SA Taxi's funding costs over time.

We restructured TCRS's funding arrangements in the last year to support its increased capital requirements. The new structure incorporates all entities within TCRS South Africa and is easier to manage and simpler for our funders to understand. From a treasury management perspective, it gives us more flexibility as capital that was previously ringfenced for specific entities can now be transferred across TCRS for deployment. Managing TCRS's debt centrally also generates substantial interest savings.

In total, facilities of R2.4 billion are available to TCRS. Most of the group's undeployed capital was allocated to TCRS; this is available on demand and backed by these new facilities. This optimised capital management structure has reduced TCRS's funding costs and will maximise returns on capital for Transaction Capital and our shareholders.

Looking ahead, the capital management team will continue to assess the full spectrum of possibilities at our disposal and put multiple contingency plans in place, approaching capital providers as required.

OVERVIEW OF THE GROUP'S DEBT FUNDING CHANNELS BY EXPOSURE IN 2019



ON BALANCE SHEET	SECURITISATION	STRUCTURED FINANCE	WAREHOUSING FACILITIES
R3.5 billion	R1.9 billion	R4.0 billion	R1.4 billion
SA Taxi Development Finance SA Taxi Holdings Transaction Capital Risk Services	Transsec 2 (RF) Limited Transsec 3 (RF) Limited Transsec 4 (RF) Limited	SA Taxi Impact Fund SA Taxi Finance Solutions Transflow (RF) Proprietary Limited	Potpale Investments

ALLOCATION OF CAPITAL

Most of the undeployed capital on the group's balance sheet has been allocated to our strategic organic growth initiatives, as follows:

- **Acquisition of NPL portfolios as principal:**
  - In TCRS South Africa, our target investment rate for 2020 is at least in line with our 2019 investment, at approximately R1.1 billion. To meet our capital structure targets, this will require R440 million of equity, with the group deploying a portion of this and TCRS generating the remainder.
  - In TCRS Australia, our target investment rate for 2020 is approximately R150 million to R200 million. This will again require deploying a portion of the group's capital, with the remainder generated by TCRS Australia.
- **TC Global Finance investment in European distressed debt and specialised credit portfolios:**
  - A portion of the group's undeployed capital has been allocated to this initiative for 2020.
  - We continue to exercise caution in funding this growth opportunity, only using equity in the near term, after which we aim to match equity investments with Euro or Pound funding once we have an established track record in this market.

After funding these strategic growth initiatives, we expect the group to have around R250 million of undeployed capital. This will be available to fund acquisitive growth, specifically bolt-on acquisitions that meet the group's acquisition criteria and support the strategic growth initiatives of the divisions.

Capital deployment will be assessed on a project-by-project basis, according to our hurdle rate of returns above the weighted average cost of capital. This will ensure that the group's investment of capital continues to generate value for our shareholders.

GOVERNANCE OF CAPITAL

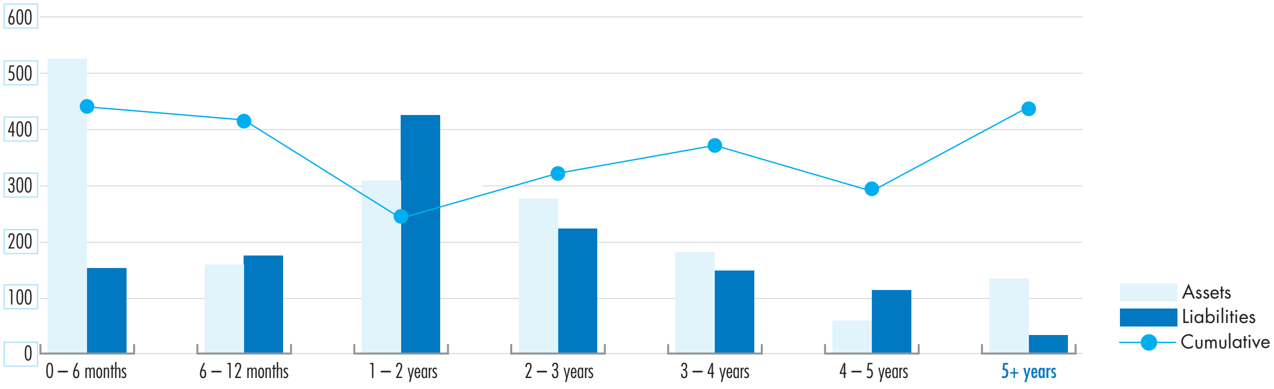
The asset and liability committee sets and oversees well-defined policies and risk tolerances across funding, structural and market liquidity risk, interest rate risk, currency risk and counterparty credit risk. Managing these risks is a core competency for the group, with dedicated specialist skills in our capital management team and in our operations.

→ *For detail on Transaction Capital's comprehensive risk management approach, as well as detail on funding and capital risk, see the Risk report on* ***page 102.***

The effective management of the group's capital risk supports our access to debt capital and enables us to be discerning in the type of debt we access. This is fundamental to our strategic flexibility and our financial performance. In turn, the group's performance is key to the credibility of our investment proposition, with a range of debt investors giving us some latitude in targeting an optimal weighted average cost of capital.

With our track record for sustainable quality earnings growth, strong balance sheet and exciting growth prospects, we are in a strong position to optimise our access to, and our allocation and utilisation of, capital over the medium term, in line with our capital management approach.

POSITIVE LIQUIDITY MISMATCH (Rm)



04

DIVISIONS

SA TAXI

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TRANSACTION CAPITAL RISK SERVICES

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SA TAXI

A VERTICALLY INTEGRATED MINIBUS TAXI PLATFORM UTILISING SPECIALIST CAPABILITIES, ENRICHED PROPRIETARY DATA AND TECHNOLOGY TO PROVIDE DEVELOPMENTAL FINANCE, INSURANCE AND OTHER SERVICES TO EMPOWER SMEs AND CREATE SHARED-VALUE OPPORTUNITIES, THUS ENABLING THE SUSTAINABILITY OF THE MINIBUS TAXI INDUSTRY.

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

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

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

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

Providing complementary business services that assist SMEs to maximise cash flow and protect their income-generating assets, thus improving their ability to succeed, as well as offering value-added services to wider industry stakeholders.

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

Creating shared-value opportunities by providing services to the wider industry, and facilitating engagement and investment.

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

PERFORMANCE OVERVIEW

↑ 38%
HEADLINE EARNINGS
R519 million

↑ 21%
HEADLINE EARNINGS ATTRIBUTABLE TO THE GROUP
R446 million
(56% of group earnings)

↑ 17%
NON-INTEREST REVENUE
R584 million

↑ 16%
GROSS LOANS AND ADVANCES
R10.8 billion

17.9%
NON-PERFORMING LOAN RATIO
from 17.5% in 2018

3.2%
CREDIT LOSS RATIO
from 3.5% in 2018

24.6%
RETURN ON EQUITY
from 35.0% in 2018

Financial ratios exclude once-off costs of R100 million (R81 million attributable to the group) relating to SA Taxi's ownership transaction with the South African National Taxi Council (SANTACO), which arose in the first half of 2019. These costs are non-cash costs and in accordance with IFRS 2 – Share-based Payment.

Comparative 2018 numbers have been restated for the early adoption of IFRS 17 – Insurance Contracts, with no material impact on headline earnings.

STRATEGIC AND OPERATIONAL HIGHLIGHTS

Delivering on growth

OWNERSHIP TRANSACTION BETWEEN SA TAXI AND SANTACO

- SANTACO acquired a 25% stake in SA Taxi for R1.7 billion, finalised on 6 February 2019.
- Settled ~R1 billion of debt, yielding interest savings.
  - ~R76 million pre-tax interest expense saving for 2019 (~R55 million after tax).
- First trickle dividend paid in June 2019.
  - Majority of which was invested into industry road safety projects led by SANTACO.

DEBT CAPITAL MARKETS

- SA Taxi's funding requirements for 2020 are met.
- Potential for future growth to be funded via cheaper senior debt.
- Exploring opportunities with local developmental finance institutions.

SA TAXI FINANCE

- Book growth accelerated to 16% against ~12% per year since listing, driven by:
  - Number of loans originated ↑ 11% (2018: ↑ 3%).
  - Increased Toyota production.
  - Vertical integration in support of Nissan's minibus taxi initiative.
  - The launch of a lower interest rate product attracting a more diverse customer base.
  - Strong momentum in the sale and finance of fully refurbished pre-owned minibus taxis as a more affordable but reliable alternative to buying new vehicles.

SA TAXI PROTECT

- Gross written premium ↑ 20%.
  - Increase in customer acquisition in the open market through our network of over 100 brokers.
  - Stable penetration of SA Taxi's growing financed customer base, with the majority of SA Taxi Finance's clients choosing to be insured through SA Taxi Protect.
  - Broadened product offering (currently comprising comprehensive vehicle cover, passenger liability, instalment protection and credit life cover), with SA Taxi's insurance clients now holding more than two insurance products each.
- Reduced cost of claim through efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts.
- Focus on increasing the proportion of SA Taxi Protect insurance claims processed internally by SA Taxi Auto Repairs to further improve the claims ratio and enable even more competitive premium pricing.
- Investment in technology to further enhance claims administration, prevent insurable events and ultimately reduce the cost of claims.
- Early adoption of IFRS 17 (to align with IFRS 9).

SA TAXI AUTO REPAIRS AND SA TAXI AUTO PARTS

- Repair and refurbishment capacity increased to ~220 minibus taxis per month in SA Taxi Auto Repairs' combined autobody repair and mechanical refurbishment centre.
- Launched SA Taxi Auto Parts in March 2018 and the salvage operation shortly thereafter.
  - Retails well-priced new and pre-owned auto parts targeting open market taxi operators, which broadens the market exposure of SA Taxi's brand and services and presents potential opportunities for cross sell organic revenue growth.
- Positive impact on the finance business with lower average refurbishment cost (down ~4% to 10%[1]), higher recovery on repossessed vehicles, and thus lower loss in the event of default.
- Positive impact on the insurance business with lower average repair cost and thus lower cost of claims.

SA TAXI REWARDS

- Established in close collaboration with SANTACO.
- Leverages the industry's purchasing power to enable minibus taxi operators to procure higher quality parts and consumables at a lower cost.
  - Enhances safe and sustainable public transport.
  - Ultimate beneficiaries are the minibus taxi operators and the industry.
- Currently comprises:
  - Fuel programme in partnership with Shell.
  - Tyre programme in partnership with Bridgestone (which provides operators with a high quality and safer tyre designed specifically for minibus taxis, available at a lower cost).
  - Further programmes aimed at parts procurement under consideration.

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[1] *Reduction in the cost of refurbishment is dependent on the nature of the refurbishment or repair.*

SA TAXI'S IMPACT

DELIVERING SHARED VALUE FOR THE MINIBUS TAXI INDUSTRY

As the primary form of public transport in South Africa, the minibus taxi industry has a significant impact on the environment, society and the economy. Through its unique market position, SA Taxi is able to have a positive and meaningful impact on this dominant form of transport through inclusive economic growth and responsible environmental initiatives.

FINANCIAL INCLUSION | **SME EMPOWERMENT** | **SUSTAINABLE JOB CREATION** | **IMPROVING PUBLIC TRANSPORT INFRASTRUCTURE** | **ENVIRONMENTAL SUSTAINABILITY**

Financial inclusion

FACILITATING ASSET OWNERSHIP BY BLACK SMEs

~80%
SA Taxi customers classified as previously financially excluded and under-banked.

~640
Empirica score below which banks are unlikely to offer finance.

~590
Average Empirica score at which SA Taxi grants finance.

SME empowerment

100%
Black-owned SMEs
2018: 100%.

25%
Women-owned SMEs[1]
2018: 23%.

22%
Owners under the age of 35 years[1]
2018: 23%.

Sustainable job creation

~1.8
Direct jobs per taxi vehicle
2018: ~1.8.

>145 000
Direct jobs created by SA Taxi's fleet since 2008
2018: >130 000.

~600 000
Indirect jobs enabled by the minibus taxi industry[2]
2018: ~600 000.

>15 000
Direct jobs created by SA Taxi's fleet in 2019
2018: >13 000.

SUPPORTING ECONOMIC TRANSFORMATION AND INCLUSIVE GROWTH

R3.8 billion
Loans originated creating **8 591** SMEs in 2019
2018: R3.3 billion loans originated creating 7 734 SMEs.

R25.7 billion
Loans originated creating **81 014** SMEs since 2008
2018: R21.9 billion loans originated creating 72 423 SMEs since 2008.

Improving public transport infrastructure

8 591
Reliable new and pre-owned minibus taxis placed on the road in 2019.

Commuter experience improved
Through replacing an aged minibus taxi fleet.

Road safety projects
Majority of first trickle dividend to SANTACO invested into Hlokomela road safety project.

Tyre rewards programme
Higher safety specifications at lower cost.

Environmental sustainability

SA Taxi contributes to reducing the carbon footprint of the minibus taxi industry through modernising the minibus taxi fleet, which ultimately reduces greenhouse gas emissions.

9.8%

Abatement on carbon emissions[3].

SA Taxi is also focused on promoting environmental and social sustainability through its business operations.

SUSTAINABLE CONSUMPTION

SA Taxi Auto Repairs and SA Taxi Direct **reducing energy consumption through the installation of solar panels** in 2017.

RESPONSIBLE WASTE DISPOSAL

100%

Waste from SA Taxi's direct operation recycled.

ALIGNMENT WITH GLOBAL PRINCIPLES

Green Bond Principles, International Finance Corporation Sustainability Framework and **United Nations Sustainable Development Goals** are considered.

PLATINUM GIIRS RATING

Awarded Global Impact Investing Rating System (GIIRS) rating in 2018

GIIRS determines an overall rating of a fund's social and environmental impact, with SA Taxi achieving the highest level in the Overall Impact Business Model Rating.

Supporting our people

HIGHLIGHTS

63 promotions

Of which **61** were black employees*

2018: 45 promotions of which 37 were black employees.

37%

Of employees are women

2018: 39%.

86%

Of employees are black*

2018: 84%.

53

Training programmes conducted, of which 8 are accredited

2018: 55 training programmes conducted, of which 17 were accredited.

9

Average training hours per employee

2018: 12.

88%

Of employees who received training are black*

2018: 69%.

HEADCOUNT AT YEAR END

GENDER	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
Male	623	17	21	104	**765**
Female	357	16	20	65	**458**
TOTAL	**980**	**33**	**41**	**169**	**1 223**
	80%	**3%**	**3%**	**14%**	**100%**

---

1. *On 2019 originations.*
2. *Department of Transport Minister Dipuo Peters' address at National Council of Provinces Budget vote NCOP 2014/15.*
3. *Percentage of tonnes of carbon dioxide equivalent abatement saved in 2019 through SA Taxi's financing activities.*

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

MARKET CONTEXT

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

Structural elements within the public transport sector support SA Taxi's defensive business model.

40%

OF SOUTH AFRICANS USE PUBLIC TRANSPORT
with minibus taxis as the dominant form of public transport.

BUS

- <900 000 commuter trips daily ↓ 5%
- >19 000 registered buses
- >100 bus stations
- ~1 billion kms travelled per year

BUS RAPID TRANSPORT (BRT)

- >120 000 commuter trips daily – no change
- 4 metropolitan areas
- ~650 registered buses
- ~100 bus stations and ~70 routes

RECEIVES
56%
of government subsidy.

TRAIN

- <600 000 commuter trips daily ↓ 23%
- ~3 100 kms national network
- ~500 train stations

RECEIVES
44%
of government subsidy.

MINIBUS TAXIS

- >15 million commuter trips daily ↑
- >250 000 minibus taxis
- >2 600 taxi ranks
- ~18 billion kms travelled per year

Currently **receives no government subsidy,** yet the industry remains commercially self-sustainable.

GROWING MINIBUS TAXI USAGE

Minibus taxis are the dominant form of public transport in South Africa and provide an essential service. As such, spend on minibus taxi transport is non-discretionary for most South Africans. This renders the minibus taxi industry defensive and growing, with operators remaining resilient in a challenging environment.

Minibus taxi usage increased >20% since 2013

69% **of all households** use minibus taxis (from 59% in 2003), which also service 75% of all work and educational public transport trips.

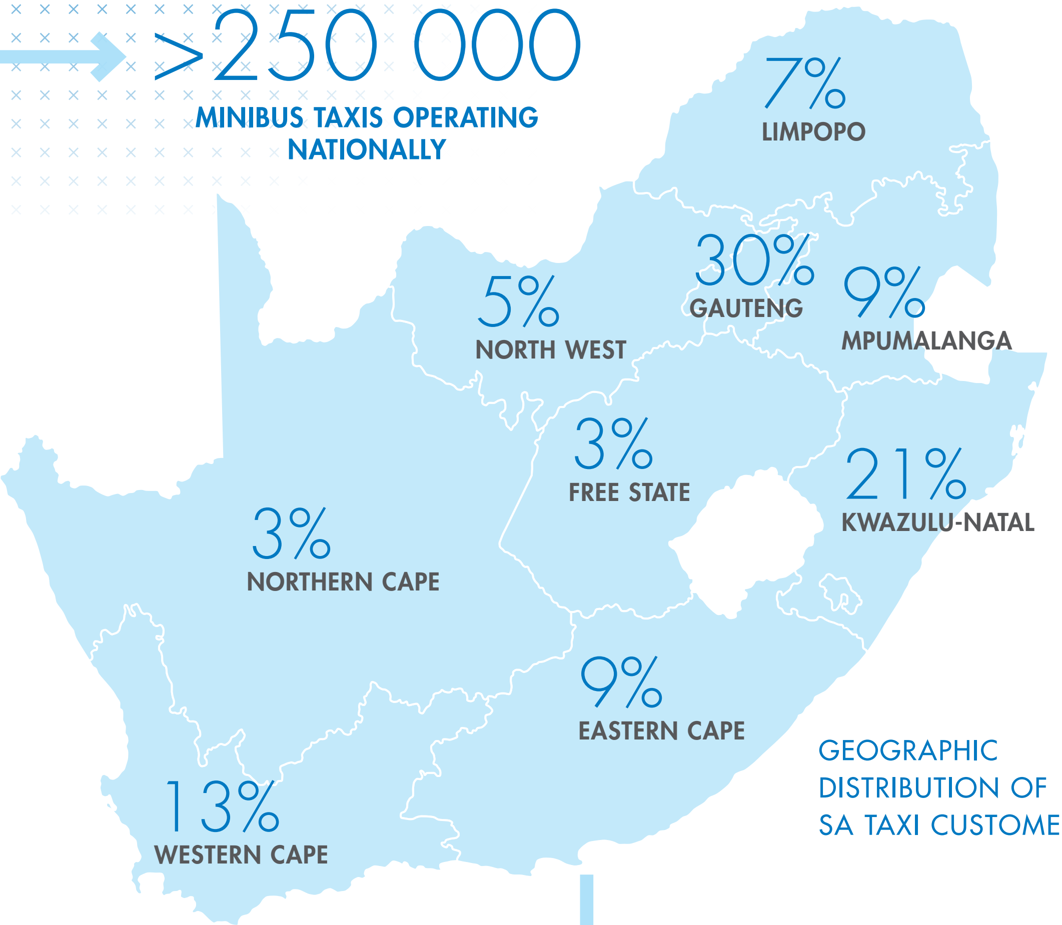
Driven by:

- **Preferred mode of public transport** due to competitive pricing, accessibility and reliability.
- **Most bus and rail commuters still use minibus taxis** for transport to and from stations.
- **New passenger vehicles sales** ↓ **43%** since 2013.
- **Population growth** ↑ **11%** since 2013 and increasing commuter density due to urbanisation.
- The minibus taxi industry is also transforming due to increased regulation and capitalisation, driving a better service for commuters.

Source: Stats SA Land Transport Survey 2018. | NAAMSA Sales Results. | National Treasury Public Transport & Infrastructure system report. | Department of Transport – Transport Infrastructure report. | Passenger Rail Agency of SA. | SA Bus Operators Association. | FIN 24 – "New public transport system" 14/10/2017. Websites: Rea Vaya, MyCiTi, Rustenberg Rapid Transport.

>250 000

MINIBUS TAXIS OPERATING NATIONALLY



GEOGRAPHIC DISTRIBUTION OF SA TAXI CUSTOMERS

STRUCTURAL ELEMENTS SUPPORTING THE RESILIENCE OF THE MINIBUS TAXI INDUSTRY

Dominant and growing mode of public transport.

Integrated component of the public transport network.

Commercially self-sustainable.

Demand exceeding supply for minibus taxi vehicles.

- Ageing national fleet requiring replacement and recapitalisation.
- Driving higher demand for vehicles that are reliable and efficient.

This is driving higher demand for vehicles, finance and allied services supplied by SA Taxi, resulting in:

Improved credit performance as SA Taxi is selective on credit risk, due to limited supply.

Improved recoveries as asset retains value due to demand exceeding supply.

Liquid market for SA Taxi's high-quality and affordable pre-owned vehicles.

MARKET CONTEXT *continued*

ENVIRONMENT FOR MINIBUS TAXI OPERATORS

Minibus taxi operators remain resilient in a challenging economic environment

Vehicle prices

R451 600
Toyota HiAce (diesel) price[1]
↑ 24% since 2015.

~R2 350
Impact on monthly instalment since 2015.

↑ 4.2%
Toyota vehicle prices in 2019.

Interest rates

6.7%
Average repo rate[2]
2015: 5.8%.

15.25% – 26.75%
Risk-based pricing interest rate range.

Fuel prices (including fuel levies)

↑ 6%
Petrol price[3] at R15.53 per litre.

↑ 10%
Diesel price[3] at R14.34 per litre.

Fuel prices only 6% lower than the all-time high reached in October 2018.

Minibus taxi scrapping allowance

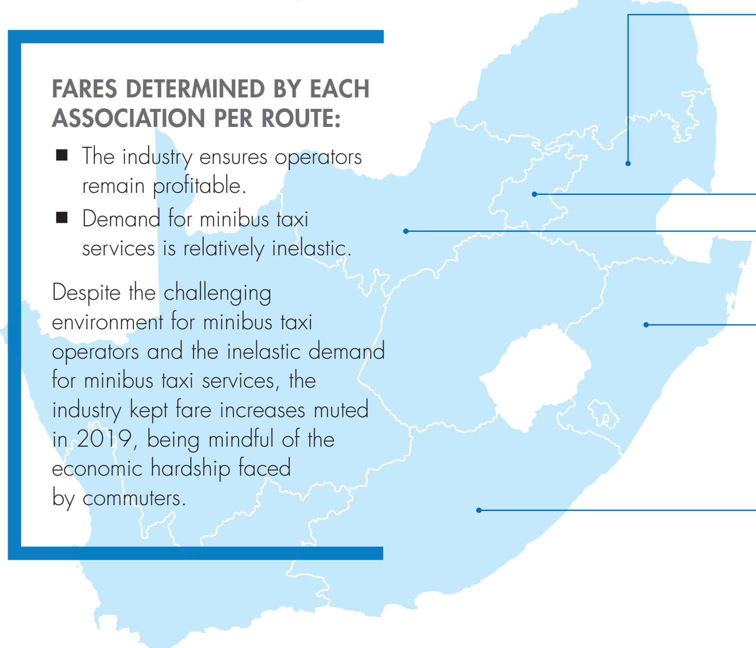
↑ 36%
to R124 000.

MUTED FARE INCREASES

FARES DETERMINED BY EACH ASSOCIATION PER ROUTE:

- The industry ensures operators remain profitable.
- Demand for minibus taxi services is relatively inelastic.

Despite the challenging environment for minibus taxi operators and the inelastic demand for minibus taxi services, the industry kept fare increases muted in 2019, being mindful of the economic hardship faced by commuters.



MPUMALANGA
~80 routes selected
No fare increase

GAUTENG, INCLUDING SOWETO
~240 routes selected
No fare increase

NORTH WEST
~65 routes selected
No fare increase

KWAZULU-NATAL
~260 routes selected
Average fare increase ↑ *7%*

EASTERN CAPE
~130 routes selected
Average fare increase ↑ *6%*

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1. *Toyota recommended retail price, including VAT, as at 30 September 2019.*
2. *Average repo rate for the year ending 30 September 2019.*
3. *Source: www.energy.gov.za: 12-month rolling average petrol price (September 2018 to September 2019).*

MINIBUS TAXIS ARE THE PREFERRED MODE OF PUBLIC TRANSPORT DUE TO COMPETITIVE PRICING, ACCESSIBILITY AND RELIABILITY

Short-distance route – Soweto to Johannesburg (23km)

	Minibus taxi	**Train**	**Bus**	**BRT**	**Uber**
ACCESSIBILITY	On route	Station and scheduled	Scheduled stops	Scheduled stops	E-hail
AFFORDABILITY					
2017	R14.00	R9.50	R14.80	R13.50	~R260.00
Increase	14%	0%	20%	11%	8%
2018	R16.00	R9.50	R17.80	R15.00	~R280.00
RELIABILITY	**One** association with **~1 400 members.**	Runs **every 10 to 20 minutes.** Stops at 7pm.	A **few buses** operating on the route.	Volume of **buses < peak capacity** required.	**On demand.**
EFFICIENCY	🟩	🟥	🟨	🟨	🟨

~R25 000 per month

AVERAGE MINIBUS TAXI OPERATOR PROFITABILITY[1]

Long-distance route – Johannesburg to Durban (595km)

	Minibus taxi	**Train**	**Bus – Eldo**	**Bus – Greyhound**
ACCESSIBILITY	On route	Station and scheduled	Scheduled stops	Scheduled stops
AFFORDABILITY				
2017	R290.00	R360.00	R240.00	R390.00
Increase	3%	8%	0%	1%
2018	R300.00	R390.00	R240.00	R395.00
RELIABILITY	**Three** associations with **~900 members.**	**Three times** per week.	**Seven departures** each per day, with fewer on Saturdays and Sundays.	
EFFICIENCY	🟩	🟥	🟨	🟨

~R37 000 per month

AVERAGE MINIBUS TAXI OPERATOR PROFITABILITY[1]**.**

MINIBUS TAXI OPERATORS REMAIN RESILIENT IN AN ADVERSE ECONOMIC ENVIRONMENT.

Latest available information for train, bus and BRT is for 2018. Minibus taxi fares for 2019 are as follows: Soweto to Johannesburg – R17.00. | Johannesburg to Durban – R320.00.

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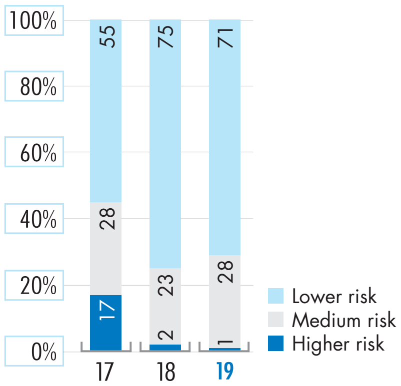
1. *Based on SA Taxi's affordability calculator at origination. Average operator profitability varies based on profile of their financial deal (with factors across new versus pre-owned vehicle, loan term, deposit paid, region, association, route dynamics and demand, and insurance products subscribed to). SA Taxi's operator profitability model remains conservative considering the rise in maintenance costs per kilometre in 2018, and accounting for fuel price increases and exchange rate movements.*

Source: Industry information. Websites: Metrorail, Bus Rapid Transport, Rea Vaya, Various bus companies. Uber SA app.

OPERATIONAL PERFORMANCE

Serving higher quality taxi operators to create a more sustainable minibus taxi industry

NEW ORIGINATION VOLUMES BY RISK GRADE



CREDIT PROFILE OF LOANS ON BOOK

71 months
Average loan term at origination.

38%
Average approval rate.

>R6 000
Minimum monthly operator profit.

48 months
Average remaining loan term.

3.2%
Credit loss ratio.

>75%
Recovery rate on repossession.

SA TAXI OPERATOR PROFILE

1.2
Vehicles per customer.

3.6 years
Average age of vehicles.

47 years
Average age of owners.

88%
Toyota vehicles.

~29%
Loans originated to repeat customers (during 2019).

SA TAXI'S CREDIT-GRANTING PHILOSOPHY

Niche-specific risk assessment of loans originated

A **CREDIBLE OPERATOR** …….. IN A **SUITABLE VEHICLE** …….. ON A **PROFITABLE ROUTE** …….. MANAGED BY A **CREDIBLE ASSOCIATION**

This capability evaluates each taxi owner as a small business and not solely on their individual credit score, enabling us to extend credit in this niche, under-served market segment.

ADHERENCE TO SET RISK APPETITE AND STRATEGY THROUGH APPROPRIATE GOVERNANCE

Assurance through independent audit, monitoring specific risk metrics and effective corporate governance frameworks.

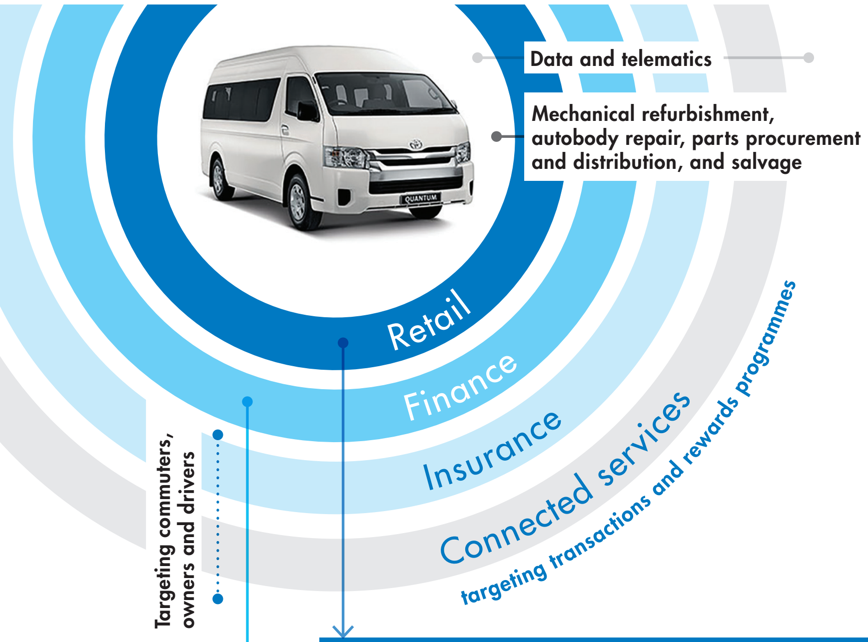
INFORMED DECISIONS THROUGH CONSISTENT ANALYSIS OF THE LOANS BOOK AND ORIGINATIONS

Regular stress testing and evaluation of the book origination over the short and long term, embedding scenario-based thinking.

MANAGED BY A SUSTAINABLE CREDIT ORIGINATION AND MANAGEMENT PLATFORM

Managing the team and systems that deliver excellence at high volumes by mastering their required competencies.

BUSINESS ACTIVITIES



SA Taxi's vertically integrated business model enables it to participate in margin across the minibus taxi value chain. Underpinned by its data and telematics capabilities, SA Taxi applies and deepens its specialist competencies across the value chain to deliver a comprehensive service to the minibus taxi industry, supporting its growth and sustainability.

SA TAXI DIRECT

Procurement and retail of new and pre-owned minibus taxis.

↑ 13%
to ~R900 million
Vehicle turnover.

~7%
Average retail margin per vehicle.

Vehicles sold through SA Taxi Direct results in:

- Product margin earned.
- High take-up of SA Taxi insurance and allied products.
- Improved credit performance due to a better-informed customer.

SA Taxi Direct's pre-owned minibus taxis are rebuilt to a high quality and are mechanically robust, providing a reliable and affordable alternative to buying new vehicles in this challenging environment.

GROWTH INITIATIVES

Expanding retail network, with KwaZulu-Natal, Western Cape and Mpumalanga under consideration in the medium term.

SA TAXI FINANCE

Developmental credit provider offering bespoke vehicle finance for the minibus taxi industry.

↑ 16%
to R10.8 billion
Gross loans and advances.

↑ 6%
to 32 441
Number of loans on book.

23.7%
Weighted average interest rate at origination
2018: 23.6%.

11.1%
Average cost of borrowing
2018: 11.4%.

15.25
→ 26.75%
Risk-based pricing interest rate range.

12.2%
Net interest margin
2018: 11.2%.

17.9%
Non-performing loan ratio
2018: 17.5%.

3.2%
Credit loss ratio
2018: 3.5%.

9.0%
Risk-adjusted net interest margin
2018: 7.7%.

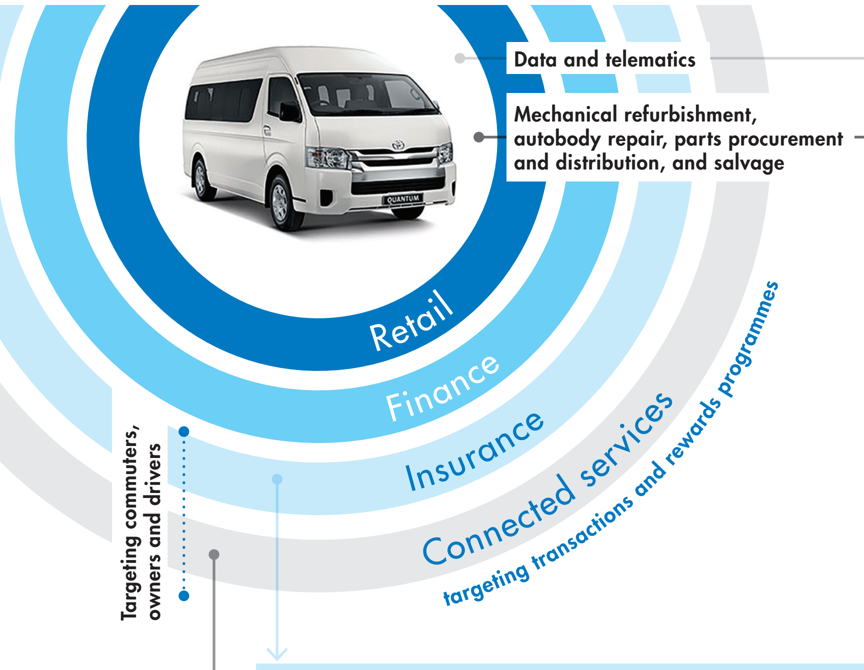
Financing an average of:

- **~500 new vehicles per month (2018: ~475).**
  - Toyota production ↑, Nissan volume ↑ and new finance products with lower risk customer offering.
- **~220 pre-owned vehicles per month (2018: ~150).**
  - A reliable and affordable alternative for operators in a challenging environment.

GROWTH INITIATIVES

- Further enriching SA Taxi's proprietary database.
- Continue investing in technologies that mitigate risk.
- Continue developing its strategy of vertical integration to support Nissan's minibus taxi initiative, as SA Taxi has done with other minibus taxi vehicle models in the past.

BUSINESS ACTIVITIES *continued*



SA TAXI PROTECT

Bespoke, comprehensive vehicle insurance and value-added products tailored for the minibus taxi industry.

↑ 20%
to R823 million
Gross written premium.

>30 000
Insurance clients[1].

>2.0
Products per client.

>100
Broker network to expand total addressable market.

New claims management system
Enhanced value proposition.

Adoption of IFRS 17
Aligning accounting and finance business.

- Premiums remained stable.
- ↑ customer acquisition in open market via broker network.
- Stable penetration of SA Taxi's growing financed portfolio.
- Broadened product offering (credit life and other).
- ↓ cost of claim via SA Taxi Auto Repairs due to efficiencies in operations, lower cost of parts procurement and savings via salvage.

GROWTH INITIATIVES

- Expansion into the open market (i.e. insurance clients not financed by SA Taxi Finance).
- Opportunity to further ↓ cost of claim by ↑ proportion of claims currently repaired by SA Taxi Auto Repairs.
- New products being developed.

SA TAXI REWARDS

Rewards programmes, including fuel, tyres and parts for the minibus taxi industry.

Fuel reward programme
Launched April 2018 in partnership with Shell.

Tyre reward programme
Launched October 2019 in partnership with Bridgestone.

~R1 800
Original retail price.

~R1 350
Reduced price for taxi operators.

GROWTH INITIATIVES

- Leverage telematics and rewards programme data to connect with more than 250 000 minibus taxi operators, offering new and existing products.
- Further programmes aimed at parts procurement under consideration.

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[1] *All minibus taxis financed by SA Taxi must be fully insured, with the majority of SA Taxi's financed clients independently electing to be insured by SA Taxi Protect.*

SA TAXI AUTO REPAIRS

Dedicated autobody and mechanical refurbishment facility, servicing SA Taxi Finance and SA Taxi Protect.

20 000m^2
Workshop facilities.

~220 per month
Internal vehicle refurbishment capacity.

↓ ~4% to 10%
Average refurbishment cost[1].

Rebuilds high quality pre-owned minibus taxis, mitigates credit risk and insurance losses:

- ↓ cost of refurbishment.
- ↑ quality of repair.
- ↓ loss given default in SA Taxi Finance.
- ↓ claims ratio in SA Taxi Protect.

GROWTH INITIATIVES

- Extending workshop facilities to increase capacity for insurance claims repairs.
- Driving further procurement and operational efficiencies.

SA TAXI AUTO PARTS

Procurement, salvage, distribution and retail of well-priced new and refurbished vehicle parts for distribution into SA Taxi Auto Repairs and to external repairers, and retail to minibus taxi operators.

Launched in **March 2018.**

>2 000
unique parts sold.

~7 500 m^2
workshop, storage and retail facilities.

↓ **Cost of refurbishment**	■ Import and locally procure new parts from source. ■ Salvage operations recover and refurbish used parts to a high quality.
Supply to SA Taxi Auto Repairs	~R6 million per month.
Supply to external autobody repairers	Opportunity to ↓ cost of insurance claims by supplying preferred autobody repairers servicing SA Taxi Protect.
Retail to minibus taxi operators	>R3 million per month.

GROWTH INITIATIVES

- Retail to minibus taxi operators, targeting existing clients and open market minibus taxi operators. This is exposing SA Taxi's brand to a wider market and facilitating cross-sell organic growth opportunities.

DATA AND TELEMATICS OPERATIONS

Data and telematics capabilities are core to SA Taxi's business activities and are key to mitigating risk. The division continues to enrich its proprietary database with data accumulated daily from each minibus taxi and applied to credit decisions, collections, repossessions and insurance activities.

In addition, SA Taxi continues to invest in information technology, data management and predictive analytics, as well as technologies that improve processing capabilities and extract operational efficiencies.

SA Taxi has been tracking minibus taxis for **~12 years.**

On average, each of SA Taxi's vehicles travels **~6 100 kms per month.**

SA Taxi's vehicles operate on **~5 500** routes covering **~800 000 kms.**

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1. *Reduction in the cost of refurbishment is dependent on the nature of the refurbishment or repair.*

WITH TERRY KIER

SA TAXI CEO

Q WHAT PROGRESS HAS BEEN MADE ON THE OWNERSHIP TRANSACTION BETWEEN SA TAXI AND SANTACO?

A We finalised the transaction on 6 February 2019, and I can already say it has been a success. While we anticipated some of the benefits, which we discussed in our integrated annual report and other announcements last year, there have been many unanticipated benefits for our business, which have become evident since then.

SA Taxi had an excellent year, even though economic conditions were challenging, and we are excited about our plans for growth. Having SANTACO as partners in our business is a big part of this. The partnership has really refined our understanding of our customers, allowing us to enhance our offering to them, and has given us access to a much bigger market than we anticipated. Alongside the benefit to SA Taxi, we have focused on making sure that our customers – the minibus taxi operators that do not sit at the boardroom table but are out there running their businesses – have seen tangible commercial benefits from the partnership almost immediately. At the same time, the partnership is deepening the social impact at the core of SA Taxi's purpose.

When we started working on the ownership transaction, our main focus was on inclusivity – to give our major constituency (the minibus taxi industry) a much bigger share in the industry value chain. The need for socio-economic transformation in South Africa was also a key motivator, especially as the industry is made up entirely of small black-owned enterprises. Obviously, we knew it would be good for SA Taxi too, but it is fair to say that we underestimated just how well the alignment with SANTACO would work. On one hand, we continue to learn about what is happening at ground level in the industry. On the other hand, it has been exceptionally instructive and beneficial to SA Taxi.

SANTACO's participation in our business is bringing real insight from customers into every aspect of our products and services – from turnaround times and how our insurance products are perceived, to their experience in our vehicle dealerships and parts retail centre. Understanding our market in a far more nuanced way – by getting to grips with the daily reality of minibus taxi operators, their drivers and customers, and the conditions and challenges they experience – we are able to tailor our product and service offering to their real needs. As a result, there is new impetus at SA Taxi in product development. We have already released a new financing product with a lower interest rate, which is attracting a more diverse customer base and supporting better credit quality.

Q YOU USED THE TERM 'TRANSFORMATIONAL' IN DESCRIBING THE OWNERSHIP TRANSACTION LAST YEAR. DO YOU BELIEVE IT WILL CONTINUE TO BE TRANSFORMATIVE – NOT ONLY FOR SA TAXI, BUT ALSO FOR THE INDUSTRY AND THE COUNTRY?

A Without a doubt. The deal was and still is the first of its kind in South Africa. It was not envisaged to be a traditional Broad-based Black Economic Empowerment (B-BBEE) transaction or focused on a limited base of beneficiaries. Instead we considered the breadth of an industry that has been traditionally economically disenfranchised and provided an opportunity for SANTACO to participate formally in the full extent of SA Taxi's value chain. That was always the intent behind the transaction.

What has surprised me is the way that SANTACO has embraced the broader potential of the transaction to drive the sustainability of our industry. For example, with the deterioration in the local economy, the industry collective has been more robust and flexible in its approach to limit potentially onerous price increases for the millions of commuters who use this service every day. That will remain the real challenge for us all – how to deliver a better, safer and more cost-effective service to commuters. This means supporting the industry in making the roads safer, using more efficient vehicles and running better businesses. There is a real understanding of how lowering commercial, social and environmental risk provides shared benefits for our customers, their commuters and the country given the extensive and integral role that the minibus taxi industry plays in South Africa's public transport system.

As I have said, social impact is core to our purpose, and more than ever before we are running SA Taxi as a social enterprise. With the industry at the table, it is becoming much clearer how we can continue to deliver commercial value to our customers and our shareholders, as well as the deep social impact that secures our sustainability and growth in an emerging market context. The partnership with SANTACO will secure our profitability and reputation in an industry where there is broad economic participation, where operators are supported in growing better businesses and share in the value chain, supported by formal structures that bring the voice of the collective to the decision-making table. I believe our partnership with SANTACO is the embodiment of the social contract that many stakeholders are calling for to ensure inclusive growth and transformative development in South Africa. The first phase has been a resounding success and I think we are just scratching the surface of the value we can create by working together in the way we already are.

Q&A with Terry Kier, SA Taxi CEO *continued*

Q WHAT ARE THE KEY DEVELOPMENTS IN SA TAXI'S REWARD PROGRAMMES?

A SA Taxi Rewards is an example of the direct mutual benefits of our partnership with SANTACO. In close collaboration with them, we established SA Taxi Rewards in 2018 to deliver practical commercial benefits by leveraging the industry's purchasing power to negotiate better pricing for minibus taxi operators, associations and ultimately the entire industry. The intention is to drive down the costs of consumables such as fuel, tyres and parts to support the profitability of minibus taxi operators.

The initial programme provides rewards on fuel spend, regardless of whether the operator is a customer of ours or not. In October 2019, we partnered with Bridgestone to add a tyre rewards programme. Through this partnership, we have managed to get a global leader in the industry to design and supply a tyre at a lower cost, with a safety specification designed specifically for minibus taxis. This was only possible because we could give them access to a market of 250 000 minibus taxis.

Further rewards programmes aimed at parts procurement are under consideration.

Q ROAD SAFETY IS A KEY CONCERN FOR SA TAXI, YOUR CUSTOMERS AND SOCIETY AT LARGE. WHAT HAS YOUR INVOLVEMENT BEEN IN ROAD SAFETY INITIATIVES?

A The ownership transaction with SANTACO provides a dividend flow to be invested in infrastructure and development projects to enhance the sustainability of the industry. The first trickle dividend was paid in June 2019, with the majority allocated to a road safety project initiated and led by SANTACO, called Hlokomela. This is a strong collaboration across industry stakeholders on a project with real social relevance, given the human and financial cost of South Africa's high road accident rates.

For SA Taxi's part, the development of a tyre specifically designed for minibus taxis through our partnership with Bridgestone will contribute to the industry's safety record. Estimates are that poor quality tyres account for almost a quarter of all minibus taxi accidents in South Africa. Our tyre programme will help to improve road safety, benefiting operators, drivers and commuters, as well as fellow road users. This is in addition to the cost benefits for minibus taxi operators I have already mentioned – making this a win-win solution.

We also continue to apply telematics and other data accumulated from across the business to change driver behaviour in the minibus taxi industry. The granularity of this data has incredible potential to improve the performance of our customers' businesses. One example is our analysis of what we call the 'route envelope'. Telemetry from a minibus taxi in a specific area will show that a usual short-distance route has suddenly changed to a long-distance route, sometimes after a very short turnaround time and often in the December or April holidays, with a far higher risk of an accident occurring. We provide this risk assessment to specific operators and to SANTACO, which allows them to communicate with specific associations and encourage the development of protocols to lower these types of risk.

Besides the commercial benefits of leveraging our specialised data in reducing risk for SA Taxi, we are increasingly able to generate data insights on an array of conditions that impact safety, including other driver behaviour and route factors, and timely vehicle maintenance and repair.

Q SA TAXI AUTO PARTS WAS LAUNCHED IN MARCH 2018. HOW HAS THIS NEW INITIATIVE FARED?

A SA Taxi Auto Parts is proving to be a great success. It is another example of how our collaboration with SANTACO is enabling us to continually improve our offerings by adapting them more closely to the needs of the minibus taxi industry.

SA Taxi Auto Parts imports and locally procures new minibus taxi parts directly from source. In addition, its salvage operation recovers and refurbishes used parts from vehicles that are not economically viable to repair. This contributes to a reduced vehicle refurbishment cost, which supports higher recoveries and lower credit losses. These savings also reduce the cost of insurance claims, which can then be passed on to our customers in the form of competitively priced insurance premiums, demonstrating the shared value benefits that our vertically integrated business model delivers. In 2019, SA Taxi Auto Parts supplied parts to the value of approximately R6 million per month to SA Taxi Auto Repairs and has recently started distributing to our network of preferred external autobody repairers as well.

SA Taxi Auto Parts also retails well-priced new and pre-owned auto parts to taxi operators. This retail initiative has exceeded our initial expectations, with revenue of approximately R3 million per month in 2019. The majority of these retail customers are new to SA Taxi, which is exposing SA Taxi's brand and services to a wider market, presenting opportunities to cross sell services and drive further organic revenue growth opportunities.

Q ARE THERE ANY OTHER DEVELOPMENTS THIS YEAR THAT YOU WOULD LIKE TO COVER?

A A small proportion of SA Taxi Protect's insurance claims are currently processed by SA Taxi Auto Repairs, with the majority outsourced to approved autobody repairers. An initiative to expand SA Taxi's refurbishment capacity is set for 2020, and we have already secured the additional premises. Once completed, we will increase the proportion of SA Taxi Protect insurance claims processed internally by SA Taxi, further improving claims ratios.

SA Taxi Protect's new insurance claims administration system, Sapiens, went live in 2019 in line with expected timeframes and within our cost expectations. The efficiencies from this claims management system will enhance SA Taxi Protect's customer value proposition. As part of the new products being developed and released in conjunction with SANTACO, SA Taxi Protect is also broadening its product offering, with SA Taxi's insurance customers now holding more than two insurance products per customer.

SA Taxi Protect grew its gross written premium by 20% to R823 million in the year, driven by our success in attracting new insurance customers. Keeping premiums stable and specifically targeting open market clients – being insurance clients not financed by SA Taxi Finance – through our broker network, has supported this strong result. Further, the majority of SA Taxi's financed customers continue choosing SA Taxi Protect as their insurer.

Considering the economic stress in the market, we are always looking to develop innovative products to reduce costs for operators where we can. Operators are looking for well-priced and reliable options to reduce their monthly instalments. Our pre-owned market is buoyant as a result, with our pre-owned vehicles providing them with a reliable and affordable alternative to buying new vehicles.

Increasing sales in the pre-owned market and take-up in our new lower interest rate product, along with higher vehicle retail prices, Toyota's increased production of minibus taxis and higher loan origination volumes on Nissan vehicles has supported the growth in our loans and advances portfolio. In fact, this portfolio has grown faster in 2019 than in any year since listing in June 2012.

Another development worth mentioning is Toyota's substantial investment into its minibus taxi manufacturing plant in South Africa. With Nissan also working to gain market share, we should see healthy competition increasing to benefit the minibus taxi industry.

Ultimately, the main storyline for SA Taxi this year, and looking ahead, is the expected and unexpected benefits that are flowing from our partnership with SANTACO. For an industry that was operating on the fringes of the formal economy, and yet serves as the dominant mode of public transport that drives our economy, the deal is driving shared value far beyond our original expectations. While it is already enhancing SA Taxi's commercial returns and growth prospects, there is extraordinary potential to deepen its social value as our partnership matures.

TRANSACTION CAPITAL RISK SERVICES

A TECHNOLOGY-LED, DATA-DRIVEN PROVIDER OF SERVICES AND CAPITAL SOLUTIONS RELATING TO CREDIT-ORIENTATED ALTERNATIVE ASSETS ORIGINATED AND MANAGED THROUGH SCALABLE AND BESPOKE PLATFORMS OPERATING IN SOUTH AFRICA, AUSTRALIA AND SELECT INTERNATIONAL MARKETS.

Innovative and bespoke technology systems that drive superior performance and efficiency.

Generating in-depth insights from the continuous collection of accurate and valuable data to develop a consolidated view of a position, which enables precise and informed internal and external decisioning.

Including customer management, collection and payment service solutions, and subscription-based value-added services.

Lending and capital investment solutions that balance permanent equity optimally leveraged with appropriate debt.

Applying highly specialised expertise to originate new or acquire and/or service existing distressed debt, speciality credit and other alternative assets.

Actively investing in platforms that enable us to continue building our dynamic and flexible servicing capability and fintech solutions, allowing deeper vertical integration.

Proud of our South African roots, from which we leverage our high intellectual property (IP) and know-how, together with South Africa's low-cost collection infrastructure and technology environment, to deploy into new markets.

PERFORMANCE OVERVIEW

↑ 15%
HEADLINE EARNINGS ATTRIBUTABLE TO THE GROUP
R313 million
(39% of group)

↑ 79%
COST PRICE OF PURCHASED BOOK DEBTS ACQUIRED
R1.2 billion

↑ 73%
CARRYING VALUE OF PURCHASED BOOK DEBTS
R2.4 billion

↑ 50%
ESTIMATED REMAINING COLLECTIONS
R4.5 billion

↑ 15%
NON-INTEREST REVENUE
R2.1 billion

COST-TO-INCOME RATIO
78.9%
from 80.0% in 2018

RETURN ON EQUITY
20.9%
from 20.0% in 2018

STRATEGIC AND OPERATIONAL HIGHLIGHTS

Delivering on growth

ROBUST PERFORMANCE FROM RECOVERIES CORPORATION IN AUSTRALIA

Revenue ↑ by low double-digit %, all constituting organic growth through new mandates and clients.

Operating costs stable.

Significant operational leverage achieved.

Deployment of technologies proven in South Africa into the Australian business.

Acquired 25% of leading debt administration business in May 2019.

Invested R122 million in non-performing consumer loan portfolios (NPL portfolios) (2018: R23 million).

COLLECTIONS REVENUE IN SOUTH AFRICA ↑ >20% DESPITE CHALLENGING ENVIRONMENT

Excellent revenue growth in the collection of NPL portfolios performed ahead of expectations and positively offset the expected slowdown in contingency collection revenues.

ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL IN SOUTH AFRICA

The current South African economic context favours the acquisition of NPL portfolios.

Invested R1 064 million into NPL portfolios (2018: R639 million).

256 NPL portfolios owned with a face value of R22.6 billion.

Revenue from principal collections ↑ >30%.

CONTINGENCY AND FEE-FOR-SERVICE (FFS) COLLECTION SERVICES PERFORMED IN LINE WITH EXPECTATIONS

Difficult consumer credit environment leading to constrained credit extension and lower volumes handed over.

Structural market shift with clients opting to sell NPL portfolios earlier to focus on core business and optimise their balance sheets.

Transaction Capital Risk Services (TCRS) continues to deepen its penetration in both its traditional and adjacent market segments, according to its sector specialisation strategy.

TRANSACTION CAPITAL RISK SERVICES' IMPACT

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

Credit rehabilitation is a crucial element in growing an inclusive economy. In our collections business, 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 enables indebted consumers to remain active in the credit system.

TCRS also assists various public sector entities with their revenue enhancement and data analysis, offering receivables management solutions that span the entire collections life cycle. This supports the ability of public sector entities to deliver on their mandate, within a complex regulatory framework.

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

R791 million
Loans originated to black-owned SMEs
2018: R596 million.

SUPPORTING OUR PEOPLE

TCRS regards its employees as a key asset, who are central to its ability to engage meaningfully with clients, innovate in respective markets, leverage technology and data, and create value for its stakeholders. We are committed to recruiting, developing and retaining high-calibre personnel to drive the growth of the group.

HIGHLIGHTS

Level 1
Transaction Capital Recoveries B-BBEE rating in 2019
2018: Level 2.

96%
Of high-potential employees retained
2018: 88%.

Investors in People Organisation (IiP)
Accreditation affirmed for Transaction Capital Recoveries at 'developed' level against new IiP standards in 2019.

162
Promotions, of which 40% are women and 55% are black*
2018: 115 promotions, of which 61% were women and 85% were black.

74%
Of employees are women
2018: 74%.

93%
Of employees are black*
2018: 92%.

376
Training programmes conducted, attended by ~17 900 delegates
2018: 218 training programmes conducted, attended by ~16 800 delegates.

34
Average training hours per employee
2018: 63.

76%
Of employees who received training are black*
2018: 95%.

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

HEADCOUNT AT YEAR END

GENDER	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
Male	436	77	101	97	**711**
Female	1 364	256	279	104	**2 003**
TOTAL	**1 800**	**333**	**380**	**201**	**2 714**
	67%	**12%**	**14%**	**7%**	**100%**

In addition to the statistics provided above, TCRS employs 700 people at Recoveries Corporation in Australia.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

Transaction Capital Recoveries is the largest entity in TCRS, and we are pleased with the work done to achieve a Level 1 B-BBEE rating in December 2019.

Strategies are in place to improve the scores of other entities within the group.

EMPLOYMENT EQUITY

TCRS's employment equity (EE) plan stipulates its approach to promoting equal opportunity and fair treatment across the division. A key focus is increasing the representation of black professionals, especially black women, in professionally qualified and skilled categories within the business.

All entities within TCRS have set EE targets, with aligned recruitment plans that are set against the economically active population. As part of the group's short-term incentive scheme, targets and performance incentives are in place for executives to support the implementation of divisional transformation objectives. TCRS has also introduced a transformation performance target for all managers, ensuring accountability for achieving transformation targets within their respective areas.

YOUTH EMPLOYMENT SERVICE (YES) PROGRAMME

Established in 2018, the YES programme aims to curb high levels of youth unemployment in South Africa. Transaction Capital Recoveries recruited 50 young people to be part of our first intake into the YES programme. All 50 participants have completed debt recovery programme training and are currently undertaking a workplace experience placement for 12 months.

→ *Additional disclosures related to our social impact are available online at* ***www.transactioncapital.co.za****.*

MARKET CONTEXT

SOUTH AFRICA

MACRO- AND SOCIO-ECONOMIC ENVIRONMENT PLACING PRESSURE ON CONSUMERS OVER THE MEDIUM TERM

37 million
ADULTS[1].

25 million
CREDIT-ACTIVE CONSUMERS[2].

10.2 million
Credit consumers (~40%) are non-performing[2].

72.7%
Household debt-to-income ratio[3]
(↑ from 71.6% in 2018).

ELEVATED LEVELS OF UNEMPLOYMENT[4]
Total at 29.1% in Q3 2019
(↑ from 27.5% Q3 2018).
Youth at 58.2% in Q3 2019
(↑ from 52.8% Q3 2018).

4.1%
Inflation[5]
>
Wage growth[4] at less than
4.0%.

INTEREST RATES ↑ MARGINALLY
Average repo rate[6] at 6.7%
(2018: 6.6%).

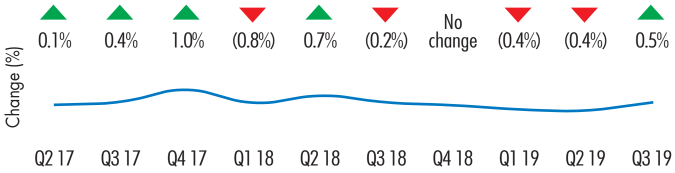
CREDIT EXTENSION ↑
Unsecured credit[7] ↑ 11.1% (year-on-year increase to June 2019).
Banks' unsecured retail credit[8] ↑ 10.2% (year-on-year increase to July 2019).

EFFECTS ON TCRS

- ↑ in credit extension.
  - Resulting in ↑ in collection opportunities.
- Challenging consumer credit environment.
  - Contingency and FFS collections seeing ↓ yield in contingency collection mandates.
  - Acquisition of NPL portfolios as principal seeing ↑ in value and number of NPL portfolios offered for sale, and negotiating pricing of acquired NPL portfolios to earn constant yields.

TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

National rehabilitation prospect trend (quarter-on-quarter)



Measures % change in rehabilitation prospects.
- Scores propensity to repay debt.
- Empirically based with a sample of >5 million South African consumers in credit default.

National rehabilitation prospects remain subdued, with limited improvement or deterioration.

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1. Statistics South Africa, adults aged 15 to 59. | 2. NCR data at June 2019. | 3. June 2019 & 2018 – Bloomberg. | 4. Trading economics website. | 5. Rate of inflation reported September 2019 – Bloomberg. | 6. Average repo rate for the years ending 30 September – Bloomberg. | 7. Unsecured credit and credit facilities gross debtors book – NCR data at June 2019. | 8. BA900 Regulatory returns gross loans and advances at July 2019.

AUSTRALIA

AUSTRALIAN CONSUMER EMPLOYED BUT HIGHLY LEVERAGED

5.3%
Unemployment
(October 2019).

~190%
Household debt to disposable income
Remaining persistently high and exacerbated by decreasing housing values.

~51%
Monthly debt servicing costs
(excluding home loans).

Previously tightened credit extension policies
Moderated by lower interest rates and leniency in debt affordability assessments.

DEBT COLLECTION ENVIRONMENT

CONSUMERS:

- Predominantly employed.
- Respond well to non-voice and digital channels, with high levels of 'right party contact'.

MARKET PARTICIPANTS:

- Paying higher prices with lower access to funding.
- Increased regulatory compliance.

Fragmented market with ~550 participants.

Acquisition of NPL portfolios as principal	**61.4%**
Credit Corp	14.0%
Collection House	12.3%
Pioneer Credit	7.9%
Panthera Finance	4.1%
Recoveries Corporation (TCRS)	1.2%

Contingency and FFS collections	**34.3%**
illion (formerly Dun & BradStreet)	3.5%
Recoveries Corporation (TCRS)	3.4%
Other collections	**4.3%**

~A$600 million
NPL portfolios acquired per year
versus
~R1.5 billion
in South Africa.

EUROPEAN DISTRESSED DEBT AND SPECIALISED CREDIT MARKET

MULTIPLE TIMES LARGER THAN THE SOUTH AFRICAN AND AUSTRALIAN MARKETS

- Economic growth in Eurozone decelerating.
  - 1.1% gross domestic product increase year-on-year in the third quarter of 2019.
- European regulators continuing to pressure banks to dispose of NPL portfolios earlier.
  - European distressed debt market reached its peak in 2018 with NPL portfolio disposals with a face value of €205.1 billion.

To achieve attractive risk-adjusted returns, TCRS is targeting niche higher-yielding credit-orientated alternative assets in the fragmented segment of the European distressed debt and specialised credit market:

- Directly through bilateral transactions.
- Indirectly via co-investments in partnership with its network of specialist credit managers.

TCRS does not intend pursuing the larger concentrated segment of this market, which is characterised by high levels of competition from sizeable market participants with access to cheap capital and leverage to be deployed for moderate returns.

Source: IBISWorld Report – 'Debt Collection in Australia', April 2019. | Transaction Capital estimates per analysis of reported results by companies mentioned above.

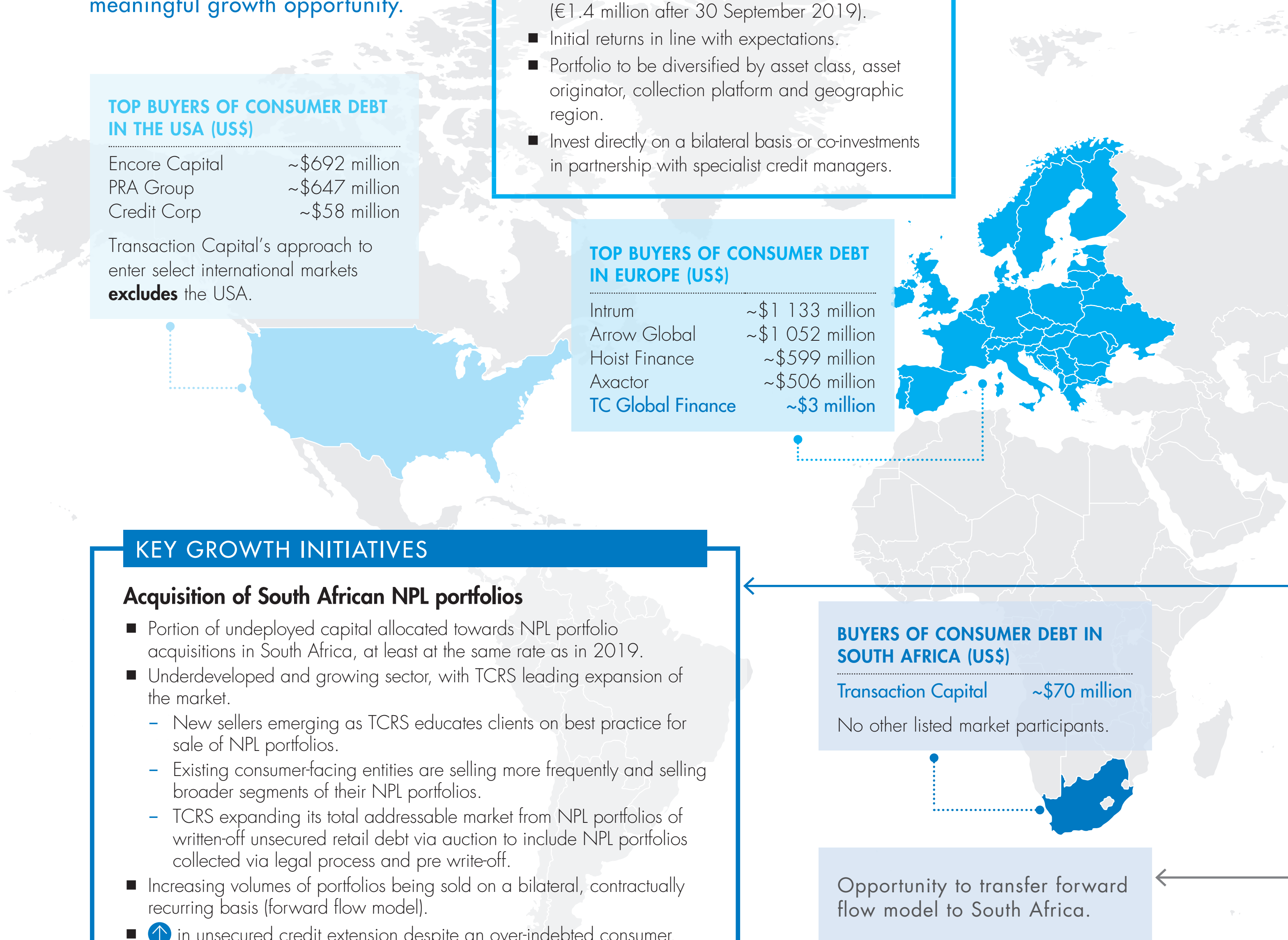
STRATEGIC GROWTH INITIATIVES TO CREATE VALUE

In addition to continued organic growth in South Africa, TCRS is employing a cautious investment approach to purchasing Australian NPL portfolios and selectively entering the European distressed debt and specialised credit market. Both markets are considerably larger than the South African market, with a small position in these sizeable markets providing TCRS with a meaningful growth opportunity.

KEY GROWTH INITIATIVES

Fragmented segment of European distressed debt and specialised credit market

- Transaction Capital Global Finance established.
- Portion of undeployed capital allocated towards European distressed debt and specialised credit market.
- Selective and cautious entry.
- ~€2.7 million invested over an 18-month period (€1.4 million after 30 September 2019).
- Initial returns in line with expectations.
- Portfolio to be diversified by asset class, asset originator, collection platform and geographic region.
- Invest directly on a bilateral basis or co-investments in partnership with specialist credit managers.



TOP BUYERS OF CONSUMER DEBT IN THE USA (US$)

Encore Capital	~$692 million
PRA Group	~$647 million
Credit Corp	~$58 million

Transaction Capital's approach to enter select international markets **excludes** the USA.

TOP BUYERS OF CONSUMER DEBT IN EUROPE (US$)

Intrum	~$1 133 million
Arrow Global	~$1 052 million
Hoist Finance	~$599 million
Axactor	~$506 million
TC Global Finance	~$3 million

KEY GROWTH INITIATIVES

Acquisition of South African NPL portfolios

- Portion of undeployed capital allocated towards NPL portfolio acquisitions in South Africa, at least at the same rate as in 2019.
- Underdeveloped and growing sector, with TCRS leading expansion of the market.
  - New sellers emerging as TCRS educates clients on best practice for sale of NPL portfolios.
  - Existing consumer-facing entities are selling more frequently and selling broader segments of their NPL portfolios.
  - TCRS expanding its total addressable market from NPL portfolios of written-off unsecured retail debt via auction to include NPL portfolios collected via legal process and pre write-off.
- Increasing volumes of portfolios being sold on a bilateral, contractually recurring basis (forward flow model).
- ↑ in unsecured credit extension despite an over-indebted consumer.
- Estimated remaining collections ↑ 50% to R4.5 billion, supporting strong annuity cash flows and providing predictable growth in future collections and revenue.
- Growth trajectory to support future positive performance.

BUYERS OF CONSUMER DEBT IN SOUTH AFRICA (US$)

Transaction Capital	~$70 million

No other listed market participants.

Opportunity to transfer forward flow model to South Africa.

REPLICATING TRANSACTION CAPITAL'S BUSINESS MODEL FOR GROWTH

ULTIMATE INTENTION TO OWN SCALABLE SERVICING PLATFORMS THAT LEVERAGE THE GROUP'S INTELLECTUAL PROPERTY

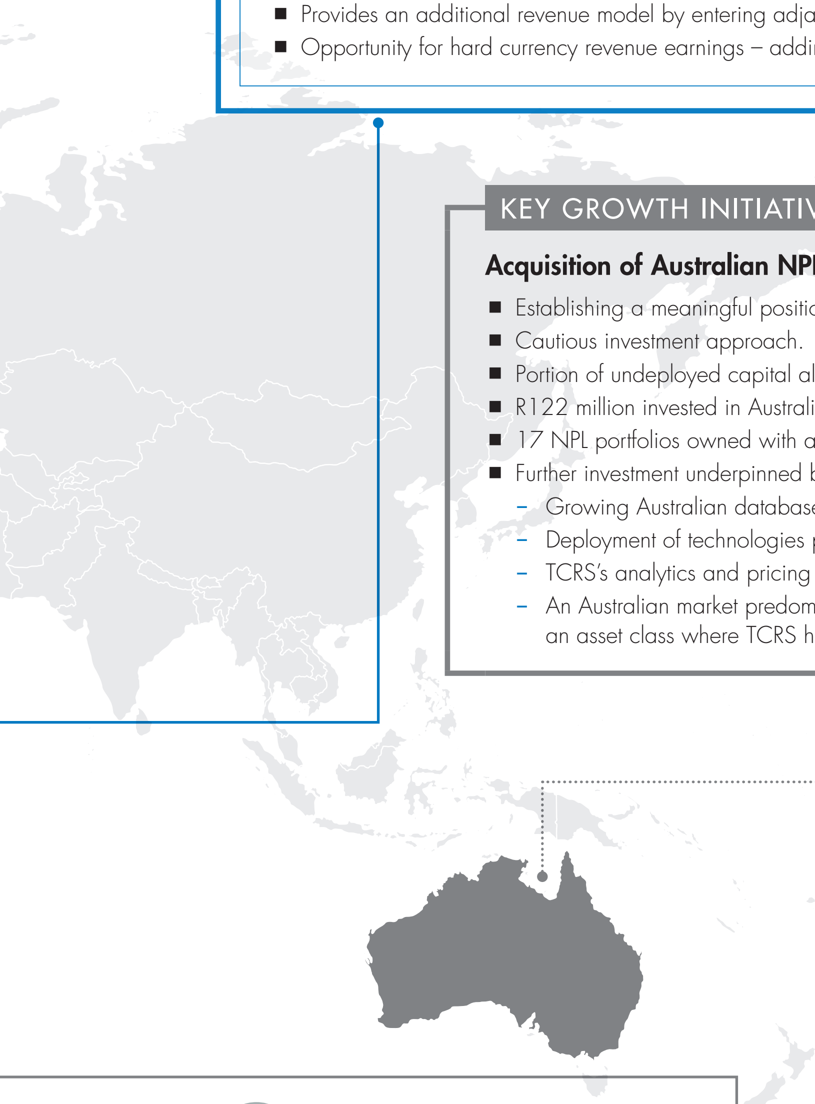
Expectations

- Opportunity to leverage TCRS's high IP and low-cost infrastructure developed in South Africa into other geographies.
- Opportunities for cautious organic growth in significantly larger select markets.
- Small position in these sizeable markets provides a meaningful growth opportunity.
- Market entry within TCRS's skill set and competencies.
- Provides an additional revenue model by entering adjacent market sectors.
- Opportunity for hard currency revenue earnings – adding € and A$ in addition to ZAR.

KEY GROWTH INITIATIVES

Acquisition of Australian NPL portfolios

- Establishing a meaningful position in the sizeable Australian debt collection market.
- Cautious investment approach.
- Portion of undeployed capital allocated towards acquisition of Australian NPL portfolios.
- R122 million invested in Australian NPL portfolios (2018: R23 million).
- 17 NPL portfolios owned with a face value of R1.2 billion.
- Further investment underpinned by:
  - Growing Australian database.
  - Deployment of technologies proven in South Africa into Australian business.
  - TCRS's analytics and pricing expertise.
  - An Australian market predominantly comprised of unsecured consumer loan portfolios, an asset class where TCRS has almost 20 years of experience in South Africa.



TOP BUYERS OF CONSUMER DEBT IN AUSTRALIA (US$)

Credit Corp	~$134 million
Collection House	~$68 million
Pioneer Credit	~$54 million
Other	~$51 million
Panthera Finance	~$39 million
Recoveries Corporation (TCRS)	~$8 million

~75% of sales made on a contractually recurring basis (forward flow model).

Transaction Capital

SOUTH AFRICA AND AUSTRALIA

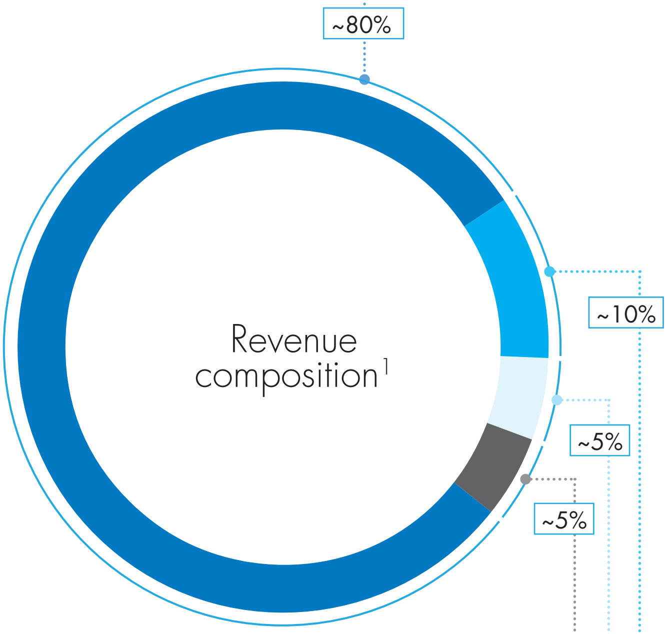
TCRS follows a diversified business model, being both an acquirer of NPL portfolios as principal, and a contingency and FFS collector.

BUSINESS ACTIVITIES

DEFENSIVELY POSITIONED IN A CHALLENGING CONSUMER CREDIT ENVIRONMENT

Key to TCRS's success is its diversified business model, which supports performance in varying market conditions and reduces concentration risk.

- **Three geographies:** South Africa, Australia and select international markets.
- **Four business activities:** Collection services, specialised credit, transactional services and value-added services.
- **Collection services** further diversified by revenue model, sectors, client base and mandates.



TRANSACTIONAL SERVICES

Payment services and account management

Specialists in customised, innovative and flexible payment processing services, payroll services, and data analytics and software.

GROWTH INITIATIVES

- Bolt-on acquisitions.
- Implementation of new technologies to refine the integrated payment services platform.

VALUE-ADDED SERVICES

Value-added services, lead generation and customer acquisition

Proprietary value-added services provided to the mass consumer market on a subscription basis.

GROWTH INITIATIVES

- Bolt-on acquisitions.
- Apply data and analytics to grow direct sales.

SPECIALISED CREDIT

Capital deployment within specialised markets

Origination and acquisition of credit-related alternative assets in South Africa and select international markets.

Specialist working capital finance and debtor administration solutions provided to SMEs.

GROWTH INITIATIVES

TC Global Finance: Establish a meaningful position in the sizeable but fragmented segment of the European specialised credit market.

COLLECTION SERVICES

GROWTH INITIATIVES

Acquisition of consumer NPL portfolios as principal

South Africa

- Continued NPL portfolio acquisition opportunities in an expanding underdeveloped sector.
- ↑ in unsecured credit extension despite an over-indebted consumer.
- Structural market shift with clients opting to sell NPL portfolios earlier to focus on core business and optimise their balance sheets.

Australia

- Establish a more meaningful position in the sizeable Australian debt collection market.
- Bolt-on acquisitions of specialist NPL portfolio acquirers.

Contingency and fee-for-service collection services

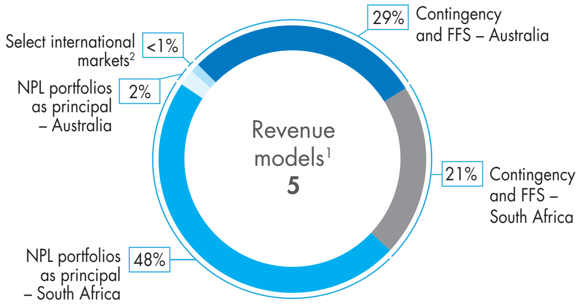
South Africa

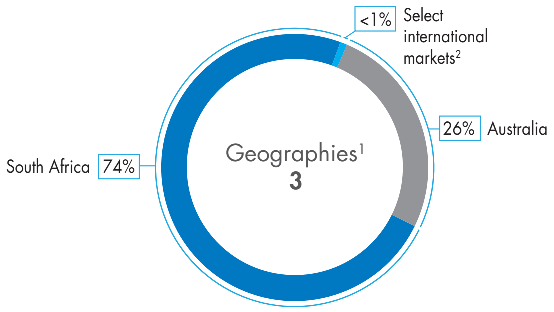
- Grow adjacent sectors, including in consumer accounts receivables and insurance shortfalls.
- Bespoke solutions, such as early stage collections and debt review.
- Bolt-on acquisitions focusing on specialist collectors.

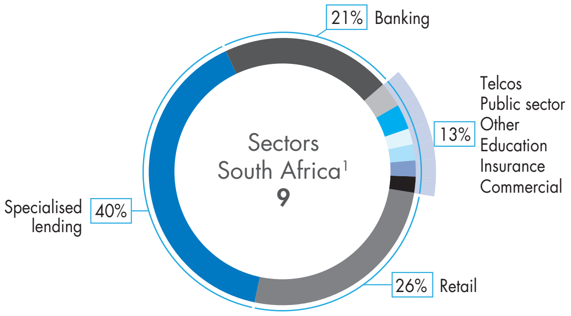
Australia

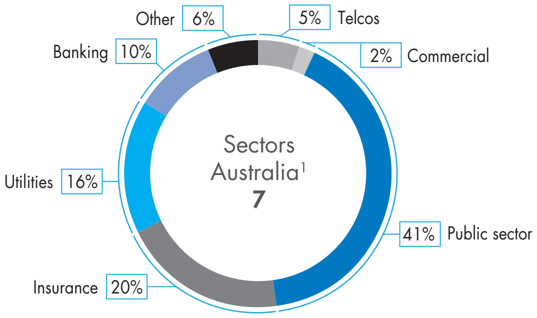
- Leverage technology to drive further operational efficiencies.
- Expand TCRS's proven technology, business intelligence and analytics to Recoveries Corporation.
- Outsource to our low-cost, high IP centre of excellence in South Africa.
- Bolt-on acquisitions focusing on specialist collectors.

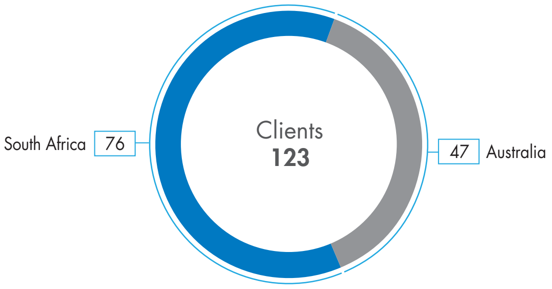
Collection services diversification

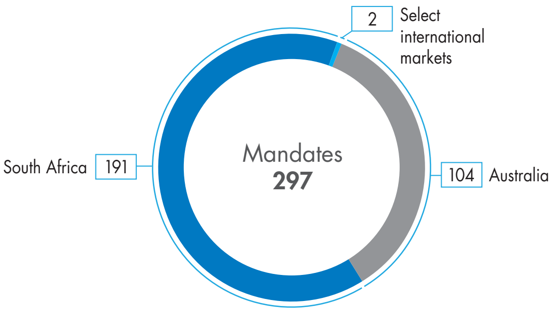












DATA, TECHNOLOGY AND ANALYTICS

TCRS's businesses are underpinned by ongoing investment into data, technology and analytics to enable precise and informed internal and external decisioning.

GROWTH INITIATIVES

Process optimisation for workforce management, dialer, propensity to pay scorecards and right time to call.

New technology implementations including artificial intelligence and digital communications.

Expansion of the master data universe to include over 12 million identity numbers.

1. Approximate revenue composition at 30 September 2019. | 2. Profit share included in revenue at 30 September 2019.

Q&A WITH DAVID McALPIN

TCRS CEO

THERE HAVE BEEN IMPORTANT REGULATORY DEVELOPMENTS RELATED TO DEBT RELIEF IN SOUTH AFRICA. WHAT IS THE IMPACT ON TCRS?

The National Credit Amendment Act (known as the Debt Relief Bill) was signed into law in August 2019. The key amendment relates to individuals who earn R7 500 or less a month, and who owe less than R50 000 in unsecured debt. They may now apply to the National Credit Regulator (NCR) for debt intervention, and based on the NCR's assessment, have all or part of their debt eliminated.

Providers of credit, including retailers and banks, and other market participants have raised a number of concerns regarding the Bill. To date, its practical implementation remains uncertain with no effective date and no guidelines set for how eligible consumers may apply for debt intervention.

There is also disagreement on the number of consumers likely to benefit from the Debt Relief Bill. A study commissioned by the National Treasury in October 2017 estimates that only 1.5 million consumers are persistently over-indebted, which is defined as being nine months or more in arrears. A further study commissioned by the Department of Trade and Industry estimated that only around 177 000 consumers could benefit from the Bill.

We have been following developments on these regulatory changes since they were first proposed, and have performed a detailed impact assessment. TCRS has a granular view and detailed understanding of all individual debtors in our portfolio, and in our assessment, we identified the consumers likely to apply for debt intervention. In the normal course of our collection activities, these consumers are typically assigned a low propensity to pay score and would not be selected for collection or factored into our valuation of estimated remaining collections on that book.

This means that the Debt Relief Bill will have little impact on TCRS's contingency collection activities, or on the carrying value of NPL portfolios acquired as principal. We have put measures in place to train our call centre agents to deal with Debt Relief Bill queries to help consumers understand their rights as we wait for certainty on the Bill's implementation.

Q HOW DO YOU EVALUATE BOOKS ON A DEBTOR-BY-DEBTOR BASIS?

A Prior to acquiring a book, we receive a data file from a client with each debtor's outstanding amount due, including their level of arrears and recent payment history, and other relevant information. We merge and compare this with the data we hold in our database – called the master data universe – relating to each specific debtor. This allows us to determine the debtor's propensity to repay that loan, and our ability to contact and transact with that debtor.

We then compare the book we are looking to buy with a comparable book that we have bought before (called a surrogate). This allows us to model and assess the likely performance of the book in question. This is a highly specialised skill, which we have perfected over many years, supported by our significant investments in technology, data and analytics. It is the basis for our ability to price a book competitively, and to generate a superior risk-adjusted return over the period that we collect on the book, while delivering the highest price for the seller.

Q&A with David McAlpin, TCRS CEO *continued*

HOW DOES YOUR MODELLING ACCOUNT FOR THE DETERIORATING ECONOMIC CONDITIONS IN SOUTH AFRICA?

The methods we use have proven to be reliable, accurate and predictive through different economic cycles. We have purchased around 250 to 260 books over almost two decades, which provides a wealth of experience and data to keep testing and refining our model. In a deteriorating economic environment where debt repayments are slowing, our surrogates show us how our books are likely to be affected. We build this into our predictive models to account for changing conditions.

In the current economic climate, our high IP, rich data, scale and capital position still favour the acquisition of NPL portfolios from clients who are risk averse and want an immediate recovery on their NPLs. This helps our clients to accelerate cash flows and remove NPLs to strengthen their balance sheets, which then allows them to continue providing debt finance to the consumer market.

In South Africa, book buying is still relatively underdeveloped, but it is growing and we are investing heavily in this market – we spent R1 064 million on new books in 2019, which is a jump from the R639 million we allocated last year. To drive the development of the market, we are engaging with our clients to educate them on best practice in selling their NPL portfolios. We are seeing new sellers enter the market due to this initiative. Also, we are seeing that existing sellers are selling broader segments of their NPL portfolios and selling more frequently.

Beyond our historical focus on written-off unsecured retail debt sold via an auction process, we are extending our total addressable market to include NPL portfolios prior to write-off and those collected via legal process. We are also engaging with sellers to access the increasing volumes of portfolios being sold on a bilateral, contractually recurring basis (known as the forward flow model). Typically, these portfolios provide stronger cash flows and attract a higher purchase price.

So even in a really challenging environment, this part of our business is providing meaningful opportunities for future earnings growth, proving once again how effective our diversified revenue model is in supporting consistent performance through different economic cycles.

ARE CONTINGENCY COLLECTIONS STILL UNDER PRESSURE?

Our clients are certainly feeling the pressure of economic deterioration and are originating less debt as a result. Also, as pre write-off debt was traditionally outsourced for collection on a contingency basis, the higher volumes of pre write-off debt that TCRS is now acquiring as principal is reducing the size of the contingency collection opportunity.

These factors continue to have an impact on TCRS's contingency collections business. To offset the lower volumes and yields from contingency matters handed over for collection, we continue to follow a sector specialisation strategy, deepening our penetration in our traditional market segments (banks, retailers and specialist lenders) as well as in adjacent sectors (insurance, telecommunication and public sectors).

Despite the tough conditions for our contingency collection business, it is doing well to keep performing in line with our expectations. This is being supported by a relentless focus on efficiencies. A highlight across all the collections businesses has been the careful management of direct expenses, with cost growth kept below inflation. This operational leverage is a further buffer to the economic downcycle.

Q TCRS'S OPERATIONS IN AUSTRALIA DELIVERED A ROBUST PERFORMANCE. WHAT HAVE BEEN THE MAIN DRIVERS OF ITS SUCCESS THIS YEAR?

A Recoveries Corporation has had a very good year. It did well in its traditional contingency and FFS collections business, winning new mandates from existing clients. Our focused investment in new business development, supported by the benefits of greater efficiency that can be passed on to our clients, also translated into new client wins.

TCRS Australia has also focused on developing greater management depth and has refined its operational reporting lines. Detailed performance dashboards have been activated to manage and optimise productivity, and business intelligence initiatives have been accelerated to track mandate performance on a real-time and predictive basis.

Alongside these initiatives, our investments in data and analytics, and the successful deployment of technologies proven in South Africa, have supported the pleasing improvement in the business's performance. These included payment automation and collection technologies that drive operational efficiencies. Also, the positive response of consumers to non-voice and digital channels is driving higher levels of right party contact and technology-based payments. Besides these efficiencies, management has done well in containing costs, which translated into significant operational leverage.

Q RECOVERIES CORPORATION IS DIVERSIFYING INTO ACQUIRING NPL PORTFOLIOS AS A PRINCIPAL. WHAT PROGRESS IS BEING MADE?

A In Australia, this is referred to as purchased debt ledger acquisitions. We are growing this part of the business in a measured way, not taking unnecessary risk, but nonetheless we increased our investment to R122 million from R23 million in 2018. We continue to grow our Australian database and leverage TCRS's analytics and pricing expertise to establish a meaningful position in this market, which is considerably larger than in South Africa.

Our Australian database is obviously much smaller than in South Africa, but it becomes richer with each new book and mandate.

While we lose more books to competitors than we buy at present, we are resolute in maintaining a cautious approach and not overpaying for books. We believe that you cannot buy market share; our approach is to be guided by a set risk-adjusted return, which requires that we pay fair value for books. Achieving sufficient margin on these books requires an unwavering focus on cost control and optimisation, supported by our proven technology to ensure resources are targeted at the right debtors.

Q&A with David McAlpin, TCRS CEO *continued*

TCRS AUSTRALIA ACQUIRED A STAKE IN A SPECIALISED CONSUMER DEBT ADMINISTRATION BUSINESS IN 2019. HOW DOES THIS TIE IN TO YOUR EXISTING OPERATIONS IN AUSTRALIA?

TCRS Australia acquired a 25% stake in a leading Australian debt administration business, Lanyana Financial Group (Lanyana) in May 2019. Lanyana offers a broad range of services in restructuring and collecting debt for consumers in difficulty, and has a current base of more than 5 000 consumer clients.

As a specialised business in an adjacent segment of the collections sector, Lanyana is a good strategic fit for TCRS, and provides another opportunity to diversify earnings and grow in the Australian market. TCRS is providing strategic insight and working actively with Lanyana's entrepreneurial management team to grow and develop this business, including sharing our technology and systems, and assisting to build a data and technology-driven platform. We are working with the management teams of both Recoveries Corporation and Lanyana to explore opportunities for collaboration.

TCRS has the option to acquire a controlling stake in the business over the next few years.

With levels of personal debt increasing, more stringent compliance requirements and a changing regulatory environment, we believe that the debt administration sector in Australia is set for further growth and consolidation. TCRS's strong balance sheet will allow us to allocate capital to acquisitive opportunities that arise for Lanyana as this sector of the market consolidates.

It is worth noting that transformation and consolidation is increasing in the fragmented Australian market. This is good for TCRS Australia, as we are positioned as a smaller player with strong credibility in our contingency business; this makes us a reliable counterparty for sellers. With the invariable disruption that comes with consolidation and fewer players in the market, we have the opportunity to elevate our profile as a solid business with a highly competitive offering.

HAVE THERE BEEN ANY DEVELOPMENTS IN STRENGTHENING YOUR TECHNOLOGY AND DATA ADVANTAGE OVER THE YEAR?

We continue to focus on process optimisation, which is key in managing costs and ensuring resources are leveraged optimally. These include ongoing upgrades to workforce management, the dialer, propensity to pay scorecards and right time to call. In South Africa, we are investigating and implementing new technologies in artificial intelligence and digital communications, as well as applying behavioural science to improve collections and assess the risk of defaults, all of which provide a competitive edge for TCRS.

Our master data universe continues to expand, with over 12 million identity numbers and corresponding information supporting our business activities. The master data universe is absolutely critical in pricing books and informing all aspects of day-to-day collections, from ensuring right party contact to segmenting the book into propensity to pay scores. As I mentioned earlier, this has been instrumental in our assessment of the impact of the Debt Relief Bill.

Q ONE OF YOUR STRATEGIC PRIORITIES IS TO FORMALISE TCRS'S EMPLOYEE VALUE PROPOSITION (EVP). WHAT PROGRESS HAS BEEN MADE TO DATE?

A The development of our EVP started in 2018, with the aim of providing a unified and standardised human resources framework across all our businesses, and to ensure that our reward and employee support practices are competitive in their markets. During 2019, we continued to refine and communicate the EVP to our people. We are implementing it across all businesses in TCRS to ensure a consistent approach, while allowing some flexibility for customisation to the specific requirements of each business.

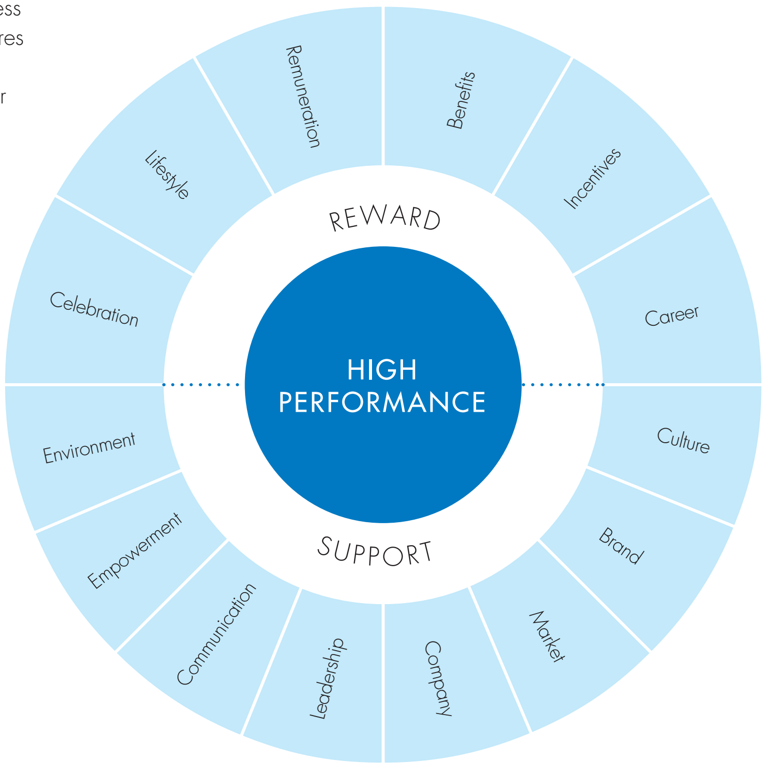
Given the competition for talent in South Africa, we need to ensure we can attract people with highly specialised skills, especially in data sciences and technology. We are increasingly being recognised as more than a collections business – but as a successful credit-orientated technology and data analytics business, which is allowing us to bring really good people into TCRS. Another important factor is that our data analytics capabilities extend to enabling effective management of key areas like performance, employment equity and change due to major programme implementations.

To support the development of our employees and build leadership skills to take the business forward, TCRS has established talent structures to manage a pool of selected successors. Each successor will be assigned to a mentor to fast-track their career development.

The business will also be introducing a fast-track programme that identifies and attracts high-flyers internally, as well as top graduates externally. The internal candidates will be paired with a leader and work closely with them on all significant projects, including client contact and board meetings as an invitee.

We continue to invest in appropriate training programmes across the business, keeping our people well up to speed on changes in the operations, technology and regulatory environment.

Lastly, I am particularly pleased with Transaction Capital Recoveries achieving a B-BBEE rating of Level 1, effective 5 December 2019. It reflects our focus on empowerment and our involvement in the YES programme, a business-led collaboration with government and labour that aims to create one million work opportunities for youth.



05

RISK

RISK REPORT

PAGE 102

RISK REPORT

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

In addition, risk is a condition in which the possibility of loss is inextricably linked to uncertainty, and is quantified by the combination of the probability of an event occurring and its consequence. A detailed framework for managing risk is required to facilitate rational decision-making.

The group's risk management approach entails the deliberate planning, arranging and controlling of activities and resources to minimise the negative impact of risks to tolerable levels to prevent value destruction. It also requires maximising the potential opportunities and positive impacts of risks to achieve the group's strategic objectives and enhance value creation.

Risk tolerances on key performance and strategic metrics are determined by the group's divisions and approved and monitored by the audit, risk and compliance (ARC) committee.

RISK FRAMEWORK AND THE GOVERNANCE OF RISK

Transaction Capital's board of directors (the board) is ultimately responsible for the governance of risk. The board delegates the responsibility for managing risk 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 retains responsibility for monitoring reputational, sustainability, strategic and new business and acquisition risk. The monitoring of remaining risk categories is assigned to sub-committees with continuous board oversight, in line with the group's 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 provided on the next page.

RISK UNIVERSE

REMUNERATION COMMITTEE

People, remuneration and retention.

ASSET AND LIABILITY COMMITTEE

Funding, liquidity and capital.

AUDIT, RISK AND COMPLIANCE COMMITTEE

Accounting, tax, compliance, information and technology, internal audit, external audit and credit.

BOARD

Reputation, sustainability, strategic, new business and acquisition.

NOMINATIONS COMMITTEE

Directors, people and succession.

SOCIAL AND ETHICS COMMITTEE

Stakeholders (in particular employees), transformation, sustainability and ethics.

Risk management functions are in place for each division, significant business functions (such as the capital markets team) and for the group as a whole. These functions 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 mitigations reviewed by the ARC committee and board, where appropriate.

In addition, monthly credit committee meetings take place at SA Taxi and Transaction Capital Business Solutions, quarterly insurance advisory committee meetings take place at SA Taxi, and investment committee meetings take place at Transaction Capital Risk Services (TCRS) as required with regards to the acquisition of purchased book debts. These committees also include non-executive directors as members where relevant.

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

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

Ongoing engagement with stakeholders ensures that external views are represented in the risk identification process. For this purpose, stakeholders are prioritised according to their influence, the time and effort the group invests in managing these relationships, 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 group and divisional 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 group and divisional boards bi-annually.

SIMPLIFIED RISK FRAMEWORK

ESTABLISH OBJECTIVE

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

IDENTIFY RISK

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

QUANTIFY RISK

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

MITIGATE RISK

- Existing controls.
- Required improvements, including responsibilities and timelines.
- Monitoring.
- Opportunity maximisation.

DETERMINE ADDITIONAL CAPITAL HELD FOR RISK PURPOSES

- Risk exposure quantified.
- 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 are identified through an enterprise risk management (ERM) process. The group's top risks, mitigating actions and related stakeholder concerns are as follows:

RISK 1

Funding and capital risk, relating to:

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

STAKEHOLDER CONCERNS

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

MITIGATION

Transaction Capital's balance sheet is ungeared and liquid at a holding company level, with undeployed capital of more than R950 million. While this undeployed capital has a slight impact on ROE, this cost is considered appropriate and acceptable against the favourable benefit of a conservative capital structure in the current economic environment. The group has allocated a portion of this capital to strategic organic growth initiatives in the 2020 financial year.

Should the need arise, the group has access to equity capital from its well-managed and supportive shareholder base. Transaction Capital maintains a strong equity rating in the equity markets.

A dedicated capital markets team manages the group's funding requirements, including a diversified fundraising strategy and a focused strategy for 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 ALCO meetings provide rigorous monitoring and oversight of funding, concentration, roll-over, interest rate, counterparty, liquidity, currency 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 measures mentioned above have led to SA Taxi fulfilling its annual debt requirements for the 2020 financial year.

→ *Details on capital allocation for growth initiatives can be found in the Capital management report. See* ***page 62****.*

SA Taxi and TCRS will continue to focus on reducing their cost of borrowing through the various funding strategies mentioned above.

Rigorous investment criteria are adhered to (see risk 4), with active treasury management of excess funds.

→ *Further detail can be found in the Capital management report. See* ***page 62****.*

RISK 2

Information and technology (IT) risks relating to gaps in the integrity and adequacy of IT security, which impacts management decisions, or fails to prevent data loss or protect stakeholder information.

STAKEHOLDER CONCERNS

- Impact on the reliability of reporting, which may negatively affect funders, shareholders and regulators.
- Ability to adapt to a changing environment may be impaired.
- Risk of business continuity and downtime.

MITIGATION

The group ensures that appropriate IT controls are in place to manage, among others, data security, business continuity and change.

Each division has an established, strategically focused IT function.

The group makes significant investments into IT security, including implementing new systems and modifying protocols to ensure that the group and its businesses maintain robust IT structures in a fast-changing IT security environment.

The ARC committee monitors the formalisation and implementation of information security policies to ensure continuous improvement.

Reporting and information for external shareholders is centralised, and a periodic review is performed on external reporting to ensure the integrity and adequacy of the database in which shareholder information is stored.

Sensitive data in the production and development environment is encrypted.

Multi-layered intrusion prevention systems, coupled with intrusion detection systems for early warning, form part of our constantly hardening protection landscape.

RISK 3

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

STAKEHOLDER CONCERNS

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

MITIGATION

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

SA Taxi concluded the ownership transaction with the South African National Taxi Council (SANTACO) in February 2019. The resulting partnership has assisted SA Taxi in engagements with regulators, supporting the sustainability of its business and the industry as a whole.

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

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

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

RISK 4

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

STAKEHOLDER CONCERNS

- Inappropriate identification of target acquisitions and ineffective integration of businesses adversely affecting the returns and value proposition of the group.

MITIGATION

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

Collectively, the board applies its mind to the funding of acquisitions to ensure an appropriate combination of debt and equity funding that maintains appropriate risk-adjusted returns.

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

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

→ *Detail on Transaction Capital's acquisition strategy and acquisition criteria can be found in strategic objective 4. See **page 43**.*

→ *For further detail, refer to Transaction Capital's investment case. See **page 10**.*

RISK 5

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

STAKEHOLDER CONCERNS

- Inappropriate return on funds invested to acquire purchased book debts.
- Insufficient pipeline of NPL portfolios.

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 and determine the appropriate pricing of NPL portfolios.
- Centralised call centre infrastructure to ensure consistent and efficient collections performance.
- Obtaining appropriate and informed group and divisional executive approval for potential purchases.
- Continuing to develop, expand and diversify this market by:
  - Extending its total addressable market by broadening the category of NPL portfolios traded to include NPL portfolios prior to write-off, those collected via legal process and those sold on a bilateral or recurring contractual basis (forward flow).
  - Expanding the total addressable market by introducing new sellers.
  - Educating clients on the mutual benefits of selling their NPL portfolios, so enhancing their ability to manage their balance sheets in a more sophisticated manner.
  - Diversifying into new geographies (Australia and Europe) on a conservative basis.

RISK 6

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

STAKEHOLDER CONCERNS

- Lower growth in revenue.
- Inadequate diversification of revenue by product or sector.

MITIGATION

- TCRS's strategy is to deepen its penetration in its traditional market segments (across banks, retailers and specialist lenders) and grow revenue from adjacent sectors (across insurance, telecommunication and public sectors).
- Revenue streams continue to be developed through innovative, bespoke product offerings and solutions.
- Recent acquisitions by TCRS have further enhanced the diversification of its product offering and geographic footprint.

RISK 7

The group's entry into **select international markets** (applicable to TCRS).

STAKEHOLDER CONCERNS

- Failure to achieve growth and returns in new markets beyond South Africa.
- Inadequate diversification of revenue by geography.

MITIGATION

In Australia:

- TCRS's acquisition of 100% of Recoveries Corporation was a small investment relative to its asset base.
- Development and integration of the business supported by exporting highly skilled and experienced senior managers and an executive from TCRS South Africa into TCRS Australia.
- Deploying technologies proven in South Africa to support higher productivity and operational efficiencies, including business information systems that enable daily monitoring of key performance indicators.
- Diversifying the revenue model through cautious and selective expansion into the acquisition of NPL portfolios as principal.

In Europe:

- Targeting specific niches in the fragmented distressed debt and specialised credit market in Europe.
- Ensuring no concentration risk in any particular portfolio, asset class, asset originator, collection platform or geographic market.
- Entry required no initial investment in goodwill with no costs or risks incurred in business integration.
- Capital risk minimised as TCRS is co-investing with specialist credit managers in assets that are self-liquidating.

A small position in these sizeable markets provides a meaningful growth opportunity for the group.

RISK 8

Diversifying revenue streams across the minibus taxis value chain into other market segments to ensure growth over the longer term (applicable to SA Taxi).

STAKEHOLDER CONCERNS

- Constraints to long-term sustainable growth.

MITIGATION

SA Taxi is deepening its vertical integration in its current market segments while leveraging its existing competencies. This includes:

- Expanding its direct sales retail channel.
- The launch of SA Taxi Auto Parts, incorporating its salvage operations.
- Enhancing its telematics services.
- Broadening its insurance product offering in SA Taxi Protect and expanding its open market client base through its broker network.
- Broadening the rewards programmes offered through SA Taxi Rewards.

→ *Further detail can be found in SA Taxi's business activities, which includes its strategic growth initiatives, and the Q&A with Terry Kier, SA Taxi CEO, which describes SA Taxi's vertically integrated business model. See* ***pages 77 and 80****.*

RISK 9

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

STAKEHOLDER CONCERNS

- Credit quality of the book and of new business may be negatively impacted.
- Muted collections performance and/or origination activity due to affordability.

MITIGATION

- Credit policies are adjusted appropriately and adhered to stringently, with credit vintages being consistently monitored.
- The division's specialist capabilities, enriched proprietary data and technology support its ability to grant credit to creditworthy customers not being serviced by traditional credit providers, which secures an under-served market segment for SA Taxi.
- The efficiency of SA Taxi's ability to repossess, refurbish and resell vehicles assists in maintaining low levels of ultimate credit loss.
- SA Taxi's partnership with SANTACO is supporting the division's ability to develop highly bespoke and competitive new products to deepen its relevance in the minibus taxi industry. Further, as a shareholder in SA Taxi, SANTACO and its members are participating in a larger part of the industry value chain, enhancing the sustainability of members' businesses and the industry as a whole.
- Intensive and continuous engagement and collaboration with key industry stakeholders and associations support the sustainability of the industry.
- Focus on ensuring maximum reach on collection activity.
- The sale and finance of fully refurbished minibus taxis provides operators with a reliable and affordable alternative to buying new vehicles.
- SA Taxi's rewards programmes assist minibus taxi operators to afford instalments on loans and insurance by providing greater savings through rebates or discounts.
- SA Taxi's ability to manage this risk is reflected in its robust credit performance.

→ *Further detail on SA Taxi's credit performance can be found in the CFO's report. See **page 52**.*

RISK 10

Original equipment manufacturers (OEMs) as suppliers of vehicles and parts (applicable to SA Taxi).

STAKEHOLDER CONCERNS

- Reliance on OEMs for the supply of vehicles and parts.
- Limited monthly supply of vehicles not being sufficient to meet market demand.

MITIGATION

- Ongoing engagement with OEMs to secure a consistent supply of vehicles, product offerings and parts into the market, and integrate into their supply and repair channels.
- Promoting pre-owned vehicles as a viable alternative for customers.
- The launch of SA Taxi Auto Parts in 2018, with its salvage operations established thereafter, ensures a consistent supply of quality parts at a lower cost.

KEY RISKS

Key risks are those risks that require specific and ongoing operational, governance and strategic management. They differ from top risks (set out on pages 104 to 108) as key risks are anticipated to be ongoing due to the strategy and business model of the group.

Transaction Capital's key risks are as follows:

CREDIT RISK

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

IFRS 9 – Financial Instruments (IFRS 9) was early adopted in the 2015 financial year, resulting in a higher quality of earnings due to a more conservative provisioning methodology against loans and advances, and the amortisation profile of purchased book debts being better aligned with the collection profile. This early adoption reduced balance sheet risk for Transaction Capital.

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

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

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

Aspects of credit risk that are monitored include changes to origination strategies and channels (including consideration of credit granting criteria), new business approvals, collections strategy and performance.

Credit risk is managed operationally at the time of origination and in terms of collections thereafter. While SA Taxi services the minibus taxi industry exclusively, it has limited exposure to a single counterparty, with the largest exposure to a single borrower being negligible as a percentage of assets exposed to credit risk. Repeat customers represent approximately 29% of origination value, which assists in appropriate credit profiling of repeat customers. In addition, loans originated through SA Taxi's dealership perform better from a credit performance perspective.

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

→ *Further details on SA Taxi and TCRS's credit performance can be found in the CFO's report. See* ***page 52****.*

LIQUIDITY RISK

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

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

The group's positive liquidity mismatch is favourable to debt investors, where asset receipts occur in advance of debt payments, resulting in reduced liquidity risk.

→ *Further details on the group's positive liquidity mismatch can be found in the Capital management report. See* ***page 65****.*

The group's funding strategy is directed by the funding requirements established in the divisional budgets and forecasts, and approved by the group and divisional 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.

→ *Detail on diversification by funding category and funding structure can be found in the Capital management report. See* ***page 64****.*

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, return on assets, 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.

Following the equity transaction with SANTACO, the group has undeployed cash of more than R950 million, which will provide the flexibility for both organic and acquisitive growth opportunities. In addition, Transaction Capital's net asset value increased by approximately 105 cents per share immediately after the implementation of the transaction.

→ *Detail on the expected allocation of capital to strategic growth initiatives in 2020 can be found in the Capital management report. See* ***page 65****.*

The dividend policy has been maintained at a cover ratio of 2 to 2.5 times earnings, with the 2019 dividend cover approximating 2.2 times. This supports the strong quality of earnings, which is evident in high cash conversion rates and low balance sheet risk, the stable capital requirements of the group, and the ungeared net position of the holding company. These factors allow for a higher sustainable dividend policy going forward.

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 repricing characteristics of assets to liabilities; thus, if a division originates floating-rate assets, it should issue floating-rate debt or hedge accordingly.

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

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

The group prepares a quarterly interest rate forecast 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. In addition, loans denominated in foreign currency to be used in South African-based businesses are all fully hedged as Transaction Capital does not take exchange rate risk in these businesses. Further, ALCO distinguishes between hard and soft currencies; businesses owned and operated outside of South Africa in hard currency countries are not hedged as exposure to these currencies and the resultant hard currency earnings are part of Transaction Capital's diversification strategy.

INSURANCE RISK

Insurance operations form an integral part of the group and SA Taxi's income and profits. Insurance risks may include claims exceeding premiums and/or the insurance cover over loan security being inadequate or from an inappropriate party.

An insurance advisory committee meets quarterly, and includes non-executive and executive directors of the group and SA Taxi, as well as independent insurance specialists. SA Taxi Protect utilises a Guardrisk cell captive for insurance operations. In conjunction with Guardrisk, the insurance advisory committee reviews the performance of the insurance operations, its capital requirements and provisioning adequacy, the results of which are reported to ALCO and the ARC committee.

SA Taxi's insurance business, SA Taxi Protect, is the main driver of non-interest revenue in SA Taxi. SA Taxi continues to broaden its product offering, as well as its client base via its broker network that is specifically targeting open market clients. The majority of SA Taxi Finance's clients choose to be insured through SA Taxi Protect, with the remainder insured by other reputable insurers.

The insurance claims ratio is rigorously managed. Significant investments have been made into SA Taxi Auto Parts and its salvage operations, and capacity in SA Taxi's combined autobody and mechanical refurbishment facility is being increased accordingly. These initiatives continue to improve insurance claims ratios.

SA Taxi elected to early adopt IFRS 17 – Insurance Contracts (IFRS 17) in the current financial year. IFRS 17 aligns insurance provisioning to IFRS 9, in that provisions are based on a forward-looking expected loss model rather than an incurred loss model. This early adoption results in a more robust balance sheet due to increased provisions, and eliminates future uncertainty relating to the adoption of IFRS 17 on results.

→ *Further detail on the nature and impact of the adoption of IFRS 17 can be found in the CFO's report. See* ***page 57****.*

PROTECTION OF PERSONAL INFORMATION RISK

The group manages and maintains a significant volume of confidential personal information in its daily operations. Through the consideration of relevant International Organization for Standardization standards and best practice, the group has executed appropriate measures to protect this information against loss, damage, destruction and unlawful access. In addition to physical security, key interventions implemented include state-of-the-art firewalls enabled for deep packet inspection, encryption technology, rigorous scanning processes to detect viruses and malware, and ongoing external vulnerability testing. Multi-layered intrusion prevention systems, coupled with intrusion detection systems for early warning, form part of our constantly hardening protection landscape.

The group has adopted a paperless policy, and employee training programmes geared towards IT security and awareness are conducted regularly.

The group invests heavily in IT to ensure that its businesses are efficient and to reduce the risk of disruption. The group constantly assesses and understands new threats, and evaluates and adopts new technology as appropriate.

OPERATIONAL RISK, INCLUDING PEOPLE RISK

To manage operational risk, the group adopts specific operational risk practices that assist management to understand the risks and reduce the risk profile, in line with the group's risk appetite.

The objective in managing operational risk is to increase the efficiency and effectiveness of the group's resources, minimise operational losses and exploit opportunities.

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

The group's human capital policies and statistics are reviewed by the social and ethics committee. This includes employment equity, fair remuneration, equal pay for equal work, public health and safety, and the protection of human rights.

Succession planning is performed by each division, with the nominations committee (and ultimately the board) reviewing succession plans at least annually.

→ *Additional information on the group's remuneration policy and implementation can be found in the Remuneration report. See* ***page 114****.*

TRANSFORMATION RISK

As a responsible corporate citizen, the group supports transformation objectives in South Africa that seek to address historical imbalances. The group views the principles of economic and social transformation in South Africa as an integral component of our business. Accordingly, the group has adopted a transformation and Broad-based Black Economic Empowerment (B-BBEE) policy (as a sub-policy of its sustainability policy) to specifically address the group's commitment to transformation and the spirit of B-BBEE.

Many of the group's businesses are required to maintain minimum B-BBEE scores to retain clients. In this regard, TCR, Principa and Road Cover have appropriate ownership transactions in place with the iThemba Trust to augment their B-BBEE scorecards.

While it is not a specific B-BBEE transaction, the SANTACO equity transaction is transformative to SA Taxi, the taxi industry and its constituents. The transaction is expected to be beneficial to SA Taxi's B-BBEE scorecard in the future.

Transformation risk is monitored by the social and ethics committee, as well as the group and divisional 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 remains abreast of all existing and emerging regulations and similar standards applicable to that specific division.

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 an early understanding of proposed legislation and to appropriately position the group for change.

→ *Legislation applicable to the group and its divisions can be found in the Governance report. See* ***page 31****.*

06

REMUNERATION

REMUNERATION REPORT

PAGE 114

REMUNERATION REPORT

For Transaction Capital (the group), compensation is a critical determinant of organisational performance and sustainability.

This view is based on the belief that all factors underpinning enhanced performance require the highest calibre of leadership and specialist technical expertise, and that stakeholders' interests are best served by aligning strategy, business model, structure, staffing and compensation. Moreover, without attracting, motivating and retaining the best available talent, even the best strategies, business models and structures will fail.

These principles are reflected as one of the core components of Transaction Capital's strategy, which emphasises the group's commitment to investing in human and intellectual capital. This investment is informed firstly by the view that there is a normal distribution of talent in every field of endeavour, 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. This is all the more relevant in the current environment, where the entrepreneurial flair of the group is augmented by the depth and quality of management teams across the organisation.

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

GOVERNANCE OF COMPENSATION

Principle 14 of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV) states:

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

To provide stakeholders with insight into Transaction Capital's remuneration policies and structures, the group continues to refine the remuneration report in line with King IV and the JSE Listings Requirements, and in consultation with shareholders (as detailed in the shareholder engagement section on page 116). The board of directors (the board) approved this remuneration report and believes that the performance criteria used to determine and measure short- and long-term incentive awards are fair and align appropriately with Transaction Capital's goals, strategies and outcomes, taking the requirements of all stakeholders into account.

REMUNERATION COMMITTEE COMPOSITION AND MANDATE

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

- **KUBEN PILLAY**
  Chairman of the committee; lead independent non-executive director.
- **CHRISTOPHER SEABROOKE**
  Chairman of the board; independent non-executive director.
- **PAUL MILLER**
  Non-executive director.

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

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

Within this mandate, the remuneration committee believes that a well-designed remuneration policy maintains appropriate alignment between the interests of shareholders and executives, and the principles of good governance. The remuneration committee assesses the mix of fixed remuneration, variable remuneration and long-term incentives (LTIs) to meet the group's needs and strategic objectives, in addition to reviewing the robustness of long-term incentive schemes in ensuring continued contribution to shareholder value.

The remuneration committee is also responsible for ensuring that the implementation and execution of the remuneration policy achieves its objectives.

PRINCIPLES OF REMUNERATION

The following overarching principles are applied to remuneration:

- Transaction Capital's remuneration policies are approved by the remuneration committee and the board.
- Remuneration policies are designed to eliminate differential compensation related to gender, race and location, and apply the principle of equal work for equal pay.
- Compensation is defined on a cost-to-company (CTC) basis, with all benefits included and fully taxed.
- Formal and informal research and benchmarking is performed to determine market norms for similar positions.
- Remuneration is aligned to individual financial and non-financial outputs measured through performance management systems that focus on goals achieved and exceeded.
- Remuneration policies are designed to achieve the group's requirements to retain identified employees, while aligning the interests of employees with those of shareholders and stakeholders.
- Performance incentives are used to drive specific behaviours that support group, divisional or departmental performance and ensure alignment with the group's sustainability and transformation objectives.
- Incentives and bonuses at executive level are aligned to profit growth and relevant return metrics, key non-financial measures, as well as additional key operational outputs and individual performance. In certain instances, a portion of these incentives may be deferred or delivered in the form of share plan awards to support the retention of identified executives and support decision-making based on long-term value creation.
- In instances where an executive's decisions have a direct impact on shareholder value, an element of their compensation is aligned with the medium- to longer-term value of Transaction Capital or each respective division, specifically through defined LTI schemes (see page 119).
- The remuneration committee continually assesses whether those executives charged with setting and implementing group strategy are meaningfully invested in Transaction Capital, by way of direct investment and/or through an LTI scheme. In this regard, Transaction Capital introduced a policy of a minimum investment in the group for key executives (see page 119).
- The remuneration committee proposed the adoption of a malus and clawback policy in the 2019 financial year, subject to approval by shareholders at the upcoming annual general meeting (AGM). The policy will be effective for variable remuneration (both short-term and long-term incentives) awarded from the 2020 financial year. The intention is to have a policy that would allow the business to adjust variable remuneration awarded to participants before the vesting of an award (malus) and, in the case of participants who are members of the executive committees, to recover variable pay after vesting or even payment (clawback), under appropriate circumstances. In this way, the business would be able to recover value from key executives and thereby align risk and individual reward.
- Any change to the compensation of any individual at every level of the group must be approved by their second-level manager, with the remuneration committee approving the compensation of all executive directors, including the chief executive officer (CEO) and his direct reports, and certain functional specialists.
- Subject to the remuneration committee's approval, 'good leavers' will receive a pro rata benefit due to them in terms of LTIs, subject to meeting the performance requirements of each tranche.

SHAREHOLDER ENGAGEMENT

At the 2018 AGM on 7 March 2019, 80.87% of shareholders voted in favour of the group's remuneration policy, with 93.99% voting in favour of the remuneration implementation report.

Following engagements with shareholders after the 2018 AGM, a number of enhancements have been implemented to the remuneration policy in the 2019 financial year, as outlined below.

ENHANCEMENTS TO THE REMUNERATION POLICY

Minimum group shareholding/ LTI investment policy introduced for key executives.

→ *Executive investment policy – see page 119.*

Malus and clawback policy introduced for short- and long-term incentive plans, subject to shareholder approval at the upcoming AGM.

→ *Principles of remuneration – see page 115.*

Transformation targets included as qualitative measures in the discretionary component of short-term incentives for key executives.

→ *Short-term incentives – see page 118.*

CONDITIONAL SHARE PLAN (CSP) AMENDMENTS

CSP to vest in years three, four and five after the award, in equal proportions of 33.3% per annum.

The prior vesting period was from two to five years.

Discontinuance of CSP awards criteria based only on the continued employment of an executive.

Super-performance to be rewarded, where select executives (as approved by the remuneration committee on every CSP issuance) will receive an additional allocation of up to 25% of their CSP target vesting value.

This requires that predetermined "stretch" performance criteria, known as the maximum vesting value, are met.

→ *Conditional share plan – see pages 119 to 121.*

As in prior years, disclosure on remuneration policies and their implementation has been further enhanced.

ENHANCEMENTS TO REMUNERATION DISCLOSURE

Detailed description provided for the qualitative, quantitative and discretionary drivers' calculation of the executives' short-term incentive awards.

Includes the maximum short-term incentive potential.

→ *Short-term incentives – see page 118.*

Methodology to quantify the number of CSPs awarded.

→ *Conditional share plan – see page 120.*

Key metrics considered in determining divisional valuations for CSP purposes.

→ *Conditional share plan – see page 120.*

Disclosure of key executives' total equity value to the group to be determined annually.

→ *Shareholding – see page 128.*

The group's remuneration policy and its implementation is presented to shareholders annually for consideration and approval under the terms of separate non-binding advisory votes at the AGM, as recommended by King IV and prescribed by the JSE Listings Requirements.

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

PART 1

REMUNERATION POLICY

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

GENERAL STAFF

Throughout Transaction Capital, fixed and variable compensation policies and practices are structured to attract, motivate and retain the specific talent and skills required at each level for the progress of the group and its divisions. For the most part, these policies are determined by, and according to, divisional or departmental requirements within the remuneration principles 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 are monitored directly by the CEO, together with his direct reports, with direct oversight by the remuneration and nominations committees and the board.

Executive compensation strives to attract, reward and retain the highest calibre of individuals in terms of education, expertise and experience, particularly in light of the specialised skill set required in the industries in which the group operates. In addition, executive remuneration strives to align executives with stakeholder priorities.

The different components of remuneration, summarised in the table below, aim to attract, motivate, align and retain scarce talent, while discouraging dysfunctional short-term behaviour.

REMUNERATION COMPONENT	REMUNERATION POLICY	→ Reference
Basic salary	Total CTC measured against the 60th percentile of the market.	*Page 118*
Benefits	Group life, provident fund, medical cover and disability cover.	*Page 118*
Short-term incentives	Variable annual incentives based on achieving divisional/group quantitative objectives, plus a qualitative portion awarded based on non-financial measures and individual performance. Additional discretionary short-term incentives (STIs) may also be awarded for superior individual performance.	*Page 118*
Long-term incentives	Executives participate in LTI schemes where their decisions are likely to have an impact on shareholder value. These schemes serve to harmonise the required attributes of shareholder alignment, retention of key talent and long-term sustained performance.	*Page 119*
TOTAL REWARD	**Providing competitive and attractive total compensation with a portion paid over the medium to long term.**	

BASIC SALARY AND BENEFITS

Executive CTC is determined against the findings of an outsourced benchmarking engagement, utilising the Paterson Classic system as an indicator of grades for the executive team. This is measured against the 60th percentile of the market, taking into account the company's market capitalisation, industry, revenue and earnings to ensure appropriate remuneration for level of seniority. Formal and informal research, coupled with market norms and industry practice, are also taken into consideration.

A market-related CTC provides executives with a competitive stable income and provides a standard of living consistent with the demands of a specific position. This represents a sufficiently high portion of the total remuneration to avoid overdependence on the variable components of remuneration.

No employees, including executives or directors, have employment terms that exceed six months' notice. Where relevant, the company is not under any obligation to make exit payments for executives leaving the group; however, this may be considered on a case-by-case basis.

Executives receive additional benefits that provide financial structures for death, retirement, health and wellness.

SHORT-TERM INCENTIVES

The overall award of STIs for executive directors align with the performance of the respective divisions. STIs promote the achievement of strategic objectives determined annually, based on the requirements of the group within the organisation's risk appetite as well as positive outcomes.

Qualitative and quantitative targets are pre-approved by the remuneration committee prior to the commencement of the forthcoming financial year for group and divisional executives.

SHORT-TERM INCENTIVES	QUANTITATIVE COMPONENT	QUALITATIVE COMPONENT
Amount	■ Group/divisional CEO – up to nine months. ■ Other executives – up to six months.	■ Up to three months.
Determinant	A combination of factors are considered in setting quantitative STI targets, depending on the role of the executive and the division in which they are employed (as pre-approved by the remuneration committee): ■ Growth in headline earnings per share (HEPS) above consumer price inflation (CPI). ■ Return on equity or invested capital. ■ Return on sales. ■ New business origination or growth in revenue. ■ Unfettered access to debt capital or the reduction in the cost of capital.	The remuneration committee considers individual performance in meeting strategic imperatives, which includes: ■ Strategy implementation. ■ Meeting employment equity targets. ■ Transformation strategy implementation. ■ Efficient capital management. ■ Identification, successful implementation and integration of acquisitions. ■ Implementation of operational, technology and risk management projects. ■ Other non-financial key performance indicators (KPIs).
Discretionary	In instances where – in the opinion of the remuneration committee – an individual executive has outperformed set KPIs, a discretionary STI may be awarded. A portion of this award may be deferred or delivered in the form of share plan awards.	

The remuneration committee must satisfy itself that such payments are fair and reasonable, and are disclosed to shareholders as required by remuneration governance principles.

LONG-TERM INCENTIVES

Executives participate in LTI schemes where their decisions have an impact on shareholder value. These schemes serve to harmonise the required attributes of shareholder alignment, retention of key talent and long-term sustained performance.

EXECUTIVE INVESTMENT POLICY

The remuneration committee continuously reviews the equity value held by key executives in the group. The policy aims to apply appropriate retention mechanisms (through equity value) while ensuring alignment to the interests of Transaction Capital's shareholders. The assessment of the executives' equity value is comprised of:

- The value of LTI allocations, subject to the fulfilment of vesting conditions, awarded in terms of the CSP and Share Appreciation Rights (SAR) plan.
- The value of direct shareholding in Transaction Capital. These positions may be historic or due to the vesting of LTIs.
- The value of direct shareholding in a subsidiary of Transaction Capital.

The remuneration committee has instituted a policy in 2019 that key executives should hold a meaningful interest in the equity value of Transaction Capital, with a minimum target exposure to Transaction Capital's equity value maintained at three times annual CTC (held directly or indirectly). Where the equity value of a key executive of the group is determined to be low, accelerated annual LTI awards or a once-off LTI award may be awarded.

→ *A detailed breakdown of equity value per executive can be found later in this report. See* ***page 128****.*

CONDITIONAL SHARE PLAN

The CSP provides executives with an opportunity to share in the equity growth and success of Transaction Capital and that of the division in which they are employed. This provides direct alignment between the executives and shareholders as any vesting amount of the CSP is based on the company's share price for group employees and on divisional valuations for divisional employees.

Transaction Capital has a decentralised management structure that devolves authority and responsibility to its respective divisions, namely SA Taxi and Transaction Capital Risk Services (TCRS). To support this strategic objective, a primary objective of the LTI scheme is to link the scheme's performance to the equity value of the respective divisions. While Transaction Capital group executives are incentivised based on the share price and performance of the group as a whole, the CSP also caters for divisional executives who are believed to be in a position to directly impact the performance and valuation of each division, while delivering on the division's strategy. Its purpose is to incentivise participants to deliver on business strategy over the long term, and to act as a retention mechanism and tool to attract prospective employees.

The remuneration committee believes that the CSP is a superior LTI for Transaction Capital's objectives, which has largely superceded the SAR plan (discussed in greater detail below). 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 value.

The first tranche of CSPs was awarded in November 2016. Annual CSP awards occur in November/December each year, with interim awards catering for new joiners and special circumstances. All awards are subject to remuneration committee approval.

Executives' CTC and job grades are considered in the quantum of awards. In general terms, the following annual awards are granted:

- 50% of CTC – executive directors or divisional directors/ executives.
- 30% of CTC – senior executives.
- 20% of CTC – junior executives and scarce skills requiring retention.

The remuneration committee may apply discretion for CSP awards granted in addition to the formulaic job grade awards (as detailed above) depending on:

- Executive performance delivered.
- Potential and tenure.
- STIs relative to market benchmarks.
- An executive's equity value assessed against the group's executive investment policy as detailed in the executive investment policy on page 119.

The CSP mechanism is overseen and approved by the remuneration committee. It operates as follows:

<table>
<tr><th>DETAIL</th><th>GROUP EXECUTIVES</th><th>DIVISIONAL EXECUTIVES</th></tr>
<tr><td>Grant price</td><td>10-day volume weighted average price (VWAP) of Transaction Capital share on date of issue.</td><td>Divisional notional value per share on date of issue.</td></tr>
<tr><td>Number of CSPs granted</td><td colspan="2">Equal to the monetary value of the LTI award, as approved by the remuneration committee, divided by the approved share price of the relevant member group to which the LTI award relates.</td></tr>
<tr><td>Exercise price</td><td>10-day VWAP of Transaction Capital on date of exercise.</td><td>Divisional notional value per share on date of exercise.</td></tr>
<tr><td>Valuation</td><td>Share price of Transaction Capital.</td><td>A valuation of each division is performed by an independent expert on the date of the CSP award and exercise. Among others, the following key metrics are considered in determining divisional valuations:
■ Level of revenue and earnings.
■ Growth in revenue, cost-to-income ratios and HEPS.
■ Return on equity, return on assets and net asset value.
■ Credit performance.
■ Assessment of quality of earnings and expected future performance.
■ Dividend pay out rates and cash conversion levels.
■ A "sum of the parts" of the divisions is compared to the group market capitalisation for reasonability.</td></tr>
<tr><td>Cost</td><td colspan="2">Executives receive CSP awards for zero cost.</td></tr>
<tr><td>Vesting period</td><td colspan="2">As per the most recent award, the CSP vesting period has been amended to vest in years three, four and five after the award, in equal proportions of 33.33% per annum.</td></tr>
<tr><td>Performance criteria</td><td colspan="2">Performance criteria are pre-set by the remuneration committee for each vesting period.
The most recent performance criteria have been set as follows (per division for divisional executives, and on a consolidated basis for group executives):
<table>
<tr><th>Continuing core HEPS growth over vesting period*</th><th>% of CSP to be awarded</th></tr>
<tr><td>CPI</td><td>20%</td></tr>
<tr><td>CPI + 5% (South Africa)</td><td>100%</td></tr>
<tr><td>CPI + 2% (Australia)</td><td>100%</td></tr>
</table>
* *Growth levels between bands will be vested on a proportionate basis.*
Note that the valuation, and thus the benefit received by executives on vesting, is determined on the share price of Transaction Capital for group executives and on the divisional valuations for divisional executives. This provides direct alignment with shareholders, and takes into account the performance and valuation of the group and divisions as a whole. As such, executives are exposed to all performance metrics of the group on which the valuation of the group is determined, and not simply the single metric of growth in core HEPS over the vesting period.
Commencing from the May/June 2019 CSP awards and in line with the revised remuneration policy, no further awards based only on continued employment of an executive have been issued.</td></tr>
<tr><td>Super-performance</td><td colspan="2">Super-performance is to be rewarded, where select executives (as approved by the remuneration committee on every CSP issuance) will receive an additional component of their CSP settlement value, should predetermined stretch performance criteria be met. Stretch performance criteria will be set annually by the remuneration committee and can include growth in core headline earnings above a predetermined hurdle.
See page 125 for details on the 2019 super-performance stretch targets.</td></tr>
<tr><td>Delivery</td><td colspan="2">Once the vesting period has passed and performance criteria are met, the participant receives shares in Transaction Capital to the value of the notional CSP awards on date of vesting.</td></tr>
<tr><td>Continued employment</td><td colspan="2">Employees are required to remain in the employ of the group to be eligible for vesting of the CSP (subject to standard 'good leaver' rules).</td></tr>
</table>

The CSP achieves the following objectives:

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

The remuneration committee approved a policy stipulating 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 was approved by shareholders at a general meeting held on 20 October 2016.

SHARE APPRECIATION RIGHTS PLAN

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

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

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

Subject to the specific performance criteria of achieving continuous growth in group core HEPS of 5% above CPI, the SAR plan vests in full after four years of the award date and are exercisable for a 12-month period thereafter.

While the SAR plan has been a successful mechanism to retain select employees since listing, the group favours the CSP (discussed previously) as a more appropriate tool. This is in line with international trends towards less volatile and lower geared LTIs, which have proved to provide better alignment of performance with shareholder interests, as well as being less likely to result in extreme payouts. As such, no new SAR plan awards have been granted since November 2015, with the last SARs awarded vesting in May 2020.

The remuneration committee will assess the future use of SARs on a periodic basis, as required. Those SAR plan awards already in issue will continue to vest as per the SAR plan.

DIRECT INVESTMENT

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

FOUNDERS

Jonathan Jawno and Michael Mendelowitz are executive directors of the group, while Roberto Rossi is a non-executive director with a consulting and project contract.

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

The individual family trusts of two of the founders, being the Rutland Trust (the family trust of Michael Mendelowitz) and the Sugar Tube Trust (the family trust of Roberto Rossi), together with Pilatucom Holdings Limited (all the shares of which are held by trusts in which Jonathan Jawno is a contingent discretionary beneficiary), collectively continue to be the group's largest shareholders of reference.

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

NON-EXECUTIVE DIRECTORS

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

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

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

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

PART 2

IMPLEMENTATION REPORT

EXECUTIVE COMPENSATION

The following table provides a breakdown of the annual remuneration (excluding LTIs) of directors and prescribed officers for the year ended 30 September:

	2019				2018			
	Salary R	Short-term employee benefits R	Annual incentive bonus R	Total R	Salary R	Short-term employee benefits R	Annual incentive bonus R	Total R
EXECUTIVE DIRECTORS								
Sean Doherty*	944 338	153 119	833 333	1 930 790	–	–	–	–
Ronen Goldstein**	1 576 575	184 857	700 000	2 461 432	1 719 900	201 663	1 102 500	3 024 063
Mark Herskovits	2 478 398	424 734	3 194 745	6 097 877	2 320 484	412 310	2 530 628	5 263 422
David Hurwitz	3 687 729	584 627	3 501 816	7 774 172	3 320 046	563 914	3 501 816	7 385 776
Jonathan Jawno	1 311 813	213 237	4 500 000	6 025 050	1 327 341	197 709	4 500 000	6 025 050
Michael Mendelowitz	1 311 813	213 237	4 500 000	6 025 050	1 292 885	232 165	4 500 000	6 025 050
PRESCRIBED OFFICERS								
Terry Kier	3 229 775	2 209 440	3 152 470	8 591 685	3 012 417	2 223 361	3 244 395	8 480 173
David McAlpin	3 319 126	328 099	2 626 190	6 273 415	3 049 257	309 719	2 477 538	5 836 514
TOTAL	17 859 567	4 311 350	23 008 554	45 179 471	16 042 330	4 140 841	21 856 877	42 040 048

* *Sean Doherty was appointed as an executive director with effect from 1 June 2019.*

** *Ronen Goldstein resigned as an executive director with effect from 31 May 2019.*

COST TO COMPANY

The remuneration committee believes that the CTC is fair in light of the outcomes of the benchmarking undertaken and relative market norms.

SHORT-TERM INCENTIVES

All quantitative performance metrics set for the group and the divisions were achieved in the 2019 financial year. In addition, the following qualitative initiatives were achieved:

- Although progress against transformation objectives was made, including maintaining Broad-Based Black Economic Empowerment (B-BBEE) scorecard levels, the pace of this change was not sufficient.
- Successfully implementing strategy in a challenging environment.
- The following additional strategic initiatives were achieved in the current year:
  - Overall improvement in the state of the group during 2019.
  - Specific corporate transactions completed, in particular the equity transaction in which the South African National Taxi Council (SANTACO) subscribed for 25% of SA Taxi.
  - Establishing new divisions/business initiatives, including SA Taxi Auto Parts in SA Taxi, and TC Global Finance and TC Specialised Finance in TCRS.
  - The finalisation of the integration of the acquisitions completed in 2017.
  - The ongoing management of risk.
  - Meeting capital management requirements, including:
    - › Diversifying the group's funding sources.
    - › Managing the group's cost of funding.

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

CHIEF EXECUTIVE OFFICER

David Hurwitz

David Hurwitz's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R2 801 453 (8 months)	Growth of the group's core HEPS and core return on equity achieved.
QUALITATIVE	R700 363 (2 months)	■ Overall improvement in the state of the group during 2019. ■ The finalisation of the integration of the acquisitions completed in 2017. ■ The execution and finalisation of the SA Taxi ownership transaction with SANTACO. ■ Progress achieved in implementing the group's strategic objectives, including stringent capital management in a challenging trading environment, and establishing TC Global Finance and TC Specialised Finance.
DISCRETIONARY	Nil	
TOTAL	**R3 501 816**	

CHIEF FINANCIAL OFFICER

Sean Doherty

Sean Doherty's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R666 667 (8 months apportioned for period of employment)	Growth of the group's core HEPS and core return on equity achieved.
QUALITATIVE	R166 666 (2 months apportioned for period of employment)	Improvement in the state of the financial, risk and reporting structures of the group.
DISCRETIONARY	Nil	
TOTAL	**R833 333**	

EXECUTIVE DIRECTOR: CAPITAL MANAGEMENT

Mark Herskovits

Mark Herskovits's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R1 950 884 (8 months)	Growth of SA Taxi's core HEPS and core return on equity achieved.
QUALITATIVE	R243 861 (1 month)	■ Progress achieved in implementing the group's strategic objectives, including stringent capital management in a challenging trading environment and supporting SA Taxi's strategic initiatives.
DISCRETIONARY	R1 000 000 (4.1 months)	■ The execution and finalisation of the SA Taxi ownership transaction with SANTACO.
TOTAL	**R3 194 745**	

PRESCRIBED OFFICERS

Terry Kier

Terry Kier's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R2 865 882 (10 months)	Growth of SA Taxi's core headline earnings and return on equity achieved.
QUALITATIVE	R286 588 (1 month)	■ Overall improvement in the state of SA Taxi during 2019. ■ The execution and finalisation of the SA Taxi ownership transaction with SANTACO. ■ Progress achieved in implementing SA Taxi's strategic objectives.
DISCRETIONARY	Nil	
TOTAL	**R3 152 470**	

David McAlpin

David McAlpin's incentive bonus for 2019 comprised:

Portion	Amount	Rationale
QUANTITATIVE	R1 313 095 (4.5 months)	Growth of TCRS's core headline earnings.
QUALITATIVE	R1 313 095 (4.5 months)	■ Overall improvement in the state of TCRS during 2019. ■ The finalisation of the integration of the acquisitions completed in 2017. ■ Progress achieved in implementing TCRS's strategic objectives, including the growth in purchased book debt acquisitions and establishing TC Global Finance and TC Specialised Finance. ■ Maintaining Transaction Capital Recoveries' B-BBEE rating at Level 2*.
DISCRETIONARY	Nil	
TOTAL	**R2 626 190**	

* *Note that TCRS achieved a B-BBEE Level 1 rating subsequent to year-end.*

FOUNDERS

Jonathan Jawno

Jonathan Jawno's incentive bonus of R4 500 000 for 2019 comprised:

- A quantitative bonus for the growth of the group's core HEPS.
- A qualitative bonus for his specific role in the management of risk and capital.

Michael Mendelowitz

Michael Mendelowitz's incentive bonus of R4 500 000 for 2019 comprised:

- A quantitative bonus for the growth of the group's core HEPS.
- A qualitative bonus for his specific contribution toward capital deployment as well as strategic and acquisitive opportunities, in particular:
  - The execution and finalisation of the SA Taxi ownership transaction with SANTACO.
  - Establishing TC Global Finance and TC Specialised Finance.

Future focus areas, which will inform STIs for executive directors in the next financial year, are as follows:

- Continued headline earnings and HEPS growth.
- Achieving employment equity performance targets.
- Improving B-BBEE scorecards.
- Enhanced risk management.
- Operationalisation of the new ethics structures.
- Specific focus areas for SA Taxi:
  - Continued exploration of alternative growth vectors.
  - Restructure of the business into more discreet focus pillars.
  - System implementation across multiple areas and technology integration.
  - Achieving specific human capital goals, including:
    - › Improving retention rates of key employees.
    - › Development of staff in succession plans.
- Specific focus areas for TCRS:
  - Continued investment in technology and system optimisation to retain its competitive advantage.
  - New client acquisition.
  - Achieving specific human capital goals, including:
    - › Improving retention rates of key employees.
    - › Development of staff in succession plans.
    - › Skills transfer and mentorship.

LONG-TERM INCENTIVES

CONDITIONAL SHARE PLAN

The remuneration committee approved the following criteria for all CSP awards that commenced in June 2019:

VESTING PERIOD

- 100% of the CSP award is based on meeting the performance criteria (as determined below) to vest as follows:
  - Year three: 33.3%.
  - Year four: 33.3%.
  - Year five: 33.3%.
- No portion of the CSP award is based on continued employment alone, and all are subject to the performance criteria detailed below.

PERFORMANCE CRITERIA

The following performance criteria have been set (per division for divisional executives, and on a consolidated basis for group executives):

Continuing core HEPS growth over vesting period*	% of CSP to be awarded
CPI	20%
CPI + 5% (South Africa)	100%
CPI + 2% (Australia)	100%

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

As detailed previously, super-performance is to be rewarded, where select executives (as approved by the remuneration committee on every CSP issuance) will receive an additional component equal to 25% of their CSP settlement value, should predetermined stretch performance criteria be met, as set out in the table below:

	Target (annualised core HEPS growth)*
Group	>17.5%
SA Taxi	>20.0%
TCRS	>15.0%

** If minimum targets are not achieved, there will be no additional settlement.*

It is the view of the remuneration committee that LTI awards promote long-term equity value creation for employees and shareholders alike, while STI awards serve to reward superior financial and operational performance for the past financial year. As the value of the CSP on vesting is based on the equity valuation of each division (and Transaction Capital group for group employees), employees are rewarded for the quality and sustainability of earnings over the long term, thus aligning their interests with the group's shareholders. As a result, the growth hurdle of the CSP is viewed to be appropriate.

The following table shows the CSP position of executive directors and prescribed officers at 30 September 2019:

	Component	Present value of CSP awards	CSP awards	Vesting period	CSP awards exercised during the year	Gains on CSP awards exercised during the year
EXECUTIVE DIRECTORS						
DAVID HURWITZ	Group					
Granted on 22 November 2016		1 280 512	101 063	2 to 4	30 758	554 259
Granted on 22 November 2017		1 665 106	132 186	2 to 5	–	–
Granted on 20 November 2018		2 990 230	183 554	2 to 5	–	–
Granted on 26 November 2019		3 632 316	191 007	3 to 5		
SEAN DOHERTY	Group					
Granted on 19 June 2019		5 568 168	323 668	3 to 5	–	–
Granted on 26 November 2019		1 634 558	85 954	3 to 5		
MARK HERSKOVITS	SA Taxi					
Granted on 22 November 2016		953 889	122 649	2 to 4	37 328	408 099
Granted on 29 May 2017		1 267 210	164 824	2 to 4	50 164	557 483
Granted on 22 November 2017		839 072	94 480	2 to 5	–	–
Granted on 20 November 2018		1 286 537	130 059	2 to 5	–	–
Granted on 26 November 2019		1 688 093	120 492	3 to 5		
PRESCRIBED OFFICERS						
DAVID McALPIN	TCRS					
Granted on 22 November 2016		5 550 636	1 231 535	2 to 4	72 282	457 276
Granted on 22 November 2017		5 689 807	1 181 474	2 to 5	–	–
Granted on 25 March 2019		11 460 166	2 196 837	2 to 4	–	–

Ronen Goldstein (who resigned as an executive director effective 31 May 2019) gained R3 035 082 from the exercise of CSPs in the 2019 financial year.

Jonathan Jawno, Michael Mendelowitz and Terry Kier do not participate in the CSP.

Refer to note 24.2 in the group's 2019 consolidated annual financial statements for further details on the CSP.

SHARE APPRECIATION RIGHTS PLAN

All SAR plan awards were approved by the remuneration committee. No SARs have been awarded since 25 November 2015. In previous years, executives were awarded SARs based on executive performance, potential, tenure, job grade, current fixed compensation and STIs relative to market benchmarks; the recommendation of the CEO; and the reasonably expected growth in Transaction Capital's share price.

The following table shows the SAR position of executive directors and prescribed officers at 30 September 2019:

	Present value of SARs R	SARs Number	Vesting period Years	SARs vested during the year and not exercised Number	SARs exercised during the year Number	Gains on SARs exercised during the year R
EXECUTIVE DIRECTORS						
DAVID HURWITZ						
Granted on 25 November 2014	–	–	4	–	300 000	3 775 524
Granted on 26 November 2015	830 000	250 000	4	–	–	–
MARK HERSKOVITS						
Granted on 25 November 2014	–	–	4	–	250 000	3 146 270
Granted on 26 November 2015	498 000	150 000	4	–	–	–
PRESCRIBED OFFICERS						
DAVID McALPIN						
Granted on 25 November 2014	–	–	4	–	751 685	8 262 568
Granted on 26 November 2015	664 000	200 000	4	–	–	–

Ronen Goldstein (who resigned as an executive director effective 31 May 2019) gained R2 818 590 from the exercise of SARs in the 2019 financial year.

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

Refer to note 24.1 in the group's 2019 consolidated annual financial statements for further details on the SAR plan.

DIRECT INVESTMENT

Terry Kier (CEO of SA Taxi) holds a direct investment in SA Taxi Holdings Proprietary Limited, incentivising him and directly aligning his long-term interests with those of SA Taxi, Transaction Capital and its shareholders.

Terry Kier disposed of 0.5% of his shareholding to Transaction Capital on 1 December 2018 for total proceeds of R28 million. Terry's shareholding was further diluted following SA Taxi's ownership transaction with SANTACO.

At 30 September 2019, Terry Kier held a direct investment of 1.2% (2018: 2%) in SA Taxi Holdings Proprietary Limited. This shareholding was valued at R121 million.

Terry Kier owed a wholly-owned subsidiary of Transaction Capital an amount of R25 million at 30 September 2019. The loan was granted on an interest-free basis and will be repaid upon certain pre-determined events. Appropriate fringe benefits tax has been levied on the interest-free loan, the benefit of which is included in the executive compensation table.

Terry Kier does not participate in the SAR or CSP plans.

SHAREHOLDING

The remuneration committee continually assesses whether those executives charged with setting and implementing group strategy are meaningfully invested in Transaction Capital, by way of direct investment and/or through the CSP. As mentioned previously, the remuneration committee has set an executive investment policy that mandates that key executives should hold a meaningful interest in Transaction Capital, with a minimum target exposure to Transaction Capital's equity value maintained at three times annual CTC (held directly or indirectly). Where the equity value of a key executive of the group is determined to be low, accelerated annual LTI awards or once-off LTI awards may be awarded.

The executive directors of the group hold the following direct or indirect equity value in Transaction Capital Limited at 30 September 2019, aligning their interests with the broader shareholder base:

	Notes	Shares held	Valuation of shares at closing share price on 30 September 2019	SAR position at 30 September 2019*	CSP position at 30 September 2019*	Total equity value to the group	Cover of annual CTC
		Number	**R**	**R**	**R**	**R**	**Times**
EXECUTIVE DIRECTORS							
Sean Doherty	1	–	–	–	7 169 246	7 169 246	<3
Mark Herskovits		1 471 444	32 592 485	1 764 000	8 238 273	42 594 758	>3
David Hurwitz	2	4 982 841	110 369 928	2 940 000	9 232 186	122 542 114	>3
PRESCRIBED OFFICERS							
Terry Kier	3	–	–	–	–	–	
David McAlpin		–	–	2 352 000	33 411 332	35 763 332	>3
FOUNDERS							
Jonathan Jawno	4	59 333 333	1 314 233 326	–	–	1 314 233 326	>3
Michael Mendelowitz	5	59 333 333	1 314 233 326	–	–	1 314 233 326	>3
TOTAL		125 120 951	2 771 429 065	7 056 000	58 051 037	2 836 536 102	

** SAR/CSP valuations are determined on current share prices and are prior to any tax payable.*

1. *Sean Doherty joined Transaction Capital as an executive director in June 2019. The minimum target exposure to Transaction Capital's equity value will be built up over the next three to five years.*
2. *Shares are held by David Hurwitz in his personal capacity and by the Dovie Trust, in which David Hurwitz is a discretionary beneficiary. The total above includes both David Hurwitz's direct and indirect holdings.*
3. *The Empire Trust, of which Terry Kier is a discretionary beneficiary, owns 1.2% of SA Taxi Holdings (Pty) Ltd.*
4. *Pilatucom Holdings Limited owns 59 333 333 shares in Transaction Capital Limited. All the shares of Pilatucom Holdings Limited are held by trusts in which Jonathan Jawno is a discretionary contingent beneficiary.*
5. *The Rutland Trust, of which Michael Mendelowitz is a discretionary contingent beneficiary, owns 59 333 333 shares in Transaction Capital Limited.*

NON-EXECUTIVE DIRECTORS' FEES

Fees paid to non-executive directors are for directorship and membership of committees, with no additional meeting attendance fees paid. This is due to board members providing input to the company on an ongoing basis, and is thus 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 AGM. As from 1 June 2017, VAT is payable on non-executive directors' fees, where appropriate.

The following table shows the fees paid to non-executive directors for the year ended 30 September 2019:

	C Seabrooke[1] R	P Langeni R	R Rossi[2] R	K Pillay R
BOARD MEMBERS				
Board chairman (including committee attendance)	1 636 667	–	–	–
Board director	–	382 083	382 083	382 083
Audit, risk and compliance committee (chairperson)	–	–	–	–
Audit, risk and compliance committee (member)	–	163 667	–	–
Asset and liability committee (member)	–	–	–	–
Remuneration committee (chairperson)	–	–	–	273 167
Remuneration committee (member)	–	–	–	–
Nominations committee (member)	–	–	131 167	131 167
Social and ethics committee (chairperson)	–	273 167	–	–
Social and ethics committee (member)	–	–	–	131 167
TOTAL ANNUAL FEES	**1 636 667**	**818 917**	**513 250**	**917 584**

The following table shows the fees paid to non-executive directors for the year ended 30 September 2018:

	C Seabrooke[1] R	P Langeni[2] R	R Rossi[3] R	K Pillay[4] R
BOARD MEMBERS				
Board chairman (including committee attendance)	1 552 500	–	–	–
Board director	–	362 250	362 250	362 250
Audit, risk and compliance committee (chairperson)	–	–	–	–
Audit, risk and compliance committee (member)	–	155 250	–	–
Asset and liability committee (member)	–	–	–	–
Remuneration committee (chairperson)	–	–	–	258 750
Remuneration committee (member)	–	–	–	–
Nominations committee (member)	–	–	124 200	124 200
Social and ethics committee (chairperson)	–	258 750	–	–
Social and ethics committee (member)	–	–	–	114 200
TOTAL ANNUAL FEES	**1 552 500**	**776 250**	**486 450**	**859 400**

O Ighodaro[3]	P Miller	D Radley[4]	B Hanise[5]	
R	R	R	R	**TOTAL**
–	–	–	–	**1 636 667**
61 833	382 083	382 083	289 333	**2 261 581**
66 250	–	342 625	–	**408 875**
–	–	26 500	123 917	**314 084**
21 200	–	131 167	99 367	**251 734**
–	–	–	–	**273 167**
–	131 167	–	–	**131 167**
–	–	–	–	**262 334**
–	–	–	–	**273 167**
–	–	–	–	**131 167**
149 283	**513 250**	**882 375**	**512 617**	**5 943 943**

1. *Christopher Seabrooke is also the chairperson of the nominations committee and a member of the remuneration committee, audit, risk and compliance committee, and asset and liability committee.*
2. *In addition to the fees reported above, Roberto Rossi received R1 096 667 for consulting services and R7 000 000 for corporate finance and legal services rendered to the group.*
3. *Resigned as a non-executive director effective 30 November 2018.*
4. *Appointed as chairperson of the audit, risk and compliance committee effective 1 December 2018. In addition to the fees reported above, Diane Radley received directors' fees of R323 000 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.*
5. *Appointed as a non-executive director effective 1 January 2019.*

O Ighodaro	P Miller[5]	D Radley[6]	
R	R	R	**TOTAL**
–	–	–	**1 552 500**
362 250	362 250	77 292	**1 888 542**
388 125	–	–	**388 125**
–	–	33 125	**188 375**
124 200	–	26 500	**150 700**
–	–	–	**258 750**
–	114 200	–	**114 200**
–	–	–	**248 400**
–	–	–	**258 750**
–	–	–	**114 200**
874 575	**476 450**	**136 917**	**5 162 542**

1. *Christopher Seabrooke is also the chairperson of the nominations committee and a member of the remuneration committee, audit, risk and compliance committee, and asset and liability committee.*
2. *In addition to the fees reported above, Phumzile Langeni received directors' fees of R117 700 for acting as an independent non-executive director of Transaction Capital Risk Services Holdings (Pty) Ltd and SA Taxi Holdings (Pty) Ltd. Phumzile resigned as a director from the Transaction Capital Risk Services Holdings (Pty) Ltd board effective 28 March 2018 and the SA Taxi Holdings (Pty) Ltd board effective 31 July 2018.*
3. *In addition to the fees reported above, Roberto Rossi received R1 096 667 for consulting services and R4 500 000 for corporate finance and legal services rendered to the group.*
4. *Appointed as a member of the social and ethics committee effective 1 November 2017.*
5. *Appointed as a member of the remuneration committee effective 1 November 2017.*
6. *Appointed as a non-executive director effective 15 July 2018. In addition to the fees reported above, Diane Radley received directors' fees of R65 250 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.*

07

FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

BASIS FOR PREPARATION

The auditors, Deloitte & Touche, have issued an unmodified audit opinion on the consolidated annual financial statements. The audit was conducted in accordance with International Standards on Auditing.

The consolidated annual financial statements and summarised consolidated annual financial statements have been prepared under the supervision of Sean Doherty (CA)SA, chief financial officer. These results represent a summary of the complete set of audited consolidated annual financial statements of Transaction Capital, approved on 26 November 2019, and they are themselves not audited or reviewed. The directors take full responsibility and confirm that this information has been correctly extracted from the consolidated annual financial statements, which are available online at www.transactioncapital.co.za.

The summarised consolidated annual financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee), Financial Pronouncements as issued by Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting and in accordance with the requirements of Companies Act of South Africa, 71 of 2008.

The accounting policies and methods of computation applied in the preparation of these summarised consolidated annual financial statements are in terms of IFRS and are consistent, in all material respects, with those details in Transaction Capital's prior year consolidated annual financial statements, except for the adoption of IFRS 17 – Insurance Contracts and IFRS 15 – Revenue from Contracts with Customers.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September

	2019 Rm	2018 Restated* Rm
ASSETS		
Cash and cash equivalents	**919**	900
Tax receivables	**26**	17
Trade and other receivables	**1 287**	1 126
Inventories	**832**	478
Loans and advances	**10 991**	9 592
Purchased book debts	**2 382**	1 374
Other loans receivable	**45**	39
Equity accounted investments	**92**	–
Intangible assets	**294**	283
Property and equipment	**172**	167
Goodwill	**1 152**	1 142
Deferred tax assets	**271**	368
TOTAL ASSETS	**18 463**	15 486
LIABILITIES		
Bank overdrafts	**381**	116
Other short-term borrowings	**76**	–
Tax payables	**16**	5
Trade and other payables	**709**	737
Provisions	**53**	55
Insurance contract liabilities	**537**	607
Benefits ceded on insurance contracts relating to inventories	**54**	61
Benefits ceded on insurance contracts relating to loans and advances	**174**	204
Benefits accruing to insurance contract holders	**309**	342
Interest-bearing liabilities	**10 806**	9 817
Senior debt	**10 287**	8 753
Subordinated debt	**517**	1 060
Finance lease liabilities	**2**	4
Deferred tax liabilities	**413**	326
TOTAL LIABILITIES	**12 991**	11 663
EQUITY		
Ordinary share capital	**1 103**	1 056
Reserves	**179**	52
Retained earnings	**3 614**	2 656
EQUITY ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**4 896**	3 764
Non-controlling interests	**576**	59
TOTAL EQUITY	**5 472**	3 823
TOTAL EQUITY AND LIABILITIES	**18 463**	15 486

* *Restated for the early adoption of IFRS 17 – Insurance Contracts.*

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September

	2019 Rm	2018 Restated* Rm
Interest income	**2 472**	2 154
Interest expense	**(1 193)**	(1 054)
NET INTEREST INCOME	**1 279**	1 100
Impairment of loans and advances	**(336)**	(321)
RISK-ADJUSTED NET INTEREST INCOME	**943**	779
Non-interest revenue	**2 688**	2 335
Net insurance result	**364**	301
Insurance revenue	**823**	685
Insurance service expense	**(455)**	(385)
Insurance finance (expense)/income	**(4)**	1
Other non-interest revenue	**2 324**	2 034
Operating costs	**(2 562)**	(2 195)
Non-operating profit/(loss)	**7**	(3)
Equity accounted income	**4**	–
PROFIT BEFORE TAX	**1 080**	916
Income tax expense	**(293)**	(218)
PROFIT FOR THE YEAR	**787**	698
PROFIT FOR THE YEAR ATTRIBUTABLE TO:		
Ordinary equity holders of the parent	**727**	682
Non-controlling interests	**60**	16
EARNINGS PER SHARE (CENTS)		
Basic earnings per share	**118.8**	111.7
Diluted basic earnings per share	**117.4**	110.6

* *Restated for the early adoption of IFRS 17 – Insurance Contracts.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September

	2019 Rm	2018 Restated* Rm
PROFIT FOR THE YEAR	**787**	698
OTHER COMPREHENSIVE INCOME		
Movement in cash flow hedging reserve	**1**	2
Fair value gain arising during the year	**1**	3
Deferred tax	**–**	(1)
Exchange gain/(loss) on translation of foreign operations	**5**	(14)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**793**	686
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Ordinary equity holders of the parent	**733**	670
Non-controlling interests	**60**	16

* *Restated for the early adoption of IFRS 17 – Insurance Contracts.*

CONSOLIDATED HEADLINE EARNINGS RECONCILIATION

For the year ended 30 September

	2019 Rm	2018 Restated* Rm
BASIC EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**727**	682
Headline earnings adjustments:		
Profit on disposal of subsidiary	**(8)**	–
HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**719**	682
Core headline earnings adjustments:		
Once-off transaction costs	**84**	–
CORE HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**803**	682
HEADLINE EARNINGS PER SHARE (CENTS)		
Basic headline earnings per share	**117.5**	111.7
Diluted basic headline earnings per share	**116.1**	110.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September

	Share capital Rm	Reserves Rm	Retained earnings Rm	Ordinary equity holders of the parent Rm	Non-controlling interests Rm	Total equity Rm
BALANCE AT 30 SEPTEMBER 2017 AS PREVIOUSLY REPORTED	1 056	34	2 628	3 718	54	3 772
Adjustment on initial adoption of IFRS 17	–	–	(370)	(370)	–	(370)
RESTATED BALANCE AT 1 OCTOBER 2017	1 056	34	2 258	3 348	54	3 402
Total comprehensive (loss)/income	–	(12)	682	670	16	686
Profit for the year	–	–	682	682	16	698
Other comprehensive loss	–	(12)	–	(12)	–	(12)
Grant of share appreciation rights and conditional share plans	–	31	–	31	–	31
Settlement of share appreciation rights	–	(1)	(4)	(5)	–	(5)
Dividends paid	–	–	(280)	(280)	(11)	(291)
Issue of shares	9	–	–	9	–	9
Repurchase of shares	(9)	–	–	(9)	–	(9)
RESTATED BALANCE AT 30 SEPTEMBER 2018	1 056	52	2 656	3 764	59	3 823
Adjustment on initial adoption of IFRS 15*	–	–	(9)	(9)	–	(9)
RESTATED BALANCE AT 1 OCTOBER 2018	**1 056**	**52**	**2 647**	**3 755**	**59**	**3 814**
Total comprehensive income	**–**	**6**	**727**	**733**	**60**	**793**
Profit for the year	**–**	**–**	**727**	**727**	**60**	**787**
Other comprehensive income	**–**	**6**	**–**	**6**	**–**	**6**
Disposal of subsidiary	**–**	**–**	**–**	**–**	**(3)**	**(3)**
Transactions with non-controlling interests	**–**	**100**	**610**	**710**	**497**	**1 207**
Grant of share appreciation rights and conditional share plans	**–**	**45**	**–**	**45**	**–**	**45**
Settlement of share appreciation rights and conditional share plans	**–**	**(24)**	**(27)**	**(51)**	**–**	**(51)**
Dividends paid	**–**	**–**	**(343)**	**(343)**	**(37)**	**(380)**
Issue of shares	**58**	**–**	**–**	**58**	**–**	**58**
Repurchase of shares	**(11)**	**–**	**–**	**(11)**	**–**	**(11)**
BALANCE AT 30 SEPTEMBER 2019	**1 103**	**179**	**3 614**	**4 896**	**576**	**5 472**

* *The group adopted IFRS 15 – Revenue from Contracts with Customers during the 2019 financial year. In accordance with the transitional provisions of IFRS 15, the group adopted this standard retrospectively, with the cumulative effect of initial adoption reported as an adjustment to the opening balance of retained earnings.*

CONSOLIDATED STATEMENT OF CASH FLOWS

	2019 **Rm**	2018 Restated* Rm
CASH FLOW FROM OPERATING ACTIVITIES		
Cash generated by operations	**1 731**	1 464
Income taxes paid	**(108)**	(87)
Dividends paid	**(380)**	(291)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND WORKING CAPITAL	**1 243**	1 086
INCREASE IN OPERATING ASSETS	**(2 908)**	(2 057)
Loans and advances	**(1 741)**	(1 457)
Purchased book debts	**(1 167)**	(600)
CHANGES IN WORKING CAPITAL	**(553)**	(520)
Increase in inventories	**(354)**	(265)
Increase in trade and other receivables	**(167)**	(430)
(Increase)/decrease in other loans receivable	**(6)**	2
(Decrease)/increase in trade and other payables	**(26)**	173
NET CASH UTILISED BY OPERATING ACTIVITIES	**(2 218)**	(1 491)
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	**(48)**	(59)
Proceeds on disposal of property and equipment	**3**	5
Acquisition of intangible assets	**(57)**	(60)
Acquisition of equity accounted investment	**(87)**	–
Business combinations	**(7)**	(35)
Proceeds on disposal of subsidiary	**8**	–
NET CASH UTILISED BY INVESTING ACTIVITIES	**(188)**	(149)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from interest-bearing liabilities	**9 088**	5 946
Settlement of interest-bearing liabilities	**(8 101)**	(4 320)
Increase in other short-term borrowings	**76**	–
Additional interest acquired in subsidiary	**(28)**	–
Net proceeds on issue of shares by subsidiary to non-controlling interests	**1 135**	–
Repurchase of shares	**(11)**	(9)
NET CASH GENERATED BY FINANCING ACTIVITIES	**2 159**	1 617
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(247)**	(23)
Cash and cash equivalents at the beginning of the year**	**784**	808
Effects of exchange rate changes on the balance of cash held in foreign currencies	**1**	(1)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR**	**538**	784

* *Restated for the early adoption of IFRS 17 – Insurance Contracts.*
** *Cash and cash equivalents are presented net of bank overdrafts.*

CONSOLIDATED SEGMENT REPORT

	SA Taxi		Transaction Capital Risk Services		Group executive office**		Group	
	2019 Rm	2018 Restated* Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Rm	**2019 Rm**	2018 Restated* Rm
SUMMARISED INCOME STATEMENT								
For the year ended 30 September								
Net interest income	**1 217**	979	**(13)**	51	**75**	70	**1 279**	1 100
Impairment of loans and advances	**(322)**	(306)	**(14)**	(15)	**–**	–	**(336)**	(321)
Non-interest revenue	**584**	498	**2 104**	1 837	**–**	–	**2 688**	2 335
Operating costs	**(896)**	(674)	**(1 650)**	(1 510)	**(16)**	(11)	**(2 562)**	(2 195)
Non-operating profit/(loss)	**–**	–	**7**	(3)	**–**	–	**7**	(3)
Equity accounted income	**–**	–	**4**	–	**–**	–	**4**	–
PROFIT BEFORE TAX	**583**	497	**438**	360	**59**	59	**1 080**	916
Profit attributable to ordinary equity holders of parent	**365**	368	**321**	273	**41**	41	**727**	682
Headline earnings adjustments	**–**	–	**(8)**	–	**–**	–	**(8)**	–
Once-off transaction costs***	**81**	–	**–**	–	**3**	–	**84**	–
CORE HEADLINE EARNINGS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	**446**	368	**313**	273	**44**	41	**803**	682
SUMMARISED STATEMENT OF FINANCIAL POSITION								
At 30 September								
ASSETS								
Cash and cash equivalents	**693**	677	**194**	168	**32**	55	**919**	900
Trade and other receivables	**965**	769	**317**	360	**5**	(3)	**1 287**	1 126
Inventories	**831**	478	**1**	–	**–**	–	**832**	478
Loans and advances	**10 412**	9 026	**579**	566	**–**	–	**10 991**	9 592
Purchased book debts	**–**	–	**2 382**	1 374	**–**	–	**2 382**	1 374
Equity accounted investment	**–**	–	**92**	–	**–**	–	**92**	–
Other assets	**885**	933	**1 035**	1 066	**40**	17	**1 960**	2 016
TOTAL ASSETS	**13 786**	11 883	**4 600**	3 534	**77**	69	**18 463**	15 486
LIABILITIES								
Bank overdrafts	**99**	116	**282**	–	**–**	–	**381**	116
Trade and other payables	**275**	333	**396**	368	**38**	36	**709**	737
Insurance contract liabilities	**537**	607	**–**	–	**–**	–	**537**	607
Interest-bearing liabilities	**9 929**	9 503	**1 821**	1 345	**(944)**	(1 031)	**10 806**	9 817
Senior debt	**9 249**	7 650	**1 038**	1 103	**–**	–	**10 287**	8 753
Subordinated debt	**517**	683	**–**	–	**–**	377	**517**	1 060
Finance leases	**–**	–	**2**	4	**–**	–	**2**	4
Group loans	**163**	1 170	**781**	238	**(944)**	(1 408)	**–**	–
Other liabilities	**192**	56	**361**	330	**5**	–	**558**	386
TOTAL LIABILITIES	**11 032**	10 615	**2 860**	2 043	**(901)**	(995)	**12 991**	11 663
TOTAL EQUITY	**2 754**	1 268	**1 740**	1 491	**978**	1 064	**5 472**	3 823

* *Restated for the early adoption of IFRS 17 – Insurance Contracts.*

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

*** *Transaction Capital's core financial ratios exclude once-off costs of R84 million attributable to the group relating to SA Taxi's ownership transaction with the South African National Taxi Council (SANTACO), which arose in the first half of the 2019 financial year. R81 million of these costs are non-cash and in accordance with IFRS 2 – Share-based Payment. A further R3 million relates to early debt settlement costs.*

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 30 September

FAIR VALUE DISCLOSURE

	Carrying value 2019 Rm	**Fair value 2019 Rm**	Carrying value 2018 Restated Rm	Fair value 2018 Restated Rm
ASSETS				
Loans and advances*	**10 759**	**10 744**	9 251	9 246
Purchased book debts	**2 382**	**2 382**	1 374	1 374
Other loans receivable	**45**	**45**	39	39
Trade and other receivables**	**849**	**849**	860	860
Cash and cash equivalents	**919**	**919**	900	900
TOTAL	**14 954**	**14 939**	12 424	12 419
LIABILITIES				
Interest-bearing liabilities	**10 806**	**11 195**	9 817	9 870
Fixed rate liabilities	**266**	**279**	240	247
Floating rate liabilities	**10 540**	**10 916**	9 577	9 623
Trade and other payables***	**473**	**473**	510	510
Other short-term borrowings	**76**	**76**	–	–
Bank overdrafts	**381**	**381**	116	116
TOTAL	**11 736**	**12 125**	10 443	10 496
NET EXPOSURE	**3 218**	**2 814**	1 981	1 923

* *Loans and advances net of expected credit losses (ECL) and benefits ceded on insurance contracts to the credit provider. Loans and advances relating to repossessed stock of R58 million (2018: R137 million) are not financial assets and therefore have been excluded from loans and advances.*

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

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

VALUATION METHODS AND ASSUMPTIONS:

Loans and advances for premium vehicles entered into at variable interest rates approximate fair value as the estimated future cash flows are already considered in the expected loss model. The fair value of loans and advances for premium vehicles at fixed interest rates, which is a small component of the loan book, is determined by adjusting the discount rate from the effective interest rate of the contract to a current effective lending rate. Loans and advances for entry-level vehicles are carried at fair value, refer "level disclosure" on next page for additional information in this regard.

Purchased book debt is held at amortised cost. The balance at year end is calculated based on the expected future cash flows which are adjusted for risk as it takes historical cash flows into account to predict forecasted cash flows. The fair value of purchased book debt would be determined by adjusting the discount rate from the credit-adjusted effective interest rate to a current market related discount rate and adjusting the expected cash flows for risk, therefore the carrying value approximates the fair value.

The fair value of interest-bearing liabilities is calculated based on future cash flows, discounted using a forward rate curve plus a valuation margin. The valuation margin is a consensus margin at which deals with similar remaining cash profiles could be secured in the market at the valuation date.

The carrying value of trade and other receivables, cash and cash equivalents, trade and other payables and bank overdrafts approximates fair value as they are short-term in nature and not subject to material changes in credit risk and fair value.

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 30 September

LEVEL DISCLOSURE

2019	**Level 1 Rm**	**Level 2 Rm**	**Level 3 Rm**	**Total Rm**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Loans and advances: entry-level vehicles	**–**	**–**	**19**	**19**
Other financial assets	**–**	**–**	**99**	**99**
Derivatives	**–**	**4**	**–**	**4**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	**–**	**190**	**–**	**190**
TOTAL FINANCIAL ASSETS	**–**	**194**	**118**	**312**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivatives	**–**	**1**	**–**	**1**
TOTAL FINANCIAL LIABILITIES	**–**	**1**	**–**	**1**

2018	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
Loans and advances: entry-level vehicles	–	–	23	23
Other financial assets	–	–	49	49
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	124	–	124
TOTAL FINANCIAL ASSETS	–	124	72	196
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
Derivatives	–	4	–	4
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
Derivatives	–	1	–	1
TOTAL FINANCIAL LIABILITIES	–	5	–	5

VALUATION METHODS AND ASSUMPTIONS:

Loans and advances for entry-level vehicles: The fair value was calculated using an income approach (estimating and discounting future cashflow) as well as the average collateral value. These represent the significant unobservable parameters applied in the fair value model. The expected cash flows were estimated using a lifetime expected loss model which is consistent with the IFRS 9 provision methodology. The expected cashflows were then discounted at the market related discount rate of 25% to yield a fair value of the total loans and advances for entry level-vehicles.

Other financial assets: The valuation of other financial assets is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. These represent the significant unobservable parameters applied in the fair value model. The group estimates the expected cash flows by considering all the contractual terms of the financial instrument. The discount rate applied to the expected future cash flows reflects specific risk premiums relating to the asset. This includes government risk, single project customer, no previous experience with client and small stock premium for valuations less than R250 million. The discount rate applied to the additional purchase price is based on the current South African prime interest rate.

Derivatives: The group enters into derivative financial instruments with respective counterparties. Interest rate swaps and cross-currency swaps are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves.

LEVEL DISCLOSURE *continued*

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS

2019	**Fair value through profit or loss Rm**	**Fair value through other comprehensive income Rm**	**Total Rm**
Opening balance	**72**	**–**	**72**
Total gains or losses			
In profit or loss	**(39)**	**–**	**(39)**
Other movements*	**85**	**–**	**85**
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	**118**	**–**	**118**

2018	Fair value through profit or loss Rm	Fair value through other comprehensive income Rm	Total Rm
Opening balance	88	–	88
Total gains or losses			
In profit or loss	(3)	–	(3)
Other movements*	(13)	–	(13)
CLOSING BALANCE OF FAIR VALUE MEASUREMENT	72	–	72

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

SENSITIVITY ANALYSIS OF VALUATIONS USING UNOBSERVABLE INPUTS

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

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 30 September

LEVEL DISCLOSURE *continued*

MOVEMENT IN FAIR VALUE GIVEN THE 10% CHANGE IN SIGNIFICANT ASSUMPTIONS

	2019		2018	
Loans and advances: entry-level vehicles	**10% Favourable Rm**	**10% Unfavourable Rm**	10% Favourable Rm	10% Unfavourable Rm
SIGNIFICANT UNOBSERVABLE INPUT AND DESCRIPTION OF ASSUMPTION				
Average collateral value	**1**	**(1)**	1	(1)
Discount rate: the rate used to discount projected future cash flows to present value	**1**	**(1)**	1	(1)
TOTAL	**2**	**(2)**	2	(2)

	2019		2018	
Other financial assets	**10% Favourable Rm**	**10% Unfavourable Rm**	10% Favourable Rm	10% Unfavourable Rm
SIGNIFICANT UNOBSERVABLE INPUT AND DESCRIPTION OF ASSUMPTION				
Cash flows: change in the expected revenue	**4**	**(4)**	1	(1)
Cash flows: change in expected costs	**<1**	**(<1)**	<1	(<1)
Discount rate: the rate used to discount projected future cash flows to present value	**2**	**(2)**	1	(1)
TOTAL	**6**	**(6)**	2	(2)

Amounts less than R500 000 are reflected as "<1".

NON-INTEREST REVENUE

Revenue earned from the group's vehicle insurance offering ('Net insurance result') mainly includes insurance premiums and commission income earned from insurance contracts, all of which are accounted for in accordance with IFRS 17 – Insurance Contracts, and therefore fall outside the scope of IFRS 15 – Revenue from Contracts with Customers (IFRS 15).

The recognition of revenue earned from collecting on purchased credit-impaired loan portfolios as principal ('Revenue from purchased book debts') is in accordance with the amortised cost model under IFRS 9 – Financial Instruments, and therefore fall outside the scope of IFRS 15.

Other non-interest revenue streams are disaggregated into the following major revenue streams in accordance with IFRS 15:

Non-interest revenue	**2019 Rm**	2018 Restated* Rm
NON-INTEREST REVENUE COMPRISES:		
Net insurance result	**364**	301
Revenue from purchased book debts	**902**	562
Other non-interest revenue	**1 422**	1 472
Fee-for-service revenue	**912**	939
Commission income	**75**	69
Fee income	**300**	298
Revenue from sale of goods	**74**	73
Other income	**61**	93
TOTAL NON-INTEREST REVENUE	**2 688**	2 335

* Restated for the early adoption of IFRS 17 – Insurance Contracts.

GROUP DATA SHEET

SA Taxi's ownership transaction with the South African National Taxi Council (SANTACO) was finalised on 6 February 2019. For the period from 6 February 2019 to 30 September 2019, Transaction Capital consolidated 81.4% of SA Taxi's headline earnings, compared to 98.5% previously.

Core financial ratios exclude once-off costs of R84 million attributable to the group relating to SA Taxi's ownership transaction with SANTACO, which arose in the first half of the 2019 financial year. R81 million of these costs are non-cash and in accordance with IFRS 2 – Share-based Payment. A further R3 million relates to early debt settlement costs.

SA Taxi has elected to early adopt IFRS 17 – Insurance Contracts. As the new accounting standard replacing IFRS 4, IFRS 17 aligns insurance provisioning policies to IFRS 9, in that provisions are based on a forward-looking expected loss model rather than an incurred loss model. The group's exposure to the underlying financed portfolio consists of both credit risk (measured in accordance with IFRS 9) and insurance risk (measured in accordance with IFRS 17) which are inextricably linked. To the extent that the insured event affects the recovery of the underlying asset and given that the assessment of risk and exposure on the underlying portfolio is considered on a group basis, a portion of the insurance contract liabilities relating to the active financed debtors and repossessed vehicle stock portfolios, is allocated to net loans and advances or inventories (where the repossessed vehicle stock has moved into a repair/realisation channel). All other insurance liabilities are reflected as part of insurance contract liabilities.

As a result, the data sheet has been presented on a net basis consistent with how the business manages credit and insurance risk. 2018 comparative numbers have been restated for the early adoption of IFRS 17 – Insurance Contracts.

		Year ended 30 September			Movement	
		2019 IFRS 17	2018 Restated IFRS 17	2017 IFRS 4	**2019**	2018
TRANSACTION CAPITAL GROUP						
SUMMARISED CONSOLIDATED INCOME STATEMENT						
Interest income	Rm	**2 472**	2 154	1 971	**15%**	9%
Interest expense	Rm	**(1 193)**	(1 054)	(964)	**13%**	9%
Net interest income	Rm	**1 279**	1 100	1 007	**16%**	9%
Impairment of loans and advances	Rm	**(336)**	(321)	(260)	**5%**	23%
Risk-adjusted net interest income	Rm	**943**	779	747	**21%**	4%
Non-interest revenue	Rm	**2 688**	2 335	1 937	**15%**	21%
Net insurance result	Rm	**364**	301	–	**21%**	100%
Insurance revenue	Rm	**823**	685	–	**20%**	100%
Insurance service expense	Rm	**(455)**	(385)	–	**18%**	100%
Insurance finance (expense)/income	Rm	**(4)**	1	–	**<(100%)**	100%
Income from insurance activities (IFRS 4)	Rm	**–**	–	260	**n/a**	(100%)
Other non-interest revenue	Rm	**2 324**	2 034	1 677	**14%**	21%
Core operating costs	Rm	**(2 458)**	(2 195)	(1 888)	**12%**	16%
Advertising, marketing and public relations	Rm	**(21)**	(23)	(12)	**(9%)**	92%
Amortisation of intangible assets	Rm	**(46)**	(41)	(31)	**12%**	32%
Amortisation of principal book portfolio	Rm	**(159)**	(117)	(117)	**36%**	0%
Audit fees	Rm	**(18)**	(17)	(17)	**6%**	0%
Bank charges	Rm	**(24)**	(25)	(20)	**(4%)**	25%
Commissions paid	Rm	**(38)**	(27)	(19)	**41%**	42%
Communication costs	Rm	**(78)**	(87)	(79)	**(10%)**	10%
Consulting fees	Rm	**(27)**	(28)	(32)	**(4%)**	(13%)
Depreciation	Rm	**(41)**	(37)	(32)	**11%**	16%
Electricity and water	Rm	**(25)**	(22)	(19)	**14%**	16%
Employee expenses	Rm	**(1 336)**	(1 238)	(1 055)	**8%**	17%
Fees paid	Rm	**(46)**	(43)	(39)	**7%**	10%
Handling, logistics and storage	Rm	**(100)**	(72)	(38)	**39%**	89%
Information technology	Rm	**(53)**	(48)	(40)	**10%**	20%
Non-executive directors' emoluments	Rm	**(7)**	(6)	(5)	**17%**	20%
Operating lease rentals	Rm	**(97)**	(87)	(70)	**11%**	24%
Professional fees	Rm	**(24)**	(19)	(16)	**26%**	19%
Risk management	Rm	**(23)**	(20)	(18)	**15%**	11%
Staff welfare	Rm	**(29)**	(26)	(21)	**12%**	24%
Travel	Rm	**(21)**	(19)	(16)	**11%**	19%
Training and seminars	Rm	**(12)**	(11)	(12)	**9%**	(8%)
Other	Rm	**(233)**	(182)	(180)	**28%**	1%

TRANSACTION CAPITAL GROUP

SUMMARISED CONSOLIDATED INCOME STATEMENT *continued*

		Year ended 30 September			Movement	
		2019 IFRS 17	2018 Restated IFRS 17	2017 IFRS 4	**2019**	2018
Core operating income	Rm	**1 173**	919	796	**28%**	15%
Non-operating profit/(loss)	Rm	**7**	(3)	(3)	**<(100%)**	0%
Equity accounted income	Rm	**4**	–	–	**100%**	n/a
Core profit before tax	Rm	**1 184**	916	793	**29%**	16%
Core income tax expense	Rm	**(294)**	(218)	(203)	**35%**	7%
Core profit for the year	Rm	**890**	698	590	**28%**	18%
Core profit for the year attributable to:	Rm	**890**	698	590	**28%**	18%
Ordinary equity holders of the parent	Rm	**811**	682	577	**19%**	18%
Non-controlling interests	Rm	**79**	16	13	**>100%**	23%
Core headline earnings for the year						
Core profit for the year attributable to ordinary equity holders of the parent	Rm	**811**	682	577	**19%**	18%
Adjusted for:						
Profit on disposal of subsidiary	Rm	**(8)**	–	–	**100%**	n/a
Core headline earnings for the year attributable to ordinary equity holders of the parent	Rm	**803**	682	577	**18%**	18%
Once-off transaction costs	Rm	**84**	–	22	**100%**	(100%)

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2019 IFRS 17	2018 Restated IFRS 17	2017 IFRS 4	**2019**	2018
Assets						
Cash and cash equivalents	Rm	**919**	900	944	**2%**	(5%)
Trade and other receivables	Rm	**1 287**	1 126	687	**14%**	64%
Inventories*	Rm	**778**	417	212	**87%**	97%
Loans and advances*	Rm	**10 817**	9 388	8 456	**15%**	11%
Purchased book debts	Rm	**2 382**	1 374	891	**73%**	54%
Equity accounted investments	Rm	**92**	–	–	**100%**	n/a
Intangible assets	Rm	**294**	283	247	**4%**	15%
Property and equipment	Rm	**172**	167	150	**3%**	11%
Goodwill	Rm	**1 152**	1 142	1 135	**1%**	1%
Other assets	Rm	**342**	424	322	**(19%)**	32%
Total assets	Rm	**18 235**	15 221	13 044	**20%**	17%
Liabilities						
Bank overdrafts	Rm	**381**	116	136	**>100%**	(15%)
Trade and other payables	Rm	**709**	737	479	**(4%)**	54%
Insurance contract liabilities**	Rm	**309**	342	92	**(10%)**	>100%
Interest-bearing liabilities	Rm	**10 806**	9 817	8 191	**10%**	20%
Senior debt	Rm	**10 287**	8 753	7 228	**18%**	21%
Subordinated debt	Rm	**517**	1 060	963	**(51%)**	10%
Finance leases	Rm	**2**	4	–	**(50%)**	100%
Other liabilities	Rm	**558**	386	374	**45%**	3%
Total liabilities	Rm	**12 763**	11 398	9 272	**12%**	23%
Equity						
Equity attributable to ordinary equity holders of the parent	Rm	**4 896**	3 764	3 718	**30%**	1%
Non-controlling interests	Rm	**576**	59	54	**>100%**	9%
Total equity	Rm	**5 472**	3 823	3 772	**43%**	1%
Total equity and liabilities	Rm	**18 235**	15 221	13 044	**20%**	17%

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* *Presented net of benefits ceded on insurance contracts related to inventories and loans and advances.*

** *Benefits accruing to insurance contract holders.*

TRANSACTION CAPITAL GROUP *continued*

		Year ended 30 September			Movement	
		2019 IFRS 17	2018 Restated IFRS 17	2017 IFRS 4	**2019**	2018
SHAREHOLDER STATISTICS						
Number of shares	m	**612.7**	610.2	610.1	**0%**	0%
Weighted average number of shares in issue	m	**611.8**	610.3	598.3	**0%**	2%
Core headline earnings per share	cents	**131.3**	111.7	96.4	**18%**	16%
Net asset value per share	cents	**799.1**	616.8	609.4	**30%**	1%
Interim dividend per share	cents	**27.0**	21.0	15.0	**29%**	40%
Final dividend per share	cents	**34.0**	29.0	25.0	**17%**	16%
Total dividend per share	cents	**61.0**	50.0	40.0	**22%**	25%
Core dividend cover	times	**2.2**	2.2	2.4		
CAPITAL ADEQUACY						
Equity	Rm	**5 472**	3 823	3 772	**43%**	1%
Subordinated debt	Rm	**517**	1 060	963	**(51%)**	10%
Total capital	Rm	**5 989**	4 883	4 735	**23%**	3%
Less: goodwill	Rm	**(1 152)**	(1 142)	(1 135)	**1%**	1%
Total capital less goodwill	Rm	**4 837**	3 741	3 600	**29%**	4%
Total assets less goodwill and cash and cash equivalents	Rm	**16 164**	13 179	10 965	**23%**	20%
Capital adequacy ratio	%	**29.9**	28.3	32.8		
Equity	%	**26.7**	20.3	24.0		
Subordinated debt	%	**3.2**	8.0	8.8		
PERFORMANCE INDICATORS						
Total income	Rm	**3 967**	3 435	2 944	**15%**	17%
Core cost-to-income ratio	%	**62.0**	63.9	64.1		
Average cost of borrowing	%	**11.1**	11.5	11.8		
Core return on average assets	%	**5.3**	4.9	4.8		
Core return on average equity	%	**18.7**	19.6	17.2		
Average assets	Rm	**16 937**	14 104	12 370	**20%**	14%
Average equity attributable to ordinary equity holders of the parent	Rm	**4 336**	3 486	3 364	**24%**	4%
Average interest-bearing liabilities	Rm	**10 718**	9 137	8 161	**17%**	12%
Leverage	times	**3.3**	4.0	3.5		
Debt funders	number	**37**	45	42	**(18%)**	7%
CREDIT RATINGS						
Transaction Capital R2 billion Domestic Note Programme (GCR rated)						
Long-term		**A-(za)**	A-(za)	A-(za)		
Short-term		**A2(za)**	A1-(za)	A1-(za)		
Employees	number	**4 662**	4 445	4 095	**5%**	9%

		Year ended 30 September			Movement	
		2019 IFRS 17	2018 Restated IFRS 17	2017 IFRS 4	**2019**	2018
SA TAXI						
SUMMARISED INCOME STATEMENT						
Interest income	Rm	**2 304**	1 991	1 765	**16%**	13%
Interest expense	Rm	**(1 087)**	(1 012)	(880)	**7%**	15%
Net interest income	Rm	**1 217**	979	885	**24%**	11%
Impairment of loans and advances	Rm	**(322)**	(306)	(253)	**5%**	21%
Non-interest revenue	Rm	**584**	498	427	**17%**	17%
Net insurance result	Rm	**364**	301	–	**21%**	100%
Insurance revenue	Rm	**823**	685	–	**20%**	100%
Insurance service expense	Rm	**(455)**	(385)	–	**18%**	100%
Insurance finance (expense)/income	Rm	**(4)**	1	–	**<(100%)**	100%
Income from insurance activities (IFRS 4)	Rm	**–**	–	260	**n/a**	(100%)
Other non-interest revenue	Rm	**220**	197	427	**12%**	(54%)
Core operating costs	Rm	**(796)**	(674)	(638)	**18%**	6%
Core profit before tax	Rm	**683**	497	421	**37%**	18%
Core profit for the year	Rm	**519**	376	309	**38%**	22%
Core profit and core headline earnings for the year attributable to:	Rm	**519**	376	309	**38%**	22%
Ordinary equity holders of the parent	Rm	**446**	368	303	**21%**	21%
Non-controlling interests	Rm	**73**	8	6	**>100%**	33%
Once-off transaction costs	Rm	**100**	–	–	**100%**	n/a
Once-off transaction costs attributable to ordinary equity holders of the parent	Rm	**81**	–	–	**100%**	n/a
OTHER INFORMATION						
Depreciation	Rm	**19**	15	15	**27%**	0%
Amortisation of intangible assets	Rm	**14**	12	10	**17%**	20%
SUMMARISED STATEMENT OF FINANCIAL POSITION						
Assets						
Cash and cash equivalents	Rm	**693**	677	608	**2%**	11%
Trade and other receivables	Rm	**965**	769	393	**25%**	96%
Inventories*	Rm	**777**	417	212	**86%**	97%
Loans and advances*	Rm	**10 238**	8 822	7 872	**16%**	12%
Intangible assets	Rm	**43**	46	44	**(7%)**	5%
Goodwill	Rm	**507**	499	499	**2%**	0%
Property and equipment	Rm	**92**	88	79	**5%**	11%
Other assets	Rm	**243**	300	211	**(19%)**	42%
Total assets	Rm	**13 558**	11 618	9 918	**17%**	17%
Liabilities						
Bank overdrafts	Rm	**99**	116	136	**(15%)**	(15%)
Trade and other payables	Rm	**275**	333	298	**(17%)**	12%
Insurance contract liabilities**	Rm	**309**	342	92	**(10%)**	>100%
Interest-bearing liabilities	Rm	**9 929**	9 503	8 043	**4%**	18%
Senior debt	Rm	**9 249**	7 650	6 292	**21%**	22%
Subordinated debt	Rm	**517**	683	587	**(24%)**	16%
Group loans	Rm	**163**	1 170	1 164	**(86%)**	1%
Other liabilities	Rm	**192**	56	18	**>100%**	>100%
Total liabilities	Rm	**10 804**	10 350	8 587	**4%**	21%
Segment net assets	Rm	**2 754**	1 268	1 331	**>100%**	(5%)

* *Presented net of benefits ceded on insurance contracts related to inventories and loans and advances.*

** *Benefits accruing to insurance contract holders.*

SA TAXI *continued*

		Year ended 30 September			Movement	
		2019 IFRS 17	2018 Restated IFRS 17	2017 IFRS 4	**2019**	2018
CAPITAL ADEQUACY						
Equity	Rm	**2 754**	1 268	1 331	**>100%**	(5%)
Group loans*	Rm	**–**	691	764	**(100%)**	(10%)
Subordinated debt	Rm	**517**	683	587	**(24%)**	16%
Total capital	Rm	**3 271**	2 642	2 682	**24%**	(1%)
Less: goodwill	Rm	**(507)**	(499)	(499)	**2%**	0%
Total capital less goodwill	Rm	**2 764**	2 143	2 183	**29%**	(2%)
Total assets less goodwill and cash and cash equivalents	Rm	**12 358**	10 442	8 811	**18%**	19%
Capital adequacy ratio	%	**22.4**	20.5	24.8		
Equity	%	**18.2**	14.0	18.1		
Subordinated debt	%	**4.2**	6.5	6.7		
FINANCIAL MEASURES						
Total income	Rm	**1 801**	1 477	1 312	**22%**	13%
Core pre-provision profit	Rm	**1 005**	803	674	**25%**	19%
Net interest margin	%	**12.2**	11.2	11.4		
Risk-adjusted net interest margin	%	**9.0**	7.7	8.2		
Core cost-to-income ratio	%	**44.2**	45.6	48.6		
Average cost of borrowing	%	**11.1**	11.4	11.2		
Leverage	times	**4.9**	9.2	7.7		
Debt funders	number	**36**	44	41	**(18%)**	7%
Core return on average assets	%	**4.1**	3.5	3.3		
Core return on average equity	%	**24.6**	35.0	25.3		
Weighted average interest rate at origination	%	**23.7**	23.6	24.4		
Average assets	Rm	**12 617**	10 726	9 410	**18%**	14%
Average equity attributable to ordinary equity holders	Rm	**2 110**	1 052	1 199	**>100%**	(12%)
Average gross loans and advances	Rm	**9 982**	8 758	7 786	**14%**	12%
Average interest-bearing liabilities	Rm	**9 756**	8 887	7 855	**10%**	13%
Employees	number	**1 223**	1 098	965	**11%**	14%
OPERATIONAL MEASURES						
Status						
Number of loans	number	**32 441**	30 617	28 724	**6%**	7%
Gross loans and advances**	Rm	**10 753**	9 264	8 303	**16%**	12%
Impairment provision**	Rm	**(515)**	(442)	(431)	**17%**	3%
Net loans and advances**	Rm	**10 238**	8 822	7 872	**16%**	12%
Originations						
Number of loans originated	number	**8 591**	7 734	7 480	**11%**	3%
Value of loans originated	Rm	**3 815**	3 288	3 027	**16%**	9%
Average loan term at origination	months	**71**	69	67	**0%**	3%
Average remaining loan term	months	**48**	47	47	**3%**	0%
New/repeat clients (on value)	%	**71/29**	69/31	74/26		
Average origination value	R	**444 034**	425 194	404 679	**4%**	5%
Credit performance						
Credit loss ratio	%	**3.2**	3.5	3.2		
Provision coverage	%	**4.8**	4.8	5.2		
Non-performing loans	Rm	**1 924**	1 624	1 421	**18%**	14%
Non-performing loan ratio	%	**17.9**	17.5	17.1		

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* *A portion of SA Taxi's group loans are not a permanent facility and have been excluded from the capital adequacy calculation (2019: R163 million; 2018: R479 million; 2017: R400 million). The remaining group loans are subordinated debt facilities with fixed repayment terms.*

** *Presented net of benefits ceded on insurance contracts related to loans and advances.*

		Year ended 30 September			Movement	
		2019 IFRS 17	2018 Restated IFRS 17	2017 IFRS 4	**2019**	2018
SA TAXI *continued*						
INSURANCE PERFORMANCE						
Gross written premium	Rm	**823**	685	557	**20%**	23%
Products per insured client	number	**>2.0**	2.0	1.8		
CREDIT RATINGS						
Transsec 1 R4 billion Asset Backed Note Programme (S&P rated)						
Class A Notes		**n/a**	zaAA-(sf)	zaAA(sf)		
Class B Notes		**n/a**	zaAA-(sf)	zaAA(sf)		
Class C Notes		**n/a**	zaAA-(sf)	zaAA(sf)		
Class D Notes		**n/a**	zaA+(sf)	zaA+(sf)		
Transsec 2 R4 billion Asset Backed Note Programme (S&P rated)						
Class A Notes		**zaAAA(sf)**	zaAA-(sf)	zaAA(sf)		
Class B Notes		**zaAAA(sf)**	zaAA-(sf)	zaAA-(sf)		
Class C Notes		**zaAA+(sf)**	zaA(sf)	zaA(sf)		
Transsec 3 R2.5 billion Asset Backed Note Programme (Moody's rated)						
Class A1 Notes		**n/a**	P-1.za(sf)	P-1.za(sf)		
Class A2 Notes		**Aaa.za(sf)**	Aaa.za(sf)	Aaa.za(sf)		
Class A3 Notes		**Aaa.za(sf)**	Aaa.za(sf)	Aaa.za(sf)		
Class A4 Notes		**Aaa.za(sf)**	Aaa.za(sf)	n/a		
Class A5 Notes		**n/a**	P-1.za(sf)	n/a		
Class A6 Notes		**Aaa.za(sf)**	Aaa.za(sf)	n/a		
Class A7 Notes		**Aaa.za(sf)**	Aaa.za(sf)	n/a		
Class B Notes		**Aa3.za(sf)**	Aa3.za(sf)	Aa3.za(sf)		
Transsec 4 R2.5 billion Asset Backed Note Programme (Moody's rated)						
Class A1 Notes		**P-1.za(sf)**	n/a	n/a		
Class A2 Notes		**Aaa.za(sf)**	n/a	n/a		
Class A3 Notes		**Aaa.za(sf)**	n/a	n/a		
Class A4 Notes		**Aaa.za(sf)**	n/a	n/a		
Class B Notes		**Aa3.za(sf)**	n/a	n/a		
ENVIRONMENT						
Estimated minibus taxi market ('000)	vehicles	**>250**	>250	>200		
Price of a new Toyota HiAce (petrol)*	R	**426 300**	408 900	401 300	**4%**	2%
Price of a new Toyota HiAce (diesel)*	R	**451 600**	433 300	421 100	**4%**	3%
Average repo rate	%	**6.66**	6.62	6.95		
Average petrol price per litre**	R	**15.53**	14.61	13.00	**6%**	12%
Average diesel price per litre**	R	**14.34**	12.98	11.19	**10%**	16%

* *Including value-added tax (VAT).*

** *12-month rolling average.*

TRANSACTION CAPITAL RISK SERVICES (TCRS)

SUMMARISED INCOME STATEMENT

		Year ended 30 September			Movement	
		2019	2018	2017	**2019**	2018
Interest income	Rm	**147**	172	175	**(15%)**	(2%)
Interest expense	Rm	**(160)**	(121)	(98)	**32%**	23%
Net interest income	Rm	**(13)**	51	77	**<(100%)**	(34%)
Impairment of loans and advances	Rm	**(14)**	(15)	(7)	**(7%)**	>100%
Non-interest revenue	Rm	**2 104**	1 837	1 485	**15%**	24%
Core operating costs	Rm	**(1 650)**	(1 510)	(1 238)	**9%**	22%
Non-operating profit/(loss)	Rm	**7**	(3)	(3)	**<(100%)**	0%
Equity accounted income	Rm	**4**	–	–	**100%**	n/a
Core profit before tax	Rm	**438**	360	314	**22%**	15%
Core profit for the year	Rm	**327**	281	240	**16%**	17%
Core profit for the year attributable to:		**327**	281	240	**16%**	17%
Ordinary equity holders of the parent	Rm	**321**	273	233	**18%**	17%
Non-controlling interests	Rm	**6**	8	7	**(25%)**	14%
Core headline earnings						
Core profit attributable to ordinary equity holders of the parent	Rm	**321**	273	233	**18%**	17%
Adjusted for:						
Profit on disposal of subsidiary	Rm	**(8)**	–	–	**100%**	n/a
Core headline earnings attributable to ordinary equity holders of the parent	Rm	**313**	273	233	**15%**	17%
Core EBITDA (excluding Transaction Capital Business Solutions (TCBS))	Rm	**574**	429	331	**34%**	30%
Once-off transaction costs	Rm	**–**	–	22	**n/a**	(100%)

OTHER INFORMATION

		2019	2018	2017	**2019**	2018
Depreciation	Rm	**21**	21	16	**0%**	31%
Amortisation of intangible assets	Rm	**32**	29	21	**10%**	38%

TCRS *continued*

SUMMARISED STATEMENT OF FINANCIAL POSITION

		Year ended 30 September			Movement	
		2019	2018	2017	**2019**	2018
Assets						
Cash and cash equivalents	Rm	**194**	168	161	**15%**	4%
Trade and other receivables	Rm	**317**	360	293	**(12%)**	23%
Loans and advances	Rm	**579**	566	584	**2%**	(3%)
Purchased book debts	Rm	**2 382**	1 374	891	**73%**	54%
Equity accounted investments	Rm	**92**	–	–	**100%**	n/a
Property and equipment	Rm	**78**	78	69	**0%**	13%
Intangible assets	Rm	**251**	237	203	**6%**	17%
Goodwill	Rm	**647**	646	639	**0%**	1%
Other assets	Rm	**60**	105	93	**(43%)**	13%
Total assets	Rm	**4 600**	3 534	2 933	**30%**	20%
Liabilities						
Bank overdrafts	Rm	**282**	–	–	**100%**	n/a
Trade and other payables	Rm	**396**	368	150	**8%**	>100%
Interest-bearing liabilities	Rm	**1 821**	1 345	1 075	**35%**	25%
Senior debt	Rm	**1 038**	1 103	968	**(6%)**	14%
Finance leases	Rm	**2**	4	–	**(50%)**	100%
Group loans*	Rm	**781**	238	107	**>100%**	>100%
Other liabilities	Rm	**361**	330	351	**9%**	(6%)
Total liabilities	Rm	**2 860**	2 043	1 576	**40%**	30%
Segment net assets	Rm	**1 740**	1 491	1 357	**17%**	10%

FINANCIAL MEASURES

		Year ended 30 September			Movement	
		2019	2018	2017	**2019**	2018
Total income	Rm	**2 091**	1 888	1 562	**11%**	21%
Non-interest revenue net of amortisation	Rm	**1 945**	1 720	1 368	**13%**	26%
Core cost-to-income ratio	%	**78.9**	80.0	79.3		
Average cost of borrowing	%	**9.3**	9.8	9.7		
Leverage	times	**2.6**	2.4	2.2		
Core return on average assets	%	**8.1**	8.6	9.4		
Core return on average equity	%	**20.9**	20.0	22.2		
Core return on sales	%	**15.6**	14.9	14.5		
Average assets	Rm	**4 031**	3 279	2 544	**23%**	29%
Average equity attributable to ordinary equity holders	Rm	**1 568**	1 366	1 051	**15%**	30%
Average interest-bearing liabilities	Rm	**1 723**	1 239	1 009	**39%**	23%
Average book value of purchased book debts	Rm	**1 757**	1 092	884	**61%**	24%
Employees	number	**3 414**	3 322	3 102	**3%**	7%

* *Group loans are not permanent facilities.*

		Year ended 30 September			Movement	
		2019	2018	2017	**2019**	2018
TCRS *continued*						
OPERATIONAL MEASURES						
Contingency and fee-for-service (FFS)/principal collections revenue split	%	**50/50**	63/37	63/37		
Face value of purchased book debts acquired	Rb	**8.0**	13.6	5.2	**(41%)**	>100%
Cost price of purchased book debts acquired	Rm	**1 186**	662	356	**79%**	86%
Asset turnover ratio	%	**51.3**	51.5	52.1		
Estimated remaining collections –120 months	Rm	**4 480**	2 989	1 867	**50%**	60%
TCRS South Africa						
Number of contingency and FFS clients	number	**76**	82	86	**(7%)**	(5%)
Number of direct staff	number	**2 215**	2 238	2 017	**(1%)**	11%
Call centres	number	**5**	6	7	**(17%)**	(14%)
Assets under management	Rb	**47.5**	50.0	33.2	**(5%)**	51%
Contingency and FFS	Rb	**24.9**	27.9	21.0	**(11%)**	33%
Principal	Rb	**22.6**	22.1	12.2	**2%**	81%
TCRS Australia						
Number of contingency and FFS clients	number	**47**	44	41	**7%**	7%
Number of direct staff	number	**609**	477	543	**28%**	(12%)
Call centres	number	**3**	3	3	**0%**	0%
Assets under management	Rb	**13.0**	11.1	9.6	**17%**	16%
Contingency and FFS	Rb	**11.8**	10.8	9.6	**9%**	13%
Principal	Rb	**1.2**	0.3	–	**>100%**	100%
TCBS						
Gross loans and advances	Rm	**602**	573	570	**5%**	1%
Impairment provision	Rm	**(34)**	(21)	(8)	**62%**	>100%
Loans and advances	Rm	**568**	552	562	**3%**	(2%)
SERVICER RATINGS						
Primary Servicer (GCR rated)		**SQ1-(za)**	SQ1-(za)	SQ1-(za)		
Special Servicer (GCR rated)		**SQ1(za)**	SQ1(za)	SQ1(za)		
ENVIRONMENT: SOUTH AFRICA*						
Credit active consumers (million)	number	**25.1**	24.6	24.8	**2%**	(0%)
Non-performing credit consumers (million)	number	**10.2**	9.6	9.7	**6%**	(1%)
Household debt-to-income ratio	%	**72.7**	71.6	72.1		
Unemployment rate	%	**29.1**	27.5	27.7		
Average consumer price inflation	%	**4.1**	4.9	5.1		

* *Latest available published information at time of reporting.*

		Year ended 30 September			Movement	
		2019	2018	2017	**2019**	2018
GROUP EXECUTIVE OFFICE*						
SUMMARISED INCOME STATEMENT						
Net interest income	Rm	**75**	70	45	**7%**	56%
Non-interest revenue	Rm	**–**	–	25	**n/a**	(100%)
Core operating costs	Rm	**(12)**	(11)	(12)	**9%**	(8%)
Core profit before tax	Rm	**63**	59	58	**7%**	2%
Core profit for the year	Rm	**44**	41	41	**7%**	0%
Core headline earnings	Rm	**44**	41	41	**7%**	0%
Once-off transaction costs	Rm	**3**	–	–	**100%**	n/a
OTHER INFORMATION						
Depreciation	Rm	**1**	1	1	**0%**	0%
SUMMARISED STATEMENT OF FINANCIAL POSITION						
Assets						
Cash and cash equivalents	Rm	**32**	55	175	**(42%)**	(69%)
Trade and other receivables	Rm	**5**	(3)	1	**<(100%)**	<(100%)
Property and equipment	Rm	**2**	1	2	**100%**	(50%)
Other assets	Rm	**38**	16	15	**>100%**	7%
Total assets	Rm	**77**	69	193	**12%**	(64%)
Liabilities						
Trade and other payables	Rm	**38**	36	31	**6%**	16%
Interest-bearing liabilities	Rm	**(944)**	(1 031)	(927)	**(8%)**	11%
Subordinated debt	Rm	**–**	377	344	**(100%)**	10%
Group loans	Rm	**(944)**	(1 408)	(1 271)	**(33%)**	11%
Other liabilities	Rm	**5**	–	5	**100%**	(100%)
Total liabilities	Rm	**(901)**	(995)	(891)	**(9%)**	12%
Segment net assets	Rm	**978**	1 064	1 084	**(8%)**	(2%)
Employees	number	**25**	25	28	**0%**	(11%)

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

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	Sum of equity attributable to ordinary equity holders at the end of each month from September to September divided by 13.
Average gross loans and advances	Sum of gross loans and advances at the end of each month from September to September divided by 13.
Average interest-bearing liabilities	Sum of interest-bearing liabilities at the end of each month from September to September divided by 13.
Average assets	Sum of assets at the end of each month from September to September divided by 13.
Average cost of borrowing	Interest expense expressed as a percentage of average interest-bearing liabilities.
Capital adequacy ratio	Total equity plus subordinated debt capital less goodwill expressed as a percentage of total assets less goodwill and cash and cash equivalents.
Core cost-to-income ratio	Core operating costs expressed as a percentage of total income.
Core headline earnings	Headline earnings excluding once-off transaction costs.
Core headline earnings per share	Core headline earnings divided by weighted average number of ordinary shares in issue.
Core operating costs	Operating costs excluding once-off transaction costs.
Core profit for the year	Profit for the year excluding once-off transaction costs.
Core return on average assets	Core profit for the year expressed as a percentage of average assets.
Core return on average equity	Core profit for the year attributable to ordinary equity holders expressed as a percentage of average equity attributable to ordinary equity holders.
Core return on sales	Core profit for the year expressed as a percentage of total income.
Cost-to-income ratio	Total operating costs expressed as a percentage of total income.
Credit loss ratio	Impairment of loans and advances expressed as a percentage of average gross loans and advances.
EBITDA	Profit before net interest income, tax, depreciation and amortisation of intangible assets (specifically excluding amortisation of purchased book debts) excluding Transaction Capital Business Solutions.
Effective tax rate	Income tax expense expressed as a percentage of profit before tax.
Estimated remaining collections	Estimated undiscounted value of remaining gross cash collections of purchased book debts, estimated to be recovered over the next 120 months.
Gross loans and advances	Gross loans and advances exclude the value of the written-off book brought back onto the balance sheet.
Headline earnings	Headline earnings is defined and calculated as per the circular titled Headline Earnings as issued by the South African Institute of Chartered Accountants (SAICA) as amended from time to time, currently being basic earnings attributable to ordinary shareholders adjusted for goodwill impairments, capital profits and losses and other non-headline items.

ITEM	DEFINITION
Headline earnings per share	Headline earnings divided by weighted average number of ordinary shares in issue.
Leverage	Total assets divided by total equity expressed in times.
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 where the applicable obligor is: ■ At least 3.5 monthly instalments in arrears; ■ In respect of which a qualifying payment/s has not been made during the reference period; and ■ Where such arrears is due to obligor delinquency. *Qualifying payment: a payment made which is more than 50% of the cumulative instalments due during the reference period.* *Reference period: The preceding three-month period ending at the reporting date.* b) The value of repossessed stock on hand that has not yet entered the refurbishment facilities.
Pre-provision profit	Profit before tax excluding impairment of loans and advances.
Provision coverage	Impairment provision expressed as a percentage of gross loans and advances.
Return on average assets	Profit for the year expressed as a percentage of average assets.
Return on average equity	Profit for the year attributable to ordinary equity holders expressed as a percentage of average equity attributable to ordinary equity holders.
Return on sales	Profit for the year expressed as a percentage of total income.
Risk-adjusted net interest margin	Net interest margin less credit loss ratio.
Structurally subordinated debt	Senior debt issued by a holding company within the group.
Subordinated debt	Debt subordinated by agreement with the lender plus structurally subordinated debt.
Total income	Net interest income plus non-interest revenue.
Weighted average interest rate at origination	Interest rate at origination weighted on initial capital advanced for the year.
Weighted average number of ordinary shares in issue	The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group, excluding treasury shares.

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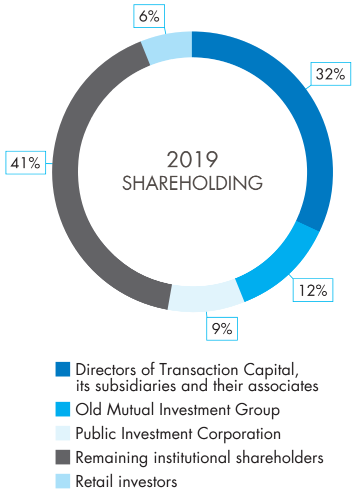
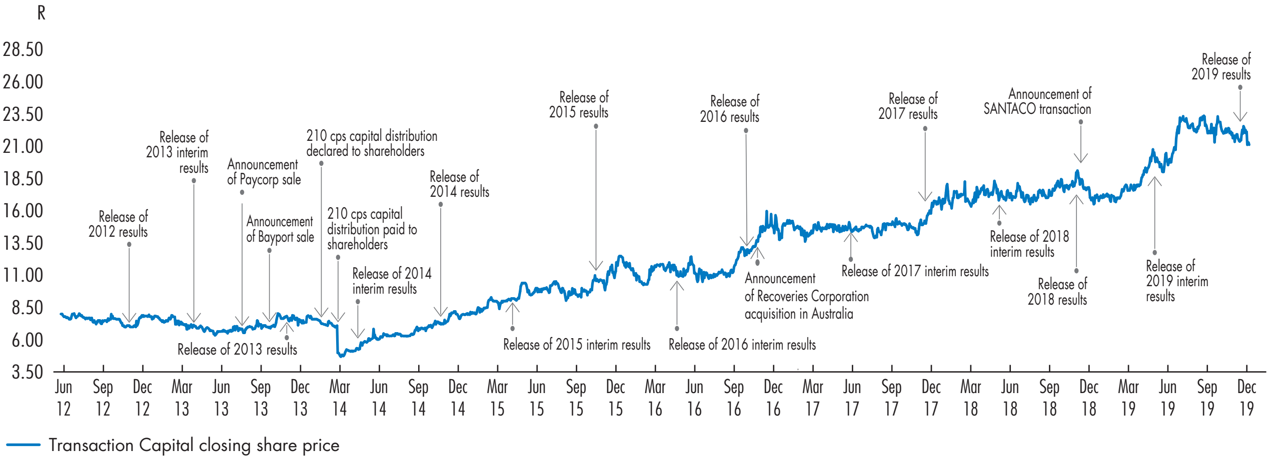
SHAREHOLDER INFORMATION

SHAREHOLDER ANALYSIS at 30 September 2019

	Number of shareholders	Number of shares (millions)	Number of shares (%)
NON-PUBLIC			
Directors of Transaction Capital, its subsidiaries and their associates	21	195	32
SUB-TOTAL	**21**	**195**	**32**
PUBLIC			
Old Mutual Investment Group	1	74	12
Public Investment Corporation	1	57	9
Remaining institutional shareholders	116	252	41
Retail investors	946	35	6
SUB-TOTAL	**1 064**	**418**	**68**
TOTAL	**1 085**	**613**	**100**



TRANSACTION CAPITAL SHARE PRICE PERFORMANCE SINCE LISTING (JUNE 2012)



PERFORMANCE ON THE JSE LIMITED

1 October 2018 – 30 September 2019

Traded share prices		
Closing	R	**22.15**
High	R	**23.34**
Low	R	**16.50**
Volume weighted average	R	**19.73**
Price-to-earnings ratio based on core headline earnings for the year	times	**16.87**
Volume of shares traded during the year	units	**146 500 217**
Market capitalisation	Rb	**13.6**

NOTICE OF ANNUAL GENERAL MEETING

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

ACTION REQUIRED

If you are in any doubt as to what action you should take arising from this notice, please consult with your CSDP, broker, banker, accountant, attorney or other professional adviser immediately.

If you have disposed of all of your shares in Transaction Capital on or before Friday, 10 January 2020, please forward this notice to the purchaser of such shares or to the CSDP, broker, banker, accountant, attorney or other agent through whom the disposal of your Transaction Capital shares was effected.

Transaction Capital does not accept any responsibility and will not be held liable for any failure on the part of the broker or CSDP of any holder of dematerialised Transaction Capital shares to notify such shareholder of this notice and the annual general meeting.

Transaction Capital

Transaction Capital Limited
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE code: TCP ISIN: ZAE000167391
('Transaction Capital' or the 'company' or the 'group')

NOTICE TO SHAREHOLDERS OF THE ANNUAL GENERAL MEETING

FOR THE YEAR ENDED 30 SEPTEMBER 2019 AND CONVENED IN TERMS OF SECTION 61(7) OF THE COMPANIES ACT, NO. 71 OF 2008, AS AMENDED ('THE COMPANIES ACT')

Notice is hereby given that the annual general meeting of shareholders of the company will be held in the William Meeting Room, Ground Floor, Finance House, 230 Jan Smuts Avenue, Dunkeld West on Wednesday, 11 March 2020 at 10:00 or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Limited Listings Requirements for the purposes of transacting the business set out below and considering (and, if deemed fit, passing, with or without modification) the ordinary and special resolutions contained in this notice in the manner required by the Companies Act and subject to the JSE Limited Listings Requirements.

	2020
Record date to receive notice of annual general meeting	Friday, 10 January
Posting date of integrated annual report and notice of annual general meeting	Tuesday, 21 January
Last date to trade to be eligible to attend, participate in and vote at annual general meeting	Tuesday, 3 March
Record date to be eligible to attend, participate and vote at annual general meeting	Friday, 6 March
Forms of proxy to be lodged preferably by 10:00 on	Monday, 9 March

This document is important and requires your immediate attention.

Shareholders' attention is drawn to the notes at the end of this notice, which contain important information regarding shareholders' participation at the annual general meeting.

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

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

A. AUDITED FINANCIAL STATEMENTS

To present the audited financial statements of the group and the company as envisaged in section 30 of the Companies Act, including the directors' report, external auditor's report and the audit, risk and compliance committee report for the year ended 30 September 2019.

B. ORDINARY AND SPECIAL RESOLUTIONS

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

1. ORDINARY RESOLUTION NUMBER 1

RE-ELECTION OF DIRECTOR

Resolved that:

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

2. ORDINARY RESOLUTION NUMBER 2

RE-ELECTION OF DIRECTOR

Resolved that:

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

3. ORDINARY RESOLUTION NUMBER 3

RE-ELECTION OF DIRECTOR

Resolved that:

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.

4. ORDINARY RESOLUTION NUMBER 4

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.

5. ORDINARY RESOLUTION NUMBER 5

ELECTION OF DIRECTOR

Resolved that:

S Doherty, who was appointed to the board since the last annual general meeting, retires automatically in terms of the company's memorandum of incorporation at this meeting, and who, being eligible, has offered himself for election, be elected in terms of section 68(2)(a) of the Companies Act.

EXPLANATION AND EFFECTS OF ORDINARY RESOLUTION NUMBERS 1 TO 5 – RE-ELECTION OR ELECTION OF DIRECTORS:

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

Any director who was appointed subsequent to the last annual general meeting is required to retire at the next annual general meeting. The director concerned has indicated his willingness to stand for election.

The directors have reviewed the composition of the board and recommend the re-election or election of each of the above-mentioned directors, which will enable the company, *inter alia,* to:

- Responsibly maintain a combination of business skills and experience relevant to the company and the group, and balance the requirements of transformation, continuity and succession planning; and
- Comply with corporate governance requirements, in respect of the balance of executive, non-executive and independent directors on the board.

A brief *curriculum vitae* of each of the company's directors, including those standing for re-election and election, is set out on pages 32 to 35 of the integrated annual report, of which this notice forms part.

6. ORDINARY RESOLUTION NUMBER 6

APPOINTMENT OF MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

D Radley, 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, the Companies Act, the King IV Report on Corporate Governance™ for South Africa, 2016 and the JSE Limited Listings Requirements, 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.

7. ORDINARY RESOLUTION NUMBER 7

APPOINTMENT OF MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

P Langeni, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company, the Companies Act, the King IV Report on Corporate Governance™ for South Africa, 2016 and the JSE Limited Listings Requirements, 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 (and subject to being re-elected as a director in terms of ordinary resolution 4 above).

8. ORDINARY RESOLUTION NUMBER 8

APPOINTMENT OF MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

C Seabrooke, as an independent non-executive director of the company, who meets the required criteria for a member of the audit, risk and compliance committee stipulated in the memorandum of incorporation of the company, the Companies Act, the King IV Report on Corporate Governance™ for South Africa, 2016 and the JSE Limited Listings Requirements, 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.

9. ORDINARY RESOLUTION NUMBER 9

APPOINTMENT OF MEMBERS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

Section 94(2) of the Companies Act

Resolved that:

B Hanise, 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, the Companies Act, the King IV Report on Corporate Governance™ for South Africa, 2016 and the JSE Limited Listings Requirements, 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 RESOLUTION NUMBERS 6 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.

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 P Stedall as the individual auditor classified as the designated auditor) 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 P Stedall as the individual auditor classified as the designated auditor, 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.

12. ORDINARY RESOLUTION NUMBER 12

NON-BINDING ADVISORY VOTE ON REMUNERATION IMPLEMENTATION REPORT

Resolved that:

The company's remuneration implementation report be and is hereby endorsed by way of a non-binding advisory vote.

EXPLANATION AND EFFECT OF ORDINARY RESOLUTION NUMBERS 11 AND 12 – NON-BINDING ADVISORY VOTE ON REMUNERATION POLICY AND REMUNERATION IMPLEMENTATION REPORT:

In accordance with the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 as well as the JSE Limited Listings Requirements, the board (with the assistance of the remuneration committee) has presented the remuneration policy and implementation report to shareholders in two separate non-binding advisory votes.

In the event that 25% or more of the votes cast are recorded against either the remuneration policy resolution or the remuneration implementation resolution, or both, then pursuant to paragraphs 3.84(k) and 3.91 of the JSE Limited Listings Requirements, the company will extend an invitation to dissenting shareholders to engage with the company to discuss the reason for their dissenting votes.

The complete remuneration policy and implementation report appears on pages 114 to 131 of the integrated annual report, of which this notice forms part.

13. ORDINARY RESOLUTION NUMBER 13

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:

13.1 The memorandum of incorporation of the company, the Companies Act and the JSE Limited Listings Requirements, where applicable;

13.2 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

13.3 The board's authority in terms hereof is limited to a maximum of 30 754 064 ordinary shares, being approximately 5% of the ordinary shares in issue as at the date of issue of this notice.

EXPLANATION AND EFFECT OF ORDINARY RESOLUTION NUMBER 13 – ISSUE OF SECURITIES FOR ACQUISITIONS IN CIRCUMSTANCES OTHER THAN THOSE COVERED BY SPECIAL RESOLUTION NUMBER 5:

This ordinary resolution number 13 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 Limited Listings Requirements, where applicable. The proposed resolution to issue up to 30 754 064 ordinary shares represents approximately 5% of the issued share capital of the company at the date of this notice.

14. ORDINARY RESOLUTION NUMBER 14

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 set out in this notice and/or approved at the annual general meeting, 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 14 – AUTHORITY TO ACT:

Ordinary resolution number 14 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 set out in this notice and/or approved at the annual general meeting.

15. ORDINARY RESOLUTION NUMBER 15

AMENDMENT OF THE TRANSACTION CAPITAL LIMITED CONDITIONAL SHARE PLAN

Resolved that:

The amended Transaction Capital Conditional Share Plan to introduce a malus and clawback policy into the scheme rules be and is hereby approved, in the form tabled at the annual general meeting and initialled by the chairperson of the meeting for purposes of identification. Copies of the amended Conditional Share Plan rules will be available for inspection during normal business hours at the registered office of the company from the date of issue of the integrated annual report, of which this notice forms part, up to and including the date of the annual general meeting.

EXPLANATION AND EFFECT OF ORDINARY RESOLUTION NUMBER 15 – AMENDMENT OF THE TRANSACTION CAPITAL LIMITED CONDITIONAL SHARE PLAN

The Transaction Capital Limited Conditional Share Plan has been amended to cater for malus and clawback, in line with the recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016. The amendments introduce a malus and clawback policy into the scheme rules which would allow the remuneration committee the discretion to adjust variable remuneration awarded to participants either before the vesting of an award (malus) or to recover variable pay after vesting or payment of an award (clawback), under appropriate circumstances.

In order for this resolution to be approved, the support of at least 75% of the votes cast by shareholders present, excluding all of the votes attached to all Transaction Capital Limited shares owned and controlled by persons who are existing participants in the Transaction Capital Limited Conditional Share Plan, or represented by proxy at the annual general meeting is required.

16. SPECIAL RESOLUTION NUMBER 1

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

Sections 66(8) and 66(9) of the Companies Act

Resolved that:
The following annual fees shall be paid to non-executive directors of the company for their services as directors, audit, risk and compliance committee members and other board committee members, which have been determined by the board through the remuneration committee on a market-related basis (with no additional meeting attendance fees):

	Proposed annual fees* 2020/2021 R	Existing fees 2019/2020 R
DIRECTORS		
Chairman (including membership of four committees)	**1 750 000**	1 670 000
Lead independent non-executive director	**125 000**	–
Other directors	**410 000**	390 000
Alternate director (75% of directors' fee)	**307 500**	–
AUDIT, RISK AND COMPLIANCE COMMITTEE**		
Chairman	**435 000**	417 000
Member	**175 000**	167 000
OTHER BOARD COMMITTEES**		
Chairman	**290 000**	279 000
Member	**140 000**	134 000
NON-EXECUTIVE DIRECTORS OF SUBSIDIARIES		
Non-executive director of a group subsidiary company (in conjunction with being a non-executive director of Transaction Capital)	**128 000**	123 000

* *The proposed fees are exclusive of VAT, which may become payable thereon depending on the status of the individual director's tax position.*
** *Fees for audit, risk and compliance committee and other board committee members are in addition to board member fees.*

The proposed changes will come into effect from the beginning of the month in which the resolution is approved by shareholders. This authority shall endure until the earlier of a superseding resolution being passed by shareholders or two years from the date of passing of this resolution.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 1 – APPROVAL OF NON-EXECUTIVE DIRECTORS' AND COMMITTEE MEMBERS' FEES:

Section 66 of the Companies Act provides that, in order for directors to be remunerated for their services as directors, the remuneration must be in accordance with a special resolution approved by shareholders within the previous two years. The proposed non-executive directors' fees will increase by approximately 5% compared to the prior year.

17. SPECIAL RESOLUTION NUMBER 2

APPROVAL OF LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR'S FEES

Sections 66(8) and 66(9) of the Companies Act

Resolved that:
A *pro rata* fee of R78 125 be paid to K Pillay who was appointed by the board as lead independent non-executive director on 15 July 2019.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 2 – APPROVAL OF LEAD INDEPENDENT NON-EXECUTIVE DIRECTOR'S FEES:

Section 66 of the Companies Act provides that in order for directors to be remunerated for their services as directors, the remuneration must be in accordance with a special resolution approved by shareholders within the previous two years. The board appointed Kuben Pillay as lead independent non-executive director on 15 July 2019 and proposed an annual fee of R125 000 per annum, which would be subject to approval of shareholders at the next annual general meeting. This resolution seeks approval for the *pro rata* fee in respect of services rendered to date.

18. SPECIAL RESOLUTION NUMBER 3

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 two (2) years commencing on the date of the adoption of this special resolution, direct or indirect financial assistance, including without limitation by way of lending money, guaranteeing a loan or other obligation, securing any debt or obligation, or otherwise, as envisaged in section 45 of the Companies Act to a related or inter-related company or corporation (as such term is defined in section 2 of the Companies Act) or to a member of a related or inter-related corporation, or to a person related to any such company or corporation (subject to the provisions of section 45 of the Companies Act) provided that such financial assistance may be granted up to a limit of R6 billion per transaction on the basis that the aggregate net outstanding financial assistance provided in terms of section 45 of the Companies Act will not at any time exceed R12 billion.

Such authority is to endure for a period of two (2) years following the date on which this resolution is adopted or earlier renewal.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 3 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 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 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 3 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 3 will allow the company to continue giving financial assistance, including, without limitation, making loans to subsidiaries as well as granting letters of support and guarantees in appropriate circumstances, to one or more related or inter-related companies, subject to the cap on the amount of this financial assistance which may be granted, as contemplated in the special resolution. If approved, this general authority will expire at the end of two (2) 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.

19. SPECIAL RESOLUTION NUMBER 4

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 two (2) 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 4 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 OF THE COMPANIES ACT:

The reason for special resolution number 4 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 4 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 4 will allow the company to give financial assistance as envisaged in section 44 of the Companies Act, which includes without limitation, the making of loans, the giving of guarantees, the provision of security, the giving of warranties, the giving of indemnities, or otherwise for the purpose of or in connection with the subscription of any option, or any securities issued or to be issued by the company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. A general authorisation from shareholders avoids the need to refer each instance to shareholders for approval with the resulting time delays and expense. If approved, this general authority will expire at the end of two (2) 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.

20. SPECIAL RESOLUTION NUMBER 5

GENERAL AUTHORITY TO REPURCHASE SECURITIES

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

20.1 That the repurchase of securities be effected on the open market through the order book operated by the JSE Limited trading system and be done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);

20.2 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;

20.3 That an announcement be made giving such details as may be required in terms of the JSE Limited 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;

20.4 At any point in time the company may only appoint one agent to effect any repurchase on the company's behalf;

20.5 Repurchases may not be made by the company and/or its subsidiaries during a prohibited period as defined by the JSE Limited 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 Limited 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 Limited;

20.6 The general repurchase of securities shall not, in the aggregate, in any one financial year, exceed 20% of the company's issued capital of that class at the beginning of the financial year. Any such general repurchase will be subject to the applicable provisions of the Companies Act (including sections 114 and 115 to the extent that section 48(8) is applicable in relation to that particular repurchase);

20.7 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;

20.8 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 Limited will be consulted for a ruling if the company's securities have not traded in such five business day period;

20.9 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 Limited Listings Requirements;

20.10 The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless, for a period of 12 months following the date of the repurchase, the following criteria can be met:

- 20.10.1 The company and the group will be able to repay its debts in the ordinary course of business;
- 20.10.2 The company and the group's assets will be in excess of the liabilities of the company and the group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- 20.10.3 The share capital and reserves of the company and the group will be adequate for ordinary business purposes; and
- 20.10.4 The working capital of the company and the group will be adequate for ordinary business purposes.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 5 – GENERAL AUTHORITY TO REPURCHASE SECURITIES:

The explanation for special resolution number 5 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 Limited Listings Requirements. The effect of special resolution number 5 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 Limited 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, attendance, voting and proxies, and electronic participation" on page 170 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 7 March 2019.

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 5. However, the board will continually review the company's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 5.

21. SPECIAL RESOLUTION NUMBER 6

GENERAL AUTHORITY TO ALLOT AND ISSUE AUTHORISED BUT UNISSUED SECURITIES FOR CASH

Section 5.52 of the JSE Limited 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 Limited Listings Requirements, provided that:

21.1 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;

21.2 Securities may only be issued to public shareholders as defined in the JSE Limited Listings Requirements, and not to related parties;

21.3 The securities which are the subject of general issues for cash:

- 21.3.1 In the aggregate may not exceed 5% (being 30 754 064 ordinary shares) 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, 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
- 21.3.2 In the event of a sub-division or consolidation of the issued equity securities during the period contemplated in 21.3.1 above, the existing authority must be adjusted accordingly to represent the same allocation ratio.

21.4 Any equity securities issued under this authority during the period must be deducted from the number above;

21.5 The calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the annual general meeting, and excludes treasury shares;

21.6 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 Limited 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;

21.7 Any such general issues are subject to exchange control regulations and approval at that point in time;

21.8 An announcement giving full details, including the impact on net asset value, net tangible asset value, earnings and headline earnings per security (and if applicable, diluted earnings and diluted headline earnings per security) will be published at the time of any issue representing, on a cumulative basis within a financial year, 5% of the number of securities in issue prior to the issue, in accordance with section 11.22 of the JSE Limited Listings Requirements; and

21.9 This authority includes any options/convertible securities that are convertible into an existing class of equity securities.

EXPLANATION AND EFFECT OF SPECIAL RESOLUTION NUMBER 6 – GENERAL AUTHORITY TO ALLOT AND ISSUE AUTHORISED BUT UNISSUED SECURITIES:

The explanation for special resolution number 6 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 Limited Listings Requirements.

In terms of the JSE Limited 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 Limited, if any of the JSE Limited 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 allot and issue authorised but unissued 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 8 of the annual financial statements, available on www.transactioncapital.co.za. The chairperson of the committee will be available at the annual general meeting to answer any questions thereon.

D. TRADING UPDATE

A verbal trading update, to be presented by the chief executive officer of the company at the annual general meeting, will simultaneously be released on the Stock Exchange News Service of the JSE Limited.

E. OTHER BUSINESS

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

ADDITIONAL INFORMATION, RECORD DATES, ATTENDANCE, VOTING AND PROXIES, AND ELECTRONIC PARTICIPATION

ADDITIONAL INFORMATION

For the purpose of considering special resolution number 5 (general authority to repurchase securities), and in compliance with paragraph 11.26 of the JSE Limited Listings Requirements, the information listed below has been included in the integrated annual report, of which this notice forms part, at the places indicated:

- Major shareholders – refer to page 160; and
- Share capital of the company – refer to page 62 of the annual financial statements.

The directors, whose names are set out on pages 32 to 35 of this integrated annual report, collectively and individually accept full responsibility for the accuracy of the above information as contemplated in paragraph 11.26 of the JSE Limited Listings Requirements, for the purpose of special resolution number 5, 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 Limited Listings Requirements is contained herein.

After the last practicable date prior to publishing this notice, being Tuesday, 21 January 2020, there have been no material changes in the financial or trading position of the group that have occurred since 30 September 2019 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, 10 January 2020.

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, 6 March 2020.

The last day to trade in the company's shares for the purpose of being eligible to attend, participate and vote at the annual general meeting is Tuesday, 3 March 2020.

ATTENDANCE, VOTING AND PROXIES

1. In terms of the JSE Limited 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, who is 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, 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 5 below.
5. The person so appointed need not be a shareholder of the company. Forms of proxy should be (but are not required to be) forwarded to reach the company's transfer secretaries by delivering it to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, so as to be received by them preferably by no later than 10:00 on Monday, 9 March 2020, to allow for processing of such proxies and the orderly arrangement of matters on the date of the annual general meeting. Any form of proxy not handed to the transfer secretaries at this time may be handed to the chairman of the annual general meeting at any time before the proxy exercises any rights of the shareholder at the annual general meeting.
6. Forms of proxy must only be completed by shareholders who have dematerialised their shares with 'own-name' registration or who have not dematerialised their shares.
7. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with 'own-name' registration, who are unable to attend the annual general meeting but wish to be represented thereat, must not complete the attached form of proxy, but must instead contact their CSDP, broker, banker, accountant, attorney or other agent (as the case may be) in the manner and time stipulated in the agreement entered into by such shareholder and the CSDP, broker, banker, accountant, attorney or other agent (as the case may be) to furnish the CSDP, broker, banker, accountant, attorney or other agent (as the case may be) with their voting instructions. In the event that such shareholders wish to attend the annual general meeting, such shareholders should obtain the necessary letter of representation from their CSDP, broker, banker, accountant, attorney or other agent (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.
10. Equity securities held by a share trust or scheme, and unlisted securities will not have their votes taken into account at the annual general meeting for the purposes of resolutions proposed in terms of the JSE Limited Listings Requirements.

ELECTRONIC PARTICIPATION

Shareholders or their duly appointed proxies will be given the right, as authorised in the memorandum of incorporation and in accordance with the provisions of the Companies Act, to participate by way of electronic communication at the annual general meeting by way of dialling into telephone conference facilities.

Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries by completing and submitting the application form (enclosing the documents referred to in the application form) attached to this notice to the transfer secretaries at Computershare Investor Services Proprietary Limited by delivering it to Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, or emailing it to theresap@transactioncapital.co.za, to be received by them by no later than 10:00 on Monday, 9 March 2020.

By no later than 10:00 on Tuesday, 10 March 2020, 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, broker, banker, accountant, attorney or other agent if they wish to have their vote counted and are not able to attend the meeting in person and vote in person.

Shareholders and their proxies must take note that the cost of the electronic communication facilities will be for the account of the company although the cost of the shareholder's telephone call will be for his/her/its own expense.

By order of the board of directors of the company.

THERESA PALOS
Company secretary
Transaction Capital Limited
21 January 2020

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 one (1) proxy.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the appropriate space provided.
4. Failure to comply with the above will be deemed to authorise and direct the chairman of the annual general meeting, if the chairman is the authorised proxy, to vote in favour of the resolutions, or the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit, in respect of all the shareholder's votes exercisable at the annual general meeting.
5. Completed forms of proxy and the authority (if any) under which they are signed should be (but are not required to be) lodged with or posted to the transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107) to be received preferably by no later than 10:00 on Monday, 9 March 2020 (48 hours prior to the annual general meeting) to allow for processing of such proxies and the orderly arrangement of matters on the date of the annual general meeting, or handed to the chairman of the annual general meeting at any time before the appointed proxy exercise/s any of the relevant shareholder's rights at the annual general meeting (or at any time before any adjournment or postponement of the annual general meeting).
6. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of the proxy appointed in terms hereof, should such shareholder wish to do so.
7. The chairman of the annual general meeting may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of the company.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies. Any insertion, deletion, alteration or correction made to the form of proxy but not complying with the aforegoing will be deemed not to have been validly effected.
9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by Transaction Capital or the transfer secretaries.
10. Section 63(1) of the Companies Act requires that meeting participants provide reasonably satisfactory identification. The company will regard presentation of a participant's original valid driver's licence, identity document or passport to be satisfactory identification.
11. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by Transaction Capital or the transfer secretaries or waived by the chairman of the annual general meeting.
12. Where shares are held jointly, all joint shareholders are required to sign this form of proxy.
13. A shareholder who is a minor must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by Transaction Capital or the transfer secretaries.
14. Dematerialised shareholders who do not own shares in 'own-name' dematerialised form and who wish to attend the annual general meeting, or to vote by way of proxy, must contact their CSDP representative/agent/manager, broker or nominee who will furnish them with the necessary letter of representation to attend the annual general meeting or to be represented thereat by proxy. This must be done in terms of the agreement between the shareholder and his/her CSDP, broker or nominee.
15. This form of proxy shall be valid at any resumption of an adjourned or postponed annual general meeting to which it relates, although this form of proxy shall not be used at the resumption of an adjourned or postponed annual general meeting if it could not have been used at the annual general meeting from which it was adjourned or postponed for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall, in addition to the authority conferred by the Companies Act, except insofar as it provides otherwise, be deemed to confer the power generally to act at the annual general meeting, and subject to any specific direction contained in this form of proxy as to the manner of voting.
16. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, provided that no notification in writing of such death, mental disorder, revocation or transfer as aforesaid shall have been received by the transfer secretaries before the commencement of the annual general meeting or adjourned annual general meeting at which the proxy is used.
17. Any proxy appointed in terms of this form of proxy may not delegate his/her authority to act on behalf of the relevant shareholder. In terms of the memorandum of incorporation of the company, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid for one (1) 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: ZAE000167391
('Transaction Capital' or the 'company' or the 'group')

For use by certificated shareholders and own-name dematerialised shareholders only. All other dematerialised shareholders must contact their the CSDP, broker, banker, accountant, attorney or other agent to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

I/We (Full names in BLOCK LETTERS)____

of (address in BLOCK LETTERS)____

being (a) registered shareholder(s) of the company holding ________________ ordinary shares in the company hereby appoint:

(i) (full names in BLOCK LETTERS) ____

of (address in BLOCK LETTERS)__________________________________ or, failing him/her,

(ii) (full names in BLOCK LETTERS) ____

of (address in BLOCK LETTERS)____

or, failing him/her, the chairman of the annual general meeting, as my/our proxy to participate in, speak and vote (whether by polling or by show of hands) for me/us and on my/our behalf at the annual general meeting of the company to be held at the William Meeting Room, Ground Floor, Finance House, 230 Jan Smuts Avenue, Dunkeld West on Wednesday, 11 March 2020 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 M Herskovits as a director			
Ordinary resolution number 2 – Re-election of D Hurwitz as a director			
Ordinary resolution number 3 – Re-election of J Jawno as a director			
Ordinary resolution number 4 – Re-election of P Langeni as a director			
Ordinary resolution number 5 – Election of S Doherty as a director			
Ordinary resolution number 6 – Appointment of D Radley as a member of the audit, risk and compliance committee			
Ordinary resolution number 7 – Appointment of P Langeni as a member of the audit, risk and compliance committee			
Ordinary resolution number 8 – Appointment of C Seabrooke as a member of the audit, risk and compliance committee			
Ordinary resolution number 9 – Appointment of B Hanise as a member of the 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 – Non-binding advisory vote on remuneration implementation report			
Ordinary resolution number 13 – Issue of securities for acquisitions in circumstances other than those covered by special resolution 5			
Ordinary resolution number 14 – Authority to act			
Ordinary resolution number 15 – Amendment of the Transaction Capital Limited Conditional Share Plan			
Special resolution number 1 – Approval of non-executive directors' and committee members' fees			
Special resolution number 2 – Approval of lead independent non-executive director's fees			
Special resolution number 3 – Authority to provide financial assistance in terms of section 45 of the Companies Act			
Special resolution number 4 – Authority to provide financial assistance in terms of section 44 of the Companies Act			
Special resolution number 5 – General authority to repurchase securities			
Special resolution number 6 – 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 ____________________________ 2020

Name in BLOCK LETTERS:____________________ Signature: ____________________________

Please refer to the notes on page 174 for instructions on the use of this form of proxy and a summary of the rights of the shareholder and the proxy.

ELECTRONIC PARTICIPATION AT ANNUAL GENERAL MEETING

TRANSACTION CAPITAL LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE code: TCP ISIN: ZAE000167391
('Transaction Capital' or the 'company' or the 'group')

Shareholders, or their proxies, will be given the right, as authorised in the memorandum of incorporation and provided for in the Companies Act, 71 of 2008, as amended (the 'Companies Act'), to participate by way of electronic communication at the annual general meeting. Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the transfer secretaries by completing this application form and by delivering it to the transfer secretaries at Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posting it to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, or emailing it to theresap@transactioncapital.co.za, as soon as possible, but in any event, by no later than 10:00 on Monday, 9 March 2020.

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 10:00 on Tuesday, 10 March 2020, 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, while the cost of the shareholder (or his/her proxy) dialling in will be for his/her/its own account.

By signing 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. 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 CSDP or broker 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 ______________________________ 2020

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

Sean Doherty (chief financial officer)
Mark Herskovits (executive director: capital management)
David Hurwitz (chief executive officer)
Jonathan Jawno (executive director)
Michael Mendelowitz (executive director)

INDEPENDENT NON-EXECUTIVE

Buhle Hanise
Phumzile Langeni
Kuben Pillay (lead independent non-executive director)
Diane Radley
Christopher Seabrooke (chairman)

NON-EXECUTIVE

Paul Miller
Roberto Rossi

COMPANY SECRETARY AND REGISTERED OFFICE

Theresa Palos
230 Jan Smuts Avenue
Dunkeld West
Johannesburg, 2196
(PO Box 41888, Craighall, 2024)

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
(Registration number 1929/001225/06)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
(PO Box 786273, Sandton, 2146)

LEGAL ADVISERS

Edward Nathan Sonnenbergs Inc.
(Registration number 2006/018200/21)
150 West Street
Sandton, 2196
(PO Box 783347, Sandton, 2146)

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

INDEPENDENT AUDITORS

Deloitte & Touche
(Practice number 902276)
Deloitte Place
The Woodlands, 20 Woodlands Drive
Woodmead
Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)

STUDIO⑤

www.transactioncapital.co.za