Integrated Annual Report 2020

Transaction Capital

GROUP PROFILE

Transaction Capital is an investor in and operator of alternative assets in credit-related and other highly specialised market verticals. Our strong decentralised divisional management teams manage our assets in well-governed, agile and efficient business platforms, which are scalable, data-driven and vertically integrated.

Led by entrepreneurial management teams, our businesses are positioned deliberately in relation to socioeconomic dynamics in defensive market segments. Their operational, financial and strategic flexibility allows them to quickly align their operating models, financial structures and growth plans to prevailing economic realities and emerging opportunities. This enables them to consistently deliver good commercial returns and meaningful social value.

Transaction Capital

Transaction Capital's market-leading and diversified business platforms leverage their specialised expertise, proprietary data and technology to create value for their customers. The business models of SA Taxi, Transaction Capital Risk Services (TCRS) and WeBuyCars are highly relevant in an operating context that is being redefined by COVID-19[1]. With the group's support, they continue to refine their competitive value propositions, diversify their revenues and expand their total addressable markets.

SA Taxi *driving our nation forward*

SHAREHOLDING: 73.9%

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 minibus taxi operators and create shared value opportunities, thus supporting the sustainability of the minibus taxi industry.

See page 86 for more on SA Taxi's business activities.

SA Taxi Auto Parts
SA Taxi Auto Repairs
SA Taxi Direct
SA Taxi Foundation
SA Taxi Protect
SA Taxi Rewards

we buy cars

SHAREHOLDING: 49.9%

WeBuyCars is a trusted principal trader of used vehicles, offering finance, insurance and other allied products through its vertically integrated physical and e-commerce infrastructure, leveraging its proprietary data with artificial intelligence to dynamically adjust pricing according to vehicle value and demand.

Transaction Capital acquired a non-controlling interest of 49.9% in WeBuyCars in September 2020. For more on the WeBuyCars transaction, see the Q&A with David Hurwitz, CEO, on page 50.

Transaction Capital Risk Services

SHAREHOLDING: 100%

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.

See page 98 for more on TCRS's business activities.

Transaction Capital Recoveries
recoveriescorp *connect. engage. succeed.*
We Care...

Transactional Services
Transaction Capital Payment Solutions
Accsys *A Transaction Capital Company*
FIHRST *A Transaction Capital Company*

1. *The novel coronavirus and the disease it causes (COVID-19).*

CONTENTS

Available online at www.transactioncapital.co.za

OUR REPORTS

FRAMEWORKS APPLIED	THIS REPORT	GOVERNANCE REPORT	RISK REPORT	SUSTAINABILITY REPORT	ANNUAL FINANCIAL STATEMENTS	NOTICE OF ANNUAL GENERAL MEETING AND SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS
The International Integrated Reporting <IR> Framework	●					
Companies Act, 71 of 2008, as amended	●	●			●	●
JSE Limited Listings Requirements	●	●	●		●	●
King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)	●	●	●	●	●	●
International Financial Reporting Standards (IFRS)	●				●	●
United Nations Sustainable Development Goals				●		

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 2019 to 30 September 2020, 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 in the group profile on the inside front cover of this report, as well as other businesses in which the group has a significant interest. 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 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, we consider the information herein to be of value to all stakeholders.

MATERIALITY

Group executive management was extensively involved in preparing this report and believes it covers all factors deemed to be material to the group's ability to sustainably generate robust commercial returns and positive social impact.

To confirm this assertion of completeness, in 2019 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 year, we reassessed and updated our material matters to reflect developments in our operating environment. We will continue to refine the materiality determination process over time.

We have again included letters from our board committee chairpersons to provide stakeholders with greater insight into the key deliberations and decisions that inform the group's governance processes. This year we have included an abridged governance report in this report, with the full governance report available online. Likewise, we have condensed our risk reporting in this report to focus only on material dynamic risks in executing our strategy, with more comprehensive detail provided in the full risk report online.

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

DISCLAIMER

This report contains certain forward-looking statements based on the beliefs or expectations of Transaction Capital's directors and other members of its senior management about the group. These include statements concerning plans, objectives, goals, strategies or future events. Forward-looking statements are based on current views and assumptions, and involve known and unknown risks, uncertainties and other factors. Consequently, no guarantee or assurance can be given that forward-looking statements will prove accurate, and readers are advised not to place undue reliance on them.

REPORTING FRAMEWORKS

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

Transaction Capital conforms to the principles contained in King IV.

COMBINED ASSURANCE

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 external auditors, Deloitte & Touche, have issued an unmodified 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.

PROCESS AND STATEMENT OF RESPONSIBILITY

The group executive office is responsible for compiling this report, with oversight from the group chief financial officer (CFO) and review and approval of all content by the group chief executive officer (CEO). Group internal audit provides a detailed audit on all financial and non-financial indicators, with the external auditors providing assurance as detailed in the independent auditor's report (available in the audited annual financial statements online).

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.

BOARD APPROVAL

The ARC committee recommended this report to the board for approval, obtained on 11 January 2021.

CHRISTOPHER SEABROOKE
Chairman of the board

DAVID HURWITZ
Group chief executive officer

SEAN DOHERTY
Group chief financial officer

OPERATING ENVIRONMENT

The global operating environment in 2020 was dominated by COVID-19 and its impact as nations took action to slow the spread of the disease. While these actions were necessary, in many cases they exacerbated existing challenges in already fragile economies. With uneven signs of recovery and the pandemic resurging in key regions, further shocks to the global economy are possible.

The aspects of the group's operating environments presented below are features that are relevant to the group's ability to create value for its stakeholders and advance its strategic initiatives. Notwithstanding the challenging operating environment, the group's highly defensive, context-relevant businesses are able to withstand difficult economic conditions and realise opportunities associated with these trends in their respective markets.

SOUTH AFRICA

The recovery of South Africa's fragile economy is expected to lag that of the global economy, with gross domestic product (GDP) only expected to reach 2019 levels by 2024.

ECONOMIC ENVIRONMENT

- GDP contracted 17.5% and 6.0% year-on-year in the second and third quarters of 2020 respectively.[1]
- Interest rate cuts of 3% during 2020 resulted in the **lowest repo rate in five decades.**
  - Repo rate at 3.5% at 30 September 2020 (2019: 6.5%), averaging 5.1% for the 2020 financial year (2019: 6.7%).
  - Despite lower interest rates, erosion of household income and increasing over-indebtedness are expected to persist.
- **Currency volatility and persistent weakness** driving up prices of imported consumer goods such as new vehicles.
- Further downgrades of South Africa's sovereign credit ratings.

SOCIAL ENVIRONMENT

- **Unemployment critically high**, reaching its highest level in 12 years.
  - Unemployment rate of 30.8% at 30 September 2020 (2019: 29.1%), with more than 2.2 million jobs lost in the second quarter of 2020.
  - Higher unemployment expected to intensify pressure on already indebted consumers, with household debt to income ratio of 72.8% at 31 December 2019.
- **Low wage growth** exacerbated by low inflation and pressure on employers, with household income eroding.
- **Consumer disposable income under strain,** with further strain expected as payment relief provided by financial institutions and temporary government support expire.
  - Benign inflation outlook of 3.3% for 2020 and interest rate cuts have provided limited relief to over-indebted consumers.
- **Consumer and business confidence remain low,** with business confidence reaching its lowest levels in decades.

AUSTRALIA

Impacts of COVID-19 moderated by significant government stimulus programmes, including economic stimulus packages and wage subsidies, as well as a low cash rate of 0.25%.

GDP GROWTH CONSTRAINED

- Real GDP expected to fall 1.5% in the year to June 2021 due to slowing household consumption and the impact of widespread bushfires and COVID-19.
  - Resulted in first recession in nearly 30 years.
  - Expected to rebound to 4.75% in 2022.

HIGHER UNEMPLOYMENT

- Unemployment forecast to peak at 10% in December 2020 from a pre-COVID-19 level of 5.1%, with a slow recovery to 6.5% expected by June 2022.

EUROPE

Economic impacts of COVID-19 have been uneven across different regions, with a resurgence of cases and return to lockdown in some countries.

GDP CONTRACTION

- Overall GDP is expected to contract by about 7.5% in 2020 before rebounding by 4% in 2021.[2]

1. *Stats SA.*
2. *European Commission Autumn 2020 Economic Forecast.*

KEY REGULATORY DEVELOPMENTS IN SOUTH AFRICA

- **COVID-19 related regulations and directives** dominated the year, requiring swift actions to minimise operational disruptions and impacts on clients.
- **Protection of Personal Information Act** came into effect on 1 July 2020, with one year from this date for businesses to ensure full compliance.
- **Competition Commission** notice of inquiry into land-based public passenger transport was due to be completed by December 2020, but was subsequently extended to 31 March 2021.
- **Other notable draft guidelines and bills** include:
  - The publication of the Competition Commission's draft guidelines for comment relating to lack of competition in the sale and fitment of spare parts and the repair of vehicles.
  - Proposed amendments to the Financial Intelligence Centre Act published for comment on 19 June 2020. This seeks to expand the list of entities that are deemed as accountable institutions to include credit providers, motor vehicle dealers and businesses dealing in high-value goods.

For more on the group's responses to regulatory developments, see the full governance report available online at www.transactioncapital.co.za.

MATERIAL MATTERS

For Transaction Capital, material matters are the issues we consider most relevant in ensuring that we continue to create value sustainably.

In determining the group's material matters, we consider factors that may create and protect value, but also destroy value. These included immediate and longer-term exogenous and endogenous factors. Our material matters thus represent the top drivers of value that inform our strategic decision-making and can influence stakeholders' assessment of the group's ability to create value over time. The material matters represent the synthesis of information that key individuals within the group and its divisions deem relevant for elevation to board level, including information from stakeholder interactions.

In 2020, the determination process was conducted by an independent service provider using a clear and transparent process for data inclusion, exclusion, analysis and evaluation, to ensure the rigour of the process and produce results that are evidence-based and verifiable. On completion, the material matters were assessed against the group strategy, with high correspondence found between the material matters and the group's strategic priorities. This indicates that the group's strategy is appropriate for driving sustainable value creation.

The material matters were considered and approved by the board in March 2020. A subsequent assessment by group executives concluded that they remain relevant given the impacts of COVID-19 and following the group's investment in WeBuyCars.

Our definition of value

Transaction Capital creates value for stakeholders by sustainably generating good commercial returns and positive social impact (shared value).

1 *Ability to consistently create shared value by assessing, mitigating and pricing credit-related and other specialised risk.*

Core concept: SPECIALISM

LINK TO STRATEGY

- **Strategic objective 2** Risk and capital management
- **Strategic objective 3** Data, technology and analytics
- **Strategic objective 4** Acquisitive growth
- **Strategic objective 5** People

HOW WE ADDRESS THIS MATTER

- Proven ability to identify opportunities in highly specific alternative asset classes, and to manage the attendant risks to acceptable levels.
- High degree of expertise and market understanding applied to manage alternative assets in highly specialised market segments.
- Ability to identify, assess, develop and partner with entrepreneurial, innovative and experienced founders, owners and managers of businesses with the potential for growth and scale.
- Track record in building diversified, specialised and highly efficient business platforms to manage the group's assets.
- Ability to build and expand specialised data sets and analyse data at a granular level to inform our credit philosophy and mitigate risk.

2 *Maintain sustainable, high-quality earnings growth in variable conditions.*

Core concept: RELEVANCE

LINK TO STRATEGY

- **Strategic objective 1** Organic growth
- **Strategic objective 4** Acquisitive growth

HOW WE ADDRESS THIS MATTER

- Proven track record of strong performance, even in challenging macroeconomic conditions.
- Diversified revenue drivers that perform differently in variable market contexts.
- Deliberately positioned divisional business platforms with business models that remain relevant in a post-COVID-19 environment and which maintain strong medium-term organic growth prospects in defensive markets.
- Business platforms focus on enhancing competitiveness and resilience through deeper vertical integration in their value chains, with new product and service offerings, and high levels of operational agility.
- Technology investments facilitate growth and improve business processes, enhancing efficiencies and reducing costs.
- Ability to enter complementary adjacent market segments or new geographic markets, to support longer-term growth. This is achieved through value accretive bolt-on acquisitions, and by applying existing competencies and data sets in adjacent markets.
- Priority given to higher-quality credit and debt purchases.
- Deepening social relevance to support market penetration, innovation and growth, and mitigate market and reputational risk.

The group's strategic objectives are set out on pages 40 to 47.

3 *Provide strategic flexibility and operational resilience through sophisticated capital management.*

Core concept: FLEXIBILITY

LINK TO STRATEGY

- **Strategic objective 1** Organic growth
- **Strategic objective 2** Risk and capital management
- **Strategic objective 3** Data, technology and analytics

HOW WE ADDRESS THIS MATTER

- Robust balance sheet with ample capacity to fund organic growth.
  - R1 billion undrawn approved facilities at holding company to fund medium-term organic growth initiatives.
  - Raising additional capital to accelerate growth in line with emerging opportunities.
- SA Taxi loan origination funding requirements into the 2022 financial year already secured.
- TCRS's funding requirements for acquiring NPL Portfolios into the 2022 financial year already secured.
- Adequate access to liquidity facilities to cover any potential cash flow disruption in the short term.
- Generating appropriate risk-adjusted returns on the capital deployed within the divisions remains a key strategic focus.
- Ability to drive down the cost of debt and optimise funding mix due to investor appetite for the group's high-quality risk profile.
- Financial position allows robust access to capital, despite challenging market conditions.

4 *Attract and retain the best leadership and operational management.*

Core concept: EXCELLENCE

LINK TO STRATEGY

- **Strategic objective 5** People

HOW WE ADDRESS THIS MATTER

- Specialised nature of businesses makes sourcing and retaining intellectual capital a key requirement.
- Investment in best practice human capital management to ensure a competitive employee value proposition.
- Commitment to accelerating transformation in our South African operations, including linking executive remuneration to transformation targets.
- Efforts to profile and identify leadership candidates for succession planning and internal promotion.
- Identifying and appointing new independent non-executive directors with specialised financial and credit experience to augment the skills, independence and diversity of the board.

5 *Ensure integrity through good governance.*

Core concept: TRUSTWORTHINESS

LINK TO STRATEGY

Due to the oversight function performed by the board, all strategic objectives relate to this material matter.

HOW WE ADDRESS THIS MATTER

- Apply the highest standards of corporate governance in a way that adds strategic value to the business.
- Deepening application of King IV and responding to concerns raised by stakeholders.
- Increasing resources in the key functions of ethics and internal audit at group and divisional level.
- Ongoing monitoring and assessment of regulatory changes.
- Continuing to drive a transformation agenda and considering ways in which to develop and attract black talent.
- Driving application of group sustainability policy and performance against divisional economic, social and environmental (ESE) frameworks and indicators.

BUSINESS MODEL

Transaction Capital invests in carefully selected alternative asset classes in credit-related and other highly specialised market verticals. Our strong divisional management teams manage these assets in well-governed, agile and efficient operating platforms, which apply their intellectual capital to deliver appropriate risk-adjusted financial returns and meaningful social impact. The industries we choose are typically characterised by low consumer confidence and trust, which make the good standing of our businesses and trust-based relationships with their stakeholders a powerful competitive advantage.

Our decentralised operating platforms are tasked with deepening vertical integration along their respective industry value chains. This supports their ability to deliver differentiated customer value propositions that expand their addressable markets and unlock new opportunities for revenue growth and improved operational efficiencies, supporting strong and consistent commercial returns. Their deliberate positioning in relation to socioeconomic dynamics enhances their social relevance, and as part of the Transaction Capital group they bring formalisation and good governance practices to their respective industry sectors.

INPUTS

INTELLECTUAL CAPITAL

- Specialism in investing in and operating alternative assets in credit-related and other highly specialised market verticals where consumer confidence and trust has been low.
- Superior data, leading-edge technology and analytics capabilities.
- Deep vertical integration enabling the application of specialised expertise to mitigate risk, participate in margin and provide a broader service to clients.
- Directors and executives with skills and experience relevant to the group's highly technical and specialised businesses and strategic growth plans, and the expanding risk and opportunity profiles of our businesses.
- Diversified revenue model across adjacent market segments and geographies.

HUMAN CAPITAL

- Empowered, entrepreneurial, innovative, proven and long-serving leadership.
- Strong ownership culture and materially invested management teams.
- Experienced, diverse and independent directors at group and subsidiary level.
- Total number of employees: 3 965.

FINANCIAL CAPITAL

- Track record of high-quality earnings growth with high cash conversion rates.
- Robust balance sheet with ample capacity to fund strong organic growth prospects, and an adequate balance between equity and debt funding:
  - Total equity issued in 2020: R889 million.
    - R560 million raised via accelerated bookbuild in June 2020.
    - R329 million equity issued in September 2020 to part-fund investment in WeBuyCars.
  - Debt facilities:
    - R1 billion undrawn approved facilities available at holding company for strategic growth initiatives.
    - Undrawn debt facilities to fund expected loan origination at SA Taxi and the acquisition of non-performing consumer loan portfolios by TCRS as principal, into 2022.
- The group's capital structure, and the long-term nature of our assets, provide sufficient financial flexibility and headroom should recessionary conditions intensify.

SOCIAL AND RELATIONSHIP CAPITAL

- Occupy leading positions in our respective market segments.
- Deliberate alignment of financial and social capital investment to realise transformation objectives and commercial goals.
- Embedded ESE frameworks in our wholly controlled divisions.
- Constructive relationships with industry associations and representatives.
- Institutionalised governance, regulatory and risk management practices.

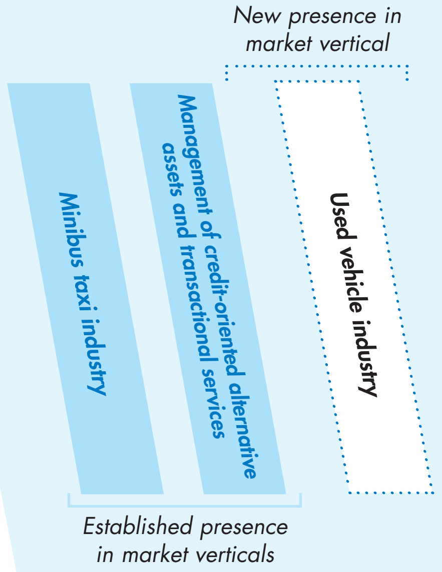
BUSINESS ACTIVITIES

1. *Identify **alternative assets in credit-related and other specialised market verticals,** 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, in building and scaling highly competitive, efficient, technology-driven operating platforms that manage our assets.*
4. *Mobilise an **optimal balance of equity and debt capital** to fund the growth of business platforms and their underlying assets.*
5. ***Develop our business platforms to scale,** with competitive value propositions, diversified and resilient revenue streams, and best-of-breed data, technology and processing capability to ensure operational effectiveness and facilitate growth.*
6. *As business platforms are established for organic growth, **identify new opportunities to redirect capital resources** to deepen vertical integration and expand into adjacent market segments, related asset classes and new geographic markets, thereby growing our addressable market and earnings base.*

MARKET VERTICALS

The strategic positioning of our two established divisions, SA Taxi and TCRS, in relation to socioeconomic dynamics and their diversification within and across highly defensive market sectors, has increased their relevance in the COVID-19 environment and demonstrates the value of deepening their participation within their respective market verticals.

The transaction with WeBuyCars, which establishes the group's third specialised market vertical adjacent to SA Taxi, is a partnership with like-minded founders that deepens the group's presence in the vehicle market and represents a vote of confidence in South Africa's economic recovery and longer-term growth prospects.



The market verticals within which our two established divisions operate are described more fully in the divisional reviews, starting on page 79.

For more on the transaction with WeBuyCars and the establishment of the group's third adjacent market vertical, see page 56.

GOVERNANCE

Transaction Capital's governance practices mean that our divisions are held to the same standards of conduct and ethics as required of listed entities in South Africa, which contribute to formalising and enhancing the reputation of the industries our divisions serve and building a trusted brand within these industries.

For more on governance, see the abridged governance report starting on page 28.

RISK MANAGEMENT

Risk assessment, management and mitigation are core competencies of the group, both in assessing, acquiring and funding alternative assets and managing operational risk within our divisions. The group's risk management acuity was demonstrated in its effective response to the impacts of the COVID-19 pandemic.

For more on the group's material risks, see page 48.

OUTCOMES

The deliberate positioning of our divisions in relation to socioeconomic dynamics and the defensiveness of their market segments supported their resilience against the impacts of the COVID-19 pandemic and position them for even greater relevance in a post-COVID-19 environment.

The group depends on its stakeholders for access to the resources required to undertake its activities and achieve its strategic objectives, while cognisant that these activities necessarily impact on stakeholders' ability to meet their own value objectives. The value relationships between the group and its stakeholders are shown on page 12, with the most relevant stakeholders linked to our commercial outcomes and social impact themes.

We have made good progress in developing sustainability themes and outcome measures as part of the ESE frameworks introduced in SA Taxi and TCRS, to provide stakeholders with an objective view of the group's consolidated impacts and to inform our long-term strategies in this regard. The United Nations' Sustainable Development Goals informed this process, with a subset of five goals selected, to provide a consistent and comparable basis for reporting divisional ESE impacts. The social outcomes presented on page 12 reflect this work, and we will continue to add to and refine these measures in subsequent reporting.

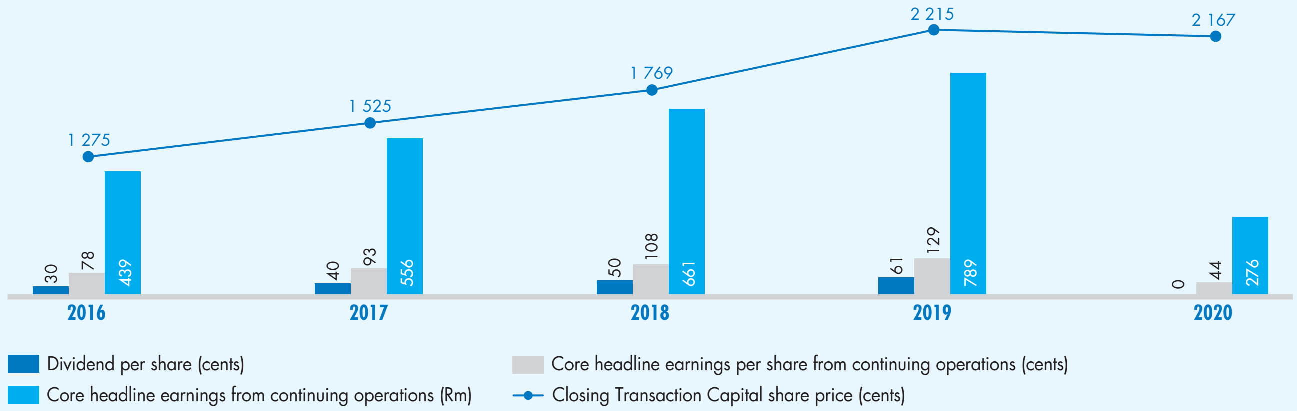
COMMERCIAL OUTCOMES

Stakeholders impacted

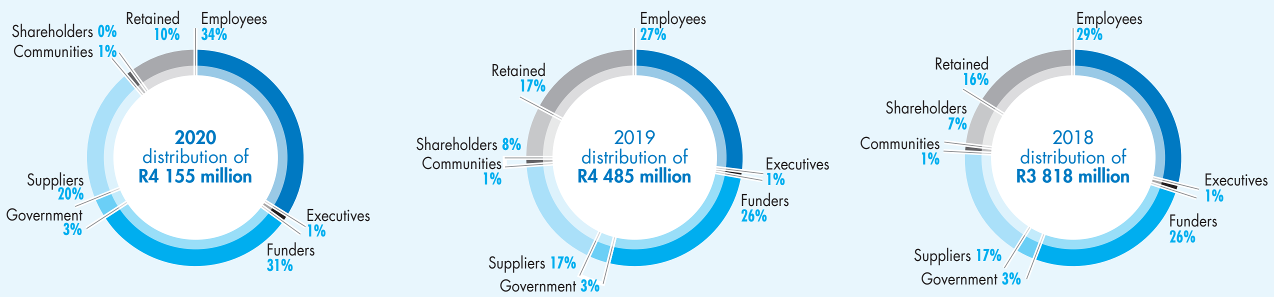
1 2 5

The value relationships between the group and its stakeholders are described on page 12.

TRANSACTION CAPITAL'S FIVE-YEAR PERFORMANCE

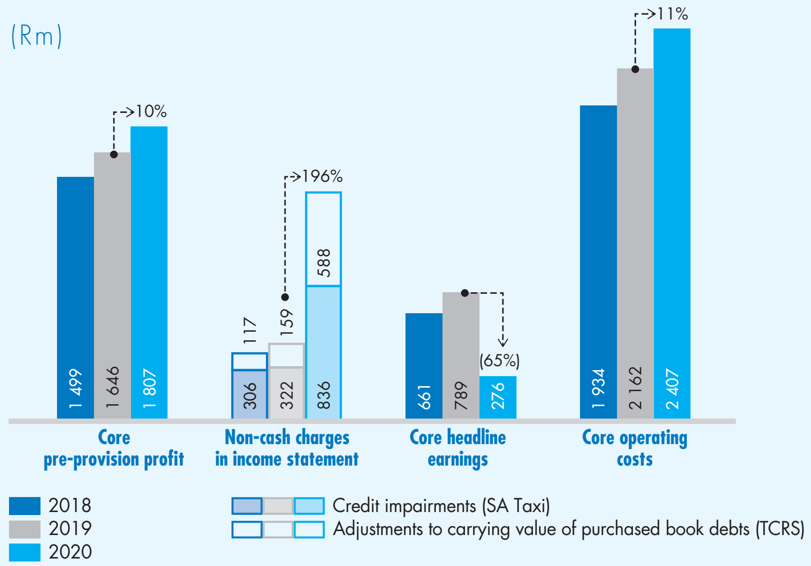


FINANCIAL VALUE DISTRIBUTED TO STAKEHOLDERS



COVID-19 IMPACT ON 2020 RESULTS

(Rm)



Pre-COVID-19, the group maintained its track record of growth and financial outperformance. The group is well placed to return to its long-term track record of growth from the 2021 financial year (applying 2019 as the base year).

The impacts of COVID-19 subdued the group's financial performance for 2020, but its operations proved resilient:

▷ Core pre-provision profit up **10% to R1 807 million** (2019: R1 646 million), despite operational disruption of COVID-19.

▷ Performance impacted by **operational disruptions experienced due to COVID-19** over six months from March to end September 2020:

- **SA Taxi**
  - Number of loans originated down **27%** (2020: 6 250; 2019: 8 591).
  - **Subdued non-interest revenue** linked to decrease in loan originations.
  - Gross written premium increased **10%** to R907 million (2019: up 20% to R823 million).
- **TCRS**
  - Acquisition of NPL Portfolios down:

30 September 2020: **R733 million**	31 March 2020: **R177 million**
30 September 2019: **R1 186 million**	31 March 2019: **R749 million**

  - Reduction in volumes of matters handed over for collection.

▷ **Increased provision coverage and conservative approach** applied to the anticipated impact of COVID-19 on future cash flows subdued the group's results but protected the balance sheet:

- **SA Taxi**

– Provision coverage:	– Credit impairments (before tax):
30 September 2020: **6.7%**	30 September 2020: **R836 million**
31 March 2020: **5.4%**	31 March 2020: **R338 million**
30 September 2019: **4.8%**	30 September 2019: **R322 million**

- **TCRS**
  - Adjustments to the carrying value of purchased book debts (before tax):

30 September 2020: **R588 million**
31 March 2020: **R161 million**
30 September 2019: **R159 million**

▷ **Positive operational leverage** supported resilient performance:

- Total income up **12%.**
- Total operating costs up **11%** (excluding once-off COVID-19 related costs of R74 million and adjustments to carrying value of purchased book debts of R588 million).

▷ Impact of COVID-19 on 2020 financial performance:

- Core headline earnings from continuing operations attributable to the group down **65%**.
- Core headline earnings per share from continuing operations down **66%**.

The CFO's report starting on page 70 provides more detail on financial performance.

SOCIAL OUTCOMES

FACILITATING ECONOMIC DEVELOPMENT

Stakeholders impacted: 1 3 4 5

8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES · 11 SUSTAINABLE CITIES AND COMMUNITIES

Transaction Capital's focus on traditionally under-served market segments where it can make a meaningful social impact supports economic growth and development:

- SA Taxi empowers small- and medium-sized enterprises (SMEs) through financial inclusion:
  - Proportion of SA Taxi's SME customers classified as previously under-banked or financially excluded: **~80%**.
  - Percentage of loans provided to black-owned SMEs: **100%**.
  - Total number of direct jobs created in financed fleet in 2020: **11 250** (2019: 15 464; 2018: 13 921).
- TCRS drives economic growth by promoting credit market stability by unlocking value from its clients' non-performing loan portfolios:
  - Value recovered for clients through contingency and fee-for-service (FFS) collections in South Africa: **R2.6 billion** (2019: R2.8 billion; 2018: R3.2 billion).
  - Selling their NPL portfolios frees up operational capacity and capital within TCRS's client base, enabling them to resume lending:

Original face value: **R32.3 billion**	Remaining face value: **R22.9 billion**	Capital outlay: **R3.5 billion**
Provision release[1]: **~R12 billion – R14 billion**	Risk-weighted asset release[2]: **~R6 billion – R7 billion**	Regulatory capital release: **~R700 million – R800 million**

1. *The provision release was estimated using the expected losses per the South African banks' regulatory Pillar III reports. This estimate was also applied to non-bank non-performing loan (NPL) sellers.*
2. *The risk-weighted assets and regulatory capital releases were estimated per the South African banks' regulatory Pillar III reports. These estimates are only applicable to South African banks.*

SUPPORTING SOCIAL INCLUSION

Stakeholders impacted: 3 4 5

8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES · 11 SUSTAINABLE CITIES AND COMMUNITIES

SA TAXI

Helps millions of commuters access services and economic opportunities:

- Number of commuter trips per day by SA Taxi's fleet: **1 973 400** (2019: 1 946 460; 2018: 1 837 020).
- % of repeat customers (indicating financed operator satisfaction levels): **28%** (2019: 29%; 2018: 31%).

TCRS

Is a trusted and respected partner.

- Ranked **1st (69%)** or **2nd (18%)** in **87%** of **191** mandates on client panels where TCRS is represented.
- Proportion of complaints received through debtor complaints channel resolved:
  - In 2 months: **82%**.
  - In 6 months: **95%**.

Rehabilitates debtors ethically and responsibly.

- TCRS average fees per account of R109 versus R1 176 maximum permitted per Debt Collection Act.[1]

Rehabilitates and educates debtors to enable expedited re-entry into credit markets.

- Offers affordable monthly payment plans:

Average payment amount before defaulting: **R986**[2]	Promise to pay: **R720**	Amount finally agreed: **R378**

- Rehabilitates on average **280 000** debtors within a year to the value of **R325 million**.

1. *The Debt Collection Act permits fees and expenses to be recovered from the debtor in respect of items 1 to 7 of the Fee and Expense Annexure, which shall not exceed the capital amount of the debt or R1 023.00 (excluding VAT), whichever is the lesser. This excludes any attending taxation and fees related to the instalment.*
2. *The average payment plan prior to default was sourced from the various credit bureaus.*

For more on the group and divisional ESE impacts, see the sustainability report available online at www.transactioncapital.co.za.

HIRING INCLUSIVELY AND EMPOWERING OUR PEOPLE

Stakeholders impacted: 2 4 5

8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

GROUP

- Number of employees: **3 965**[1] (2019: 4 662).
- Female employees: **59%** (2019: 62%).
- Voluntary employee turnover rate: **16%** (2019: 18%).
- Total employee turnover rate: **34%** (2019: 24%).

SOUTH AFRICA[2]

- Black employees as a % of employee headcount: **88%** (2019: 90%).

SA TAXI

- % employees under the age of 35: **46%** (2019: 45%).
- Average training hours per employee per year: **6 hours**[3] (2019: 9 hours).

TCRS South Africa

- % employees under the age of 35: **58%** (2019: 49%).
- Average training hours per employee per year: **24 hours**[3] (2019: 34 hours).

1. *The decrease in the number of employees is predominantly due to a Section 189 process in TCRS that affected 544 employees. See page 102 for more detail.*
2. *Various national and federal legislation in Australia governs the collection of data relating to 'protected attributes', thus these figures exclude 706 employees (2019: 700 employees) in our Australian operations.*
3. *Decrease due to the operational impacts experienced during the COVID-19 pandemic.*

BETTERING THE INDUSTRIES WE SERVE

Stakeholders impacted: 1 3 4 5

8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES · 11 SUSTAINABLE CITIES AND COMMUNITIES

SA TAXI

Contributes to a safer and more reliable public transport industry to the benefit of all stakeholders:

- Total value of SANTACO dividend to date: **R68.5 million**.
- Value of investments in taxi infrastructure: **R3.4 million** (2019: R5.9 million; 2018: R14.1 million).

TCRS

Works to better financial intermediation for all stakeholders:

- Value of electronic transactions processed by Transaction Capital Payment Solutions: **R37.1 billion** (2019: R38.4 billion; 2018: R33.4 billion).
- Percentage of claims paid by RoadCover to its clients through the Road Accident Benefits Scheme: **100%**.

BEING A GOOD CORPORATE CITIZEN

Stakeholders impacted: 2 4 5

11 SUSTAINABLE CITIES AND COMMUNITIES · 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SA TAXI

- % net profit after tax (NPAT) dedicated to socioeconomic development (SED) programmes: **4.1%** (2019: 1.4%; 2018: 4.3%).
- Donated for COVID-19 related initiatives: **~R8.9 million**.

TCRS

- % NPAT dedicated to SED programmes: **1.6%** supporting 315 people (2019: 1.1% supporting 365 people; 2018: 1.4% supporting 115 people).

PROMOTING CLIMATE RESILIENCE

Stakeholders impacted: 1 3 4 5

11 SUSTAINABLE CITIES AND COMMUNITIES · 13 CLIMATE ACTION

SA TAXI

- New minibus taxis sold (supporting lower emissions): **4 064** (2019: 6 025; 2018: 5 876).
- Pre-owned minibus taxis sold (supporting circular economy): **2 186** (2019: 2 566; 2018: 1 858).
- Total GHG emissions of SA Taxi-financed fleet: **763 392 tCO_2e**.
- Total GHG emissions abatement: **9.9%** (2019: 9.8%; 2018: 9.8%).

TCRS

- Continued initiatives to reduce electricity and water consumption and manage waste in our operations, which are considered to have a low overall impact already.

OUR VALUE RELATIONSHIPS

	1 SHAREHOLDERS AND FUNDERS	2 EMPLOYEES	3 CLIENTS	4 REGULATORS	5 SOCIETY
Value for us	Accessible and affordable capital supporting the right balance of equity and debt funding, to fund organic and acquisitive growth.	A workforce that is aligned to group and divisional strategies and embraces our entrepreneurial, high-performance, ethical and inclusive culture, to effectively deliver market-leading value propositions to clients.	Income generated from providing products and services; opportunity to broaden our addressable markets by leveraging good relationships with clients; utilising our rich data to improve and develop new products and services.	Good standing with regulatory authorities; contributions to industry developments and promotion of an enabling regulatory environment; reputation as an accessible and invested social partner.	Positive relationships with industry stakeholders and relevant governmental departments; opportunity to deliver products and services with social purpose; uninterrupted supply chains and value for money when procuring from suppliers.
Value for them	Quality earnings growth and capital appreciation even in difficult economic conditions; reliable risk-adjusted interest returns; meaningful social impact for development finance institutions.	Fair remuneration and benefits; career progression within a growing group; a positive and inspiring work environment; being part of an organisation that delivers positive social impacts.	Access to products and services that are innovative, cost-effective and differentiated, augmented with rich data, in industries that stand to benefit from greater formalisation and an ethical and responsible approach to doing business	A compliant and supportive sector participant; a committed partner in achieving transformational and developmental objectives.	Contributing to better industries through greater formalisation and strong governance practices; improving mobility access for South Africans; growth in tax revenue, employment opportunities and supplier base through continued growth of divisions.

INVESTMENT CASE

The agility and flexibility of the group and its divisions in responding to the volatile operating environment precipitated by the COVID-19 pandemic during 2020 demonstrates the robustness of Transaction Capital's business model, further substantiating its 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** and **Transaction Capital Risk Services**).
- **Data and technology led** businesses, operating in specialised market verticals.
- Businesses manage **financial or credit-related alternative assets**.
- Recent **investment in a 49.9% non-controlling interest in WeBuyCars** establishes Transaction Capital's **third market vertical**.
- Positioned in **attractive market segments** occupying **leading market positions**.
- **Highly defensive, context-relevant 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**.
- Via a **diversified business model**:
  - Unique blend of highly **cash generative and capital-related businesses**.
  - **Diversified revenue model** across adjacent market segments and geographies.

established as a **scalable operating platform**

- **Decentralised businesses** that are self-sustaining and sizable in their own right.
- **Technology-driven, market leading** operating platforms that manage our assets.
- Scalable via **development of new products and expansion into new markets** (SA Taxi and TCRS) and through **innovation in introducing new organic and acquisitive growth opportunities** (Transaction Capital).

led by an **entrepreneurial owner-manager team**

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

with a **bespoke capital structure**

- **Conservative capital management philosophy** to fund organic growth and acquisition activity.
- **Well capitalised** at holding company and divisional levels.
- Unfettered access to liquidity and **proven ability to raise debt and equity** from a diversified range of local and international investors.
- An **optimal balance of debt and equity,** with limited exposure to liquidity and refinancing risk.
- Positive asset-liability gap maintained.

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 positions the group for **sustainable high-quality earnings growth**

- Track record of **high-quality earnings growth** with **high cash conversion rates and strong organic growth prospects**.
- Identification of opportunities to **leverage our high-IP, leading technologies and low-cost operational infrastructure**.
- **Expansion into attractive adjacent market segments, related alternative asset classes and geographic markets**.
- Established 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**.

generating **risk-adjusted interest returns** and **capital appreciation**

- **Value-led investment approach**.
- Investment objective that yields:
  - **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 socioeconomic trends, **to deliver shared value** through commercial returns and meaningful and positive social impact.
- Economic, social, environmental and governance principles embedded throughout our operations.
- SA Taxi enables mobility access for millions of minibus taxi commuters through tailored developmental financing and support services for SMEs, which:
  - **Empowers SMEs** through financial inclusion.
  - **Promotes social inclusion** by helping millions of commuters to access services and economic opportunities.
  - **Improves the public transport industry** for all stakeholders.
  - **Promotes climate resilience.**
- TCRS promotes stable, functioning credit markets, facilitates financial rehabilitation and enables efficient payment systems, by:
  - **Driving economic growth by promoting credit market stability.**
  - **Rehabilitating debtors** ethically and responsibly.
  - **Improving financial intermediation** for all stakeholders.
- WeBuyCars facilitates private vehicle ownership, which enables mobility in a market characterised by limited public transport and long travel distances especially outside urban centres, by:
  - Providing a **reliable, affordable and convenient alternative** with a **high level of customer service** when buying and selling a vehicle in South Africa.
  - Leveraging data and technology for **fair pricing of vehicles** to sellers and buyers.
  - Providing an **independent vehicle condition report** to instil buyer confidence.

2 GOVERNANCE

CHAIRMAN'S REPORT

CHRISTOPHER SEABROOKE

Introduction

COVID-19 continues to affect the lives and livelihoods of people across the world.

Within Transaction Capital, we have lost four employees to COVID-19. We extend our deepest sympathies to the families, friends and colleagues of Christopher Guy Harradine, Hilton Esterhuizen, Nompumelelo Jivane and Sherizia Shalande Mouers.

While efforts to limit the spread of the disease have seen some success in South Africa and Australia, the socioeconomic cost has been unprecedented and has sharply raised sovereign debt. A resurgence of infections in key economies indicates that we are far from an end to the pandemic.

We remain concerned about the ongoing impact on livelihoods, with uneven signs of economic recovery and further shocks to the global economy still possible. The recovery of South Africa's fragile economy is in any event likely to lag that of the global economy, with some analysts anticipating that GDP will reach 2019 levels only by 2024.

The pandemic has intensified already pernicious socioeconomic risks in South Africa, in particular inequality, poverty and access to adequate healthcare, which may lead to elevated social instability.

However, the group's divisions are well positioned in relation to demographic and socioeconomic trends, to allow us to create shared value through good commercial returns and meaningful social impact. This positions the group to deepen our support for our stakeholders and broader society.

We have made good progress in deepening the group's social relevance by introducing measurable ESE frameworks in SA Taxi and TCRS. These provide stakeholders with an objective view of the group's impacts and inform our long-term strategy. The frameworks also considered specific United Nations Sustainable Development Goals as part of the development process, thus aligning our sustainability efforts and reporting to this important global initiative.

Operating environment

In South Africa, initial expectations were that GDP would retract by as much as 6% in 2020. The unprecedented pressure on the domestic economy now has banks, analysts and government warning that GDP could retreat as much as 10%, the largest contraction in nearly 90 years.

The country's official unemployment rate rose to 30.8% (September 2020) compared to 29.1% a year earlier. This is South Africa's highest unemployment rate in 12 years, with more than 2.2 million jobs lost in the second quarter of the 2020 calendar year alone. This will intensify the pressure on already indebted consumers.

The Australian economy recently entered its first recession in nearly 30 years. Real GDP is expected to fall 1.5% in the year to June 2021 before rebounding 4.75% in 2022. Unemployment is forecast to peak at 10% in December 2020 before slowly recovering to 6.5% by June 2022.

Details on the market contexts of the group's divisions can be found on pages 57, 82 and 96 respectively.

Resilience and growth

With a near 20-year track record for high-quality earnings growth and attractive risk-adjusted returns, the group achieved compound annual growth in core headline earnings per share of 23% for the five years to 30 September 2019. Prior to the effects of COVID-19, the group was on track to deliver earnings growth in line with this past performance.

COVID-19 subdued the group's performance for the 2020 financial year, interrupting our long-term growth trend. However, SA Taxi and TCRS demonstrated resilience in their agile responses to the volatile dynamics accompanying the pandemic. Their operational, financial and strategic flexibility allowed them to quickly align their operating models, financial structures and growth plans to prevailing economic realities and emerging opportunities. Operational activity in many instances is now nearing or exceeding pre-COVID-19 lockdown levels. The group's swift responses to the impacts of the pandemic underpinned a decisive recovery in our divisions and enabled significant strategic progress in the year.

This recovery validates the group's robust business model. We are invested in attractive market segments, with highly defensive businesses able to withstand difficult economic conditions and benefit from emerging opportunities. Effective implementation of measures to stabilise the group, protect the group's balance sheet and secure ample funding to invest in growth have placed the group among the few businesses that have managed to improve their prospects during this extraordinary time.

The group's good standing with investors allowed us to issue nearly R900 million of new equity on a pre-emptive basis to facilitate a transformational and value-accretive investment in a non-controlling 49.9% of WeBuyCars on 11 September 2020, establishing our third market vertical.

For details on our investment in WeBuyCars, see the Q&A with David Hurwitz, CEO, starting on page 50.

Shareholder matters

COVID-19 has tested the group's people, business model and operational processes, as well as its relationships with stakeholders and governance systems like never before. I am pleased that Transaction Capital's directors, executives and employees have remained true to the group's values and principles.

The board and its committees provided intensified input and oversight over the year to ensure that all governance processes and controls remained effective, and informed decisions were made, backed by extensive modelling and risk analysis.

Our businesses are financially technical, highly specialised and vertically integrated. As such, assembling a diverse board with relevant skills and experience has been an ongoing strategic imperative.

The board welcomed Ms Sharon Wapnick, Mr Ian Kirk and Dr Suresh Kana as independent non-executive directors during the year. As highly seasoned directors, they bring considerable skills and experience to the board, which now comprises nine non-executive directors, eight of whom are independent, and five executive directors. Dr Kana has also been appointed as lead independent director, effective 1 November 2020.

Ms Theresa Palos stepped down as company secretary to focus on her broader role across the group. We welcomed Ms Sharon Nayger as our new company secretary from 1 November 2020. Ms Nayger is an admitted attorney with more than 20 years' experience in law and finance.

I am particularly pleased to announce the acquisition by Royal Bafokeng Holdings (RBH) of 1.8% in Transaction Capital (representing 12 million ordinary shares) via a secondary purchase of shares in the market. The acquisition became effective on 20 November 2020. RBH is expected to increase its stake by a further 1.9% in January 2021, subject to shareholder approval, which is the next step in a planned long-term strategic relationship with RBH.

As announced via SENS on 18 and 19 February 2020, Transaction Capital's founders, Jonathan Jawno, Michael Mendelowitz and Roberto Rossi, sold a collective 69 million Transaction Capital shares in equal proportion through their respective shareholding vehicles (Pilatucom Holdings Limited, Rutland Trust and Sugar Tube Trust) via an accelerated bookbuild offering. The founders remain materially invested in the group, each retaining 5.5% for a total combined shareholding of approximately 16.5% (109 million shares).

Subsequently, as announced via SENS on 17 September 2020, the family of Roberto Rossi is undertaking a process to rearrange the ownership of their interest in Transaction Capital, but with no change in absolute holdings. The Sugar Tube Trust distributed its shares to Roberto Rossi, who will then dispose of the shares to Pilatucom Holdings Limited (50% of the shares of which are held by trusts of which Roberto Rossi is a contingent discretionary beneficiary) once formalities are finalised. As announced via SENS on 26 November 2020, the family of Michael Mendelowitz is also undertaking a process to rearrange the ownership of their interest in Transaction Capital, but with no change in absolute holdings. The Rutland Trust distributed its shares to Michael Mendelowitz, who will then dispose of the shares to Pilatucom Holdings Limited (33.3% of the shares of which will be held by a trust of which Michael Mendelowitz is a contingent discretionary beneficiary) once formalities are finalised.

Transaction Capital's free float has increased to 81% (2019: 68%), with a concomitant increase in the average daily number of shares traded by 129% to 1.3 million (2019: 0.6 million). We have also seen an increase in local and international institutional shareholdings. GIC Private Limited (formerly known as Government of Singapore Investment Corporation) increased its shareholding in the group to 5.19% in February 2020, followed by the Public Investment Corporation SOC Limited increasing its shareholding to 15.03% in July 2020. Over the year, foreign institutional ownership has increased to 24% (2019: 18%).

Transaction Capital's ordinary dividend policy is 2.0 to 2.5 times cover. After extensive deliberation and in view of the impact of COVID-19, the board has opted to retain capital and not to pay a dividend for 2020. This cautious and conservative approach to preserve capital will help to ensure adequate financial capacity and flexibility to weather adverse economic conditions and invest in our strategic growth initiatives.

For the group's shareholder analysis, see page 128.

Prospects and appreciation

Our current assessment of operating conditions and growth prospects sees the group resuming its strong organic growth trend in the coming year, with 2021 exceeding 2019 levels in line with pre-COVID-19 growth rates. Should this expectation materialise, we anticipate being in a position to resume dividend payments within our stated dividend policy in the medium term.

The business models of SA Taxi, TCRS and WeBuyCars have gained relevance in the COVID-19 environment, underpinned by the defensive characteristics of their market sectors. For SA Taxi, the nature of minibus taxis as an essential service in South Africa meant that they continued to operate during the national lockdown, with other modes of public transport faltering. In TCRS, the rise in consumer indebtedness has created larger NPL Portfolios to manage or acquire. And in WeBuyCars, more consumers are opting for used vehicles as disposable income is under strain and new vehicle prices increase.

Although SA Taxi, TCRS and WeBuyCars are well placed to return to their long-term track records for growth, further sharp downturns in socioeconomic conditions in South Africa remain the primary downside risk to our expectations for growth and returns in the years ahead.

The group has enjoyed widespread support from our bankers, funders and advisers for many years. But in a year marked by such volatility, it has brought to the fore the depth of these relationships and the importance of trusted partnerships in trying times. Your support has enabled our divisions to become even more relevant to their clients and the group to invest – almost without interruption – in our planned and new growth initiatives. We are indebted to you for your trust in Transaction Capital.

The group's directors, executives and employees have demonstrated exemplary skills and perseverance over the year. It is due to your dedication that Transaction Capital is well placed to build on its long-term track record for growth for 2021 and beyond, despite facing the most difficult year in the group's history.

COMMITTEE LETTERS

AUDIT, RISK AND COMPLIANCE COMMITTEE LETTER

DIANE RADLEY *Audit, risk and compliance committee chair*

The volatile environment precipitated by the COVID-19 pandemic has tested the resilience of our people, business model, systems and processes. It has required agility in key aspects of our operations, specifically in our support for clients and customers, in our responses to emerging risks and opportunities, and in actively managing our capital structure to maintain financial flexibility. To this end, the ARC committee has intensified our input and oversight to ensure the group weathers current market conditions, and that it maintains appropriate capital and liquidity to enable the business to return to our long-term earnings growth trend.

The augmented internal audit structure was largely bedded down before the operational disruption of the pandemic. With oversight from the ARC committee, the internal and external audit functions continued to operate efficiently, supporting the group's ability to ensure a strong internal control environment within a fluid context.

This combination of stability and agility has been true of our risk, finance and governance functions, placing the group in a strong position to weather the turbulence, and to ensure the integrity of key governance and operational processes. With the enhanced risk methodology largely in place, the group (and by extension, the board and its sub-committees) has benefitted from deep insight into the risk landscape and its impact on our operations, and an enhanced ability to adapt to shifts in our markets and the broader socioeconomic context.

The enhanced risk management and policy framework introduced this year provides a more complete view of our risk universe, and provided a sturdy foundation to mitigate specific material risks. For example, we were able to move the majority of the workforce to a work-from-home basis to maintain productivity and customer service levels without unduly affecting IT security. This involved activating aspects of business continuity plans.

The group also integrated material environmental, social and governance (ESG) risk factors into the risk management framework, arising from the development of divisional ESE frameworks.

Details on the adoption of the ESE frameworks can be found in the Social and ethics committee letter on page 24. Disclosures against the ESE frameworks can be found in the Sustainability report, available at www.transactioncapital.co.za.

Our conservative capital strategy has ensured a robust group balance sheet, despite the broad economic impact of the pandemic. Through the asset and liability committee (ALCO), which reports to the ARC committee, our focus on maintaining good governance processes has remained strong. This included ensuring provisioning and amortisation methodology was relevant and applied correctly, and supporting management in making informed judgements on technical factors such as weighing permanent versus COVID-19 related credit impairments.

In highly uncertain conditions, our initial assumptions of recovery in collections activity in each of the divisions' markets – which informed the provisioning levels announced at half-year – were delayed. This resulted in additional provisions being raised in the second half. The assumptions underlying the group's conservative approach in accounting for the anticipated impact of COVID-19 on future cash flows have thus been updated. Note that all adjustments are non-cash and relate only to assets held at 30 September 2020.

Details on impairment provisions for SA Taxi and the carrying value of TCRS's purchased NPL Portfolios can be found in the CFO's report on page 70.

A quick and effective response as the pandemic unfolded ensured the group was well protected from a liquidity and funding perspective. Through early engagement with our local and international funder groups, the capital management team secured debt funding and put sufficient facilities in place. This demonstrates the confidence of the group's funders in our businesses – both in their resilience and the relevance of their business models – even in the face of a black swan event and the market trends it has amplified and accelerated. I extend thanks to our funding partners for their ongoing support. By securing sufficient liquidity in partnership with our funders, the group's divisions have been able to extend support to their clients and customers when they have needed it most.

Moreover, the group's strong capital position has enabled us to continue funding our existing strategic growth initiatives, albeit with greater scrutiny and revised hurdle rates that reflect current market dynamics. The finance and capital management teams have provided ongoing and meticulous modelling, which is assessed continually by the ARC committee and executive management. These assessments also test the robustness and accuracy of the models applied. This has provided the basis for informed capital allocation that balances the need for enhanced liquidity in a challenging operating environment with our continued focus on growth, including investments.

Details on the group's funding activities and position can be found in the Q&A with Mark Herskovits, CIO, on page 62.

The accelerated bookbuild completed in June 2020 and the issuing of new share capital partially funded the group's investment in a 49.9% non-controlling interest in WeBuyCars. These two share issues bolstered our equity base by almost R1 billion, demonstrating Transaction Capital's good standing among investors and supporting our ability to pursue attractive opportunities, even in difficult conditions.

The deployment of R900 million of cash resources in WeBuyCars has been immediately value-accretive, converting interest income on undeployed capital into operating earnings, with further growth potential. The group's balance sheet remains well capitalised and liquid following the acquisition, with ample capacity to fund the organic growth initiatives under way in our divisions.

Details on capital allocation to fund growth initiatives can be found in the Q&A with Mark Herskovits, CIO, on page 62.

As alluded to earlier, the market disruption of COVID-19 has not lessened the requirement for effective governance – on the contrary, it has required elevated levels of oversight and engagement. The ARC committee continues to ensure that accounting assumptions are applied consistently. We also monitor market disclosures to ensure they meet the needs of shareholders and continue to engender trust in the group, including compliance-related disclosures to the JSE Limited and other regulatory bodies. We continue to scrutinise the group's tax affairs and advise on managing significant risk areas such as information and technology (IT) and cybersecurity, especially in the context of our work-from-home strategy.

We will be looking to rotate auditors prior to the mandatory 2024 financial year end and have commenced discussions in this regard. The committee also continues to oversee the adoption of new accounting standards, namely IFRS 16 – Leases and IFRS 17 – Insurance contracts.

The operating environment will remain volatile in the short to medium term. Consequently, the ARC committee considers the group's conservative approach to risk, compliance and capital management to be appropriate. We remain steadfast in our focus on risk management and compliance, supported by the internal audit function.

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

- Continued development and refinement of risk management practices.
- Monitoring the effective allocation of capital to organic growth initiatives.
- Continued improvement in the governance of IT.
- Overseeing the mandatory audit firm rotation process to ensure continuity in the external audit function.
- Ensuring the mechanisms to comply with JSE Listing Requirement 3.84(k) (as per JSE guidance provided on the CEO/FD sign-off on internal financial control) are in place for the 2021 financial year.
- Continued improvement in disclosure in the annual financial statements and integrated annual report.

SOCIAL AND ETHICS COMMITTEE LETTER

PHUMZILE LANGENI *Social and ethics committee chair*

In the most challenging year in the group's history, I have been privileged to see our board and executive management teams lead ethically, without exception, despite the financial, economic and personal pressures of COVID-19. The group ethics charter, operationalised through an ethics function and ethics officers at both group and divisional levels, has been the foundation of this exemplary display of ethical leadership.

Over the course of the pandemic, the social and ethics committee provided heightened scrutiny of the group's decisions and actions to ensure our commitment to ethical business practice was maintained. The committee reviewed and approved an updated whistleblowing policy in July 2020 and closely monitored whistleblowing reports and related investigations and resolutions. The requirements of the ethics matrix (introduced last year) and ongoing consultation between myself and the group ethics executive guided this process.

The operational impact precipitated by COVID-19 and the resulting national lockdown required great agility and care in the group's response. COVID-19 committees were set up at executive committee and divisional management levels to assess the impact and develop business-specific protocols for each lockdown level. This included a swiftly implemented work-from-home strategy for all non-essential teams and the phased return-to-work plan that followed. All initiatives were considered and implemented with reference to guidelines set by South African authorities.

The wellbeing of our employees is a critical priority. Comprehensive safety protocols to protect employees, including providing personal protective equipment, daily health checks, hygiene and social distancing measures, as well as ongoing communication, remain in place. This includes specific procedures to protect high-risk employees, including those with comorbidities. The group has also updated leave policies to align with COVID-19 regulations in the event that an employee tests positive or needs to self-isolate or quarantine after potential exposure. Employee assistance programmes to provide counselling and support to employees are available as a matter of course in all our businesses.

Notwithstanding the resilience our businesses have demonstrated, we are not immune to the severe socioeconomic impact of COVID-19. The board and management have had to make difficult decisions and choices to ensure the long-term sustainability of the group while preserving as many jobs as possible.

SA Taxi was able to avoid retrenchments and employees received full pay for the duration of the hard lockdown. Prior to the pandemic, TCRS was building capacity for the anticipated growth in the collections market, including ramping up human capital requirements, and had budgeted accordingly. However, collections from April to September 2020 decreased between 15% to 30% on aggregate below pre-COVID-19 levels and expected remaining collections are now expected to remain at approximately 4% below prior estimates. The division deployed its work-from-home capability rapidly and with great success, thus enabling continued collections, and protection of the business.

TCRS has had to adjust to the lower expected collections levels by cutting costs and raising efficiencies. The business has had no option but to reassess its organisational structure, including reducing the number of employees within the business. This required a Section 189 process (which deals with large-scale retrenchments) that affected 544 employees by the close of our financial year.

The social and ethics committee has stayed close to these developments to ensure management follows due process and provides the appropriate support to all employees through this difficult time. This included oversight of regulated consultations, mitigating strategies such as voluntary retrenchments, and detailed reporting on the impact of headcount reductions on diversity, employment equity, talent management and succession planning.

The assessment of ESG performance has correctly become an imperative to investors as 'stakeholder capitalism' has taken root and the threat of global issues such as climate change, inequality and poverty has escalated. The committee is pleased with the progress made in embedding social relevance in the culture of the business. The importance of mitigating ESE risk and delivering measurable positive impact – beyond reporting obligations – is key to us as an organisation. The group's progress in this regard is therefore increasingly significant to society, our investors and clients, and in our employee value propositions, and will ensure that our businesses remain relevant to all their stakeholders over the long term. ESE performance is a very important topic for us, given our businesses' impact on and relevance to society.

During the year, the group adopted an ESE framework developed in consultation with a leading economics-based consulting firm, various development finance institutions and investors, and the management teams of SA Taxi and TCRS. The framework embeds ESE principles and associated measures and will help the board to ensure that the group's impacts are appropriately managed to enhance value creation for Transaction Capital and its stakeholders. Progress against relevant metrics in relation to set targets will be reported to the committee on a biannual basis, at minimum. The framework will also enhance group reporting by providing an objective and balanced view of the group's impact.

Details on the group's ESE framework and indicators can be found in the Sustainability report, available for download at www.transactioncapital.co.za.

As an important component of the economic and social impact of the group and its divisions, transformation remains a high priority and focus for the committee. Associated targets remain in place as a component of executive management's short-term incentive scheme.

For the year ahead, the social and ethics committee will focus on:

- Continuing to build and grow a values-based management style underpinned by accountability.
- Transformation, with a particular focus on improvements to the group and SA Taxi B-BBEE ratings, and employment equity profiles and diversity.
- Embedding the ESE framework across the group.

REMUNERATION COMMITTEE LETTER

KUBEN PILLAY *Remuneration committee chair*

In a year of extraordinary challenges due to the implications of the COVID-19 pandemic, the group's executives and employees stayed focused on stabilising our core business while still delivering on our strategy. This deepened the group's resilience and relevance, enhanced our ability to withstand unprecedented market turbulence and allowed us to advance our strategic growth initiatives in an operating context that is being redefined by COVID-19.

The operating conditions and associated imperatives demanded considerably greater commitment of time and effort from our people, including having to adapt to new protocols and operating models (as well as work-from-home arrangements), while dealing with the impact of the pandemic and national lockdowns in their personal lives.

The group's approach to remuneration supports the entrepreneurial spirit that keeps us competitive and flexible, and enables us to create sustainable shared value. We continue to leverage reward to drive positive outcomes for our stakeholders, at group and divisional levels, underpinned by our ethical high-performance culture and good corporate citizenship. This underpins the group's ability to attract and retain entrepreneurial executive and management teams, and the industry specialists we need to maintain our strong track record for financial outperformance and meaningful social impact in our sectors.

Guided by our remuneration philosophy, we believe that providing long-term equity upside to the executive team aligns with shareholder requirements for long-term value creation. Due to the unprecedented nature of the pandemic, the remuneration committee interrogated the remuneration philosophy and concluded that it remains appropriate in balancing shareholder and executive interests with a focus on long-term value creation for all our stakeholders.

The leadership team was on track to deliver on expected quantitative and qualitative outcomes for the first six months of the 2020 financial year. However, COVID-19 had a material impact in the second half of the financial year, resulting in a 65% decline in core headline earnings from continuing operations attributable to the group. The crisis also impacted other key performance metrics that the remuneration committee uses to assess and reward our executives. This required the committee to apply its discretion in key remuneration decisions made in relation to the 2020 financial year.

The group's executives responded with speed and agility to the crisis. This protected shareholder value and placed the group in a strong position to continue pursuing opportunities for value creation. The remuneration committee therefore resolved to defer executives' long-term incentives (LTIs), which would have vested in 2020, until November 2021. The committee will assess the compound annual growth rates (CAGR) attained by the group up to November 2021, excluding any impact from the 2020 financial year, when determining the vesting of LTIs, in line with Transaction Capital's conditional share plan (CSP) rules.

For short-term incentives (STIs), as quantitative targets for the year were not achieved, the committee resolved that no quantitative or qualitative STIs would be awarded for the 2020 financial year. Furthermore, we resolved that there would be no annual increases awarded to executive directors, prescribed officers or non-executive directors for the 2021 financial year. Given the benchmarking exercise undertaken during the year with reference to market norms, the remuneration committee still considers that the cost to company of executives remains fair.

We commend all executive and non-executive directors of Transaction Capital, who waived up to 30% of their salaries, benefits and fees for a three-month period – this equated to R1.8 million which was donated to the Solidarity Fund to assist South Africa in combating the pandemic.

The committee continues to engage with shareholders, with a view to enhancing the remuneration policy and its implementation. Key policy enhancements include the addition of ESE targets in the discretionary component of STIs for key executives. Embedding the newly adopted ESE framework in the 2021 financial year will support the committee in assessing the performance of executives against these measures.

Performance vesting criteria for the CSP awards have also been extended to include both an income statement (earnings) and balance sheet return measure.

To enhance disclosure, the remuneration report now includes weightings for the qualitative, quantitative and discretionary components of executives' STI awards. We also disclose performance targets set for evaluating executive performance in relation to STI awards.

Comprehensive details on the group's remuneration philosophy, policy and implementation can be found in the Remuneration report on page 108.

For the year ahead, the remuneration committee will focus on:

- Further engagement with shareholders to ensure the group's remuneration policy supports business performance and remains aligned to the interests of its stakeholders.
- Monitoring the impact of the pandemic on executive and employee remuneration to ensure that we balance the long-term sustainability of the business with the retention, fair reward and attractive incentivisation of talented and specialised executives and employees.

NOMINATIONS COMMITTEE LETTER

CHRISTOPHER SEABROOKE *Nominations committee chair*

Transaction Capital operates in highly specialised segments in markets that are dynamic and volatile, requiring that our directors provide a range of leadership, professional and technical skills and relevant experience. The nominations committee must balance these qualities against the King IV requirement that the board is sufficiently independent and diverse to fully discharge its responsibilities.

The board, through the nominations committee, has made good progress in strengthening its independence and augmenting board acumen and diversity. With the appointment of three new independent non-executive directors during the year, the board now comprises nine non-executive directors, eight of whom are independent, and five executive directors.

We are also pleased to announce that the board has now exceeded the voluntary diversity targets set by the nominations committee, with four black directors (African, Indian and Coloured directors, against a target of three) and four female directors (against a target of three).

The appointments of Sharon Wapnick on 12 March 2020, and Ian Kirk and Suresh Kana on 1 November 2020, bring additional insurance, legal and technical financial skills to the board. This has enhanced our ability to provide independent oversight and guidance in a challenging operating environment. It also provides additional capacity to govern a larger group after the investment in a 49.9% non-controlling interest in WeBuyCars to establish the group's third market vertical, shifting our opportunity and risk profile. Furthermore, these new directors enhance the board's skills and experience in planned growth areas and strategic initiatives, including growing our insurance operations in SA Taxi and our effort to deepen positive, measurable ESE impact and reporting.

In November 2020, 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 process involved a self-assessment by each non-executive director and an assessment of all the non-executive directors by the board collectively.

The criteria for evaluating the independence of directors can be found in the full governance report online at www.transactioncapital.co.za.

Suresh Kana replaced Kuben Pillay as the lead independent non-executive director of the board on 1 November 2020. Kuben remains an independent non-executive director. Also, as chairman of the board, I have stepped down as a member of the ARC committee, further enhancing our alignment to the principles of King IV. Suresh Kana and Ian Kirk join Buhle Hanise on the ARC committee, with Diane Radley as its chairperson.

Details on changes to the composition of the board sub-committees can be found in the Abridged governance report on page 33.

The scarcity of executives and managers with specialised technical skills underlines the importance of succession planning and talent development in supporting the group's strong track record for growth, an imperative that the WeBuyCars investment has only reinforced. Ongoing initiatives to advance the group and divisional employee value propositions, recently bolstered by the adoption of a formal ESE framework, continue to support our ability to attract top talent.

SA Taxi has appointed a group people executive with deep experience, supported by a dedicated transformation manager to support the division's skills development and transformation efforts. An executive coach is also fast-tracking the development of promising talent. TCRS has a strong focus on leadership development, training and transformation, with the division benefitting from a strong pipeline of employment equity candidates moving into various leadership roles within the business.

For the year ahead, the committee will focus on:

- Evaluating and enhancing succession planning, with a specific focus on transformation.

ABRIDGED GOVERNANCE REPORT

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

PRINCIPLE 6

THIS ICON HIGHLIGHTS THE APPLICATION OF KING IV PRINCIPLES IN THIS REPORT. The King IV application table and full governance report are available online at www.transactioncapital.co.za. The King IV application table defines each principle and references the relevant section in the full governance report.

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 King IV, which advocates an outcomes-based approach to governance.

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 King IV principles are intended to provide guidance to organisations in continuously working towards these governance outcomes. As such, this governance report references each principle where relevant, to demonstrate the group's progress in achieving the outcomes as envisaged in King IV. 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.

KEY GOVERNANCE OBJECTIVES AND PROGRESS IN 2020

AUGMENT BOARD SKILLS AND DIVERSITY

- Appointment of new independent non-executive directors with insurance, legal and technical financial skills which augment the existing skillset of the board.

For the skillset and diversity of the board, see page 36.

STRENGTHEN BOARD INDEPENDENCE

- Three new independent non-executive directors appointed to the board, bringing the total number of independent directors to eight out of 14 directors.

For changes to the board, see page 32.

ENHANCE SUSTAINABILITY

- Adopted an ESE framework.

For sustainability developments, see page 29.

PROMOTE ETHICAL CONDUCT

- Updated whistleblowing policy to align with best practice and appointed divisional ethics officers.

For more on ethics, see page 29.

Ethical leadership

The board maintains a high level of individual and collective accountability and responsibility, 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 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 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 framework.

PRINCIPLE 1

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 revised in 2019 to ensure it aligns with best practice, is applicable to the group and its growth ambitions, is practical in application, and that it is relevant to all stakeholders.

The group ethics charter is available at www.transactioncapital.co.za.

With effect from 1 April 2020, the role of ethics executive forms part of the portfolio of the group internal audit executive, who has direct access to the group board of directors and subsidiary boards, as required. Divisional ethics officers were appointed during the year 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. The group received 68 new reports (2019: 81 new reports) through its whistleblowing hotline for the year under review. All reports were independently investigated and where appropriate, disciplinary action instituted for all substantiated allegations.

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

PRINCIPLE 2

Further detail on the group's integrated approach to ethics management can be found in the full governance report online at www.transactioncapital.co.za.

The group's anti-bribery and corruption policy is available at www.transactioncapital.co.za.

SUSTAINABILITY FRAMEWORK

The group's sustainability policy 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. In addition, group environmental and human rights policies are being presented for board approval in the 2021 financial year to bolster the group's sustainability policy.

Transaction Capital's newly adopted ESE framework is intended to provide the group and its stakeholders with an objective and balanced view of the group's corporate impact. Furthermore, the framework will inform strategic and operational initiatives going forward to ensure that the group's impacts are appropriately managed to enhance value creation for Transaction Capital and its stakeholders. The framework facilitated the development of thematic sustainability impact areas and the identification of relevant metrics, risks and opportunities in this regard.

Transaction Capital's sustainability report expands on the adoption of the ESE framework, and is available at www.transactioncapital.co.za.

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, while the ARC committee is responsible for preventing, detecting and responding to fraud and corruption, as well as tax policy.

PRINCIPLE 3

Transaction Capital's sustainability report, available at www.transactioncapital.co.za, provides a detailed overview of the group's sustainability practices.

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

PRINCIPLE 16

Transaction Capital's sustainability report, available at www.transactioncapital.co.za, expands on the group's stakeholder engagement activities, key stakeholder issues and Transaction Capital's response.

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 the terms of reference of 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, considering 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.

PRINCIPLE 1&6

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

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

The board sub-committees are set out on page 33 of this report. For more detailed information on board sub-committees see the full governance report at www.transactioncapital.co.za.

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. It 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 business model (page 8), strategy (page 40) and associated material risks (page 48) 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.

PRINCIPLE 4

Details on the targets can be found in the Remuneration report on page 112.

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 board delegates responsibility to the ARC committee to ensure the integrity of the integrated annual report, with all financial and non-financial indicators reviewed by group internal audit. Assurance on the annual financial statements is provided by the external auditors (as detailed in the Independent auditor's report in the audited annual financial statements). Based on the recommendation of the ARC committee, the board approves the annual financial statements, the integrated annual report and any other reports published by the company.

PRINCIPLE 5

Board composition

The board, through the nominations committee, assesses the composition and membership of the board and board sub-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 alternative assets in credit-related and specialised market verticals. 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.

Based on the annual board review performed in November 2020, 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 alternative assets in credit-related and specialised market verticals.

PRINCIPLE 7

Information on the age, tenure and diversity of the board can be found on page 36.

SKILLS AND EXPERIENCE

In assessing the skills and experience of the board, a board skills matrix is used to identify existing skills, knowledge and experience of the board, which is considered together with the overall tenure, diversity and independence of directors. In 2019, skills gaps were identified in the areas of IT and international experience, with the latter addressed through new board appointments in 2020 and the increased exposure of executive directors to Europe through TC Global Finance. In 2020, IT has again been identified as an area requiring further alignment between the group's strategy and board experience, as well as sustainability/ESE skills.

The board skills matrix can be found on page 37.

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. Directors do not participate on matters in which they may be conflicted.

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

The split between independent, non-executive and executive directors is shown on page 36.

The criteria against which each director's independence was evaluated can be found in the full governance report available at www.transactioncapital.co.za.

APPOINTMENT OF DIRECTORS

The nominations committee assists in identifying suitable board members, with the board skills matrix (page 37) 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 CFO. The programme includes detailed discussions on the environment and operations of each of the major businesses, site visits, and an information pack about the group. Formal induction processes were conducted for those directors appointed during the reporting period.

The board appointment process is illustrated in the full governance report available at www.transactioncapital.co.za.

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 chairman of their intention to do so, directors may attend any sub-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

Sharon Wapnick was appointed as an independent non-executive director with effect from 12 March 2020. Paul Miller resigned as a non-executive director and was subsequently appointed as an alternate director to Roberto Rossi, both with effect from 12 March 2020. Ian Kirk and Suresh Kana were appointed as independent non-executive directors with effect from 1 November 2020.

This year, Buhle Hanise, Michael Mendelowitz, Diane Radley and Christopher Seabrooke 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, Sharon Wapnick, Ian Kirk and Suresh Kana, who were appointed in 2020, will also be nominated for election as directors.

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

The annual performance evaluations of the board, its sub-committees and the company secretary were undertaken during November 2020. Based on these evaluations, the board is satisfied as to directors' commitment to their roles and their performance; sub-committees' effectiveness and that they are operating to an appropriate standard; the effectiveness of the group's risk management processes; the suitability of directors' qualifications, skills and experience required to fulfil respective sub-committee mandates; and that King IV criteria for independence of independent non-executive directors are met.

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.

PRINCIPLE 9 & 10

For more information on board and sub-committee assessments during 2020, refer to the full governance report available at www.transactioncapital.co.za.

For more information on the assessment of the chairman, lead independent non-executive director, CEO, CFO, internal audit executive and company secretary, refer to the full governance report available at www.transactioncapital.co.za.

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.

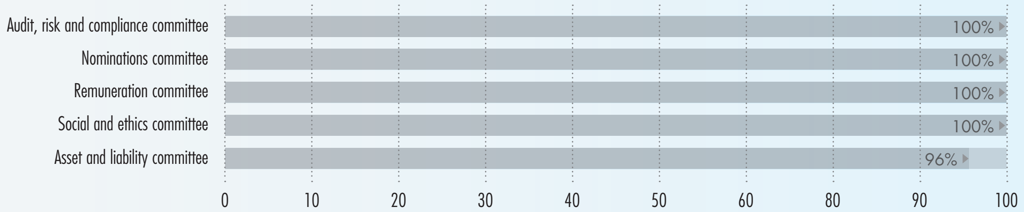
Board and sub-committee meetings

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 MEETING ATTENDANCE (2020)

96%

BOARD SUB-COMMITTEE MEETING ATTENDANCE



For more information on board and sub-committee meeting attendance, refer to the full governance report available at www.transactioncapital.co.za.

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 sub-committee terms of reference approved by the board.

Included in each sub-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 sub-committee at each board meeting. Copies of the minutes of sub-committee meetings are included in the board documentation.

PRINCIPLE 8

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	Suresh Kana
Members	Buhle Hanise Suresh Kana Ian Kirk	Suresh Kana Kuben Pillay Roberto Rossi Sharon Wapnick	Ian Kirk Roberto Rossi Christopher Seabrooke	David Hurwitz Suresh Kana Kuben Pillay Roberto Rossi	Mark Herskovits David Hurwitz Johnathan Jawno Ian Kirk Diane Radley Christopher Seabrooke
Functions managed	▷ Accounting, tax and compliance ▷ IT ▷ Internal audit ▷ Risk ▷ Credit	▷ Directors ▷ People ▷ Succession	▷ People ▷ Remuneration ▷ Retention	▷ Stakeholders ▷ Transformation ▷ Sustainability ▷ Ethics	▷ Funding ▷ Liquidity ▷ Capital
Number of meetings per year	At least four	At least two	At least two	At least two	At least four

The following changes to the composition of the board sub-committees took place for the year under review:

- Roberto Rossi was appointed as a member of the social and ethics committee with effect from 1 February 2020 and as a member of the remuneration committee with effect from 12 March 2020.
- Paul Miller resigned as a non-executive director and as a member of the remuneration committee with effect from 12 March 2020.
- Phumzile Langeni resigned as a member of the ARC committee with effect from 30 June 2020.
- With effect from 1 November 2020:
  - Christopher Seabrooke resigned as a member of the ARC committee.
  - Kuben Pillay resigned as lead independent non-executive director of the board.
  - Buhle Hanise resigned as a member of ALCO.
  - Ian Kirk was appointed as a member of the ARC and remuneration committees and ALCO.
  - Suresh Kana was appointed as lead independent non-executive director of the board, chairperson of ALCO, and a member of the ARC, nominations and social and ethics committees.
  - Sharon Wapnick was appointed as a member of the nominations committee.

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.

PRINCIPLE 6

For more information on the composition and functions of subsidiary boards, refer to the full governance report available at www.transactioncapital.co.za.

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 sub-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 material 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.

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.

For more on the annual audit plan and how internal audit supports the group in achieving its strategic objectives, refer to the full governance report available at www.transactioncapital.co.za.

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 2022 following the adoption of a revised internal audit methodology in the 2021 financial year. In accordance with Transaction Capital's combined assurance model, internal audit continues to liaise with external audit and other identified assurance providers to effectively assure against key risks.

PRINCIPLE 15

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 material 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.

The group's risk management approach aims to prevent the destruction of value through deliberate planning, arranging and controlling of activities and resources to minimise the negative impact of risks to tolerable levels. It also entails maximising the potential opportunities and positive impacts of risks to achieve the group's strategic objectives and enhance value creation.

PRINCIPLE 11

More information on the group's approach to risk management can be found in the risk report available at www.transactioncapital.co.za, which includes the group's risk framework, risk governance, and how risks are determined.

Material risks are presented on page 48 of this integrated annual report, with key risk types reported in the risk report available online.

Information and technology

IT is 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. The group's IT policy addresses the governance of IT in line with the recommended practices of King IV.

Chief information officers are appointed at each division, and each subsidiary sets its own strategy with regards to IT, which is reported to its board and the ARC committee. IT expenditure is reported on and governed under the group's authority framework.

The 2020 review of IT strategy included an enhanced focus on cybersecurity and connectivity for the group's distributed workforce in response to the COVID-19 pandemic.

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 2020, these systems and processes were proven to be effective in light of the COVID-19 pandemic. Additionally, the IT functions reported to the ARC committee that adequate arrangements are in place for ongoing 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.

PRINCIPLE 12

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.

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

PRINCIPLE 13

Regulatory environment

Due to the nature of its businesses, the group is subject to a broad range of regulations and legislation. 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.

For an overview of the regulations and legislation Transaction Capital is subject to, see the full governance report available at www.transactioncapital.co.za.

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 11 March 2020, the remuneration policy and implementation report both received the requisite non-binding advisory votes to pass, at 83% and 84% respectively. The remuneration policy was updated after extensive engagement with shareholders and investors on areas of concern.

PRINCIPLE 14

Detail on enhancements to the remuneration policy and remuneration disclosure can be found in the remuneration report on page 110.

BOARD COMPOSITION

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHRISTOPHER SEABROOKE (67)

Chairman

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

Appointed: June 2009

BUHLE HANISE (38)

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

Appointed: January 2019

SURESH KANA (65)

Lead independent

BCom, BCompt (Hons), MCom, PhD (Honorary) (University of the Witwatersrand), CA(SA)

Appointed: November 2020

IAN KIRK (62)

HDip BDP (University of the Witwatersrand), FCA (Ireland), CA(SA)

Appointed: November 2020

PHUMZILE LANGENI (46)

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

Appointed: June 2009

KUBEN PILLAY (60)

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

Appointed: August 2016

DIANE RADLEY (54)

BCom (Rhodes University), BCom (Hons) (University of South Africa), CA(SA), MBA (Wits Business School), AMP (Harvard Business School)

Appointed: July 2018

SHARON WAPNICK (57)

BA, LLB (University of the Witwatersrand)

Appointed: March 2020

EXECUTIVE DIRECTORS

Board members' CVs can be viewed online at www.transactioncapital.co.za.

DAVID HURWITZ (49)

Chief executive officer

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

Appointed: April 2012

SEAN DOHERTY (43)

Chief financial officer

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

Appointed: June 2019

MARK HERSKOVITS (46)

Chief investment officer

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

Appointed: January 2014

JONATHAN JAWNO (54)

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

Appointed: March 2003

MICHAEL MENDELOWITZ (55)

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

Appointed: March 2003

NON-EXECUTIVE DIRECTOR

ROBERTO ROSSI* (58)

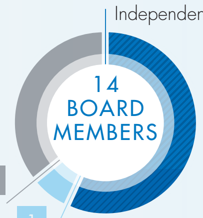
BSc (MechEng) and Graduate Diploma (IndEng) (University of the Witwatersrand), BProc (University of South Africa)

Appointed: September 2003

* *Paul Miller resigned as a non-executive director and was subsequently appointed as an alternate director to Roberto Rossi, both with effect from 12 March 2020.*

INDEPENDENCE

The Transaction Capital board comprises 14 directors, of whom nine are non-executive directors and five are executive directors. Of the non-executive directors, eight are independent.



Independent non-executive directors 8

Executive directors 5

Non-executive director 1

Policy: The board should comprise a majority non-executive directors, of whom the majority should be independent.

TENURE

YEARS	NUMBER OF INDEPENDENT NON-EXECUTIVE DIRECTORS
<1	3
1 – 3	2
4 – 6	1
7 – 9	
10 – 12	2

Average tenure of independent non-executive directors: **4.2 YEARS**

Policy: Periodic, staggered rotation of members to balance new expertise and perspectives with valuable industry knowledge, skills and experience, while maintaining continuity.

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.

NUMBER OF FEMALE DIRECTORS

Board representation	Target
2020	4
2019	3
2018	3

NUMBER OF BLACK DIRECTORS

Board representation	Target
2020	4
2019	3
2018	3

Policy: The nominations committee sets voluntary targets for race and gender diversity and assesses progress annually. Targets align to the JSE Listings Requirements on the promotion of diversity. Black directors include African, Indian and Coloured directors.

AGE DISTRIBUTION

AVERAGE AGE **54 YEARS**

EXPERIENCE

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.

BOARD SKILLS AND EXPERIENCE	NUMBER OF DIRECTORS
Financial services (including insurance and funds management)	13
Strategy	14
Governance and compliance	14
Risk and opportunity management	13
Legal and regulatory	6
People management and remuneration	13
Accounting and auditing	10
Information and technology	9
International experience	13
Sustainability/ESE	9
Leadership	14

3 STRATEGY, RISK AND PERFORMANCE

STRATEGY

Transaction Capital continued to make significant strategic progress during the year. This was underpinned by its swift and agile responses to the financial and operational impacts of COVID-19, its conservative approach to capital management, the defensive characteristics of its divisions' market sectors, and their deliberate positioning in relation to socioeconomic dynamics. Together, these factors position the group for even greater relevance in a post-COVID-19 environment.

STRATEGIC OBJECTIVE 1

ORGANIC GROWTH

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

LINK TO MATERIAL MATTERS

- 2 Maintain sustainable, high-quality earnings growth in variable conditions
- 3 Provide strategic flexibility and operational resilience through sophisticated capital management
- 5 Ensure integrity through good governance

LINK TO MATERIAL RISKS

- 1 Funding and capital risk
- 3 Uncertain regulatory environment
- 5 Acquiring NPL Portfolios
- 6 Impact on revenue of difficult economic conditions, exacerbated by COVID-19
- 8 Diversifying revenue streams across the minibus taxi value chain
- 9 Market forces beyond the group's control impacting affordability of monthly instalments
- 10 Original equipment manufacturers as suppliers of vehicles and parts

SA TAXI

KEY OUTCOMES IN 2020

SA TAXI FINANCE

- Gross loans and advances book grew 14% to R12.2 billion, comprising 32 890 loans.
  - Supported by retention of market share and higher retail prices for new vehicles.
  - Restricted repossession and settlement activity due to COVID-19 slowed the attrition rate, resulting in gross loans and advances growing despite the lower number of loans originated. Repossession activity normalised by September 2020, while collections are expected to normalise early in calendar year 2021.
- Loans originated declined due to:
  - Interrupted new minibus taxi supply from Toyota.
  - Constrained availability of pre-owned minibus taxi stock due to the closure of SA Taxi Auto Repairs during lockdown.
  - Lower sales volumes due to closure of SA Taxi Direct and external dealerships during lockdown.

SA TAXI PROTECT

- Gross written premiums increased 10% to R907 million despite deferred repayment of insurance premiums in April 2020 under SA Taxi's COVID-19 relief programme and other disruption.
- Higher lapse rates experienced as COVID-19 affected the affordability of insurance cover.
- Broadened product offering supported high single-digit growth in the number of policies on book, with the development of other bespoke products for the industry remaining a strategic priority.
- The strategy to specifically target open market clients continued to yield positive results.

SA TAXI DIRECT

- Minibus taxi sales down on the prior year due to the closure of SA Taxi's dealerships in April and May 2020. Sales further impacted by disruption in new vehicle supply resulting from industrial action at the Toyota plant in January 2020 and the closure of the plant during lockdown.
  - New minibus taxis sold down 44% (2019: flat).
  - Pre-owned minibus taxis sold down 28% (2019: up 44%).

KEY OUTCOMES IN 2020

SA TAXI AUTO REPAIRS

- Closure of SA Taxi Auto Repairs during April and May 2020 constrained pre-owned minibus taxi stock.
- Increased refurbishment capacity (to 250 from 220 in 2019), will increase SA Taxi Auto Repairs's supply of pre-owned minibus taxis to our dealerships and, in turn, support loan originations.

FUTURE FOCUS

- Establish a transactional business that combines SA Taxi's telematics capabilities, rewards programmes, client data and finance offerings into a single transactional account relevant to South Africa's 250 000 minibus taxi operators.
- Increase sales of pre-owned minibus taxis through SA Taxi Direct and expand refurbishment capacity to meet increasing demand for quality affordable pre-owned minibus taxis, which remains far higher than supply.
- Leverage accelerated deployment of new technologies to further drive efficiencies, including the direct sales model.
- Continue to target open market insurance clients and develop new bespoke insurance products to deepen penetration.

TC GLOBAL FINANCE

KEY OUTCOMES IN 2020

- Management of TC Global Finance was moved to the executive office during the year.
- Investment to date of €8.7 million in the higher-yielding niche of the European specialised credit market.
- Invested €7.4 million in the first half of the 2020 financial year, with no further investment in the second half of the year.

FUTURE FOCUS

- Our strategy to invest in Europe remains valid and will be pursued, however we will maintain our cautious and selective approach to opportunities in this market over the medium term.

TRANSACTION CAPITAL RISK SERVICES

KEY OUTCOMES IN 2020

TCRS SOUTH AFRICA

- Implemented world-class work-from-home capabilities and proactively restructured its staff complement and infrastructure in anticipation of the medium-term effects of COVID-19.
- Transitioned to a combination of work-from-home and on-site collection services activity, which yielded higher productivity per agent due to more flexible working hours.
- Invested R653 million to acquire NPL Portfolios (2019: R1 064 million). As market dynamics become clearer, there may be the opportunity to accelerate investment beyond 2019 levels.
- Contingency and FFS operations performed in line with expectations in a difficult consumer environment, with fewer matters handed over for collection by clients due to muted retail sales and credit extension from March 2020.
- Established in July 2020, Transaction Capital Transactional Services (TCTS) integrates Transaction Capital Payment Solutions, Accsys and Fihrst, creating a more resilient and efficient payment and transactional services platform.

RECOVERIES CORPORATION IN AUSTRALIA

- Double-digit organic revenue growth was enabled by greater management depth, investment in data and analytics, the deployment of technologies proven in South Africa, and the implementation of business information, payment automation and collection technologies.
- Transitioned to a combination of work-from-home and on-site activity.
- Its diversified business model positions Recoveries Corporation to respond effectively to the shift in client preference for FFS and contingency collection mandates over the sale of their NPL Portfolios.
- Invested R80 million in acquiring NPL Portfolios (2019: R122 million).

FUTURE FOCUS

- Accelerate the acquisition of NPL Portfolios in South Africa and Australia, and through co-investing in partnership with specialist credit managers in Europe. Due to their larger size compared to South Africa, these international markets represent a meaningful opportunity for growth even at a smaller market share.
- Grow services revenue through business process outsourcing and customer service offerings, where TCRS can leverage its current technology, data and analytics capabilities.
- Grow TCTS as a more focused and substantial payment and transactional services business, diversified by payment activity, client and sector.
- Drive further efficiencies by continuing with the work-from-home model, which is expected to yield significant benefit into 2021.

STRATEGIC OBJECTIVE 2

RISK AND CAPITAL MANAGEMENT

- Maintain conservative capital management approach by accessing and deploying capital optimally and efficiently.
- 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.
- Prevent the destruction of stakeholder value by ensuring risk is kept within tolerance levels through deliberate planning, arranging and controlling of activities and resources to minimise the negative impact of risks, and maximise potential opportunities associated with risk.

LINK TO MATERIAL MATTERS

1. Ability to consistently create shared value by assessing, mitigating and pricing credit-related and other specialised risk
3. Provide strategic flexibility and operational resilience through sophisticated capital management
5. Ensure integrity through good governance

LINK TO MATERIAL RISKS

1. Funding and capital risk
4. Acquisition risk
5. Acquiring NPL Portfolios
6. Impact on revenue of difficult economic conditions, exacerbated by COVID-19
7. Entry into select international markets

CAPITAL MANAGEMENT

For more on the group's capital management approach and activities, see the Q&A with Mark Herskovits, CIO, starting on page 62.

KEY OUTCOMES IN 2020

GROUP

- Prudent capital management strategy and resilient group capital structure was tested and proven during 2020.
- Increased provision coverage and conservative approach applied to the anticipated impact of COVID-19 on future cash flows protected the balance sheet.
- Good standing with investors allowed Transaction Capital to:
  - Issue ~R900 million in new equity on a pre-emptive basis to facilitate the transaction with WeBuyCars:
    - R560 million new equity raised via accelerated bookbuild in June 2020.
    - R329 million new equity issued to partly fund WeBuyCars investment.
  - Secure ample debt facilities to fund our strategic organic growth initiatives:
    - Over R4.0 billion of new debt facilities raised since April 2020.
    - ~R1.2 billion of committed facilities at holding company for strategic growth initiatives.
- Following the transaction with WeBuyCars, the group's balance sheet remains well capitalised with unrestricted access to liquidity to fund our growth aspirations.
- New debt facilities at holding company level will support our ability to invest further in our TC Global Finance strategy.
- The group's capital structure, and the long-term nature of our assets, provide sufficient financial flexibility and headroom should recessionary conditions intensify:
  - Capital adequacy ratio: 28.5% (2019: 29.9%).
  - Equity: 24.8% (2019: 26.7%).
  - Subordinated debt: 3.7% (2019: 3.2%).
- No final dividend declared to preserve financial flexibility and liquidity given the impacts of COVID-19.

Details on the strategic and operational performance of WeBuyCars can be found in the Q&A with David Hurwitz, CEO, starting on page 50.

KEY OUTCOMES IN 2020

SA TAXI

- Increased provision coverage to provide for impact of lower collections performance, which is expected to return to pre-COVID-19 levels over the medium term.
- Negotiated capital repayment relief for the period 1 April to 1 October 2020.
- Adequately capitalised, with a capital adequacy ratio of 20.9% and R2.7 billion of equity.
- Access to liquidity remains unfettered with more than R4.0 billion of new debt facilities concluded since April 2020.
- Ample liquidity is available in undrawn debt facilities to fund loan origination into the 2022 financial year.

TCRS

- Robust balance sheet with R5.1 billion of assets and R1.9 billion of senior debt underpinned by R1.7 billion of equity.
- As market dynamics become clearer, the acquisition of NPL Portfolios in South Africa, Australia and Europe may provide opportunities to accelerate capital deployment for attractive risk-adjusted returns.
- TCRS's funding requirements for the acquisition of NPL Portfolios in South Africa and Australia are secured into the 2022 financial year.

FUTURE FOCUS

Capital management initiatives over the medium term:

- Further diversify funders in TCRS by leveraging our formalised ESE framework as a measurable way of demonstrating the division's positive social impact.
- Access and deploy capital to grow investment portfolio in Europe through TC Global Finance.
- Optimise the group's mix of funding structures to reduce cost of funding.
- Ensure sufficient access to capital should there be a sharp deterioration in consumers' ability to service their debts.
- Strengthen the group's long-term strategic relationship with RBH.
- Further diversify the group's shareholder base, with a specific focus on attracting international shareholders.
- Maintain and enhance good standing with debt and equity investors through positive operational and financial performance and transparent reporting.

STRATEGIC OBJECTIVE 2

RISK AND CAPITAL MANAGEMENT *continued*

CREDIT RISK MANAGEMENT

KEY OUTCOMES IN 2020

SA TAXI

- Lower origination of new loans and the disruption to collections resulted in a higher NPL ratio of 32.3% (2019: 17.9%). A high proportion of NPLs may well convert to performing loans, as these customers' propensity to pay is higher than typically observed. The NPL ratio is thus expected to improve to around 25% in 2021, returning to normal levels of approximately 20% over the medium term.
- Credit loss ratio of 7.3% (2019: 3.2%) exceeded the target range of 3% to 4% as SA Taxi continued to age and provide for the loan book as usual, in line with its conservative approach. The credit loss ratio is expected to normalise around or slightly above the upper target range by the 2022 financial year.
- Ability to refurbish repossessed vehicles to provide high-quality income-generating minibus taxis enables it to recover more than 75% of the loan value on the sale of these vehicles, limiting SA Taxi's loss in the event of default.
- Improved recoveries on repossessed vehicles, attributable to a lower average cost to refurbish them, are due to efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts's cost-efficient procurement of parts, which will continue to support the recovery of the credit loss ratio.
- Higher new vehicle prices will also support higher prices for pre-owned vehicles, further improving credit recoveries.

FUTURE FOCUS

- Increase the volume of loans originated for pre-owned minibus taxis, which represent a more affordable option due to lower purchase price, interest rate and insurance premium compared to a new vehicle.
- Consider financing vehicle brands other than Toyota and investigate the potential for alternative fuel vehicles.

INSURANCE RISK MANAGEMENT

KEY OUTCOMES IN 2020

SA TAXI

- Implemented deferred payment of insurance premiums in April 2020 under SA Taxi's COVID-19 relief programme.
- Despite payment relief and other disruptions, gross written premiums continued to grow.
- Higher lapse rates experienced as COVID-19 affected the affordability of insurance cover.

FUTURE FOCUS

- Further reduce cost of cover through efficiencies via SA Taxi Auto Repairs and SA Taxi Auto Parts.

INVESTMENT RISK MANAGEMENT

KEY OUTCOMES IN 2020

TCRS

- While collections on NPL Portfolios performed better than expected, future collections are expected to recover more slowly and over a longer period.
- Estimated remaining collections (ERC) up 16% to R5.2 billion (2019: R4.5 billion).
- As ERC is expected to be about 4% lower over the medium term, TCRS adjusted the carrying value of purchased book debts down by R588 million (2019: R159 million) to ensure future yields remain aligned with those achieved in the past.
- Continued diversification across sectors, clients and geographies will further lower concentration risk and support good performance and returns in different market conditions.

FUTURE FOCUS

- Enhance investment risk management by updating models and applying detailed data analytics to ensure accurate and realistic pricing of NPL Portfolios coming to market following the impacts of COVID-19, to bring margins and returns in line with prior years.

STRATEGIC OBJECTIVE 3

DATA, TECHNOLOGY AND ANALYTICS

- Leverage data, technology and analytics 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 decision-making and proactive risk management.

LINK TO MATERIAL MATTERS

1. Ability to consistently create shared value by assessing, mitigating and pricing credit-related and other specialised risk
3. Provide strategic flexibility and operational resilience through sophisticated capital management
5. Ensure integrity through good governance

LINK TO MATERIAL RISKS

2. Information and technology risks
4. Acquisition risk
5. Acquiring NPL Portfolios
6. Impact on revenue of difficult economic conditions, exacerbated by COVID-19
7. Entry into select international markets
8. Diversifying revenue streams across the minibus taxi value chain

SA TAXI

KEY OUTCOMES IN 2020

- Investment in technology drove operational efficiencies, supporting an improved cost-to-income ratio.
- Telematics data enabled granular insights into the impact of the COVID-19 lockdown on minibus taxi operators' activity and profitability, enabling SA Taxi to respond appropriately in managing potential losses and supporting operators through the period.

TCRS

KEY OUTCOMES IN 2020

- Past investments in data, technology and analytics capabilities created the basis for TCRS to respond quickly to the impacts of COVID-19, with more than 1 300 call centre agents in South Africa enabled to work from home without compromising data security or access to technology.
- World-class valuation technology and predictive methodologies developed over 20 years in South Africa continue to be applied in creating credible platforms in other markets.
- A key driver of the integration of Transaction Capital Payment Solutions, Accsys and Fihrst to create TCTS is the opportunity to apply best-in-class technology from each business.

FUTURE FOCUS

- In SA Taxi, continue to apply rich data and analytics capabilities to support minibus taxi operators and the broader industry, and develop new products that can further benefit operators and commuters.
- In TCRS, leverage current data, technology and analytics expertise to grow services revenue through transactional services and business process outsourcing.

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.

LINK TO MATERIAL MATTERS

1. Ability to consistently create shared value by assessing, mitigating and pricing credit-related and other specialised risk
2. Maintain sustainable, high-quality earnings growth in variable conditions
5. Ensure integrity through good governance

LINK TO MATERIAL RISKS

1. Funding and capital risk
4. Acquisition risk
6. Impact on revenue of difficult economic conditions, exacerbated by COVID-19
7. Entry into select international markets
8. Diversifying revenue streams across the minibus taxi value chain

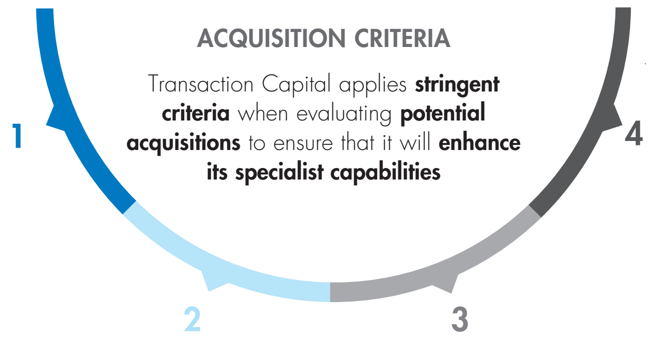
KEY OUTCOMES IN 2020

- While most businesses were focused on managing risk at the expense of growth, we were able to conclude the acquisition of a non-controlling 49.9% interest in WeBuyCars, to establish our third adjacent market vertical. This transformational investment in WeBuyCars has been immediately value accretive, converting interest income on undeployed capital into operating earnings. The WeBuyCars investment was considered against our acquisition criteria (as below) and matched all relevant requirements.
- TCRS acquired 100% of the equity in Fihrst in December 2019, which was integrated into TCTS during the financial year.
- TC Global Finance invested €7.4 million in the higher-yielding niche of the European specialised credit market in the 2020 financial year.

FUTURE FOCUS

- To expand our total addressable market and increase our earnings base, we continue to assess opportunities to make investments or acquisitions that fit directly into our existing market verticals (including complementary bolt-on acquisitions). We will also consider investing into new adjacent verticals where our existing capabilities can be successfully deployed.

What we look for in potential acquisitions



1 BUSINESS MODEL

- Scalable business model with a proven track record.
- Focused business with potential for high return on equity (ROE).
- 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.

2 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.

3 CAPABILITIES

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

4 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 sectors.
- 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.

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.

LINK TO MATERIAL MATTERS

4. Attract and retain the best leadership and operational management
5. Ensure integrity through good governance

LINK TO MATERIAL RISKS

3. Uncertain regulatory environment
4. Acquisition risk
6. Impact on revenue of difficult economic conditions, exacerbated by COVID-19
7. Entry into select international markets

GROUP

KEY OUTCOMES IN 2020

- Board skills and independence strengthened through the appointment of new independent non-executive directors with insurance, legal and technical financial skills.
- In response to COVID-19, the group executive office activated campaigns to ensure that its people are informed about the impacts on the business and to provide overall support for their emotional, social and physical wellbeing.

SA TAXI

KEY OUTCOMES IN 2020

- Implemented full COVID-19 detection and prevention protocols after lockdown restrictions eased and once business operations had resumed, and provided emotional support to employees given the psychological stress experienced during lockdown.
- Appointed a transformation manager in June 2020 to drive progress, particularly in employment equity, skills development and diversity and inclusivity.
- Improved to Level 4 B-BBEE rating from Level 7 in 2019.

TCRS

KEY OUTCOMES IN 2020

- Highly effective work-from-home strategy implemented in response to the impacts of COVID-19, with enhanced oversight, and monitoring and managing of performance. Call centre agents have responded positively, with efficiency and productivity enhanced.
- Proactively restructured staff complement and infrastructure to reduce costs and increase efficiencies to reduce the impacts of COVID-19, requiring the commencement of a Section 189 process that affected 544 employees by the end of the financial year.
- Transaction Capital Recoveries currently has a Level 1 B-BBEE rating.

FUTURE FOCUS

- Continue to support transformation objectives in South Africa that seek to address historical imbalances. From 2019, transformation targets included as qualitative measures in the short-term incentive structures of key executives.
- Provide ongoing support to employees in adapting to new ways of working due to the impact of COVID-19.
- Ongoing focus on training and development.
- Continue to identify and address board skills gaps to ensure sufficient depth of knowledge and experience for strategic execution.

MATERIAL RISKS

Material risks represent dynamic risks that require active management and arise from the current operating context. These differ from key risks that are specific and ongoing due to the strategy and business model of the group.

For more on risk, including Transaction Capital's approach to risk management, how we mitigate our material risks and a description of our key risk types, see the risk report available at www.transactioncapital.co.za.

RISK 1 FUNDING AND CAPITAL RISK

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

LINK TO STRATEGY

1. Organic growth
2. Risk and capital management
4. Acquisitive growth

RISK 2 INFORMATION AND TECHNOLOGY RISKS

- Gaps in the integrity and adequacy of IT security (including the threat of cyberattacks), which may impact management decisions or result in the failure to prevent data loss or protect stakeholder information.

LINK TO STRATEGY

3. Data, technology and analytics

RISK 3 UNCERTAIN REGULATORY ENVIRONMENT

- Large volume of new or amended regulations being promulgated.
- Potential for unintended consequences of pro-consumer regulations.

LINK TO STRATEGY

1. Organic growth
5. People

RISK 4 ACQUISITION RISK

- Ability to identify, implement and integrate potential acquisitions.
- Potential for disproportionate demands on executives' time.

LINK TO STRATEGY

2. Risk and capital management
3. Data, technology and analytics
4. Acquisitive growth
5. People

RISK 5 ACQUIRING NPL PORTFOLIOS

Applicable to Transaction Capital Recoveries

- Acquiring a sufficient number of NPL Portfolios at an acceptable price.
- Generating sufficient yield from acquired portfolios.

LINK TO STRATEGY

1. Organic growth
2. Risk and capital management
3. Data, technology and analytics

RISK 6 IMPACT ON REVENUE OF DIFFICULT ECONOMIC CONDITIONS, EXACERBATED BY COVID-19

- Diversification within market verticals and across sectors, clients and geographies.
- Defensiveness of divisions due to deliberate positioning in relation to socioeconomic dynamics.

LINK TO STRATEGY

1. Organic growth
2. Risk and capital management
3. Data, technology and analytics
4. Acquisitive growth
5. People

RISK 7 ENTRY INTO SELECT INTERNATIONAL MARKETS

- Cautious and selective approach to opportunities in international markets.

LINK TO STRATEGY

2. Risk and capital management
3. Data, technology and analytics
4. Acquisitive growth
5. People

RISK 8 DIVERSIFYING REVENUE STREAMS ACROSS THE MINIBUS TAXI VALUE CHAIN

Applicable to SA Taxi

- Diversifying revenue across market segments to ensure growth over the longer term.

LINK TO STRATEGY

1. Organic growth
3. Data, technology and analytics
4. Acquisitive growth

RISK 9 MARKET FORCES BEYOND THE GROUP'S CONTROL IMPACTING AFFORDABILITY OF MONTHLY INSTALMENTS

Applicable to SA Taxi

- Including changes in interest or exchange rates, fuel prices, fare increases and increases in minibus taxi prices.

LINK TO STRATEGY

1. Organic growth

RISK 10 ORIGINAL EQUIPMENT MANUFACTURERS (OEMs) AS SUPPLIERS OF VEHICLES AND PARTS

Applicable to SA Taxi

- Maintain positive relations with OEMs to ensure continued supply.
- Supply disruptions impacting availability of minibus taxis and parts, constraining sales, financing and repairs activity.

LINK TO STRATEGY

1. Organic growth

Q&A

with DAVID HURWITZ / CEO

How has the impact of the COVID-19 crisis affected Transaction Capital's impressive long-term growth trend?

Like most businesses across the world, COVID-19 subdued the group's performance in the 2020 financial year, interrupting our long-term growth trend and our proven track record for financial outperformance.

Prior to the impact of COVID-19, the group was on track to deliver earnings growth in line with our past performance. However, the impact of COVID-19 on our results was significant. Our conservative approach to modelling credit impairment charges in SA Taxi and adjustments to the carrying value of purchased book debts in TCRS meant they were much higher than historical periods. It is important to note, though, that these non-cash adjustments to the anticipated impact of COVID-19 on future cash flows will protect our balance sheet as the pandemic runs its course.

SA Taxi and TCRS have shown remarkable resilience in their agile responses to the volatile dynamics accompanying the pandemic. Their operational, financial and strategic flexibility allowed them to quickly align their operating models, financial structures and growth plans to prevailing economic realities and emerging opportunities. The group's swift responses to the impacts of the pandemic underpinned this decisive recovery and also enabled significant strategic progress in the year.

One thing is certain, the business models of both our divisions have gained relevance in a post-COVID-19 environment. With operational activity in many instances now nearing pre-lockdown levels, they are both well placed to return to their long-term track records for growth in the coming financial year.

For detail on our financial performance, see the CFO's report starting on page 70.

How has the pandemic changed operating conditions for the minibus taxi industry?

Rather than changing the structural factors that support the minibus taxi industry's defensive character, the crisis confirmed just how indispensable the industry is to South Africa's economic productivity. It remains the largest and most vital component of the country's integrated public transport network.

Importantly, the industry does not receive government subsidies like other forms of public transport, specifically bus and rail services, which have floundered in recent years. In contrast, the minibus taxi industry is transitioning closer to normal operational activity as restrictions ease and the economy reopens. With most commuters choosing to use minibus taxis due to their accessibility, reliability, convenience, flexibility and competitive pricing, the industry has been an early beneficiary of economic and social recovery.

This is not to say that the socioeconomic environment presents no significant challenges for minibus taxi operators. Lower commuter mobility due to COVID-19, restricted operating capacity and increasing vehicle prices are impacting the profitability of SA Taxi's clients, despite the moderating effects of lower interest rates, lower fuel prices and fare increases.

On balance, though, because of the factors I have already outlined and the fact that commuter spend on minibus taxis is non-discretionary, the industry remains particularly defensive. We are confident that SA Taxi's clients will be able to afford their loan and insurance instalments as the industry's steady recovery continues.

For an overview of the activity of SA Taxi's fleet during the pandemic, see the section Environment for SA Taxi operators on page 84.

How has the challenging environment played out in SA Taxi?

As noted, SA Taxi's performance was subdued due to the operational disruptions caused by COVID-19 and more so by the far higher credit provisions it necessitated. The division still managed to grow its core pre-provision profit by 11%, and strong cost control measures supported an improvement in the core cost-to-income ratio to 43.2% (2019: 44.2%).

SA Taxi's gross loans and advances book grew 14% to R12.2 billion, supported by the retention of market share and higher retail prices for new vehicles. Restricted repossession and settlement activity due to COVID-19 slowed the attrition rate, which resulted in gross loans and advances growing despite the number of loans originated declining by 27%. Repossession activity returned to normal by September 2020. Collections recovered to around 85% of pre-COVID-19 levels by September 2020, with collections expected to normalise by January 2021.

For detail on SA Taxi's credit performance, see the CFO's report on page 70.

Non-interest revenue was up 4%, driven by 10% growth in gross written premiums, albeit offset by higher lapse rates due to COVID-19. Lower minibus taxi sales further dampened non-interest revenue, with constraints on the supply of new and pre-owned minibus taxis coming to the market, and the closure of SA Taxi Direct, SA Taxi Auto Parts and SA Taxi Repairs for more than two months of the year. Higher vehicle prices partly offset the decline.

Clients financed by SA Taxi are required to have fully comprehensive insurance, and most of SA Taxi Finance's clients continued to choose SA Taxi Protect. Premiums in the insured and financed portfolio remained stable, but reduced in the open market portfolio (insurance clients not financed by SA Taxi Finance) and increased marginally in other insurance products. Claims and cost ratios remained stable.

In consultation with the industry, SA Taxi was quick to provide a relief programme for all clients in good standing, allowing them to defer the repayment of their loan instalments and insurance premiums during April 2020. Additional payment relief was provided to approximately 3 000 qualifying clients (mainly operators of long-distance routes) for May and June 2020. In total, these relief measures amounted to approximately R400 million. SA Taxi also spent around R9 million on initiatives to protect the health and safety of operators and commuters, supporting the industry's effort to curb the spread of COVID-19.

For details on SA Taxi's support for its clients and the minibus taxi industry over the pandemic, see the Q&A with Terry Kier, SA Taxi CEO, on page 88.

With activity nearing pre-COVID-19 levels, what are SA Taxi's prospects for the years ahead?

As the industry consolidates its recovery, SA Taxi's strong market position, track record as an industry pioneer and vertically integrated business model positions it well to serve clients along the full minibus taxi value chain. We believe SA Taxi is well positioned to resume its long-term track record of double digit percentage earnings growth using 2019 as the base. The division has ample liquidity in the form of undrawn facilities to cover funding requirements for loan originations well into 2022.

Also, demand for both new and pre-owned vehicles remains far higher than supply. Qualifying applications approved prior to COVID-19 were more than three times higher than the loans taken up, and this has again been the case from June 2020. As vehicle supply recovers to pre-COVID-19 levels (expected by the end of January 2021), the recovery in the number of loans originated should follow suit, despite SA Taxi tightening its credit criteria.

SA Taxi's strategy to drive the sale and finance of its fully refurbished pre-owned minibus taxis continues to enjoy strong momentum. In the challenging economic environment, operators are opting for this affordable yet reliable alternative to buying a new vehicle. SA Taxi is committed to keeping the prices of its pre-owned minibus taxis as affordable as possible – now more than 10% lower than a new vehicle. The increased refurbishment capacity at SA Taxi Auto Repairs will support higher pre-owned vehicle supply to our dealerships and, in turn, loan originations.

SA Taxi's vertically integrated business model effectively mitigates credit risk. Its ability to refurbish repossessed vehicles to provide high-quality income generating minibus taxis enables it to recover more than 75% of the loan value on the sale of these pre-owned vehicles. This limits SA Taxi's loss in the event of default. Improved recoveries on repossessed vehicles, attributable to a lower average cost to refurbish them, are due to efficiencies in SA Taxi Auto Repairs and SA Taxi Auto Parts's cost-efficient procurement of parts. This will continue to support the recovery of the credit loss ratio. Higher new vehicle prices will also support the prices of pre-owned vehicles, further improving credit recoveries.

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 competitively priced insurance premiums. The development of other bespoke insurance products for the industry remains a strategic imperative.

SA Taxi will continue to assess opportunities for further vertical integration, to broaden its addressable market and support future organic growth. An important growth initiative will be to establish a business that combines its telematics capabilities, rewards programmes, client data and finance offerings into a single transactional account relevant to South Africa's minibus taxi industry. With the South African National Taxi Council (SANTACO) as a strategic partner, SA Taxi will leverage its unique position in the market to drive growth over the medium term, to the benefit of minibus taxi operators and the broader minibus taxi industry.

Moving to TCRS, how has the division weathered the COVID-19 storm, which has exacerbated an already challenging consumer credit environment?

TCRS's business model is highly defensive, with diversified revenues earned across collection, transactional and value-added services. Further diversification across geography, sectors, clients, mandates and individual consumer accounts deepens this defensiveness. In its most significant business activity of collection services, 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. Agency collections thrive in a positive consumer credit environment, while the acquisition of NPL Portfolios is more conducive to a negative consumer credit environment, enabling the division to perform well in varying market conditions.

Despite the difficult consumer environment, TCRS's resilience and agility supported an excellent set of results. Collections activity in South Africa and Australia was robust, with collections revenue increasing by 14%. This was all organic growth and supported the 12% increase in core pre-provision profit. Recoveries Corporation in Australia managed to maintain earnings growth in line with pre-COVID-19 expectations.

For the second half of 2020, collections on NPL Portfolios stabilised at around 85% of normal levels, well above expectations communicated to the market at half year. However, we anticipate that future collections will recover slower and over a longer period, to about 96% of pre-COVID-19 levels. This required an adjustment to the carrying value of our purchased book debt, which increased 270% to R588 million. As noted, our conservative approach in modelling this adjustment will protect our balance sheet and ensure that future yields on our existing book aligns with past performance.

For detail on NPL Portfolio investments, valuations and estimated remaining collections, see the CFO's report on page 70.

TCRS continued to contact and transact with consumers throughout the lockdown period, enabled by the speed and effectiveness with which TCRS implemented its work-from-home capabilities across all its call centres. This was supported by TCRS's omni-channel and data analytics capability. The positive response of consumers to non-voice and digital channels, specifically in Australia, supported higher levels of right-party contact and online payments. TCRS also proactively restructured its staff complement and infrastructure in anticipation of the medium-term effects of COVID-19.

Finally, TCRS has the ability to adjust its pricing methodology to the prevailing environment. This ensures that the purchase price paid for future NPL Portfolios can be adequately adjusted to achieve targeted returns and collection multiples. Furthermore, the structure of the business supports higher levels of revenue generation without incurring additional cost.

What are TCRS's prospects going forward?

TCRS's business model has gained further relevance in a post-COVID-19 environment, characterised by higher unemployment and indebtedness impairing consumers' ability to repay their debt. This has been referred to as a 'debt cliff' in the international markets. TCRS's clients – banks, insurers, retailers and other consumer-facing entities – are having to manage much larger NPL Portfolios than ever before. As their balance sheets and operations come under pressure, we believe their appetite to sell NPL Portfolios will increase significantly. Also, they are likely to reduce fixed costs and shift to variable cost structures, via outsourced collection services.

With its sophisticated ability to price NPL Portfolios appropriately for prevailing conditions and extensive collections infrastructure, TCRS is strongly positioned to accelerate the acquisition of NPL Portfolios to be collected as principal and to win agency collection mandates over the medium term. Its value proposition has been further enhanced by the success of its robust work-from-home capability, which has seen increased levels of efficiency and productivity from its call centre agents.

In the Australian collections market, market participants are experiencing reduced access to funding, increased regulatory compliance, lower sales of NPL Portfolios and a shift towards FFS contracts. Despite these challenges, a small position in this large and fragmented market still provides a meaningful opportunity for TCRS to grow its market share in agency mandates and to accelerate its acquisition of NPL Portfolios.

The integration of Transaction Capital Payment Solutions, Accsys and Fihrst under TCTS in July 2020 establishes a more focused and substantial payment and transactional services business. As TCTS grows its business to scale, it will be better placed to withstand prevailing market conditions and lift performance.

We believe the division is well positioned to manage difficult conditions and capture emerging opportunities, braced by its proven operational agility and enduring cash flows. It is also pursuing opportunities to grow services revenue through business process outsourcing and customer service offerings, where TCRS can leverage its leading technology, data and analytics capabilities. TCRS is well positioned to resume its long-term track record of double-figure percentage earnings growth from a 2019 baseline.

A milestone for Transaction Capital this year was its transformational investment in a 49.9% share of WeBuyCars. What motivated the group to undertake this investment in such a challenging environment?

In establishing a third adjacent market vertical for the group, the WeBuyCars investment represents an extraordinary opportunity for Transaction Capital to expand its earnings base and accelerate its growth rate in the years to come. Importantly, it was the group's strong capital position that enabled it to take up this opportunity, employing the excess capital held prior to COVID-19 and the new equity raised during the financial year.

The investment has been immediately earnings- and value-accretive, converting interest income on our undeployed capital into operating earnings. Options are available to the group to increase our stake in WeBuyCars to 74.9%.

WeBuyCars is an exceptional business, with a track record for high-quality predictable earnings and high cash conversion rates proven over two decades. In line with the group's business model, we have invested in an entrepreneurial founder-led business, with the founders still actively involved and materially invested in delivering on its robust organic growth prospects. WeBuyCars is uniquely positioned in South Africa's large and resilient used vehicle market, with favourable structural characteristics supporting its resilience in an environment redefined by COVID-19.

What made us really excited about this investment is that WeBuyCars compares well against its international peer group. Its profitability surpasses these peers, driven by WeBuyCars's efficient inventory management and effective advertising spend. Its financial performance has also been outstanding: WeBuyCars is a high-growth business that has achieved CAGR in revenue of 62%, earnings before interest, taxes, depreciation and amortisation of 65% and earnings of 58% over four years. And remarkably, it has maintained stable margins over this period of high growth.

In assessing the WeBuyCars business prior to the investment, it is worth noting that the business matched almost all our stringent acquisition criteria.

Its competitive advantages include its proprietary data, with around 20 years of price, consumer and other data combined with artificial intelligence (AI) to ensure that vehicles are bought and sold at a fair price. WeBuyCars is also able to flex its pricing according to the value and demand for specific vehicles, which preserves its margins and high stock turn. Its e-commerce platform includes an established business-to-business (B2B) platform that transacts with vehicle dealerships, as well as early-stage business-to-consumer (B2C) capabilities that will support its growth in the years ahead as the desire for contactless services on credible digital platforms escalates.

Finally, WeBuyCars is a well-known, reputable and trusted brand in an industry where trust and customer satisfaction have traditionally been low. Achieved through effective advertising (with spend of more than R100 million a year) and consistently high satisfaction levels among its customers, this is a competitive advantage that should not be underestimated.

What are some of the structural factors driving the growth prospects for WeBuyCars?

The used vehicle industry is resilient, defensive and growing, despite South Africa's economic climate. Due to the impact of COVID-19, consumers' disposable income is under strain and the weak rand continues to drive up the price of new vehicles. As a result, more consumers are electing to trade down from new to used vehicles; used vehicle sales have increased by 1.7% between 2014 and 2019, while new vehicle sales have reduced by 3.4% over the same period. These factors are amplifying the relevance of WeBuyCars's business model. Also, we are seeing a strong recovery in used vehicle sales, which have rebounded to pre-COVID-19 levels.

For further details on WeBuyCars's market context and positioning, see pages 57 to 61.

WeBuyCars's medium-term target is to increase the volume of vehicles traded to 10 000 vehicles a month. The business is seeking to expand its nationwide footprint with additional vehicle supermarkets and buying pods in selected high-demand locations across South Africa, as well as enhancing its brand awareness through targeted marketing campaigns. Key strategic initiatives include driving higher online penetration, and optimising its vehicle acquisition and stock turn efficiency.

Currently, financial and insurance (F&I) product margin is earned on 15% of vehicles sold. WeBuyCars estimates that for every 1% increase in penetration, earnings will increase by R9.3 million. As such, driving higher take-up of F&I products stands to enhance unit economics and margins per vehicle sold. The business also plans to enhance existing arrangements with providers of F&I products and to add additional products suited to its market. In the longer term, WeBuyCars aims to offer F&I products to underserved segments as a principal.

Given the relevance of the group's operating platforms, and the emerging opportunities, which of the group's strategic growth initiatives will be emphasised going forward?

One of Transaction Capital's strategic imperatives is to grow our earnings base. Primarily, we will achieve this through further vertical integration and expanding the total addressable markets in each of our market verticals – this focus will not change.

All our divisions have proven organic growth track records, with resilient and agile operations supported by exceptional management and specialist teams. Actions taken to restructure our businesses, which were necessary to support business continuity during the COVID-19 pandemic, will yield significant cost savings going forward. We anticipate that the organic growth initiatives being pursued by the divisions will deliver the results we expect, despite volatile market conditions.

Our group remains well capitalised after TCRS's investment into WeBuyCars, with unrestricted access to liquidity to fund our strategic growth initiatives. SA Taxi will continue developing new and relevant products, including its single transactional account targeting South Africa's 250 000 minibus taxi operators and bespoke insurance products. The division will also seek to drive higher sales of pre-owned minibus taxis and increase the take-up of insurance products by expanding penetration into the open market. Deploying new technologies stands to drive efficiencies, including in the direct sales model.

As market dynamics become clearer, TCRS's acquisition of NPL Portfolios in South Africa and Australia to be collected as a principal provide opportunities to accelerate capital deployment for attractive risk-adjusted returns. Also, TCRS's strategy to acquire non-performing consumer-based loan portfolios in Europe remains valid and will be pursued. The European collections market is many times larger than the South African market and a small position in this market, as in Australia, will provide a meaningful opportunity for the group. We will, however, maintain a selective and cautious approach and the European portfolio will be diversified by asset originator, collection platform and geographical region. The intention here is still to co-invest in partnership with specialist credit managers.

TC Global Finance will continue to drive our strategy to invest in the higher-yielding niche of the European specialised credit market. We will maintain our cautious and selective approach to opportunities in this market, but remain confident that this growth strategy remains valid.

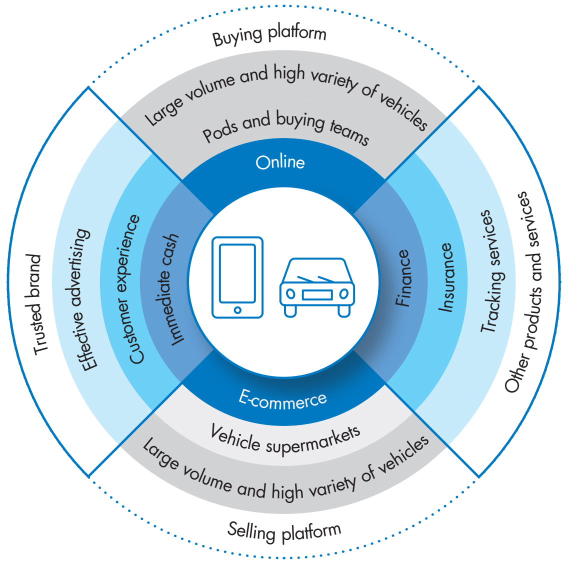
Transaction Capital is well placed to build on its long-term track record of growth for 2021 and beyond, at similar earnings growth rates when applying 2019 as a base. Moreover, entering our third adjacent market vertical via the investment in WeBuyCars is expected to support the group's growth trajectory to return to at least historical trends. WeBuyCars's focus on increasing the volume of vehicles traded, expanding its physical and e-commerce footprint and enhancing brand awareness, as well as increasing take-up of F&I products, also stands to boost its earnings.

The group's strategic progress over the most difficult year in its history, and the resilience our business platforms have shown, has been ultimately underpinned by their social relevance. Deep and proactive engagement with our stakeholders and, especially, moving decisively to support our clients and customers when they needed it most, have strengthened the relationships on which our expectations for growth and returns are contingent, as we move beyond the immediate challenges of COVID-19. Our shared-value model will remain central to the way we do business, and we will be able to measure our positive impacts with greater rigour due to the adoption of formal ESE frameworks.

I am truly thankful for the skill and dedication showed by our exceptional founders, entrepreneurial management teams, and the tireless effort put in by all our people across the group under extraordinary pressure. At a time when most other businesses were focused on managing risk at the expense of growth, the group has been able to position itself not only for a return to growth, but for sustainably higher growth in the years ahead.

INTRODUCING WEBUYCARS

Transaction Capital's investment in a non-controlling 49.9% share of WeBuyCars on 11 September 2020 represents an earnings- and value-accretive deployment of cash into a relevant and scalable business with potential to grow in value.



WeBuyCars is a uniquely positioned, highly competitive and entrepreneurial founder-led business, with an impressive 20-year track record. As a highly experienced buyer and seller of used vehicles, it trades through its vertically integrated, data- and technology-led e-commerce and physical infrastructure, supported by a national footprint that includes seven vehicle supermarkets and 19 buying pods.

As a well-known and reputable brand, WeBuyCars provides a reliable, affordable and convenient alternative to selling or buying a vehicle. With vehicle valuations determined by AI and not individual buyer sentiment, sellers can be certain of a fair price and immediate cash settlement on acceptance of the offer. With no affiliation to any particular make of vehicle, WeBuyCars offers an extensive range of popular vehicle brands and a simple, seamless buying experience. Buyers are given independent vehicle condition reports and high-resolution photos to facilitate their purchase decisions.

The deal terms

Transaction Capital[1]

Vendor finance (preference shares)[2]

FOUNDERS | Fledge Capital[3]

60% | 40%

WBC HOLDCO

PURCHASE CONSIDERATION

R1.80 billion
Initial consideration

R1.12 billion
Cash component from ~R900 million undeployed capital and ~R220 million from existing debt facilities.

R329 million
New Transaction Capital equity through issuing 16.47 million shares at R20 per share.

R349 million
Vendor finance[2]

R40 million
Deferred consideration for R20 million cash and R20 million Transaction Capital shares

49.9%

50.1%

R3.69 billion
Enterprise value
~10 times price/earnings multiple

Further investment terms
- Put option[4] to sell an additional 10.0% to Transaction Capital at end of year one.
- Call option[5] to acquire up to 74.9% by Transaction Capital at end of year three.

1. Simplified transaction structure: Transaction Capital via Transaction Capital Motor Holdings, a 100% owned subsidiary of Transaction Capital. | 2. Transaction Capital issued R349 million of preference shares. | 3. Fledge Capital is an independent investment company that provides capital solutions to private companies across a wide range of industries. Fledge Capital was founded in 2010 by Louis van der Watt and Konrad Fleischhauer. | 4. Put option subject to regulatory approvals. | 5. Call option subject to regulatory approvals (if required) and predetermined criteria being met.

Market context

South Africa's vehicle parc has grown steadily despite new vehicle sales declining over the last 10 years.

10.8 million
Vehicles[6] in South Africa.

CAGR
Nine years: ▲5.6%
Five years: ▲2.4%

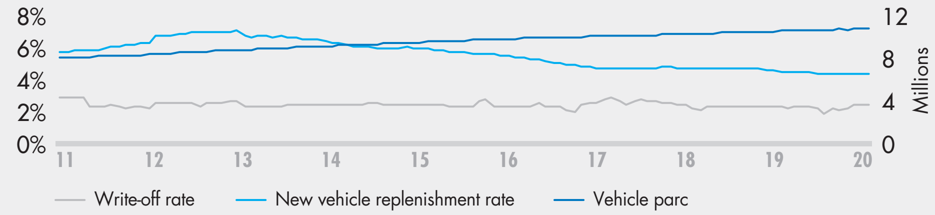
~10 years
Average length of ownership[8] is increasing.
December 2017: 9.73 years.
March 2020: 10.08 years.

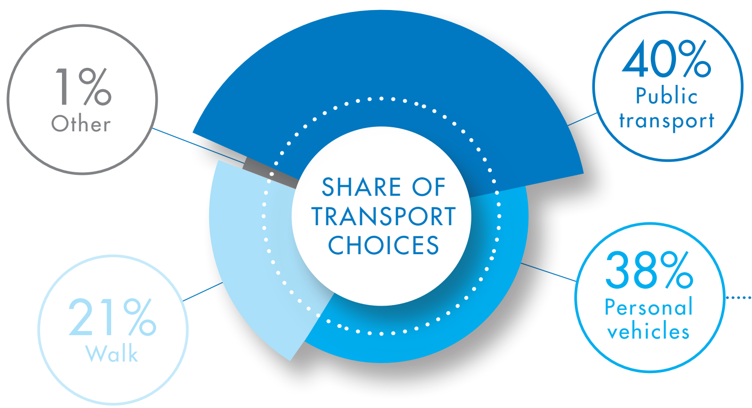
372 000 vehicles
New vehicle sales into parc.

2020 estimate of new vehicles sales down 34%[7].

350 000 vehicles
Write-off rate out of parc.
Consistently at ~3% per year.

VEHICLE PARC VERSUS REPLENISHMENT RATE AND WRITE-OFFS %





- Vehicle ownership is an aspiration rooted in South African culture.
- Personal vehicles remain a necessity for many South Africans.
- Commuters face long travel distances, especially in rural areas.

The used vehicle market is resilient, defensive and growing, despite South Africa's economic climate

A strong recovery in used vehicle sales is already evident, having returned to pre-COVID-19 levels.

VEHICLE SALES IN SOUTH AFRICA

~500 000
New vehicles, with 46% financed[9].

2.4 times
Used-to-new sales ratio increasing.

~1.2 million
Used vehicles sold, with 32% financed[10].

Shift from new to used vehicles
- New vehicle sales declining, driven by:
  - Challenging economic environment.
  - Price increases, driven by exchange rates (as ~70% of new vehicles are imported).
  - Banks' appetite for financing.
- Used vehicle sales increasing, driven by:
  - Being a more affordable option to a new vehicle.
  - Stressed disposable income, exacerbated by COVID-19.
  - Declining new vehicle sales.
- Banks adding liquidity into used vehicle market as they seek growth.

CAGR

NEW VEHICLES
Nine years: ▲1.0%
Five years: ▼3.4%

USED VEHICLES
Nine years: ▲3.8%
Five years: ▲1.7%

WEBUYCARS' BUSINESS MODEL IS EVEN MORE RELEVANT IN A POST-COVID-19 ENVIRONMENT

- More consumers are opting to trade down from new to used vehicles.
- New vehicle sales per year declining, a trend further amplified by COVID-19:
  - Consumers' disposable income is under strain.
  - The weakening rand is driving new vehicle prices higher.
- COVID-19 has heightened consumers' preference for online channels.
  - E-commerce adoption has accelerated in South Africa.

SOURCE: National Land Transport Strategic Framework 2015. | National Household Travel Survey 2013. | Census data 2011.

6. *Lightstone – vehicle parc consists of passenger and light commercial vehicles.*
7. *2020 estimated new vehicle sales, https://www.dailymaverick.co.za/article/2020-08-19-sa-motoring-industry-negotiates-the-rocky-road-to-recovery.*
8. *Lightstone parc data.*
9. *Consumers financed per the NCR in 2019, excluding B2B.*
10. *Estimate applying TransUnion, eNatis (double counting eliminated) and Lightstone data.*

Market positioning

WeBuyCars's scalable, agile and robust business model.

1 PROPRIETARY DATA

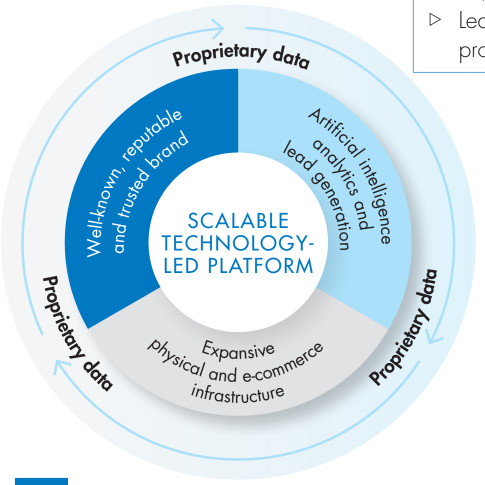
- Leveraging 20 years of vehicle, price, consumer and other data with AI.
- Continuously enriched with buying and selling transactional data.

2 AI, ANALYTICS AND LEAD GENERATION

- AI applied to:
  - Ensure vehicles are bought and sold at a fair price.
  - Adjust pricing according to value and demand, preserving margins and high stock turn.
- Lead generation to target high-quality online prospects.

5 WELL-KNOWN, REPUTABLE AND TRUSTED BRAND

- In an industry where trust and customer satisfaction have been low.
- Effective advertising campaigns (spend >R100 million per year).
- Consistently high satisfaction levels.
- Peace of mind transacting:
  - Buyers have access to full disclosure.
  - Vehicle condition report (e.g. DEKRA).
  - High-resolution photos.
  - Sellers receive a fair price.
  - Online channel.
  - Instant offer driven by AI, not buyer sentiment.
  - Immediate cash settlement.
- Reputation, brand and trust enhance lead generation.

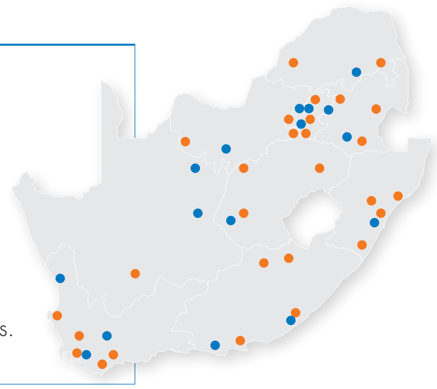


3 TECHNOLOGY

- Online channel and e-commerce infrastructure enhance the experience for customers.
  - First-mover advantage in the used vehicle e-commerce market.
  - >35% of sales done online:
    - Improves efficiency and reliability of service.
    - Scalable technology-led platform reducing the costs per unit.

4 EXPANSIVE INFRASTRUCTURE

- Holding a large variety and quantum of stock.
- Large physical infrastructure with a:
  - Nationwide presence.
  - Seven vehicle supermarkets, 19 buying pods and over 150 national buyers.
- E-commerce platform provides:
  - Peace of mind in transacting in online auctions through a trusted brand.
  - Established B2B platform with vehicle dealerships.
  - Early stage B2C activities commenced.



Strategic growth initiatives

WeBuyCars is well placed to build on its long-term track record of growth, due to favourable structural market conditions and its relevant business model.

MEDIUM TERM TARGET TO INCREASE THE VOLUME OF VEHICLES TRADED TO 10 000 PER MONTH

- Expanding the physical nationwide infrastructure to meet demand requirements.
  - Additional vehicle supermarkets and buying pods are in development.
- Enhancing its e-commerce platform to:
  - Fully realise the potential of data, technology and e-commerce.
  - Extend WeBuyCars e-commerce capability in:
    - Established B2B e-commerce activities, including vehicle dealerships.
    - Expanding B2C e-commerce activities.
- Continue enhancing brand awareness and trust.
- COVID-19 has increased the opportunity to acquire more vehicles as:
  - Banks increase repossessions as payment relief expires.
  - Car rental companies are forced to de-fleet.

ENHANCE UNIT ECONOMICS AND MARGIN POTENTIAL

- Optimising vehicle acquisition and stock turn.
- Increasing unit economics per vehicle sold by increasing the take-up rate of F&I products (which is currently at 15% of vehicles sold).
- Enhancing existing arrangements with providers of F&I products.
- Adding relevant new allied products.
- Offering finance to under-served segments as principal.
- Offering insurance and allied products as principal.

WeBuyCars stacks up well against comparable international peers

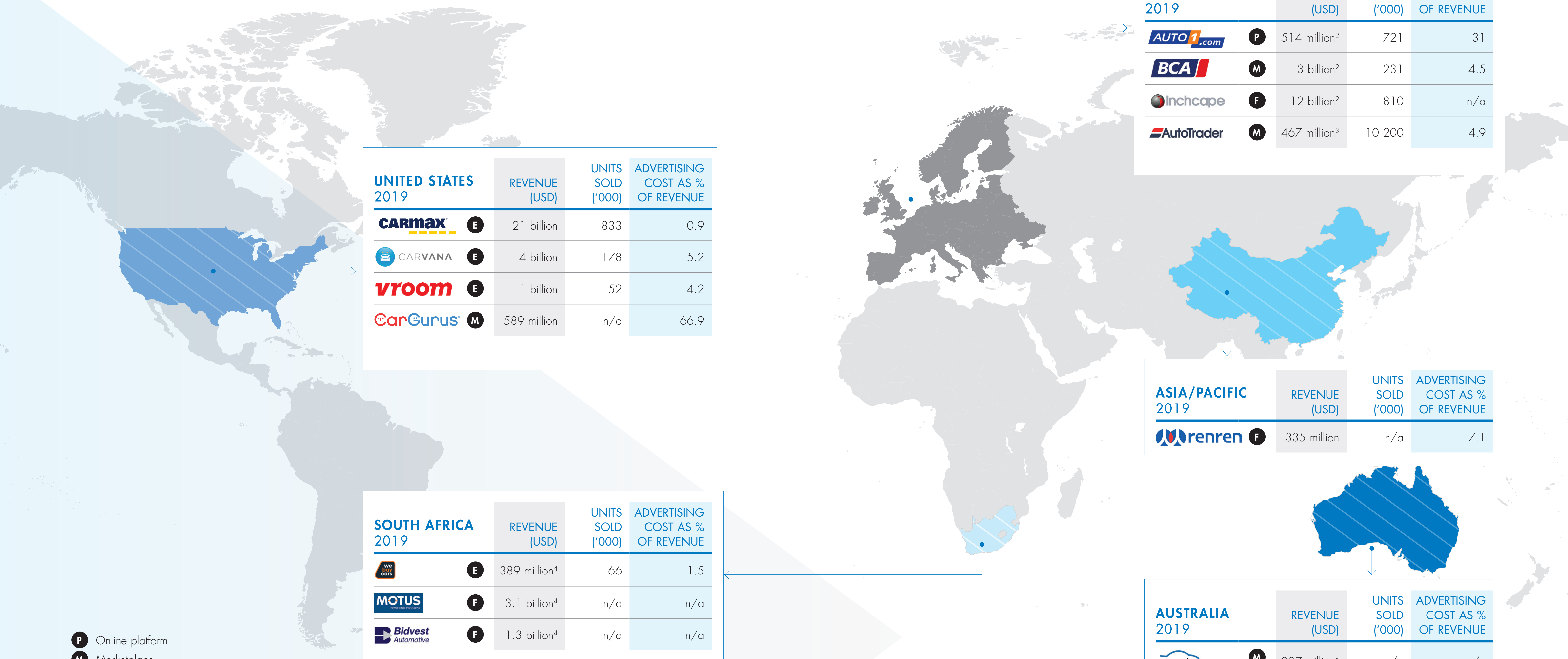
Its profitability surpasses that of its peer group, supported by efficient inventory management and effective advertising spend.

	We buy cars	**Vroom**	**Carvana**	**CarMax**
BUSINESS MODEL	**Hybrid model including e-commerce and physical infrastructure.** **F&I products offered as an agent.** **Stockholder.**	Hybrid model including e-commerce and physical infrastructure. Finance and other products offered as an agent. Stockholder.	Hybrid model including e-commerce and physical infrastructure. Vertically integrated. On-balance sheet financing. Stockholder.	Hybrid model including e-commerce and physical infrastructure. Vertically integrated. On-balance sheet financing. Stockholder.
UNITS SOLD ON THE PLATFORM	**65 510**	52 160	177 549	832 640
PHYSICAL PRESENCE[1]	**SOUTH AFRICA:** **Seven vehicle supermarkets and 19 buying pods.** **No refurbishment activities.**	UNITED STATES: One vehicle supermarket. One refurbishment centre (in progress)[2].	UNITED STATES: 19 branches Seven refurbishment centres.	UNITED STATES: 216 branches. 96 refurbishment centres.
REVENUE (THREE-YEAR CAGR[3])	**61.7%**	39.3%	114.2%	8.6%
RETURN ON SALES[4]	**5.1%**	(12.0%)	(9.3%)	4.4%
ADVERTISING COST AS % OF REVENUE	**1.5%**	4.2%	5.2%	0.9%
AVERAGE INVENTORY DAYS TO SALE	**25**	68	62	52
MEASUREMENT PERIOD	**12 months ended 31 March 2020**	12 months ended 31 December 2019	12 months ended 31 December 2019	12 months ended 29 February 2020

1. Company website and latest investor presentations. | 2. Vroom's business model currently relies on outsourced refurbishment centres through partnerships throughout the United States. | 3. WeBuyCars revenue CAGR for the year ended 31 March 2017 to 31 March 2020; Carvana revenue CAGR for the year ended 31 December 2017 to 31 December 2019; Vroom revenue CAGR for 2018 to 2019. | 4. Return on sales calculated as profit after tax divided by revenue.

Market positioning *continued*

WeBuyCars's global listed peers have varied business models, with a mix of online platforms, marketplaces, franchise dealers, e-commerce and vehicle supermarkets. The WeBuyCars business model is unique in South Africa.



UNITED STATES 2019		REVENUE (USD)	UNITS SOLD ('000)	ADVERTISING COST AS % OF REVENUE
CarMax	E	21 billion	833	0.9
Carvana	E	4 billion	178	5.2
Vroom	E	1 billion	52	4.2
CarGurus	M	589 million	n/a	66.9

SOUTH AFRICA 2019		REVENUE (USD)	UNITS SOLD ('000)	ADVERTISING COST AS % OF REVENUE
WeBuyCars	E	389 million[4]	66	1.5
Motus	F	3.1 billion[4]	n/a	n/a
Bidvest Automotive	F	1.3 billion[4]	n/a	n/a

EUROPE 2019		REVENUE (USD)	UNITS SOLD ('000)	ADVERTISING COST AS % OF REVENUE
AUTO1.com	P	514 million[2]	721	31
BCA	M	3 billion[2]	231	4.5
Inchcape	F	12 billion[2]	810	n/a
AutoTrader	M	467 million[3]	10 200	4.9

ASIA/PACIFIC 2019		REVENUE (USD)	UNITS SOLD ('000)	ADVERTISING COST AS % OF REVENUE
renren	F	335 million	n/a	7.1

AUSTRALIA 2019		REVENUE (USD)	UNITS SOLD ('000)	ADVERTISING COST AS % OF REVENUE
carsales	M	297 million[6]	n/a	n/a

P Online platform
M Marketplace
F Franchise dealer
E E-commerce with vehicle supermarkets

Source: Euromonitor e-commerce sales excluding sales taxes for 2019. Company data is sourced from respective company financial reports.
1. BCA Group was delisted in 2019; figures as of 2018. | 2. EUR amounts translated at a EUR/USD FX rate of 0.84961 on 4 August 2020. | 3. GBP amounts translated at a GBP/USD FX rate of 0.76569 on 4 August 2020. | 4. Rand amounts converted at a ZAR/USD FX rate of 17.403 on 4 August 2020. | 5. Motus revenue reported above excludes non-South African operations and aftermarket parts operations. | 6. AUS amounts converted at an AUS/USD FX rate of 1.404 on 4 August 2020.

Q&A

What were the key drivers for the capital management activities undertaken at group level during the year?

At the start of the pandemic, we took urgent action to ensure that we had the capital strength and flexibility to support the group and subsidiaries throughout the crisis, especially given initial uncertainty on its likely impact and duration. In addition to the successful debt negotiations undertaken with SA Taxi's funders, we approached two of the group's long-standing and trusted debt funders in South Africa to secure a R400 million standby liquidity facility that we could access if the subsidiaries needed additional funding support at any stage during the crisis.

Thankfully, the resilience of both divisions and the cooperation of SA Taxi's funders meant that we did not need to access that facility at all. It was a cautious approach informed by our long-held conservative capital management philosophy, but ultimately it removed any funding concerns from play, to allow us to focus on other priorities across the group.

The second key capital management initiative at group level was an equity capital raise in June 2020, in which we raised R560 million in an accelerated bookbuild process. It was a proactive equity raise and well timed given the recovery in the Transaction Capital share price after the initial dip in April that affected almost all local and international counters. Our proactive approach also meant that we were ahead of the local market, and we achieved an R18.20 issue price, an impressive 2.2% premium to the pre-launch 30 business day volume-weighted average price as at market close on 17 June 2020. It bolstered our balance sheet in a challenging operating environment and gave us the headroom to continue pursuing strategic growth opportunities, specifically initiatives in TCRS and TC Global Finance.

with MARK HERSKOVITS / CHIEF INVESTMENT OFFICER

Transaction Capital's balance sheet strength was key to enabling the WeBuyCars transaction. Is such a large acquisition a departure from its long-held conservative capital management approach?

Not at all. The undeployed capital held prior to COVID-19, the equity raise in June 2020 and the additional R329 million equity raise in September 2020 to part-fund the WeBuyCars investment meant that we were in a position to pay R900 million of our own cash and only needed to access an additional R220 million from existing debt facilities. Being conservative in the management of capital and pursuing opportunities for growth are not mutually exclusive. We believe that WeBuyCars represents a really smart investment for the group.

As mentioned by David Hurwitz, the WeBuyCars investment fulfils the acquisition criteria that form part of our strategic objectives in almost every instance. The business is high growth but capital light and with minimal debt is strongly cash generative. This will facilitate healthy cash flow generation and dividend income to Transaction Capital.

With strong prospects for growth, WeBuyCars will further enhance our ability to generate superior risk-adjusted returns. I believe the transaction will initially see a subtle change in the view of the group by our funders and shareholders. Although funding structures are ringfenced across the different areas of the group, funders and shareholders do take into account the strength and health of the group as a whole, as well as its overall strategy and prospects. The stronger the group becomes, the more benefits flow to every subsidiary and business in the group.

The WeBuyCars investment came as a surprise to some parts of the market, but as with all new developments in the group, we continue engaging with the market on its prospects for Transaction Capital as well as the value we can bring to WeBuyCars. The rise in Transaction Capital's share price certainly indicates an overall positive market response. Ultimately the proof of its worth will be in its ability to create significant value for funders and shareholders in the group over time.

The key pillars of our capital management approach remain unchanged:

FUNDING PHILOSOPHY

INNOVATIVE THINKING	ENGAGED DEBT INVESTORS	JUDICIOUS RISK MITIGATION	OPTIMAL CAPITAL STRUCTURES
▷ Innovative thinking is encouraged and cultivated to develop pioneering funding solutions.	▷ **Recurring investment** by debt investors motivated by performance, ease of transaction and appropriate risk-adjusted returns. ▷ Transparent and **direct relationships** with long-standing funding partners, where necessary facilitated by valued intermediaries.	▷ **Optimal liquidity management** between asset and liability cash flows. ▷ Effective management of interest rate, currency and rollover risk. ▷ **Controlled exposure to short-term and bullet instruments.** ▷ **Diversification** by geography, capital pool, debt investor and funding mandate.	▷ Proactively managing valuable capital and funds raised across the group. ▷ Bespoke funding structures to meet 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.

How has COVID-19 impacted capital management in SA Taxi?

The broad economic and regulatory implications of the lockdown had a marked impact on minibus taxi operators and through that, on our business, so it has been a very challenging year for the capital management team.

SA Taxi provided relief programmes for clients in good standing to defer repayment of loan instalments and insurance premiums during April 2020, as well as specific payment relief to approximately 3 000 qualifying clients for May and June 2020. The payment relief totalled approximately R400 million, which reduced collections levels in that period and strained cash flows. We were proactive in approaching SA Taxi's funders from the onset of the pandemic, securing various forms of debt accommodation through direct negotiation with our funders. The few funding vehicles across SA Taxi which were impacted each required a slightly different solution, but all of them had the same aim: to take cash flow pressure off the business by delaying capital payments, while continuing to service interest payments and maintaining our obligations to our funders.

In allowing these amendments, our funders directly supported SA Taxi's ability to extend payment relief to our clients, and our incredible funder support stands as one of the highlights of the year for me. The funders recognised that the impact of the pandemic was unavoidable, and their unanimous willingness to support SA Taxi shows that they understand the defensiveness of the business model, and are confident in the ability of the management team to return the business to its long-term track record of growth.

SA Taxi entered the crisis with a strong balance sheet, healthy capital buffer and a track record of great performance, and we have consistently applied ourselves to building transparent and valued relationships with our funding partners over the years. That has built a foundation of trust with our funders, which ultimately formed the basis of their support of the business through the pandemic.

Funders were also inundated with requests from many companies for relief or debt restructuring in the early days of the pandemic. Transaction Capital took a proactive approach by opening discussions immediately and providing solid and considered proposals on the structure of the relief we sought. I think that helped us immensely in ensuring a positive outcome and in further reinforcing our position as a valuable investment for them. And in many of the conversations with our funders, we were reassured that Transaction Capital remained one of their lowest concerns across all their investments.

Our funding partners appreciate that SA Taxi's market positioning is strong, and that represents a vote of confidence in the ability of the management team to take the necessary steps to ensure the business comes through this crisis intact and positioned for growth.

Did your ability to measure, analyse and act on operational data build a level of comfort for funding partners?

Yes. There was an intense focus on ongoing engagements with funders, to the extent of weekly calls with a number of our partners to keep them updated on performance and forecasts. That was driven by the uncertainty across all markets, locally and internationally, and across the group we were constantly engaged in testing and updating models and forecasts as the pandemic unfolded.

It is the kind of environment where close to real-time information is essential, and having access to accurate data and meaningful daily metrics meant that we reinforced our credibility with funders. This included the collections rates that are tracked at a granular level by Transaction Capital Recoveries and the telematics data on minibus taxi activity across SA Taxi's fleet. Robust data formed the basis for open and transparent engagement on the challenges facing the group and its divisions, as well as the opportunities emerging for them.

For an overview of the activity of SA Taxi's fleet during the pandemic, see the section Environment for SA Taxi operators on page 84.

The crisis really brought to the fore the strength of our relationships across our stakeholder base. But my team and I are particularly grateful that when we most needed it of our funders, we received unanimous support across our funder base in South Africa and internationally.

While funders understand the relevance of SA Taxi's business model, were they concerned about the resilience of the minibus taxi industry itself?

Funders did have questions on the impact of the crisis – in all its forms – on the industry. Given the scale and unprecedented nature of the pandemic, it was an uncertain environment for everyone, in every industry. Also, healthcare and economic impacts were constantly shifting, and there were differences in local, national and regional characteristics of infection rates and containment efforts. While our initial estimates of the impact on minibus taxi activity and recovery proved inaccurate, we kept our funders informed on updates to our forecasts as well as the evidence of the gradual recovery we have seen in the months since the hard lockdown has been lifted.

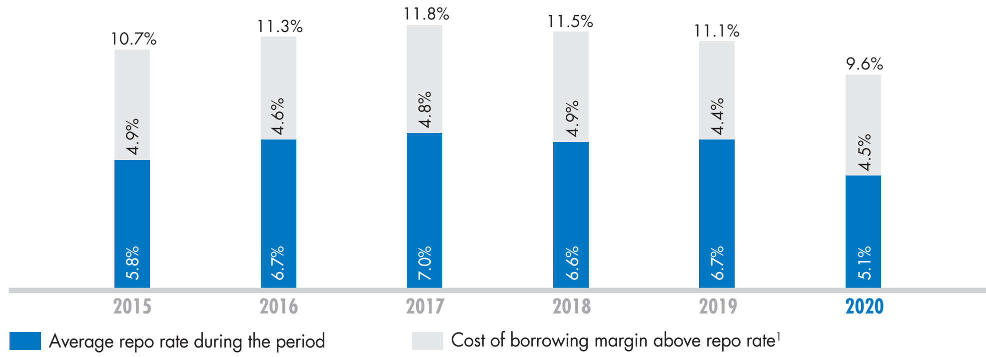
It's now absolutely clear that the industry remains indispensable to economic activity in South Africa. Minibus taxis were the only form of public transport that continued to operate during the lockdown, and it was quick to adapt to lower commuter volumes resulting from the suspension of normal business and social activity. And in step with the recovery of the industry, SA Taxi has already resumed a positive trajectory toward pre-COVID-19 levels of activity.

Was there a trade-off between the cost of funding and securing liquidity?

In this kind of operating environment, cost of funding becomes secondary. We expected a cost increase and that transpired, but it was more than offset by the 300 basis points in interest rates cuts by the South African Reserve Bank. In SA Taxi, on a total basis, our cost of funding actually reduced to 9.8% (2019: 11.1%) due to the base rate shift, although our credit margin increased.

Across the group, the cost of borrowing reduced to 9.6%.

COST OF BORROWING – GROUP



1. Calculated using Transaction Capital's average cost of borrowing (including bank overdrafts) and the South African Reserve Bank's average repo rate for the period.

COVID-19 has driven an increase in the level of gearing at SA Taxi due to the combination of the payment relief measures lowering earnings, slower capital debt repayments by SA Taxi and raising additional debt facilities to maintain liquidity.

That being said, the recovery in collections activity is already evident, and the increasing relevance of SA Taxi's business model and the minibus taxi industry's position as an essential service substantiate our view that we will be able to build capital adequacy back to normal levels over the medium term.

We continue to carefully track our performance relative to gearing levels. SA Taxi remains adequately capitalised, with a Tier I capital adequacy ratio of 15.7% and R2.7 billion of equity. Its access to liquidity remains unfettered with more than R4.0 billion of new debt facilities concluded since 1 April 2020. Ample liquidity is available in undrawn debt facilities to fund loan origination into 2022.

The group's medium-term target for a capital adequacy mix target of 20% tier 1 and 5% tier 2 capital has been impacted by the crisis, and we expect it will take longer to reach these levels. Nonetheless, the fundamentals of the business remain sound and we are already on track to reverse the negative impacts of COVID-19.

In terms of the sovereign rating downgrade in South Africa, has that impacted Transaction Capital's access to funding?

The downgrades were expected even before the compounding economic impact of COVID-19, and it is certainly of concern for the country as a whole. However, it does not present specific concerns to us from a funding perspective. The sovereign rating is watched by international funders, but SA Taxi's international funding partners are all developmental finance institutions (DFIs), with a higher tolerance for risk than normal commercial funders. In a sense, the socioeconomic mandates of DFIs become more pressing in the challenging economic environment caused by COVID-19, and especially in supporting companies with a clear and proven social impact.

As an example, SA Taxi was able to close a USD100 million facility with the African Development Bank in April 2020 at the height of the lockdown. The division enjoys strong support from DFIs due to the combination of its strong commercial position and meaningful social impact, specifically in empowering SMEs through financial inclusion and supporting the sustainability of the minibus taxi industry.

What was the impact of COVID-19 on capital management in TCRS?

As we have discussed before, funding dynamics for TCRS are different as the division requires far less capital than SA Taxi.

Like SA Taxi, TCRS was in a strong capital position prior to the pandemic, and due to the flexibility of its operations, it was able to implement measures like work-from-home to resume most business activity very quickly. Key here was the swift resumption of collections activity in the core businesses, which forms the bulk of cash generation. As a result, sufficient cash flows were generated throughout the crisis and we did not need to approach funders to change covenants or defer payments. The crisis has shown the level of resilience in TCRS and its ability to withstand stress from a funding perspective.

We have provided extensive communication to the market on the impact to the carrying value of purchased book debts in TCRS, with further detail in the CFO's report on page 74.

In terms of capital deployment, what are the priorities moving forward?

TC Global Finance remains a key growth vector for the group. We are actively looking to grow our investment portfolio in Europe and will be deploying capital in those activities in the new financial year. We are also cautiously pursuing growth in Australia in the acquisition of NPL Portfolios. In South Africa, we anticipate that the increasing pressure on consumer-facing entities will drive their appetite to sell NPL Portfolios. While it is taking longer than initially anticipated for these books to come to market, our balance sheet is healthy, so we can take up those opportunities when they materialise.

COVID-19 has stress tested the group's capital management philosophy. Is it still fit for purpose in supporting the group's growth ambitions?

The crisis has proven that our conservative and proactive approach is still entirely appropriate. The diversity of funders and funding sources served us well as we were not reliant on a small number of overexposed funders, especially given that funders were also negatively impacted by the pandemic. And as mentioned, we had unanimous support across our funding base due to us making proactive and reasonable requests for debt accommodations or new facilities as required.

The group's approach to capital management ensured that we had sufficient liquidity to sustain our operations despite revenue pressures. Uninterrupted access to funding and a strong balance sheet have also allowed us to continue pursuing avenues for growth. While we have not been immune to the economic impact, our capital management philosophy has been proven to be robust; it has provided the foundation for us to balance a conservative and entrepreneurial approach in the midst of a black swan event.

We ended the financial year with a strong capital and funding position. But these have been immensely challenging times for our operations, and it will take years for the global economy to recover from the impact of the pandemic. We recognise that there is hard work to do in the years ahead.

Our focus on maintaining good governance processes has also not been dampened by the crisis. The asset and liability committee continued to assess our performance against well-defined policies and risk tolerances across funding, structural and market liquidity risk, interest rate risk, currency risk and counterparty credit risk. Our resilience in the face of COVID-19 has demonstrated that our risk management approach is robust, and I acknowledge the dedication, expertise and hard work of our specialist teams in the capital management function and across our operations.

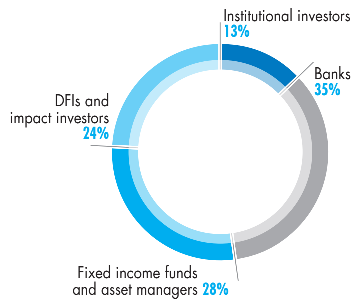
STRONG BALANCE SHEET POSITION WITH UNFETTERED ACCESS TO LIQUIDITY

	Transaction Capital	SA Taxi	Transaction Capital Risk Services	We Buy Cars
ASSETS	R23.4 billion Total assets	R16.1 billion Total assets R11.4 billion Net loans and advances	R5.1 billion Total assets R2.5 billion Purchased book debts	R1.4 billion Total assets R423 million Inventories R428 million Properties
LIABILITIES	R17.0 billion Total liabilities R14.6 billion Senior and subordinated debt	R13.4 billion Total liabilities R12.2 billion Senior and subordinated debt	R3.4 billion Total liabilities R1.9 billion Senior debt	R0.8 billion Total liabilities Majority relates to property backed mortgage loans and trade creditors
Available debt facilities	R1 billion approved undrawn facilities at holding company level to fund strategic growth initiatives.	Available undrawn facilities covering loan origination requirements into 2022.	Available undrawn facilities covering acquisition of NPL Portfolios into 2022.	Undrawn facilities available.
EQUITY	R6.4 billion Total equity 28.5% Capital adequacy ratio 24.8% equity 3.7% subordinated debt	R2.7 billion Total equity 20.9% Capital adequacy ratio 15.7% equity 5.2% subordinated debt	R1.7 billion Total equity 3.0 times Leverage	R0.6 billion Total equity 54.0% Return on equity
Robust balance sheet with ample capacity to fund organic growth	Group liquidity position remains robust, underpinned by a conservative capital strategy with: ▷ Well capitalised balance sheets. ▷ Positive liquidity mismatch. ▷ Unfettered access to liquidity. ▷ Growth initiatives to acquire NPL Portfolios in South Africa and Australia, and credit-related alternative assets in Europe remain valid and fully funded.			Capital-light business model with: ▷ Robust balance sheet with minimal leverage. ▷ High cash conversion rates.

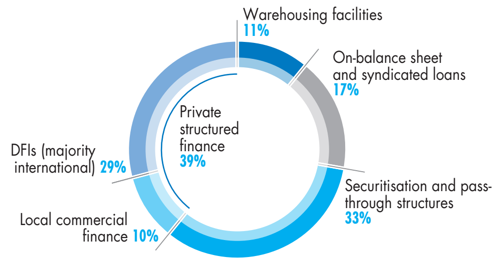
DIVERSIFIED DEBT FUNDING STRATEGY

DEBT STRUCTURE	Pass-through structures	Warehousing facilities	Private structured finance (majority being international DFIs)	On-balance sheet and syndicated loans
2020 BALANCE OUTSTANDING	R4.6 billion	R1.5 billion	R5.5 billion	R2.4 billion
COMPOSITION	~33%	~11%	~39%	~17%
DEBT INVESTORS	21 debt investors ▷ Banks ▷ Institutional investors ▷ Fixed income funds and asset managers ▷ DFIs and impact funders	Two debt investors ▷ Banks	16 debt investors ▷ DFIs and impact funders ▷ Banks ▷ Fixed income funds and asset managers	Nine debt investors ▷ Banks ▷ Institutional investors ▷ Fixed income funds and asset managers
INSTRUMENTS	▷ Rated and listed securitisation notes ▷ Private or bilateral loans and debentures	▷ Asset-backed loans	▷ Private bilateral	▷ Syndicated loans ▷ Overdraft and working capital facilities
COVENANTS	▷ No accelerated repayment covenants ▷ Interest rate step-up after year five ▷ No fixed repayment profile ▷ Debt repayment matched to collections on asset pool	▷ No accelerated repayment covenants ▷ Revolving structure ▷ No fixed repayment profile ▷ Debt serviced from collection on or sale of asset pool	▷ Fixed repayment profile ▷ Debt serviced from collection on asset pool Capital repayment relief in two quarterly payments between 1 April 2020 and 30 September 2020	
	Transsec 2 Transsec 3 Transsec 4 Transflow SA Taxi Finance Solutions	Potpale	SA Taxi Impact Fund SA Taxi Development Finance	SA Taxi Holdings Transaction Capital Risk Services

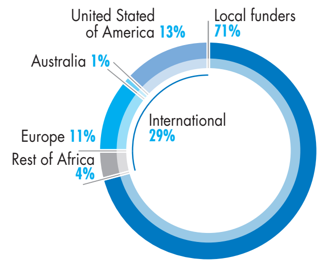
DIVERSIFICATION BY DEBT INVESTOR CATEGORY AND CAPITAL POOL



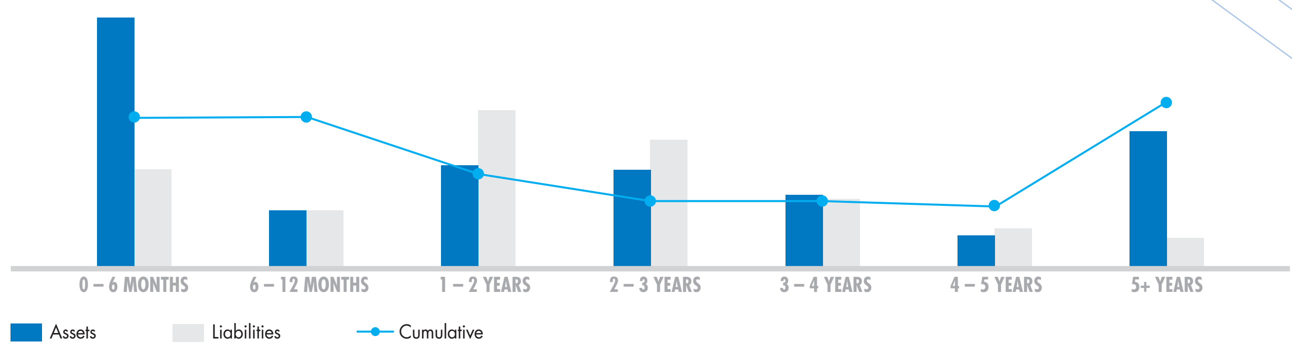
DIVERSIFICATION BY FUNDING STRUCTURE AND INSTRUMENT



DIVERSIFICATION BY GEOGRAPHY



POSITIVE LIQUIDITY MISMATCH



CFO'S REPORT

Introduction

Prior to the effects of COVID-19, the group was on track to deliver earnings growth in line with past performance and guidance given at the time of our AGM in March 2020. Despite the disruption of COVID-19, with most of our business operations restricted and in some cases fully closed for more than two months, the group's core pre-provision profit from continuing operations grew 10%. Positive operational leverage supported this resilient performance.

SEAN DOHERTY

We have adopted a conservative approach in accounting for the impact of COVID-19, which has given rise to far higher non-cash credit impairments at SA Taxi and adjustments to the carrying value of TCRS's purchased book debts compared to historical periods. In SA Taxi, the credit impairment charge against loans and advances for 2020 increased 160% to R836 million, compared to R322 million in 2019. In TCRS, the adjustment to the carrying value of purchased book debts was R588 million in 2020, 270% higher than the R159 million adjustment in 2019.

As noted, these charges resulted in our financial performance deviating from our historical earnings growth trend. The group's core headline earnings from continuing operations fell 65% to R276 million, and core headline earnings per share from continuing operations decreased 66% to 44.3 cents.

As a measure of maintainable performance and as key metrics used by management in the business, Transaction Capital has presented non-IFRS measures referred to as core financial ratios throughout this report. These may be referenced to headline earnings from continuing operations of R262 million (2019: R705 million) by excluding:

- Once-off acquisition costs of R5 million incurred in the first half of the 2020 financial year, relating to the acquisition of Fihrst on 1 December 2019, and R9 million relating to the acquisition of a non-controlling 49.9% interest in WeBuyCars on 11 September 2020.
- Once-off costs of R84 million, which arose in the first half of the 2019 financial year, relating to SA Taxi's ownership transaction with SANTACO, of which R81 million was non-cash and in accordance with IFRS 2 – Share-based Payment, and a further R3 million related to early debt settlement costs.

The audited consolidated annual financial statements are available online at www.transactioncapital.co.za.

The year under review

HIGHLIGHTS IN 2020

PROTECTING SHAREHOLDER VALUE

- Robust balance sheet with ample capacity to fund organic growth, bolstered by R560 million equity raised via an accelerated bookbuild and the issue of R329 million new equity to part-fund the investment in WeBuyCars.
- Undrawn approved facilities to the value of R1 billion available at holding company level.

For more on the actions taken to enhance the group's financial flexibility and strategic agility, see the Q&A with Mark Herskovits, CIO, starting on page 62.

- Consistent application of provisioning and amortisation methodology supported management in making informed judgements on technical factors and protects the balance sheet going forward. Ongoing and meticulous modelling by the finance teams also tested the robustness and accuracy of the models applied.
- Value-accretive investment into 49.9% of WeBuyCars for R1.86 billion concluded on 11 September 2020, with efficient post-deal implementation. The acquisition was subject to an in-depth due diligence investigation prior to the investment, with the findings pointing to the suitability of the transaction for driving growth and increasing shareholder value.

CONTINUED IMPROVEMENT DESPITE A CHALLENGING OPERATING ENVIRONMENT

- Adoption of an ESE framework to assist the board in ensuring that the group's impacts are appropriately managed to enhance value creation for Transaction Capital and its stakeholders.
- Continued improvement in disclosure in the annual financial statements by incorporating accounting policies as part of the notes to the annual financial statements in line with international best practice.
- Continued enhancement of integrated reporting disclosures in response to best practice market trends and stakeholder feedback.
- Growing the capacity and capability of the internal audit and ethics functions to support the growth of the group's divisions, with restructuring of these critical functions completed in the year. The internal audit function was further enhanced by introducing an intelligent automation platform.
- An enhanced risk management and policy framework was introduced this year, which provides a more complete view of our risk universe and a sturdy foundation to mitigate specific material risks.
- The successful transfer of TC Global Finance to the group executive office, and the subsequent operationalisation of the new structure.

CORE PRE-PROVISION PROFIT

Transaction Capital
R1 807 million ▲ 10%
2019: R1 646 million

SA Taxi
R1 117 million ▲ 11%
2019: R1 005 million

Transaction Capital Risk Services
R649 million ▲ 12%
2019: R578 million

NET ASSET VALUE PER SHARE
879.5 cents
▲ 10%
2019: 799.1 cents

INCREASED PROVISION COVERAGE AND A CONSERVATIVE APPROACH APPLIED TO THE ANTICIPATED IMPACT OF COVID-19 ON FUTURE CASH FLOWS, PROTECTING THE BALANCE SHEET

SA Taxi

PROVISION COVERAGE	CREDIT IMPAIRMENTS (BEFORE TAX)
6.7% ▲	R836 million
2019: 4.8%	2019: R322 million

Transaction Capital Risk Services

ADJUSTMENTS TO THE CARRYING VALUE OF PURCHASED BOOK DEBTS (BEFORE TAX)
R588 million
2019: R159 million

FAR HIGHER CREDIT IMPAIRMENTS AND NON-CASH ADJUSTMENTS TO THE CARRYING VALUE OF PURCHASED BOOK DEBTS AT 30 SEPTEMBER 2020 COMPARED TO HISTORICAL PERIODS SUBDUED 2020 RESULTS BUT OPERATIONS PROVED RESILIENT

CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE GROUP	CORE HEADLINE EARNINGS PER SHARE FROM CONTINUING OPERATIONS
R276 million ▼ 65%	44.3 cents ▼ 66%
2019: R789 million	2019: 129.0 cents

SA Taxi

		For the year ended 30 September		
		2020	2019	Movement
Financial performance				
Core pre-provision profit	Rm	**1 117**	1 005	11%
Core headline earnings	Rm	**221**	519	(57%)
Core headline earnings attributable to the group	Rm	**181**	446	(59%)
Non-interest revenue	Rm	**609**	584	4%
Net interest income	Rm	**1 358**	1 217	12%
Net interest margin	%	**11.8**	12.2	
Core cost-to-income ratio	%	**43.2**	44.2	
Core return on average equity	%	**8.1**	24.6	
Credit performance				
Gross loans and advances	Rm	**12 243**	10 753	14%
Non-performing loan ratio	%	**32.3**	17.9	
Credit loss ratio	%	**7.3**	3.2	
Provision coverage	%	**6.7**	4.8	

SA TAXI FINANCE AND SA TAXI AUTO REPAIRS

SA Taxi's gross loans and advances book grew 14% to R12.2 billion, comprising 32 890 loans. The retention of market share and higher retail prices for new vehicles supported this growth. It is important to note that in normal conditions, book growth is a function of loans originated and vehicle price increases, less attrition. Historically, attrition accounts for about 20% of the loan book being rolled off each year through repossession and settlements (i.e. full repayment of loans in the ordinary course).

Restricted repossession and settlement activity due to COVID-19 slowed the attrition rate, which resulted in gross loans and advances growing despite the lower number of loans originated. By September 2020, repossession activity was back to normal, although collections are only expected to normalise by January 2021.

The number of loans originated was 27% lower than last year. Contributing to this decline was interrupted new vehicle supply due to industrial action at the Toyota plant in January 2020, and the closure of the plant during lockdown. Furthermore, the closure of SA Taxi's and other external dealerships curbed the division's ability to originate vehicle loans. In the 2021 financial year to date, Toyota's monthly output of minibus taxis is slightly lower than but nearing pre-COVID-19 levels.

Nonetheless, growth in loans and advances translated into net interest income growth of 12% to R1.4 billion. The negative endowment effect from lower interest rates partially offset the benefit of settling R1.0 billion of interest-bearing debt (from the proceeds of SANTACO's acquisition of 25% in SA Taxi in February 2019). This resulted in a marginal decrease in the net interest margin to 11.8% (2019: 12.2%), despite the average cost of borrowing reducing to 9.8% (2019: 11.1%). SA Taxi targets a net interest margin of 11% to 12%.

In April 2020, SA Taxi's monthly collections reduced to 23% of pre-COVID-19 levels but recovered consistently month-on-month to more than 90% by September 2020. We now expect collections to normalise early in the 2021 calendar year. SA Taxi has adequately provided for this impact, increasing provision coverage to 6.7% for 2020 (2019: 4.8%). Provision coverage should return to historic levels of between 4.5 % to 5.5% over the medium term.

Cash flows will be protected as the useful life of a minibus taxi significantly exceeds SA Taxi's average loan term of 71 months.

Lower origination of new loans and the disruption to collections resulted in a higher NPL ratio of 32.3% (2019: 17.9%). A high proportion of NPLs may well convert to performing loans, as these customers' propensity to pay is higher than typically observed. The NPL ratio is thus expected to improve to around 25% in 2021, returning to normal levels of approximately 20% over the medium term.

Besides the loan repayment and insurance premium relief provided in April 2020, and specific payment relief in May and June 2020, SA Taxi continued to age and provide for the loan book as usual – and in line with our conservative approach. This resulted in a credit loss ratio of 7.3%, above the target range of 3% to 4% (2019: 3.2%). We expect the credit loss ratio to normalise around or slightly above the upper limit of the target range by 2022.

For details on payment relief provided to SA Taxi clients, see the Q&A with Terry Kier, SA Taxi CEO, on page 88.

SA TAXI DIRECT

SA Taxi's retail dealerships generated gross revenue of about R600 million in the year, down on the prior year due to the disruption in new and pre-owned vehicle supply and the closure of SA Taxi's dealerships in April and May 2020. Higher vehicle prices partly offset the decline.

SA TAXI PROTECT

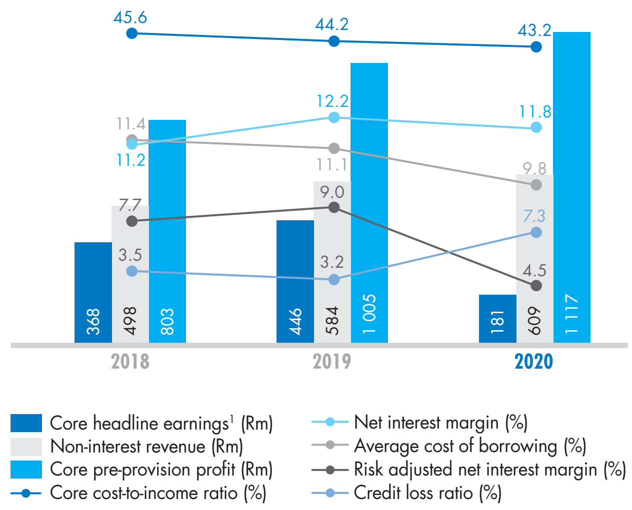
SA Taxi's insurance business is the main contributor to non-interest revenue, with gross written premiums up 10% to R907 million. This was a good result given the deferred repayment of insurance premiums in April 2020 under SA Taxi's COVID-19 relief programme and other disruption. As expected, higher lapse rates were experienced as COVID-19 affected the affordability of insurance cover. Despite the extraordinary conditions, SA Taxi Protect's broader product offering and the continued expansion of our addressable market to include insuring minibus taxi operators financed by other banks, supported high single-digit growth in the number of policies on book.

CONCLUSION

Despite the impact of COVID-19 in 2020, SA Taxi posted a resilient performance, growing its core pre-provision profit 11% for the year. Positive operational leverage supported a core cost-to-income ratio of 43.2% (2019: 44.2%). This was achieved despite once-off COVID-19 related expenditure of R9 million. Although the division did not grow its core headline earnings for the year, SA Taxi remained profitable even after the effect of the conservatively modelled credit provision. SA Taxi posted core headline earnings of R221 million for 2020, of which R181 million was attributable to the group. ROE of 8.1% for 2020 is expected to return to approximately 20% over the medium term.

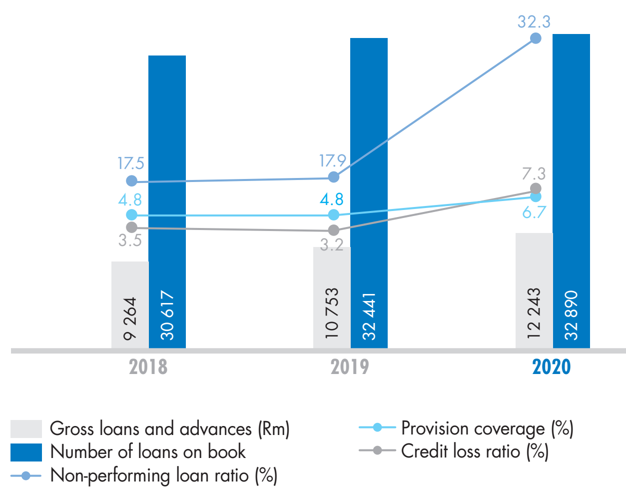
SA Taxi is adequately capitalised, albeit slightly below the target equity of between 18% to 20%, with a Tier I capital adequacy ratio of 15.7% and R2.7 billion of equity. SA Taxi is expected to return to its target equity range in the medium term. Its access to liquidity remains unfettered with more than R4.0 billion of new debt facilities concluded since 1 April 2020. Ample liquidity is available in undrawn debt facilities to fund loan origination into 2022.

FINANCIAL PERFORMANCE



1. *Core headline earnings attributable to the group.*

CREDIT PERFORMANCE



Transaction Capital Risk Services

		For the year ended 30 September		
		2020	2019	Movement
Financial performance				
Core pre-provision profit	Rm	**649**	578	12%
Core headline earnings from continuing operations attributable to the group	Rm	**55**	298	(82%)
Non-interest revenue	Rm	**2 385**	2 018	18%
Core return on average equity	%	**2.6**	19.9	
Purchased book debts				
Cost price of purchased book debts acquired	Rm	**733**	1 186	(38%)
Carrying value of purchased book debts	Rm	**2 520**	2 382	6%
Estimated remaining collections	Rm	**5 181**	4 480	16%

NOTE: Comparative information has been restated for the application of IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations and IFRS 8 – Operating Segments.

COLLECTION SERVICES

TCRS's collection revenue grew 14%. On average, collection revenues on its owned NPL Portfolios in South Africa and Australia were only about 20% lower than the pre-COVID-19 benchmark.

A significant proportion of the division's collections is annuity based, collected via recurring payment arrangements, which supported the better than expected collection rates. The remaining portion is collected by call centre and legal collection agents in South Africa, who were enabled to work from home during lockdown and with higher productivity per agent recorded.

The Australian collections business performed well despite COVID-19, with revenue growing more than 20% and earnings in line with pre-COVID-19 expectations. Its Australian collection agents were fully enabled to work from home and its Fiji based call centre operated efficiently with flexible working hours, supporting this strong result.

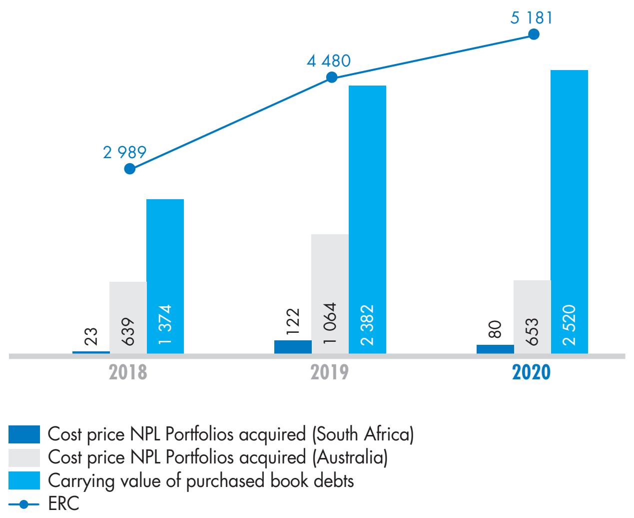
ACQUISITION OF NPL PORTFOLIOS AS PRINCIPAL

TCRS invested R653 million in South Africa and R80 million in Australia in acquiring NPL Portfolios. This was lower than we intended pre-COVID-19 and well below 2019 levels. The division spent R177 million in the second half of 2020, down 76% from R749 million the year before, and far lower than the R556 million spent in the first half of 2020.

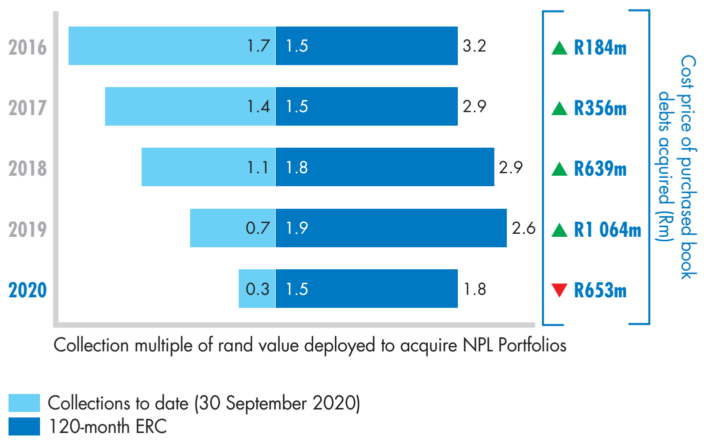
At 30 September 2020, TCRS's NPL Portfolios were valued at R2 520 million, up only 6% compared to a year ago. This was mainly due to the R588 million adjustment to the carrying value of this asset, but also as fewer NPL Portfolios were acquired in the second half. We expect annuity revenue from this asset of R5 181 million over the medium term, up 16% from R4 480 million a year ago.

While collections on NPL Portfolios have performed better than initially expected, ERC is still expected to be about 4% lower over the medium term. As such, we adjusted the carrying value of purchased book debts down by R588 million (2019: R159 million) to ensure future yields remain aligned with those achieved in the past.

GROWTH TRAJECTORY TO SUPPORT FUTURE POSITIVE PERFORMANCE (Rm)



COLLECTION MULTIPLE VINTAGE PERFORMANCE[1] AS AT 30 SEPTEMBER 2020



TCRS has almost 20 years of experience in acquiring NPL Portfolios at attractive risk-adjusted returns. To this end, TCRS has the ability to adjust its pricing methodology to the prevailing environment to ensure NPL Portfolios are priced accurately, to achieve targeted returns and collection multiples. In 2021, TCRS plans to invest less than the R1.2 billion reported for 2019. However, as market dynamics become clearer, there may be an opportunity to accelerate investment beyond 2019 levels. Similarly, we expect to invest over R1 billion in the 2022 financial year in acquiring NPL Portfolios.

In the Australian collections market, clients are more actively favouring FFS and contingency collection mandates over the sale of their NPL Portfolios. However, TCRS's diversified business model positions it to respond effectively to this shift.

CONTINGENCY AND FEE-FOR-SERVICE REVENUE

Recoveries Corporation in Australia posted a robust performance and adapted well to the COVID-19 environment despite the initial disruption. The business gained new mandates from new and existing clients to achieve organic growth in revenue by double-digit percentages. Operating costs were well managed given the shift in revenue mix to FFS mandates.

The South African contingency and FFS division performed in line with expectation given the difficult consumer environment. Muted retail sales and credit extension from March 2020 translated into lower volumes of matters handed over for collection by clients. Going forward, recoveries and contingency collection revenues will be lower as consumers struggle to repay their debt. However, as noted, we expect to see higher volumes of outsourced collections mandates on larger NPL portfolios in this environment.

TRANSACTIONAL SERVICES

Although TCTS operated during lockdown, as a relatively small services-orientated business it is difficult for it to make operational adjustments to counter market conditions. Lower transactional activity due to lower payments and payroll-related transactions, and lower yields earned on overnight bank balances held due to interest rate cuts, impacted its performance for the year.

TRANSACTION CAPITAL BUSINESS SOLUTIONS

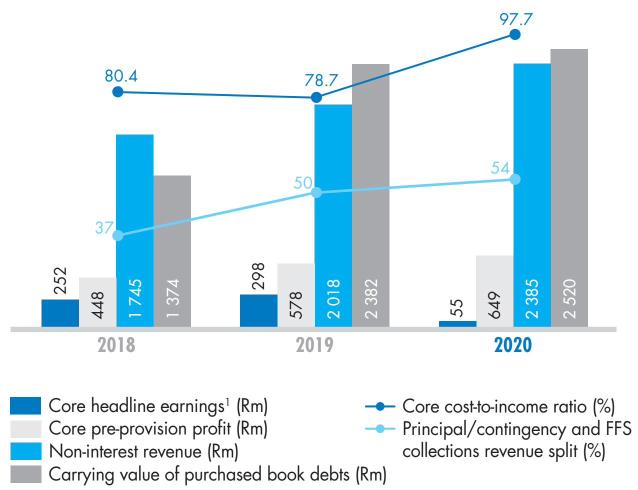
Transaction Capital Business Solutions (TCBS) has collected most of its outstanding portfolio, with only R218 million of net loans and advances remaining on book at 30 September 2020. TCBS has been accounted for as a discontinued operation since the first half of 2020, with its business and assets available for sale pending appropriate disposal strategies.

CONCLUSION

With the impact of extreme conditions in the second half, and the accounting effect of our conservative valuation of NPL Portfolios owned by TCRS, the division was unable to grow headline earnings for the year. However, resilient collection revenues in South Africa and Australia allowed the division to remain profitable, with core headline earnings of R55 million from continuing operations. Strong growth in revenue from the collection of NPL Portfolios acquired as principal and a solid performance from its Australian collections business supported this resilient performance. ROE of 2.6% for 2020 is expected to return to approximately 19% over the medium term.

TCRS's costs grew 13% (excluding adjustments to the carrying value of purchased book debts of R588 million and once-off COVID-19 related expenditure of R57 million) as the division implemented a highly effective work-from-home capability and proactively restructured its staff complement and infrastructure in South Africa. As noted, these initiatives will benefit the business into 2021, achieving cost savings in excess of R90 million. The division is well positioned to manage difficult conditions and capture emerging opportunities, supported by its proven operational agility and enduring cash flows.

FINANCIAL PERFORMANCE



1 Core headline earnings from continuing operations attributable to the group.

WeBuyCars

		For the year ended 30 September		
		2020	2019	Movement
Financial performance				
Core headline earnings	Rm	**306**	311	(2%)
Core headline earnings attributable to the group[1]	Rm	**19**	–	
Operational income attributable to the group[1]	Rm	**10**	–	
Operational performance				
Number of vehicles sold	Number	**59 177**	58 343	1%
Advertising expense per vehicle sold	R	**1 545**	1 549	–
Days to sale per vehicle	Number	**27.4**	24.9	10%

1. *Effective from 11 September 2020.*

WeBuyCars's revenue and profit have shown strong CAGR of 62% and 58% respectively in the last three years. In 2020, WeBuyCars generated headline earnings of R306 million, 2% down on the prior year. This was due to lower sales volumes in March, April and May 2020 as a result of the national lockdown in South Africa in response to COVID-19. From 11 September 2020, WeBuyCars contributed earnings of R19 million to the group for the period. Despite its operations being closed during lockdown levels 4 and 5 (27 March 2020 to 1 June 2020), WeBuyCars recovered strongly, with sales exceeding pre-COVID-19 levels in July, August and September 2020.

Transaction Capital's investment in WeBuyCars is accounted for as an associate of the group in accordance with IAS 28 – Investments in Associates and Joint Ventures by applying the equity method.

For more on the WeBuyCars deal construct, see page 56.

Group executive office and TC Global Finance

The group executive office added R21 million (2019: R45 million) to the group's core headline earnings. The reduced contribution was due to interest earned on a lower balance of undeployed capital held over the period as well as the decrease in the South African Reserve Bank's repo rate, and once-off COVID-19 related costs of R8 million.

The group executive office now manages TC Global Finance. The group has to date invested €8.7 million in the higher-yielding niche of the European specialised credit market. We invested €7.4 million in the first half of 2020 with no further investment in the second half. Transaction Capital's investment in TC Global Finance is accounted for as an associate of the group in accordance with IAS 28 – Investments in Associates and Joint Ventures by applying the equity method.

Dividend declaration

Transaction Capital's ordinary dividend policy is 2.0 to 2.5 times cover. After extensive deliberation and in view of the impact of COVID-19, the board has opted to retain capital and not to pay a dividend for 2020 (2019: 61 cents per share). This cautious and conservative approach to preserve capital will help to ensure adequate financial capacity and flexibility.

Accounting policies

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 16 – Leases.

The group adopted IFRS 16 – Leases based on the modified retrospective approach from 1 October 2019, with no restatement of comparative information as permitted under the specific transitional provisions in the standard. The cumulative effect arising from the initial adoption of IFRS 16 – Leases is presented as a R51 million post-tax adjustment to the opening balance of retained earnings at 1 October 2019.

Refer note 2 in the annual financial statements, available online at www.transactioncapital.co.za, for further disclosure in this regard.

Audit report

The auditors issued an unmodified audit opinion for the 2020 financial year.

Refer to the annual financial statements, available online at www.transactioncapital.co.za, for more detail.

Subsequent events

Royal Bafokeng Holdings Proprietary Limited acquired 12 million ordinary Transaction Capital shares (representing 1.8% of existing ordinary shares in issue) via a secondary purchase in an off-market transaction on 20 November 2020. Furthermore, Transaction Capital and RBH will enter into a subscription agreement in terms of which RBH is expected to increase its holding in Transaction Capital, in terms of a specific issue for cash, by subscribing for a further 12.4 million ordinary shares at R20 per share in January 2021, subject to shareholder approval. For further detail, see the SENS announcement released on 24 November 2020, available online at www.transactioncapital.co.za.

Looking forward

The group is focused on returning to pre-COVID-19 operational levels by the start of the new financial year, while continuing to manage risk appropriately. This will provide a strong foundation on which to deliver against the budget in 2021 and grow off the 2019 base.

For Transaction Capital's prospects statement, see the Chairman's report starting on page 18.

Appreciation

To my colleagues on the board and the group executive team, thank you for your support and ongoing strategic guidance during the year. Thank you to the dedicated and hardworking finance, risk and governance teams for ensuring that we maintained our high standards and professionalism throughout a complex and difficult time.

4 DIVISIONS

SA TAXI

TRANSACTION CAPITAL RISK SERVICES

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 minibus taxi SMEs and create shared-value opportunities, thus ensuring 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.

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.

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 loan origination, collection decision-making and proactive risk management.

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

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

CORE PRE-PROVISION PROFIT
R1 117 million ▲ 11%

CREDIT IMPAIRMENTS
R836 million ▲ 160%

CORE HEADLINE EARNINGS
R221 million ▼ 57%

CORE HEADLINE EARNINGS ATTRIBUTABLE TO THE GROUP
R181 million ▼ 59%

NON-INTEREST REVENUE
R609 million ▲ 4%

PROVISION COVERAGE
6.7% from 4.8% in 2019

CORE COST-TO-INCOME RATIO
43.2% from 44.2% in 2019

CORE RETURN ON AVERAGE EQUITY
8.1% from 24.6% in 2019

Strategic and operational highlights

WELL PLACED TO RESUME LONG-TERM TRACK RECORD OF GROWTH

AS THE DOMINANT MODE OF PUBLIC TRANSPORT, THE MINIBUS TAXI INDUSTRY CONTINUED OPERATING AS AN ESSENTIAL SERVICE

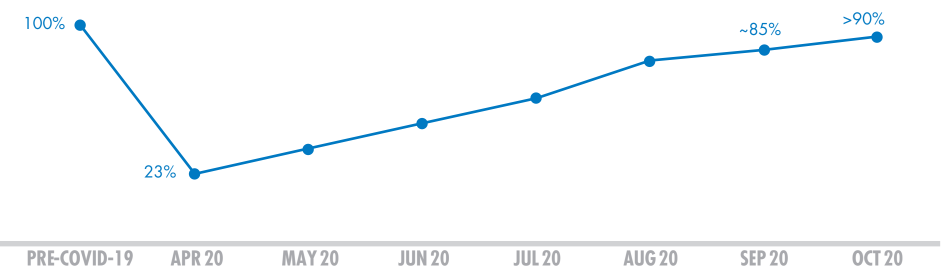
- Operated throughout lockdown, even during level 5.
- Minibus taxi industry has recovered quickly and is transitioning closer to normal activity as the economy reopens.
- Commuter mobility is a precursor to economic activity.
- Minibus taxi spend is non-discretionary for commuters, making the industry defensive.
- Minibus taxi operators were thus able to afford loan and insurance instalments, supported by fare increases and lower interest rates.

BUSINESS MODEL WILL GAIN IN RELEVANCE IN A POST-COVID-19 ENVIRONMENT

- The minibus taxi industry is indispensable to economic activity in South Africa.
- SA Taxi remains well positioned to serve our clients, based on the strength of our track record and vertically integrated business model.
- Strategic initiatives remain valid as market conditions settle.

COLLECTIONS ACTIVITY ALREADY RECOVERING

- Collections activity recovered to ~85% of pre-COVID-19 levels by September 2020.
- Collections expected to normalise in early 2021 calendar year.



Expressed as a percentage of pre-COVID-19 levels.

RESILIENT PERFORMANCE DESPITE MARKET CONDITIONS, WITH CORE PRE-PROVISION PROFIT UP 11%

- Quick alignment of operating models, financial structures and growth plans preserved profitability.
- Positive operational leverage maintained and core cost-to-income ratio further reduced to 43.2% (2019: 44.2%).

REMAINS CONSERVATIVELY CAPITALISED WITH UNFETTERED ACCESS TO LIQUIDITY

- R2.7 billion of equity capital on balance sheet.
- Capital adequacy ratio of 20.9%.
- Undrawn facilities covering funding requirements for loan origination into the 2022 financial year.

CONSERVATIVE APPROACH TO THE ANTICIPATED IMPACT OF COVID-19 ON FUTURE CASH FLOWS WAS APPLIED, PROTECTING THE BALANCE SHEET

- Impairment of loans and advances increased 160% to R836 million (2019: R322 million).
- Provision coverage increased to 6.7% (2019: 4.8%) to protect the balance sheet.
- Absolute value of cash received is not expected to decrease.
- Useful life of the asset for our clients is longer than the average loan term at 71 months.
- SA Taxi leverages its vertically integrated business model to limit loss in the event of default by recovering over 75% of the loan value.

DELIVERED VALUE FOR THE MINIBUS TAXI INDUSTRY, ENHANCING OUR REPUTATION

- ~R400 million formal payment relief provided to clients:
  - Relief programme for loan repayment and insurance premiums in April 2020 for ~25 000 clients.
  - Specific payment relief for ~3 000 qualifying clients in May and June 2020.
- ~R9 million contributed towards health and safety for the minibus taxi industry and its commuter base.

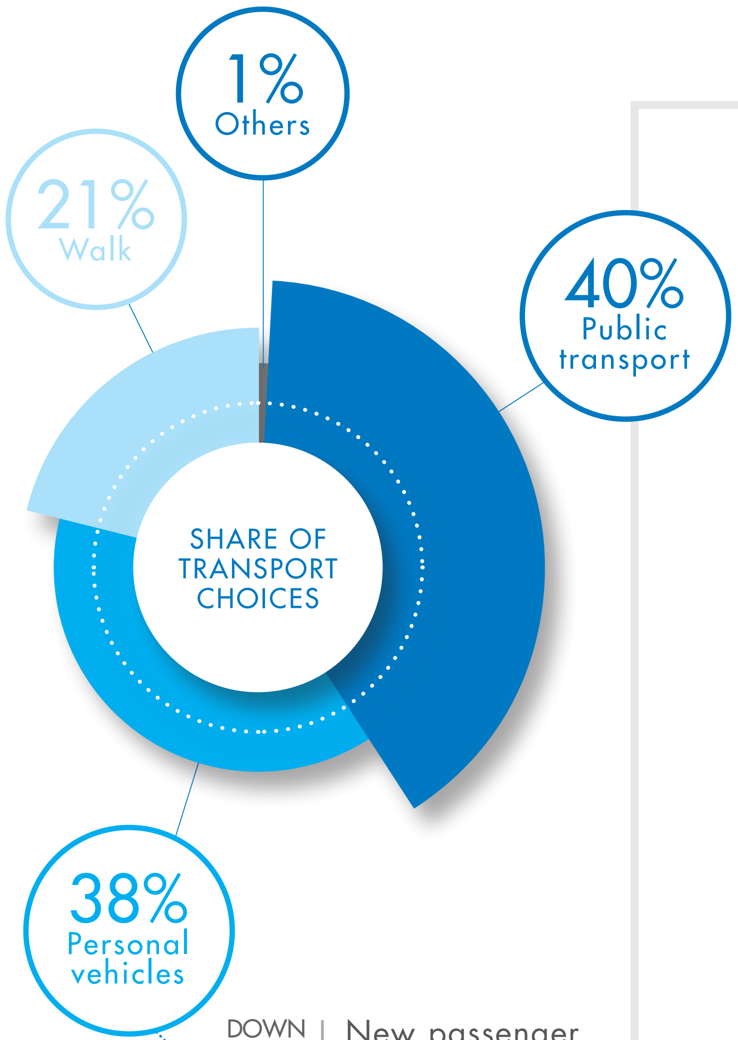
PROGRESS MADE ON IMPLEMENTING ENHANCED ESE FRAMEWORK

- Formalises a shared-value model for delivering commercial returns and social benefits.
- Informs strategy development and sustainability initiatives.
- Provides measurable ESE reporting to stakeholders through an objective view of corporate impact.

Details on SA Taxi's performance against the ESE framework can be found in Transaction Capital's sustainability report, available at www.transactioncapital.co.za.

Market context

MINIBUS TAXIS ARE THE LARGEST AND MOST VITAL MODE OF TRANSPORT WITHIN THE INTEGRATED PUBLIC TRANSPORT NETWORK



DOWN 41% | New passenger vehicle sales (2013 to 2020)

MINIBUS TAXI INDUSTRY – defensive and growing

- Dominant form of public transport
- Number of commuter trips increased more than 20% since 2013
- 69% of households use minibus taxis (59% in 2003)
- ~15 million commuter trips daily
- Increasing commuter density due to urbanisation
- Essential service with spend non-discretionary
- Currently no government subsidy

BUS AND RAIL

- Number of commuter trips continue declining
- Together account for only ~1.0 million trips daily
- Subsidised by government

E-HAILING SERVICES

- Small proportion of public transport trips serviced due to higher costs

Commuters continue to rely on minibus taxis given their accessibility, affordability, reliability, convenience, flexibility and competitive pricing.

DEMAND FOR MINIBUS TAXIS STILL EXCEEDING SUPPLY

Total demand
>250 000
Minibus taxis

~80 000
Financed and/or insured

~170 000
Unencumbered and thus aged

With a large portion of the vehicles in the industry fleet above nine years of age, the ageing fleet requires replacement and recapitalisation.

Total monthly market supply versus SA Taxi's monthly demand

~1 300
Total market supply[1] down
(2019: >1 800)

<

~5 900
SA Taxi's total applications increasing
(2019: ~5 300)

Supply and demand of major premium brand minibus taxis

Total monthly market supply[1]

~1 100 New vehicles (2019: ~1 600)	~185 Pre-owned vehicles (2019: ~215)

SA Taxi's monthly applications

~4 000 New vehicles (2019: ~3 750)	~1 900 Pre-owned vehicles (2019: ~1 550)

~35% Approval rate (2019: ~42%)

~25% Take-up rate (2019: ~33%)

Effect on SA Taxi

- **Strong demand for minibus taxis continues.**
  - In line with pre-COVID-19 levels.
- Credit granting criteria tightened in response to COVID-19.
  - As a result, approval rates reduced in the second half of the financial year.
- Liquid and active market for SA Taxi's high-quality pre-owned refurbished vehicles due to their affordability.
- This supports higher recoveries as the asset retains value in an environment where demand exceeds supply.

1. *Total monthly market supply of minibus taxis comprises ~950 Toyota vehicles with the rest made up of Nissan and Mercedes vehicles, and excluding Chinese vehicles. This represents SA Taxi's best estimate based on monthly NAAMSA reports, internal data and Lightstone data.*

Environment for SA Taxi operators

THE CHALLENGING ENVIRONMENT FOR MINIBUS TAXI OPERATORS WAS EXACERBATED BY COVID-19, WITH LOWER COMMUTER MOBILITY AND RESTRICTED OPERATIONS IMPACTING PROFITABILITY

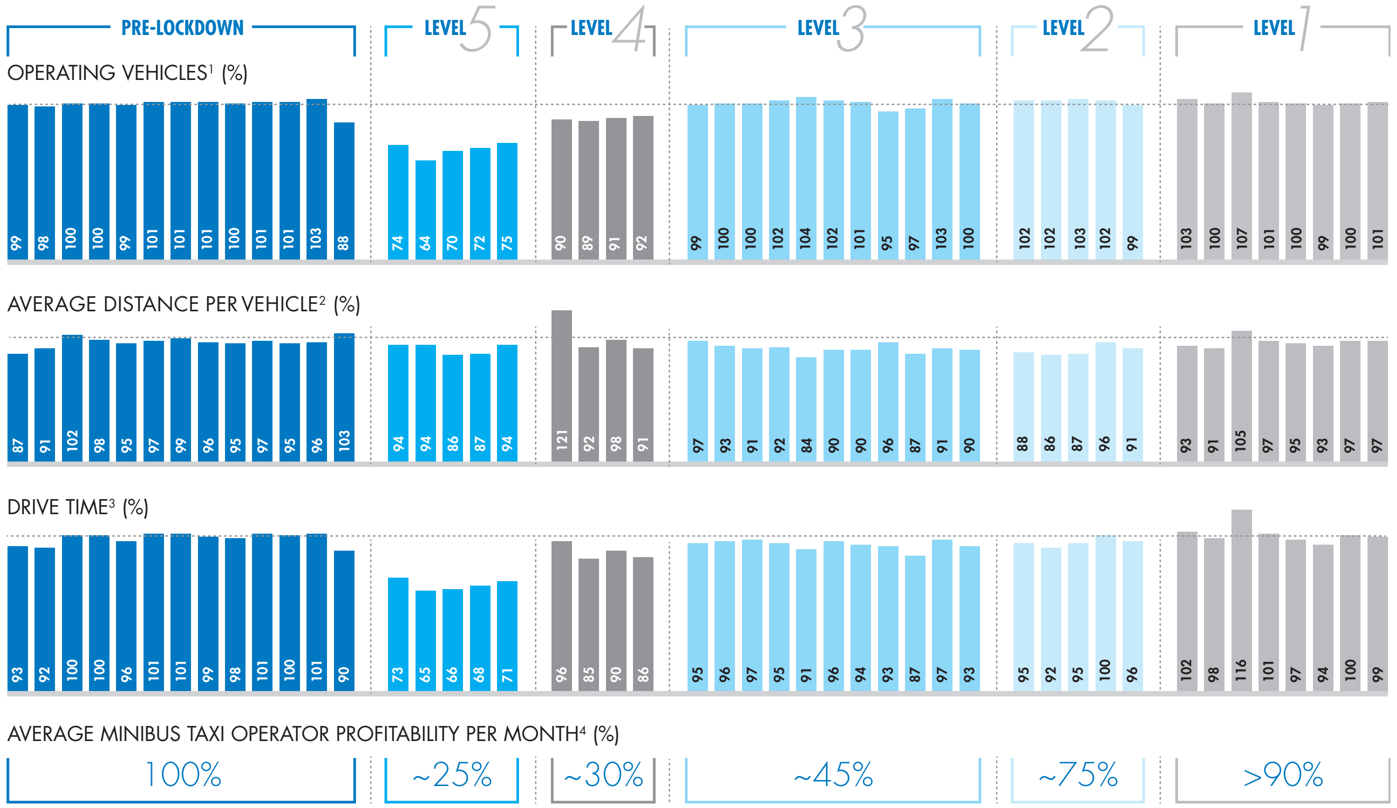
Lockdown restrictions resulted in:

- **Reduced activity per vehicle.**
- **Reduced passenger loads.**

However, the minibus taxi industry has recovered quickly and is transitioning closer to normal activity as the economy reopens. Due to the defensive nature of the minibus taxi industry, minibus taxi operators are still able to afford loan and insurance instalments supported by fare increases and lower interest rates.

SA Taxi's fleet movement (compiled from telematics data – 2020 compared to 2019)

Demonstrates recovery in activity of minibus taxi fleet benchmarked against pre-COVID-19 levels.



During the pandemic, the minibus taxis industry was shown to be indispensable to economic productivity

As the dominant mode of public transport, the industry continued operating as an essential service throughout the government-mandated lockdown, including during level 5.

The industry has also been an early beneficiary of economic and social recovery, demonstrating that commuter mobility is a precursor to economic activity.

1. Vehicles in the fleet that have travelled more than 10 kilometres during the day. | 2. Total kilometres travelled by the fleet/number of operating vehicles. | 3. Time elapsed while the vehicle is moving. | 4. Calculations are based on a new Toyota HiAce diesel and profitability after all expenses, including loan and insurance instalments, have been deducted.

Industry is defensive and growing with resilient operators, despite the challenging economic environment

REPO RATE

5.1%
Average repo rate[1]
(2019: 6.7%)

3.5%
Current repo rate[2]
(2019: 6.5%)

- **Repo rate currently at lowest level in five decades**
- **Down 3% in 2020**

SA TAXI'S INTEREST RATES

22.4%
Average interest rate at loan origination
(Since 2015: Down 1.5%)

~R412 reduction
Impact on monthly instalment[3]

14.5% to 26.75%
Risk-based pricing interest rate range

Supports affordability of instalments, including existing loans on book

VEHICLE PRICES

R477 000
Toyota HiAce (diesel) price[4]
(Since 2015: Up 31%)

5.6%
Increase in Toyota vehicle prices (with further 1.5% increase in October 2020)

Resulting in ~R3 813 increase in monthly instalment since 2015[3]

FUEL PRICES INCLUDING FUEL LEVIES

R14.84 per litre
Petrol price[5], down 4%

R13.23 per litre
Diesel price[5], down 8%

- Fuel prices currently down ~20% from all-time high (November 2018)
- Additional ~R0.80 per litre decline (September 2020 to date)

~2 – 3 billion litres used by taxi industry per year, costing ~R30 billion[6]

MINIBUS TAXI INDUSTRY TAX CONTRIBUTION[7]

~R1 billion
VAT contribution on vehicle sales per year

~R7 billion
fuel levies paid per year

~R4 billion
Road Accident Fund contribution per year

MINIBUS TAXI FARE INCREASES IN 2020

Up ~7%
Average fare increases

Supports operators' profitability and ability to pay finance and insurance instalments

TAXI RECAPITALISATION PROGRAMME

R124 000
Minibus taxi scrapping allowance

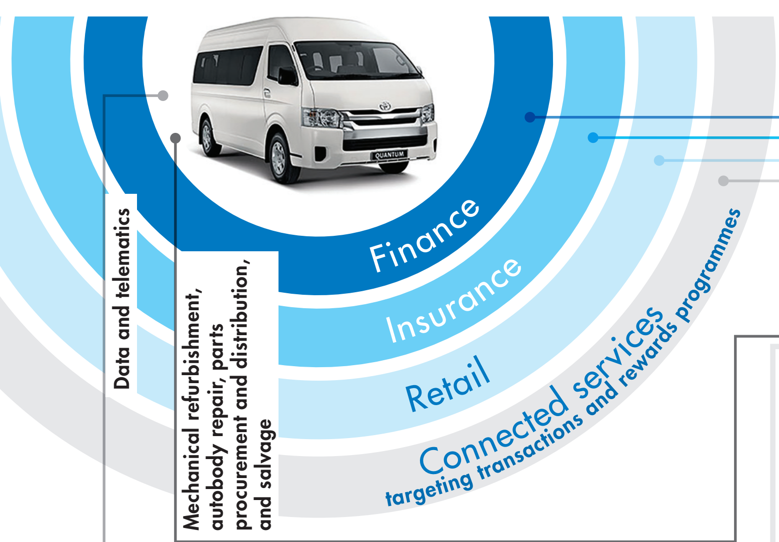
Increased 36% in April 2019

Taxi Recapitalisation Programme initiated by government in 2006

1. Average repo rate for the year ending 30 September 2019 and 2020. | 2. Repo rate at 30 September 2019 and 2020. | 3. Calculated only for new loan originations. | 4. Toyota recommended retail price, including VAT, at 30 September 2020. | 5. www.energy.gov.za; 12-month rolling average fuel price (September 2019 to September 2020). | 6. 12-month rolling average petrol and diesel price (September 2019 to September 2020) multiplied by SA Taxi's estimates for number of litres used. | 7. SA Taxi's internal estimate.

Business activities

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



SA TAXI AUTO REPAIRS

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

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

- The cost of refurbishment.
- The loss given default in SA Taxi Finance.
- The claims ratio in SA Taxi Protect.

~20 000m²
Workshop facilities

~250 per month
Internal vehicle refurbishment capacity

>75%
Recovery rates on repossession, refurbishment and resale

Down ~4 to ~6%
Average refurbishment cost

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.

Supports lower cost of refurbishment through:

- Importing and locally procuring new parts from source.
- Salvage operations that recover and refurbish used parts to a high quality.

~R14 million per month
Supplied to SA Taxi Auto Repairs in 2020
(2019: ~R6 million)

~R2.8 million per month
Retail sales revenue to minibus taxi operators (2019: ~R3 million)

~R2.4 million per month
Retail sales revenue to external autobody repairers (2019: <R1 million)

~7 500m²
Workshop, storage and retail space

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 IT, 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 **~13 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.**

SA TAXI FINANCE

Developmental credit provider, offering bespoke vehicle finance for the minibus taxi industry. Finances new vehicles and high-quality pre-owned minibus taxis refurbished by SA Taxi Auto Repairs.

R12.2 billion
Gross loans and advances
Up 14%

32 890
Loans on book
Up 1%

~1.2
Vehicles per client
(2019: ~1.2)

9.8%
Average cost of borrowing
(2019: 11.1%)

11.8%
Net interest margin
(2019: 12.2%)

32.3%
Non-performing loan ratio
(2019: 17.9%)

7.3%
Credit loss ratio
(2019: 3.2%)

4.5%
Risk-adjusted net interest margin
(2019: 9.0%)

SA TAXI PROTECT

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

- Provides insurance to SA Taxi financed clients and the open market via its broker network.
- Lower cost of claim supported through SA Taxi Auto Repairs due to efficiencies in operations, lower cost of parts procurement and savings via salvage.

~31 000
Insurance clients

>100
Brokers in broker network to expand total addressable market

>2.0
Products per client

Majority of financed clients choose to be insured by SA Taxi[1].

SA TAXI DIRECT

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

~R600 million
Vehicle turnover in 2020
Down 36%

>7%
Average retail margin per vehicle

Vehicles sold through SA Taxi Direct results in product margin earned, a high take-up of SA Taxi insurance and allied products, and an improved credit performance due to a better-informed customer.

SA TAXI REWARDS

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

Launched April 2018 in partnership with Shell

>10 000
Cards issued in 2020

~21 million
Litres of fuel purchased in 2020

Launched October 2019 in partnership with BRIDGESTONE

~R1 800
Original tyre purchase price

~R1 400
Reduced price for taxi operators[2]

~44 000
Number of tyres sold in 2020

1. All taxis financed by SA Taxi are fully insured and the majority of SA Taxi's financed clients independently elect to be insured by SA Taxi.
2. Price agreed per contract.

Q&A

How did COVID-19 affect SA Taxi and how has it recovered?

SA Taxi performed well until mid-March, despite disruptions experienced earlier in the year. Industrial action at the Toyota plant dampened vehicle supply and, as a result, the origination of new loans and insurance policies. Nonetheless, we were on track to grow earnings in line with past years.

This changed when the national lockdown was declared on 27 March 2020. SA Taxi Direct, other external dealerships, SA Taxi Auto Repairs and SA Taxi Auto Parts had to close, which stopped all loan originations, refurbishments and parts sales during April and May 2020. The Toyota plant was also closed, putting further strain on the supply of minibus taxis to the market.

However, we quickly put in place measures to soften the impact on our clients and on us, and both the industry and SA Taxi proved to be remarkably resilient in extraordinary circumstances.

As things stand, our core business is performing well. Loan origination levels in SA Taxi Finance remain healthy, and collections on our financed book are recovering within expectation, reaching around 85% of pre-COVID-19 levels in September 2020. Demand for minibus taxis remains strong and in line with pre-COVID-19 levels, as evidenced by the increase in loan applications for both new and pre-owned vehicles compared to last year.

To meet this demand, and given pressure on minibus taxi operator affordability due to the rising cost of new vehicles, we will continue to drive the sale and finance of our fully refurbished pre-owned minibus taxis, lowering the cost of ownership for an operator. Our increased refurbishment capacity at SA Taxi Auto Repairs will support a higher supply of pre-owned vehicles to our dealerships and, in turn, increased loan origination activity.

Our insurance division, SA Taxi Protect, posted a reasonably good performance for the year. Claim activity was lower, especially at the height of the lockdown, but we did see higher lapse rates as COVID-19 affected the affordability of insurance cover. Despite this, our broader insurance offering and our strategy to target clients not financed by SA Taxi supported high single-digit growth in the number of policies on book. Gross written premiums were up 10% for the year.

with TERRY KIER / SA TAXI CEO

What measures did you put in place to support your clients?

Our primary objective is to support the financial health of minibus taxi operators and the industry more broadly. The first thing we did was to implement initiatives that ensured that the minibus taxi operators we finance were able to survive the lockdown and associated restrictions on passenger numbers, which placed strain on their income and made it difficult for many of them to service their loans. We introduced a relief programme for clients in good standing, allowing them to defer their loan instalments for April 2020, and pre-paid their insurance over this period to ensure cover was maintained (which is mandatory for all operators financed by SA Taxi).

We also provided specific payment relief to qualifying clients for May and June 2020. This was mainly for operators of long-distance routes who were especially hard hit by the restrictions on interprovincial travel, which were kept in place for longer. Total payment relief provided to our clients amounted to some R400 million. To help the industry get back on its feet once lockdown restrictions were eased, we also provided a limited time offer to qualifying clients on new loans originated, whereby they could choose either a lower interest rate of 15% or R25 000 towards their deposit, balancing meaningful support with what we could afford.

While this short-term relief has no doubt helped, we expect the pressure on operators to last for the next three to four years. With the virus showing signs of resurgence, the risk of prolonged or tighter restrictions, at least in so-called COVID-19 hotspots, will remain. Even under lockdown level 1, with almost all restrictions lifted (including for interprovincial travel), minibus taxi activity was still down at around 90% of pre-COVID-19 levels, with interprovincial travel operating at around 70% capacity. Whereas our industry is certainly more resilient than most, it will not escape the economic hardship ahead.

The support we provided to our clients did of course affect SA Taxi's profitability, but it has been critical in sustaining our clients, who are all SMEs. Our focus has always been on creating solutions that benefit minibus taxi operators and the wider industry, which allowed us to quickly develop solutions under such unique circumstances. We worked hand-in-hand with the industry to help our clients weather the worst of the crisis, which was quite simply the right thing to do. But I do not think one can underestimate the longer-term benefits for SA Taxi of getting closer to our clients during this incredibly tough time. It will stand us in good stead as the country emerges from the impact of the pandemic, and looks to accelerate the reconstruction and recovery of a very fragile economy.

Which features of the minibus taxi industry make it more resilient than others?

Public transport is a non-discretionary expense for many South Africans. People need to travel long distances to work (or to find work) and to access services, and most South Africans rely on minibus taxis as the most affordable and convenient option. While this makes the minibus taxi industry indispensable to South Africa's economic productivity, with commuter mobility a precursor to economic activity, and minibus taxis as the country's dominant mode of public transport, it does not mean the industry is impervious to external shocks. In fact, it is very connected to the socioeconomic realities of the people it serves. Although most commuters are dependent on the industry, the reality is that fewer people are travelling than before COVID-19.

Certain factors helped soften the impact on minibus taxi operators. Lower fuel prices and interest rates helped reduce their operating costs, while fare increases of on average 7% for the financial year ending 30 September 2020 supported their income. Also, minibus taxis were able to resume operations earlier than other forms of public transport. However, restrictions on passenger numbers and lower commuter activity linked to the economic slowdown and higher unemployment have placed considerable pressure on operators. We believe the industry will recover quickly given its essential status, as it will benefit early as economic activity recovers.

While other modes of public transport such as bus and commuter rail are subsidised, government currently provides no subsidy to the minibus taxi industry. The pandemic has certainly underlined how indispensable the minibus taxi industry is to local and national economic activity, and it appears government has taken note. The Minister of Transport has made a real effort to engage with and understand the nuances of the industry, and indications are that the ministry is considering new regulations, which may provide more financial security for operators.

Properly considered regulations, implemented correctly, will formalise the industry to a greater extent, ultimately benefitting commuters. For operators, subsidisation would improve their cash flows, also positive for SA Taxi. Through our strategic partner and shareholder, SANTACO, SA Taxi has provided data and discussion papers on request to government. We wait to see what resolutions are reached between the industry and government, and appreciate how difficult and complex the process will be to provide subsidies to 250 000 operators nationally.

I believe that stakeholders like SA Taxi remain fundamental in supporting the industry's development, and our seat at the table in industry discussions is a meaningful one. I think we all realise that change is required, especially to ensure the industry becomes more focused on what is best for commuters and better managing its broader impact on society. This is necessary for the industry to become more widely recognised and appreciated as the national asset that it is.

What was the most important factor underpinning SA Taxi's resilience during this period?

The philosophy that infuses the way we run SA Taxi is crucial to our resilience. Looking after our clients, our staff and other stakeholders in our value chain, is very much part of our DNA. I believe this has a lot to do with our ability to adapt quickly both to emerging risks and opportunities. During the initial stages of the pandemic, our partnership with SANTACO and a good working relationship with the National Taxi Alliance (NTA) gave us first-hand insight into what our clients most needed, and how best to accommodate them within our means. As I have alluded to already, the credibility of our commitment to the industry allowed us to get closer to our clients than ever before. Given the uncertainty in the early days of the pandemic, it was crucial to be in constant communication with all our stakeholders, but this really is the way we do things in the normal course of running our business.

For every decision we took regarding payment relief, we consulted with both SANTACO and the NTA. This gave us access to all levels of the industry, from leadership to grassroots level in the regions and associations. We also engaged directly with the Department of Transport and our funders and shareholders on these relief measures. What became clear to us is that SA Taxi is considered a pivotal roleplayer in the industry, and our consultative approach and willingness to listen and take the advice of our partners is recognised and appreciated.

Given the urgent need for financial support across the industry, we took a decision in conjunction with the group to continue paying a dividend to SANTACO. The dividend maintained the deal's relevance at a critical time for SANTACO and its members and enabled continued repayment to debt investors during this period. Part of the dividend was allocated to COVID-19 related initiatives, including testing and providing personal protective equipment at taxi ranks, which directly benefits the safety of minibus taxi operators and commuters.

Ultimately, the support we received from our funders, without exception across banks and debt funders locally and internationally, cushioned us in supporting our clients, staff and other stakeholders.

And the impact on SA Taxi's employees?

Early on in the crisis, we identified the need to update our people frequently on SA Taxi's COVID-19 response, especially to assure them of business stability and job security. Besides knowing that their jobs and salaries were secure, and that the business would get through the worst and make a return to growth fairly quickly, it was important for people to know that they matter – not just as employees with a job to do, but also as colleagues and individuals.

We were fortunate in being able to continue paying our employees their full salaries and not having to retrench any staff, as we managed to maintain our business momentum even during lockdown.

We implemented a work-from-home policy during the height of the lockdown. However, in our experience working remotely is problematic over an extended period, as employees have no connection to the lived culture of the organisation, and it supresses our ability to engage and collaborate in generating new ideas and innovating. Also, SA Taxi is fundamentally a client-focused business, and our clients want to come in and engage with our people about their businesses. We continue to use video conferencing and remote working tools where necessary and appropriate to ensure the safety of our employees, but our objective is to have all our teams back at work, engaging with our clients in person, to the extent that it is practical as the pandemic runs its course.

Part of our success is our ability to connect individually and in person with all our employees across the business, to make sure we are all aligned in achieving the objectives of our business. I believe being disconnected from the culture of the business slowly dissipates the energy levels of employees and their understanding of their role as part of a bigger collective. Further to this, we started slowly migrating our employees back to work, with all income-producing divisions back at their respective workplaces from 1 November 2020. Some support and shared-services employees will continue to rotate between remote-working and office-based shifts.

We take our obligation to create a safe environment for all our people seriously and have put in place the necessary measures to reduce the risk of at-work infection. While there has been an additional layer of costs, directly in meeting COVID-19 protocols and indirectly in rolling out technologies to support work-from-home teams and platforms, we kept costs under control. Our core cost-to-income ratio improved to 43.2% (2019: 44.2%) as our investment in technology drove operational efficiencies.

We have been very fortunate at SA Taxi. Only 74 of our colleagues were infected with COVID-19 in a workforce of close to 1 300 people and all of them have recovered. When a case was identified, we shut down those areas and deep cleaned, with full isolation protocols observed. As reported last year, we established an onsite clinic at our head office complex in Midrand where most of our employees are based, which supported our COVID-19 response. We have increased the nurses and doctors available at the clinic, and employees had access to a dedicated reporting line for COVID-19 assistance.

Were there any supply chain disruptions during this period, other than at the Toyota plant?

SA Taxi Auto Repairs and SA Taxi Auto Parts are able to buy and hold stock levels in bulk, which we had in place before the pandemic hit. Our supply chain is diversified across local and international suppliers, as well as through the salvage component of SA Taxi Auto Parts, so it was only peripheral items that we needed, most of which was available locally. As a result, we experienced no disruption in our production line. Going forward, we will make some changes to managing stock because we have seen that the benefit of holding stock far outweighs the minimal carrying cost. We will keep buying in bulk and holding stock longer, which will support continuity of supply.

How did SA Taxi's focus on technology and data help in responding to the pandemic?

Our data and telematics again proved their value. We were able to track kilometres travelled for both local and interprovincial routes, as well as the level of operator activity. This information enabled us to proactively respond in providing debt relief and other measures, and to accurately model the rebound in volumes for our clients. As mentioned by David Hurwitz, commuter mobility is a precursor to economic activity, and the minibus taxi industry is recovering quickly and transitioning closer to normal activity as the economy reopens. We have been able to track this reliably through our telematics data. We also shared pertinent data and models with the industry and government to assist in their decision-making in relation to the industry as a whole, and we'll keep sharing our insights and analysis for the betterment of the minibus taxi industry and the commuters who depend on it.

The pandemic put pressure on our timetables for adoption and implementation of new technologies and strategic initiatives, such as our direct sales model that is run remotely from a central location. This has supported our ability to continue working with our dealer network over this period. We have also accelerated some of our initiatives around becoming more digital and more client-centric, utilising social media and electronic contacting, which will improve interactions with our clients and business partners and drive efficiencies.

Besides SA Taxi's resilience, were there any other highlights during the year?

We adopted an ESE framework for SA Taxi, which has helped to formalise and focus much of the work that was already being done across the division as part of the ethos of the business. It is also enhancing our conversations with and reporting to shareholders and debt providers on an issue that is becoming increasingly material for them.

We have significantly enhanced our ethics, people management and governance processes by strengthening capacity through a number of appointments, including an ethics officer to oversee the ethics management process and the rollout of an ethics plan in the business. We have not seen evidence of any increase in unethical behaviour, fraud or governance breaches, which may accompany a deterioration in the economic environment. Our ethics and risk functions are monitoring our operations to make sure we respond to any changes in this trend, and we continue to monitor claims behaviour in our insurance business, across credit life and comprehensive claims.

We have also made new appointments in our people management teams, including hiring a new people executive in May 2020, who will report directly to me and work with all business leaders to drive the people and transformation agenda for SA Taxi. This role is supported by a transformation manager, appointed in June 2020, who will focus on driving employment equity, skills development, inclusivity and diversity across our business. Our focus on transformation will include the development of a tactical transformation plan underpinned by better transformation data and reporting.

A major initiative on the go is SA Taxi's job architecture process, starting with a clean-up of people data. The architecture process aligns each role's requirements to skills and competencies, education and experience of employees to achieve defined role outcomes. This is then connected to the relevant job grade and associated Department of Labour level, which will support employment equity planning. Accelerated leadership candidates are already gaining good exposure across the business, which bodes well for talent development that supports effective transformation in our workforce. We are engaging directly with the Department of Employment and Labour to develop an enabling framework for employment equity outcomes.

Looking forward, what are the prospects for SA Taxi?

The management team and I are obsessed with growing this business in the upper teens. We are in the fortunate position that we do not have to focus on survival, which again speaks to the resilience of our business and our sector. For SA Taxi, our focus is on making sure our platform is cost-efficient, and then adding top-line growth. We are very confident that we are well positioned to achieve both. All indications are that our loan origination levels are coming back quickly and within the risk appetite that we are comfortable with.

There is still real opportunity to grow SA Taxi organically. We are selling more pre-owned minibus taxis, partly driven by the rising costs of new vehicles as well as economic conditions, so our quality re-manufactured pre-owned minibus taxis are hitting the mark. We are also looking to establish a business that combines our telematics capabilities, rewards programmes, client data and finance offerings into a single transactional account relevant to the minibus taxi industry. With SANTACO as a strategic partner, I am confident in our ability to leverage our unique position in the market to drive growth over the medium term, to the benefit of minibus taxi operators and the broader industry.

I am particularly proud of my team because I believe that we conducted ourselves with dignity by showing respect and compassion – not just to our employees and clients, but to our partners and the industry at large in a time when it was most needed. When we speak about resilience in this business, the real test of resilience for me is how you behave as an organisation towards the people who are your business – your employees, clients, business partners and your industry. The culture of this business is key to its resilience, simply by always respecting the people who will sustain us into the future. Ultimately, it is the quality of our relationships with key stakeholders that adds up to future value, way beyond what the balance sheet looks like.

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.

Lending and capital investment solutions funded by permanent equity optimally leveraged with appropriate debt.

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

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 decision-making.

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

Applying highly specialised expertise to originate new or acquire and/or service existing distressed debt, 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.

Performance overview

CORE PRE-PROVISION PROFIT
R649 million 12%

ADJUSTMENT TO THE CARRYING VALUE OF PURCHASED BOOK DEBTS
R588 million 270%

CORE HEADLINE EARNINGS FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE GROUP
R55 million 82%

COST PRICE OF PURCHASED BOOK DEBTS ACQUIRED
R733 million (2019: R1.2 billion)

ESTIMATED REMAINING COLLECTIONS
R5 181 million 16%

NON-INTEREST REVENUE
R2 385 million 18%

Strategic and operational highlights

REPOSITIONING FOR GROWTH

CONSERVATIVE APPROACH TO ANTICIPATED IMPACT OF COVID-19 PROTECTING THE BALANCE SHEET

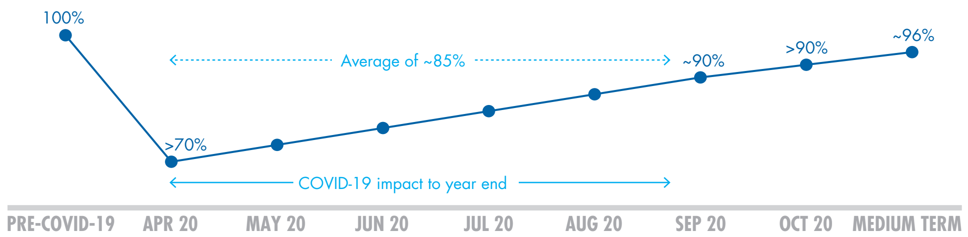
- Estimated remaining collections expected to decline 4% over medium term.
- Adjustment to carrying value of purchased book debts up 270% to R588 million (2019: R159 million).
- Adjustments ensure future yields align with past performance and protect the balance sheet.

A RESILIENT PERFORMANCE IN A CHALLENGING ECONOMIC AND OPERATING ENVIRONMENT, WITH PRE-PROVISION PROFIT UP 12%

- Collection services in South Africa and Australia proved resilient in weak economic conditions.
- Operational flexibility demonstrated through quick alignment of operating models, financial structures and growth plans.
  - Growth of 14% in 2020 collections revenue.
- Strong performance from Recoveries Corporation in Australia:
  - Earnings growth in line with pre-COVID-19 expectations.
  - ~R100 million revenue from collection on NPL Portfolios acquired.
    - Growth rate three times higher than 2019.
- Headline earnings of R55 million attributable to the group.

COLLECTIONS[1] ON NPL PORTFOLIOS OWNED AS A PRINCIPAL PERFORMED BETTER THAN EXPECTED

- Future collections are however expected to recover more slowly and over a longer period.



Figures expressed as a % of pre-COVID-19 levels.

1. *Collections on NPL Portfolios owned as a principal in South Africa.*

STRUCTURAL REALIGNMENT OF TCRS

- Integration of Transaction Capital Payment Services, Fihrst and Accsys to establish Transaction Capital Transactional Services.
  - Creates a single scaled transactional services platform.
- Disposal of Principa, a sub-scale business non-core to TCRS operations, concluded.
- Wind-down of Transaction Capital Business Solutions portfolio ongoing, with portfolio accounted for as a discontinued operation with assets available for sale.

PROGRESS MADE ON IMPLEMENTING ENHANCED ESE FRAMEWORK

- Formalises a shared-value model for delivering commercial returns and social benefits.
- Informs strategy development and sustainability initiatives.
- Provides measurable ESE reporting to stakeholders through an objective view of corporate impact.

Details on TCRS's performance against the ESE framework can be found in Transaction Capital's sustainability report, available at www.transactioncapital.co.za.

WELL PLACED TO RESUME LONG-TERM TRACK RECORD OF GROWTH

- Business model will gain in relevance in a post-COVID-19 environment as:
  - The effective functioning of consumer credit sector is critical to economic recovery.
  - Indebtedness has increased and this impairs consumers' ability to service debt, which creates larger NPL Portfolios to manage or acquire (referred to as the debt cliff in financial commentary).
- TCRS is well positioned to win new mandates and acquire NPL Portfolios due to its:
  - Capital flexibility.
  - Highly effective work-from-home capabilities.
  - Proactively restructured staff complement and infrastructure to accommodate COVID-19 protocols.
  - Ongoing focus on efficiencies, with expected cost savings of ~R90 million in 2021.
- Strategic initiatives remain valid as market conditions settle.

Market context

TCRS remains defensively positioned in a challenging macro- and socioeconomic environment, with pressure on South African consumers exacerbated by the adverse impact of COVID-19.

South Africa

~37 million
Adults[1]

27 million
Credit-active consumers[2]

10.0 MILLION CREDIT CONSUMERS ARE NON-PERFORMING (~40% of credit-active consumers)[2]

Unsecured loans significantly more overdue than secured loans (Q2 2020[3]):

Unsecured lending R307 billion	▷ 7.6 million individuals with 13.3 million loans. ▷ **77% overdue.**
Mortgage and vehicle asset lending R1 400 billion	▷ 3.9 million loans. ▷ **23% overdue.**

Elevated levels of unemployment (Q3 2020[4])
- ▷ **30.8%** – the highest rate in 12 years.
- ▷ By expanded definition, unemployment at **43.1%**.
- ▷ Youth unemployment at **43.0%**.
- ▷ **2.2 million** jobs lost in Q2 2020.

Not factored into unemployment levels:
No-work-no-pay policies
which are further increasing strain on consumers and impacting household debt.

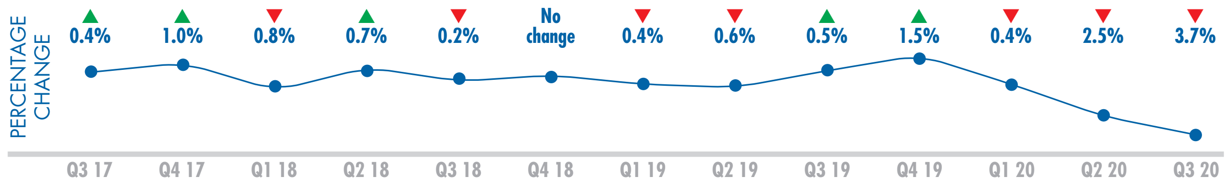
HOUSEHOLD DEBT-TO-INCOME RATIO[5] AT 72.8%
(▲ from 72.7% in Q2 2019)
Monthly household income deteriorating compared to three years ago[6].

	Ultra-poor and survivors	Skilled strugglers and middle class	Upper middle class and top end
Monthly earnings	**<R8 000**	**R8 000 – R22 000**	**>R22 000**
June 2020	**~73%** adults	**~19%** adults	**~8%** adults
	▲	▼	▼
June 2017	**~56%** adults	**~28%** adults	**~16%** adults

CREDIT EXTENSION DECLINING
- ▷ Challenging economic environment strained by COVID-19.
- ▷ Cautious approach expected by lenders.

TRANSACTION CAPITAL'S CONSUMER CREDIT REHABILITATION INDEX

NATIONAL REHABILITATION PROSPECT TRENDS (QUARTER-ON-QUARTER)



- ▷ Consumers' propensity to repay debt deteriorating with weak economic conditions exacerbated by COVID-19.
- ▷ Q3 2020 decreased **3.4%** compared to Q3 2019 – the largest decline since the index's inception in June 2017.

IMPACT OF COVID-19 ON TCRS'S CLIENTS

- ▷ Larger NPL Portfolios (per BA 900 returns in September 2020, provisions for year-to-date increased by ~37%, with credit extension only up by ~2%).
- ▷ Balance sheets and operations under pressure.
- ▷ Increasing appetite to sell NPL Portfolios.
- ▷ Shift from fixed to variable cost structures through outsourced collection services.

TCRS'S BUSINESS MODEL GAINS RELEVANCE IN A POST-COVID-19 ENVIRONMENT

- ▷ Credit rehabilitation crucial in growing an inclusive and efficient credit economy.
- ▷ TCRS supports the healthy functioning of credit markets by continuing to restructure and recover NPL Portfolios on behalf of clients.
- ▷ TCRS strongly positioned to accelerate the acquisition of NPL Portfolios and win agency collection mandates due to our:
  - 20 years' experience in acquiring NPL Portfolios.
  - Ability to adjust pricing methodology to current market conditions, to achieve targeted returns and collection multiples.
  - Omni-channel and data analytics capabilities that support ongoing contacting and transacting with consumers.
  - Work-from-home capabilities instituted quickly and efficiently, with increased productivity.

1. Stats SA, adults aged 15 to 59. | 2. National Credit Regulator (NCR) data at June 2020. | 3. XDS Credit Stress Report: Q2 2020. | 4. Stats SA – 12 November 2020; increase of 6% from 29.1% (Q3 2019). | 5. December 2020 and June 2019 – Trading Economics website. | 6. UCT Liberty Institute of strategic marketing – Impact of COVID on household income.

AUSTRALIAN CONSUMERS EMPLOYED BUT HIGHLY LEVERAGED

Australia

Unemployment at 6.9% (September 2020)
- ▷ Increasing unemployment an emerging risk.

Persistently high levels of household debt to disposable income at ~190%
- ▷ Monthly debt servicing costs at >50% (excluding home loans).

Economy entered its first recession in almost 30 years
- ▷ Decline in economic activity exacerbated by COVID-19.

DEBT COLLECTION ENVIRONMENT

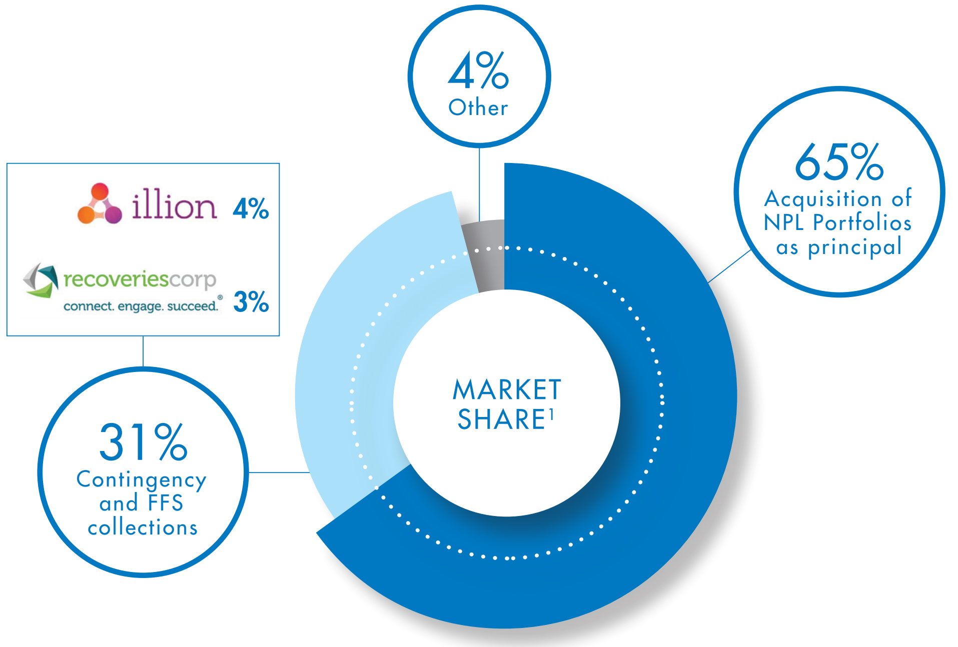
CONSUMERS
- ▷ Risk of unemployment increasing.
- ▷ Respond well to non-voice and digital channels, with high levels of 'right-party contact'.
- ▷ Significant support from government support programmes, but these are coming to an end.

MARKET PARTICIPANTS
- ▷ Fragmented collections market with ~550 participants and early-stage market consolidation.
- ▷ Lower access to funding and increasing regulatory compliance requirements.
- ▷ The Royal Commission into Banking has impacted the market, with lower sales of NPL Portfolios and slowing credit extension.
- ▷ Decreasing sales of NPL Portfolios prompting shift towards FFS.

PRICE PAID FOR NPL PORTFOLIOS ACQUIRED PER YEAR

AUS millions		**2020**	2019
Credit Corp	▲	**~246**	~229
Collection House	▼	**~25**	~133
Pioneer Credit Limited	▼	**~60**	~77
Panthera	▼	**~44**	~58
Recoveries Corporation (TCRS)	▼	**7**	12
Other smaller players in fragmented market	▼	**~126**	~150
Total NPL Portfolios sold in Australia[2]	▼	**~510**	~650
Versus South Africa	▼	**~R1.1 billion**	~R1.5 billion

~75% of sales done on a forward-flow basis



2020 MARKET SHARE[2] OF NPL PORTFOLIOS ACQUIRED

>40%	Credit Corp Group
~5%	Collection House Group
~10%	pioneer credit
~10%	PANTHERA FINANCE
<2%	recoveriescorp connect. engage. succeed.

1. IBIS World Report Debt Collection in Australia 2020; market share based on revenue. | 2. Debt Sale Market Update by Bravure Group 2020; based on price paid for NPL Portfolios.

Business activities

Defensive positioning and a diversified business model support performance in varying market conditions and reduce concentration risk.

SERVICES | **CAPITAL SOLUTIONS**

Collection services
(South Africa and Australia)

Value-added services
(South Africa)

Transactional services
(South Africa)

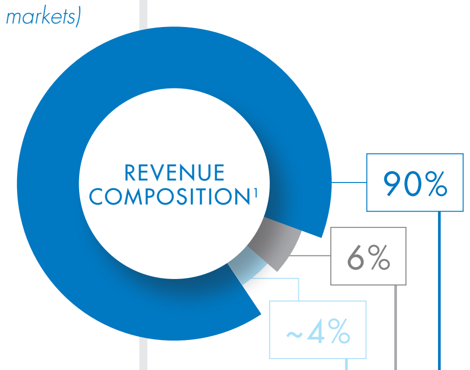
Acquisition of NPL Portfolios
(South Africa, Australia and selected international markets)

Alternative asset classes
- Assess, mitigate and price risk
- Risk-adjusted investment

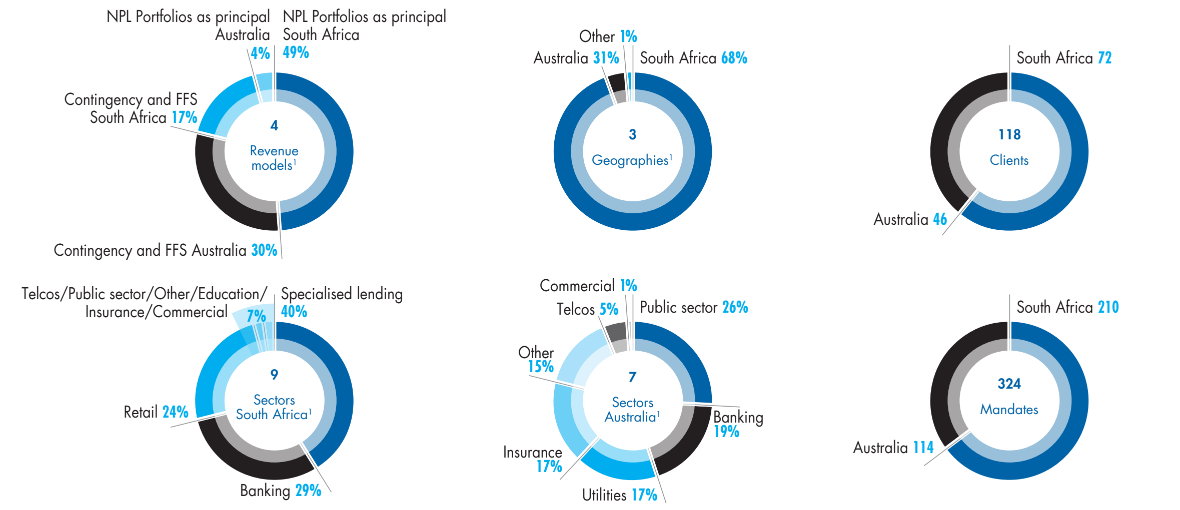
Capital management
- Allocate permanent equity
- Optimally leveraged with appropriate debt

Business platform
- Scalable, data-driven and technology led
- Well governed
- Underpins capital appreciation

Entrepreneurial management teams
- Identify, develop and partner with owners, founders and managers



COLLECTION SERVICES



TRANSACTIONAL SERVICES

Payment services and account management
Specialists in customised, innovative and flexible payment processing services (including payroll), business solutions, data analytics and people management.

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.

ALL BUSINESSES UNDERPINNED BY LEADING CAPABILITIES IN DATA, TECHNOLOGY AND ANALYTICS
Ongoing investments into data, technology and analytics inform precise and informed internal and external decision-making.

1. *Approximate revenue composition at 30 September 2020.*

Strategic growth initiatives to create value

As market dynamics post-COVID-19 become clearer, the acquisition of NPL Portfolios in South Africa, Australia and Europe provide opportunities to accelerate capital deployment for attractive risk-adjusted returns, with funding requirements for these acquisitions into 2022 already secured.

ACQUISITION OF NPL PORTFOLIOS IN SOUTH AFRICA

TCRS is leading the expansion of this underdeveloped and growing sector in the collections market.

- New sellers are entering the market, with TCRS educating clients on best practice for the sale of NPL Portfolios to support balance sheet strength.
- TCRS is expanding the asset classes in which it invests, including NPL Portfolios sold prior to write-off, those collected via legal process, and portfolios sold on a bilateral or recurring contractual basis.

ACQUISITION OF NPL PORTFOLIOS IN AUSTRALIA

- Australia's collections market is significantly larger than that of South Africa.
- It mainly comprises unsecured consumer loan and credit portfolios, a market segment where TCRS has over 20 years' experience in South Africa.
- Further investment is underpinned by:
  - A growing database in Australia informing improved book pricing and collections.
  - The deployment of technologies proven in South Africa into the Australian business.
  - TCRS's analytics and pricing expertise.

COMMON MARKET ATTRIBUTES FOR AUSTRALIA AND EUROPE

- The Australian and European collections markets are significantly larger than in South Africa.
- A small position in these large markets provides a meaningful growth opportunity for TCRS and the group.

ACQUISITION OF NPL PORTFOLIOS IN EUROPE

- Our strategy remains valid and will continue to be pursued, while maintaining a cautious and selective approach.
- The portfolio will be diversified by asset originator, collection platform and geographic region, with:
  - Direct investment on a bilateral basis, and/or
  - Co-investment in partnership with specialist credit managers.
- Provides a hard-currency revenue stream for the group.

BUILDING SCALABLE SERVICING PLATFORMS THAT LEVERAGE THE GROUP'S IP AND TCRS'S BUSINESS MODEL

- Opportunity to leverage TCRS's high IP and low-cost infrastructure developed in South Africa into other geographies.
- Market entry within TCRS's skill set and competencies.

How did COVID-19 affect TCRS's operational performance?

It was certainly a year of two halves for us. In the first half, we were on track to achieve high, double-digit earnings growth above 2019 levels. Our strategic initiatives were coming together nicely. But COVID-19 brought about a dramatically different operating environment, which impacted consumer-facing businesses all over the world.

Many of our clients, including retailers, banks and specialist lenders, experienced severe disruptions to their businesses and had to immediately switch focus to protect their employees by implementing COVID-19 protocols, shifting from an on-site to work-from-home operating model, and supporting their customers through payment relief programmes. These actions all contributed to slowing the handover or sale of matters for collection.

We adopted a cautious approach to the acquisition of NPL Portfolios as principal, and curbed our risk appetite given the volatile market conditions. This, together with the slowdown in sale of matters for collection, contributed to the reduced acquisition of NPL Portfolios in both South Africa and Australia, well below the levels achieved in 2019. Also, uncertainty in market conditions led to pricing dissonance between buyers and sellers of NPL Portfolios.

While collections on NPL Portfolios performed better than initially expected, we see future collections recovering more slowly and over a longer period than we did at half-year. Estimated remaining collections are expected to be about 4% lower over the medium term. As such, we adjusted the carrying value of purchased book debts down by R588 million to ensure future yields remain aligned with those achieved in the past.

Our almost 20 years' experience in acquiring NPL Portfolios at attractive risk-adjusted returns enables us to adjust our pricing methodology to the prevailing environment, to ensure NPL Portfolios are priced accurately to achieve targeted returns and collection multiples. Although we anticipate investing less in NPL Portfolios in 2021 than in 2019, as market dynamics become clearer, there may be an opportunity to accelerate investment beyond 2019 levels. Similarly, we expect to invest in excess of R1 billion in 2022 in acquiring NPL Portfolios.

In Australia, the appetite of banks to sell their NPL Portfolios has declined, as they implement the recommendations of the Royal Commission into the banking industry and manage the effects of COVID-19. We will continue to follow a cautious and selective approach in acquiring NPL Portfolios in Australia in line with our medium-term strategy to establish a more meaningful position in this larger market.

Clients in the Australian market have shown a preference for FFS and contingency collection mandates over the sale of their NPL Portfolios. Our diversified business model positions us to respond effectively to this shift. In 2020, Recoveries Corporation was able to gain new mandates from new and existing clients, which enabled it to grow organic revenue by double-digit percentages. It also managed its operating costs well given the shift in revenue mix to FFS mandates.

The South African contingency and FFS division performed in line with expectation given the difficult consumer environment. Muted retail sales and credit extension from March 2020 translated into lower volumes of matters handed over for collection by clients. We expect recoveries and contingency collection revenues to be lower going forward, as consumers struggle to repay their debt. However, we may well see higher volumes of outsourced collections mandates on larger NPL Portfolios in this environment.

Q&A

with DAVID MCALPIN / TCRS CEO

How effectively was TCRS able to respond to the impacts of COVID-19 on its business?

The biggest change we made was to move to a work-from-home operating model. Thanks to our investments in technology, we were able to give our teams the necessary access to our systems and full suite of data, technology and analytics capabilities, without compromising data security. Our dialer and workforce management tool have proven to be fit for purpose in this new operating reality.

Given the need for effective people management in a remote working environment, we enhanced our ability to measure productivity and efficiency substantially. Our agents responded very positively to working from home, reflected in higher efficiency and productivity metrics per agent, and much lower levels of absenteeism. A reason for this is the removal of time spent on commuting to and from work, as well as costs such as travel, which means our agents are saving money and winning back time. For example, in the South African business, early evening we can now have 800 to 900 (of 1 600) agents still online and working, whereas before, most of those agents would be making their way home. Our salary structure for agents also encourages outperformance due to the high incentive component.

The actions we took to recalibrate the business in terms of infrastructure and staff complement should allow us to realise around R90 million in cost savings into the 2021 financial year.

So work-from-home will become a permanent feature?

We will definitely continue with work-from-home because of its benefits. There are still limitations to doing everything remotely. For example, it can be difficult to innovate or iterate ideas in virtual meetings, or to read someone's body language, and these meetings do not tend to have much energy. Also, training generally needs to be done onsite. To ensure sufficient contact and to connect them back into the culture of our organisation, our employees rotate back into the office every two to three weeks. We think it will settle naturally in a combination of office- and home-based work, depending on the outcomes required, but certainly work-from-home will become a permanent feature of our business.

From an infrastructure perspective in South Africa, the work-from-home model is robust in the face of electricity and network outages given the geographic dispersion of our agents. However, some employees may not have good enough internet connectivity in their area, or struggle with motivation outside an office environment.

We have put the necessary measures in place to ensure the safety of these employees at our call centres, including a mandated two-metre social distancing restriction between each person in our call centres and offices. We also have a number of employees with comorbidities, which requires that we be particularly careful in managing infection risk.

As a high-performance culture organisation, our focus has been on playing to our individual employees' strengths to accommodate them the best we can. The level of sophistication around how we can monitor productivity and the business insights from our systems is a competitive advantage. The level of oversight, and our ability to monitor and manage performance, has reached a new level compared to where we were before COVID-19. As part of our employee value proposition, we are providing uncapped 5G to our agents and their families where there is 5G network coverage, so when they work from home, their children can use that for school and learning.

What were the reasons for reducing the number of TCRS employees during the year?

It was a tough decision to make and was carefully considered, but there were a number of factors that led to us reducing our headcount. Firstly, while work-from-home was implemented successfully, the reduction in revenue due to COVID-19 required that we adjust our cost base accordingly. Before the pandemic hit, we were in a phase of building capacity for anticipated growth in the collections market, and we had budgeted for expansion. With lower collections in the second half of the financial year and expected remaining collections below our previous estimates, we had no option but to reassess our organisational structure and amend the cost base.

Another important factor is that our investments in our data, technology and analytics capabilities have enabled us to run collections campaigns with fewer people. There are also the efficiency benefits that were an unexpected outcome of the work-from-home model, such as higher productivity per agent allowing Transaction Capital Recoveries to be more efficient with less people. It has really brought out the best in our top performers, who have driven our efficiency levels higher than ever before.

On balance of all these considerations, we had to implement a Section 189 process (which deals with large-scale retrenchments) that affected 544 employees by end September 2020. That also included 76 employees who were retrenched during the year as we wind down Transaction Capital Business Solutions.

What has been the impact on Recoveries Corporation in Australia?

Recoveries Corporation is based in Melbourne, which had strict lockdowns imposed twice – once at the beginning of the pandemic and again following the emergence of a 'second COVID-19 wave'. Agents were successfully equipped to work from home, and for the in-source programmes where agents would ordinarily be deployed to the client's site, clients provided the necessary hardware to work from home where able or permitted agents to use Recoveries Corporation's devices from home. Even before COVID-19, our employees, consumers from whom we collect, and our clients were impacted by unprecedented sustained bushfires in the financial year.

We believe the operational agility demonstrated in the Australian business will support its resilience even if the pandemic's path is prolonged – especially with the prospect of effective vaccines being rolled out and the expectation of a relatively faster recovery in the Australian economy. However, as in South Africa, our collections business is tightly linked to our clients' ability to extend credit, so we are naturally linked to their credit cycles.

Collections in Australia were stable and resilient. This is partly due to significant support provided to Australian consumers through government subsidies, job keeper programmes and the relaxation of regulations on accessing retirement funding, which some consumers have applied to paying down debt. Also, our insourced FFS business benefitted from banking clients requiring additional collections capacity, or needing capacity planning and management, to deal with their debt relief programmes. Recoveries Corporation has benefitted here too.

The potential impact on credit-active consumers once support programmes come to an end remains a concern, as does the future performance of Australia's economy. Our Australian team anticipates that this may impact the number of books coming to market, as banks may be reticent to sell books in this environment due to reputational risk, as well as pricing dissonance between sellers and buyers.

The Australian platform has built an even stronger reputation in the Australian market thanks to our investments in technology and increased efficiency. We have seen strong growth in the business since acquiring Recoveries Corporation in January 2017.

Lanyana Financial Group, in which we acquired a 25% shareholding last year, has been affected by the debt relief programmes and subsidies mentioned earlier, as there is less take-up of debt agreements. However, as relief measures come to an end, we expect take-up to resume. We continue to seek and assess opportunities in Australia, with consolidation in the industry representing a potential opportunity in this market.

What has been the benefit of applying TCRS's expertise in the Australian business?

Recoveries Corporation runs a different dialer and workforce management tool to what we have in South Africa, so our focus has been on optimising the benefits of their systems and overlaying our business information systems, which has assisted in the effective management of the business. That is where the real efficiencies have emerged.

We took a platform that already had a diversified client base, strong revenues, good reputation and experienced management team, to which we applied our specialist data, technology and analytics capabilities. We now have a business earning in hard currency, performing at or ahead of our expectations, even with the implications of COVID-19. Also, the valuation and analytical IP and methodologies we have developed in South Africa over 20 years have clearly benefitted the Australian platform. We also believe we can leverage our experience in running platforms and valuations into the European market.

In short, while many South African corporates have been unsuccessful in the Australian market, our investment in Recoveries Corporation has yielded better than expected results and continues to perform well.

Transaction Capital Transactional Services was established in July 2020. What is the rationale for consolidating the underlying businesses into one division?

The intention is to create a more focused and substantial payment and transactional services business diversified by payment activity, client and sector. It is our vision to create a single, scalable payment services platform. This has resulted in Fihrst, acquired in December 2019, being integrated with Transaction Capital Payment Solutions and Accsys to create a payment and transactional services platform.

Growing TCTS will be a key focus going forward. We have a strategy for how to differentiate the business and we are working with the management team to grow revenue substantially. We are assessing synergies within the platform as well as opportunities for cross-selling and up-selling, and we are applying best-in-class technology from each to create a more resilient and efficient platform.

What motivated the closure of Transaction Capital Business Solutions (TCBS) and the sale of Principa?

Our position was that if we could not achieve scale in these businesses, we should either wind them down or sell them. For TCBS, the challenging operating environment for the SME sector existed well before COVID-19, and has continued to deteriorate. Consequently, we decided that we would achieve better risk-adjusted returns from deploying capital elsewhere within TCRS, particularly in acquiring NPL Portfolios. Most of the outstanding portfolio in TCBS has been collected, with only R218 million of net loans and advances remaining at the end of the financial year. Similarly, with Principa, our inability to achieve scale motivated the decision to sell it during the year.

What has TCRS's progress been in terms of sustainable development and transformation?

We have made great progress in adopting and reporting against our new ESE framework during the year. Shareholders and funders are certainly becoming more sensitive to ESE performance and we have been aligning our internal reporting processes to the framework. While the business has established ways of demonstrating the value its services unlock for clients, the ESE framework allows us to track our social impact areas. Importantly, it also establishes metrics by which we can measure and track the extent to which our business effectively rehabilitates debtors and collects responsibly, to expedite their re-entry into credit markets.

I am pleased that a lot of what one would expect out of a responsible corporate citizen is already very much in place within TCRS. The framework formalised and structured our ESE performance measurements, but showed up the approach to social responsibility and social relevance that is intrinsic to our values and the way we do things on a day-to-day basis.

Looking forward to the coming year, what are the prospects for TCRS?

As mentioned, we believe that the increase in arrears on consumer debt presents a meaningful medium-term strategic growth opportunity, especially in the acquisition of NPL Portfolios, for which we are looking at different special funding structures to increase our competitive edge.

Outside South Africa, we continue to assess opportunities for further geographic diversification, either through direct investments or through partnerships with European- and United Kingdom-based platforms. In Australia, we will continue to grow our contingency, FFS and in-source businesses, as well as the acquisition of NPL Portfolios.

Another focus will be on growing our services revenue. That will be achieved by growing transactional services through TCTS and other opportunities such as business process outsourcing and customer services, where we can leverage our current call centre, data, technology, and analytics expertise.

The ongoing impact of COVID-19 on the markets where we operate presents a lot of uncertainty, especially in terms of economic growth, employment, credit extension and consumer indebtedness. We are encouraged by signs of a rebound in the South African economy, but remain cautious as we expect pressure on consumers to persist. We will monitor developments closely, but the actions we have taken to restructure our operations, our diversification by geography, client and sector, and the defensive nature of our businesses, place us in a strong position to weather these uncertain times and take up the opportunities that are emerging for us in this 'new normal'.

5

REMUNERATION

REMUNERATION REPORT

For Transaction Capital, 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 in 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 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 110). 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**
  Chairperson of the committee; independent non-executive director.
- **IAN KIRK**
  Independent non-executive director (appointed 1 November 2020).
- **ROBERTO ROSSI**
  Non-executive director (appointed 12 March 2020).
- **CHRISTOPHER SEABROOKE**
  Chairman of the board; independent non-executive director.

The remuneration committee was augmented by the appointment of Ian Kirk as a member in 2020. Ian brings a wealth of experience to this critical committee.

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 LTIs to meet the group's needs and strategic objectives, in addition to reviewing the robustness of LTI 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 pay for equal work.
- Compensation is defined on a cost-to-company (CTC) basis, with all benefits included and fully taxed.
- Formal and informal research and benchmarking are performed to determine market norms for similar positions.
- Remuneration is aligned to individual 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 other 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. In this regard, transformation targets are included as qualitative measures in the STI structures of key executives.
- Performance incentives are designed to promote an entrepreneurial culture in which individual and collective performance, above and beyond a designated role, is rewarded and encouraged within the group.
- 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 a share plan award to support both the retention of identified executives and 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.
- 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.
- Following the approval of the malus and clawback policy at the AGM, the remuneration committee adopted this policy during the financial year. The policy will be applied prospectively for variable remuneration (both short-term and long-term incentives) awarded from the 2020 financial year. It will 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 executive committees, to recover variable pay after vesting or even payment (clawback), under appropriate circumstances. In this way, the business can 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 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 2019 AGM on 11 March 2020, 83.08% of shareholders voted in favour of the group's remuneration policy, with 83.92% voting in favour of the remuneration implementation report.

Following engagements with shareholders after the 2019 AGM, several enhancements have been implemented to the remuneration policy in the 2020 financial year, as outlined below.

ENHANCEMENTS TO THE REMUNERATION POLICY

Sustainability targets included as a measure in the qualitative component of STIs for key executives as the newly adopted ESE framework is operationalised in the 2021 financial year.

Short-term incentives – see page 112.

Performance vesting criteria for the CSP awards extended to include both an income statement (earnings) and balance sheet return measure.

Conditional share plan – see page 114.

As in prior years, disclosure on remuneration policies and their implementation has been further enhanced:

ENHANCEMENTS TO REMUNERATION DISCLOSURE

Weightings provided for the qualitative, quantitative and discretionary components of the executives' STI awards.

Short-term incentives – see page 112.

Disclosure of the performance targets set for STI awards to enable stakeholders to better evaluate executive performance.

Short-term incentives – see page 112.

The group's remuneration policy and implementation report are 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 employees

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 structured 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 skillset 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 112.*
Benefits	Group life, provident fund, medical cover and disability cover.	*Page 112.*
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.	*Page 112.*
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 113.*
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 aligns 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.

Quantitative and qualitative 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. (Maximum weighting: 75% of STI award) ▷ Other executives – up to six months. (Maximum weighting: 67% of STI award)	Up to three months. (Maximum weighting: 25% to 33% of STI award)
Determinant	A combination of factors is 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. ▷ 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 include: ▷ Strategy implementation. ▷ Meeting employment equity targets. ▷ Transformation strategy implementation. ▷ Sustainability performance targets. ▷ 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 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.

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 comprises:

- ▷ The value of LTI allocations, subject to the fulfilment of vesting conditions, awarded in terms of the CSP.
- ▷ 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.

A detailed breakdown of equity value per executive can be found later in this report. See page 122.

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, SA Taxi and 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 superseded the share appreciation rights (SAR) plan (discussed in greater detail on page 115). 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.

The CSP mechanism is overseen and approved by the remuneration committee. It operates as follows:

DETAIL	GROUP EXECUTIVES	DIVISIONAL EXECUTIVES
Grant price	10-day volume weighted average price (VWAP) of Transaction Capital share on date of issue.	Divisional notional value per share on date of issue.
Number of CSPs granted	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.	
Exercise price	10-day VWAP of Transaction Capital share on date of exercise.	Divisional notional value per share on date of exercise.
Valuation	Transaction Capital share price.	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. ▷ ROE, 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.
Cost	Executives receive CSP awards for zero cost.	
Vesting period	The CSP vesting period was amended in 2019 to vest in years three, four and five after the award, in equal proportions of 33.33% per annum.	
Performance criteria	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):	

Thresholds	Continuing core HEPS growth over vesting period	ROE target	% of CSP to be awarded*
Minimum vesting	CPI (South Africa)	≥ 15%	25%
	CPI (Australia)	≥ 9%	25%
On-target performance	CPI + 9% (South Africa – Group and SA Taxi)	≥ 16%	100%
	CPI + 7% (South Africa – TCRS)	≥ 16%	100%
	CPI + 5% (Australia)	≥ 10%	100%

** 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 metrics of growth in core HEPS and ROE 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.

Stretch-performance

Stretch-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. Stretch-performance criteria will be set annually by the remuneration committee with reference to CPI, the operating environment and budgets and can include growth in core HEPS (as tabled below) and ROE above 20%.

	Continuing core HEPS growth
Group	> 20%
SA Taxi	> 20%
TCRS	> 15%

If minimum targets are not achieved, there will be no additional settlement.

Delivery	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.
Continued employment	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). However, no portion of the CSP award is based on continued employment alone, and all are subject to the performance criteria detailed above.

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.
- ▷ It 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 is 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 pay-outs. As such, no new SAR plan awards have been granted since November 2015, with the last SARs awarded vesting in May 2020, all of which have subsequently been exercised.

The remuneration committee will assess the future use of SARs on a periodic basis, as required.

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.

Due to circumstances and history, the remuneration and fee arrangements of the founding directors are not conventionally structured. As founders of Transaction Capital, none of the founding directors participate in any of the group's LTI plans. The base packages of the executive founding directors have historically been set well below market-related fees for directors of their calibre. During the 2020 financial year, the packages of the founders were rebased to reflect market-related remuneration as approved by the remuneration committee. Roberto Rossi's fees earned as a non-executive director and for consulting services were also historically below market and have been rebased to reflect a market-related fee during the 2020 financial year.

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 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.

Michael Mendelowitz, Roberto Rossi and Pilatucom Holdings Limited (the shares of which are held in trusts in which Jonathan Jawno is a contingent discretionary beneficiary) collectively continue to be a significant shareholder of the group.

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 sub-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 group'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

This implementation report details the remuneration committee's application of the group's remuneration policy and principles in the year under review.

Executive compensation

The founders and executive team were on track to deliver on both quantitative and qualitative outcomes for the first six months of the 2020 financial year, with COVID-19 materially impacting the second half of the financial year.

The executive team, led by David Hurwitz, showed strong leadership in guiding the business through the COVID-19 crisis, quickly implementing measures necessary to protect the group's balance sheet and facilitate agile responses to first stabilise the group and then take advantage of opportunities as they arose.

COST TO COMPANY

The remuneration committee believes that the CTC is fair in light of the outcomes of the benchmarking undertaken as well as relative market norms. Despite the strong leadership displayed by the executive team in guiding the business through the COVID-19 pandemic, in light of the 65% decline in core headline earnings from continuing operations attributable to the group for the 2020 financial year, the board, through the remuneration committee, has resolved that there will be no annual increases awarded to executive directors and prescribed officers for the 2021 financial year.

SHORT-TERM INCENTIVES

In light of the 65% decline in core headline earnings from continuing operations attributable to the group for the 2020 financial year, the quantitative targets set for the year were not achieved. As a result, the remuneration committee resolved that no quantitative or qualitative STIs be awarded for the 2020 financial year.

LONG-TERM INCENTIVES

The COVID-19 pandemic and the resulting domestic and worldwide shutdowns increased volatility and severely impacted economies globally. Despite the agility with which the group and its divisions responded to the crisis, the resultant conditions impacted Transaction Capital's earnings for the 2020 financial year and have resulted in the 2020 LTIs not vesting.

The remuneration committee believes that due to the unprecedented nature of the COVID-19 pandemic, the principle of aligning shareholder value with employee awards needs to be balanced with the long-term sustainability of the business and the critical need to retain key talent. The group's executives performed well to protect shareholder value and position the business for future value creation.

The remuneration committee has therefore resolved that the LTIs that were to have vested in 2020 be deferred until November 2021, at which point performance conditions will be reassessed in accordance with clause 7.2.3 of Transaction Capital's CSP rules.

SOLIDARITY FUND CONTRIBUTIONS

In response to the COVID-19 pandemic, all executive and non-executive directors of Transaction Capital waived up to 30% of their salaries, benefits and fees over a three-month period. The amounts foregone were donated to the Solidarity Fund to assist the collective efforts of South Africa in combating the pandemic. The 2020 executive compensation and non-executive directors' fees in this implementation report are presented net of these salary waivers.

Executive directors' and prescribed officers' remuneration and specific considerations by the remuneration committee during the year are detailed below:

EXECUTIVE DIRECTORS

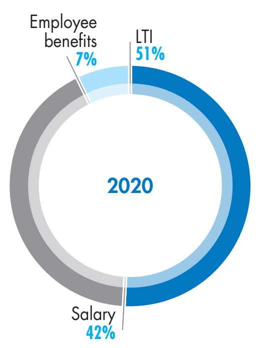
David Hurwitz (CEO)

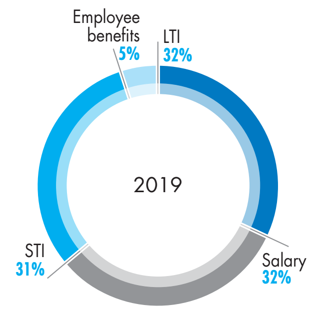
In addition to leading the business through the crisis, David:

- Increased stakeholder engagement, particularly with employees, shareholders and debt investors, to ensure constant and transparent communication through the crisis.
- Protected the balance sheet through concluding the accelerated bookbuild in June 2020, restructuring debt arrangements, raising liquidity facilities at group level, and introducing Royal Bafokeng Holdings into the capital structure.
- Guided credit management and provisioning policies.
- Provided support and guidance on the WeBuyCars transaction.
- Augmented the independence and skills of the board through the appointment of three independent non-executive directors.
- Led the implementation of the revised ethics and internal audit structures.

David's total reward comprised:

	2020	2019
Salary	**R3 862 323**	R3 687 729
Short-term employee benefits	**R599 835**	R584 627
STI	**–**	R3 501 816
LTI (face value of award)	**R4 635 135**	R3 632 316
TOTAL	**R9 097 293**	R11 406 488





Sean Doherty (CFO)

Sean Doherty was appointed as CFO with effect from 1 June 2019, replacing Ronen Goldstein who resigned as an executive director with effect from 31 May 2019.

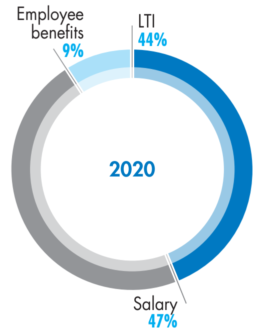
In addition to providing leadership through the crisis, Sean:

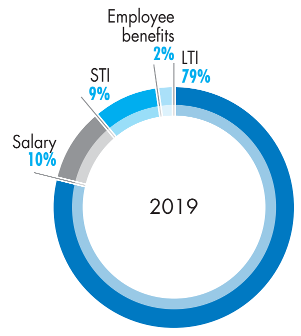
- Protected the balance sheet by providing support on the accelerated bookbuild and group debt facilities.
- Guided credit management and provisioning policies.
- Provided support on the WeBuyCars transaction.
- Implemented a new ethics and internal audit structure as well as developing and implementing the ESE framework.

Sean's total reward comprised:

	2020	2019
Salary	**R2 371 092**	R944 338
Short-term employee benefits	**R454 409**	R153 119
STI	**–**	R833 333
LTI (face value of award)*	**R2 267 200**	R7 202 726
TOTAL	**R5 092 701**	R9 133 516

** Sean was awarded a once-off LTI to the value of R5.6 million on appointment in 2019.*





EXECUTIVE DIRECTORS continued

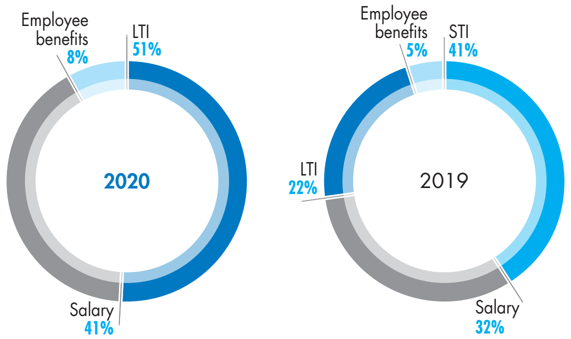
Mark Herskovits (chief investment officer)

In addition to providing leadership through the crisis, Mark:

- Protected the balance sheet through leading the debt restructure, which included arranging the liquidity facility at group level, the restructuring of debt arrangements at SA Taxi, arranging group facilities following the WeBuyCars transaction, and providing support on the accelerated bookbuild.
- Was involved in the negotiation and led the execution of the WeBuyCars transaction, under tight deadlines and in a difficult environment.

Mark's total reward comprised:

	2020	2019
Salary	**R2 409 396**	R2 478 398
Short-term employee benefits	**R488 010**	R424 734
STI	**–**	R3 194 745
LTI (face value of award)	**R3 013 986**	R1 688 093
TOTAL	**R5 911 392**	R7 785 970



PRESCRIBED OFFICERS

Terry Kier

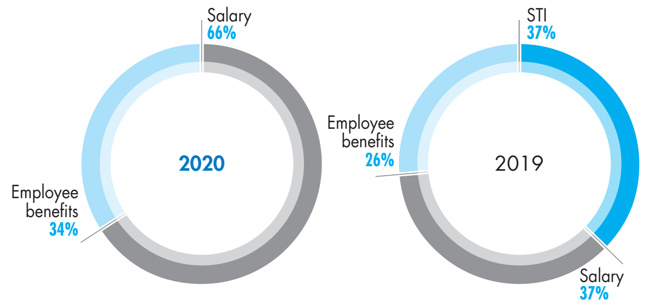
In addition to leading SA Taxi through the crisis, Terry:

- Provided support and leadership to the taxi industry, including payment relief to SA Taxi operators to support the longer-term survival of the industry.
- Oversaw the recovery in collections after the payment relief provided to taxi operators, and guided credit and collection policy.
- Led the reopening of operations in a safe and effective manner once regulations permitted.
- Was instrumental in sourcing the WeBuyCars opportunity.

Terry's total reward comprised:

	2020	2019
Salary	**R3 429 954**	R3 229 775
Short-term employee benefits	**R1 781 232**	R2 209 440
STI	**–**	R3 152 470
TOTAL	**R5 211 186**	R8 591 685

Terry does not participate in the LTI schemes.



PRESCRIBED OFFICERS continued

David McAlpin

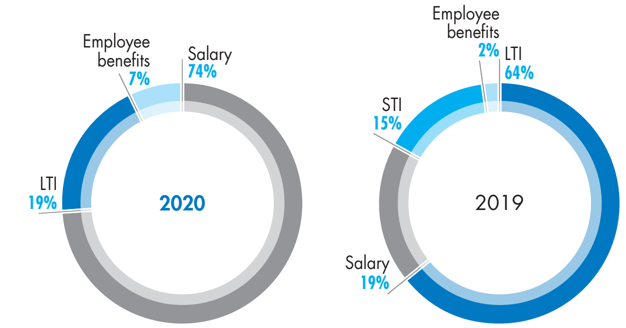
In addition to leading TCRS through the crisis, David:

- Fundamentally changed the TCRS operating model to allow call centre agents to work from home. The demonstrated feasibility of this approach during COVID-19 has resulted in TCRS continuing to pursue the work-from-home model as a sustainable means of achieving cost savings in the future.
- Oversaw the recovery in collections.
- Led the reopening of operations in a safe and effective manner once regulations permitted.
- Supported the Australian business in reaching its earnings target in the 2020 financial year despite the impact of expansive bushfires and COVID-19 in Australia.

David's total reward comprised:

	2020	2019
Salary	**R3 129 757**	R3 319 126
Short-term employee benefits	**R303 548**	R328 099
STI	**–**	R2 626 190
LTI (face value of award)*	**R785 824**	R11 460 166
TOTAL	**R4 219 129**	R17 733 581

** David was awarded a once-off LTI to the value of R11.5 million in 2019.*



FOUNDERS

Jonathan Jawno

In addition to providing leadership through the crisis, Jonathan:

- Protected the balance sheet by providing support on the accelerated bookbuild in June 2020, restructuring debt arrangements, raising liquidity facilities at group level, and introducing Royal Bafokeng Holdings into the capital structure.
- Assisted David, Sean and Mark in managing capital, credit and provisioning related risks.

Jonathan's total reward comprised:

	2020	2019
Salary	**R3 679 630**	R1 311 813
Short-term employee benefits	**R233 070**	R213 237
STI	**–**	R4 500 000
TOTAL	**R3 912 700**	R6 025 050

Michael Mendelowitz

At a time when other businesses were focused on managing risk at the expense of growth, Transaction Capital was able to complete the acquisition of a non-controlling 49.9% interest in WeBuyCars, to establish the group's third adjacent market vertical.

Michael was instrumental in this transaction, identifying, facilitating and negotiating the successful conclusion of this investment. Michael's discretionary incentive bonus of R15 000 000 was awarded in this regard.

Michael's total reward comprised:

	2020	2019
Salary	**R3 667 820**	R1 311 813
Short-term employee benefits	**R244 880**	R213 237
STI	**R15 000 000**	R4 500 000
TOTAL	**R18 912 700**	R6 025 050

The founders do not participate in the LTI schemes.

FUTURE FOCUS AREAS FOR DETERMINING EXECUTIVE STIs

Focus areas that will inform STIs for executive directors in the next financial year are as follows:

- Continued headline earnings and HEPS growth above 2019 levels.
- Achieving the ROE performance target.
- Achieving and improving on employment equity performance targets.
- Improving and maintaining B-BBEE scorecards levels.
- Enhanced risk management.
- Implementation of the ESE framework across the group.
- SA Taxi:
  - Continued exploration of alternative growth vectors.
  - System implementation across multiple areas and technology integration.
  - Achieving specific human capital goals, including:
    - Improving retention rates of key employees.
    - Development of employees in line with succession plans.
- TCRS:
  - Continued exploration of alternative growth vectors such as consumer-related services.
  - Expansion of Transaction Capital Transactional Services.
  - Exploration of partnerships in Euro-based NPL Portfolios and specialty credit.
  - Continued investment in technology and system optimisation to retain its competitive advantage.
  - New client acquisition.

There were no post-employment, post-termination or other long-term benefits paid to executive directors during the year under review.

LONG-TERM INCENTIVES

CONDITIONAL SHARE PLAN

The policies and performance criteria for CSP awards that commenced in June 2019 are detailed earlier in this report on page 113.

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 2020:

	Component	Present value of CSP awards	CSP awards	Vesting period	CSP awards exercised during the year	Gains on CSP awards exercised during the year
		R	Number	Years	Number	R
EXECUTIVE DIRECTORS						
David Hurwitz	Group					
Granted on 22 November 2016		382 007	30 759	2 to 4	70 304	1 527 706
Granted on 22 November 2017		1 414 535	113 680	2 to 5	18 506	402 135
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	–	–
Granted on 24 November 2020		4 635 135	255 192	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	–	–
Granted on 24 November 2020		2 267 200	124 823	3 to 5	–	–
Mark Herskovits						
Granted on 22 November 2016	SA Taxi	286 679	37 328	2 to 4	85 321	1 367 534
Granted on 29 May 2017	SA Taxi	768 011	164 824	2 to 4	–	–
Granted on 22 November 2017	SA Taxi	715 003	81 253	2 to 5	13 227	212 020
Granted on 20 November 2018	SA Taxi	1 286 537	130 059	2 to 5	–	–
Granted on 26 November 2019	SA Taxi	1 688 093	120 492	3 to 5	–	–
Granted on 24 November 2020	Group	3 013 986	165 938	3 to 5	–	–
PRESCRIBED OFFICERS						
David McAlpin						
Granted on 22 November 2016	TCRS	310 817	72 283	2 to 4	1 159 252	8 787 851
Granted on 22 November 2017	TCRS	5 476 644	1 140 402	2 to 5	41 072	311 369
Granted on 25 March 2019	TCRSX	11 460 166	2 196 837	2 to 4	–	–
Granted on 24 November 2020	TCRS	785 824	142 102	3 to 5	–	–

Jonathan Jawno, Michael Mendelowitz and Terry Kier do not participate in the CSP.

Refer to note 31.2 in the group's 2020 consolidated annual financial statements (available at www.transactioncapital.co.za) for further details on the CSP.

SHARE APPRECIATION RIGHTS PLAN

All SAR plan awards were approved by the remuneration committee, with no SARs 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 2020:

	Present value of SARs	SARs	Vesting period	SARs vested during the year and not exercised	SARs exercised during the year	Gains on SARs exercised during the year
	R	Number	Years	Number	Number	R
EXECUTIVE DIRECTORS						
David Hurwitz						
Granted on 26 November 2015	–	–	4	–	250 000	2 061 916
Mark Herskovits						
Granted on 26 November 2015	–	–	4	–	150 000	1 719 895
PRESCRIBED OFFICERS						
David McAlpin						
Granted on 26 November 2015	–	–	4	–	200 000	1 649 529

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

Refer to note 31.1 in the group's 2020 consolidated annual financial statements (available at www.transactioncapital.co.za) 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 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 2020, Terry held a direct investment of 1.2% (2019: 1.2%) in SA Taxi Holdings Proprietary Limited. This shareholding was valued at R102 million.

Terry owed a wholly owned subsidiary of Transaction Capital an amount of R24 million at 30 September 2020. The loan was granted on an interest-free basis and will be repaid upon certain predetermined events. Appropriate fringe benefits tax has been levied on the interest-free loan, the benefit of which is included in his executive compensation table.

Terry 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 and prescribed officers of the group hold the following direct or indirect equity value in Transaction Capital Limited at 30 September 2020, aligning their interests with the broader shareholder base:

	Notes	Shares held	Valuation of shares at closing share price on 30 September 2020	CSP position at 30 September 2020*	Total equity value to the group	Cover of annual CTC
		Number	R	R	R	Times
EXECUTIVE DIRECTORS						
Sean Doherty	1	–	–	8 691 319	8 691 319	<3
Mark Herskovits		1 547 055	33 524 682	5 229 784	38 754 466	>3
David Hurwitz	2	4 876 769	105 679 584	11 012 090	116 691 674	>3
PRESCRIBED OFFICERS						
Terry Kier	3	–	–	–	–	
David McAlpin		445 249	9 648 546	17 262 208	26 910 753	>3
FOUNDERS						
Jonathan Jawno	4	36 333 333	787 343 326	–	787 343 326	>3
Michael Mendelowitz		36 333 333	787 343 326	–	787 343 326	>3
TOTAL		79 535 739	1 723 539 464	42 195 401	978 391 539	

* *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. *The Dovie Trust, of which David Hurwitz is a discretionary beneficiary, owns 4 876 769 shares in Transaction Capital Limited.*
3. *The Empire Trust, of which Terry Kier is a discretionary beneficiary, owns 1.2% of SA Taxi Holdings Proprietary Limited.*
4. *Pilatucom Holdings Limited owns 36 333 333 shares in Transaction Capital Limited. All the shares of Pilatucom Holdings Limited are held by trusts of which Jonathan Jawno is a discretionary contingent beneficiary.*

NON-EXECUTIVE DIRECTORS' FEES

Fees paid to non-executive directors are for directorship and membership of board sub-committees, with no additional meeting attendance fees paid. This is due to board members providing input to the company on an ongoing basis, which is 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. The board, through the remuneration committee, has resolved that there will be no increase in non-executive directors' fees for the 2021 financial year.

Fees paid to non-executive directors for the year ended 30 September 2020:

BOARD MEMBERS	C Seabrooke[1] R	P Langeni[2] R	R Rossi[3] R	K Pillay[4] R	P Miller[5] R	D Radley[6] R	B Hanise R	S Wapnick[7] R	Total R
Board chairman (including committee attendance)	1 585 417	–	–	–	–	–	–	–	**1 585 417**
Lead independent non-executive director	–	–	–	141 667	–	–	–	–	**141 667**
Director	–	370 917	370 917	370 917	175 726	370 917	370 917	196 293	**2 226 602**
Alternate director	–	–	–	–	146 393	–	–	–	**146 393**
Audit, risk and compliance committee (chairperson)	–	–	–	–	–	394 875	–	–	**394 875**
Audit, risk and compliance committee (member)	–	114 792	–	–	–	–	158 542	–	**273 333**
Asset and liability committee (member)	–	–	–	–	–	127 000	127 000	–	**254 000**
Remuneration committee (chairperson)	–	–	–	263 667	–	–	–	–	**263 667**
Remuneration committee (member)	–	–	66 651	–	60 349	–	–	–	**127 000**
Nominations committee (member)	–	–	127 000	127 000	–	–	–	–	**254 000**
Social and ethics committee (chairperson)	–	263 667	–	–	–	–	–	–	**263 667**
Social and ethics committee (member)	–	–	82 333	127 000	–	–	–	–	**209 333**
TOTAL ANNUAL FEES	**1 585 417**	**749 375**	**646 901**	**1 030 250**	**382 468**	**892 792**	**656 458**	**196 293**	**6 139 954**

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. *Resigned as a member of the audit, risk and compliance committee effective 30 June 2020.*
3. *Appointed as a member of the social and ethics committee and the remuneration committee effective 1 February and 12 March 2020 respectively. In addition to the fees received above, Mr Rossi received R3 353 099 for consulting services rendered to Transaction Capital Limited.*
4. *Appointed as lead independent non-executive director effective 15 July 2019.*
5. *Resigned as a non-executive director effective 12 March 2020 and appointed as an alternate director to Roberto Rossi effective the same date.*
6. *In addition to the fees received above, Diane Radley received directors' fees of R338 283 excluding VAT for acting as an independent non-executive director of SA Taxi Holdings (Pty) Ltd and Transaction Capital Risk Services Holdings (Pty) Ltd.*
7. *Appointed as an independent non-executive director effective 12 March 2020.*

Fees paid to non-executive directors for the year ended 30 September 2019:

BOARD MEMBERS	C Seabrooke[1] R	P Langeni R	R Rossi[2] R	K Pillay R	O Ighodaro[3] R	P Miller R	D Radley[4] R	B Hanise[5] R	Total R
Board chairman (including committee attendance)	1 636 667	–	–	–	–	–	–	–	**1 636 667**
Director	–	382 083	382 083	382 083	61 833	382 083	382 083	289 333	**2 261 581**
Audit, risk and compliance committee (chairperson)	–	–	–	–	66 250	–	342 625	–	**408 875**
Audit, risk and compliance committee (member)	–	163 667	–	–	–	–	26 500	123 917	**314 084**
Asset and liability committee (member)	–	–	–	–	21 200	–	131 167	99 367	**251 734**
Remuneration committee (chairperson)	–	–	–	273 167	–	–	–	–	**273 167**
Remuneration committee (member)	–	–	–	–	–	131 167	–	–	**131 167**
Nominations committee (member)	–	–	131 167	131 167	–	–	–	–	**262 334**
Social and ethics committee (chairperson)	–	273 167	–	–	–	–	–	–	**273 167**
Social and ethics committee (member)	–	–	–	131 167	–	–	–	–	**131 167**
TOTAL ANNUAL FEES	**1 636 667**	**818 917**	**513 250**	**917 584**	**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.*

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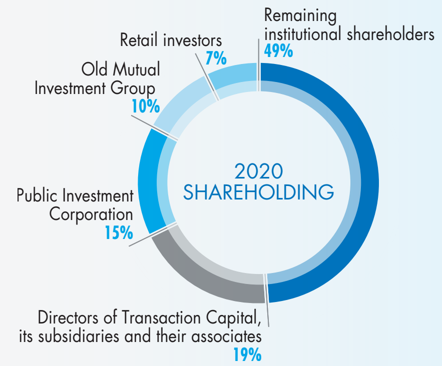
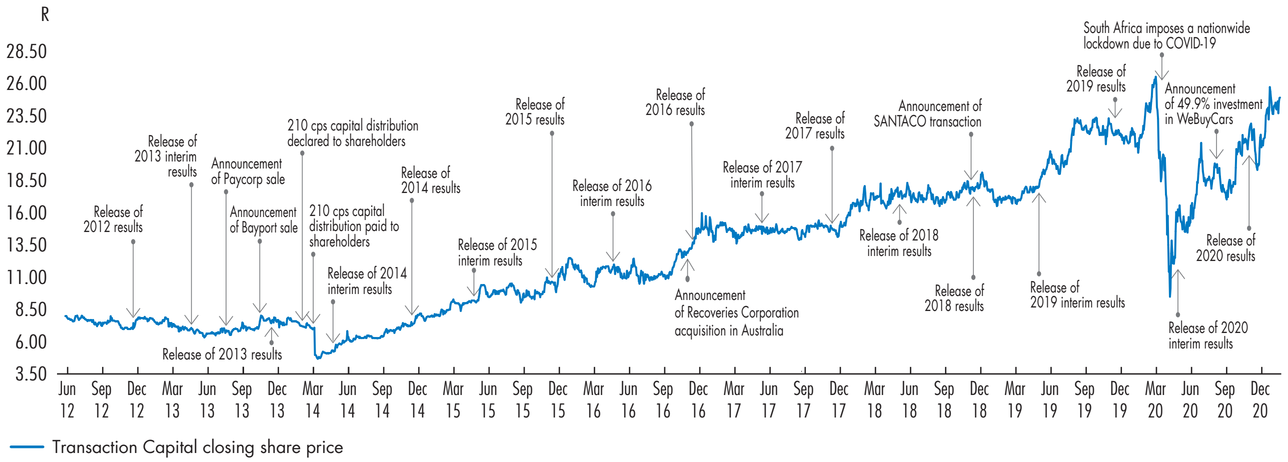
SUPPLEMENTARY INFORMATION

SHAREHOLDER ANALYSIS

At 30 September 2020	Number of shareholders	Number of shares (million)	Number of shares (%)
Non-public			
Directors of Transaction Capital, its subsidiaries and their associates	36	127	19
Subtotal	36	127	19
Public			
Public Investment Corporation	1	98	15
Old Mutual Investment Group	1	67	10
Remaining institutional shareholders	145	326	49
Retail investors	1 180	43	7
Subtotal	1 327	534	81
Total	1 363	661	100



TRANSACTION CAPITAL SHARE PRICE PERFORMANCE SINCE LISTING (JUNE 2012)



Performance on the JSE Limited

1 January 2020 to 31 December 2020

Traded share prices		
Closing	R	24.89
High	R	26.50
Low	R	9.50
Volume-weighted average	R	19.57
Volume of shares traded during the past 12 months	units	424 532 075
Market capitalisation	Rbn	16.5

GLOSSARY

Accsys	Accsys (Pty) Ltd, a 100% owned subsidiary of TCRS
AGM	Annual general meeting
AI	Artificial intelligence
ALCO	Asset and liability committee
ARC committee	Audit, risk and compliance committee
B2B	Business-to-business (vehicle dealerships)
B2C	Business-to-consumer
B-BBEE	Broad-based Black Economic Empowerment
Board	The Transaction Capital board of directors
CAGR	Compound annual growth rate
CEO	Chief executive officer
CFO	Chief financial officer
CIO	Chief investment officer
COVID-19	The novel coronavirus and the disease it causes
CPI	Consumer price inflation
cps	Cents per share
CSP	Conditional share plan
CTC	Cost to company
DEKRA	A vehicle inspection certification providing information on the mechanical and technical status of a vehicle
DFIs	Developmental finance institutions
EBITDA	Earnings before interest, taxes, depreciation and amortisation
ERC	Estimated undiscounted remaining gross cash collections from NPL Portfolios over the next 120 months
ESE	Economic, social and environmental
ESG	Environmental, social and governance
EUR	Euro (currency)
F&I products	Finance, insurance-based, tracking and other allied products
F&I product margin	Additional gross margin earned on value-added products and allied services including finance, insurance, tracking and other revenue
Fihrst	Net1 Fihrst Holdings (Pty) Ltd, a 100% owned subsidiary of TCRS
FFS	Fee-for-service
GDP	Gross domestic product
Group	Transaction Capital Limited
HEPS	Headline earnings per share
IFRS	International Financial Reporting Standards
IP	Intellectual property
ISPPIA	International Standards for the Professional Practice of Internal Auditing
IT	Information and technology
King IV	King IV Report on Corporate Governance™ for South Africa, 2016
KPIs	Key performance indicators
LTI	Long-term incentive
NCR	National Credit Regulator
NPLs	Non-performing loans within SA Taxi's loans and advances portfolio
NPL Portfolio	Non-performing consumer loan portfolio acquired by TCRS to be collected as principal
NTA	National Taxi Alliance
OEMs	Original equipment manufacturers
Open market	In SA Taxi, insurance clients not financed by SA Taxi Finance
Principa	Principa Decisions (Pty) Ltd, previously a 100% owned subsidiary of TCRS
RBH	Royal Bafokeng Holdings
Recoveries Corporation	Recoveries Corporation, an Australian 100% owned subsidiary of TCRS
Repo rate	Rate at which the South African Reserve Bank lends money to banks
ROE	Return on average equity
SANTACO	South African National Taxi Council
SAR	Share appreciation rights
SED	Socioeconomic development
STI	Short-term incentive
SME	Small- and medium-sized enterprise
TCBS	Transaction Capital Business Solutions (Pty) Ltd, a 100% owned subsidiary of TCRS
TCRS	Transaction Capital Risk Services
TCTS	Transaction Capital Transactional Services, a division of TCRS
USD	United States of America dollar (currency)
Vehicle supermarket	WeBuyCars vehicle warehouse and showroom
VWAP	Volume-weighted average price

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 (chief investment officer)
David Hurwitz (chief executive officer)
Jonathan Jawno (executive director)
Michael Mendelowitz (executive director)

INDEPENDENT NON-EXECUTIVE

Buhle Hanise
Suresh Kana (lead independent non-executive director)
Ian Kirk
Phumzile Langeni
Kuben Pillay
Diane Radley
Christopher Seabrooke (chairman)
Sharon Wapnick

NON-EXECUTIVE

Roberto Rossi

COMPANY SECRETARY AND REGISTERED OFFICE

Sharon Nayger
342 Jan Smuts Avenue
Hyde Park
Johannesburg, 2196
(PO Box 41888, Craighall, 2024)

SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
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LEGAL ADVISERS

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TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
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INDEPENDENT AUDITORS

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www.transactioncapital.co.za

Transaction Capital