

UNAUDITED FINANCIAL RESULTS

FOR THE HALF YEAR ENDED 31 MARCH

2014

TRANSACTION CAPITAL



Transaction Capital

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CONTINUING HEADLINE
EARNINGS ▲ 28% TO
R148 million

CONTINUING HEADLINE
EARNINGS PER SHARE
▲ 28% TO **25.5 cents**

CONTINUING GROSS LOANS
& ADVANCES ▲ 14% TO
R6 149 million

AFTER THE CAPITAL
DISTRIBUTION OF
210 cents PER SHARE
NET ASSET VALUE
PER SHARE ▼ 14%
TO **499.7 cents**

CAPITAL ADEQUACY
RATIO ▲ 46% TO
53.2%

HIGHLIGHTS

CONTINUING RETURN
ON AVERAGE ASSETS
STABLE AT **3.2%**

CONTINUING RETURN
ON AVERAGE EQUITY ▼
TO **9.4%** FROM **13.0%**

INTERIM DIVIDEND OF
6 cents PER SHARE

DIVIDEND COVER OF
4.25 times ON
CONTINUING HEADLINE
EARNINGS PER SHARE

OVERVIEW

During the first half of the 2014 financial year Transaction Capital operated a portfolio of assets substantially different from those reported on at the end of the 2013 financial year. The change in portfolio, occasioned by the sale of two subsidiaries, was a response to emergent opportunities to realise value for shareholders while reducing the range and complexity of risks facing the group.

The sale of Paycorp became effective on 1 November 2013, on which date proceeds of R937 million were received, representing 18.7 times earnings to September 2013, resulting in a profit on sale of R425 million and yielding an internal rate of return of 18.2%.

The sale of Bayport was effective on 31 December 2013, with proceeds of R1.3 billion for Transaction Capital's 82.65% stake received on 10 January 2014, representing 6.7 times earnings, yielding a profit of R234 million and a 32.6% internal rate of return. This disposal enabled Transaction Capital to significantly reduce the various regulatory, consumer credit and capital risks it faced.

Subsequent to the two sale transactions, the board took a decision to return a portion of the capital generated through a capital distribution of 210 cents per share. On 17 March 2014 Transaction Capital distributed R1.2 billion to shareholders, resulting in an improved and more efficient capital structure but a reduced net asset value.

ENVIRONMENT

The South African consumer economy continued to soften during the first half of the 2014 financial year as employment and real wage growth slowed, fuel and electricity prices increased, exchange rate related inflation eroded disposable income and labour unrest escalated. The Monetary Policy Committee increased the repo interest rate by 50 basis points to 5.5% for the first time since 2008, placing added pressure on the South African consumer. The possibility of further rate hikes was emphasised by the Reserve Bank Governor. It is important to note that following the sale of Bayport, Transaction Capital is less exposed to the consumer credit environment and the regulations pertaining thereto.

Residual regulatory uncertainty does however remain. The process followed in approving the National Credit Amendment Bill was uncoordinated from multiple and sometimes competing ministries, assessment of the consequences of the proposed legislation was inadequate, and little response was afforded to business comment on the proposed legislation. Poor enforcement of existing laws by regulators remains a threat to unsophisticated users and compliant operators throughout the financial services sector. Transaction Capital thus continues to engage regularly with its regulators, particularly the National Credit Regulator and Financial Services Board.

Notwithstanding the challenging consumer environment, the underserved and growing small and medium-sized enterprise ("SME") finance market continues to present Transaction Capital with significant opportunity. According to SBP business environment specialists' February 2014 SME growth index, almost 40% of all SMEs experienced working capital funding constraints during 2013, supporting increased demand by SMEs for Transaction Capital's products.

FINANCIAL PERFORMANCE

Transaction Capital's continuing operations performed in line with expectations for the first half of the financial year.

Headline earnings grew by 28% to R148 million through solid results achieved in each of the divisions. Net interest income increased by 20% to R395 million, driven by a 14% growth in gross loans and advances to R6 149 million and an increased net interest margin of 13.1%, effected in part by a lower average cost of borrowings of 10.3%. Non-interest revenue increased by 11% to R523 million, whilst the cost-to-income ratio improved from 64.3% to 61.9% through the restructure of the group executive office, and excellent cost containment and efficiencies in all divisions.

In line with the group's strategy to grow its book in the mid-teens while focusing on credit quality, the credit loss ratio increased marginally from 4.9% to 5.3% due to the active write-off of entry level vehicles in SA Taxi, and remains well within the stated medium-term upper tolerance level of 6%. It is encouraging to note that the group non-performing loan ("NPL") ratio has remained stable since September 2013 at about 28.6%. The NPL ratio increased year-on-year from 27.0% to 28.6% as a result of SA Taxi holding repossessed vehicles for longer time periods than historically, to refurbish vehicles to a higher quality before disposal. The current and comparative NPL ratio is calculated according to a revised definition, considered to be more appropriate for SA Taxi and adopted during the first half of the 2014 financial year.

Following the disposal of Paycorp and Bayport, as well as the capital distribution, Transaction Capital's equity and debt capital position remains robust. The capital adequacy level of 53.2% is significantly higher than the medium term target of 30%, and the group is well positioned to take advantage of and fund organic and acquisitive growth opportunities.

OPERATIONAL HIGHLIGHTS AND PROSPECTS

ASSET-BACKED LENDING – SA TAXI AND RAND TRUST

The division increased headline earnings by 15% to R78 million, driven by a 14% increase in gross loans and advances.

SA Taxi is a financier of independent SMEs in the minibus taxi industry.

The estimated national fleet of 200 000 privately owned minibus taxis remains the primary means of transport for most South African commuters. The replacement of ageing vehicles continues to create a robust demand for the minibus taxi finance provided by SA Taxi.

Growth in gross loans and advances continues in the mid-teens notwithstanding new vehicle origination entirely comprised of premium vehicles and a tightening of credit-lending criteria. This together with recent strong collection trends have been encouraging, resulting in a credit loss ratio of 5.6% which is below SA Taxi's upper tolerance level of 6%. Provision coverage improved from 5.1% to 5.9%.

SA Taxi's cost-to-income ratio improved marginally resulting from continued operational efficiencies. Due to the discontinued refurbishment and refinance of repossessed entry level vehicles, and the accelerated write-off and related insurance claims against these vehicles, greater efficiencies have been achieved in the repair and resale operations of Taximart, which now focuses exclusively on premium vehicles.

The NPL ratio has remained stable since September 2013 at 30.4%. It has, however increased year-on-year from 28.6% following decisions to discontinue the refurbishment and finance of entry level vehicles and the implementation of a strategy to improve the quality of refurbished premium repossessed vehicles. This strategy resulted in vehicles remaining on-hand for longer. Encouragingly, NPL coverage was strengthened from 17.8% to 19.5%.

The NPL definition has been amended¹ to take account of the irregularity and cash nature of payments made by minibus taxi owners thereby better aligning the classification of NPLs with customers that exhibit real risk of impairment. The original and revised definitions of NPLs will be tracked in the public domain for a period of time, and have proven to be highly correlated.

SA Taxi continues to leverage its market position by enhancing its value proposition to clients through: new product offerings such as SA Taxi Media (i.e. advertising in taxis) and a stand-alone insurance offering branded Khusela Taxi Insurance. The business also started financing the newly introduced Nissan minibus taxi in March 2014. In addition, SA Taxi continues to leverage its core skill set (being credit, collections and capital management) via its "bakkie" finance pilot.

The capital structure of SA Taxi was enhanced through the capitalisation of loans from Transaction Capital to the value of R250 million. SA Taxi also intends to launch its new Standard & Poor's credit rated and listed debt program during May 2014.

Rand Trust is a provider of working capital to SMEs through invoice discounting and commercial debtors' management.

Rand Trust's headline earnings grew by 33%.

The business continues to invest in a distribution strategy directed at increasing scale, to design innovative products aimed at extending the clients' life cycle with Rand Trust, and to expand beyond its traditional Western Cape business into other regions. As the business targets larger clients in an expanded geographic region with new tailor-made product offerings, management is applying the necessary caution to mitigate any resultant credit and operational risk.

CREDIT SERVICES – MBD CREDIT SOLUTIONS AND PRINCIPA DECISIONS

The division increased headline earnings by 9% to R47 million.

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

Revenues have been subdued in a difficult consumer environment, which was offset by cost containment. The business continues to be an active bidder on most books that come to market and in line with management's vision of investing to increase revenue and profitability, purchased book debts to the value of R160 million were acquired during this six month period. Regulatory uncertainty has been introduced via the recent National Credit Amendment Bill which seeks to prohibit both the sale and collection of prescribed debt. Despite this uncertainty, MBD CS does not anticipate any material impact on the business at this time.

Principa Decisions provides credit life cycle consulting services, predictive modelling and related software to credit providers.

Headline earnings remained flat for the period. Growth prospects for the second half of this year will be driven by continued revenue growth from its Middle East joint venture, the continued expansion of its proprietary *Smart* software product suite and the relationship with FICO, which has been re-affirmed with the recent signing of a new five year contract.

¹ Original NPL definition: NPLs are those customers that had more than three outstanding contractual installments and who had not made three consecutive qualifying payments in each of the past three months.

Revised NPL definition: NPLs are those customers that have more than three outstanding contractual installments and have made less than a total of three cumulative qualifying payments during the past three months.

STRATEGY

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

Following the sales of Paycorp and Bayport, the reorganisation of the group executive office and the capital distribution, Transaction Capital has significantly reduced the level of regulatory, consumer credit and capital risks faced; has realigned its cost structures to be more favourable; is well capitalised and positioned to fund organic growth opportunities; holds approximately R1 billion of cash to effect significant acquisitive activity; and has appropriate access to the debt capital markets.

The acquisitive strategy seeks to augment the group's existing businesses either through "bolt-on" opportunities or through the addition of a new divisional pillar in a related but separate industry. The group's core competencies of credit risk management, collections capabilities and capital management must be prevalent to successfully leverage any acquisition opportunity.

RESTRUCTURING OF THE BOARD AND GROUP OFFICE

David Hurwitz was appointed as group chief executive officer and Mark Herskovits as group chief financial officer on 16 January 2014. Mark Lamberti resigned as non-executive chairman, effective 5 March 2014 and was replaced by Christopher Seabrooke. Roberto Rossi was appointed as a non-executive director effective 5 March 2014. Concurrently, the board's sub-committees and the group executive office were restructured and downsized to support the strategic objectives and accommodate the requirements of the smaller group.

DIVIDEND DECLARATION

In line with the stated dividend policy of 4 to 5 times cover, the board has declared an interim gross cash dividend of 6 cents per share for the six months ended 31 March 2014 (2013: 9 cents per share), to those members recorded in the register of members on the record date appearing below. The dividend is declared out of income reserves. A dividend withholding tax of 15% will be applicable to the dividend to all shareholders that are not exempt, resulting in a net dividend of 5.10 cents per share. The company has no remaining STC credits available. The salient features applicable to the interim dividend are as follows:

Issued shares as at declaration date (including 2 642 883 treasury shares)	575 791 194
Declaration date	Tuesday 6 May 2014
Last day to trade cum dividend	Friday 30 May 2014
First day to trade ex dividend	Monday 2 June 2014
Record date	Friday 6 June 2014
Payment date	Monday 9 June 2014

Share certificates may not be dematerialised or rematerialised between Monday, 2 June 2014 and Friday, 6 June 2014, both dates inclusive.

On Monday, 9 June 2014 the cash dividend will be electronically transferred to the bank accounts of all certificated shareholders where this facility is available. Where electronic fund transfer is not available or desired, cheques dated 9 June 2014 will be posted on that date. Shareholders who have dematerialised their share certificates will have their accounts at their CSDP or broker credited on Monday, 9 June 2014.

BASIS FOR PREPARATION

The results of the group for the half year ended 31 March 2014 are unaudited and have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS"), IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listing Requirements, the going concern principle and the requirements of the South African Companies Act, 71 of 2008.

The accounting policies and their application are in terms of IFRS and are consistent, in all material respects, with those detailed in Transaction Capital's prior year annual financial statements.

APPROVAL BY THE BOARD OF DIRECTORS

Signed on behalf of the board of directors:

D M Hurwitz

Chief executive officer

6 May 2014

M D Herskovits

Chief financial officer

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2014

	1H14 Unaudited Rm	1H13 Unaudited Rm	Change %	FY13 Audited Rm
Assets				
Cash and cash equivalents	1 243	1 260	(1)	673
Tax receivables	25	30	(17)	64
Trade and other receivables	506	624	(19)	505
Inventories	1	170	(99)	85
Loans and advances	5 820	9 594	(39)	10 232
Purchased book debts	561	420	34	420
Other loans receivable	311	291	7	280
Equity accounted investments	7	–	100	4
Other investments	158	382	(59)	481
Intangible assets	15	34	(56)	21
Property and equipment	48	331	(85)	96
Goodwill	192	927	(79)	594
Deferred tax assets	102	127	(20)	107
Non-current assets classified as held for sale	–	–	0	769
Total assets	8 989	14 190	(37)	14 331
Liabilities				
Bank overdrafts	107	233	(54)	71
Tax payables	12	22	(45)	2
Trade and other payables	259	747	(65)	386
Provisions	1	6	(83)	2
Interest-bearing liabilities	5 556	9 458	(41)	9 601
Senior debt	4 209	7 720	(45)	7 470
Subordinated debt	1 347	1 738	(22)	2 131
Deferred tax liabilities	190	159	19	194
Liabilities directly associated with non-current assets classified as held for sale	–	–	0	180
Total liabilities	6 125	10 625	(42)	10 436
Equity				
Ordinary share capital and premium	505	1 786	(72)	1 779
Reserves	122	330	(63)	385
Retained earnings	2 237	1 293	73	1 551
Equity attributable to ordinary equity holders of the parent	2 864	3 409	(16)	3 715
Non-controlling interests	–	156	(100)	180
Total equity	2 864	3 565	(20)	3 895
Total equity and liabilities	8 989	14 190	(37)	14 331

SUMMARISED CONSOLIDATED INCOME STATEMENT

for the half year ended 31 March 2014

	1H14 Unaudited Rm	1H13 Unaudited Rm	Change %	FY13 Restated Rm
Interest and other similar income	675	586	15	1 225
Interest and other similar expense	(280)	(256)	9	(539)
Net interest income	395	330	20	686
Impairment of loans and advances	(161)	(130)	24	(283)
Risk adjusted net interest income	234	200	17	403
Non-interest revenue	523	470	11	1 023
Operating costs	(568)	(514)	11	(1 071)
Equity accounted earnings	3	-	100	4
Profit before tax	192	156	23	359
Income tax expense	(44)	(40)	10	(76)
Profit from continuing operations	148	116	28	283
Profit from discontinued operations	607	135	350	303
Profit for the period	755	251	201	586
Attributable to non-controlling equity holders	-	18	(100)	42
Attributable to ordinary equity holders of the parent	755	233	224	544
Basic earnings per share	130.3	39.9	226	93.2
Diluted basic earnings per share	130.3	39.9	226	93.2
Headline earnings per share	29.1	39.9	(27)	93.4
Headline earnings per share – continuing operations	25.5	19.9	28	48.7
Headline earnings per share – discontinued operations	3.6	20.0	(82)	44.7

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the half year ended 31 March 2014

	1H14 Unaudited Rm	1H13 Unaudited Rm	Change %	FY13 Restated Rm
Profit for the period	755	251	201	586
Other comprehensive income	(16)	99	(116)	122
Fair value gains on cash flow hedge arising during the period	1	29	(97)	10
Amount removed from other comprehensive income and recognised in the profit and loss	-	(18)	(100)	-
Deferred tax	<1	(8)	(100)	(3)
Fair value (losses)/gains arising on valuation of available-for-sale investment	(17)	96	(118)	115
Total comprehensive income for the period	739	350	111	708
Attributable to non-controlling equity holders	-	24	(100)	49
Attributable to ordinary equity holders of the parent	739	326	127	659

SUMMARISED HEADLINE EARNINGS RECONCILIATION

for the half year ended 31 March 2014

	1H14 Unaudited Rm	1H13 Unaudited Rm	Change %	FY13 Restated Rm
Profit attributable to ordinary equity holders of the parent	755	233	224	544
Headline earnings adjustable items added				
Profit on sale of subsidiary companies	(659)	-	(100)	-
De-grouping tax payable on sale of subsidiary company	73	-	100	-
Impairment of goodwill	-	-	n/a	1
Headline earnings	169	233	(27)	545
Headline earnings from discontinued operations	(21)	(117)	(82)	(261)
Headline earnings from continuing operations	148	116	28	284

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the half year ended 31 March 2014

	Share capital and premium	Other reserves	Retained earnings	Ordinary shareholders equity	Non-controlling interests	Total equity
Balance at 31 March 2013	1 787	330	1 292	3 409	156	3 565
Total comprehensive income	-	53	311	364	24	388
Profit for the period	-	-	311	311	22	333
Other comprehensive income for the period	-	53	-	53	2	55
Dividends paid	-	-	(52)	(52)	-	(52)
Issue of share appreciation rights	-	2	-	2	-	2
Repurchase of shares	(8)	-	-	(8)	-	(8)
Share issue costs	-	-	-	-	-	-
Balance at 30 September 2013	1 779	385	1 551	3 715	180	3 895
Total comprehensive income	-	(16)	755	739	-	739
Profit for the period	-	-	755	755	-	755
Other comprehensive income for the period	-	(16)	-	(16)	-	(16)
Dividends paid	-	-	(69)	(69)	-	(69)
Issue of share appreciation rights	-	6	-	6	-	6
Repurchase of shares	(71)	-	-	(71)	-	(71)
Capital distribution	(1 203)	-	-	(1 203)	-	(1 203)
Disposal of subsidiary companies	-	(253)	-	(253)	(180)	(433)
Balance at 31 March 2014	505	122	2 237	2 864	-	2 864

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the half year ended 31 March 2014

	1H14 Unaudited Rm	1H13 Unaudited Rm	Change %	FY13 Restated Rm
Net cash utilised by operating activities of continuing operations	(124)	(60)	110	(173)
Net cash generated/(utilised) by investing activities of continuing operations	2 312	(87)	(2 757)	(132)
Net cash utilised by financing activities of continuing operations	(1 274)	(5)	25 380	(13)
Net increase in cash and cash equivalents	914	(152)	(705)	(318)
Cash and cash equivalents at the beginning of the period from continuing operations	222	540	(59)	540
Cash and cash equivalents at the beginning of the period	671	943	(29)	943
Less: Cash and cash equivalents at the beginning of the period relating to discontinued operations	(449)	(403)	11	(403)
Cash and cash equivalents at the end of the period relating to continuing operations	1 136	388	192	222

SUMMARISED SEGMENT REPORT

	Asset-backed lending		Credit services		Group executive office	
	1H14 Unaudited Rm	1H13 Unaudited Rm	1H14 Unaudited Rm	1H13 Unaudited Rm	1H14 Unaudited Rm	1H13 Unaudited Rm
Condensed income statement for the half year ended 31 March 2014						
Net interest income	353	318	(4)	1	46	11
Impairment of loans and advances	(160)	(128)	(1)	(2)	-	-
Non-interest revenue	104	92	401	390	18	(12)
Total operating costs	(201)	(193)	(335)	(330)	(32)	8
Equity accounted earnings	-	-	3	-	-	-
Profit before tax	96	89	64	59	32	7
Impact of classification to held for sale	-	-	-	-	-	-
Headline earnings – discontinued operations	-	-	-	-	-	-
Headline earnings – continuing operations	78	68	47	43	23	5
Total headline earnings	78	68	47	43	23	5
Condensed statement of financial position at 31 March 2014						
Assets						
Cash and cash equivalents	162	483	34	25	1 047	68
Loans and advances	5 782	5 104	38	51	-	-
Purchased book debts	-	-	561	420	-	-
Other investments	158	88	-	-	-	-
Other assets and receivables	555	491	275	299	377	609
Total Assets	6 657	6 166	908	795	1 424	677
Liabilities						
Bank overdrafts	100	100	7	4	-	84
Interest-bearing liabilities	4 428	4 579	205	185	923	450
Senior debt	4 004	4 078	205	185	-	-
Subordinated debt	424	501	-	-	923	450
Group	935	630	55	61	(990)	(908)
Other liabilities and payables	197	281	232	194	33	30
Total liabilities	5 660	5 590	499	444	(34)	(344)
Total Equity	997	576	409	351	1 458	1 021

Group – continuing		Discontinued operations		Group	
1H14 Unaudited Rm	1H13 Unaudited Rm	1H14 Unaudited Rm	1H13 Unaudited Rm	1H14 Unaudited Rm	1H13 Unaudited Rm
395	330	-	-	395	330
(161)	(130)	-	-	(161)	(130)
523	470	-	-	523	470
(568)	(514)	-	-	(568)	(514)
3	-	-	-	3	-
192	156	-	-	192	156
-	-	11	-	11	-
-	-	10	117	10	117
148	116	-	89	148	205
148	116	21	206	169	322
1 243	576	-	684	1 243	1 260
5 820	5 155	-	4 439	5 820	9 594
561	420	-	-	561	420
158	88	-	293	158	382
1 207	1 399	-	1 136	1 207	2 534
8 989	7 638	-	6 552	8 989	14 190
107	188	-	45	107	233
5 556	5 214	-	4 244	5 556	9 458
4 209	4 263	-	3 457	4 209	7 720
1 347	951	-	787	1 347	1 738
-	(217)	-	217	-	-
462	505	-	429	462	934
6 125	5 690	-	4 935	6 125	10 625
2 864	1 948	-	1 617	2 864	3 565

ADMINISTRATION

TRANSACTION CAPITAL LIMITED

Registration number: 2002/031730/06
(Incorporated in the Republic of South Africa)
("Transaction Capital" or "the company" or "the group")
JSE share code: TCP
ISIN code: ZAE000167391
Tax reference number: 9466/298/15/6

REGISTERED OFFICE

Sandhavon Office Park, 14 Pongola Crescent,
Eastgate Ext.17, Sandton 2199
PO Box 41888, Craighall 2024,
Republic of South Africa
Tel: +27 (0) 11 531 5485
Fax: +27 (0) 11 262 3713

DIRECTORS

Christopher Seabrooke* (chairman), David Hurwitz (chief executive officer), Mark Herskovits (chief financial officer), Jonathan Jawno, Phumzile Langeni*, Michael Mendelowitz, Roberto Rossi**, Dumisani Tabata*, David Woollam*, Shaun Zagnoev* (*Independent Non-Executive) (**Non-Executive)

COMPANY SECRETARY

PJ Katzenellenbogen

AUDITORS

Deloitte & Touche

SPONSOR

Deutsche Securities (SA) Proprietary Limited

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited,
70 Marshall Street,
Johannesburg 2001





Transaction Capital

SANDHAVON OFFICE PARK, 14 PONGOLA CRESCENT, EASTGATE EXT, 17 SANDTON, 2199

PO BOX 41888, CRAIGHALL, 2024, REPUBLIC OF SOUTH AFRICA

TEL: +27 (0) 11 531 5485

FAX: +27 (0) 11 262 3713

www.transactioncapital.co.za