



Transaction Capital Limited
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE share code: TCP
ISIN: ZAE000167391
("Transaction Capital" or "the Group")

PRE-CLOSE TRADING UPDATE

On 25 and 26 March 2014, Transaction Capital will be holding meetings with analysts and investors ahead of its closed period for the half year ending 31 March 2014. This statement details the information that will be covered in those discussions.

No material changes have occurred subsequent to the SENS announcement released on 4 March 2014, *"Annual general meeting statement by the group chief executive officer and changes to the board."*

OPERATING 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, exchange rate related inflation eroded disposable income and labour unrest escalated. Further, the Monetary Policy Committee increased the repo interest rate by fifty basis points as of 30 January 2014, placing added pressure on the South African consumer. It is important to note that following the sale of Bayport, the group is less exposed to the consumer credit environment and the regulations pertaining thereto.

Regulatory uncertainty remains, as evidenced by the late changes to the National Credit Amendments Bill and the publically announced conflicting views between the Department of Trade and Industry and National Treasury. The lack of enforcement of existing law and regulation constitutes a significant threat to unsophisticated consumers and compliant lenders. Regulatory developments are closely monitored by the group and Transaction Capital participates in various industry bodies and interacts regularly with its regulators, with a view to gaining an early understanding of proposed legislation and appropriately positioning Transaction Capital for change.

OPERATIONAL PERFORMANCE OF CONTINUING OPERATIONS

Introduction

Transaction Capital started the 2014 financial year with a portfolio of assets substantially different from those reported on in the 2013 year and is well positioned to meet its organic and acquisitive growth targets represented at the time of listing. With one week to its conclusion, it is gratifying that Transaction Capital has made pleasing progress towards its strategic, operational and financial objectives in the first six months of the 2014 financial year.

Although there are sufficient opportunities organically to drive short to medium term growth within its existing operations, Transaction Capital continues to actively consider acquisitive growth opportunities.

Consistent with the prior year, the group's earnings is traditionally weighted to the second half of the year. Each of the divisions is performing in line with expectations regarding growth rates, with the following being the most notable developments.

Asset backed lending

SA Taxi – minibus taxi finance

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 aging 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, with new vehicle origination entirely comprised of Premium vehicles.

Recent strong collection trends have been encouraging, resulting in a credit loss ratio below 6%, while provision coverage continues to increase moderately.

SA Taxi's cost to income ratio has remained stable due to continued operational efficiencies. Rather than refurbish or refinance repossessed Entry Level vehicles, SA Taxi has decided to accelerate write-off and related insurance claims against these vehicles. This change has allowed for greater efficiencies in the repair and resale operations of Taximart, which now focuses exclusively on Premium vehicles.

Rand Trust – invoice discounting and commercial receivables management for SME's

The demand for working capital by small and medium enterprises continues to provide a compelling and growing opportunity for Rand Trust.

Although a small part of Transaction Capital's earnings and assets, Rand Trust continues to experience strong levels of book growth and improved earnings potential as added product

offerings, new clients and higher utilisation levels from existing clients have allowed the business to achieve greater economies of scale.

Credit services

MBD Credit Solutions – debt collection as agent and principal

As a market leader, the company remains a major beneficiary of the demand for high quality outsourced collections services, and credit providers' elevated propensity to realise value through the sale of late stage debtor's books. Despite the high volume of work available, collections and hence revenue remains subdued in the current credit consumer environment.

MBD Credit Solutions has strengthened its market leadership in receivables collections, as well as focusing on effective cost management. In line with our strategic objectives in this business and the advantageous book buying environment, acceleration in the purchase of distressed debts continued into the first half of the 2014 financial year. MBD Credit Solutions currently owns more than 140 principal book portfolios and is well positioned to lift collections during the remainder of 2014.

Principa – credit risk management consulting

The performance of Principa was in line with expectations. The Qarar joint venture in the Middle East is fully operational and our healthy relationship with FICO continues, evidenced by the renewal of our exclusive reseller agreement for a period of five years.

FUNDING AND CAPITAL ADEQUACY

The group remains adequately funded in terms of projected origination and cash requirement levels. Transaction Capital continues to enjoy support from its diverse debt funder base. The group balance sheet remains strong with a capital adequacy of 69% at 28 February 2014.

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

2014 INTERIM FINANCIAL RESULTS

Financial results for the six months ending 31 March 2014 will be released on SENS on Tuesday 6th May 2014.

The information contained in this announcement has not been reviewed by or reported on by Transaction Capital's external auditors.

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25 March 2014

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