Transaction Capital

AUDITED FINANCIAL RESULTS for the year ended 30 September 2012

TOTAL INCOME
↑ 20.6% TO R4 350m

NORMALISED HEADLINE EARNINGS
↑ 31.3% TO R424m

GROSS LOANS & ADVANCES
↑ 33.9% TO R9 758m

NON-INTEREST INCOME
↑ 16.7% TO R2 126m

NORMALISED HEADLINE EARNINGS PER SHARE
↑ 17.1% TO 81.6 CENTS

NAV PER SHARE
↑ 42.9% TO 496.5 CENTS

Consolidated income statement
for the year ended 30 September 2012

	Change %	2012 Audited Rm	2011 Audited Rm
Interest and other similar income	24.6	**2 224**	1 785
Interest and other similar expense	10.7	**(883)**	(798)
Net interest income	35.9	**1 341**	987
Impairment of loans and advances	30.7	**(740)**	(566)
Risk adjusted net interest income	42.8	**601**	421
Non-interest revenue	16.7	**2 126**	1 821
Operating costs	22.0	**(2 181)**	(1 788)
Profit before tax	20.3	**546**	454
Income tax expense	3.7	**(112)**	(108)
Profit from continuing operations	25.4	**434**	346
Loss from discontinued operations		**–**	(70)
Profit for the year	57.2	**434**	276
Basic earnings attributable to non-controlling equity holders	27.6	**33**	26
Basic earnings attributable to ordinary shareholders	60.4	**401**	250
Basic earnings per share from continuing operations	11.7	**77.3**	69.2
Diluted basic earnings per share from continuing operations	11.7	**77.3**	69.2
Headline earnings per share from continuing operations	12.2	**78.0**	69.6
Normalised headline earnings per share	17.1	**81.6**	69.7

Consolidated statement of comprehensive income
for the year ended 30 September 2012

	Change %	2012 Audited Rm	2011 Audited Rm
Profit for the year	57.2	**434**	276
Other comprehensive income		**–**	(3)
Movement in cash flow hedging reserve			
Fair value (losses)/gains arising during the year		**(6)**	1
Amount removed from other comprehensive income and recognised in the profit and loss		**4**	(4)
Deferred tax		**2**	–
Total comprehensive income for the period	59.0	**434**	273
Attributable to non-controlling equity holders	27.6	**33**	26
Attributable to ordinary shareholders	62.3	**401**	247

Headline earnings reconciliation
for the year ended 30 September 2012

	Change %	2012 Audited Rm	2011 Audited Rm
Group profit attributable to ordinary shareholders	60.4	**401**	250
Headline earnings adjustable items (deducted)/added			
Losses on disposal of properties and equipment		**2**	–
Impairment of goodwill		**3**	2
Capital loss on discontinued operations		**–**	45
Tax on headline earnings adjustments		**(1)**	–
Headline earnings	36.4	**405**	297
Trading loss on discontinued operations		**–**	26
Tax on headline earnings adjustments		**–**	(1)
Headline earnings from continuing operations	25.8	**405**	322
Listing costs		**19**	1
Normalised headline earnings	31.3	**424**	323

Consolidated statement of financial position
at 30 September 2012

	Change %	2012 Audited Rm	2011 Audited Rm
Assets			
Cash and cash equivalents	62.6	**1 132**	696
Tax receivables	(56.4)	**28**	64
Trade and other receivables	(18.3)	**410**	502
Inventories	30.1	**203**	156
Loans and advances	30.7	**8 780**	6 720
Purchased book debts	12.7	**347**	308
Other loans receivable	(0.9)	**228**	230
Intangible assets	(8.8)	**36**	40
Property and equipment	10.3	**308**	279
Goodwill	(0.3)	**927**	930
Deferred tax assets	(0.8)	**130**	131
Total assets	24.6	**12 529**	10 056
Liabilities			
Bank overdrafts	(13.5)	**158**	183
Tax payables	(11.7)	**13**	14
Trade and other payables	57.4	**858**	545
Provisions	67.4	**3**	2
Interest-bearing liabilities	11.8	**8 353**	7 469
Senior debt	17.2	**6 876**	5 867
Subordinated debt	(7.8)	**1 477**	1 602
Deferred tax liabilities	17.1	**156**	134
Total liabilities	14.3	**9 541**	8 347
Equity			
Ordinary share capital and premium	97.3	**1 792**	908
Reserves	6.7	**(3)**	(3)
Retained earnings	52.1	**1 112**	731
Equity attributable to ordinary equity holders of the parent	77.3	**2 901**	1 636
Non-controlling interests	19.2	**87**	73
Total equity	74.8	**2 988**	1 709
Total equity and liabilities	24.6	**12 529**	10 056

Condensed consolidated statement of cash flows
for the year ended 30 September 2012

	2012 Audited Rm	2011 Audited Rm
Net cash (utilised)/generated by operating activities	**(255)**	176
Net cash utilised by investing activities	**(133)**	(32)
Net cash raised/(utilised) by financing activities	**849**	(14)
Net increase in cash and cash equivalents	**461**	130
Cash and cash equivalents at beginning of the year	**513**	383
Cash and cash equivalents at end of the year	**974**	513

Condensed segment report

	Asset-backed lending 2012 Rm	Asset-backed lending 2011 Rm	Unsecured lending 2012 Rm	Unsecured lending 2011 Rm	Credit services 2012 Rm	Credit services 2011 Rm	Payment services 2012 Rm	Payment services 2011 Rm	Corporate support 2012 Rm	Corporate support 2011 Rm	Total group 2012 Rm	Total group 2011 Rm
Condensed income statement for the year ended 30 September 2012												
Net interest income	552	494	809	524	4	(8)	(7)	–	(17)	(23)	**1 341**	987
Impairment of loans and advances	(245)	(242)	(494)	(323)	(1)	–	–	–	–	(1)	**(740)**	(566)
Non-interest revenue	191	156	724	609	769	632	467	428	(25)	(4)	**2 126**	1 821
Total operating costs	(333)	(271)	(805)	(616)	(652)	(533)	(397)	(378)	6	10	**(2 181)**	(1 788)
Profit/(loss) before tax	165	137	234	194	120	91	63	50	(36)	(18)	**546**	454
Normanlised headline earnings	133	109	166	138	88	61	43	37	(6)	(22)	**424**	323
Services: EBITDA					125	108	129	107				
Net interest margin (%)	12.1	11.8	21.2	21.0							**15.9**	14.5
Cost to income (%)	44.8	41.6	52.5	54.3	84.4	85.5	86.3	88.3			**62.9**	63.7
Number of employees	555	411	1 179	964	2 518	2 518	389	369	56	43	**4 697**	4 305
Condensed statement of financial position at 30 September 2012												
Assets												
Cash and cash equivalents	528	182	270	131	88	48	154	125	92	210	**1 132**	696
Loans and advances	4 801	4 011	3 920	2 633	59	–	–	–	–	76	**8 780**	6 720
Purchased book debts	–	–	–	–	347	308	–	–	–	–	**347**	308
Other assets and receivables	386	490	809	759	255	184	302	276	518	623	**2 270**	2 332
Total assets	5 715	4 683	4 999	3 523	749	540	456	401	610	909	**12 529**	10 056
Liabilities												
Bank overdrafts	137	180	–	–	–	–	21	3	–	–	**158**	183
Interest-bearing liabilities	4 468	3 891	3 229	2 448	140	71	67	91	449	968	**8 353**	7 469
Senior debt	4 103	3 467	2 566	1 947	140	71	67	91	–	291	**6 876**	5 867
Subordinated debt	365	424	663	501	–	–	–	–	449	677	**1 477**	1 602
Group	410	197	469	285	22	–	–	–	(901)	(482)	**–**	–
Other liabilities and payables	267	155	254	144	257	185	205	168	47	43	**1 030**	695
Total liabilities	5 282	4 423	3 952	2 877	419	256	293	262	(405)	529	**9 541**	8 347
Total equity	433	260	1 047	646	330	284	163	139	1 015	380	**2 988**	1 709
Return on average assets (ROA) (%)	2.5	2.4	4.6	5.1	12.4	12.2	12.6	9.7			**3.8**	3.6
Return on average equity (ROE) (%)	39.3	53.9	23.2	24.2	28.9	22.4	30.5	23.6			**18.6**	21.9
Capital adequacy ratio (%)	22.2	18.5	40.5	32.0	47.8	51.3	54.0	50.2			**33.8**	28.2
Average cost of borrowings (%)	11.2	11.1	11.7	12.8	9.5	9.0	7.9	9.0			**11.0**	11.2
Credit loss ratio (%)	5.4	5.8	13.0	13.0							**8.8**	8.3
Provision coverage (%)	4.7	4.1	16.6	12.9							**10.5**	7.8
Non-performing loan ratio (%)	30.7	26.6	30.6	24.3							**30.4**	25.4
Non-performing loan coverage (%)	15.5	15.5	54.3	53.1							**34.4**	30.8

Condensed consolidated statement of changes in equity
for the year ended 30 September 2012

	Share capital and premium Rm	Cash flow hedging reserve Rm	Retained earnings Rm	Ordinary shareholders' equity Rm	Non-controlling interests Rm	Total equity Rm
Balance at 30 September 2010	834	–	500	1 334	44	**1 378**
Total comprehensive income	–	(3)	250	247	26	**273**
Profit for the year	–	–	250	250	26	**276**
Other comprehensive income	–	(3)	–	(3)	–	**(3)**
Dividends paid	–	–	–	–	(14)	**(14)**
Transactions with non-controlling equity holders	–	–	(19)	(19)	17	**(2)**
Issue of shares	134	–	–	134	–	**134**
Repurchase of shares	(23)	–	–	(23)	–	**(23)**
Distributions from share premium	(37)	–	–	(37)	–	**(37)**
Balance at 30 September 2011	908	(3)	731	1 636	73	**1 709**
Total comprehensive income	–	–	401	401	33	**434**
Profit for the year	–	–	401	401	33	**434**
Dividends paid	–	–	–	–	(4)	**(4)**
Transactions with non-controlling equity holders	–	–	(20)	(20)	(15)	**(35)**
Issue of shares	913	–	–	913	–	**913**
Repurchase of shares	(11)	–	–	(11)	–	**(11)**
Share issue costs	(18)	–	–	(18)	–	**(18)**
Balance at 30 September 2012	1 792	(3)	1 112	2 901	87	**2 988**

Basis for preparation

The audited consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the AC 500 standards, the JSE Limited Listings Requirements, the going concern principle and the requirements of the South African Companies Act, 71 of 2008. The abridged financial statements are presented in accordance with IAS 34 and the Listings Requirements.

The accounting policies and their application are consistent, in all material respects, with those detailed in Transaction Capital's prior year annual financial statements, except for the adoption on 1 October 2011 of those new and amended statements and interpretations of IFRS listed in Transaction Capital's 2012 annual financial statements with effective dates for Transaction Capital of 1 October 2011.

The adoption of the new and amended statements of IFRS, interpretations of statements of IFRS had no material effect on the group's financial results.

These condensed financial results have been prepared under the supervision of D M Hurwitz, Chief financial officer.

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 • **Taxation 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)**, Mark Lamberti *(Chief executive officer)*, David Hurwitz, Jonathan Jawno, Steven Kark, Phumzile Langeni*, Brenda Madumise*, Michael Mendelowitz, Cedric Ntumba*, Roberto Rossi, Dumisani Tabata*, David Woollam*, Shaun Zagnoev** *(*Independent non-executive) (**Non-executive)* • **Company secretary:** P J Katzenellenbogen • **Auditors:** Deloitte & Touche • **Sponsor:** Deutsche Securities (SA) Proprietary Limited
Transfer secretaries: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001

Group performance

Transaction Capital is pleased to present its maiden results as a public company.

The year ended 30 September 2012 saw substantial progress towards the group's strategic, structural, organisational and operating objectives, culminating in a financial performance slightly ahead of expectations:

- **gross loans and advances grew 33.9% to R9 758 million;**
- **total income grew 20.6% to R4 350 million;**
- **non-interest revenue grew 16.7% to R2 126 million;**
- **basic earnings grew 60.4% to R401 million, whilst basic earnings per share grew 42.9% to 77.3 cents;**
- **headline earnings grew 36.4% to R405 million, whilst normalised headline earnings grew 31.3% to R424 million;**
- **normalised headline earnings per share grew 17.1% to 81.6 cents;**
- **resulting from the raising of R870 million of equity prior to and during the Initial Public Offering, the group's capital adequacy at year end was 33.8%, with a consequent decline in ROE from 21.9% to 18.6%; and**
- **NAV per share increased 42.9% from 347.4 cents to 496.5 cents.**

Environment

South Africa experienced a decline in economic growth through 2012 in concert with the global economic slowdown and in particular that of Europe, still a major trading partner. As the financial year drew to a close, the country's heightened socio-economic risk was reflected in downgrades of South Africa's sovereign credit ratings by Moody's and Standard and Poor's.

In contrast the consumer economy, reflected in solid retail and motor vehicle sales, was buoyed by real wage growth, the lowest interest rates in over 30 years, and a growth in credit extension to households.

The latter, particularly with regard to the rapid rate of unsecured lending growth, gave rise to commentary by the Reserve Bank, the Ministry of Finance and the National Credit Regulator voicing concerns about over indebtedness. This culminated in the Minister of Finance and the Banking Association of South Africa issuing a joint statement on October 19th regarding responsible conduct for bank lending and the provision of associated products and services. Transaction Capital has formally communicated its concurrence with the tenor and direction of this statement, which is entirely consistent with Transaction Capital's commitment to responsible market conduct within the letter and spirit of all laws and regulations.

Notwithstanding a challenging socio-economic environment and aggressive competitive activity – most evident in high marketing expenditures and product innovation – the demand for the specialised financial products and services offered by Transaction Capital remained strong.

Financial performance

Transaction Capital's normalised headline earnings for the year ended 30 September 2012 increased by R101 million or 31.3% to R424 million. The result was the combination of revenue growth and cost containment from all divisions.

Net interest income grew by 35.9% to R1 341 million. The group improved its net interest margin from 14.5% to 15.9% due to an enhanced yield on gross advances as the weighting of loans and advances shifted towards higher interest rate unsecured loans. Actual cost of debt reduced with the increased weighting of equity capital.

The increase in the group's credit loss ratio from 8.3% to 8.8%, is purely as a result of the increased weighting of higher credit risk unsecured loans in the composition of total loans and advances, with unsecured lending having a higher credit loss ratio than asset-backed lending.

Non-interest income grew year-on-year by 16.7% to R2 126 million due to:

- growth in loans and advances of 30.7%, which drove fee and commission income (15.5% growth) as well as insurance related income (52.8% growth); and
- purchased book revenue within credit services grew by 23.9%, driven mainly by the growth in purchased book debts of 12.7% to R347 million and the efficiency created via debit order and other collection strategies.

Total expenses grew by 22.0% to R2 181 million for the year. This was as a result of both an increase in assets in the lending divisions, and revenue generating activities in the services divisions. The cost to income ratio improved to 62.9% from 63.7% a year ago. The improvement is the result of a further shift in the group's operations to lending, which has a lower cost to income ratio than the cost intensive services divisions. There was no significant change in the composition of the group's costs although some cost efficiencies were realised from the investment in systems and process upgrades.

In line with international trends, Transaction Capital began restructuring its capital away from subordinated debt towards equity. The R400 million of equity raised during the June 2012 Initial Public Offering ("IPO") was preceded by two pre-IPO capital raising transactions, raising R238 million of equity, and the conversion of R232 million of convertible debt to equity, increasing equity R870 million in total. At year-end, the group was favourably capitalised, with a capital adequacy ratio of 33.8%.

Strategic progress

Transaction Capital has two strategic objectives: the competitive positioning of each business unit within its chosen market segment; and the creation of value arising from the composition and capabilities of the group.

Progress with the first objective is reflected in the operational highlights below. Progress with the second entailed the following major initiatives resulting from the implementation of the group's five strategic thrusts, described fully in Transaction Capital's Pre-Listing Statement of June 2012:

- strengthening of the board with the appointment of Messrs Woolam, Hurwitz and Ntumba;
- continued investment group wide in the appointment and development of executive leadership;
- substantial capital and operating expenditure in technology;
- intra-group value creation through collaboration, shared services and intercompany transactions; and
- the facilitation of more than R3.9 billion of debt capital from 14 debt investors.

Operational highlights

Asset Backed Lending – SA Taxi, Rand Trust

Dominated by SA Taxi, the division increased normalised headline earnings by 22.0% to R133 million from a 19.9% growth in gross loans and advances to R5.0 billion.

SA Taxi is a specialist financier of mini-bus taxis to SMEs. Credit quality continues to improve with the bias towards the financing of premium vehicles. The division's non-performing loan ratio increased from 26.6% to 30.7%, while the provision coverage was strengthened from 4.1% to 4.7% and the credit loss ratio declined from 5.8% to 5.4%. The company has invested heavily in the improved efficiency of Taximart, a full service refurbishment facility established to curb credit losses by enhancing the value realised on the resale of repossessed vehicles.

Rand Trust is a niched provider of receivables discounting and commercial debtor management to SMEs. The company produced a solid growth of both loans and advances and net interest income, with headline earnings growing at a much lower rate off a modest base as a result of investment for growth.

Unsecured Lending – Bayport

Bayport is a provider of unsecured personal loans to middle market consumers. The division invested heavily in people and infrastructure; increasing normalised headline earnings 20.3% to R166 million from a 54.6% growth in gross loans and advances to R4.7 billion. The company maintained a stable credit loss ratio of 13.0%, and while the non-performing loan ratio increased from 24.3% to 30.6%, provision coverage was strengthened from 12.9% to 16.6%.

Bayport continues to grow cautiously, using its unique agent distribution model to target client and employer segments, while actively monitoring credit quality, loan size and term.

The earnings of the Credit Services and Payment Services divisions remain of a high quality, as evidenced by the strong EBITDA generation which increased by 18.1% to R254 million.

Credit Services – MBD Credit Solutions and Principa Decisions (previously PIC Solutions)

The division increased normalised headline earnings by 44.3% to R88 million, achieving significant growth in revenue from the collection of purchased book debts and efficient collection strategies. Earnings were enhanced by sound cost and productivity management.

MBD Credit Solutions collects non-performing consumer and commercial debt on behalf of South Africa's leading credit providers and as principal. The company grew via the acquisition of, and revenue generated from, the collection of purchased book debts, resulting in the opening of a ninth call centre located in central Johannesburg. Its capabilities were further enhanced by the acquisition of two small businesses from within the group pursuant to the simplification of structures.

Principa Decisions produced an excellent result, enhanced by the turnaround of the Middle East operation, and the conclusion of a joint venture with Simah, the leading Saudi credit bureau.

Payment Services – Paycorp

Paycorp comprises ATM Solutions, which owns, installs, operates and maintains a fleet of off-site ATMs in South Africa and Namibia, and DrawCard, an early stage prepaid debit card issuing business. The division grew normalised headline earnings by 16.2% to R43 million.

The active ATM fleet grew moderately by 7.6% to 4 381 machines, which represents an estimated 16% market share of the total number of ATMs in South Africa. The uptime of the network continued to perform at the highest levels, while the relocation of ATMs from underperforming sites to better locations resulted in increased transaction volumes and values. Various successful initiatives undertaken by management to improve efficiencies and contain cost included measures to address ATM vandalism and cash in transit costs.

Prospects

Transaction Capital is pleased with the strategic and operating progress of recent years and particularly pleased with the step change in organisational maturity pursuant to the listing of the group. Improved governance, risk management and predictability are the consequence.

To date the competitive strategies, business models, organisation design and human capabilities of Transaction Capital are proving to be resilient and relevant in the carefully selected segments in which the group operates. We will continue to invest wherever necessary in pursuit of sustainable quality earnings growth.

Dividend declaration

In line with the stated dividend policy of 4-5 times cover, the board has declared a final gross cash dividend of 9 cents per share net of dividend withholding tax, where applicable, for the six months ended 30 September 2012 (the dividend period), to those members recorded in the register of members on the record date, appearing below. The dividend is declared out of income reserves. The company has utilised STC credits to the value of 9 cents per share to offset the 15% withholding tax, in full resulting in a net dividend of 9 cents per share to those shareholders who are not exempt from dividends tax. The company has a further R116 million of STC credits available. The salient features applicable to the final dividend are as follows:

Issued shares as at declaration date	584 304 184
Declaration date	Thursday 29 November 2012
Last day to trade *cum* dividend	Thursday 13 December 2012
First day to trade *ex* dividend	Friday 14 December 2012
Record date	Friday 21 December 2012
Payment date	Monday 24 December 2012

Share certificates may not be dematerialised or rematerialised between Friday, 14 December 2012, and Friday, 21 December 2012, both dates inclusive.

On Monday, 24 December 2012, 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 24 December 2012 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, 24 December 2012.

Subsequent events

No events have taken place between 30 September 2012 and the date of the release of this report, which would have a material impact on either the financial position or operating results of the group.

On behalf of the board of directors:

M J Lamberti
Chief executive officer

D M Hurwitz
Chief financial officer

29 November 2012

Auditor's opinion

The group's external auditors have issued their opinion on the group's financial statements for the year ended 30 September 2012. The audit was performed in accordance with International Standards on Auditing. They have issued an unmodified audit opinion.

These condensed results have been derived from the group audited annual financial statements and are consistent in all material respects, with the annual financial statements. A copy of the external audit report is available for inspection at the company's registered office. Any reference to future financial performance and operational information included in this announcement, has not been audited or reported on by the group's external auditors.

The auditor's report does not necessarily cover all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the company.