

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

## TRANSACTION CAPITAL

### UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED 31 MARCH 2015

#### HIGHLIGHTS

- Continuing headline earnings per share up 22% to 31.1 cents
- Continuing headline earnings up 20% to R177 million
- Continuing return on average equity up to 11.9% from 9.4%
- Continuing return on average assets up to 3.7% from 3.2%
- Continuing gross loans and advances up 15% to R7 056 million
- Non-performing loan ratio improved to 24.3% from 28.6%
- Credit loss ratio improved to 4.8% from 5.3%
- Non-interest revenue up 10% to R573 million
- Interim dividend up 67% to 10 cents per share

#### COMMENTARY

#### OVERVIEW

During the first half of the 2015 financial year, Transaction Capital reconstituted its divisions to support its strategic objectives. The reconstituted portfolio consists of two divisions of scale, being asset-backed lending and risk services, both with leading market positions. Transaction Capital is pleased with the current composition of its portfolio and the defensive positioning of its divisions, which enables it to prosper despite South Africa's challenging macro-and socio-economic context.

It is thus gratifying that Transaction Capital has made strong progress towards its strategic, operational and financial objectives in the first half of the 2015 financial year. Transaction Capital has performed ahead of expectations, achieving continuing earnings per share growth of 22%, whilst also reporting an improvement in all credit metrics.

#### OPERATING ENVIRONMENT

South Africa's economic growth remains constrained, exacerbated by factors such as the under supply of electricity, increased electricity costs and little or no improvement in employment levels or real wage growth. Encouragingly, interest rates have remained stable and the reduced fuel price has eased financial pressure on businesses and consumers, including those in the small-to-medium enterprise (SME) sectors. The full effect of this benefit may be short-lived given the recent fuel price increases and inflationary currency weakness. The combined effect of these conditions results in pressure on the economy as a whole, with both the consumer and the SME sectors of the South African economy remaining vulnerable.

This depressed consumer economy does, however, provide Transaction Capital's risk services division with substantial opportunity to take advantage of its strong market position and reputation, as its client base displays increased demand for structured and complex credit risk management and capital solutions to better manage credit and operational risks, reduce costs, simplify processes, raise capital and improve working capital cash flow. Furthermore, the replacement of the aging national minibus taxi fleet continues to create a robust demand for the finance and vehicles provided by SA Taxi. In addition, commuters' use of minibus taxis has remained consistent while the reduced fuel price benefit is captured within the minibus taxi industry itself, providing SA Taxi's customers with additional disposable income. While both the asset-backed lending and risk services divisions perform better in a positive economic environment, they are also highly defensive businesses which are still able to thrive under difficult conditions as is evidenced by the improving half year financial performance.

The regulatory environment has stabilised somewhat. Legislation containing amendments to the National Credit Act has now been enacted and all of the group's business processes are aligned for the changes.

#### FINANCIAL PERFORMANCE

Transaction Capital's continuing operations delivered pleasing results ahead of expectations, despite challenging market conditions.

Headline earnings grew by 20% from R148 million to R177 million. Net interest income increased by 13% to R448 million, driven by a 15% growth in gross loans and advances to R7 056 million although offset in part by a higher average cost of borrowing of 10.8% from 10.3% the year before. Non-interest revenue increased by 10% to R573 million, mostly driven by MBD's improved agency and principal book collections. The cost-to-income ratio has remained stable at 62.3% (61.9% for the comparative period).

In line with Transaction Capital's strategy to grow gross loans and advances in the mid-teens while focusing on credit quality, the group achieved gross loans and advances growth of 15%, while reducing the Rand value of non-performing loans (NPLs), thus improving the credit quality of loans and advances. Consequently, the group NPL ratio showed significant improvement reducing from 28.6% to 24.3% as a result of effective collection strategies, stricter credit origination criteria and a decrease in repossessed stock held via the accelerated write-off of entry-level stock.

Return on average equity increased by 27% from 9.4% last year to 11.9% in the current period driven by the increase in earnings, efficient capital deployment, as well as the improved capital structure following the capital distribution of R1.2 billion in March 2014.

Transaction Capital's equity and debt capital position remains robust with a capital adequacy level of 45.4% and uninterrupted access to the debt capital markets.

## OPERATIONAL HIGHLIGHTS AND PROSPECTS

### Asset-backed lending - SA Taxi

The asset-backed lending division operates as an unconventional asset-backed lender, currently focusing predominantly on the financing of independent SMEs mainly in the minibus taxi industry, but with the intention to expand into other unconventional adjacent markets or asset classes.

The division increased headline earnings by 34% to R99 million from R74 million in the prior year, by way of a 14% increase in gross loans and advances, a 3% increase in the impairment expense due to the improved credit quality of its loans and advances and a continuing diversification of its revenue streams.

SA Taxi's growth in gross loans and advances has stabilised at 14% as new vehicle origination is now entirely comprised of premium vehicles with credit-lending criteria remaining conservative. The exposure to entry-level vehicles continues to decrease resulting in improving credit quality for the remaining portfolio.

The credit loss ratio has improved by 9% from 5.6% to 5.1%, again well within SA Taxi's 6% upper tolerance level. Recovery rates remain stable at approximately 70%, owing to the nature of the loan which is secured by an asset of value which is enhanced through the Taximart refurbishment operation, further differentiating SA Taxi from its competitors. The efficiency of the procurement, repair and resale operations of Taximart (now one of the largest Toyota repair centres in Southern Africa) assists in maintaining these low levels of ultimate credit loss.

Continued strong collection trends, together with the accelerated write-off of entry-level repossessed stock and the improved quality of repossessed vehicles produced by Taximart, has resulted in an improved NPL ratio of 26.0% from 30.4% at 31 March 2014.

The net interest margin has remained stable at a healthy level of 11.5%, while the cost of borrowing increased slightly from 9.7% to 10.3% due to the recent focus on raising offshore funding which is priced more expensively.

Although not in the period under review, SA Taxi returned to the local debt capital markets during April 2015 via a second issuance of credit rated debt instruments by the asset-backed note programme of Transsec (RF) Limited. The targeted R528 million of capital was successfully placed on a private basis at a weighted average cost of funding of 285 basis points (bps) above 3 month JIBAR. While being moderately more expensive than the June 2014 Transsec (RF) Limited issuance, the rate is still approximately 150bps lower than SA Taxi's average cost of funding. Despite the challenging local debt capital market environment, the favourable terms of this transaction constitute, in part, an acknowledgement by our local institutional debt investors of the significant strides made by SA Taxi in enhancing its unique business model.

The division continues to entrench its dominant market position encompassing the entire value chain within the minibus taxi industry. This is achieved by augmenting its distinctive competencies well beyond credit assessment, collections and capital mobilisation and management. SA Taxi continues to uplift, diversify and enhance its revenue via the procurement and direct sales of new vehicles, the re-sale of refurbished vehicles and vehicle tracking services. Another key component of the value chain from which SA Taxi benefits is its short-term insurance business which continues to grow both its financed and non-financed policy portfolios.

SA Taxi is also using its expertise to create defensible positions within identified adjacent market segments, financing asset classes such as bakkies utilised by SMEs as income producing assets. Loans and advances in this regard have grown to R81.2 million, with debt capital as well as equity now financing this portfolio. In addition to this product line, Transaction Capital has allocated R50 million towards SA Taxi's introduction of a pilot project to fund bakkies utilised by consumers for utility purposes.

SA Taxi's cost-to-income ratio has increased slightly from 41.8% for the comparative period, but remains lean at 43.2%, mainly due to the investment into SA Taxi's short-term insurance business.

The lower effective tax rate is sustainable in the long term due to the receipt of post-tax dividend income from the insurance cell captive.

### Risk services - Rand Trust, MBD and Principa

The newly established risk services division is a provider of a comprehensive range of structured credit risk management, debtor management, data management, collection, customer engagement, call centre and capital solutions to South Africa's largest credit providers, focusing predominantly on the consumer credit life cycle as well as commercial solutions for SMEs.

The risk services division will entrench its market position by augmenting and combining its distinctive competencies across the companies in the division. As with the asset-backed lending division, the intention is to enhance and broaden its value proposition thereby deepening its penetration into the market. In addition, the division will leverage its core skill set to access adjacent market segments, such as the public, insurance and commercial sectors.

The reconstitution of this division has yielded the desired results, with headline earnings increasing by 20% to R61 million. Non-interest revenue increased by 14% from R401 million to R457 million as the risk services division continues to make good progress with its existing and new agency clients, with further benefits being realised from historical and recent investments including traditional principal books as well as structured capital transactions, funded with Transaction Capital equity. A continued focus on effective cost management has resulted in an improved cost-to-income ratio of 82.4%.

Despite the challenging consumer environment, MBD achieved strong results in the first half of the current year, following on from the improved earnings growth achieved in the second half of the previous financial year.

The business continues to make progress within the municipal sector, gaining further traction within existing and new municipal clients. Many of these municipal clients display an increased demand for credit risk management and capital solutions to better manage credit and operational risks, reduce costs, simplify processes, improve operational infrastructure, facilitate skills transfer, raise capital and improve working capital cash flow.

Rand Trust participates in the depressed and hence challenging SME sector of the South African economy. Rand Trust applies its credit and collections expertise, operational capacity, experience and capital to the SME market, which is displaying an increased demand for working capital finance and commercial debtor management solutions.

Rand Trust experienced growth of 37% in gross loans and advances, yielding improved earnings and allowing the business to achieve greater economies of scale. As the business targets larger clients in an expanded geographic region with new tailor-made product offerings aimed at improving the value proposition to clients and extending the client's life cycle with Rand Trust, management is applying the necessary caution to mitigate any resultant credit and operational risk.

#### Group executive office

The group executive office structure has been simplified, with most group office functions being devolved into the businesses or reduced, enabling cost savings. Total costs have reduced significantly compared to prior year. However, earnings have reduced due to lower recoveries being earned from group subsidiaries, following the disposal of Bayport and Paycorp in the first half of the 2014 financial year.

#### STRATEGY

Transaction Capital is pleased with the current composition of its portfolio and the defensive positioning of its divisions, which enables it to prosper despite the South Africa's challenging macro-and socio-economic context. Transaction Capital thus remains committed to investing in the organic and acquisitive growth of its asset-backed lending and risk services divisions, to further enhance their scale and entrench their leading market positions. These businesses operate in market segments of the financial services sector perceived to be of higher risk that require distinctive or specialised competencies, and have thus historically been under-served.

Transaction Capital will continue to enhance the competitive positioning of its businesses within their chosen market segments, thereby generating societal and stakeholder value. Transaction Capital's strategy is to augment and refine its distinctive competencies to achieve deep vertical integration within its chosen market segments, as well as to leverage its distinctive competencies to create defensible positions within identified adjacent market segments.

#### PROSPECTS

Transaction Capital believes that the current level of performance and growth is sustainable in the medium term. This statement is based on the assumptions set out under the operational highlights given above, and is the sole responsibility of the directors. Against the backdrop of a low growth South African economy with many challenges coupled with asset values which are at historically elevated levels, the attractive risk adjusted returns being achieved organically from Transaction Capital's established businesses with highly defensible market positions has led management to be particularly circumspect in its acquisitive search.

In the interim the group continues to invest significantly in both organic capital deployment opportunities as well as human capital and intellectual property which could further enhance future organic growth prospects.

The financial information on which this prospects statement is based has not been reviewed or reported on by the Group's external auditors.

#### DIVIDEND DECLARATION

In line with the stated dividend policy of 3 to 4 times, the board has declared an interim gross cash dividend of 10 cents per share for the six months ended 31 March 2015, 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 from the dividend withholding tax, resulting in a net dividend of 8.50 cents per share. The salient features applicable to the final dividend are as follows:

Issued shares as at declaration date	569 629 247
Declaration date	Tuesday 5 May 2015
Last day to trade cum dividend	Friday 29 May 2015
First day to trade ex dividend	Monday 1 June 2015
Record date	Friday 5 June 2015
Payment date	Monday 8 June 2015

Share certificates may not be dematerialised or rematerialised between Monday, 1 June 2015 and Friday, 5 June 2015, both dates inclusive.

On Monday, 8 June 2015 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 8 June 2015 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, 8 June 2015.

#### BASIS FOR PREPARATION

The results of the group for the half year ended 31 March 2015 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 Listings Requirements, the going concern principle and the requirements on 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 details 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                      M D Herskovits  
Chief executive officer          Chief financial officer

5 May 2015

#### SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 31 March 2015

	2015 Unaudited Rm	2014 Unaudited Rm	Change %
<b>Assets</b>			
Cash and cash equivalents	698	1 243	(44)
Tax receivables	14	25	(44)
Trade and other receivables	783	506	55
Inventories	16	1	>100
Loans and advances	6 715	5 820	15
Purchased book debts	604	561	8
Other loans receivable	297	311	(5)
Equity accounted investments	6	7	(14)
Other investments	342	158	>100
Intangible assets	18	15	20
Property and equipment	53	48	10
Goodwill	197	192	3
Deferred tax assets	97	102	(5)
<b>Total assets</b>	<b>9 840</b>	<b>8 989</b>	<b>9</b>
<b>Liabilities</b>			
Bank overdrafts	2	107	(98)
Tax payables	16	12	33
Trade and other payables	244	245	(0)
Provisions	14	15	(7)
Interest-bearing liabilities	6 243	5 556	12
Senior debt	5 118	4 209	22
Subordinated debt	1 125	1 347	(16)
Deferred tax liabilities	190	190	0
<b>Total liabilities</b>	<b>6 709</b>	<b>6 125</b>	<b>10</b>
<b>Equity</b>			
Ordinary share capital and premium	483	505	(4)
Reserves	116	122	(5)
Retained earnings	2 504	2 237	12
Equity attributable to ordinary equity holders of the parent	3 103	2 864	8
Non-controlling interests	28	–	100
<b>Total equity</b>	<b>3 131</b>	<b>2 864</b>	<b>9</b>
<b>Total equity and liabilities</b>	<b>9 840</b>	<b>8 989</b>	<b>9</b>

SUMMARISED CONSOLIDATED INCOME STATEMENT  
for the half year ended 31 March 2015

	2015 Unaudited Rm	2014 Unaudited Rm	Change %
Interest and other similar income	781	675	16
Interest and other similar expense	(333)	(280)	19
Net interest income	448	395	13
Impairment of loans and advances	(165)	(161)	2
Risk adjusted net interest income	283	234	21
Non-interest revenue	573	523	10
Operating costs	(636)	(568)	12
Non-operating profit	2	-	100
Equity accounted earnings	(1)	3	(>100)
Profit before tax	221	192	15
Income tax expense	(42)	(44)	(5)
Profit from continuing operations	179	148	21
Profit from discontinued operations	-	607	(100)
Profit for the period	179	755	(76)
Attributable to non-controlling equity holders	2	-	100
Attributable to ordinary equity holders of the parent	177	755	(77)
Basic earnings per share	31.1	130.3	(76)
Diluted basic earnings per share	30.9	130.3	(76)
Headline earnings per share	31.1	29.1	7
Headline earnings per share - continuing operations	31.1	25.5	22
Headline earnings per share - discontinued operations	-	3.6	(100)

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
for the half year ended 31 March 2015

	2015 Unaudited Rm	2014 Unaudited Rm	Change %
Profit for the period	179	755	(76)
Other comprehensive income	11	(16)	
Fair value (losses)/gains arising on the cash flow hedge during the period	(3)	1	(>100)
Fair value gains/(losses) arising on valuation of available-for-sale investment	14	(17)	(>100)
Total comprehensive income for the period	190	739	(74)
Attributable to non-controlling equity holders	2	-	100
Attributable to ordinary equity holders of the parent	188	739	(75)

SUMMARISED HEADLINE EARNINGS RECONCILIATION  
for the half year ended 31 March 2015

	2015 Unaudited Rm	2014 Unaudited Rm	Change %
Profit attributable to ordinary equity holders of the parent	177	755	(77)
Headline earnings adjustable items added	-	(586)	(100)
Profit on sale of subsidiary companies net of de-grouping tax payable	-	(586)	(100)
Headline earnings	177	169	5
Less: Headline earnings from discontinued operations	-	(21)	(100)
Headline earnings from continuing operations	177	148	20

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the half year ended 31 March 2015

	Share capital and premium	Other reserves	Retained earnings	Ordinary shareholders equity	Non- controlling interests	Total equity
Balance at 31 March 2014	505	122	2 237	2 864	-	2 864
Total comprehensive income	-	(32)	182	150	-	150
Profit for the period	-	-	182	182	-	182
Other comprehensive income for the period	-	(32)	-	(32)	-	(32)
Dividends paid	-	-	(35)	(35)	-	(35)
Grant of share appreciation rights	-	6	-	6	-	6
Repurchase of treasury shares	(22)	-	-	(22)	-	(22)
Balance at 30 September 2014	483	96	2 384	2 963	-	2 963
Total comprehensive income	-	11	177	188	2	190
Profit for the period	-	-	177	177	2	179
Other comprehensive income for the period	-	11	-	11	-	11
Dividends paid	-	-	(57)	(57)	-	(57)
Transactions with non-controlling equity holders	-	-	-	-	26	26
Grant of share appreciation rights	-	9	-	9	-	9
Balance at 31 March 2015	483	116	2 504	3 103	28	3 131

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS  
for the half year ended 31 March 2015

	2015 Unaudited Rm	2014 Unaudited Rm	Change %
Net cash utilised by operating activities	(539)	(124)	(>100)
Net cash (utilised)/generated by investing activities	(9)	2 312	(>100)
Net cash utilised by financing activities	-	(1 274)	>100
Net (decrease)/increase in cash and cash equivalents	(548)	914	(>100)
Cash and cash equivalents at the beginning of the period	1 244	671	85
Less: Cash and cash equivalents at the beginning of the period relating to discontinued operations	-	(449)	>100
Cash and cash equivalents at the beginning of the period from continuing operations	1 244	222	>100
Cash and cash equivalents at the end of the period relating to continuing operations	696	1 136	(39)

## SUMMARISED SEGMENT REPORT

	Asset-backed lending		Risk services		Group executive office		Group - continuing		Discontinued operations		Group	
	2015 Unaudited Rm	2014 Unaudited Rm	2015 Unaudited Rm	2014 Unaudited Rm	2015 Unaudited Rm	2014 Unaudited Rm	2015 Unaudited Rm	2014 Unaudited Rm	2015 Unaudited Rm	2014 Unaudited Rm	2015 Unaudited Rm	2014 Unaudited Rm
Condensed income statement for the half year ended 31 March 2015												
Net interest income	368	322	32	27	48	46	448	395	-	-	448	395
Impairment of loans and advances	(163)	(158)	(2)	(3)	-	-	(165)	(161)	-	-	(165)	(161)
Non-interest revenue	113	104	457	401	3	18	573	523	-	-	573	523
Operating costs	(208)	(177)	(403)	(359)	(25)	(32)	(636)	(568)	-	-	(636)	(568)
Non-operating profit	-	-	2	-	-	-	2	-	-	-	2	-
Equity accounted earnings	-	-	(1)	3	-	-	(1)	3	-	-	(1)	3
Profit before tax	110	91	85	69	26	32	221	192	-	-	221	192
Impact of classification to held for sale	-	-	-	-	-	-	-	-	-	11	-	11
Headline earnings from discontinued operations attributable to equity holders of the parent	-	-	-	-	-	-	-	-	-	10	-	10
Headline earnings attributable to equity holders of the parent - continuing operations	97	74	61	51	19	23	177	148	-	-	177	148
Total headline earnings attributable to equity holders of the parent	97	74	61	51	19	23	177	148	-	21	177	169
Condensed statement of financial position at 31 March 2015												
Assets												
Cash and cash equivalents	258	134	72	62	368	1 047	698	1 243	-	-	698	1 243
Loans and advances	6 256	5 471	459	349	-	-	6 715	5 820	-	-	6 715	5 820
Purchased book debts	-	-	604	561	-	-	604	561	-	-	604	561
Other investments	342	158	-	-	-	-	342	158	-	-	342	158
Other assets and receivables	973	536	340	294	168	377	1 481	1 207	-	-	1 481	1 207
Total assets	7 829	6 299	1 475	1 266	536	1 424	9 840	8 989	-	-	9 840	8 989
Liabilities												
Bank overdrafts	-	100	2	7	-	-	2	107	-	-	2	107
Interest-bearing liabilities	5 109	4 194	432	439	702	923	6 243	5 556	-	-	6 243	5 556
Group loans	1 103	853	279	137	(1 382)	(990)	-	-	-	-	-	-
Other liabilities and payables	204	192	231	237	29	33	464	462	-	-	464	462
Total liabilities	6 416	5 339	944	820	(651)	(34)	6 709	6 125	-	-	6 709	6 125
Total equity	1 413	960	531	446	1 187	1 458	3 131	2 864	-	-	3 131	2 864

## 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

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

(\*Independent non-executive) (\*\*Non-executive)

Company secretary:

Ronen Goldstein

Auditors:

Deloitte & Touche

Sponsor:

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