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 7 and 9 September 2015 Transaction Capital will be holding meetings with analysts and investors ahead of its closed period for the year ending 30 September 2015. This statement details the information that will be covered in those meetings.

With three weeks to its conclusion, management is pleased with Transaction Capital's current level of financial performance for the year ending 30 September 2015.

OPERATING ENVIRONMENT

South Africa's economic growth remains constrained, exacerbated by the under supply of electricity, increased electricity and fuel costs, prolonged low employment levels, little or no real wage growth and new inflationary pressures due to currency weakness. This increased financial pressure exerted on consumers and businesses, including those in the small-to-medium enterprise ("SME") sectors, was further exacerbated by an additional 25 basis point increase in the repo rate on 23 July 2015. The combined effect of these conditions results in pressure on the economy as a whole, with both the consumer and the SME sectors of our economy remaining at risk.

The regulatory environment has again become volatile, with regulatory changes proposed regarding the pricing of unsecured loans and related insurance products. Whilst these proposals do not impact Transaction Capital or its operating divisions directly, if implemented as proposed they may negatively impact certain of our clients within the risk services division. It is important to note that Transaction Capital is not a provider of unsecured loans nor does it sell credit life insurance products.

OPERATIONAL PERFORMANCE OF CONTINUING OPERATIONS

Introduction

At the core of Transaction Capital's 2015 three year strategy is the reconstitution of its portfolio of assets into two autonomous and decentralised divisions of scale, being the asset-backed lending and risk services divisions. The combination of the reconstituted divisions together with their leading market positioning, has enabled Transaction Capital to achieve strong organic growth despite South Africa's macro- and socio-economic context. While both the asset-backed lending and risk services divisions perform better in a positive economic environment, they are also highly defensive businesses intentionally positioned to withstand difficult economic conditions as is evidenced by their improving year-to-date financial performance.

The following notable developments have taken place during the current reporting period.

Asset-backed lending

The asset-backed lending division (comprising SA Taxi) 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 estimated national fleet of 200 000 privately owned minibus taxis still remains the primary means of transport for most South African commuters. Thus, the replacement of the aging national minibus taxi fleet continues to create a robust demand for the finance, vehicles and related services provided by SA Taxi.

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. Distinctive competencies now also include vehicle and spare part procurement, direct vehicle sales, vehicle refurbishment, short term comprehensive insurance and telematics. The planned investment into the creation of SA Taxi's own panel beating facility is expected to further enhance the efficiency of Taximart's refurbishment process. In addition, SA Taxi continues to leverage its distinctive competencies to create defensible positions within identified adjacent market segments, financing asset classes such as bakkies, with other asset classes under consideration.

Growth in gross loans and advances has declined marginally as credit granting criteria remained conservative and access to new Premium vehicles was interrupted from March 2015 onwards due to the temporary closure by Toyota of its local assembly facility to enable a full plant rebuild. The constrained supply of new Toyota minibus taxis has however provided SA Taxi with an opportunity to re-finance more of its repossessed and refurbished vehicles and the recently launched Nissan minibus taxi, which diversifies SA Taxi's concentration risk to the Toyota minibus taxi.

SA Taxi's exposure to entry level vehicles continues to decrease resulting in improving credit quality for the remaining portfolio. Continued strong collection trends have been encouraging with recovery rates remaining stable at approximately 70%, owing to the nature of the loan which is secured by an asset of value which can be enhanced through the Taximart refurbishment operation.

Credit performance continues to improve as the efficiency of the procurement, repair and resale operations of Taximart, now one of the largest Toyota repair centres in Africa, assists in maintaining these low levels of ultimate credit loss. In addition, the non-performing loan ratio continues to improve due to a combination of the conservative credit granting criteria relating to Premium vehicles, continued write-off of Entry-Level repossessed stock and the improved quality of repossessed vehicles produced by Taximart.

With moderate growth in gross loans and advances, improving credit metrics and a stable cost-to-income ratio it is evident that SA Taxi's credit, operational and financial performance is robust. For the first time in recent years management is able to be less inwardly focused and rather market focused placing more emphasis on the evaluation of organic and acquisitive growth opportunities that emerge within this division.

Risk services

The newly established risk services division (comprising MBD, Principa Decisions and Rand Trust) 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 depressed consumer economy continues to provide this 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.

The executive team of the risk services division has been restructured and augmented to facilitate our strategic objectives. The division required a transformative and consolidated leadership structure to lead the three business units. In addition, certain functional specialists have been appointed to augment our distinctive competencies and achieve deep vertical integration within our chosen market segments, including a data management executive and two sales executives (focused specifically upon the insurance and banking segments of this market).

The risk services division has yielded desired results to date. MBD continues to make good progress within its existing and newly identified agency clients, with further benefits being realised from the specialist and unsecured lending segment of the market, as well as new and existing municipal clients. Despite this, the division progresses with caution in the municipal sector as most municipalities are in financial distress.

MBD currently owns 153 principal book portfolios, with 6 new distressed debt portfolios purchased during the year, all of which are performing in line with expectations.

The risk services division's cost-to-income ratio remained stable as management maintained a focused approach to effective cost management.

FUNDING AND CAPITAL ADEQUACY

The local funding market remains weak with constrained liquidity and issuers paying a premium for access to a reduced funding pool. Although local investors have been more cautious in their approach, Transaction Capital remains adequately funded in terms of projected origination and cash requirement levels and has been successful in raising the requisite funding for the group to date. SA Taxi returned to the local debt capital markets during April 2015 via a second issuance of Transsec (RF) Ltd and successfully raised the required R530 million at a weighted average cost of funding that is only 59 basis points more expensive than the Transsec (RF) Ltd issuance in June 2014. Transaction Capital remains innovative and continuously pursues multiple strategies in order to further diversify the group's funding base and access new pools of capital.

2015 FINANCIAL RESULTS

Financial results for the year ending 30 September 2015 will be released on Stock Exchange News Service on Tuesday 24 November 2015. The information contained in this announcement has not been reviewed by or reported on by Transaction Capital's external auditors.

Sandton
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