



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 11 and 16 September 2014, Transaction Capital will be holding meetings with analysts and investors ahead of its closed period for the year ending 30 September 2014. This statement details the information that will be covered in those meetings.

OPERATING ENVIRONMENT

The South African consumer economy remained challenging during the third quarter of the 2014 financial year. The outlook for household finances for the remainder of 2014 is expected to continue to be constrained by slow employment growth and elevated inflation eroding disposable income. Despite the May 2014 elections being behind us, the socio-political environment remains tense. The economy in the wider sense remains under pressure and needs to recover from a series of crippling strikes in the mining and manufacturing sectors over this period. Consumer finances therefore remain volatile and in risky territory, which was further exacerbated by an additional 25 basis point increase in the repo rate announced by the South African Reserve Bank on 18 July 2014 (after a 50 basis point increase on 30 January 2014). It is important to note that following the sale of Bayport Financial Services 2010 Proprietary Limited (Bayport), the group is less exposed to the consumer credit environment and the regulations pertaining thereto.

Regulatory uncertainty remains, as evidenced by the process followed by regulators and government in approving the National Credit Amendment Act, which has now been signed by the President with the date of enforcement yet to be announced. The lack of enforcement of existing law and regulation constitutes a significant threat to unsophisticated consumers and compliant operators. Regulatory developments are closely monitored by Transaction Capital with a view to gaining an early understanding of proposed legislation and appropriately positioning Transaction Capital for change.

OPERATIONAL PERFORMANCE OF CONTINUING OPERATIONS

Introduction

During the 2014 financial year Transaction Capital has operated with a portfolio of assets substantially different from those reported on in the 2013 year. The change in portfolio was a response to emergent opportunities to realise value for shareholders while reducing the range and complexity of risks facing the group.

Transaction Capital has made pleasing progress towards its strategic, operational and financial objectives during the 2014 financial year despite the challenging economic environment that continued to prevail. Key strategic objectives include ensuring that each business entrenches its leading competitive positioning in its market segment and delivers a unique value proposition to clients; as well as leveraging skills, expertise and assets to deliver greater value to stakeholders.

Although there are substantial organic opportunities to drive short to medium term growth within its existing operations, Transaction Capital continues to actively consider acquisitive growth opportunities. These opportunities are expected to occur within Transaction Capital's existing divisions, with the objective of increasing scale and entrenching the market positioning of each of the underlying businesses.

With two weeks to its conclusion, Transaction Capital's financial performance for the year ending 30 September 2014 is in line with expectations.

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

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 ageing vehicles continues to create a robust demand for mini bus taxi finance provided by SA Taxi.

SA Taxi continued to leverage its market positioning, benefiting from deepening vertical integration into the mini bus taxi industry. This has been achieved by enhancing its value proposition to clients through new product offerings such as SA Taxi Media and a stand-alone insurance offering branded Khusela Taxi Insurance, a successful direct sales program of new and refurbished vehicles which facilitates product margin and superior credit performance, as well as continuous improvements in vehicle and parts procurement,

repossessions and insurance. In addition, SA Taxi continues to leverage its core skill set via its “bakkie” finance pilot with more than 220 deals on book at 30 June 2014.

Growth in gross loans and advances remains moderate, contracting slightly to the low-teens, as credit granting criteria were tightened resulting in lower approval rates. New vehicle origination was comprised entirely of Premium vehicles.

Credit performance and collection trends remain within the expected range resulting in a marginal improvement in the non-performing loan ratio. Recovery rates remain 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, further differentiating SA Taxi from its competitors. The credit loss ratio remains below the 6% upper tolerance level.

SA Taxi’s cost to income ratio remains stable due to continued operational efficiencies. Rather than refurbish or refinance repossessed Entry Level vehicles, SA Taxi has decided to accelerate write-offs 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 growth in gross loans and advances and improved earnings potential, as added product offerings and new clients have allowed the business to achieve greater economies of scale. Rand Trust continues to shift more of its traditional Western Cape business into other regions.

Credit services

MBD Credit Solutions –collection services

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 debtors’ books. The protracted depressed state of the South African consumer credit environment has provided MBD Credit Solutions with substantial opportunity to take advantage of its dominant market position and reputation. It does so by applying its credit and collections expertise, fulfilment capacity, experience and capital to its

existing client base (being the major South African credit providers) who are displaying an increased demand for structured outsourced accounts receivable management solutions to manage credit and operational risk, reduce costs, simplify processes and improve cash flow. Despite the high volume of work available, collections revenue remains subdued but not deteriorating in the current credit consumer environment.

MBD Credit Solutions continues to make progress within the municipal collections industry, achieving encouraging initial yields and gaining further traction within new municipalities.

MBD Credit Solutions has continued to focus on effective cost management resulting in a marginal decrease in the cost to income ratio. In line with the strategic objectives of this business and the advantageous book buying environment, high activity levels in the purchase of distressed debts was a feature of the 2014 financial year. MBD Credit Solutions currently owns more than 145 principal book portfolios and is well positioned to lift collections as the benefits of recent acquisitions materialise.

Principa – credit risk management consulting

The performance of Principa is marginally below expectations due to a weak consumer credit environment and the tightening of lending criteria at major local credit providers, which has negatively impacted marketing and volumes. There have also been timing delays on certain projects from the Qarar joint venture in the Middle East.

Group executive office

The group executive office structure has been simplified, with all group office functions being devolved to subsidiaries or reduced, enabling various cost savings, the full benefit of which will be seen in the 2015 financial year.

FUNDING AND CAPITAL ADEQUACY

Following the disposal of Paycorp Holdings Proprietary Limited (Paycorp) and Bayport and the special distribution, Transaction Capital's equity and debt capital position is robust with a capital adequacy of 54% at 30 June 2014, significantly higher than the medium term 30% target, and more than R1 billion of cash held in bank accounts to fund acquisitive and organic growth activity.

Transaction Capital remains adequately funded in terms of projected origination and cash requirement levels and has appropriate access to the debt capital markets. The group continues to enjoy the support of its many funders as was evident in June this year when SA Taxi's Transsec securitisation funding programme was launched on the JSE Limited. The

inaugural issue of R665 million attracted 11 investors, including five first time funders, and came at cost of funding approximately 200 basis points lower than historic rates.

Transaction Capital will continue to be proactive in its approach to debt funders to ensure that they remain comfortable with the businesses within the group.

2014 FINANCIAL RESULTS

Financial results for the year ending 30 September 2014 will be released on SENS on Tuesday 25 November 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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11 September 2014

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