



Q2 QUARTERLY REPORT

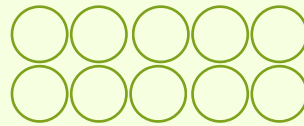
APRIL - JUNE 2026

The Business of Lending: Financing Growth, Creating Opportunity

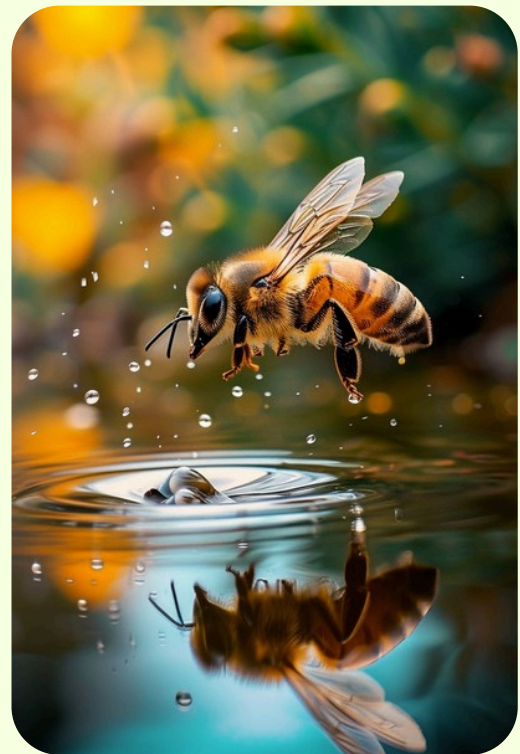


PREPARED BY:
TWO CENT SOLUTIONS

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Director's Remarks Prince Moeng



The earliest recorded evidence of lending dates back more than 4,000 years to Ancient Mesopotamia. Farmers would borrow seeds, livestock and farming equipment against future harvests, creating one of the earliest forms of productive finance. Credit was never intended to create debt for its own sake - it was created to unlock productivity, generate wealth and stimulate economic activity.

As civilizations evolved, so too did lending. Informal community financing gave rise to formal banking institutions, development finance institutions such as the World Bank, commercial banks, investment funds and sophisticated private credit markets.

While the mechanisms have changed dramatically, the objective has remained remarkably consistent:

Credit exists to enable economic growth.

At Two Cent Solutions, this philosophy sits at the heart of everything we do.

We believe that access to capital should never be the factor that determines whether a great entrepreneur succeeds or fails. Our mission is therefore not simply to provide finance, but to design funding solutions that simplify access to capital for South African SMEs while maintaining prudent risk management and full regulatory compliance.

Over the past decade, lending has become increasingly complex. Financial institutions are expected to protect consumers, comply with extensive regulation, combat financial crime and carefully assess every lending decision. These safeguards are essential for maintaining financial stability, yet they have also unintentionally widened the funding gap experienced by SMEs.

Today, lenders evaluate borrowers using the internationally recognised 7 C's of Credit:

- Character
- Capacity
- Capital
- Collateral
- Conditions
- Cash Flow
- Convenience

These principles are fundamental to responsible lending. However, for many SMEs, particularly emerging businesses without extensive assets or lengthy trading histories, meeting these requirements remains challenging.

The consequence is a growing number of viable businesses that are unable to secure the capital they require to grow. This challenge defines the work of Two Cent Solutions.

Our objective is not to lower lending standards, but rather to redesign lending models so that deserving businesses become financeable through better structuring, smarter risk assessment and innovative private credit solutions.

As we continue expanding our private credit platform, our focus remains clear:

How do we make funding more accessible while remaining fully compliant with South Africa's regulatory framework?

That question continues to shape every product we build, every partnership we form and every investment decision we make.



Quarter in Review

The reporting period covers 1 April 2026 to 30 June 2026.

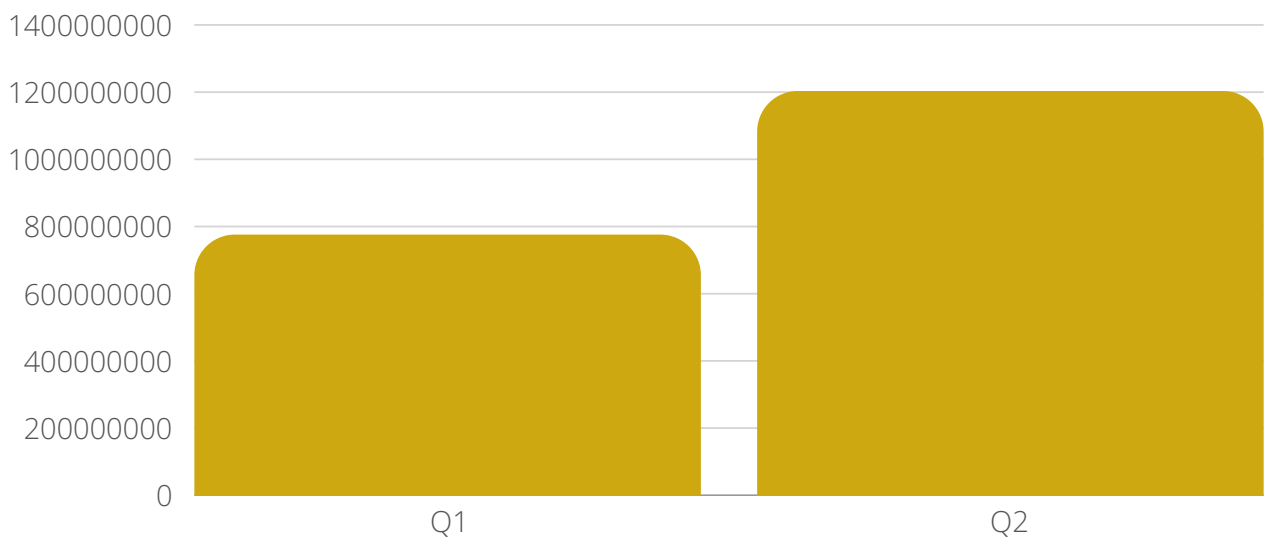
Despite continued pressure across the South African funding market, Two Cent Solutions continued to experience significant demand for alternative finance.

During the quarter, the business received credit applications amounting to:

R1 203 298 023.08

compared to **R776 million** received during Q1 2026.

This continued pipeline demonstrates the growing demand for specialist funding solutions outside traditional banking channels.





Funding Demographics

HDI Applicants

60%

Youth Owned Businesses

27%

Approval

R872 978 059

No# of Applicants
67%

% Credit
73%

Increase in Credit
Application

R427 298 023



% Change
55%

Applications received reflected our continued commitment to inclusive economic participation.

Our Private Credit Offerings

01.

Automotive Credit Fund

Designed specifically for South Africa's automotive repair and panel beating industry.

Current Funding Capacity

Approximately R10 million per month

The fund supports:

- Panel beaters
- Automotive suppliers
- Insurance repair contractors
- OEM accredited workshops

02.

Township Retail Finance Scheme

Designed to unlock growth within township economies through inventory finance and working capital facilities.

The programme seeks to improve:

- Inventory turnover
- Supplier relationships
- Cash flow
- Business sustainability

03.

Working Capital Finance Scheme

The Working Capital Finance Scheme is designed to remove this pressure by providing structured, short-term funding that helps businesses cover operational costs, purchase inputs, and meet delivery requirements when revenue is expected but not yet received.

04.

Green Economy & Agri-Food Program

Blended Finance for Rural Growth and Climate Resilience De-Risking High-Potential Agri-Food SMEs and Driving Inclusive Green Growth

05.

Youth in Media Fund

A dedicated vehicle supporting youth-led film, TV, animation, and gaming projects with a strong transformation and cultural impact focus



The Lending Landscape

South Africa's lending landscape is defined by a "credit paradox," where credit availability and financial sector earnings surge despite sluggish economic growth under 1%.

Operating as a lender within South Africa requires significantly more than simply providing capital.

Today's lending environment demands robust governance, regulatory oversight and responsible credit practices.

A compliant lender must satisfy numerous regulatory obligations including:

- Registration with the National Credit Regulator (NCR)
- Compliance with Financial Sector Conduct Authority (FSCA) requirements where applicable
- Financial Intelligence Centre (FIC) obligations
- Anti-Money Laundering (AML) compliance
- Know Your Customer (KYC) requirements
- Regulatory Examinations
- POPIA compliance
- Ongoing governance and audit requirements

These frameworks protect consumers and strengthen the financial system, but they also increase operational costs and extend funding timelines.



Access to funding remains one of the defining challenges facing South Africa's alternative lending industry.

Institutional capital is primarily sourced from:

- **Commercial Banks**
- **Development Finance Institutions (DFIs)**
- **Pension Funds**
- **Insurance Companies**
- **Family Offices**
- **Endowment Funds**
- **Private Investors**

Institutional investors must also comply with investment allocation frameworks such as Regulation 28, which governs pension fund investment exposure and limits allocations to alternative assets including private credit.

While these regulations safeguard retirement savings, they also limit the amount of capital available to private lenders focused on SME financing.

Capital Allocation

Reality Of Raising Capital

One of the least understood aspects of the lending industry is that lenders themselves must first raise capital before they can fund entrepreneurs.

For many private credit managers, capital raising is a multi-year process.

It is not uncommon for emerging fund managers to spend three to four years building institutional credibility before securing meaningful funding commitments.

Investors increasingly expect:

- Proven track record
- Co-investment ("skin in the game")
- Strong governance
- Demonstrated portfolio performance
- Institutional reporting standards

These expectations often create barriers for first-time fund managers despite possessing strong investment capability.





The Venture Capital Challenge

South Africa's venture capital market continues to display a strong preference for technology businesses.

While innovation remains important, this concentration has unintentionally limited funding availability for businesses operating in sectors such as:

- Manufacturing
- Agriculture
- Retail
- Logistics
- Mining services
- Industrial businesses

At Two Cent Solutions, we take a different approach. Rather than only funding technology companies, we use technology to improve how we fund businesses. Technology should enable finance—not become a prerequisite for receiving it.

This allows us to support entrepreneurs building real-economy businesses that create employment, produce goods and contribute directly to economic development.

WHY ALTERNATIVE LENDERS MATTER

A persistent challenge within South Africa's financial ecosystem is the limited availability of wholesale funding for alternative lenders.

Commercial banks and development finance institutions often hesitate to finance independent lenders due to perceived competitive concerns.

Yet, alternative lenders frequently complement—not compete with—the banking sector.

Many rely on banking infrastructure, transactional data and established financial systems to make informed lending decisions.

By serving businesses that fall outside traditional lending parameters, alternative financiers expand the overall credit ecosystem rather than replace it.

Strengthening this segment of the market will be essential if South Africa is to meaningfully improve SME access to finance.



South Africa's Grey Listing

South Africa's placement on the Financial Action Task Force (FATF) grey list has had a measurable impact on capital raising across the financial sector.

Although significant progress has been made toward addressing identified deficiencies, grey listing has resulted in:

- Increased international due diligence
- Longer investment approval processes
- Higher compliance costs
- Greater scrutiny from offshore investors
- Reduced investor appetite for emerging markets

For SMEs, these effects translate into slower funding decisions and a more constrained capital environment.

For fund managers, attracting both domestic and international investment has become increasingly challenging as investors seek jurisdictions with lower perceived regulatory risk.

The experience has reinforced the importance of strong governance, transparent reporting and rigorous compliance—areas in which Two Cent Solutions continues to invest.

Looking Ahead

As we enter the second half of 2026, our priorities remain focused on sustainable growth and broader financial inclusion.

Our strategic objectives include:

- Expanding private credit deployment across priority sectors.
- Growing institutional funding partnerships.
- Enhancing digital credit assessment capabilities.
- Increasing funding access for youth and township enterprises.
- Strengthening governance and regulatory compliance.
- Building scalable investment vehicles that attract long-term institutional capital.

We remain confident that South Africa's SMEs represent one of the country's greatest economic opportunities. By combining disciplined credit management with innovative funding structures, Two Cent Solutions will continue working to bridge the funding gap and empower entrepreneurs to build resilient, high-impact businesses.



Conclusion!

The business of lending has evolved from simple exchanges of seed and livestock into one of the world's most sophisticated financial systems. Yet its purpose remains unchanged: to finance growth.

At Two Cent Solutions, we are committed to ensuring that access to capital is driven not only by balance sheets and collateral, but also by the potential of entrepreneurs to create jobs, strengthen communities and contribute to South Africa's economic future.

As we continue to innovate within private credit, we remain guided by a simple belief:

When SMEs grow, economies grow.



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