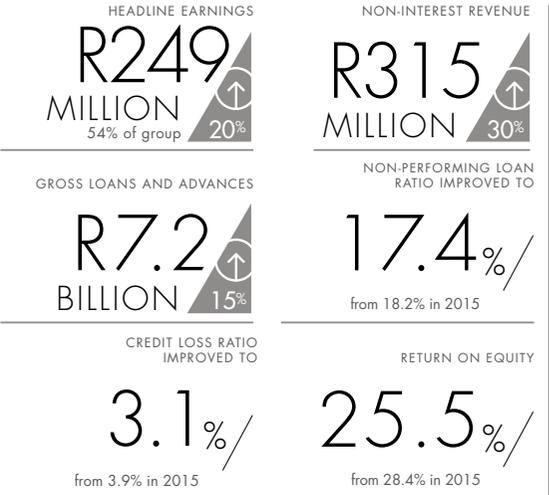


DIVISIONS  
SA TAXI

- 1 An innovative and pioneering business model with operations expanding throughout the financing and asset value chain, building a scalable platform that can be leveraged in adjacent markets
- 2 A unique blend of vehicle procurement, retail, repossession and refurbishment capabilities, with financing and comprehensive insurance competencies for focused vehicle types
- 3 Valuable client and market insights developed from overlaying granular telematics, credit, vehicle and other data to enable precise and informed origination and collection decisioning and proactive risk management

SA TAXI IS A VERTICALLY INTEGRATED TAXI PLATFORM UTILISING SPECIALIST CAPABILITIES AND ENRICHED PROPRIETARY DATA TO JUDICIOUSLY DEPLOY DEVELOPMENTAL CREDIT AND ALLIED BUSINESS SERVICES TO EMPOWER SMEs, THUS ENSURING THE SUSTAINABILITY OF A FUNDAMENTAL MODE OF TRANSPORT

- 4 Enabling financial inclusion by proficiently securing funding from both local and international debt investors to judiciously extend developmental credit to SMEs that may otherwise not have access to credit from traditional financiers
- 5 Providing complementary business services that assist SMEs to maximise cash flow and protect their income-generating asset, thus improving their ability to succeed
- 6 Empowering under-served and emerging SMEs to build their businesses, which in turn creates further direct and indirect employment opportunities
- 7 Contributing to the recapitalisation and sustainability of the taxi industry – a critical pillar of the public transport sector servicing the majority of South Africa's working population



PERFORMANCE OVERVIEW

DIVISIONAL OVERVIEW



SA Taxi is a uniquely vertically integrated business that applies its operational competencies predominantly towards independent small- and medium-sized enterprises (SMEs) in the fixed route minibus taxi industry. This focus, together with its specialisation in a small number of specific vehicle types, enables it to extend credit, allied financial services and business support to taxi operators that may not otherwise have access to these services.

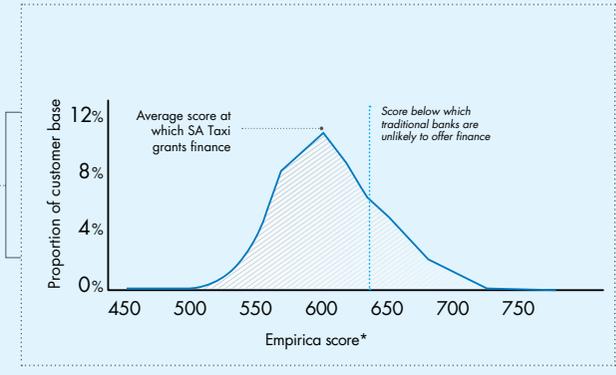


Given its success in the minibus taxi industry, SA Taxi leverages the associated competencies to expand into adjacent markets and asset classes such as the metered taxi industry.

SOCIETAL RELEVANCE

SA Taxi operates on the premise of developmental or empowerment financing, filling a critical funding gap by supporting entrepreneurs who would otherwise remain outside the formal economy, thus also contributing to job creation.

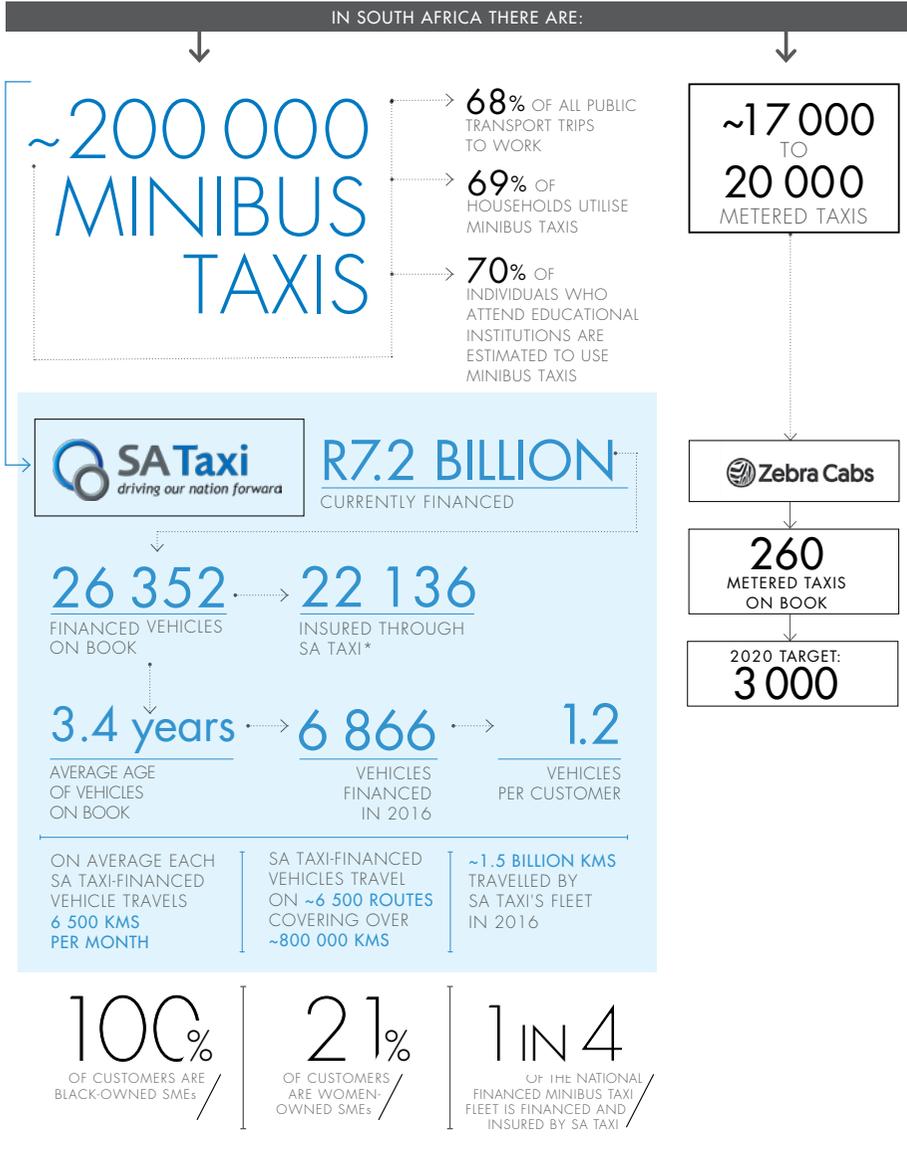
Its focus on financing newer vehicles fitted with the latest safety technology, together with its high-quality refurbishment capabilities, contributes to safer and lower-emissions public transport in South Africa.



\*Proprietary TransUnion credit score

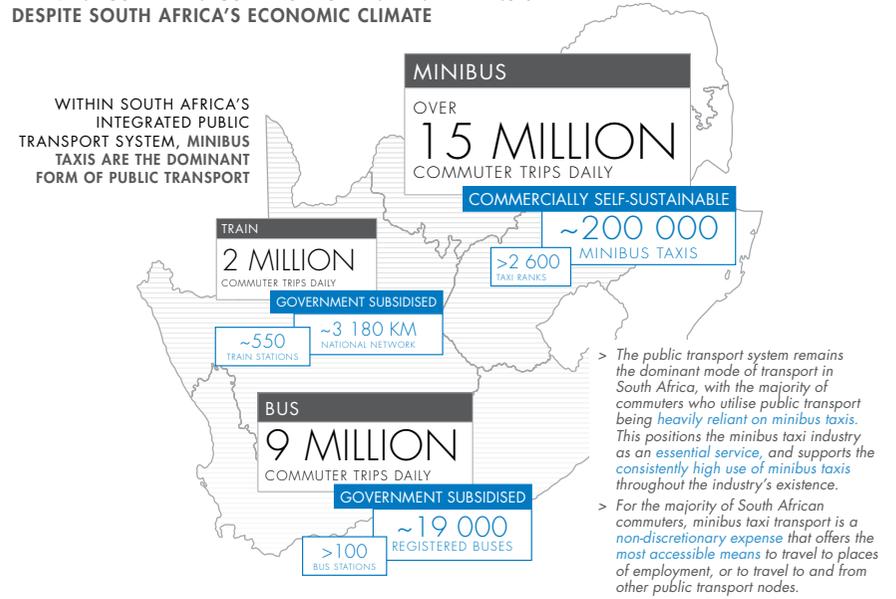
DIVISIONS: SA TAXI *continued*

MARKET CONTEXT



\* 100% of taxis financed by SA Taxi are fully insured. 85% of SA Taxi's taxi owners choose to insure with SA Taxi. Additionally SA Taxi insures ~3 700 minibus taxis not financed by SA Taxi. Source: National household travel survey 2013, National land transport strategic framework 2015, Statistics South Africa, Arrive Alive, SABOA website, 'HERE' points of interest dataset (3Q4 - 2015).

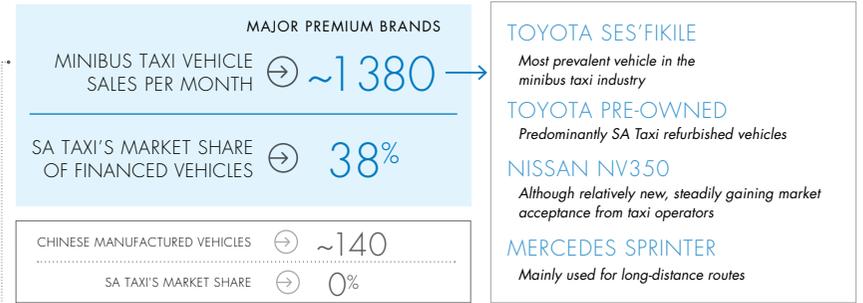
THE MINIBUS TAXI INDUSTRY IS RESILIENT AND DEFENSIVE DESPITE SOUTH AFRICA'S ECONOMIC CLIMATE



STRUCTURALLY, DEMAND FOR MINIBUS VEHICLES EXCEEDS SUPPLY



SUPPLY: MINIBUS TAXI SALES IN SOUTH AFRICA



- > Improved credit performance as SA Taxi can be selective on credit risk due to limited supply.
- > Improved recoveries as asset retains value due to demand exceeding supply.
- > Liquid market for high quality and affordable SA Taxi pre-owned vehicles.

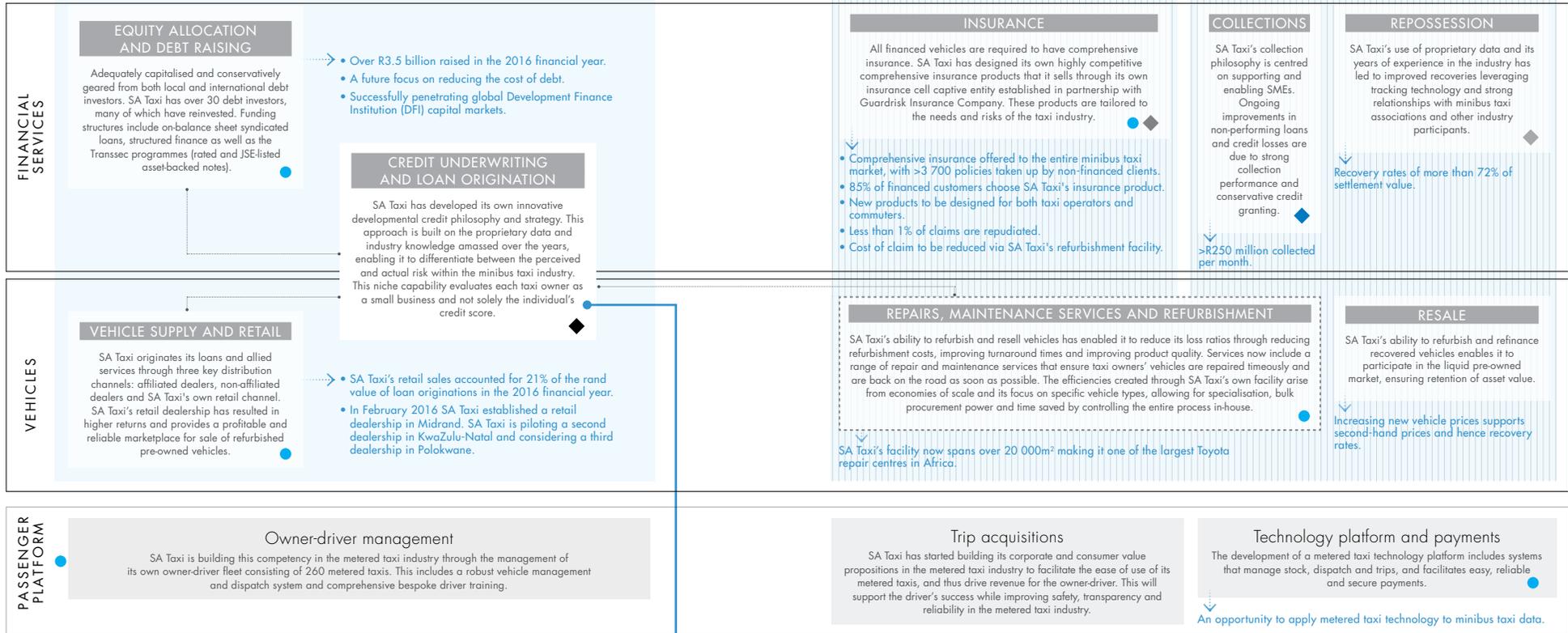
DIVISIONS: SA TAXI *continued*

# BUSINESS ACTIVITIES

## ENABLING SMEs

## SERVICING SMEs

## MANAGING RETURNS FROM SMEs



### SA TAXI'S CREDIT-GRANTING PHILOSOPHY enables it to extend credit in niche, under-served market segments



**Adherence to set risk appetite and risk strategy through appropriate governance**  
Assurance through independent audit, monitoring specific risk metrics and effective corporate governance frameworks

**Informed decisions through consistent analysis of the book and originations**  
Regular stress testing and evaluation of the book and origination in both the short and long term, embedding scenario-based thinking

**Manged by a sustainable credit origination and management platform**  
Managing the team and systems that deliver ongoing excellence at high volumes by mastering their required competencies

### PROPRIETARY TELEMATICS DATA AND ANALYTICS USED THROUGHOUT THE VALUE CHAIN PROVIDES CRITICAL INSIGHT FOR BUSINESS DECISIONS:

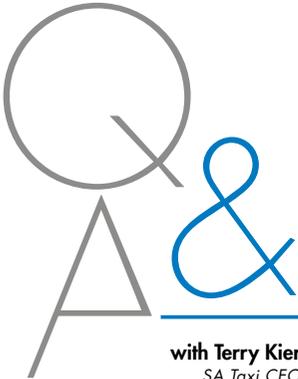
- Data collected is applied to the credit vetting process, allowing SA Taxi to better understand credit risk and route profitability.
- Historical data is used to bolster the accuracy in pricing a taxi owner's insurance risk as well as to identify when there is a lack of movement, which could indicate an insurance claim.
- Data is used to obtain an understanding of a minibus taxi's monthly performance before collection action is taken. This background informs how collection agents interact with the taxi owner.
- Live location data along with a driver's historical data are utilised in aiding the vehicle recovery process.

### Service offering to customers

Looking forward, data will be provided to the taxi owner, giving them a deeper understanding of their business operations and further empowering them as business owners.

● Growth opportunity

DIVISIONS: SA TAXI *continued*



with Terry Kier  
SA Taxi CEO



**Q** *What is your view on SA Taxi's performance in the year, and what are some of the strategic highlights?*

SA Taxi has continued to perform well in an environment where many companies have struggled to grow revenue and profit. We operate in a market that provides a crucial service to most of South Africa's working population, which is core to the defensive nature of SA Taxi. Our credit performance remains robust, which indicates both the excellent credit risk management within SA Taxi and the maturation of the minibus taxi industry more broadly, where we're seeing operators generally run better businesses.

This year we expanded our capabilities considerably. The launch of our retail dealership in Midrand in February 2016 has enabled us to benefit from the greater profitability of vehicles financed directly through our own dealership – both in terms of the greater proportion of non-interest revenue earned and better loan performance. We anticipate selling, financing and insuring more than 2 600 vehicles a year through our dealerships, which in addition to Midrand will include Durban and potentially Polokwane. We will also consider extending our dealer footprint nationally depending on the performance of these initial dealerships.

The launch of our auto body repair centre will benefit our insurance business from a cost of claim perspective, our finance business from a credit loss perspective and enable us to build our presence in the pre-owned market. Together with our refurbishment capability, we can put quality pre-owned vehicles back into the market that are safe and more affordable, and we can be sure that the vehicle will be a valuable and reliable asset to the operator which mitigates credit risk.

The maturation of our risk methodology has enabled us to offer interest rates competitive with those of major banks, which together with our specialisation in minibus taxis and our ability to enhance an operator's business has resulted in us starting to attract customers of a higher credit quality.

**Q** *Take us through some of SA Taxi's initiatives to grow into adjacent market segments?*

Zebra Cabs represents a major step in opening a new vertical for SA Taxi, in which we can apply the capabilities we've refined in the minibus taxi business. Under SA Taxi's ownership, the business has delivered in line with our projections and has become a stable yet evolving part of our portfolio. We've learnt many valuable lessons over the past months, and we continue to engage with international metered taxi companies to understand this type of business in more mature markets.

The technology platform we've deployed that underpins the metered taxi business provides significant room for further development. The benefit of this platform to SA Taxi is that it provides us with rich data that, through our analytics capabilities, will enable us to build scorecards and models needed to scale this business over time.

One of the biggest differences between the metered and minibus taxi businesses is the need to help drivers acquire customers. The ability to hail a cab using the platform is essential, but we also need to make sure it offers greater accessibility and convenience. One way to improve accessibility is to implement a technology-driven ranking capability, so being able to monitor when a driver leaves their allocated space at a hotel, and making sure another driver is ready to take that space so that we maintain a constant presence at key passenger locations. From a convenience perspective, we've implemented frictionless payment and introduced a call centre to facilitate corporate bookings.

As with the minibus taxi business, these initiatives aim to support the sustainability of SMEs, not for philanthropic reasons, but to mitigate default risk by helping their business generate more revenue and providing other capabilities that support and protect value in their business. Our auto body repair centre can quickly undertake the frequent small repairs required by metered taxi vehicles, such as dents and scratches, given the importance of a metered taxi driver projecting a professional image. Likewise, we provide drivers with a course in customer service, to contribute to building a service culture in the local industry.

Our Bakkie pilot – which I spoke about last year – was called off as we learnt that we couldn't build scale in this adjacent market by leveraging our existing capabilities. Although the business we wrote was good, our established approach to assessing credit risk – which for minibus taxis would consider the profitability of the route and quality of the asset – was not sufficient for the Bakkie market as we found that we would need to assess each individual business type, for example plumbers or couriers. To create a defensible position in an adjacent market sector we need to build volume, and the complexity in assessing risk for individual tradespeople didn't align to SA Taxi's approach.

**Q** *How have you ensured sufficient funding for SA Taxi, given concerns of a sovereign ratings downgrade over the past year?*

Securing sufficient funding is always a major focus for us, but the impending potential sovereign ratings downgrade and broader economic uncertainty required that we redouble our efforts. I'm pleased that we've continued to enjoy the support of both domestic and international investors, which speaks to the underlying quality and fundamentals of SA Taxi as an investment. Our efforts resulted in SA Taxi fulfilling most of its annual debt requirements for the 2017 financial year.

In August 2016, we returned to the local listed debt capital markets tapping Transsec 2 – our S&P Global-rated and JSE-listed securitisation programme – with an issuance of R513 million of debt. The tap issuance was privately placed with nine investors,

three of which were first-time investors, at a weighted average cost of funding of 241 basis points above three-month JIBAR, which is about 100 basis points lower than SA Taxi's average cost of funding.

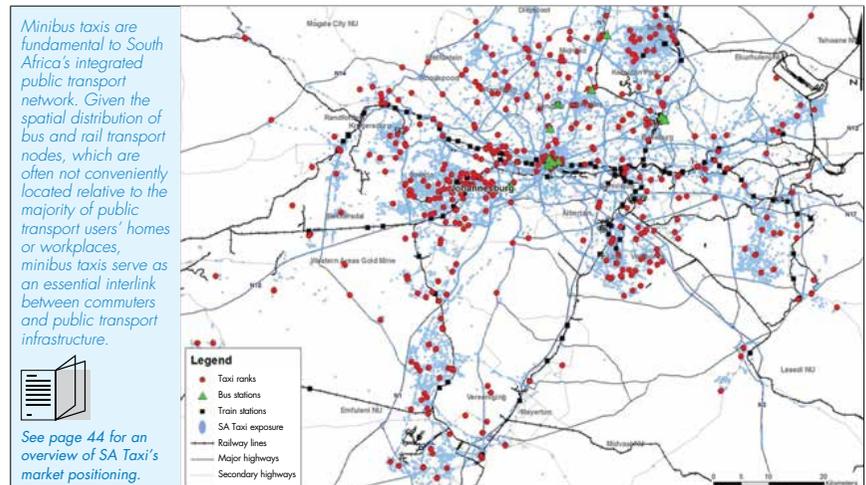
In October 2016, following S&P Global's review of the Transsec 1 structure, the ratings on the class A notes was re-affirmed at zaAAA, and the ratings on the class B notes were upgraded from zaAA to zaAA+, class C notes from zaA to zaA+, and class D notes from zaBBB- to zaBBB+. These improvements in credit ratings correlate to SA Taxi's strong performance across all metrics.

Diversifying our funding sources and accessing offshore capital pools remain key focus areas for our debt capital team. SA Taxi has accessed more than R1.5 billion of debt funding from the European DFI capital market since 2010, and is successfully penetrating the global DFI capital markets.

**Q** *Looking further ahead, what are some of the opportunities SA Taxi is exploring?*

Our primary focus will continue to be to drive organic growth. Within the minibus and metered taxi verticals, we constantly ask "what else does this industry need?", and look to develop new products or services that leverage our existing capabilities. Any acquisitions we consider will be smaller acquisitions that enable us to augment our capabilities, with a specific focus on the ongoing enhancement of our data and using technology to create new ways to support our SME clients.

One example in terms of technology is developing an application for minibus taxi operators that will provide them with real-time information on the performance of their vehicles. As the minibus taxi industry has matured, we've seen greater appetite for the tools and insights that can help operators to better manage their business, and we've got the rich data needed to further empower them as business owners. Looking even further ahead, we will consider opportunities for sharing technologies we've developed and insights gained across the minibus and metered taxi businesses.



Source: SA Taxi telematics data as at 11 October 2016, National land transport strategic framework 2015.