Transaction Capital

Annual results to 30 September 2012

2012

29 November 2012

Agenda

- Group financial highlights
- Environment
- Strategy
- Divisional review
- Group review
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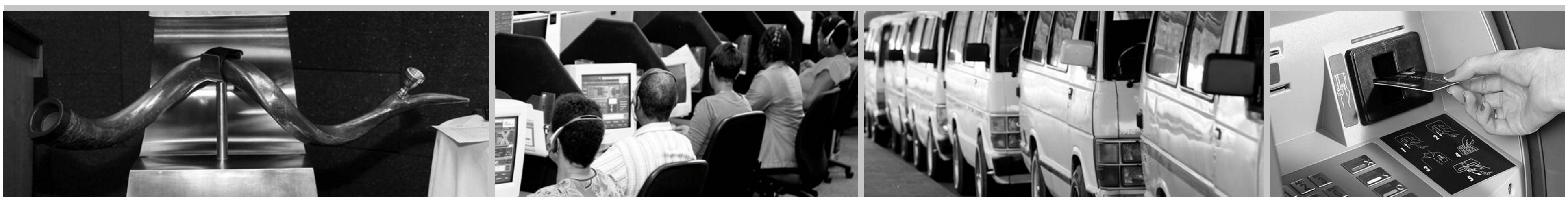
Group financial highlights



Group financial highlights

- Total income ▲21% from R3.6 billion to R4.4 billion
- Non-interest revenue ▲17% from R1.8 billion to R2.1 billion
- Gross loans & advances ▲34% from R7.3 billion to R9.8 billion
- Normalised headline earnings ▲31% from R323 million to R424 million
- Normalised HEPS ▲17% from 69.7 cps to 81.6 cps
- Maiden final dividend as a public company of 9 cps
- R870 million of equity raised: pre-IPO R238 million; convertibles R232 million; IPO R400 million; ROE ▼ from 21.9% to 18.6%
- Capital adequacy ▲20% from 28.2% to 33.8%
- NAV per share ▲43% from 347.4 cps to 496.5 cps
- Highest headline earnings growth ▲ of 44% from Credit Services

Environment




Environment

- Declining GDP growth in RSA: 2.6% for financial year
- Steady consumer economy: retail & motor
- Fractious socio political milieu
- Downgrades of sovereign credit ratings
- Competitive financial services industry in pursuit of market share, technological edge, & non-interest & transactional revenues
- Active regulatory climate: NCR & FSB; new regulation CPA, POPI, TCF
- Strident concerns around unsecured lending growth & quality
- Strong demand for Transaction Capital's products & services

Strategy




Strategy

- Transaction Capital is a **Group** of separate businesses. The rationale for them being in the same group is that they:
  - transact in similar markets
  - with similar counterparties
  - utilising similar specialised financial, credit risk & payments expertise
- Transaction Capital therefore has **two major strategic objectives**:
  - the competitive positioning of each business unit within its chosen market segment (i.e. the definition of a unique value proposition to stakeholders): **Divisional Review**

  and

  - the creation of additional value arising from the composition & capabilities of the group in excess of the tangible & intangible costs thereof: **Group Review**
    - directive leadership from Group Executive Office
    - collaboration
    - sharing activities

    and

    - intra-group transactions

Divisional review




Divisional review – Structure

Transaction Capital Limited Employees: 4,697 Normalised headline earnings (H/E)[1]: R424m			
Lending Total income: R3,094m Normalised H/E: R299m		**Services** Total income: R1,256m Normalised H/E: R131m	
Asset-backed lending Income: R1,221m Normalised H/E: R133m Gross loans & advances: R5,017m	**Unsecured lending** Income: R1,873m Normalised H/E: R166m Gross loans & advances: R4,676m	**Credit services** Income: R787m Normalised H/E: R88m Services EBITDA: R125m	**Payment services** Income: R469m Normalised H/E: R43m Services EBITDA: R129m
SA Taxi *driving our nation forward* Financier of independent SME minibus taxi operators Rand Trust *business, on your terms* Provider of working capital through invoice discounting & commercial debtors management	Bayport *loans for you* Provider of unsecured personal loans to emerging middle income clients	MBD Credit Solutions *asset intelligence* Collector of distressed accounts receivables (agency & principal) Principa *profitable decisions* Credit risk consultancy services & software resellers (FICO)	Paycorp Holdings *payment services* ATM Solutions: owner & operator of off-bank premises ATMs & EFT terminals Drawcard: early stage developer & issuer of pre-paid card products

(1) Normalised headline earnings is headline earnings from continuing operations including a loss of R6 million incurred by the Group Executive Office & excluding listing costs

Divisional review – Asset Backed Lending: SA Taxi

- **Sector outlook**
  - Minibus taxi SMEs: dominant public transport in RSA; estimated c.200,000 vehicles; c.130,000 licensed; c 60,000 financed; 22,649 by SA Taxi as development financier; market opportunity in renewal of aging fleet
- **Operations**
  - 19% growth in gross loans & advances
  - Stringent credit quality management with strong bias towards premium vehicles
  - Heavy investment in improved efficiency of Taximart to curb loss rates on repossessed vehicle sales
  - FSB querying SA Taxi's approach to insurance broker substitution; c 19% of book with other brokers; seeking legal clarity on our cession rights
- **Strategy**
  - Relocation & upgrading of Taximart
  - Development of new products to broaden exposure to existing customer base
  - Pilot on financing bakkies for SMEs in progress

Divisional review – Unsecured Lending: Bayport

○ Sector outlook

- Rapid unsecured growth (predominantly LSM's 6-10) caused by post NCA structural shift
- Unsecured credit growth correlates with housing & entry level vehicle expenditure but disposable income growth increased discretionary retail sales more than 2X credit extension
- SA has robust legal & regulatory framework for disbursement, administration & collection of consumer debt but evidence of overzealous lending, uninformed borrowing, poor administration & fraud by lenders, debt counsellors & courts
- More rigorous enforcement of existing laws & regulations required & TCP formally identified with tenor & direction of BASA/MF announcement
- Sector risk: term & limit extensions, consolidations, unconventional products & risk bands (i.e. debt to income 0.6 below R15,000, 1.4 above)
- Macro risk: unemployment, inflation & rates
- High growth rate slowing as market penetration deepens & credit providers signal caution: no bubble but cautious origination essential regarding: new/existing clients; affordability; risk bands

Divisional review – Unsecured Lending: Bayport

Operations

- Low market share enables Bayport to navigate & respond tactically to negative sector trends & developments
- Single digit approval rates determined by: capital rationing; affordability; limiting exposure to new or high risk clients; most loans advanced to existing proven low risk customers; term in line with & limit below NCR averages
- Credit quality facilitated by agent distribution model able to target selected client & employer segments & simple product offering – no interest holiday, no specific consolidation loan
- Substantial investment in people & infrastructure
- Limited exposure to mining; 0.87% of unsecured portfolio

Strategy

- Cautious credit, risk & origination strategies: targeting R10bn book by 2016
- Further differentiating Bayport by broadening the value proposition to: improve value proposition; reward appropriate behaviour; improve financial literacy; enhance life time value of client & the Bayport brand

Divisional review – Credit Services: MBD CS

- **Sector outlook**
  - Fragmented industry: 2,000 registered debt collection agencies & 14,500 registered debt collectors
  - Major credit providers continue to outsource collections & sell charged off receivables portfolios for improved cash, earnings, credit stats & costs
- **Operations**
  - Growth in agency clients & significant growth in revenue from purchased books results in R23.2 billion assets under management; principal collections approaching 50% of revenue
  - Ninth call centre opened in JHB CBD; capacity for 400 agents
  - Proprietary technology for collections efficiency & productivity management
- **Strategy**
  - Aggressive investment in purchasing charged off portfolios
  - Invest in people, technology for accreditation & compliance

Divisional review – Payment Services: Paycorp

Sector outlook

- 94% of the 88% of working SA adults that are banked, access their accounts via ATMs

Operations

- Active fleet of 4,381 ATMs (c.16% of the SA ATM market) with c.45% in rural / peri-urban areas. R28.6 billion cash disbursed in 2012
- Very high uptime & relocation of ATMs from underperforming to better performing sites increased transaction volumes & disbursement values
- Innovation & collaboration on security & more secure ATMs curtailed vandalism & facilitated deployment in high risk areas

Strategy

- Extend ATM footprint regionally & explore opportunities in associated payments businesses

Group review

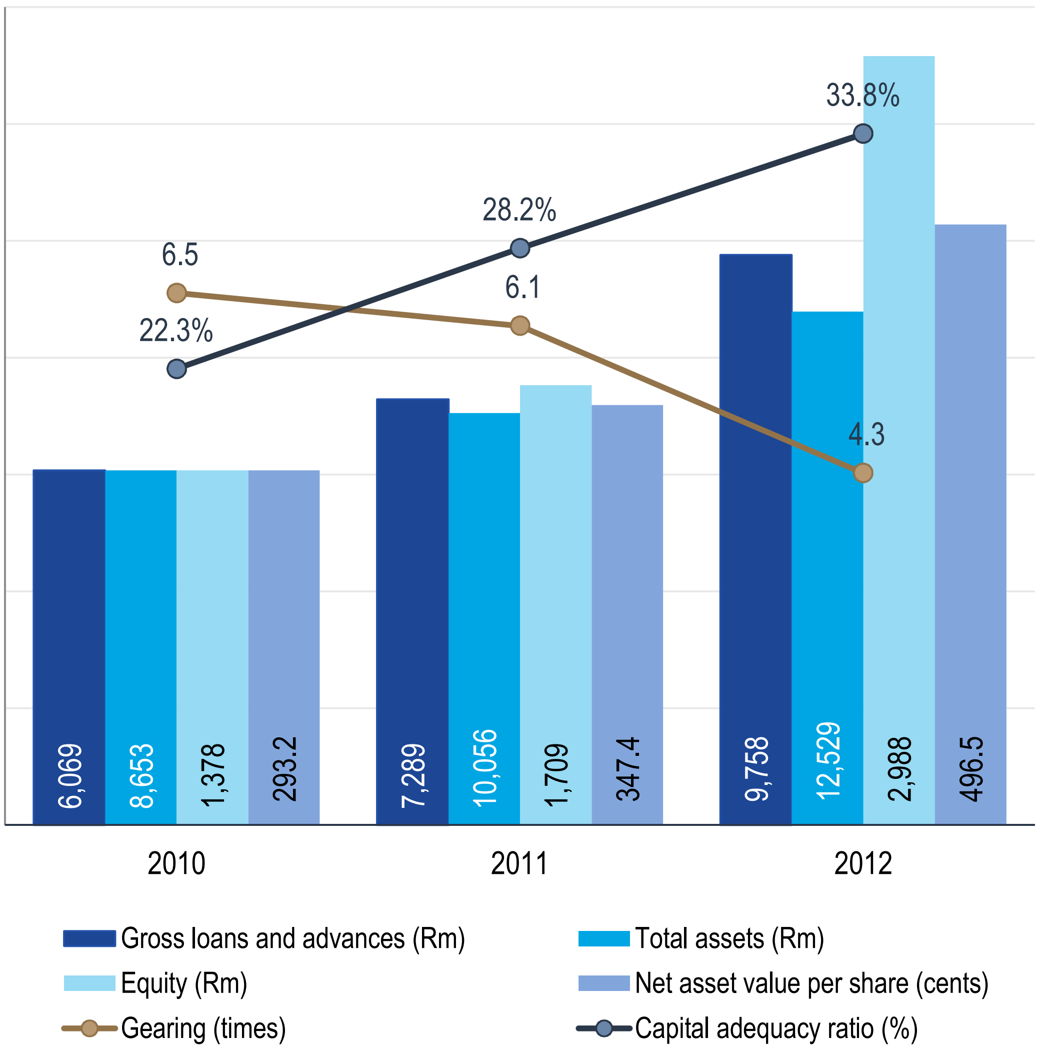
Group Review

- Strengthening board composition & processes
- Clarifying direction & interventions from group executive office
- Refining group & subsidiary strategic focus
- Improving leadership & executive calibre group wide
- Substantial capital & operating investment in technology
- Entrenching deep credit risk expertise & robust frameworks
- Improving operational efficiencies & asset management
- Creating additional value through collaboration, shared services & intra group transactions
- Institutionalised sound governance, regulatory & risk management practices

Financial review

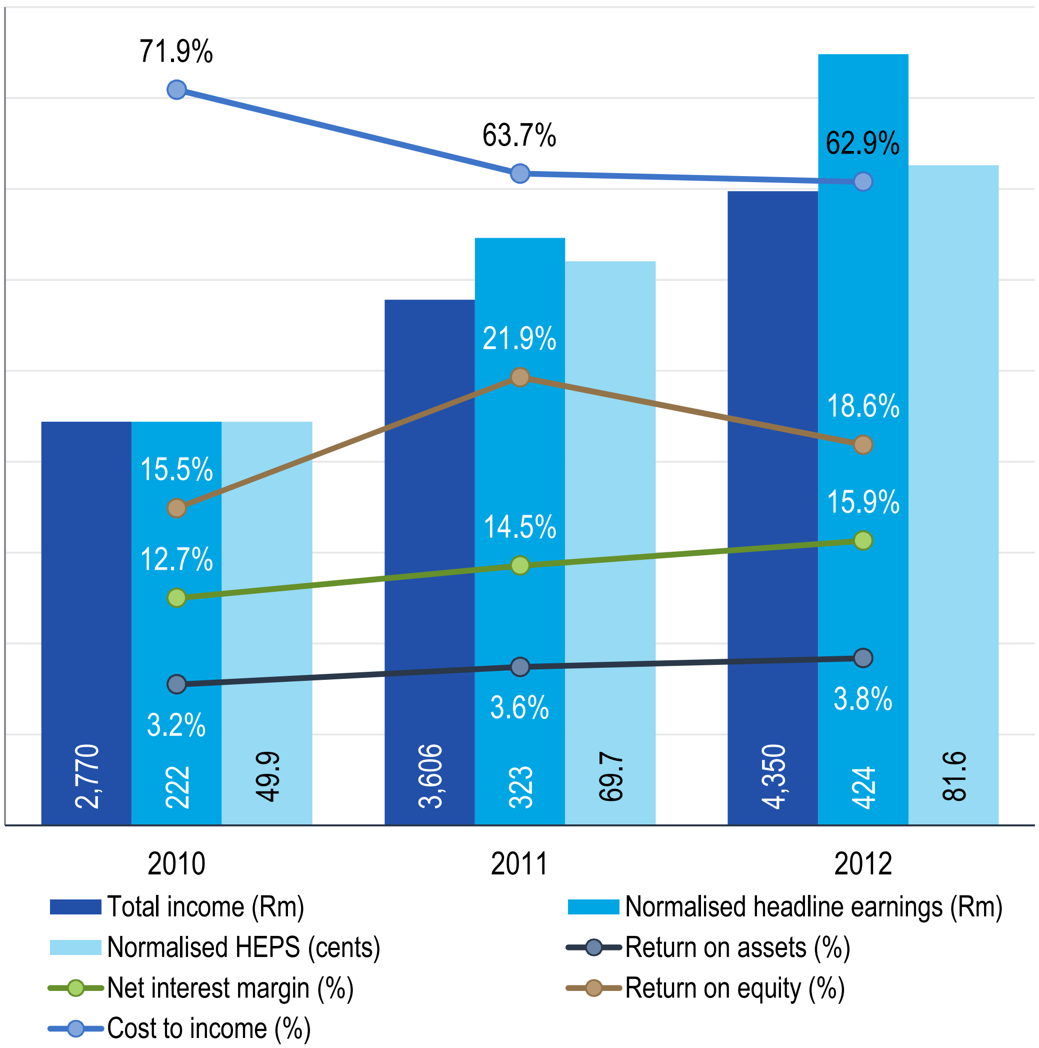



Financial position



- Strong growth of gross loans & advances from R7.3bn to R9.8bn (▲34%)
  - Asset backed R5.0b (▲20%)
  - Unsecured R4.7b (▲55%)
  - improved portfolio balance
- Equity ▲R1.3bn from R1.7bn to R3.0bn
  - retained income R381m
  - capital raised R870m
- NAV per share ▲43% from 347.4 cps to 496.5 cps
- Capital adequacy levels ▲20% from 28.2% to 33.8% (19.7% equity & 14.1% subordinated debt)

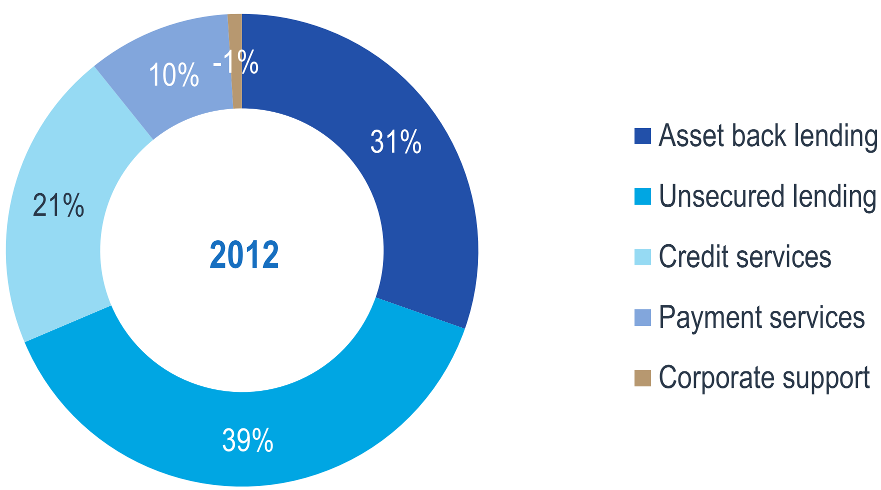
Financial performance



- Normalised headline earnings ▲31% from R323m to R424m
  - increased gross loans & advances
  - greater contribution from services
  - reduced gearing
- Normalised HEPS ▲17% from 69.7 cps to 81.6 cps
- Net interest margin ▲ from 14.5% to 15.9%
  - increased yield (0.11%)
  - reduced borrowing costs (1.22%)
- Cost to income ▼
  - portfolio mix towards lending
  - efficiency improvements
- Return on assets ▲ from 3.6% to 3.8%
  - services business performance
  - reduced gearing
  - portfolio shift to higher yielding unsecured lending
- Return on equity ▼ from 21.9% to 18.6%
  - equity raised but not fully deployed throughout year

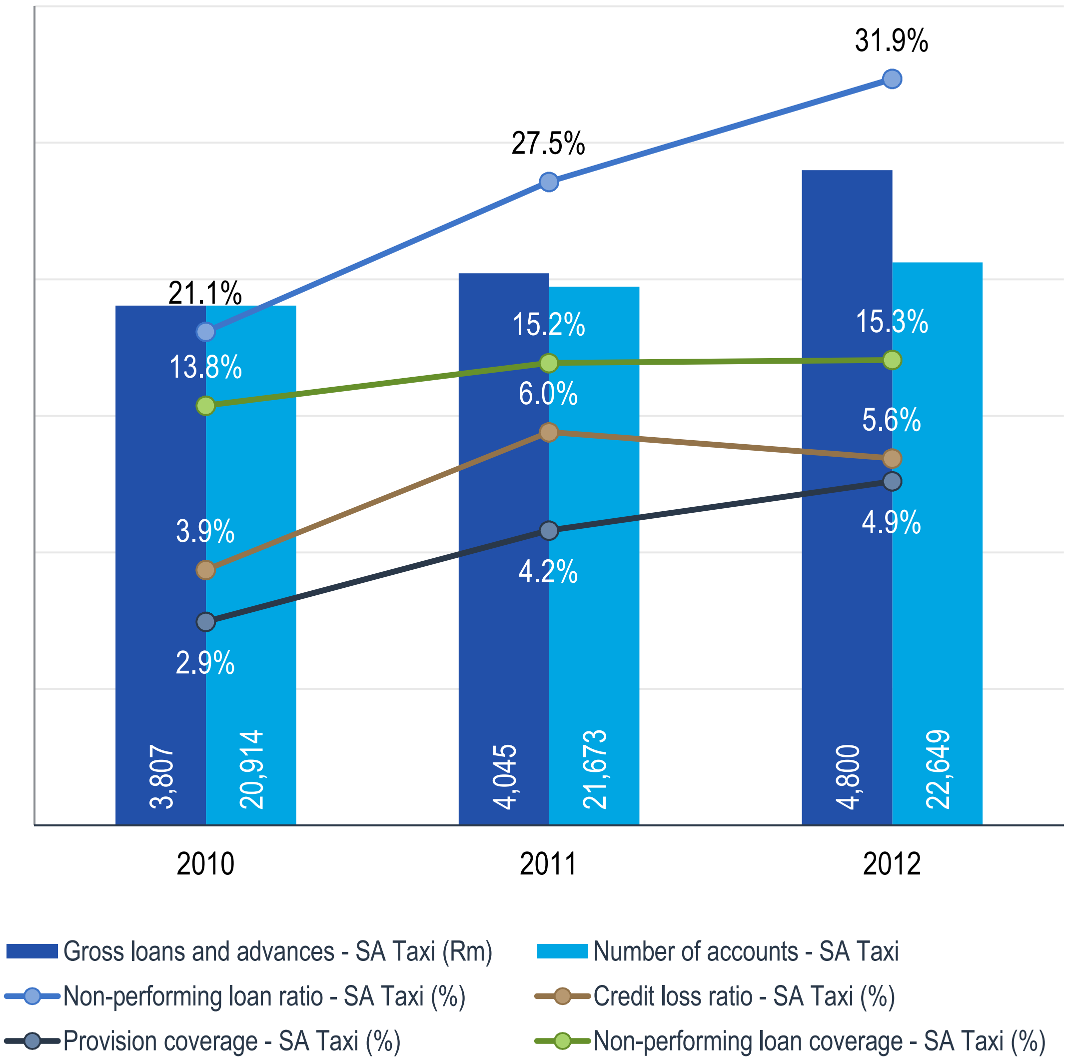
Portfolio mix

Normalised headline earnings	Rm 2012	Rm 2011	Growth	Contribution 2012	Contribution 2011
Asset backed lending	133	109	22%	31%	34%
Unsecured lending	166	138	20%	39%	43%
Credit services	88	61	44%	21%	19%
Payment services	43	37	16%	10%	11%
Corporate support	(6)	(22)	-73%	-1%	-7%
Group	**424**	**323**	**31%**		



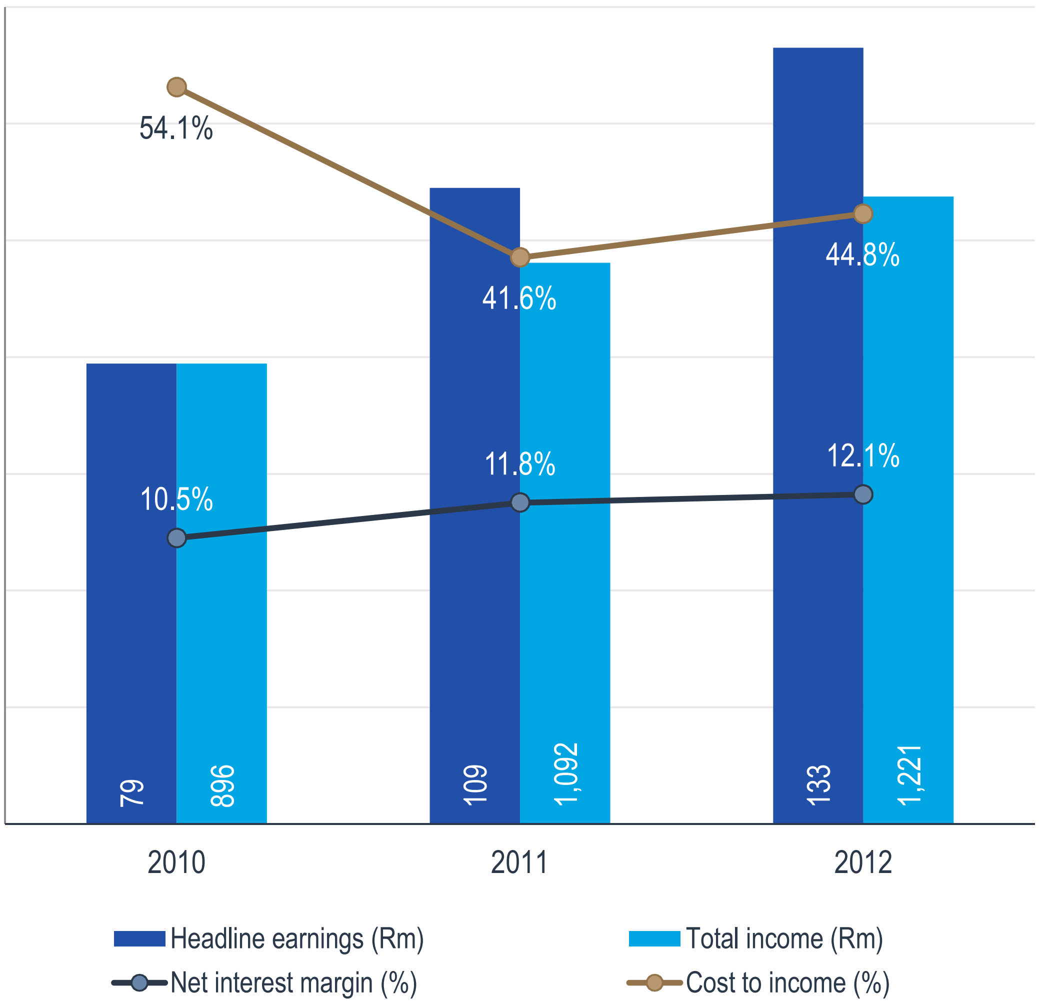
- Improved segmental mix of headline earnings
- Services earnings growth (34%) outpaced lending growth (21%)
  - Asset backed lending contribution ▼ from 34% to 31%
  - Unsecured lending contribution ▼ from 43% to 39%
  - strong performance from credit services, new base established
  - strong cash generation from services division EBITDA ▲18% from R215m to R254m
- Corporate support – break even

Asset Backed Lending – SA Taxi



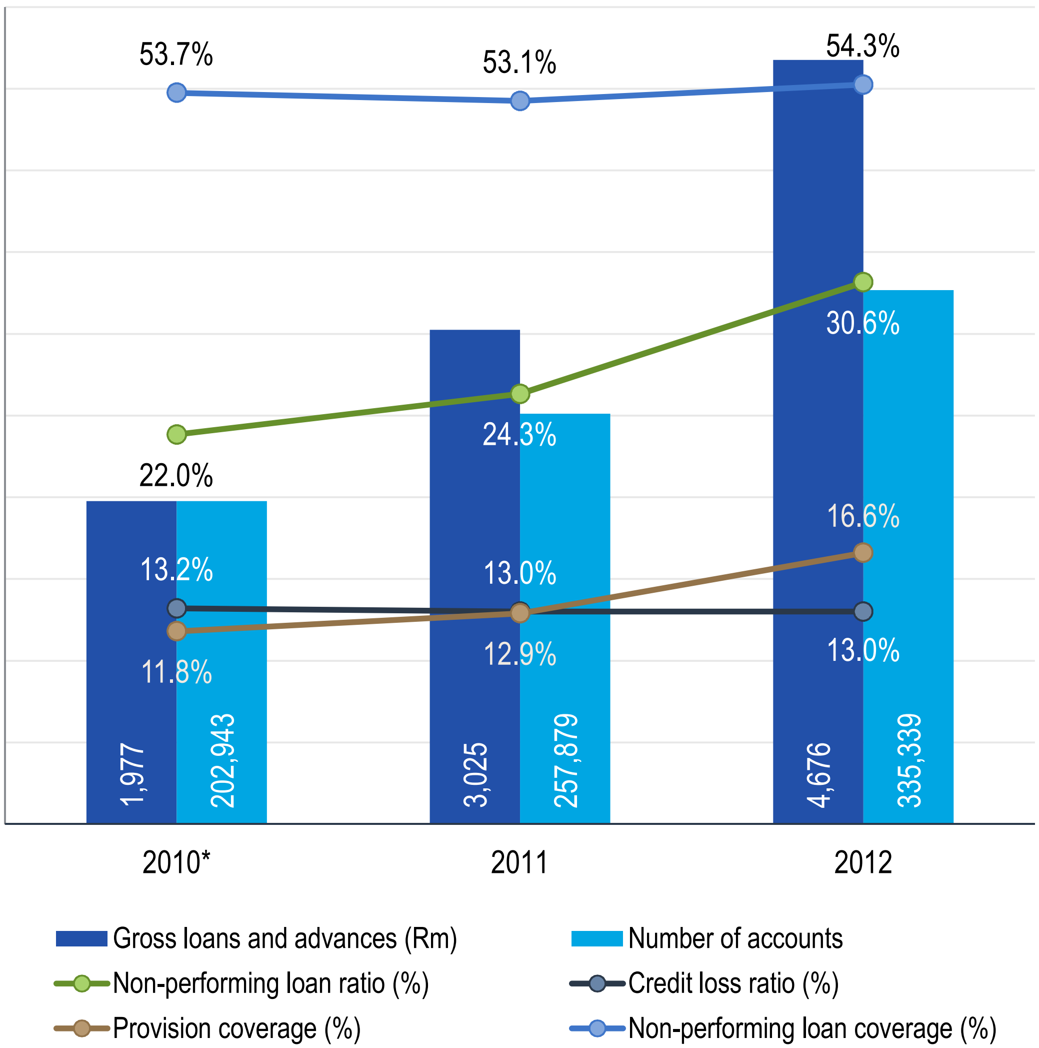
- Gross loans & advances
  ▲19% from R4.0bn to R4.8bn
  - number of accounts ▲5%
  - new origination bias 92% to premium vehicles (primarily Toyota; ▲ loan size; ▲ credit quality)
  - ▲ write off period of repo vehicles to improve quality
- Non-performing loan ratio
  ▲ from 27.5% to 31.9%
  - slowing rate of increase
  - ▲ NPL matched by ▲ provision
  - provision coverage ▲ from 4.2% to 4.9%
- Credit loss ratio ▼ from 6.0% to 5.6%
  - origination bias to premium vehicles
  - Taximart curbs credit losses on repo vehicles

Asset Backed Lending – SA Taxi; Rand Trust



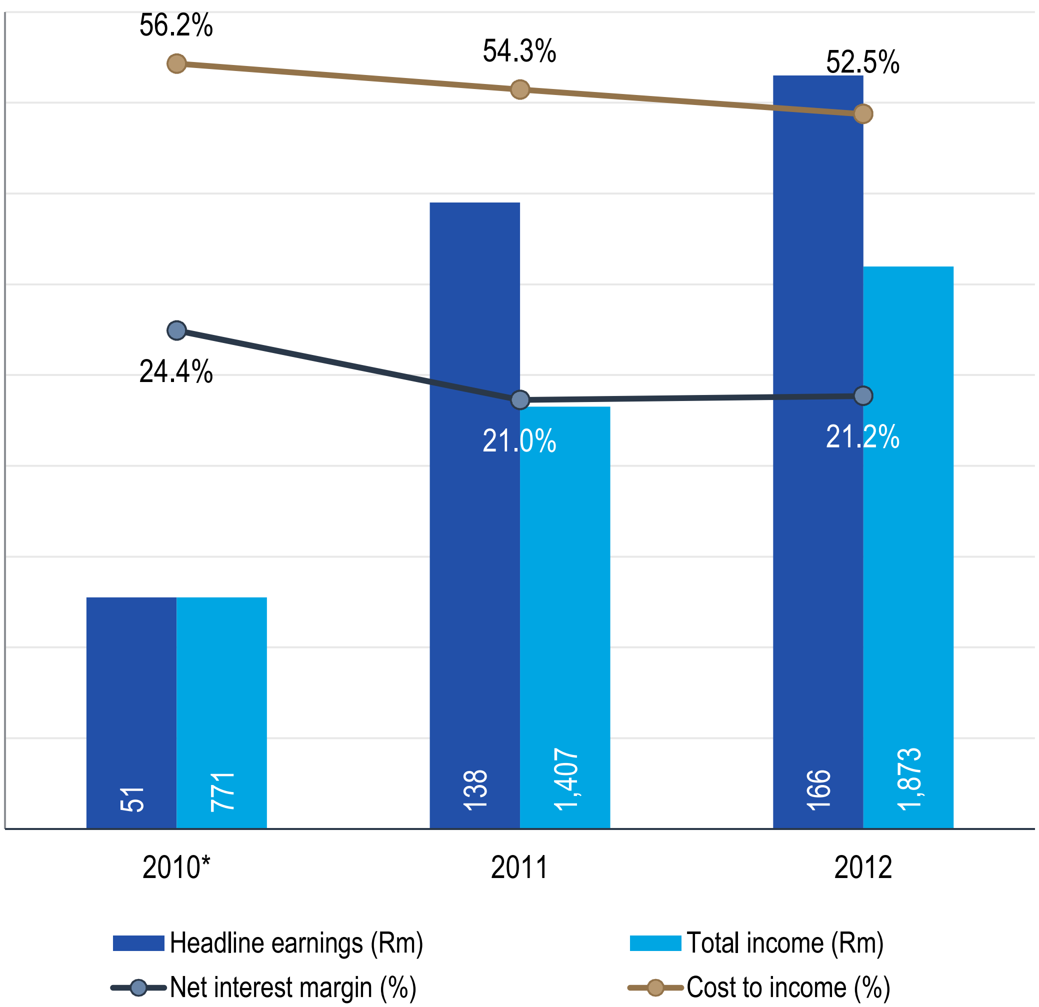
- Headline earnings ▲22% from R109m to R133m
  - total income up 12%
  - improved net interest margin of 12.1%
  - lower credit loss ratio of 5.4%
  - low cost to income ratio of 44.8%
- Continued investment in Taximart
  - refurbishes & facilitates the sale of repo vehicles to curb credit losses
  - 145 jobs created

Unsecured Lending – Bayport



- ○ Gross loans & advances
  ▲55% from R3.0bn to R4.7bn
  - • biased origination to existing clients (61% of value originated)
  - • average disbursement R13,412 (NCR average R19,118)
  - • average term at origination 44 months (NCR average 41 months)
  - • average income R13,500
- ○ Number of active accounts
  ▲30% from 257,879 to 335,339
- ○ NPL ratio ▲ from 24.3% to 30.6%
  - • write off period lengthened following strong post write off rehabilitation experience
  - • seasoning of the portfolio
- ○ Continued prudence
  - • NPL coverage ▲ from 53.1% to 54.3%
  - • provision coverage ▲ from 12.9% to 16.5%

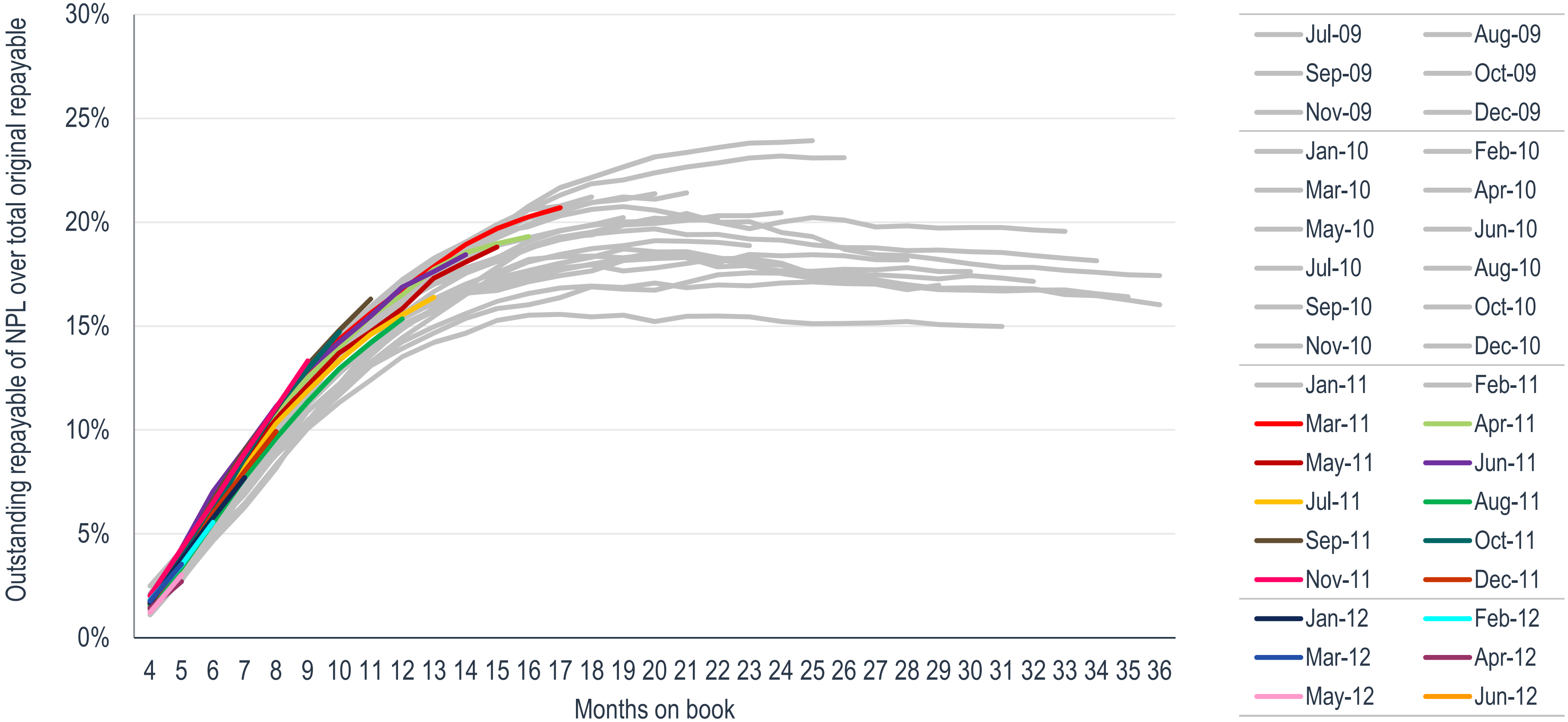
Unsecured Lending – Bayport



- Headline earnings ▲20% from R138m to R166m
  - total income up 33%
  - stable net interest margin of 21.0%
  - stable credit loss ratio of 13.0%
  - lower cost to income ratio of 52.5%
- Substantial investment
  - executive leadership
  - human capital in key areas
  - ICT systems & processes
- Stable credit loss ratio of 13.0%
  - better credit quality originated
  - bias towards existing clients
  - disbursement mix (loans vs cellular)
  - seasoning of the portfolio

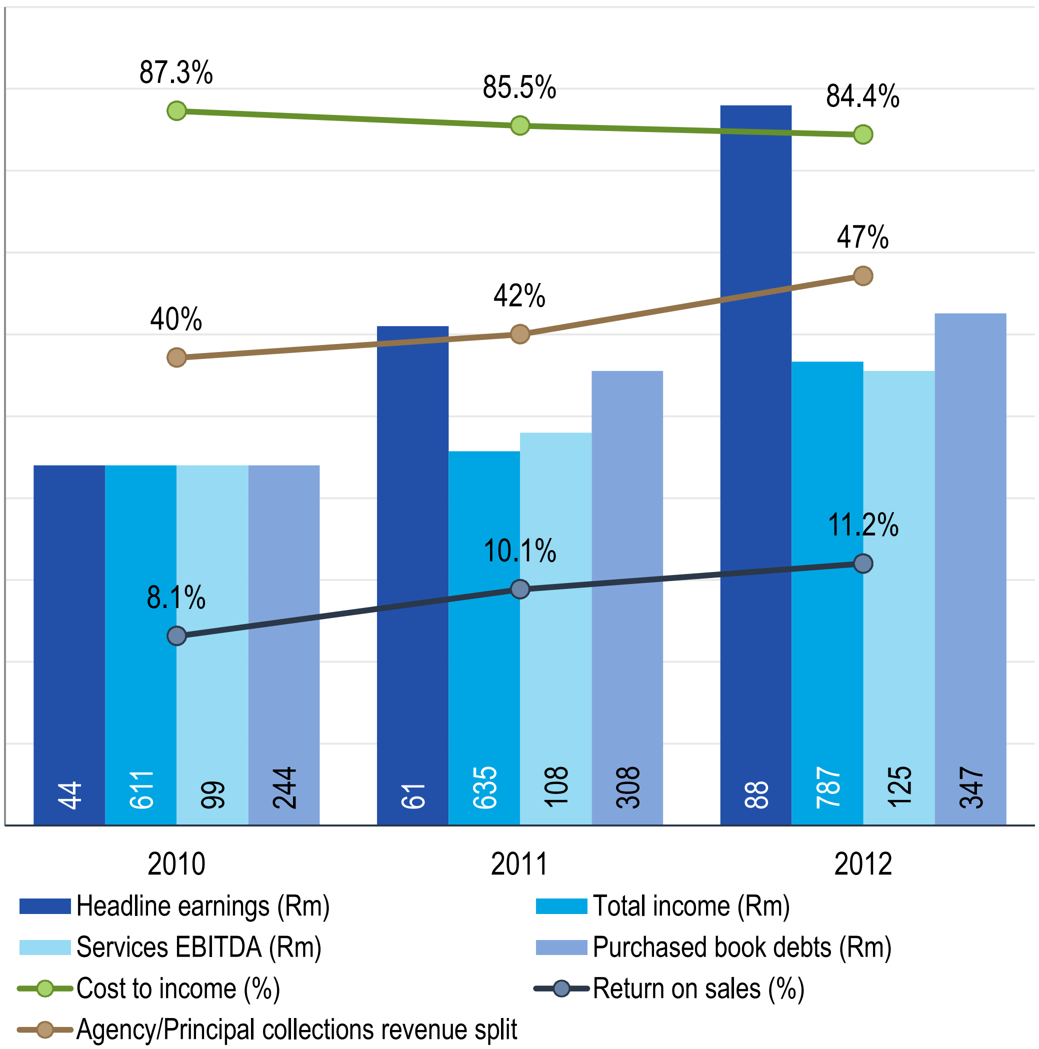
Unsecured Lending – Bayport

Bayport - NPL cured vintage analysis



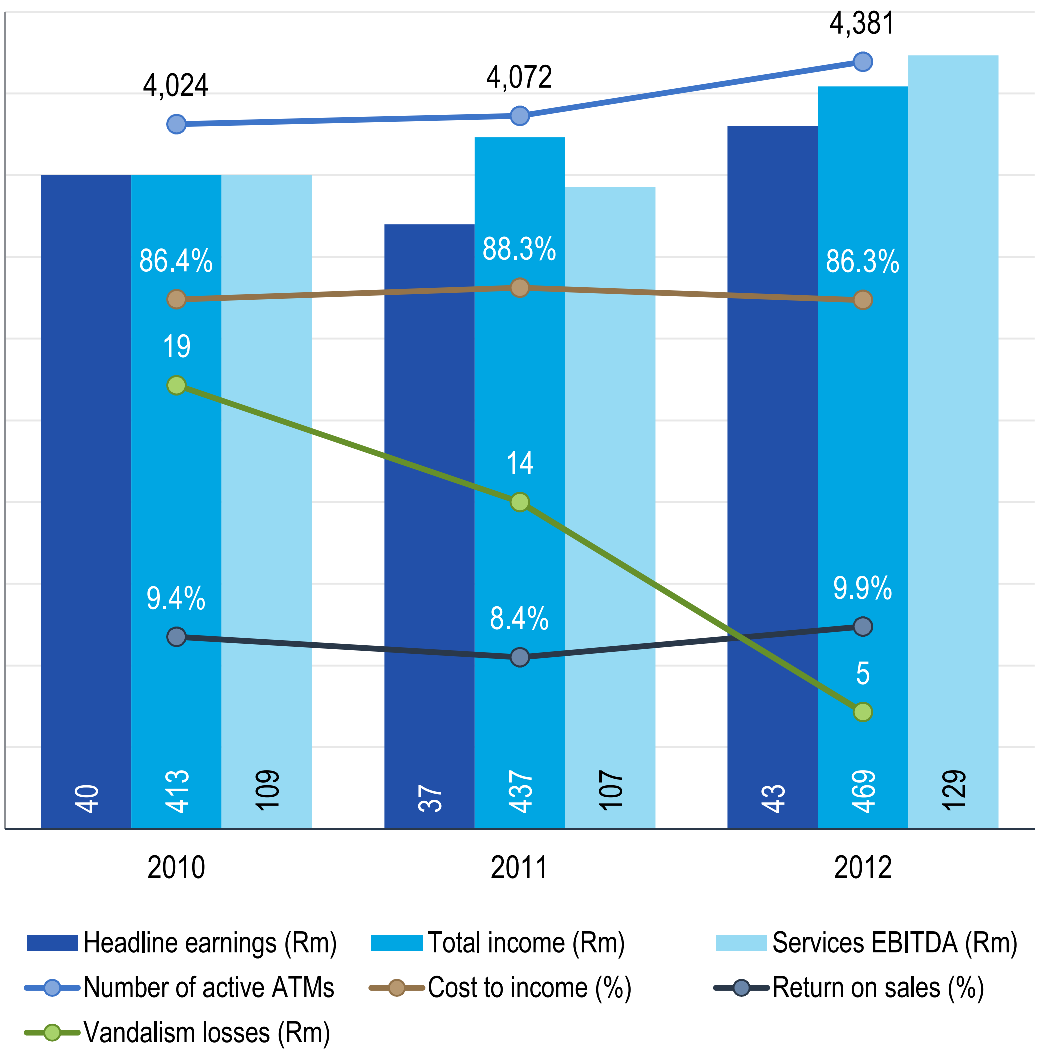
- Vintages trending in a tight band as per credit risk targeted

Credit Services – MBD Credit Solutions; Principa



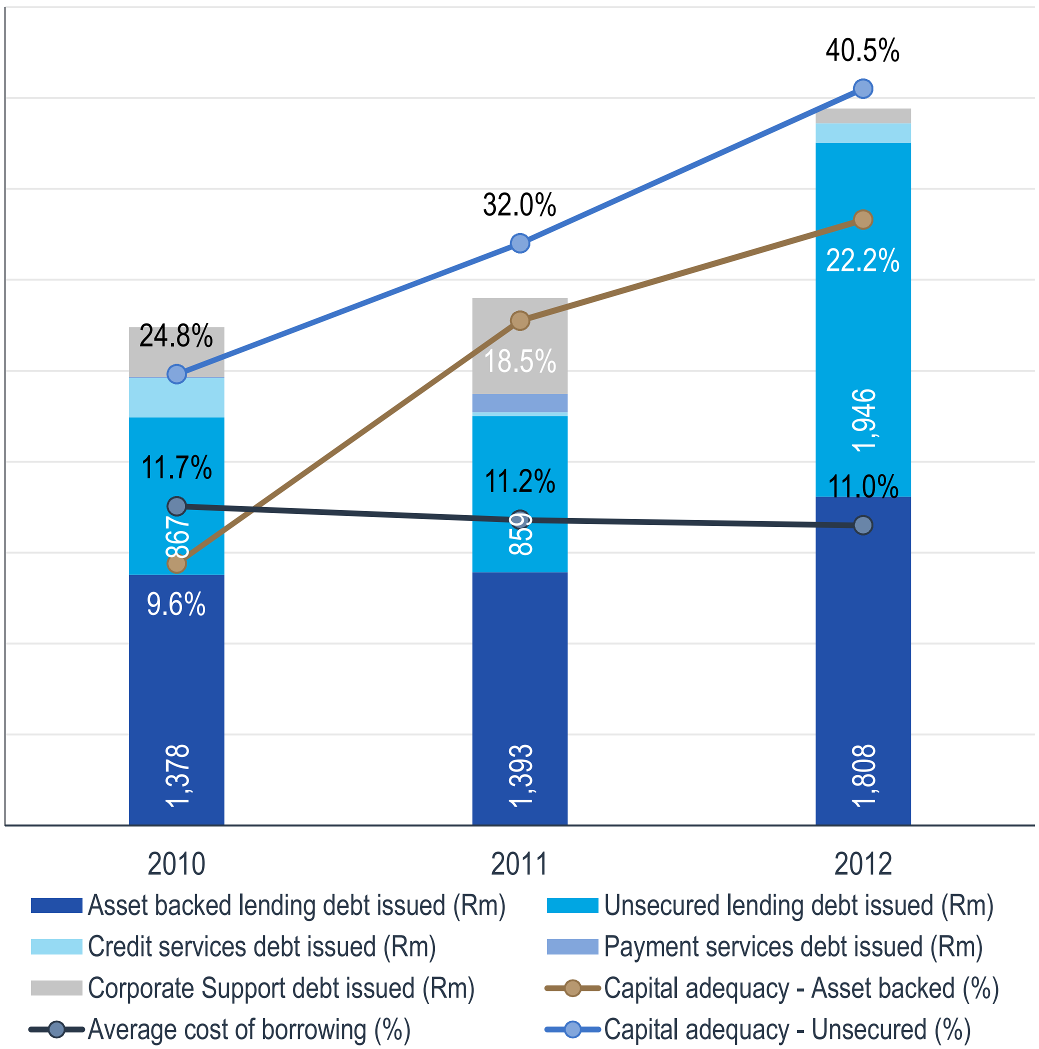
- Headline earnings ▲44% from R61m to R88m
  - total income up 24%
  - improved collection efficiencies
  - improved cost to income ratio of 84.4%
  - lower effective tax rate
- Purchased book debts ▲13% from R308m to R347m
  - revenue bias 47% to predictable principal collections
  - book debts acquired for R97m
- Cost to income ▼ from 85.5% to 84.4%
- Return on sales ▲ from 10.1% to 11.2%
  - strong revenue growth
  - cost efficiency & containment

Payment Services – Paycorp



- Headline earnings ▲16% from R37m to R43m
  - strong performance from core ATM business
- Active ATM fleet ▲8% from 4,072 to 4,381
  - continued high uptime
  - active relocation to better performing sites
- Improved cost to income ratio of 86.3%
- Vandalism losses ▼64% from R14m to R5m
- Return on sales ▲ from 8.4% to 9.9%
  - revenue growth
  - improved efficiencies

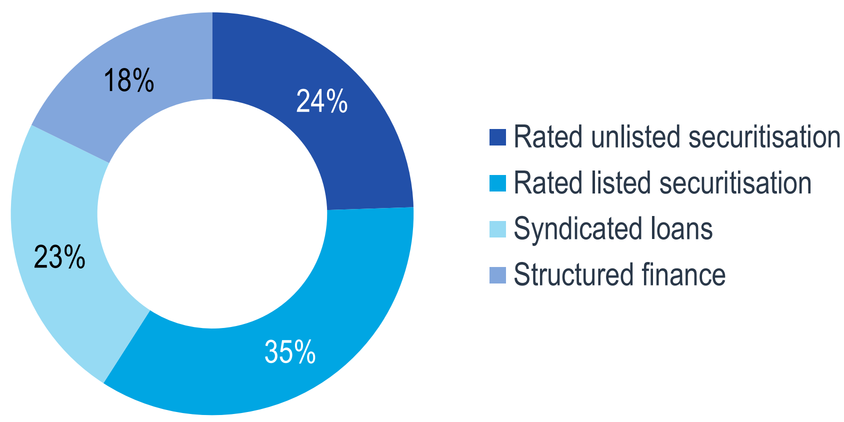
Funding



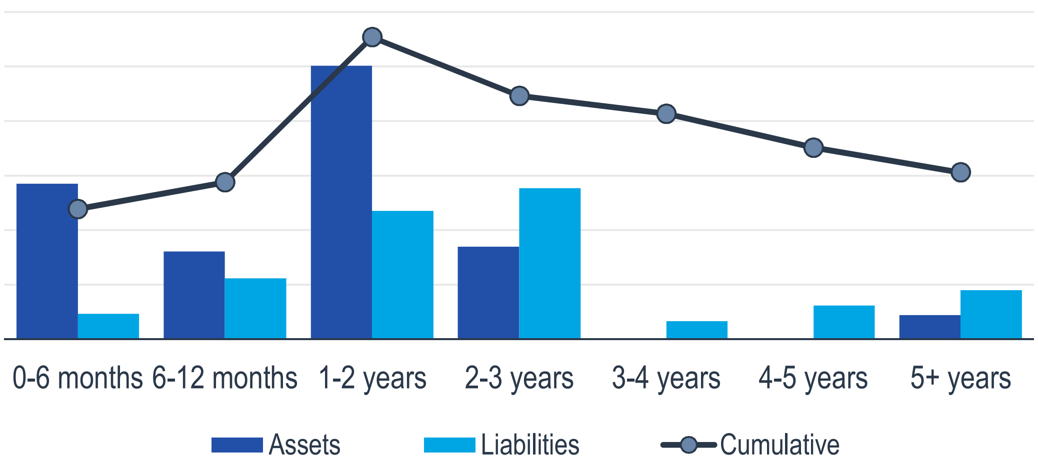
- R3,941m of debt issued
- 9 new debt investors
  - 4 new to group
  - 5 new to asset classes
- Cost of borrowing ▼ from 11.2% to 11.0%
  - recent Bayport credit margin at 165 to 350 bps
- Limited exposure to net floating rate debt at R396m
- Capital adequacy ratios
  - Asset backed lending 22.2%
  - Unsecured lending 40.5%

Funding philosophy

Diversification by funding structure



Positive liquidity mismatch



- Proven wholesale funding model
  - direct relationships with debt capital markets
  - diversification by debt investor, funding structure & credit rating
  - ring-fenced funding structures per individual asset class
  - targeted capital adequacy levels per asset class
  - no exposure to overnight debt instruments & limited exposure to 12 month instruments
  - "positive liquidity mismatch" between asset & liability cash flows
- Considering preference shares as a new untapped capital pool

Conclusion

The Transaction Capital scorecard

Macro-economic backdrop for growth	○ Positioned to service growing middle class ○ Counter-cyclical opportunities such as collections management, book buying
Specialised financial services portfolio	○ Complementary & collaborative portfolio of strategically aligned niche financial services businesses with strong market positions ○ Increasing opportunities for a non-deposit taking group as financial services become more highly regulated
Focus on asset quality & risk management	○ Major investment in skills & IT for productivity, asset management & risk mitigation ○ Origination strategy targeting lower credit risks
Prudent capital management	○ Equity levels well positioned for growth & improved ROE ○ Proven ability to raise capital from diversified debt investors
Delivering strong financial returns	○ Strong growth in earnings & assets
Under the leadership of experienced management	○ Experienced leadership with proven entrepreneurial, M&A, technical, financial & risk management skills ○ Continual group wide investment in executive education, expertise & experience
Operating within a robust governance framework	○ Experienced, diverse independent directors ○ Institutionalised governance, regulatory & risk management practices

Risks

- Unemployment
- Endemic labour unrest
- Uncertain future regulatory environment
- Regulatory non-compliance by industry participants and lack of enforcement by authorities
- Absence of standards on affordability

Outlook

- Positive momentum on strategic & operating progress
  - step change in organisational maturity pursuant to the listing of the group
  - improved governance, risk management & predictability
  - competitive strategies, business models, organisation design & human capabilities proven resilient in chosen segments
- Challenging environment
  - unexciting economic growth
  - South African socio-political issues
  - rendering financial services in society of extreme inequality
- Continued investment in the pursuit of sustainable quality earnings growth – very cautious in evaluating the strategic & financial merits of acquisitions

Addenda




Addendum 1 - Group Profile

- Transaction Capital is a non-deposit-taking financial services group active in asset backed lending, unsecured lending, credit services & payment services. The group operates in selected mass, emerging & under-served segments of the Southern African consumer & SME market, & provides specialist credit & payment services to credit retailers, banks & other dominant credit providers.
- The group is intentionally positioned to take advantage of South Africa's demographic & socio-economic trends, in particular an expanding credit & payments industry which serves the growing LSM 5 to 9 consumer markets & the SME market. Transaction Capital strives to develop & deliver financial products & services that address the burgeoning requirements of historically under-served segments of the South African population. This approach is supportive of the South African Government's drive for greater levels of financial inclusion, thereby contributing to the development of South Africa & the empowerment of its people.
- Transaction Capital has established a sound record of acquiring or founding & then developing businesses beyond their entrepreneurial origins to achieve scale & meaningful market positions; the most important objectives being the expansion of a competitive presence & the reduction of costs to enhance pricing & the value proposition to clients.
- Transaction Capital is led by a group executive office, which directs, coordinates, controls & governs its operating entities, firstly to enhance their competitive position & secondly to extract additional value arising from the composition & capabilities of the portfolio. This is achieved through: strategic insight; organisational & leadership development; an ability to assess & manage credit & operational risk; the efficient allocation of capital; the raising of high quality, competitive funding; the management of liquidity, funding & interest rate risk; & the maintenance of a strong culture of governance, accountability, ethics & transparency.

Addendum 1 - Group Profile (continued)

- **The Transaction Capital group comprises: six operating entities in four divisions.**
- **Asset Backed Lending Division**

  SA Taxi

  SA Taxi is a leading provider of finance to the minibus tax industry, providing credit together with product insurance & other allied products. Over the past 10 years the business has been instrumental in financing more than 36,500 SMEs. SA Taxi is dedicated exclusively to providing SME minibus taxi operators with financial products & services that ensure their viability, productivity & financial survival. SA Taxi has invested heavily in the improved efficiency of TaxiMart, a full service refurbishment facility established to curb credit losses by enhancing the value realised on the resale of repossessed vehicles. SA Taxi had 477 (2011: 354) employees at year end.

  Rand Trust

  Rand Trust is a niche provider of receivables discounting & commercial debtor management to SMEs.

- **Unsecured Lending Division**

  Bayport

  Bayport is a provider of unsecured credit & related products, including cellular subscription agreements, to low & middle income individuals in South Africa. Bayport provides clients with personalised & direct access to credit, by originating retail loans through: a wide distribution network of 2,211 mobile, commission-earning & independent agents; operating out of 56 branches; backed by 3 call centres; & 33 kiosks placed in the SA Post Office outlets. Bayport had 1,179 (2011: 964) employees at year end.

Addendum 1 - Group Profile (continued)

- **Credit Services Division**

MBD Credit Solutions

MBD CS is a leading provider of receivables management services in South Africa including the collection of pre-charged off accounts, charged off accounts & delinquent debt. Revenue is earned via collections on an outsourced contingency basis on behalf of its clients, which include many major South African financial institutions, credit retailers & other significant credit providers. Revenue is similarly earned as principal via the purchase & collection of portfolios of charged off accounts receivables across a variety of industry sectors. MBD CS had 2,444 (2011: 2,451) employees & affiliate employees at year end.

Principa Decisions (formerly PIC Solutions)

Principa Decisions provides credit risk analytics, management consulting & software services to major South African financial institutions, credit retailers & other significant credit providers in addition to other Transaction Capital businesses. Principa Decisions is a non-exclusive distributor of the FICO (previously known as Fair Isaac) software in Africa & the Middle East, where it has a joint venture with Saudi Arabia's only credit bureau SIMAH, to provide value-added data services SIMAH clients. Principa had 74 (2011: 67) employees at year end.

- **Payments Services Division**

Paycorp

Paycorp owns, deploys & operates over 4,500 off bank premise ATMs dispensing more than R28.6 billion of cash in conjunction with eight Southern African banks & holding an estimated 24% of the off bank premise ATM market in South Africa at 30 September 2012. Paycorp also includes early-stage businesses engaged in the installation & operation of credit & debit card terminals & the issuance of proprietary & association-branded payment cards. Paycorp is a Visa certified independent provider of stored value pre-paid card solutions & its businesses are South African Reserve Bank authorised system operators. Paycorp had 389 (2011: 369) employees at year end.

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