Media release - 23 July 2020

DETERIORATION IN CONSUMERS' PROPENSITY TO REPAY DEBT AMID COVID-19 PANDEMIC

Transaction Capital's Consumer Credit Rehabilitation Index (CCRI) measures the financial rehabilitation prospects of consumers currently in default.

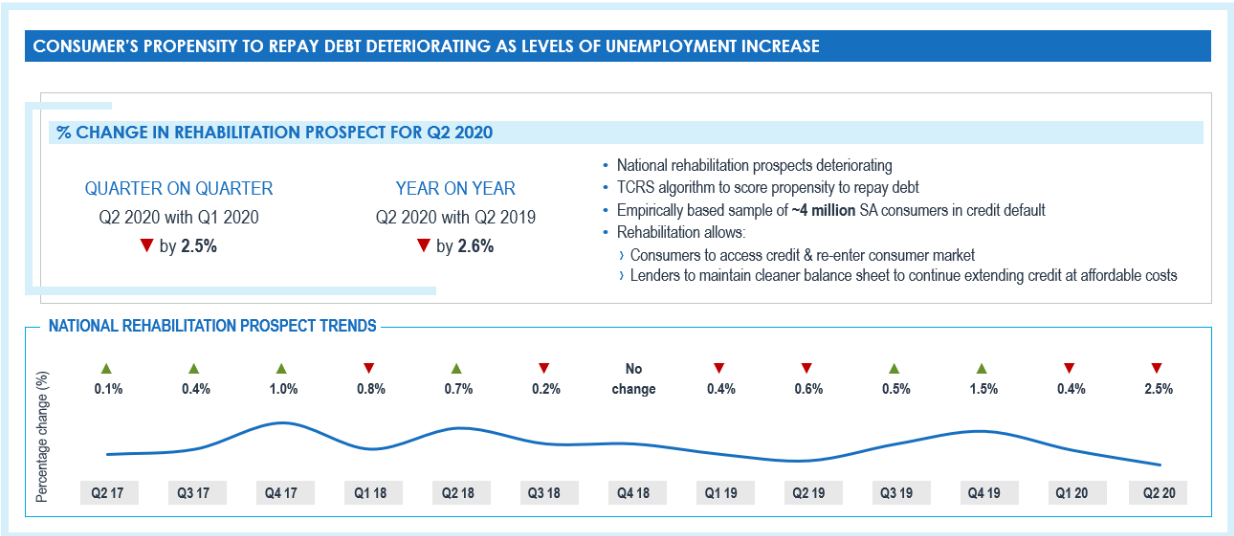
- ***Consumers' propensity to repay debt deteriorates as approximately eight million South African employees are "not working" increasing the risk of higher unemployment***
- ***▼2.6% compared to a year ago (Q2 2020 vs. Q2 2019)***
- ***▼2.5% compared to the prior quarter (Q2 2020 vs. Q1 2020)***
- ***Younger consumers (<34 years) perform worse, correlating with youth unemployment rate being higher (59.0% in Q1 2020) than overall unemployment rate (30.1% in Q1 2020)***

---

23 July 2020 - Transaction Capital Risk Services (TCRS), a technology-led, data-driven provider of services & capital solutions relating to credit orientated alternative assets in South Africa, Australia & selected international markets, and a wholly owned subsidiary of JSE listed Transaction Capital, today released its Consumer Credit Rehabilitation Index (CCRI) for Q2 2020.

Of the 25.2 million credit-active South African consumers at 31 December 2019, more than 40% (10.7 million) had impaired credit records. Transaction Capital's CCRI samples approximately four million consumers in credit default from TCRS's proprietary database. The index measures consumer credit rehabilitation prospects using an algorithm that estimates their propensity to repay debt and make positive progress towards financial rehabilitation.

The Q2 2020 CCRI results showed that South African consumers' propensity to repay debt deteriorated by 2.6% compared to a year earlier (Q2 2019) and 2.5% when compared to the previous quarter (Q1 2020).



The longstanding weak economic conditions have been exacerbated by the COVID-19 crisis putting further strain on consumers. The level of unemployment increased to 30.1% in Q1 2020 (from 29.1% in Q4 2019) and household debt levels are now likely to be even higher than the 72.8% reported in Q4 2019, contributing to a deterioration in consumers' propensity to repay debt.

David Hurwitz, CEO of Transaction Capital, commented: *"Despite relief from lower fuel prices and the repo interest rate at a record low of 3.75% since 1973, with about 8 million South Africans currently not at work and further anticipated job losses, pressure on consumers in the near term will intensify. The consumer's propensity to repay debt is highly correlated to employment levels. Consumer sentiment is weak; employment remains under pressure; and key consumer support measures (such as the temporary employee relief scheme and debt repayment holidays) will expire in the upcoming few months – all adversely impacting the consumer's ability to service debt."*

TCRS's business model is highly relevant in the COVID-19 environment

By supporting its clients' ability to extend credit and rehabilitating indebted consumers, TCRS's business model facilitates the effective functioning of consumer credit markets, which is critical to economic recovery. TCRS's business model, which operationalises this social contract, is highly relevant in the COVID-19 environment. The division's clients, being consumer facing entities, will have larger levels of non-performing consumer loans to manage and face operational challenges in collecting on these debts due to COVID-19 related restrictions.

COVID-19 has caused operational disruption in our clients' and competitors' call centres and collection operations. As consumer-facing entities seek to reduce fixed costs and shift to variable cost structures, we expect their appetite for outsourcing collections or selling non-performing loan portfolios to increase significantly.

Despite the disruption of COVID-19, TCRS has demonstrated its agility with the successful transition of more than 1 300 call centre agents to work from home, without compromising data security or access to technology. TCRS is well positioned to service the higher levels of activity and has almost 20 years of experience in South Africa in outsourced collections as a service and the acquiring of non-performing consumer loan portfolios.

ENDS

For more information contact Transaction Capital:
www.transactioncapital.co.za
+27 (0) 11 049 6700
Investor Relations
Issued by: Transaction Capital Limited

About the CCRI:
The CCRI is empirically based, sampling approximately four million consumers in credit default from TCRS' proprietary database. The index measures consumer credit rehabilitation prospects scientifically, using an algorithm that estimates their propensity to repay debt and therefore make positive progress towards financial rehabilitation.

The CCRI is informed by the collection of accounts receivable across the credit lifecycle, including early stage rehabilitation, late stage collections and legal recoveries, using both call centre and legal collections.

The CCRI analyses periodical changes in consumers' credit health levels across three rehabilitation prospect categories (Low, Medium and High) for all nine South African provinces. These categories represent the anticipated ability of consumers to improve their creditworthiness status.