



# Transaction Capital

## **TRANSACTION CAPITAL LIMITED**

(formerly Transaction Capital Proprietary Limited)

(Incorporated in the Republic of South Africa)

Registration number 2002/031730/06

JSE share code: TCP

ISIN: ZAE000167391

("Transaction Capital" or "the Company")

## **ANNUAL GENERAL MEETING STATEMENT BY THE GROUP CHIEF EXECUTIVE OFFICER**

### **INTRODUCTION**

Over the past few weeks shareholders will have received hard copies of Transaction Capital's 2012 Integrated Annual Report, which was posted on our website on 1 February 2013. The objective of our first integrated report was to provide stakeholders with sufficient information to make fully informed decisions on their relationship with the Group. While we believe that the disclosure was relevant and comprehensive, we welcome any suggestions as to how this report might be improved in future years.

Notwithstanding a tightening of economic conditions, it is gratifying to advise shareholders that Transaction Capital has made pleasing progress towards its strategic, operational and financial objectives in the first five months of the 2013 financial year.

### **OPERATIONAL PERFORMANCE**

Each of the divisions is performing in line with expectations, with the following being the most notable developments.

#### **Asset backed lending**

**SA Taxi – minibus taxi finance; Rand Trust – invoice discounting and commercial receivables management to SME's**

Growth in gross loans and advances continues in the mid-teens on an annualised basis.

SA Taxi has moved to Midrand where the collocation of its offices and its Taximart refurbishment facility will enable better control and coordination. Credit quality was enhanced throughout the period by a weighting towards the financing of premium, lower risk new vehicles, with a conservative approach to funding entry level vehicles. Origination levels and collections are as planned, with credit metrics in line or slightly ahead of expectations.

Rand Trust continues to invest in the structures and staffing necessary to grow its SME client base nationally.

## **Unsecured lending**

### **Bayport – unsecured credit and related products**

The slowing growth of unsecured credit extension nationally reflects both the caution of credit providers and the concerns expressed by the National Treasury and the National Credit Regulator.

The rate at which Bayport originates unsecured loans continues to be determined by capital rationing and an emphasis on lower risk bands rather than the pursuit of growth.

During the quarter credit criteria were tightened, favouring repeat clients and the extension of term and limit. Credit metrics are in line with past trends and expectations.

The following information is available on Transaction Capital's website regarding Bayport Securitisation (RF) Ltd.

Growth in gross loans and advances of 50% to R5.4 billion for the 12 months to 31 January 2013 is as a result of both larger loans (not consolidation loans) to lower risk repeat clients and smaller loans to new clients. This is reflected in the number of loans having increased only 24% (for 12 months) to 347,004 over the same period.

Provision coverage has increased to 17% at 31 January 2013, with the non-performing loan ratio at circa 30% for the 9 months to 31 January 2013. Vintages continue to track in a tight band, and are in line with historical trends.

Bayport will continue to invest in the people, systems and processes necessary to ensure responsible market conduct within the letter and spirit of all laws, regulations and practices pertaining to unsecured lending. Concurrently the value proposition to clients is being augmented with additional products and services to further differentiate Bayport's market positioning.

## **Credit services**

### **MBD Credit Solutions – debt collection as agent and principal; Principa – credit risk management consulting**

MBD Credit Solutions performed to expectation with tight expense control mitigating the lower than expected growth of agency and principal collections arising from the restructuring of certain call centres.

The performance of Principa was in line with expectations.

## **Payment services**

### **Paycorp – deployer and operator of off bank premise ATMs**

The core ATM business experienced growth ahead of expectations with increases in the number of active ATM's, as well as in the volumes and values of transactions. The early stage prepaid debit card business performed as expected.

## FUNDING

The Group remains adequately funded in terms of projected origination and cash requirement levels. Transaction Capital continues to enjoy support from its existing funder base.

Since September 2012:

- Bayport Securitisation (RF) Ltd has issued total debt of R675 million with the last issue of 5-year bullet Class A notes being priced at a credit margin of 425 bps above the relevant government curve.
- Two new debt investors have been added to BaySec.

Equity raised prior to and during the IPO has resulted in a capital adequacy of 34%.

## OUTLOOK

While there is little to suggest that 2013 will be anything other than a challenging year for South African consumers, Transaction Capital is confident that previously reported performance trends will persist in the current year.

Transaction Capital will provide the results for the half year ending 31<sup>st</sup> March 2013 on or before the 3<sup>rd</sup> June 2013, with any announcements prior to that as required by the JSE.

The above information has not been reviewed or reported on by the Company's external auditors.

Sandton

5 March 2013

Sponsor

Deutsche Securities (SA) Proprietary Limited