



Transaction Capital Limited
(Incorporated in the Republic of South Africa)
Registration number: 2002/031730/06
JSE share code: TCP
ISIN: ZAE000167391
Tax reference number: 9466/298/15/6
("Transaction Capital" or "the company" or "group")

ANNUAL GENERAL MEETING STATEMENT BY THE GROUP CHIEF EXECUTIVE OFFICER

INTRODUCTION

During the 2014 financial year, Transaction Capital initiated a group restructuring commencing with the disposal of Paycorp and Bayport. Thereafter the board and its sub-committees were reconstituted to accommodate the requirements of the newly established group. Concurrently the group executive office structure was simplified as most group office functions were decentralised, devolving responsibility and authority to the operating businesses.

During the first four months of the 2015 financial year, Transaction Capital's remaining divisions were reconstituted to support the strategic objectives of the newly established group. Transaction Capital is comfortable with the current composition of its portfolio which is intentionally positioned to take advantage of South Africa's macro-and socio-economic context. The group's reconstituted portfolio consists of two divisions of scale, being asset-backed lending and risk services, both with strong market positions.

Notwithstanding a challenging economic and regulatory environment, it is gratifying that Transaction Capital has made pleasing progress towards its strategic, operational and financial objectives in the first four months of the 2015 financial year.

DIVISIONAL REVIEW

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

Asset-backed lending

The asset-backed lending division (comprising SA Taxi) operates as an unconventional asset-backed lender, currently focusing predominantly on the financing of independent SMEs mainly in the minibus taxi industry, but with the intention to expand into other unconventional adjacent markets or asset classes.

The division continues to entrench its dominant market position encompassing the entire value

chain within the minibus taxi industry. This is achieved by augmenting its distinctive competencies well beyond credit assessment, collections and capital mobilisation and management. Distinctive competencies now also include vehicle and spare part procurement, direct vehicle sales, vehicle refurbishment, short term comprehensive insurance and telematics. In addition, SA Taxi continues to leverage its distinctive competencies to create defensible positions within identified adjacent market segments, financing asset classes such as “bakkies”.

The reduced fuel price is expected to benefit SA Taxi’s customers by facilitating additional disposable income for their businesses.

Growth in gross loans and advances has contracted slightly to the low-teens on an annualised basis, as credit granting criteria remain conservative. Credit performance continues to improve following high quality originations, strong collection trends and an improved quality of repossessed vehicles being produced by Taximart.

SA Taxi’s short-term insurance business, established early in the 2014 calendar year, continues to uplift and diversify SA Taxi’s revenue. Direct sales of new and refurbished vehicles gained further traction in the market thereby increasing margins and further improving credit metrics.

Risk services

The newly established risk services division (comprising MBD CS, Principa Decisions and Rand Trust) is a provider of a comprehensive range of structured credit risk management, debtor management, data management, collection, customer engagement, call centre and capital solutions to South Africa’s largest credit providers, focusing predominantly on the consumer credit life cycle as well as commercial solutions for SMEs.

The challenging consumer environment provides substantial opportunity for this division to take advantage of its strong market position and reputation. It does so by applying its credit and collections expertise, operational capacity, data base, experience and capital to its client base, being South Africa’s largest credit providers. Many of these clients are displaying an increased demand for structured and complex credit risk management and capital solutions to better manage credit and operational risks, reduce costs, simplify processes, raise capital and improve working capital cash flow.

The risk services division will entrench its market position by augmenting and combining its distinctive competencies across the companies in the division. As with the asset-backed lending division, the intention is to enhance and broaden its value proposition thereby deepening its penetration into the client. In addition, the division will leverage its core skill set to access adjacent market segments, such as the public, insurance and commercial sectors.

The increase in MBD CS’ collection revenues during this period was encouraging, despite the challenging consumer environment. MBD CS continues to make pleasing progress within its existing and newly identified clients. The cost-to-income ratio improved slightly as MBD CS continues to target cost control as part of its strategy.

Legislation around the changes in the application of the principle of prescription has not yet been enacted. Nevertheless, all of MBD CS’ business processes are aligned for the change and the pricing

of new purchased book debts reflects its impact.

Rand Trust continues to experience strong levels of book growth with an increased number of client originations. Credit risk and losses remain well managed, and collection metrics remain at robust levels.

During December 2014 Principa Decisions acquired Relate Technologies, a software development company which will create additional capacity for the further development of the Smart product suite. The Qarar joint venture in the Middle East continues to produce a diversified revenue stream.

FUNDING AND CAPITAL ADEQUACY

Transaction Capital's equity and debt capital position is robust. Capital adequacy levels remain high at 48% and the group is well positioned to take advantage of and fund organic and acquisitive growth opportunities.

Recent corporate failures in the local debt capital market have created heightened awareness of credit risk by debt investors. Transaction Capital continues to be proactive in its approach to debt funders to ensure that they remain comfortable with the businesses within the group. To date the group has been able to raise funding at spreads no worse than those agreed in the first half of the 2014 calendar year.

OUTLOOK

Transaction Capital is well positioned to meet its organic and acquisitive growth targets and the organic growth trajectory is in line with expectations. The group is well capitalised to fund organic growth and to effect significant acquisitive activity and has appropriate access to the debt capital markets.

Shareholders are advised that the financial information on which this trading statement is based has not been reviewed and reported on by the group's external auditors. Transaction Capital's results for the six months to 31st March 2015 are expected to be released on SENS on Tuesday 5th May 2015.

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