DEBT BUSTERS

DEBT METER

Q1 2020

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For further information, contact our Public Relations office at debtometer@idmgroup.co.za or call us on 021 206 9913.

Foreword by Benay Sager, Chief Operating Officer

- Welcome to the Q1 2020 edition of the Debtometer

- Reflecting the current economically difficult times, **our Q1 2020 clients, when they came to us**:
  - **Had ~22% of their debt as Vehicle Finance** debt (up from 20% in Q1 2016)
  - **Had ~32% of their debt as Home Loan** debt (up from 30% in Q1 2016)
  - **Had fewer credit agreements** (6.5 on average) compared to previous years (was 7.4 agreements in 2016), **indicating that consumers are becoming over-indebted and seeking help more quickly compared to previous years**

- **Consumers, especially those with an asset base such as a home and vehicle,** are under increasing financial strain. This is evident from the fact that incoming clients:
  - **Required ~64% of their net income to service their debt every single month**
  - **Had debt to income ratio of 114% on average - those earning a net income of R20,000 or more had a debt to annual income ratio of 142% - which is not sustainable**

- **It is clear that in absence of meaningful increase in real income growth, SA consumers are supplementing their income with more debt on a large scale.** Compared to 2016, those clients who applied for debt counselling in Q1 2020 had:
  - **Negative real income growth: Nominal incomes were 1% higher compared to 2016 levels; when cumulative inflation growth of 19% is factored in for the same period, real incomes shrank**
  - **Substantial average debt growth: The negative growth in net incomes was supplemented by 33% higher total debt on average; higher income earners' total debt levels in Q1 2020 are 63% higher compared to same income group from Q1 2016**

- **On a positive note, the number of clients completing debt counselling successfully has increased by 65% per annum over the last four years, indicating that for SA consumers under financial strain, debt counselling is an effective mechanism to get financially fit again**

Contents – Debtometer

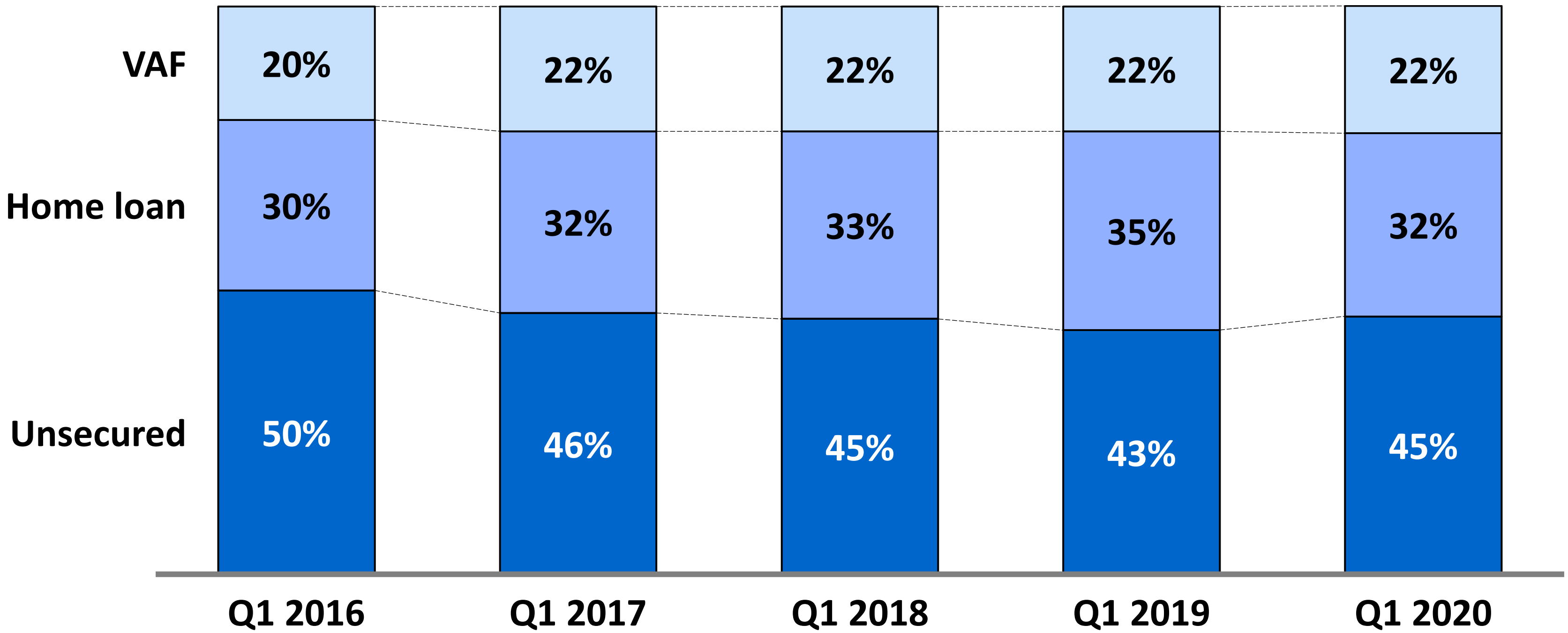
- **Consumer debt profile**
- Debt counselling industry consumer profile

Nature of debt: The share of clients with home loans and VAF who come to us has increased in the last few years, indicating that more consumers with assets are becoming over-indebted

TOTAL DEBT BOOK

Breakdown of DebtBusters debt under management

Percent by type, by value at end of Quarter

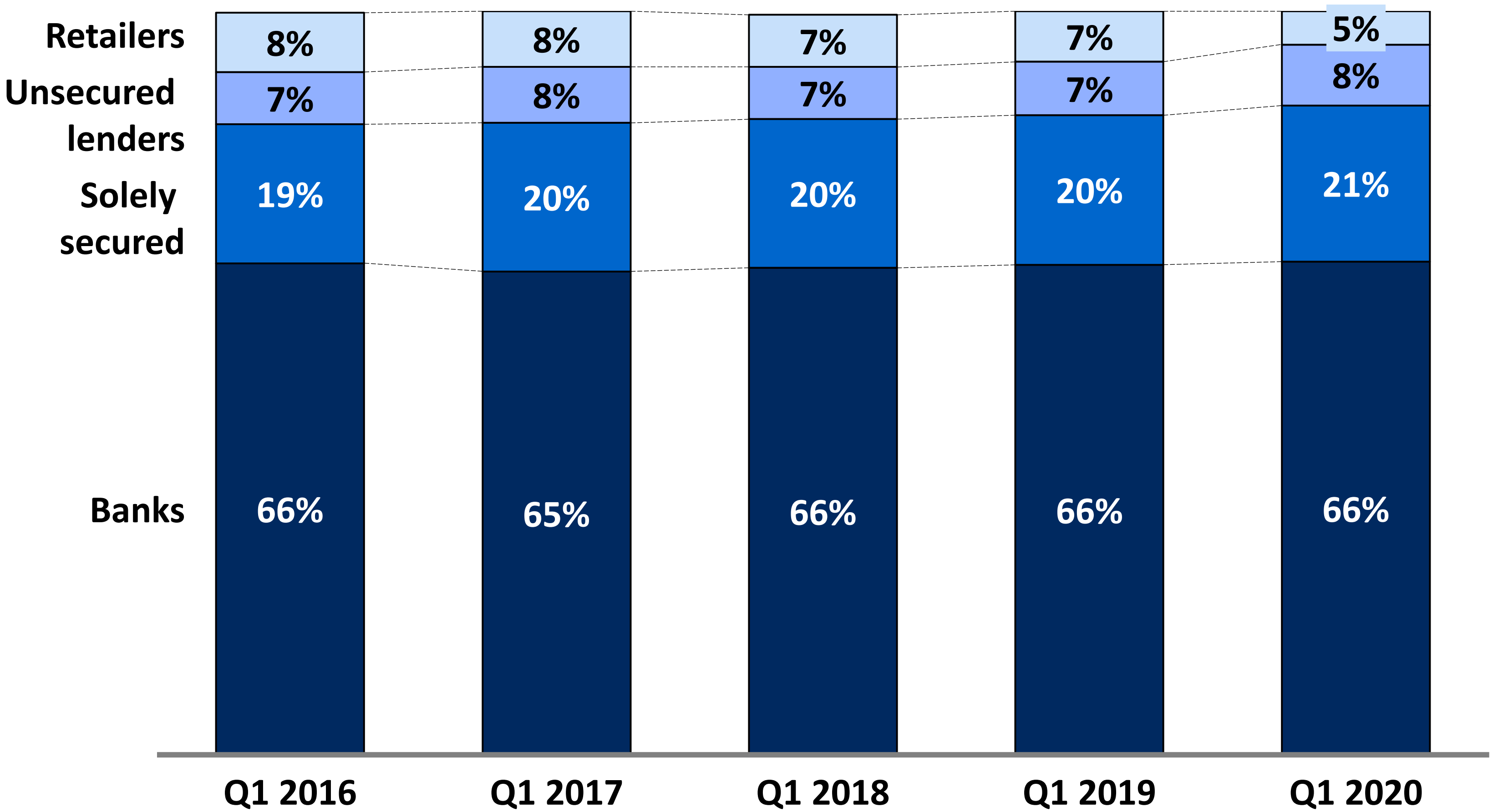


Source: IDM

Lending institutions, total debt book: Banks’ share of debt has remained consistent in the past few years

TOTAL DEBT BOOK

Breakdown of DebtBusters debt under management
Percent by type of lender, by value at end of Quarter



* Includes MFC, SA Homeloans, Wesbank, Mercedes and BMW, who grant secured credit only
^ Includes ABSA, African Bank, Capitec, FNB, Investec, Nedbank, Standard Bank

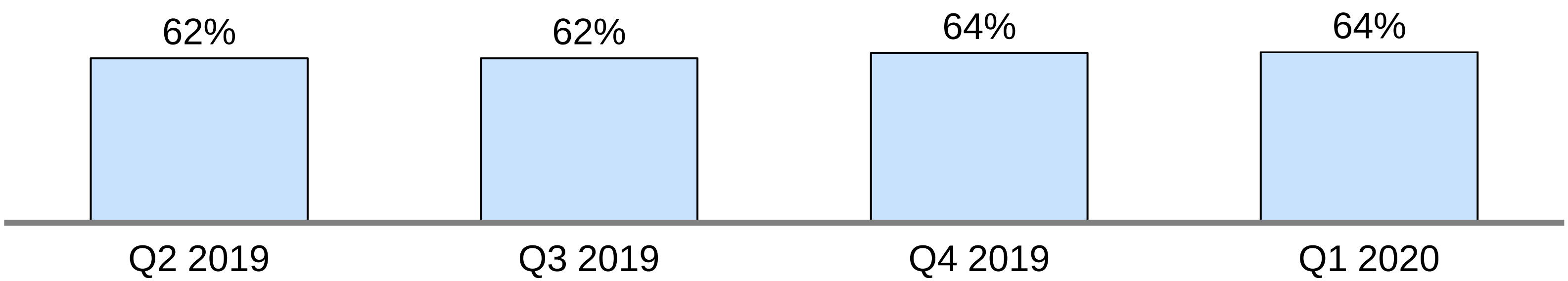
Source: IDM

Contents – Debtometer

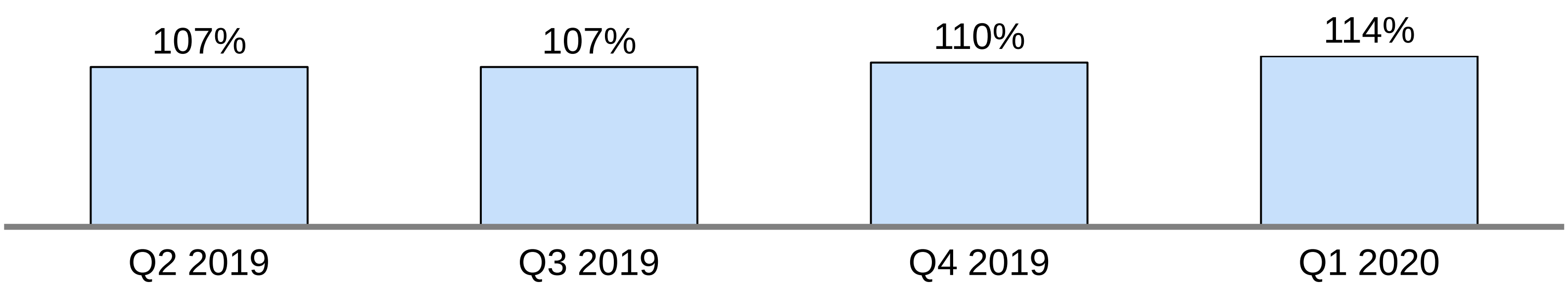
- Consumer debt profile
- **Debt counselling industry consumer profile**

Debt repayment to net income[1] ratio and debt exposure for our clients are both above sustainable levels

Original (median) monthly debt repayment to net income ratio remained the same..
Percent of net income that was required to pay debt before signing up with DebtBusters



…and quarter-on-quarter overall debt levels remained high
Total debt exposure to annual net income ratio, when clients sign up with DebtBusters

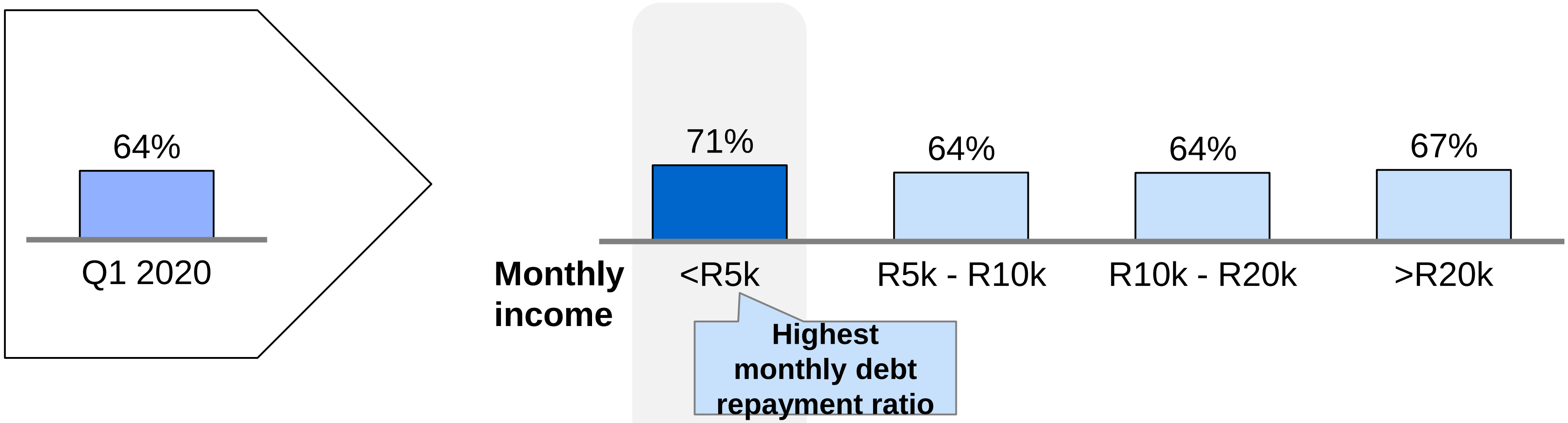


1 Median debt to net income ratio for all new clients signed up in that quarter

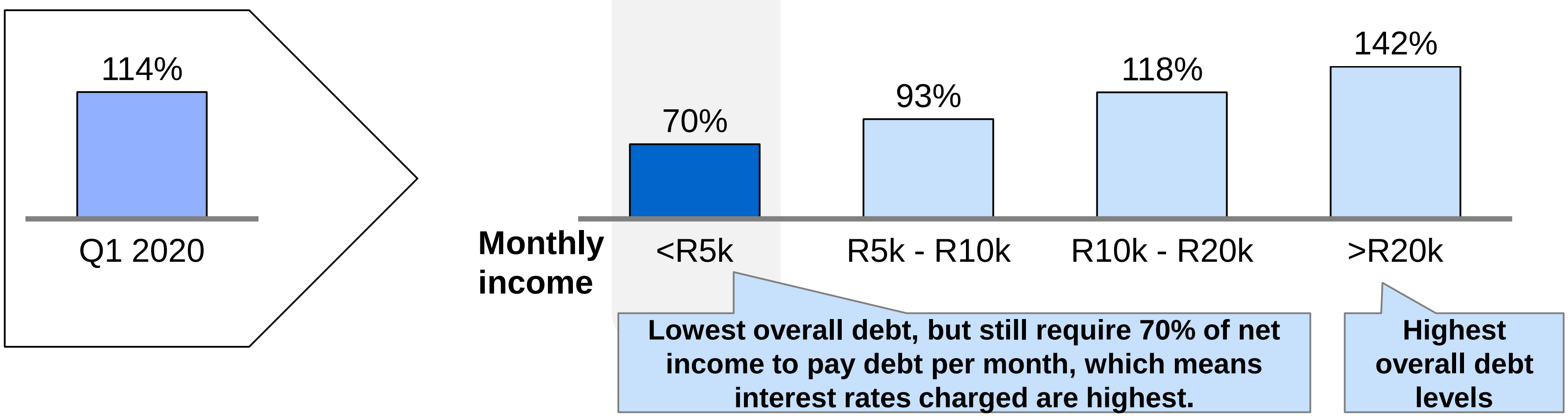
Source: IDM

Monthly debt repayment to net income ratio appears to be highest for lower income groups, but overall debt levels are the highest for high-income groups

Original monthly debt repayment to net income ratio[1]
Percent of net income that was required to pay debt before signing up with DebtBusters



Original overall debt to annual net income ratio[1]
Debt exposure to net income ratio, when clients sign up with DebtBusters



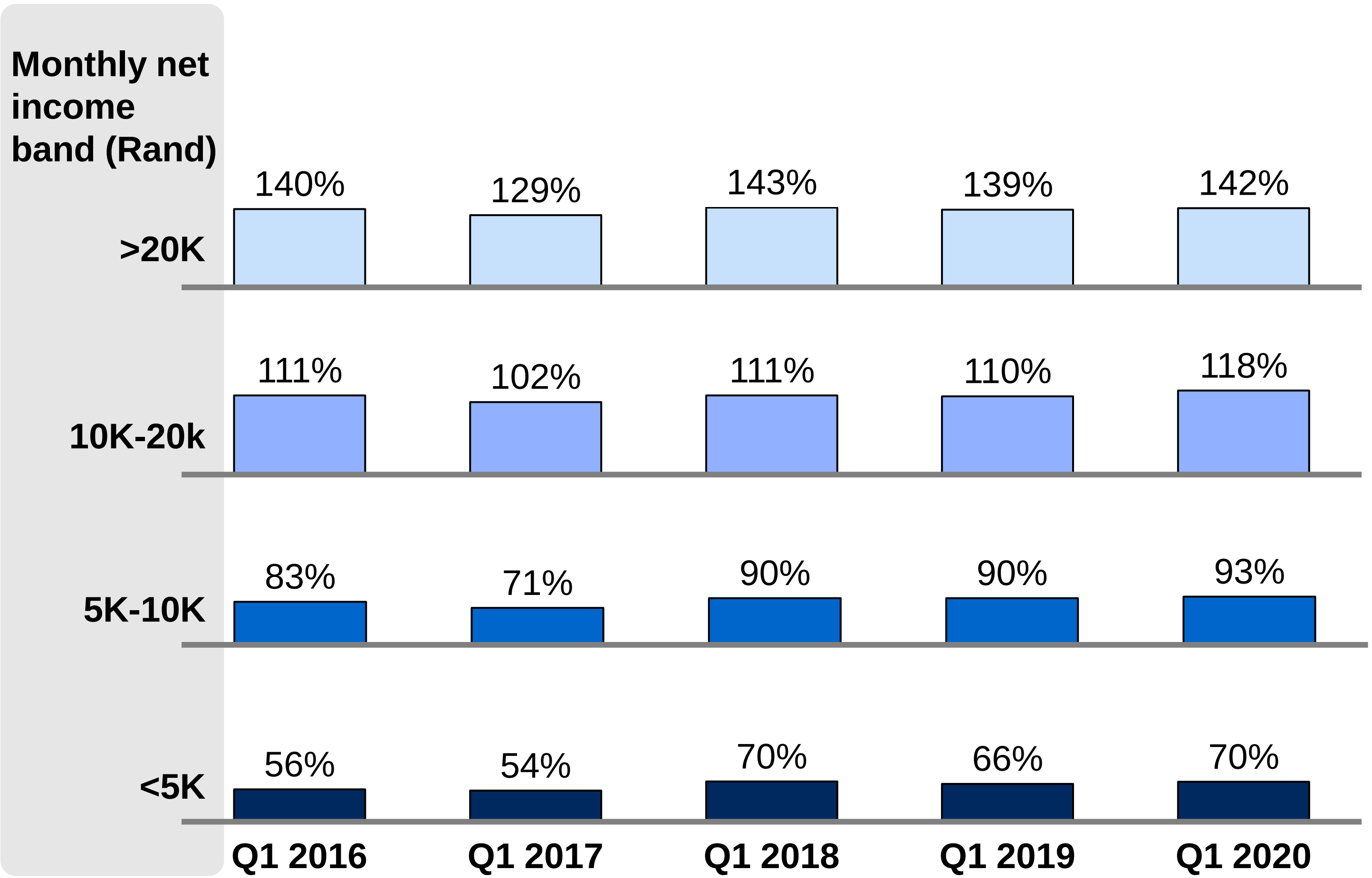
1 Debt to Income ratio is calculated by looking at the median in each quarter

Source: IDM

Debt exposure to net income[1] ratio comparison by income bands indicates low and middle income earners (up to R20k p.m.) have come under increasing debt pressure over the last few years, and those earning higher than R20k p.m. continue to be under huge pressure

Original overall debt to annual net income ratio[1]

Debt exposure to net income ratio, when clients sign up with DebtBusters



- Debt exposure worsened for clients in the less than R5K, R5K-R10K and R10K-20K income brackets
- South Africans in the highest income brackets still maintain the highest exposure to debt

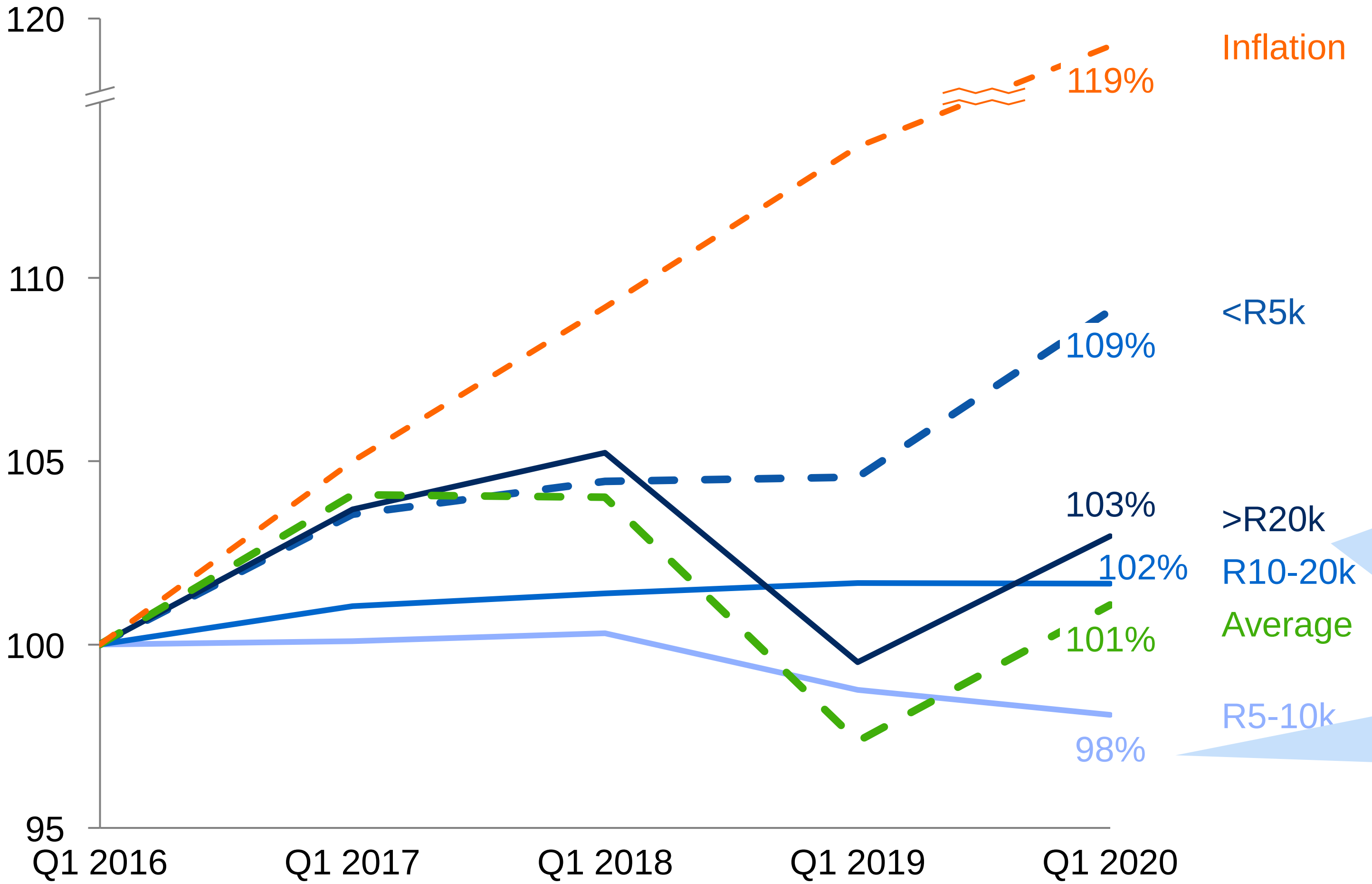
1 Debt exposure to Income ratio is calculated by looking at the median in each quarter

Source: IDM

This is driven by the fact that the average net income was up by 1% in four years compared to 19% growth in inflation over the same period, resulting in -18% growth in real income over that period…

Clients signed up in the quarter

Change in net income levels per income band
Indexed to 2016 levels
2016 = 100



Average net income up by 1%. In real terms, this is behind inflation by 18% over same period

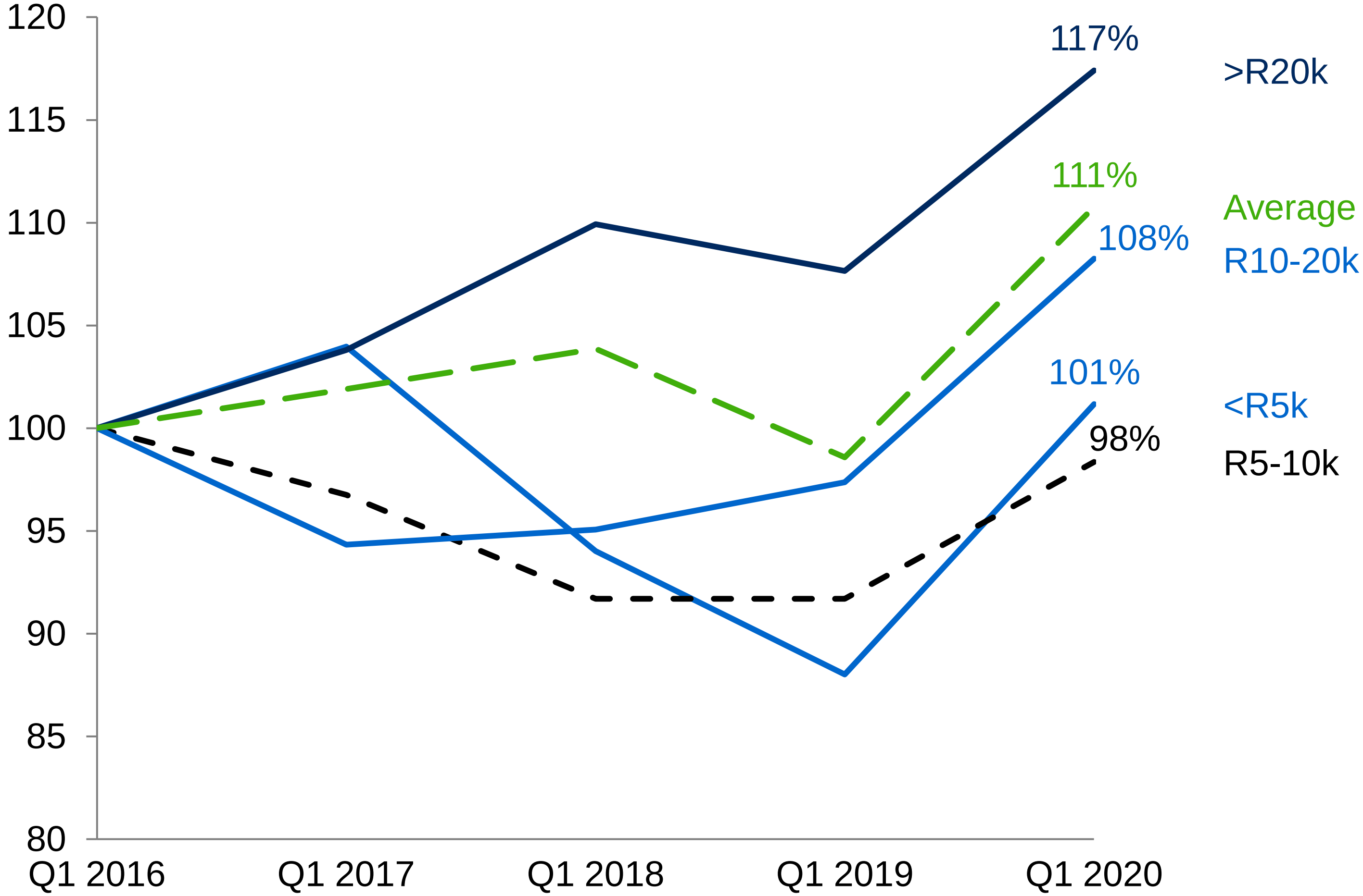
Net income for those earning between R5-10k down by 2%

Source: IDM

…and growth in unsecured debt levels on average was +11% over the same four year period. This means consumers are increasingly using unsecured loans to supplement their incomes

Clients signed up in the quarter

Change in unsecured debt levels per income band
Indexed to 2016 levels
2016 = 100



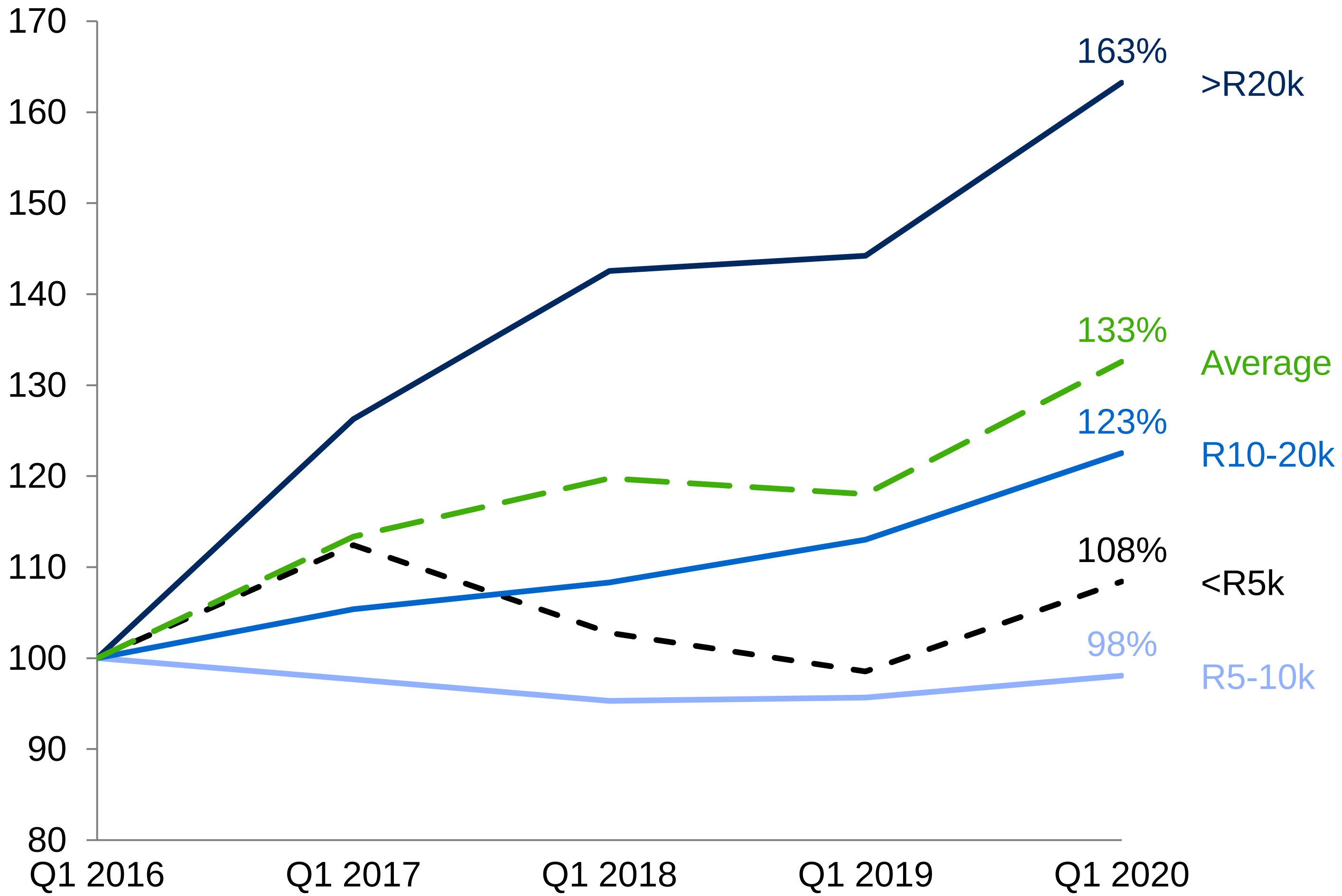
- **Unsecured debt for the average client is 11% higher than 2016 levels; for top earners the figure is 17%**
- **This indicates consumers are using unsecured loans to supplement their incomes**

Source: DebtBusters

Total debt levels have increased by 33% compared to Q1 2016, with clients in the >20K income bracket experiencing the greatest increase of 63% - these increased debt levels are not sustainable

Clients signed up in the quarter

Change in total debt levels per income band
Indexed to 2016 levels
2016 = 100



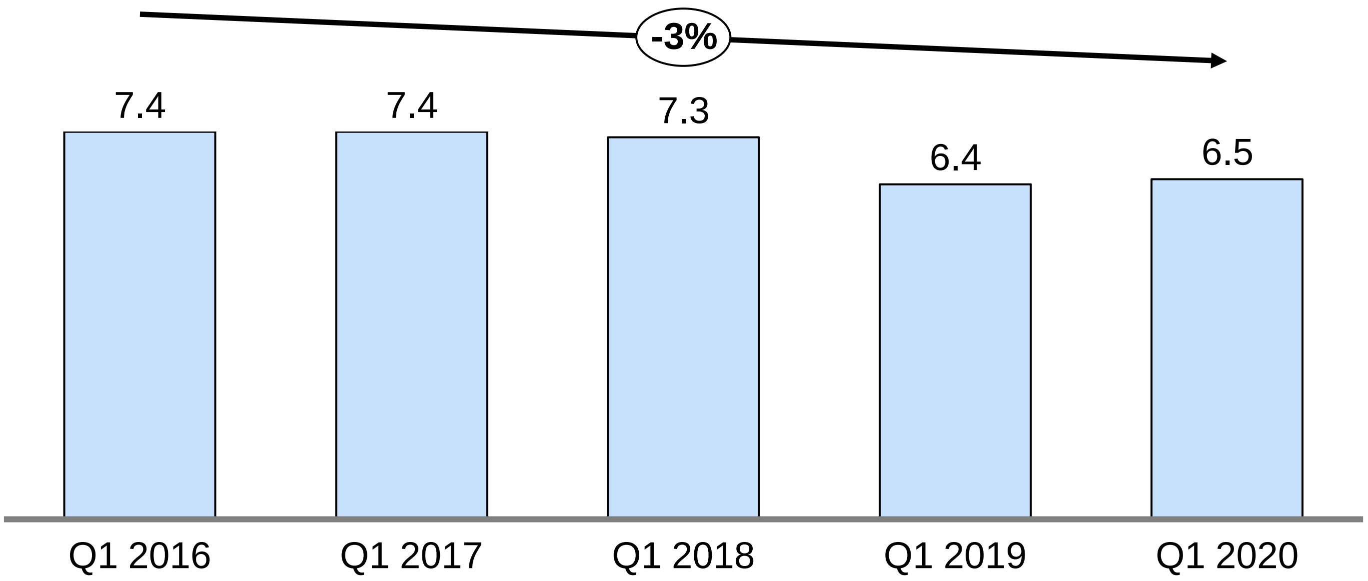
In comparison to 2016, the total debt level increased by 33% on average; for high income earners this increase was an astounding 63%

Source: DebtBusters

The average number of credit agreements for new clients continues to fall, and was around six in Q1 2020. This shows clients are consistently becoming over-indebted and seeking help faster than before

Credit agreements per new client: Year-on-Year

Number, when clients sign up with DebtBusters

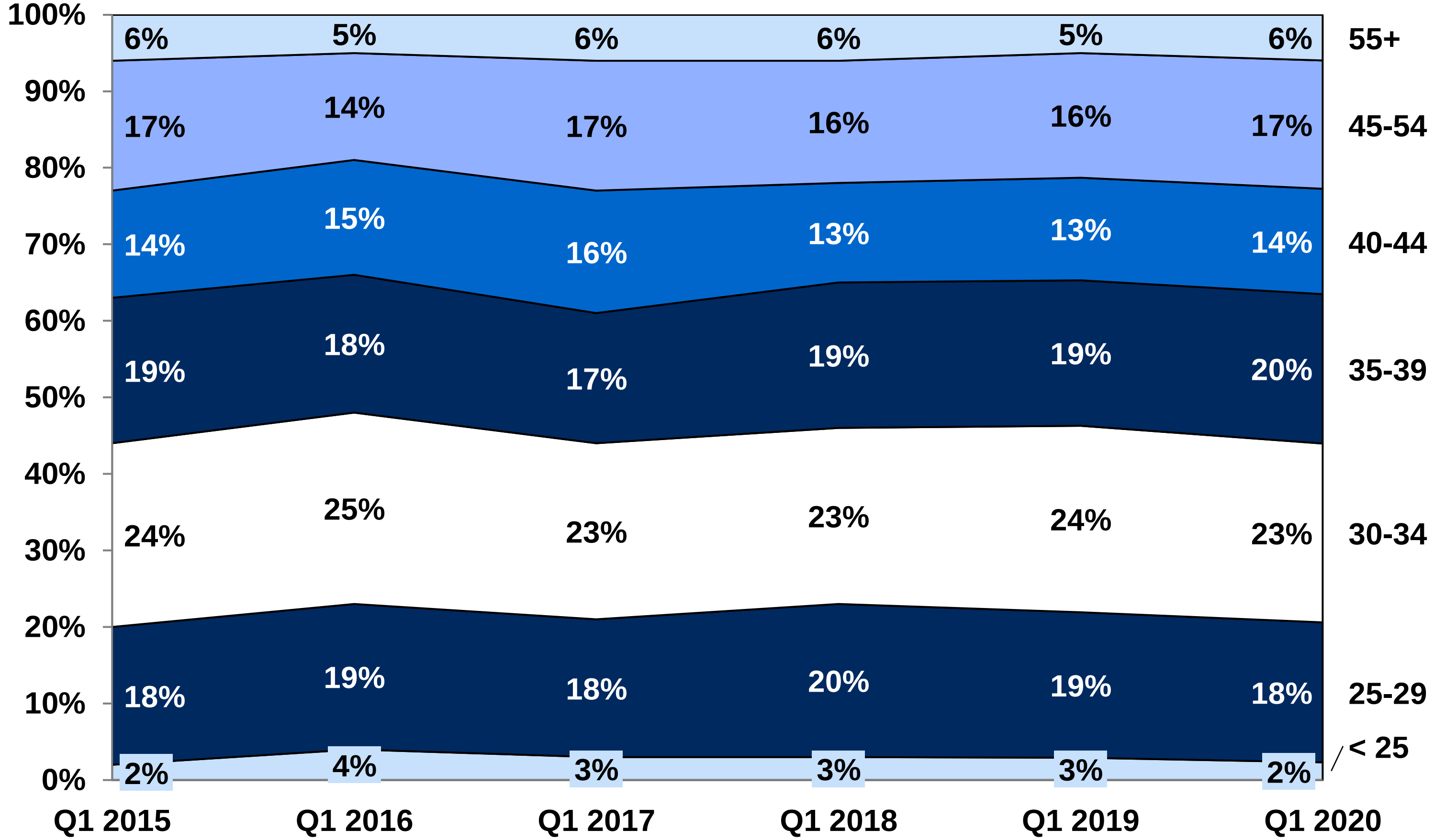


Source: IDM

Client age profile: Age distribution of new clients has been consistent; the average age of new clients is 38

Age profile of new clients

Age range

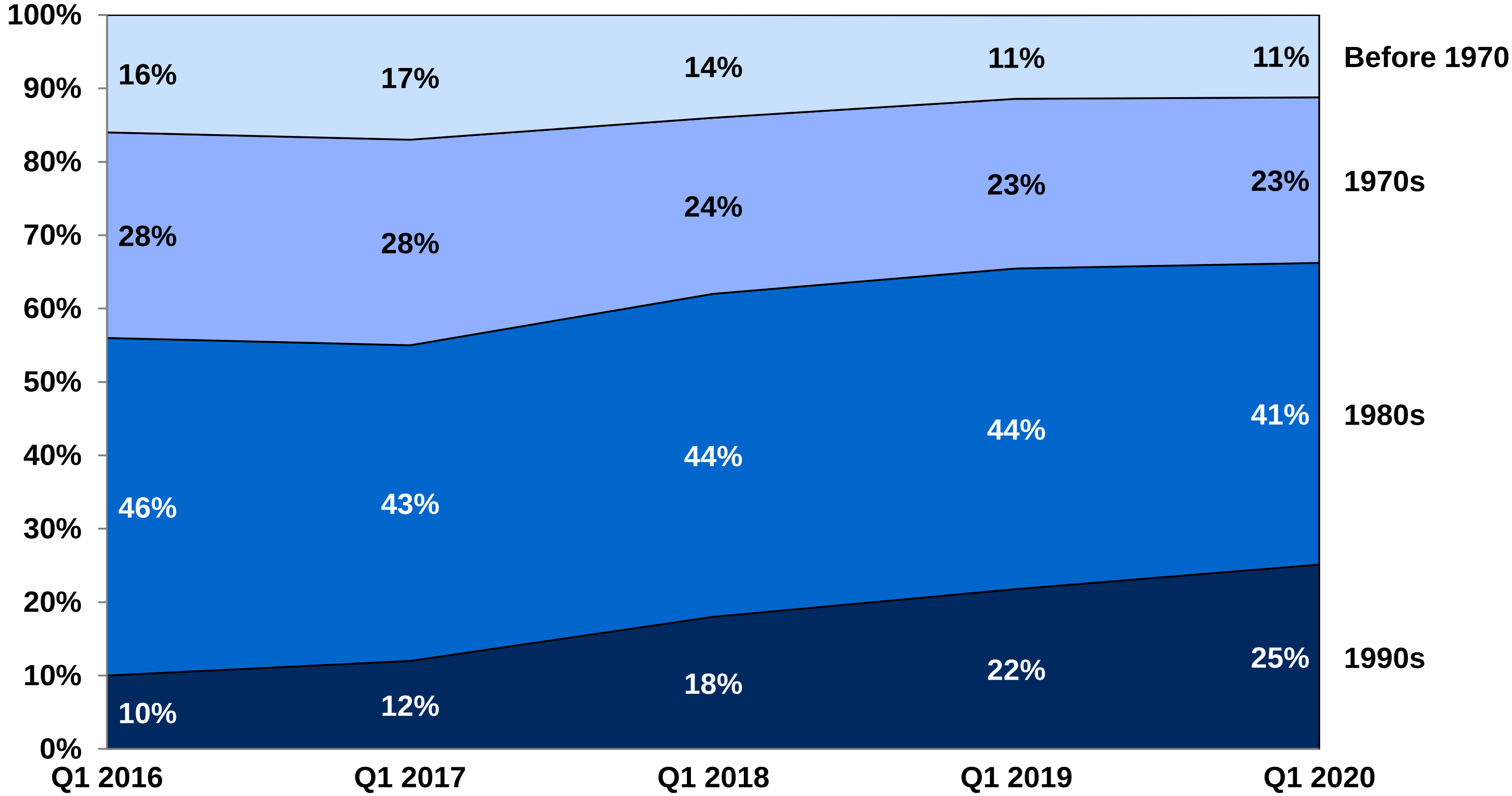


Average age of new clients	38	37	38	37	37	38

Source: IDM

Clients born in the both the 1990's now make up 25% of all new applicants respectively; Female clients made up 44% of new applicants in Q1 2020

Decade profile of new clients
Decade of birth



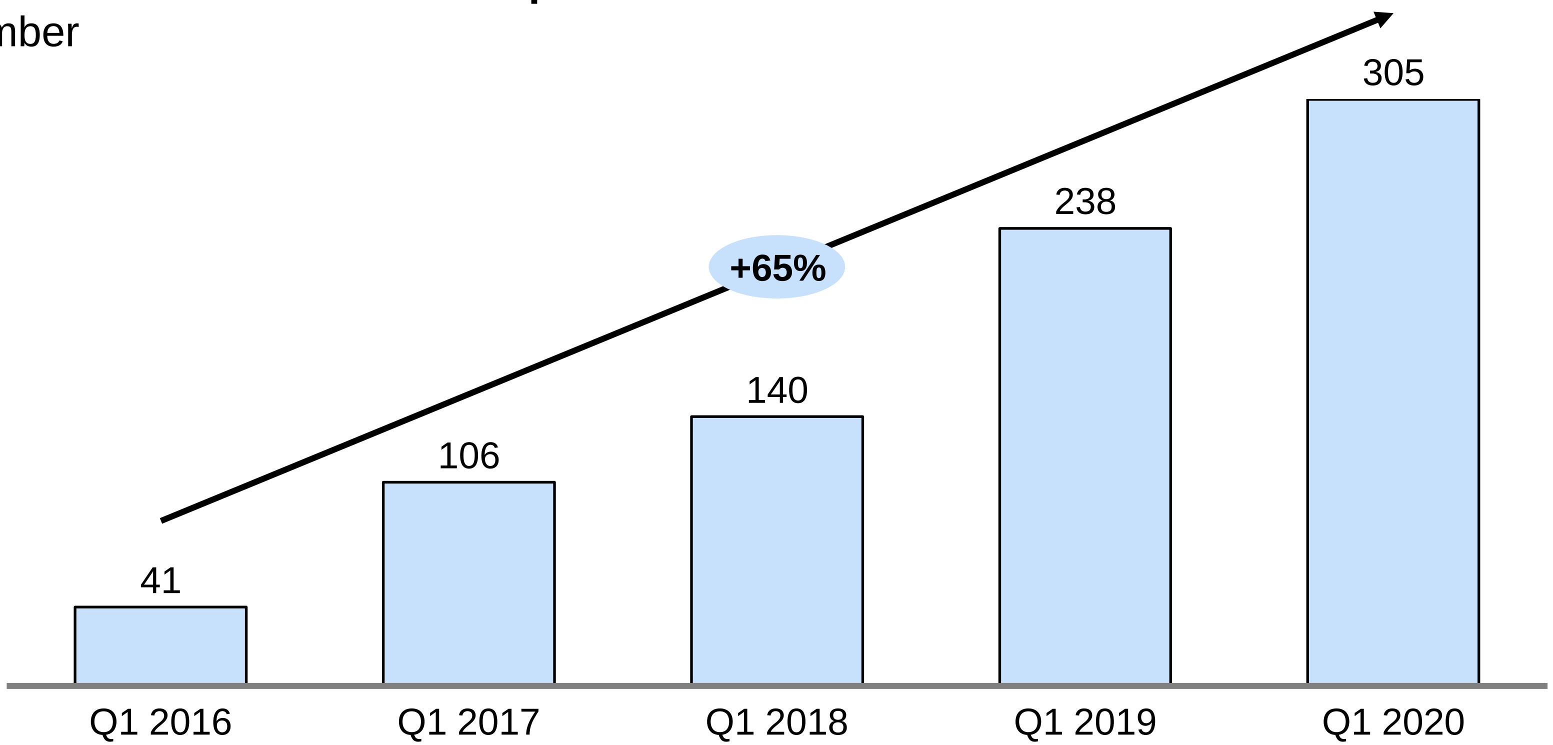
Share of female applicants

Q1 2016	Q1 2017	Q1 2018	Q1 2019	Q1 2020
52%	49%	45%	48%	44%

Source: IDM

The average number of Clearance Certificates (Form 19s) issued has significantly increased over the past few years, at over 60% per annum. This shows that existing clients are making more effort to settle their debts and become debt free, and that debt counselling works!

Clearance certificates issued per month
Number



Source: IDM

DEBT BUSTERS

THE END