DEBT METER

Q4 2019

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 Q4 2019 edition of the Debtometer

- Reflecting the current economically difficult times, **our Q4 2019 clients, when they came to us**:
  - **Had ~22% of their debt as Vehicle Finance** debt (up from 19% in Q4 2015)
  - **Had ~33% of their debt as Home Loan** debt (up from 31% in Q4 2015)
  - **Had significantly fewer credit agreements** (6.5 on average) compared to previous years (was 8.2 agreements in 2015), **indicating that consumers are becoming over-indebted more quickly compared to previous years**

- **Clients** are under increasing financial strain. This is evident from the fact that clients:
  - **Required ~64% of their net income to service their debt every single month**
  - **Had debt to income ratio of 110% on average - those earning a net income of R20,000 or more had a debt to annual income ratio of 134% - which is not sustainable**

- **It is clear that in absence of real income growth, SA consumers are supplementing their income with unsecured lending on a large scale.** Compared to 2015, those clients who applied for debt counselling in 2019 had:
  - 15**% lower real net income on average; higher income earners 20% lower real net income**
  - **40% higher unsecured debt on average; higher income earners' unsecured debt levels are 50% higher**

- **The number of clients completing debt counselling successfully has increased by 60% 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

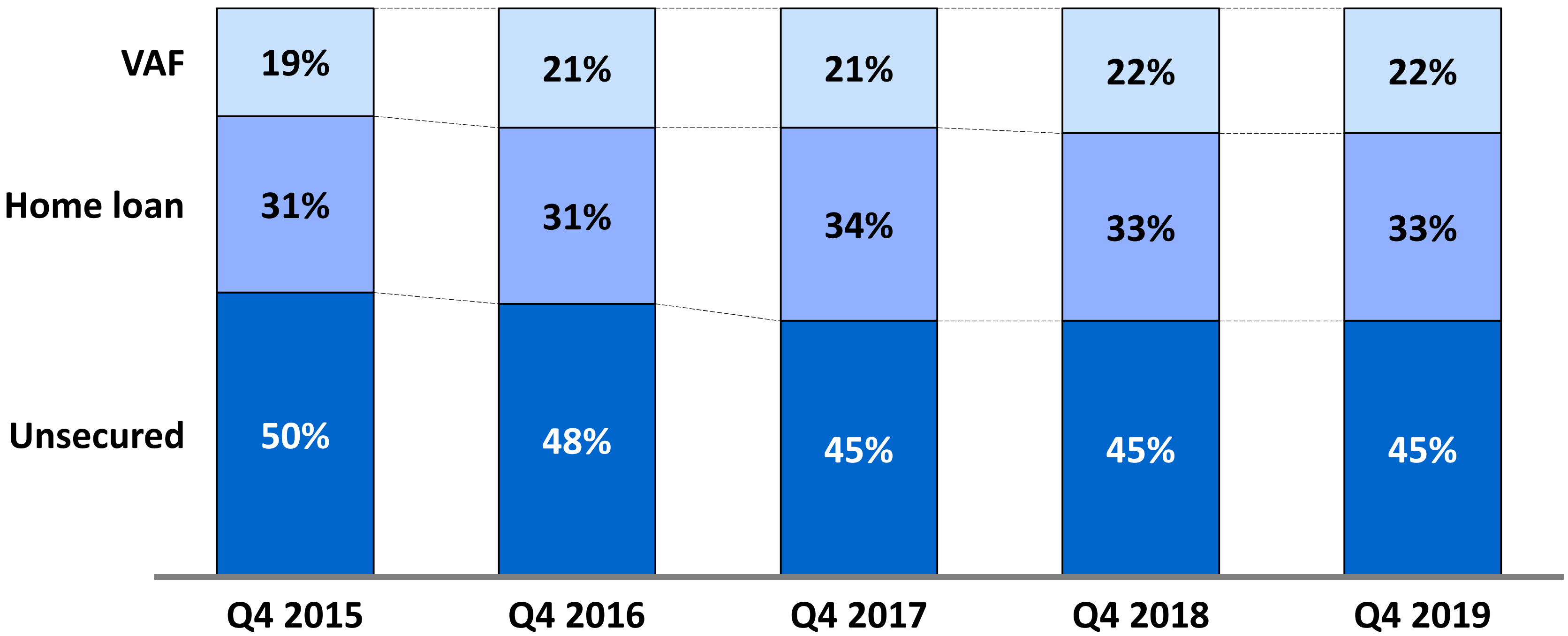
- **Consumer debt profile**
- Debt counselling industry consumer profile

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



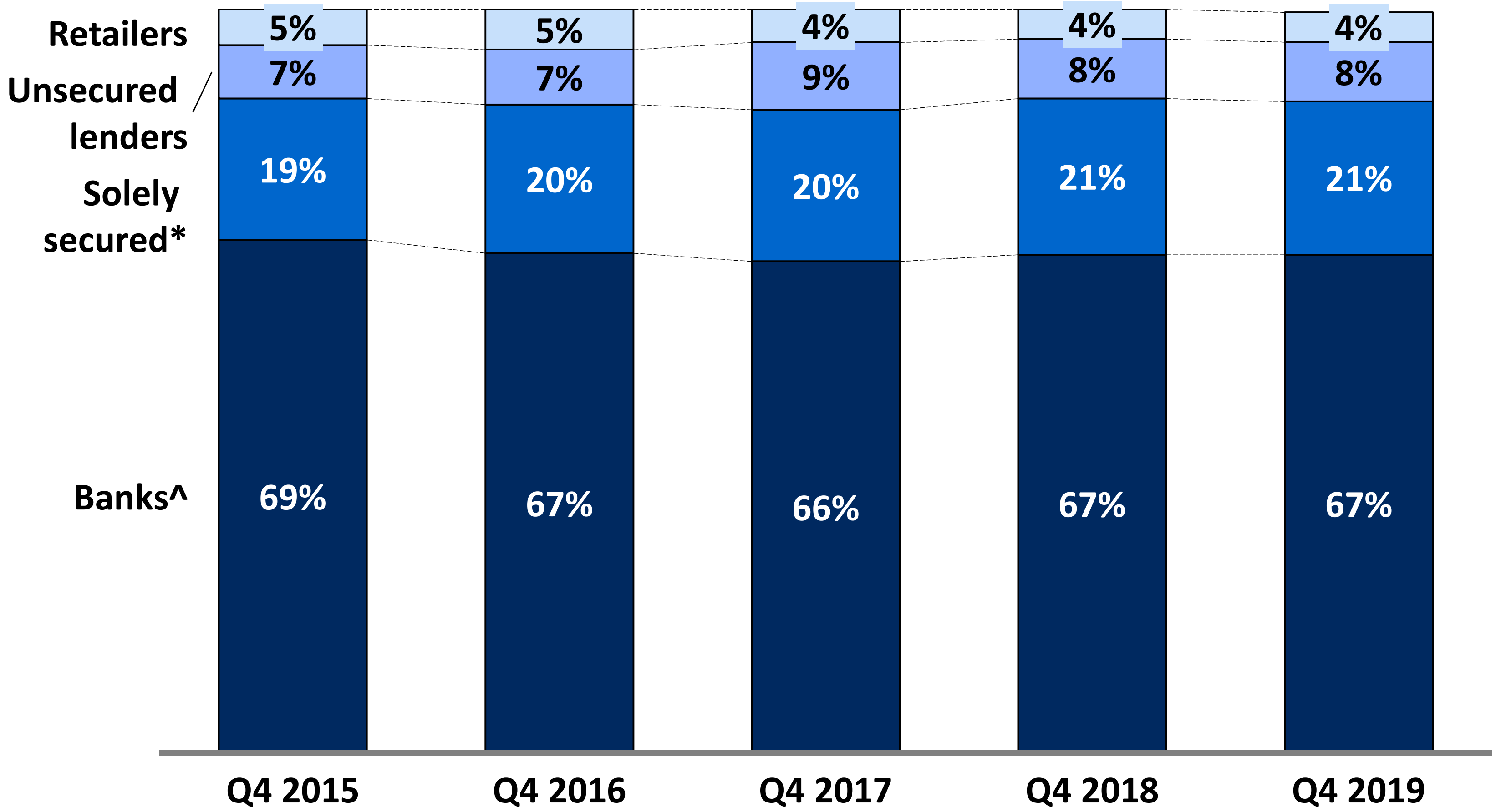
Source: DebtBusters

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

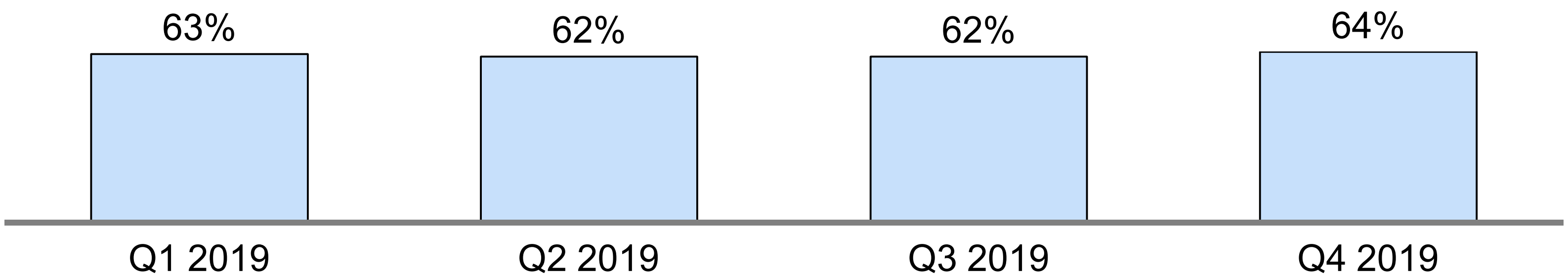
Source: DebtBusters

Contents – Debtometer

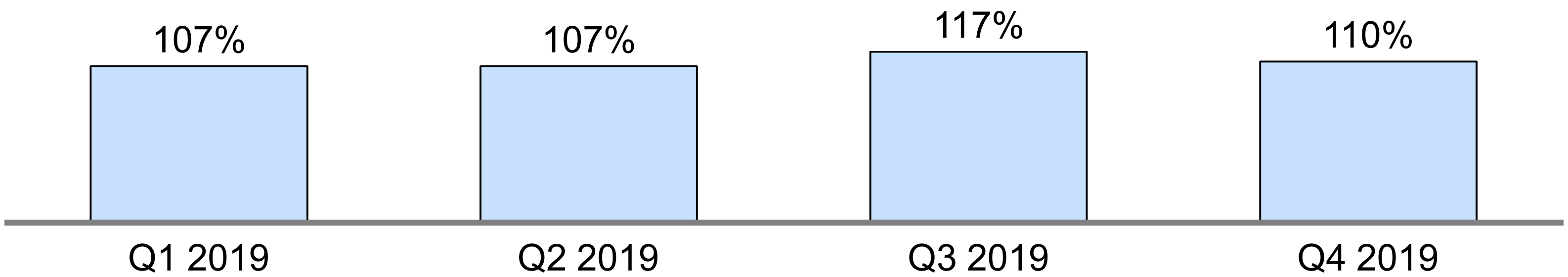
- Consumer debt profile
- **Debt counselling industry consumer profile**

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



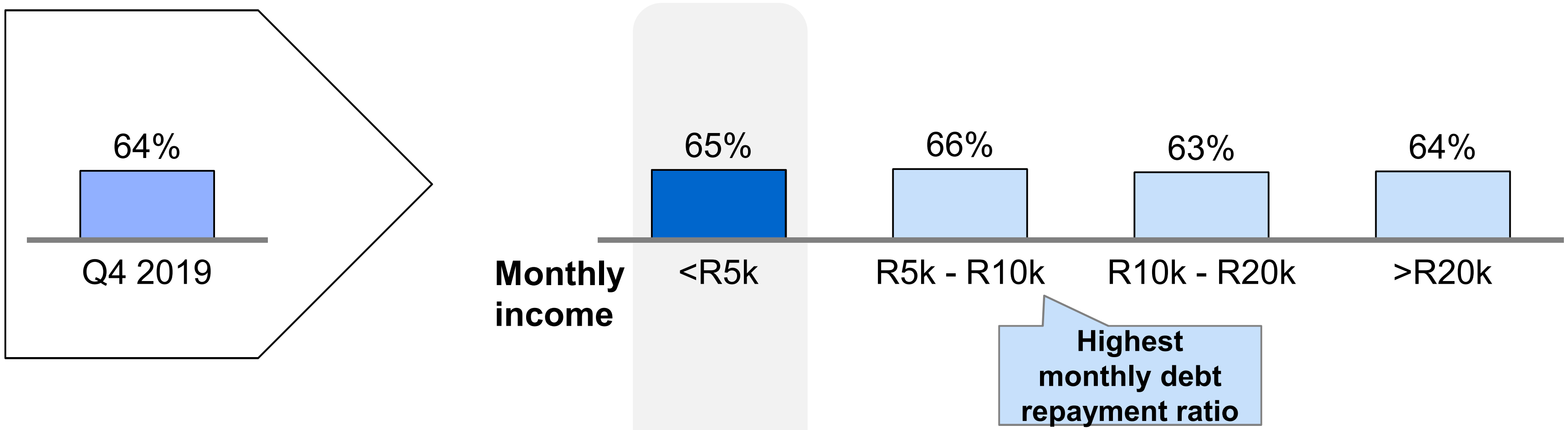
1 Median debt to net income ratio for all new clients signed up in that quarter

Source: DebtBusters

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

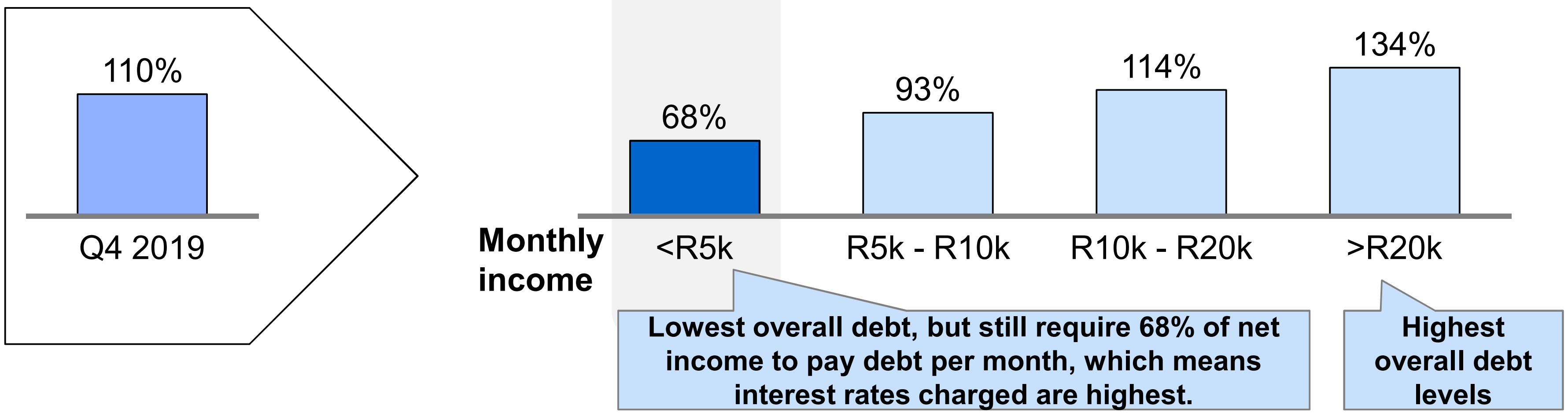
Original monthly debt repayment to net income ratio[1]

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

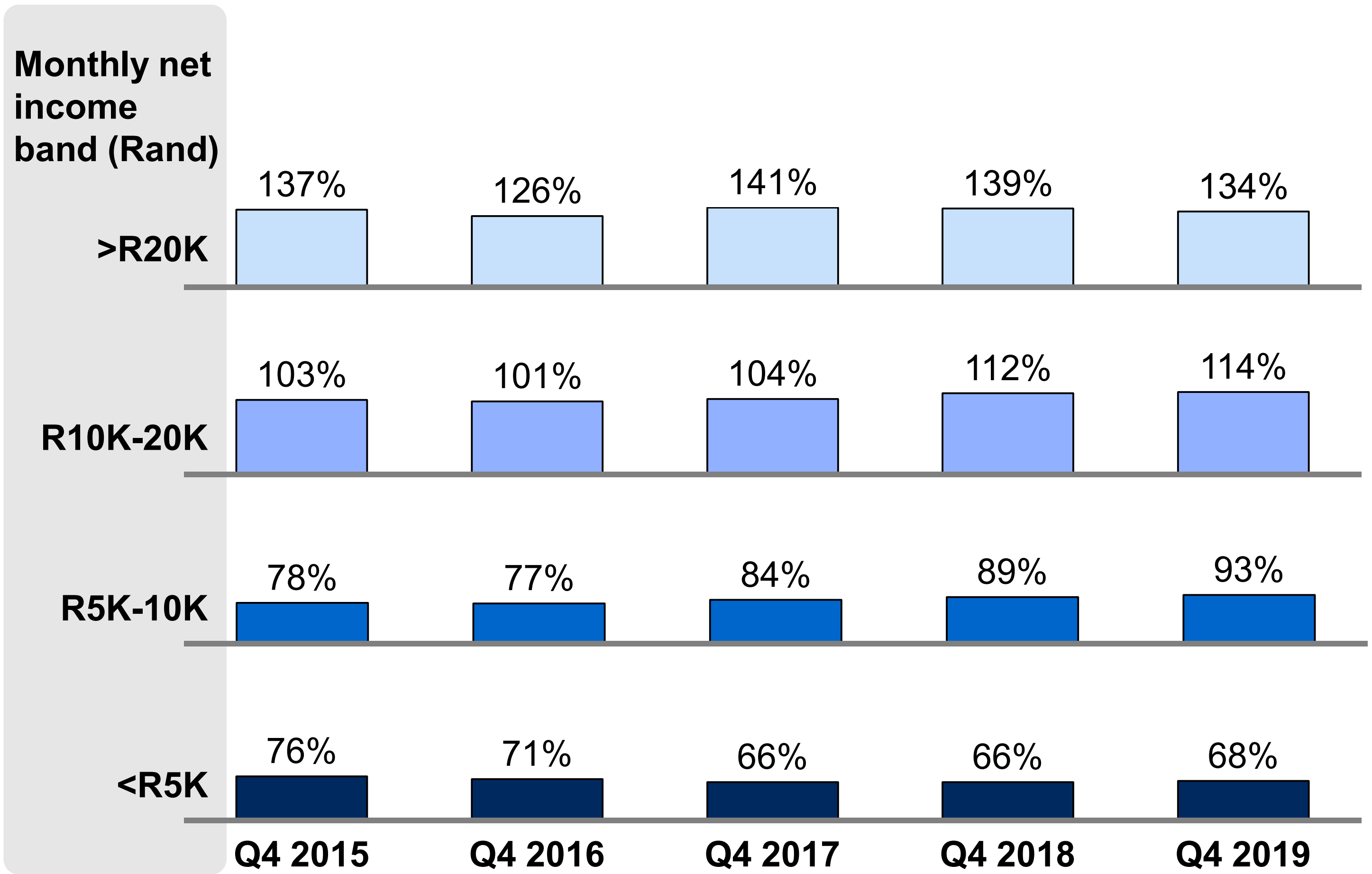
Source: DebtBusters

DEBT BUSTERS

Debt exposure to net income[1] ratio comparison by income bands indicates middle income earners (between R5k-R20k p.m.) have come under huge debt pressure over the last few years…

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 R5K-R10K and R10K-20K 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

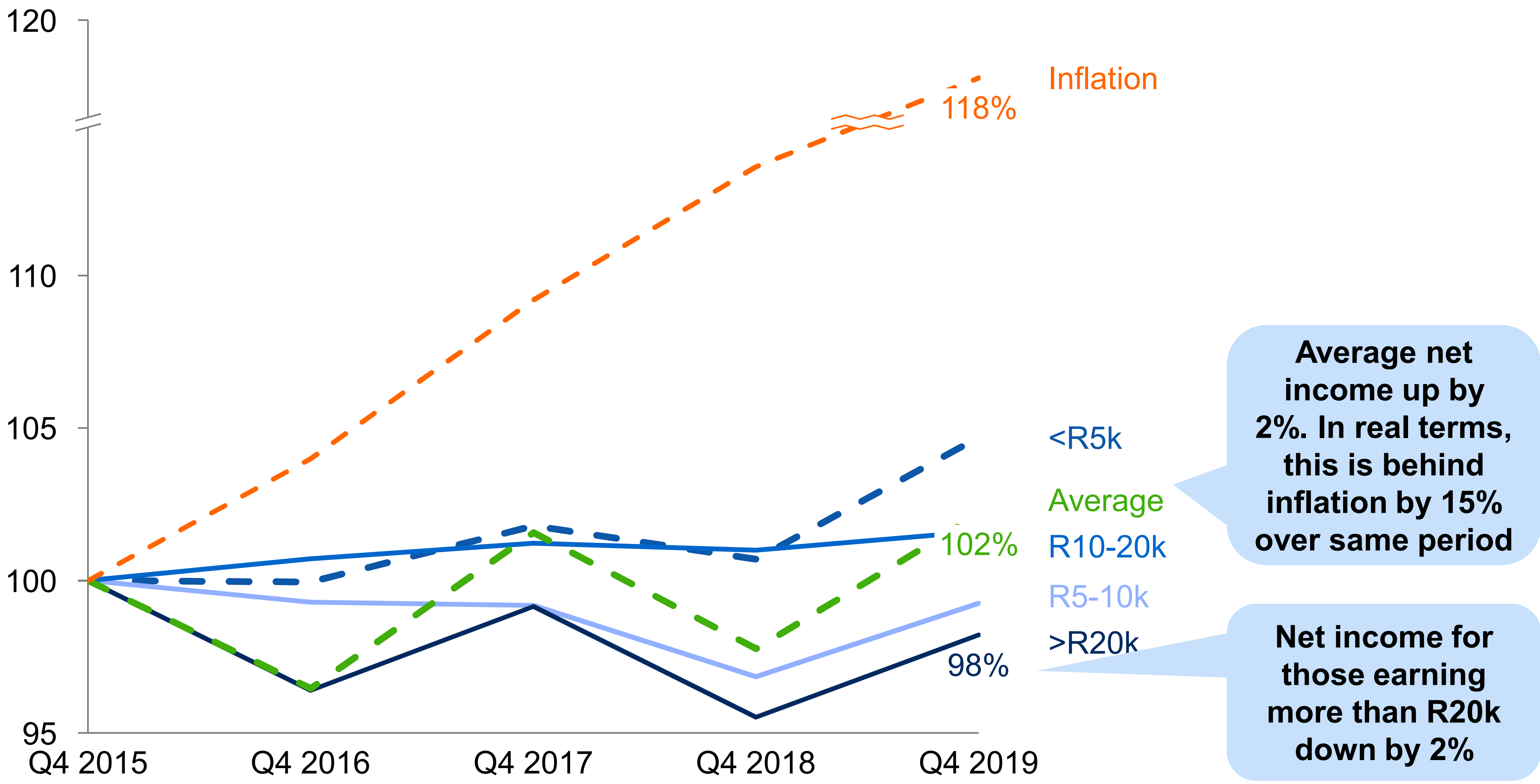
Source: DebtBusters

DEBT BUSTERS

…This is driven by the fact that the average net income was up by 2% in four years compared to 18% growth in inflation over the same period, resulting in -15% net growth in net income over that period…

Clients signed up in the quarter

Change in net income levels per income band
Indexed to 2015 levels
2015 = 100

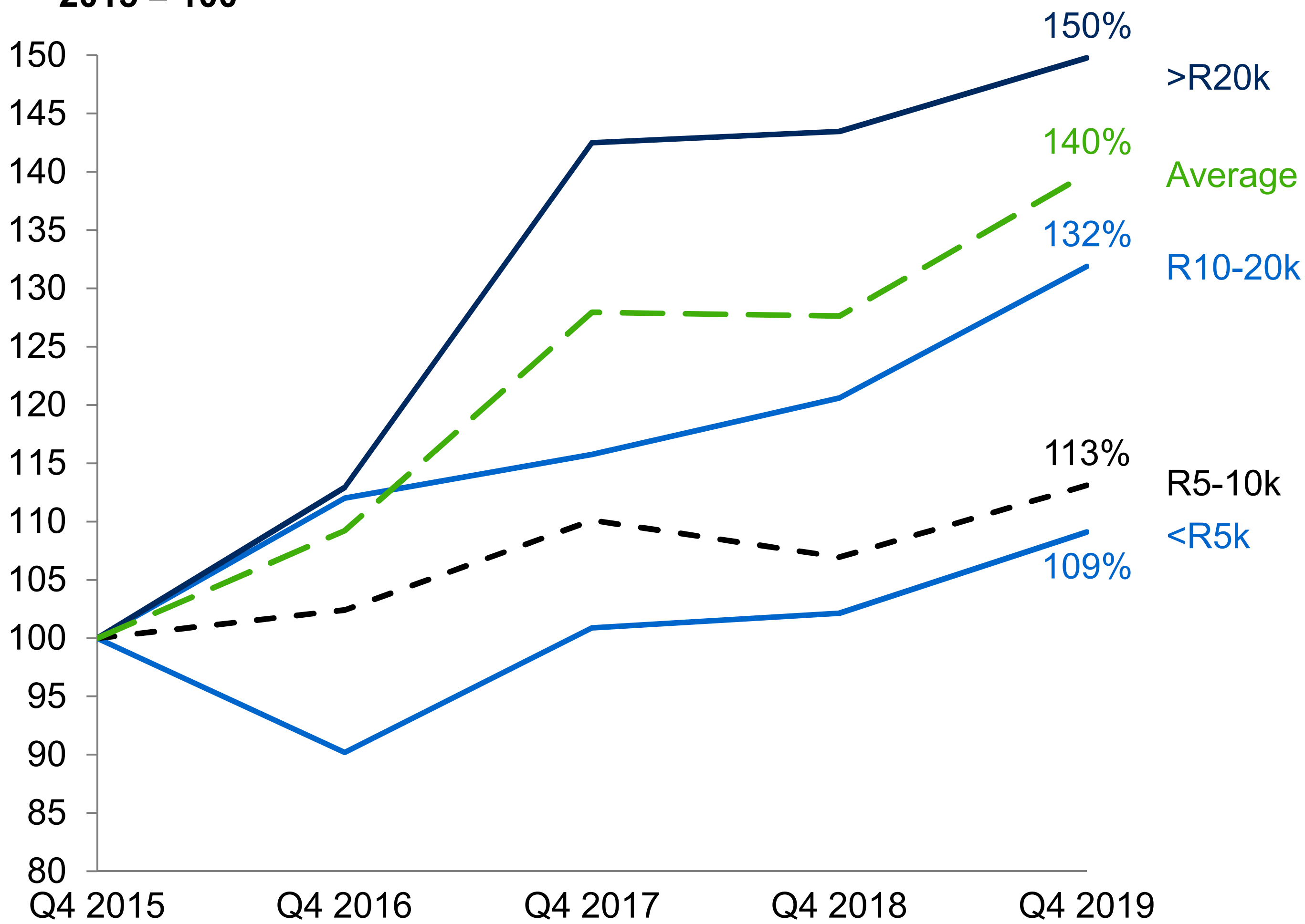


Source: DebtBusters

…and growth in unsecured debt levels that on average was +40% 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 2015 levels
2015 = 100



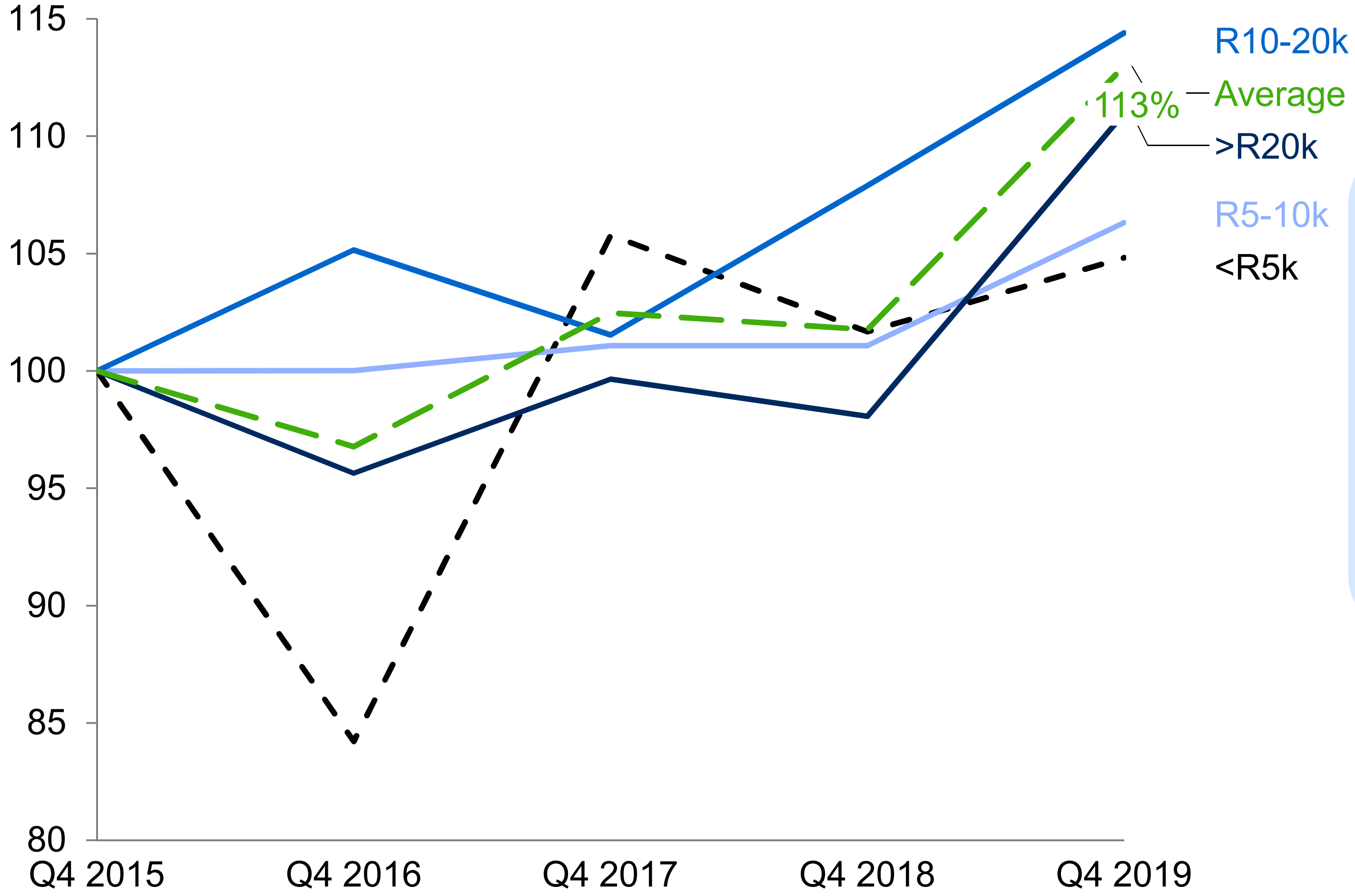
Source: DebtBusters

- **Unsecured debt for the average client is 40% higher than 2015 levels; for top earners the figure is 50%**
- **This indicates consumers are using unsecured loans to supplement their incomes**

Average debt levels have also increased 13%, significantly more than average income levels, indicating South Africans are worse off today compared to 2015

Clients signed up in the quarter

Change in total debt levels per income band
Indexed to 2015 levels
2015 = 100



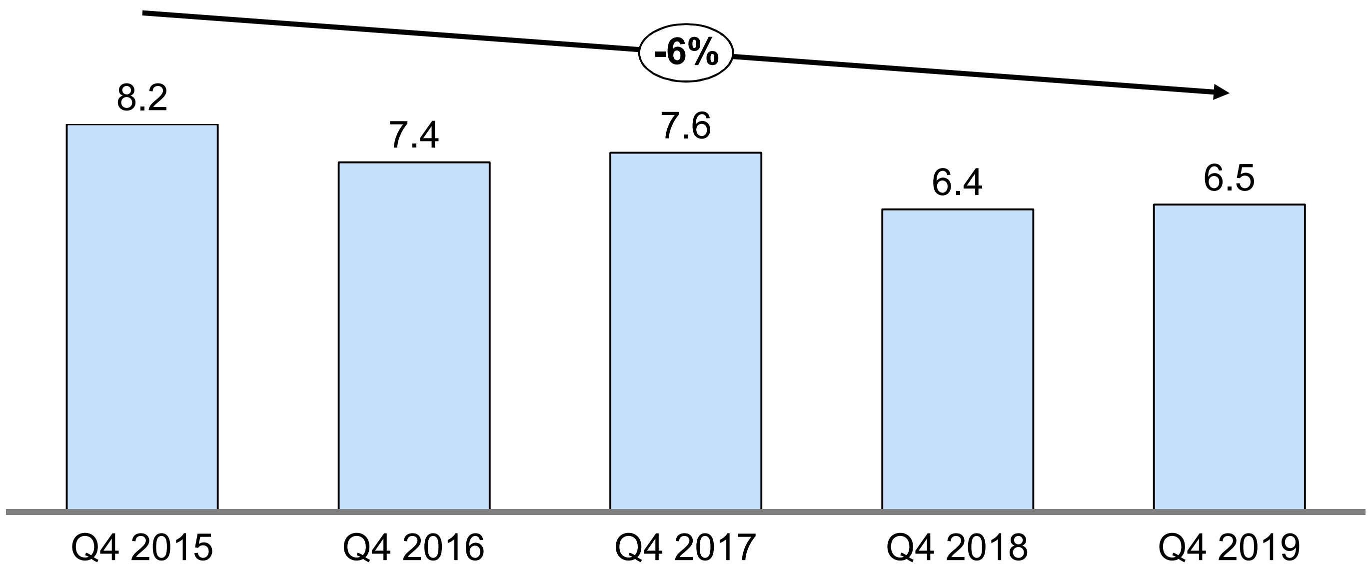
Source: DebtBusters

In comparison to 2015, the average debt levels per income bracket increased across all income brackets with clients in the R10K-20K bracket averaging the greatest increase

DEBT BUSTERS

The average number of credit agreements for new clients was around six. This shows clients are becoming over-indebted faster than before

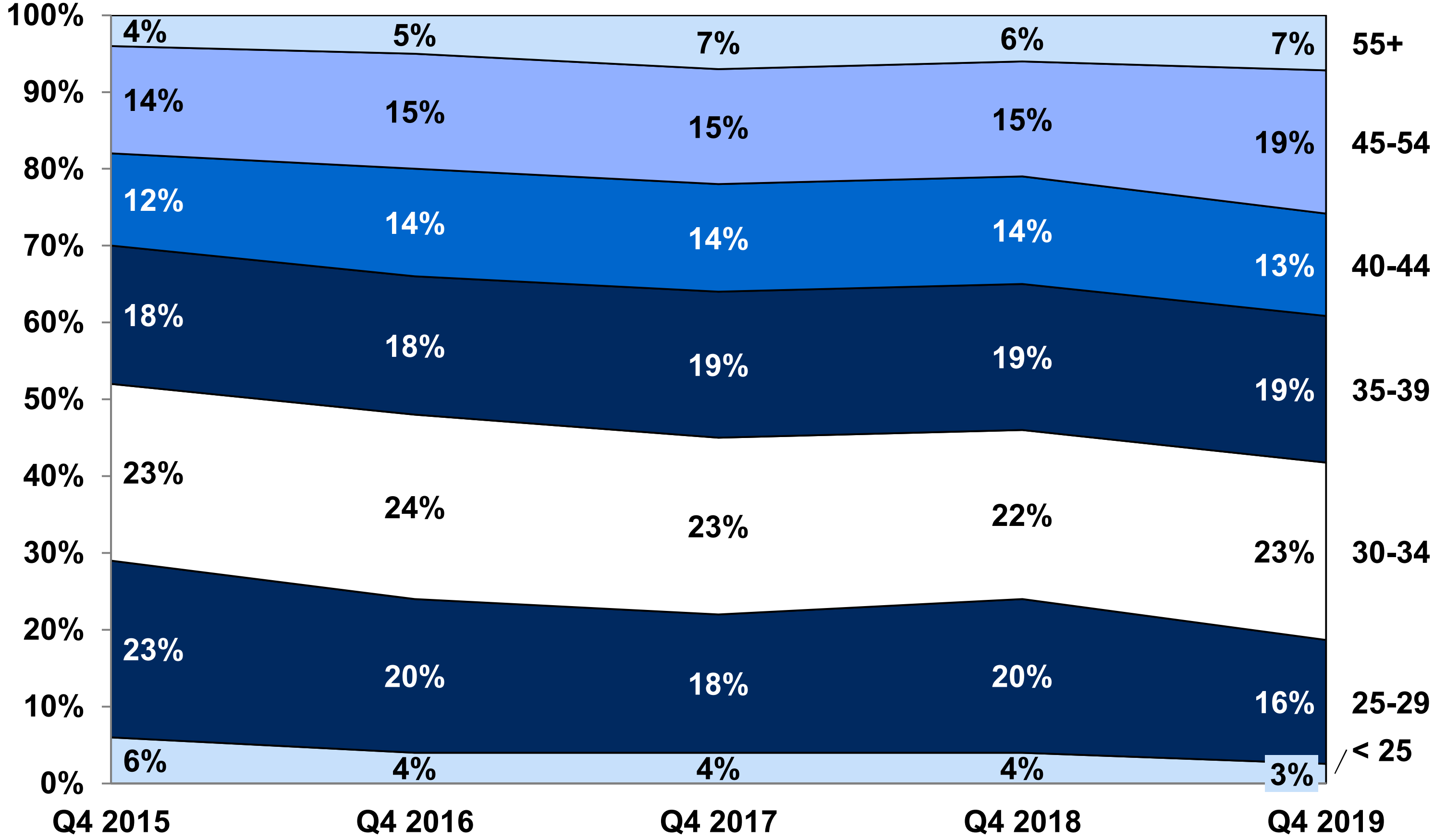
Credit agreements per new client: Year-on-Year
Number, when clients sign up with DebtBusters



Source: DebtBusters

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



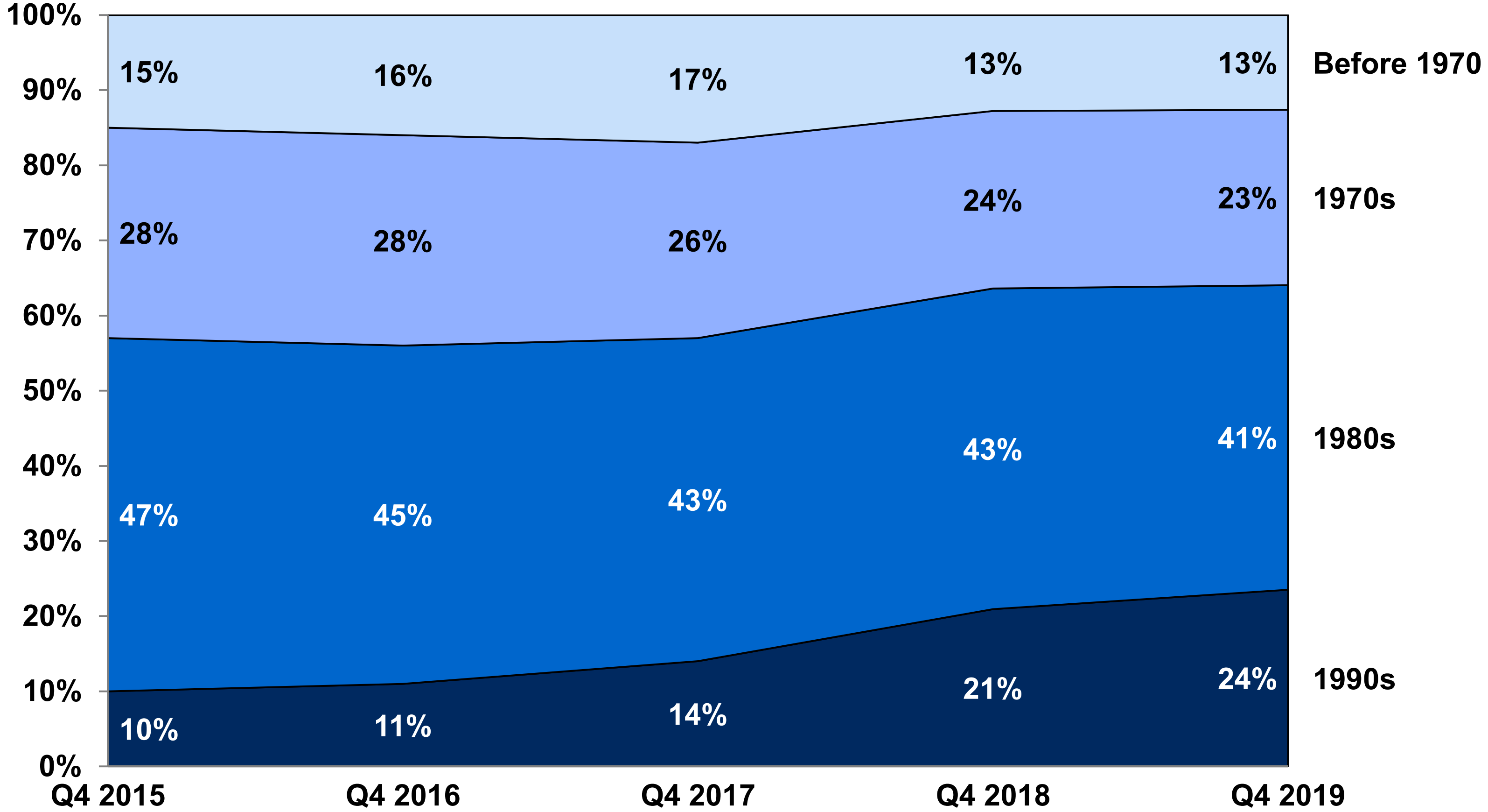
Average age of new clients

Q4 2015	Q4 2016	Q4 2017	Q4 2018	Q4 2019
38	37	38	38	38

Source: DebtBusters

Clients born in the both the 1990's now make up 24% of all new applicants respectively; Female clients make up 47% of new applicants

Decade profile of new clients
Decade of birth

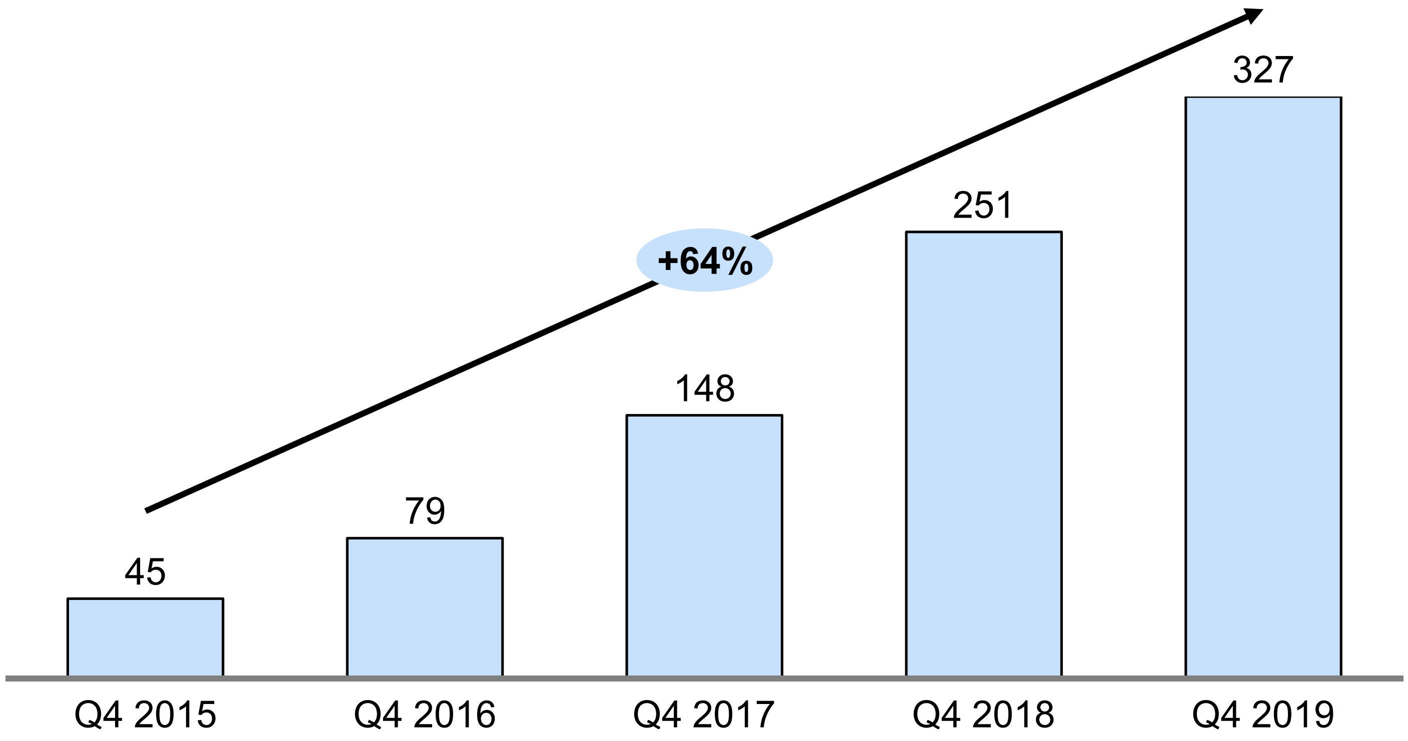


Share of female applicants	50%	52%	49%	49%	47%

Source: DebtBusters

The average number of Clearance Certificates (Form 19's) 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

Clearance certificates issued per month
Number



Source: DebtBusters

THE END