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NO SIGNS OF IMPROVEMENT IN CREDIT REHABILITATION OUTLOOK FOR Q4 2018

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

- ***No improvement recorded in rehabilitation outlook***
- ***▼0.3% compared to a year ago (Q4 2018 vs. Q4 2017)***
- ***Unchanged quarter on quarter (Q4 2018 vs. Q3 2018)***
- ***Younger consumers (< 34 years) perform worse than older ones***

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14 February 2019 - Transaction Capital Risk Services (TCRS), the technology-led, data-driven provider of credit management solutions in South Africa and Australia, and wholly owned subsidiary of Transaction Capital, today released its Consumer Credit Rehabilitation Index (CCRI) for Q4 2018.

Of the 24.1 million credit-active South African consumers at 30 September 2018, almost 40% (9.0 million) had impaired credit records. Transaction Capital's CCRI samples over five million consumers in credit default from TCRS' proprietary database. The index measures consumer credit rehabilitation prospects using an algorithm that estimates their propensity to repay debt and therefore make positive progress towards financial rehabilitation.

The Q4 2018 CCRI results showed that South African consumers' propensity to repay debt deteriorated by 0.3% compared to a year earlier (Q4 2017) and remained unchanged when compared to the previous quarter (Q3 2018), indicating no improvement nor deterioration in the consumers' ability to repay debt in Q4 2018.

Macroeconomic conditions remained challenging due to sluggish economic growth and the underlying strained credit environment. Relentless high unemployment levels and low wage increases continue to put strain on consumers' overall credit rehabilitation outlook. The interest rate increase of 0.25% announced in November further impacts the cost of servicing debt for consumers. Recent reports from the retail sector suggest continued tough trading conditions throughout the festive season and into 2019.

David Hurwitz, CEO of Transaction Capital, commented: ***"Low levels of employment, weak income growth, high fuel prices and rising interest rates have taken their toll on the South African consumer's credit health during 2018. Financially stressed individuals are finding it increasingly difficult to service their outstanding debts and this is reflected in the latest CCRI results. Whilst recent declines in fuel prices should alleviate some pressure on household spending and consumers' ability to repay debt heading into 2019, this needs to be sustained over the medium term for meaningful improvements to materialise."***

Rehabilitation prospects, measured over the past year, for consumers under 34 years of age deteriorated at a higher rate than that for consumers older than 34 years of age. Younger consumers (under the age of 34 years) in default recorded a decline of 3.5% in Q4 2018 compared to Q4 2017 whilst older consumers only recorded a decline of 0.5%. Much of this can be attributed to the high youth unemployment rate in South Africa which was recorded at 53% in Q3 2018.

Activity and opportunities in the bespoke or bilateral acquisition of non-performing loan portfolios remains buoyant which could imply that in the wake of the strained consumer credit environment, lenders are sceptical of fading prospects to recover outstanding debts.

"With household debt to disposable income recorded at 71.3% in Q3 2018, highly indebted consumers will remain vulnerable until government implements growth-boosting structural reforms. Importantly, lowering the levels of unemployment is critical to grow household income, which in turn empowers consumers to repay debt. With consumer spending remaining such a significant component of the South African GDP, credit rehabilitation is crucial to ensuring that lenders maintain strong balance sheets and continue to extend credit at affordable interest rates to rehabilitated consumers," *concluded Hurwitz.*

CONSUMER CREDIT REHABILITATION INDEX Q4 2018

PERCENTAGE CHANGE IN REHABILITATION PROSPECT FOR Q4 2018

QUARTER ON QUARTER	YEAR ON YEAR
Q4 2018 with Q3 2018	Q4 2018 with Q4 2017
No change	▼ **0.3%**

NATIONAL REHABILITATION PROSPECT TRENDS

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About the CCRI:

The CCRI is empirically based, sampling over five 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.