

## TDX Group Debt Index Shows Gloomy Outlook for Banks

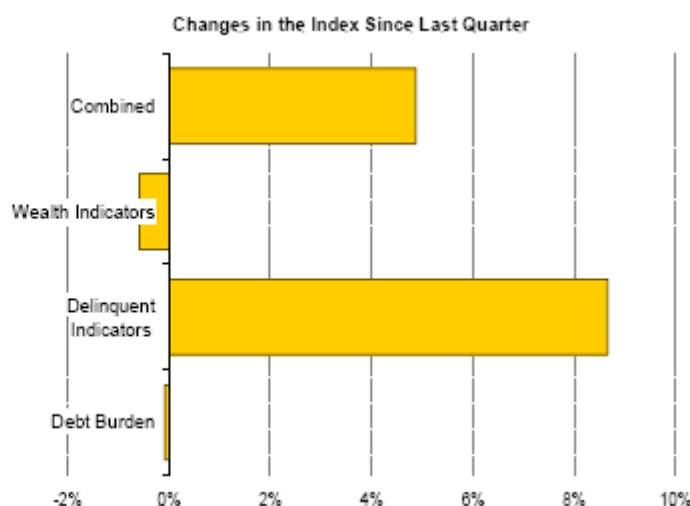
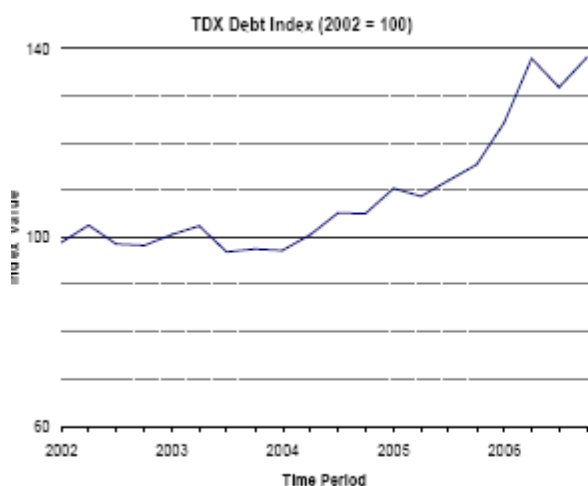
*...Creditor losses will continue to worsen before tightening on lending and investment in debt management take effect...*

22nd January 2007 – TDX Group, the UK's leading provider of analytics-based debt management (www.tdxgroup.com), releases the TDX Debt Index for Q4 2006 today. The Index reveals that banks' delinquent debt losses will continue to worsen in the medium term, before the impacts of tighter lending and investment in debt management begin to generate significant improvements.

Based on a number of macroeconomic and industry performance factors, the TDX Debt Index indicates that banks' efforts to control lending have broadly succeeded, and overall debt burden has remained broadly neutral. However, faced with slow real wage growth and increased interest rates, people are still struggling to meet their repayments on their existing debt obligations with many turning to Individual Voluntary Arrangements (IVAs) as a result.

Mark Onyett, CEO, TDX Group, says, "Many consumers are not aware of the wide-ranging impact an interest rate increase can have on their finances before it is too late. Education on financial management should be placed higher on the agenda from an early age. Even the recent, modest interest rate hike could prove the tipping point that pushes even more people into IVAs in order to cope with their mounting debts. Recent claims from the major accountancy firms, that the worst of the IVA situation is over, are premature. The IVA situation for creditors will get worse before it gets better."

Growth in the TDX Debt Index continues to follow the trend seen since the start of 2004. With a 4.9% increase in the most recent quarter, the Index has increased nearly 40% in the last two years. This increase continues to be driven by delinquent indicators, which have shown growth in ten out of the last 12 quarters. The prolonged growth in individual insolvencies is one of the key drivers behind the increase in delinquency indicators.



\* Based on data trends through the end of Q3 2006

## About The Debt Index

The Debt Index has been developed by TDX Group to represent the impact of current macroeconomic and credit sector factors on creditors' efforts to collect on their outstanding balances. The index is based on 2002 = 100 and has been calibrated such that a rise in the index value represents worsening conditions from a creditor's perspective. The index comprises of a number of macroeconomic variables and industry performance measures which are weighted based on their predicted impact. Each variable is assigned to one of three categories, with each category representing an underlying cause for a worsening debt market;

**Debt Burden Indicators:** This category contains factors that indicate the overall levels of personal debt and the difficulty that a typical household will be experiencing meeting those debt commitments.

**Delinquent Indicators:** This category contains factors that indicate levels of adverse behaviour within the debtor population and the population as a whole, such as insolvencies and unemployment.

**Wealth Indicators:** This category contains factors that indicate the overall wealth level of the UK population and due to the nature of the index, an increase in relative wealth causes a decrease in this category's contribution to the index.