February 2022

A Look at the New Now

Experian Quarter 4 2021 | Consumer Default Index

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Experian Consumer Default Index (CDI) – Tracking first-time default rates for South African consumers

Overview of Index – What does it measure?

The Experian Consumer Default Index (CDI) is designed to measure rolling default behaviour of South African consumers with Home Loan, Vehicle Loan, Personal Loan, Credit Card and Retail Loan accounts.

On a monthly basis, lenders typically classify their consumer accounts into one of several predetermined payment categories to reflect the level of arrears. When a lender deems the statement balance of a consumer account to be uncollectible due to being in arrears 90 or more days or having statuses such as repossession, foreclosure, charge-off or write-off, the consumer account is said to be in default.

The index tracks the marginal default rate as it measures the sum of first-time defaulted balances, i.e. accounts that have never previously defaulted, as a percentage of the total sum of balances outstanding.

The CDI is published quarterly with a two-month lag, the indices include a balance-weighted composite index, as well as the five product-specific sub-indices. Two grouped indices are also provided:

1. Home Loans, Vehicle Loans and Credit Cards (these products typically are held by the traditionally banked market segments), and
2. Personal Loans and Retail Loans (these products are usually used as entry products into the credit market).

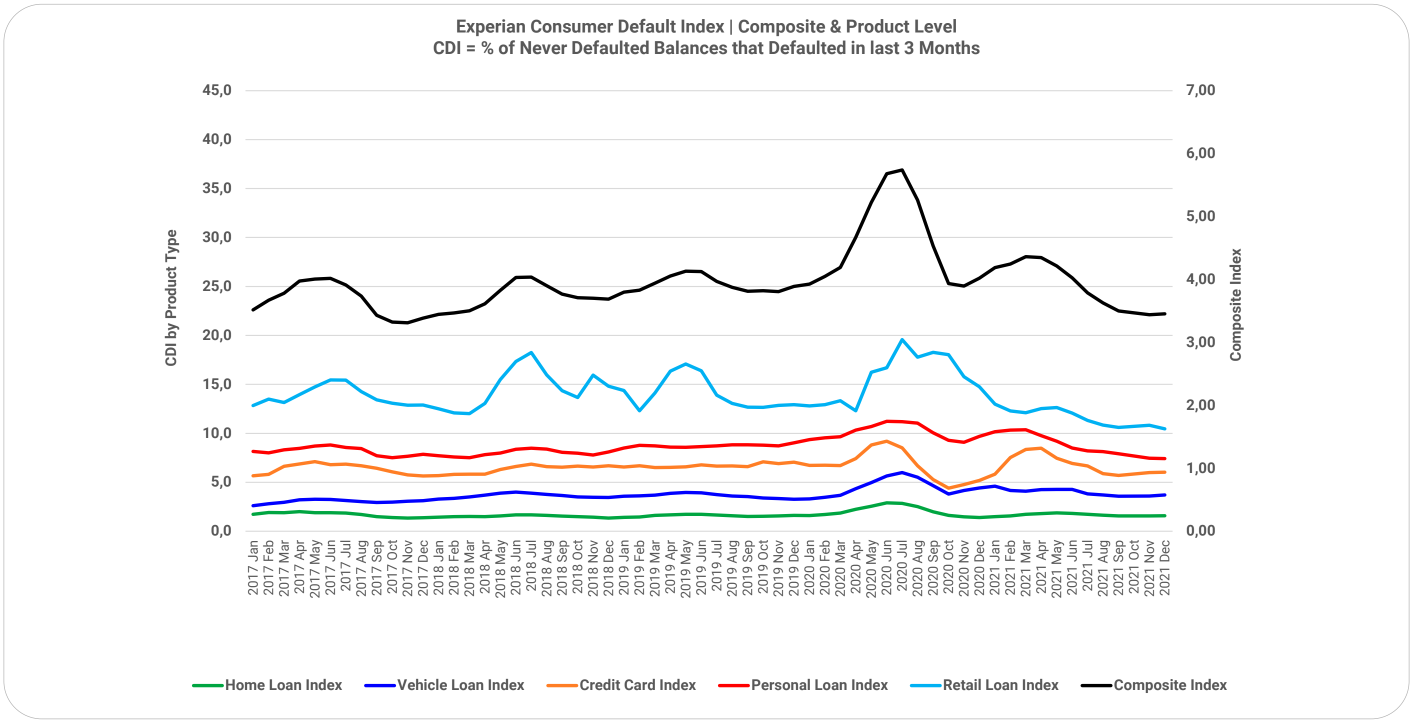
The indices are also determined at FAS type level to provide further insight into the dynamics faced by specific consumer affluence-related segments experiencing different stress due to macro forces such as unemployment, interest rate changes and economic growth.

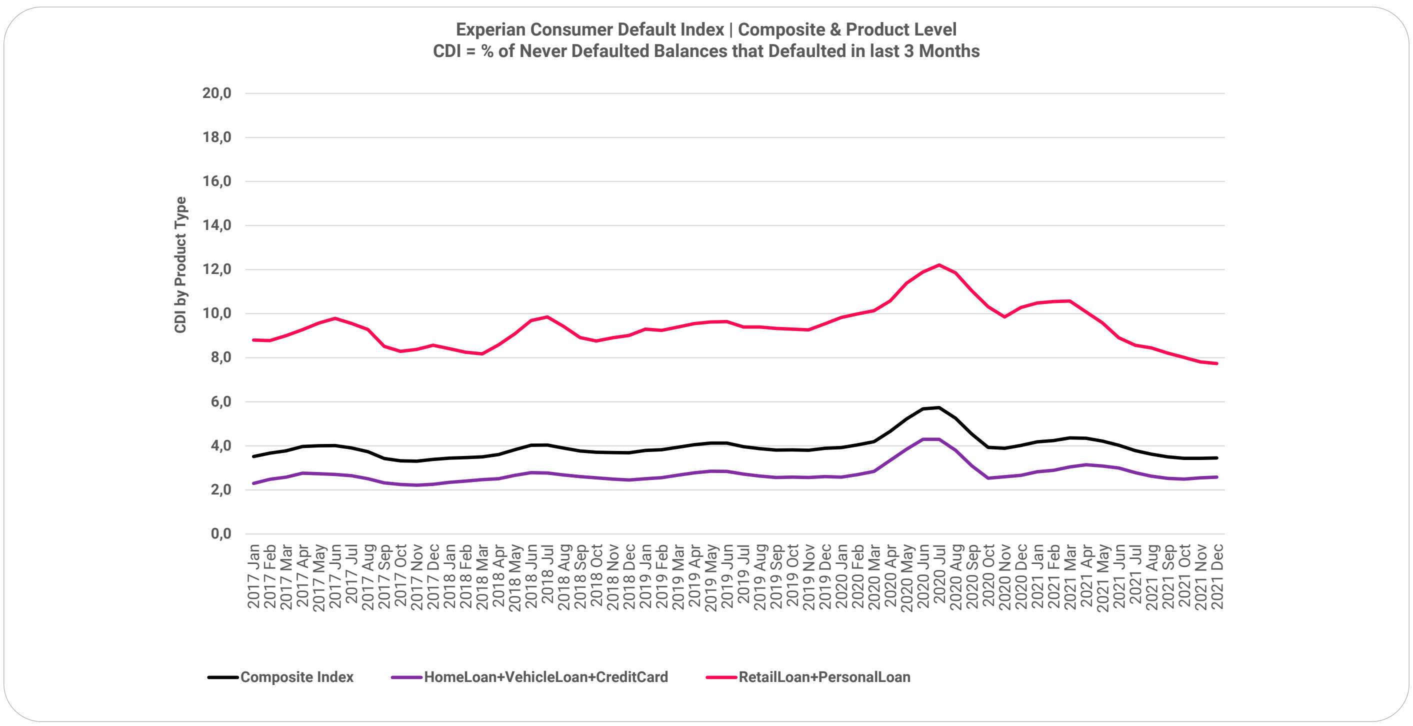
23.1 million consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan accounts.

28.1 million active accounts across Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan.

R1.94 trillion in outstanding debt.

Composite Consumer Default Index





	Index	CDI Dec '21	CDI Dec'20	Average Outstanding Oct'21-Dec'21	New Default Balances Oct'21-Dec'21
■	Composite	3,45	4,02	R1 938 915 562 414	R16 742 420 477
■	Home Loan	1,58	1,41	R1 016 673 237 648	R4 012 244 158
■	Vehicle Loan	3,71	4,41	R443 295 911 520	R4 108 481 576
■	Credit Card	6,04	5,20	R152 261 992 477	R2 299 350 282
■	Personal Loan	7,42	9,70	R292 371 489 138	R5 425 516 935
■	Retail Loan	10,45	14,76	R34 312 931 631	R896 827 526
■	Home Loan + Veicle Loan + Credit Card	2,59	2,66	R1 612 231 141 645	R10 420 076 016
■	Retail Loan + Personal Loan	7,74	10,29	R326 684 420 769	R6 322 344 461

The CDI remained stable in 2021 Q4, improving only marginally from 3.50 in 2021 Q3 to 3.45 in 2021 Q4. Y-o-Y, the improvement was more significant, moving down 0.57 from 4.02 in 2020 Q4.

The Y-o-Y movement downwards was predominantly due to significant improvements still prevalent for the Vehicle Loan as well as the Personal and Retail Loan Indices. The latter two product sets contribute around 17% towards the Composite CDI, while Vehicle Loans carry 23% of the Composite. The improvements seen in these three products' CDI metric exceeded the deterioration seen in the Home Loans and Credit Card indices on a Y-o-Y basis.

On a Q-o-Q basis, we saw a deterioration in the Credit Card Indice (up from 5.70 in September 2021 to 6.04 in December 2021). All other products improved or remained unchanged from 2021 Q3 to 2021 Q4.

Composite Consumer Default Index by Macro-FAS

	Composite CDI	CDI Dec' 20	CDI Dec' 21	Average Oustanding Oct' 21 - Dec' 21	New Default Balances Oct' 21 - Dec' 21	CDI % Change
	Group 1: Luxury Living	2,30	2,47	R 668,72 Billion	R 4,12 Billion	7%
	Group 2: Aspirational Achievers	3,58	3,25	R 837,67 Billion	R 6,8 Billion	-9%
	Group 3: Stable Spenders	6,55	4,82	R 193,75 Billion	R 2,34 Billion	-26%
	Group 4: Money-Concious Majority	7,15	5,17	R 191,84 Billion	R 2,48 Billion	-28%
	Group 5: Laboured Living	12,38	9,65	R 27,31 Billion	R ,66 Billion	-22%
	Group 6: Yearning Youth	17,09	12,10	R 9,29 Billion	R ,28 Billion	-29%

In the fourth quarter of 2021, we saw the most affluent consumer group, the Luxury Living segment, deteriorating in CDI terms. This Financial Affluence Segment (FAS) increased Y-o-Y from 2.30 to 2.47. In relative terms, this signified a 7% deterioration in the CDI. It contrasts the relative improvements observed in all five other FAS Groups.

Consumers in Luxury Living have an average opening home loan balance in excess of R1.2m (54% owning one home and 25% owning multiple properties) and an average opening vehicle loan balance greater than R450k. This group is highly exposed to secured credit and are typically deemed to be the least risky consumer segment.

Typically, consumers in Luxury Living still qualified for credit (amidst more strict lending criteria being applied by lenders last year). Many also have high exposure to Small and Medium-sized Enterprises, which bore the economic brunt of the economic lockdown restrictions.

FAS Group 6, the **Yearning Youth**, which makes up ~ 16% of the SA population, saw the greatest relative CDI improvement from 17.09 in 2020 Q4 to 12.10 in 2021 Q4 (29% relative CDI change). Although this improvement is smaller (in relative terms) than what we saw for the Yearning Youth in Q3 (at 37%), it is still very significant. Their exposure to secured credit is negligible (<1 %), but exposure to unsecured credit – particularly Retail Loans, is more substantial at 6% - under normal circumstances, that is. The significant improvement in CDI in 2021 Q4 stems from low sales volumes – particularly in the Retail space, where many credit providers opted for more stringent lending criteria, thus only lending to consumers who pose a low risk to lenders.

The 6 groups that make up macro-FAS include:

- **FAS Group 1: Luxury Living** (2.5% of the credit-active population) - Affluent individuals representing the upper crust of South African society with the financial freedom to afford expensive homes and cars.
- **FAS Group 2: Aspirational Achievers** (9.3% of the credit-active population) - Young and middle-aged professionals with the resources to afford a high level of living while furthering their careers, buying property and establishing families.
- **FAS Group 3: Stable Spenders** (7.2% of the credit-active population) - Young adults that rely on financial products to assist in making ends meet or to afford specific necessities such as clothing and school fees, or seasonal luxuries.
- **FAS Group 4: Money-Conscious Majority** (40.0% of the credit-active population) - Older citizens that are conscious of where and how they spend their money; often seeking out financial products to cover basic needs or for unforeseen expenses.
- **FAS Group 5: Laboured Living** (24.6% of the credit-active population) - Financially limited individuals as salaries are below national tax thresholds; they spend their money on basic living necessities such as food and shelter.
- **FAS Group 6: Yearning Youth** (16.4% of the credit-active population) - Very young citizens that are new to the workforce; this mix of labourers and possibly working students earn low salaries and are limited to spending on non-essential goods.

Composite Consumer Default Index by FAS Type

FAS		CDI		
FAS Type Name	**Description**	**Dec'21**	**Dec'20**	**Year on Year Δ**
01. Independent Investors	The most affluent members of South Africa the majority of which are directors and financially savvy individuals that understand how to make their money work for them.	2,51	2,33	0,18
02. Affluent Couples	Well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets.	2,52	2,24	0,28
03. Professional Players	Career-driven and well-educated individuals with exceptional entrepreneurial abilities that know how to work hard to support their lifestyles.	2,37	2,35	0,03
04. Logged-On Lifestyles	Young professionals that are very active when it comes to online retail buying but understand the value investments such as property carry.	1,47	1,71	-0,23
05. Liquid Living	Upper-middle-class, mature individuals with strong family tendencies that rely on financing to afford the extra necessities in life.	2,58	2,85	-0,27
06. Successful Singles	Young and unmarried but successful individuals that are driven by prestige and seek to further their personal and professional accomplishments.	2,90	2,74	0,15
07. Lifestyle Lending	Established individuals that are eager to spend but are still somewhat reliant on credit to support their lifestyles.	3,26	3,44	-0,17
08. Comfortable Retirees	Stable, mature individuals either approaching or in retirement that are set up for comfortable retirement.	3,85	4,19	-0,34
09. Secure Singles	Young singles that are setting up their lives and with the potential to become a more affluent type as they age and their incomes increase.	3,73	3,18	0,55
10. Comfortable Couples	Couples leading enjoyable lives and whose basic needs are met; however, they are not prepared for the odd financial hiccough.	5,14	5,86	-0,71
11. Steady Entrepreneurs	Middle-aged small business entrepreneurs that can support themselves but would struggle to afford more expensive assets.	7,99	10,36	-2,37
12. Stand-Alone Singles	Young money-savvy and independent singles that are building their personal lives and careers by climbing the ranks and that understand the importance of assets.	3,16	4,26	-1,10
13. Plugged-In Purchasers	Having grown up with the development of technology, most have not known a world without the internet and would leverage technology in their careers.	3,00	4,92	-1,92
14. Payday Pursuers	Living from month to month, these middle-aged individuals rely on finance to bridge the gap between paydays.	4,05	6,44	-2,39
15. Deficient Directors	Owners of small enterprises that are unlikely to see any significant increase in income and whose financial limits impact their ability to budget for unforeseen financial needs.	6,33	7,34	-1,01
16. Credit-Reliant Consumers	Young adults are relying on financing to cover monthly expenses, especially for retail purchases; most likely to elevate their level of lifestyle.	9,28	12,75	-3,46
17. Secure Seniors	Senior citizens who are mostly in their retirement with enough income to provide for the basics and financial security.	3,32	3,66	-0,34
18. Coping Couples	Mature couples in the late stages of their careers as employees with enough income to cover basic needs until they retire.	2,65	3,45	-0,80
19. Restricted Retirees	Senior citizens who struggle to afford the basics, and therefore need to continue working despite being in retirement.	5,84	7,66	-1,82

20. Low Earners	With some of the lowest salaries, these middle-aged individuals are severely restricted in terms of access to financing and purchasing power.	7,91	10,90	-2,99
21. Misfortunate Mature	Approaching retirement age, these wage-based employees would need to continue working well into retirement to supplement their state pensions.	6,82	9,71	-2,89
22. Concerning Citizens	Late middle-aged employees that are ill-equipped to accumulate adequate savings or investments for retirement, instead they use salaries to cover basic needs.	5,66	9,36	-3,70
23. Money-Wise Mature	Mature individuals that are not financially secure and may even need to work part-time during retirement to supplement any pensions received.	5,98	8,12	-2,14
24. Depleted Resources	Employees, probably in the unskilled worker sector, with low resources which restrict access to financial services to afford monthly necessities.	6,53	9,93	-3,40
25. Strained Adults	Low finances leave these middle-aged individuals strained to afford little more than the basics.	8,23	13,42	-5,19
26. Online Survivors	Young adult unskilled or shift workers that are likely cohabiting with significant others or family and are unable to afford more than their basic needs.	10,17	10,26	-0,09
27. Struggling Earners	While these individuals struggle to make ends meet, which has led to a reliance on financing to supplement their income, they do understand the value of insuring the little they have.	6,54	8,69	-2,15
28. Minimum-Money Workers	Unskilled labourers, with salaries barely above the minimum wage for South Africa, whose meagre salaries are a huge obstacle in obtaining finance with which to buy assets.	10,50	15,79	-5,30
29. Inexperienced Earners	Young salaried employees that are new to the job market and are beginning to set up their lives; however, they are likely still residing with family or are renting cheaper accommodation.	10,94	16,31	-5,37
30. Eager Youth	The youngest entry-level employees that are beginning to realise the cost of living and are likely reliant on family for support or accommodation.	14,66	18,83	-4,17

2021 Q4 CDI showed deterioration only for the three most affluent FAS Types. as well as FAS type 06 and 09 - still among the high affluence consumer segments.

Thus, as per the observation at the FAS Group level, we see that the Y-o-Y movement in CDI for FAS Types still shows the most affluent consumers to exhibit deterioration in CDI. Additionally, we see Successful Singles (06) and Secure Singles (09) are also showing deterioration.

It is important to note that new business volumes have been even more skewed to the less risky market segments over the last year. This typically means that secured lending new business volumes has, for the most part, recovered to pre-COVID levels. It is specifically in the unsecured credit space –particularly for Personal and Retail Loans - that we see many lenders tightening their lending criteria. The most considerable improvement in CDI was observed for Independent Earners (29) – typically one of the riskiest consumer groups regarding credit.

Secure Singles (9): This consumer type has an average age of 31 years, with 35% being directors in one or more business enterprises. 74% of these consumers have Vehicle Loans and they also favour secured loans (96% having retail accounts). Being very credit active, these consumers sometimes overextend themselves (45% delinquency rate). They earn annual salaries of ~R300k, with a possible life partner also contributing to the household.

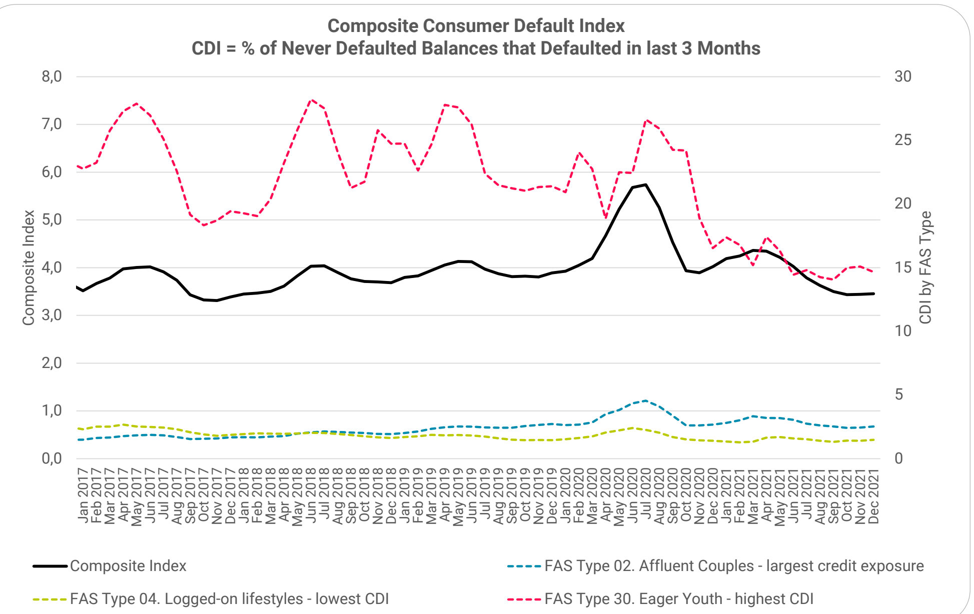
- **Secure Singles** deteriorated from 3.18 in 2020 Q4 to 3.76 in 2021 Q4. This was the greatest Y-o-Y deterioration in CDI of all the FAS Types.
- These consumers form part of FAS Group 2, which still reflects the more affluent (and thus perceived as less risky) end of the market. They would typically

have attained approval under more stringent lending criteria. However, due to their high exposure to business enterprises through their relatively high directorship, Secure Singles suffered significant reductions in income off the back of various lock-down restrictions.

Inexperienced Earners (29): These consumers are young, salaried consumers who have just started out their career. They probably still reside with relatives or rent cheaper accommodation. They earn average annual salaries of R52 500. These consumers want to be seen as trendy and thus 73% of them have clothing accounts, 82% have retail accounts and overall, 98% of them make use of unsecured loans under normal conditions. They are on average 26 years old.

- **Inexperienced Earners** showed a significant Y-o-Y improvement in CDI from 16.31 in 2020 Q4 to 10.94 in 2021 Q4.
- These consumers exhibit very high risk to lenders and were therefore typically not extended new products since the introduction of more strict lending criteria by credit providers. As a result, Inexperienced Earners saw a significant improvement in CDI – not because of their improved ability to service their debt commitments, but because they typically were not extended new credit products due to more stringent criteria.

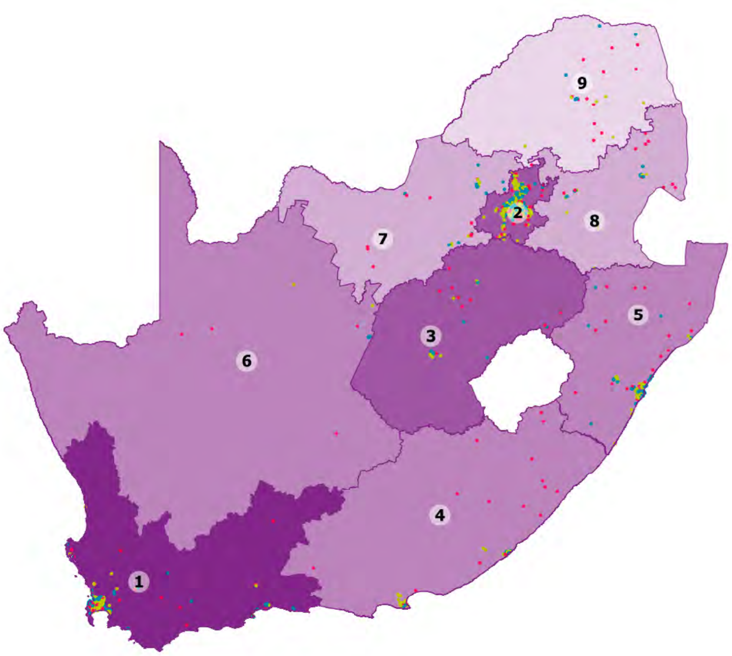
Composite Consumer Default Index by Province



3.45% of balances on an annualized basis defaulted for first time over the period Oct 2021 to Dec 2021.

R16.74bn in value defaulted for first time over the period Oct 2021 to Dec 2021.

	CDI Oct'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Composite Index	3,45	4,02	R16 742 420 477
FAS Type 2 - Largest Credit Exposure	2,52	2,24	R1 744 814 621
FAS Type 4 - Lowest CDI	1,47	1,71	R481 920 137
FAS Type 30 - Highest CDI	14,66	18,83	R105 735 221



FAS Type 2 - Largest Credit Exposure
FAS Type 4 - Lowest CDI
FAS Type 30 - Highest CDI

Composite	CDI	
Rank & Province	Dec'20	Dec'21
1. Western Cape	3,36	2,67
2. Gauteng	3,81	3,31
3. Free State	3,96	3,62
4. Eastern Cape	4,21	3,74
5. KwaZulu-Natal	4,43	3,90
6. Northern Cape	4,33	4,12
7. North West	5,24	4,27
8. Mpumalanga	5,27	4,37
9. Limpopo	5,09	4,54

At a provincial level, the improvement in CDI was most prominent in the North West, Limpopo and Mpumalanga, where there is a high representation of the less affluent members of the South African society.

- The CDI in the Western Cape is still the lowest, at 2.67, down from 3.36 observed in December 2020. The Western Cape, with its high representation of more affluent consumers, showed a less pronounced improvement than some of the provinces with less affluent profiles.
- At the opposite end of the scale, Limpopo is the province with the highest CDI's, showing a significant decrease in CDI from 5.09 in December 2020 to 4.54 in December 2021. Compared with other provinces, the performance in Limpopo aligns with the higher representation of FAS Groups 4, 5 and 6 residing in this province, who tend to be more financially distressed.
- The most significant improvement was observed for North West (down Y-o-Y from 5.24 to 4.27) and Mpumalanga (down from 5.27 to 4.37, comparing Y-o-Y).



Composite Consumer Default Index by Micro-FAS

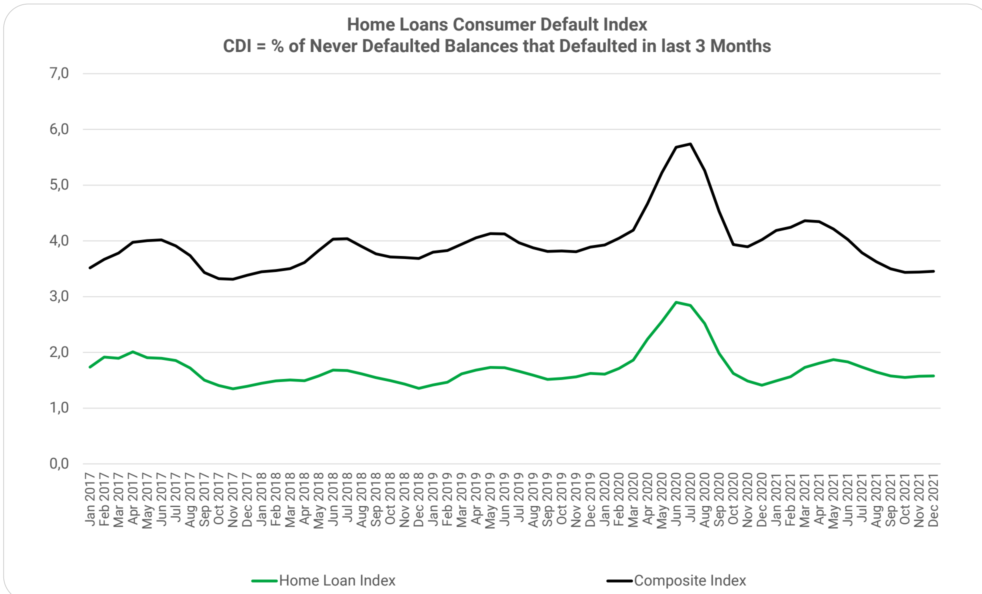
FAS	CDI		
FAS Type Name	**Dec'21**	**Dec'20**	**Year on Year Δ**
01. Independent Investors	2,51	2,33	0,18
02. Affluent Couples	2,52	2,24	0,28
03. Professional Players	2,37	2,35	0,03
04. Logged-On Lifestyles	1,47	1,71	-0,23
05. Liquid Living	2,58	2,85	-0,27
06. Successful Singles	2,90	2,74	0,15
07. Lifestyle Lending	3,26	3,44	-0,17
08. Comfortable Retirees	3,85	4,19	-0,34
09. Secure Singles	3,73	3,18	0,55
10. Comfortable Couples	5,14	5,86	-0,71
11. Steady Entrepreneurs	7,99	10,36	-2,37
12. Stand-Alone Singles	3,16	4,26	-1,10
13. Plugged-In Purchasers	3,00	4,92	-1,92
14. Payday Pursuers	4,05	6,44	-2,39
15. Deficient Directors	6,33	7,34	-1,01
16. Credit-Reliant Consumers	9,28	12,75	-3,46
17. Secure Seniors	3,32	3,66	-0,34
18. Coping Couples	2,65	3,45	-0,80
19. Restricted Retirees	5,84	7,66	-1,82
20. Low Earners	7,91	10,90	-2,99
21. Misfortunate Mature	6,82	9,71	-2,89
22. Concerning Citizens	5,66	9,36	-3,70
23. Money-Wise Mature	5,98	8,12	-2,14
24. Depleted Resources	6,53	9,93	-3,40
25. Strained Adults	8,23	13,42	-5,19
26. Online Survivors	10,17	10,26	-0,09
27. Struggling Earners	6,54	8,69	-2,15
28. Minimum-Money Workers	10,50	15,79	-5,30
29. Inexperienced Earners	10,94	16,31	-5,37
30. Eager Youth	14,66	18,83	-4,17

At a Financial Affluence Segment Group-level, FAS groups 1 and 2 jointly have over 75% of the total Banking and Retail market exposure. This is due to their large exposure to secured credit. These consumers are also generally deemed to be of lower credit risk. As such, their CDI is typically at the lower end of the scale. Some of the FAS Types that make up these 2 groups also showed Y-o-Y deterioration in CDI in 2021 Q4, as these were the consumers who typically still qualified for new products over the last year.

- **Affluent Couples (02)**, who are well-educated power couples that understand the importance of investments, finances, and insurance have the ***largest credit exposure*** across all segments. This type showed deterioration in CDI from 2.24 in December 2020 to 2.52 in December 2021.
- **Logged-on Lifestyles (04)** are young professionals that are very active when it comes to online retail buying, but understand the value of investments such as property, have the ***lowest CDI***, and are showing improvement in their first-time default rate from a CDI of 1.71 in December 2020 to 1.47 in December 2021.
- **Eager Youth (30)**, who are the youngest entry-level employees that are beginning to realise the cost of living and are likely reliant on their family for support or accommodation, have the ***highest CDI***. However, as this typically is the population that is excluded from credit in a tightening environment, their CDI has shown a marked improvement over the past year, moving from a CDI of 18.83 in December 2020 to 14.66 in December 2021.

	CDI Oct'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Composite Index	3,45	4,02	R16 742 420 477
FAS Type 2 - Largest Credit Exposure	2,52	2,24	R1 744 814 621
FAS Type 4 - Lowest CDI	1,47	1,71	R481 920 137
FAS Type 30 - Highest CDI	14,66	18,83	R105 735 221

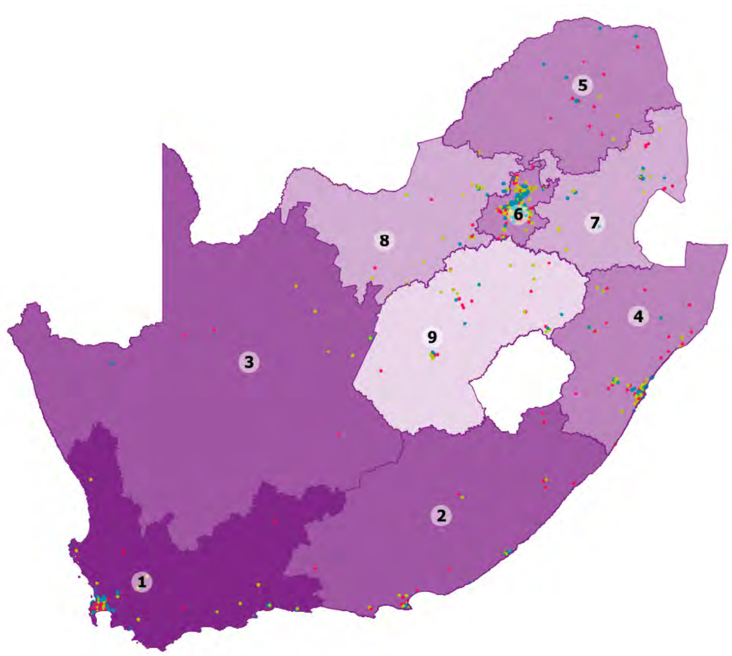
Home Loan Consumer Default Index by Province



1.58%
of home loan balances on an annualized basis defaulted for first time over the period Oct 2021 to Dec 2021.

R4.01bn
in value defaulted for first time over the period Oct 2021 to Dec 2021.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Home Loan Index	1,58	1,41	R4 012 244 158
FAS Type 2 - Largest Credit Exposure	1,66	1,24	R733 014 757
FAS Type 12 - Lowest CDI	0,79	0,72	R52 039 182
FAS Type 30 - Highest CDI	5,57	7,62	R3 633 591



FAS Type 2 - Largest Credit Exposure
FAS Type 12 - Lowest CDI
FAS Type 30 - Highest CDI

Home Loans	CDI	
Rank & Province	Dec'20	Dec'21
1. Western Cape	1,04	1,18
2. Eastern Cape	1,29	1,42
3. Northern Cape	1,12	1,52
4. KwaZulu-Natal	1,39	1,56
5. Limpopo	1,71	1,64
6. Gauteng	1,52	1,73
7. Mpumalanga	1,68	1,74
8. North West	2,00	1,82
9. Free State	1,35	1,82

Home Loans showed a deterioration in CDI, moving from 1.41 in December 2020 to 1.58 in December 2021. Q-o-Q the Home Loans CDI was flat (remaining on 1.58). This constituted a relative deterioration of 12% for the Home Loans CDI. Considering that Home Loans contributed 52 % to the Composite CDI this quarter, Home Loans was one of the main drivers keeping the CDI Y-o-Y movement relatively flat, despite the improvements seen in Vehicle, Personal and Retail Loans in 2021 Q4.

Most provinces showed a deterioration in CDI for this product, apart from Limpopo and the North West Province.

- The Home Loans CDI in the **Western Cape**, although still the lowest of the provinces, showed deterioration from 1.04 in December 2020 to 1.18 in December 2021. However, this province remains the lowest CDI for Home Loans.
- At the opposite end of the scale, the **Free State** had the highest Home Loans CDI in December at 1.82, deteriorating significantly from 1.35 in December 2020.

Home Loan Consumer Default Index by Micro-FAS

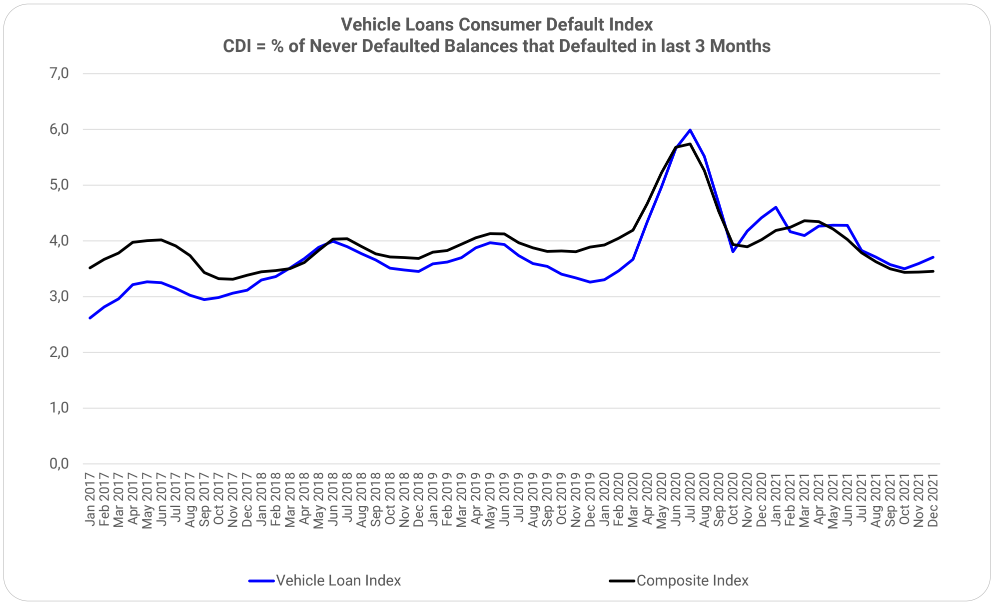
FAS	CDI		
FAS Type Name	Dec'21	Dec'20	Year on Year Δ
01. Independent Investors	1,97	1,52	0,45
02. Affluent Couples	1,66	1,24	0,42
03. Professional Players	1,31	1,02	0,29
04. Logged-On Lifestyles	1,28	1,25	0,03
05. Liquid Living	1,37	1,31	0,06
06. Successful Singles	1,23	0,94	0,29
07. Lifestyle Lending	1,94	1,95	-0,01
08. Comfortable Retirees	1,98	1,83	0,15
09. Secure Singles	1,45	1,46	-0,01
10. Comfortable Couples	2,74	2,30	0,44
11. Steady Entrepreneurs	3,08	6,18	-3,10
12. Stand-Alone Singles	0,79	0,72	0,06
13. Plugged-In Purchasers	1,24	1,16	0,08
14. Payday Pursuers	1,34	2,08	-0,74
15. Deficient Directors	2,59	1,84	0,75
16. Credit-Reliant Consumers	2,83	2,31	0,52
17. Secure Seniors	2,25	2,34	-0,09
18. Coping Couples	1,74	2,02	-0,28
19. Restricted Retirees	2,96	2,90	0,06
20. Low Earners	1,89	1,69	0,21
21. Misfortunate Mature	1,99	4,56	-2,56
22. Concerning Citizens	1,81	2,25	-0,44
23. Money-Wise Mature	2,60	2,42	0,17
24. Depleted Resources	1,97	2,09	-0,12
25. Strained Adults	2,01	2,44	-0,43
26. Online Survivors	1,65	3,28	-1,62
27. Struggling Earners	3,12	1,75	1,38
28. Minimum-Money Workers	3,00	2,71	0,29
29. Inexperienced Earners	2,46	9,23	-6,77
30. Eager Youth	5,57	7,62	-2,04

The largest credit exposure from a home loans perspective falls in the FAS Groups 1 and 2. While not immune to the distressed environment, consumers with access to home loans have a lower likelihood of defaulting on loans due to the strict credit risk criteria lenders have in place when assessing applicants.

- **Affluent Couples (02)** are typically well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets have by far ***the largest credit exposure in Home Loans***. While financially mature, this type experienced a significant deterioration in Home Loans CDI from 1.24 in December 2020 to 1.66 in December 2021.
- **Stand-alone Singles (12)**, independent singles, ~20% of which have a ~R500k opening balance on their home loan, earn comfortable salaries of R200k p.a. on average. They have the ***lowest Home Loans CDI***, but still showed deterioration from 0.72 in December 2020 to 0.79 in December 2021. They have a mature approach to credit (generally a low delinquency rate of around 34%).
- **Eager Youth (30)**, who are the youngest entry-level employees that are beginning to realise the cost of living and are likely reliant on their family for support or accommodation, have the ***highest Home Loans CDI***. However, as this typically is the population that is excluded from credit in a tightening environment, their Home Loans CDI has shown a marked improvement over the past year, moving from a CDI of 7.62 in December 2020 to 5.57 in December 2021.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Home Loan Index	1,58	1,41	R4 012 244 158
FAS Type 2 - Largest Credit Exposure	1,66	1,24	R733 014 757
FAS Type 12 - Lowest CDI	0,79	0,72	R52 039 182
FAS Type 30 - Highest CDI	5,57	7,62	R3 633 591

Vehicle Loan Consumer Default Index by Province



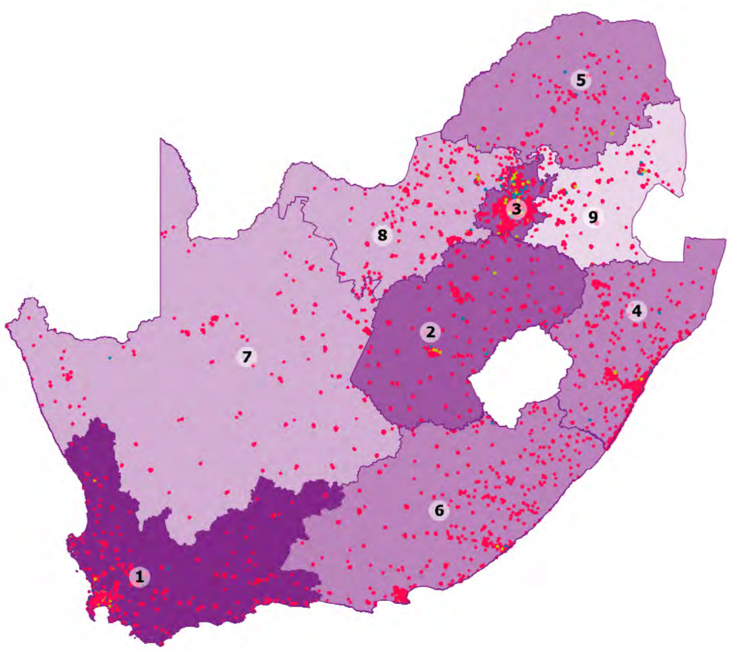
3.71%

of vehicle loan balances on an annualised basis defaulted for the first time over the period of Oct 2021 to Dec 2021.

R4.11bn

in value defaulted for the first time over the period of Oct 2021 to Dec 2021.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Vehicle Loan Index	3,71	4,41	R4 108 481 576
FAS Type 2 - Largest Credit Exposure	2,91	3,40	R431 039 191
FAS Type 4 - Lowest CDI	1,46	2,18	R56 496 741
FAS Type 19 - Highest CDI	30,46	9,11	R6 958 831



- FAS Type 2 - Largest Credit Exposure
- FAS Type 4 - Lowest CDI
- FAS Type 19 - Highest CDI

Vehicle Loans	CDI	
Rank & Province	Dec'20	Dec'21
1. Western Cape	4,15	3,10
2. Free State	3,72	3,10
3. Gauteng	4,44	3,56
4. KwaZulu-Natal	4,49	3,96
5. Limpopo	4,17	4,02
6. Eastern Cape	4,50	4,05
7. Northern Cape	3,65	4,09
8. North West	5,02	4,34
9. Mpumalanga	4,96	4,38

Vehicle Loans CDI has shown significant Y-o-Y improvement, moving from 4.41 in December 2020 to 3.71 in December 2021. Q-o-Q, the Vehicle Loan CDI, deteriorated by 0.13 from 3.58 in September 2021.

- The Vehicle Loans CDI in the **Western Cape** ranks the lowest of all the SA provinces. This reflects the high representation of the more affluent FAS Groups 1 and 2 in the province. As was the case with 8 of the 9 provinces, the Western Cape showed an improvement Y-o-Y, moving from 4.15 in December 2020 to 3.10 in December 2021.
- **Mpumalanga** is still showing the highest CDI for Vehicle Loans, despite the improvement from 4.96 in December 2020 to 4.38 in December 2021.
- The **Northern Cape** is the only province that showed deterioration in Vehicle Loan CDI on a Y-o-Y base, moving from 3.65 to 4.09 in December 2021.

Vehicle Loan Consumer Default Index by Micro-FAS

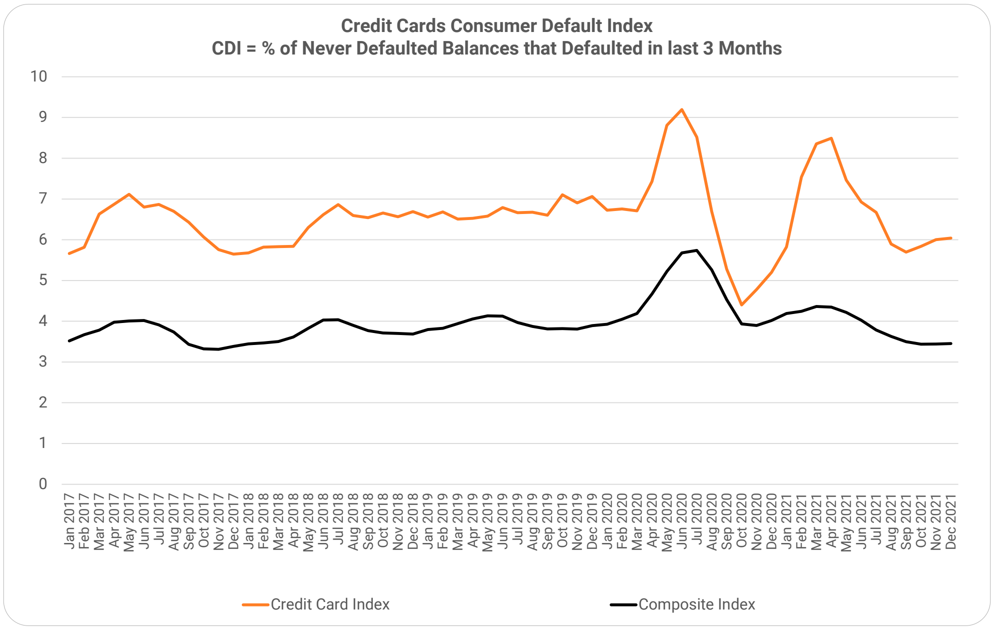
FAS	CDI		
FAS Type Name	**Dec'21**	**Dec'20**	**Year on Year Δ**
01. Independent Investors	2,54	3,88	-1,34
02. Affluent Couples	2,91	3,40	-0,49
03. Professional Players	2,91	3,78	-0,87
04. Logged-On Lifestyles	1,46	2,18	-0,73
05. Liquid Living	3,23	3,63	-0,40
06. Successful Singles	4,39	3,72	0,67
07. Lifestyle Lending	2,82	3,69	-0,87
08. Comfortable Retirees	3,61	4,02	-0,42
09. Secure Singles	3,59	2,88	0,71
10. Comfortable Couples	4,20	4,89	-0,68
11. Steady Entrepreneurs	6,88	8,68	-1,80
12. Stand-Alone Singles	3,96	4,74	-0,78
13. Plugged-In Purchasers	5,37	6,82	-1,45
14. Payday Pursuers	6,31	8,65	-2,34
15. Deficient Directors	7,49	8,11	-0,62
16. Credit-Reliant Consumers	8,81	10,04	-1,24
17. Secure Seniors	4,91	5,49	-0,58
18. Coping Couples	3,72	4,40	-0,68
19. Restricted Retirees	30,46	9,11	21,35
20. Low Earners	8,09	7,95	0,13
21. Misfortunate Mature	15,55	10,09	5,46
22. Concerning Citizens	11,55	10,16	1,39
23. Money-Wise Mature	8,20	9,72	-1,53
24. Depleted Resources	7,46	11,41	-3,95
25. Strained Adults	9,29	13,29	-4,00
26. Online Survivors	19,90	10,90	9,00
27. Struggling Earners	14,32	9,99	4,32
28. Minimum-Money Workers	15,94	15,33	0,60
29. Inexperienced Earners	14,67	25,77	-11,10
30. Eager Youth	13,20	6,79	6,41

Access to vehicle loans is predominantly targeted at macro-FAS Groups 1 and 2. The largest credit exposure is in FAS Group 2, who holds ~47% of the market.

- **Affluent Couples (02)** who can be described as well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets, have the ***largest credit exposure in Vehicle Loans*** of all consumer segments. While financially mature, this type (as was the case with most other FAS types) experienced an improvement in CDI from 3.40 in December 2020 to 2.91 in December 2021.
- **Logged-on Lifestyles (4)** who are young professionals that are very active when it comes to online retail buying, but understand the value of investments such as property, have the ***lowest Vehicle Loan CDI***, and are showing improvement in their first-time default rate from a CDI of 2.18 in December 2020 to 1.46 in December 2021.
- **Restricted Retirees (19)** are senior citizens who struggle to afford the basics and therefore need to continue working despite being in retirement. As such, the few individuals in this segment who do have a Vehicle Finance product (6%) are likely to be pushing their limits in terms of affordability and as a result, are exhibiting the ***highest Vehicle Loan CDI***. They have deteriorated from 9.11 to 30.46 Y-o-Y. This drastic deterioration is partly due to the small sample of individuals in this FAS Type, who hold Vehicle Finance, which leads to high volatility in their Vehicle Loan CDI.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Vehicle Loan Index	3,71	4,41	R4 108 481 576
FAS Type 2 - Largest Credit Exposure	2,91	3,40	R431 039 191
FAS Type 4 - Lowest CDI	1,46	2,18	R56 496 741
FAS Type 19 - Highest CDI	30,46	9,11	R6 958 831

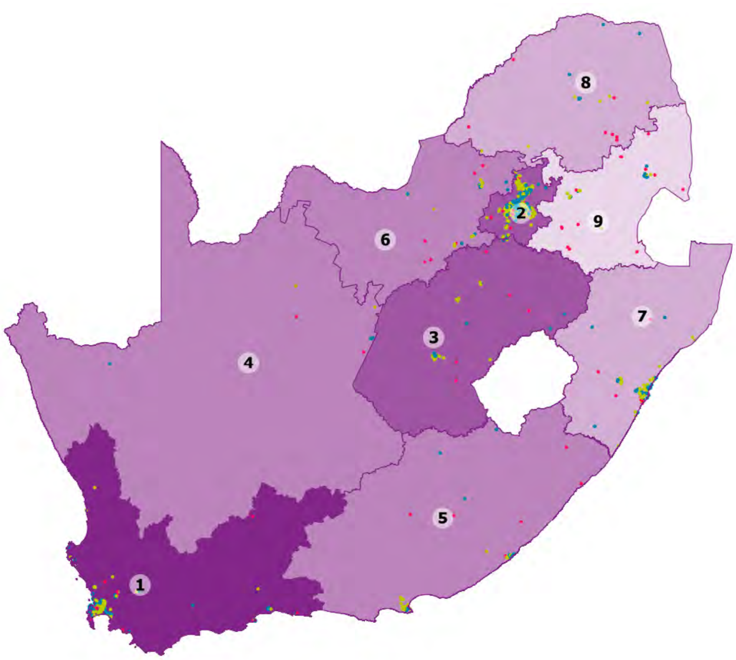
Credit Card Consumer Default Index by Province



6.04%
of credit card balances on an annualised basis defaulted for the first time over the period of Oct 2021 to Dec 2021.

R2.30bn
in value defaulted for the first time over the period of Oct 2021 to Dec 2021.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Credit Card Index	6,04	5,20	R2 299 350 282
FAS Type 2 - Largest Credit Exposure	5,05	3,53	R288 091 077
FAS Type 4 - Lowest CDI	2,79	3,02	R23 515 163
FAS Type 16 - Highest CDI	12,52	11,06	R117 865 703



FAS Type 2 - Largest Credit Exposure
FAS Type 4 - Lowest CDI
FAS Type 16 - Highest CDI

Credit Cards	CDI	
Rank & Province	Dec'20	Dec'21
1. Western Cape	4,97	5,41
2. Gauteng	5,17	5,78
3. Free State	4,68	6,12
4. Northern Cape	5,35	6,27
5. Eastern Cape	4,96	6,43
6. North West	6,00	6,58
7. KwaZulu-Natal	5,46	6,58
8. Limpopo	5,58	7,14
9. Mpumalanga	5,94	7,23

The Credit Card CDI has shown a significant deterioration – both Y-o-Y (moving from 5.20 in December 2020 to 6.04 in December 2021) and Q-o-Q (increasing by 0.32 from 5.72 in September 2021).

- The Credit Card CDI in the **Western Cape** continues to be the lowest from a provincial perspective, at 5.41 in December 2021. This proved to be quite a significant deterioration from the 4.97 observed in December 2020 but was still a relatively modest shift compared with the decline seen in provinces like the Limpopo and the Eastern Cape. This aligns with the high representation of FAS groups 1 and 2 in the Western Cape, who typically have the lowest CDI.
- The CDI for Credit Cards in **Mpumalanga** remains the highest, at 7.23 in December 2021, worsening from 5.94 observed in December 2020.
- The most significant deterioration in Credit Card CDI was observed in the **Limpopo** province. We saw an increase from 5.58 in December 2020 to 7.14 in December 2021.

Credit Card Consumer Default Index by Micro-FAS

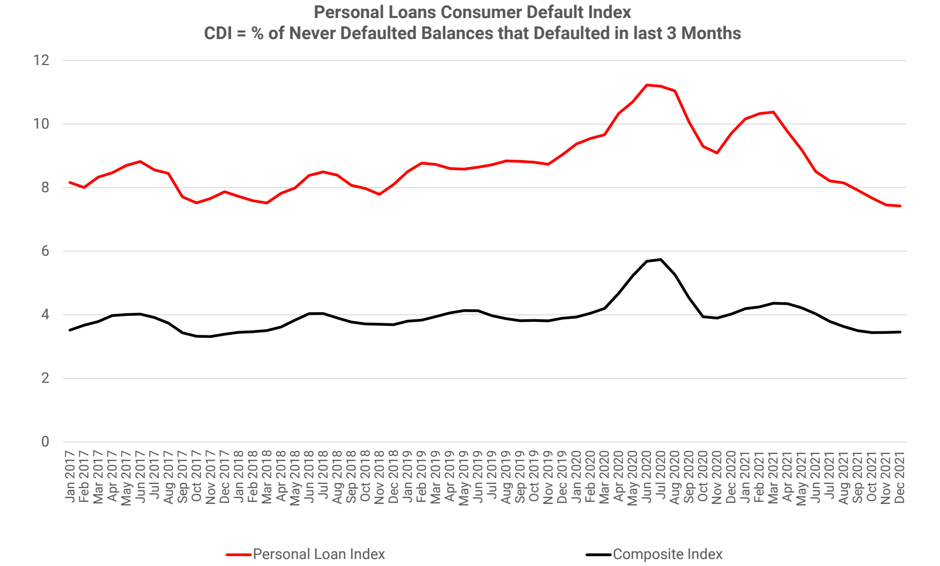
FAS	CDI		
FAS Type Name	**Dec'21**	**Dec'20**	**Year on Year Δ**
01. Independent Investors	4,48	2,56	1,92
02. Affluent Couples	5,05	3,53	1,52
03. Professional Players	5,90	3,94	1,97
04. Logged-On Lifestyles	2,79	3,02	-0,23
05. Liquid Living	4,66	4,34	0,32
06. Successful Singles	6,52	5,69	0,83
07. Lifestyle Lending	6,50	5,04	1,46
08. Comfortable Retirees	5,73	5,24	0,49
09. Secure Singles	8,03	4,96	3,07
10. Comfortable Couples	7,88	7,16	0,71
11. Steady Entrepreneurs	10,31	11,30	-0,99
12. Stand-Alone Singles	5,02	5,47	-0,46
13. Plugged-In Purchasers	4,34	6,32	-1,98
14. Payday Pursuers	2,97	8,05	-5,08
15. Deficient Directors	8,88	8,59	0,29
16. Credit-Reliant Consumers	12,52	11,06	1,47
17. Secure Seniors	3,66	3,27	0,39
18. Coping Couples	3,66	4,16	-0,50
19. Restricted Retirees	6,29	6,24	0,05
20. Low Earners	5,89	6,24	-0,35
21. Misfortunate Mature	5,76	6,88	-1,12
22. Concerning Citizens	4,74	6,41	-1,67
23. Money-Wise Mature	7,61	7,18	0,43
24. Depleted Resources	8,93	7,89	1,03
25. Strained Adults	9,75	8,60	1,15
26. Online Survivors	5,97	11,31	-5,34
27. Struggling Earners	8,93	6,84	2,09
28. Minimum-Money Workers	10,23	8,64	1,59
29. Inexperienced Earners	9,83	12,63	-2,80
30. Eager Youth	10,07	13,45	-3,38

The broader access to credit cards across the various FAS segments results in the overall Credit Card CDI and the overall rate of default being substantially higher than what was seen for secured products. Still, FAS Groups 1 and 2 have the biggest value exposure to Credit Cards, constituting roughly 75% of the total Credit Card exposure in the market.

- **Affluent Couples (02)**, who can be described as well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets, have by far the ***largest credit exposure*** across all segments. Their Credit Card CDI deteriorated from 3.53 in December 2020 to 5.05 in December 2021.
- **Logged-on Lifestyles (04)**, who are young professionals that are very active when it comes to online retail buying, but understand the value of investments such as property, have the ***lowest Credit Card CDI*** and are showing improvement in their first-time default rate from a CDI of 3.02 in December 2020 to 2.79 in December 2021.
- **Credit-Reliant Consumers (16)** are relatively young consumers, having average annual salaries of R146 000, have high exposure (98%) and utilisation (over 80% of them using at least 75% of their limit) of unsecured loans. They have the ***highest Credit Card CDI***. They have deteriorated from 11.06 in December 2020 to 12.52 in December 2021 and hold roughly 2.5% of the total exposure in the Credit Card market.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Credit Card Index	6,04	5,20	R2 299 350 282
FAS Type 2 - Largest Credit Exposure	5,05	3,53	R288 091 077
FAS Type 4 - Lowest CDI	2,79	3,02	R23 515 163
FAS Type 16 - Highest CDI	12,52	11,06	R117 865 703

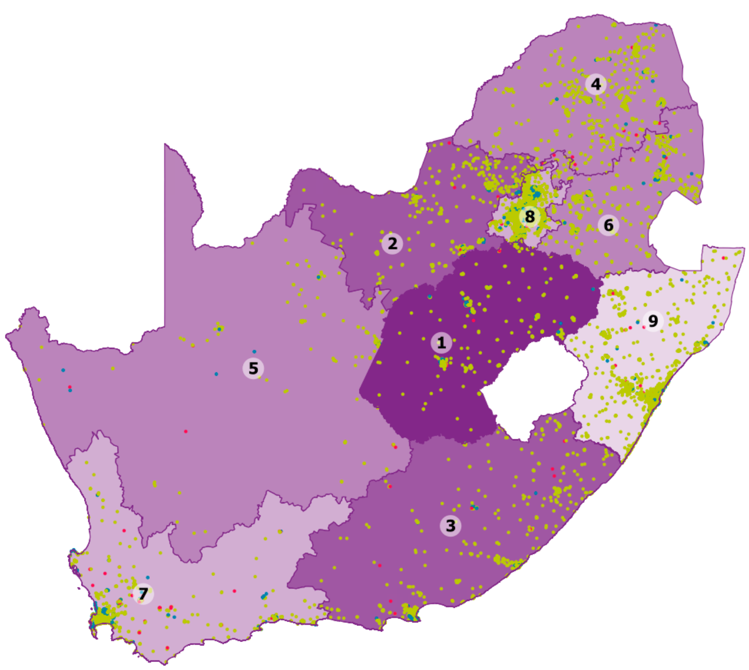
Personal Loan Consumer Default Index by Province



7.42% of personal loans on an annualised basis defaulted for the first time over the period of Oct 2021 to Dec 2021.

R5.43bn in value defaulted for the first time over the period of Oct 2021 to Dec 2021.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Personal Loan Index	7,42	9,70	R5 425 516 935
FAS Type 5 - Largest Credit Exposure	6,04	7,92	R350 422 683
FAS Type 26 - Lowest CDI	3,96	3,86	R12 960 307
FAS Type 29 - Highest CDI	10,40	15,18	R137 336 961



FAS Type 5 - Largest Credit Exposure
FAS Type 26 - Lowest CDI
FAS Type 29 - Highest CDI

Personal Loans	CDI	
Rank & Province	Dec'20	Dec'21
1. Free State	7,87	6,49
2. North West	8,99	6,66
3. Eastern Cape	8,09	6,66
4. Limpopo	8,19	6,76
5. Northern Cape	8,24	6,87
6. Mpumalanga	10,13	7,25
7. Western Cape	10,92	7,55
8. Gauteng	10,20	7,75
9. KwaZulu-Natal	9,71	7,78

The Personal Loans CDI showed significant improvement Y-o-Y, moving from 9.70 to 7.42 in December 2021. Q-o-Q this CDI also saw an improvement of 0.30 from 7.92 observed in September 2021.

From a market-exposure and credit-active population penetration perspective, the primary FAS segments that actively engage with credit providers for Personal Loans exhibit a higher representation of the FAS Groups 4, 5 and 6 (> 33%).

- The **Western Cape** has again shown the most significant improvement in Personal Loans CDI, moving from 10.92 in December 2020 to 7.55 in December 2021. Nonetheless, this province still has a relatively high CDI compared to the other provinces.
- The **Free State** had the lowest CDI in December 2021, showing meaningful improvement from 7.87 in December 2020 to 6.49 in December 2021.
- The highest Personal Loans CDI was observed for **KwaZulu-Natal**, where we saw a significant Y-o-Y improvement from 9.71 in December 2020 to 7.78 in December 2021.

Personal Loan Consumer Default Index by Micro-FAS

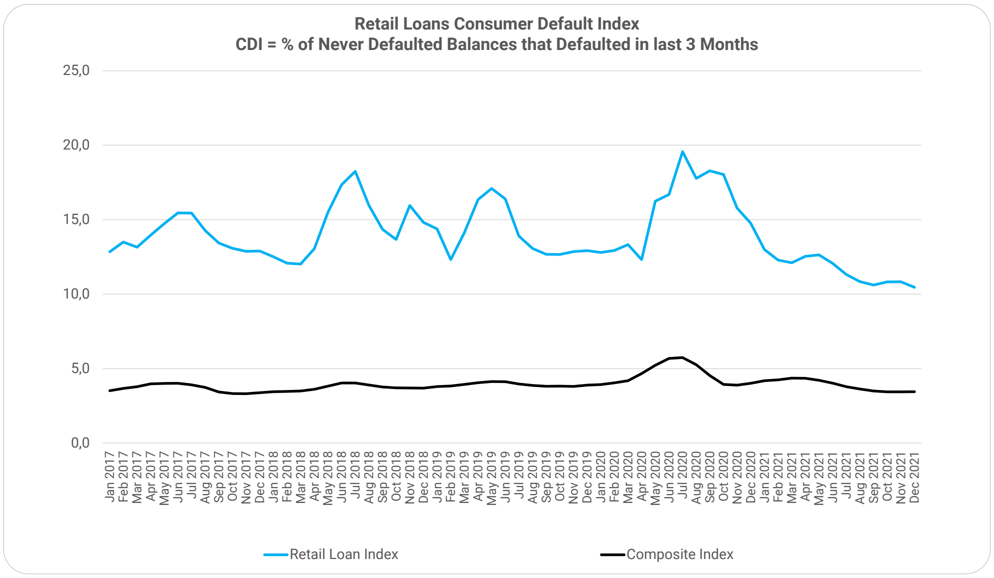
FAS	CDI		
FAS Type Name	Dec'21	Dec'20	Year on Year Δ
01. Independent Investors	5,98	4,40	1,58
02. Affluent Couples	6,51	6,39	0,12
03. Professional Players	7,13	7,82	-0,69
04. Logged-On Lifestyles	4,33	6,50	-2,16
05. Liquid Living	6,04	7,92	-1,88
06. Successful Singles	7,91	9,02	-1,12
07. Lifestyle Lending	7,12	7,84	-0,72
08. Comfortable Retirees	6,42	8,15	-1,73
09. Secure Singles	8,06	6,68	1,38
10. Comfortable Couples	7,62	9,93	-2,31
11. Steady Entrepreneurs	9,36	13,23	-3,87
12. Stand-Alone Singles	5,71	7,63	-1,92
13. Plugged-In Purchasers	6,81	9,09	-2,28
14. Payday Pursuers	5,98	7,77	-1,79
15. Deficient Directors	8,31	9,65	-1,35
16. Credit-Reliant Consumers	10,34	15,03	-4,69
17. Secure Seniors	4,83	6,03	-1,20
18. Coping Couples	4,48	6,34	-1,87
19. Restricted Retirees	4,99	7,60	-2,61
20. Low Earners	7,32	9,43	-2,11
21. Misfortunate Mature	6,43	8,77	-2,33
22. Concerning Citizens	6,13	10,46	-4,33
23. Money-Wise Mature	6,68	10,00	-3,32
24. Depleted Resources	7,53	12,05	-4,52
25. Strained Adults	8,34	14,06	-5,72
26. Online Survivors	3,96	3,86	0,09
27. Struggling Earners	7,20	9,20	-2,00
28. Minimum-Money Workers	10,04	15,49	-5,46
29. Inexperienced Earners	10,40	15,18	-4,78
30. Eager Youth	6,61	10,45	-3,83

The broader access to personal loans across specifically FAS Groups 4, 5 and 6, results in the overall Personal Loans CDI and rate of default being substantially higher than that of other traditional banking products.

- **Liquid Living (Type 5)**, upper-middle-class mature individuals, have an average age of 52. 69% of them are married, probably having children in their late teens and early twenties. With an average annual income of R415 000, these consumers have the ***largest credit exposure in Personal Loans*** and are typically deemed to be of relatively low credit risk. This type saw an improvement in Personal Loan CDI over the period, moving from 7.92 in December 2020 to 6.04 in December 2021.
- **Online Survivors (26)**, who are young adult unskilled or shift workers that are likely cohabiting with significant others or family and are unable to afford more than their basic needs, have the ***lowest Personal Loan CDI***, and they also saw a slight deterioration moving from 3.86 in December 2020 to 3.96 in December 2021. Keep in mind that due to low volumes of this Consumer Type in the Personal Loans space (Online survivors only hold ~0.4% of the market), additional volatility might have influenced this observation.
- **Inexperienced Earners (29)** have improved from a CDI of 15.18 in December 2020 to 10.40 in December 2021. Despite this improvement, this remains the consumer type with the ***highest first-time default rate in Personal Loans***. Remember that this type consists of young salaried employees that are new to the job market and are beginning to set up their lives.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Personal Loan Index	7,42	9,70	R5 425 516 935
FAS Type 5 - Largest Credit Exposure	6,04	7,92	R350 422 683
FAS Type 26 - Lowest CDI	3,96	3,86	R12 960 307
FAS Type 29 - Highest CDI	10,40	15,18	R137 336 961

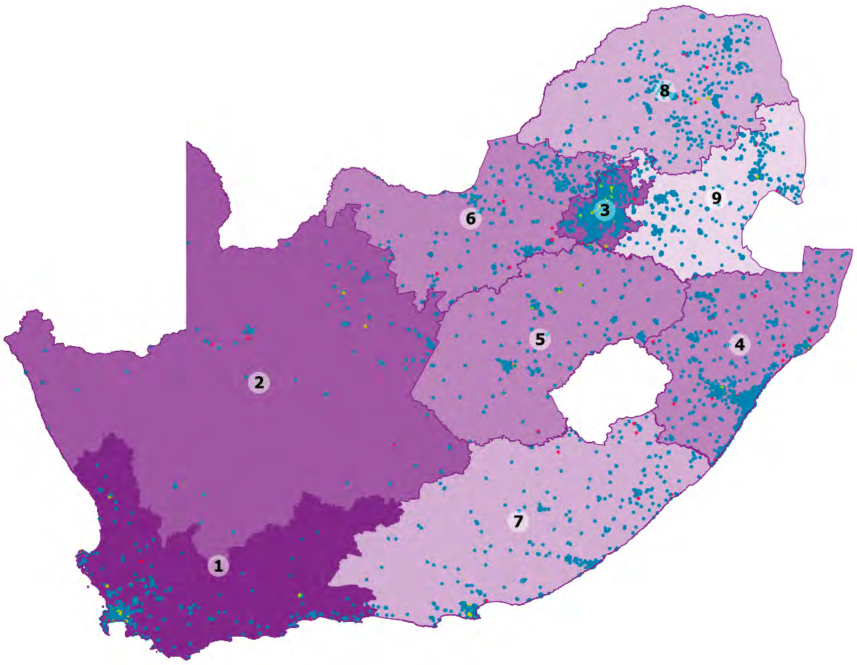
Retail Loans Consumer Default Index by Province



10.45%
of retail loans on an annualised basis defaulted for the first time over the period of Oct 2021 to Dec 2021.

R0.90bn
in value defaulted for first time over the period Oct 2021 to Dec 2021.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Retail Loan Index	10,45	14,76	896 827 526
FAS Type 26 - Largest Credit Exposure	13,98	19,69	143 871 174
FAS Type 4 - Lowest CDI	4,46	8,32	9 130 787
FAS Type 30 - Highest CDI	21,98	29,39	73 418 494



FAS Type 26 - Largest Credit Exposure
FAS Type 4 - Lowest CDI
FAS Type 30 - Highest CDI

Retail Loans	CDI	
Rank & Province	Dec'20	Dec'21
1. Western Cape	14,32	8,88
2. Northern Cape	13,70	9,95
3. Gauteng	14,37	10,08
4. KwaZulu-Natal	15,10	10,30
5. Free State	13,87	10,31
6. North West	14,58	10,34
7. Eastern Cape	14,89	10,75
8. Limpopo	15,58	11,43
9. Mpumalanga	15,60	11,46

Retail Loans CDI has again shown the most significant improvement in CDI, moving from 14.76 in December 2020 to 10.45 in December 2021. Retail Loans is the product set where the least affluent consumer groups FAS 4, 5 & 6, hold the most significant portion (~60%) of the market.

- **Western Cape** has again shown the greatest improvement in Retail Loans CDI this quarter, moving from 14.32 in December 2020 to 8.88 in December 2021. This is also the province with the lowest Retail CDI.
- The smallest improvement was observed for the **Free State**. This province still showed significant improvement, moving from 13.87 in December 2020 to 10.31 in December 2021.
- **Mpumalanga** again fared the worst in the provincial Retail Loans CDI ranking, but improved from 15.60 in December 2020 to 11.46 in December 2021.

All provinces saw a substantial improvement in Retail CDI. This is partly due to the low volumes of new business written for Retailers since the onset of COVID.

Retail Loans Consumer Default Index by Micro-FAS

FAS	CDI		
FAS Type Name	**Dec'21**	**Dec'20**	**Year on Year Δ**
01. Independent Investors	5,67	5,16	0,51
02. Affluent Couples	6,75	6,08	0,67
03. Professional Players	6,88	8,21	-1,33
04. Logged-On Lifestyles	4,46	8,32	-3,86
05. Liquid Living	5,68	7,71	-2,03
06. Successful Singles	8,60	11,12	-2,52
07. Lifestyle Lending	7,75	10,36	-2,61
08. Comfortable Retirees	6,40	9,02	-2,62
09. Secure Singles	10,84	13,00	-2,17
10. Comfortable Couples	8,94	12,55	-3,61
11. Steady Entrepreneurs	12,09	17,08	-4,99
12. Stand-Alone Singles	9,12	13,89	-4,78
13. Plugged-In Purchasers	9,03	14,74	-5,71
14. Payday Pursuers	7,52	13,03	-5,51
15. Deficient Directors	10,08	15,86	-5,78
16. Credit-Reliant Consumers	14,16	19,81	-5,65
17. Secure Seniors	5,63	8,51	-2,88
18. Coping Couples	5,00	8,35	-3,35
19. Restricted Retirees	8,79	14,65	-5,86
20. Low Earners	11,89	18,07	-6,18
21. Misfortunate Mature	8,56	13,86	-5,30
22. Concerning Citizens	10,78	17,66	-6,88
23. Money-Wise Mature	8,38	15,53	-7,16
24. Depleted Resources	9,65	15,61	-5,96
25. Strained Adults	10,89	16,15	-5,26
26. Online Survivors	13,98	19,69	-5,70
27. Struggling Earners	11,68	21,14	-9,46
28. Minimum-Money Workers	17,22	22,30	-5,07
29. Inexperienced Earners	20,68	24,07	-3,39
30. Eager Youth	21,98	29,39	-7,40

On a Y-o-Y basis, the Retail CDI decreased in December 2021, improving from 14.76 in December 2020 to 10.45 in December 2021. Q-o-Q this index also showed improvement from the 10.61 observed in September 2021. This decline in CDI is likely due to low new business volumes in the Retail space, having not yet recovered to pre-COVID levels.

When looking at the FAS type level segmentation, we observe the following:

- **Online Survivors (26)**, who are young adult unskilled or shift workers that are likely cohabiting with significant others or family and are unable to afford more than their basic needs, still have the ***largest Retail Loans credit exposure*** and they also saw a significant improvement in CDI from 14.76 in December 2020 to 10.45 in December 2021.
- **Logged-on Lifestyles (04)** who are young professionals that are very active when it comes to online retail buying, but understand the value of investments such as property, have the ***lowest Retail Loans CDI***, and are showing improvement in their first-time default rate from a CDI of 8.32 in December 2020 to 4.46 in December 2021.
- **Eager Youth (30)** are the youngest entry-level employees that are beginning to realise the cost of living. They are likely reliant on family for support or accommodation and 94% are likely to have Retail clothing accounts. This FAS type has the ***highest Retail Loans CDI,*** but still showed an improvement from 29.39 in December 2020 to 21.98 in December 2021.

	CDI Dec'21	CDI Dec'20	New Default Balances Oct'21-Dec'21
Retail Loan Index	10,45	14,76	896 827 526
FAS Type 26 - Largest Credit Exposure	13,98	19,69	143 871 174
FAS Type 4 - Lowest CDI	4,46	8,32	9 130 787
FAS Type 30 - Highest CDI	21,98	29,39	73 418 494

ADDENDUM

Consumer Default Index

Experian Quarter 4 2021 – ADDENDUM (Youth)

Market exposure of Youth in Dec 2021

Market exposure of Youth in Dec 2021

(FAS Types 12, 13, 29 & 30) These FAS Types are on average younger than 30 years

TOTAL South African Market	South African Youth
23.1m consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan accounts.	**2.6m** Youth consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan accounts.
28.1m Active accounts across Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan.	**2.9m** Active Youth accounts across Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan.
R1.94 Trillion in outstanding debt.	**R0.12** Trillion in outstanding debt to Youth.

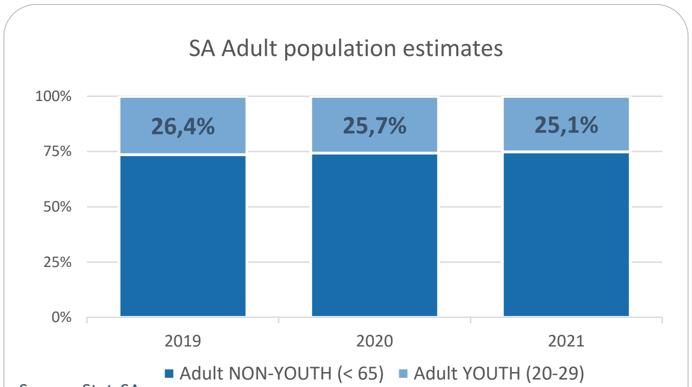
Market exposure of Youth across products

These FAS Types are on average younger than 30 years

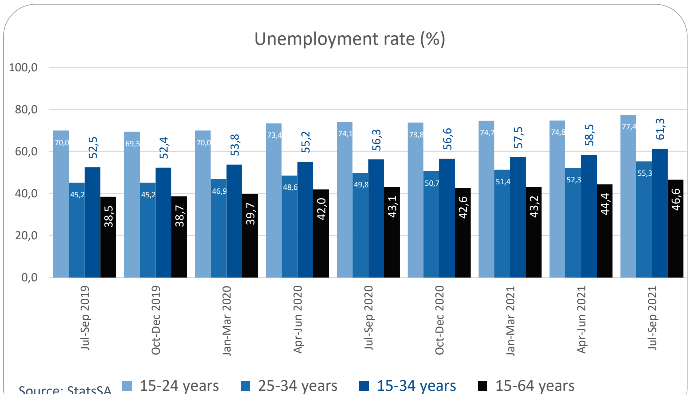
Young South Africans (20-29 years of age) constitute roughly a quarter of SA adult population* that is typically deemed to be eligible for credit. However, these young consumers are not that well represented in the credit economy.

We see that despite the increase observed over the last three years, there is still a gross under-representation of the South African Youth from the credit economy, with only 11% of the total consumer base falling into the Youth-associated FAS Types. This is partly due to the increasing unemployment in the country, which has been particularly harsh on SA Youth.

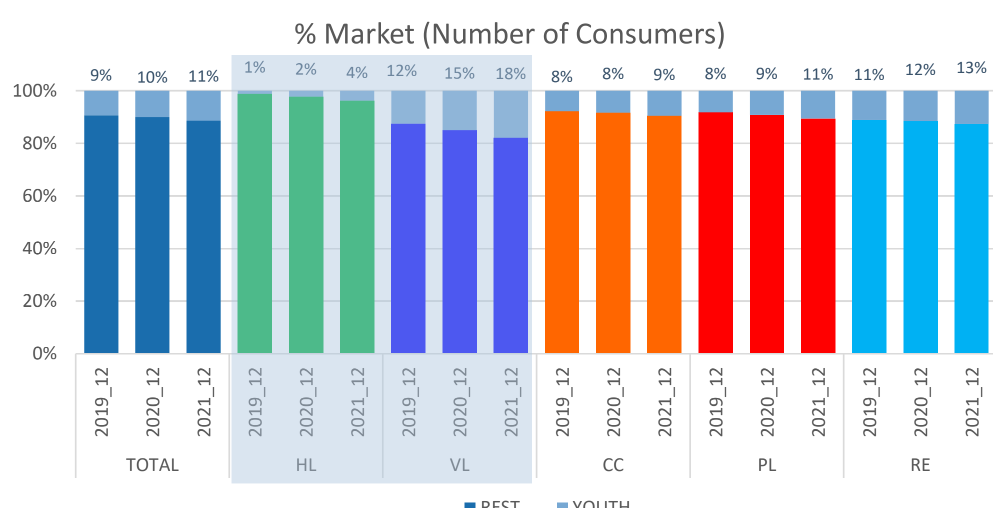
The credit products in which Young people enjoy the highest exposure are Vehicle Asset Finance (growing from 12% in December 2019 to 18% in December 2021) and Retail Loans (growing from 11% in December 2019 to 13% in December 2021), as Youth typically have an affinity for these products. On the other end, the exposure of SA Youth is the smallest (in relative terms) when it comes to Home Loans, where they hold only 4% market exposure. Interestingly, though, we see Youth's exposure in secured lending increasing significantly over the last two years.



Source: StatsSA



Source: StatsSA



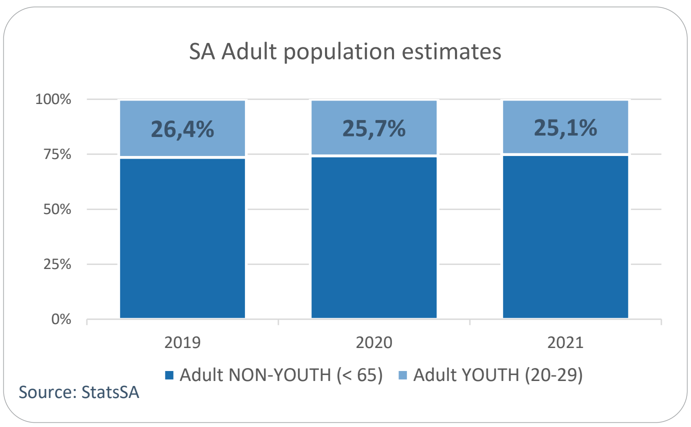
Source: Experian

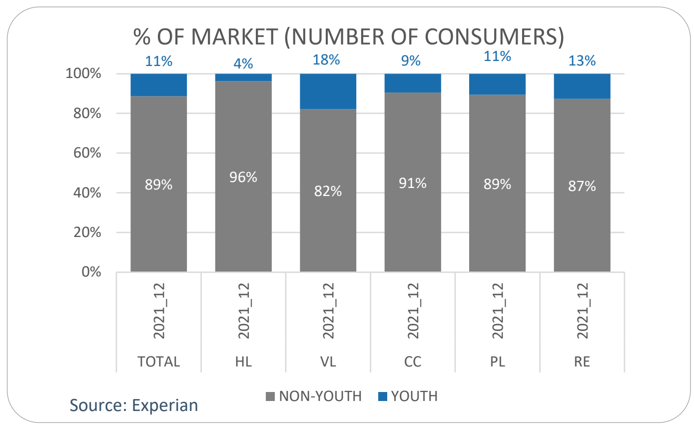
Market exposure of Youth across products

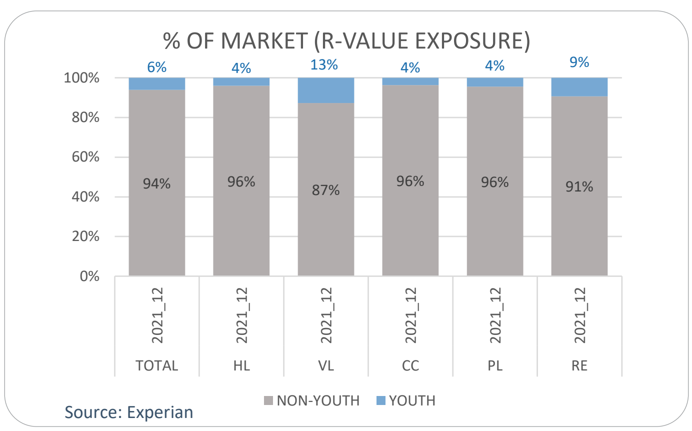
These FAS Types are on average younger than 30 years

The under-representation of SA Youth from the credit economy seems even bleaker if considered from a Rand-value Exposure perspective. Comparing December 2021 market share, we see that the 11% Youth market share of all Banking and Retail credit products reduces to a mere 6%, when looking at credit exposure rather than number of consumers. This is due to the lower value of credit products, typically granted to Youth. Considering that access to higher credit limits is usually based on favourable credit risk assessments, it makes sense that young people generally have not built sufficiently positive credit history to enable access to more credit.

This drop in market share (from number of consumers to exposure) is particularly evident in the Personal Loans space, where we see the 11% market share dropping to 4% from an exposure perspective. This further demonstrates the low loan values for which young people typically qualify. Interestingly though, the market share based on these two metrics is the same when it comes to Home Loans. This suggests that the Youth that do qualify for housing finance typically qualify for the average Home Loan value.







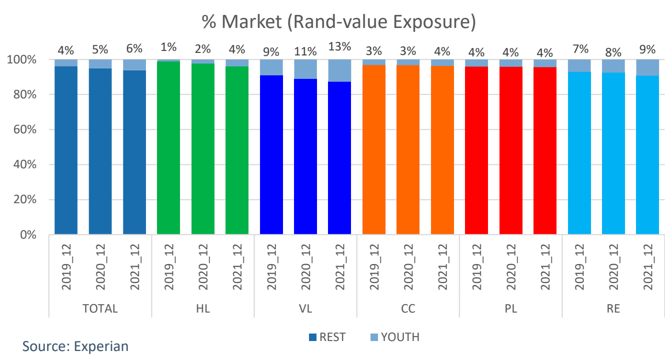
Market exposure of Youth across products

These FAS Types are on average younger than 30 years

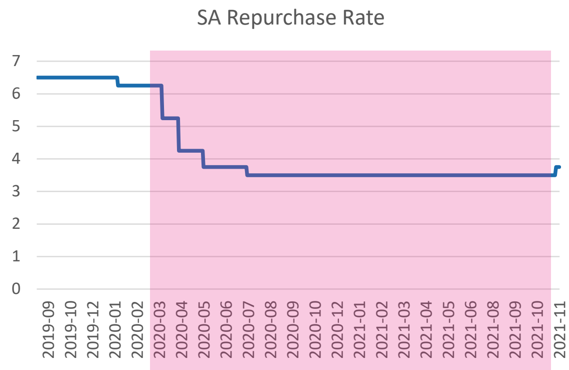
Considering Youth's exposure to Credit over the last two years, we see that there has been a slight increase (from 4% in December 2019 to 6% in December 2021). This mainly stems from the increase in secured credit exposure of young South Africans in both the Home Loans and Vehicle Loans portfolio's, where we saw increases from 1% to 4% and 9% to 13%, respectively.

Although this increase is not near-enough, it still is encouraging to see the increased exposure over the last two years – particularly with regards to housing finance.

A key driver of the increased exposure to secured credit was the long-term drop in the Repo-Rate, following interest rate drops and sustained low repo rates implemented by the Reserve Bank, to stimulate the SA economy during the COVID pandemic.

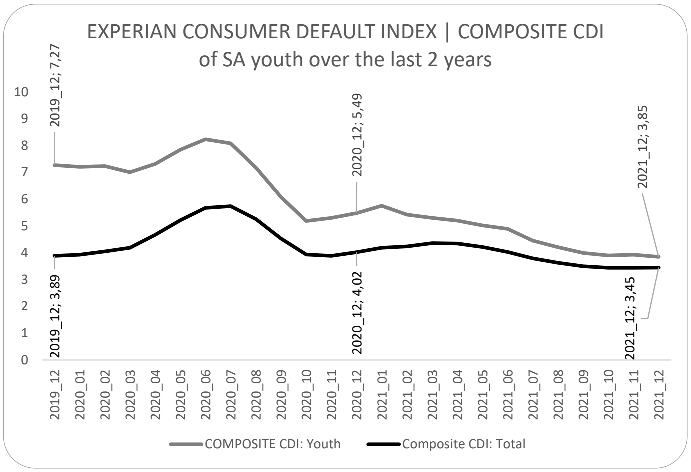


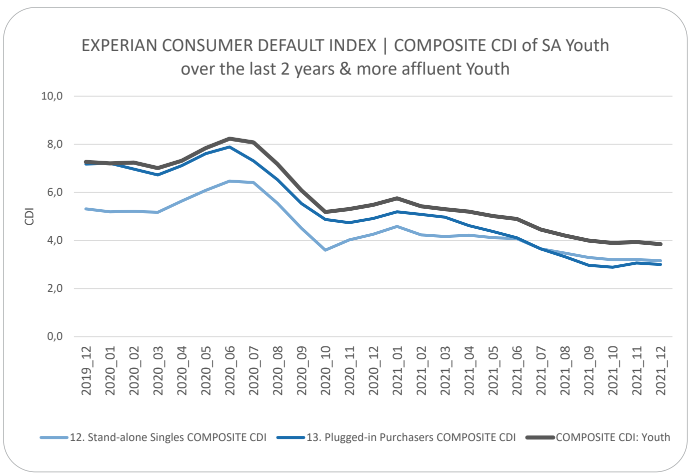
Source: Experian

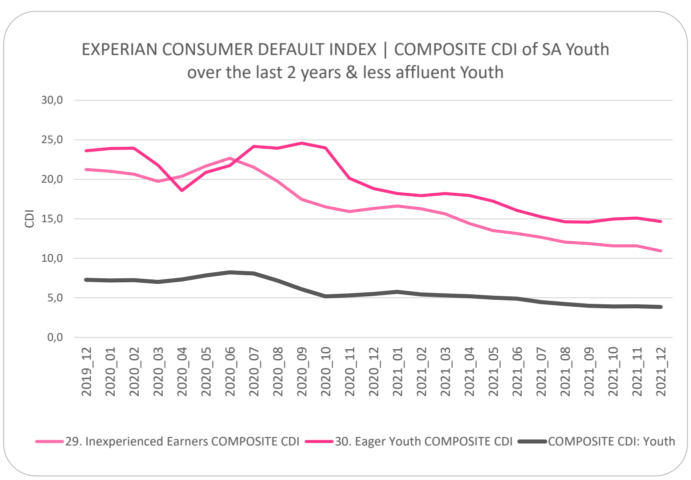


Source: SARB

Consumer Default Index: Youth







South Africa's Youth, who generally fall in the less affluent market segments (i.e. not FAS Groups 1 and 2) have shown a **significant improvement in CDI** over the last 2 years, dropping in CDI from 7.27 in December 2019 to 3.85 in December 2021. A similar (but much less pronounced) movement has been seen for the Composite CDI of the entire credit base (youth plus non-youth), where the CDI improved from 3.89 in December 2019 to 3.45 in December 2021. This long-term improvement, however, does not signify improved consumer health across the board. In fact, the contrary is true.

Due to many lenders having become increasingly risk averse in their lending pre-requisites, the **volume associated with credit lending** has been declining over the last 2 years (both in number of accounts and number of consumers). Coupled with this, is the fact that more mature credit consumers, who retained their source of income over the past 2 years, opted to pay off their product – putting further downward pressure on the volume of accounts and consumers in the Credit environment.

This phenomenon has proven to be **reversed for SA Youth**, though. In this case, we have seen an increase in the volume of Youth consumers on the bureau over the last 18 months. This was particularly prevalent in the representation of young consumers in the Vehicle Loans and Home Loans portfolios. Although young South Africans still have a relatively small representation on the SA Credit Base, the number of youngsters have been increasing over the last year or so, moving from 2.4 million consumers to 2.6 million. This was driven by a cycle of lowering interest rates as well as an increase in expendable income (due to entertainment and travel opportunities been limited by COVID lock-down regulations). However, with the upcycle of interest rates having just started, these relatively inexperienced might need to apply some additional discipline and financial planning to ensure that they keep up with the commitments they have made regarding their credit – particularly considering that many of them will be new to secured lending.

Consumer Default Index: Youth

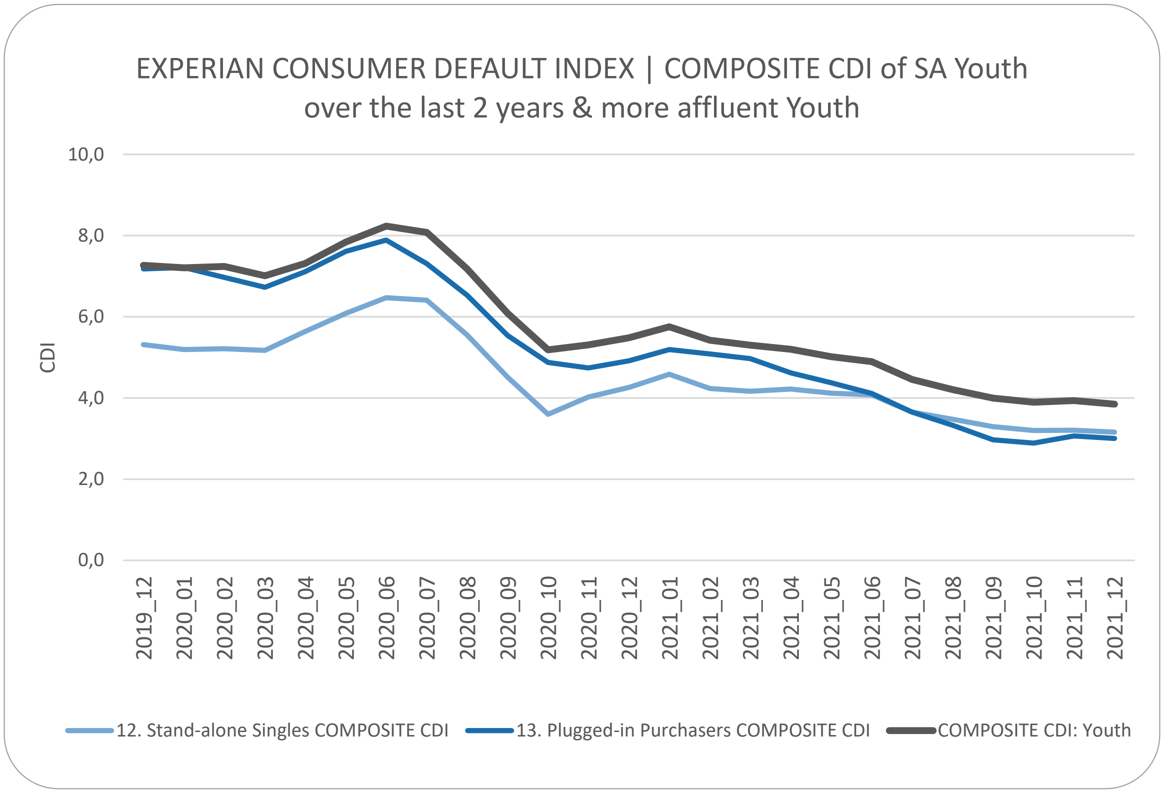
South Africa's Youth, who generally fall in the less affluent market segments (i.e. not FAS Groups 1 and 2) have shown a significant improvement in CDI over the last year, across all four of their associated FAS Types.

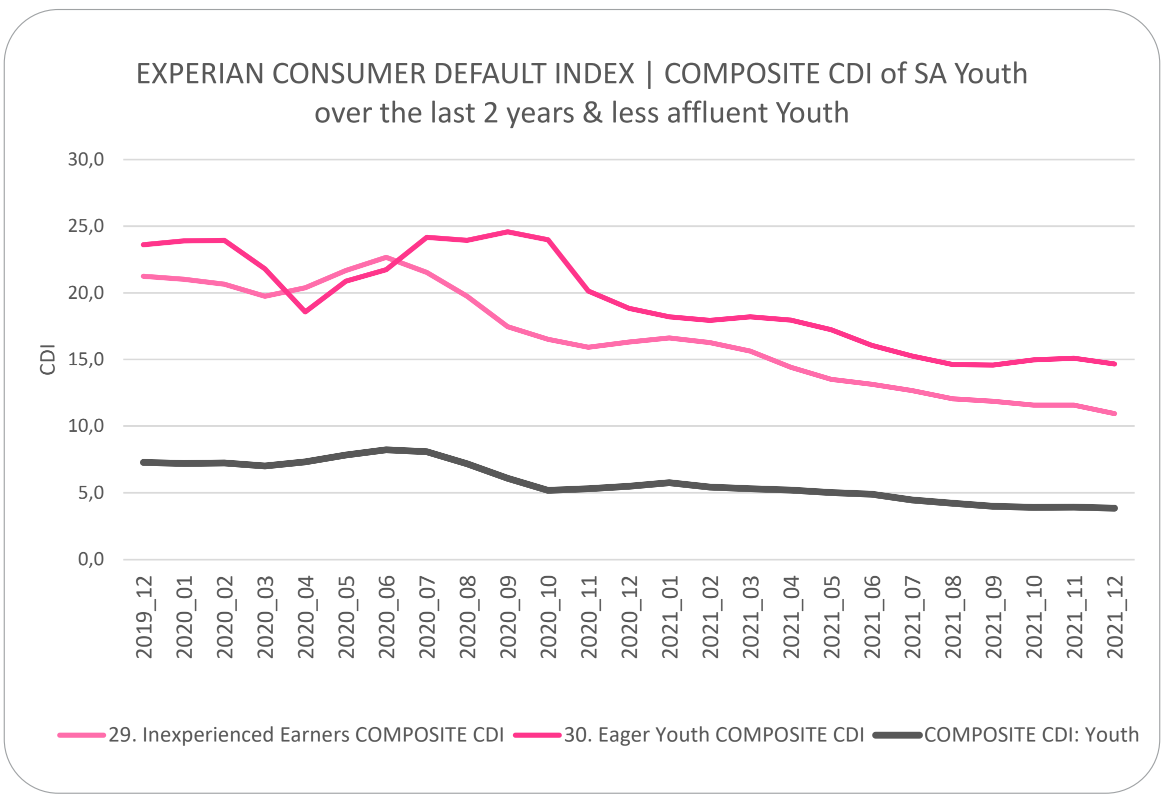
This is the result of more strict lending criteria been applied by many lenders in the market (thus ensuring that the consumers that do get access to credit, are of sufficiently low risk). However, there is also another aspect that has been at play since the onset of COVID: With the lock-down regulations limiting activities of entertainment and travel destinations, consumers with access to credit have had increasing means to service their debt commitments. This reduced entertainment spend, coupled with very low interest rates, have also played an important part in lowering CDI.

The challenge will be on these young consumers, however, to remain disciplined in their spending – both with the re-opening of the economy and the interest rate increase cycle (initiated by the SARB in November 2021).

Furthermore, credit lenders should also pay close attention to how they manage their young clients – particularly when it comes to secured credit – as these consumers are typically less experienced in interest rate upcycles and the impact these have on a credit active consumer's budget. Careful management and guidance should go a long way in mitigating the credit risks awaiting South African consumers, with the increased relaxation of economic lock-down criteria and rising interest rates.

	CDI Dec '21	CDI Dec'20	CDI Dec'19	Average Market Exposure Oct 2021 - Dec 2021
Composite CDI: Total	3,45	4,02	3,89	R1 938 915 562 414
COMPOSITE CDI: Youth	3,85	5,49	7,27	R116 121 820 860
12. Stand-alone Singles	3,21	4,26	5,31	R86 651 743 115
13. Plugged-in Purchasers	3,06	4,92	7,18	R20 175 109 957
29. Inexperienced Earners	11,57	16,31	21,25	R6 409 700 577
30. Eager Youth	15,09	18,83	23,61	R2 885 267 211


EXPERIAN CONSUMER DEFAULT INDEX | COMPOSITE CDI of SA Youth over the last 2 years & more affluent Youth
CDI
10,0
8,0
6,0
4,0
2,0
0,0
2019_12
2020_01
2020_02
2020_03
2020_04
2020_05
2020_06
2020_07
2020_08
2020_09
2020_10
2020_11
2020_12
2021_01
2021_02
2021_03
2021_04
2021_05
2021_06
2021_07
2021_08
2021_09
2021_10
2021_11
2021_12
12. Stand-alone Singles COMPOSITE CDI
13. Plugged-in Purchasers COMPOSITE CDI
COMPOSITE CDI: Youth


EXPERIAN CONSUMER DEFAULT INDEX | COMPOSITE CDI of SA Youth over the last 2 years & less affluent Youth
CDI
30,0
25,0
20,0
15,0
10,0
5,0
0,0
2019_12
2020_01
2020_02
2020_03
2020_04
2020_05
2020_06
2020_07
2020_08
2020_09
2020_10
2020_11
2020_12
2021_01
2021_02
2021_03
2021_04
2021_05
2021_06
2021_07
2021_08
2021_09
2021_10
2021_11
2021_12
29. Inexperienced Earners COMPOSITE CDI
30. Eager Youth COMPOSITE CDI
COMPOSITE CDI: Youth

Experian Financial Affluence Segmentation

What is FAS, and how is it calculated?

What is FAS?

Financial Affluence Segmentation is a powerful tool that gives you the ability to...

- understand your most profitable customers' demographics, affluence, lifestyles and life stage traits.
- benchmark your customer penetration within each market segment.
- compare your most valuable customer segments to an affinity or loyalty partners' customer segments by using a common market segmentation currency.
- align or design your offers and marketing campaigns to appeal to available market segments.
- target ONLY specific market segments in both above- and below-the-line marketing campaigns to reduce wastage in spend.

Applications of FAS

Applications of Financial Affluence Segmentation include:

- Lead generation matched from proprietary data
- Lead generation using groups and types
- Marketing strategies and execution
- Product development
- Like-audience matching
- Digital media audiences and execution
- Business expansion strategies
- Targeted marketing campaigns

How FAS Works

1. Data or Description

The Financial Affluence Segmentation tool uses either a supplied list of customers or a broad description of your overall target market. Supplied data is cleaned and deduplicated to ensure that quality data used.

2. Development

During the development phase, we stamp FAS onto the supplied dataset at an individual level and overlay additional information as required, typically demographic and geolocation information. For those supplying a description, a suitable audience is matched according to that description and your output needs.

3. Delivery

We deliver the data in several ways, such as a raw batch, in a visualised format or as a ready-to-go campaign file, depending on your needs.

4. Deployment

You can execute your marketing campaigns using the output dataset, whether you are using one of our execution products, an in-house marketing execution team or a marketing agency.

A Universe of Data

To create 6 groups and 30 subtypes, Experian's Financial Affluence Segmentation tool uses machine learning, analytics, our universe of data and a variety of data points, including:

- Affluence/Income
- Age
- Gender
- Marital status
- Business ownership
- Property holding
- Purchasing behaviour
- Vehicle ownership
- Financial products
- Online activity
- Risk profile
- Financial limitations
- Rental use

Smart Coverage

Marketing to a wide audience is a costly method with unreliable results. The Financial Affluence Segmentation tool allows you to be smart in your marketing strategies by only targeting those that match your best customer.

Accuracy

Marketing targeting is only as accurate as the data it consumes. This tool accesses our up-to-date, clean and accurate bureau and non-bureau data to provide you with actionable marketing insights and.

Find potential customers

By matching the Financial Affluence Segmentation profile of your consumer database, lookalike audiences are developed for digital media matching and lead generation.

Safe and Secure

Data security and data access are one of our top priorities. All our products adhere to the strictest data security protocols, and business practices are 100% compliant with the latest legislation and regulations.

Group 1

Luxury Living – 2,5%

Luxury Living is exactly what individuals in this group do! They represent the upper crust of South African society with the financial freedom to afford expensive homes and cars. Luxury Living are the highest earners across all groups, which allows them to make maximum use of their high-limit credit facilities, while still being able to service these agreements. With almost half having multiple directorships, their professional lives are important to them and are the gateway to their ability to invest in multiple properties and live in luxury.

R58 962,33
Average Gross Monthly Income

R707 547,96
Average Estimated Annual Income

37% Female

63% Male

68% Married

44 Average Age
25-65 Age Range

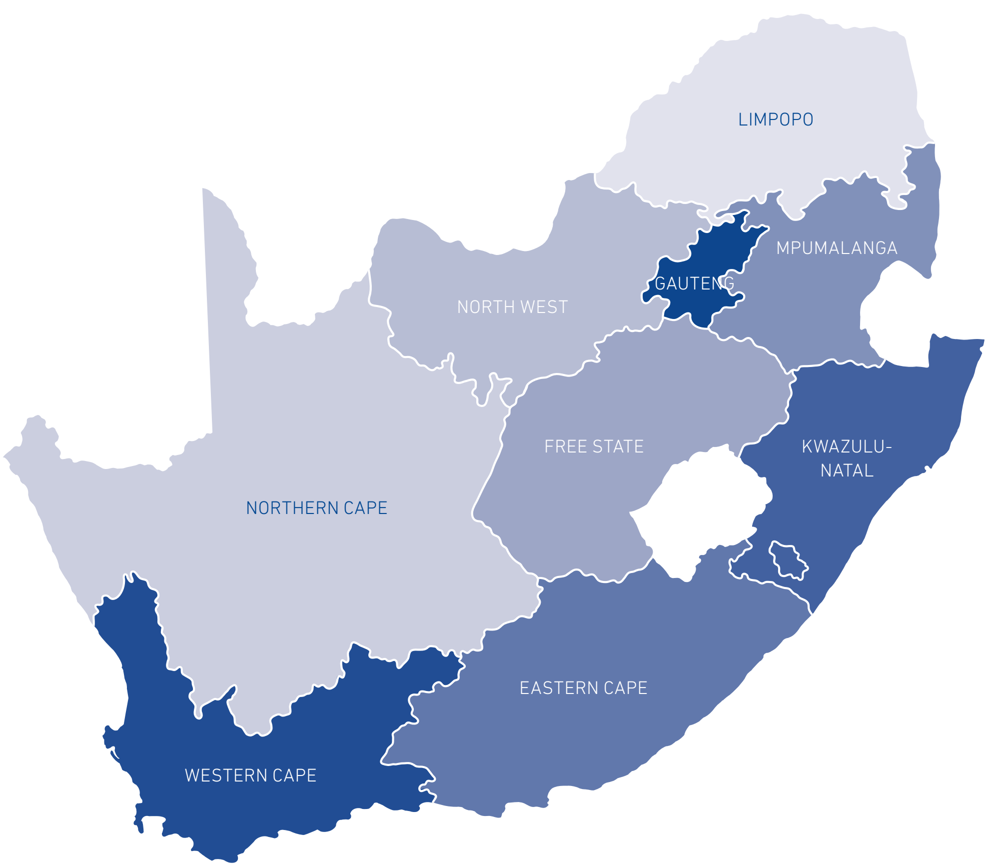
68% Directors
46% Multiple Directorships

54% Own 1 Property
25% Own Multiple Properties

R1 258 325,73
Opening Home Loan Balance:

R481 329,22
Opening Balance on Vehicle and Asset Finance

Black: 43.51%
Coloured: 2.99%
Indian: 7.38%
White: 45.27%



Gauteng: 38.73%
Western Cape: 20.69%
KwaZulu-Natal: 14.24%
Eastern Cape: 6.82%
Mpumalanga: 3.62%
Free State: 3.16%
North West: 3.01%
Northern Cape: 1.87%
Limpopo: 1.36%

Aspirational Achievers – 9,3%

Aspirational Achievers are made up of young and middle-aged individuals, most many of which have grounded professional careers and personal lives. While money isn't in excess for Aspirational Achievers, they are mostly able to meet their home loan agreements of half a million Rand and vehicle finance for a mid-range car. Easy access to credit encourages these individuals to buy retail, especially online. Understanding the value of their possessions, the majority have insurance. However, Aspirational Achievers don't always have the cash to buy that which they desire, and therefore rely somewhat on revolving and retail accounts, as well as personal loans to achieve the lifestyles they aspire to live.

R27 388,45
Average Gross Monthly Income

R328 661,40
Average Estimated Annual Income

47% Female

53% Male

53% Married

42 Average Age
25-65 Age Range

41% Directors
19% Multiple Directorships

43% Own 1 Property
8% Own Multiple Properties

R557 150,16
Opening Home Loan Balance:

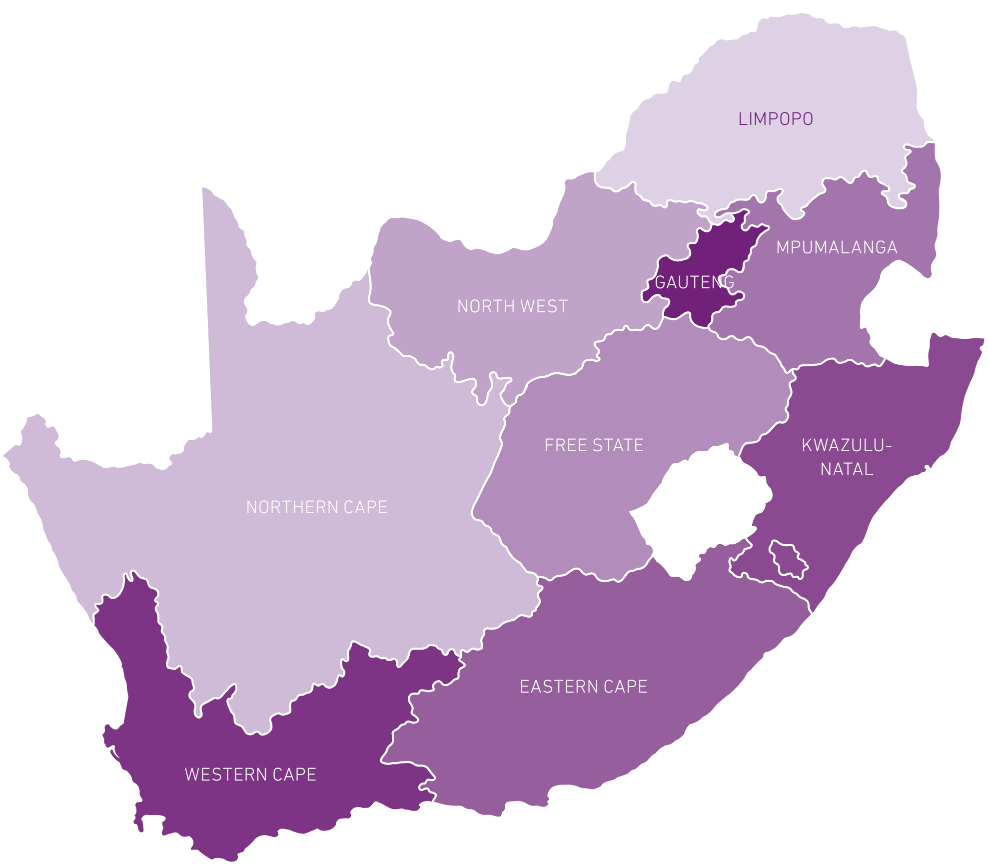
R244 919,88
Opening Balance on Vehicle and Asset Finance

Black: 62.6%

Coloured: 4.69%

Indian: 4.18%

White: 28.07%



- Gauteng: 35.75%
- Western Cape: 19.5%
- KwaZulu-Natal: 15.04%
- Eastern Cape: 7.57%
- Mpumalanga: 4.09%
- Free State: 3.95%
- North West: 3.61%
- Northern Cape: 2.15%
- Limpopo: 2.1%

Stable Spenders – 7,2%

Stable Spenders comprise mostly of young adults that are starting their careers as well as those approaching middle age. Finances are rather tight for these individuals as their below-average incomes need to be stretched. The majority live month to month and turn to credit to either tie them over, or to afford certain necessities such as clothing and school fees, or seasonal luxuries. With low homeownership rates, it's highly probable that they've used paid-day loans to cover the rent on which they are short. Despite financial limits, there are only a few who have access to home loans and vehicle and asset finance; however, more than half of Stable Spenders have difficulties paying back the money.

R12 954,88
Average Gross Monthly Income

R155 458,56
Average Estimated Annual Income

40% Female

60% Male

22% Married

33 Average Age
20-45 Age Range

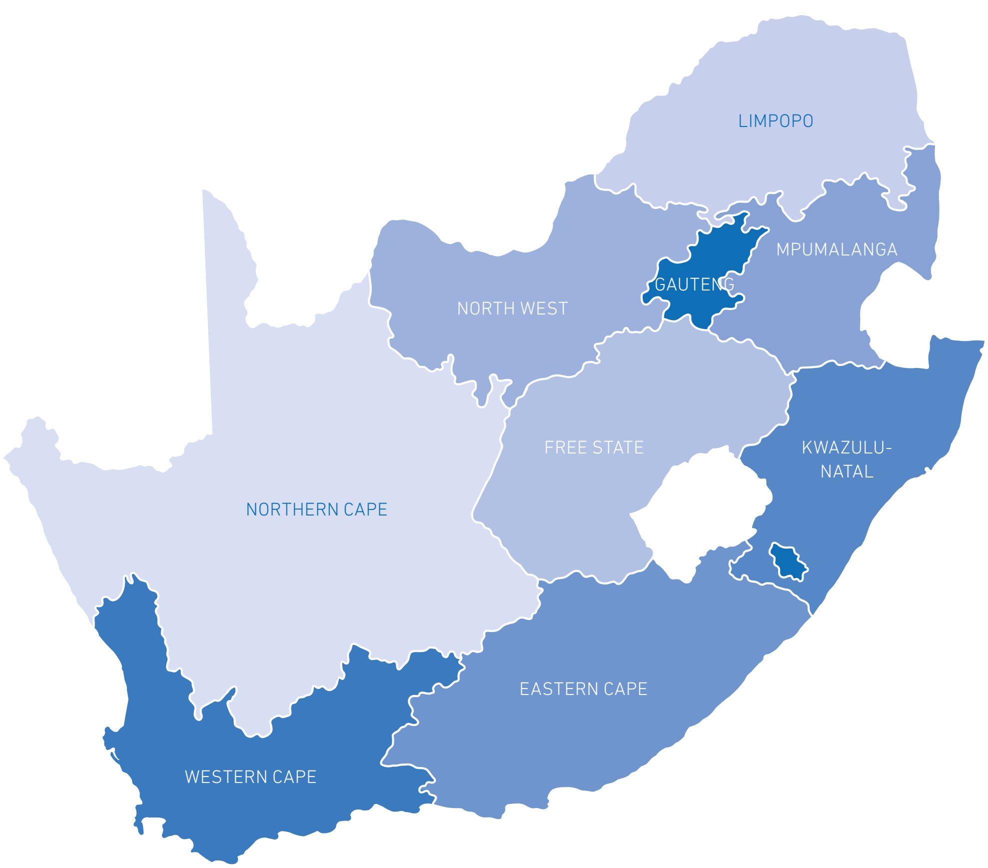
26% Directors
9% Multiple Directorships

10% Own 1 Property
1% Own Multiple Properties

R405 630,90
Opening Home Loan Balance:

R171 290,04
Opening Balance on Vehicle and Asset Finance

Black: 73.16%
Coloured: 4.83%
Indian: 2.94%
White: 18.75%



- Gauteng: 35.99%
- Western Cape: 18.58%
- KwaZulu-Natal: 15.04%
- Eastern Cape: 7.07%
- Mpumalanga: 4.61%
- North West: 4.19%
- Free State: 3.95%
- Limpopo: 2.38%
- Northern Cape: 2.29%

Money-Conscious Majority – 40,0%

The Money-Conscious Majority are the largest group and have the highest average age. These are individuals that are unable to afford luxuries and can barely get by on their salaries of less than R100 000 a year. Constantly needing to be conscious of how they spend their money, not many can afford communication accounts, credit cards or insurance, but rather opt for furniture accounts and unsecured loans to ensure they cover their basic needs. Their ability to maximise on credit use is stunted by their inability to afford the repayments and indirectly correlates with delinquency rates.

R7 719,80
Average Gross Monthly Income

R92 637,60
Average Estimated Annual Income

50% Female

50% Male

44% Married

51 Average Age
40-75 Age Range

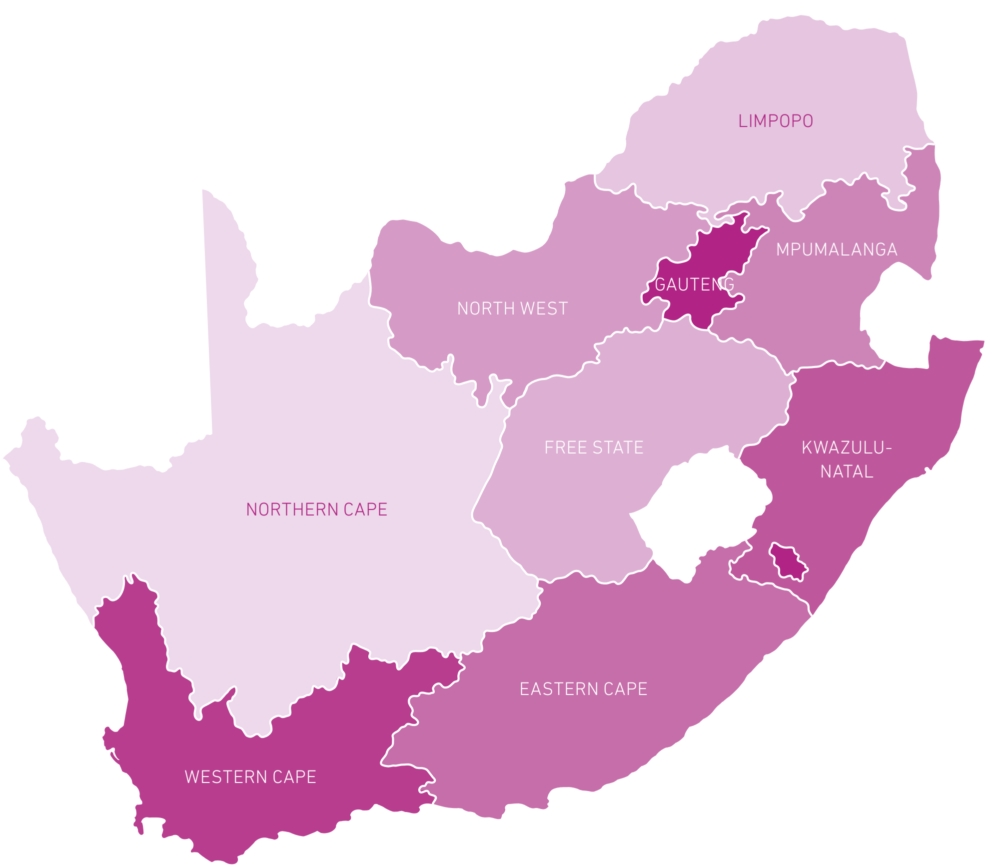
12% Directors
4% Multiple Directorships

23% Own 1 Property
2% Own Multiple Properties

R239 494,30
Opening Home Loan Balance:

R165 722,20
Opening Balance on Vehicle and Asset Finance

Black: 78.68%
Coloured: 5.77%
Indian: 1.59%
White: 13.67%



- Gauteng: 33.81%
- Western Cape: 17.97%
- KwaZulu-Natal: 14.39%
- Eastern Cape: 8.43%
- Mpumalanga: 4.92%
- North West: 4.78%
- Free State: 4.32%
- Limpopo: 3.15%
- Northern Cape: 2.21%

Laboured Living – 24,6%

The Laboured Living lead very restricted lives. Their monthly salaries are so low they don't even qualify to pay tax. They most likely work in the unskilled job sector. These are individuals that struggle to afford basic life necessities such as clothing, shelter and security. Their access to additional finance is severely limited. Those that can access finance, use it to compensate for their low salaries, resulting in high occurrences of unsecured loans, retail accounts and revolving accounts. Unable to afford the basics means that the Laboured Living also have difficulty in paying back their debts, resulting in the highest delinquency rates of all groups.

R4 836,25
Average Gross Monthly Income

R58 035,00
Average Estimated Annual Income

53% Female

47% Male

15% Married

34 Average Age
25-40 Age Range

10% Directors
2% Multiple Directorships

3% Own 1 Property
0% Own Multiple Properties

R272 128,46
Opening Home Loan Balance:

R141 934,81
Opening Balance on Vehicle and Asset Finance

Black: 86.18%
Coloured: 4.54%
Indian: 1.06%
White: 7.99%

- Gauteng: 33.7%
- Western Cape: 17.84%
- KwaZulu-Natal: 15.29%
- Eastern Cape: 7.75%
- Mpumalanga: 5.4%
- North West: 4.34%
- Free State: 4.09%
- Limpopo: 3.19%
- Northern Cape: 2.12%

Yearning Youth – 16,4%

The Yearning Youth are the youngest of all 6 groups; they also have the lowest salaries. Despite carrying a very high risk, there are those few Yearning Youth that manage to get access to formal credit, mostly in the form of unsecured loans. Understandably, they have the lowest spread of account types with the majority using less than 75% of the balances. Limited salaries contribute both to the low maximised use of credit limits but also the high delinquency rates amongst the Yearning Youth.

R4 621,36
Average Gross Monthly Income

R55 456,32
Average Estimated Annual Income

45% Female

55% Male

15% Married

26 Average Age
low - 30 Age Range

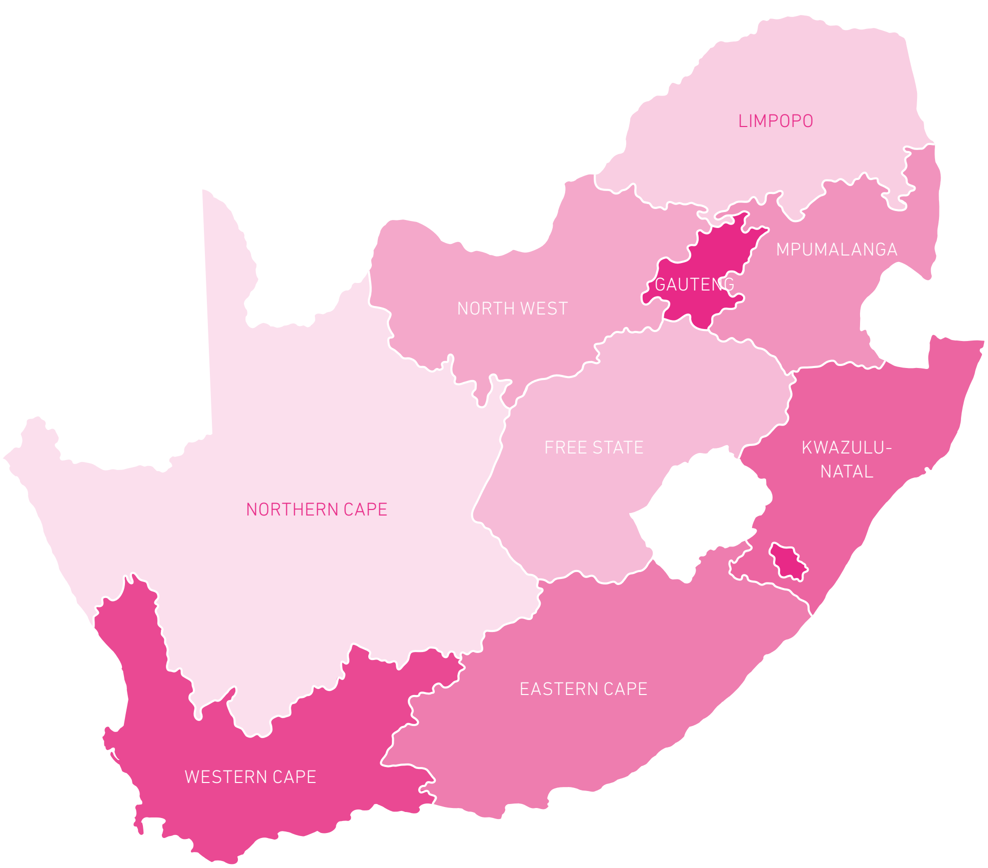
5% Directors
1% Multiple Directorships

1% Own 1 Property
0% Own Multiple Properties

R259 100,76
Opening Home Loan Balance:

R152 401,58
Opening Balance on Vehicle and Asset Finance

Black: 80.27%
Coloured: 5.17%
Indian: 1.66%
White: 12.57%



- Gauteng: 32.74%
- Western Cape: 17.84%
- KwaZulu-Natal: 15.23%
- Eastern Cape: 7.75%
- Mpumalanga: 5.11%
- North West: 3.91%
- Free State: 3.85%
- Limpopo: 2.9%
- Northern Cape: 2.12%

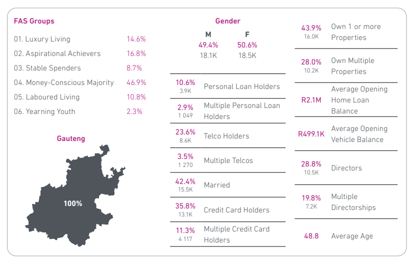
Scoresharp

experian. analytics

The unpredictable nature of the future can be daunting – let us help you understand your situation and how you can overcome your business obstacles through data and analytics.

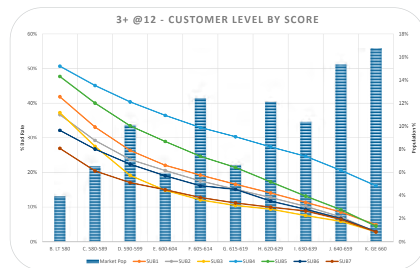
Understanding your Customers

The Financial Affluence Segmentation tool helps companies ideal target populations likely to take up your product or engage with your services.



Locate your Ideal Customer

Experian's FAS Location solution allows you to select your ideal segment based on their FAS profiles and/or area to get insights into the population at a more granular level.



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