CDIx

CONSUMER DEFAULT INDEX - Extended

Understanding the South African credit consumer within the greater context of the South African economy.

September 2022

CONTENTS

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Glossary

CDI	Consumer Default Index
CDIx	Consumer Default Index Extended
CPI	Consumer Price Index
NCR	National Credit Regulator
SARB	South African Reserve Bank
StatsSA	Statistics South Africa

CDIx – Experian Consumer Default Index Expanded

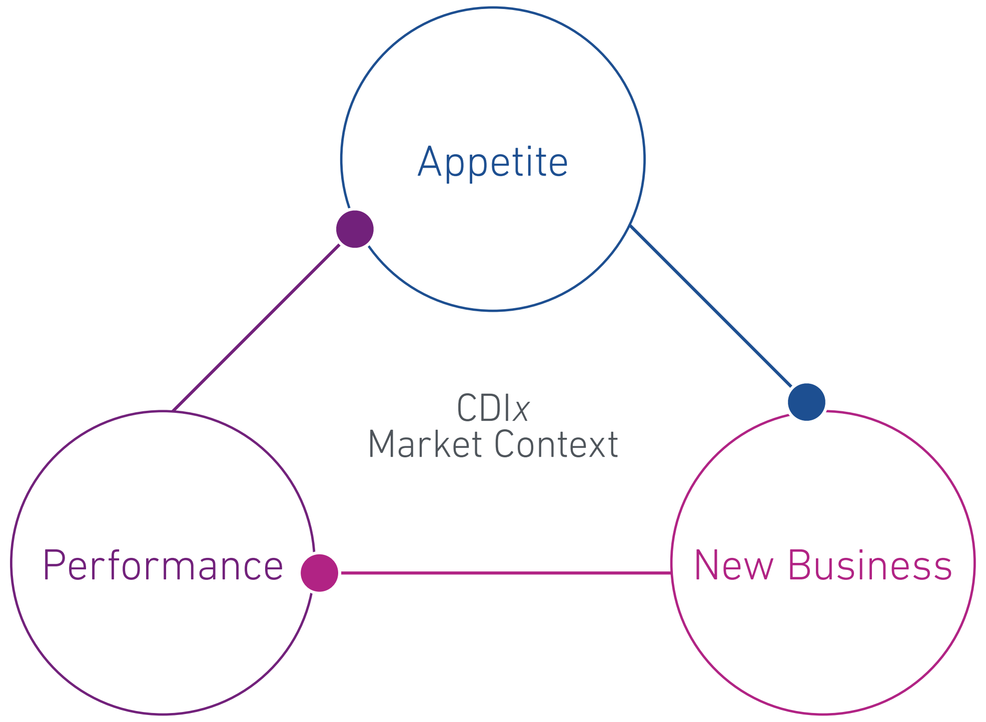
Overview of CDIx – What does it measure?

The Experian Consumer Default Index (CDI), first published in 2017, is designed to measure the rolling default behaviour of South African consumers with Home Loan, Vehicle Loan, Personal Loan, Credit Card and Retail Loan accounts.

This publication provides a quarterly overview of the credit landscape in South Africa, providing views on the latest industry trends as well as commentary on the context within which these trends are observed.

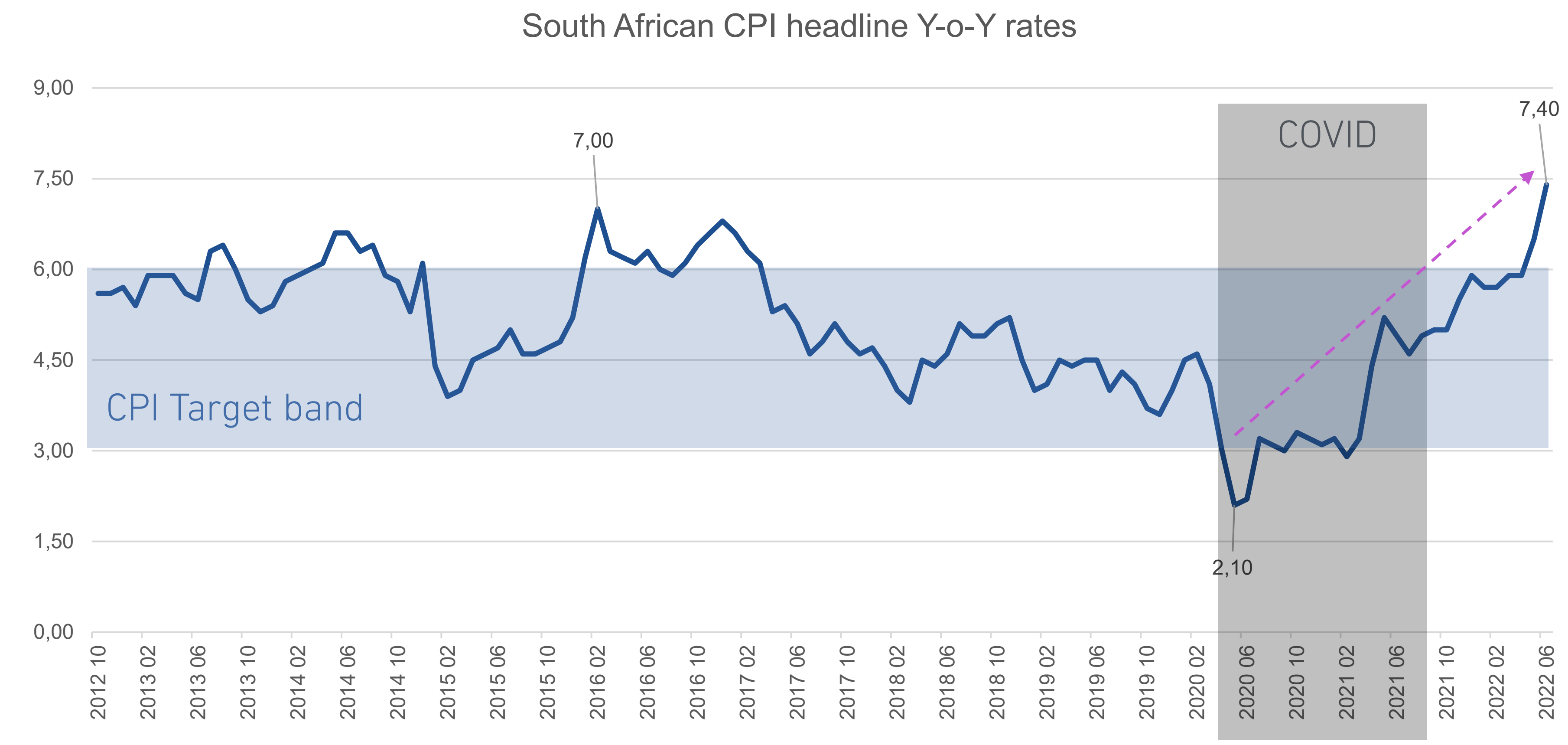
This Experian's new CDIx report expands on the original CDI (Experian Consumer Default Index), which was first published in October 2017, by including views on the latest :

- Macroeconomic trends that have a direct bearing on consumers
- Market appetite for credit
- Qualification and take-up of credit (i.e. new credit)
- Performance of credit consumers (i.e. arrears/defaults and vintages)



Market Context

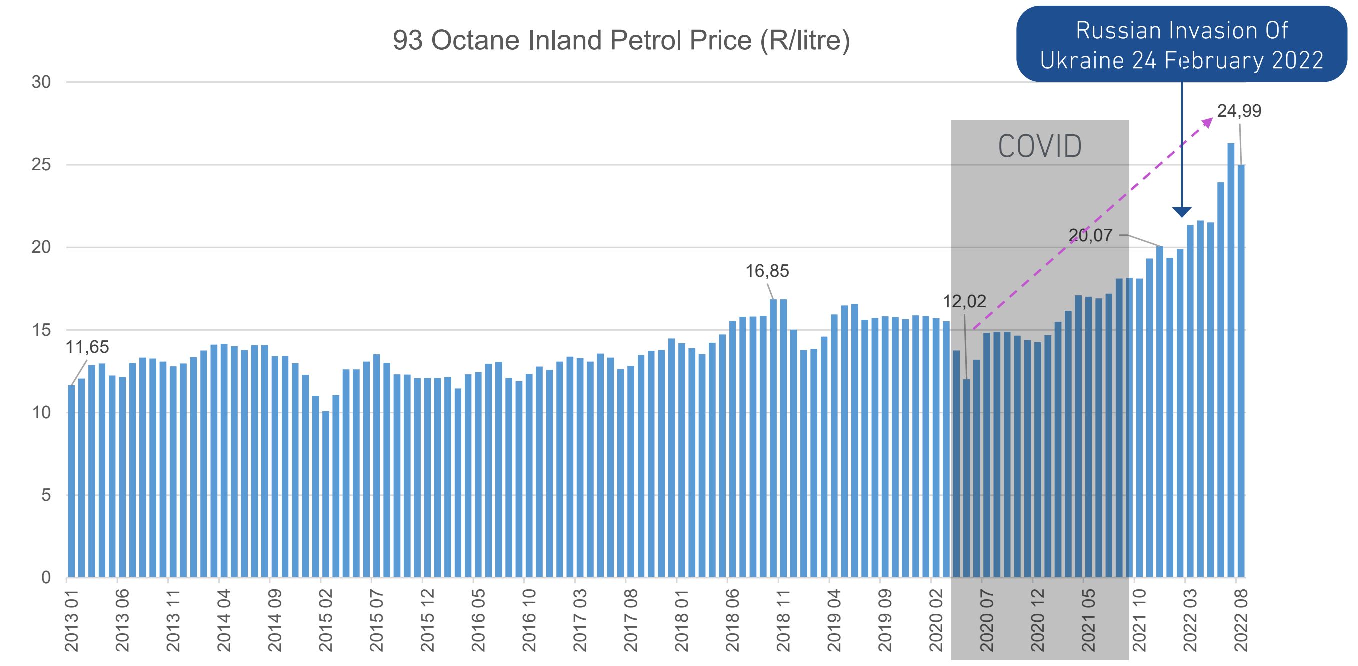
Cost of Living: Consumer Price Inflation



Very steep CPI in the aftermath of COVID lockdown conditions. This trend gives cause for concern as to the general **cost of living** of consumers in South Africa – especially because this is the highest Headline CPI seen over the last ten years. Furthermore, considering that the SA CPI target band is set by the **SARB as 3% - 6%**, the recent CPI levels will probably justify further increases in interest rates by the SARB.

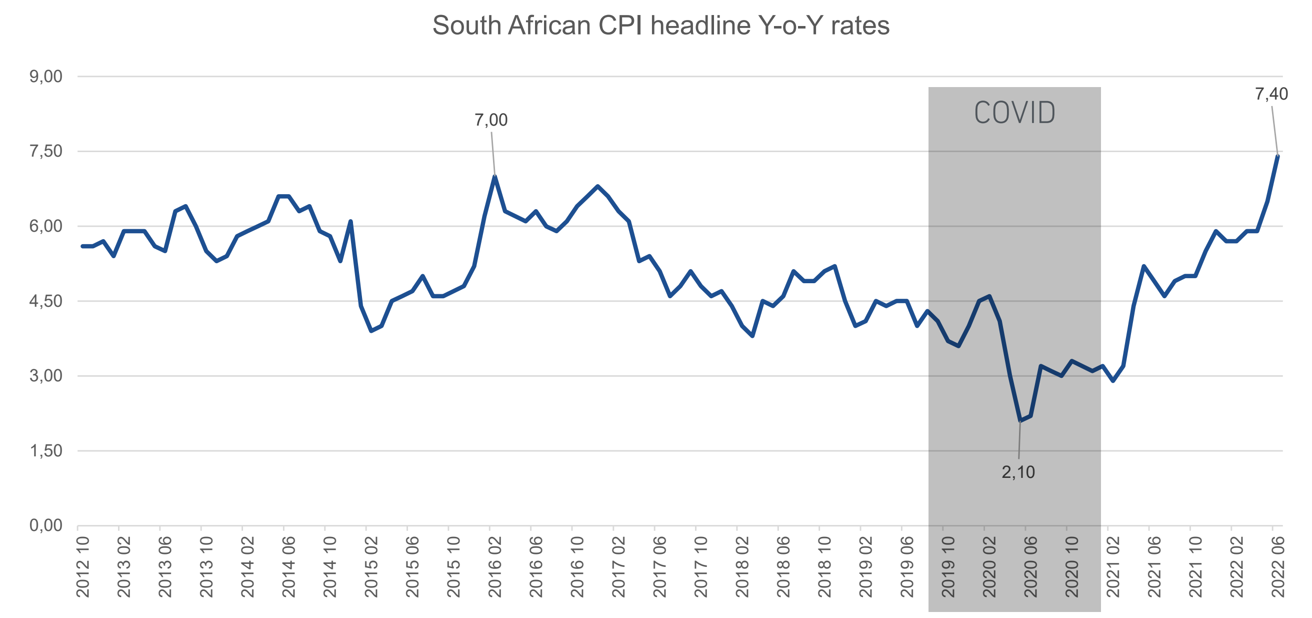
> This publication provides a **quarterly overview** of the credit landscape in South Africa, providing views on the **latest industry trends** as well as **commentary on the context** within which these trends are observed.

Cost of Living: Fuel Price (R/litre 93 Octane inland)



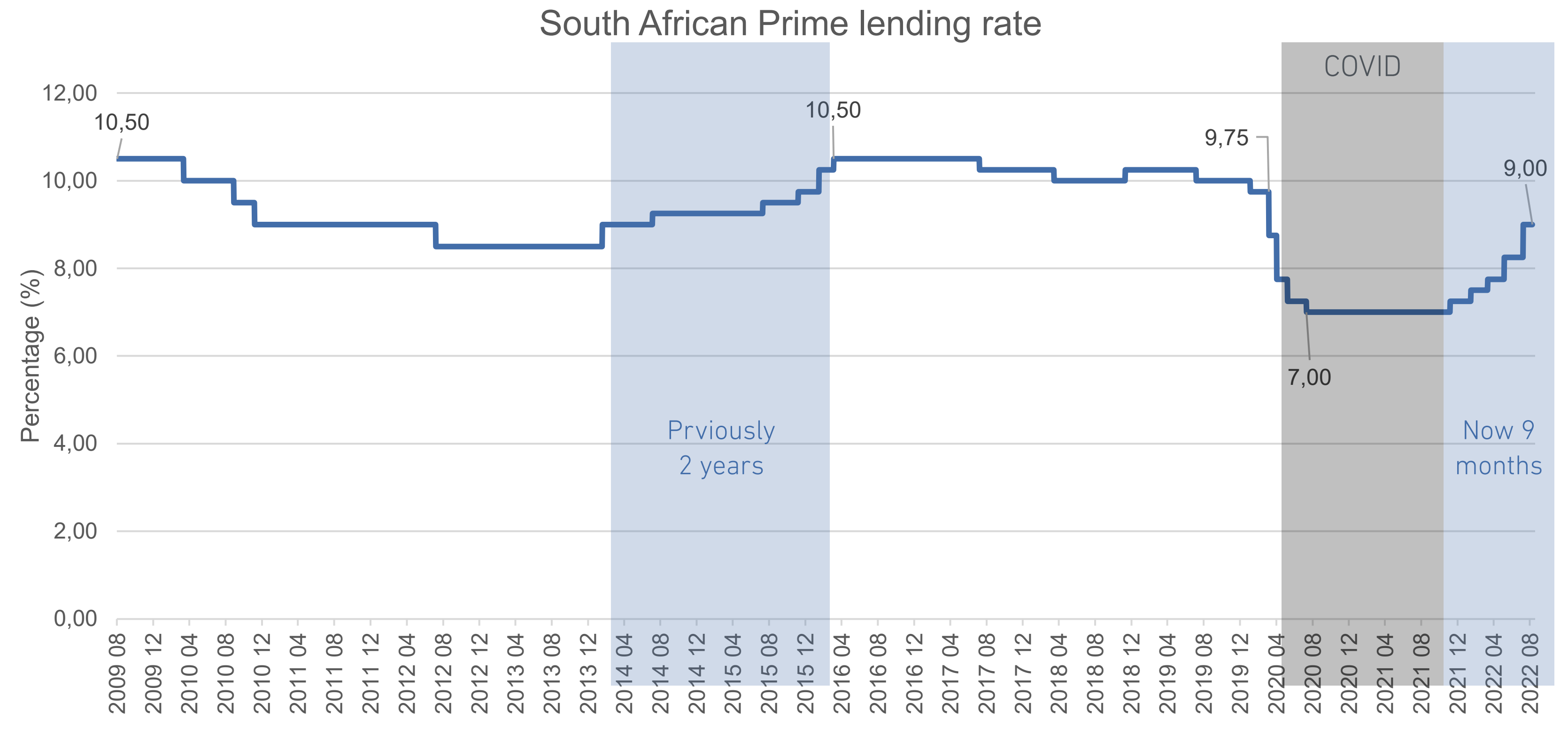
Source: SAPIA

This prolonged increasing trend in fuel prices is to a great extent the result of **increased Global demand**, as the world's economies have been re-opening from COVID lockdowns. The **Ukrainian conflict** has exacerbated the pressures on global oil supplies, in effect contributing to inflationary and cost-of-living pressures on households globally.



CPI increase is linked to the steep fuel price increase SA has seen. Some relief was seen recently (August 2022) and various **fuel tax relaxation** measures have been announced by Government to contain the impact on consumers. Still, the increasing trend we have seen since the latter parts of the COVID lockdown period in fuel prices has been putting significant **pressure on the consumer** – not only at the fuel pump but also in terms of general living expenses (as seen in the CPI view).

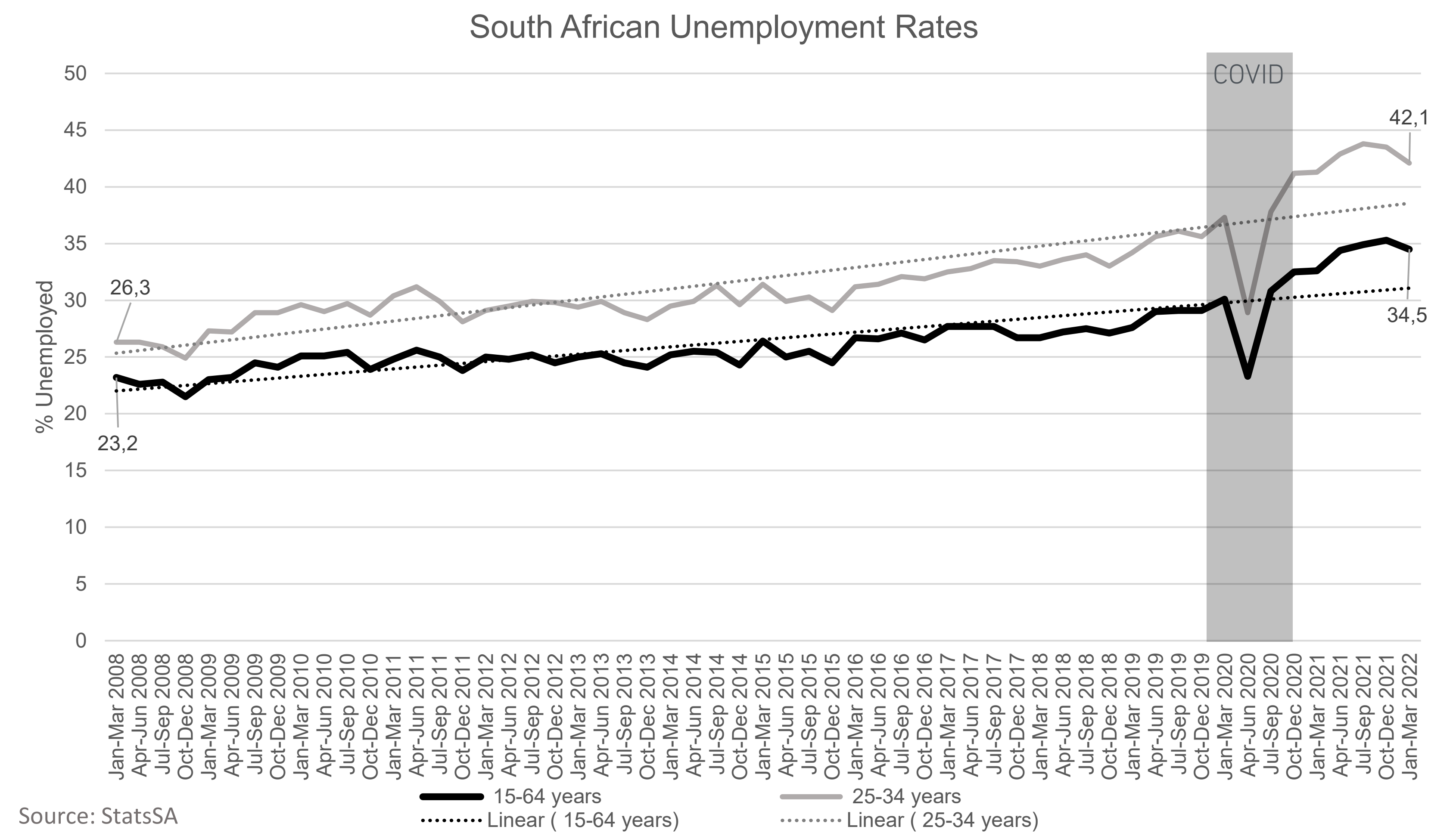
Interest rates



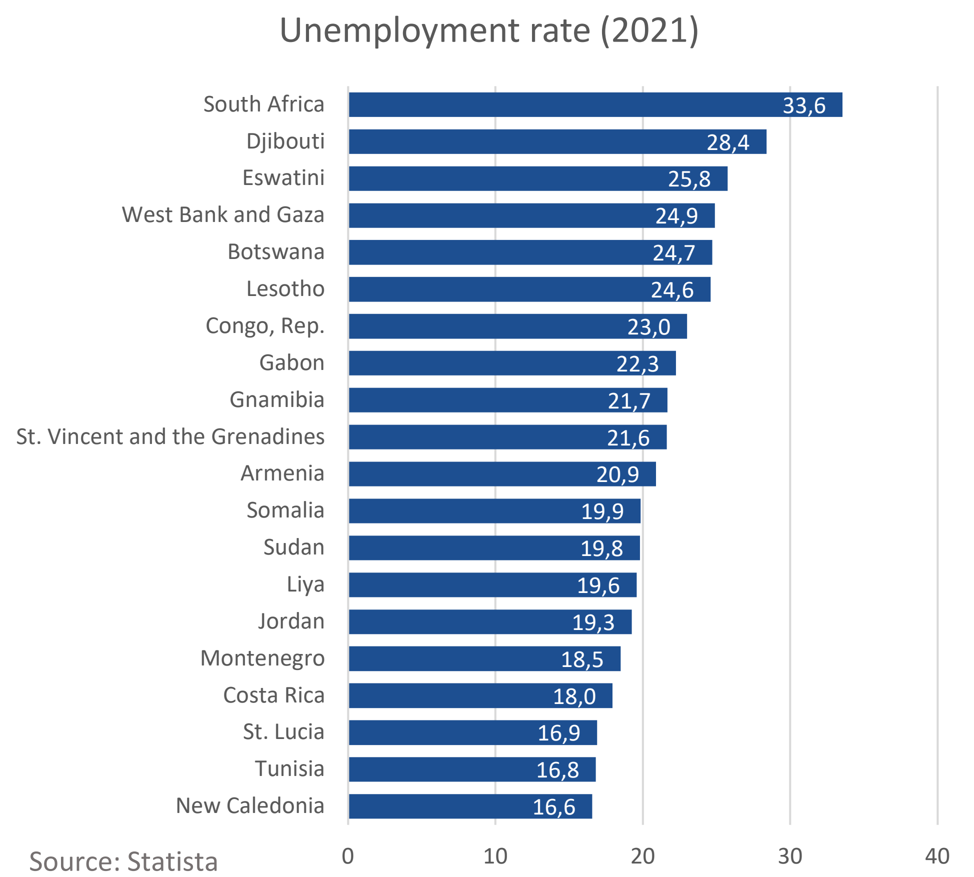
Source: SARB

Low interest rates were announced by the SARB during **COVID in order to provide relief** to consumers and provide **stimulus to the economy** in view of the limitations imposed by the lockdown regulations. Currently, SA (as countries worldwide) is in an interest rate upcycle – a phenomenon last experienced locally in 2014/2015. This time around, however, the period during which the interest rate increase is observed is significantly shorter (9 months vs 2 years) for the same magnitude of the total increase. With the latest upcycle, we are likely to see **further rate increases** before it stabilizes.

Unemployment



Source: StatsSA

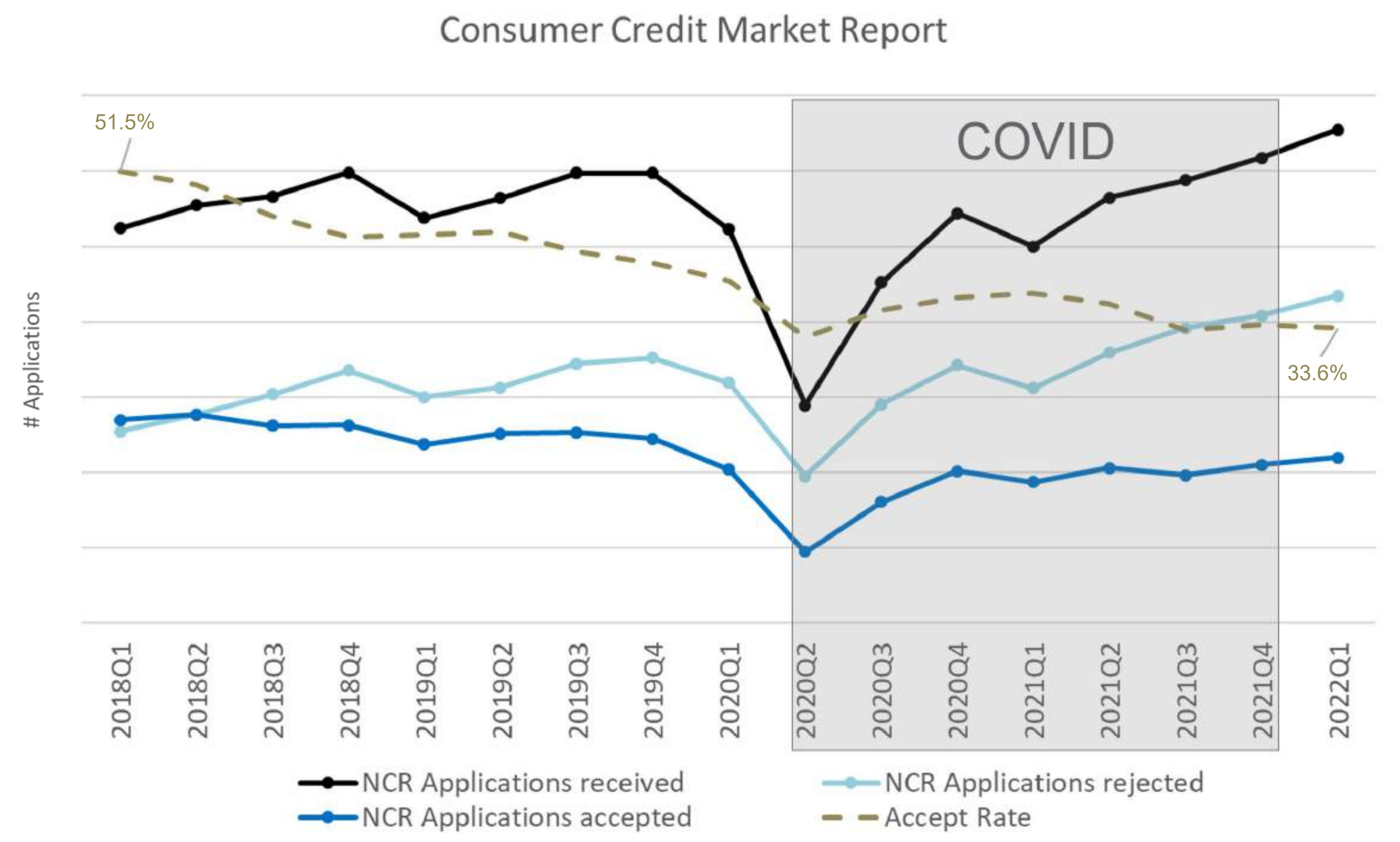


Source: Statista

South Africa has been faced with very high unemployment rates for decades. This has been exacerbated by the COVID lockdown regulations so that at an overall level, SA unemployment currently stands at 34.5% (even more worrying is the more rapidly increasing **youth unemployment** rate). Globally, SA is the country with the **highest unemployment** rate. For the credit industry, this observation is very concerning – not only from a credit **qualification** perspective but also from a **continued affordability** perspective, when looking at existing credit consumers.

Market Appetite

An increasing trend in appetite



SA Market appetite since COVID has not only recovered to pre-COVID conditions but has actually been exceeding it since 2021 Q4. This aligns with what we have seen from a macroeconomic perspective, where consumers are under increasing pressure just to make ends meet.

Lowering acceptance rates have been at the order of the day even prior to the onset of COVID, but we have seen this lowering trend continue after the pandemic. Note that the volume of accepted applications had not yet recovered by 2022 Q1 to levels seen in 2019.

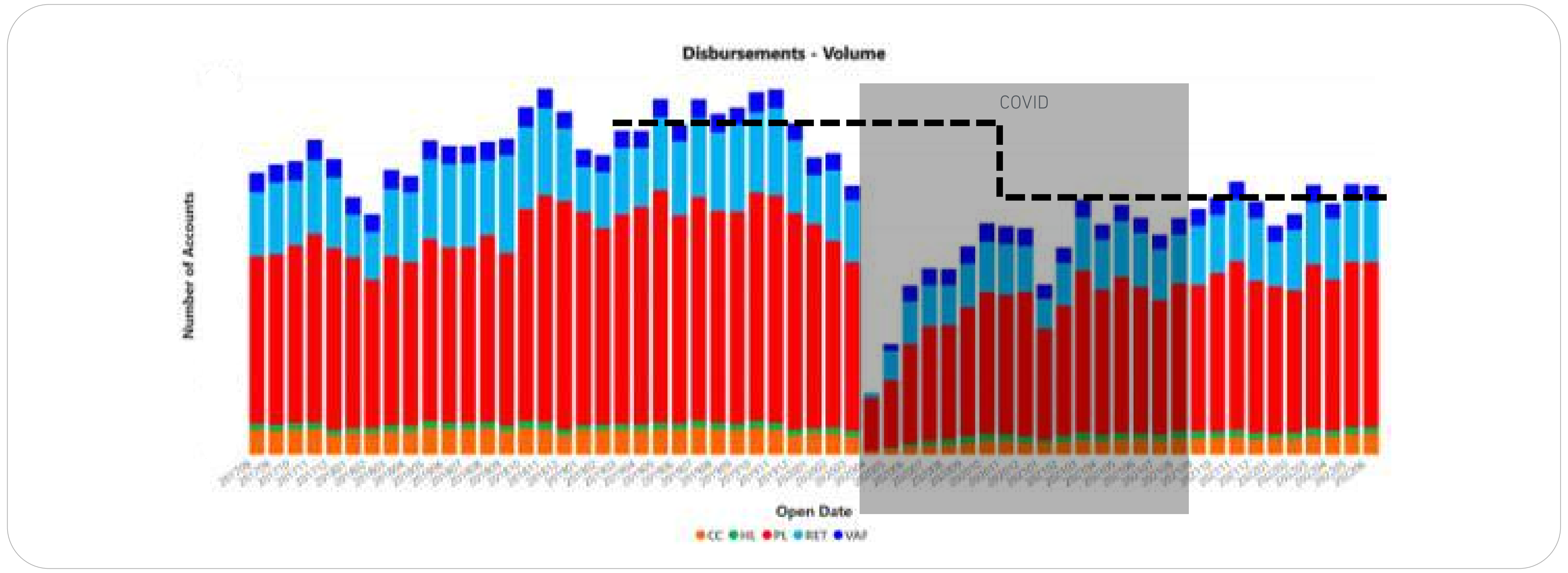
> “**South Africa** has been faced with **very high unemployment rates** for decades.”

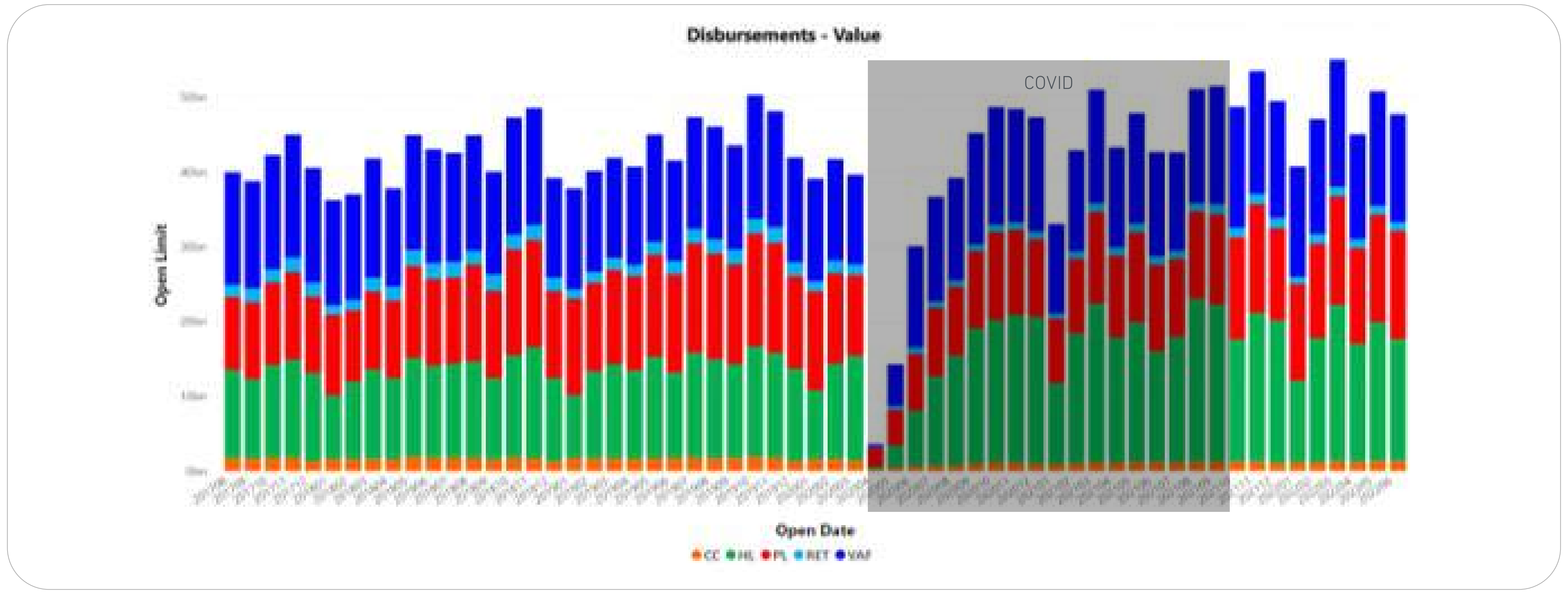
Market Growth

New Business

Overall, New Business **volumes** have continued along the recovery path to the levels observed prior to the COVID-19 lockdown. Although volumes are similar to what was observed in March 2022, recovery to levels last seen in 2019 Q4 has not been seen since. This stems from the fact that unsecured lending has not yet fully recovered.

New Business values have returned to and in fact, exceed pre-COVID levels. This is for the most part due to inflationary pressures and not due to increased volumes (as seen from the disbursement volume chart below).



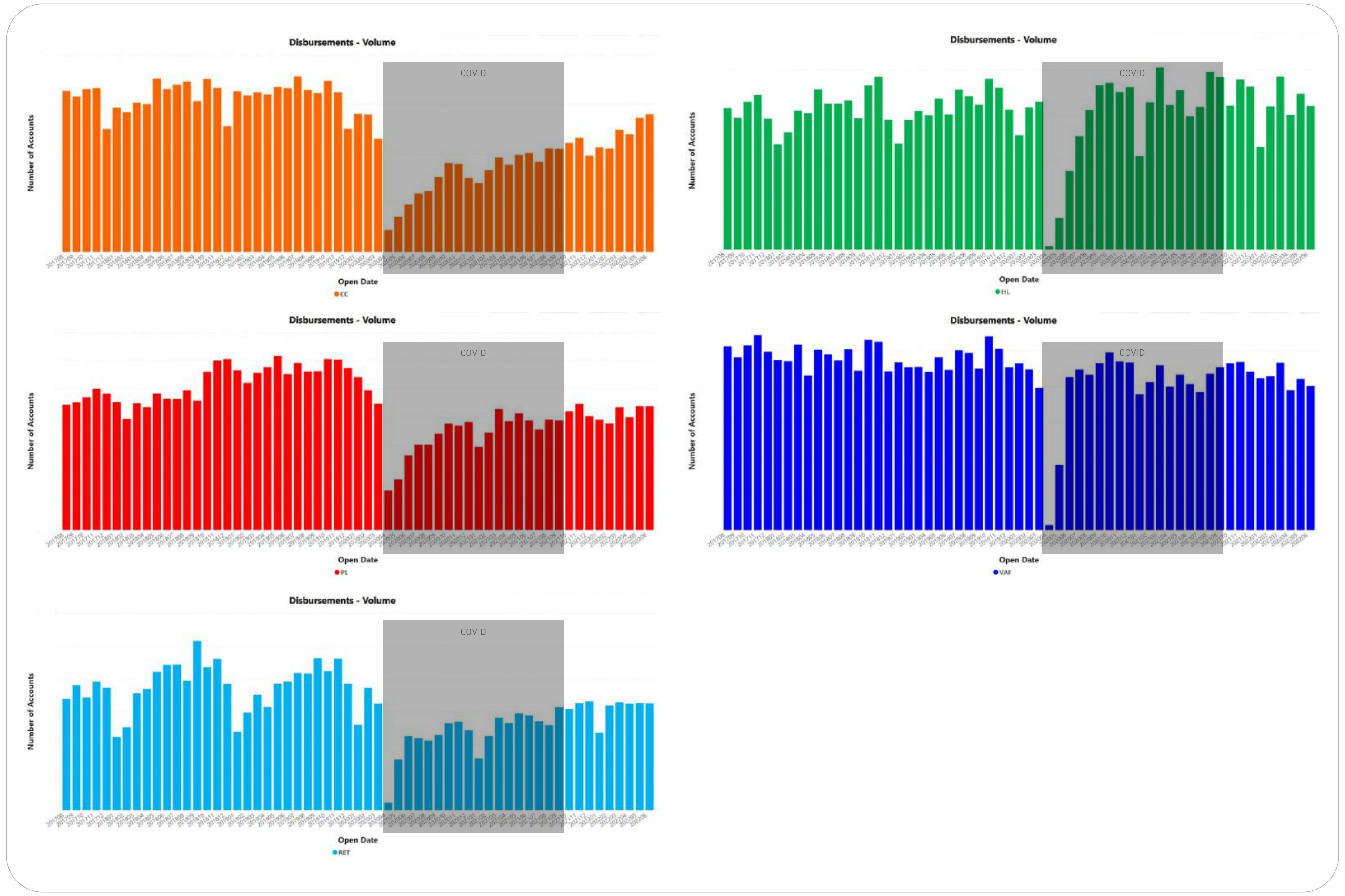


New business by product

From an **unsecured loans** perspective, Personal and Retail Loans have not yet recovered to new business volumes observed in 2019. Credit Cards are the unsecured lending product that has shown the most rapid and continued recovery to prior volumes of new business.

The fact that many lenders have opted for a more **conservative approach** to the approval of credit lending, coupled with the increasing trend of **unemployment**, have been some of the key drivers of this trend. It is encouraging, though, that the trend since the initial hard lockdown in April and May of 2020, has **continued to increase** in terms of the volume of new credit extended.

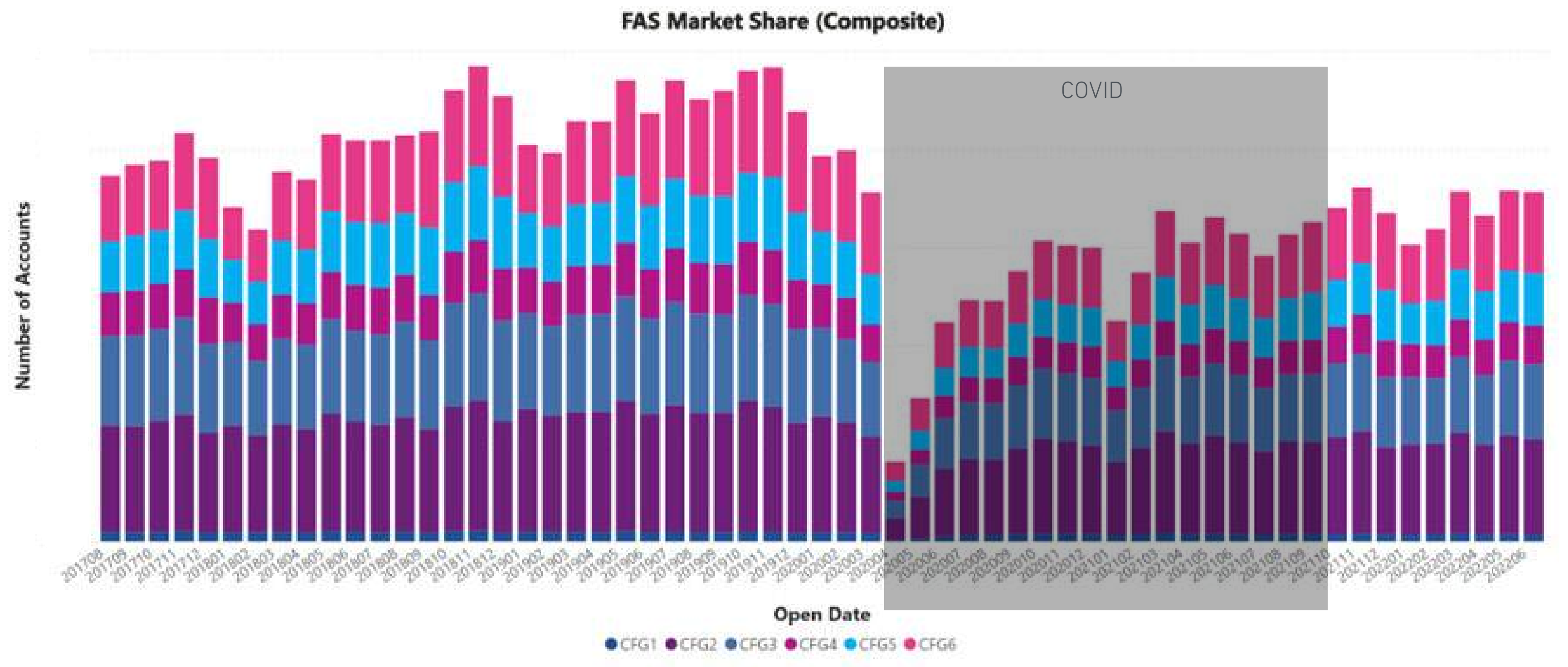
In the case of **secured lending**, new business volumes have for the most part returned to the levels observed prior to the onset of COVID.

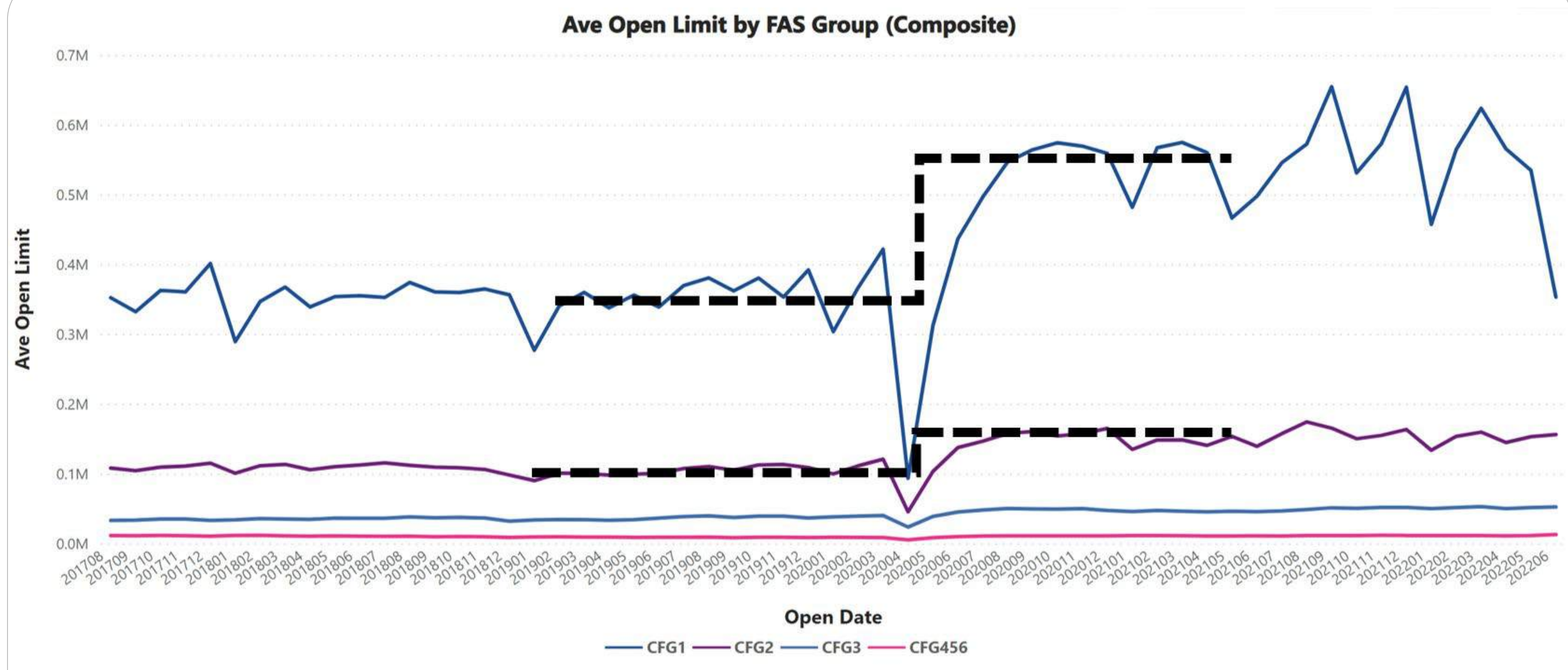


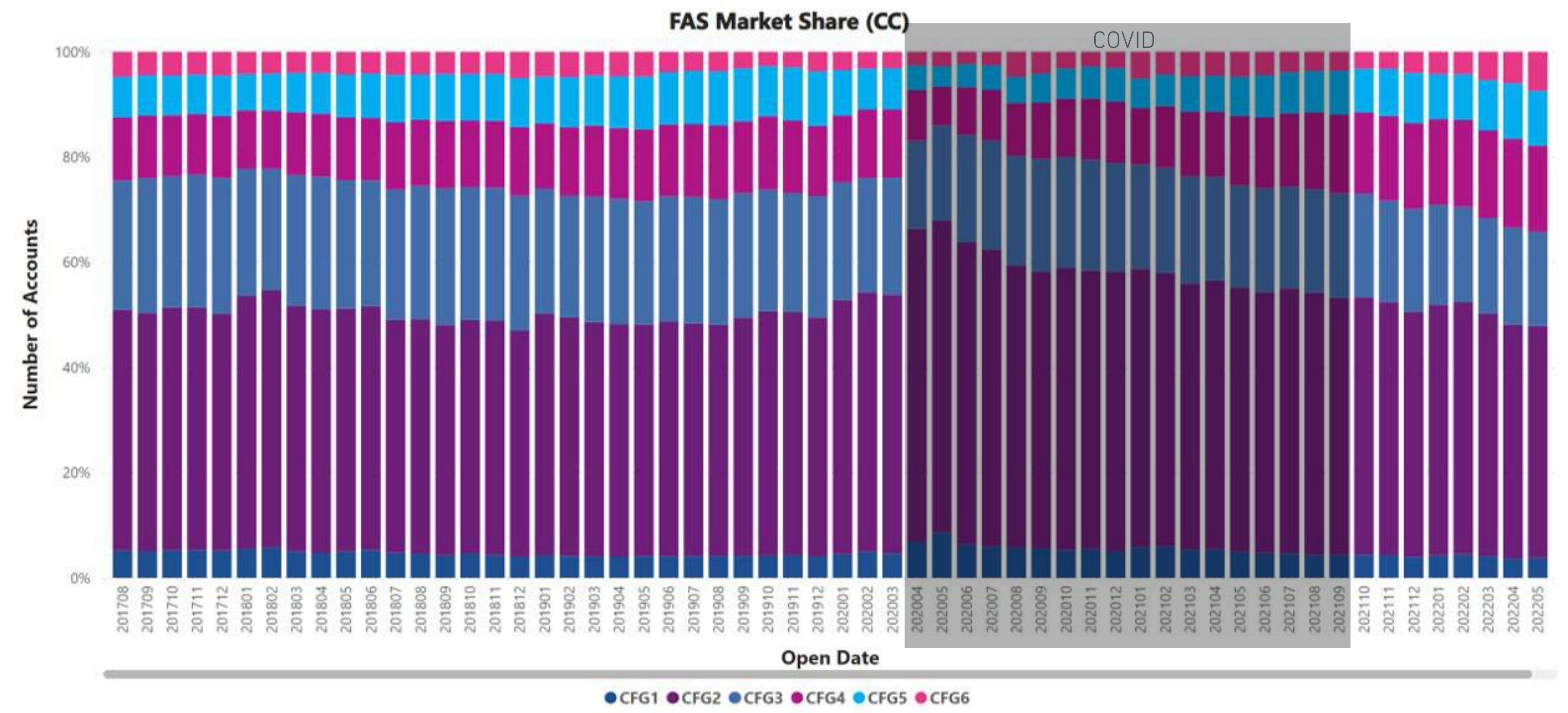
New business by FAS Group

Looking at the distribution of New Business across consumer segments, we see that at a composite level, there are some fluctuations in relative representation over time, but as a general observation, these fluctuations have not been as exaggerated overall. Instead, it is when one FAS distribution at a product level, that shifts in representativity becomes more prevalent.

From an average open limit perspective, the inflation-related increase in loan value has particularly impacted the more affluent consumers (FAS Groups 1 and 2), where we saw a continued increase in average loan value. For lower affluence groups, we have seen a stable average loan value.





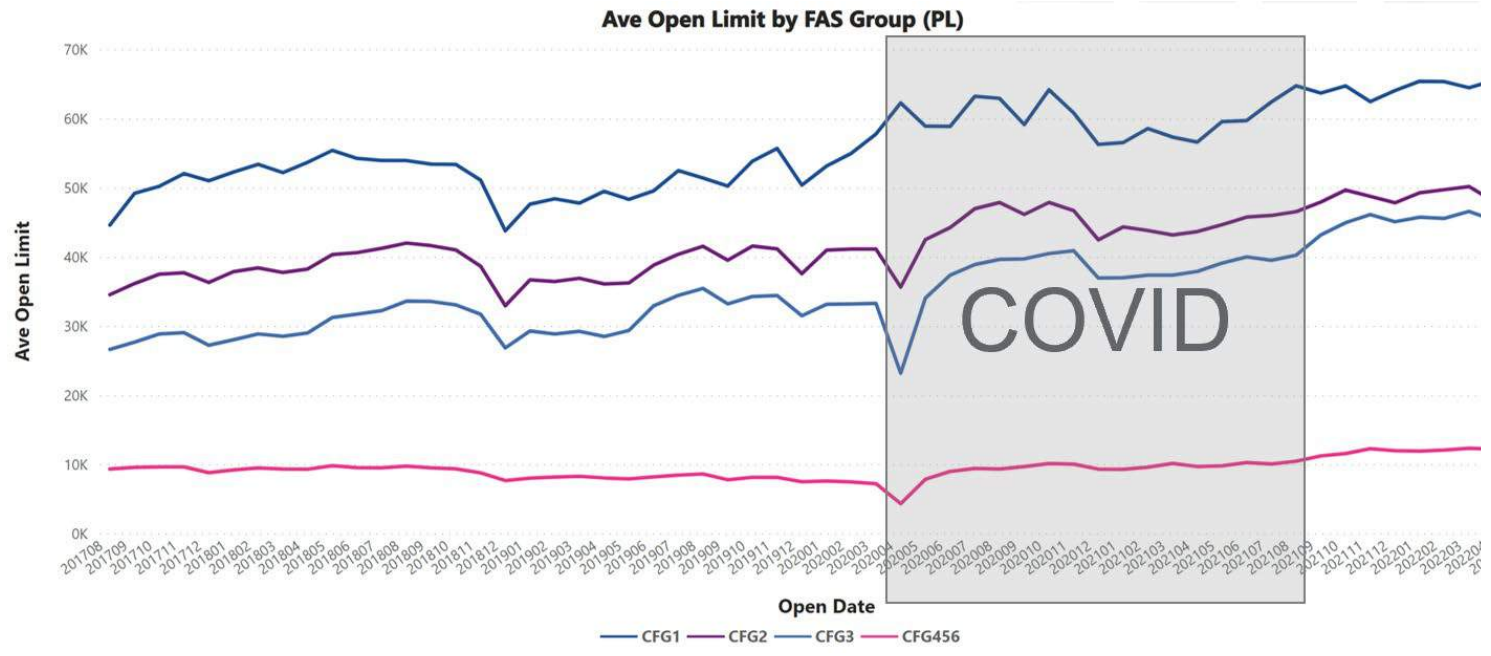


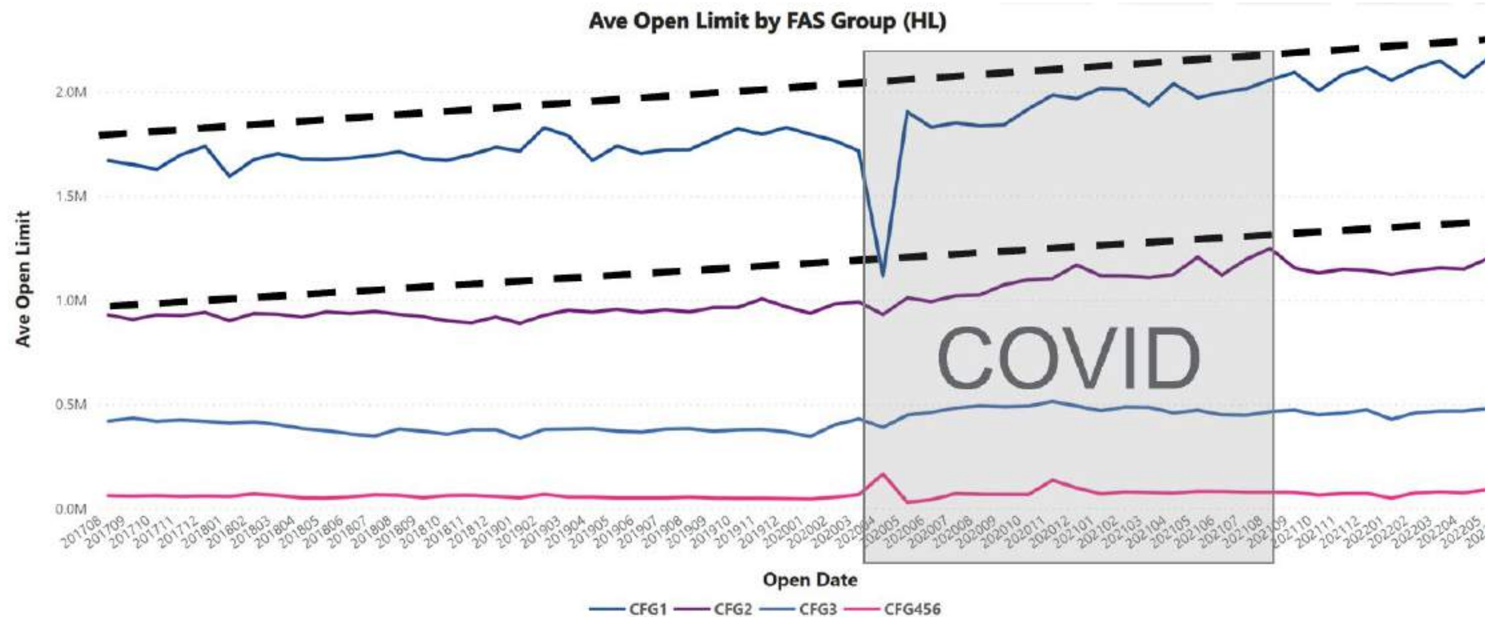
> From an average open limit perspective, the inflation-related increase in loan value has **particularly impacted the more affluent consumers**.

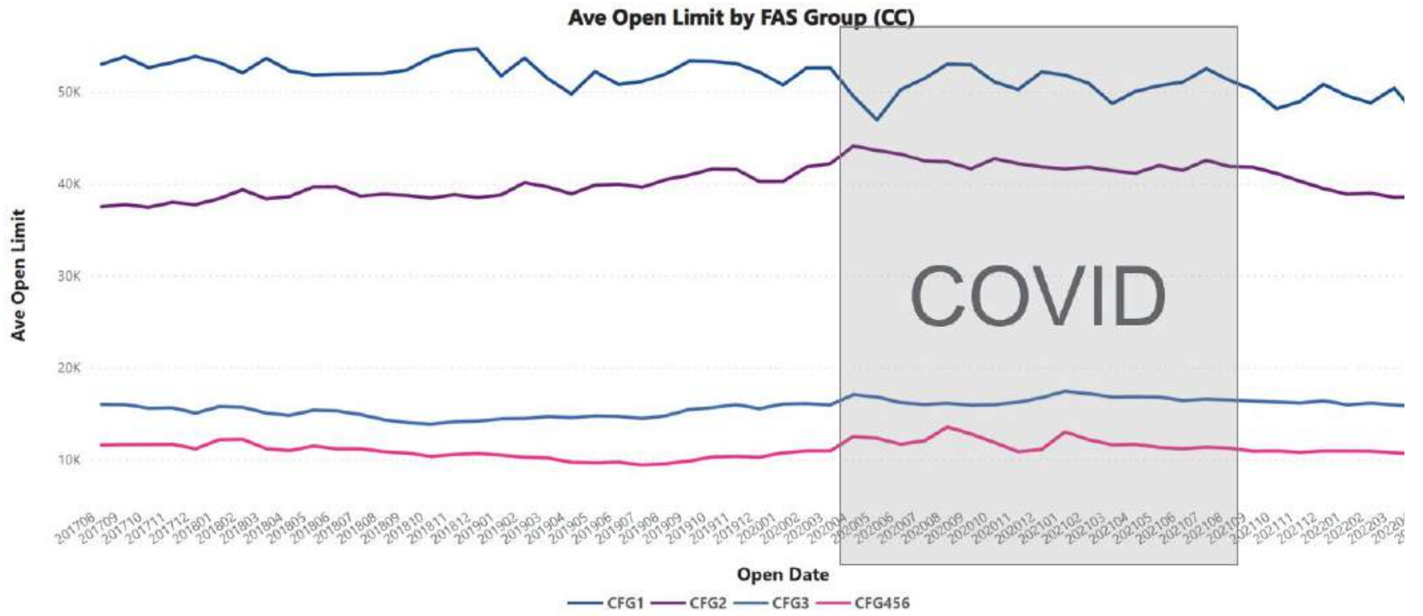
New business by Product by FAS Group

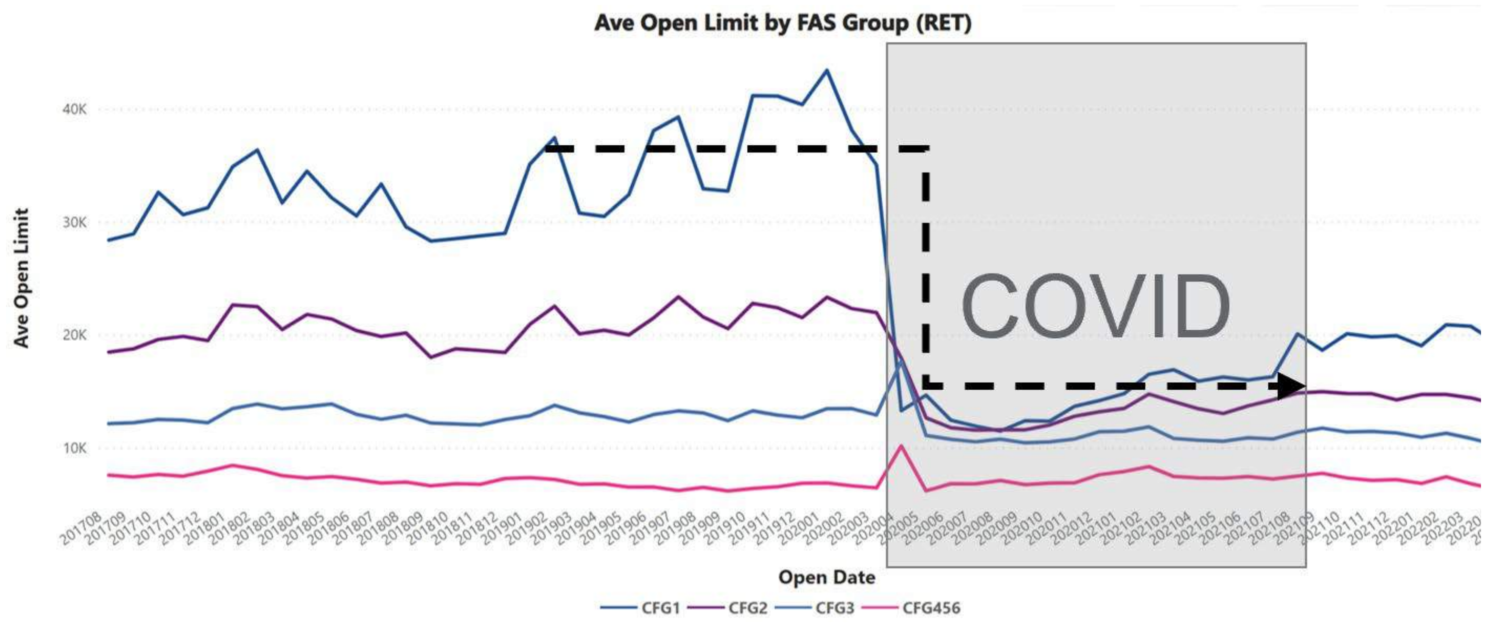
Considering **unsecured loans**, we have mostly seen a stable trend in limits across FAS Groups for **Card**. In the instance of **Personal Loans**, however, a steep increase set in over the last 2 years – even more significant than what was observed pre-COVID.

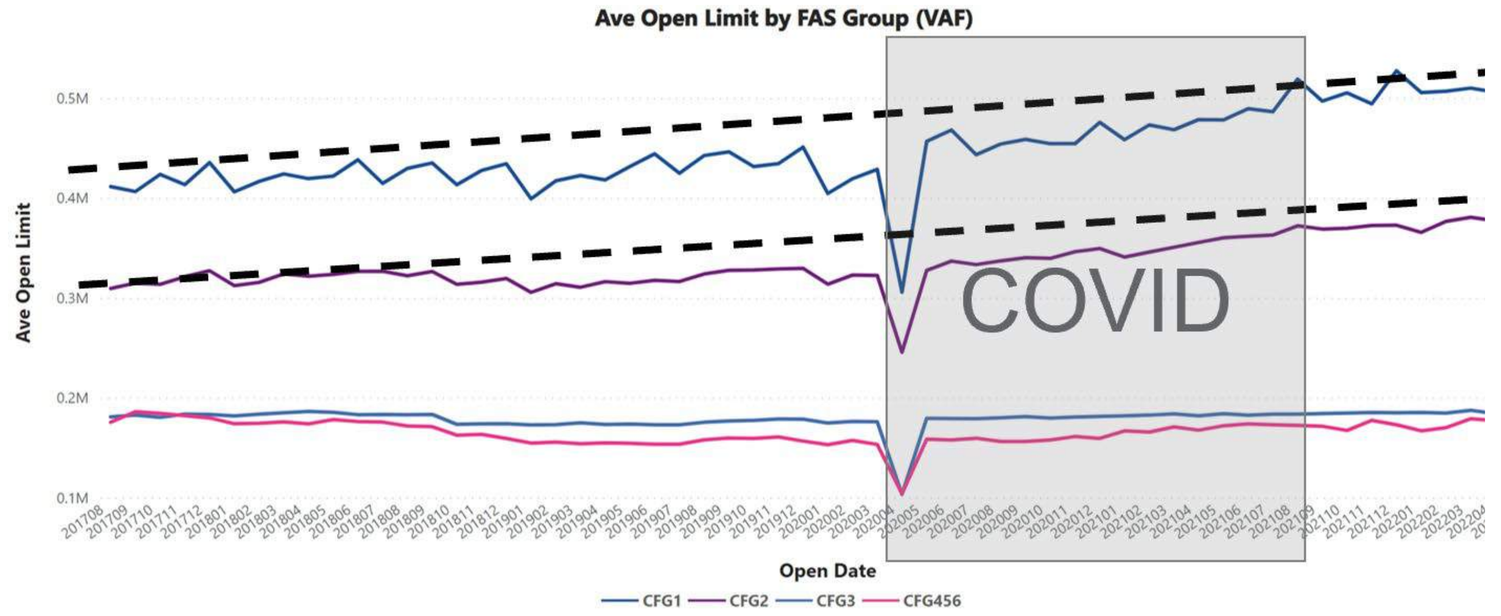
For **Retail Loans**, a drastic step-change was observed in average open balance for higher affluence consumers. This was probably due to a combination of these consumers (who are typically more credit-savvy) opting to not take on much of this credit in their portfolio as well as retail lenders cutting back significantly on their credit business. Interestingly, though, the average open limit of lower affluence consumers in groups 4, 5 & 6 remained relatively stable.











For **secured loans**, an increasing trend in opening balance was observed for higher affluence groups (similar to the trend observed in Personal Loans), whilst average loan values for FAS Groups 3 – 6 did not show a similarly increasing pattern.

Consumer Default Index (CDI) – Tracking first-time default rate 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.

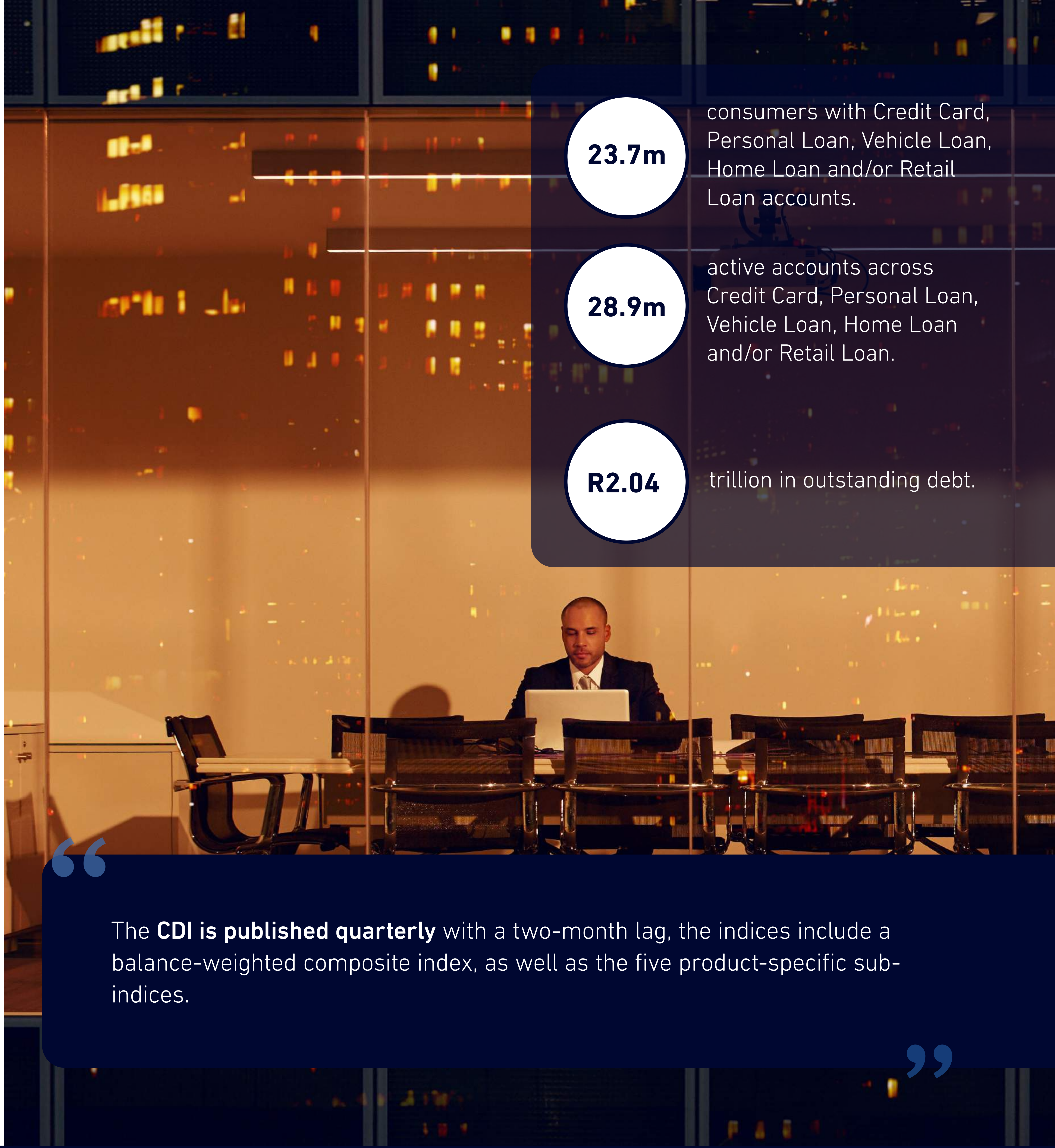
On a monthly basis, lenders typically classify their consumer accounts into one of several predetermined payment categories to reflect the level of arrears. When a lender deems the statement balance of a consumer account to be uncollectible due to being in arrears for 90 or more days or having statuses 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 that are experiencing different stress due to macro forces such as unemployment, interest rate changes and economic growth.



23.7m consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan accounts.

28.9m active accounts across Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan.

R2.04 trillion in outstanding debt.

“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.”

Composite Consumer Default Index

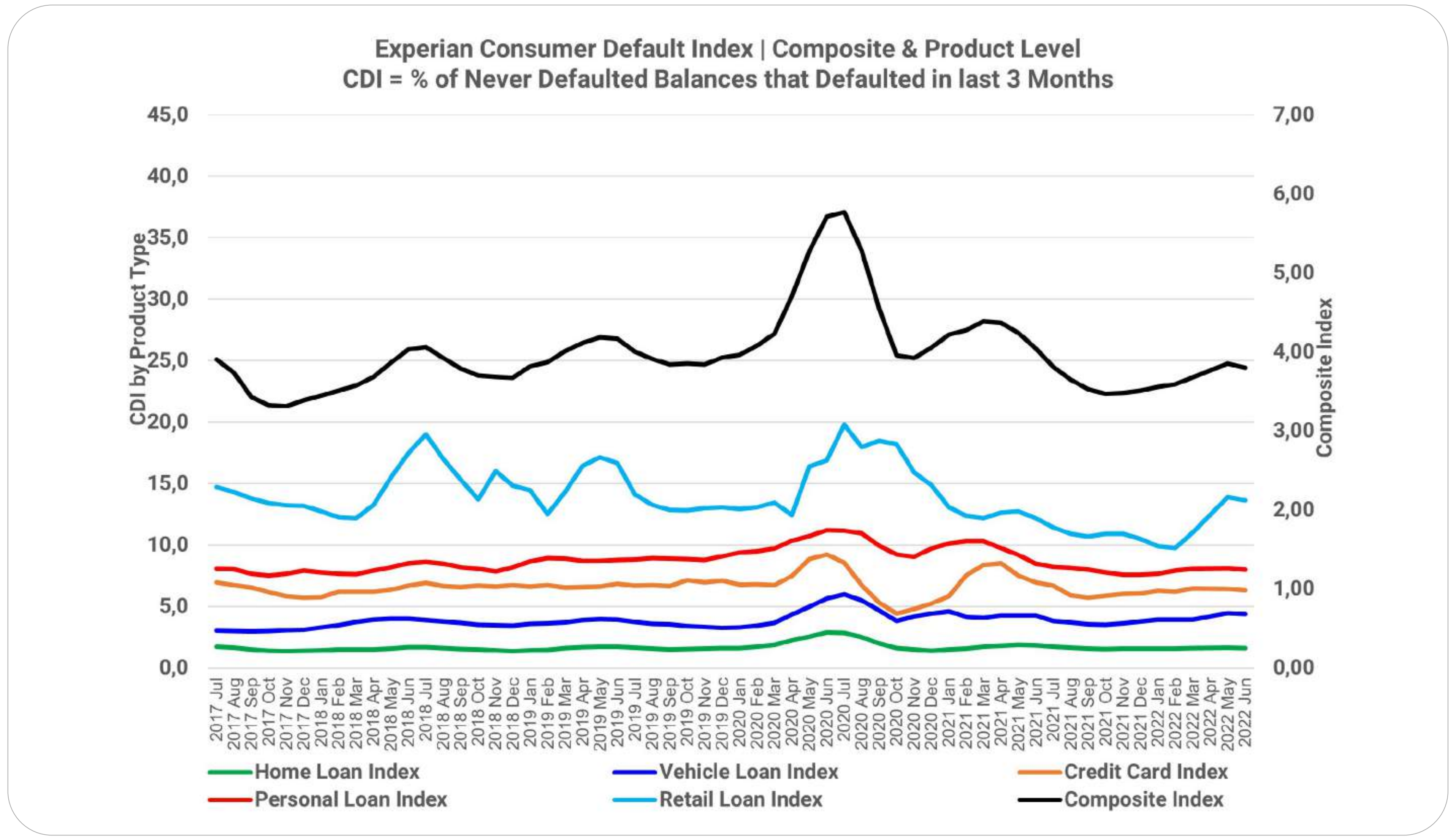
The CDI increased Q-o-Q, moving from 3.68 in 2022 Q1 to 3.80 in 2022 Q2. This observation is aligned to the typical seasonality we see for the CDI, where the index increases from March to May - mainly due to credit lending increasing during the Black Friday and Festive season spending spree in the preceding year. Y-o-Y, however, the improving trend still remains – albeit less pronounced than what it was in 2022 Q1, where we saw a relative improvement of 16%. The latest CDI showed a Y-o-Y improvement from what was observed, moving from 4.05 down to 3.80, constituting a relative improvement of 6%.

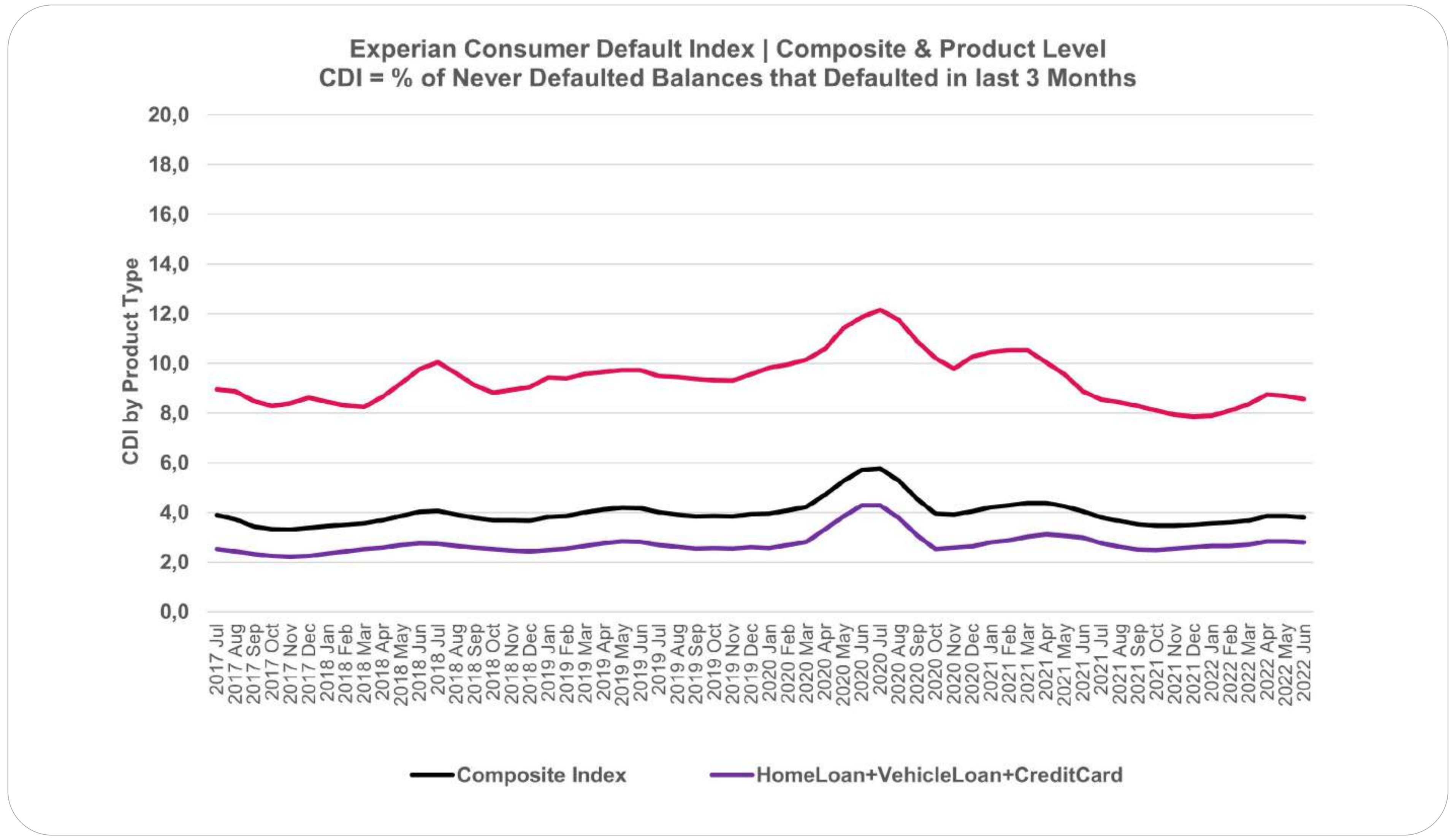
This easing of relative improvement suggests that, from a CDI perspective, the market is rapidly weaning off the effects that COVID has had and is in all probability returning to the trend observed prior to the pandemic.

The Y-o-Y improvement was, however, not observed for all products. Indeed, Vehicle Loans and Retail Loans saw a significant deterioration in CDI in the Y-o-Y context. This suggests that, for these products, consumers have already returned to the trajectory seen prior to the onset of COVID, where we saw a long-term trend of deterioration in the CDI.

The most significant Y-o-Y improvement in CDI was observed for Home Loans, where we saw the CDI moving from 1.82 to 1.62 thus, an 11% improvement Y-o-Y.

	Index	CDI Jun '22	CDI Jun '21	Average Outstanding Apr'22-Jun'22	New Default Balances Apr'22-Jun'22	Relative
■	Composite	3,80	4,05	R2 031 064 187 645	R19 280 368 681	-6%
■	Home Loan	1,62	1,82	R1 063 668 229 363	R4 295 818 154	-11%
■	Vehicle Loan	4,36	4,27	R461 614 634 032	R5 032 826 725	2%
■	Credit Card	6,32	6,95	R156 338 582 043	R2 469 525 014	-9%
■	Personal Loan	8,00	8,49	R314 474 527 054	R6 290 985 339	-6%
■	Retail Loan	13,63	12,17	R34 968 215 153	R1 191 213 449	12%
■	Home Loan + Veicle Loan + Credit Card	2,81	2,98	R1 681 621 445 438	R11 798 169 893	-6%
■	Retail Loan + Personal Loan	8,56	8,88	R349 442 742 207	R7 482 198 788	-4%





Composite Consumer Default Index by Macro-FAS

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.

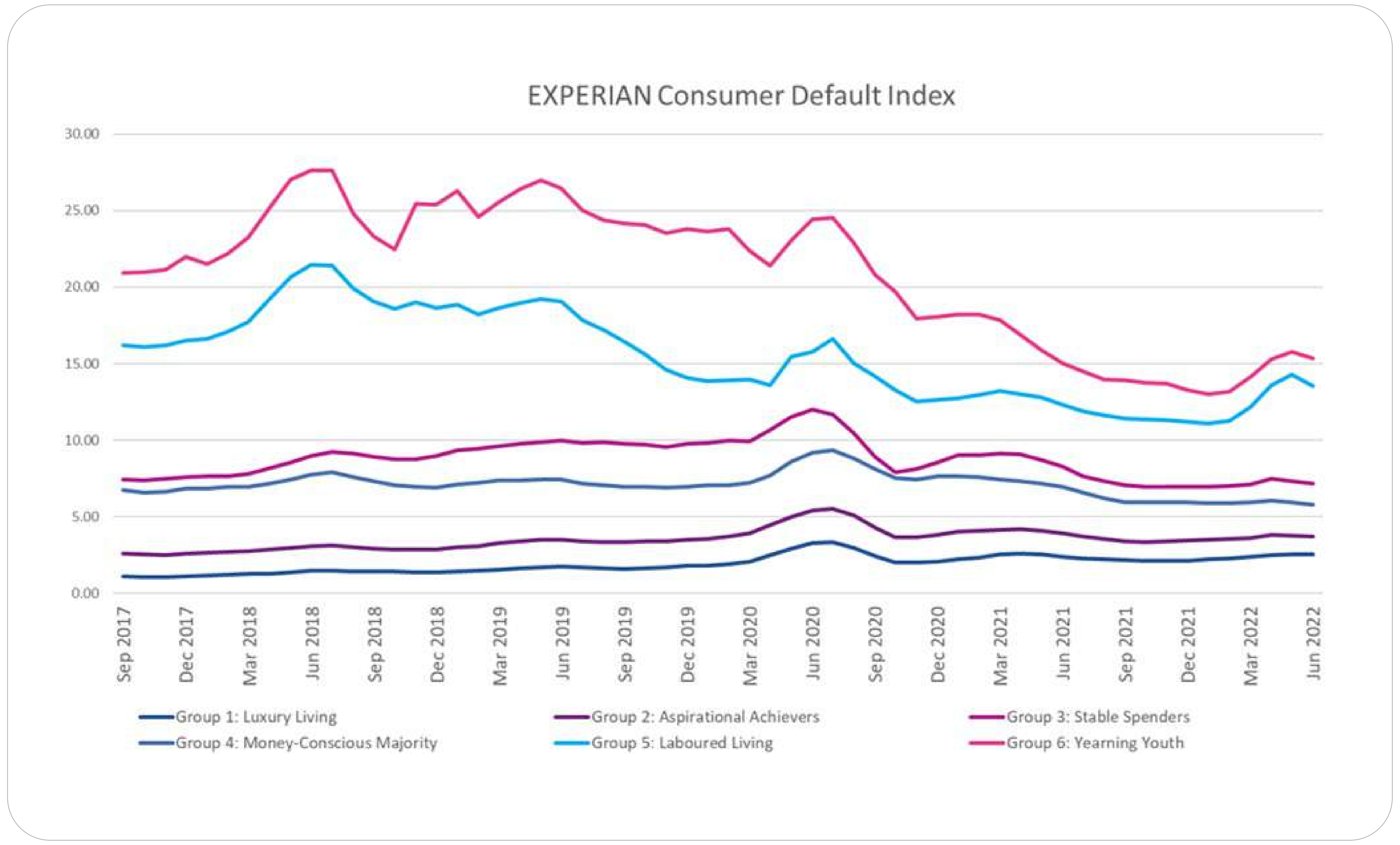
FAS Group 3: Stable Spenders (7.2% of the credit-active population) - Young adults that rely on financial products to assist in making ends meet or to afford specific necessities such as clothing and school fees, or seasonal luxuries.

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 CDI	CDI Jun' 21	CDI Jun' 22	Average Oustanding Apr' 22 - Jun' 22	New Default Balances Apr' 22 - Jun' 22	CDI % Change
Group 1: Luxury Living	2,38	2,52	R 843,7 Billion	R 5,32 Billion	6%
Group 2: Aspirational Achievers	3,93	3,69	R 826,77 Billion	R 7,63 Billion	-6%
Group 3: Stable Spenders	8,30	7,16	R 134,78 Billion	R 2,41 Billion	-14%
Group 4: Money-Concious Majority	6,95	5,76	R 179,48 Billion	R 2,59 Billion	-17%
Group 5: Laboured Living	12,29	13,54	R 25,62 Billion	R ,87 Billion	10%
Group 6: Yearning Youth	15,02	15,35	R 9,66 Billion	R ,37 Billion	2%



Composite CDI at the macro-FAS level

2022 Q2 continued to show that the most affluent consumers continue to be under more financial strain (relatively speaking) than their less affluent counterparts. Indeed, FAS **Group 1 (Luxury Living)** showed a Y-o-Y deterioration in CDI, whilst Y-o-Y improvements were observed for Groups 2, 3, and 4.

Interestingly, FAS **Groups 5 (Laboured Living) and 6 (Yearning Youth)** showed significant deterioration in CDI, after the improving trend that followed in the 2 years after the initial COVID hard lockdown conditions. This is for the most part related to the meaningful increase in new business volumes that was seen for Retail over the 2021 Festive season (this sector shows the biggest representation of these least affluent consumer groups, who typically are significantly less likely to qualify for secured credit products).

Composite Consumer Default Index by FAS Type

FAS		CDI		
FAS Type Name	**Description**	**Jun'22**	**Jun'21**	**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.	2,53	2,12	0,40
02. Affluent Couples	Well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets.	2,40	2,40	0,00
03. Professional Players	Career-driven and well-educated individuals with exceptional entrepreneurial abilities that know how to work hard to support their lifestyles.	2,66	2,56	0,11
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.	1,70	2,10	-0,40
05. Liquid Living	Upper-middle-class, mature individuals with strong family tendencies that rely on financing to afford the extra necessities in life.	2,69	3,16	-0,47
06. Successful Singles	Young and unmarried but successful individuals that are driven by prestige and seek to further their personal and professional accomplishments.	3,48	3,27	0,21
07. Lifestyle Lending	Established individuals that are eager to spend but are still somewhat reliant on credit to support their lifestyles.	4,07	3,87	0,20
08. Comfortable Retirees	Stable, mature individuals either approaching or in retirement that are set up for comfortable retirement.	3,89	4,58	-0,69
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.	5,98	4,26	1,72
10. Comfortable Couples	Couples leading enjoyable lives and whose basic needs are met; however, they are not prepared for the odd financial hiccough.	6,08	6,51	-0,43
11. Steady Entrepreneurs	Middle-aged small business entrepreneurs that can support themselves but would struggle to afford more expensive assets.	9,62	10,83	-1,20
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.	5,16	6,10	-0,94
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.	4,73	6,38	-1,64
14. Payday Pursuers	Living from month to month, these middle-aged individuals rely on finance to bridge the gap between paydays.	6,27	7,78	-1,50
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.	8,44	9,18	-0,74
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.	11,94	13,47	-1,53
17. Secure Seniors	Senior citizens who are mostly in their retirement with enough income to provide for the basics and financial security.	3,11	4,37	-1,26
18. Coping Couples	Mature couples in the late stages of their careers as employees with enough income to cover basic needs until they retire.	2,74	4,16	-1,42
19. Restricted Retirees	Senior citizens who struggle to afford the basics, and therefore need to continue working despite being in retirement.	5,20	7,35	-2,15
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.	11,22	11,03	0,19
21. Misfortunate Mature	Approaching retirement age, these wage-based employees would need to continue working well into retirement to supplement their state pensions.	7,91	8,72	-0,81
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.	6,23	7,56	-1,33
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.	6,47	7,71	-1,24
24. Depleted Resources	Employees, probably in the unskilled worker sector, with low resources which restrict access to financial services to afford monthly necessities.	8,28	9,26	-0,99
25. Strained Adults	Low finances leave these middle-aged individuals strained to afford little more than the basics.	8,76	11,59	-2,83
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.	12,83	10,99	1,83
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.	9,22	9,70	-0,48
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.	14,99	14,41	0,57
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.	14,67	14,05	0,62
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.	16,77	17,22	-0,46

In 2022 Q2 FAS Types 09 and 26 (Secure Singles and Online Survivors) showed the most significant deterioration in CDI. This aligns with the observation in 2022 Q1, where these consumer types were in fact the only FAS types showing a deterioration in CDI. Significant Y-o-Y improvements were seen for FAS types 25 and 19 (Strained Adults and Restricted Retirees).

Overall, though, the table to the left re-iterates the observation that most affluent consumers consistently saw a deterioration in CDI.

Although new business volumes have been unusually skewed towards the less risky end of the credit risk market, we have seen an increased representation of FAS Groups 5 and 6 for unsecured credit over the last few months, leading to higher CDIs for these consumers. Furthermore, the recent interest rate hikes in increased fuel prices have also had a particularly detrimental impact on these consumers' ability to honour their debt commitments.

Online Survivors (26): This consumer type has an average age of 34 years, comprising mostly unskilled or shift workers that are likely cohabiting with significant others or family and are unable to afford more than their basic needs. They continue to have the largest retail loan credit exposure, but they saw a significant deterioration in CDI from 10.99 in 2021 Q1 to 12.79% in 2022 Q1.

Online Survivors deteriorated from 10.99 in 2021 Q2 to 12.83 in 2022 Q2. This was the greatest Y-o-Y deterioration in CDI of all the FAS Types.

These consumers form part of FAS Group 5 and reflect the less affluent end of the market. Although this consumer type is the single most represented type in the Retail Loan space (~12% of total exposure), they have been under increased pressure to honour their debt commitments – particularly following recent interest rate increases.

Strained Adults (25): These consumers have an average age of 48 and earn an average annual income of just under R140 000. They are likely to be office employees or shop stewards and only 12% of Strained Adults have a home loan. With almost half of these consumers being married, spousal contributions to the household would improve their financial capabilities. 99% of these consumers make use of unsecured loans - mostly retail credit, but also unsecured banking credit products – in order to afford basic living expenses.

Strained Adults showed a significant Y-o-Y improvement in CDI from 11.59 in 2021 Q2 to 8.76 in 2022 Q2.

These consumers are deemed to be at high credit risk. However, due to their age maturity, these consumers might be more conscientious when it comes to managing their finances than their younger counterparts in the less affluent groups.

“In 2022 Q2 **FAS Types 09 and 26** (Secure Singles and Online Survivors) showed the **most significant deterioration** in CDI.”

Composite Consumer Default Index by Province

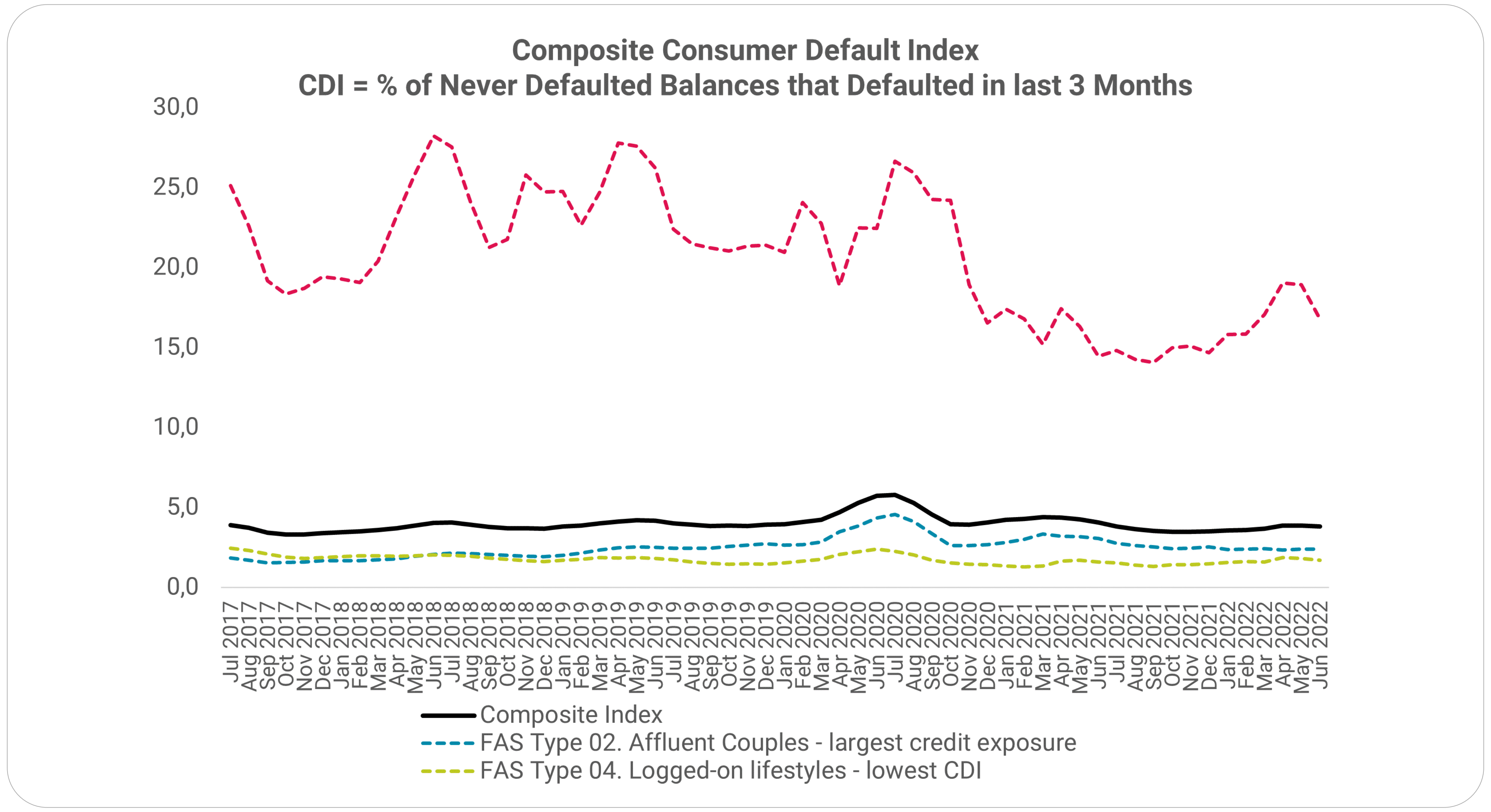
At a provincial level, the Y-o-Y improvement in CDI was most significant in the Western Cape. There are 4 provinces, however, where slight deteriorations were observed, i.e. Mpumalanga, Free State, Eastern Cape and North West.

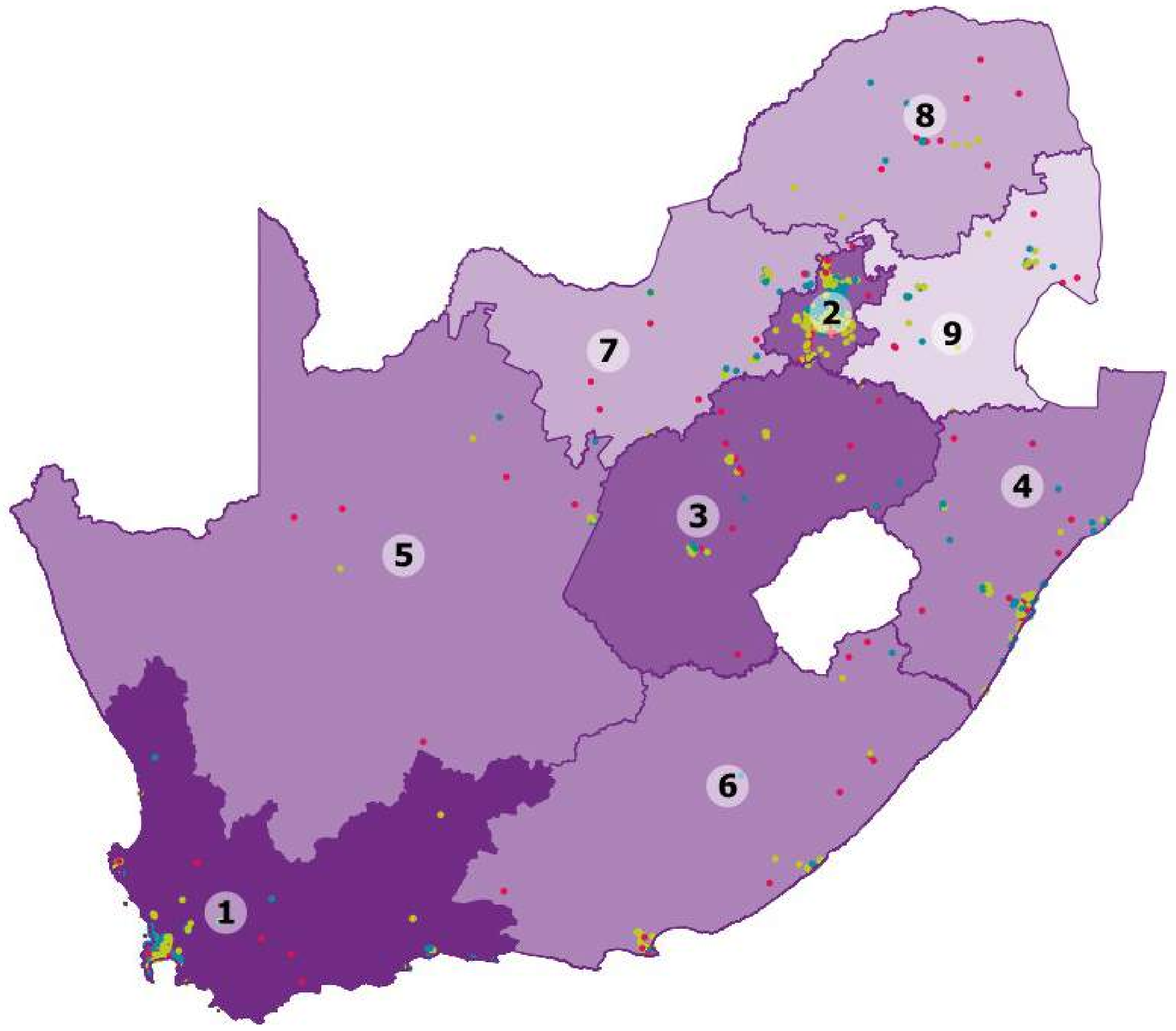
- The CDI in the **Western Cape** continues to be the lowest, at 2.69, down from 3.18 observed in 2021 Q2. The Western Cape with its high representation of more affluent consumers remains the province with the lowest CDI overall.
- At the opposite end of the scale, **Mpumalanga** is still the province with the highest CDI, also showing a Y-o-Y deterioration from 5.20 in 2021 Q2 to 5.23 in 2022 Q2. Considering the relatively high representation of less affluent consumer groups in this province, it is understandable that Mpumalanga exhibit the highest CDI overall.
- The worst deteriorations were observed in the **Eastern Cape** and **North West** – both of these provinces showing a Y-o-Y deterioration in CDI 0.12.

R19.28bn in value defaulted for first time over the period Apr 2022 to Jun 2022.

3.80% of balances on an annualized basis defaulted for first time over the period Apr 2022 to Jun 2022.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Composite Index	3,80	4,05	R19 280 368 681
FAS Type 2 - largest credit exposure	2,40	2,40	R2 027 652 189
FAS Type 4 - lowest CDI	1,70	2,10	R648 030 497
FAS Type 30 - highest CDI	16,77	17,22	R131 110 952





FAS Type 2 - Largest Credit Exposure

FAS Type 4 - Lowest CDI

FAS Type 30 - Highest CDI

Composite	CDI	
Rank & Province	Jun'21	Jun'22
1. Western Cape	3,18	2,69
2. Gauteng	3,88	3,56
3. Free State	4,04	4,08
4. KwaZulu-Natal	4,66	4,25
5. Northern Cape	4,78	4,43
6. Eastern Cape	4,38	4,50
7. North West	4,87	4,99
8. Limpopo	5,17	5,02
9. Mpumalanga	5,20	5,23

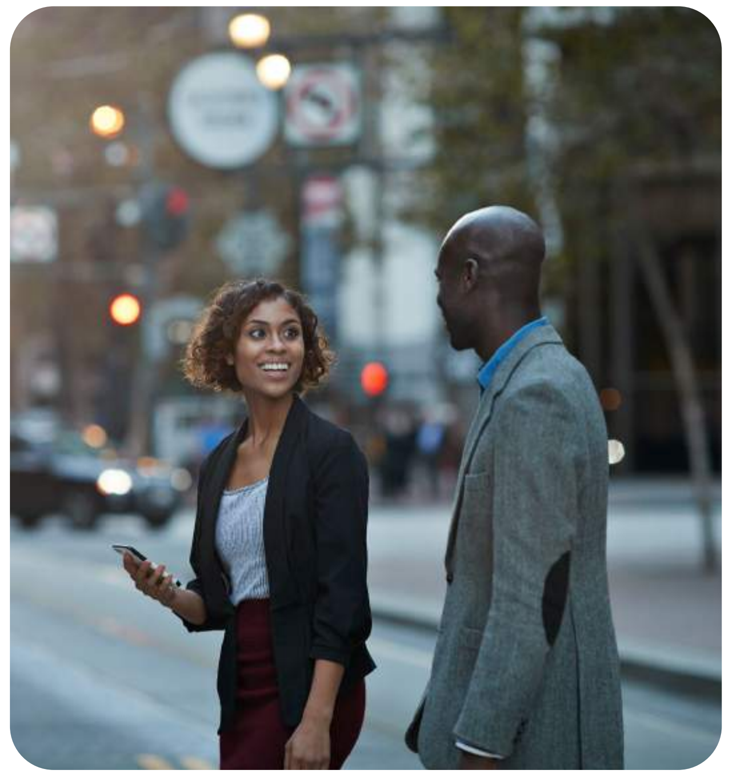
Composite Consumer Default Index by FAS Type

FAS groups 1 and 2 jointly had over 80% of the total Banking and Retail market exposure in South Africa in 2022 Q2. This is due to their large exposure to the high-value products associated with 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. That said, we have seen that the most affluent segments in the market (although still exhibiting the lowest CDI generally speaking) have been under more pressure to honour their debt commitments since the onset of COVID. This is mainly because these consumers typically continued to qualify for new credit throughout lockdown periods, and now are coming under pressure due to increased interest rates.

- **Affluent Couples (Type 2)**, 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 remained flat Y-o-Y in CDI-terms at 2.40.
- **Logged-on Lifestyles (Type 4)** are young professionals that are very active when it comes to online retail buying but also understand the value of investments such as property. They have the ***lowest CDI*** and are showing improvement in CDI from 2.10 in June 2021 to 1.70 in June 2022.
- **Eager Youth (Type 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***. This consumer type has typically not qualified for new credit in the tightening environment, and as a result, their CDI has shown a marked improvement over the past year, moving from a CDI of 17.22 in June 2021 to 16.77 in June 2022.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Composite Index	3,80	4,05	R19 280 368 681
FAS Type 2 - largest credit exposure	2,40	2,40	R2 027 652 189
FAS Type 4 - lowest CDI	1,70	2,10	R648 030 497
FAS Type 30 - highest CDI	16,77	17,22	R131 110 952

FAS	CDI		
FAS Type Name	Jun'22	Jun'21	Year on Year Δ
01. Independent Investors	2,53	2,12	0,40
02. Affluent Couples	2,40	2,40	0,00
03. Professional Players	2,66	2,56	0,11
04. Logged-On Lifestyles	1,70	2,10	-0,40
05. Liquid Living	2,69	3,16	-0,47
06. Successful Singles	3,48	3,27	0,21
07. Lifestyle Lending	4,07	3,87	0,20
08. Comfortable Retirees	3,89	4,58	-0,69
09. Secure Singles	5,98	4,26	1,72
10. Comfortable Couples	6,08	6,51	-0,43
11. Steady Entrepreneurs	9,62	10,83	-1,20
12. Stand-Alone Singles	5,16	6,10	-0,94
13. Plugged-In Purchasers	4,73	6,38	-1,64
14. Payday Pursuers	6,27	7,78	-1,50
15. Deficient Directors	8,44	9,18	-0,74
16. Credit-Reliant Consumers	11,94	13,47	-1,53
17. Secure Seniors	3,11	4,37	-1,26
18. Coping Couples	2,74	4,16	-1,42
19. Restricted Retirees	5,20	7,35	-2,15
20. Low Earners	11,22	11,03	0,19
21. Misfortunate Mature	7,91	8,72	-0,81
22. Concerning Citizens	6,23	7,56	-1,33
23. Money-Wise Mature	6,47	7,71	-1,24
24. Depleted Resources	8,28	9,26	-0,99
25. Strained Adults	8,76	11,59	-2,83
26. Online Survivors	12,83	10,99	1,83
27. Struggling Earners	9,22	9,70	-0,48
28. Minimum-Money Workers	14,99	14,41	0,57
29. Inexperienced Earners	14,67	14,05	0,62
30. Eager Youth	16,77	17,22	-0,46

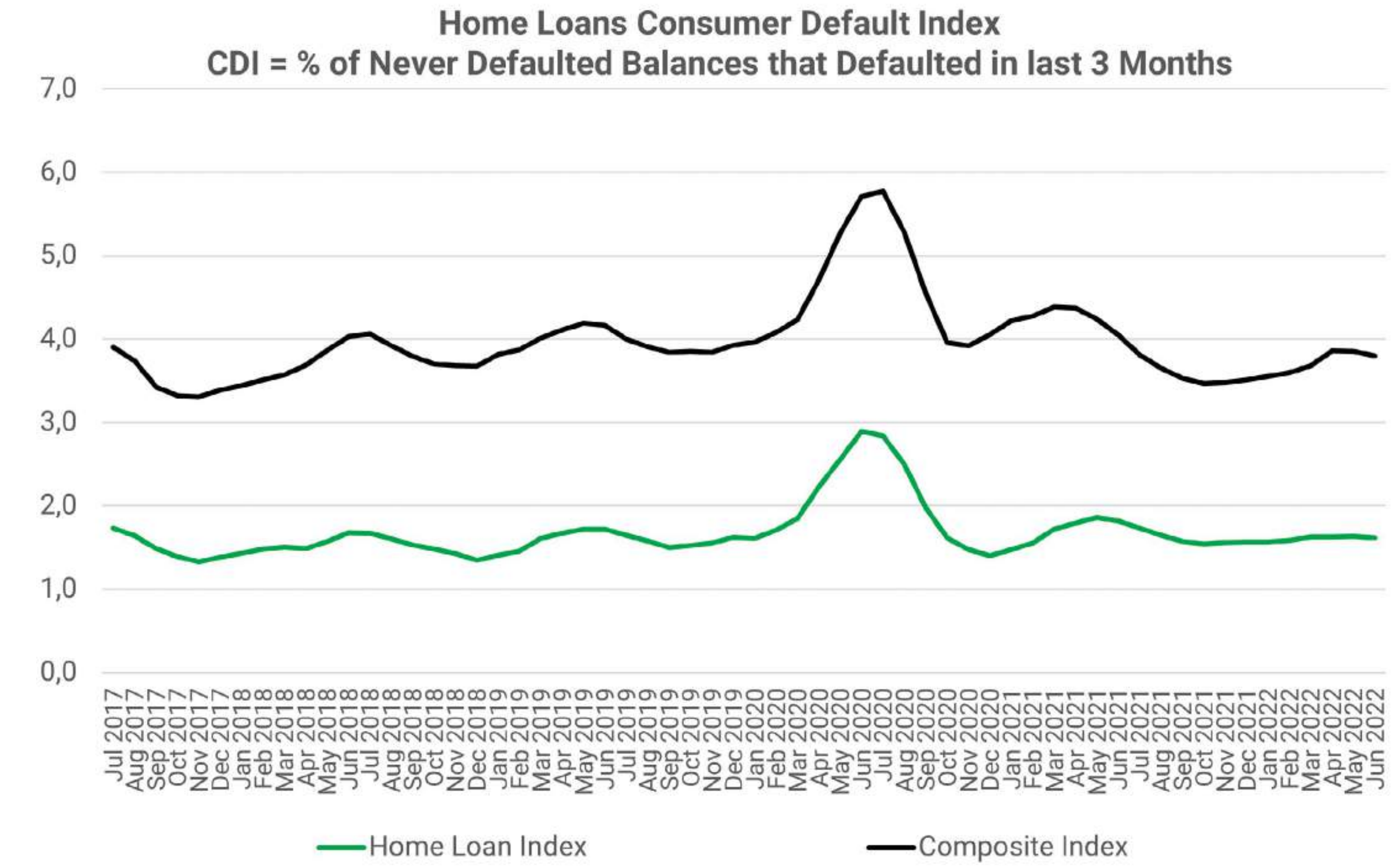


Home Loan Consumer Default Index by Province

Home Loans showed a significant improvement in Home Loans CDI Y-o-Y, moving from 1.73 in March 2021 to 1.63 in March 2022. Q-o-Q the Home Loans CDI saw a very slight deterioration (moving from 1.58 in December 2021 to 1.63 in March 2022). The Y-o-Y improvement constituted a relative change of 6% for the Home Loans CDI and contributes ~50% to the Composite CDI due to the high exposure associated with Home. The Q-o-Q move was flat, with the March 2021 Home Loans CDI having also been 1.62.

All provinces saw a Y-o-Y improvement, except for Mpumalanga.

- The Home Loans CDI in the **Western Cape** remained the lowest and showed improvement from 1.38 in June 2021 to 1.08 in June 2022. The Western Cape also showed the second-most significant improvement in Home Loans CDI at a provincial level, after only North West.
- **North West** saw the most significant improvement in Home Loans CDI, coming down from 1.54 to 1.37 Y-o-Y.
- At the opposite end of the scale, **Mpumalanga** had the highest Home Loans CDI and was also the only province to show deterioration, moving from 2.00 in June 2021 to 2.02 in June 2022.



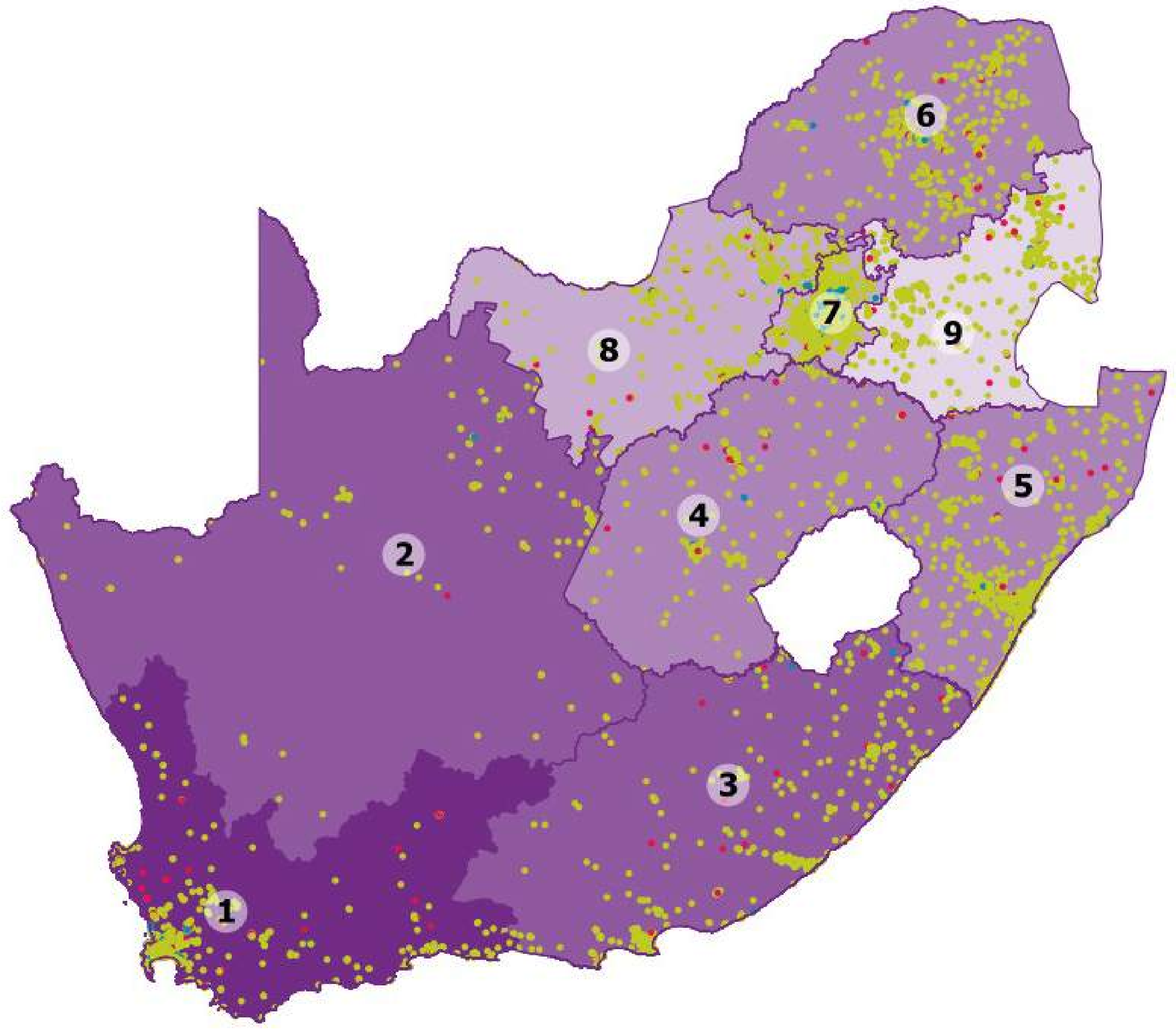
R4.30bn

in value defaulted for first time over the period Apr 2022 to Jun 2022.

1.62%

of home loan balances on an annualized basis defaulted for first time over the period Apr 2022 to Jun 2022.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Home Loan Index	1,62	1,82	R4 295 818 154
FAS Type 2 - largest credit exposure	1,51	1,66	R845 290 339
FAS Type 26 - lowest CDI	0,61	4,48	R1 089 873
FAS Type 28 - highest CDI	4,23	2,05	R2 831 018



FAS Type 2 - Largest Credit Exposure

FAS Type 26 - Lowest CDI

FAS Type 28 - Highest CDI

Composite	CDI	
Rank & Province	Jun'21	Jun'22
1. Western Cape	1,38	1,08
2. Northern Cape	1,54	1,37
3. Eastern Cape	1,66	1,59
4. Free State	1,82	1,64
5. KwaZulu-Natal	1,92	1,72
6. Limpopo	1,79	1,77
7. Gauteng	1,97	1,78
8. North West	2,17	1,84
9. Mpumalanga	2,00	2,02

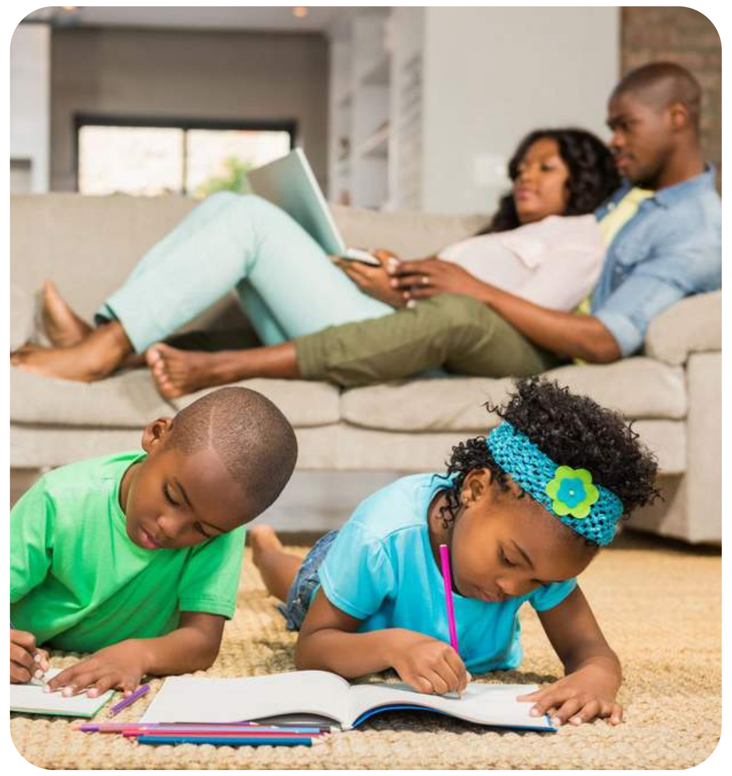
Home Loan Consumer Default Index by FAS Type

By far 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 and thus these high affluence consumers typically continued to qualify for new credit during the period of more strict credit risk criteria being applied by many lenders.

- **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 an improvement in Home Loans CDI from 1.66 in June 2021 to 1.51 in June 2022.
- **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 lowest Home Loans CDI*** and they also saw a drastic improvement in CDI from 4.48% in June 2021 to 0.61% in June 2022. Note, however, that due to the small volumes of Home Loans consumers in the Online Survivor segment (<0.1% of the total market), this result is probably more due to volatility associated with small samples, than it is to actual improvement in this segment.
- **Minimum-Money Workers (28)**, who are young adults (average age 34) that earn the lowest average annual income and have very low exposure to banking products, have ***the highest Home Loans CDI*** and saw Y-o-Y improvement from 4.23 down to 2.05. This reflects the low exposure of this segment to banking products and hence the relative high volatility in their CDI.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Home Loan Index	1,62	1,82	R4 295 818 154
FAS Type 2 - largest credit exposure	1,51	1,66	R845 290 339
FAS Type 26 - lowest CDI	0,61	4,48	R1 089 873
FAS Type 28 - highest CDI	4,23	2,05	R2 831 018

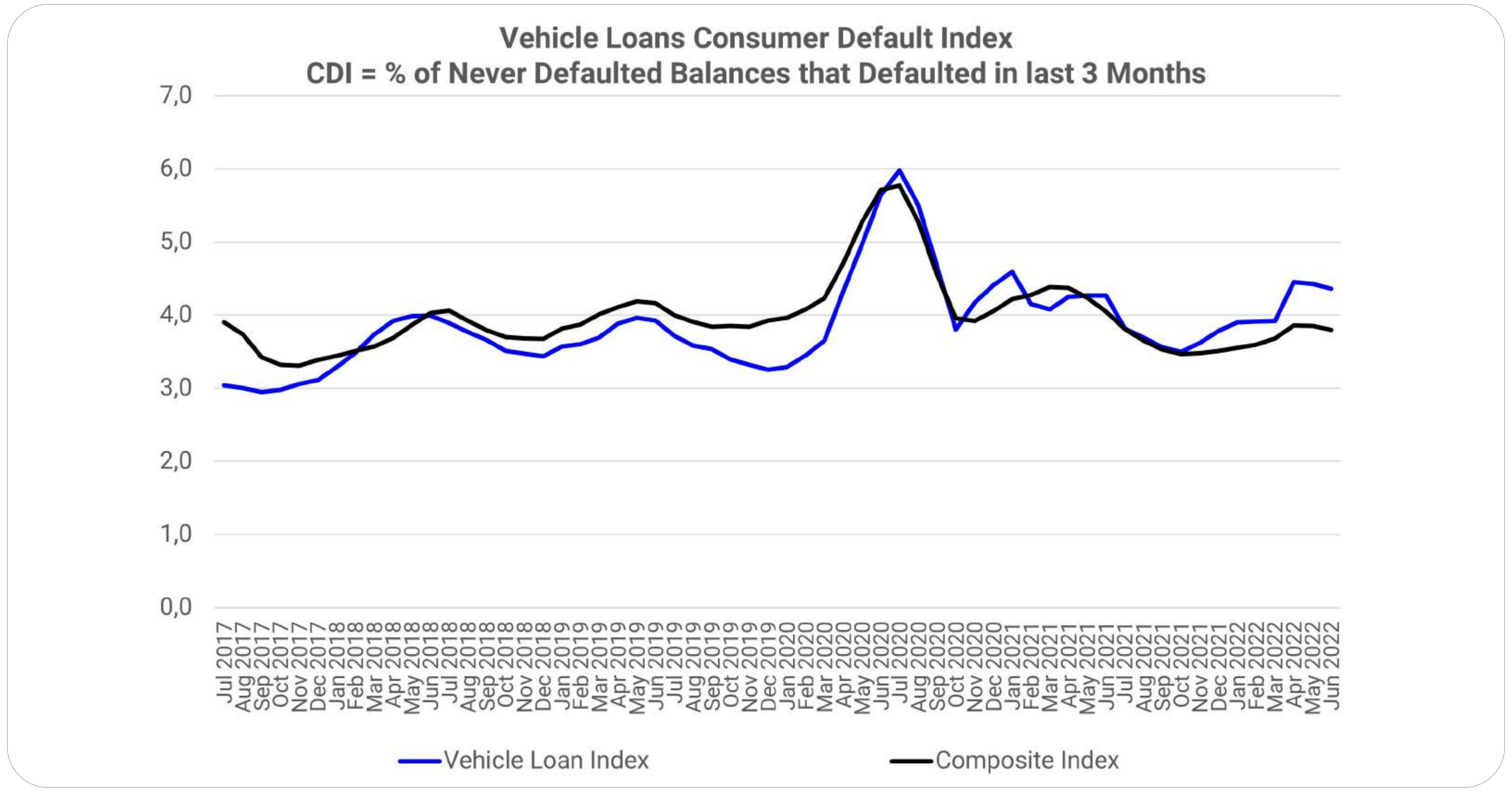
FAS	CDI		
FAS Type Name	Jun'22	Jun'21	Year on Year Δ
01. Independent Investors	1,84	1,62	0,22
02. Affluent Couples	1,51	1,66	-0,14
03. Professional Players	1,39	1,47	-0,08
04. Logged-On Lifestyles	1,41	1,60	-0,19
05. Liquid Living	1,41	1,89	-0,48
06. Successful Singles	1,31	1,54	-0,23
07. Lifestyle Lending	2,36	2,50	-0,14
08. Comfortable Retirees	2,01	2,67	-0,66
09. Secure Singles	2,80	2,07	0,74
10. Comfortable Couples	2,37	3,09	-0,72
11. Steady Entrepreneurs	3,46	7,78	-4,32
12. Stand-Alone Singles	1,21	1,46	-0,24
13. Plugged-In Purchasers	2,07	2,65	-0,57
14. Payday Pursuers	1,83	3,35	-1,52
15. Deficient Directors	2,84	2,78	0,06
16. Credit-Reliant Consumers	3,43	3,88	-0,45
17. Secure Seniors	1,92	2,73	-0,82
18. Coping Couples	1,80	2,49	-0,69
19. Restricted Retirees	2,13	4,04	-1,91
20. Low Earners	1,16	3,08	-1,92
21. Misfortunate Mature	1,11	2,17	-1,06
22. Concerning Citizens	2,24	3,06	-0,82
23. Money-Wise Mature	2,49	3,68	-1,19
24. Depleted Resources	3,16	3,72	-0,55
25. Strained Adults	1,65	1,71	-0,06
26. Online Survivors	0,61	4,48	-3,87
27. Struggling Earners	2,32	2,97	-0,65
28. Minimum-Money Workers	4,23	2,05	2,18
29. Inexperienced Earners	2,07	13,14	-11,07
30. Eager Youth	1,62	0,00	1,62



Vehicle Loan Consumer Default Index by Province

Vehicle Loans CDI has shown Y-o-Y deterioration, moving from 4.27 in June 2021 to 4.36 in June 2022. Q-o-Q the Vehicle Loan CDI deteriorated sharply, moving from 3.92 in March 2022 to the present 4.36.

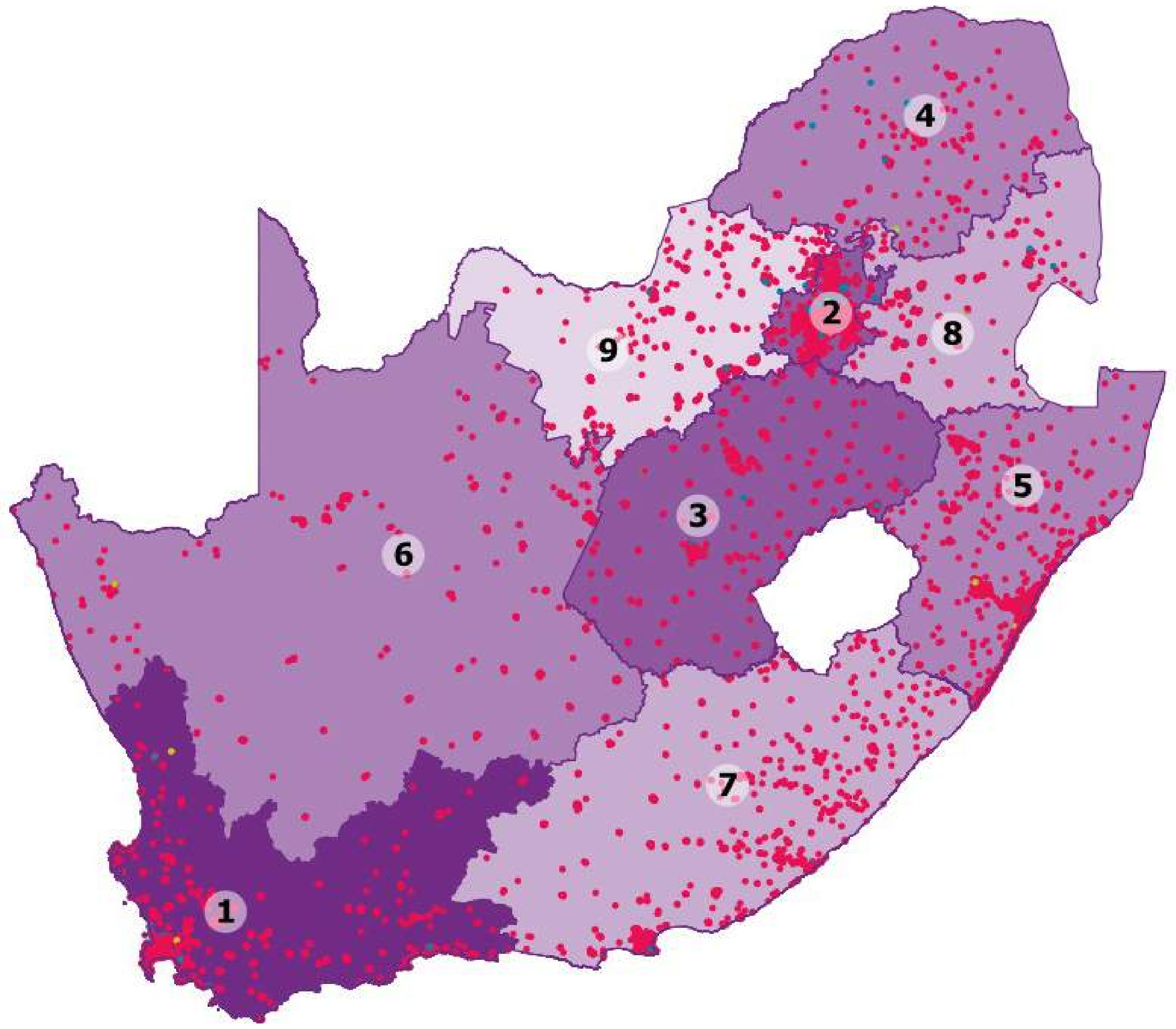
- The Vehicle Loans CDI in the **Western Cape** ranked the lowest of all the SA provinces. This is reflective of the high representation of the more affluent FAS Groups 1 and 2 in the province. The Western Cape showed an improvement Y-o-Y, moving from 3.43 in June 2021 to 3.12 in June 2022.
- **North West** has shown the highest CDI for Vehicle Loans, worsening Y-o-Y from 4.37 in June 2021 to 5.47 in June 2022. This was also the most significant provincial deterioration in Vehicle Loans CDI.



R5.03bn in value defaulted for first time over the period Apr 2022 to Jun 2022.

4.36% of vehicle loan balances on an annualized basis defaulted for first time over the period Apr 2022 to Jun 2022.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Vehicle Loan Index	4,36	4,27	R5 032 826 725
FAS Type 2 - largest credit exposure	2,91	2,81	R489 012 364
FAS Type 27 - lowest CDI	0.00	3.42	-
FAS Type 19 - highest CDI	15.80	14.25	R3 515 046



- FAS Type 2 - Largest Credit Exposure
- FAS Type 27 - Lowest CDI
- FAS Type 19 - Highest CDI

Composite	CDI	
Rank & Province	Jun'21	Jun'22
1. Western Cape	3,43	3,12
2. Gauteng	4,15	4,12
3. Free State	3,47	4,25
4. Limpopo	4,59	4,58
5. KwaZulu-Natal	4,88	4,62
6. Northern Cape	4,35	4,82
7. Eastern Cape	4,66	5,14
8. Mpumalanga	4,97	5,38
9. North West	4,37	5,47

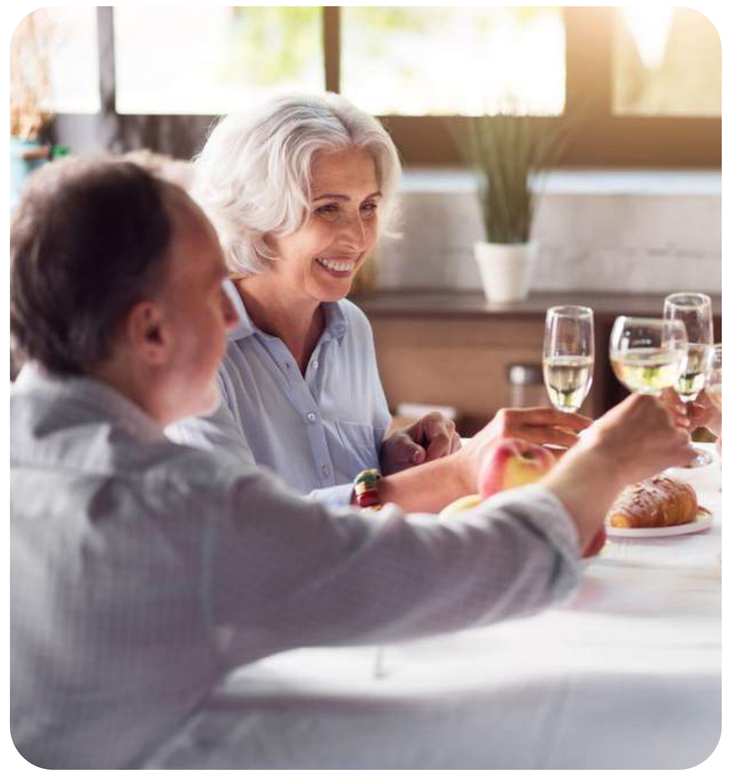
Vehicle Loan Consumer Default Index by FAS Type

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 ~45% of the market.

- **Affluent Couples (02)** who can best 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 a deterioration in CI from 2.81 in June 2021 to 2.91 in June 2022.
- **Struggling Earners (27)** struggle to make ends meet and as such only 5% of them have Vehicle loans valued at an avg. R136k. They had the ***lowest Vehicle Loan CDI***, this is purely the result of very low product ownership (0.02% exposure to the Vehicle Loan market) in this type, and not by any means an indication of any improvement in this segment's financial performance. This segment represents only 0.8% of the total South African credit base and has had zero first-time defaulters in the Vehicle Loan portfolio over the last quarter.
- **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 Loans CDI*** and have seen a deterioration in CDI from 14.25% in June 2021 to 15.80% in June 2022.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Vehicle Loan Index	4,36	4,27	R5 032 826 725
FAS Type 2 - largest credit exposure	2,91	2,81	R489 012 364
FAS Type 27 - lowest CDI	0.00	3.42	-
FAS Type 19 - highest CDI	15.80	14.25	R3 515 046

FAS	CDI		
FAS Type Name	Jun'22	Jun'21	Year on Year Δ
01. Independent Investors	3,18	2,64	0,54
02. Affluent Couples	2,91	2,81	0,11
03. Professional Players	3,82	3,17	0,64
04. Logged-On Lifestyles	1,93	2,36	-0,43
05. Liquid Living	3,31	3,42	-0,12
06. Successful Singles	5,36	4,18	1,18
07. Lifestyle Lending	4,28	3,35	0,92
08. Comfortable Retirees	3,39	4,20	-0,81
09. Secure Singles	5,68	3,75	1,93
10. Comfortable Couples	5,66	4,79	0,87
11. Steady Entrepreneurs	9,56	9,17	0,39
12. Stand-Alone Singles	5,29	6,02	-0,73
13. Plugged-In Purchasers	5,61	5,08	0,53
14. Payday Pursuers	7,95	9,69	-1,74
15. Deficient Directors	8,67	9,56	-0,90
16. Credit-Reliant Consumers	8,00	7,93	0,07
17. Secure Seniors	4,07	7,47	-3,40
18. Coping Couples	3,53	6,10	-2,57
19. Restricted Retirees	15,80	14,25	1,54
20. Low Earners	3,89	9,72	-5,82
21. Misfortunate Mature	8,08	17,86	-9,78
22. Concerning Citizens	7,23	8,84	-1,61
23. Money-Wise Mature	9,18	11,09	-1,91
24. Depleted Resources	10,28	9,75	0,53
25. Strained Adults	8,95	9,33	-0,37
26. Online Survivors	3,75	7,58	-3,82
27. Struggling Earners	56,02	3,42	52,60
28. Minimum-Money Workers	2,86	9,15	-6,29
29. Inexperienced Earners	5,54	8,32	-2,78
30. Eager Youth	2,87	3,44	-0,57

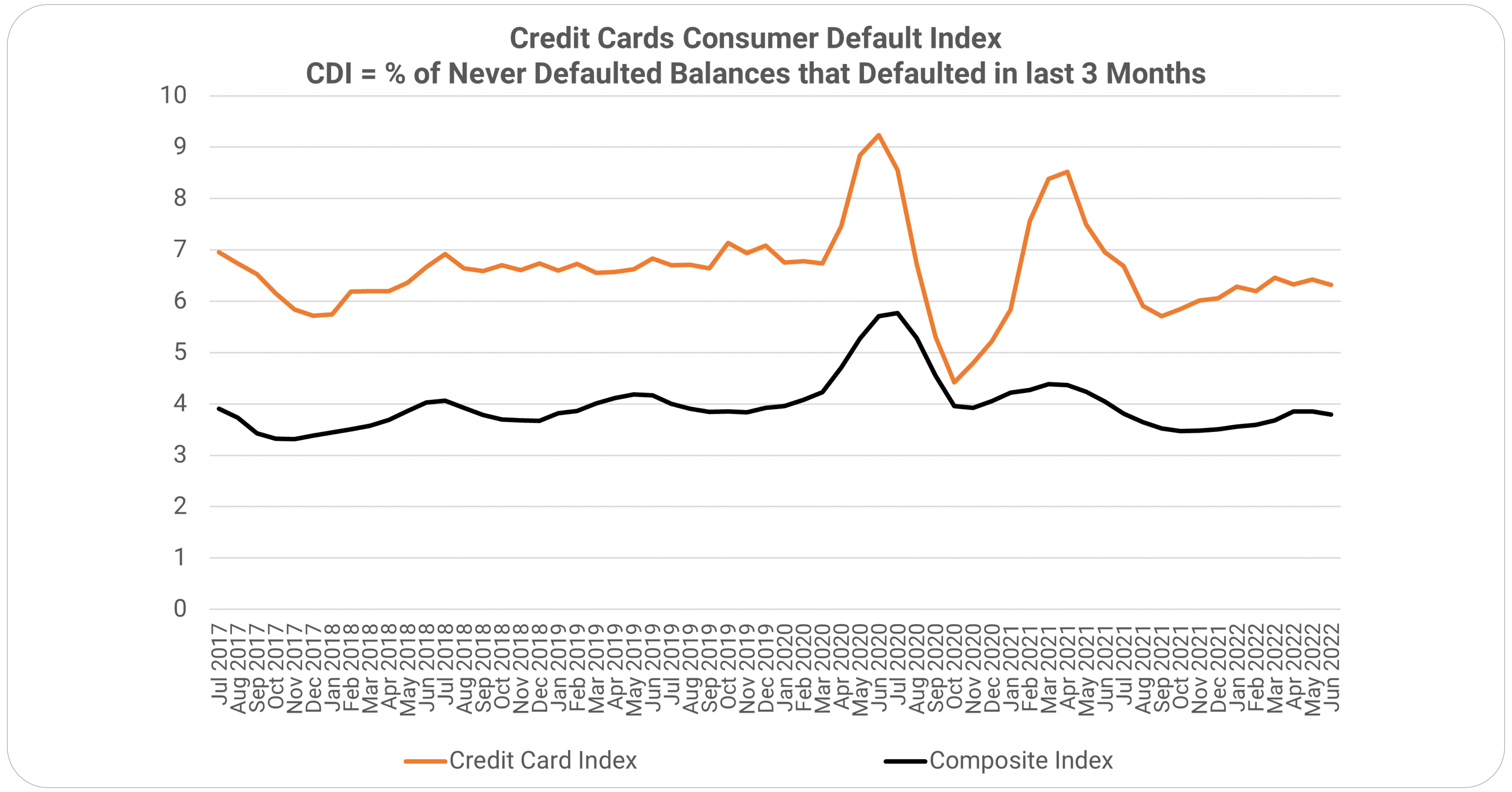


Credit Card Consumer Default Index by Province

The Credit Card CDI has shown a meaningful improvement Y-o-Y (moving from 6.95 in June 2021 to 6.32 in June 2022). Q-o-Q the Credit Card CDI has also seen a slight improvement, moving down from 6.46 in March 2022 to 6.32 in June 2022.

Six of the nine provinces have shown a Y-o-Y improvement in the Credit Card CDI in June 2022, the exceptions being North West, Free State and the Eastern Cape.

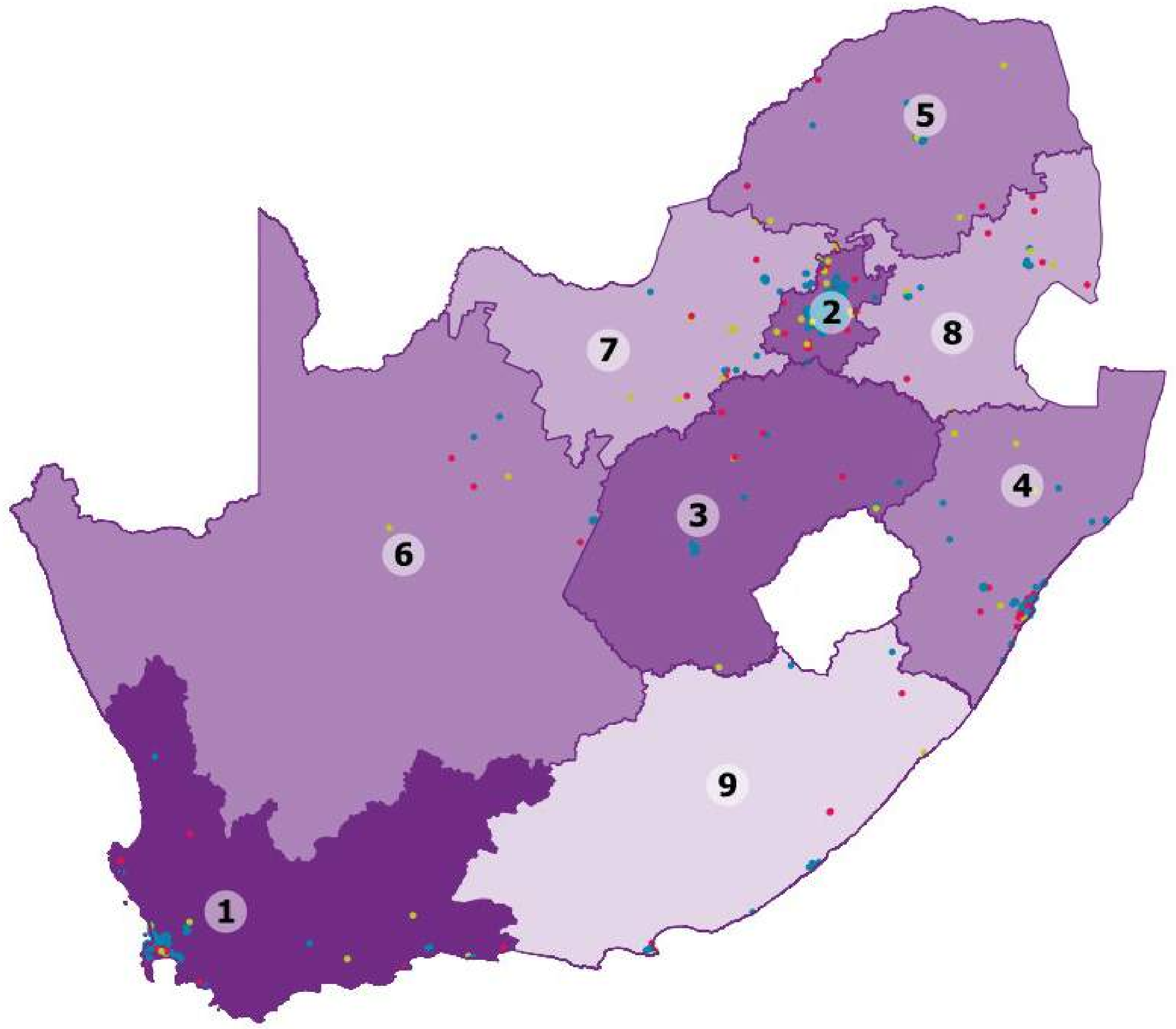
- The Credit Card CDI in the **Western Cape** continues to be the lowest from a provincial perspective, at 5.19 in June 2022. This proved to be the most significant improvement at a provincial level, moving from the 6.36 observed in June 2021.
- The second most significant improvement was for **Gauteng**, moving down from 6.85 in June 2021 to 5.95 in June 2022.
- The lowest Credit Card CDI was observed in the **Eastern Cape**. This province also saw the most significant deterioration in Credit Card CDI, moving from 6.77 in June 2021 up to 7.77 in June 2022.



R2.47bn in value defaulted for first time over the period Apr 2022 to Jun 2022.

6.32% of credit card balances on an annualized basis defaulted for first time over the period Apr 2022 to Jun 2022.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Credit Card Index	6,32	6,95	R2 469 525 014
FAS Type 2 - largest credit exposure	5,04	4,77	R325 164 751
FAS Type 14 - lowest CDI	3,07	10,59	R2 731 138
FAS Type 16 - highest CDI	13,98	14,03	R117 944 124



FAS Type 2 - Largest Credit Exposure
FAS Type 14 - Lowest CDI
FAS Type 16 - Highest CDI

Composite	CDI	
Rank & Province	**Jun'21**	**Jun'22**
1. Western Cape	6,36	5,19
2. Gauteng	6,85	5,95
3. Free State	6,66	6,83
4. KwaZulu-Natal	7,59	6,97
5. Limpopo	7,45	7,01
6. Northern Cape	7,94	7,18
7. North West	7,49	7,52
8. Mpumalanga	8,15	7,62
9. Eastern Cape	6,77	7,77

Credit Card Consumer Default Index by FAS Type

The wider access to credit cards across the various FAS segments results in the Credit Card CDI being substantially higher than what is seen for secured credit 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 best 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 Card exposure*** across all segments. Their Credit Card CDI improved from 6.95 in June 2021 to 3.32 in June 2022.
- **Payday Pursuers (14)** are living from month to month. These middle-aged individuals rely on finance to bridge the gap between paydays. Having tight budgets, these consumers are active credit users who are also good payers. This type has the ***lowest Credit Card CDI***. In fact, they have also seen a highly significant improvement in Credit Card CDI, moving from 10.59 in June 2021 to 3.07 in June 2022. Note that they have very low exposure (~0.3%) in the CC market.
- **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 improved from 14.03 in June 2021 to 13.98 in June 2022 and hold roughly 2.5% of the total exposure in the Credit Card market.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Credit Card Index	6,32	6,95	R2 469 525 014
FAS Type 2 - largest credit exposure	5,04	4,77	R325 164 751
FAS Type 14 - lowest CDI	3,07	10,59	R2 731 138
FAS Type 16 - highest CDI	13,98	14,03	R117 944 124

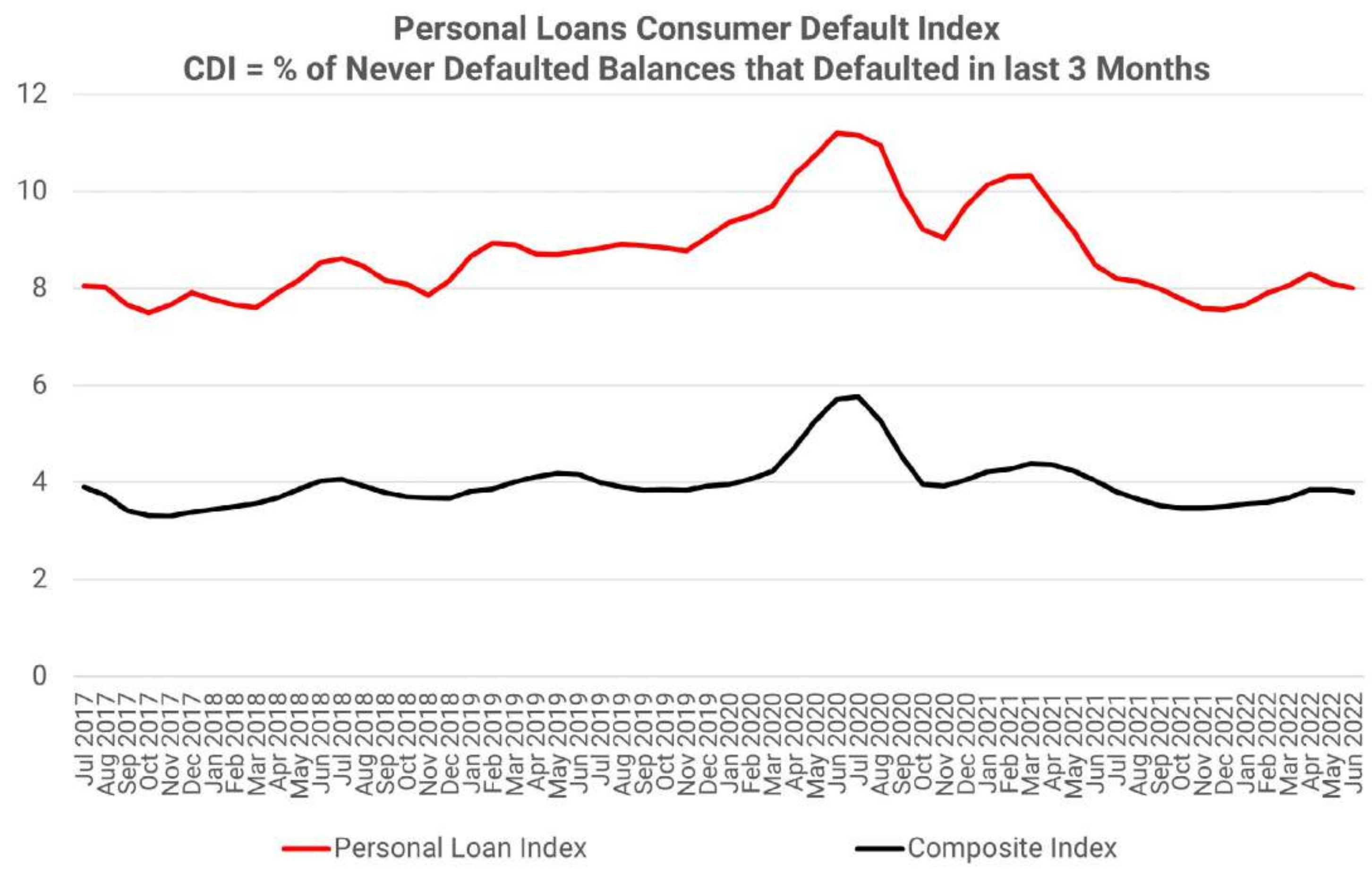
FAS	CDI		
FAS Type Name	Jun'22	Jun'21	Year on Year Δ
01. Independent Investors	4,28	3,36	0,92
02. Affluent Couples	5,04	4,77	0,27
03. Professional Players	6,31	5,82	0,50
04. Logged-On Lifestyles	3,41	5,42	-2,01
05. Liquid Living	4,62	6,06	-1,44
06. Successful Singles	8,12	7,85	0,27
07. Lifestyle Lending	7,61	7,99	-0,38
08. Comfortable Retirees	5,84	6,96	-1,12
09. Secure Singles	10,15	7,18	2,97
10. Comfortable Couples	8,64	9,96	-1,32
11. Steady Entrepreneurs	10,60	15,88	-5,29
12. Stand-Alone Singles	5,81	8,26	-2,45
13. Plugged-In Purchasers	4,62	9,31	-4,69
14. Payday Pursuers	3,07	10,59	-7,53
15. Deficient Directors	9,62	11,59	-1,97
16. Credit-Reliant Consumers	13,98	14,03	-0,05
17. Secure Seniors	3,82	4,50	-0,68
18. Coping Couples	3,48	6,90	-3,42
19. Restricted Retirees	6,23	9,00	-2,78
20. Low Earners	6,92	9,00	-2,08
21. Misfortunate Mature	6,99	9,03	-2,04
22. Concerning Citizens	5,08	9,36	-4,27
23. Money-Wise Mature	7,84	8,79	-0,95
24. Depleted Resources	10,65	9,59	1,06
25. Strained Adults	9,78	11,63	-1,86
26. Online Survivors	7,04	14,04	-7,00
27. Struggling Earners	10,80	8,74	2,06
28. Minimum-Money Workers	13,87	13,53	0,33
29. Inexperienced Earners	11,30	16,58	-5,28
30. Eager Youth	9,80	16,89	-7,09

Personal Loan Consumer Default Index by Province

The Personal Loans CDI continued to show Y-o-Y improvement, albeit less significant than what was observed in the c.2 CDI points improvement seen in Marc 2022. This quarter we saw the CDI moving down from 8.49 in June 2021 to 8.00 in June 2022. Q-o-Q, however, the Personal Loan CDI was relatively flat, moving only marginally downwards from 8.06 in March 2022.

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%).

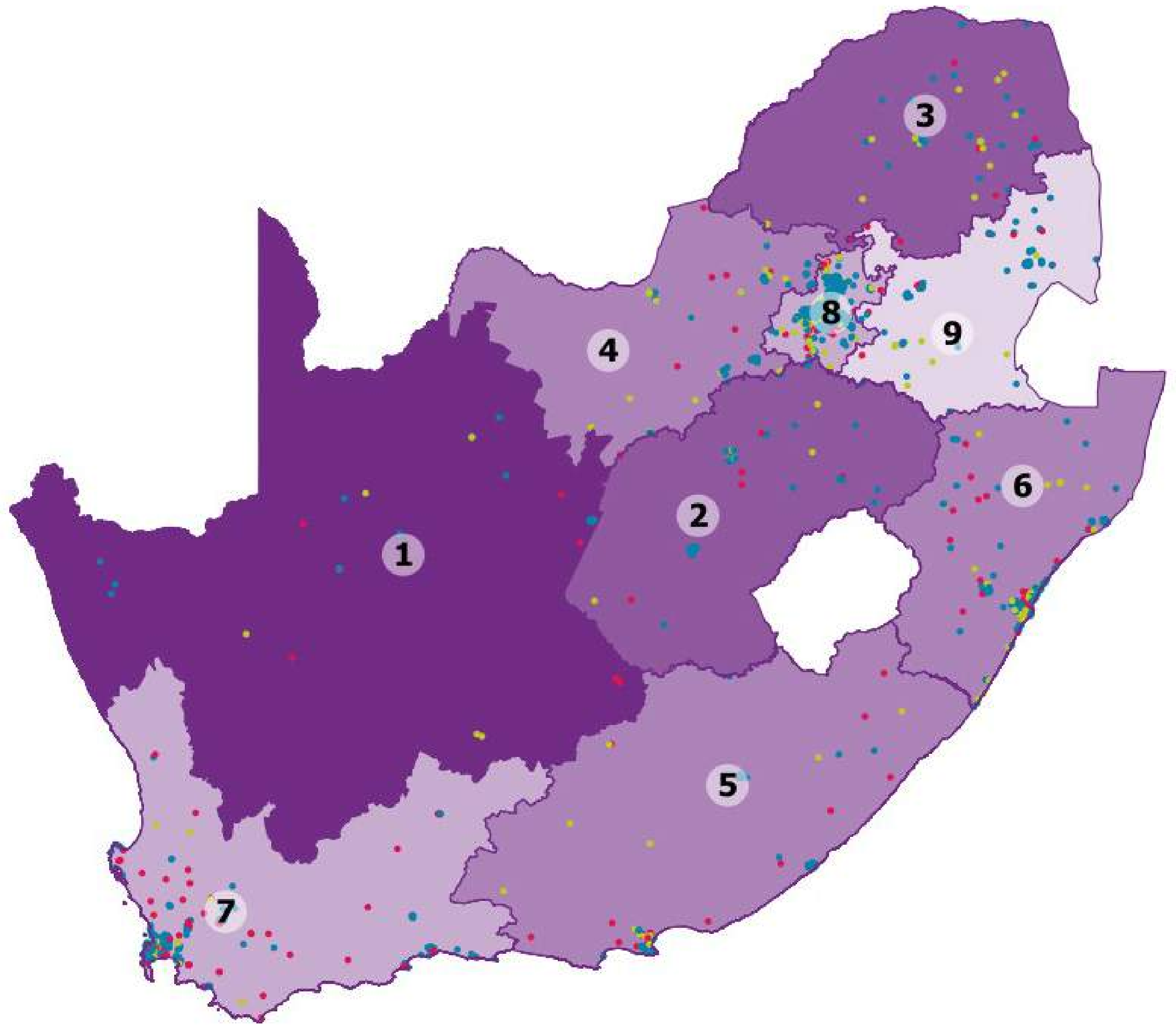
- The **Northern Cape** has shown the most significant improvement in Personal Loans CDI, moving from 8.21 in June 2021 to 6.92 in June 2022. This is also the province with the lowest Personal Loans CDI in June 2022.
- **Mpumalanga** had the highest Personal Loans CDI in June 2022 but still showed an improvement from 8.80 in June 2021 to 8.67 in June 2022.
- The only province showing a deterioration in Personal Loans CDI this quarter was the **Eastern Cape**, moving from 7.81 in June 2021 to 7.90 in June 2022.



R6.29bn in value defaulted for first time over the period Apr 2022 to Jun 2022.

8.00% of personal loans on an annualized basis defaulted for first time over the period Apr 2022 to Jun 2022.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Personal Loan Index	8,00	8,49	R6 290 985 339
FAS Type 5 - largest credit exposure	5,77	6,59	R371 933 848
FAS Type 18 - lowest CDI	4,51	6,22	R77 476 131
FAS Type 29 - highest CDI	13,97	13,48	R193 836 426



FAS Type 5 - Largest Credit Exposure
FAS Type 18 - Lowest CDI
FAS Type 29 - Highest CDI

Composite	CDI	
Rank & Province	Jun'21	Jun'22
1. Northern Cape	8,21	6,92
2. Free State	7,37	7,12
3. Limpopo	7,56	7,26
4. North West	7,91	7,63
5. Eastern Cape	7,81	7,90
6. KwaZulu-Natal	8,64	7,93
7. Western Cape	8,83	7,98
8. Gauteng	8,75	8,09
9. Mpumalanga	8,80	8,67

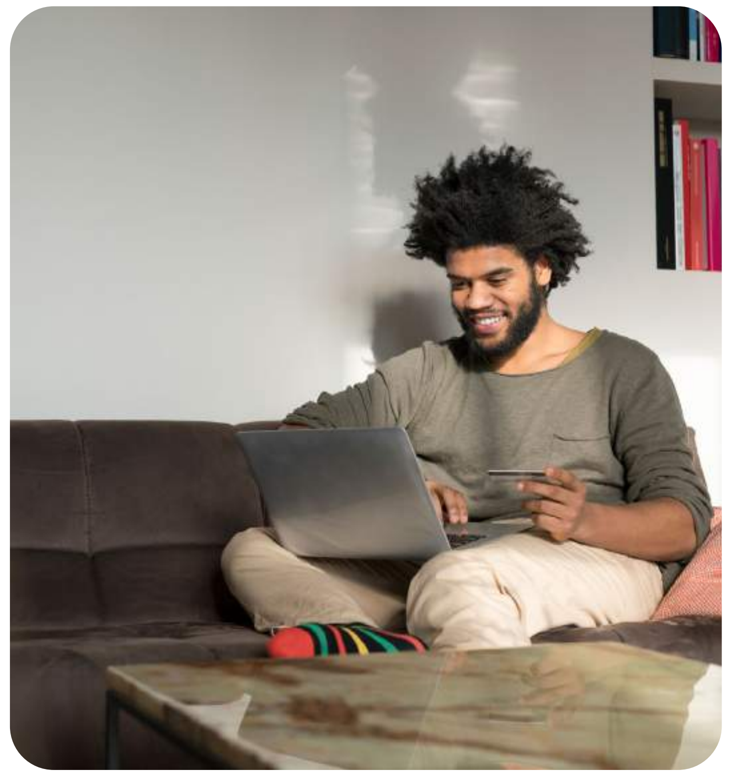
Personal Loan Consumer Default Index by FAS Type

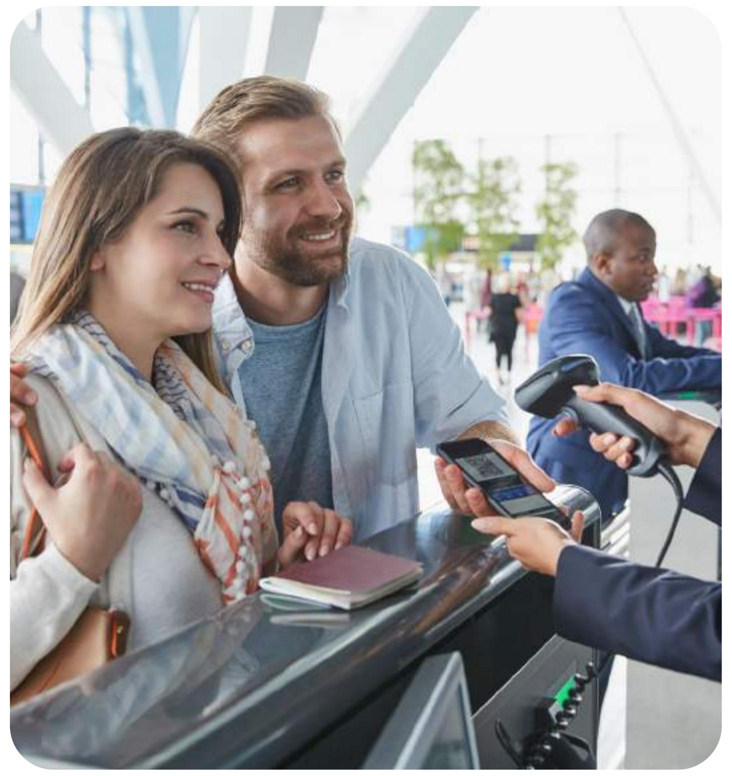
The wider access to personal loans across specifically FAS Groups 4, 5 and 6 (~33% of total exposure), results in the overall Personal Loans CDI being substantially higher than that of other traditional banking products.

- **Liquid Living (05)**, 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 Y-o-Y, moving from 8.46 in March 2021 to 6.51 in March 2022.
- **Coping Couples (18)** are typically 45 – 60 years old and earning ~R175k p.a., these individuals often have unsecured bank loans to cover unforeseen expenses. They have the ***lowest Personal Loans CDI***, but still, show deterioration from 6.22 in June 2021 to 4.51 in June 2022.
- **Inexperienced Earners (29)**, have deteriorated in the Personal Loan CDI, moving from 13.48 in June 2021 to 13.97 in June 2022 and are the consumer type with the highest first-time default rate in Vehicle 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, and as a result, are exhibiting the ***highest Personal Loans CDI***.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Personal Loan Index	8,00	8,49	R6 290 985 339
FAS Type 5 - largest credit exposure	5,77	6,59	R371 933 848
FAS Type 18 - lowest CDI	4,51	6,22	R77 476 131
FAS Type 29 - highest CDI	13,97	13,48	R193 836 426

FAS	CDI		
FAS Type Name	Jun'22	Jun'21	Year on Year Δ
01. Independent Investors	5,85	4,30	1,55
02. Affluent Couples	6,60	5,78	0,82
03. Professional Players	7,64	7,34	0,30
04. Logged-On Lifestyles	4,79	6,67	-1,89
05. Liquid Living	5,77	6,59	-0,81
06. Successful Singles	9,01	8,08	0,92
07. Lifestyle Lending	7,68	7,28	0,40
08. Comfortable Retirees	6,06	6,98	-0,91
09. Secure Singles	9,59	7,20	2,39
10. Comfortable Couples	7,56	9,00	-1,45
11. Steady Entrepreneurs	9,36	12,05	-2,69
12. Stand-Alone Singles	7,25	7,79	-0,54
13. Plugged-In Purchasers	7,47	8,67	-1,20
14. Payday Pursuers	6,39	7,01	-0,63
15. Deficient Directors	8,83	9,12	-0,28
16. Credit-Reliant Consumers	11,94	14,06	-2,12
17. Secure Seniors	4,60	6,20	-1,61
18. Coping Couples	4,51	6,22	-1,71
19. Restricted Retirees	4,81	7,34	-2,53
20. Low Earners	9,76	9,37	0,39
21. Misfortunate Mature	7,81	8,15	-0,34
22. Concerning Citizens	6,64	8,03	-1,39
23. Money-Wise Mature	6,75	7,90	-1,14
24. Depleted Resources	8,67	9,88	-1,22
25. Strained Adults	8,48	11,48	-3,00
26. Online Survivors	9,03	7,22	1,81
27. Struggling Earners	8,47	7,92	0,55
28. Minimum-Money Workers	13,60	13,45	0,14
29. Inexperienced Earners	13,97	13,48	0,49
30. Eager Youth	11,61	12,38	-0,76





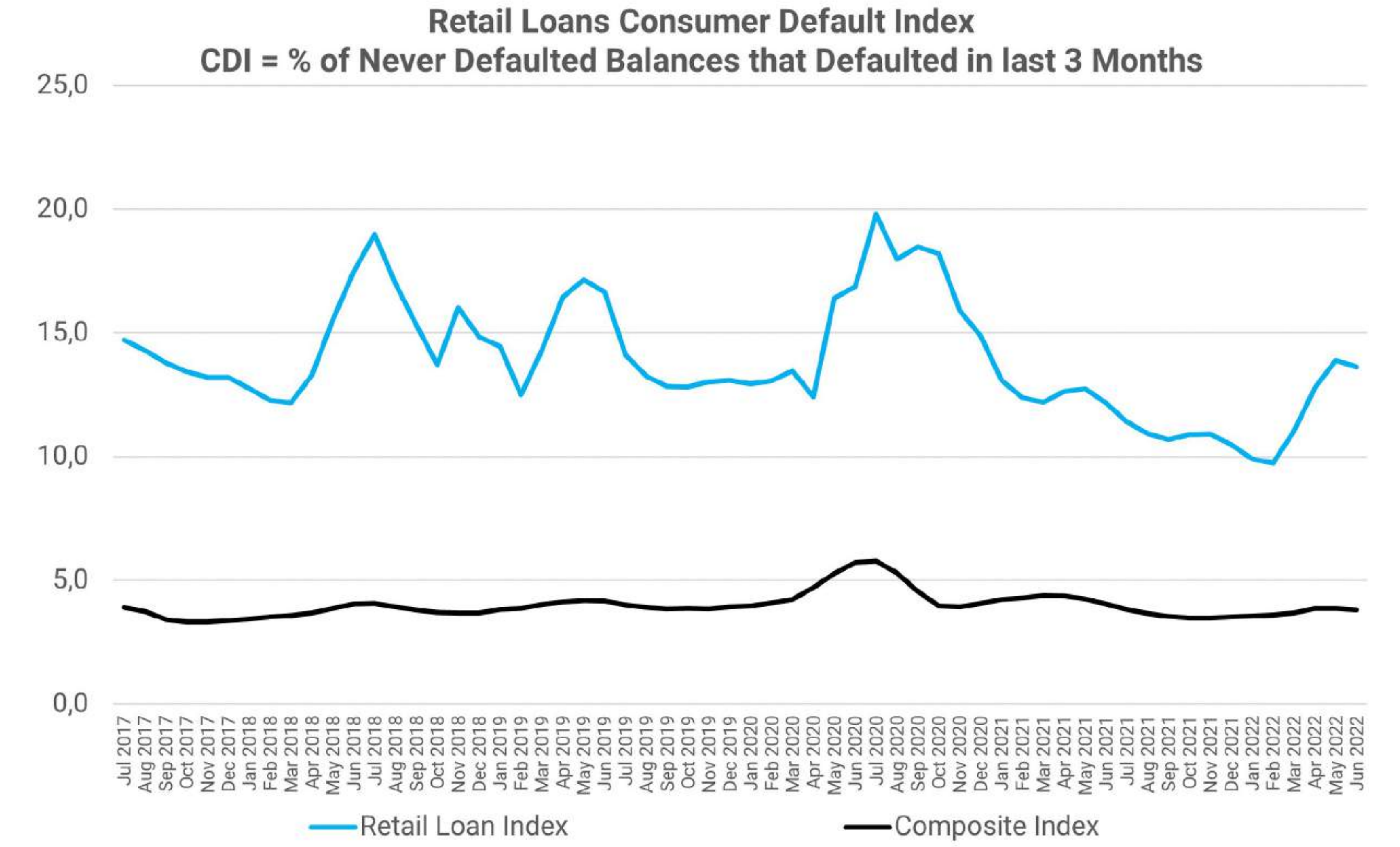
Retail Loans Consumer Default Index by Province

Retail Loans CDI has shown deterioration in CDI – both on a Q-o-Q and Y-o-Y basis. On an annual basis, we have seen the Retail Loans CDI moving from 12.17 in June 2021 to 13.63 in June 2022, whilst the previous quarter's observation of 11.03 in March 2022 was also significantly better than the latest figure.

Retail Loans is the product set in which the least affluent consumer groups, FAS 4, 5 & 6, hold the most significant portion (~60%) of the market.

All the provinces have shown a deterioration in Retail Loans CDI.

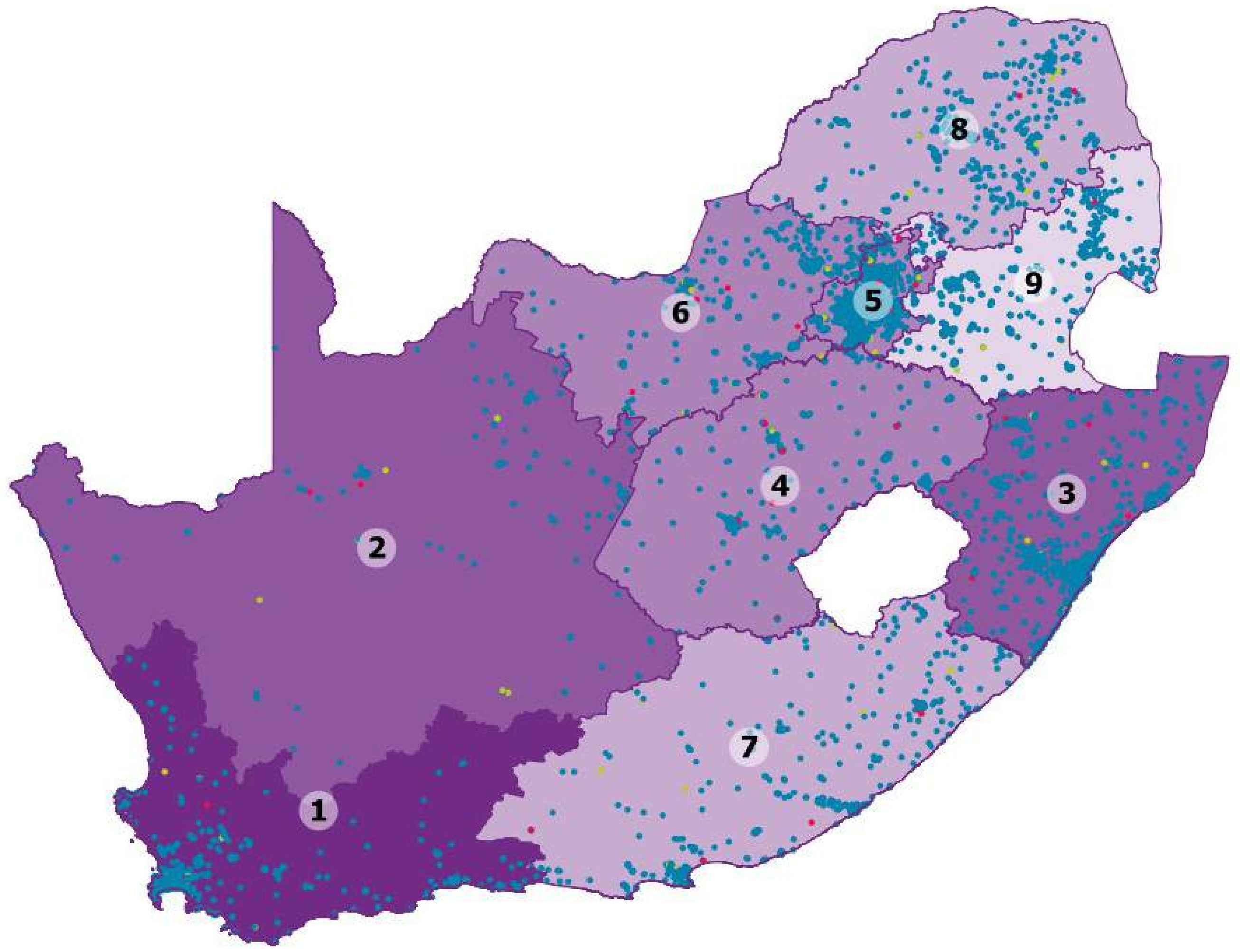
- **Western Cape** again represents the lowest Retail Loans CDI, despite the deterioration from 10.39 in June 2021 to 11.14 in June 2022.
- The least significant improvement was observed in the **Northern Cape**. This province moved from 11.96 in June 2021 to 12.09 in June 2022.
- **Mpumalanga** fared the worst in the provincial Retail Loans CDI ranking, deteriorating Y-o-Y from 14.88 in June 2021 to 16.03 in June 2022.



R1.19bn in value defaulted for first time over the period Apr 2022 to Jun 2022.

13.63% of retail loans on an annualized basis defaulted for first time over the period Apr 2022 to Jun 2022.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Retail Loan Index	13,63	12,17	1 191 213 449
FAS Type 26 - largest credit exposure	19,32	18,36	195 085 522
FAS Type 18 - lowest CDI	5,60	6,62	18 697 800
FAS Type 30 - highest CDI	27,87	24,60	91 938 137



FAS Type 26 - Largest Credit Exposure

FAS Type 18 - Lowest CDI

FAS Type 30 - Highest CDI

Composite	CDI	
Rank & Province	Jun'21	Jun'22
1. Western Cape	10,39	11,14
2. Northern Cape	11,96	12,09
3. KwaZulu-Natal	12,32	12,56
4. Free State	11,66	12,76
5. Gauteng	11,72	12,89
6. North West	12,31	12,95
7. Eastern Cape	12,55	13,51
8. Limpopo	14,53	15,85
9. Mpumalanga	14,88	16,03

Retail Loans Consumer Default Index by FAS Type

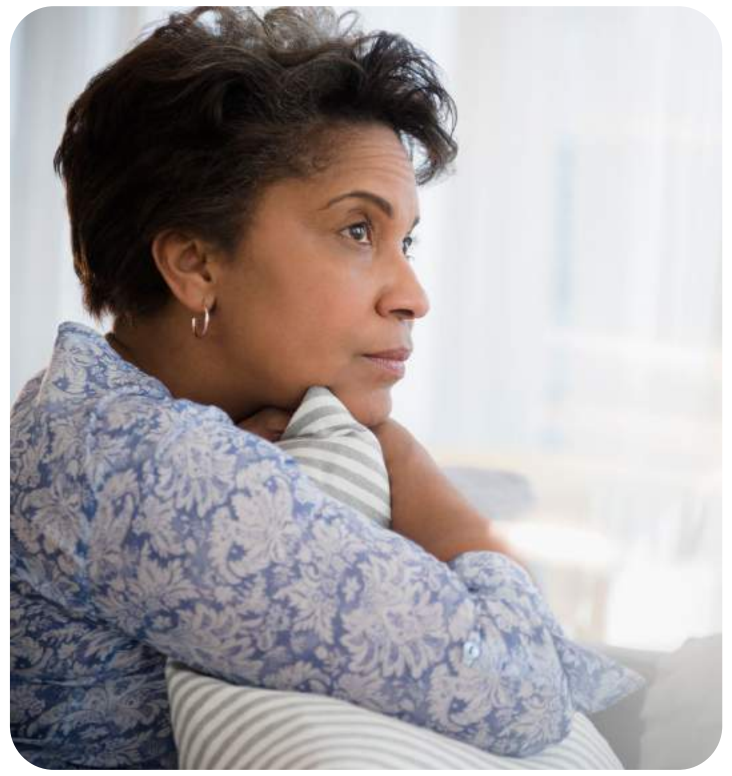
On a Y-o-Y basis, the Retail CDI increased in June 2022, improving from 12.17 in June 2021 to 13.63 in June 2022. Q-o-Q this index showed further deterioration, moving from 11.03 in March 2022 to 13.63 in June 2022.

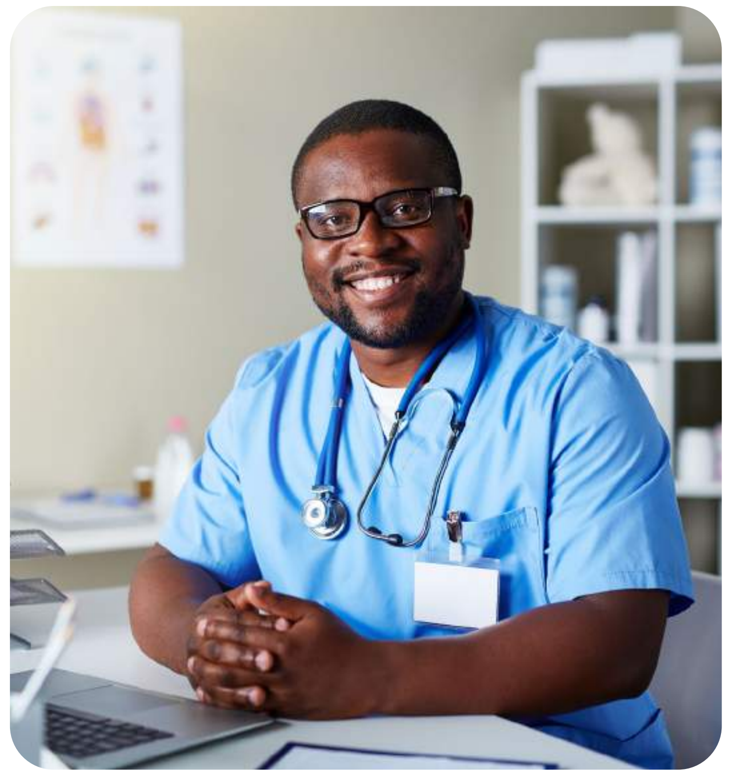
When looking at the FAS type level segmentation, we observe the following:

- **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 deterioration in CDI from 18.36 in June 2021 to 19.32 in June 2022.
- **Coping Couples (18)** are typically 45 – 60 years old and earning ~R175k p.a., these individuals often have unsecured bank loans to cover unforeseen expenses. They have the ***lowest Retail Loans CDI***, and also showed improvement in Retail Loans CDI, moving from 6.62 in June 2021 to 5.60 in June 2022.
- **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***, also showing deterioration from 24.60 in June 2021 to 27.87 in June 2022.

	CDI Jun'22	CDI Jun'21	New Default Balances Apr'22-Jun'22
Retail Loan Index	13,63	12,17	1 191 213 449
FAS Type 26 - largest credit exposure	19,32	18,36	195 085 522
FAS Type 18 - lowest CDI	5,60	6,62	18 697 800
FAS Type 30 - highest CDI	27,87	24,60	91 938 137

FAS	CDI		
FAS Type Name	Jun'22	Jun'21	Year on Year Δ
01. Independent Investors	6,59	3,27	3,32
02. Affluent Couples	7,42	4,75	2,67
03. Professional Players	8,92	6,71	2,21
04. Logged-On Lifestyles	6,44	6,84	-0,40
05. Liquid Living	6,20	5,89	0,31
06. Successful Singles	11,25	8,96	2,29
07. Lifestyle Lending	10,60	9,39	1,21
08. Comfortable Retirees	6,92	6,25	0,67
09. Secure Singles	14,94	11,12	3,81
10. Comfortable Couples	11,85	11,13	0,72
11. Steady Entrepreneurs	15,04	16,57	-1,52
12. Stand-Alone Singles	12,28	13,39	-1,11
13. Plugged-In Purchasers	11,49	11,64	-0,15
14. Payday Pursuers	10,35	11,54	-1,19
15. Deficient Directors	14,48	13,62	0,86
16. Credit-Reliant Consumers	20,97	17,60	3,37
17. Secure Seniors	5,79	5,24	0,55
18. Coping Couples	5,60	6,62	-1,02
19. Restricted Retirees	8,89	10,27	-1,38
20. Low Earners	17,55	16,85	0,70
21. Misfortunate Mature	10,16	10,50	-0,34
22. Concerning Citizens	15,01	13,03	1,98
23. Money-Wise Mature	10,64	10,90	-0,26
24. Depleted Resources	14,32	9,63	4,69
25. Strained Adults	16,57	14,68	1,89
26. Online Survivors	19,32	18,36	0,96
27. Struggling Earners	15,95	17,57	-1,62
28. Minimum-Money Workers	26,97	21,65	5,32
29. Inexperienced Earners	27,78	18,25	9,53
30. Eager Youth	27,87	24,60	3,27

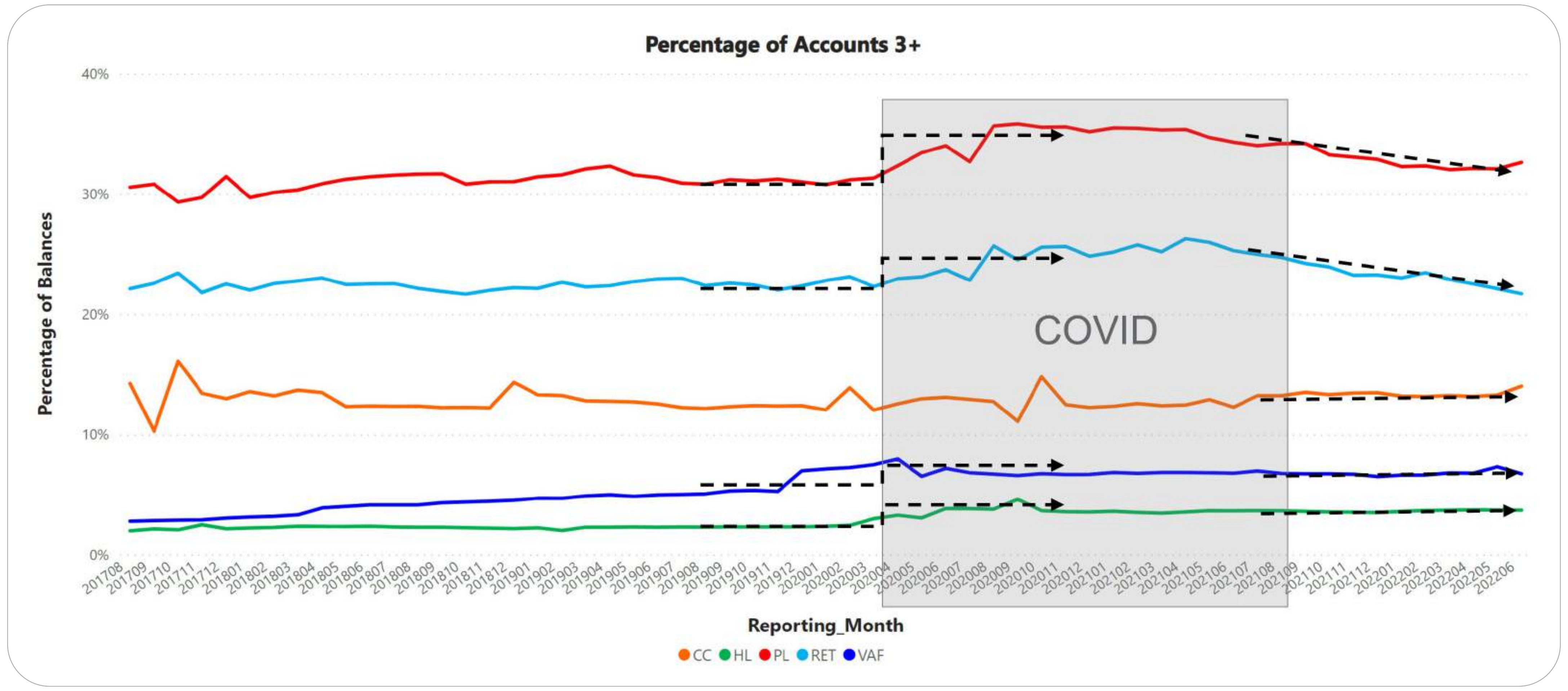




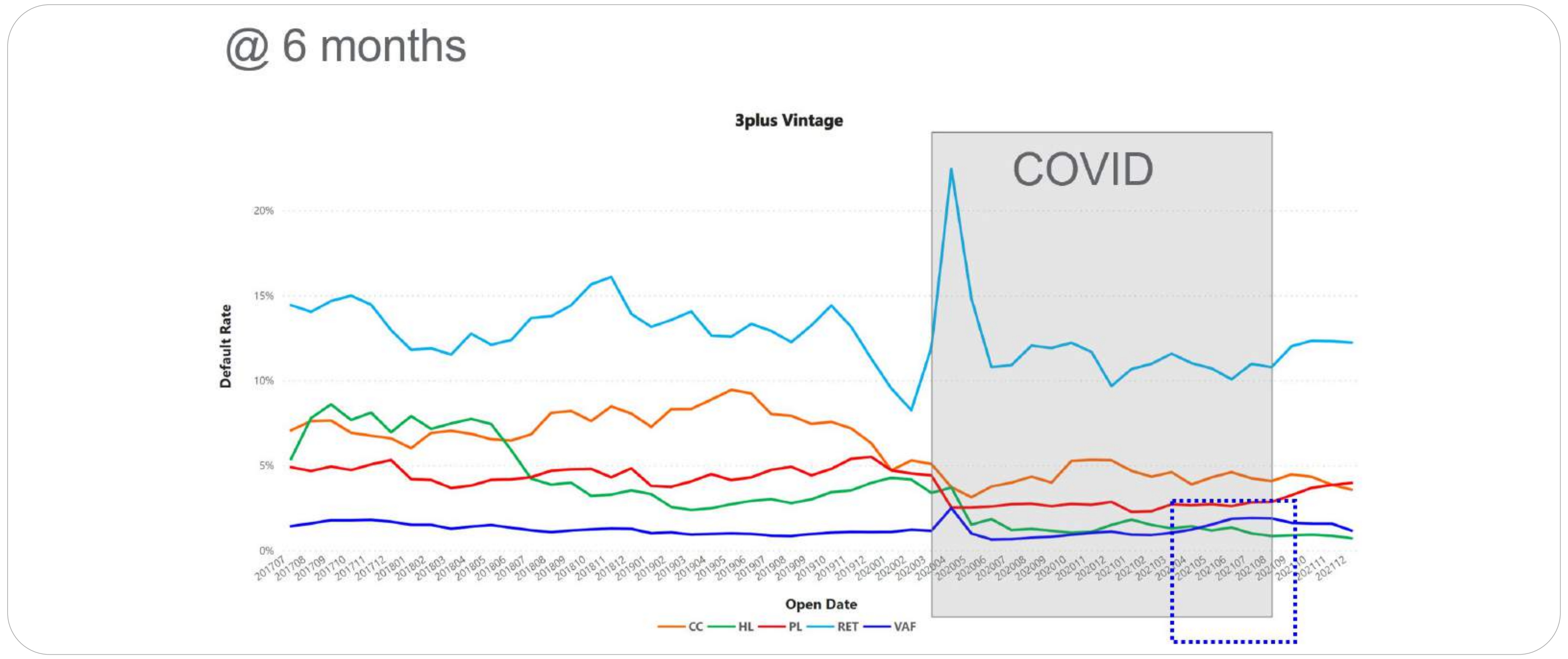
Arrears & Vintages

Performance by Product

3+ Arrears (volume based)



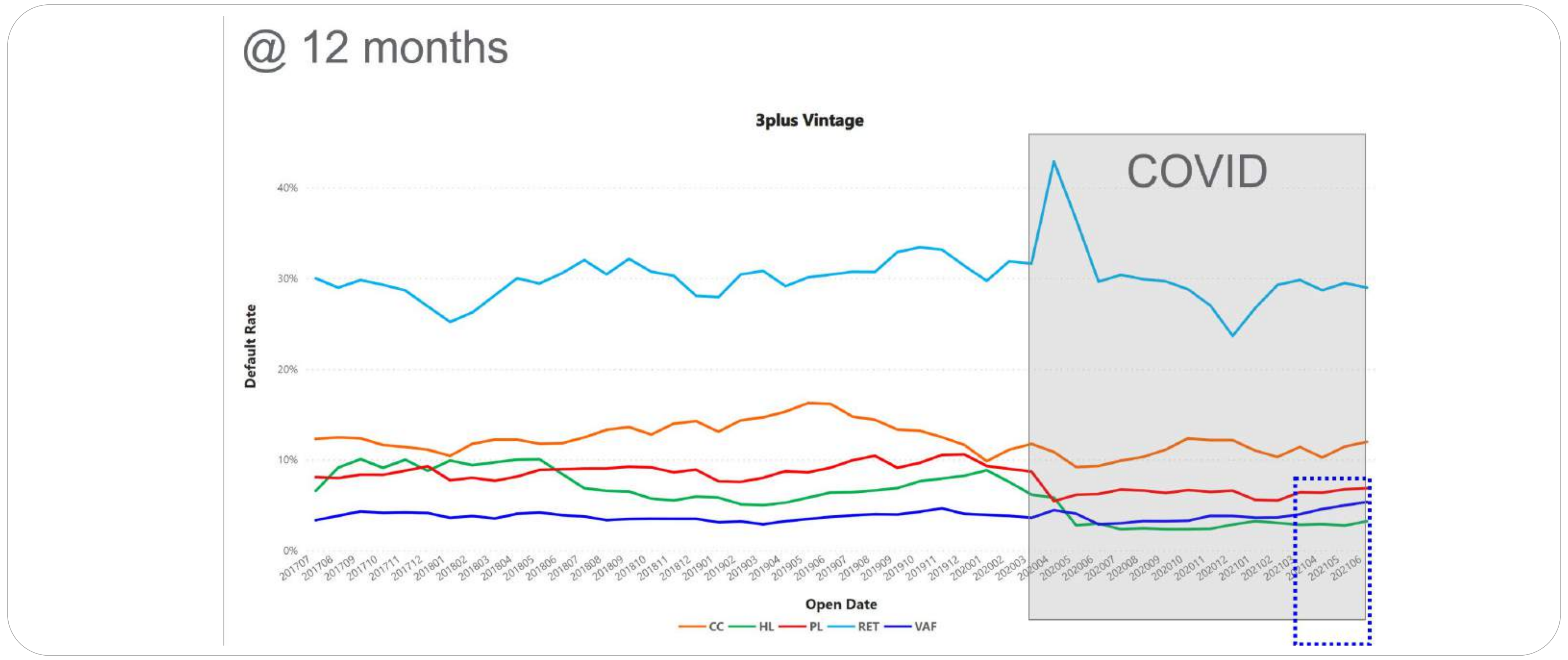
As a whole, COVID saw an overall deterioration in 3+ default rates across the market (bar Credit Card). In the case of Personal and Retail Loans, the last year has seen a significant improvement in arrears, as consumers have shown a slow return to pre-COVID levels of Arrears.



“As a whole, **COVID saw an overall deterioration** in 3+ default rates across the market (bar Credit Card).”

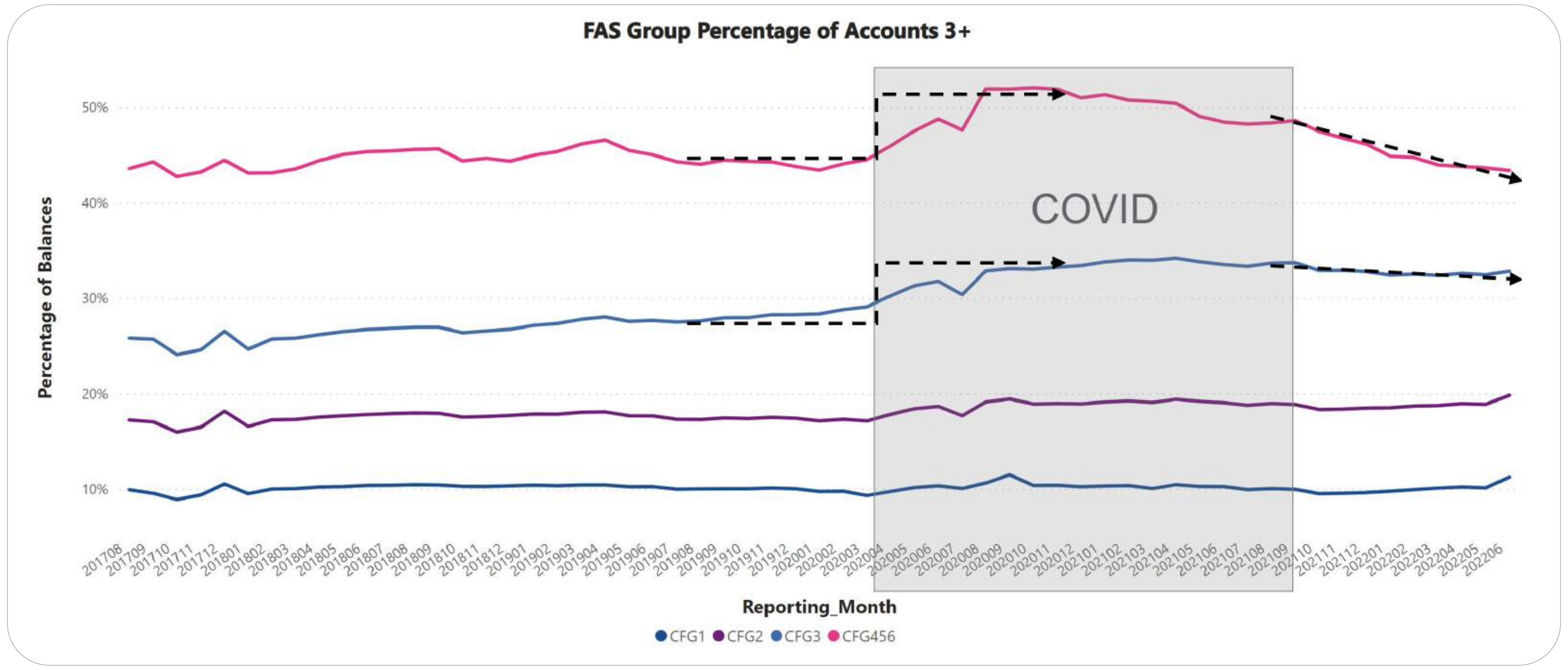
Vintages at 6 months have been influenced by COVID – especially following the initial hard lockdown – in the Retail and Vehicle Loans portfolios. For the most part, though, the prevailing **low interest rates**, coupled with overall increased **risk aversion** by lenders, have caused Default rates to be at **relatively low levels** over the last 2 years – specifically regarding **bank credit**.

Vehicle Finance business written between April 2021 and September 2021 has shown an increased default rate. This could be related to inflationary pressures starting to impact new vehicle owners. Early indications from the at 6 months view suggest that **Personal Loans** are showing an increase in Default Risk – specifically looking at new business originated since October 2021.



Performance by FAS Group

3+ Arrears (volume based)

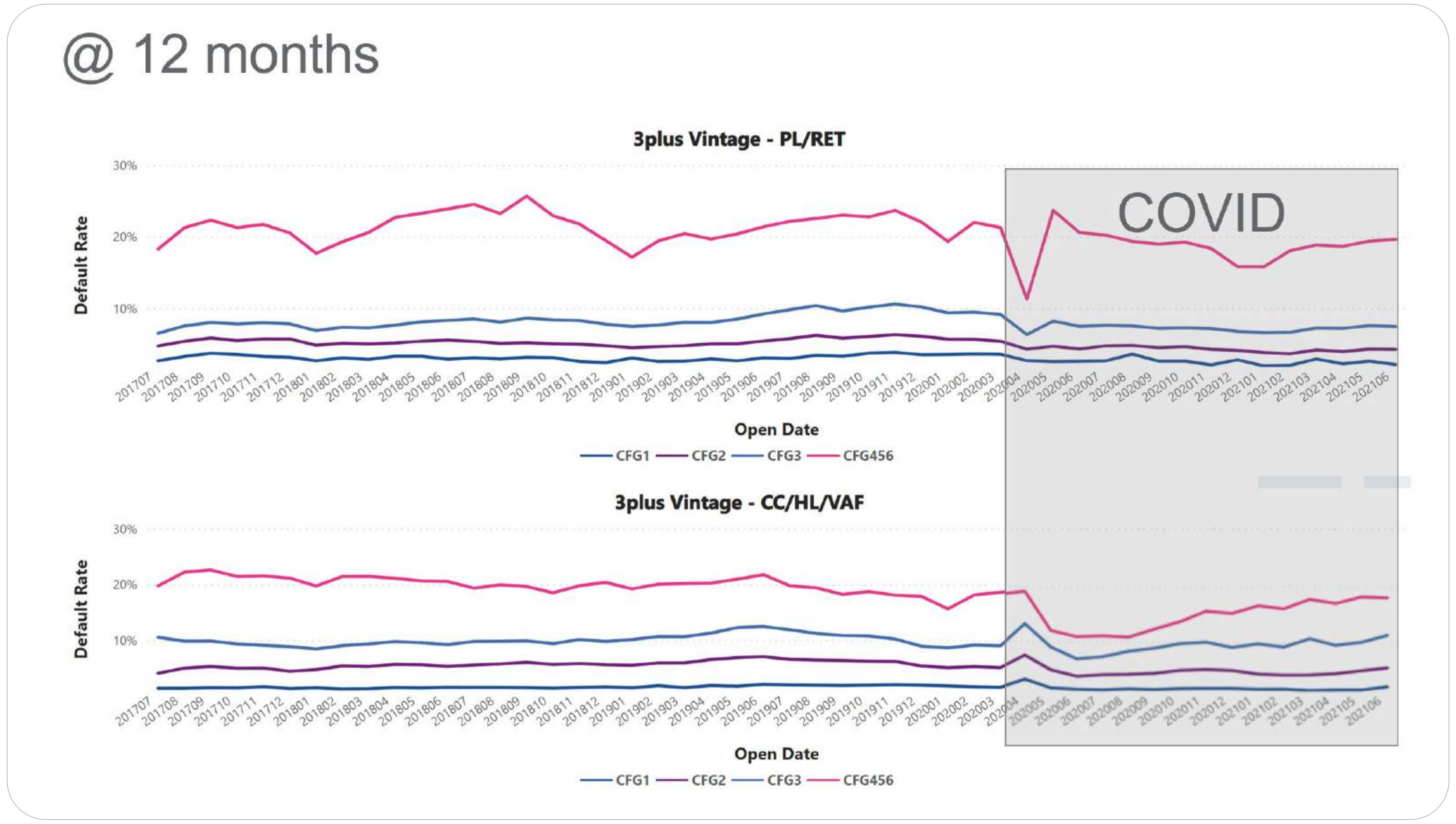


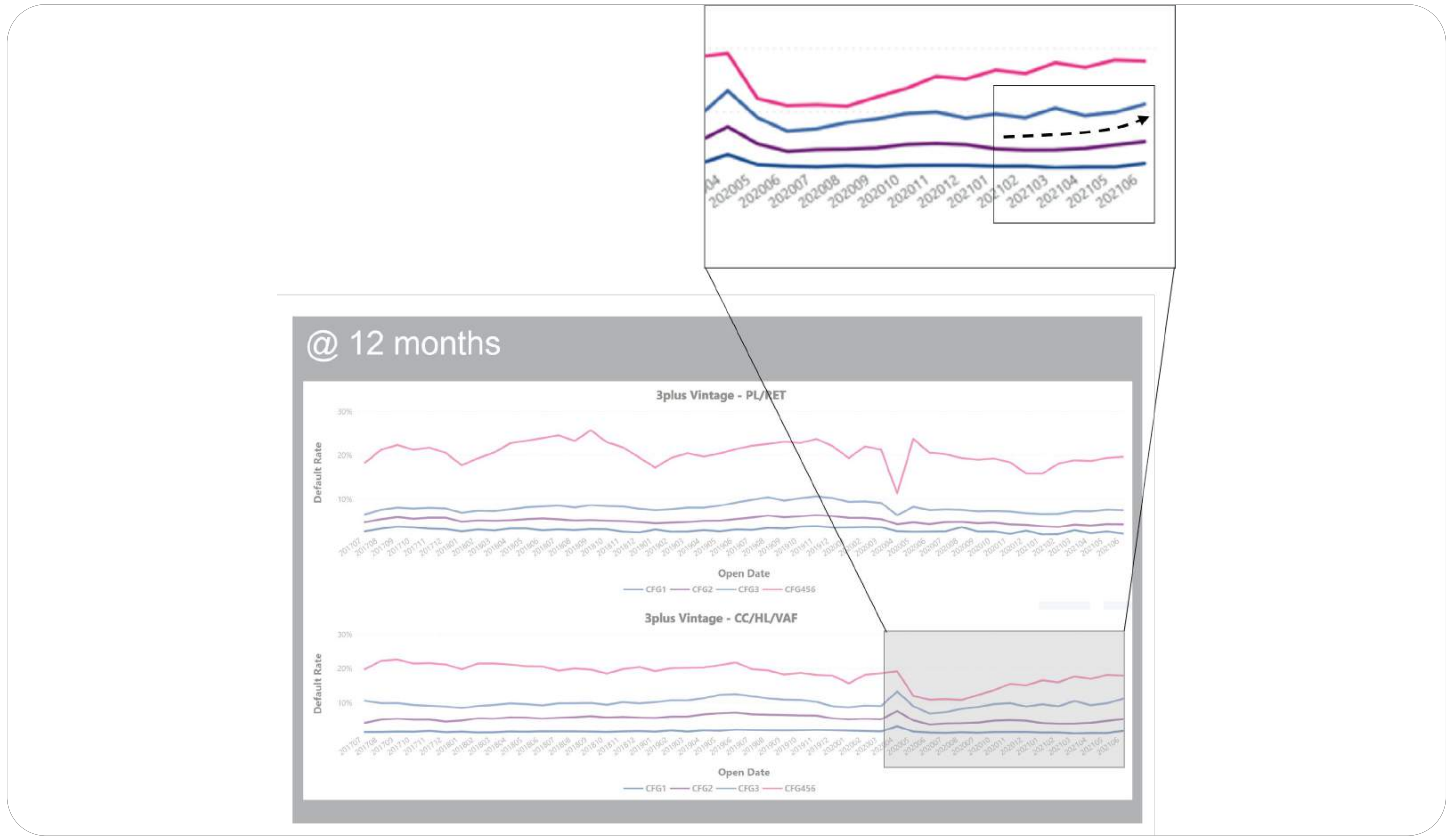
Although in the **immediate aftermath of the COVID** lockdown, all FAS Groups saw a deterioration in terms of 3+ Arrears, it did not take long for the less affluent **FAS Groups 4, 5 & 6** to start showing significant improvement in their arrears. In contrast, FAS Groups 1 and 2 have remained relatively stable after the initial shock, not really showing as significant a movement from a volume of accounts perspective as the less affluent consumer groups do. Keep in mind that FAS Groups 4,5 & 6 hold >50% of the total exposure in the Retail market.

3+ Arrears Vintages (volume based)

Following the initial impact of hard lockdowns, causing a decrease in default rates in the **Personal and Retail Loans** vintages @ 12 months due to **very low New Business volumes**, these portfolios have for the most part returned to levels observed prior to COVID across consumer FAS segments.

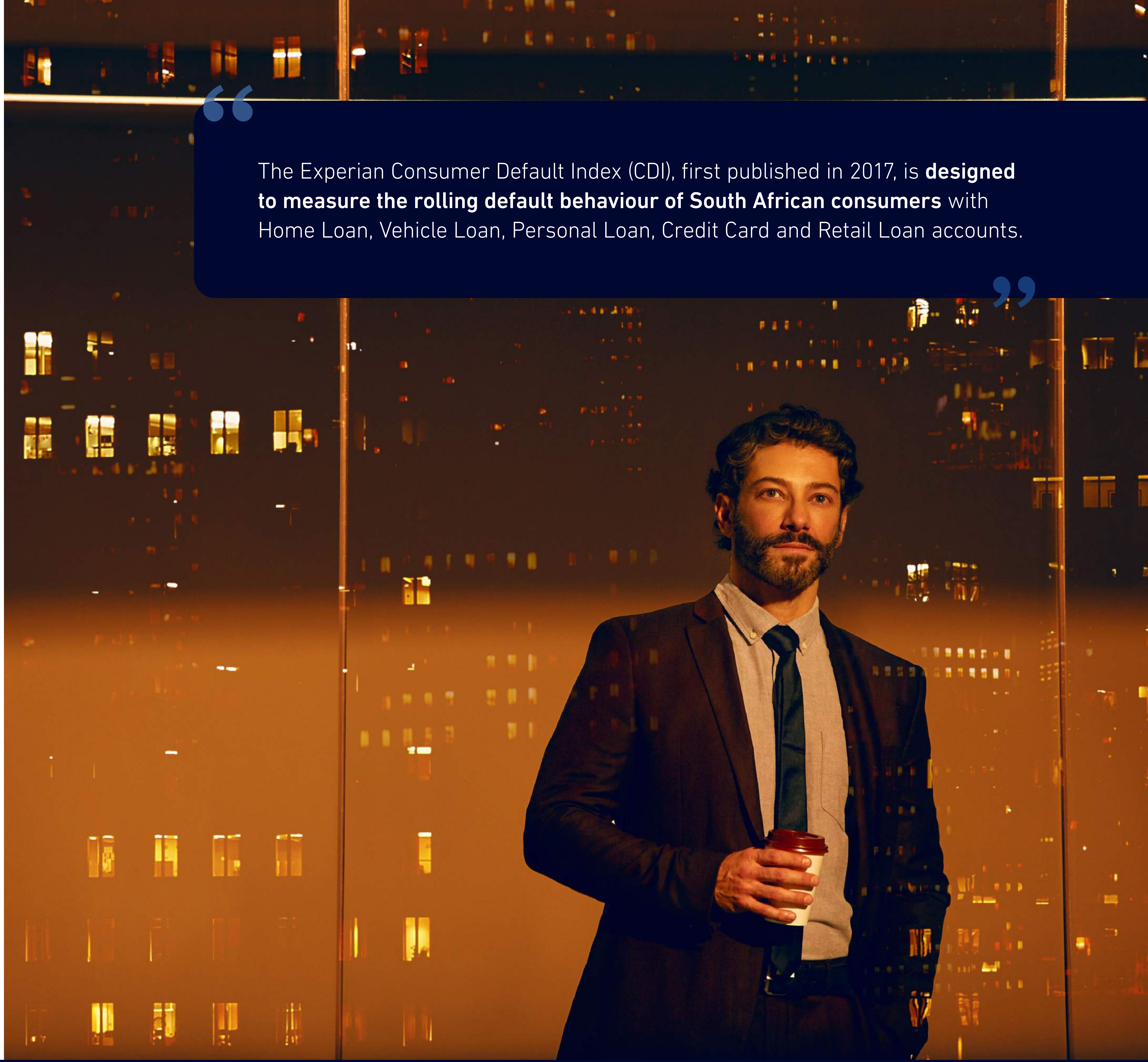
In the case of **Card, Home and Vehicle Loans**, higher affluence consumers showed a significant increase in default rate immediately after the lockdown regulations were implemented. In the case of FAS Groups 1, 2 and 3, there has been an upward trend in default rate regarding secured loans and cards – probably linked to increased interest rates and cost of living.





Summary of the CDIx

- **The cost of living** has been increasing significantly over the last 2 years.
- Decreased **affordability** of consumers observed:
  - Likely increased inability of consumers to meet debt obligations.
  - Likely reduction in qualification for new credit.
- Decreased **qualification** for credit from a credit rules perspective.
- Market **appetite has increased** significantly over the last 2 years.
- **New product volumes** have not recovered to pre-COVID levels:
  - Specifically due to Personal and Retail Loan volumes still returning to former levels.
  - Values have recovered, though probably the result of increased CPI.
  - High affluence consumers (FAS Groups 1 and 2) typically qualified for and took up much higher value loans.
- The **Composite CDI** has shown an overall improvement:
  - **Vehicle and Retail Loans** have shown a Y-o-Y deterioration in 2022 Q2.
  - FAS Groups 1 and 5 have shown Y-o-Y deterioration.
- **Personal** and **Retail Loans** have shown an overall **improving trend** over the last 2 years from a **3+ arrears** perspective.
  - That these product portfolio's showed particular risk aversion in credit decisioning since the onset of COVID – explaining why these product portfolio's are showing improvement.
  - The FAS Groups 3 – 6 have thus shown improvement in this regard as well, as new credit have typically been allocated to even lower risk consumers than was previously the case.



"The Experian Consumer Default Index (CDI), first published in 2017, is **designed to measure the rolling default behaviour of South African consumers** with Home Loan, Vehicle Loan, Personal Loan, Credit Card and Retail Loan accounts."

Experian Solutions used in the CDI and CDIx

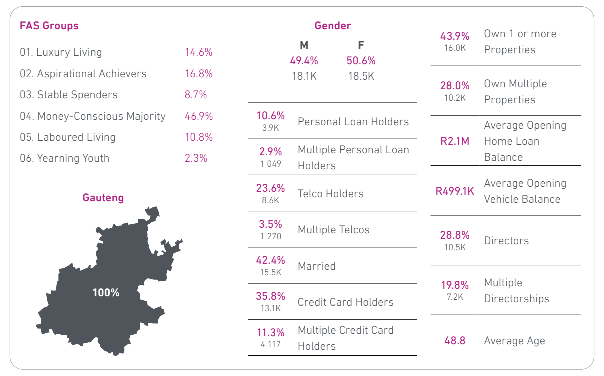
This report leverages Experian data, analytics and technology solutions to bring you insights into consumers in South Africa.

Our solutions used to develop the CDI and CDIx include:

- Consumer macro- and micro-segmentation (FAS)
- Bespoke CDI views (benchmarking your business against the rest of the market)
- Analytics Benchmark Reports (quarterly full packs or monthly lite reports)
- Macro-economic views expanded on in the Business Debt Index (built and maintained in collaboration with Econometrix (Pty) Ltd)

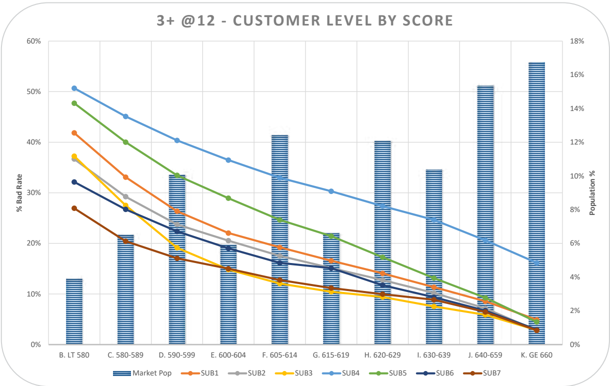
Understanding your Customers

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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