CDIx

CONSUMER DEFAULT INDEX - Extended

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

February 2023 | **Quarter 4**

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For the best visualization experience switch to the full screen modality, keyboard shortcut: ctrl + L

Glossary

CDI Consumer Default Index

CDIx Consumer Default Index Extended

CPI Consumer Price Index

NAB Non-alcoholic Beverages

NCR National Credit Regulator

SAPIA South African Petroleum Industry Association

SARB South African Reserve Bank

StatsSA Statistics South Africa

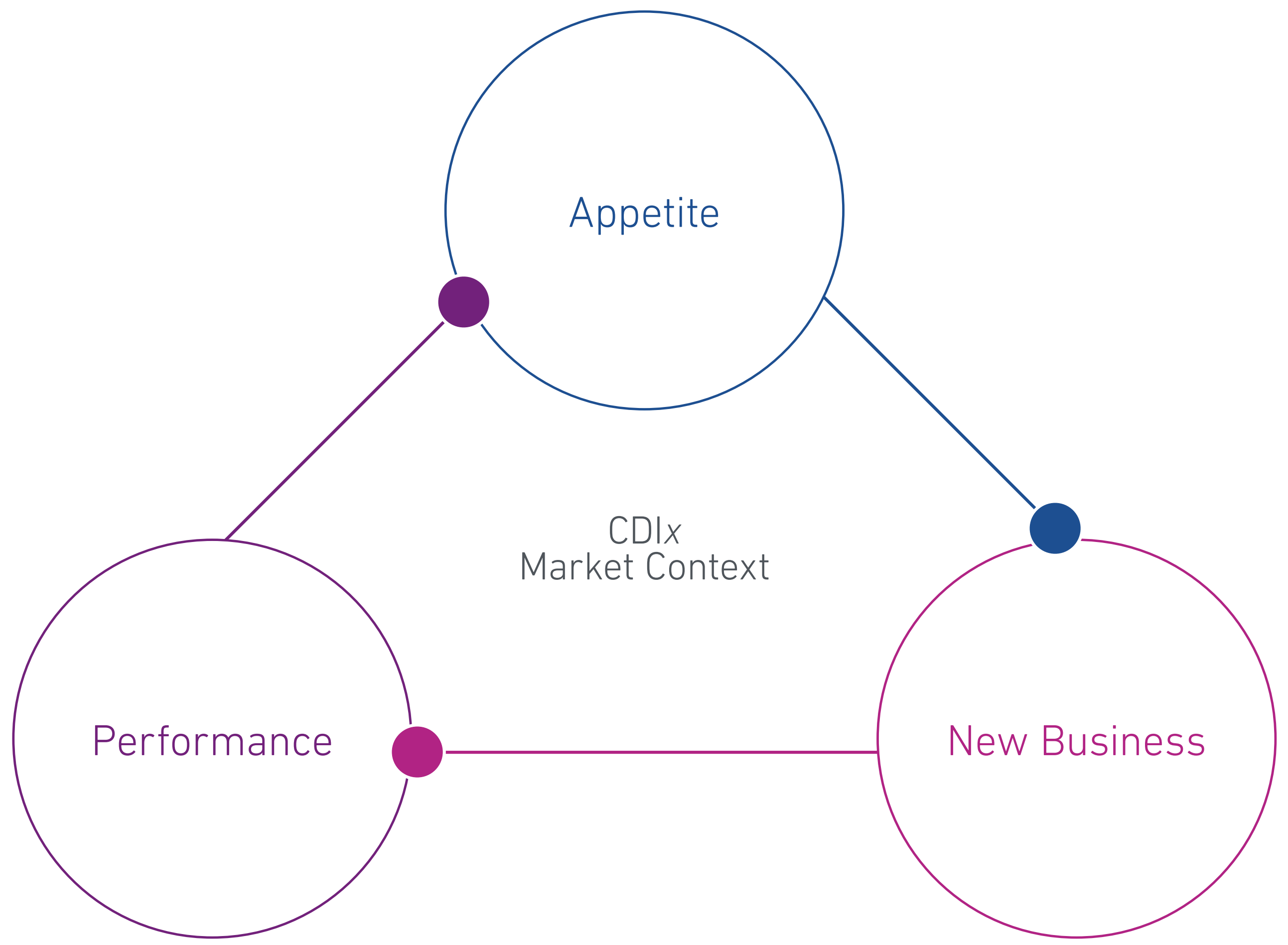
CDIx – Experian Consumer Default Index Expanded

Overview of CDIx – What does it measure?

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

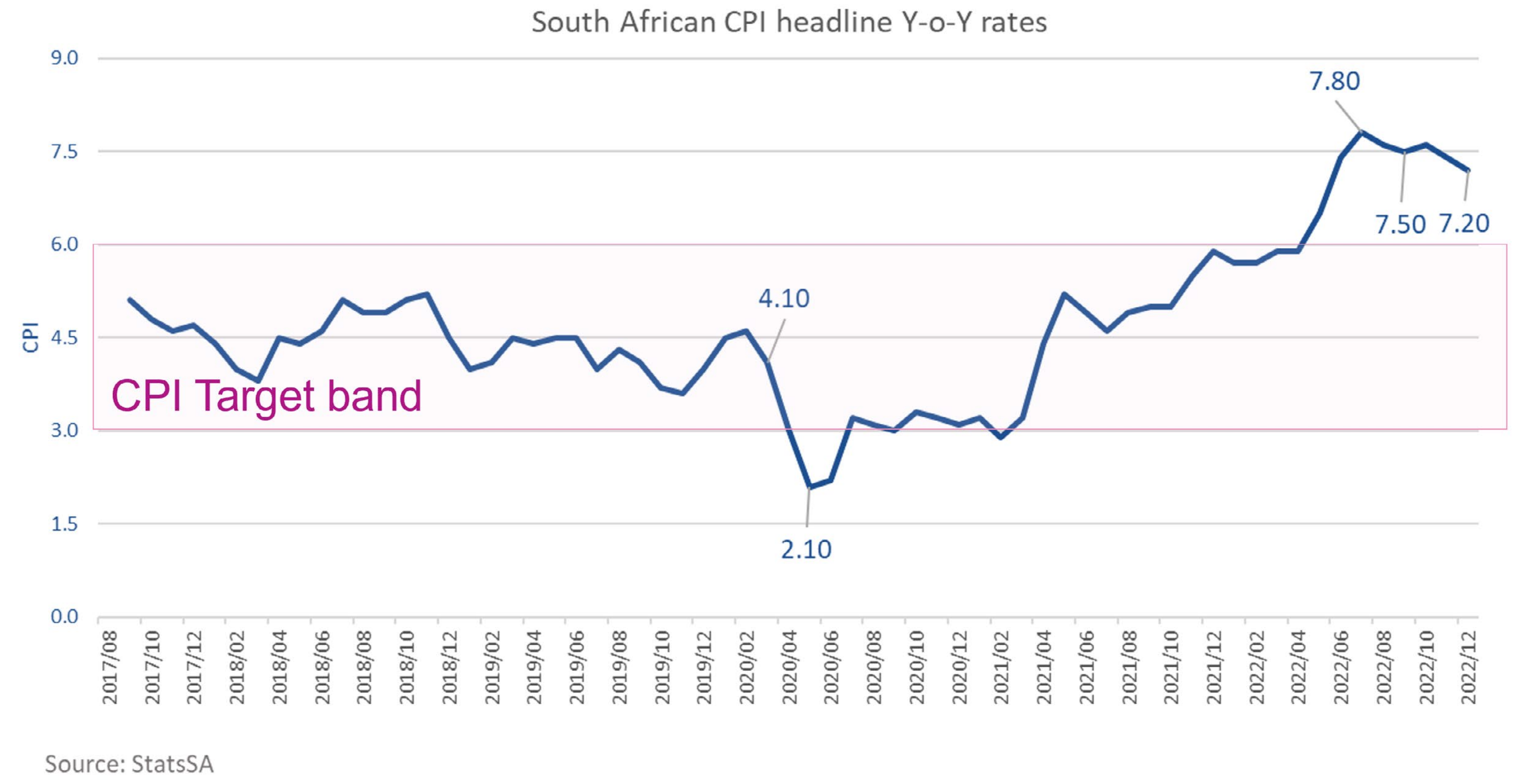
The CDIx provides a quarterly overview of the credit landscape in South Africa, combining the widely used CDI with views on the latest credit industry trends as well as commentary on the context within which these trends are observed.

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



Market Context

Cost of Living: Consumer Price Inflation

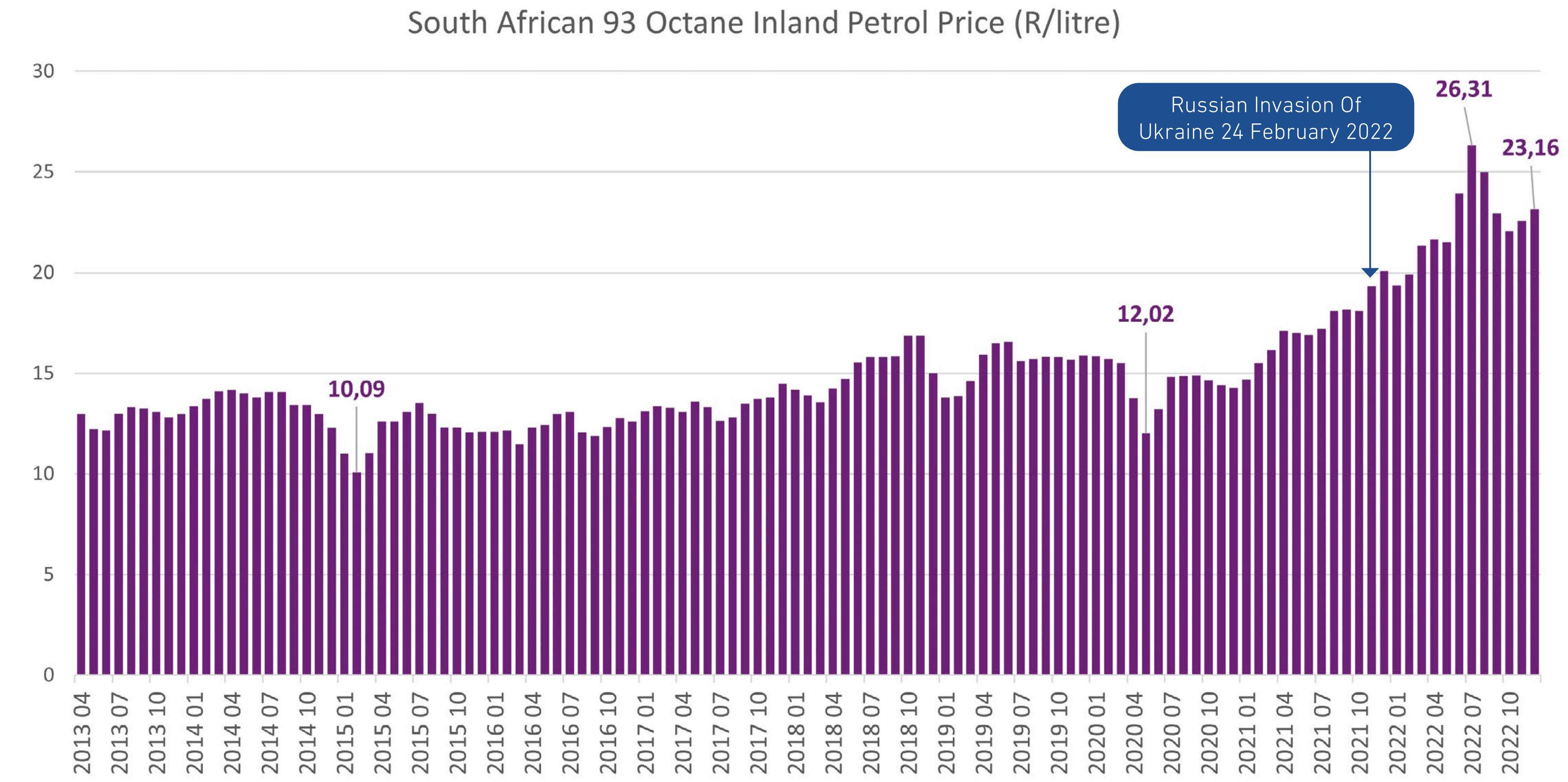


The CPI has shown further easing over the course of the last quarter, moving down from 7.5 % in September 2022 to 7.2% in December 2022. This signifies a slowing rate of price increase – but a price increase nonetheless. The CPI has exceeded the **SARB's target band of 3% - 6%** since May 2022. The recent trend of easing CPI might lead to interest rates continuing to increase for some time still this year.

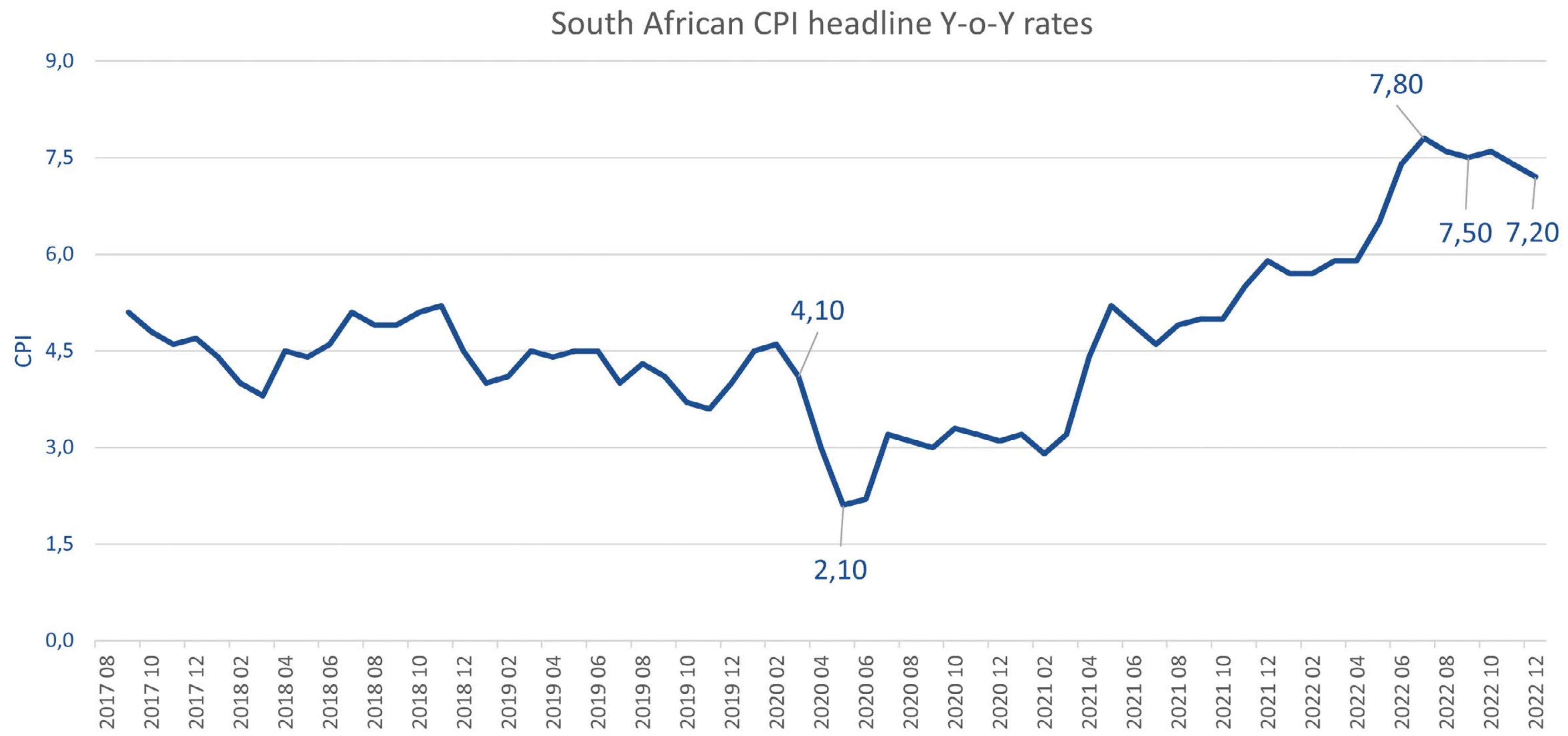
One of the burning points in terms of Cost of Living has been the costs associated with **Electricity** – both from an Eskom tariff perspective as well as from an alternative electricity perspective (e.g. generators, solar).

> "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)



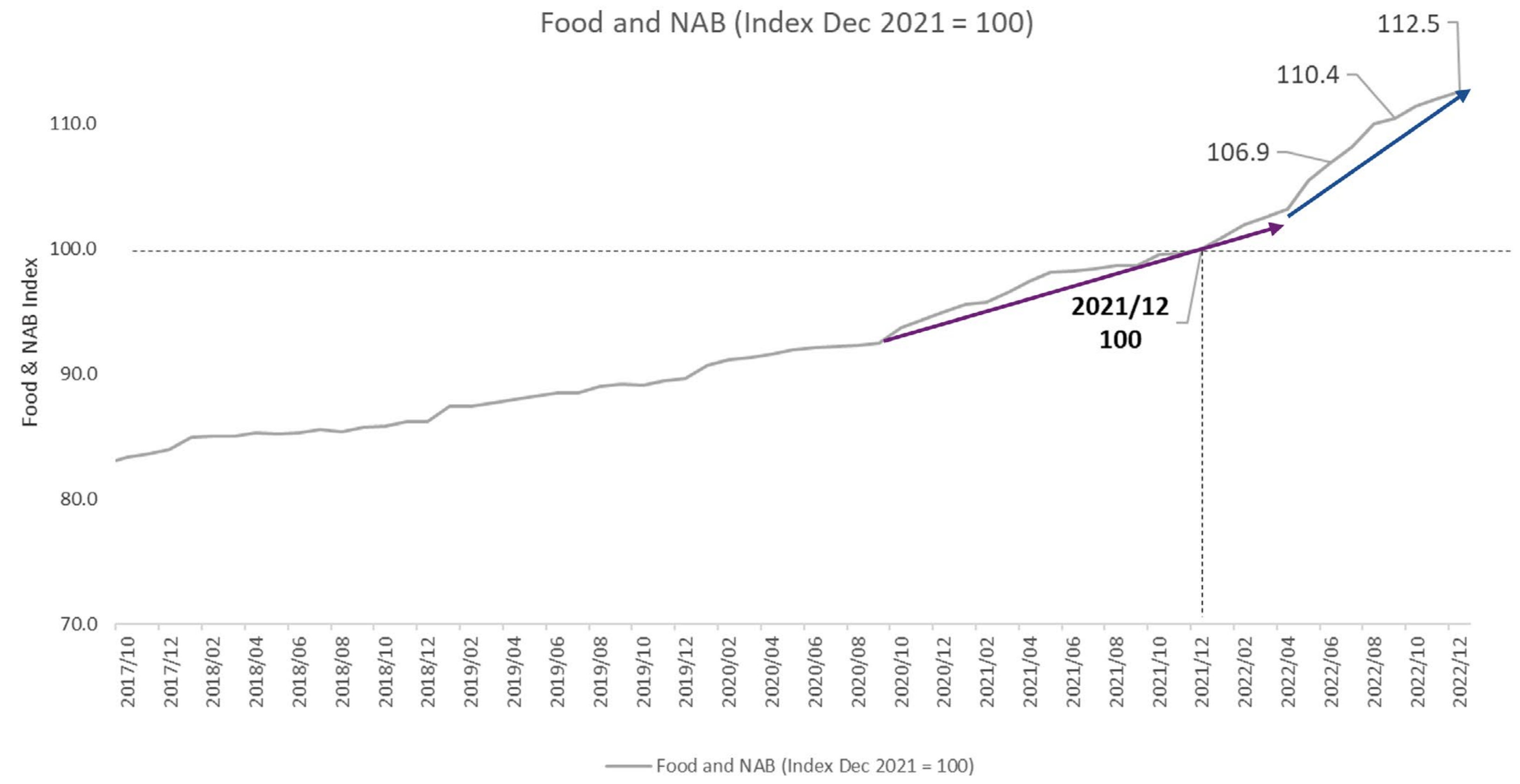
Source: SAPIA



Source: Stats SA

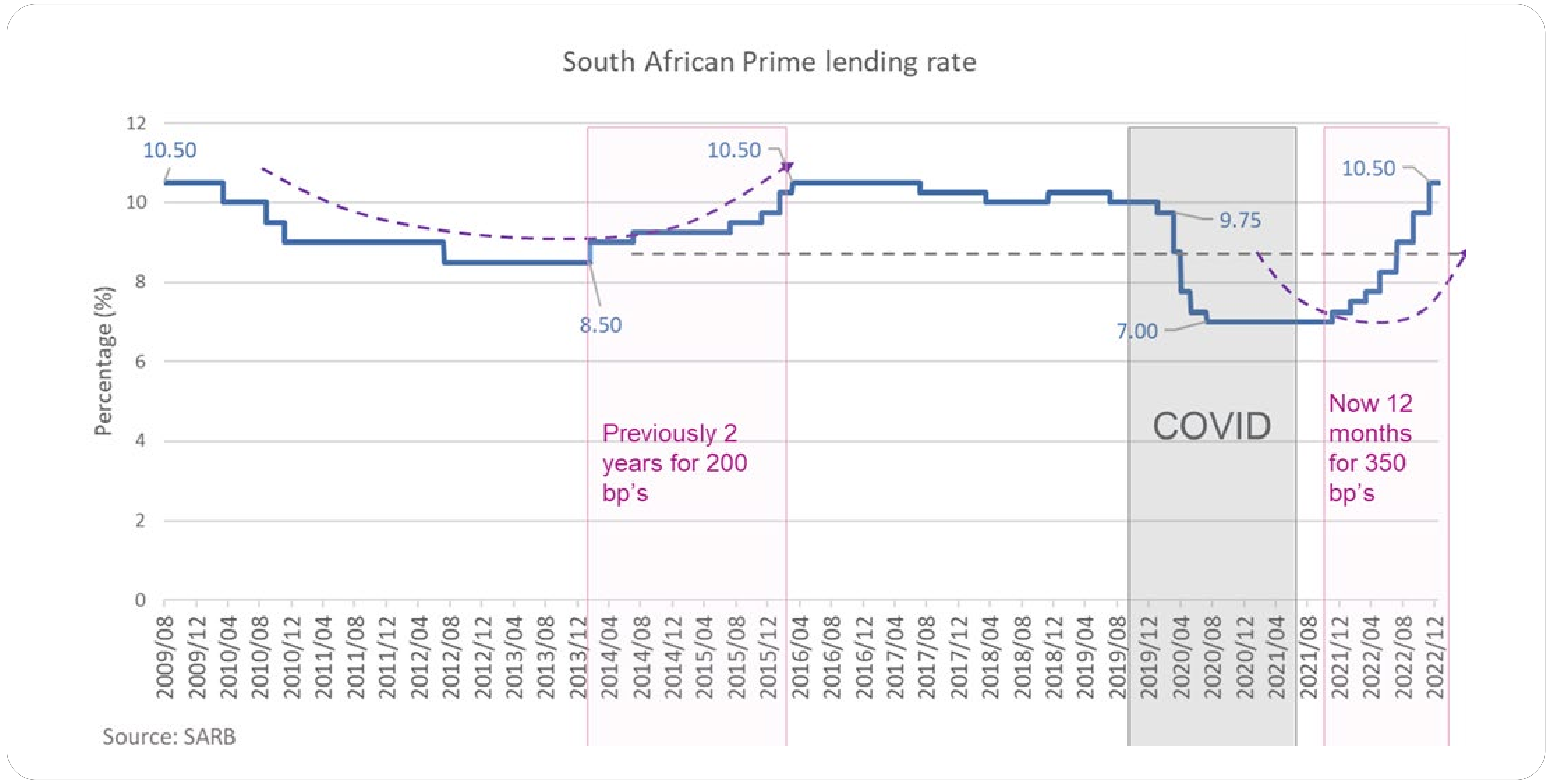
Although Fuel prices remain high, we have seen a trend of reduced prices over the last 6 months. This predominantly stems from the fact that the Brent Crude oil price has been easing of late. The weakening ZAR, however, has been countering the benefit to be had as a result of the reducing oil price.

Food and Non-Alcoholic Beverages price index



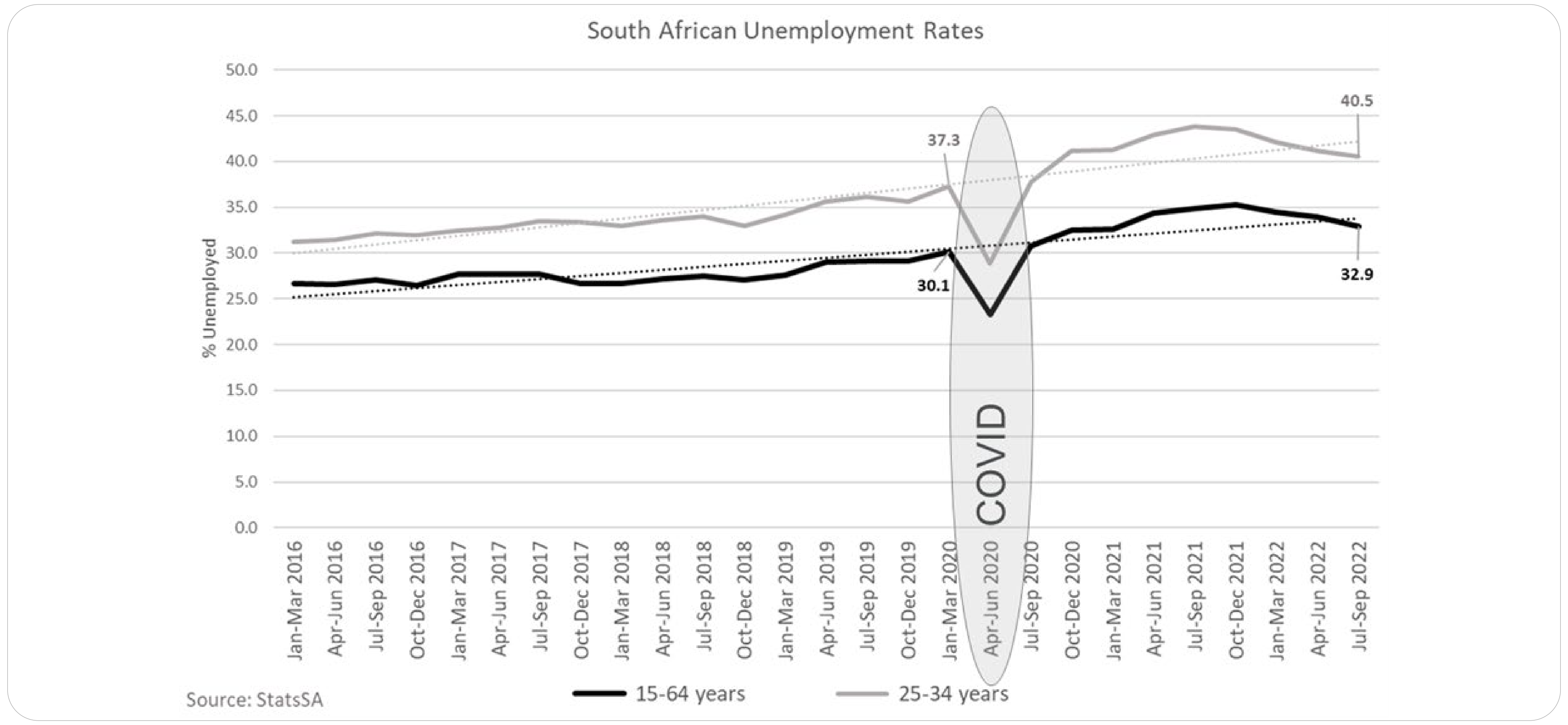
It is concerning, however, to see how the price of food and non-alcoholic beverages (NAB) has increased – almost exponentially – over the last year. One of the major drivers of this increase has been the surge in global grain and oilseed prices. The weakening Rand, the increasing cost of fertilizers and loadshedding (which leads to increased costs along the supply chain) are some of the other drivers of this increase in food prices.

Interest rates



Continuing along the same trajectory since December 2021, the Prime lending rate has seen further increases in Q4 of 2022. The main driver behind this upcycle has been the CPI which has soared to levels high above the upper limit of the SARB target band. Furthermore, the rate at which interest rates have increased over the past year has been staggering. Indeed, for young consumers, being relatively new to the credit world, these continued interest rate increases would have had an impact of note on household expendable income.

Unemployment

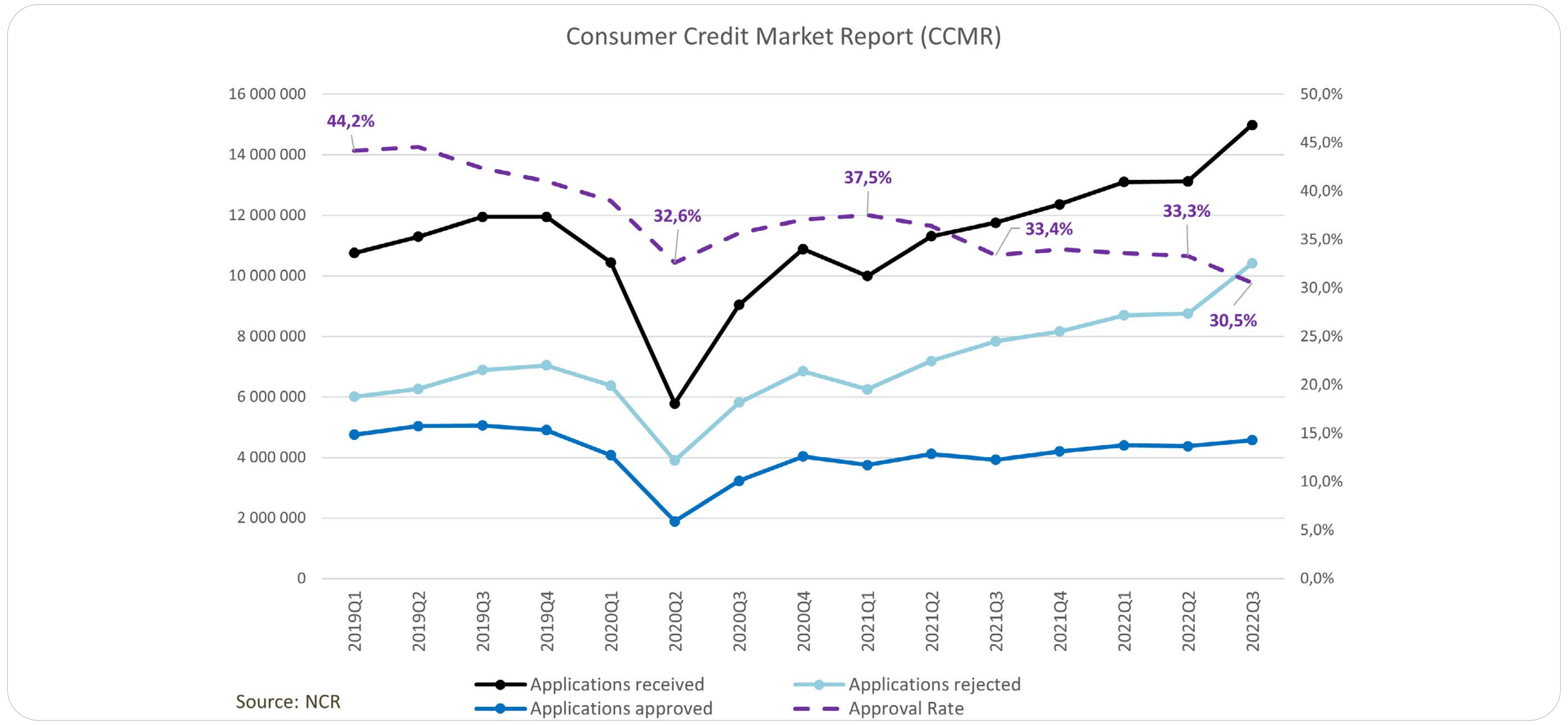


South Africa has been faced with very high unemployment rates for decades. This has been exacerbated by the COVID lock-down regulations so that at an overall level, SA unemployment currently stands at 32.9% (even more worrying is the more rapidly increasing **youth unemployment** rate – currently standing at 40.5%).

The unemployment rate has, however, **improved to some extent**, as South Africans have been finding ways of being resilient in the face of still a disastrous economic environment. Still, SA unemployment exceeds levels observed prior to the pandemic.

Market Appetite

Increase in appetite; Decrease in approval rate



The appetite for consumer credit has soared to record levels in Q3 of 2022 (as per data prepared by the NCR). Approval levels have, however, remained stable, giving rise to a significant contraction of Approval rates. Indeed, we saw the consumer credit approval rate moving down from 33.3% in Q2 2022 to 30.5% in Q3 2023. This highlights the fact that consumers are looking to credit to cover the shortages in their cost-of-living expenses.

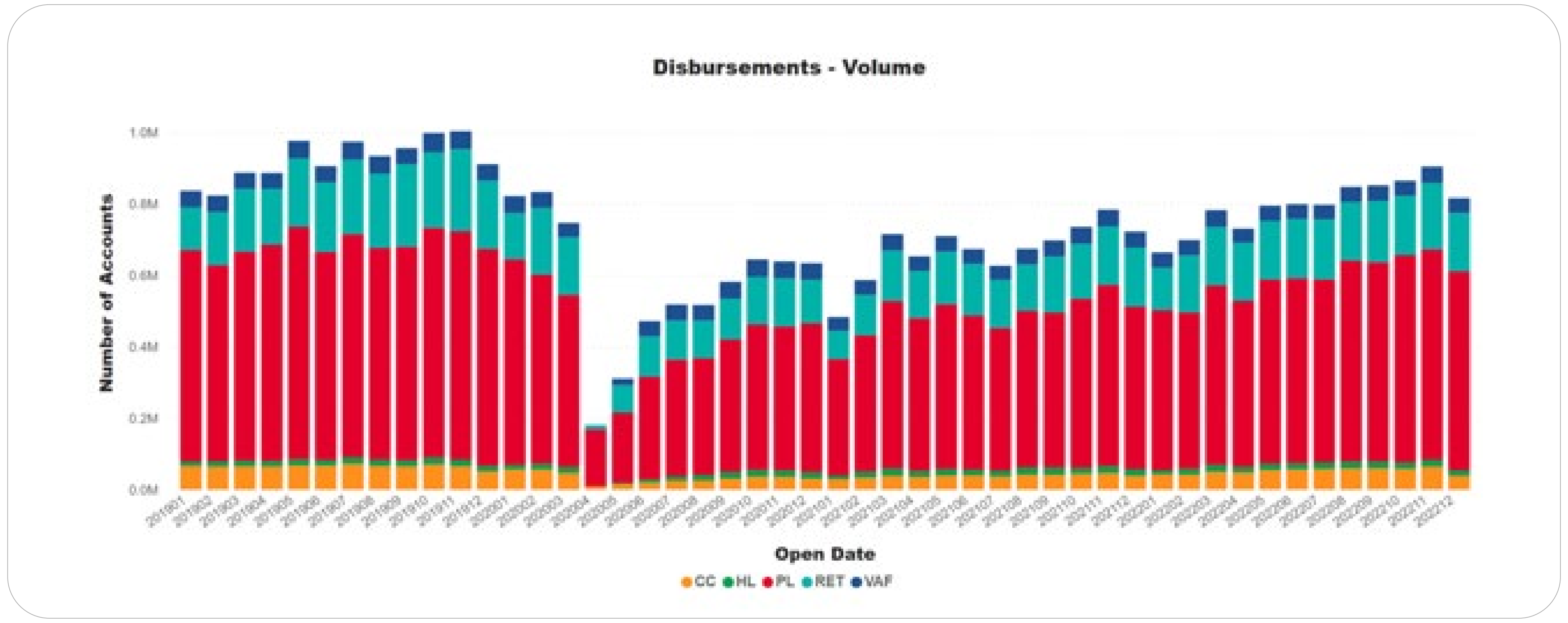
> The appetite for consumer credit has soared to record levels in Q3 of 2022 (as per data prepared by the NCR).

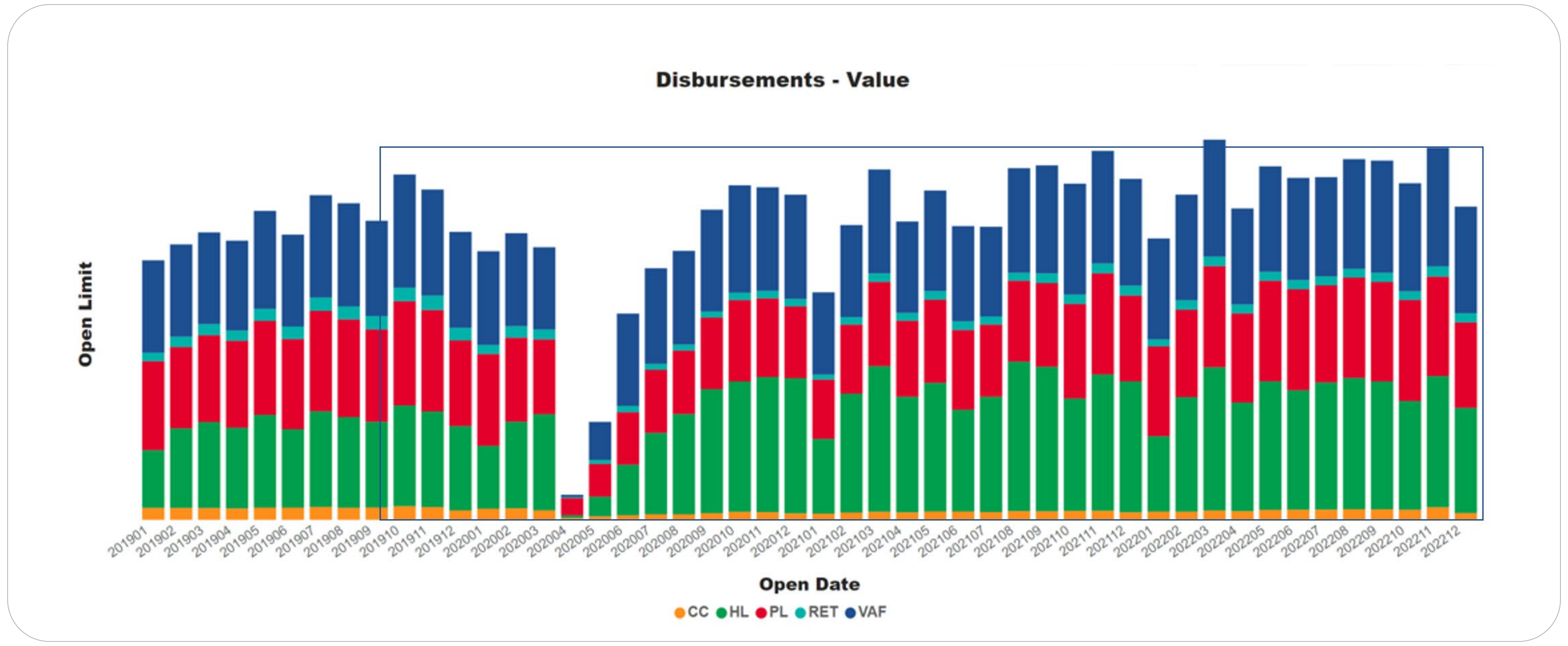
Market Growth

New Business

Overall, New Business **volumes** have continued along the recovery in the 4th quarter, with new business volumes in November (Black Friday and early Festive season spending) reaching the highest monthly total since December 2019.

On the other hand, New Business **values** continue to exceed pre-pandemic – mainly due to inflationary pressures and an increase in the cost of living.



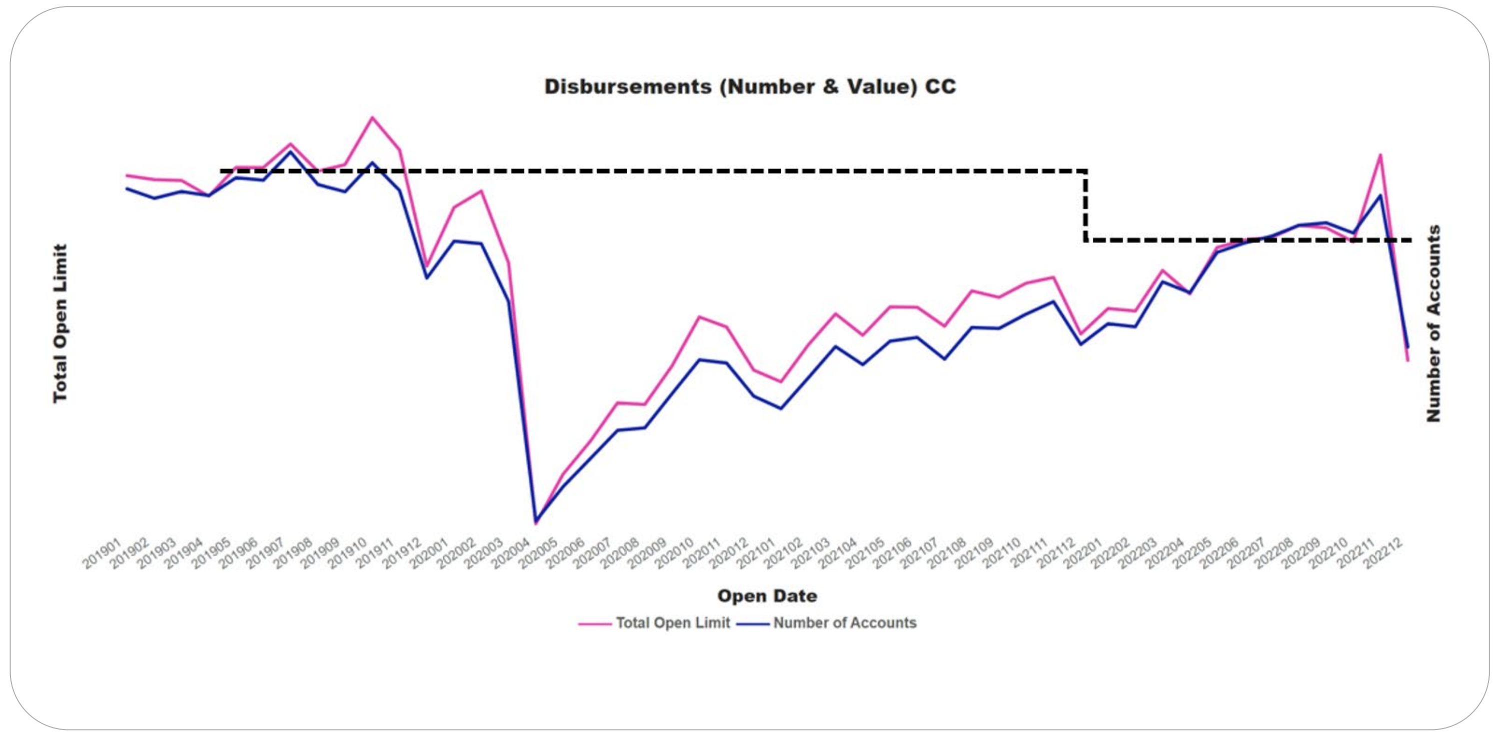


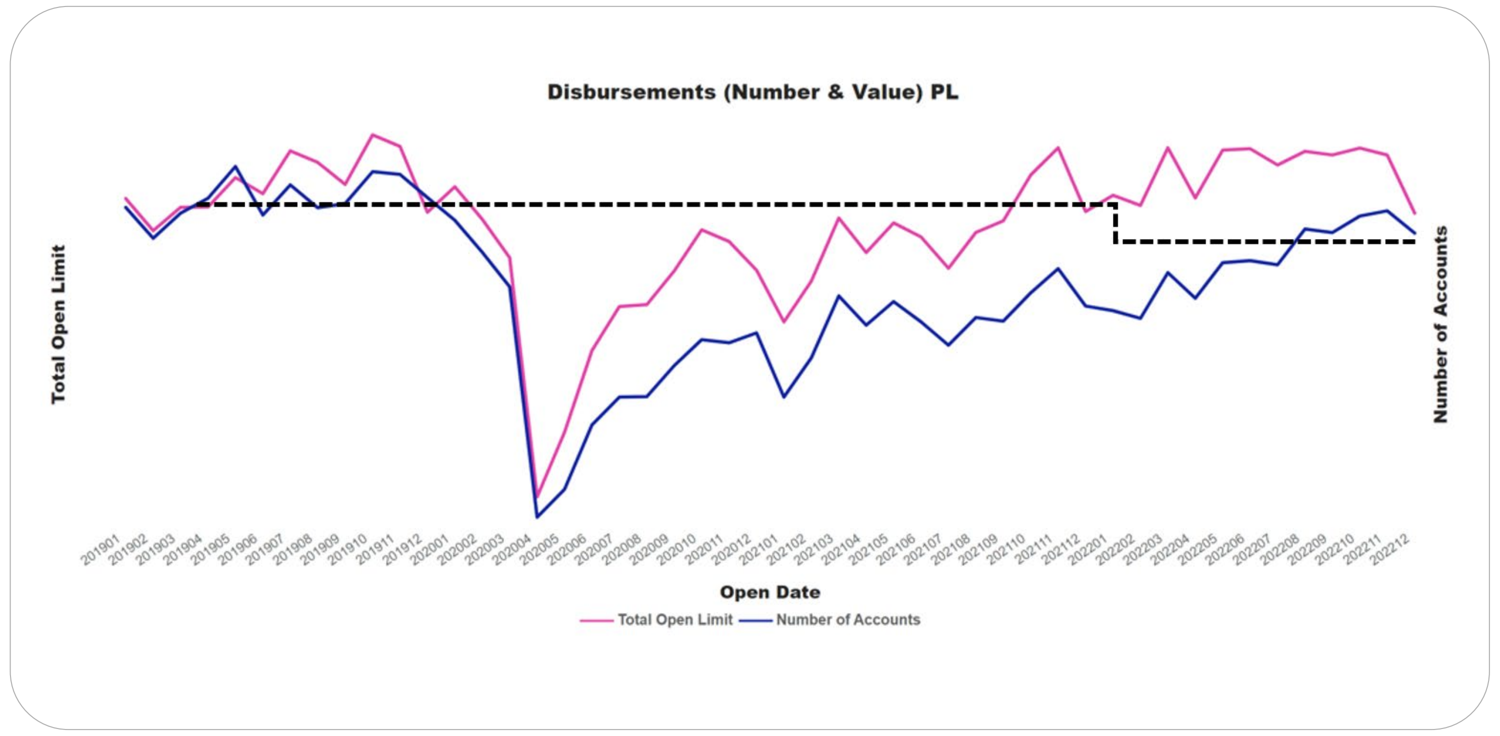
New business by product

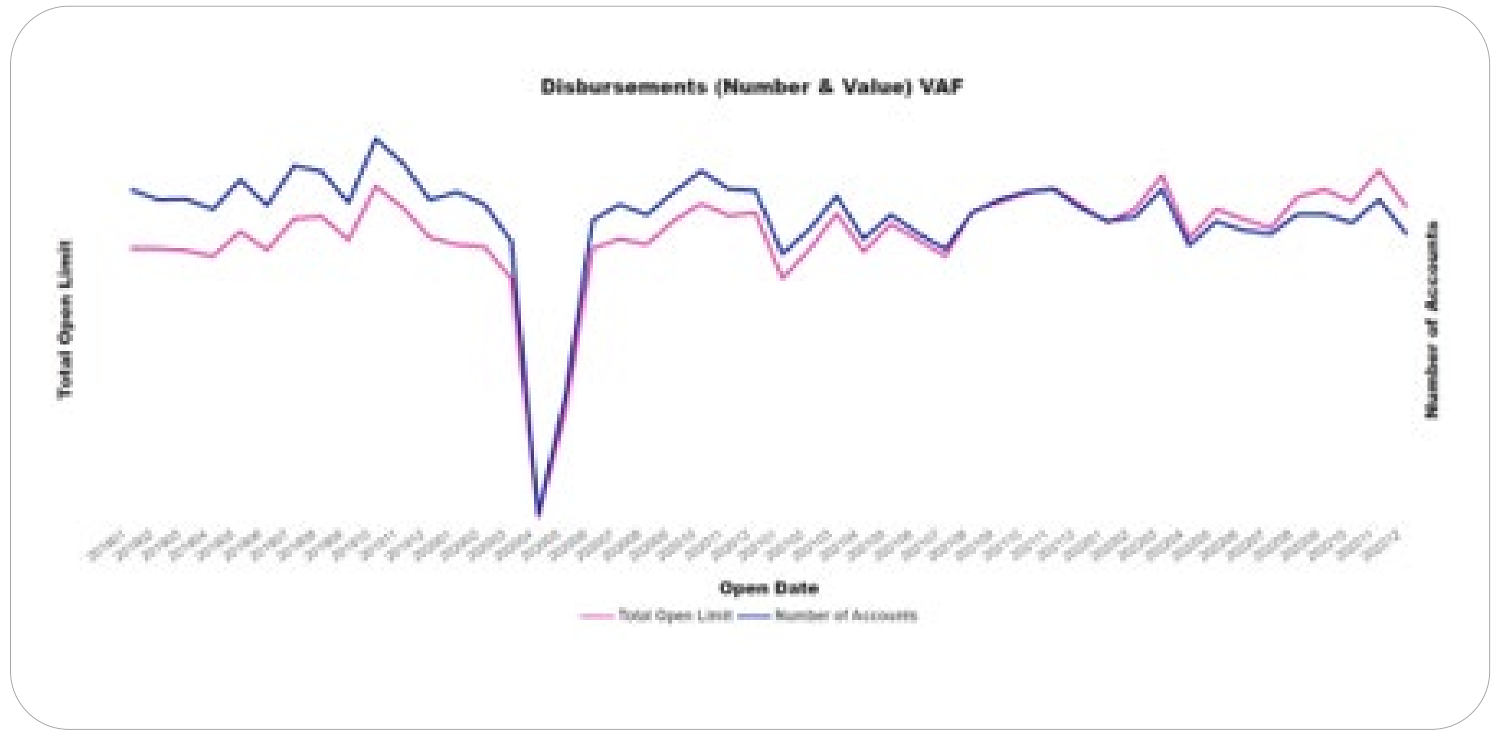
From an **unsecured loans** perspective, Personal and Retail Loans have not yet recovered to new business levels observed in 2019. **Personal Loan** limits, however, have been exceeding pre-COVID levels over the last 8 months now. This points to the fact that **higher affluence** consumers have been increasingly dependent on Loans to maintain their standard of living. Black Friday (November 2022) sales did seem to have an impact on the new business volumes specifically for **Retail Loans**.

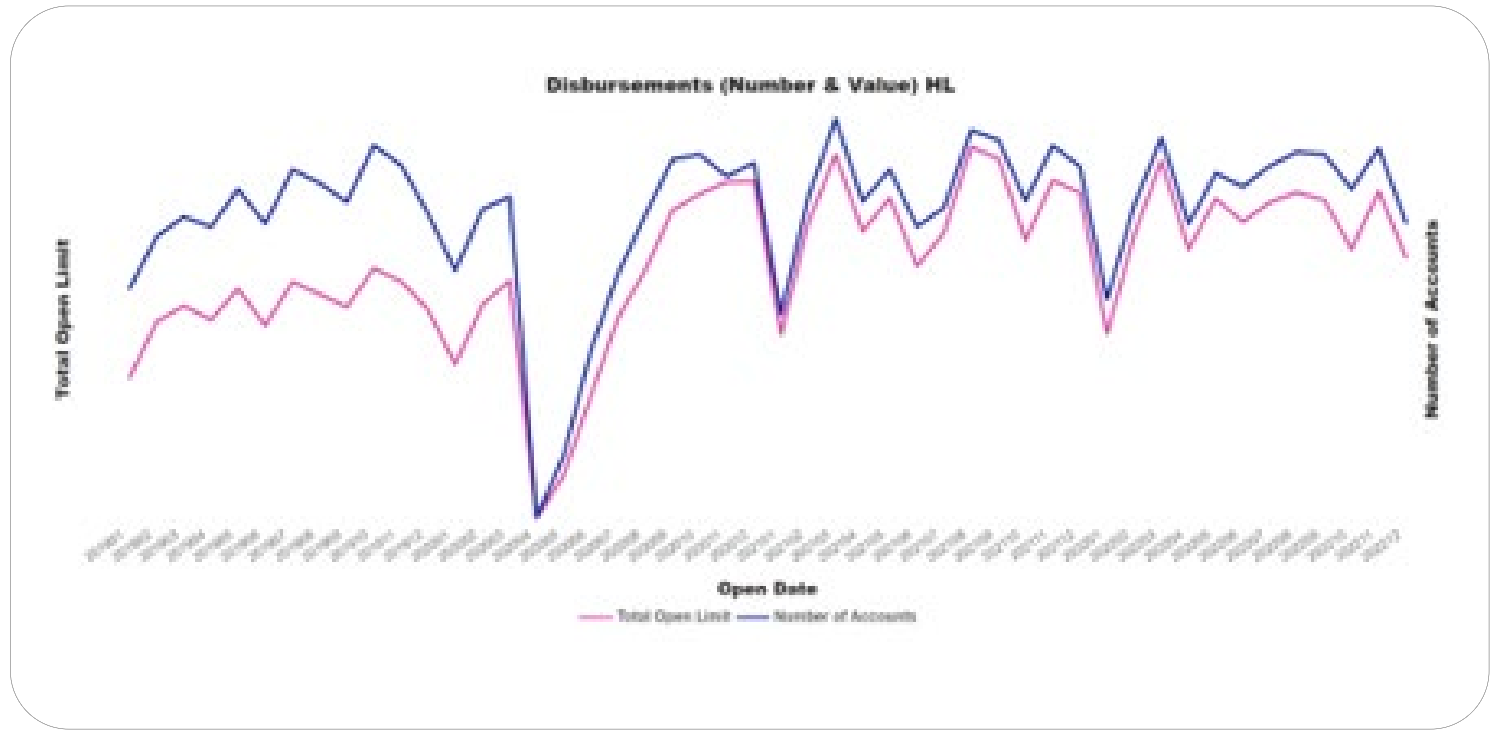
Credit Cards continue along the recovery trend – both in value and volume. High affluence consumers (FAS 1 and 2) typically hold >75% of the total exposure in this market. These results again suggest that these high affluence (and typically low-risk) consumers are highly dependent on this product to meet the demands of their standard of living.

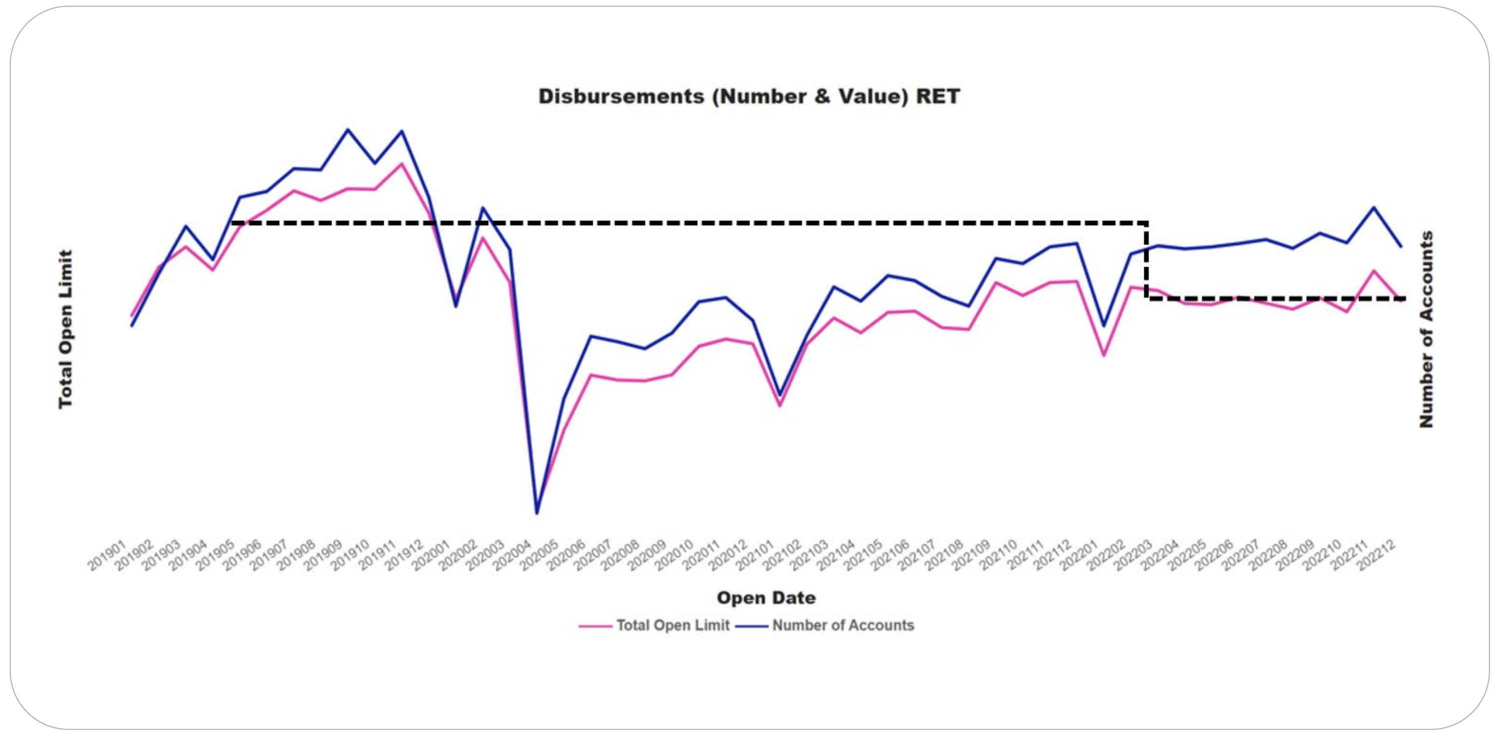
In the case of **secured lending**, new business volumes have for the most part returned to the levels observed prior to the onset of COVID. For **Vehicle Loans**, we have seen the total limits exceeding those pre-COVID. This points to inflationary pressures on the vehicle market. **Home Loans** have exceeded pre-pandemic levels both in terms of value and volume, signifying that lenders have been relying heavily on this product to grow or even just sustain their business. Furthermore, high affluence consumers (FAS Groups 1 & 2) who typically hold ~95% of the Home Loans market, have been utilizing the facilities available on these products to help maintain their living standards.





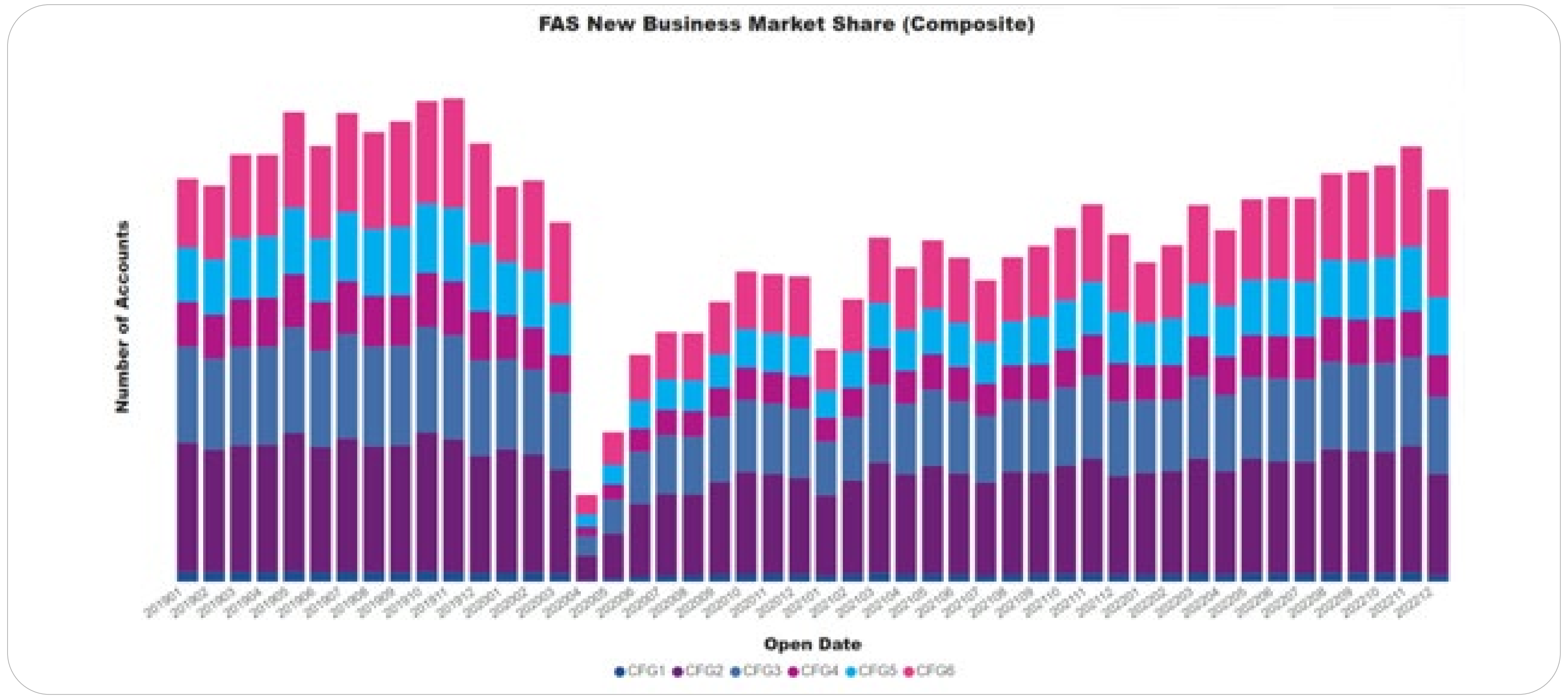


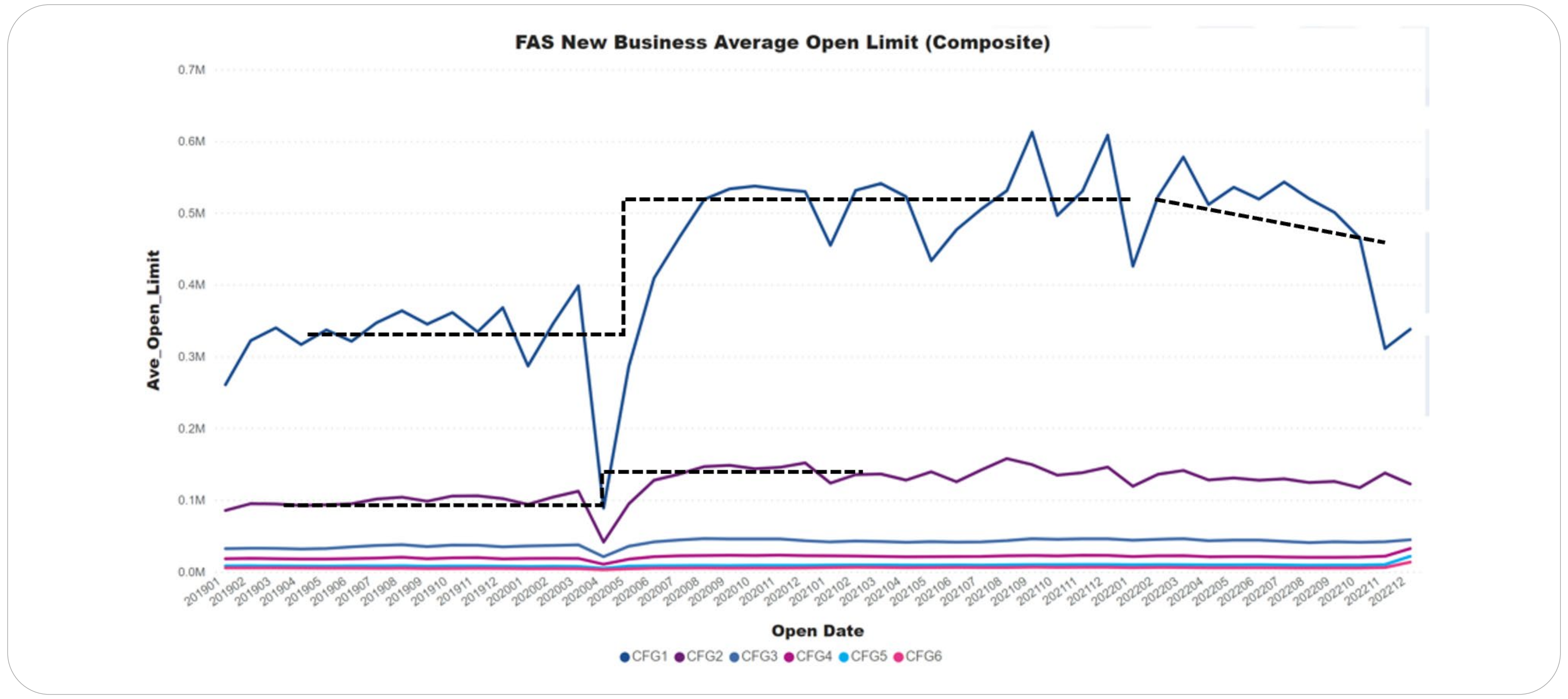


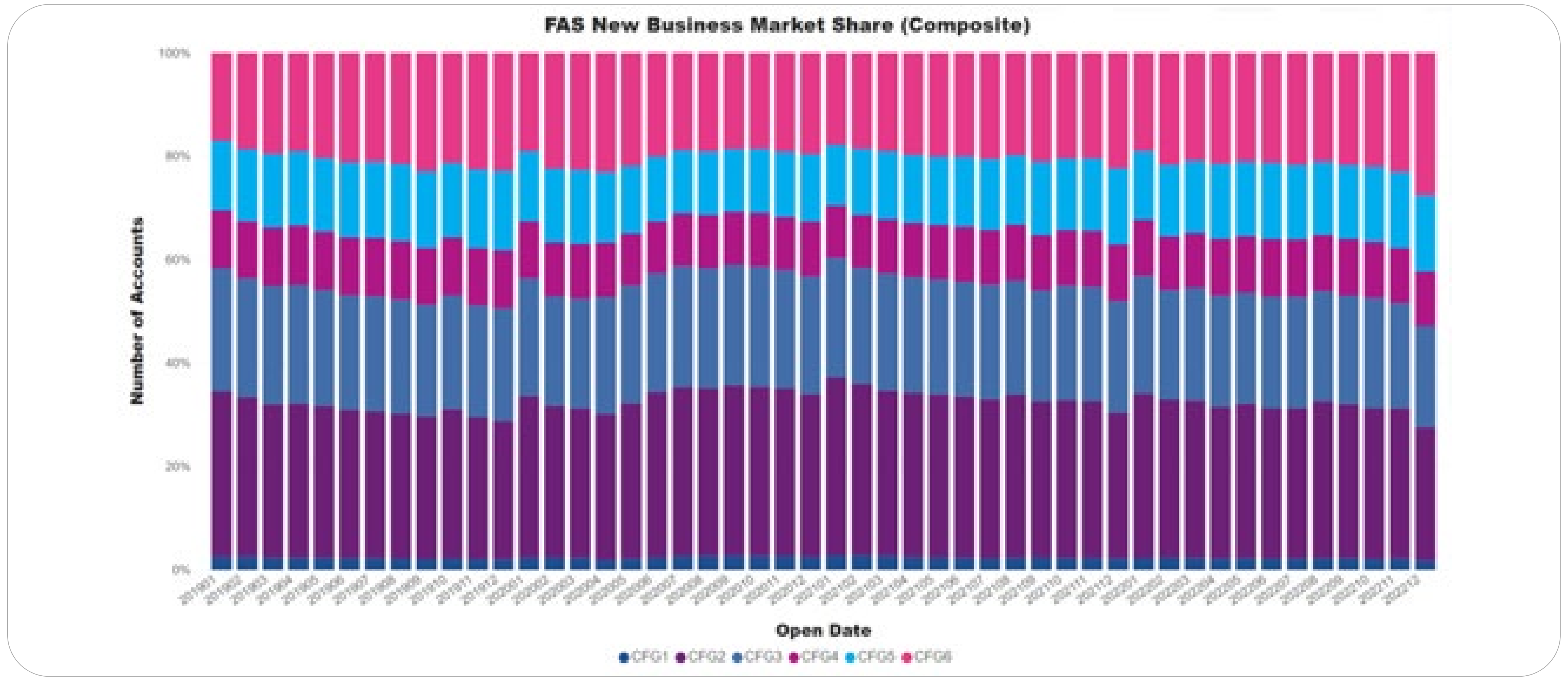


New business by FAS Group

Fluctuations in relative consumer FAS representation do not generally vary so extensively over the long term. Some seasonal patterns do emerge – particularly increased representation of FAS 5 and 6 in December, and a contraction in their representation in January. The latest December New Business data was no exception, with a high representation (~40%) of new business accounts being opened for FAS 5 & 6.







From an average open limit perspective, we saw a step-change in the average opening limit in the higher affluent consumer groups (FAS Groups 1 and 2) during the pandemic.. This was partly due to inflation-related pressures, but also due to higher affluence consumers drawing down on their Home Loan facilities to maintain living standards. The latest up-cycle in interest rates is probably the driving force behind the decreasing trend in opening limits for FAS Group 1 indicated over the last 10 months, especially considering that high value loans like Home Loans have an immediate impact on household cash flows of these high affluence consumers.

> “The latest up-cycle in interest rates is probaly the driving force behind the decreasing trend in opening limits for FAS Group 1.”

New business by Product by FAS Group

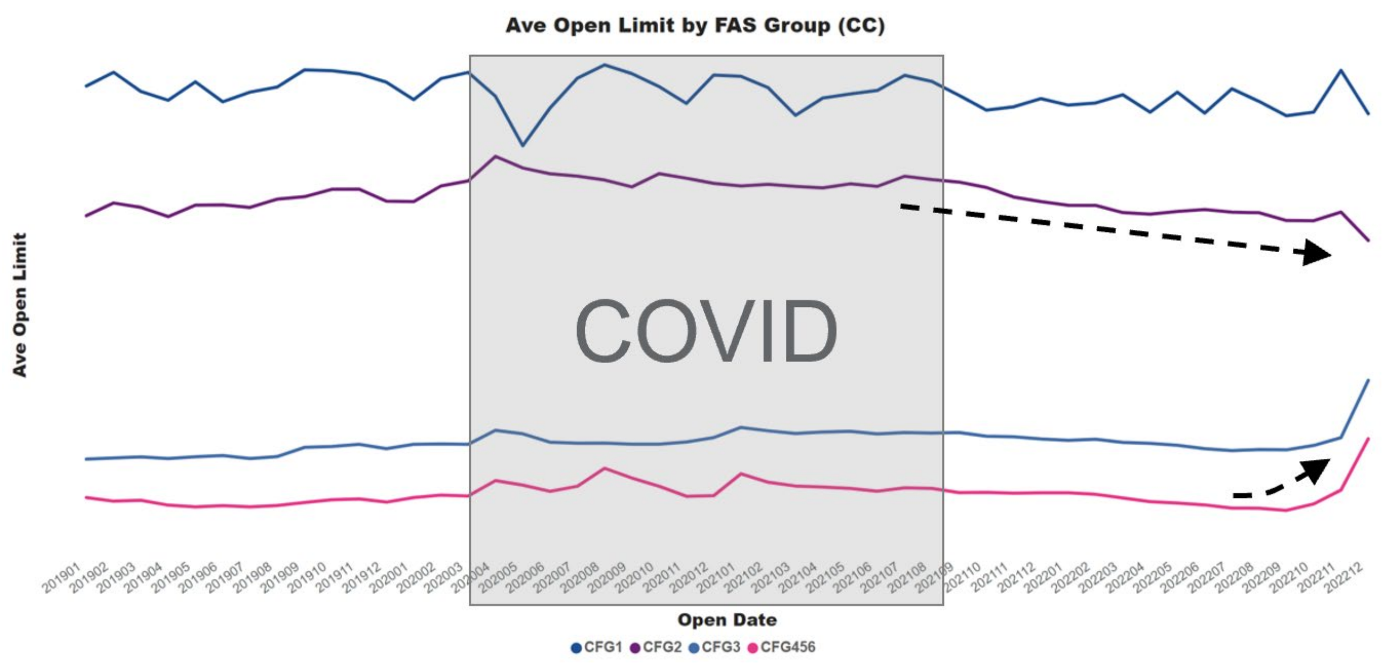
Considering **unsecured loans**, we have seen the trend in opening limits for **Credit Card** remain relatively stable for the highest affluence Group FAS 1. This group holds ~40% of the total Card Exposure. The decreasing trend in FAS 2 open limits suggests that lenders have started to manage their risks through the lending amount lever, and not so much the lending volume – as can be seen in the preceding graphs.

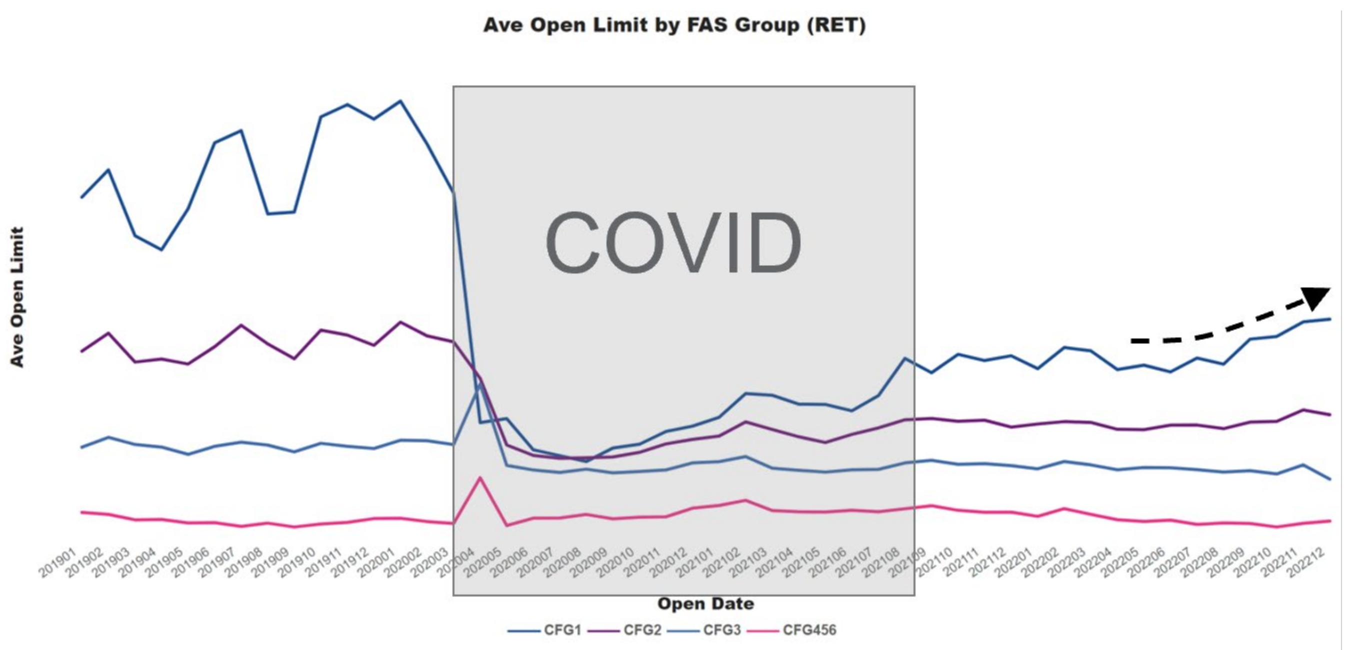
Personal Loans have also seen a drop in limits for FAS Group 2. In fact, we see limits across the 3 highest affluence groups decreasing over the last 5-6 months.

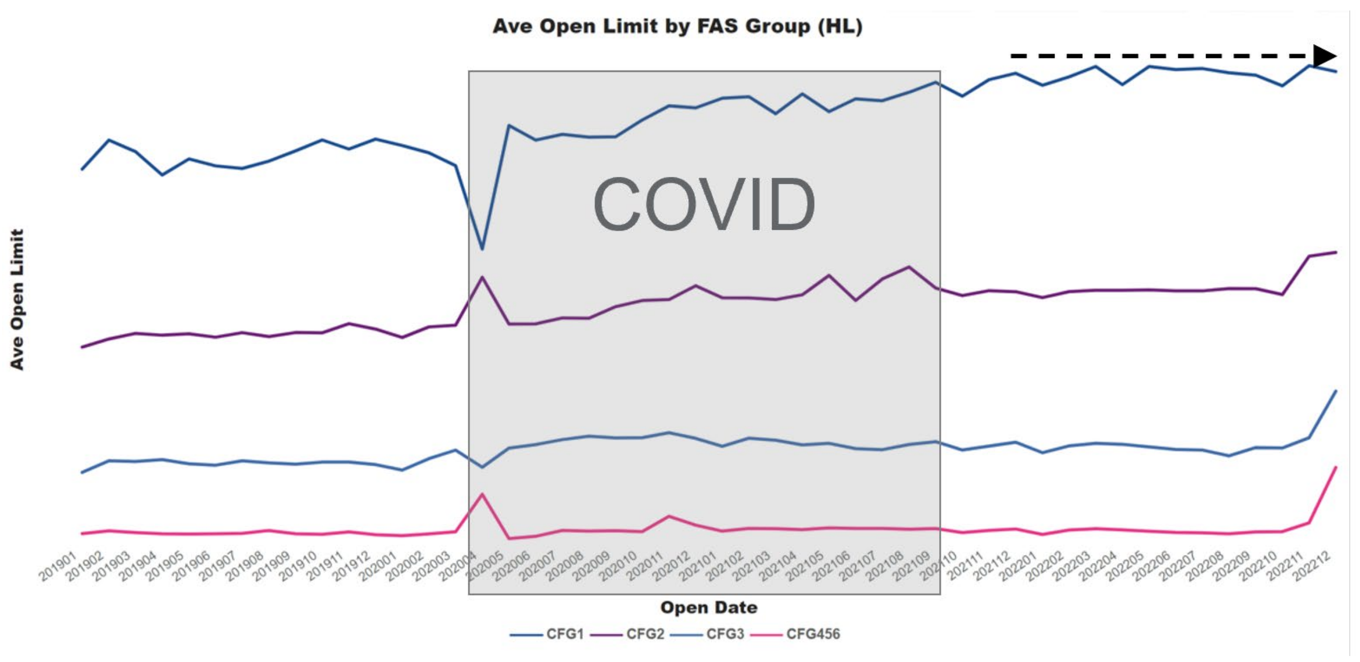
For **Retail Loans**, we have seen the credit savvy high affluent consumer groups still steadily continuing along the path of recovery in terms of limits granted in pre-pandemic days. Recently, FAS Group 1 has shown the steepest increase – indicating that these consumers are increasing their reliance on Retail credit at an increasingly rapid pace than their less affluent counterparts.

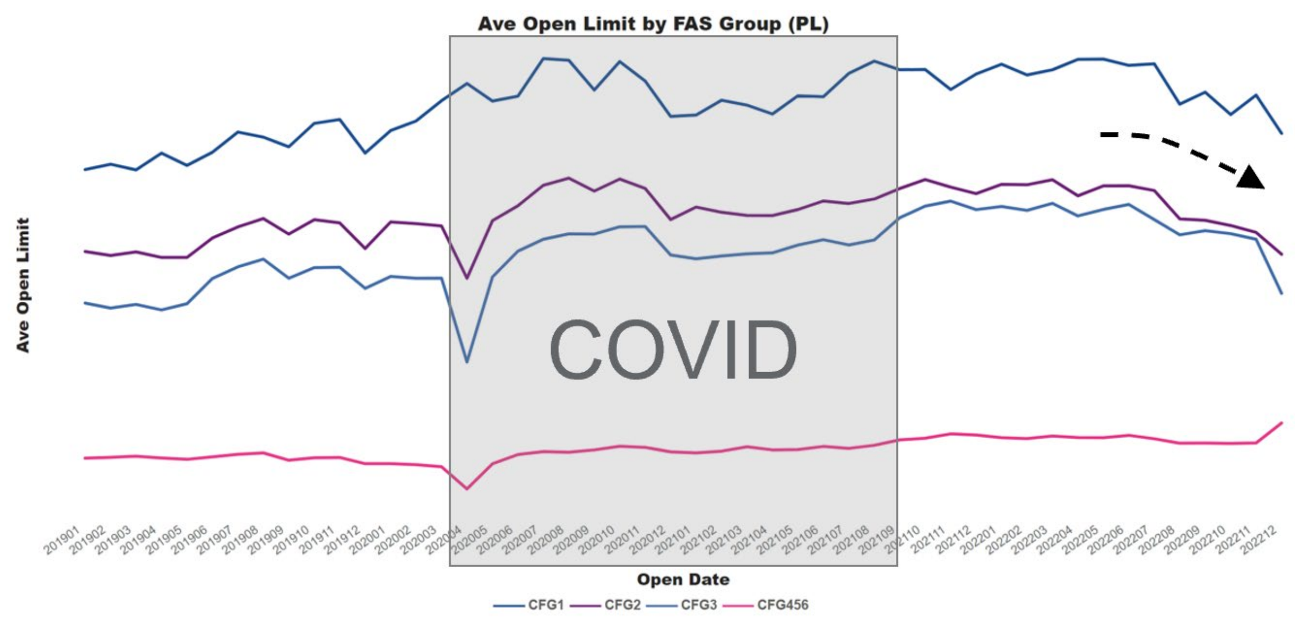
Opening balances of **Vehicle Loans** continue to rise. This is mostly the result of vehicle price inflation –, particularly in the New vehicle market.

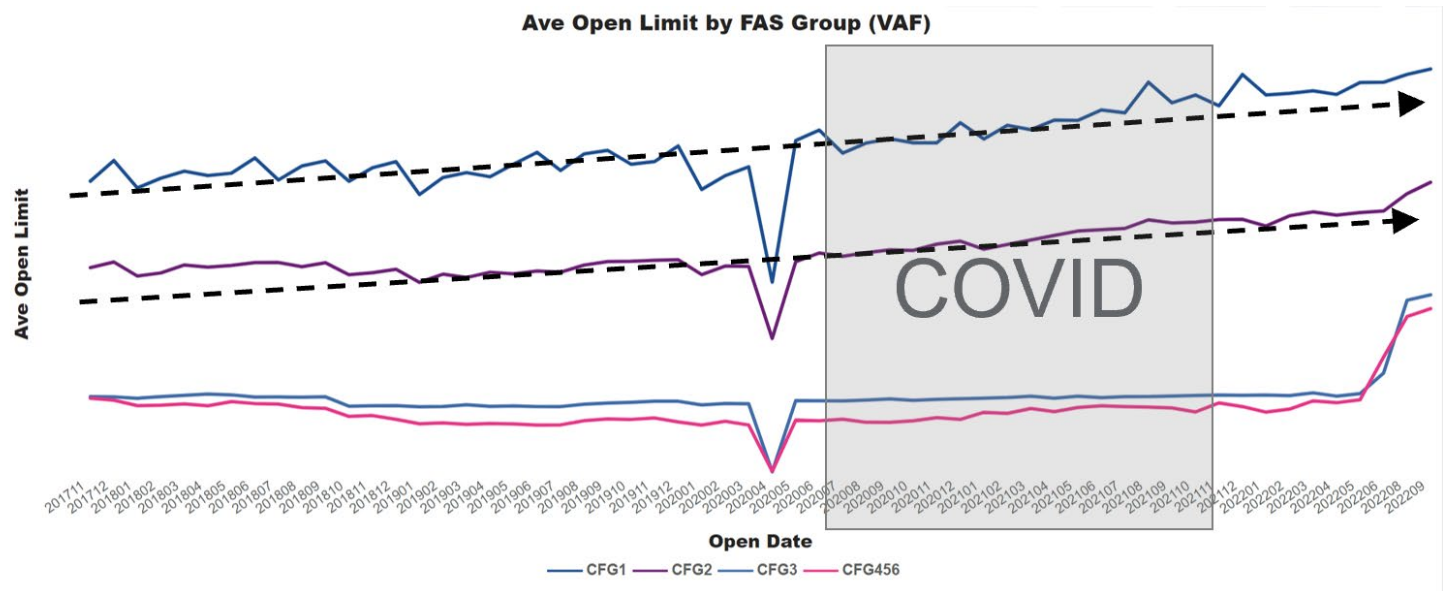
For **Home Loans**, the opening balance trend for FAS Groups 1 and 2 (who holds 94% of the total market) we have seen average opening limits remain steady over the last year or so – with indications of a step-increase for FAS 2 over the last 2 months. The latter could be related to the continues *semi-gration* (particularly of high-affluence professionals) towards the Western Cape, where property prices have seen a rapid increase over the last few months.











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.

24.1m consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan accounts.

29.4m active accounts across Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan.

R2.07 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

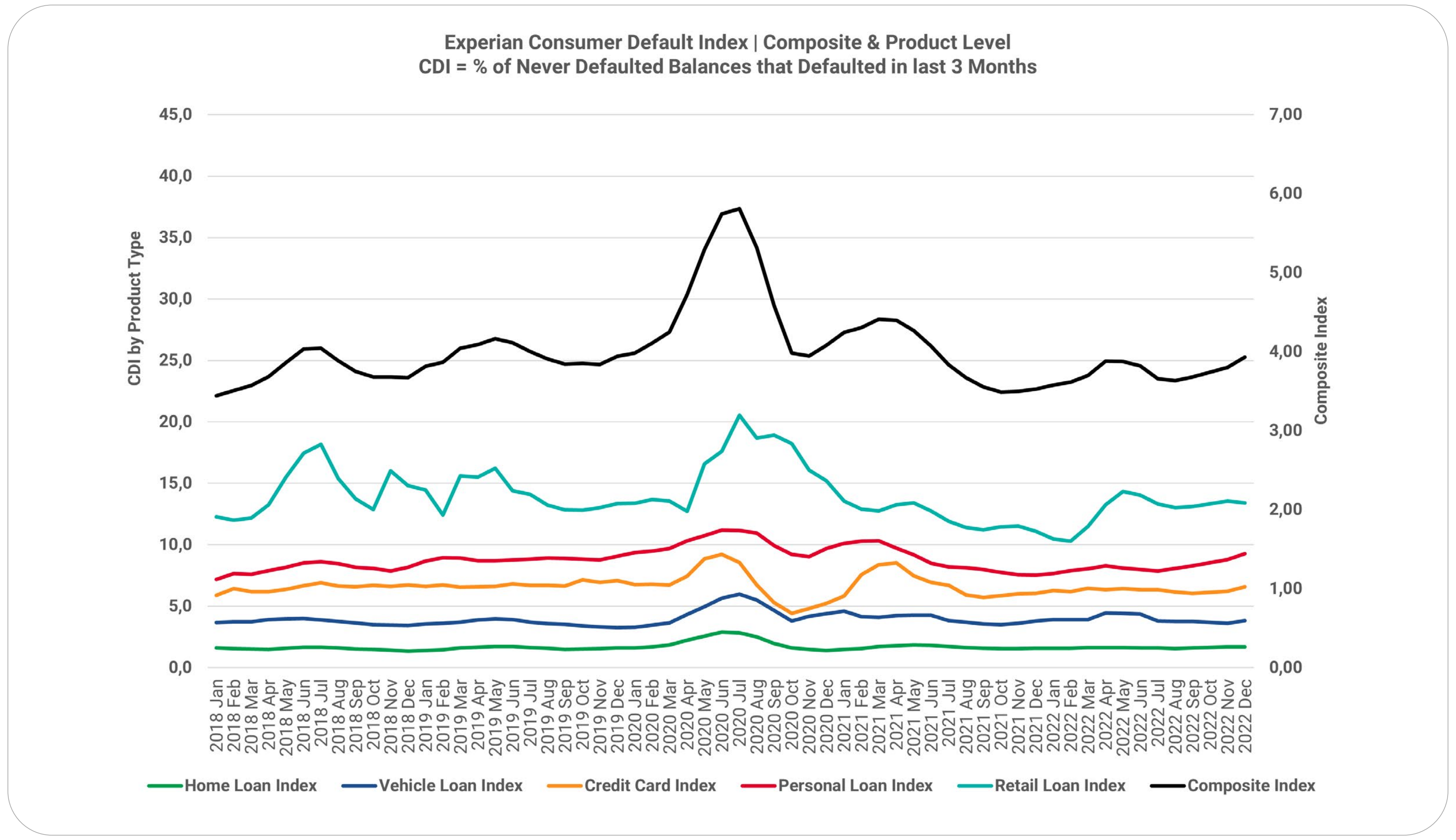
The CDI exhibited a Q-o-Q deterioration from 3.66 in September 2022 to 3.93 in December 2022. This drastic short-term deterioration in the Composite CDI is especially concerning when one considers that Q4 typically only signifies only the start of the seasonal deterioration in CDI, suggesting that we can expect the CDI to deteriorate quite substantially in the first quarter of 2023.

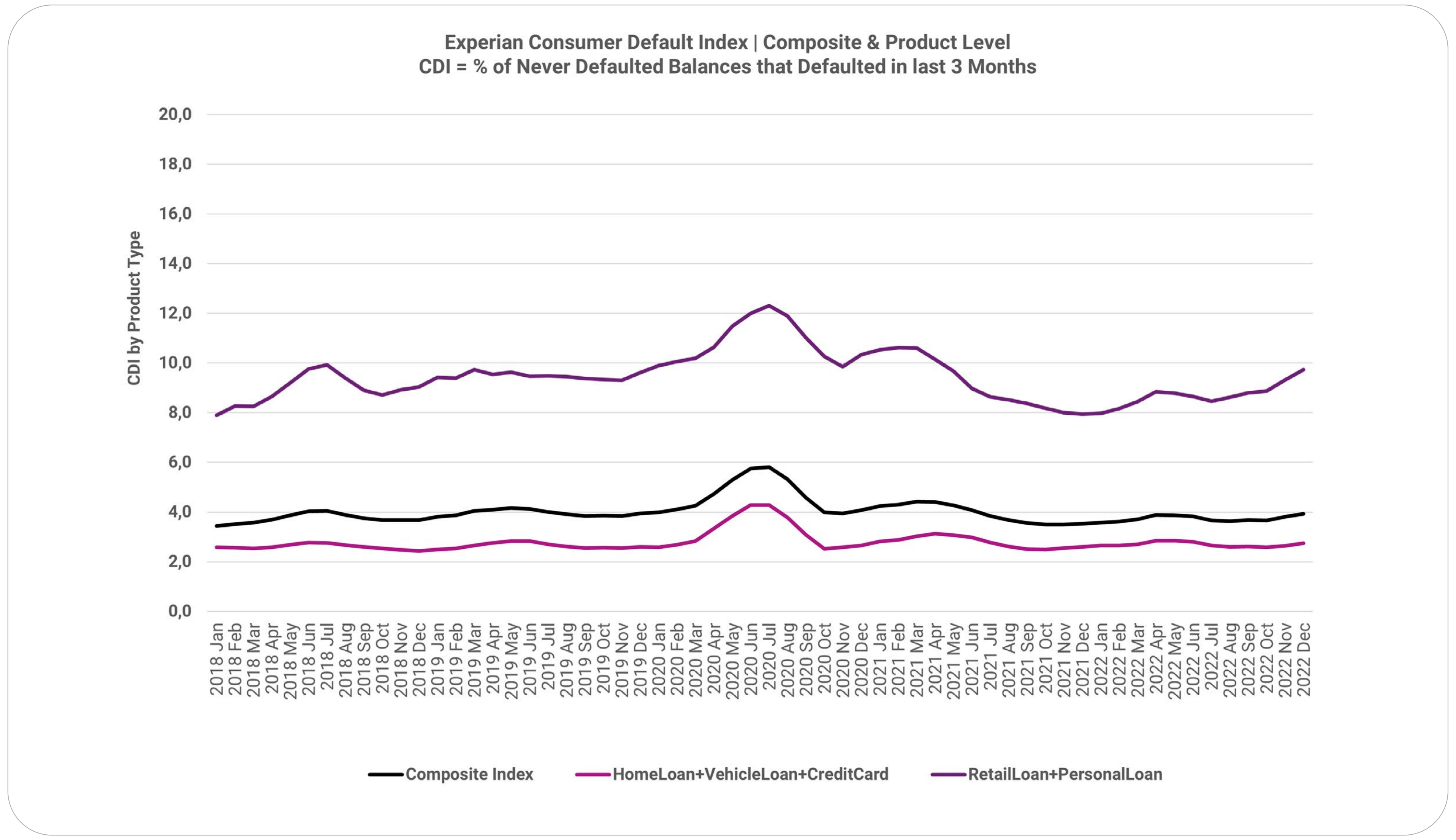
Y-o-Y, Composite CDI deteriorated from 3.52 to 3.93 – a relative deterioration of 11%. Furthermore, all the product-specific CDI metrics also deteriorated Y-o-Y; most notably, the Retail and Personal Loans portfolios. Last quarter, we reported that the September 2023 CDI results suggested a return to the pre-COVID trajectory of long-term deterioration. This quarter, the results seem to substantiate that notion.

The worst relative deterioration in CDI was seen for Personal Loans, where we saw a Y-o-Y deterioration from 7.54 in December 2021 to 9.27 in December 2022.

Overall, this return to the former trend of long-term deterioration, although expected, has likely been expedited by the rapid increase in living expenses experienced by South African consumers.

	Index	CDI Dec '22	CDI Dec '21	Average Outstanding Oct'22-Dec'22	New Default Balances Oct'22-Dec'22	Relative
■	Composite	3,93	3,52	R 2 086 138 605 145	R 20 491 866 096	11%
■	Home Loan	1,70	1,57	R 1 092 768 758 158	R 4 636 003 907	8%
■	Vehicle Loan	3,83	3,78	R 476 696 398 693	R 4 566 313 910	1%
■	Credit Card	6,58	6,05	R 163 032 228 614	R 2 682 692 290	9%
■	Personal Loan	9,27	7,54	R 313 904 284 041	R 7 274 632 943	23%
■	Retail Loan	13,41	11,09	R 39 736 935 639	R 1 332 223 046	21%
■	Home Loan + Veicle Loan + Credit Card	2,74	2,60	R 1 732 497 385 465	R 11 885 010 107	6%
■	Retail Loan + Personal Loan	9,74	7,93	R 353 641 219 680	R 8 606 855 989	23%





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.

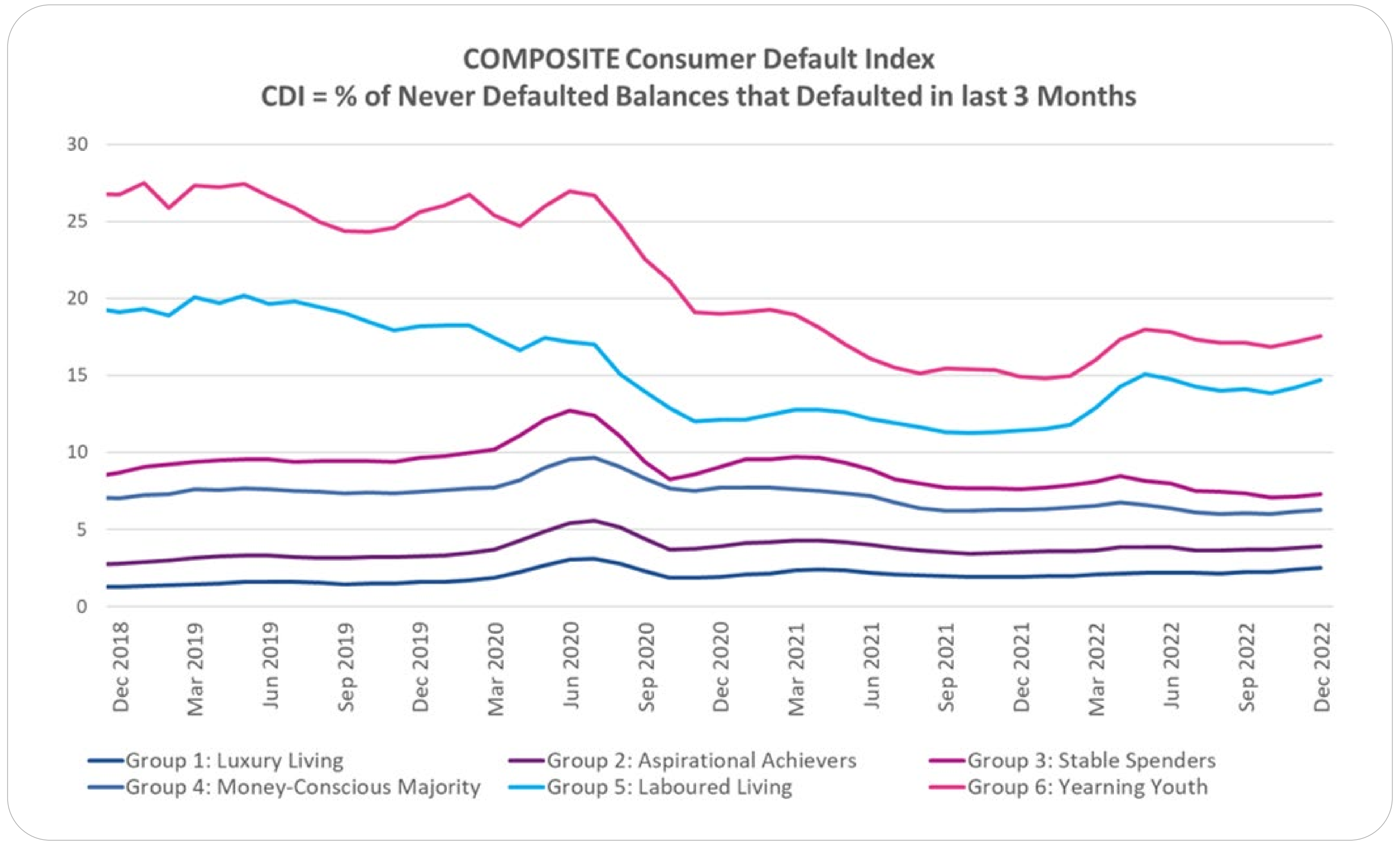
FAS Group 3: Stable Spenders (7.2% of the credit-active population) - Young adults that rely on financial products to assist in making ends meet or to afford specific necessities such as clothing and school fees, or seasonal luxuries.

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 Dec' 21	CDI Dec' 22	Average Oustanding Oct' 22 - Dec' 22	New Default Balances Oct' 22 - Dec' 22	CDI % Change
Group 1: Luxury Living	1,90	2,52	R 907,47 Billion	R 5,71 Billion	32%
Group 2: Aspirational Achievers	3,56	3,93	R 817,55 Billion	R 8,03 Billion	10%
Group 3: Stable Spenders	7,63	7,29	R 131,59 Billion	R 2,4 Billion	-4%
Group 4: Money-Concious Majority	6,29	6,30	R 182,15 Billion	R 2,87 Billion	0%
Group 5: Laboured Living	11,41	14,70	R 27,19 Billion	R 1, Billion	29%
Group 6: Yearning Youth	14,94	17,54	R 9,09 Billion	R ,4 Billion	17%



Composite CDI at the macro-FAS level

2022 Q4 showed that deterioration in CDI terms was observed on the two extreme ends of the consumer landscape, i.e. the most affluent and the least affluent consumers. The biggest relative deterioration was seen for **FAS Group 1 (Luxury Living)**. Although these consumers are typically highly affluent (and generally represent the lowest credit risk), their CDI has been under severe pressure, particularly since the pandemic.

The mid-affluence **FAS Groups 3 (Stable Spender) and 4 (Money conscious)** the consumers of typically mid-range affluence, generally showed minor Y-o-Y change in Composite CDI.

For **FAS Groups 5 (Laboured Living) & 6 (Yearning Youth)**, we have seen a sustained increased level of new business since the last quarter of 2021 – giving rise to increased CDI levels over the last 9 months or so.

Composite Consumer Default Index by FAS Type

FAS		CDI		
FAS Type Name	**Description**	**Dec'22**	**Dec'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.	2,38	1,69	0,69
02. Affluent Couples	Well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets.	2,38	1,85	0,53
03. Professional Players	Career-driven and well-educated individuals with exceptional entrepreneurial abilities that know how to work hard to support their lifestyles.	2,80	2,15	0,65
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.	1,92	2,06	-0,13
05. Liquid Living	Upper-middle-class, mature individuals with strong family tendencies that rely on financing to afford the extra necessities in life.	2,72	2,87	-0,14
06. Successful Singles	Young and unmarried but successful individuals that are driven by prestige and seek to further their personal and professional accomplishments.	3,66	2,82	0,84
07. Lifestyle Lending	Established individuals that are eager to spend but are still somewhat reliant on credit to support their lifestyles.	4,47	3,15	1,32
08. Comfortable Retirees	Stable, mature individuals either approaching or in retirement that are set up for comfortable retirement.	3,98	4,16	-0,18
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.	6,34	3,63	2,71
10. Comfortable Couples	Couples leading enjoyable lives and whose basic needs are met; however, they are not prepared for the odd financial hiccough.	6,72	5,53	1,19
11. Steady Entrepreneurs	Middle-aged small business entrepreneurs that can support themselves but would struggle to afford more expensive assets.	9,69	9,72	-0,03
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.	4,62	5,79	-1,17
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.	4,71	5,74	-1,03
14. Payday Pursuers	Living from month to month, these middle-aged individuals rely on finance to bridge the gap between paydays.	5,86	8,00	-2,14
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.	8,49	8,19	0,30
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.	13,71	11,74	1,97
17. Secure Seniors	Senior citizens who are mostly in their retirement with enough income to provide for the basics and financial security.	2,75	3,85	-1,09
18. Coping Couples	Mature couples in the late stages of their careers as employees with enough income to cover basic needs until they retire.	2,75	4,03	-1,28
19. Restricted Retirees	Senior citizens who struggle to afford the basics, and therefore need to continue working despite being in retirement.	5,21	6,82	-1,61
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.	11,39	9,61	1,78
21. Misfortunate Mature	Approaching retirement age, these wage-based employees would need to continue working well into retirement to supplement their state pensions.	8,23	7,99	0,24
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.	7,28	6,33	0,94
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.	6,55	6,89	-0,34
24. Depleted Resources	Employees, probably in the unskilled worker sector, with low resources which restrict access to financial services to afford monthly necessities.	8,83	8,28	0,55
25. Strained Adults	Low finances leave these middle-aged individuals strained to afford little more than the basics.	11,14	10,01	1,13
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.	13,09	9,94	3,16
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.	9,21	9,98	-0,77
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.	16,85	13,35	3,50
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.	16,48	13,46	3,02
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.	19,84	18,11	1,73

FAS Types 26 and 28 (Online Survivors and Minimum-Money Workers) saw the most substantial Y-o-Y deterioration in CDI in December 2022. This aligns with the observations made in the prior quarter, where Types 26 and 29 saw the biggest deterioration in absolute terms. Keep in mind that these consumer types are typically young individuals (<35 on average), who are less experienced in utilising and servicing credit commitments – especially in an interest rate upcycle as we are currently experiencing.

Overall, though, the table to the left re-iterates the observation that most affluent consumers also continued to see a deterioration in CDI. Keep in mind that these consumers typically not only continued to qualify for new/more credit throughout the pandemic but have also become increasingly dependent on credit to fund their standard of living.

Notable Y-o-Y improvements were seen for FAS types 14 (Payday Pursuers) and 19 (Restricted Retirees). These consumers typically make out part of the 'middle-of-the-road' consumer groups in terms of affluence segments.

The continued increased exposure levels of FAS Groups 5 and 6 in unsecured credit in the year since 2021 Q4, has led to an increase in CDI for these consumer groups. Furthermore, the increased cost of living has 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 be the FAS Type with the largest retail loan credit exposure, having 11% of the total market value.

Online Survivors deteriorated from 9.94 in December 2021 to 13.09 in December 2022.

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 (~11% of total exposure), they have been under increased pressure to honour their debt commitments – particularly following the recent increased cost of living.

Payday Pursuers (14) These consumers are living from month to month. These middle-aged (avg. age 38) individuals rely on finance to bridge the gap between paydays, earning ~R145k per annum on average. Having tight budgets, these consumers are active credit users who are also generally good payers.

- **Payday Pursuers** showed a significant Y-o-Y improvement in CDI from 8.00 in December 2021 to 5.86 in December 2022. This was the greatest Y-o-Y improvement in CDI of all the FAS Types.

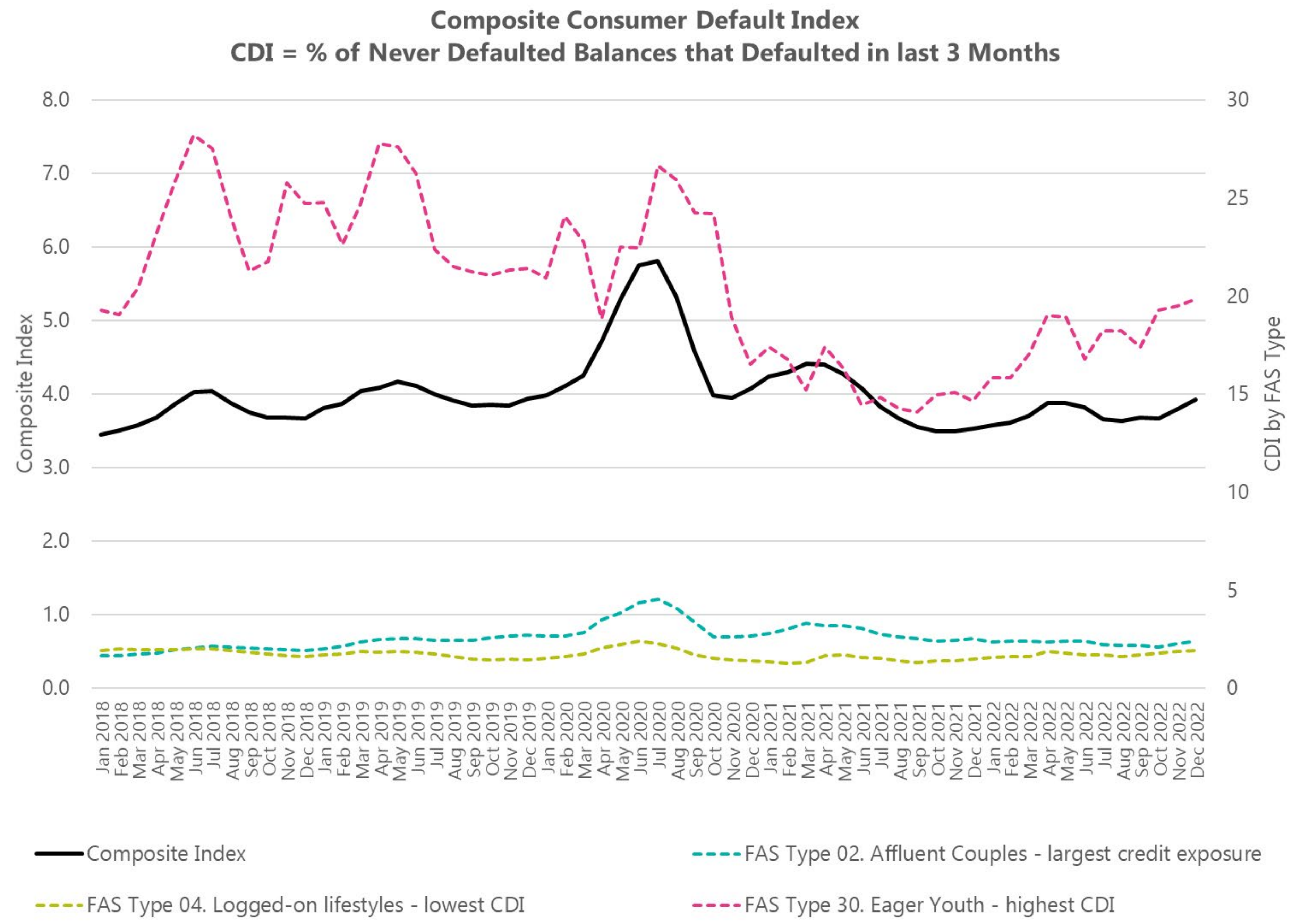
These consumers are members of FAS Group 3, which form part of the mid-range affluence consumers.

> FAS Types 26 and 28 (Online Survivors and Minimum-Money Workers) saw the **most substantial Y-o-Y deterioration** in CDI in December 2022.

Composite Consumer Default Index by Province

At a provincial level, the Y-o-Y deterioration in CDI was observed for all nine provinces.

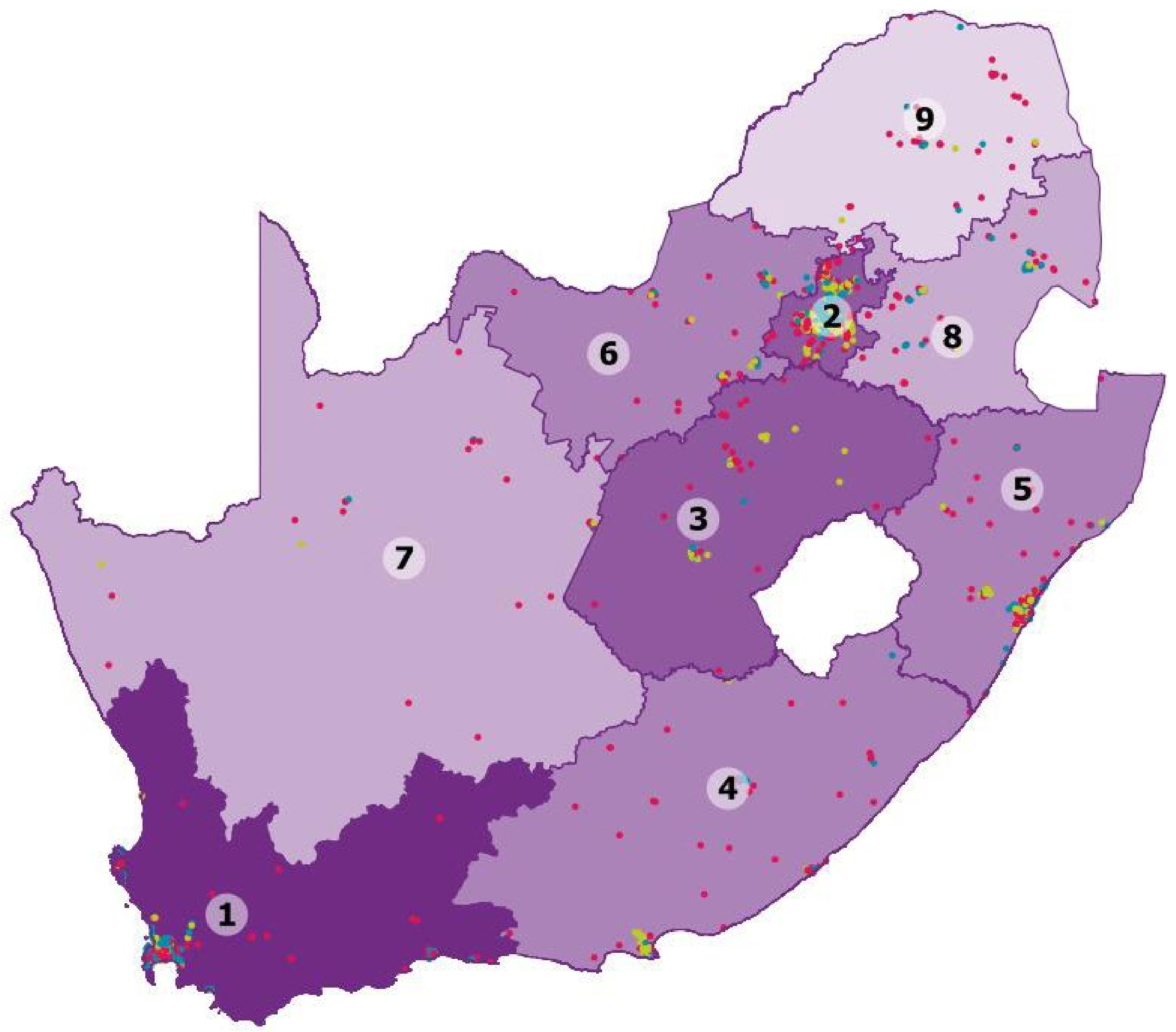
- The CDI in the **Western Cape** continues to be the lowest, with its high representation of more affluent consumers. At 2.78, up from 2.57 observed in September 2022 and Y-o-Y movement from deterioration in the Western Cape CDI from 2.70 to 2.78.
- At the opposite end of the scale, **Limpopo** is again the province with the highest CDI, also showing a Y-o-Y deterioration from 5.05 in September 2022 to 5.60 in December 2022. Y-o-Y the deterioration was from 4.79 in December 2021 to 5.25. Considering the relatively high representation of less affluent consumer groups in this province, it is understandable that Limpopo exhibits the highest CDI overall. This was also the worst deterioration at a provincial level.



R20.49bn in value defaulted for first time over the period Oct 2022 to Dec 2022.

3.93% of balances on an annualized basis defaulted for first time over the period Oct 2022 to Dec 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Composite Index	3,93	3,52	R20 491 866 096
FAS Type 2 - largest credit exposure	2,38	1,85	R2 228 206 321
FAS Type 4 - lowest CDI	1,92	2,06	R630 758 791
FAS Type 30 - highest CDI	19,84	18,11	R142 161 843



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

Composite	CDI	
Rank & Province	Dec'21	Dec'22
1. Western Cape	2,70	2,78
2. Gauteng	3,37	3,71
3. Free State	3,76	4,29
4. Eastern Cape	3,86	4,57
5. KwaZulu-Natal	3,96	4,61
6. North West	4,43	4,83
7. Northern Cape	4,26	4,89
8. Mpumalanga	4,54	5,25
9. Limpopo	4,79	5,60

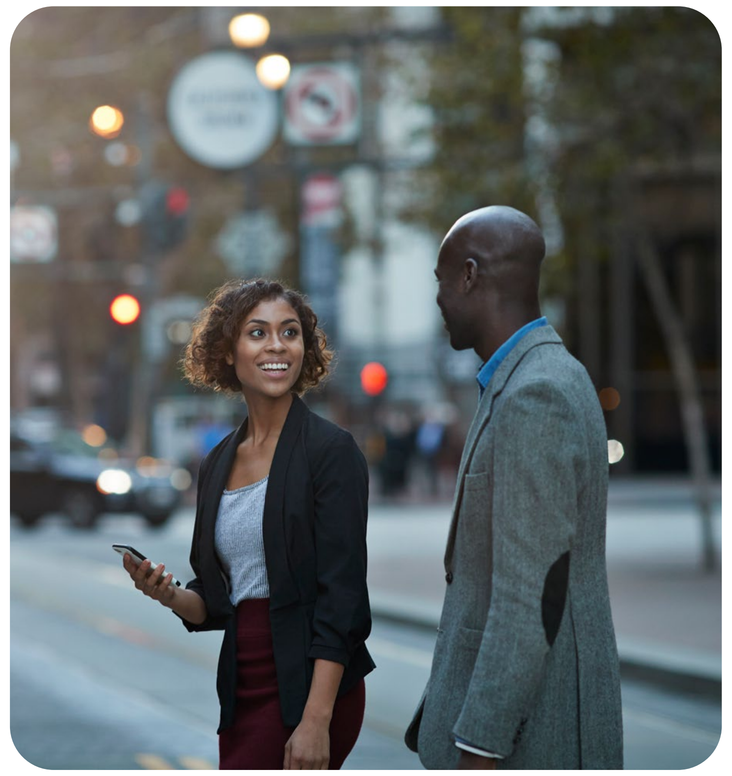
Composite Consumer Default Index by FAS Type

FAS groups 1 and 2 jointly had over 80% of the total Banking and Retail credit market exposure in South Africa in 2022 Q4. This is due to their high 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. We have seen, though that the most affluent segments in the market – although still exhibiting the lowest CDI on average, have been under increasing pressure to honour their debt commitment since the onset of COVID. This is because these consumers typically continued to qualify for new credit throughout lockdown periods, and now are coming under pressure to honour these debt commitments due to the continued increase in interest rates and cost of living expenses.

- **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 deteriorated Y-o-Y in CDI-terms moving from 1.85 in December 2021 to 2.38 in December 2022.
- **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. They have the ***lowest CDI*** and are showing improvement in CDI from 2.06 in December 2021 to 1.72 in December 2022.
- **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***. Due to the increased exposure to Retail Loans towards the end of 2021, together with the increased cost of living, these consumers saw a Y-o-Y deterioration in CDI from 18.11 to 19.84 in December 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Composite Index	3,93	3,52	R20 491 866 096
FAS Type 2 - largest credit exposure	2,38	1,85	R2 228 206 321
FAS Type 4 - lowest CDI	1,92	2,06	R630 758 791
FAS Type 30 - highest CDI	19,84	18,11	R142 161 843

FAS	CDI		
FAS Type Name	Dec'22	Dec'21	Year on Year Δ
01. Independent Investors	2,38	1,69	0,69
02. Affluent Couples	2,38	1,85	0,53
03. Professional Players	2,80	2,15	0,65
04. Logged-On Lifestyles	1,92	2,06	-0,13
05. Liquid Living	2,72	2,87	-0,14
06. Successful Singles	3,66	2,82	0,84
07. Lifestyle Lending	4,47	3,15	1,32
08. Comfortable Retirees	3,98	4,16	-0,18
09. Secure Singles	6,34	3,63	2,71
10. Comfortable Couples	6,72	5,53	1,19
11. Steady Entrepreneurs	9,69	9,72	-0,03
12. Stand-Alone Singles	4,62	5,79	-1,17
13. Plugged-In Purchasers	4,71	5,74	-1,03
14. Payday Pursuers	5,86	8,00	-2,14
15. Deficient Directors	8,49	8,19	0,30
16. Credit-Reliant Consumers	13,71	11,74	1,97
17. Secure Seniors	2,75	3,85	-1,09
18. Coping Couples	2,75	4,03	-1,28
19. Restricted Retirees	5,21	6,82	-1,61
20. Low Earners	11,39	9,61	1,78
21. Misfortunate Mature	8,23	7,99	0,24
22. Concerning Citizens	7,28	6,33	0,94
23. Money-Wise Mature	6,55	6,89	-0,34
24. Depleted Resources	8,83	8,28	0,55
25. Strained Adults	11,14	10,01	1,13
26. Online Survivors	13,09	9,94	3,16
27. Struggling Earners	9,21	9,98	-0,77
28. Minimum-Money Workers	16,85	13,35	3,50
29. Inexperienced Earners	16,48	13,46	3,02
30. Eager Youth	19,84	18,11	1,73

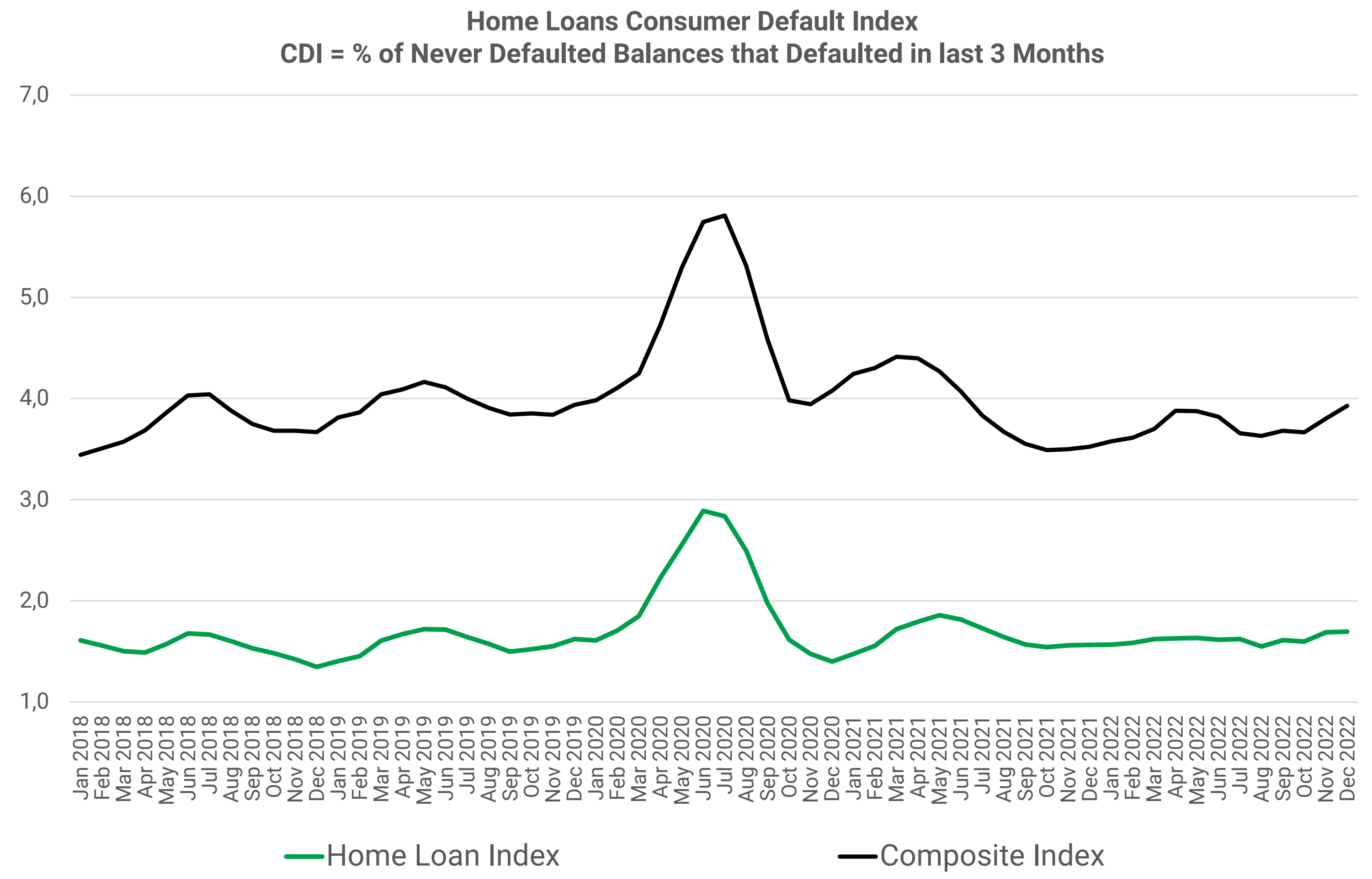


Home Loan Consumer Default Index by Province

Home Loans showed a Y-o-Y deterioration in CDI, moving from 1.57 in December 2021 to 1.70 in December 2022. Q-o-Q the Home Loans CDI also deteriorated, with the 2022 September Home Loan CDI recorded at 1.61. The Y-o-Y deterioration constituted a relative change of 8% for the Home Loans CDI Also keep in mind that the Home Loans CDI contributes ~50% to the Composite CDI due to the high exposure associated with this product.

Three provinces saw a Y-o-Y improvement: North-West, the Northern Cape and the Western Cape.

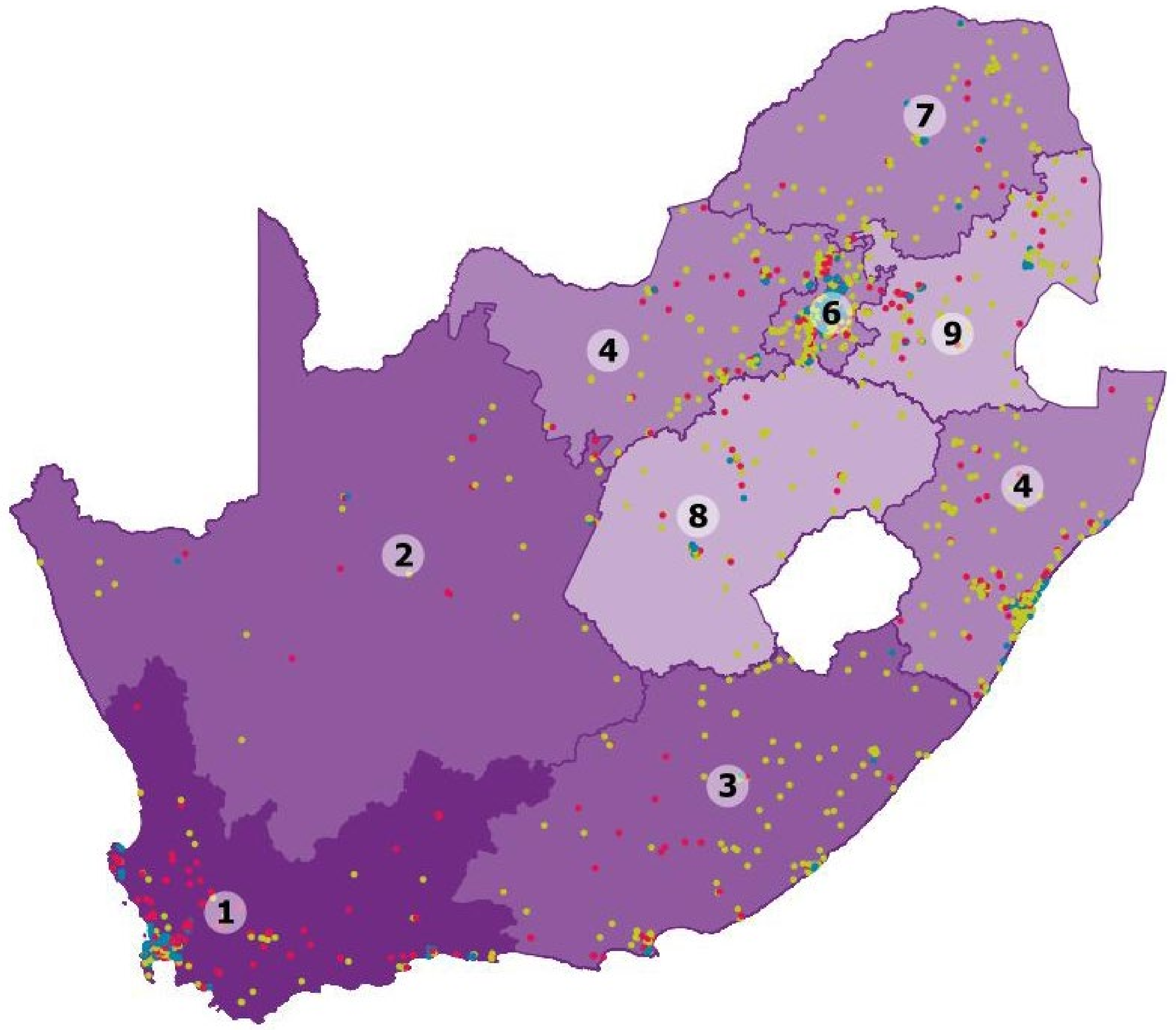
- The Home Loans CDI in the **Western Cape** continues to be the lowest and showed slight improvement from 1.17 in December 2021 to 1.10 in December 2022.
- The **Northern Cape** saw the most significant improvement in Home Loans CDI, coming down from 1.60 to 1.41 Y-o-Y.
- At the opposite end of the scale, **Mpumalanga** had the highest Home Loan CDI and was also the province with the greatest Y-o-Y deterioration in CDI, moving from 1.73 to 2.15.



R4.64bn in value defaulted for first time over the period Oct 2022 to Dec 2022.

1.70% of home loan balances on an annualized basis defaulted for first time over the period Oct 2022 to Dec 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Home Loan Index	1,70	1,57	R 4 636 003 907
FAS Type 2 - largest credit exposure	1,44	1,22	R 895 293 581
FAS Type 20 - lowest CDI	0,99	2,74	R 1 770 552
FAS Type 29 - highest CDI	14,11	0,65	R 4 725 621



- FAS Type 2 - Largest Credit Exposure
- FAS Type 20 - Lowest CDI
- FAS Type 29 - Highest CDI

Composite	CDI	
Rank & Province	Dec'21	Dec'22
1. Western Cape	1,17	1,10
2. Northern Cape	1,60	1,41
3. Eastern Cape	1,43	1,64
4. KwaZulu-Natal	1,53	1,79
4. North West	1,88	1,79
6. Gauteng	1,73	1,89
7. Limpopo	1,80	2,01
8. Free State	1,80	2,13
9. Mpumalanga	1,73	2,15

Home Loan Consumer Default Index by FAS Type

By far the largest credit exposure (> 90%) 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. More recently, we have seen particularly for FAS Group 1, that these credit-savvy consumers have been limiting their exposure in the Home Loans market, following the rapid interest rate increase cycle that has been prevalent in South Africa over the last year.

- **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 Loan CDI from 1.57 in December 2021 to 1.70 in December 2022.
- **Low Earners (20)** barely earn more than the minimum wage in SA. These consumers are probably cohabiting with a partner or family member to make ends meet. Although they have the ***lowest Home Loan CDI***, this is the result of very low product ownership (0.07% exposure to the Home Loan market) in this type, combined with the fact that higher affluence consumers (who typically held this title) have increasingly become under pressure to meet their debt commitments.
- **Inexperienced Earners (29)** 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 Home Loans CDI. They have the ***highest Home Loan CDI***.

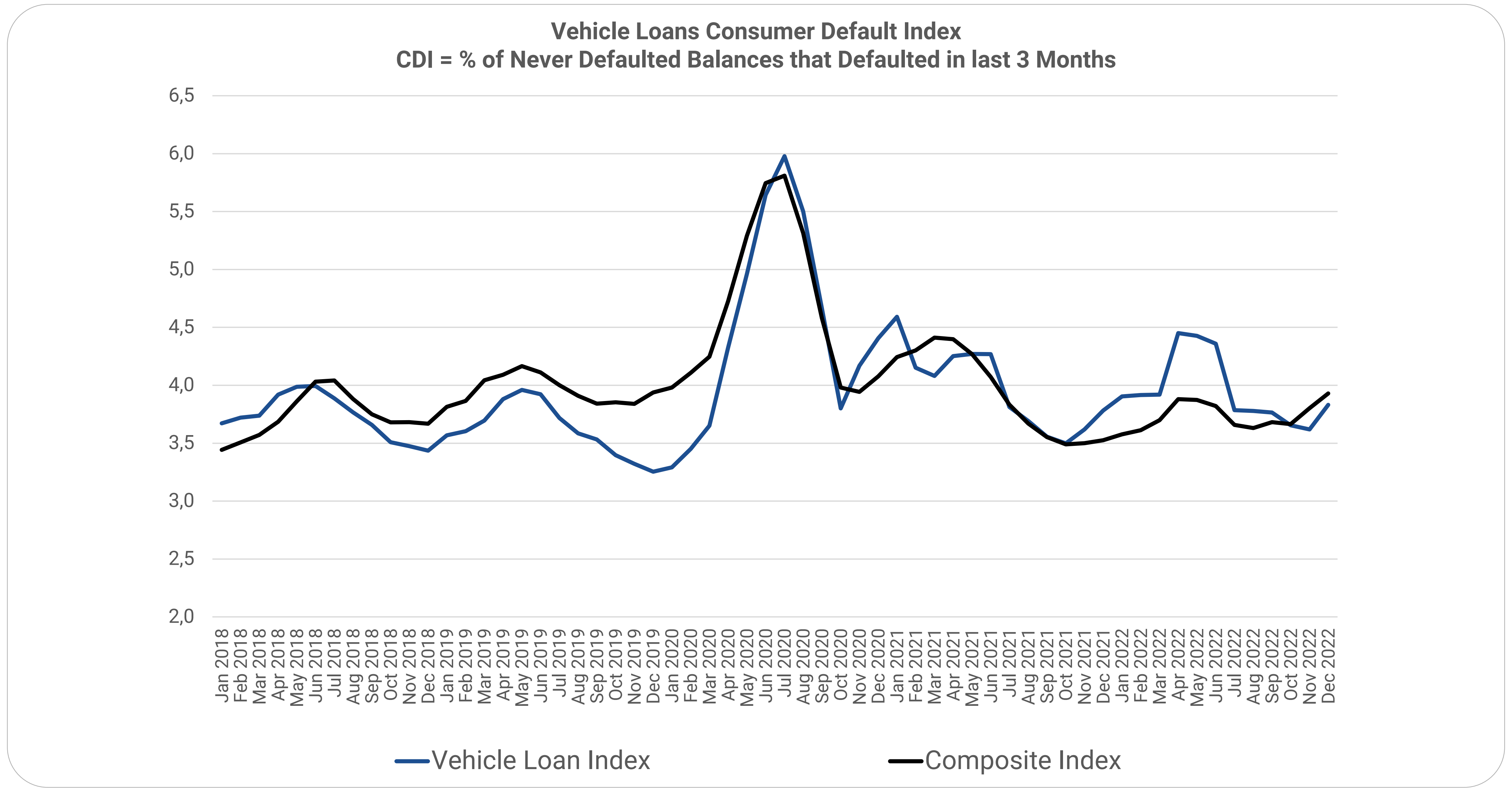
	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Home Loan Index	1,70	1,57	R 4 636 003 907
FAS Type 2 - largest credit exposure	1,44	1,22	R 895 293 581
FAS Type 20 - lowest CDI	0,99	2,74	R 1 770 552
FAS Type 29 - highest CDI	14,11	0,65	R 4 725 621

FAS	CDI		
FAS Type Name	Dec'22	Dec'21	Year on Year Δ
01. Independent Investors	1,73	1,36	0,37
02. Affluent Couples	1,44	1,22	0,21
03. Professional Players	1,58	1,27	0,31
04. Logged-On Lifestyles	1,64	1,66	-0,01
05. Liquid Living	1,38	1,68	-0,30
06. Successful Singles	1,65	1,22	0,43
07. Lifestyle Lending	2,85	1,97	0,88
08. Comfortable Retirees	1,81	2,15	-0,34
09. Secure Singles	3,33	1,83	1,50
10. Comfortable Couples	2,77	3,27	-0,50
11. Steady Entrepreneurs	9,00	6,45	2,55
12. Stand-Alone Singles	1,56	2,22	-0,66
13. Plugged-In Purchasers	2,46	1,68	0,78
14. Payday Pursuers	1,76	4,60	-2,85
15. Deficient Directors	3,63	3,57	0,06
16. Credit-Reliant Consumers	3,22	3,85	-0,63
17. Secure Seniors	1,68	2,34	-0,67
18. Coping Couples	1,96	2,50	-0,54
19. Restricted Retirees	2,27	4,58	-2,32
20. Low Earners	0,99	2,74	-1,75
21. Misfortunate Mature	2,30	4,04	-1,73
22. Concerning Citizens	2,05	2,75	-0,69
23. Money-Wise Mature	2,43	2,86	-0,43
24. Depleted Resources	3,07	4,12	-1,04
25. Strained Adults	2,71	1,82	0,89
26. Online Survivors	4,53	6,73	-2,20
27. Struggling Earners	2,55	2,04	0,50
28. Minimum-Money Workers	2,92	2,80	0,12
29. Inexperienced Earners	14,11	0,65	13,46
30. Eager Youth	7,59	4,23	3,37

Vehicle Loan Consumer Default Index by Province

Vehicle Loans CDI has shown slight Y-o-Y deterioration, moving from 3.78 in December 2021 to 3.83 in December 2022. Q-o-Q the Vehicle Loan CDI also deteriorated, moving up from 3.77 in September 2022.

- The Vehicle Loans CDI in the **Western Cape** continued to rank 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 3.13 in December 2021 to 2.78 in December 2022.
- **Limpopo** has shown the highest CDI for Vehicle Loans, worsening Y-o-Y from 4.19 in December 2021 to 4.68 in December 2022.
- The most substantial Y-o-Y provincial deterioration in Vehicle Loans CDI was observed for the **Eastern Cape**, moving from 5.05 to 4.58 in December 2022.



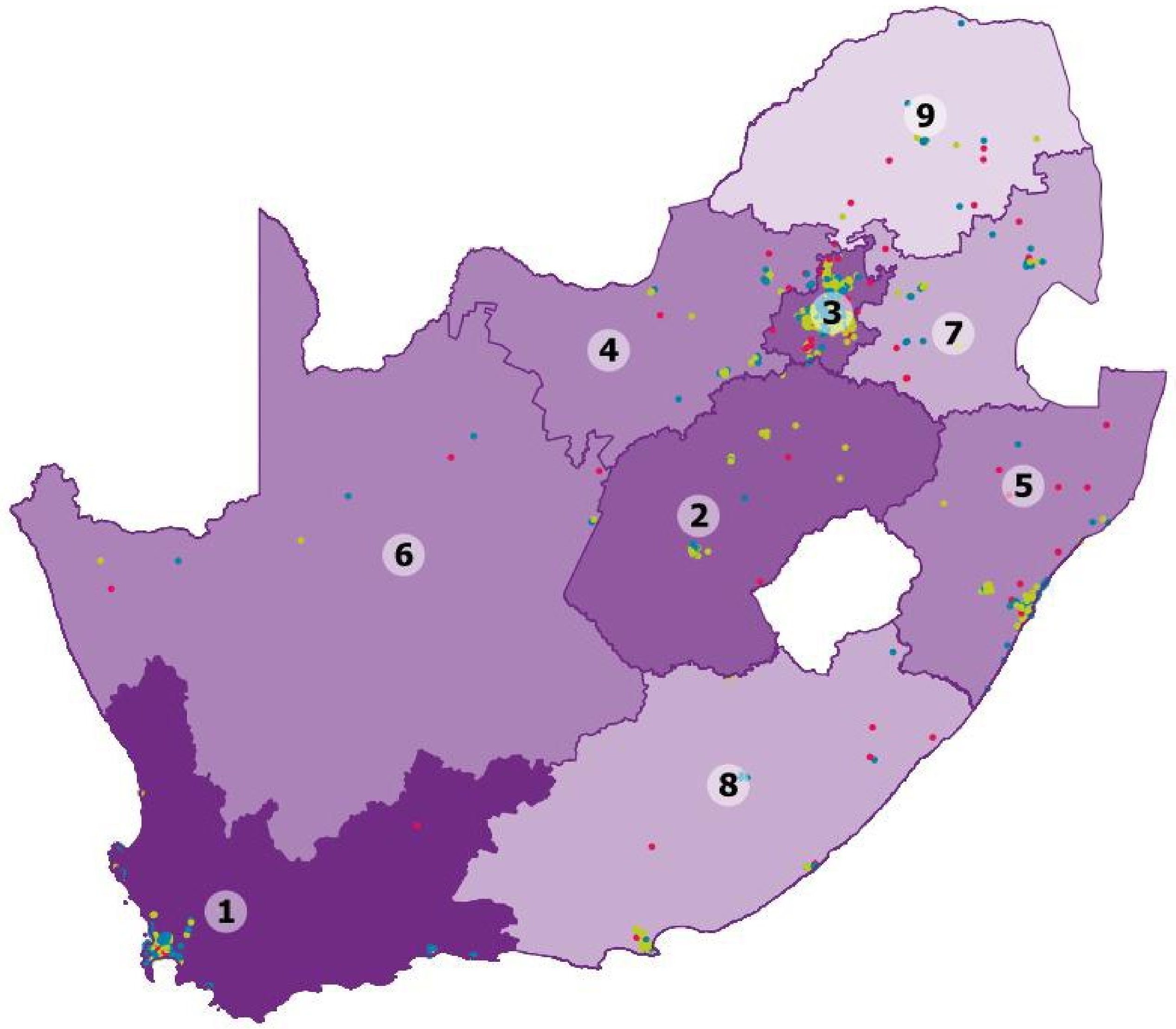
R4.57bn

in value defaulted for first time over the period Oct 2022 to Dec 2022.

3.83%

of vehicle loan balances on an annualized basis defaulted for first time over the period Oct 2022 to Dec 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Vehicle Loan Index	3,83	3,78	R 4 566 313 910
FAS Type 2 - largest credit exposure	2,92	2,19	R 546 470 291
FAS Type 4 - lowest CDI	1,74	2,16	R 56 118 322
FAS Type 25 - highest CDI	10,63	10,86	R 4 386 696



FAS Type 2 - Largest Credit Exposure
FAS Type 4 - Lowest CDI
FAS Type 25 - Highest CDI

Composite	CDI	
Rank & Province	Dec'21	Dec'22
1. Western Cape	3,13	2,78
2. Free State	3,23	3,32
3. Gauteng	3,64	3,65
4. North West	4,37	4,21
5. KwaZulu-Natal	4,08	4,26
6. Northern Cape	4,18	4,38
7. Mpumalanga	4,48	4,55
8. Eastern Cape	4,05	4,58
9. Limpopo	4,19	4,68

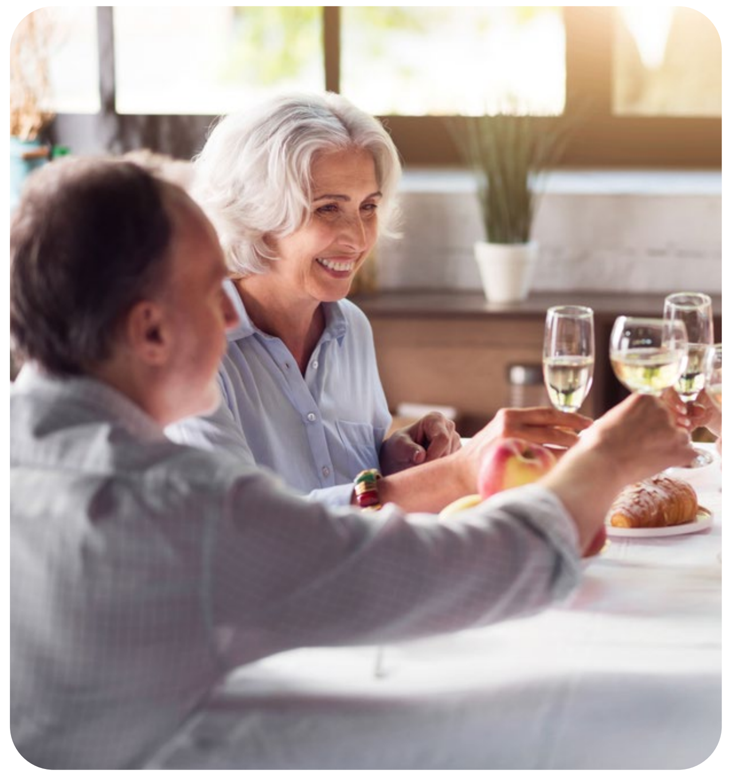
Vehicle Loan Consumer Default Index by FAS Type

Access to vehicle loans is predominantly focussed at 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 CDI from 3.78 in December 2021 to 3.83 in December 2022.
- **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 Vehicle Loan CDI* and showed an improvement in their Vehicle Loan CDI from 2.16 in December 2021 to 1.74 in December 2022.
- **Strained Adults (25)** have improved from a CDI of 10.86 in December 2021 to 10.63 in December 2022. This is the consumer type with the *highest Vehicle Loans CDI*. Keep in mind that this type is likely to be office employees or shop stewards, with moderately low income.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Vehicle Loan Index	3,83	3,78	R 4 566 313 910
FAS Type 2 - largest credit exposure	2,92	2,19	R 546 470 291
FAS Type 4 - lowest CDI	1,74	2,16	R 56 118 322
FAS Type 25 - highest CDI	10,63	10,86	R 4 386 696

FAS	CDI		
FAS Type Name	Dec'22	Dec'21	Year on Year Δ
01. Independent Investors	2,79	1,79	1,00
02. Affluent Couples	2,92	2,19	0,73
03. Professional Players	3,46	2,64	0,83
04. Logged-On Lifestyles	1,74	2,16	-0,42
05. Liquid Living	3,01	3,26	-0,24
06. Successful Singles	4,66	3,83	0,83
07. Lifestyle Lending	3,65	2,72	0,93
08. Comfortable Retirees	3,01	3,83	-0,82
09. Secure Singles	5,04	2,91	2,13
10. Comfortable Couples	4,71	4,56	0,15
11. Steady Entrepreneurs	7,96	8,54	-0,58
12. Stand-Alone Singles	4,41	5,78	-1,37
13. Plugged-In Purchasers	4,90	5,14	-0,24
14. Payday Pursuers	6,73	9,83	-3,10
15. Deficient Directors	7,24	8,62	-1,38
16. Credit-Reliant Consumers	7,38	5,69	1,69
17. Secure Seniors	3,50	6,39	-2,89
18. Coping Couples	2,84	6,27	-3,44
19. Restricted Retirees	3,33	16,46	-13,12
20. Low Earners	2,12	7,93	-5,82
21. Misfortunate Mature	6,85	14,19	-7,33
22. Concerning Citizens	4,05	8,59	-4,54
23. Money-Wise Mature	6,41	10,23	-3,82
24. Depleted Resources	6,05	8,01	-1,96
25. Strained Adults	10,63	10,86	-0,24
26. Online Survivors	2,86	5,53	-2,67
27. Struggling Earners	2,72	7,77	-5,05
28. Minimum-Money Workers	9,87	10,47	-0,60
29. Inexperienced Earners	4,82	5,97	-1,15
30. Eager Youth	4,16	6,62	-2,47



Credit Card Consumer Default Index by Province

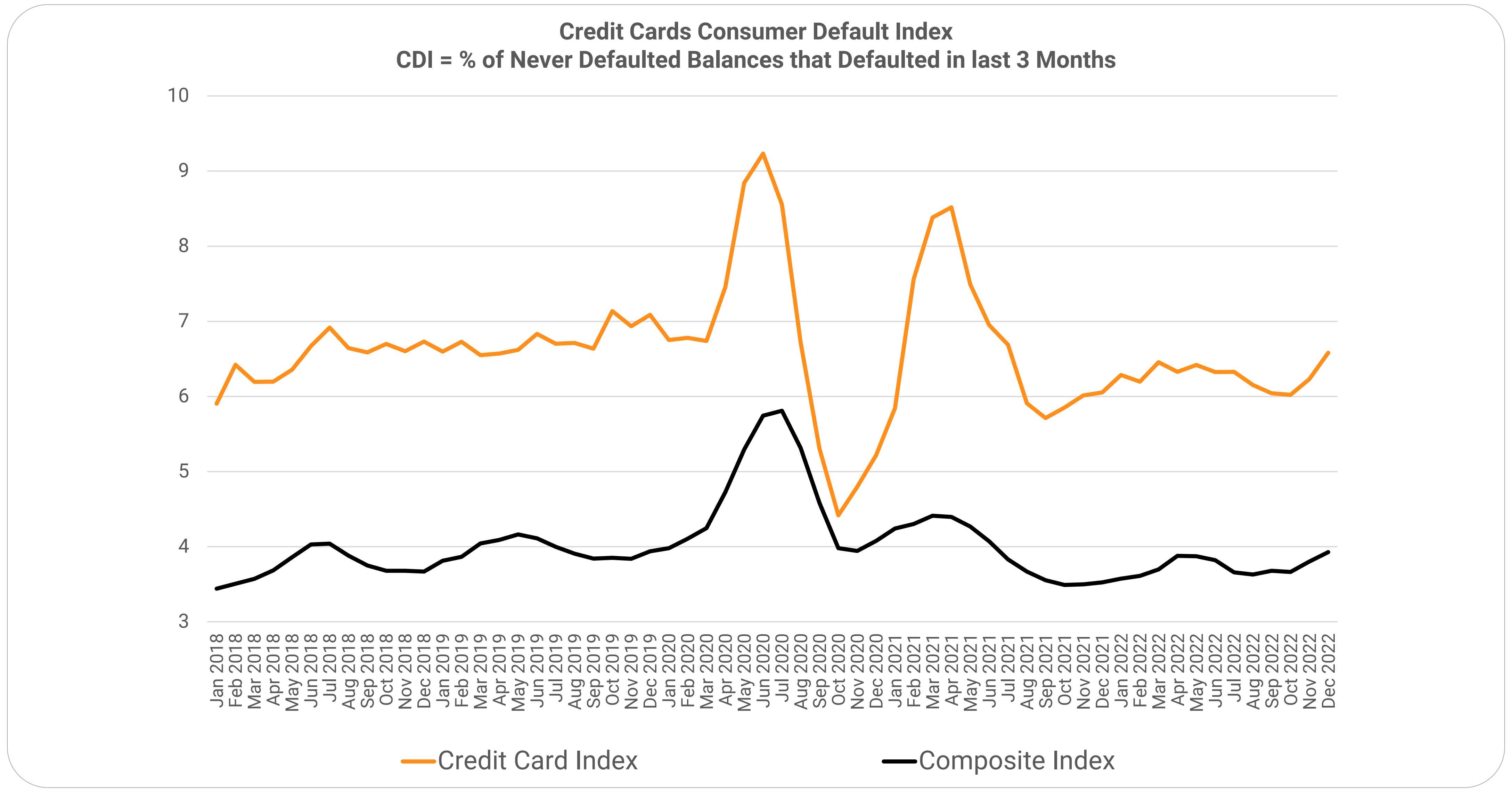
The Credit Card CDI has shown a notable deterioration Y-o-Y (moving from 6.05 in December 2021 to 6.58 in December 2022). The Q-o-Q movement in Credit Card CDI has been of similar magnitude – increasing from 6.04 observed in September 2022.

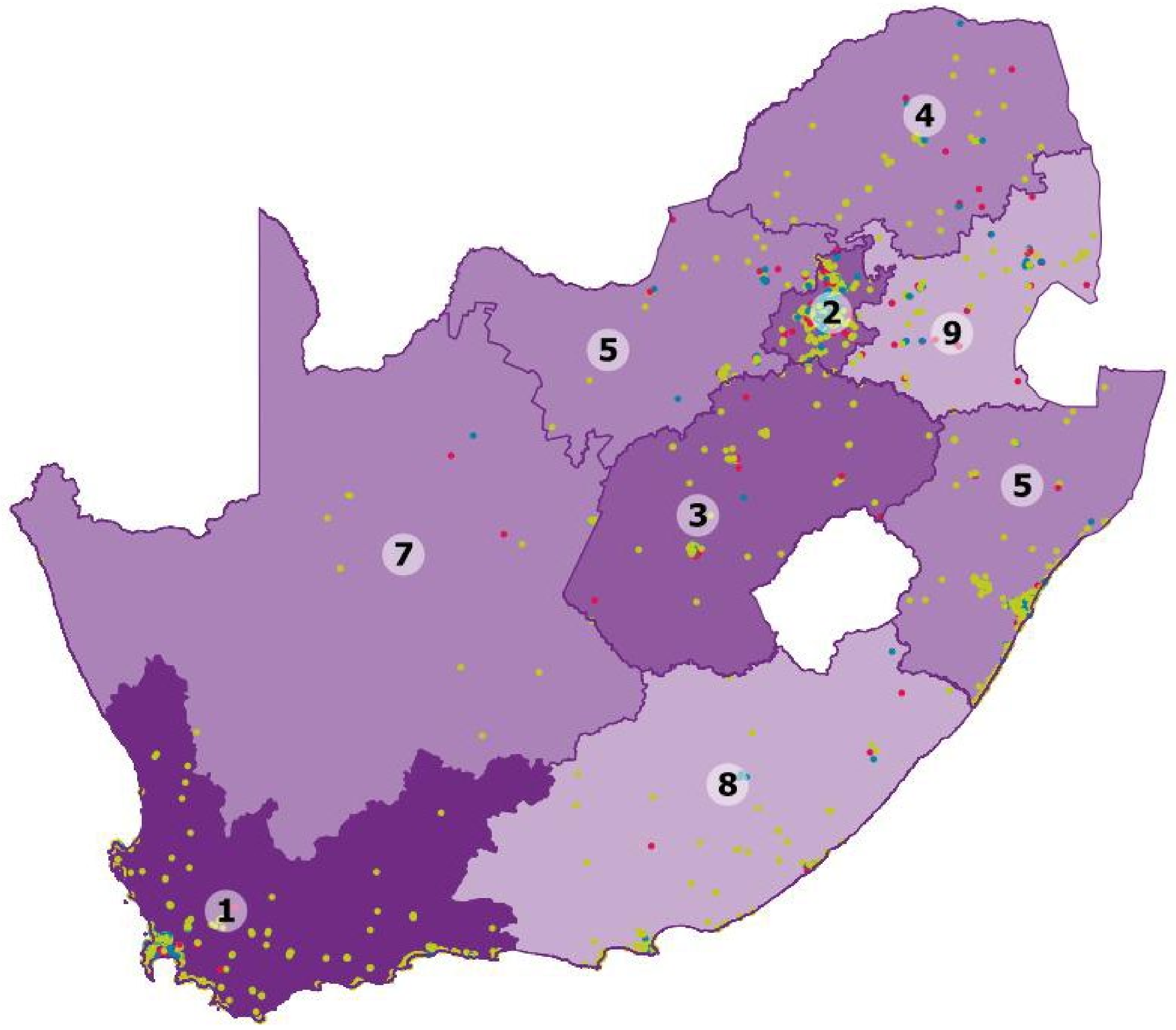
- All of the provinces saw a deterioration in Credit Card CDI.
- The Credit Card CDI in the **Western Cape** continues to be the lowest from a provincial perspective, at 5.68 in December 2022. This is down from the 5.34 observed in December 2021.
- The most substantial deterioration was again for the **Eastern Cape**, moving up from 6.50 in December 2021 to 7.57 in December 2022.
- The highest Credit Card CDI was observed in **Mpumalanga**. This province saw a deterioration in Credit Card CDI, moving from 7.44 in December 2021 up to 7.93 in December 2022.

R2.68bn in value defaulted for first time over the period Oct 2022 to Dec 2022.

6.58% of credit card balances on an annualized basis defaulted for first time over the period Oct 2022 to Dec 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Credit Card Index	6,58	6,05	R 2 682 692 290
FAS Type 2 - largest credit exposure	5,17	3,77	R 356 579 566
FAS Type 17 - lowest CDI	3,20	4,10	R 67 329 390
FAS Type 16 - highest CDI	15,63	12,53	R 133 013 137





- FAS Type 2 - Largest Credit Exposure
- FAS Type 17 - Lowest CDI
- FAS Type 16 - Highest CDI

Composite	CDI	
Rank & Province	Dec'21	Dec'22
1. Western Cape	5,34	5,68
2. Gauteng	5,83	6,31
3. Free State	6,19	6,51
4. Limpopo	7,15	7,27
5. North West	6,72	7,35
5. KwaZulu-Natal	6,56	7,35
7. Northern Cape	6,53	7,36
8. Eastern Cape	6,50	7,57
9. Mpumalanga	7,44	7,93

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 deteriorated Y-o-Y from 3.77 in December 2021 to 5.17 in December 2022.
- **Secure Seniors (17)** are the oldest FAS type, ranging between 60 and 85 years of age. Their average monthly income – mostly from a pension – comes to R179k p.a. 32% of Secure Seniors are homeowners. Due to their age, many Secure Seniors do not qualify for new credit products and as such, only 58% of Secure Seniors have unsecured loans. Still, those who do will have experienced increased affordability pressures before and will know how to manage high-cost credit (as typically associated with unsecured credit) more responsibly than younger counterparts. They have the ***lowest Credit Card CDI***, and also showed improvement from 4.10 in December 2021 to 3.20 in December 2022.
- **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*** at 15.63 in December 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Credit Card Index	6,58	6,05	R 2 682 692 290
FAS Type 2 - largest credit exposure	5,17	3,77	R 356 579 566
FAS Type 17 - lowest CDI	3,20	4,10	R 67 329 390
FAS Type 16 - highest CDI	15,63	12,53	R 133 013 137

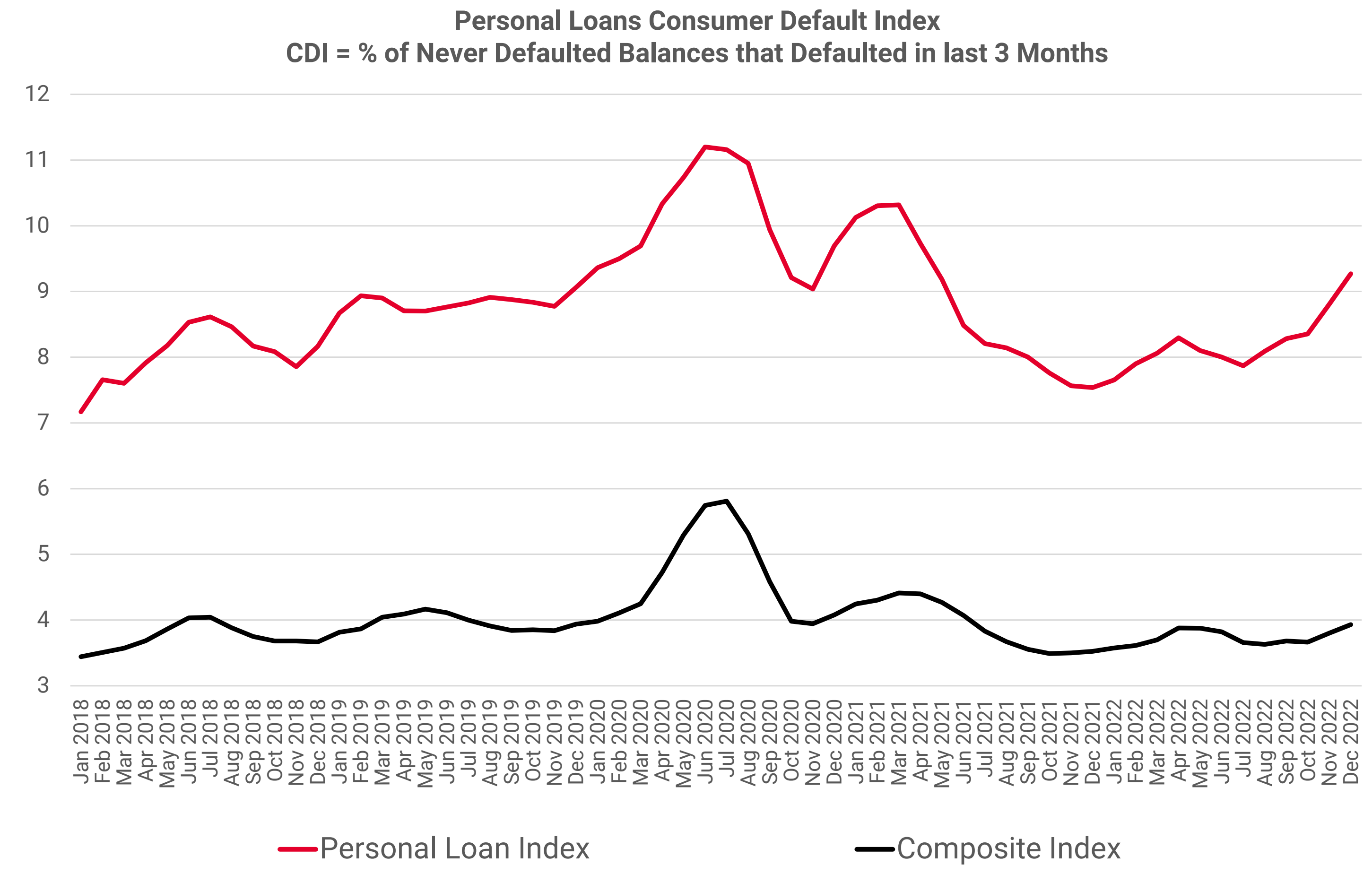
FAS	CDI		
FAS Type Name	Dec'22	Dec'21	Year on Year Δ
01. Independent Investors	4,51	2,81	1,70
02. Affluent Couples	5,17	3,77	1,39
03. Professional Players	6,85	5,26	1,59
04. Logged-On Lifestyles	3,72	5,49	-1,77
05. Liquid Living	4,61	5,12	-0,51
06. Successful Singles	8,57	6,62	1,96
07. Lifestyle Lending	8,64	6,76	1,89
08. Comfortable Retirees	5,99	6,49	-0,50
09. Secure Singles	10,75	7,16	3,59
10. Comfortable Couples	9,49	8,29	1,20
11. Steady Entrepreneurs	11,46	12,89	-1,43
12. Stand-Alone Singles	6,13	8,17	-2,03
13. Plugged-In Purchasers	4,35	7,68	-3,32
14. Payday Pursuers	4,68	10,72	-6,04
15. Deficient Directors	9,84	10,08	-0,24
16. Credit-Reliant Consumers	15,63	12,53	3,10
17. Secure Seniors	3,20	4,10	-0,90
18. Coping Couples	3,49	5,94	-2,44
19. Restricted Retirees	5,92	8,63	-2,71
20. Low Earners	6,93	8,63	-1,70
21. Misfortunate Mature	6,72	7,94	-1,22
22. Concerning Citizens	4,72	7,62	-2,90
23. Money-Wise Mature	8,16	6,90	1,26
24. Depleted Resources	10,98	8,65	2,32
25. Strained Adults	12,23	10,22	2,00
26. Online Survivors	7,43	11,55	-4,11
27. Struggling Earners	10,29	8,22	2,08
28. Minimum-Money Workers	15,63	15,10	0,53
29. Inexperienced Earners	13,74	14,06	-0,32
30. Eager Youth	11,61	15,21	-3,59

Personal Loan Consumer Default Index by Province

The Personal Loans CDI continued to show Y-o-Y deterioration, moving up from 7.54 in December 2021 to 9.27 in December 2022. The Personal Loans CDI has returned to the pre-COVID trajectory of long-term deterioration.

From a market-exposure and credit-active population penetration perspective, the primary FAS segments that actively engage with credit providers for Personal Loans traditionally exhibit a higher representation of the FAS Groups 4, 5 and 6. We have seen though, that higher affluence consumers have become increasingly dependent on Personal Loans to bridge the gap in their monthly expenses.

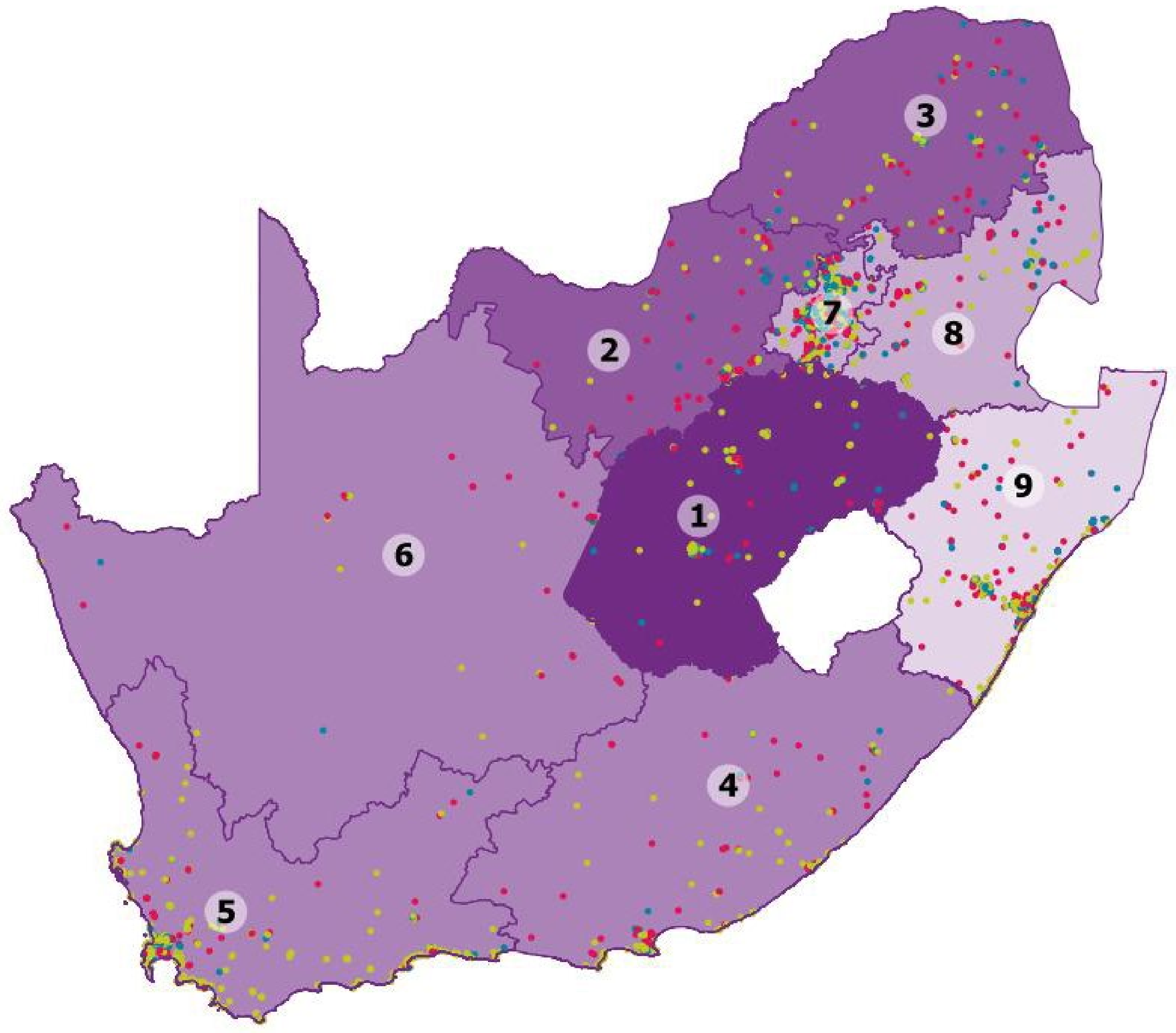
- The **Free State** had the lowest CDI in December 2022, moving up from 6.73 to 8.25 Y-o-Y. Although this was a very significant deterioration, it was by no means the worst deterioration at the provincial level.
- The **Northern Cape** saw the worst deterioration in Personal Loan CDI, moving from 6.90 in December 2021 to 9.13 in December 2022.
- The province with the highest Personal Loans CDI this quarter was **KwaZulu-Natal**, moving up from 7.75 in December 2021 to 9.95 in December 2022.



R7.27bn in value defaulted for first time over the period Oct 2022 to Dec 2022.

9.27% of personal loans on an annualized basis defaulted for first time over the period Oct 2022 to Dec 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Personal Loan Index	9,27	7,54	R 7 274 632 943
FAS Type 5 - largest credit exposure	6,73	5,99	R 446 553 659
FAS Type 17 - lowest CDI	4,35	5,28	R 24 496 096
FAS Type 28 - highest CDI	15,68	12,33	R 466 113 868



- FAS Type 5 - Largest Credit Exposure
- FAS Type 17 - Lowest CDI
- FAS Type 28 - Highest CDI

Composite	CDI	
Rank & Province	Dec'21	Dec'22
1. Free State	6,73	8,25
2. North West	6,92	8,48
3. Limpopo	6,96	8,85
4. Eastern Cape	6,93	8,90
5. Western Cape	7,67	9,06
6. Northern Cape	6,90	9,13
7. Gauteng	7,86	9,40
8. Mpumalanga	7,50	9,58
9. KwaZulu-Natal	7,75	9,95

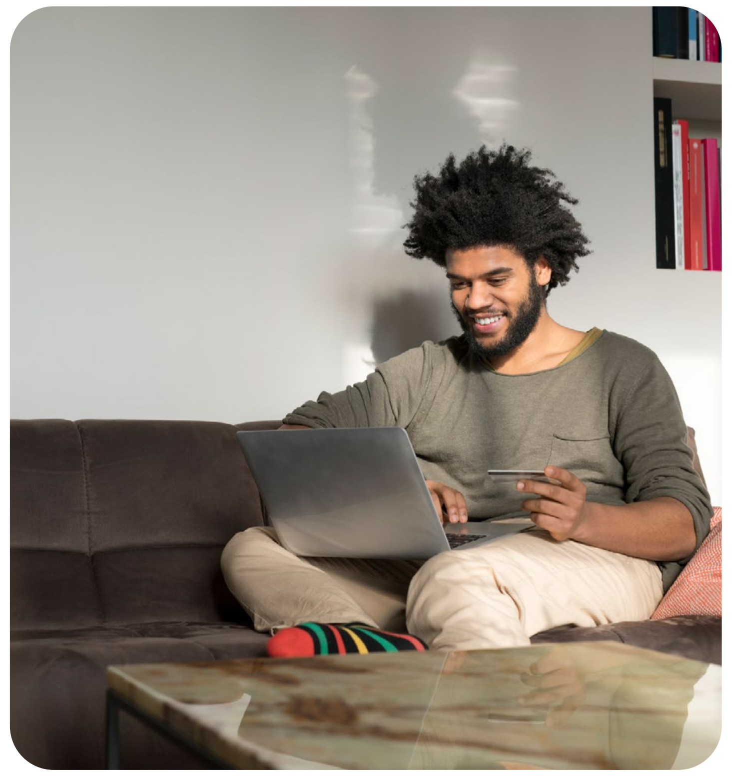
Personal Loan Consumer Default Index by FAS Type

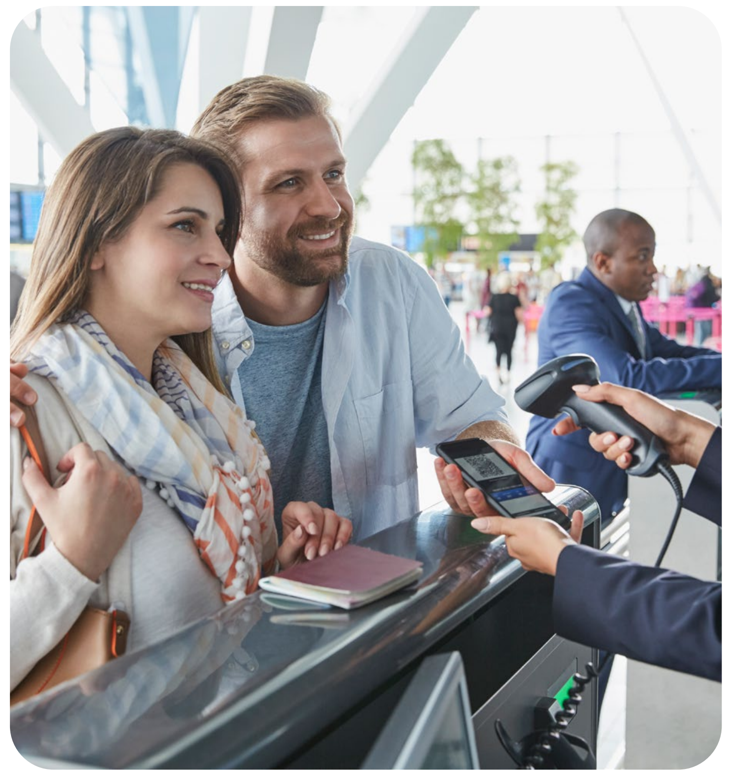
The wider access to personal loans across lower affluence FAS Groups 4, 5 and 6 (~33% of total exposure), results in the overall Personal Loans CDI being substantially higher than that of other traditional banking products.

- **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 5.99 in December 2021 to 6.73 in December 2022.
- **Secure Seniors (17)** are the oldest FAS type, ranging between 60 and 85 years of age. Their average monthly income – mostly from a pension – comes to R179k p.a. 32% of Secure Seniors are homeowners. Due to their age, many Secure Seniors do not qualify for new credit products and as such, only 58% of Secure Seniors have unsecured loans. They have the ***lowest Personal Loans CDI*** and showed improvement from 5.28 in December 2021 to 4.35 in September 2022.
- **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 Personal Loans CDI***. They have deteriorated from 12.44 in December 2021 to 15.68 in December 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Personal Loan Index	9,27	7,54	R 7 274 632 943
FAS Type 5 - largest credit exposure	6,73	5,99	R 446 553 659
FAS Type 17 - lowest CDI	4,35	5,28	R 24 496 096
FAS Type 28 - highest CDI	15,68	12,33	R 466 113 868

FAS	CDI		
FAS Type Name	Dec'22	Dec'21	Year on Year Δ
01. Independent Investors	5,98	3,99	1,98
02. Affluent Couples	7,43	5,08	2,35
03. Professional Players	8,82	6,09	2,73
04. Logged-On Lifestyles	5,95	5,77	0,17
05. Liquid Living	6,73	5,99	0,74
06. Successful Singles	10,41	7,15	3,26
07. Lifestyle Lending	9,05	6,32	2,73
08. Comfortable Retirees	6,98	6,63	0,35
09. Secure Singles	11,15	6,18	4,97
10. Comfortable Couples	9,98	7,13	2,86
11. Steady Entrepreneurs	11,46	10,93	0,53
12. Stand-Alone Singles	8,97	7,05	1,92
13. Plugged-In Purchasers	7,72	8,37	-0,66
14. Payday Pursuers	6,47	7,23	-0,75
15. Deficient Directors	9,88	8,28	1,60
16. Credit-Reliant Consumers	13,81	12,28	1,53
17. Secure Seniors	4,35	5,28	-0,93
18. Coping Couples	4,84	5,71	-0,87
19. Restricted Retirees	4,81	5,91	-1,10
20. Low Earners	10,41	8,21	2,20
21. Misfortunate Mature	8,28	7,50	0,79
22. Concerning Citizens	8,14	6,69	1,44
23. Money-Wise Mature	7,24	7,34	-0,10
24. Depleted Resources	9,47	8,74	0,73
25. Strained Adults	11,00	10,02	0,98
26. Online Survivors	11,27	6,29	4,98
27. Struggling Earners	8,16	8,09	0,07
28. Minimum-Money Workers	15,68	12,33	3,35
29. Inexperienced Earners	15,55	12,72	2,83
30. Eager Youth	15,11	11,92	3,18



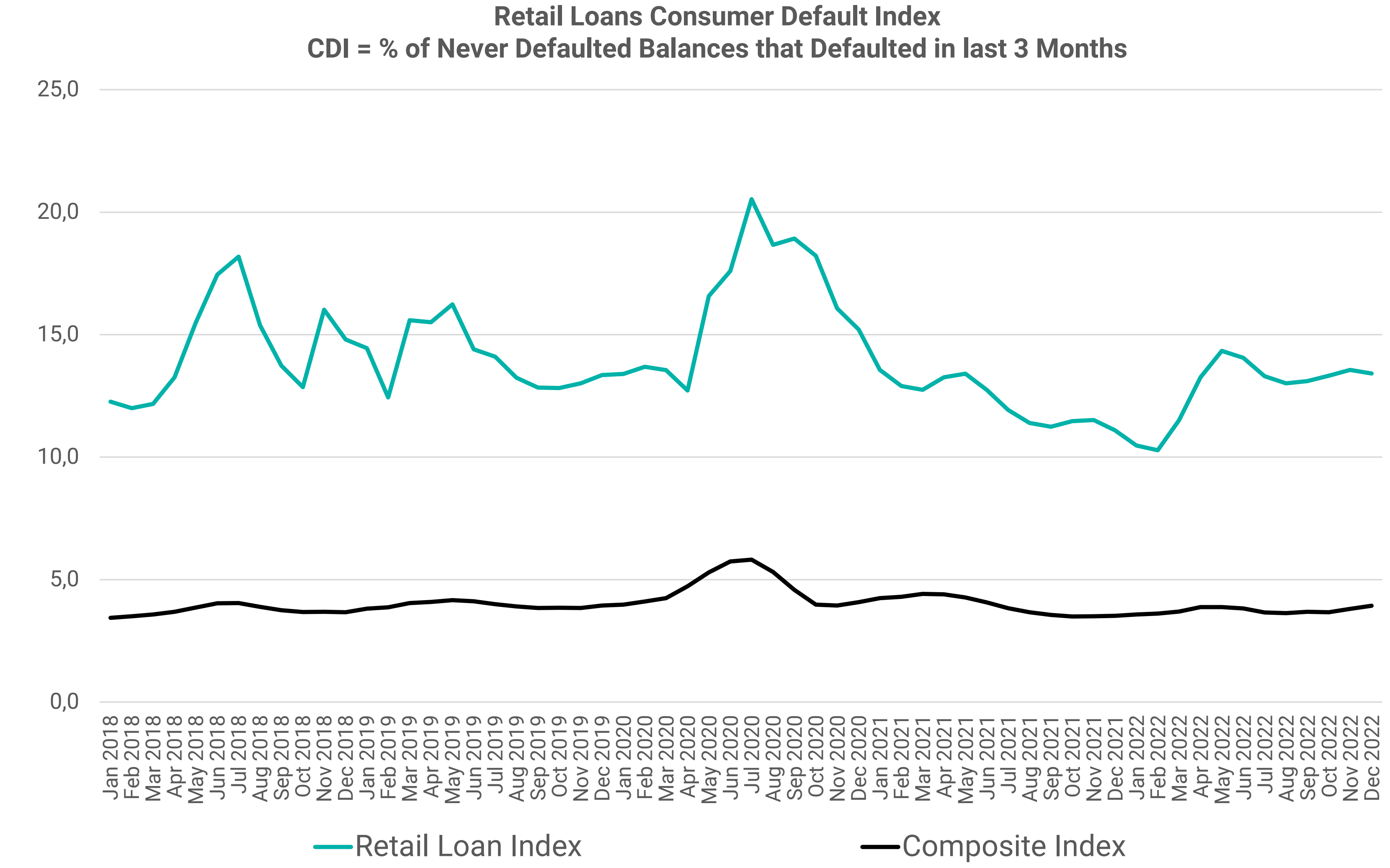


Retail Loans Consumer Default Index by Province

Retail Loans CDI has shown deterioration in CDI from a Y-o-Y perspective, moving up from 11.09 in December 2021 to 13.41 in December 2022. Looking at the Retail Loans CDI Q-o-Q, we also saw a deterioration from 13.10 in September 2022. Keep in mind, though, that the Retail Loan CDI is more volatile than the other products reported, partly due to the nature of the product, but also due to the more balanced representation across consumer segments – particularly lower affluence groups.

All provinces have shown a deterioration in Retail Loans CDI Y-o-Y.

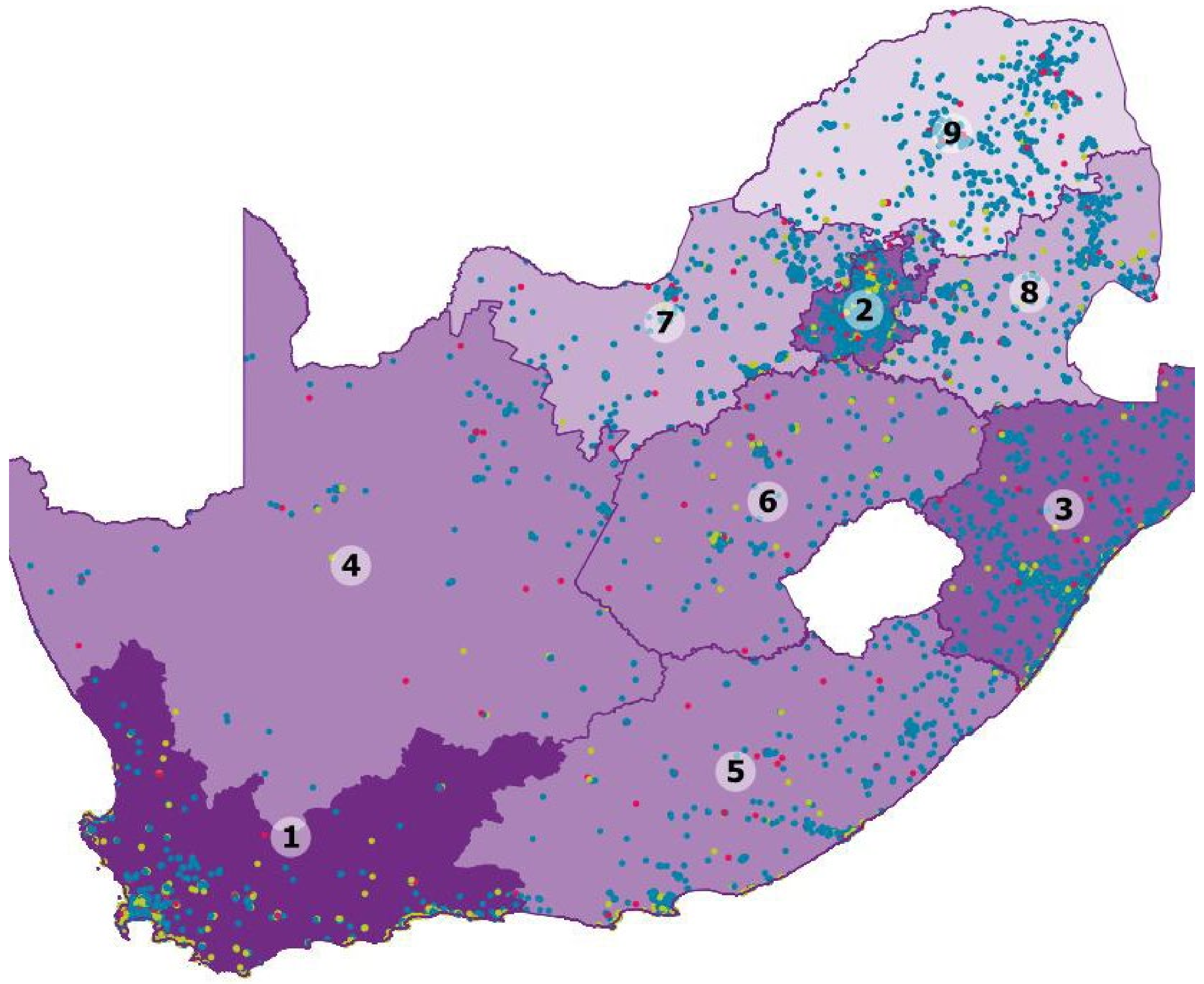
- **Western Cape** again represents the lowest Retail Loans CDI, despite the deterioration from 9.60 in December 2021 to 11.53 in December 2022.
- The smallest deterioration was observed for the **Eastern Cape**. This province moved from 11.67 in December 2021 to 13.41 in December 2022.
- **Limpopo** fared the worst in the provincial Retail Loans CDI ranking, also showing the biggest deterioration Y-o-Y from 12.53 in December 2021 to 15.84 in December 2022.



R1.33bn in value defaulted for first time over the period Oct 2022 to Dec 2022.

13.41% of retail loans on an annualized basis defaulted for first time over the period Oct 2022 to Dec 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Retail Loan Index	13,41	11,09	R 1 332 223 046
FAS Type 26 - largest credit exposure	18,00	16,63	R 210 713 420
FAS Type 17 - lowest CDI	5,14	5,71	R 15 586 277
FAS Type 30 - highest CDI	28,01	24,29	R 94 884 133



- FAS Type 26 - Largest Credit Exposure
- FAS Type 17 - Lowest CDI
- FAS Type 30 - Highest CDI

Composite	CDI	
Rank & Province	Sep'21	Sep'22
1. Western Cape	9,60	11,53
2. Gauteng	10,89	13,20
3. KwaZulu-Natal	11,29	13,23
4. Northern Cape	10,35	13,29
5. Eastern Cape	11,67	13,41
6. Free State	11,11	13,78
7. North West	11,23	14,25
8. Mpumalanga	12,42	15,09
9. Limpopo	12,53	15,84

Retail Loans Consumer Default Index by FAS Type

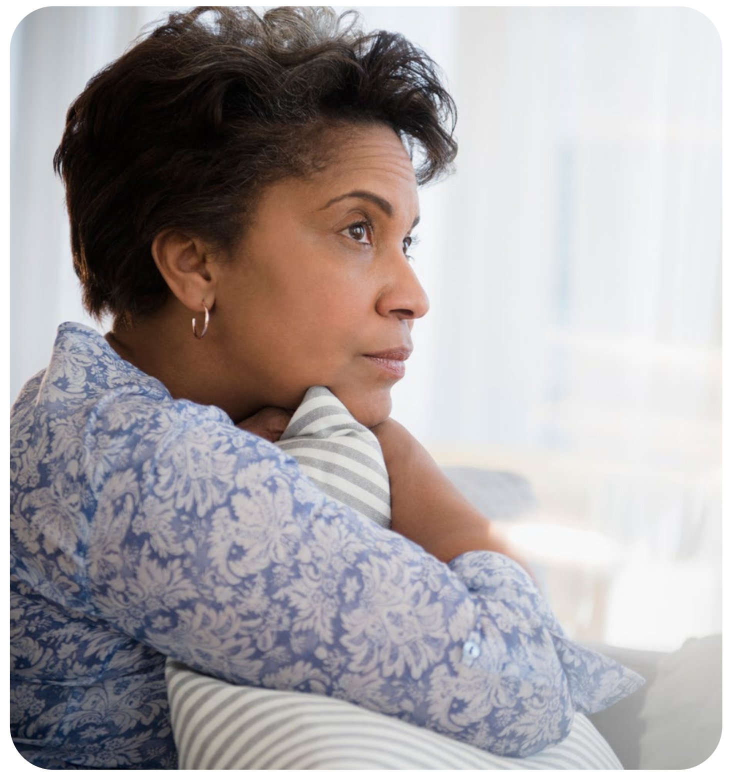
On a Y-o-Y basis, the Retail CDI increased (and thus deteriorated) in December 2022, moving from 11.09 in December 2021 to 13.41 in December 2022. Q-o-Q this index showed deterioration as well, moving from 13.10 in September 2022 to 13.41 in December 2022.

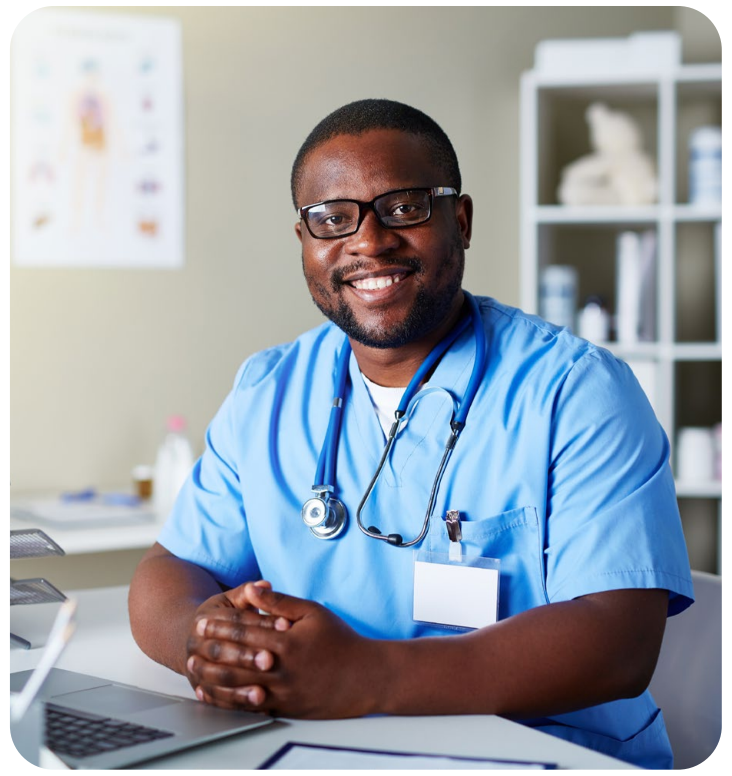
When looking at the FAS type level segmentation, we observe the following:

- **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 Loan credit exposure*** and they also saw a deterioration in CDI from 16.09 in December 2021 to 18.00 in December 2022.
- **Secure Seniors (17)** are the oldest FAS type, ranging between 60 and 85 years of age. Their average monthly income – mostly from a pension – comes to R179k p.a. 32% of Secure Seniors are homeowners. Due to their age, many Secure Seniors do not qualify for new credit products and as such, only 58% of Secure Seniors have unsecured loans. They have the ***lowest Retail Loan CDI*** and actually showed improvement from 5.71 in December 2021 to 5.14 in December 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 Loan CDI***, also showing drastic deterioration from 24.29 in December 2021 to 28.01 in December 2022.

	CDI Dec'22	CDI Dec'21	New Default Balances Oct'22-Dec'22
Retail Loan Index	13,41	11,09	R 1 332 223 046
FAS Type 26 - largest credit exposure	18,00	16,63	R 210 713 420
FAS Type 17 - lowest CDI	5,14	5,71	R 15 586 277
FAS Type 30 - highest CDI	28,01	24,29	R 94 884 133

FAS	CDI		
FAS Type Name	Dec'22	Dec'21	Year on Year Δ
01. Independent Investors	7,76	3,50	4,26
02. Affluent Couples	7,34	4,71	2,63
03. Professional Players	8,54	5,75	2,79
04. Logged-On Lifestyles	7,37	6,28	1,10
05. Liquid Living	6,65	5,73	0,92
06. Successful Singles	11,19	7,54	3,66
07. Lifestyle Lending	11,20	6,69	4,51
08. Comfortable Retirees	7,07	5,88	1,19
09. Secure Singles	14,49	8,79	5,70
10. Comfortable Couples	11,49	8,46	3,03
11. Steady Entrepreneurs	15,40	12,70	2,69
12. Stand-Alone Singles	11,30	10,66	0,64
13. Plugged-In Purchasers	10,35	10,46	-0,10
14. Payday Pursuers	9,47	10,05	-0,58
15. Deficient Directors	13,74	11,48	2,26
16. Credit-Reliant Consumers	20,69	13,52	7,16
17. Secure Seniors	5,14	5,71	-0,57
18. Coping Couples	5,38	6,18	-0,80
19. Restricted Retirees	9,40	9,65	-0,25
20. Low Earners	16,46	14,28	2,17
21. Misfortunate Mature	10,36	9,62	0,74
22. Concerning Citizens	15,38	11,80	3,58
23. Money-Wise Mature	9,86	8,92	0,94
24. Depleted Resources	11,56	7,54	4,02
25. Strained Adults	16,34	11,31	5,03
26. Online Survivors	18,00	16,63	1,37
27. Struggling Earners	15,15	15,04	0,11
28. Minimum-Money Workers	25,93	19,37	6,57
29. Inexperienced Earners	27,09	20,44	6,66
30. Eager Youth	28,01	24,29	3,71

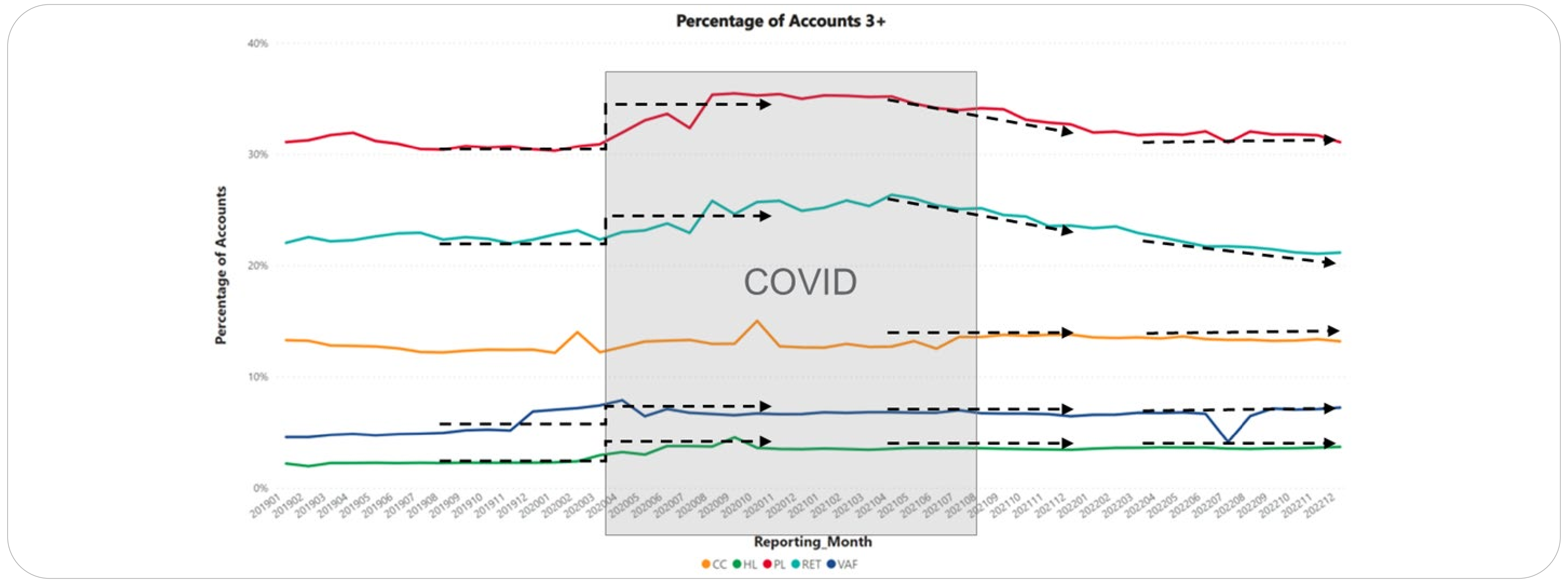




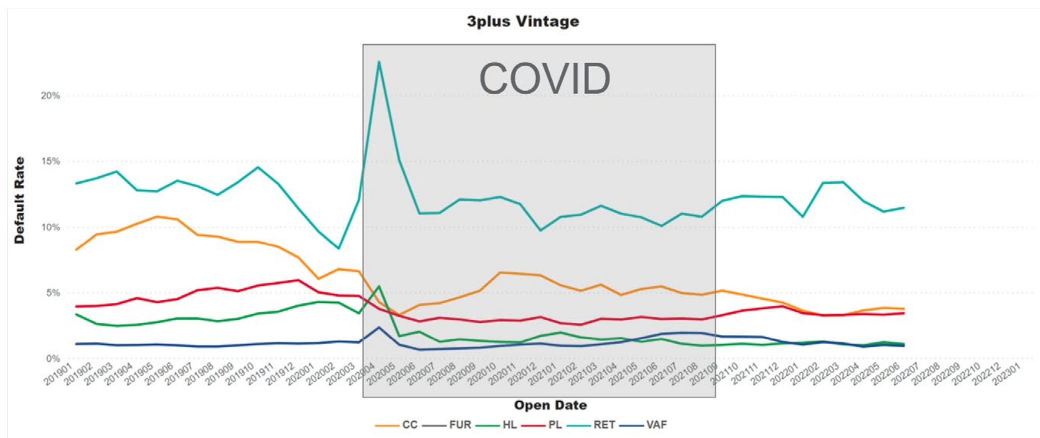
Arrears & Vintages

Performance by Product

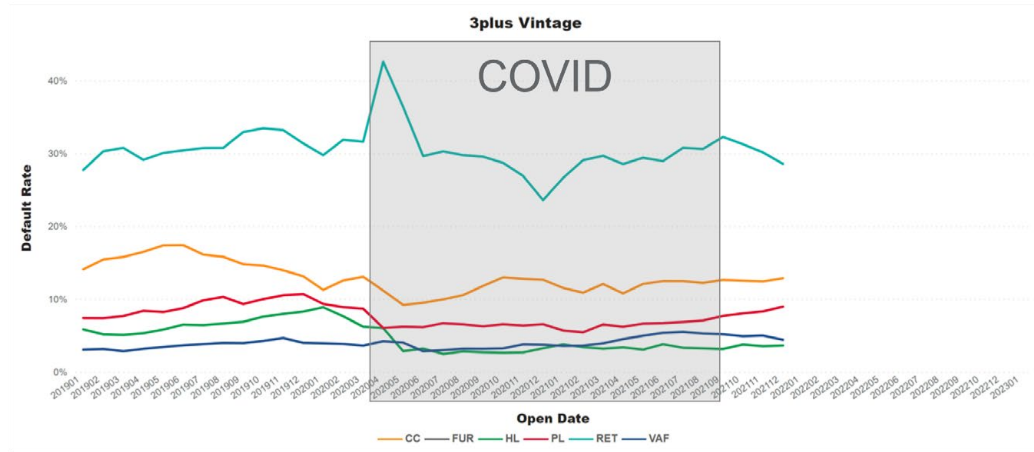
3+ Arrears (volume based)



@ 6 months



@ 12 months



Over the last two years, we have seen a continued steady decline in the % of balances in 3+ arrears for the Retail Loans portfolios. Personal Loans have, over the last 6 to 9 months, remained stable – signifying that the positive effect of increased exposure to lower-risk consumers is waning. In the case of Card and Secured Loans, however, the movement has been less pronounced from a volume perspective. Having observed a step-increase with the onset of COVID, Vehicle and Home Loans have remained at the higher Arrears percentage, while Credit Cards have also remained mostly stable. Considering that Home and Vehicle Loans are products where high-affluence consumers have the most exposure, this sustained high 3+ arrears level points towards the increased cost of living still putting pressure on these employed, high-earning consumers.

> …the positive effect of increased exposure to lower-risk consumers is waning.

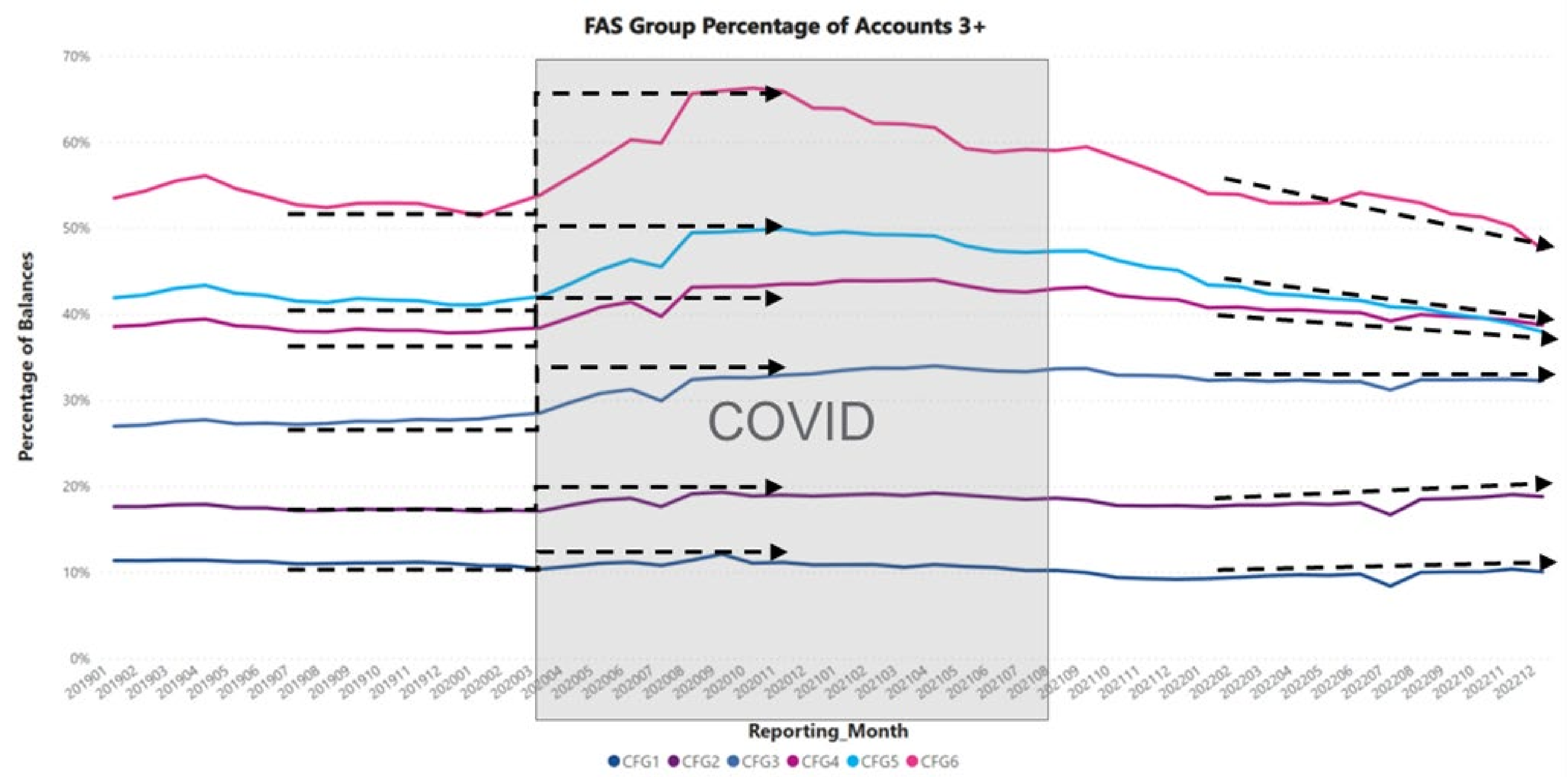
Vintage analyses indicate that **Retail Loans** have been under increasing pressure, as lenders have been opening up to allow for more credit to be extended. Although new business levels have not yet returned to that observed pre-COVID, retailers have been steadily ramping up to it – particularly since the 2021 Festive season. Indications are that the 2022 Black Friday did show an uptick in New business volumes.

The other unsecured products **(Personal Loans and Credit Card)** continue to show an increasing trend @ 12 months for business written subsequent to June 2021 – also pointing towards increasing pressure on consumers to make ends meet.

Regarding **Vehicle Loans**, we commented last quarter on the increased default rate observed for business written between April 2021 and September 2021 had stabilized at a high level (@ 12 months) and that indications were (from @ 6 months view), that these might come down again. This has indeed now come to pass and we see a reduction in default rates for Vehicle Loans @ 12 months as well. Home Loans have remained steady, following the drop observed shortly after the onset of COVID.

Performance by FAS Group

3+ Arrears (volume based)



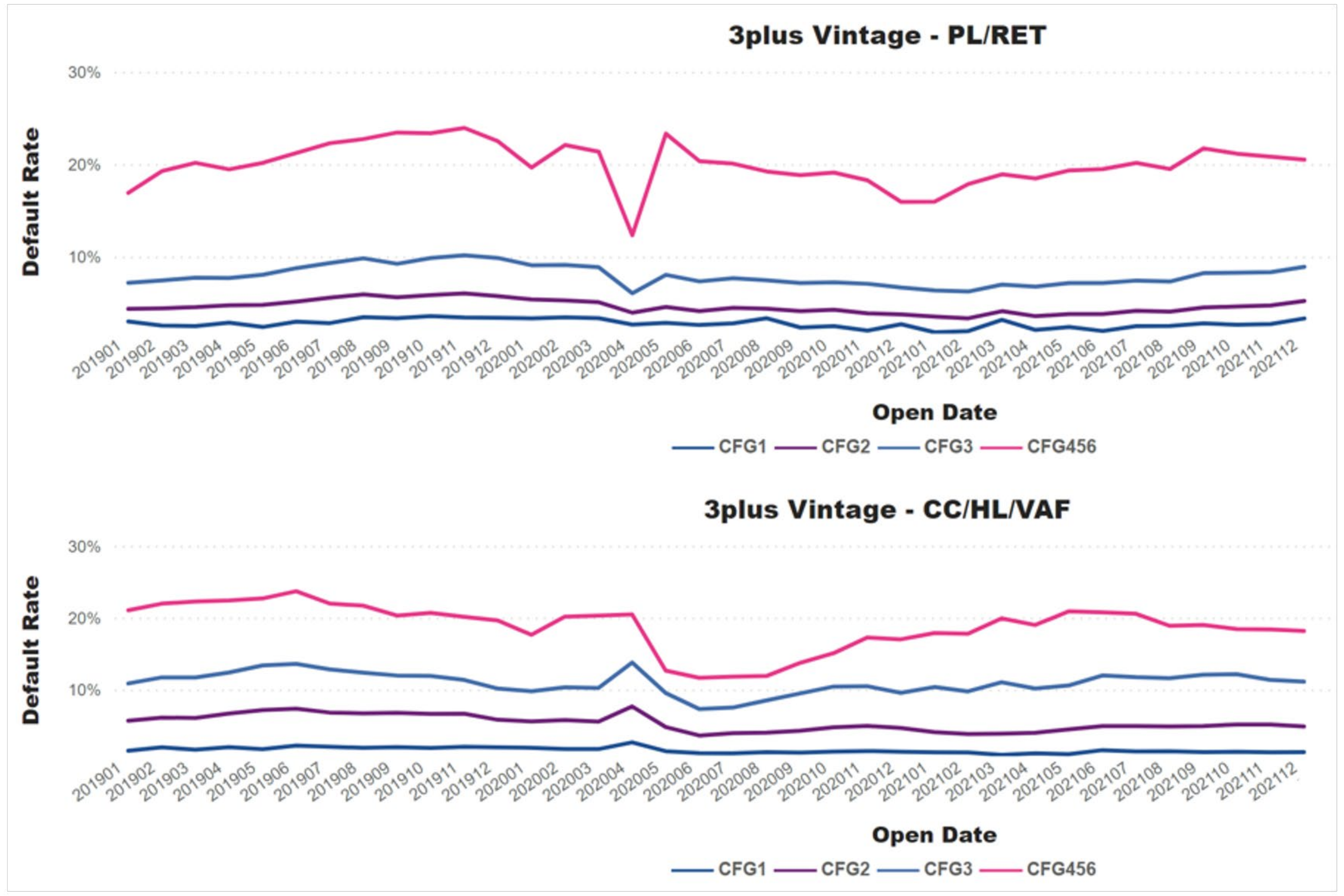
Less affluent **FAS Groups 4, 5 & 6** continue showing improvement in their arrears. This is mainly the result of these consumers' relatively low exposure to secured long-term credit and the fact that lenders in the unsecured market opted for a more risk-averse approach to credit decisioning. This downward trend has now led to the least affluent consumers **(FAS Groups 5 and 6)** being at the lowest arrears percentages they have been in more than four years. On the other hand, **FAS Groups 1, 2 and 3** have remained relatively stable after the initial shock, which brought on a higher arrears percentage.

3+ Arrears Vintages (volume based)

The vintages associated with high-affluence consumers **(FAS 1)** have been mostly stable – regardless of product type. Most recently, though, we have seen the default rate of higher affluence groups **FAS 1, 2 & 3** in the Personal and Retail Loans space, showing an increasing trend in 3+ arrears (volume based). These consumers are increasingly dependent on these products to maintain their living standards. They also have a higher likelihood of qualifying for these products (compared to their less affluent counterparts).

For **FAS Groups 4, 5 & 6** an increasing default rate in all portfolios was prevalent until recently – but indications are that this has now stabilised. Keep in mind that these products typically exhibit higher exposure to these consumers than secured and card products do.

@ 12 months



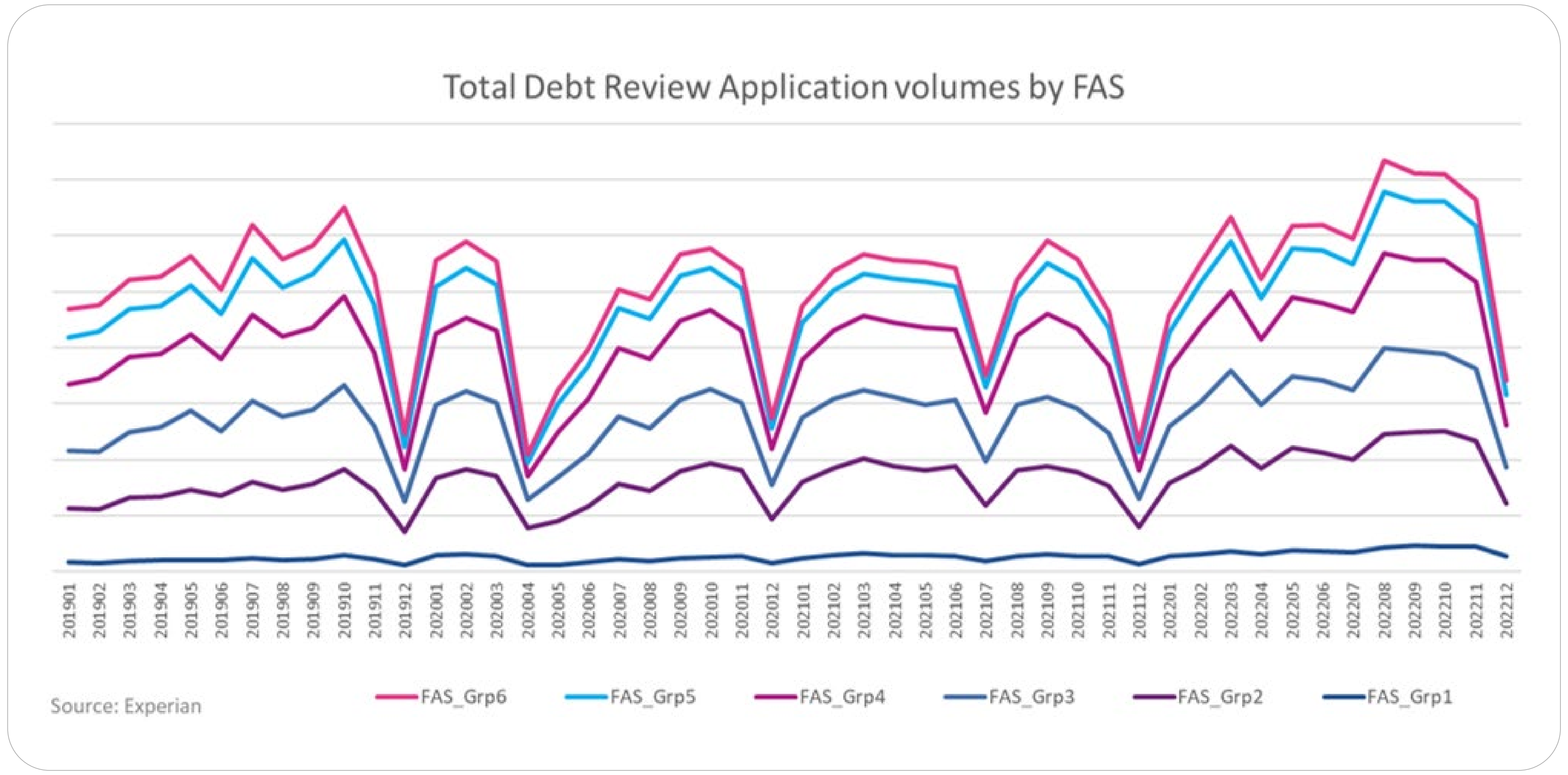
Debt Review

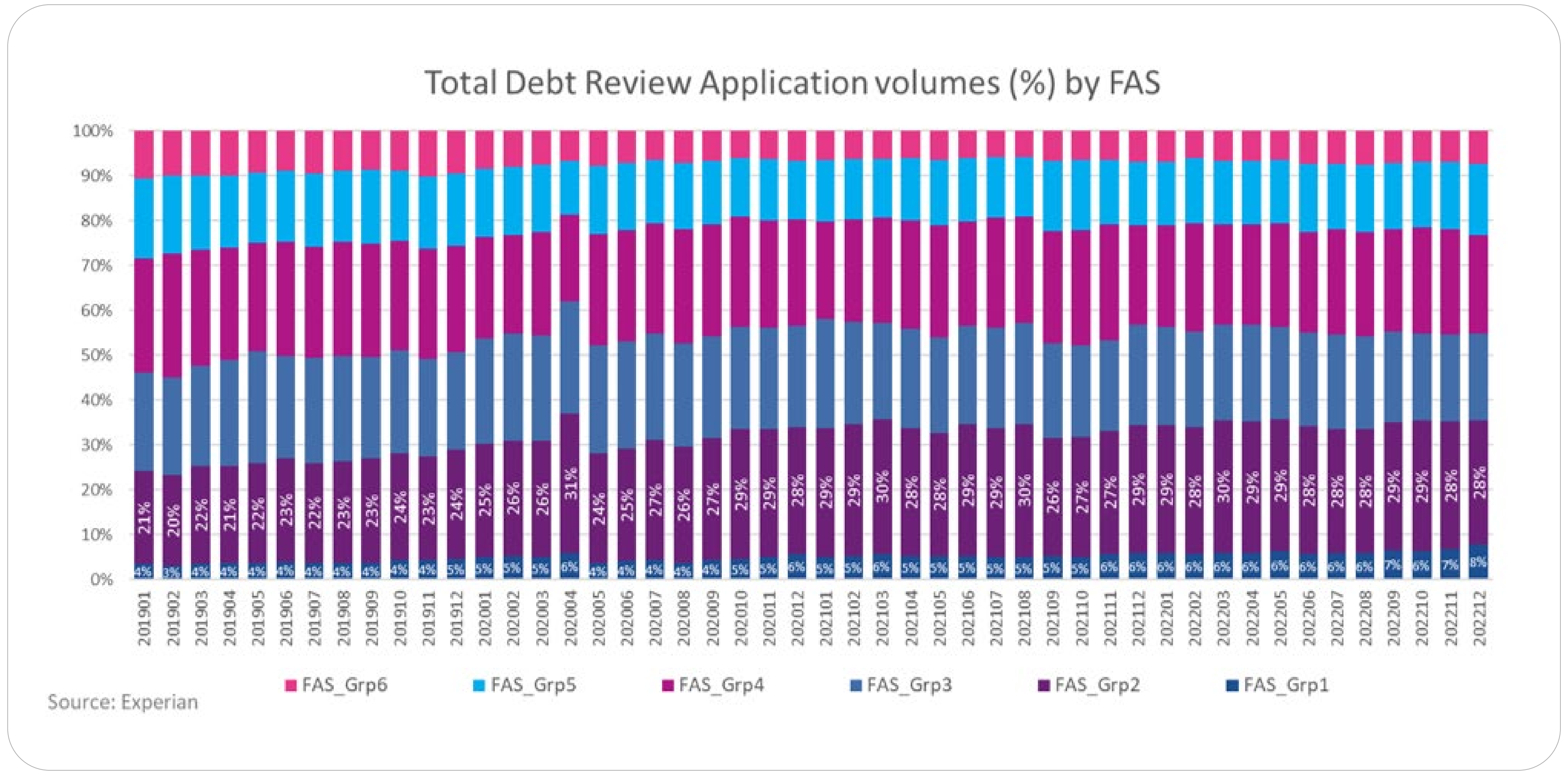
Consumers under Debt Review

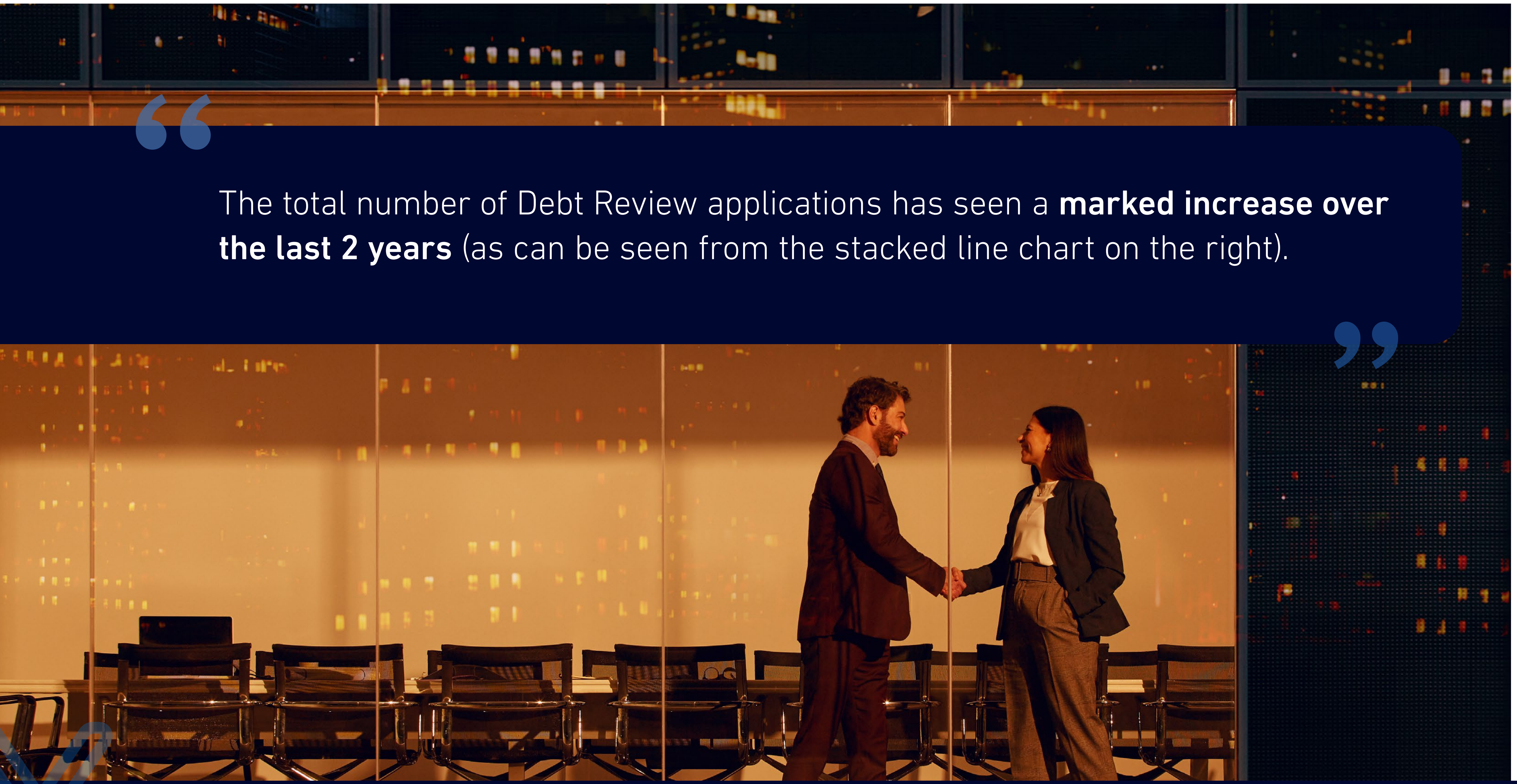
Debt Review is a mechanism at the disposal of consumers, that is aimed at helping consumers who are unable to afford their debt repayments, to get to a new arrangement with debtors, to settle their debt. This process is regulated by the NCR, which aggregates Debt Review data as submitted by Debt Counselling agencies, and disseminates this data to credit bureaus.

The total number of Debt Review applications has seen a **marked increase over the last 2 years** (as can be seen from the stacked line chart on the right).

Most notably, the representation of high-affluence consumers has increased significantly over this time period – especially for **FAS 2**. This observation aligns with what we have seen for these high-affluence consumers in other areas as well – considering arrears, vintages and also the CDI itself.





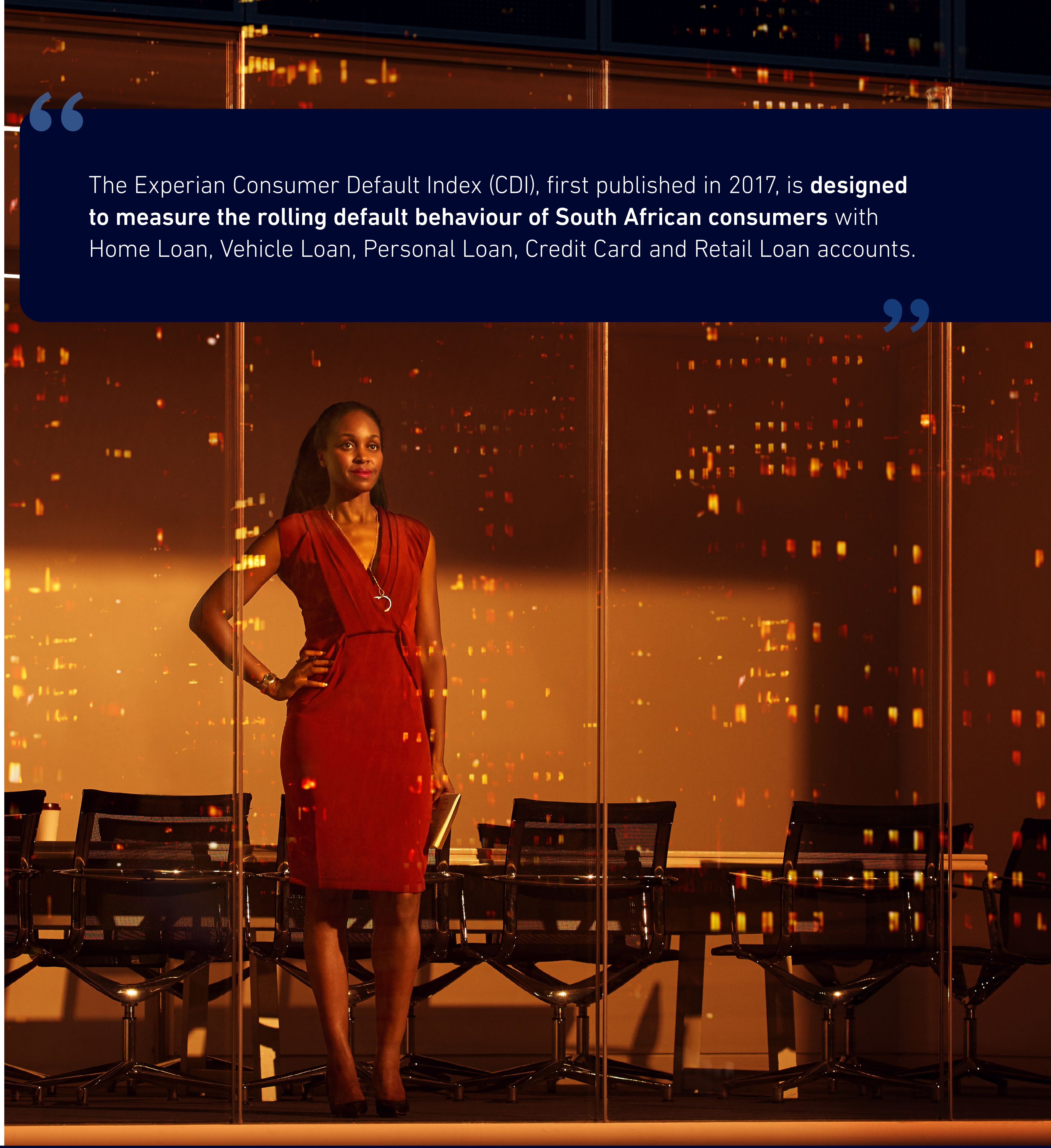


"The total number of Debt Review applications has seen a **marked increase over the last 2 years** (as can be seen from the stacked line chart on the right)."

Summary of the CDIx

- Although there has been a temporary slowing in CPI and fuel cost increases, the Cost of living remains on an upward trend – particularly regarding Food and NAB.
- Market appetite has reached record-high levels as consumers look to credit to bridge the gap in covering living expenses.
- The increased cost of living also leads to decreased affordability of consumers
  - The likely increased inability of consumers to meet debt obligations
  - Likely reduction in qualification for new credit
- Qualification for credit still has not returned to pre-COVID levels
- New product volumes continue to recover
  - Personal and Retail Loan volumes still have some way to go in returning to former levels.
  - Vehicle Loans new business has recovered, though (to some extent as the result of increased CPI).
  - High affluence consumers (FAS Groups 1 and 2) typically qualified for and took up much higher value loans (these consumers typically still qualify for new products – even though many lenders have opted for a more risk-averse strategy in loan approval).
- The Composite CDI has shown an overall deterioration Y-o-Y
  - This deterioration was seen across all products, but most particularly for Retail and Personal Loans.
  - Only FAS Group 3 showed Y-o-Y improvement.
- Vintages in the Personal Loan Credit Card portfolios have shown a deteriorating trend of late – specifically in the @12 months view.
  - The FAS Groups 1 - 3 are showing signs of distress from a 3+ @ 12 months vintages perspective – especially in the unsecured loans space. This highlights their reliance on credit to bridge the cost of living gap.

> 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

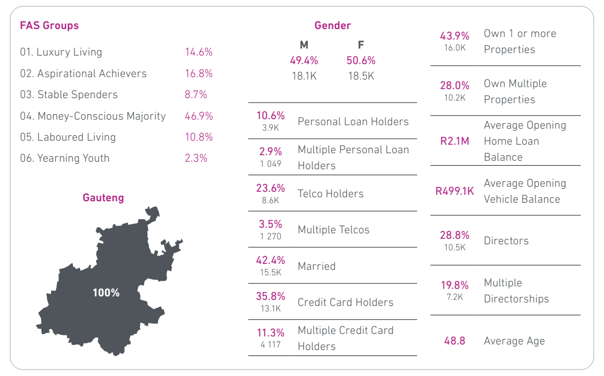
This report leverages Experian data, analytics and technology solutions to bring you insights into consumers in South Africa.

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)

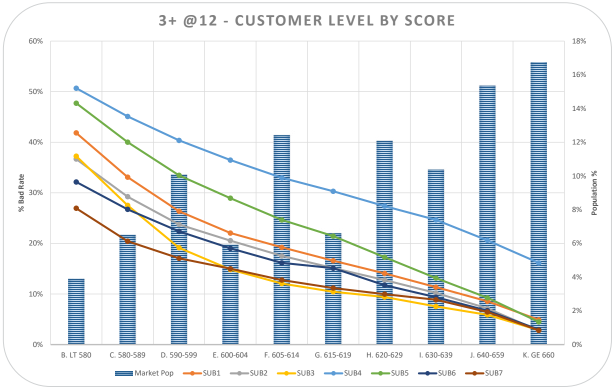
Understanding your Customers

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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