Extended Monthly Report – July to September 2019

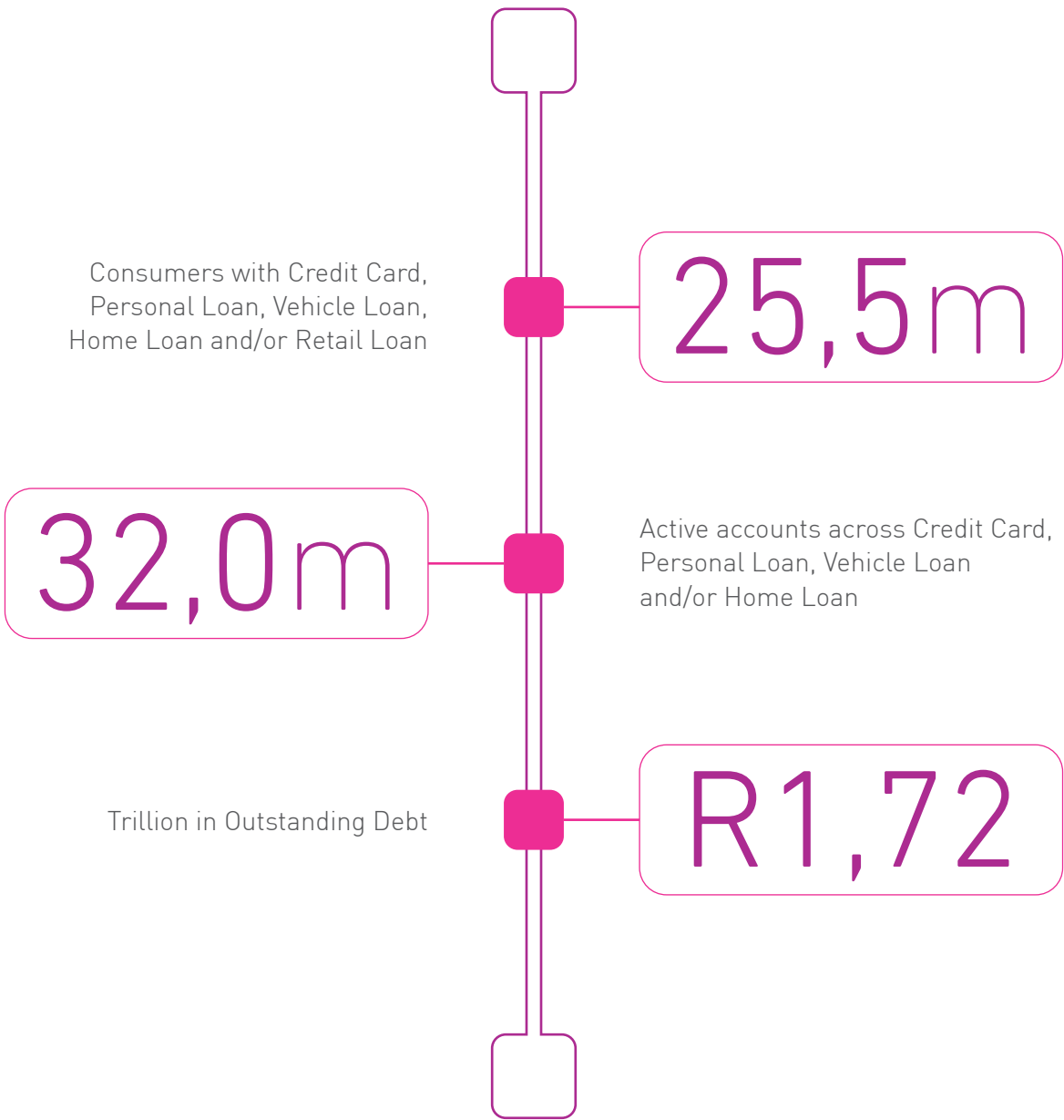## Product Level Analysis & Quarterly Trend Review

Index

Experian Consumer Default Index (CDI) Overview

What it measures?

The Experian Consumer Default Index (CDI) is designed to measure rolling default behaviour of South African consumers with Home Loan, Vehicle Loan, Personal Loan and Credit Card 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 it being in arrears 90 or more days or 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 (accounts that have never) defaulted balances as a percentage of the total sum of balances outstanding. Published on a monthly basis, with a 2 month lag, the indices include a balance-weighted composite index as well as the 4 product specific sub-indices. Each of the indices are also determined at Mosaic type level to provide further insight into the dynamics faced by specific consumer segments that are experiencing different stress due to macro forces such as unemployment, interest rate changes and economic growth.

Consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan

25,5m

32,0m

Active accounts across Credit Card, Personal Loan, Vehicle Loan and/or Home Loan

Trillion in Outstanding Debt

R1,72

Experian CDI | Composite & Product Level

Experian Consumer Default Index | Composite
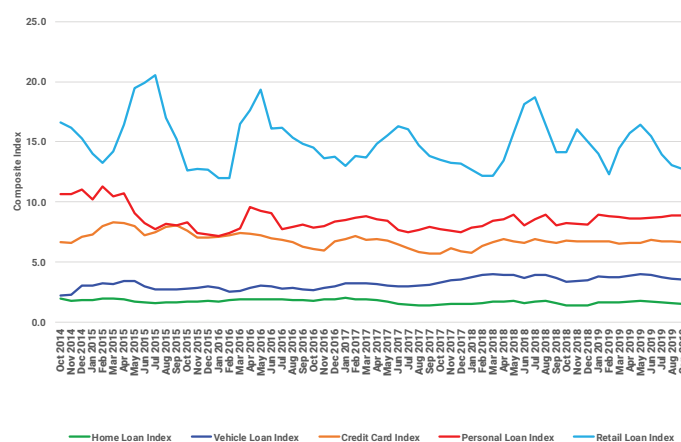CDI = % Never Default Balances that Defaulted in the last 3 Months
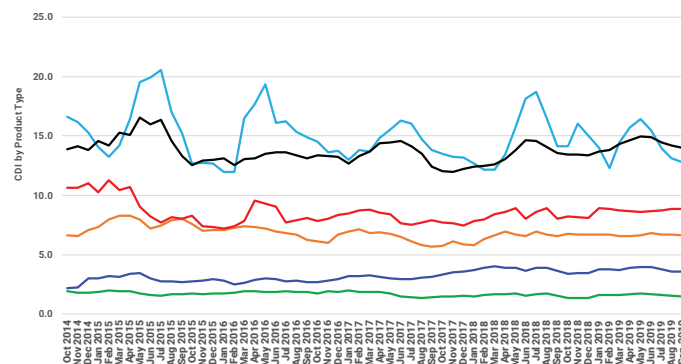
MONTHLY HIGHLIGHTS

Overall index of 3.93% in Sep 2019, tracking higher Y-o-Y from 3.79% in Sep 2018.

Experian Consumer Default Index | Product Level
CDI = % Never Default Balances that Defaulted in the last 3 Months

Home Loan Index — Vehicle Loan Index — Credit Card Index — Personal Loan Index — Retail Loan Index

MONTHLY HIGHLIGHTS

This increase in CDI is on the back of a sharp Y-o-Y increase in CDI for Personal Loans.

Experian CDI	CDI Sep'19	CDI Sep'18	Average Outstanding Jul'19 – Sep'19	New Default Balances Jul'19 – Sep'19
Composite Index	3,93	3,79	R 1,7 Trillion	16,76 Billion
Home Loan Index	1,50	1,56	R 830,26 Billion	R 3,11 Billion
Vehicle Loan Index	3,54	3,66	R 414,69 Billion	R 3,67 Billion
Credit Card Index	6,63	6,58	R 132,02 Billion	R 2,19 Billion
Personal Loan Index	8,84	8,03	R 280,3 Billion	R 6,2 Billion
Retail Loan Index	12,77	14,14	R 49,6 Billion	R 1,59 Billion

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Mosaic Segmentation

What is Mosaic?

Experian Marketing Solutions' Mosaic SA is a consumer lifestyle segmentation system that classifies the South African population and enumeration areas into 36 unique types and 9 overarching groups, providing a 360-degree view of consumers' choices, preferences and habits.

This classification system paints a rich picture of SA consumers and their socio-demographics, lifestyles, behaviours, and culture, providing marketers with the most accurate and comprehensive view of their customers, prospects, and markets. Mosaic SA offers a common customer language to define, measure, describe and engage target audiences through accurate segment definitions that enable more strategic and sophisticated conversations with consumers.
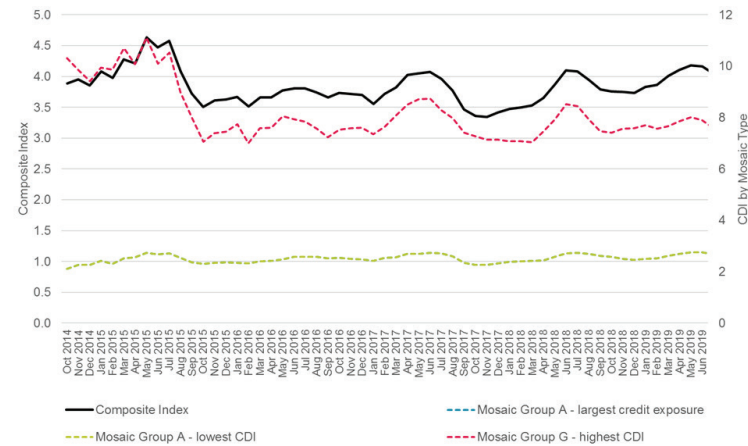
All of the indices are also determined at Mosaic segmentation level to provide further insight into the dynamics faced by specific consumer segments that are experiencing different stress due to macro forces such as unemployment, interest rate changes and economic growth.

Group	Description	Type	Description
A	Wealth To Do 9,84%		The most affluent group, who are well educated and enjoy most of the opportunities the country presents
B	Up-and-Coming 4,37%		A largely youthful and ambitious group of aspirational people, looking to make their mark and embrace the country's marketplace
C	Settlement Traditionalists 7,56%		Hard-working, well established families living in good homes in settlements in and around urban areas
D	Loyal Labourers 7,84%		Groups or individuals living in industrial, mining or farming communities, hard-working usually in blue-collar jobs
E	Blue-collar Communities 18,43%		Large, extended families with modest incomes, living in townships both urban and on the outskirts of rural and bush areas
F	Young Urban Survivors 9,28%		Young individuals living in densely populated urban environments, working to get by and adapting to circumstances in order to thrive
G	Subsidised Dependents 10,57%		Families and individuals reliant on rent-free housing with meagre or modest incomes and simple but hard lives
H	Rural Traditionalists 17,58%		Traditional households headed by an older person or grandparent and the mid-generation having left to work in the city or died
I	Outskirts Families 14,04%		Impoverished rural families living on the outskirts in informal or tribal dwellings, often headed by a grandparent

*percentages relate to proportion of SA population and not the index value per segment

Experian CDI | Mosaic Segmentation

Experian Composite Consumer Default Index | Mosaic Segmentation
CDI = % Never Default Balances that Defaulted in the last 3 Months

— Composite Index
- - - Mosaic Group A - largest credit exposure
- - - Mosaic Group A - lowest CDI
- - - Mosaic Group G - highest CDI

3,93%
of balances on an annualized basis defaulted
for first time over the period Jul 2019 to Sep 2019

R16,76bn
in value defaulted for first time
over the period Jul 2019 to Sep 2019

Experian CDI	CDI Sep'19	CDI Sep'18	New Default Balances Jul'19 – Sep'19
Composite Index	3,93	3,79	16,761,252,317
Mosaic type A - Largest credit exposure	2,59	2,62	4,381,480,595
Mosaic type G - Lowest CDI	2,59	2,62	4,381,480,595
Mosaic type D - Highest CDI	7,46	7,46	606,773,871

Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	2,90
2. Gauteng	3,61
3. Eastern Cape	3,92
4. Free State	4,15
5. KwaZulu-Natal	4,17
6. Northern Cape	4,20
7. North West	4,80
8. Mpumalanga	4,86
9. Limpopo	5,31

● Mosaic type A - Largest Credit Exposure
● Mosaic type G - Lowest CDI
● Mosaic type D - Highest CDI

■ Best
■ Good
■ Average
■ Bad
■ Worst
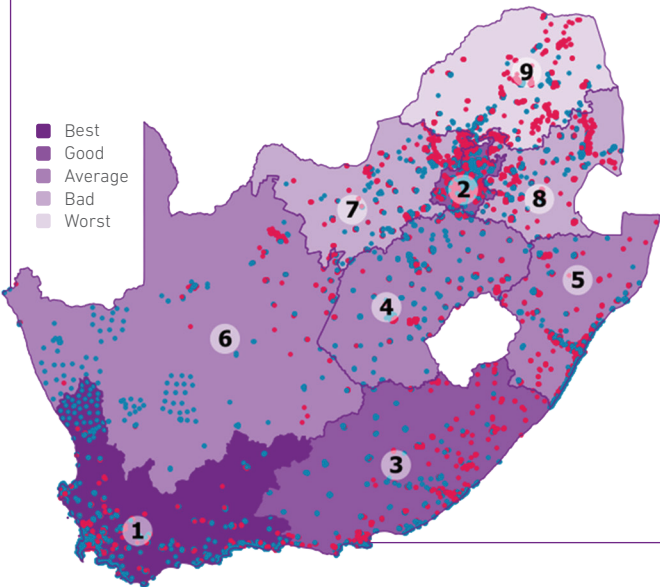
The Composite index was tracking marginally higher in Sep 2019 at 3.66% compared to 3.61% in Sep 2018. Q-o-Q the CDI is tracking lower, down from 3.76.

A – Wealth To Do
The most affluent group, who are well educated and enjoy most of the opportunities the country presents recorded a flat CDI of 2.59 % in Sep 2019 compared to the 2.62 % in Sep 2018. This was the consumer type with the highest credit exposure as well as the lowest CDI in the market in Sep 2019.

G – Subsidised Dependents
Families and individuals reliant on rent-free housing, with meagre or modest incomes and simple but hard lives was the worst performing consumer type, with a value of 7.46 % in Sep 2019
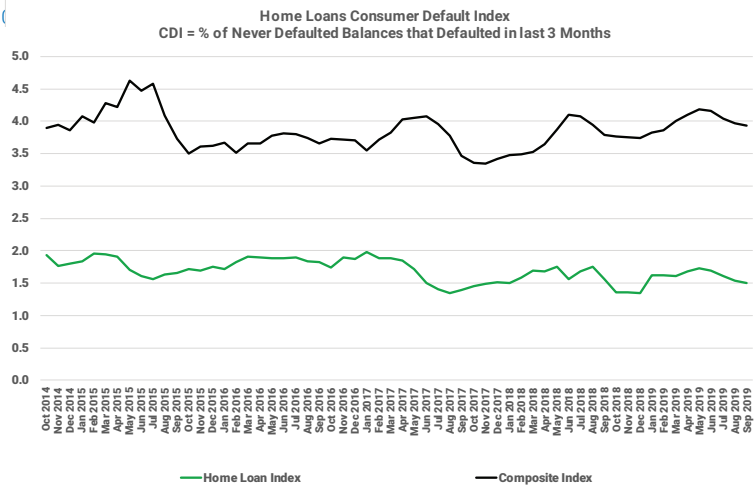
D – Loyal Labourers
Groups or individuals living in industrial, mining or farming communities, hard-working usually in blue-collar jobs showed the most negative Y-o-Y movement in composite CDI, moving from 4.7% in Sep 2018 up to 4.9%

Experian Home Loan Consumer Default Index

Experian Home Loans Consumer Default Index

Home Loans Consumer Default Index
CDI = % of Never Defaulted Balances that Defaulted in last 3 Months

— Home Loan Index — Composite Index

1,50%

of home loan balances on an annualized basis defaulted
for first time over the period Jul 2019 to Sep 2019

R3,11bn

in value defaulted for first time
over the period Jul 2019 to Sep 2019

	CDI Sep'19	CDI Sep'18	New Default Balances Jul'19 – Sep'19
Home Loan Index	1,50	1,56	3,110,155,189
Mosaic type A - Largest credit exposure	1,41	1,53	1,438,607,951
Mosaic type I - Lowest CDI	1,03	2,20	7,923,472
Mosaic type E - Highest CDI	2,02	1,89	110,753,793

Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	1,03
2. Northern Cape	1,03
3. Free State	1,41
4. Eastern Cape	1,49
5. Limpopo	1,53
6. Kwazulu-Natal	1,56
7. Gauteng	1,62
8. Mpumalanga	1,74
9. North West	1,90

● Mosaic type A - Largest Credit Exposure
● Mosaic type I – Lowest CDI
● Mosaic type E – Highest CDI

■ Best
■ Good
■ Average
■ Bad
■ Worst
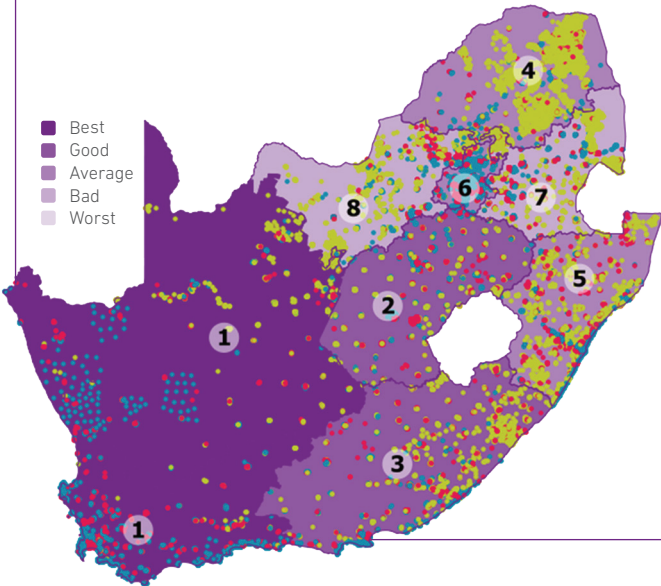
The Home Loan Index was tracking lower in Sep 2019 at 1.50% compared to 1.56% in Sep 2018 (Y-o-Y). This is also a Q-o-Q improvement from 1.69 % in Jun 2019.

A – Wealth To Do
The most affluent group, who are well educated and enjoy most of the opportunities the country presents had the highest outstanding Home Loan debt and recorded an unchanged CDI of 1.41% in Sep 2019 compared to 1.53% reported in Sep 2018.

I - Outskirts Families
Impoverished rural families living on the outskirts in informal or tribal dwellings, often headed by a grandparent were the best performing consumer type with a Home Loan CDI of 1.03% in Sep 2019. Note that this Consumer Group only represents 0.3% of the total new default balances for the Jul 2019 – Sep 2019 period.

E - Blue-Collar Communities
Large, extended families with modest incomes, living in townships both urban and on the outskirts of rural and bush areas, were the worst performing segment with a Home Loan CDI of 2.02% in Sep 2019. This was a deterioration from the 1.89 % recorded in Sep 2018.

Experian Vehicle Loan Consumer Default Index

Experian Vehicle Loans Consumer Default Index
CDI = % Never Default Balances that Defaulted in the last 3 Months

— Vehicle Loan Index   — Composite Index
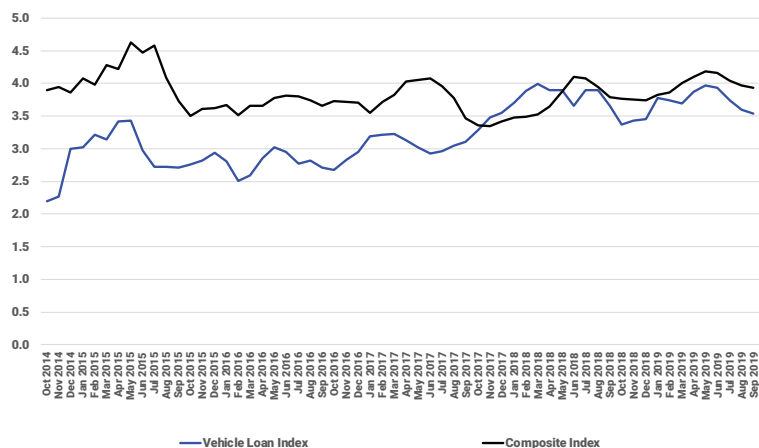
3,54%
of vehicle loan balances on an annualized basis defaulted for first time over the period Jul 2019 to Sep 2019

R3,67bn
in value defaulted for first time over the period Jul 2019 to Sep 2019

	CDI Sep'19	CDI Sep'18	New Default Balances Jul'19 – Sep'19
Vehicle Loan Index	3,54	3,66	3,672,945,078
Mosaic type A – Largest credit exposure	2,65	2,81	979,723,226
Mosaic type A – Lowest CDI	2,65	2,81	979,723,226
Mosaic type F – Highest CDI	5,98	6,07	309,099,388

Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	2,64
2. Eastern Cape	3,16
3. Free State	3,42
4. KwaZulu-Natal	3,45
5. Gauteng	3,53
6. Northern Cape	3,69
7. North West	3,89
8. Mpumalanga	3,98
9. Limpopo	4,21

● Mosaic type A – Largest Credit Exposure
● Mosaic type A – Lowest CDI
● Mosaic type F – Highest CDI

■ Best
■ Good
■ Average
■ Bad
■ Worst
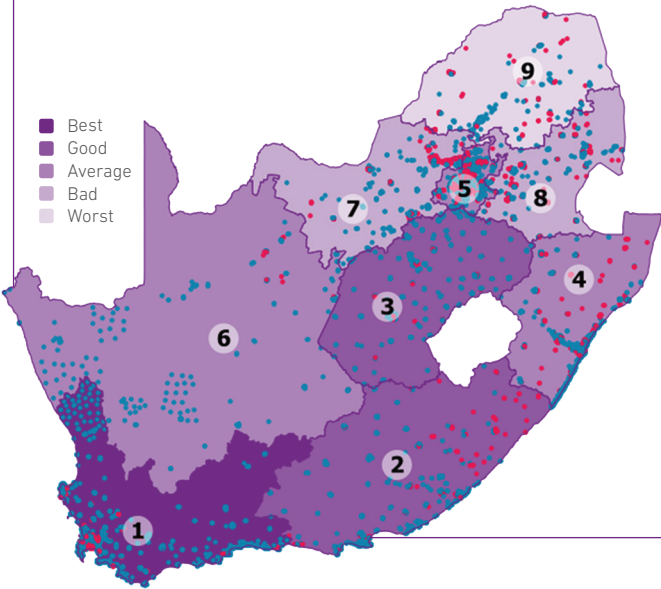
The Vehicle Loan index has improved from 3.66% last year (Sep 2018) to 3.54 % in Sep 2019. Q-o-Q it has also improved from 3.94% in Jun 2019.

A – Wealth To Do
The most affluent group, who are well educated and enjoy most of the opportunities the country presents had the highest outstanding Vehicle Loan debt and recorded an improved CDI of 2.65% in Sep 2019 compared to the 2.81% in Sep 2018. This was also the Mosaic Group with best CDI for this quarter.

F – Young Urban Survivors
Young individuals living in densely populated urban environments, working to get by and adapting to circumstances in order to thrive, recorded the worst Vehicle Loan CDI of 5.98% in Sep 2019, which was a slight improvement from the 6.07 % recorded in Sep 2018.
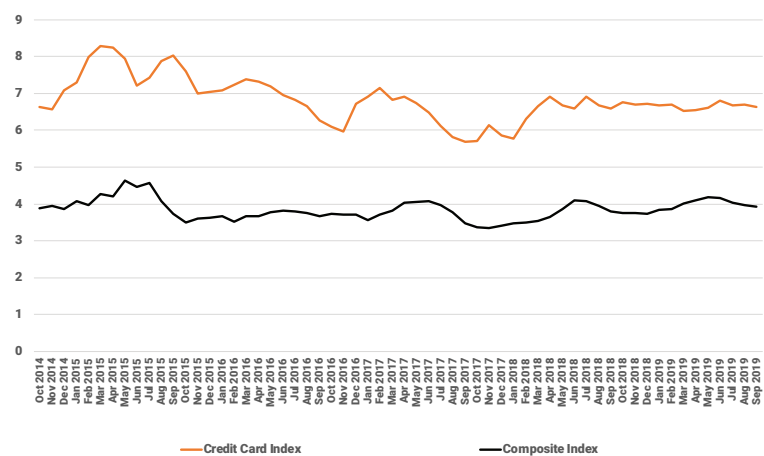
Experian Credit Card Consumer Default Index

Experian Credit Cards Consumer Default Index
CDI = % Never Default Balances that Defaulted in the last 3 Months

— Credit Card Index   — Composite Index

6,63%
of credit card balances on an annualized basis defaulted for first time over the period Jul 2019 to Sep 2019

R2,19bn
in value defaulted for first time over the period Jul 2019 to Sep 2019

	CDI Sep'19	CDI Sep'18	New Default Balances Jul'19 – Sep'19
Vehicle Loan Index	6,63	6,58	2,188,733,046
Mosaic type A – Largest credit exposure	5,20	5,44	732,889,052
Mosaic type A – Lowest CDI	5,20	5,44	732,889,052
Mosaic type F – Highest CDI	10,15	9,84	143,242,867

Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	5,50
2. Eastern Cape	6,42
3. Gauteng	6,42
4. Northern Cape	6,45
5. KwaZulu-Natal	6,85
6. Free State	7,19
7. Limpopo	7,52
8. North West	7,68
9. Mpumalanga	7,73

- Mosaic type A03 – Largest Credit Exposure
- Mosaic type A01 – Lowest CDI
- Mosaic type I36 – Highest CDI

Best
Good
Average
Bad
Worst
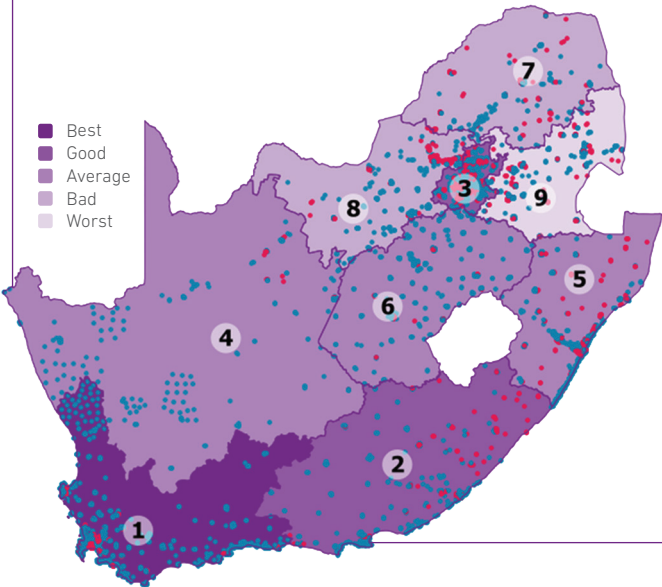
The Credit Card index was tracking higher in Sep 2019 at 6.63% compared to 6.58% in Sep 2018. It is however, somewhat lower than the 6.82% CDI observed in Jun 2019.

A – Wealth To Do
The most affluent group, who are well educated and enjoy most of the opportunities the country presents had the highest outstanding Credit Card debt for this quarter. This is also the Consumer Group with the lowest CDI of 5.2%. This is an improvement from the Sep 2018 CDI of 5.44%.

F – Young Urban Survivors
Young individuals living in densely populated urban environments, working to get by and adapting to circumstances in order to thrive, were the worst performing consumer type with a Credit Card CDI of 10.15% in Sep 2019. This is a deterioration from the 9.84% observed in Sep 2018.

Experian Personal Loan Consumer Default Index

Experian Personal Loans Consumer Default Index
CDI = % Never Default Balances that Defaulted in the last 3 Months

- **Personal Loan Index**
- **Composite Index**
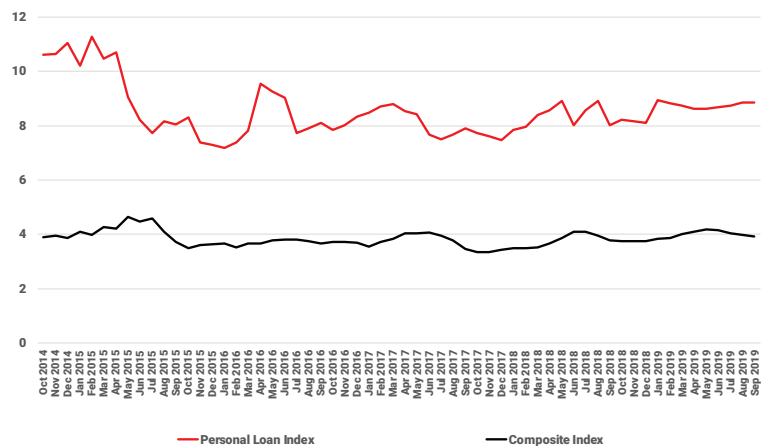
8,84%
of personal loan balances on an annualized basis defaulted for first time over the period Jul 2019 to Sep 2019

R6,20bn
in value defaulted for first time over the period Jul 2019 to Sep 2019

	CDI Sep'19	CDI Sep'18	New Default Balances Jul'19 – Sep'19
Personal Loan Index	8,84	8,03	6,196,362,876
Mosaic type A – Largest credit exposure	7,63	7,01	1,043,937,555
Mosaic type I - Lowest CDI	7,47	7,05	184,428,636
Mosaic type F - Highest CDI	10,99	10,41	652,768,702

Geospatial & Mosaic Insights

Province & Rank	CDI
1. Eastern Cape	7,29
2. Northern Cape	7,72
3. Free State	7,87
4. Limpopo	8,16
5. North West	8,39
6. KwaZulu-Natal	8,57
7. Mpumalanga	8,81
8. Western Cape	9,13
9. Gauteng	9,24

- ● Mosaic type A - Largest Credit Exposure
- ● Mosaic type I - Lowest CDI
- ● Mosaic type F - Highest CDI

- Best
- Good
- Average
- Bad
- Worst
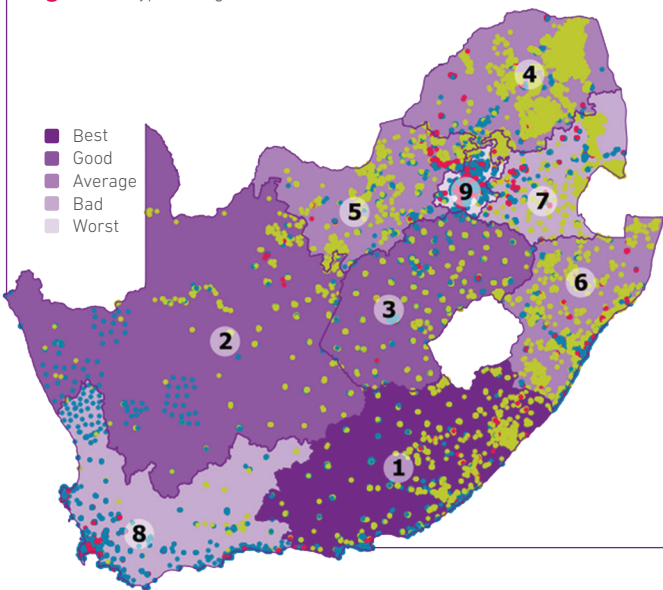
The Personal Loan index deteriorated from 8.03% in Sep 2018 to 8.84% in Sep 2019. This worsening trend is also observed Q-o-Q, with a value of 8.67% having been recorded in Jun 2019.

A – Wealth To Do
The most affluent group, who are well educated and enjoy most of the opportunities the country presents had the highest outstanding Personal Loan debt and recorded an unchanged CDI of 7.63% in Sep 2019, an improvement from the 7.01% recorded in Sep 2018.

I - Outskirts Families
Impoverished rural families living on the outskirts in informal or tribal dwellings, often headed by a grandparent were the best performing consumer type with a Personal Loan CDI of 7.47% in Sep 2019. Note that this Consumer Group only represents 3.0% of the total new default balances for the Jul 2019 – Sep 2019 period.

F - Young Urban Survivors
Young individuals living in densely populated urban environments, working to get by and adapting to circumstances in order to thrive had the worst Personal Loan CDI of 10.99% in Sep 2019 which was a deterioration from the 10.41% recorded in Sep 2018.

Experian Retail Loan Consumer Default Index

Experian Retail Loans Consumer Default Index
CDI = % Never Default Balances that Defaulted in the last 3 Months

— Retail Loan Index   — Composite Index

12,77%
of retail loan balances on an annualized basis defaulted for first time over the period Jul 2019 to Sep 2019

R1,59bn
in value defaulted for first time over the period Jul 2019 to Sep 2019

	CDI Sep'19	CDI Sep'18	New Default Balances Jul'19 – Sep'19
Personal Loan Index	12,77	14,14	1,593,056,128
Mosaic type A – Largest credit exposure	7,79	10,20	186,322,011
Mosaic type A – Lowest CDI	7,79	10,20	186,322,011
Mosaic type F – Highest CDI	15,60	17,86	166,454,049

Geospatial & Mosaic Insights

Province & Rank	CDI
1. Eastern Cape	10,23
2. Northern Cape	10,74
3. KwaZulu-Natal	10,94
4. Limpopo	11,38
5. Free State	11,46
6. North West	11,59
7. Western Cape	11,88
8. Gauteng	12,26
9. Mpumalanga	13,01

- ● Mosaic type A – Largest Credit Exposure
- ● Mosaic type A – Lowest CDI
- ● Mosaic type F – Highest CDI

Best
Good
Average
Bad
Worst

The Retail Loan index improved significantly from 14.14% in Sep 2018 to 12.77% in Sep 2019.

A – Wealth To Do
The most affluent group, who are well educated and enjoy most of the opportunities the country presents, had the highest outstanding Retail Loan debt and recorded a CDI of 7.79% in Sep 2019, a highly significant improvement from the 10.2% recorded in Sep 2018.

F – Young Urban Survivors
Young individuals living in densely populated urban environments, working to get by and adapting to circumstances in order to thrive, had the worst Retail Loan CDI of 15.6% in Sep 2019 which was an improvement from the 17.86% recorded in Sep 2018.
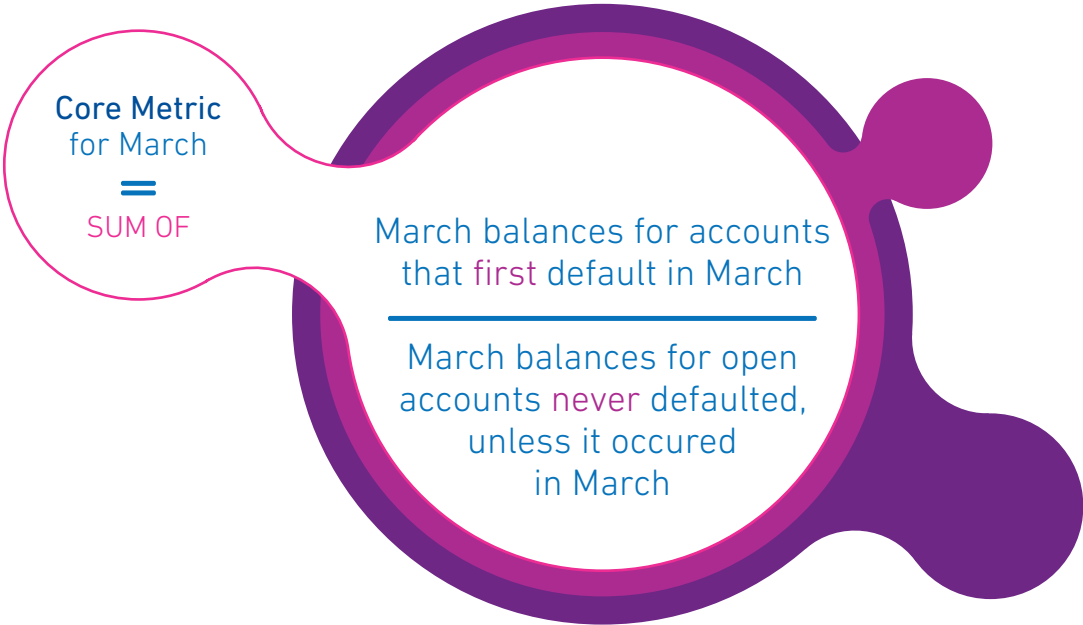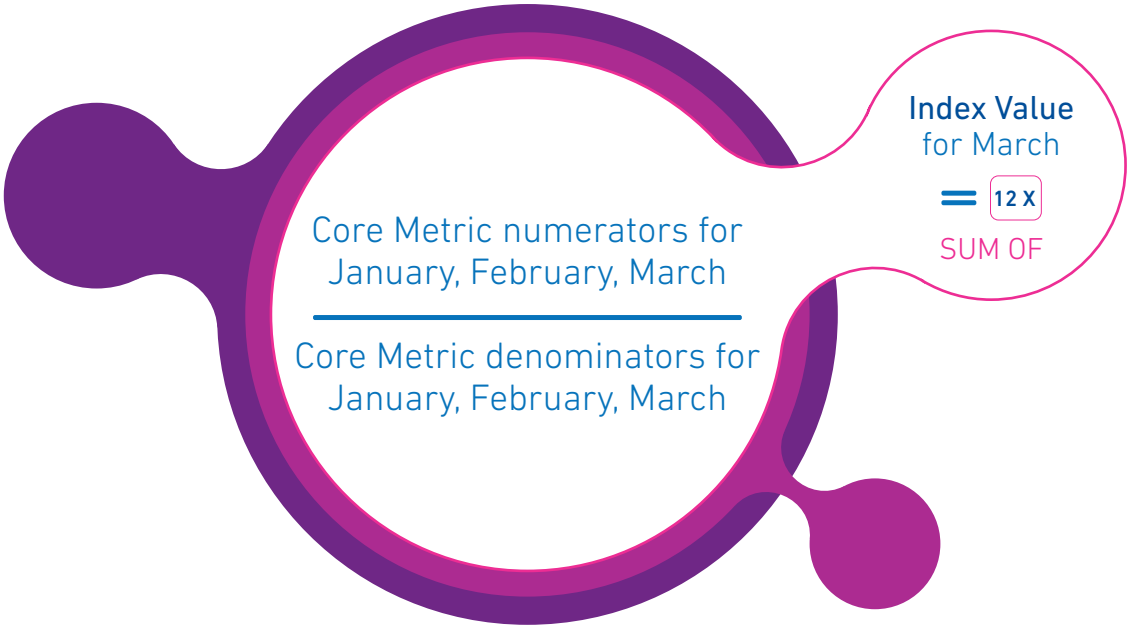
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Appendix

How is the Experian CDI calculated?

A cleaner way to look at consumer credit trends:
new, incremental default rates

Published monthly, each index is based upon the following core metric:
percent of open, outstanding credit newly in default in the most recent month

Core Metric
for March
=
SUM OF

March balances for accounts
that first default in March

March balances for open
accounts never defaulted,
unless it occured
in March

The index is the 3-month, balance-weighed moving average of the core metric,

Index Value
for March
= [12 X]
SUM OF

Core Metric numerators for
January, February, March

Core Metric denominators for
January, February, March

An index of 8.1751 means: annualized rate of 8.1751% of never-defaulted balances defaulted in the recent three months

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Experian CDI readings for each Mosaic segmentation type

MOSAIC		CDI	CDI	Average Outstanding	New Default Balances		
		Sep'19	Sep'18	Current 3 Months	Current 3 Months	Year on Year change	Year on Year %
A	Wealth To Do	2,59	2,62	677,296,581,253	1,460,493,532	-14,641,810	-0,03
B	Up-and-Coming	2,76	2,76	349,698,195,024	804,728,651	26,504,721	0,01
C	Settlement Traditionalists	4,41	4,38	168,614,111,271	620,333,834	39,845,238	0,04
D	Loyal Labourers	4,90	4,70	180,034,789,289	734,953,298	70,272,149	0,20
E	Blue-collar Communities	7,34	7,27	116,434,351,279	711,971,509	84,006,106	0,06
F	Young Urban Survivors	6,88	6,89	81,146,206,896	465,277,367	55,183,713	-0,01
G	Subsidised Dependents	7,46	7,46	32,520,652,887	202,257,957	20,865,643	0,00
H	Rural Traditionalists	6,37	6,33	15,013,996,459	79,659,377	8,759,732	0,03
I	Outskirts Families	5,92	6,15	24,430,719,920	120,532,616	4,887,625	-0,23