CDIx

CONSUMER DEFAULT INDEX - Extended

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

June 2023 | **Quarter 1**

CONTENTS

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Glossary

CDI	Consumer Default Index
CDIx	Consumer Default Index Extended
CPI	Consumer Price Index
Eskom	The South African electricity public Utility
NAB	Non-alcoholic Beverages
NCR	National Credit Regulator
SAPIA	South African Petroleum Industry Association
SARB	South African Reserve Bank
StatsSA	Statistics South Africa

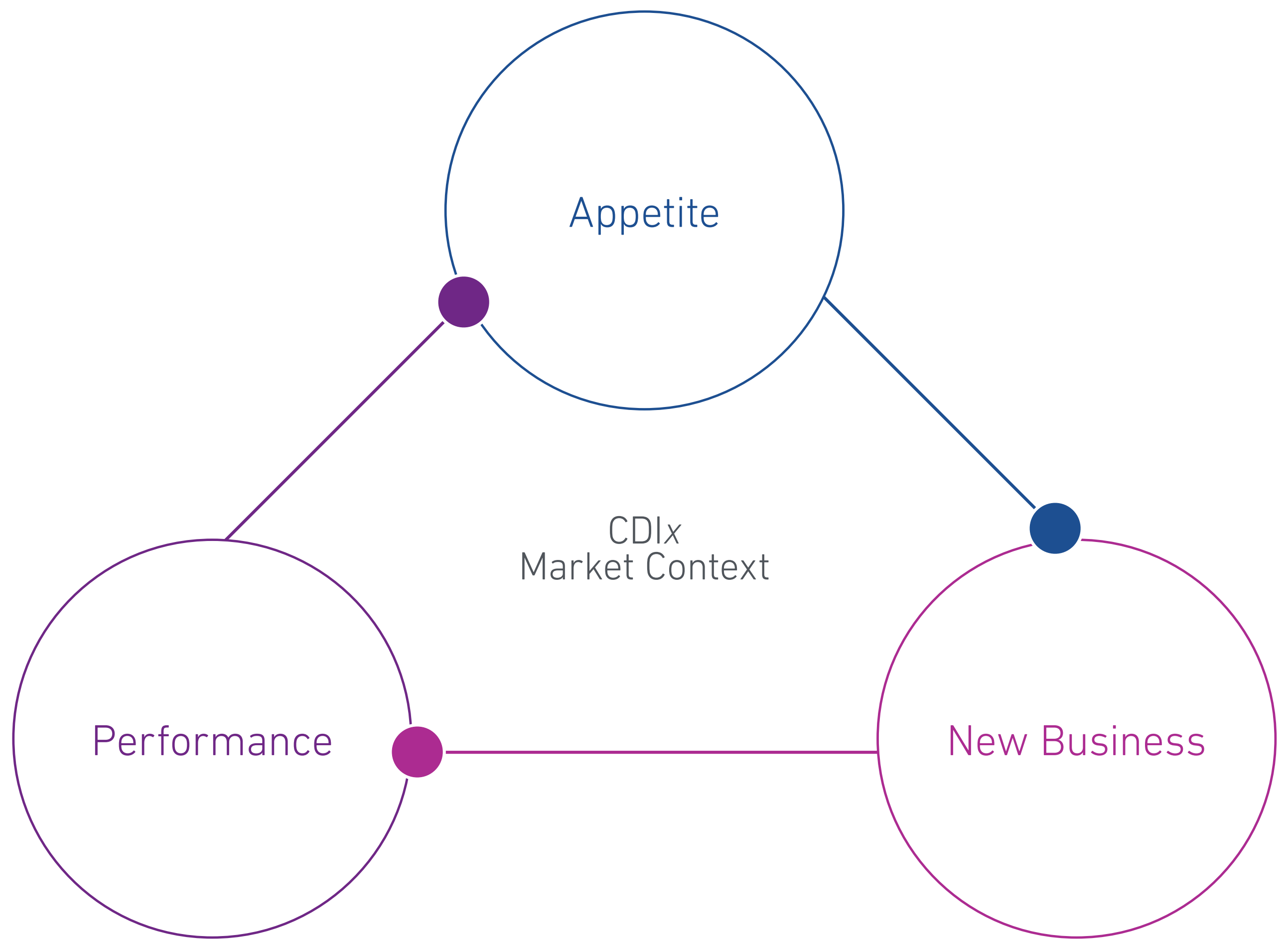
CDIx – Experian Consumer Default Index Expanded

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.

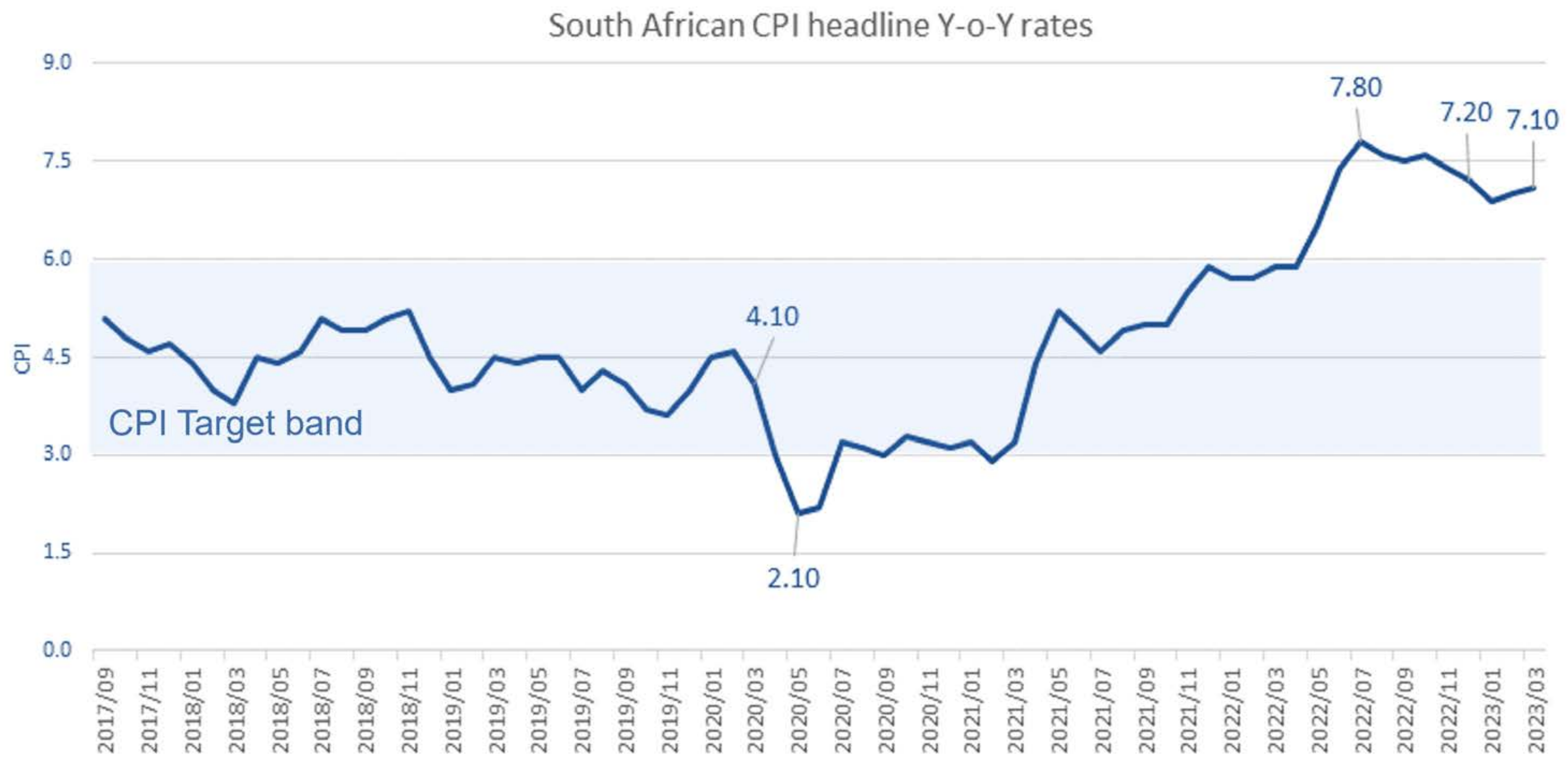
The CDIx provides a quarterly overview of the credit landscape in South Africa, combining the widely used CDI with views on the latest credit industry trends as well as commentary on the context within which these trends are observed.

- 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

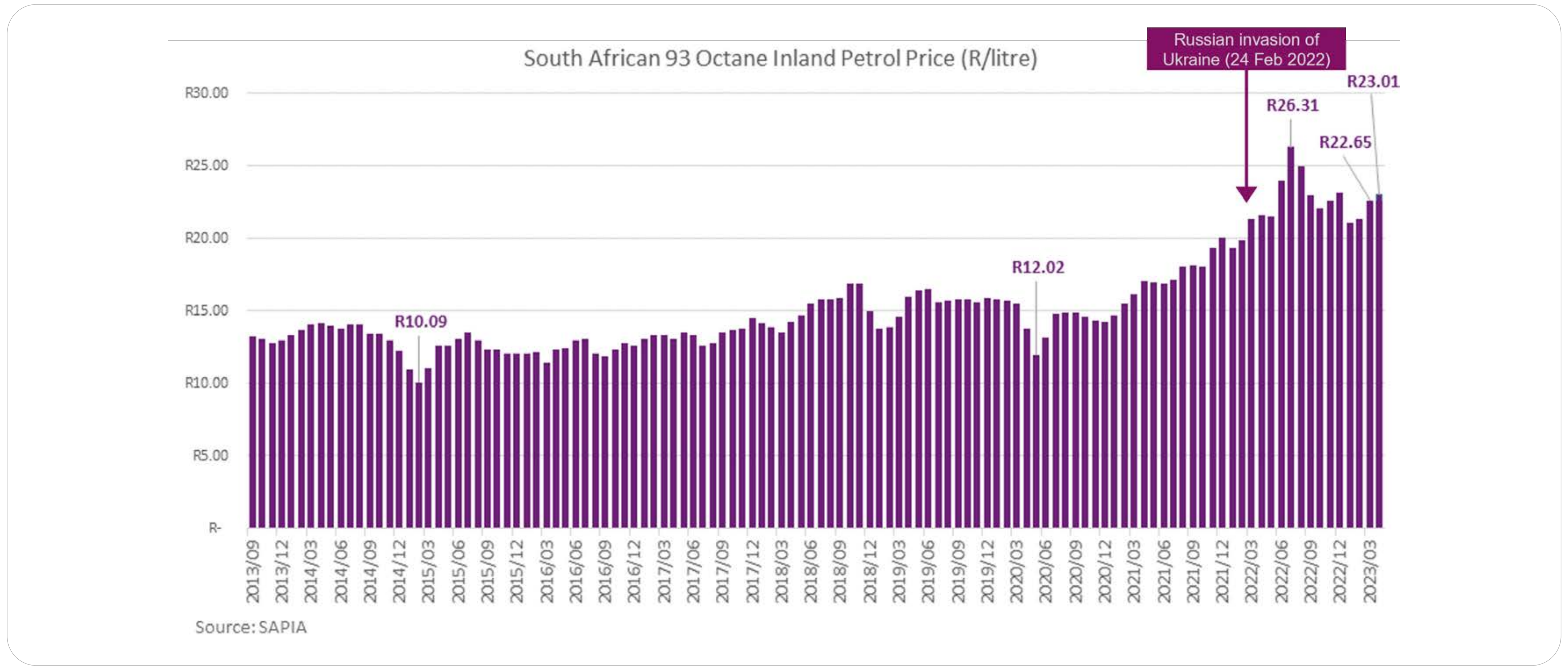
Cost of Living: Consumer Price Inflation

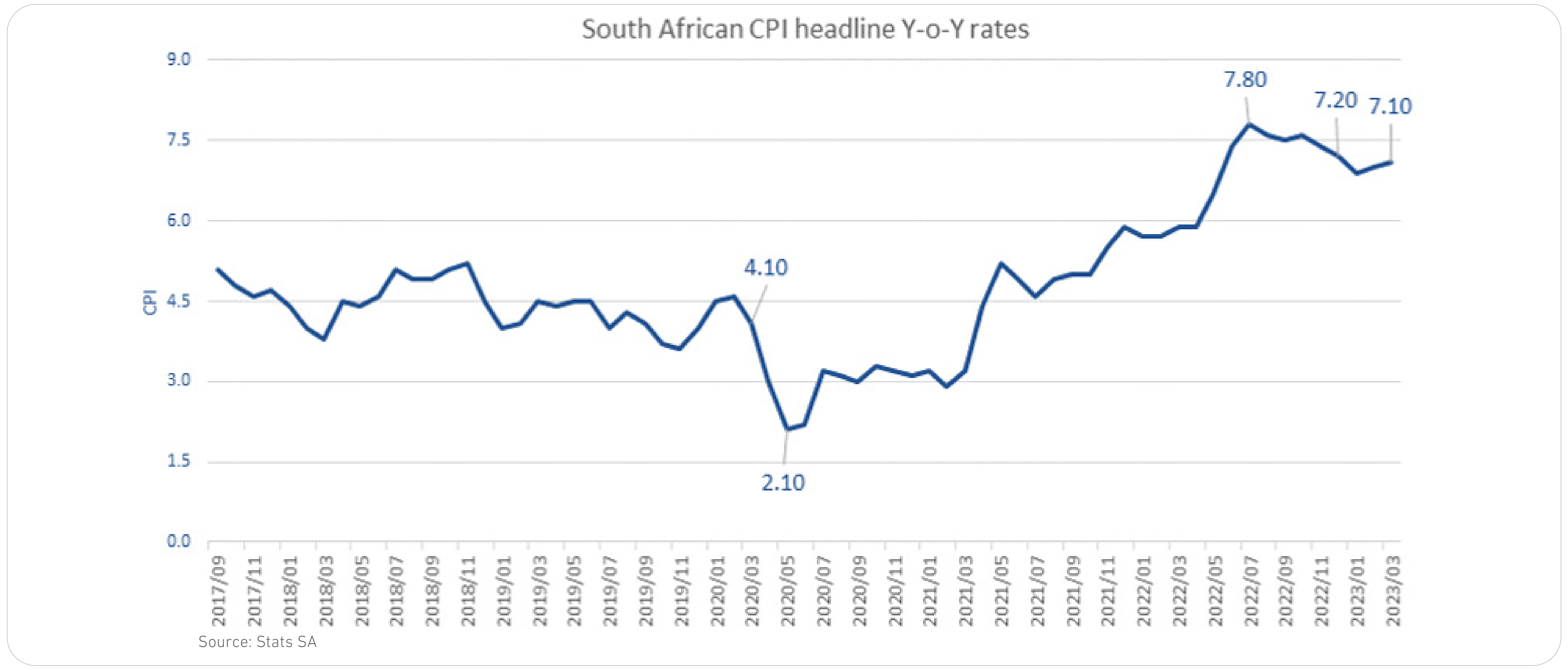


The CPI remains high into the first quarter of 2023. This indicates that the cost of consumer goods continues along a strong increasing trajectory and it remains outside the **SARB's target band of 3 - 6%**. Although the CPI has been easing from the local maximum of 7.8 observed in mid-2022, interest rates are not guaranteed to be lowered or even remain stable. An interest rate increase was announced at the end of the first quarter.

One of the important 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) – which are becoming increasingly prevalent in the face of intensifying load shedding.

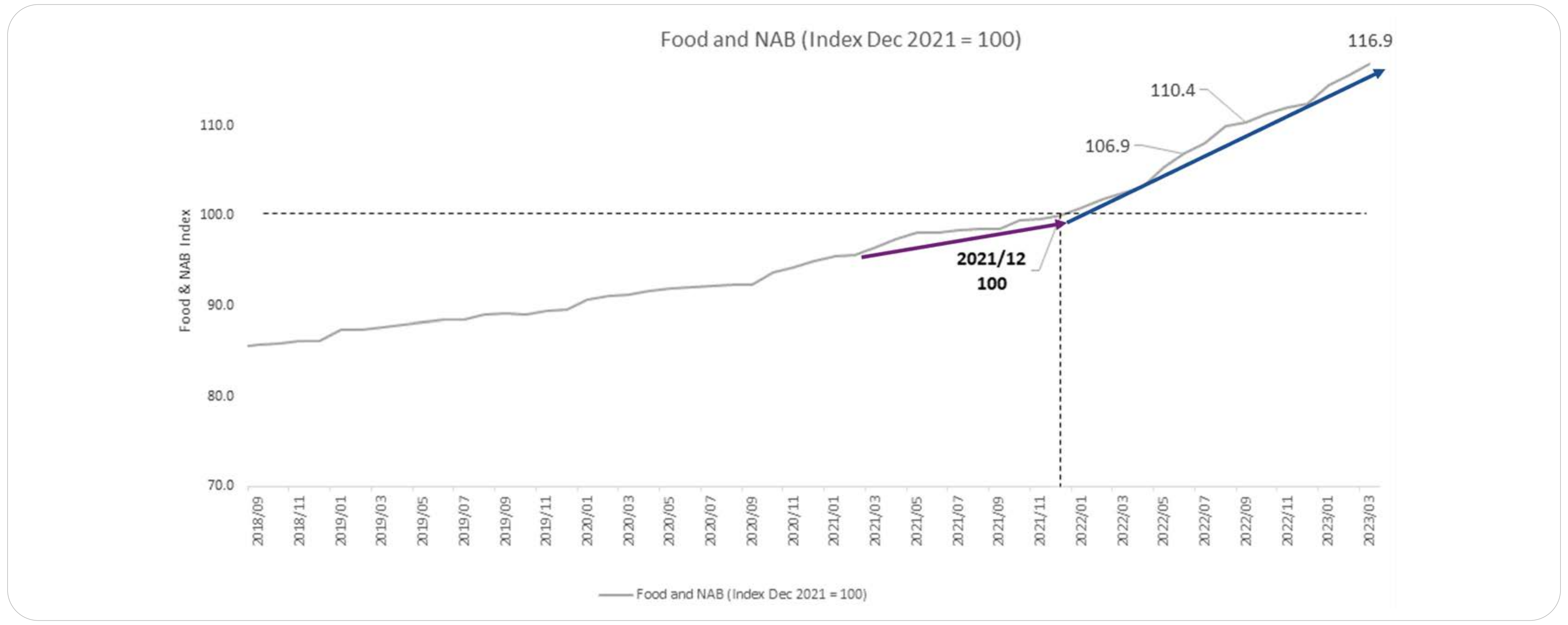
Cost of Living: Fuel Price (R/litre 93 Octane inland)





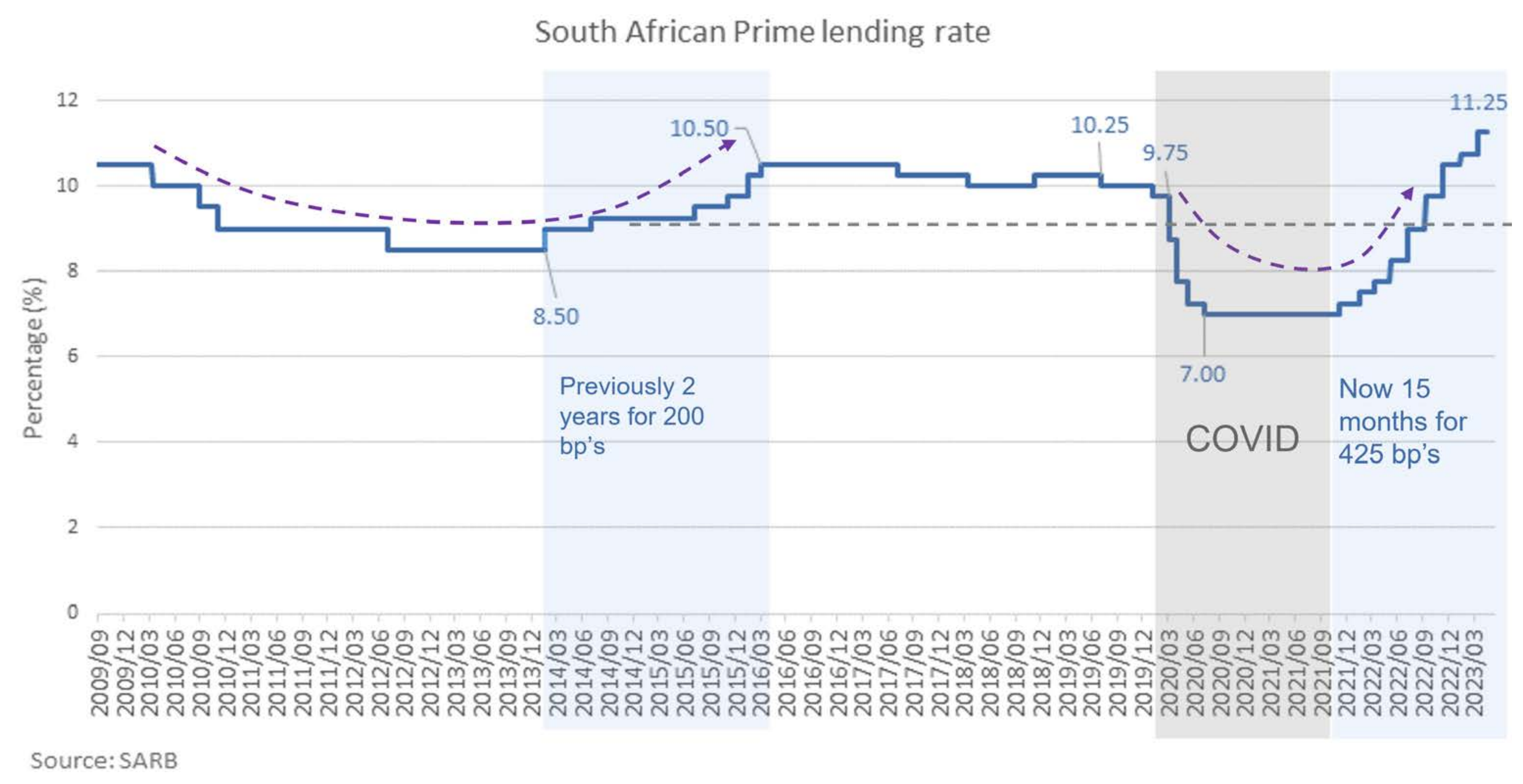
Although fuel prices have been increasing of late, especially as a result of the weakening Rand, this has also contributed to consumers experiencing strain from a cost-of-living perspective.

Food and Non-Alcoholic Beverages price index



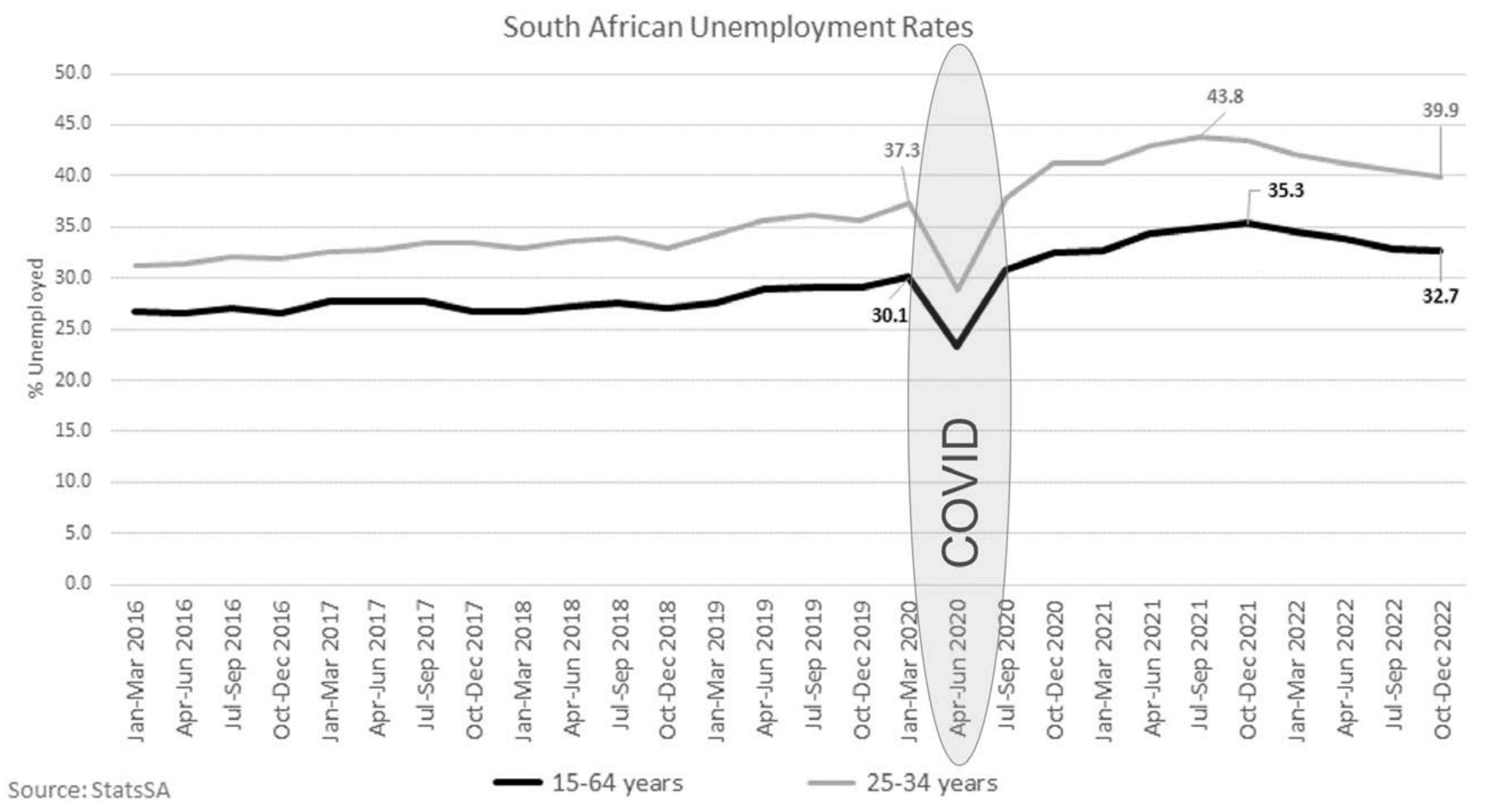
It is concerning, however, to see how the price of food and non-alcoholic beverages (NAB) has increased – almost exponentially – over the last year. One of the major drivers of this increase has been the surge in global grain and oilseed prices. The weakening Rand, the increasing cost of fertilizers and the load shedding (which leads to increased supply chain costs) 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 a further increase in March 2023. 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 a significant impact on household expendable income.

Unemployment

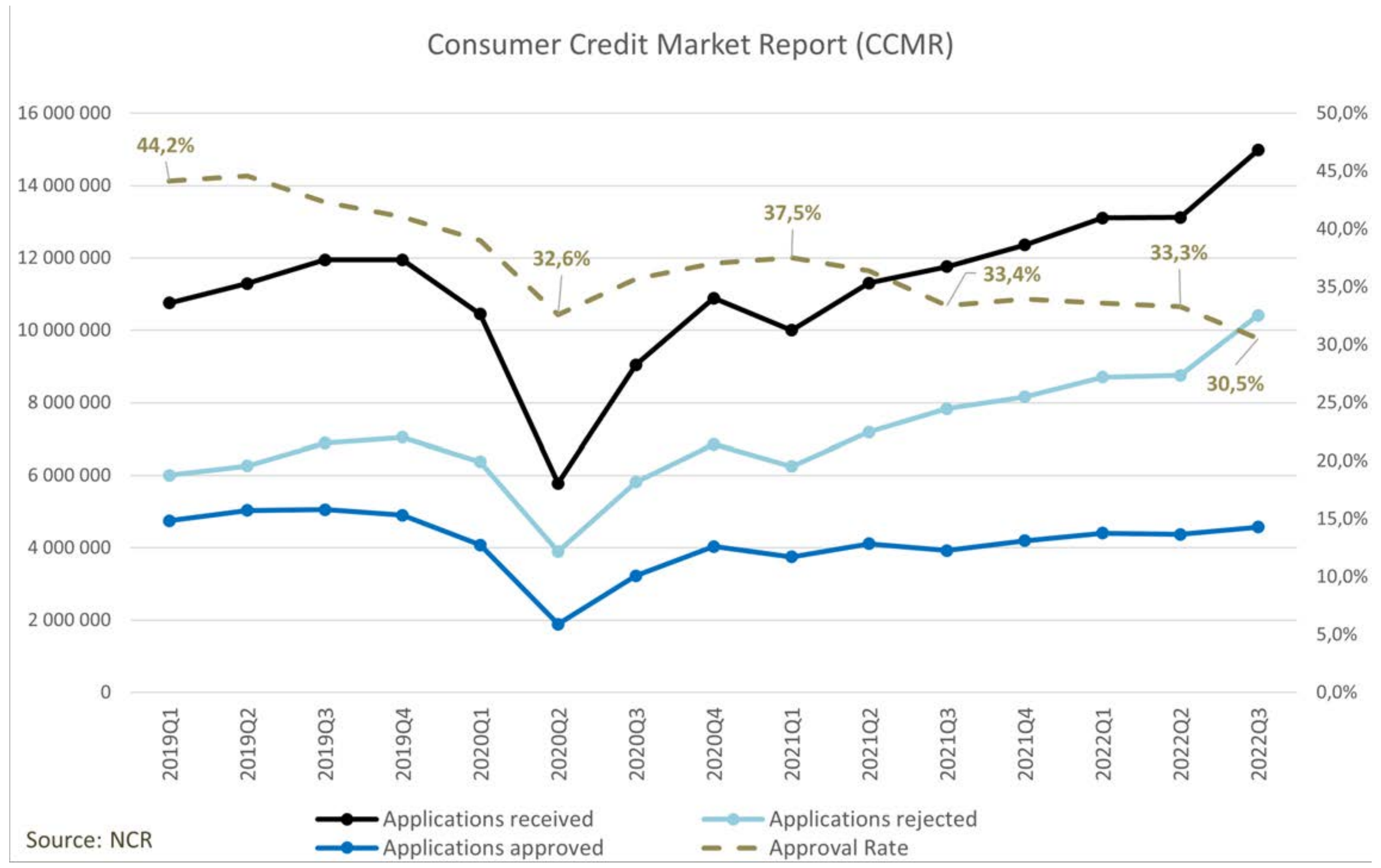


South Africa has experienced high unemployment rates for decades. This was exacerbated by the COVID lock-down regulations so that at an overall level, South Africa's unemployment rate stands at 32.7% (even more worrying is the rapidly increasing **youth unemployment** rate of 39.9% at the end of 2022).

Following the pandemic, the unemployment rate has, however, **improved to some extent**, as South Africans have found ways of being resilient in the face of a strained economic environment (e.g. load shedding). Still, SA unemployment exceeds levels observed before the pandemic.

Market Appetite

Increase in appetite; Decrease in approval rate



The appetite for consumer credit has soared even further in Q1 of 2023 (as per data prepared by the NCR). Approval levels have increased ever so slightly and remain around 31%. The vast majority of applications are rejected, however. This highlights the fact that consumers are looking to credit to cover the shortages in their cost-of-living expenses, but most are not approved. This non-approval partly stems from consumers' affordability which has come under pressure in the context of the high consumer price inflation rates prevailing in the market.

> "The appetite for consumer credit has soared even further in Q1 of 2023 (as per data prepared by the NCR)."

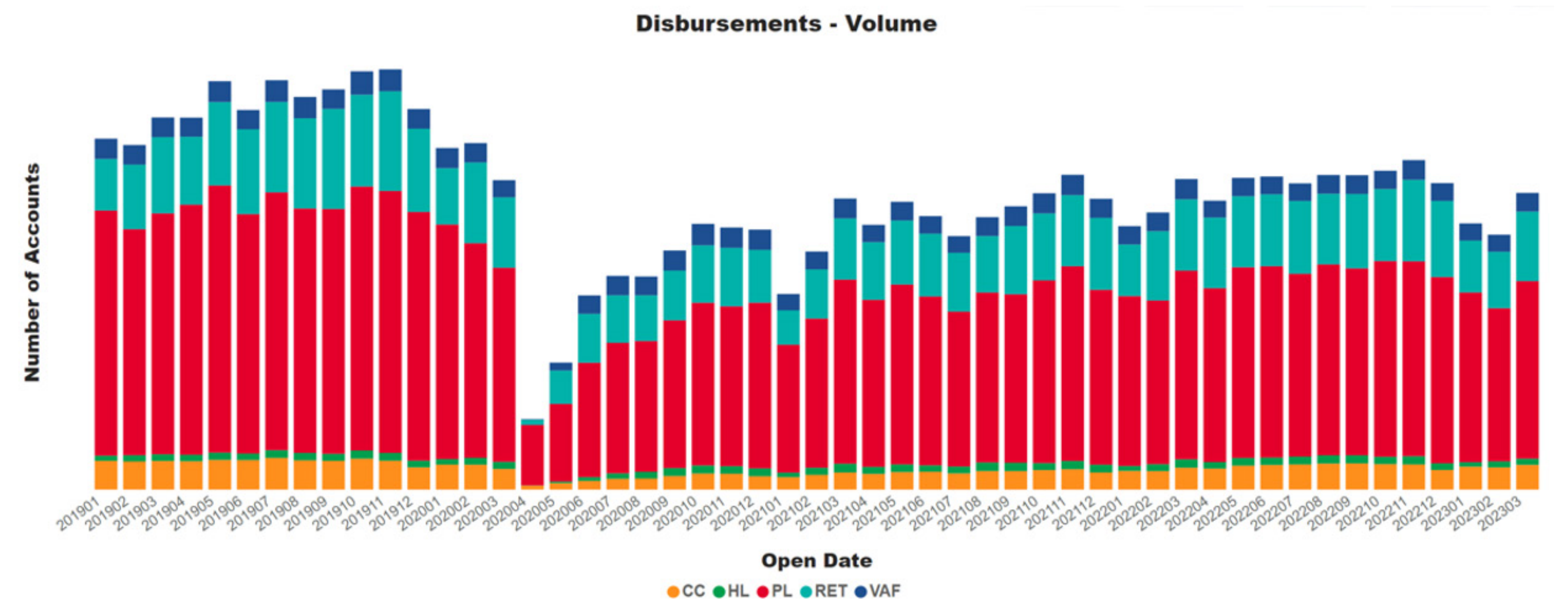
Market Growth

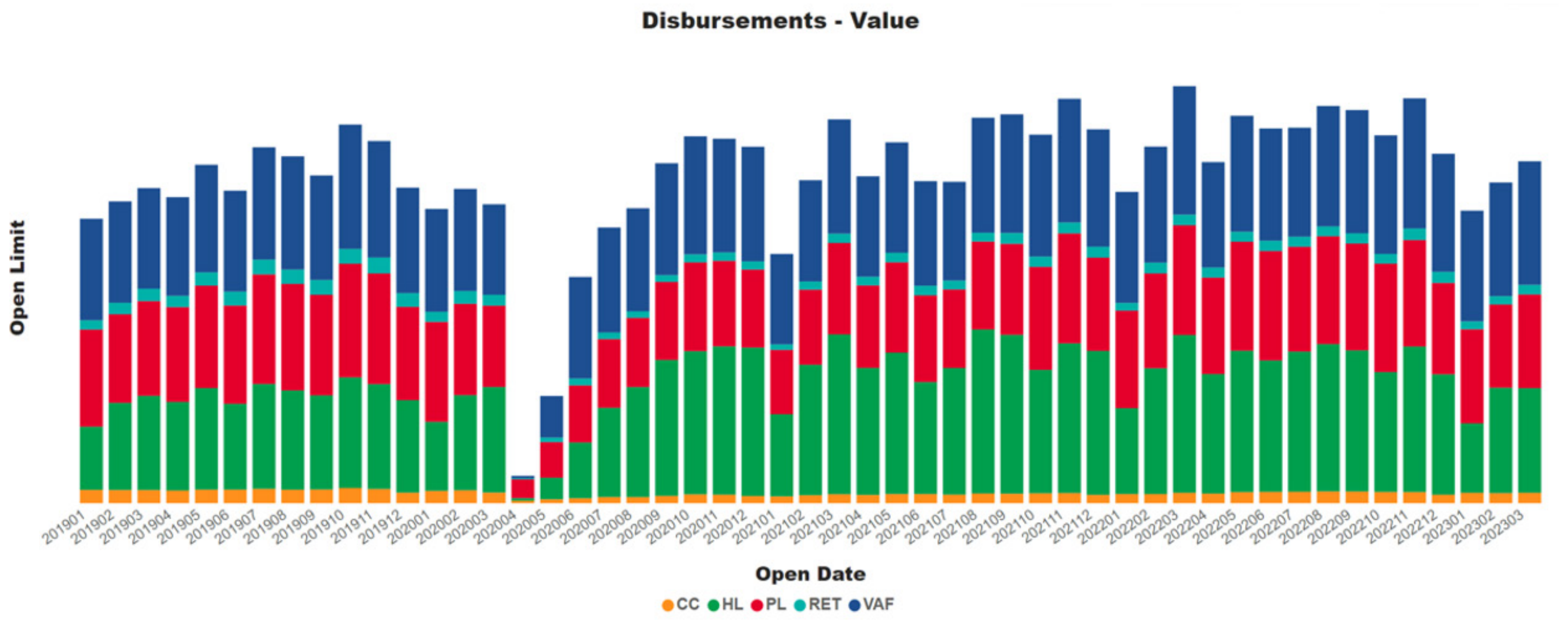
New Business

New Business **volumes** experienced the typical contraction early in the first quarter, following the uptick observed in Q4.

As a whole, new business volumes have still not recovered to pre-pandemic levels – at least not from a volume perspective. We have seen though, that the disbursement **values** not only recovered quickly but started exceeding pre-pandemic levels soon thereafter.

The combined observation of non-recovery of originations **volumes**, but exceedance in origination **values** suggests new business has mainly been targeted at the known credit-active population, who has made extensive use of credit in dealing with inflationary pressures and increases in the cost of living.



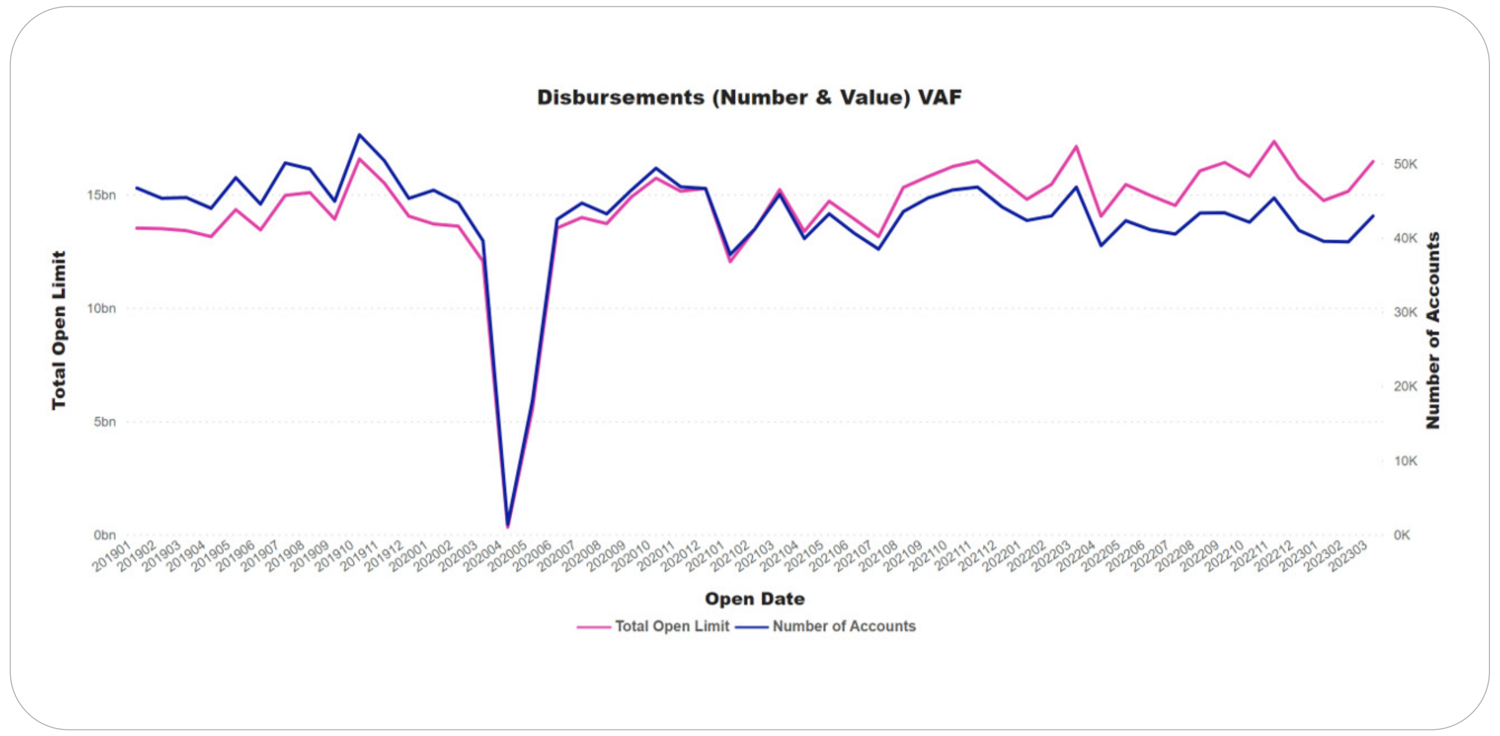


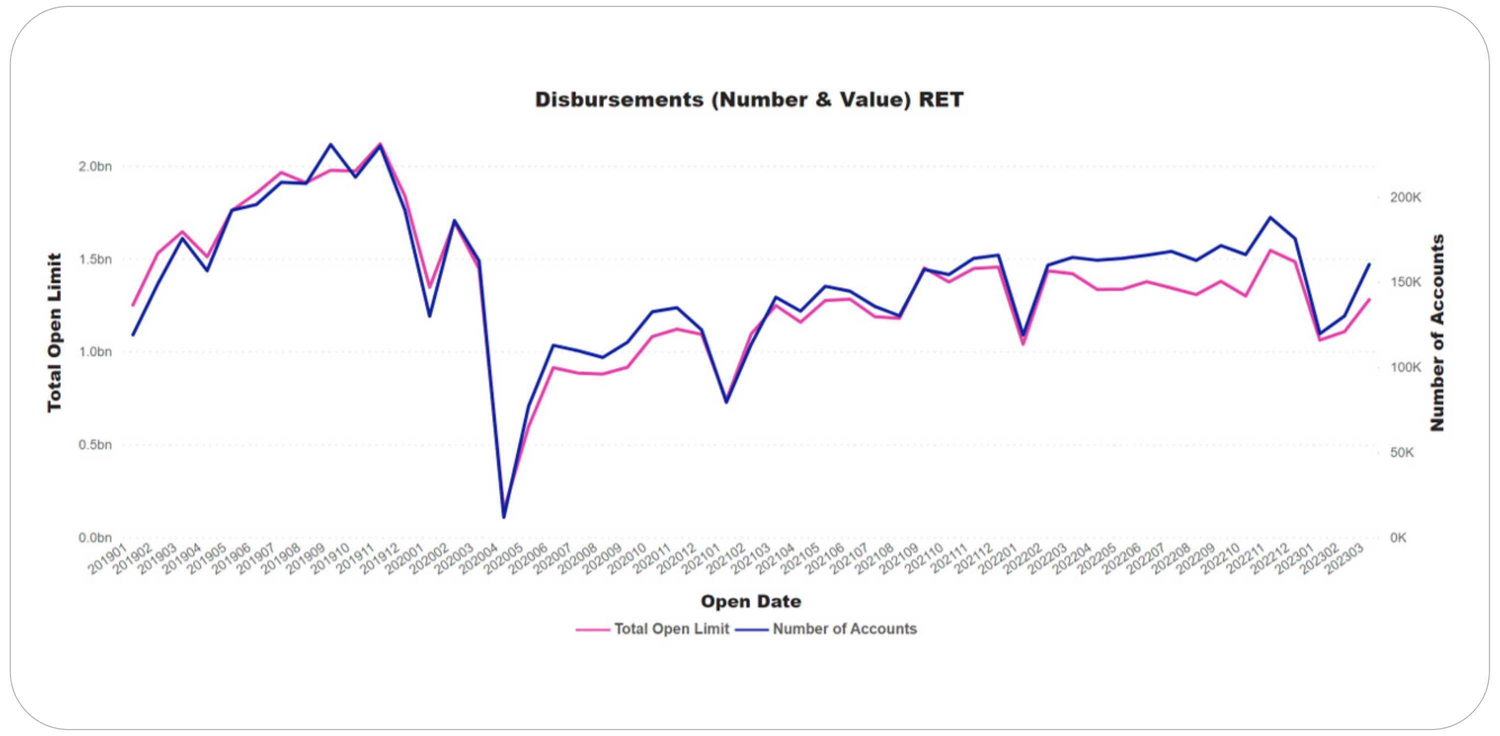
New business by product

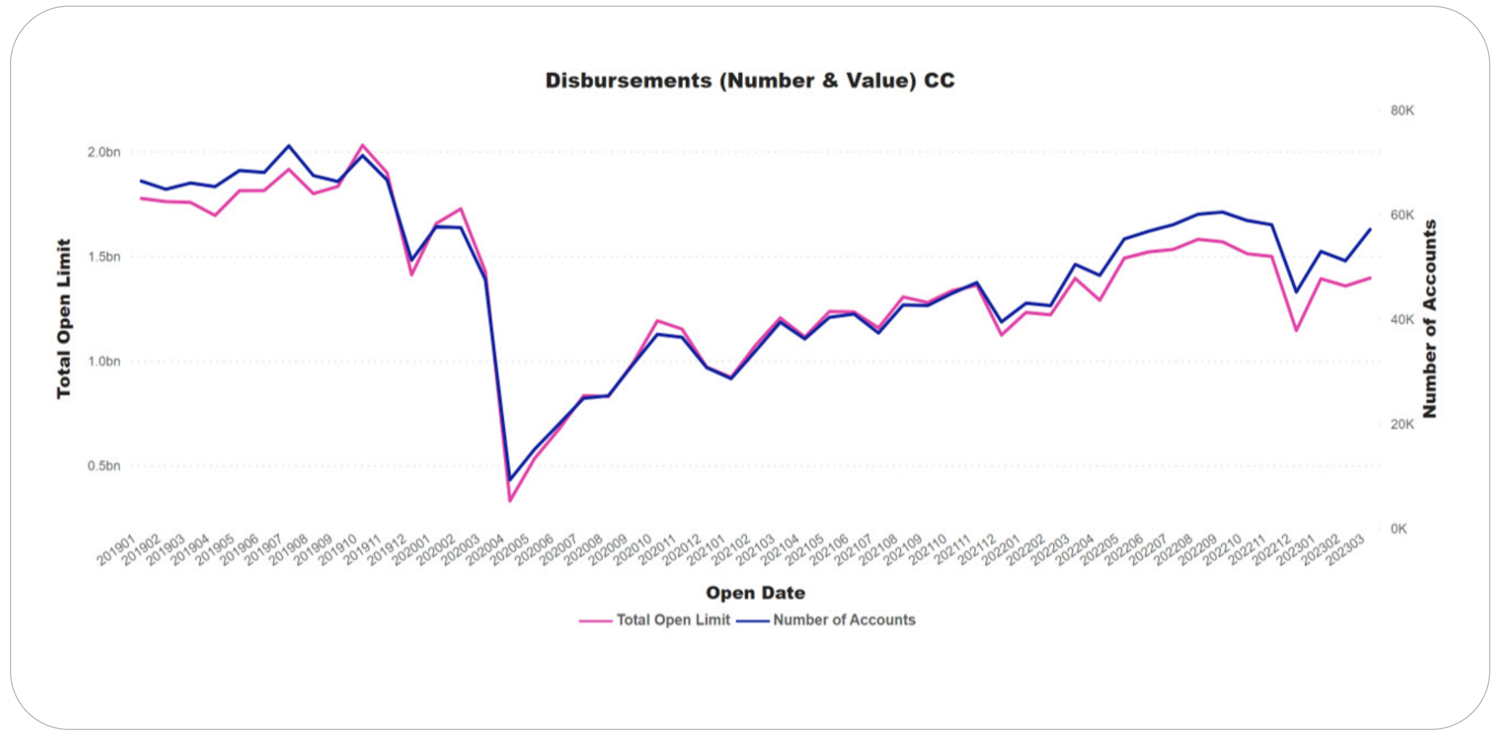
From an **unsecured loans** perspective, Retail Loans have not yet recovered to new business levels observed in 2019. Also, the rate of increase in volume exceeds that of value – suggesting that retail lenders curb the new business credit risk by approving lower limits. Personal Loans' new business metrics suggest that most lenders followed a different strategy than that observed for Retailers, namely, targeting a smaller set of consumers, but allowing higher limits. This points to the fact that higher affluence consumers have been increasingly dependent on Loans to maintain their standard of living.

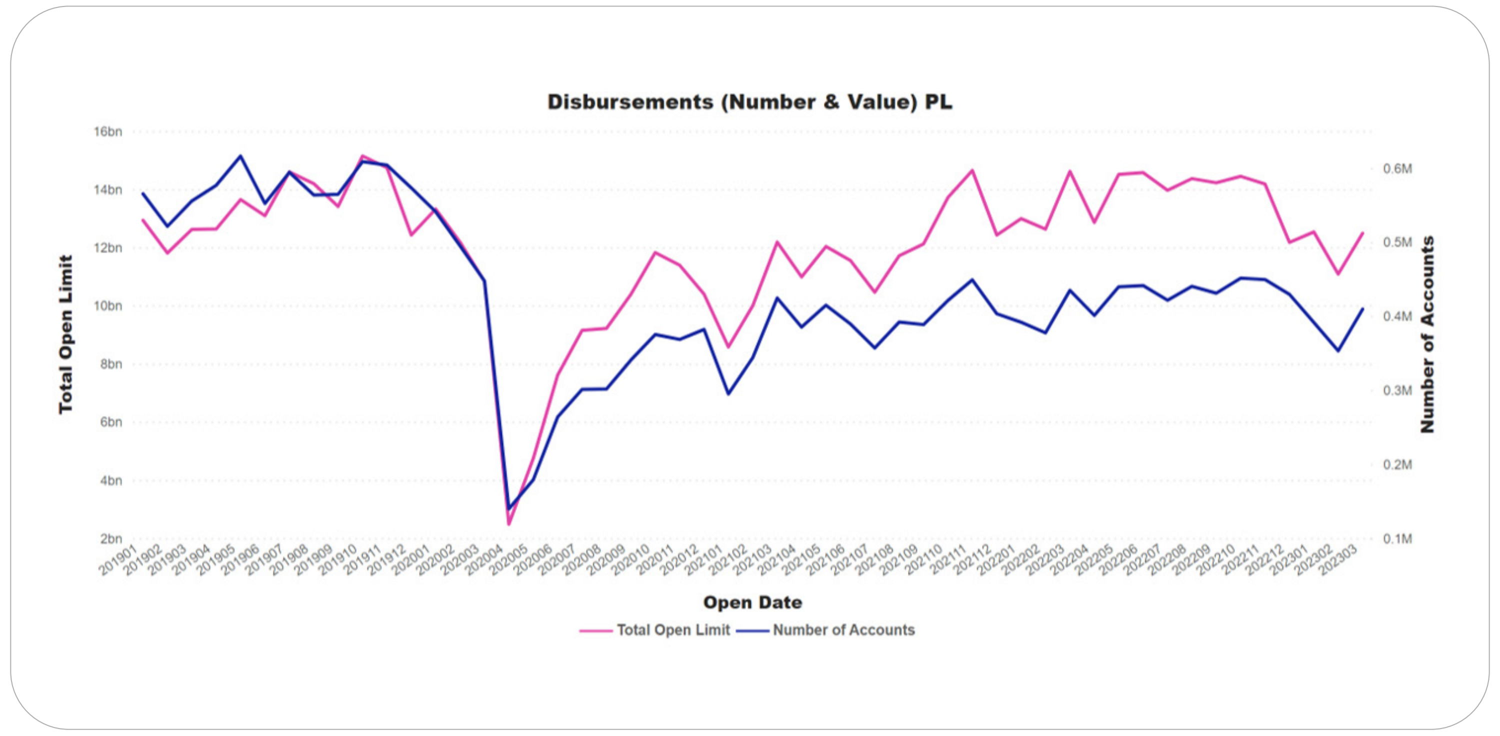
Credit Cards slowly continue along the recovery trend – recently more so from a volume perspective. This suggests that Card portfolio managers have opted to curb risk more from a value perspective (similar to retailers).

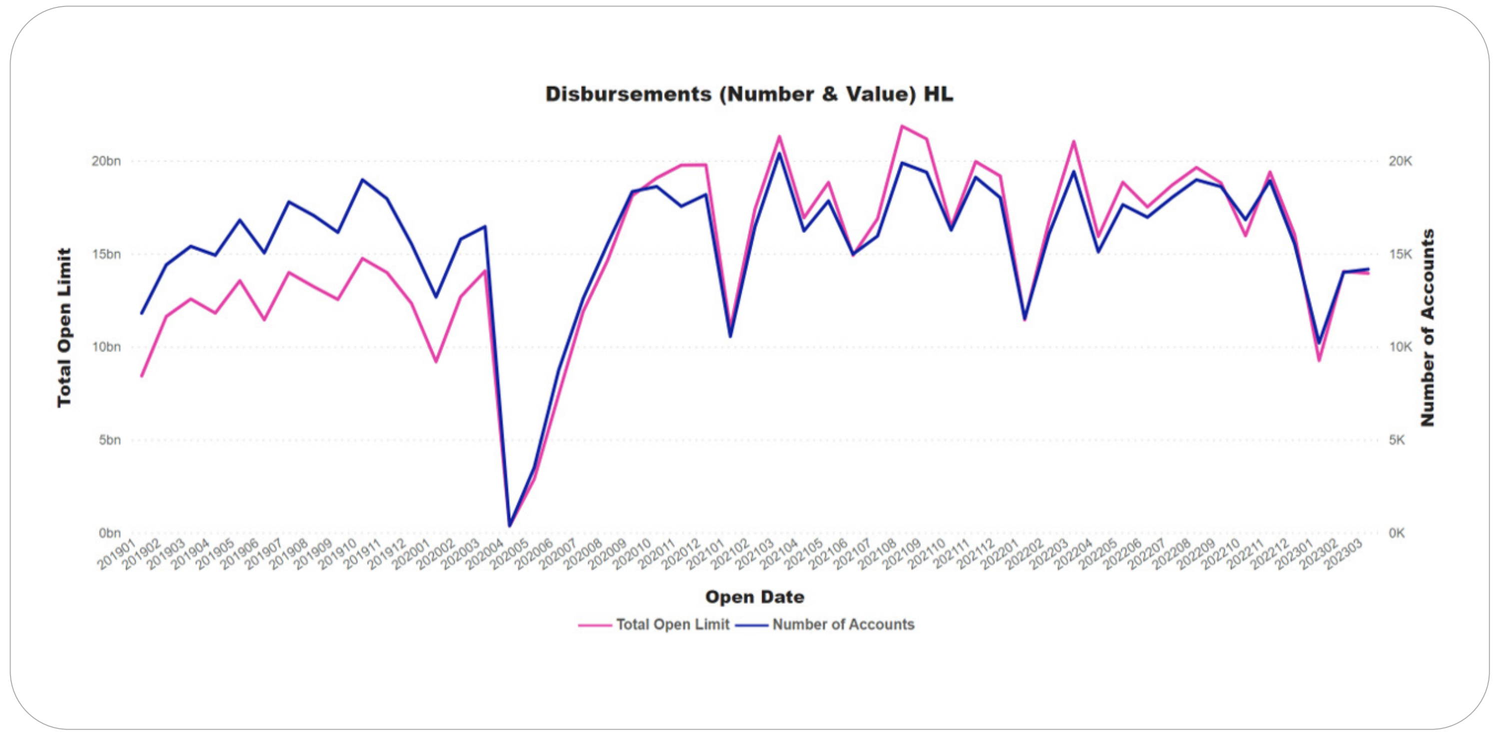
In the case of **secured lending**, vehicle loans have recently seen a shift with the rate of limit increase exceeding the rate of volume increase. This points to inflationary pressures on the vehicle market as well as to the fact that the pool of consumers qualifying for Vehicle loans is not growing. Home Loans originations exhibited the characteristic ease in January but seem to be returning to the heightened post-pandemic levels both in terms of value and volume. These increased post-pandemic levels signify that lenders have continued to rely heavily on this product to sustain their business. Furthermore, high-affluence consumers (FAS Groups 1 & 2) who typically hold ~94% of the Home Loans market, have been utilizing the facilities available on these products to help maintain their living standards during the prevailing cost-of-living challenges.





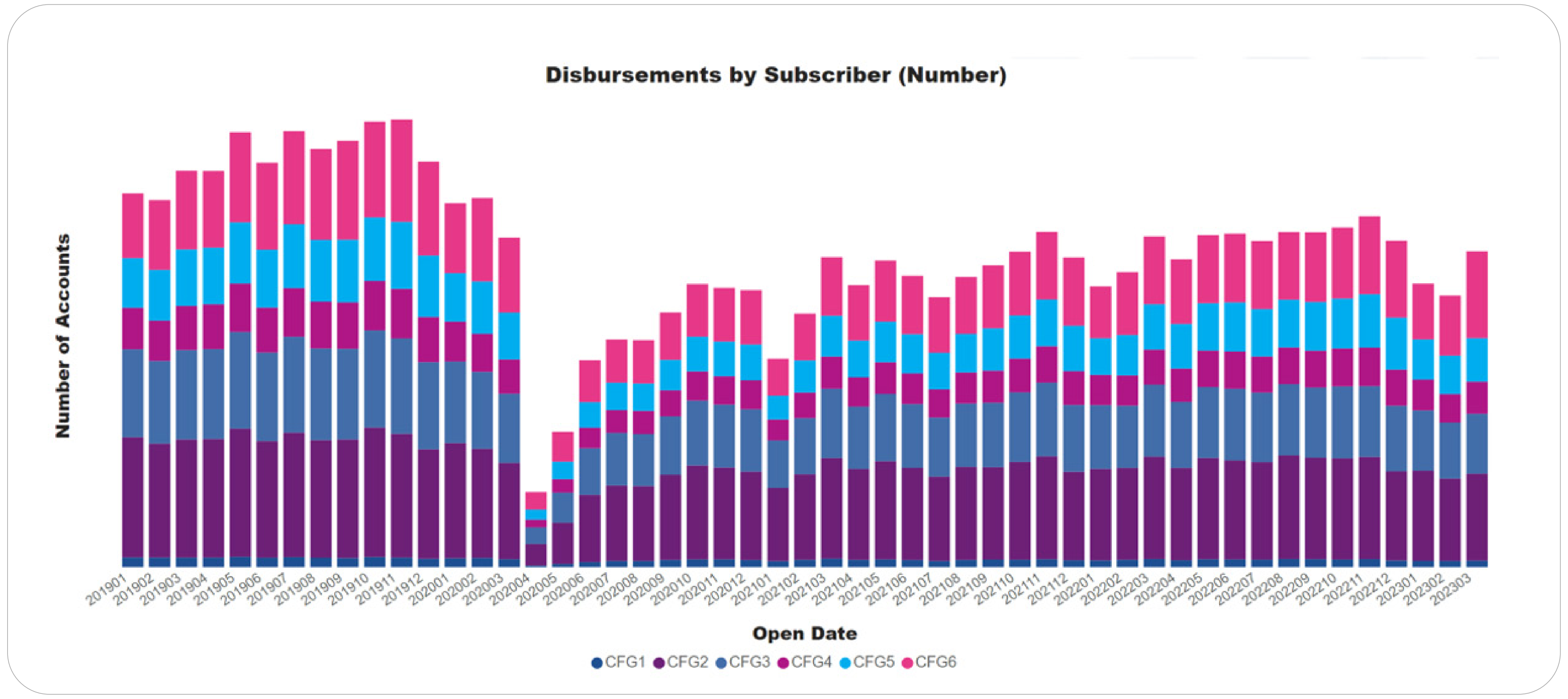


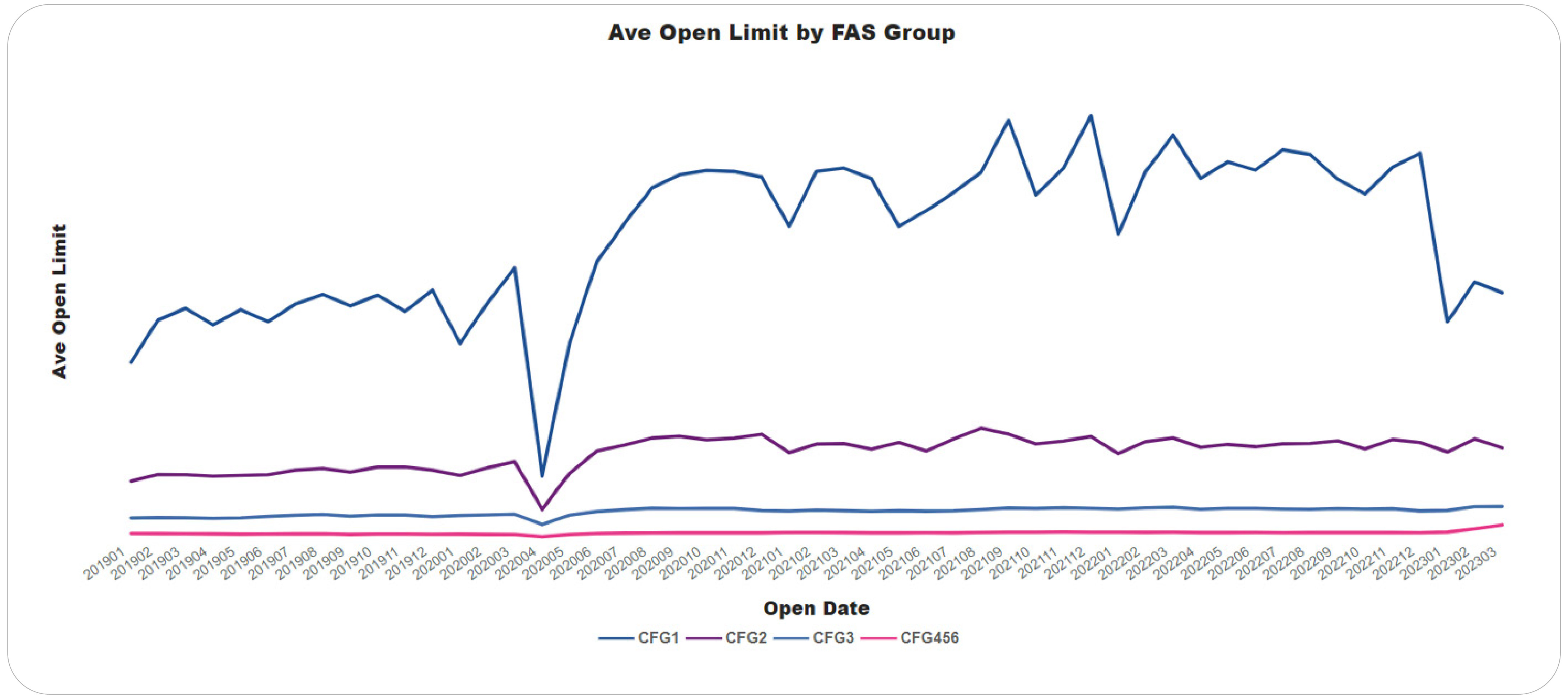


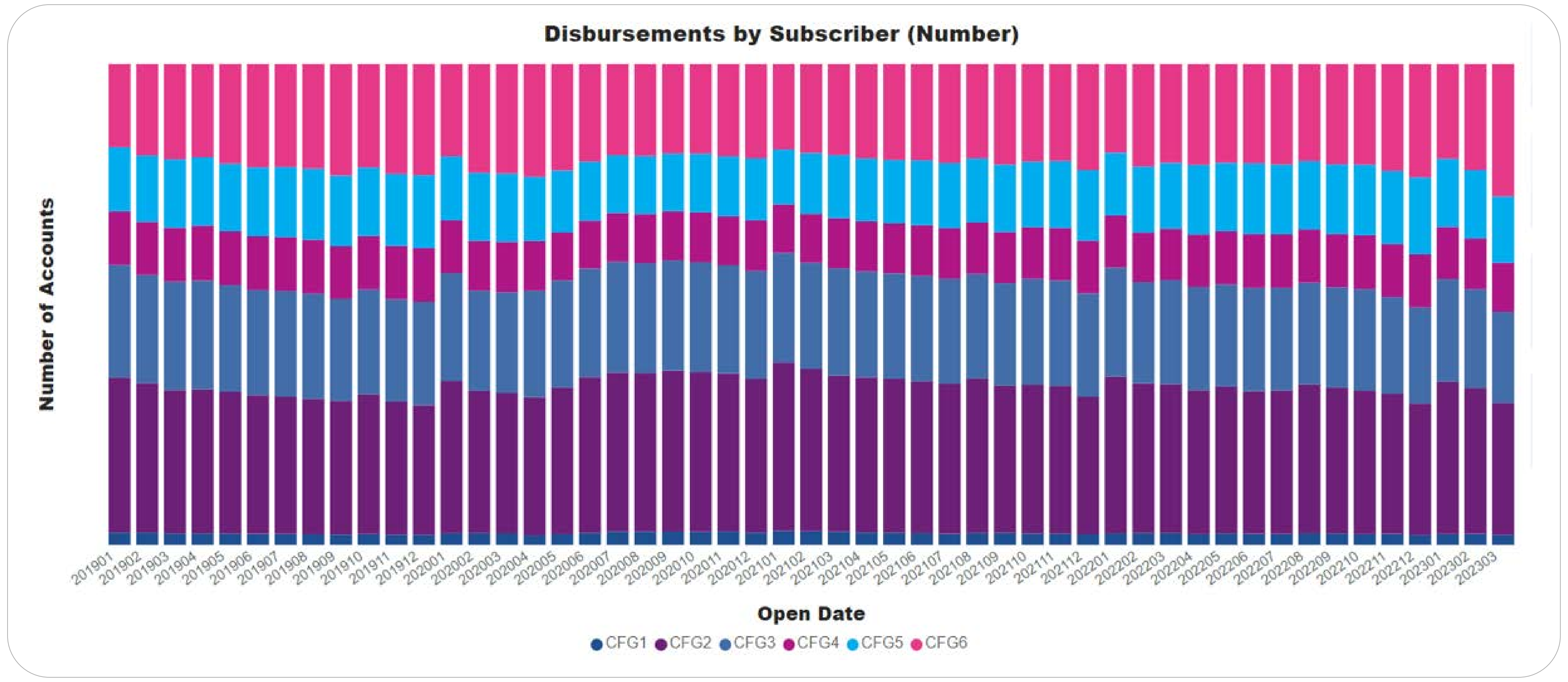


New business by FAS Group

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**.







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) post-COVID. 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 partly the reason for the recent reduction in the average Open Limit for FAS Group 1 indicated over the last 10 months.

> "Fluctuations in relative consumer FAS representation do not generally vary so extensively over the long term."

New business by Product by FAS Group

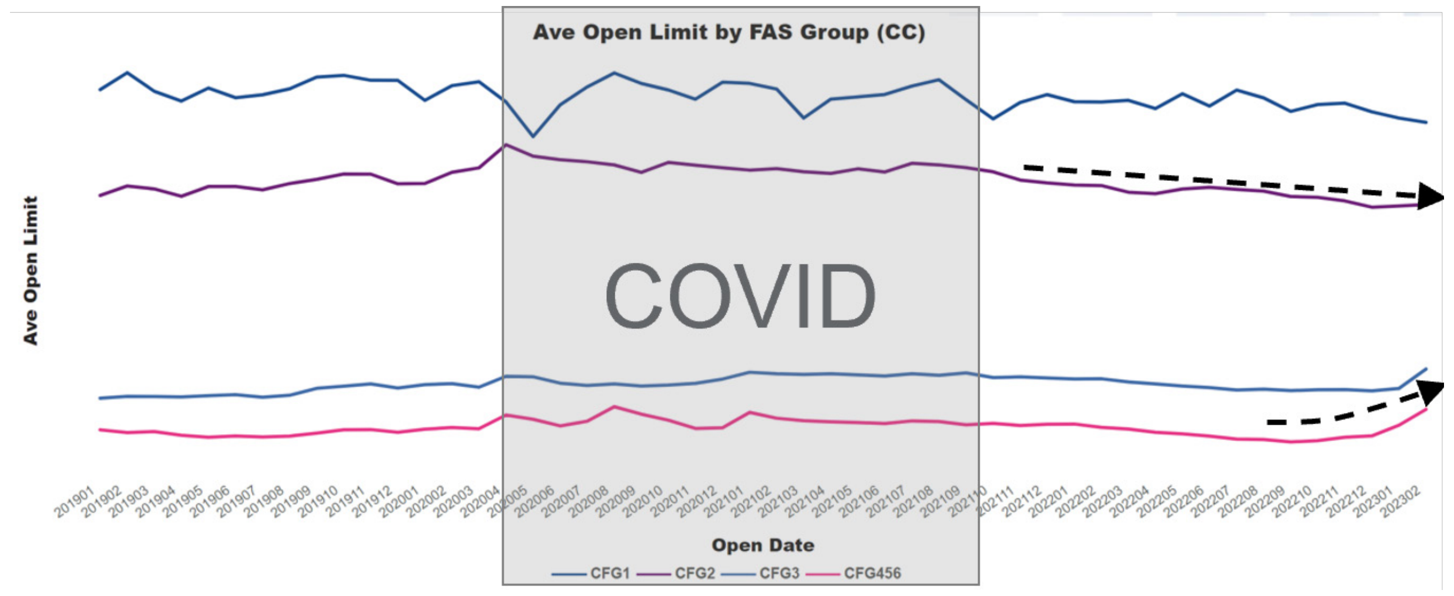
Considering **unsecured loans**, we have seen the trend in opening limits for **Credit Cards** remain relatively stable for the highest affluence Group FAS 1. This group holds ~40% of the total Card Exposure. The decreasing trend in FAS 2 open limits suggests that lenders have started to manage their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

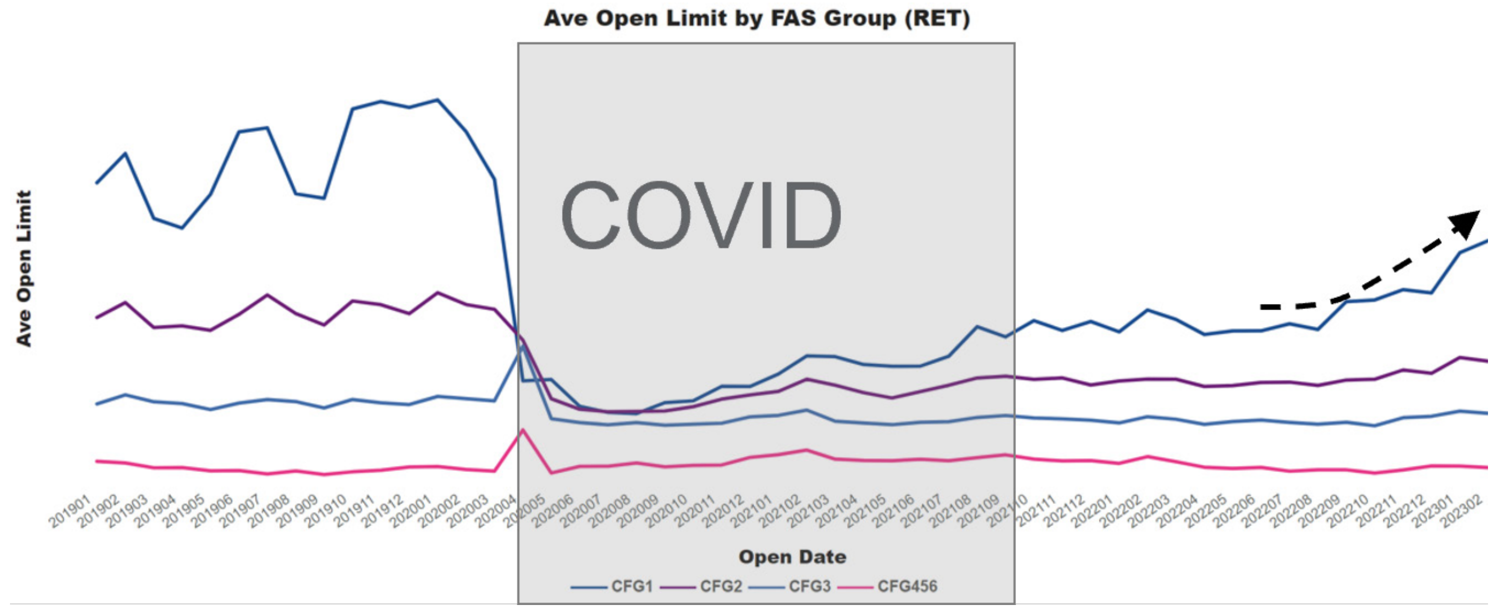
Personal Loans have seen average opening limits across the 3 highest affluence groups flattening or in some instances decreasing over the last 5-6 months. FAS 4, 5 & 6 have seen a steady increase in the average opening limit.

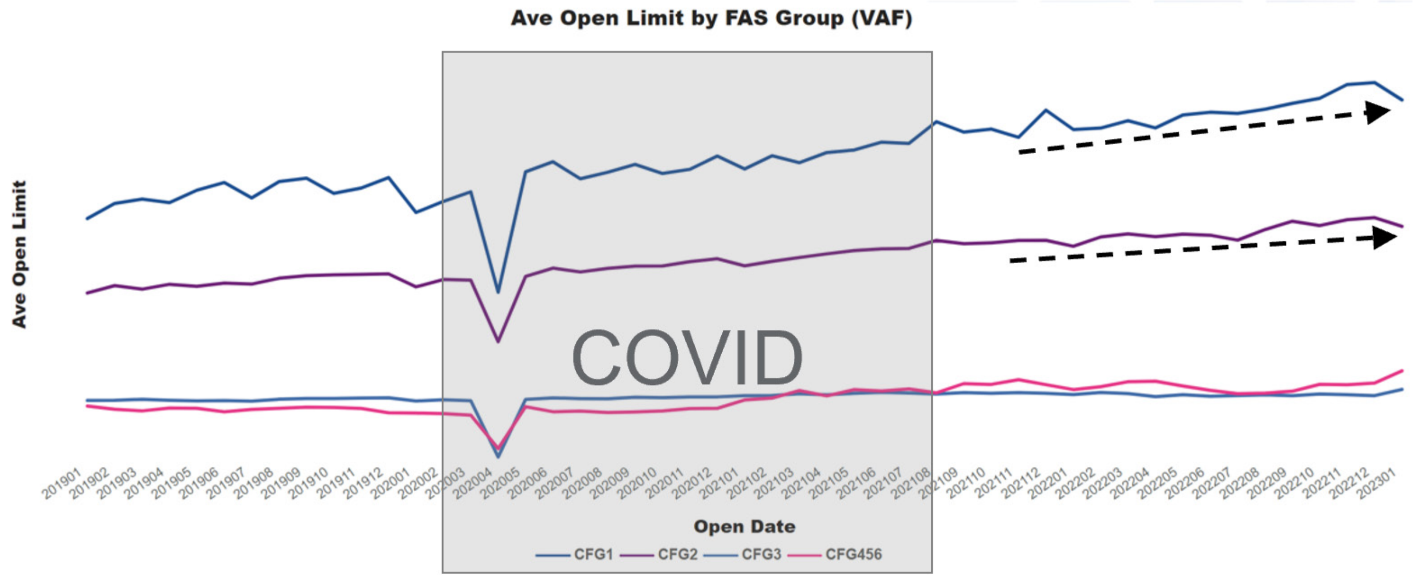
For **Retail Loans**, the credit savvy high affluent consumer groups continue along the path of recovery in terms of limits granted in pre-pandemic days. Recently, FAS Group 1 has shown the steepest increase – indicating that these consumers are increasing their reliance on Retail credit at a more rapid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

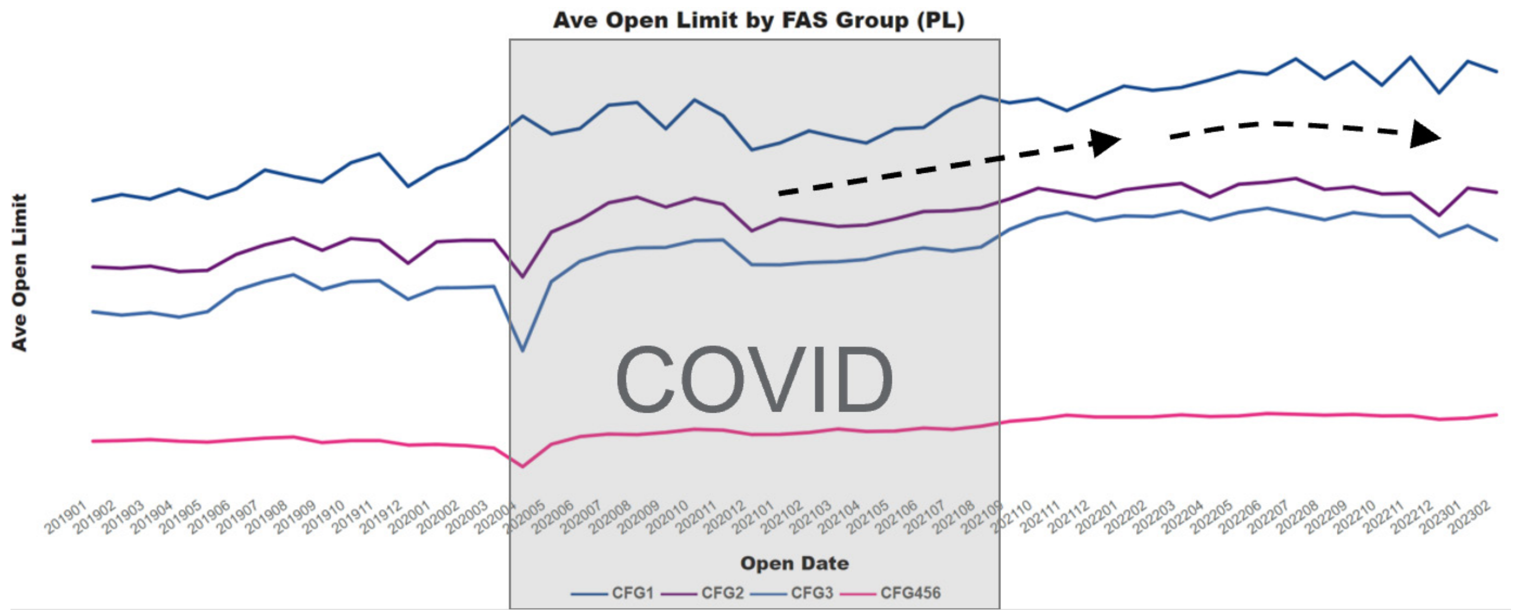
Opening balances of **Vehicle Loans** continue to rise. This is mostly the result of vehicle price inflation – particularly in the new vehicle market.

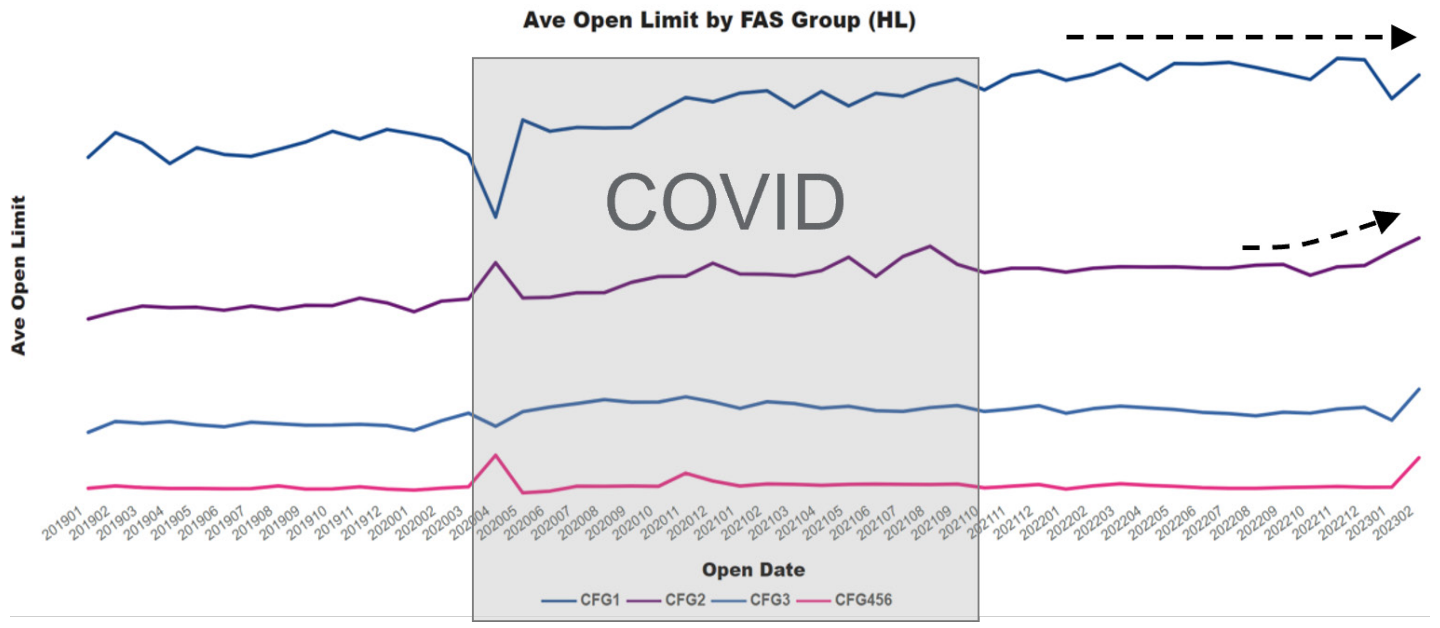
For **Home Loans**, in FAS Groups 1 and 2 (who hold 94% of the total market) we have seen average opening limits remain steady over the last year or so – with indications of a steep increase for FAS 2 over the last 2-3 months. The latter could be related to the continued semigration (particularly of high-affluence professionals) towards the Western Cape, where property prices in specific areas have seen a rapid increase in post-pandemic times.











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 the rolling default behaviour of South African consumers with Home Loan, Vehicle Loan, Personal Loan, Credit Card, and Retail Loan accounts.

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

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

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

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

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

23.9m consumers with Credit Card, Personal Loan, Vehicle Loan, Home Loan and/or Retail Loan accounts.

29.2m 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 3.93 in December 2022 to 4.51 in January 2023. A significant deterioration for the latest reporting period was already pre-empted in 2022 Q4 when we saw an earlier-than-usual deterioration in CDI (considering the typical annual cycle of the CDI).

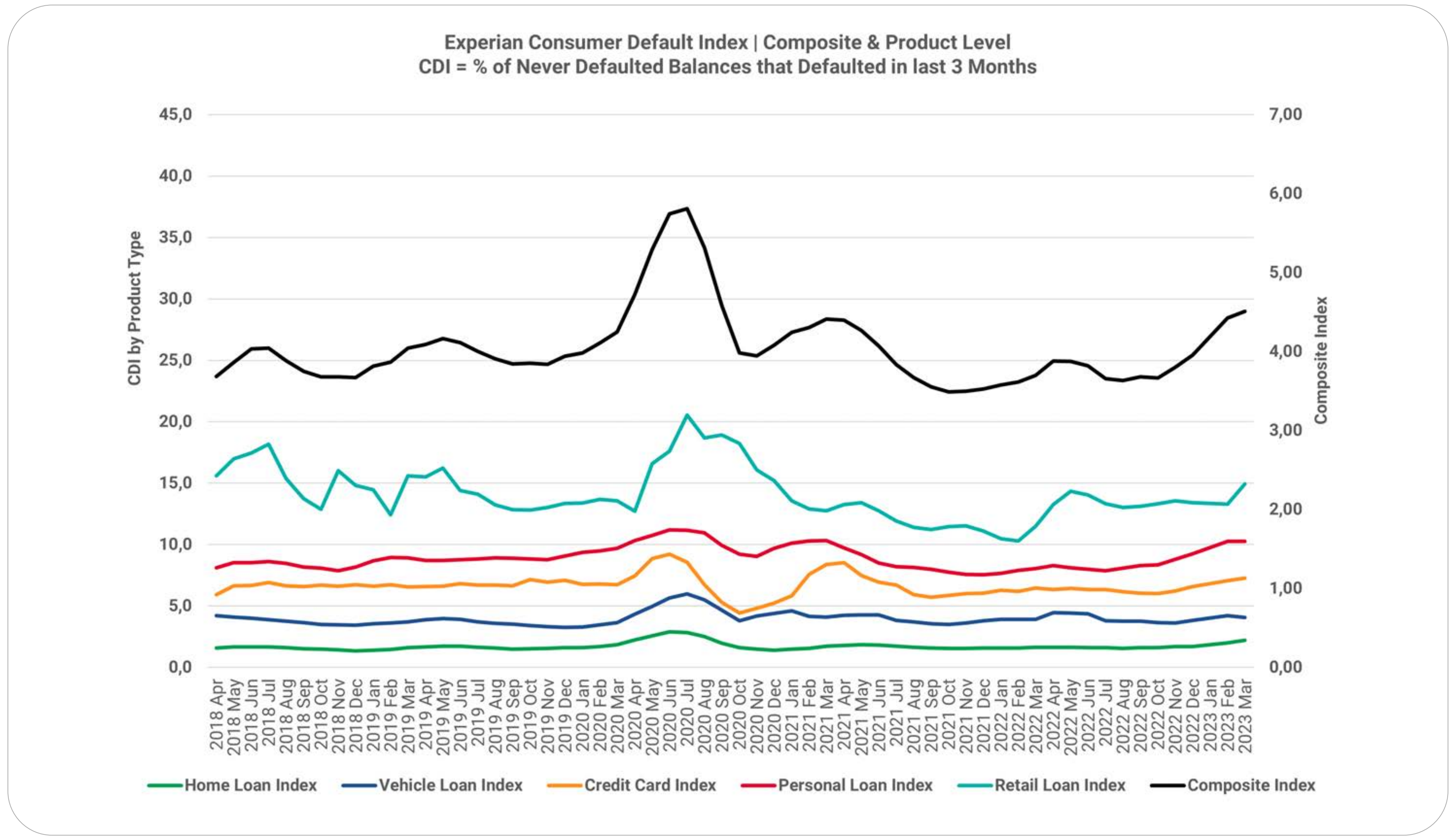
Y-o-Y, Composite CDI deteriorated from 3.70 to 4.51 – a relative deterioration of no less than 22%. This is very hefty and suggests that the deterioration of last quarter has now gained some substantial momentum. Furthermore, all the product-specific CDI metrics also deteriorated Y-o-Y.

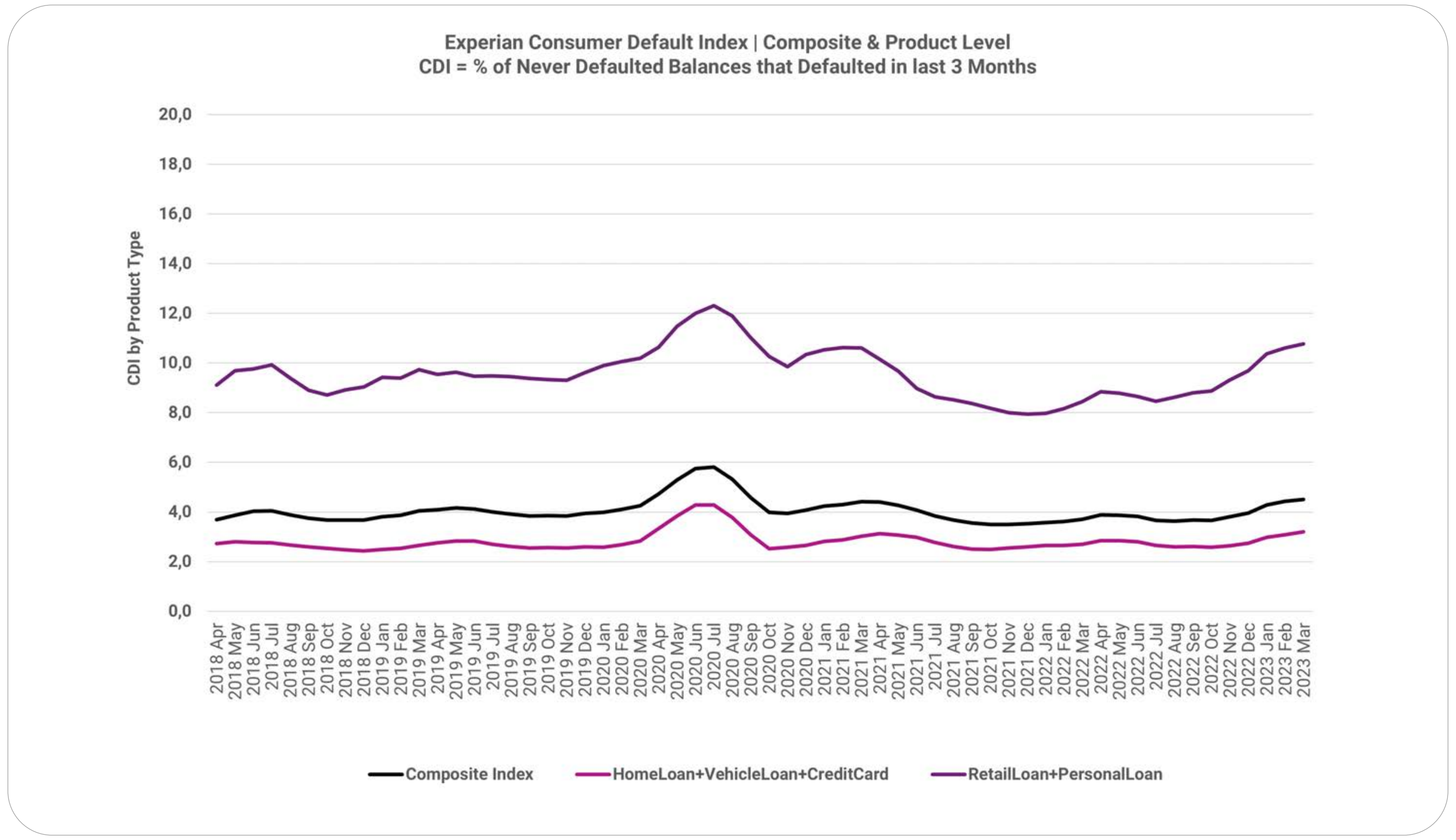
Most notable of these was the Home Loans portfolio deteriorating from 1.62 to 2.19 (35%). The Retail portfolio was not far behind in relative terms, showing a 30% deterioration (from 11.51 to 14.94).

It would seem that the CDI has not only fully returned to the long-term deteriorating trend observed pre-COVID, but that the deterioration is happening at a faster pace.

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, further exacerbated by the significantly intensified load shedding applied by Eskom, the national electricity supplier.

Index	CDI Mar'23	CDI Mar '22	Average Outstanding Jan'23-Mar'23	New Default Balances Jan'23-Mar'23	Relative
Composite	4,51	3,70	R 2 109 107 857 990	R 23 769 883 965	22%
Home Loan	2,19	1,62	R 1 094 014 335 132	R 5 999 737 442	35%
Vehicle Loan	4,06	3,92	R 483 640 676 953	R 4 910 998 349	4%
Credit Card	7,28	6,46	R 166 328 985 591	R 3 025 753 080	13%
Personal Loan	10,25	8,06	R 324 645 125 775	R 8 321 245 859	27%
Retail Loan	14,94	11,51	R 40 478 734 538	R 1 512 149 235	30%
Home Loan + Veicle Loan + Credit Card	3,20	2,70	R 1 743 983 997 676	R 13 936 488 871	18%
Retail Loan + Personal Loan	10,77	8,44	R 365 123 860 313	R 9 833 395 094	28%





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.

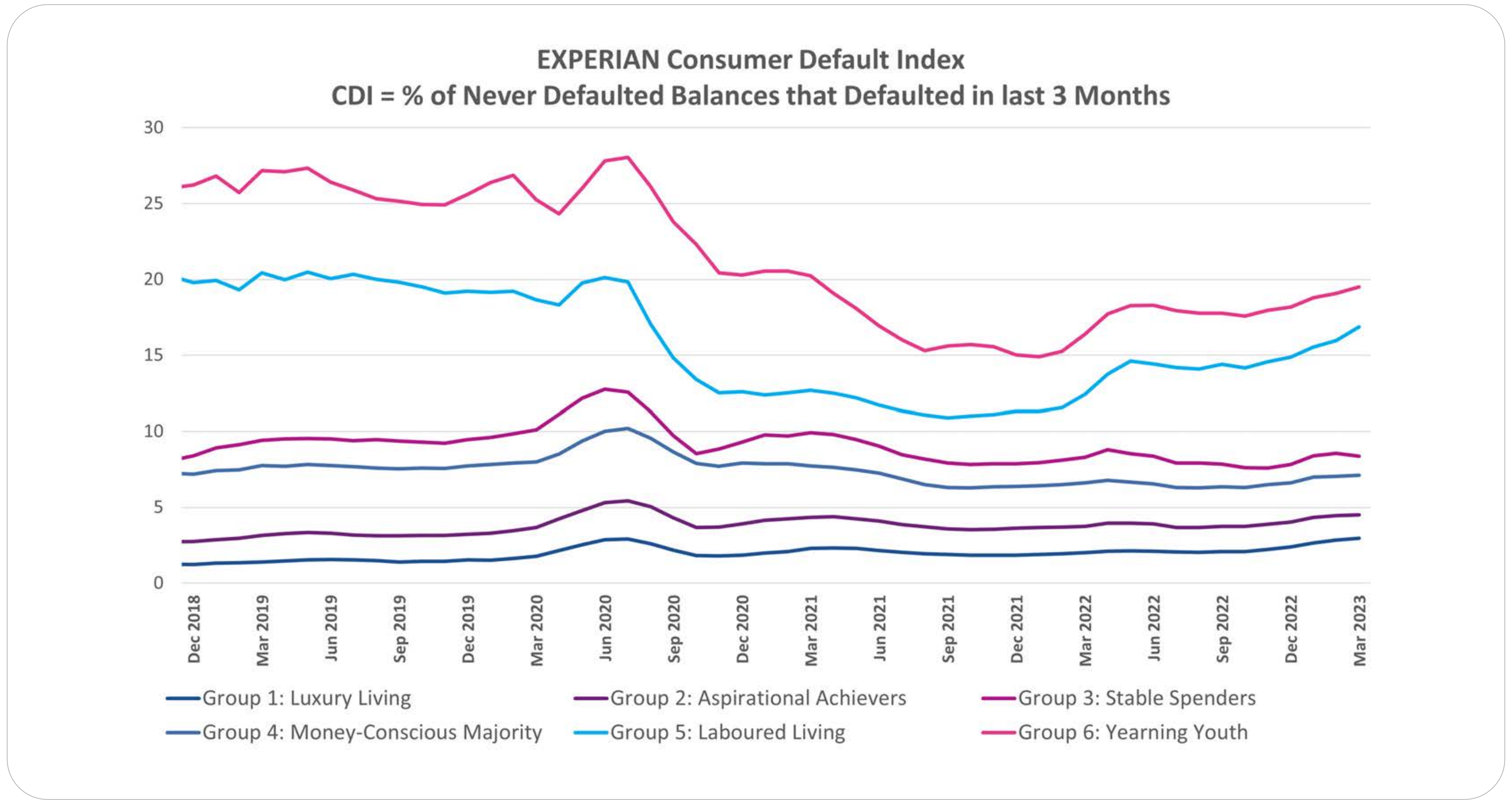
FAS Group 3: Stable Spenders (7.2% of the credit-active population) - Young adults that rely on financial products to assist in making ends meet or to afford specific necessities such as clothing and school fees, or seasonal luxuries.

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) - 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 Mar' 22	CDI Mar' 23	Average Oustanding Jan' 23 - Mar' 23	New Default Balances Jan' 23 - Mar' 23	CDI % Change
Group 1: Luxury Living	2,01	2,97	R 937,55 Billion	R 6,97 Billion	48%
Group 2: Aspirational Achievers	3,74	4,51	R 814,05 Billion	R 9,17 Billion	20%
Group 3: Stable Spenders	8,31	8,38	R 131,01 Billion	R 2,74 Billion	1%
Group 4: Money-Conscious Majority	6,61	7,10	R 179,98 Billion	R 3,2 Billion	8%
Group 5: Laboured Living	12,43	16,87	R 26,8 Billion	R 1,13 Billion	36%
Group 6: Yearning Youth	16,39	19,50	R 9,03 Billion	R ,44 Billion	19%



Composite CDI at the macro-FAS level

2023 Q1 showed that rapid 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 of the highest affluence (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)**, 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 year or so, with a rapid increase over the last 3 months.

Composite Consumer Default Index by FAS Type

FAS		CDI		
FAS Type Name	**Description**	**Mar'23**	**Mar'22**	**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.	2,96	1,85	1,11
02. Affluent Couples	Well-educated power couples that understand the importance of investments, the correct handling of finances, and protecting their assets.	2,79	1,93	0,86
03. Professional Players	Career-driven and well-educated individuals with exceptional entrepreneurial abilities that know how to work hard to support their lifestyles.	3,22	2,25	0,96
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.	2,27	2,12	0,15
05. Liquid Living	Upper-middle-class, mature individuals with strong family tendencies that rely on financing to afford the extra necessities in life.	3,12	2,88	0,24
06. Successful Singles	Young and unmarried but successful individuals that are driven by prestige and seek to further their personal and professional accomplishments.	4,21	3,25	0,95
07. Lifestyle Lending	Established individuals that are eager to spend but are still somewhat reliant on credit to support their lifestyles.	5,27	3,37	1,90
08. Comfortable Retirees	Stable, mature individuals either approaching or in retirement that are set up for comfortable retirement.	4,41	4,14	0,27
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.	7,15	4,13	3,02
10. Comfortable Couples	Couples leading enjoyable lives and whose basic needs are met; however, they are not prepared for the odd financial hiccough.	7,61	6,07	1,54
11. Steady Entrepreneurs	Middle-aged small business entrepreneurs that can support themselves but would struggle to afford more expensive assets.	10,80	10,01	0,79
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.	4,99	6,16	-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.	5,50	6,25	-0,75
14. Payday Pursuers	Living from month to month, these middle-aged individuals rely on finance to bridge the gap between paydays.	6,38	8,36	-1,98
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.	9,54	9,09	0,45
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.	16,66	13,11	3,55
17. Secure Seniors	Senior citizens who are mostly in their retirement with enough income to provide for the basics and financial security.	3,19	3,81	-0,62
18. Coping Couples	Mature couples in the late stages of their careers as employees with enough income to cover basic needs until they retire.	3,06	4,08	-1,01
19. Restricted Retirees	Senior citizens who struggle to afford the basics, and therefore need to continue working despite being in retirement.	5,69	6,43	-0,74
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.	13,20	10,31	2,89
21. Misfortunate Mature	Approaching retirement age, these wage-based employees would need to continue working well into retirement to supplement their state pensions.	9,29	7,90	1,39
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.	7,71	6,42	1,29
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.	6,81	7,11	-0,30
24. Depleted Resources	Employees, probably in the unskilled worker sector, with low resources which restrict access to financial services to afford monthly necessities.	10,20	9,47	0,74
25. Strained Adults	Low finances leave these middle-aged individuals strained to afford little more than the basics.	13,10	11,39	1,71
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.	15,34	10,37	4,98
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.	10,96	10,43	0,53
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.	19,10	15,25	3,85
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.	17,69	14,67	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.	23,36	20,11	3,25

FAS types 26 and 28 (Online Survivors and Minimum-Money Workers) saw the most substantial Y-o-Y deterioration in CDI in March 2023. This aligns with the observations made in December 2022, where Types 26 and 28 also saw the biggest deterioration in absolute terms. Keep in mind that these consumer segments 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 12 (Stand-alone Singles). These consumers typically make out part of the 'middle-of-the-road' consumer groups in terms of affluence segments (FAS Group 3).

The continued increased exposure levels of FAS Groups 5 and 6 in unsecured credit in the year since 2021 Q4, has led to sustained increased CDI levels 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 – as seen over the last 3 months' performance.

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 10.37 in March 2022 to 15.34 in March 2023.

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 8.36 in March 2022 to 6.38 in March 2023. This was the greatest Y-o-Y improvement in CDI of all the FAS types.

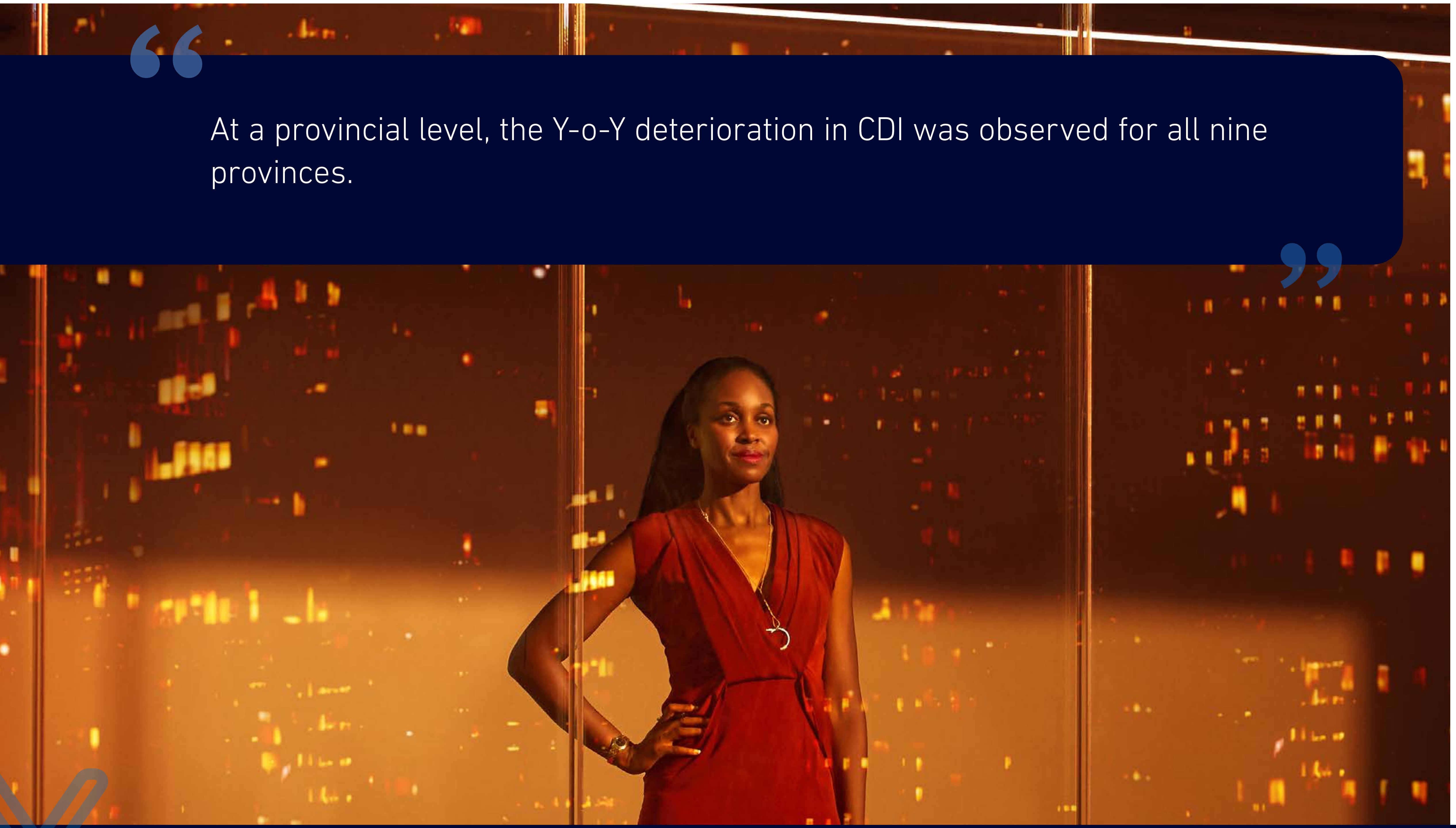
These consumers are members of FAS Group 3, which form part of the mid-range affluence consumers.

> FAS types 26 and 28 (Online Survivors and Minimum-Money Workers) saw the most substantial Y-o-Y deterioration in CDI in March 2023.

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. Up from 2.78 in December 2022 and from 2.67 in March 2022, the March 2023 number of 3.19 indicates that consumers in the Western Cape are also feeling the pinch in terms of honouring debt commitments.
- At the opposite end of the scale, **Limpopo** continues to be the province with the highest CDI, also showing a Q-o-Q deterioration from 5.60 in December 2022 to 6.14 in March 2023. Y-o-Y the deterioration was even more severe, from 5.01 to the latest 6.14. 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.



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

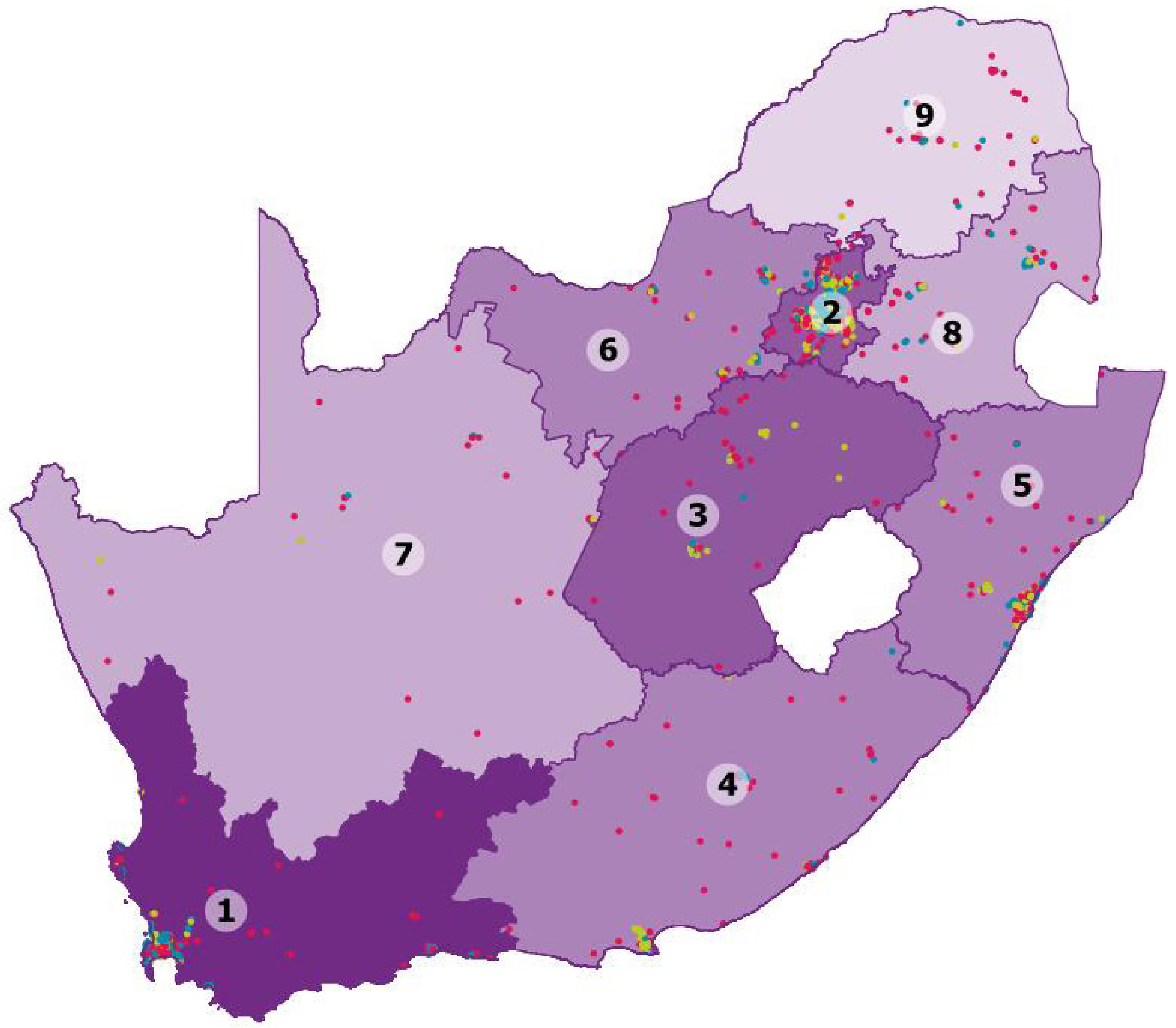
R23.77bn

in value defaulted for first time over the period Jan 2023 to Mar 2023.

4.51%

of balances on an annualized basis defaulted for first time over the period Jan 2023 to Mar 2023.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Composite Index	4,51	3,70	R23 769 883 965
FAS Type 2 - largest credit exposure	2,79	1,93	R2 697 348 853
FAS Type 4 - lowest CDI	2,27	2,12	R714 200 751
FAS Type 30 - highest CDI	23,36	20,11	R168 288 460



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

Composite	CDI	
Rank & Province	Mar'22	Mar'23
1. Western Cape	2,67	3,19
2. Gauteng	3,51	4,34
3. Free State	3,96	4,76
4. Eastern Cape	4,35	5,15
5. KwaZulu-Natal	4,13	5,16
6. North West	4,71	5,48
7. Northern Cape	4,75	5,49
8. Mpumalanga	5,11	5,97
9. Limpopo	5,01	6,14

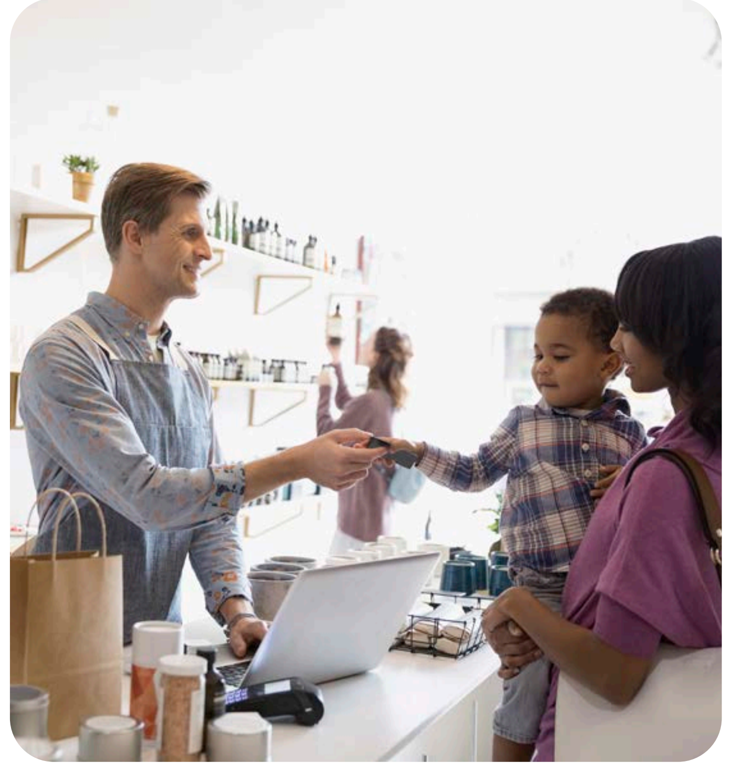
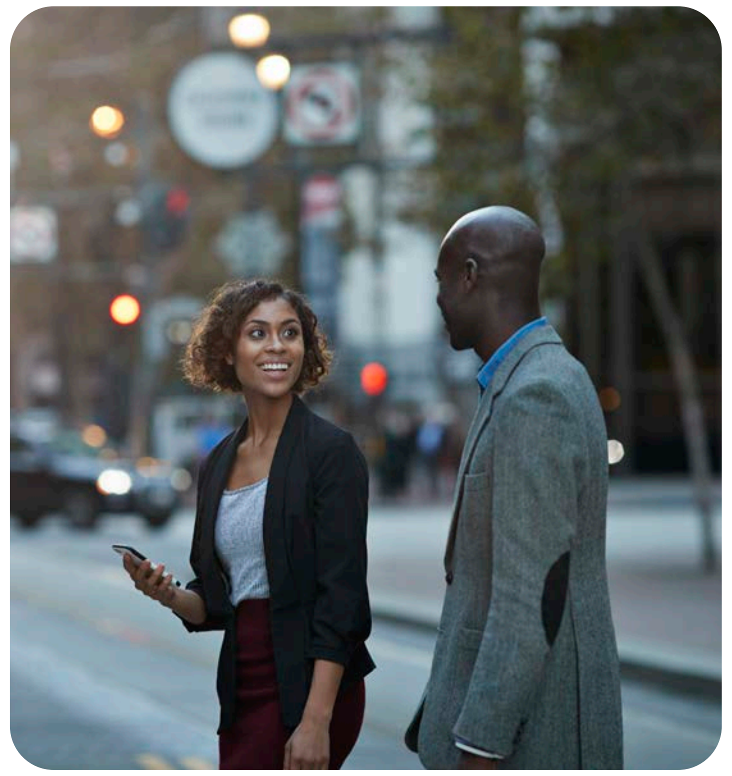
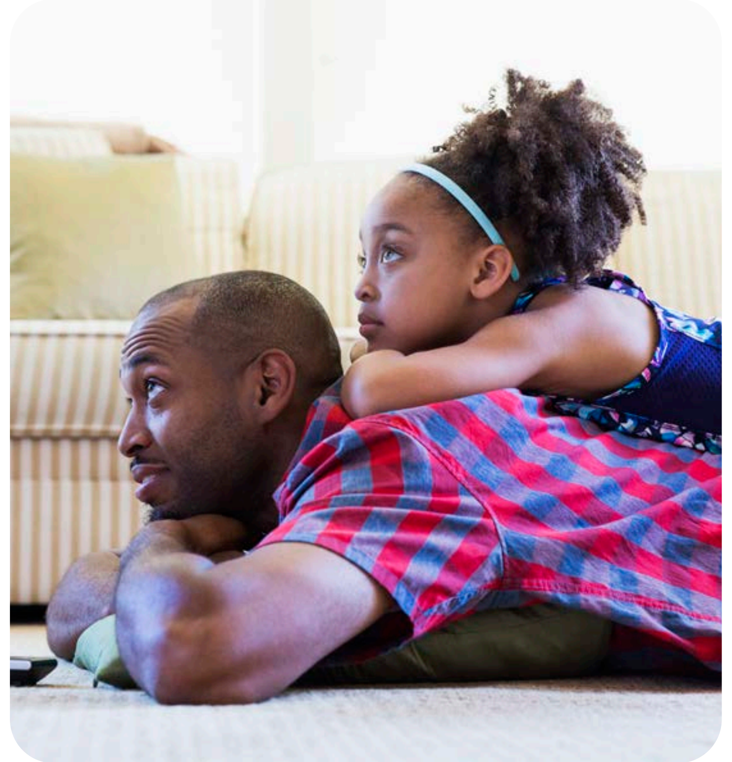
Composite Consumer Default Index by FAS Type

FAS Groups 1 and 2 jointly had over 83% of the total Banking and Retail credit market exposure in South Africa in 2023 Q1. This is due to their high exposure to the high-value products associated with secured credit, but also their increased exposure in unsecured credit, as they look to these products to facilitate their standard of living amidst increased cost-of-living. 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 commitments since the onset of COVID. This is because these consumers typically continued to qualify for new credit throughout increased risk-aversion of lenders, but now are coming under pressure to honour these debt commitments.

- **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 1.93 in March 2022 to 2.79 in March 2023.
- **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*** but are also showing deterioration in CDI from 2.12 in March 2022 to 2.27 in March 2023.
- **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 20.11 to 23.36 in March 2023.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Composite Index	4,51	3,70	R23 769 883 965
FAS Type 2 - largest credit exposure	2,79	1,93	R2 697 348 853
FAS Type 4 - lowest CDI	2,27	2,12	R714 200 751
FAS Type 30 - highest CDI	23,36	20,11	R168 288 460

FAS	CDI		
FAS Type Name	Mar'23	Mar'22	Year on Year Δ
01. Independent Investors	2,96	1,85	1,11
02. Affluent Couples	2,79	1,93	0,86
03. Professional Players	3,22	2,25	0,96
04. Logged-On Lifestyles	2,27	2,12	0,15
05. Liquid Living	3,12	2,88	0,24
06. Successful Singles	4,21	3,25	0,95
07. Lifestyle Lending	5,27	3,37	1,90
08. Comfortable Retirees	4,41	4,14	0,27
09. Secure Singles	7,15	4,13	3,02
10. Comfortable Couples	7,61	6,07	1,54
11. Steady Entrepreneurs	10,80	10,01	0,79
12. Stand-Alone Singles	4,99	6,16	-1,17
13. Plugged-In Purchasers	5,50	6,25	-0,75
14. Payday Pursuers	6,38	8,36	-1,98
15. Deficient Directors	9,54	9,09	0,45
16. Credit-Reliant Consumers	16,66	13,11	3,55
17. Secure Seniors	3,19	3,81	-0,62
18. Coping Couples	3,06	4,08	-1,01
19. Restricted Retirees	5,69	6,43	-0,74
20. Low Earners	13,20	10,31	2,89
21. Misfortunate Mature	9,29	7,90	1,39
22. Concerning Citizens	7,71	6,42	1,29
23. Money-Wise Mature	6,81	7,11	-0,30
24. Depleted Resources	10,20	9,47	0,74
25. Strained Adults	13,10	11,39	1,71
26. Online Survivors	15,34	10,37	4,98
27. Struggling Earners	10,96	10,43	0,53
28. Minimum-Money Workers	19,10	15,25	3,85
29. Inexperienced Earners	17,69	14,67	3,02
30. Eager Youth	23,36	20,11	3,25

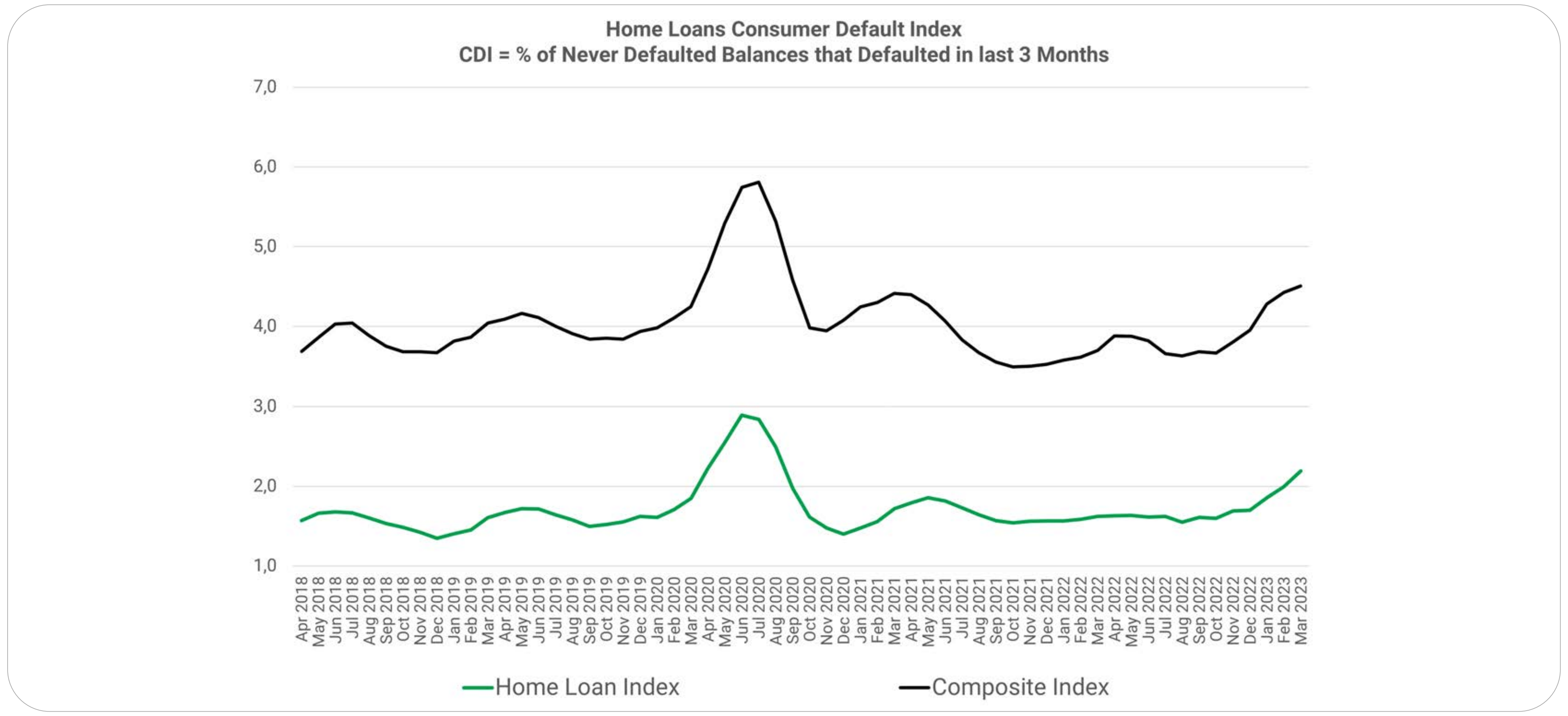




Home Loan Consumer Default Index by Province

Home Loans showed a significant Y-o-Y deterioration in CDI, moving from 1.62 in March 2022 to 2.19 in March 2023. Q-o-Q the Home Loans CDI also deteriorated, with 2022 December Home Loan CDI recorded at 1.70. The Y-o-Y deterioration constituted a relative change of a significant 35% 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.

Only one province saw a Y-o-Y improvement: the Northern Cape. As for the other 8 provinces, we saw significant deterioration.

- The Home Loans CDI in the **Western Cape** continues to be the lowest and deteriorated from 1.10 in March 2022 to 1.46 in March 2023.
- The **Northern Cape** saw the only improvement in Home Loans CDI, coming down from 1.99 to 1.67 Y-o-Y.
- At the opposite end of the scale, the **Free State** had the highest Home Loans CDI and saw a Y-o-Y deterioration in CDI from 1.92 to 2.60.



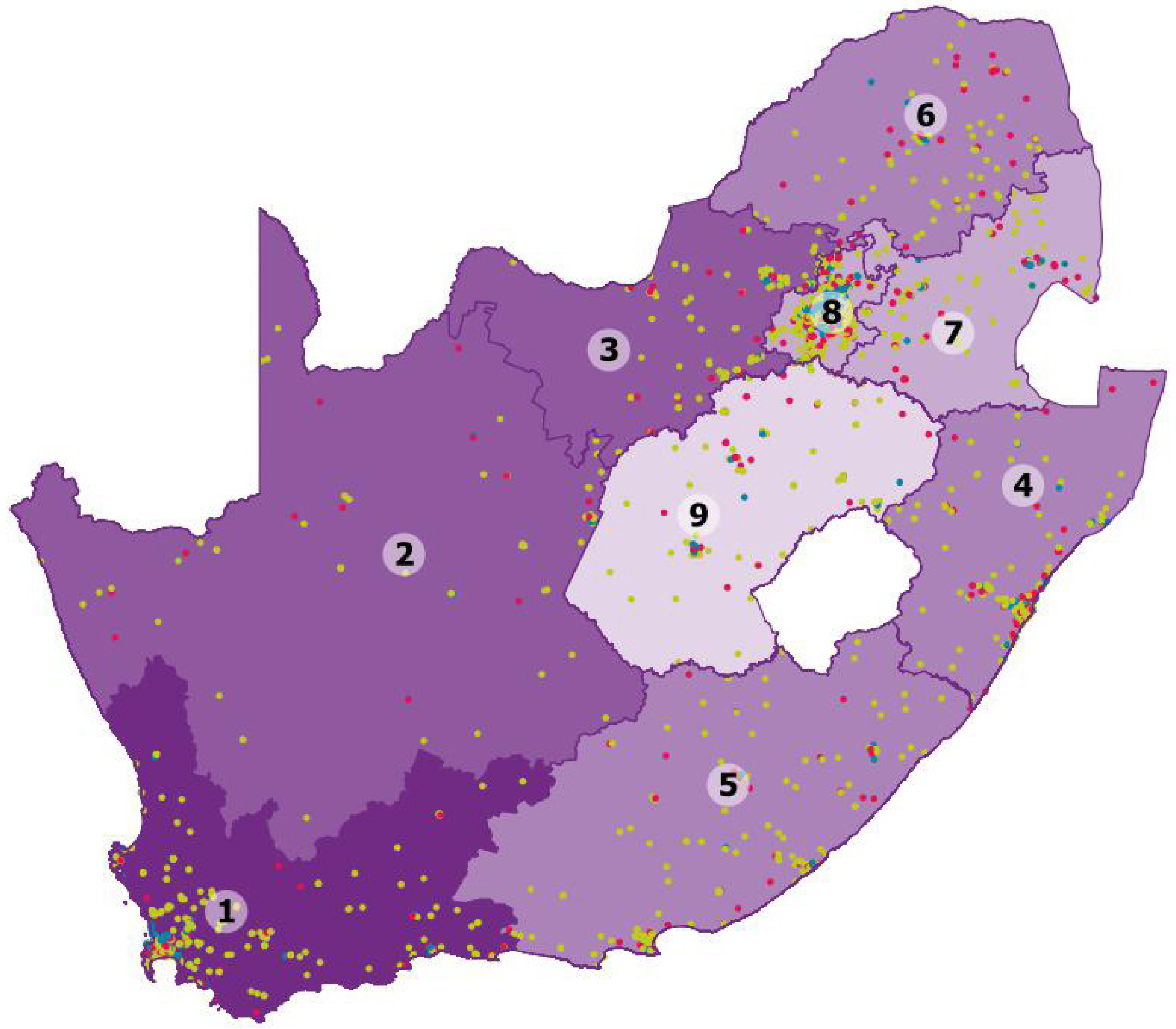
R6.00bn

in value defaulted for first time over the period Jan 2023 to Mar 2023.

2.19%

of home loan balances on an annualized basis defaulted for first time over the period Jan 2023 to Mar 2023

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Home Loan Index	2,19	1,62	R 5 999 737 442
FAS Type 2 - largest credit exposure	1,94	1,23	R 1 238 513 521
FAS Type 22 - lowest CDI	1,80	2,78	R 9 487 073
FAS Type 30 - highest CDI	20,65	18,96	R 8 097 019



FAS Type 2 - Largest Credit Exposure
FAS Type 22 - Lowest CDI
FAS Type 30 - Highest CDI

Composite	CDI	
Rank & Province	Mar'22	Mar'23
1. Western Cape	1,10	1,46
2. Northern Cape	1,99	1,67
3. North West	1,96	2,12
4. KwaZulu-Natal	1,75	2,17
5. Eastern Cape	1,66	2,22
6. Limpopo	1,95	2,30
7. Mpumalanga	1,99	2,40
8. Gauteng	1,75	2,51
9. Free State	1,92	2,60

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 typically have a lower likelihood of defaulting than the rest of the market, and thus these high-affluence consumers typically continue to qualify for new credit. More recently, we have seen particularly for FAS Group 1, that these credit-savvy consumers have been limiting their new 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 deterioration in Home Loans CDI from 1.45 in March 2022 to 2.19 in March 2023.
- **Concerning Citizens (22)** are still part of the workforce (45-60 years old) but are ill-equipped to accumulate adequate savings or investments for retirement. They are likely to work well into retirement and likely to be dependent on state pensions. They have very limited exposure in secured credit. 98% of them, however, have unsecured loans and use this to support their basic needs. They have the ***lowest Home Loan CDI***. This is the result of very low product ownership (0.19% exposure to the Home Loan market) in this type, combined with the fact that these low-affluence consumers have become less likely to qualify for new Home Loans under more conservative lending strategies.
- **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. They have the highest Home Loan CDI.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Home Loan Index	2,19	1,62	R 5 999 737 442
FAS Type 2 - largest credit exposure	1,94	1,23	R 1 238 513 521
FAS Type 22 - lowest CDI	1,80	2,78	R 9 487 073
FAS Type 30 - highest CDI	20,65	18,96	R 8 097 019

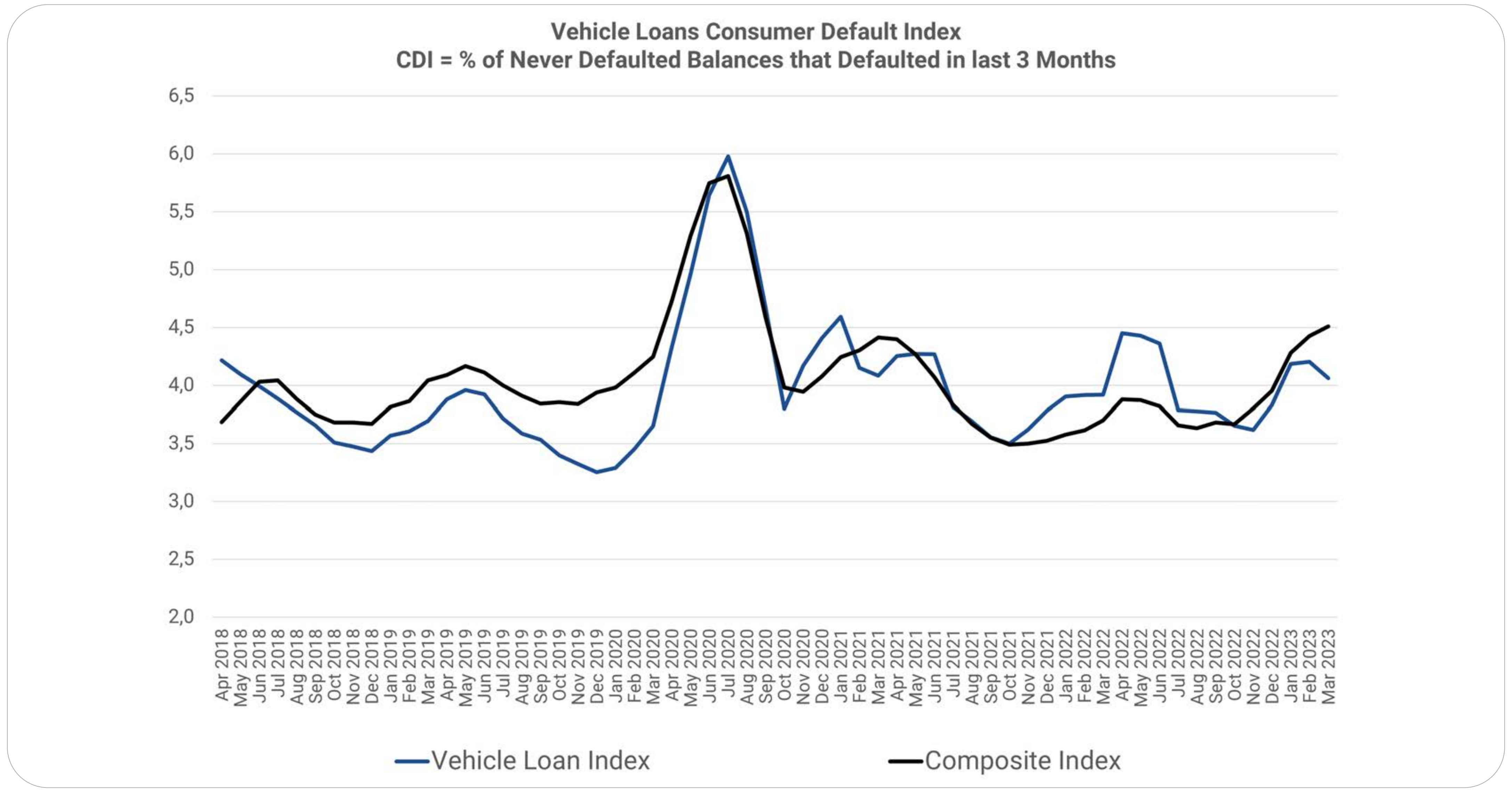
FAS	CDI		
FAS Type Name	Mar'23	Mar'22	Year on Year Δ
01. Independent Investors	2,36	1,45	0,91
02. Affluent Couples	1,94	1,23	0,71
03. Professional Players	1,95	1,23	0,72
04. Logged-On Lifestyles	2,00	1,72	0,28
05. Liquid Living	1,85	1,64	0,20
06. Successful Singles	2,17	1,50	0,67
07. Lifestyle Lending	3,55	1,97	1,58
08. Comfortable Retirees	2,23	2,08	0,15
09. Secure Singles	4,02	1,89	2,13
10. Comfortable Couples	3,29	3,01	0,28
11. Steady Entrepreneurs	4,16	8,19	-4,04
12. Stand-Alone Singles	2,89	2,95	-0,06
13. Plugged-In Purchasers	3,55	3,32	0,23
14. Payday Pursuers	2,55	6,23	-3,69
15. Deficient Directors	4,62	6,80	-2,18
16. Credit-Reliant Consumers	8,36	4,22	4,13
17. Secure Seniors	1,94	2,28	-0,34
18. Coping Couples	2,34	2,92	-0,58
19. Restricted Retirees	2,65	4,06	-1,41
20. Low Earners	2,48	2,35	0,13
21. Misfortunate Mature	2,98	2,93	0,04
22. Concerning Citizens	1,80	2,78	-0,97
23. Money-Wise Mature	2,42	3,44	-1,02
24. Depleted Resources	2,75	4,56	-1,81
25. Strained Adults	3,88	2,58	1,31
26. Online Survivors	2,70	2,98	-0,27
27. Struggling Earners	8,46	6,82	1,64
28. Minimum-Money Workers	9,00	11,54	-2,54
29. Inexperienced Earners	8,80	0,00	8,80
30. Eager Youth	20,65	18,96	1,69

Vehicle Loan Consumer Default Index by Province

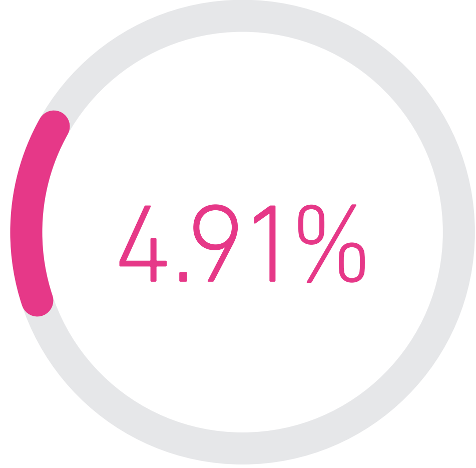
Vehicle Loans CDI has deteriorated Y-o-Y, moving from 3.92 in March 2022 to 4.06 in March 2023. The Q-o-Q movement also showed deterioration – moving up from 3.83 in December 2022.

Two provinces remained relatively flat Y-o-Y. These were the Western Cape and Mpumalanga. As for the other 7 provinces, these saw deterioration in CDI.

- The Vehicle Loans CDI in the **Western Cape** continued to rank the ***lowest of all the SA provinces***. The Y-o-Y movement in CDI for this province was also flat – remaining at 3.00. This is reflective of the high representation of the more affluent FAS Groups 1 and 2 in the province.
- **Mpumalanga** has shown the ***highest CDI for Vehicle Loans***, remaining relatively flat Y-o-Y from 5.04 to 5.02 in March 2023.

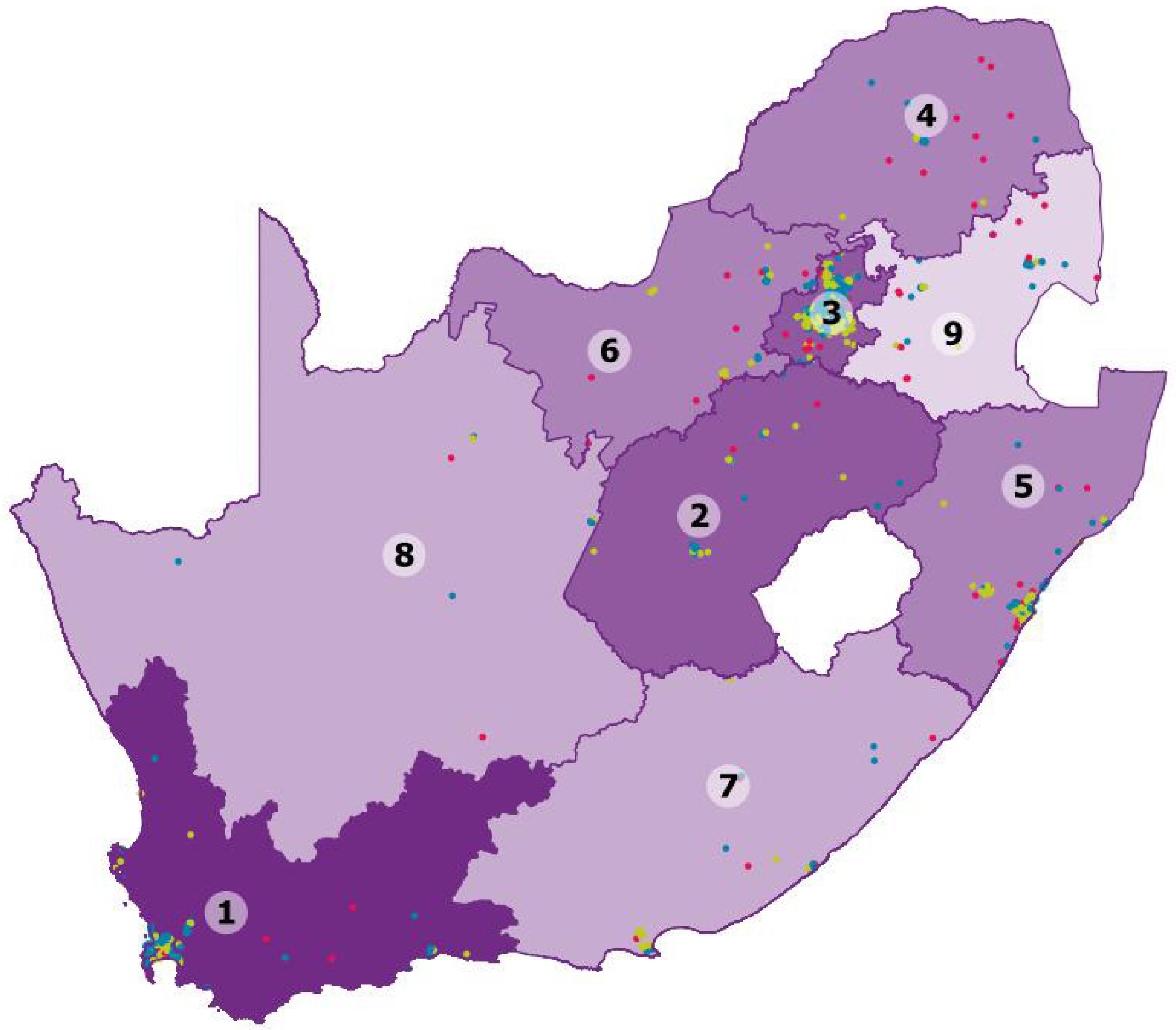


in value defaulted for first time over the period Jan 2023 to Mar 2023.



of vehicle loan balances on an annualized basis defaulted for first time over the period Jan 2023 to Mar 2023.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Vehicle Loan Index	4,06	3,92	R 4 910 998 349
FAS Type 2 - largest credit exposure	2,86	2,26	R 554 328 337
FAS Type 4 - lowest CDI	1,77	2,29	R 53 754 742
FAS Type 25 - highest CDI	15,06	8,29	R 5 785 869



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

Composite	CDI	
Rank & Province	Mar'22	Mar'23
1. Western Cape	3,00	3,00
2. Free State	3,48	3,53
3. Gauteng	3,79	3,84
4. Limpopo	4,41	4,53
5. KwaZulu-Natal	4,06	4,54
6. North West	4,35	4,60
7. Eastern Cape	4,53	4,79
8. Northern Cape	4,41	4,94
9. Mpumalanga	5,04	5,02

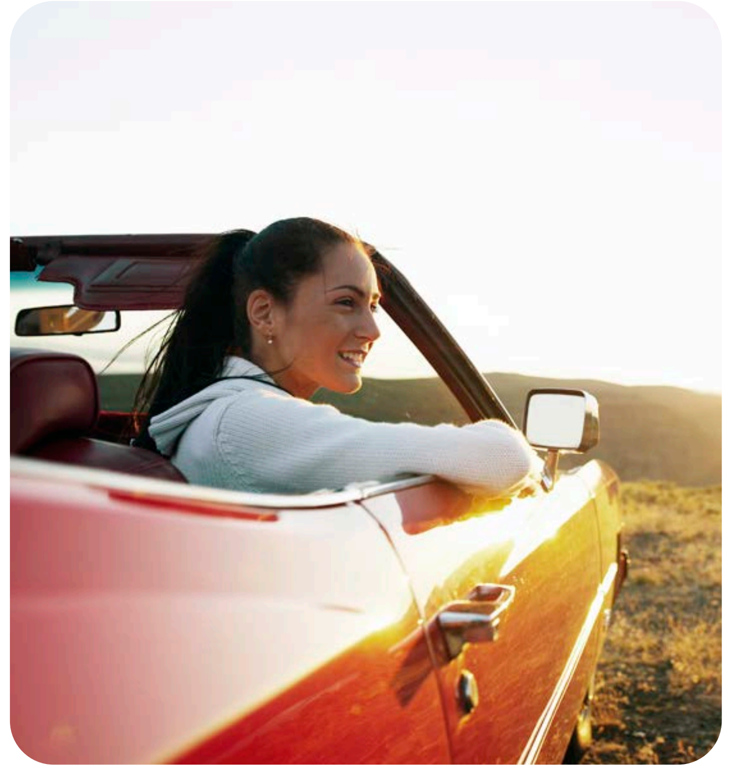
Vehicle Loan Consumer Default Index by FAS Type

Access to vehicle loans is predominantly focussed at FAS Groups 1 and 2. The largest credit exposure is in FAS Group 2, which 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 2.26 in March 2022 to 2.86 in March 2023.
- **Logged-on Lifestyles (04)**, who are young professionals that are highly active when it comes to online retail buying, but understand the value of investments such as property, have the ***lowest Vehicle Loan CDI***, and deteriorated in their Vehicle Loan CDI from 1.77 in March 2022 to 2.29 March 2023.
- **Strained Adults (25)** have deteriorated significantly from a CDI of 8.29 in March 2022 to 15.06 in March 2023. 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 incomes.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Vehicle Loan Index	4,06	3,92	R 4 910 998 349
FAS Type 2 - largest credit exposure	2,86	2,26	R 554 328 337
FAS Type 4 - lowest CDI	1,77	2,29	R 53 754 742
FAS Type 25 - highest CDI	15,06	8,29	R 5 785 869

FAS	CDI		
FAS Type Name	Mar'23	Mar'22	Year on Year Δ
01. Independent Investors	3,11	2,14	0,97
02. Affluent Couples	2,86	2,26	0,60
03. Professional Players	3,56	2,99	0,57
04. Logged-On Lifestyles	1,77	2,29	-0,52
05. Liquid Living	3,05	3,07	-0,02
06. Successful Singles	4,74	4,36	0,38
07. Lifestyle Lending	4,31	3,09	1,22
08. Comfortable Retirees	3,33	3,56	-0,23
09. Secure Singles	5,35	3,59	1,75
10. Comfortable Couples	5,49	4,76	0,74
11. Steady Entrepreneurs	8,96	8,80	0,16
12. Stand-Alone Singles	4,68	6,07	-1,39
13. Plugged-In Purchasers	4,83	5,54	-0,71
14. Payday Pursuers	7,18	10,95	-3,78
15. Deficient Directors	7,95	9,33	-1,38
16. Credit-Reliant Consumers	10,90	8,08	2,82
17. Secure Seniors	4,21	5,21	-0,99
18. Coping Couples	3,18	5,33	-2,15
19. Restricted Retirees	8,11	12,35	-4,24
20. Low Earners	4,84	9,02	-4,18
21. Misfortunate Mature	3,07	15,32	-12,25
22. Concerning Citizens	2,36	8,57	-6,22
23. Money-Wise Mature	7,34	9,49	-2,15
24. Depleted Resources	6,57	7,80	-1,23
25. Strained Adults	15,06	8,29	6,77
26. Online Survivors	6,75	5,26	1,49
27. Struggling Earners	12,85	19,33	-6,48
28. Minimum-Money Workers	10,06	11,19	-1,13
29. Inexperienced Earners	11,14	5,97	5,18
30. Eager Youth	9,68	6,04	3,65



Credit Card Consumer Default Index by Province

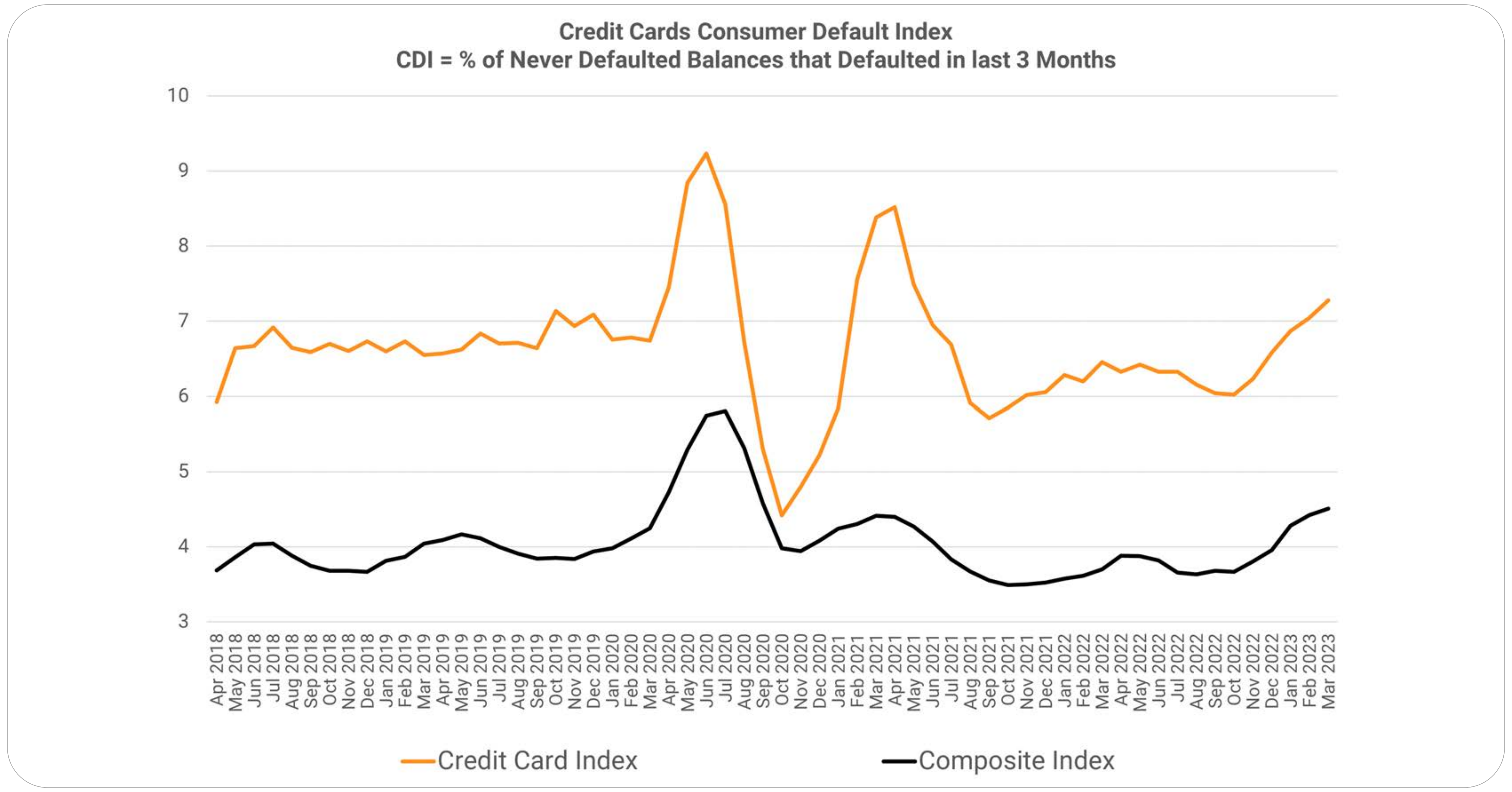
The Credit Card CDI has shown a meaningful deterioration Y-o-Y (moving from 6.46 March 2022 to 7.28 in March 2023. This constituted a relative change of 13% in CDI for Card. The Q-o-Q movement in CDI for credit card from 6.58 in December 2022 has been of similar magnitude.

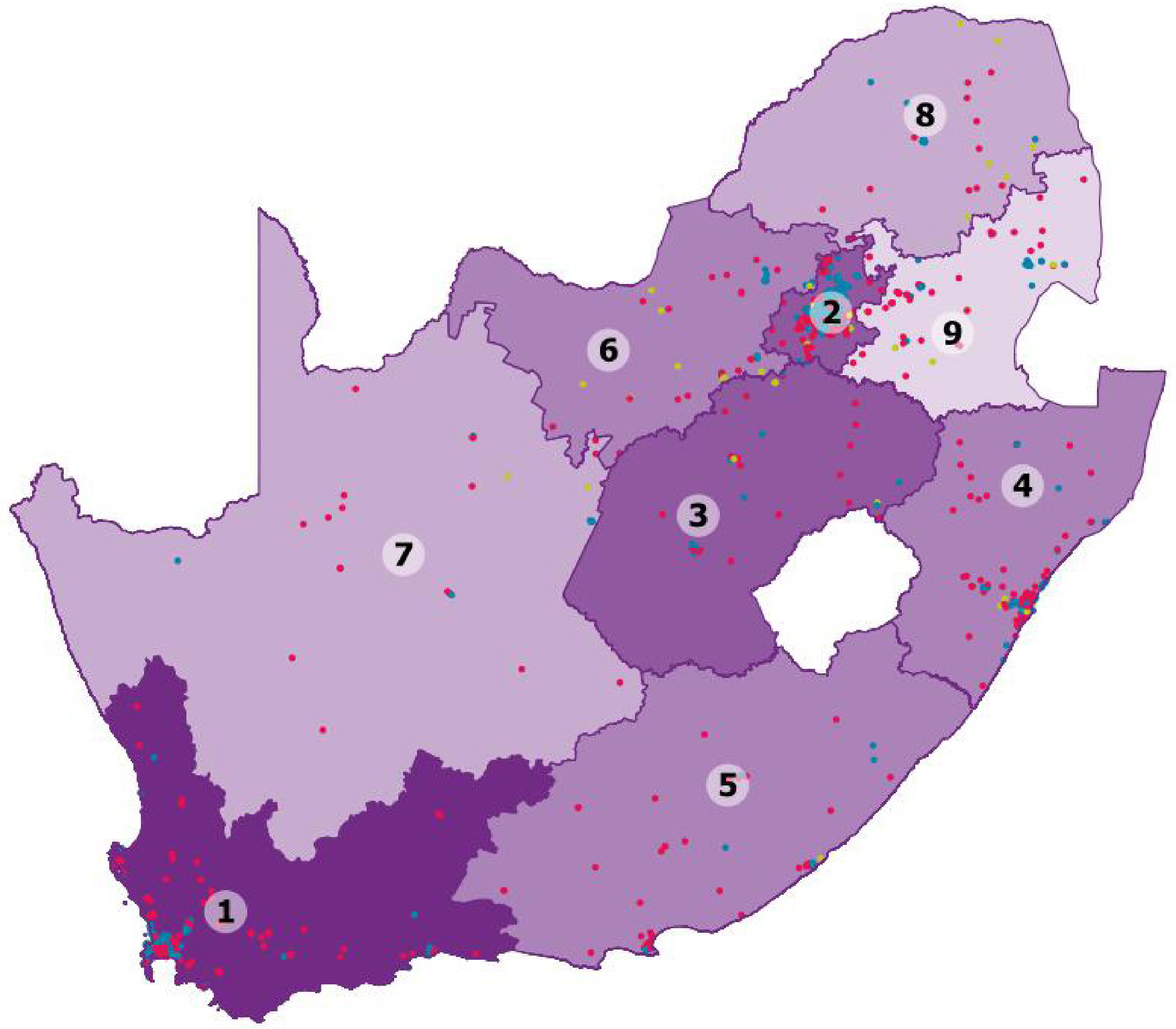
- All provinces saw a deterioration in Credit Card CDI.
- The Credit Card CDI in the **Western Cape** continues to be the ***lowest from a provincial perspective***, at 5.94 in March 2023. This is up from the 5.46 observed in March 2022.
- The most substantial deterioration was for the **Limpopo**, moving up from 7.25 in March 2022 to 8.68 in March 2023.
- The ***highest Credit Card CDI*** was observed in **Mpumalanga**. This province saw a deterioration in Credit Card CDI, moving from 7.95 in March 2022 up to 8.92 in March 2023.

R3.03bn in value defaulted for first time over the period Jan 2023 to Mar 2023.

7.28% of credit card balances on an annualized basis defaulted for first time over the period Jan 2023 to Mar 2023.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Credit Card Index	7,28	6,46	R 3 025 753 080
FAS Type 2 - largest credit exposure	5,81	4,11	R 417 966 075
FAS Type 14 - lowest CDI	3,63	12,91	R 3 668 368
FAS Type 29 - highest CDI	20,89	15,69	R 8 120 721





FAS Type 2 - Largest Credit Exposure

FAS Type 14 - Lowest CDI

FAS Type 29 - Highest CDI

Composite	CDI	
Rank & Province	Mar'22	Mar'23
1. Western Cape	5,46	5,94
2. Gauteng	6,23	7,02
3. Free State	6,67	7,30
4. KwaZulu-Natal	7,05	8,08
5. Eastern Cape	7,45	8,35
6. North West	7,33	8,48
7. Northern Cape	7,30	8,60
8. Limpopo	7,25	8,68
9. Mpumalanga	7,95	8,92

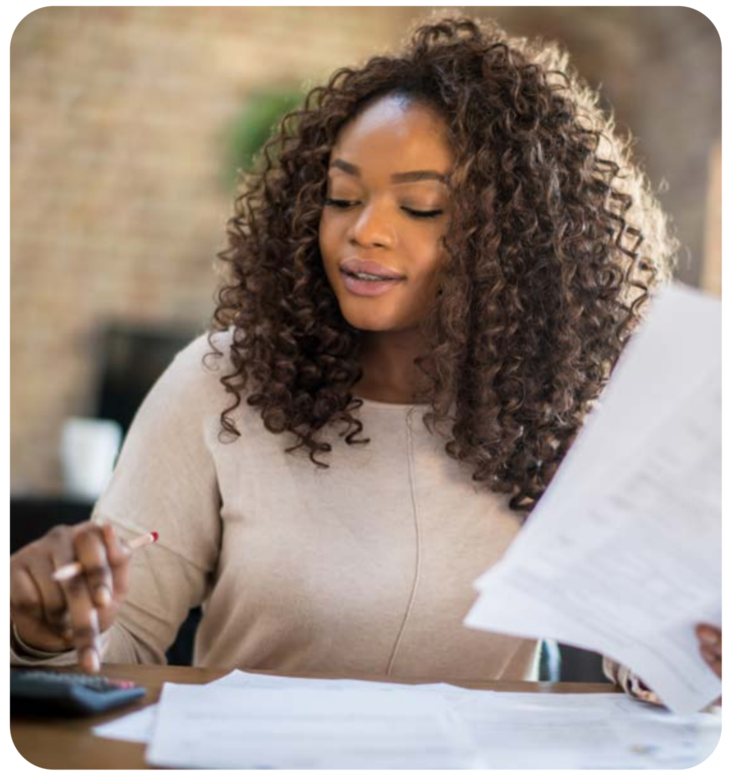
Credit Card Consumer Default Index by FAS Type

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 4.11 in March 2022 to 5.81 in March 2023.
- **Payday Pursuers (14)** are living from month-to-month. These middle-aged individuals rely on finance to bridge the gap between paydays. Having tight budgets, these consumers are active credit users who are also good payers. This type has the ***lowest Credit Card CDI***. Note that they have very low exposure (~0.3%) in the credit card market.
- **Inexperienced Earners (29)** have deteriorated from a CDI of 15.69 in March 2022 to 20.90 in March 2023 and are the consumer type with the ***highest CDI in Credit Card***. Remember that this type consists of young salaried employees that are new to the job market and are beginning to set up their lives.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Credit Card Index	7,28	6,46	R 3 025 753 080
FAS Type 2 - largest credit exposure	5,81	4,11	R 417 966 075
FAS Type 14 - lowest CDI	3,63	12,91	R 3 668 368
FAS Type 29 - highest CDI	20,89	15,69	R 8 120 721

FAS	CDI		
FAS Type Name	Mar'23	Mar'22	Year on Year Δ
01. Independent Investors	5,03	2,68	2,35
02. Affluent Couples	5,81	4,11	1,70
03. Professional Players	7,47	5,66	1,81
04. Logged-On Lifestyles	4,45	5,83	-1,38
05. Liquid Living	5,24	5,47	-0,23
06. Successful Singles	8,93	7,33	1,60
07. Lifestyle Lending	9,71	6,55	3,16
08. Comfortable Retirees	6,46	6,71	-0,25
09. Secure Singles	11,95	7,47	4,48
10. Comfortable Couples	10,57	9,02	1,56
11. Steady Entrepreneurs	12,49	12,99	-0,50
12. Stand-Alone Singles	6,17	9,48	-3,30
13. Plugged-In Purchasers	4,21	8,19	-3,99
14. Payday Pursuers	3,63	12,91	-9,27
15. Deficient Directors	10,91	11,25	-0,34
16. Credit-Reliant Consumers	18,50	13,93	4,57
17. Secure Seniors	3,68	5,01	-1,34
18. Coping Couples	3,70	6,68	-2,98
19. Restricted Retirees	6,12	9,15	-3,03
20. Low Earners	8,04	9,15	-1,11
21. Misfortunate Mature	7,28	9,01	-1,73
22. Concerning Citizens	4,93	9,32	-4,39
23. Money-Wise Mature	8,42	7,10	1,32
24. Depleted Resources	11,87	9,68	2,19
25. Strained Adults	14,01	12,57	1,44
26. Online Survivors	9,24	12,21	-2,97
27. Struggling Earners	12,11	8,08	4,03
28. Minimum-Money Workers	20,63	16,03	4,60
29. Inexperienced Earners	20,89	15,69	5,20
30. Eager Youth	14,12	18,07	-3,95



Personal Loan Consumer Default Index by Province

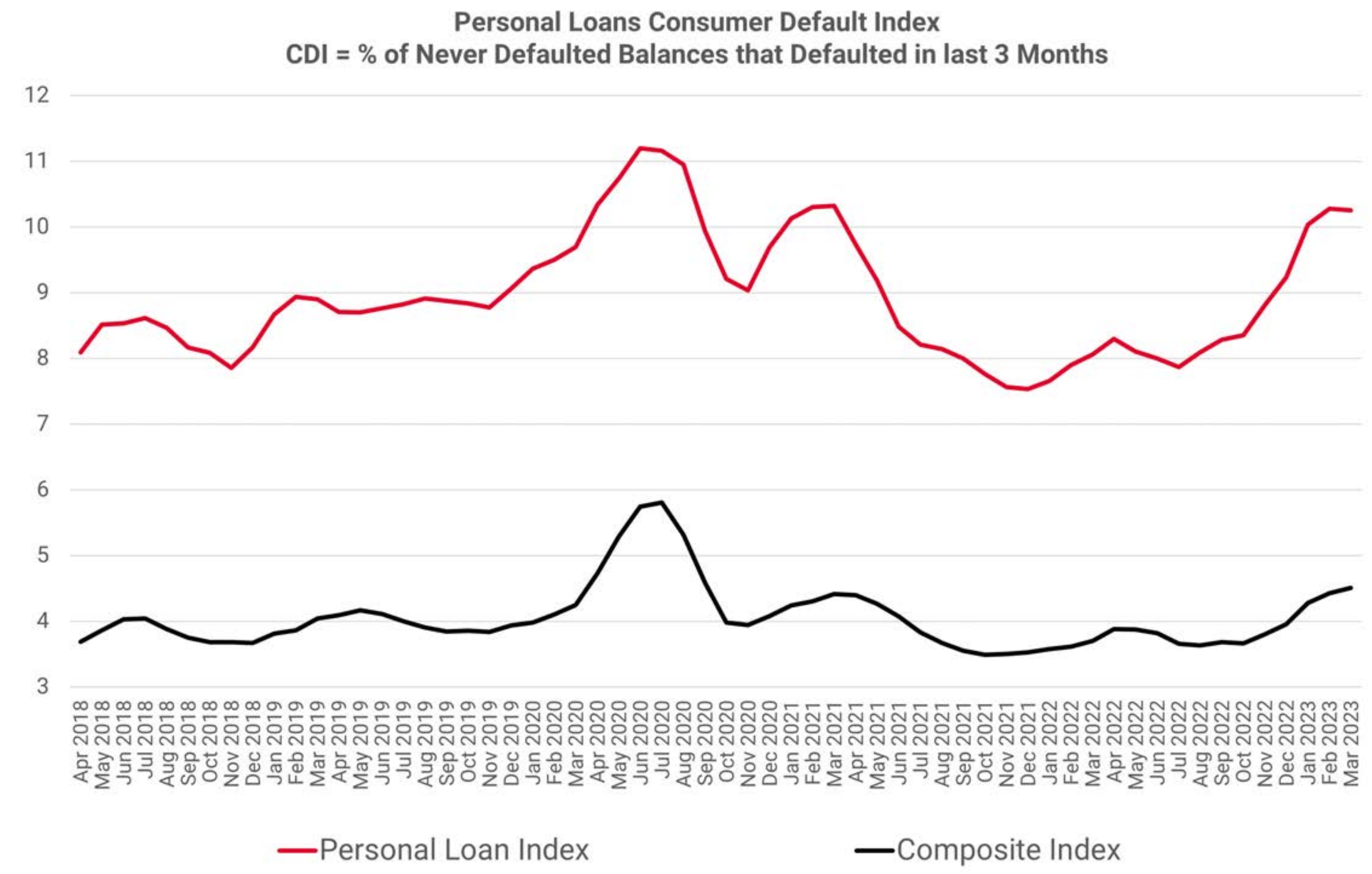
The Personal Loans CDI showed rapid Y-o-Y deterioration, moving up from 8.06 in March 2022 to 10.25 in March 2023. This steep increase constituted a 27% relative change in CDI.

Q-o-Q we also saw a deterioration from the 9.27 in December 2022.

From a market-exposure and credit-active population penetration perspective, FAS Groups 4, 5 and 6 enjoy higher representation in this portfolio. We have seen though, that higher affluence consumers have become increasingly dependent on Personal Loans to bridge the gap in their monthly expenses.

All provinces saw a Y-o-Y deterioration in Personal Loans CDI.

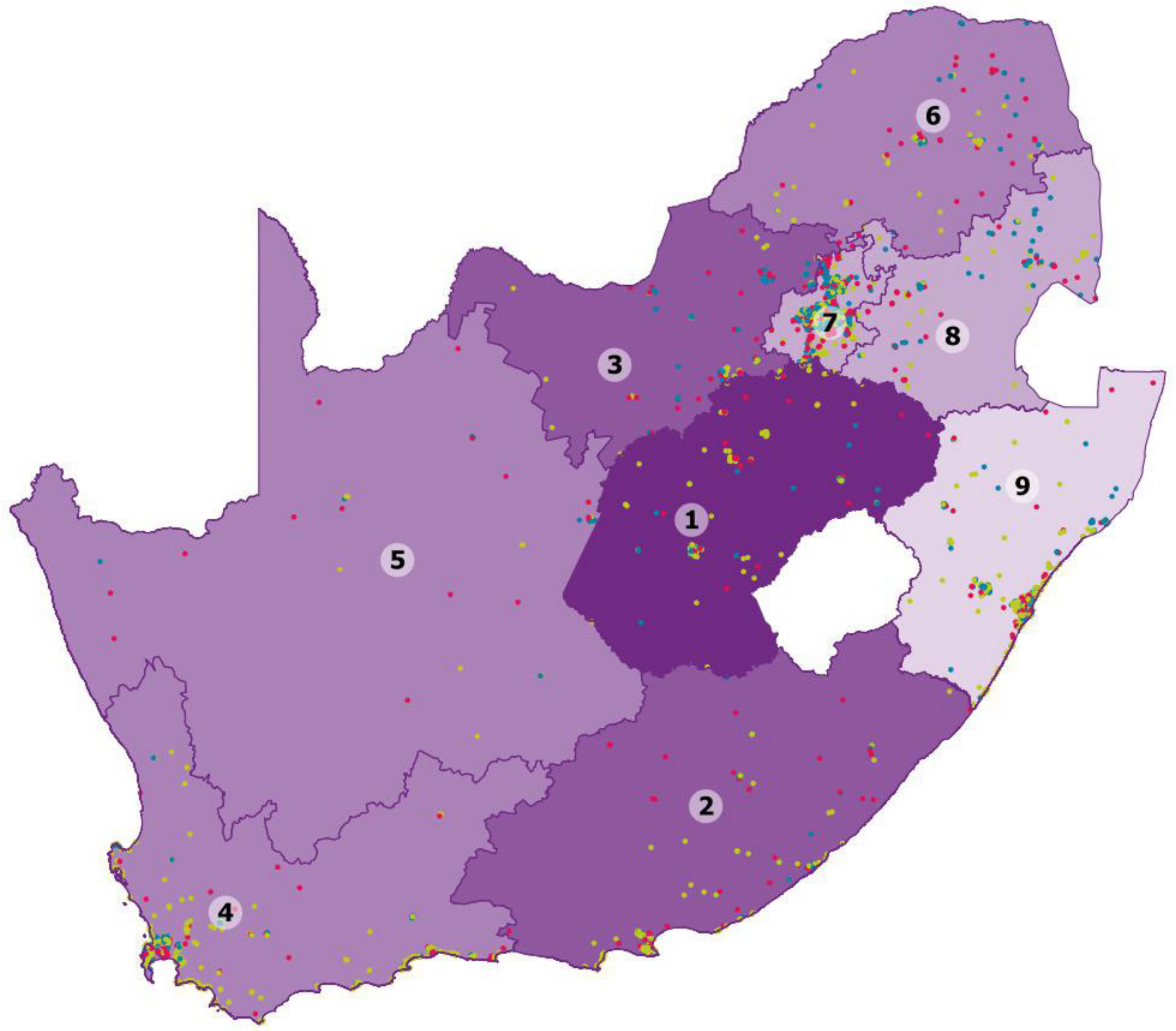
- The **Free State** had the ***lowest CDI*** in March 2023, moving up from 7.00 to 8.77 Y-o-Y. Although this was a significant deterioration, it was by no means the worst deterioration at provincial level.
- The **KwaZulu-Natal** saw the worst deterioration in Personal Loan CDI, moving from 8.05 to 11.01. This deterioration has meant that KwaZulu-Natal again found itself at the bottom of the list, having the ***highest provincial Personal Loans CDI***.



R8.32bn in value defaulted for first time over the period Jan 2023 to Mar 2023.

10.25% of personal loans on an annualized basis defaulted for first time over the period Jan 2023 to Mar 2023.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Personal Loan Index	10,25	8,06	R 8 321 245 859
FAS Type 5 - largest credit exposure	7,18	6,33	R 495 385 828
FAS Type 17 - lowest CDI	4,54	5,05	R 28 312 236
FAS Type 30 - highest CDI	18,15	11,19	R 32 088 842



FAS Type 5 - Largest Credit Exposure
FAS Type 17 - Lowest CDI
FAS Type 30 - Highest CDI

Composite	CDI	
Rank & Province	Mar'22	Mar'23
1. Free State	7,00	8,77
2. Eastern Cape	7,92	9,63
3. North West	7,75	9,67
4. Western Cape	8,06	9,76
5. Northern Cape	7,83	9,84
6. Limpopo	7,15	9,86
7. Gauteng	8,35	10,47
8. Mpumalanga	8,50	10,97
9. KwaZulu-Natal	8,05	11,01

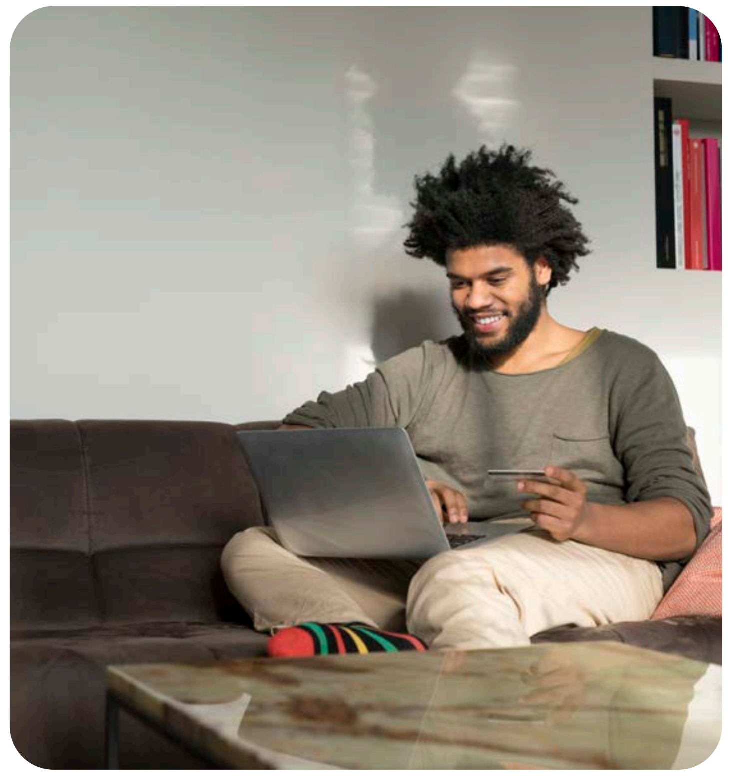
Personal Loan Consumer Default Index by FAS Type

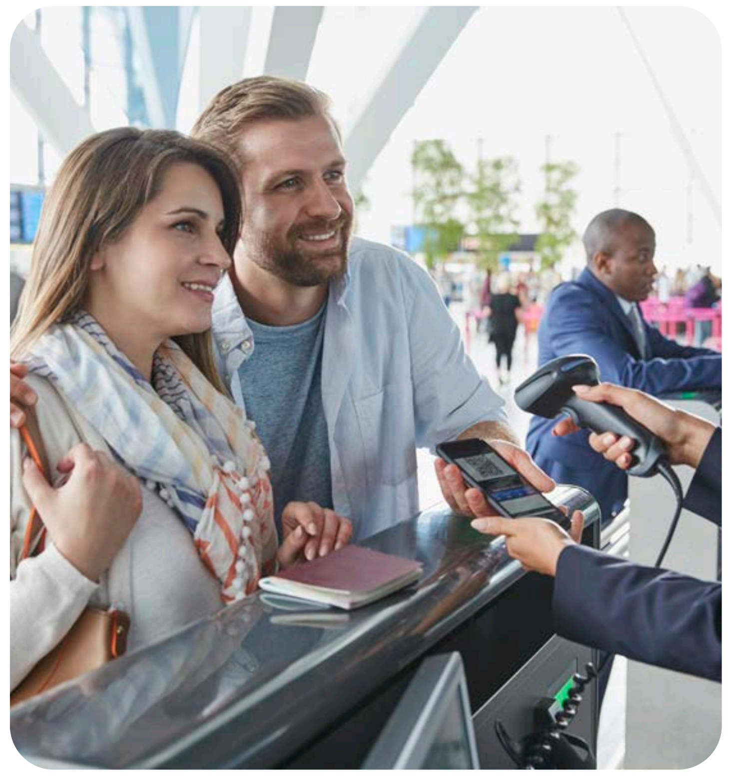
The wider access to personal loans across lower affluence FAS Groups 4, 5 and 6 (~33% of total exposure), results in the overall Personal Loans CDI being substantially higher than that of other traditional banking products.

- **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 a deterioration in Personal Loan CDI Y-o-Y, moving from 6.33 in March 2022 to 7.18 in March 2023.
- **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 were one of only three FAS types that showed improvement in the latest quarter – moving down from 5.05 in March 2022 to 4.54 in March 2023.
- **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 Personal Loans CDI***.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Personal Loan Index	10,25	8,06	R 8 321 245 859
FAS Type 5 - largest credit exposure	7,18	6,33	R 495 385 828
FAS Type 17 - lowest CDI	4,54	5,05	R 28 312 236
FAS Type 30 - highest CDI	18,15	11,19	R 32 088 842

FAS	CDI		
FAS Type Name	Mar'23	Mar'22	Year on Year Δ
01. Independent Investors	6,86	4,53	2,34
02. Affluent Couples	7,84	5,87	1,97
03. Professional Players	10,00	6,62	3,38
04. Logged-On Lifestyles	6,48	5,69	0,79
05. Liquid Living	7,18	6,33	0,85
06. Successful Singles	12,00	7,87	4,13
07. Lifestyle Lending	10,03	7,36	2,67
08. Comfortable Retirees	7,27	6,74	0,53
09. Secure Singles	12,42	6,98	5,44
10. Comfortable Couples	10,83	8,51	2,32
11. Steady Entrepreneurs	12,86	11,23	1,64
12. Stand-Alone Singles	9,20	7,47	1,73
13. Plugged-In Purchasers	9,55	8,03	1,52
14. Payday Pursuers	7,04	6,57	0,47
15. Deficient Directors	10,82	8,30	2,52
16. Credit-Reliant Consumers	16,58	13,66	2,92
17. Secure Seniors	4,54	5,05	-0,51
18. Coping Couples	4,75	5,34	-0,58
19. Restricted Retirees	4,94	5,85	-0,91
20. Low Earners	11,57	8,43	3,14
21. Misfortunate Mature	9,29	7,12	2,17
22. Concerning Citizens	8,79	6,90	1,89
23. Money-Wise Mature	7,43	7,38	0,05
24. Depleted Resources	11,15	9,94	1,20
25. Strained Adults	12,95	11,58	1,37
26. Online Survivors	11,58	6,09	5,49
27. Struggling Earners	9,40	8,16	1,23
28. Minimum-Money Workers	17,31	14,03	3,29
29. Inexperienced Earners	16,73	14,00	2,72
30. Eager Youth	18,15	11,19	6,95





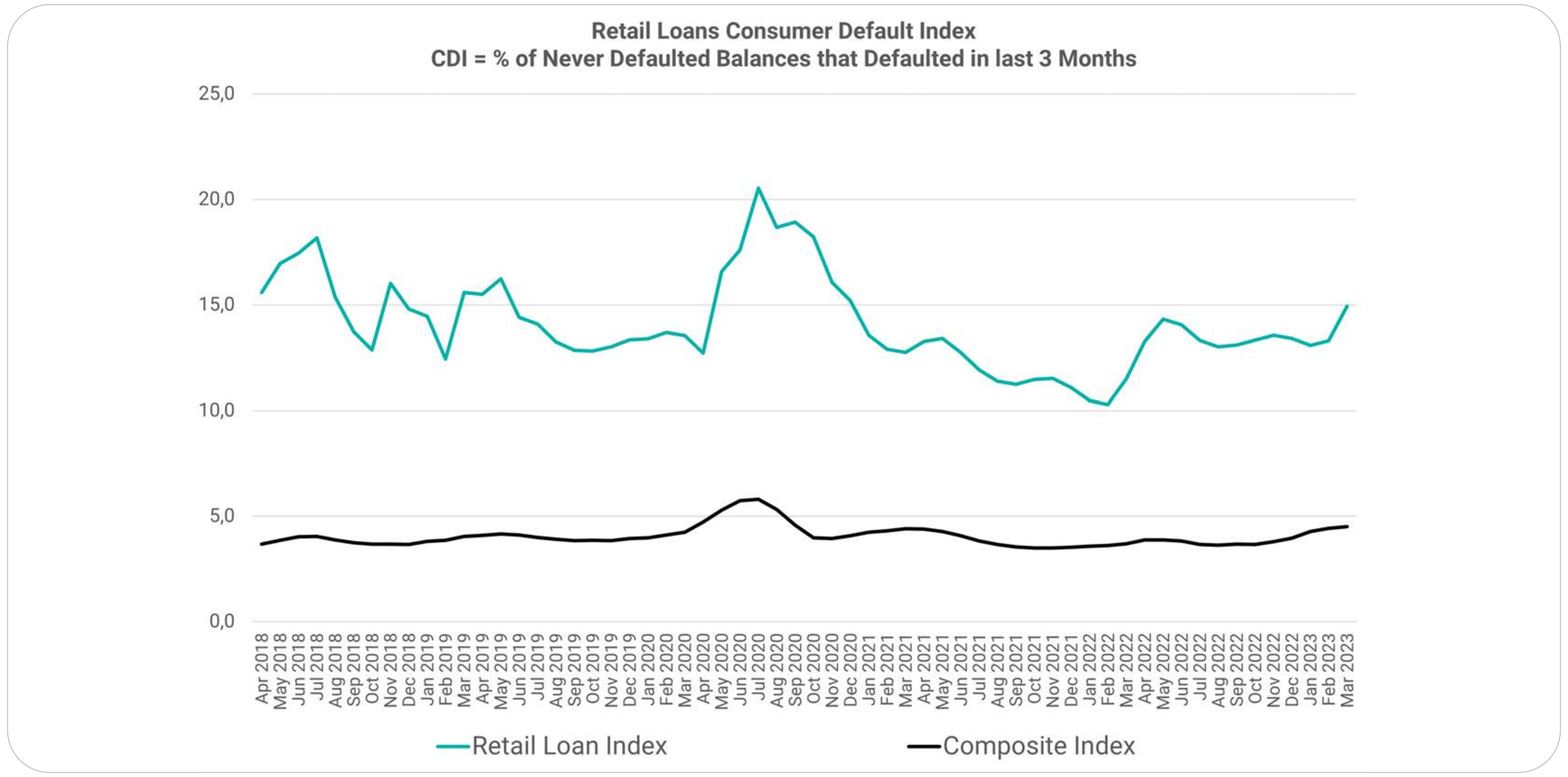
Retail Loans Consumer Default Index by Province

Retail Loans CDI has shown deterioration in CDI from a Y-o-Y perspective, moving up from 11.51 in March 2022 to 14.94 in March 2023. This constituted a relative change of no less than 30%. Q-o-Q we also saw a deterioration from the 13.41 observed in December 2022.

Keep in mind, 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 the provinces have shown a deterioration in Retail Loans CDI Y-o-Y.

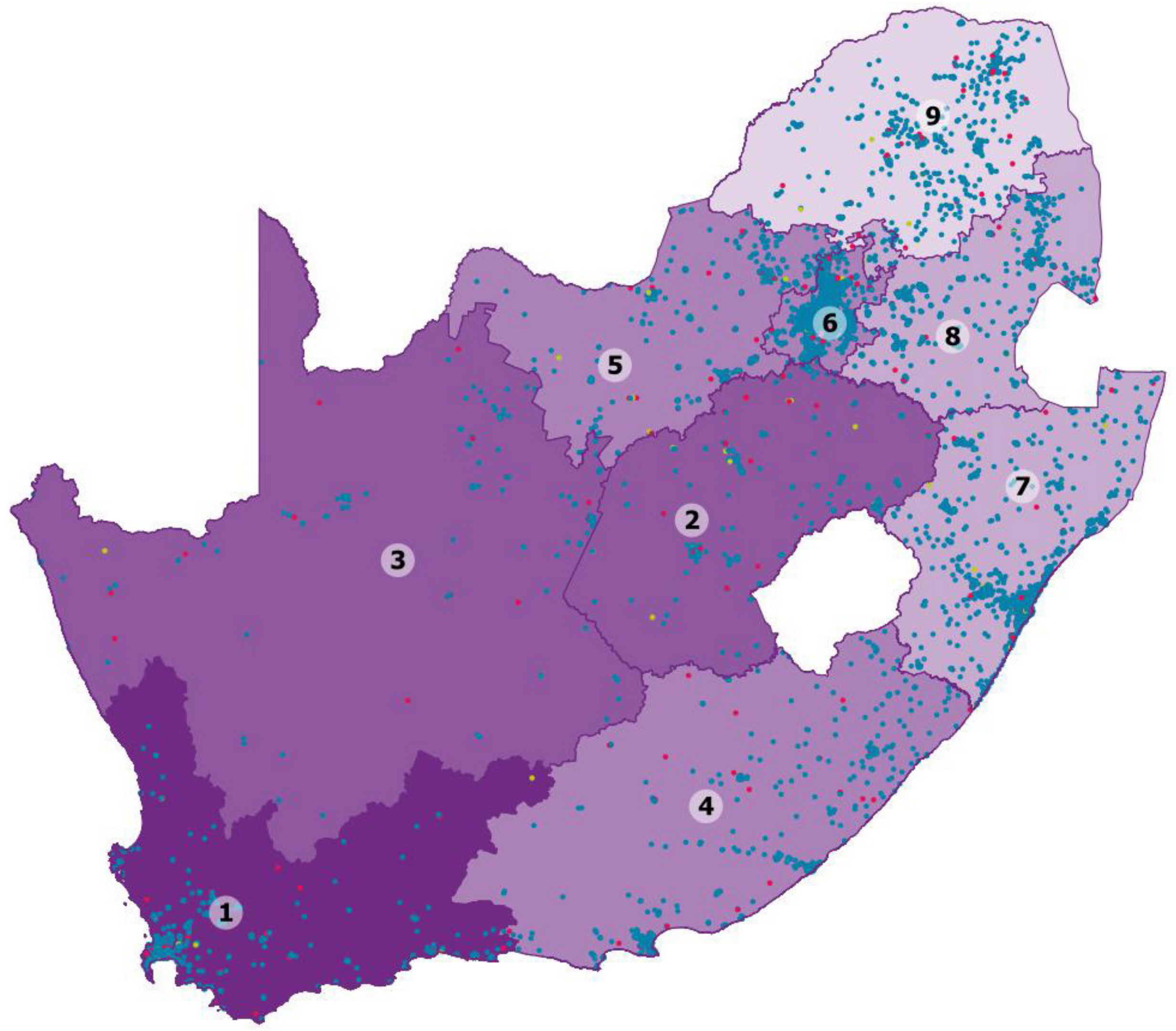
- **Western Cape** again represents the lowest Retail Loans CDI, despite the deterioration from 9.55 in March 2022 to 12.56 in March 2023.
- The smallest deterioration was observed for the **Free State**. This province moved from 11.52 in March 2022 to 14.13 in March 2023.
- **Limpopo** remained the worst in the provincial Retail Loans CDI ranking, also showing the biggest deterioration Y-o-Y from 14.39 in March 2022 to 19.26 in March 2023.



R1.51bn in value defaulted for first time over the period Jan 2023 to Mar 2023.

14.94% of retail loans on an annualized basis defaulted for first time over the period Jan 2023 to Mar 2023.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Retail Loan Index	14,94	11,51	R 1 512 149 235
FAS Type 26 - largest credit exposure	21,71	19,21	R 256 316 877
FAS Type 18 - lowest CDI	5,25	5,22	R 18 056 498
FAS Type 30 - highest CDI	31,58	27,66	R 104 261 141



FAS Type 26 - Largest Credit Exposure
FAS Type 18 - Lowest CDI
FAS Type 30 - Highest CDI

Composite	CDI	
Rank & Province	Mar'22	Mar'23
1. Western Cape	9,55	12,56
2. Free State	11,52	14,13
3. Northern Cape	10,66	14,26
4. Eastern Cape	11,90	14,56
5. North West	12,09	14,64
6. Gauteng	11,19	14,71
7. KwaZulu-Natal	10,87	14,85
8. Mpumalanga	14,31	17,40
9. Limpopo	14,39	19,26

Retail Loans Consumer Default Index by FAS Type

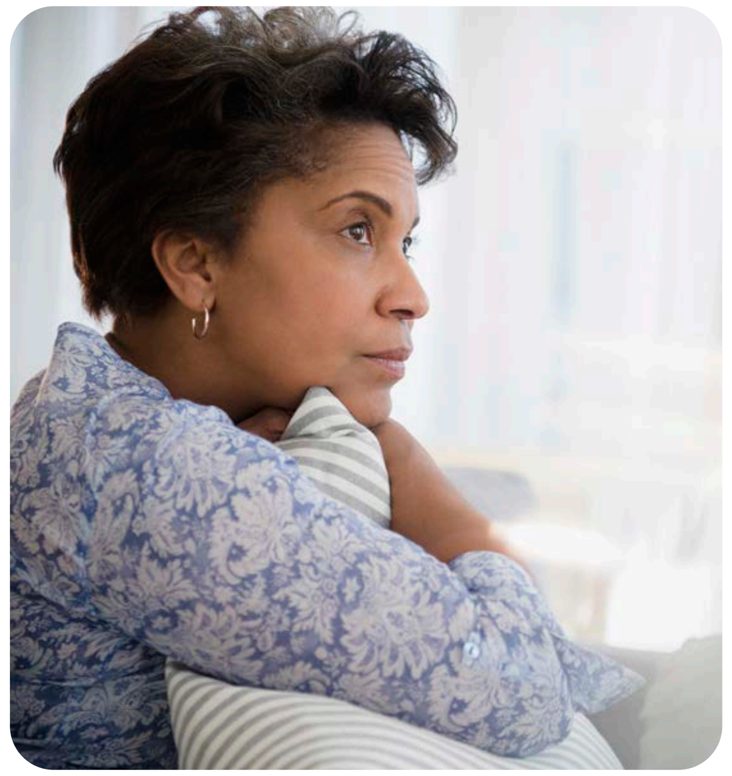
On a Y-o-Y basis, the Retail CDI deteriorated, moving from 11.51 in March 2022 to 14.94 in March 2023. Q-o-Q this index also showed deterioration, moving from 13.41 in December 2022 to 14.94 in March 2023.

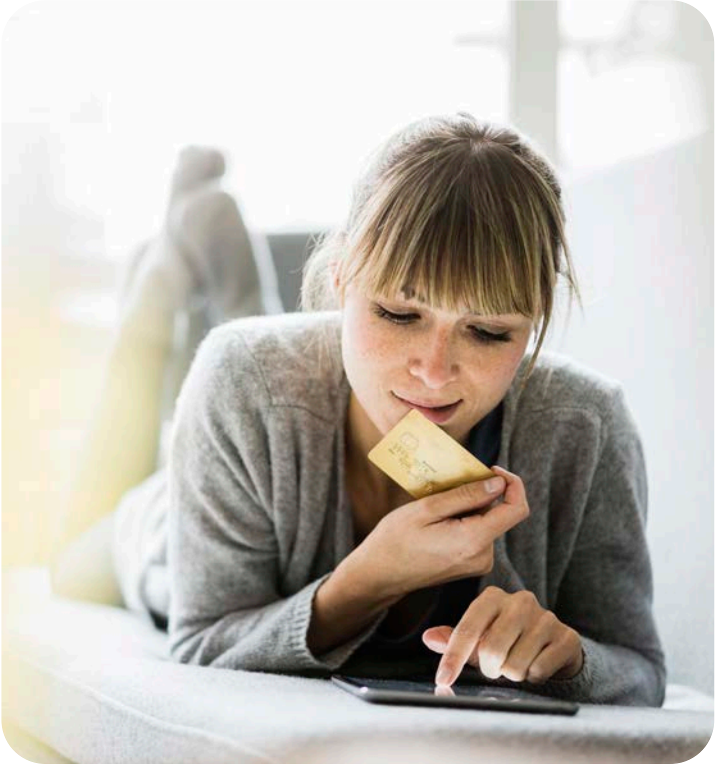
When looking at the FAS-type segmentation, we observe the following:

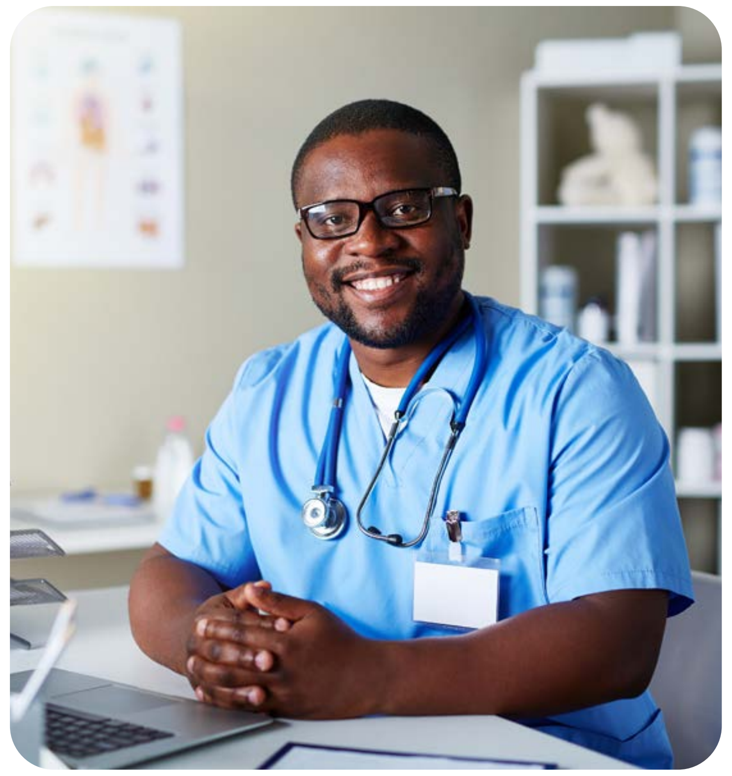
- **Online Survivors (26)**, who are young adults unskilled or shift workers that are likely cohabiting with significant others or family and are unable to afford more than their basic needs, still have the ***largest Retail Loans credit exposure*** and they saw a deterioration in CDI from 19.21 in March 2022 to 21.71 in March 2023.
- **Coping Couples (18)** are typically 45 – 60 years old and earning ~R175k p.a., these individuals often have unsecured bank loans to cover unforeseen expenses. They have the ***lowest Retail Loans CDI*** but still show slight deterioration from 5.22 in March 2022 to 5.25 in March 2023.
- **Eager Youth (30)** are the youngest entry-level employees that are beginning to realise the cost of living. They are likely reliant on family for support or accommodation and 94% are likely to have Retail clothing accounts. This FAS type has the ***highest Retail Loans CDI***, also showing drastic deterioration from 27.55 in March 2022 to 31.58 in March 2023.

	CDI Mar'23	CDI Mar'22	New Default Balances Jan'23-Mar'23
Retail Loan Index	14,94	11,51	R 1 512 149 235
FAS Type 26 - largest credit exposure	21,71	19,21	R 256 316 877
FAS Type 18 - lowest CDI	5,25	5,22	R 18 056 498
FAS Type 30 - highest CDI	31,58	27,66	R 104 261 141

FAS	CDI		
FAS Type Name	Mar'23	Mar'22	Year on Year Δ
01. Independent Investors	7,17	3,87	3,30
02. Affluent Couples	8,22	4,43	3,79
03. Professional Players	9,82	5,83	4,00
04. Logged-On Lifestyles	7,17	5,76	1,42
05. Liquid Living	7,02	5,40	1,62
06. Successful Singles	12,79	7,96	4,82
07. Lifestyle Lending	11,61	6,96	4,64
08. Comfortable Retirees	7,10	5,46	1,65
09. Secure Singles	16,02	10,01	6,01
10. Comfortable Couples	12,88	8,11	4,77
11. Steady Entrepreneurs	16,19	12,33	3,86
12. Stand-Alone Singles	11,93	10,72	1,21
13. Plugged-In Purchasers	10,37	9,63	0,75
14. Payday Pursuers	9,62	9,20	0,43
15. Deficient Directors	15,18	11,42	3,76
16. Credit-Reliant Consumers	23,62	14,37	9,25
17. Secure Seniors	5,69	5,13	0,55
18. Coping Couples	5,25	5,22	0,02
19. Restricted Retirees	10,01	8,88	1,13
20. Low Earners	19,15	15,84	3,31
21. Misfortunate Mature	11,83	9,55	2,28
22. Concerning Citizens	15,96	11,21	4,75
23. Money-Wise Mature	9,91	7,90	2,01
24. Depleted Resources	11,86	8,05	3,82
25. Strained Adults	18,24	11,76	6,49
26. Online Survivors	21,71	19,21	2,50
27. Struggling Earners	15,94	14,10	1,84
28. Minimum-Money Workers	30,75	21,75	8,99
29. Inexperienced Earners	27,95	21,54	6,42
30. Eager Youth	31,58	27,66	3,92



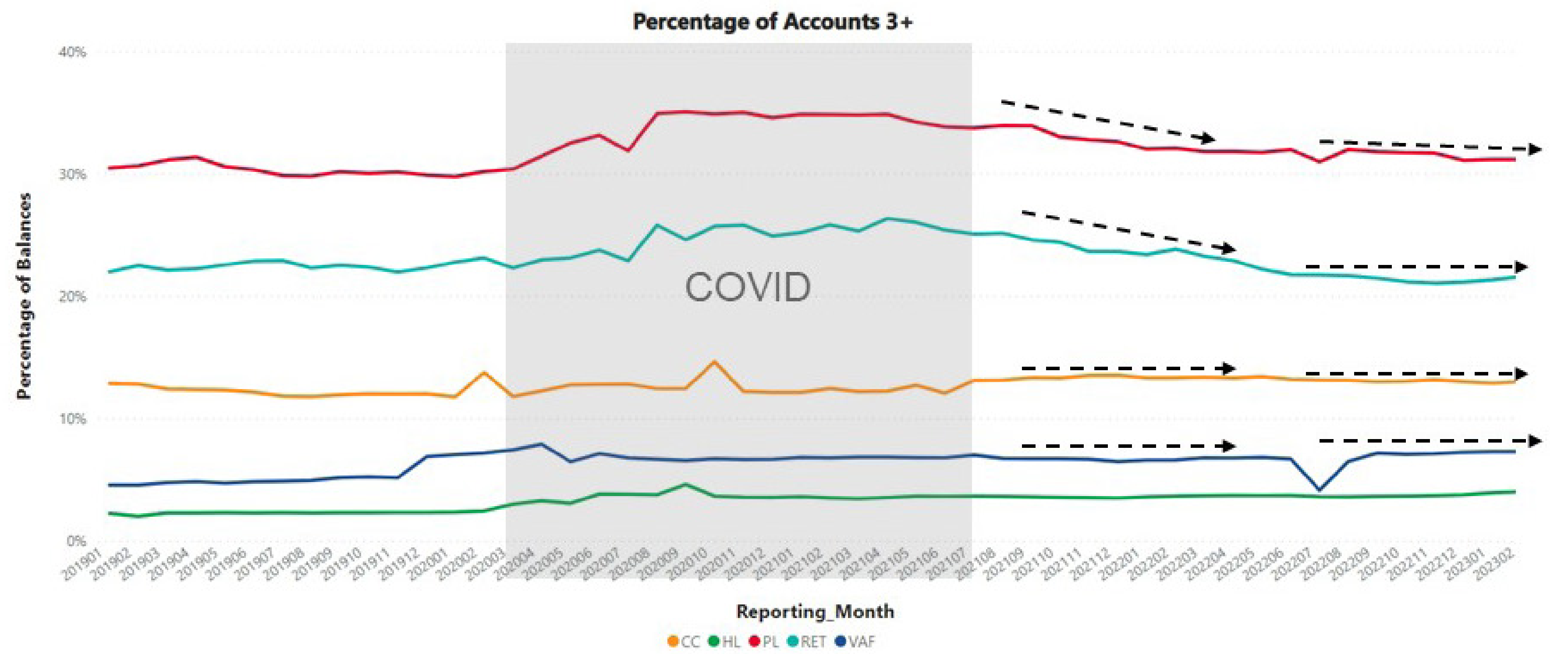




Arrears & Vintages

Performance by Product

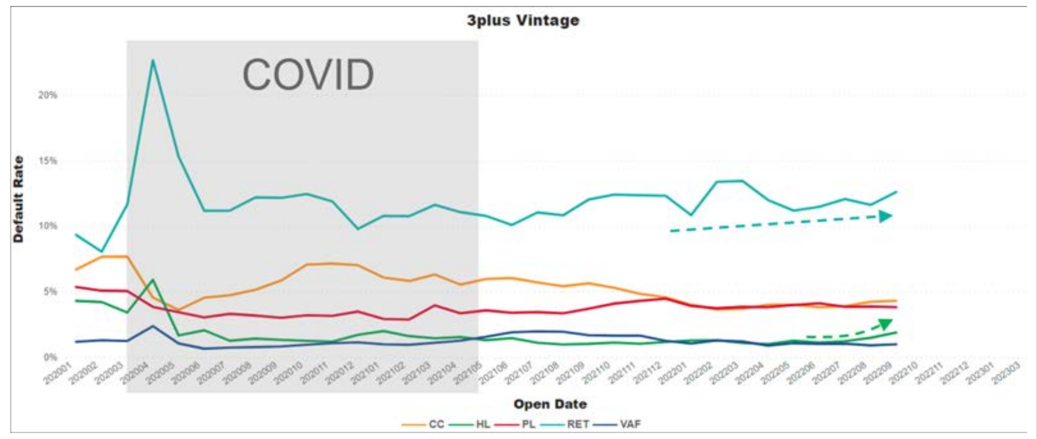
3+ Arrears (volume based)



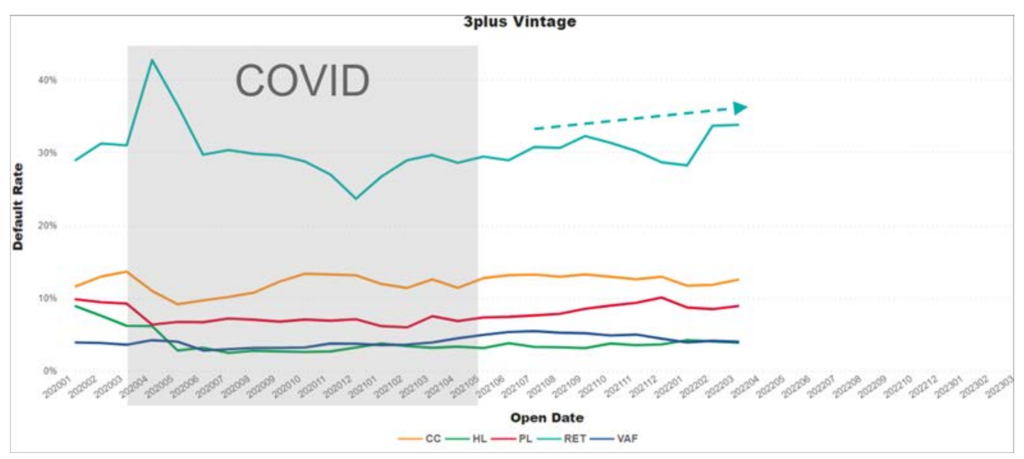
Over the last two years, we have seen a continued steady decline in the % of balances in 3+ arrears for the Personal Loans and the Retail Loans portfolios. Personal Loans have, over the last 12 months, remained stable – signifying that the positive effect of increased exposure to lower-risk consumers is waning. In the case of Credit Cards 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.

> Having observed a step-increase with the onset of COVID, Vehicle and Home Loans have remained at the higher Arrears percentage.

@ 6 months



@ 12 months



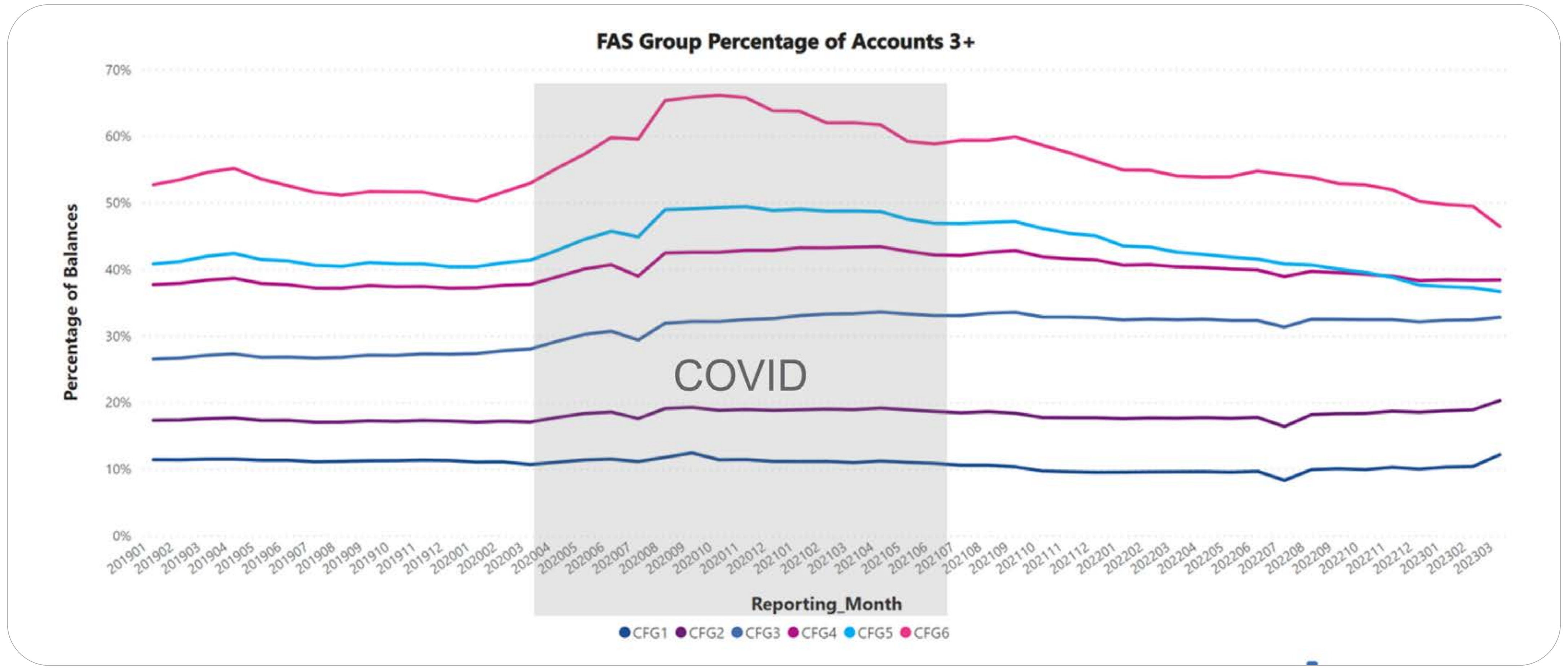
Vintage analyses indicate that **Retail Loans** have been under increasing pressure, as lenders have been opening up to allow for more credit to be extended. Although new business levels have not yet returned to those observed pre-COVID, retailers have been steadily ramping up to it – particularly since the 2021 Festive season.

The other unsecured products (**Personal Loans and Credit Cards**) have remained relatively steady from a vintage perspective, over the last 12 months (considering originations both at 6 or 12 months age).

Regarding **Vehicle Loans**, vintages have continued to ease over the last 3 months for both 6- and 12-month views. **Home Loans** have been showing early signs of increasing distress levels, considering the uptick observed over the last quarter for 6-month vintages. As was the case with vehicle loans before, we expect this default rate increase to start filtering through to the 12-month view over the next 6 months.

Performance by FAS Group

3+ Arrears (volume based)

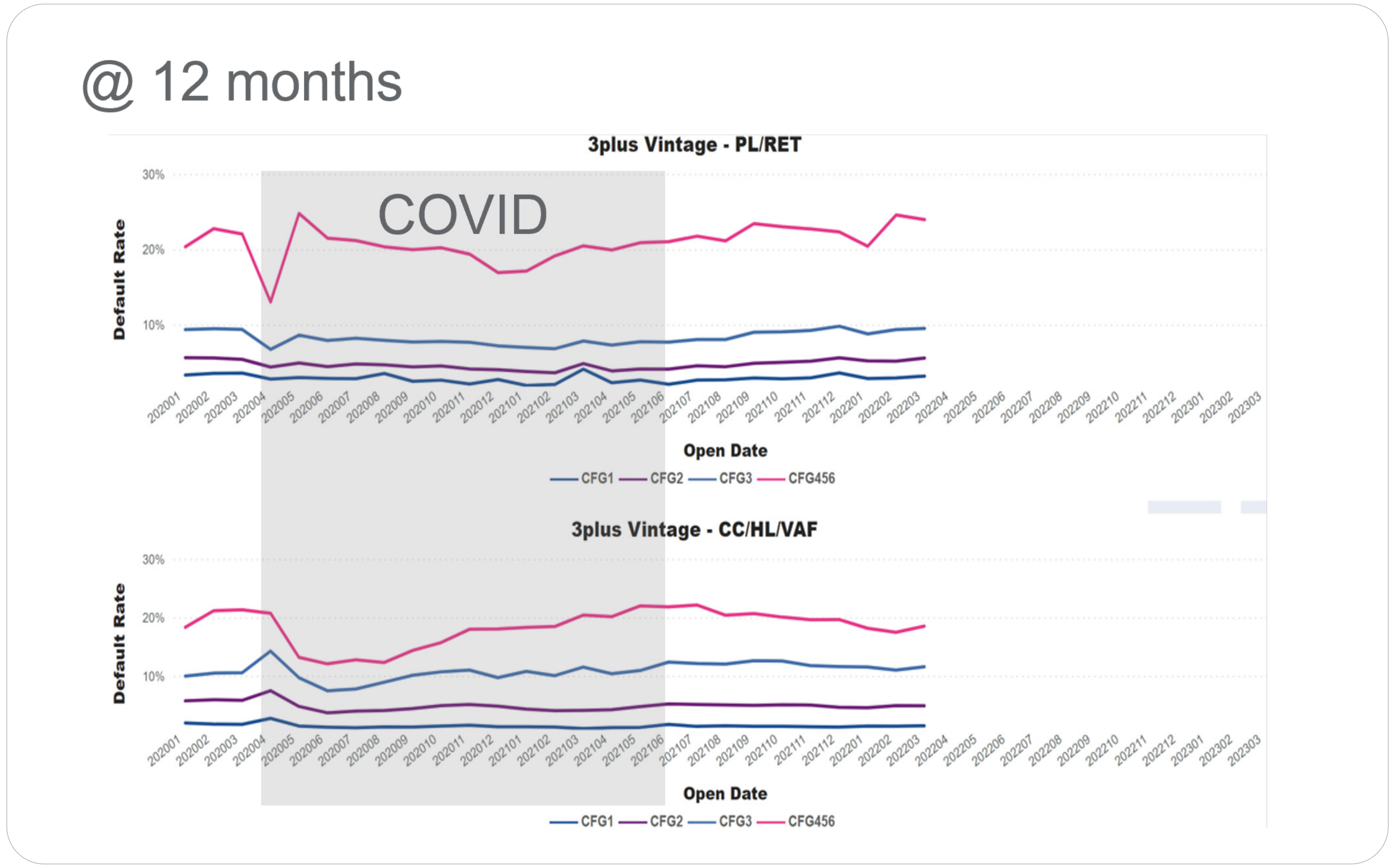


Less affluent **FAS Groups 4, 5 & 6** continue showing improvement in their arrears. This is mainly the result of these consumers' relatively limited access to new credit, considering that the unsecured market opted for a more risk-averse approach to credit decisioning and has opted for slowly re-opening the risk appetite in the post-pandemic economy. 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 at the higher arrears percentage level that ensued after the initial shock of the pandemic.

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 started to ease for the secured and credit card lending products. Consider that these consumers have typically qualified to a lesser extent for these products of late – particularly concerning the tightrope they are walking from an affordability perspective at present.



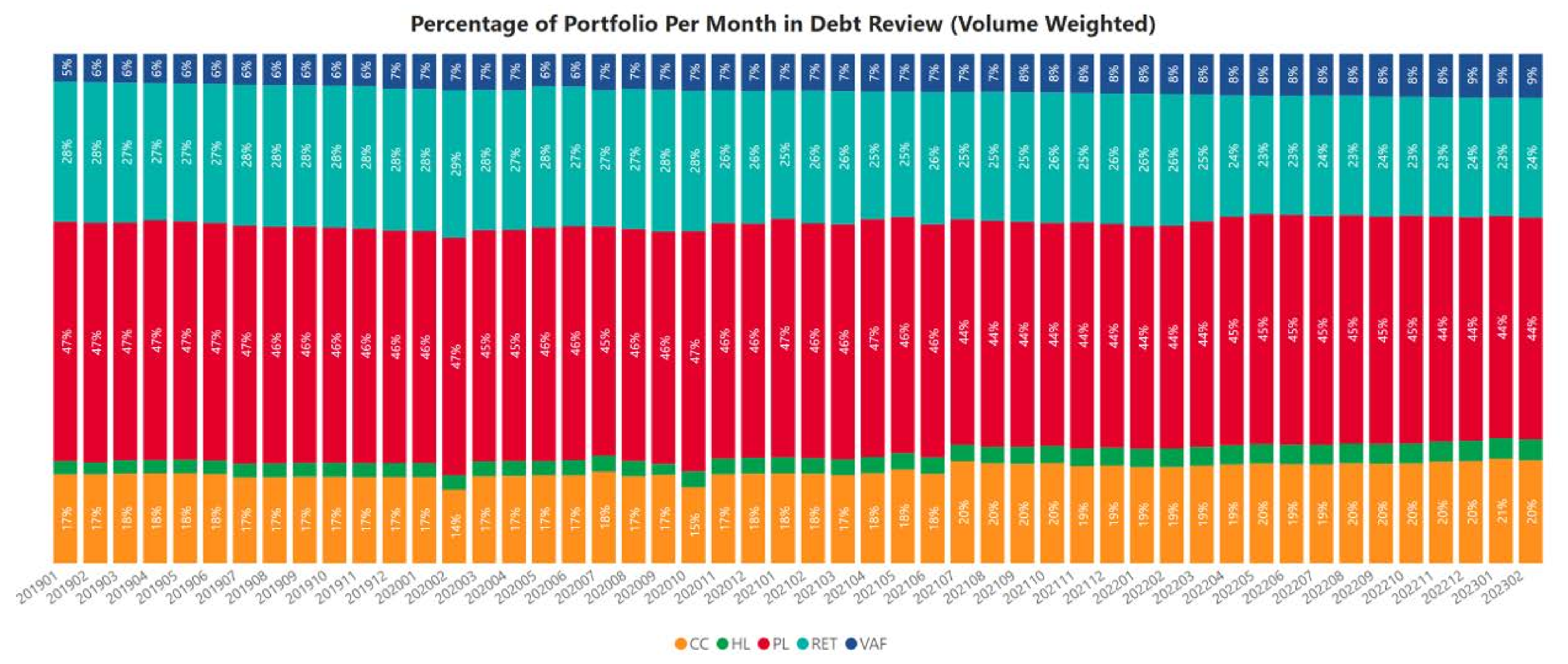
Debt Review

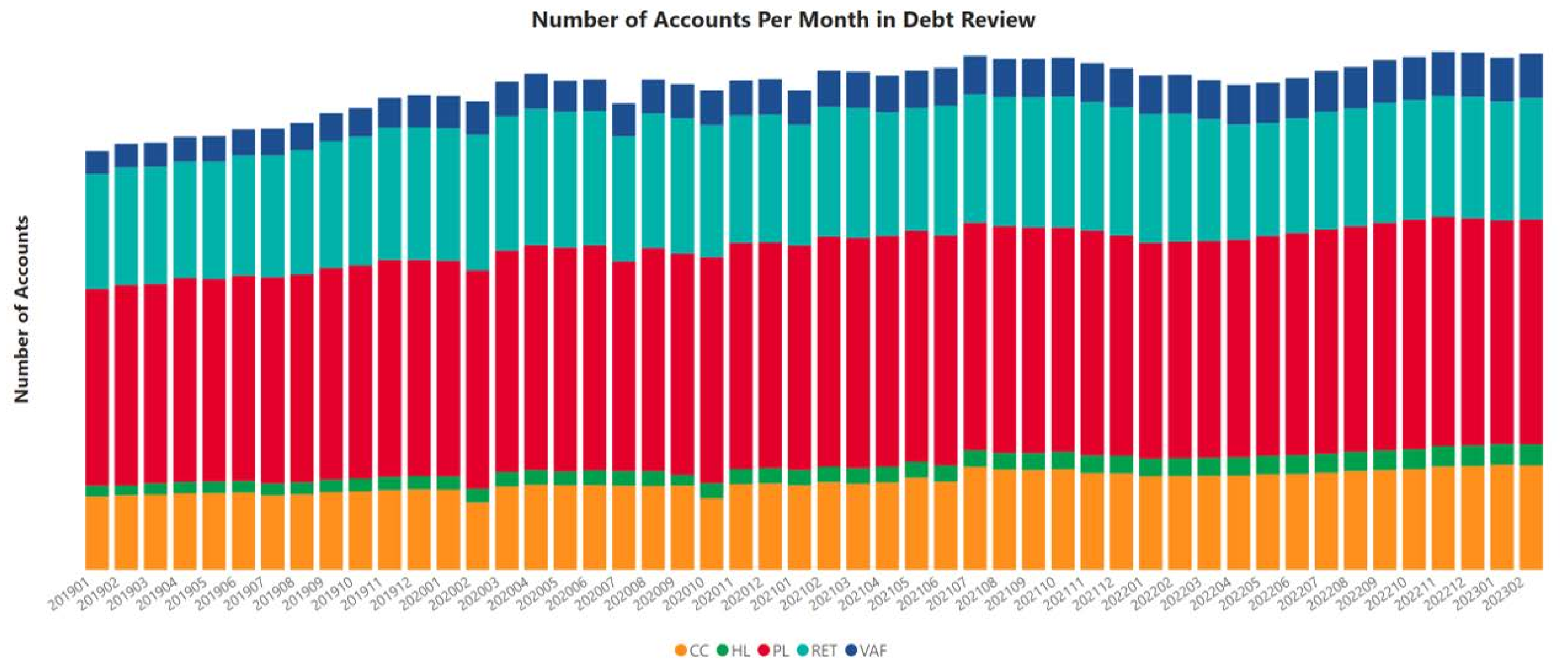
Volumes by product

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 bar chart on the right).

In terms of credit product representation, Credit Cards, Vehicle Loans and Home Loans have seen an increase in relative representation, whilst Retail and Personal Loans have seen a relative reduction.

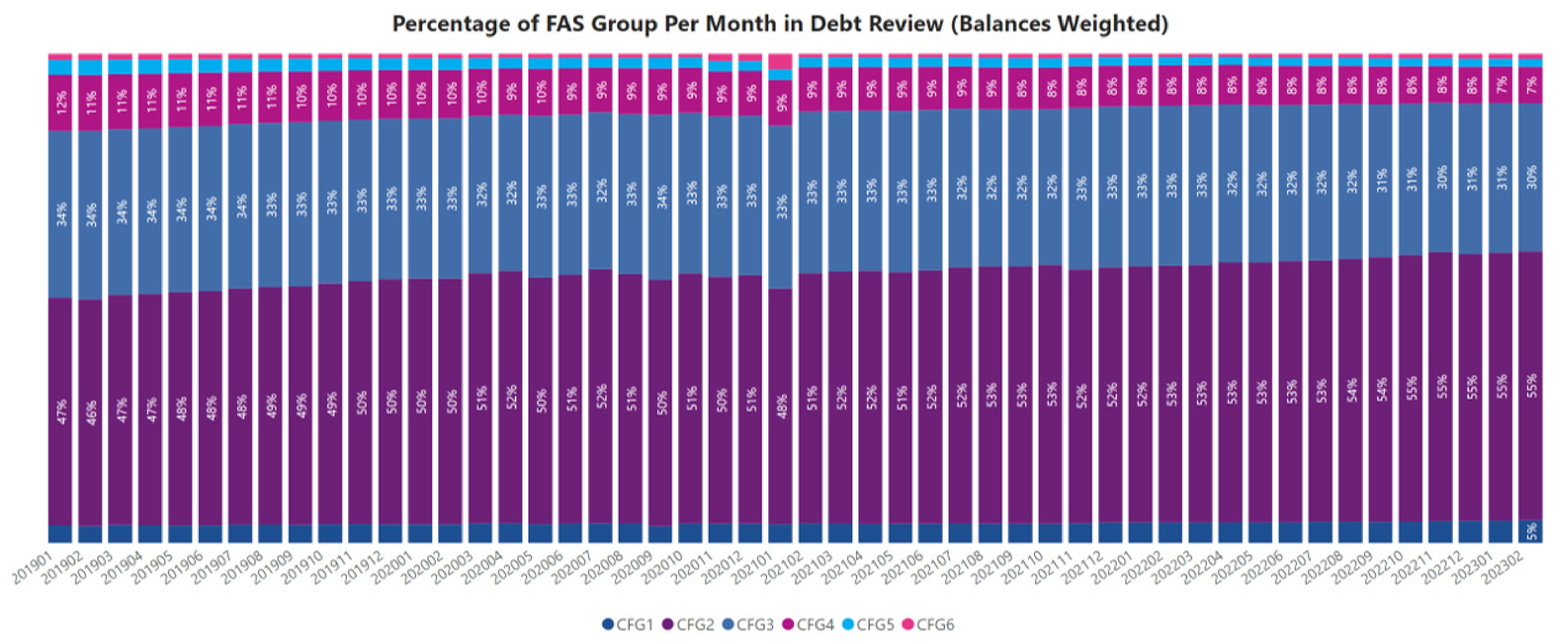


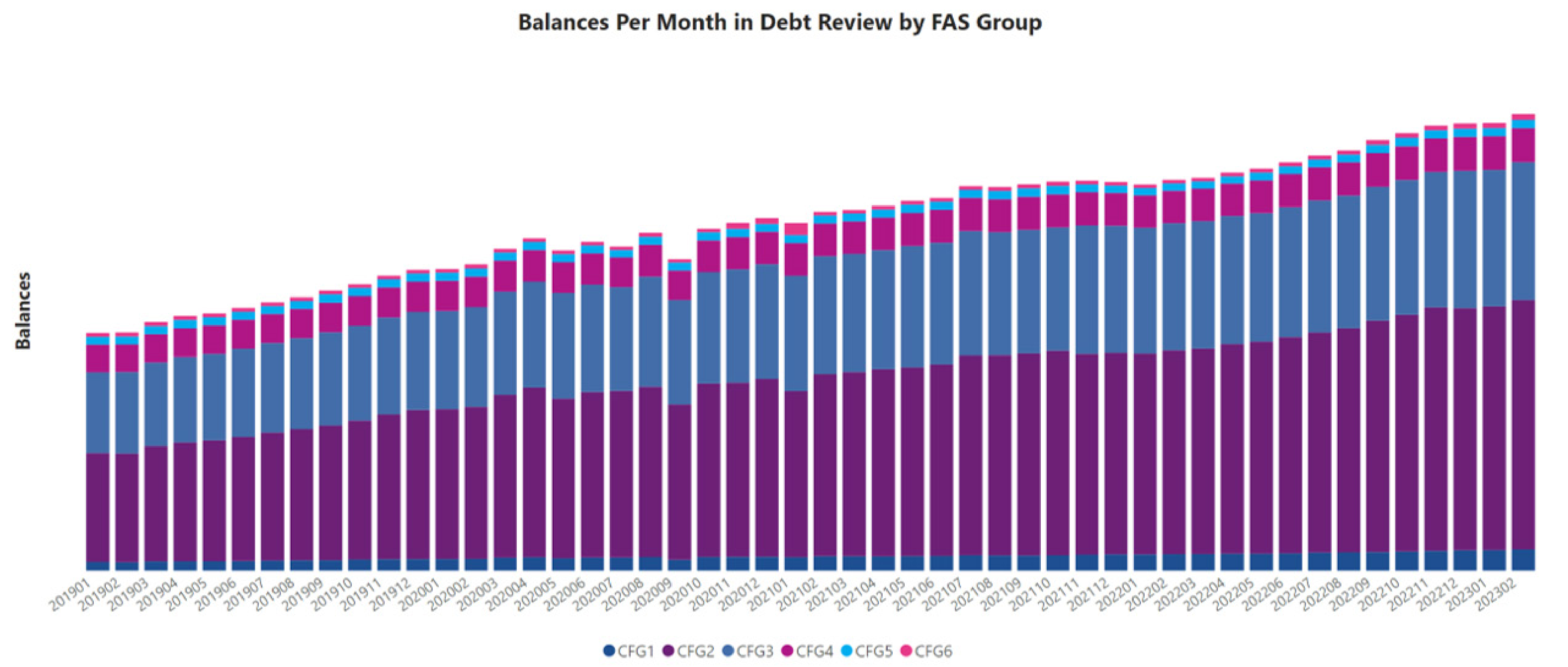


> The total number of Debt Review applications has seen a marked increase over the last 2 years (as can be seen from the stacked bar chart on the right).

Debt Review

Values by FAS

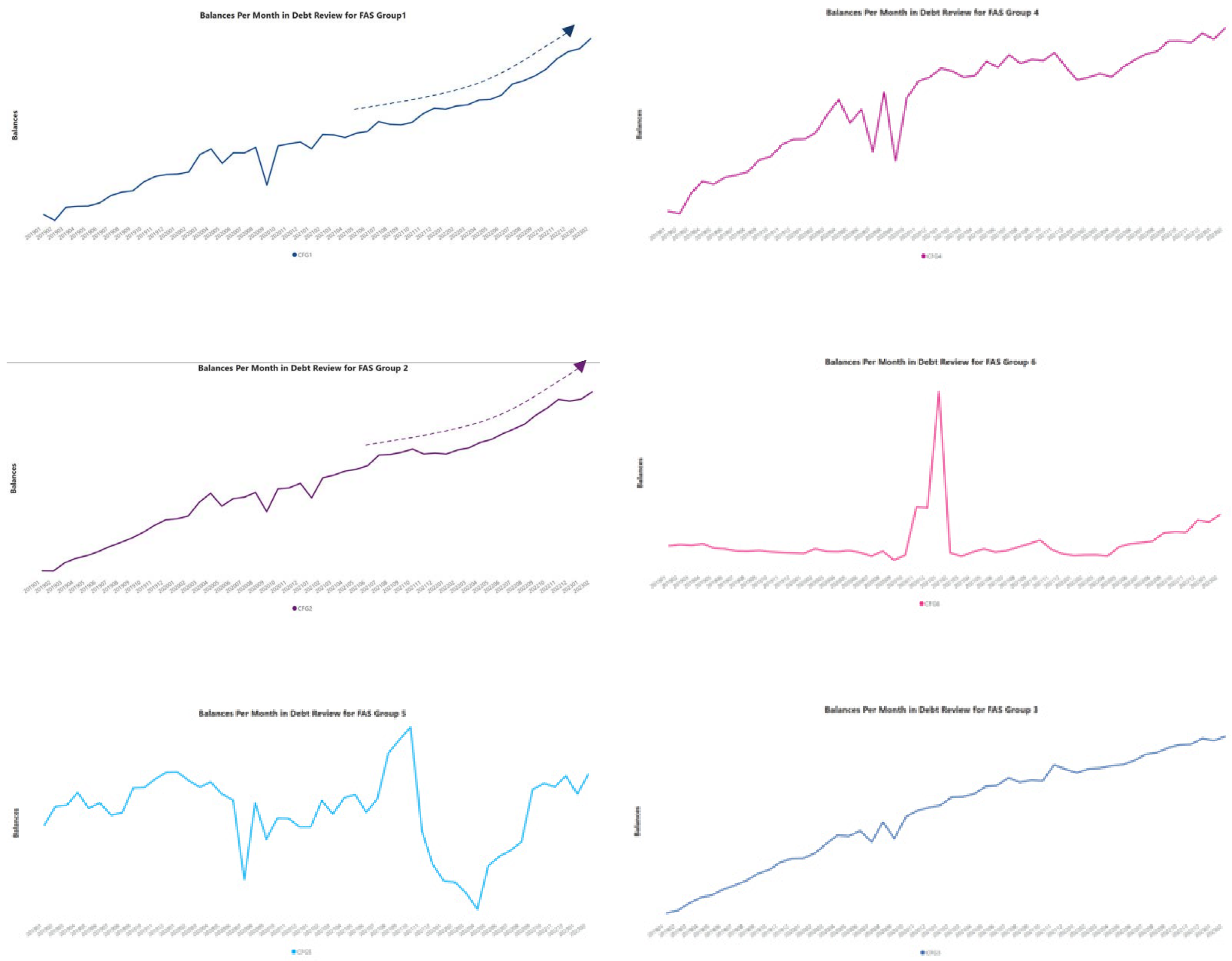




From a FAS perspective, the relative increase in representation of high affluence consumers is quite striking – specifically with regard to FAS 2. This observation aligns with what we have seen for these high-affluence consumers in other areas as well – considering arrears, vintages and also the CDI itself.

Debt Review

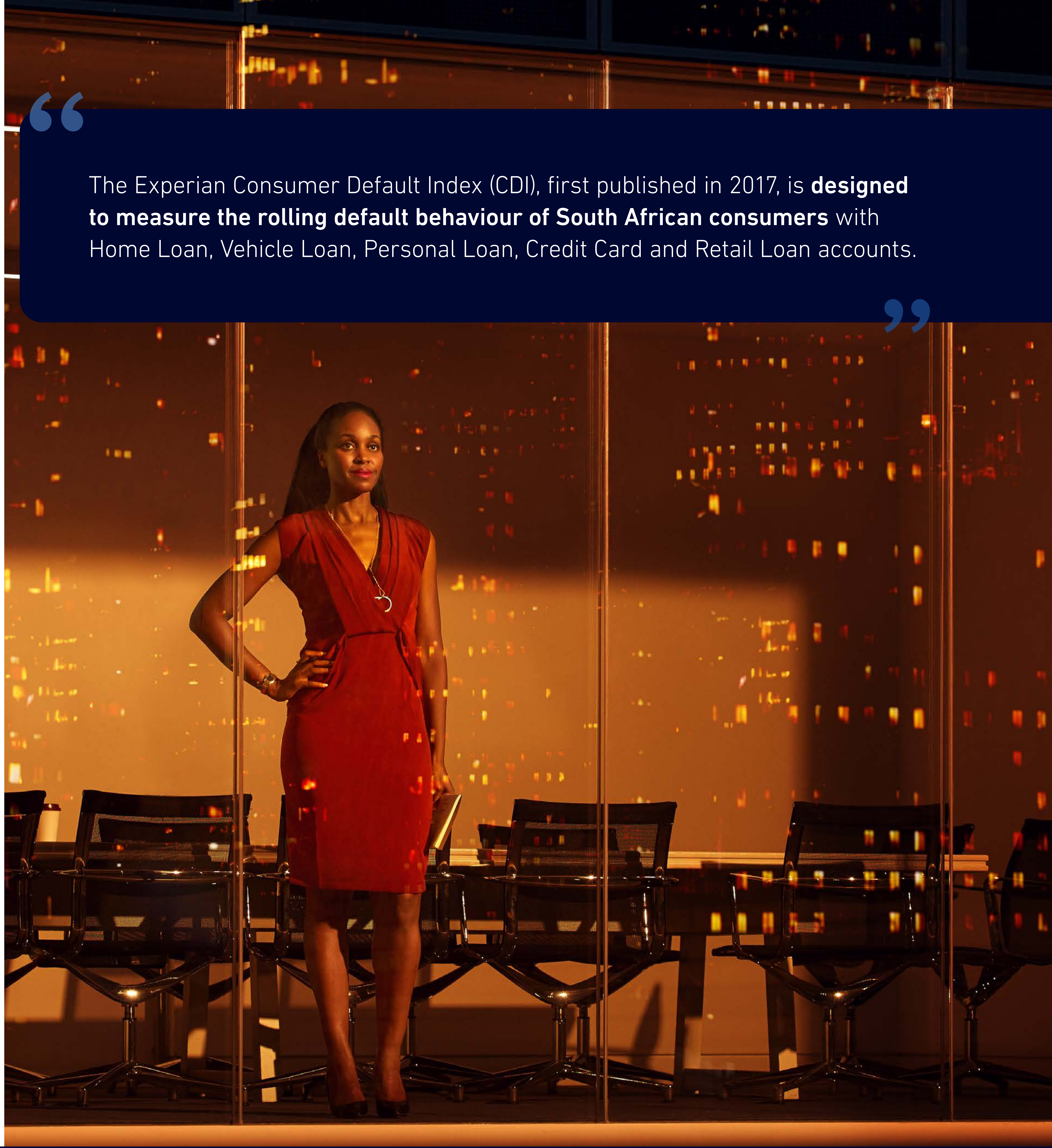
Values by FAS (continued)



Consumers in FAS Groups 1, 2, 3 and 4 have all seen significant increases in exposure from a debt review perspective. In fact, we have seen FAS Groups 1 and 2 showing an increased rate of growth over the last year – showing that these consumers are increasingly looking to Debt Review to help them address the affordability challenges that come with increased costs of living.

Summary of the CDIx

- CPI (driven by fuel cost increases and food price hikes) remains at very high levels and are still outside the SARB's target band.
- **Cost of living** remains on an upward trend – particularly regarding Food and NAB.
- Market **appetite has increased even further**, as consumers look to credit to bridge the gap in covering living expenses.
- Increased cost of living also leads to decreased **affordability** of consumers
- Likely increased inability of consumers to meet debt obligations
- Likely reduction in qualification for new credit
- **Qualification** for credit still not returned to pre-COVID levels
- **New product volumes continues to recover**
  - Personal and Retail Loan volumes still has some way to go in returning to former levels.
  - Vehicle Loans new business have recovered, though (to some extent as the result of increased CPI).
  - High affluence consumers (FAS Groups1 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 a significant deterioration Y-o-Y
- This deterioration was seen **across all products**, but most particularly for Home and Retail Loans.
- All FAS groups showed Y-o-Y deterioration – particularly the extreme ends of the consumer affluence scale, i.e. FAS Groups 1, 2, 5 & 6.
- **Vintages** in the Retail Credit portfolios have shown a long-term deteriorating trend – for both the @ 6 months and @12 months view.
- The **FAS Groups 1 - 3** continue to show signs of increasing 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

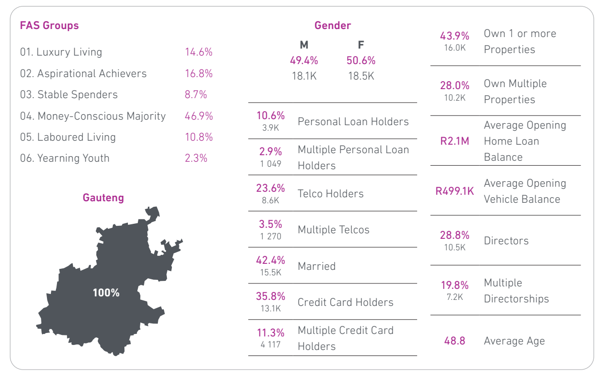
This report leverages Experian data, analytics and technology solutions to bring you insights into consumers in South Africa.

Our solutions used to develop the CDI and CDIx include:

- Consumer macro- and micro segmentation (FAS)
- Bespoke CDI views (benchmarking your business against rest of 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)

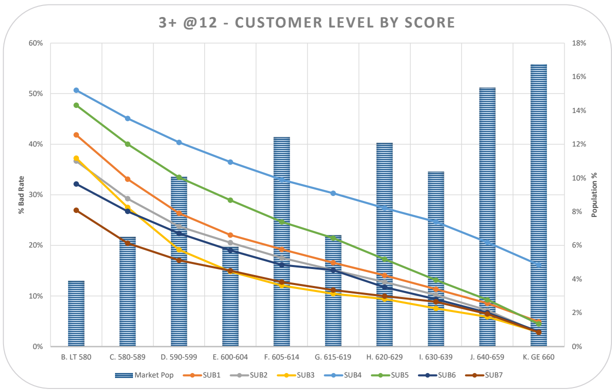
Understanding your Customers

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.



Industry Benchmarking Reports

Understand how your company is performing against the industry in our comprehensive benchmarking reports.

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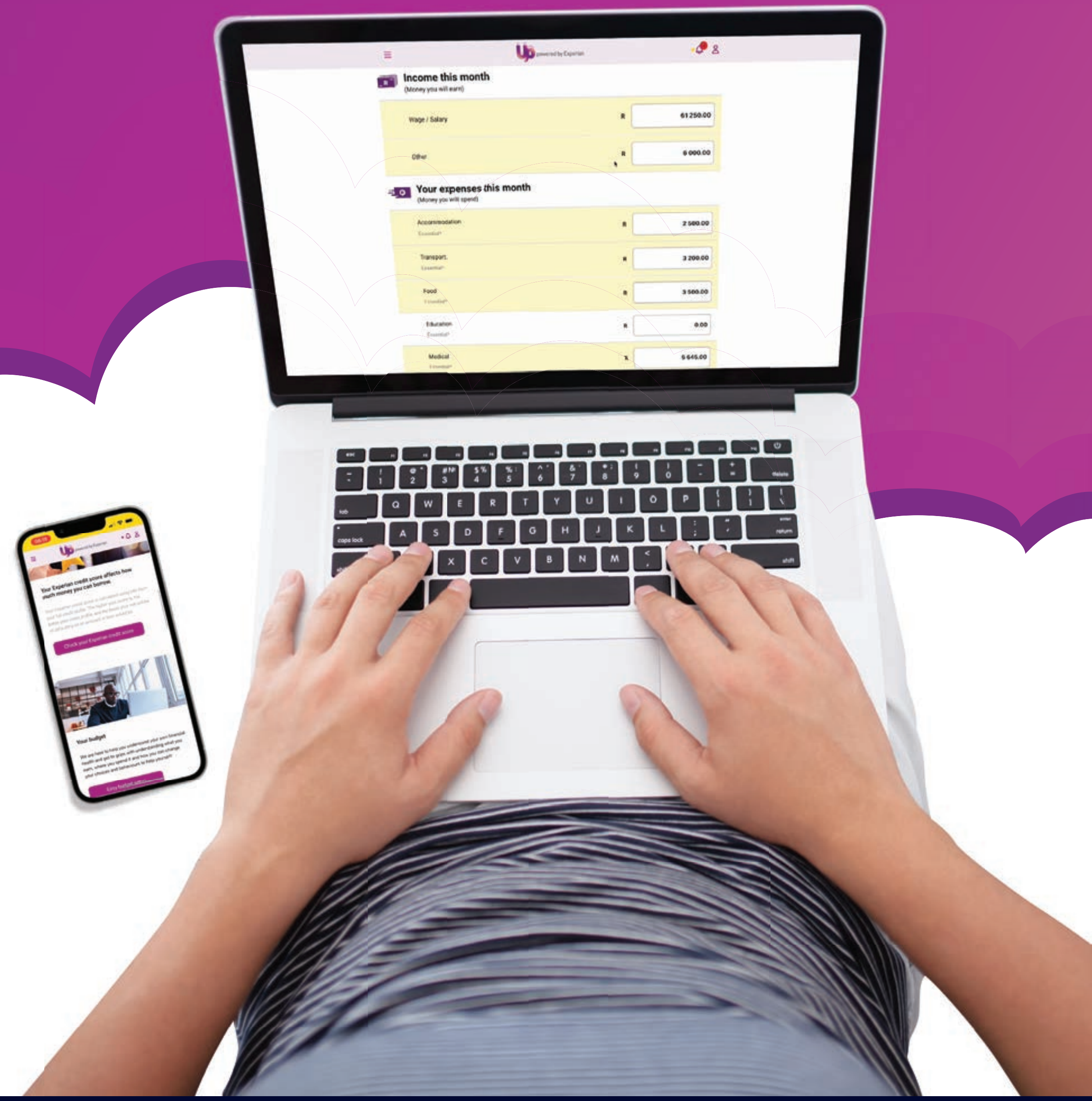
The unpredictable nature of the future can be daunting – let us help you understand your situation and how you can overcome your business obstacles through data and analytics.

Up powered by Experian

In order to improve consumer financial health and to drive financial education, Experian has launched a web-based app called 'Up'. This platform is made available to consumers free of charge. We make it available to businesses for publishing on corporate websites as well. Please contact us for more information.



WISE UP with Experian's **free credit information** and **education app.**

A credit, budgeting and learning experience to help you take control of your financial health.

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Contact Us

Should you be interested in our reports and solutions,
or if you would like to book an analytics consultation, please contact us.

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