Experian Consumer Credit Default Index
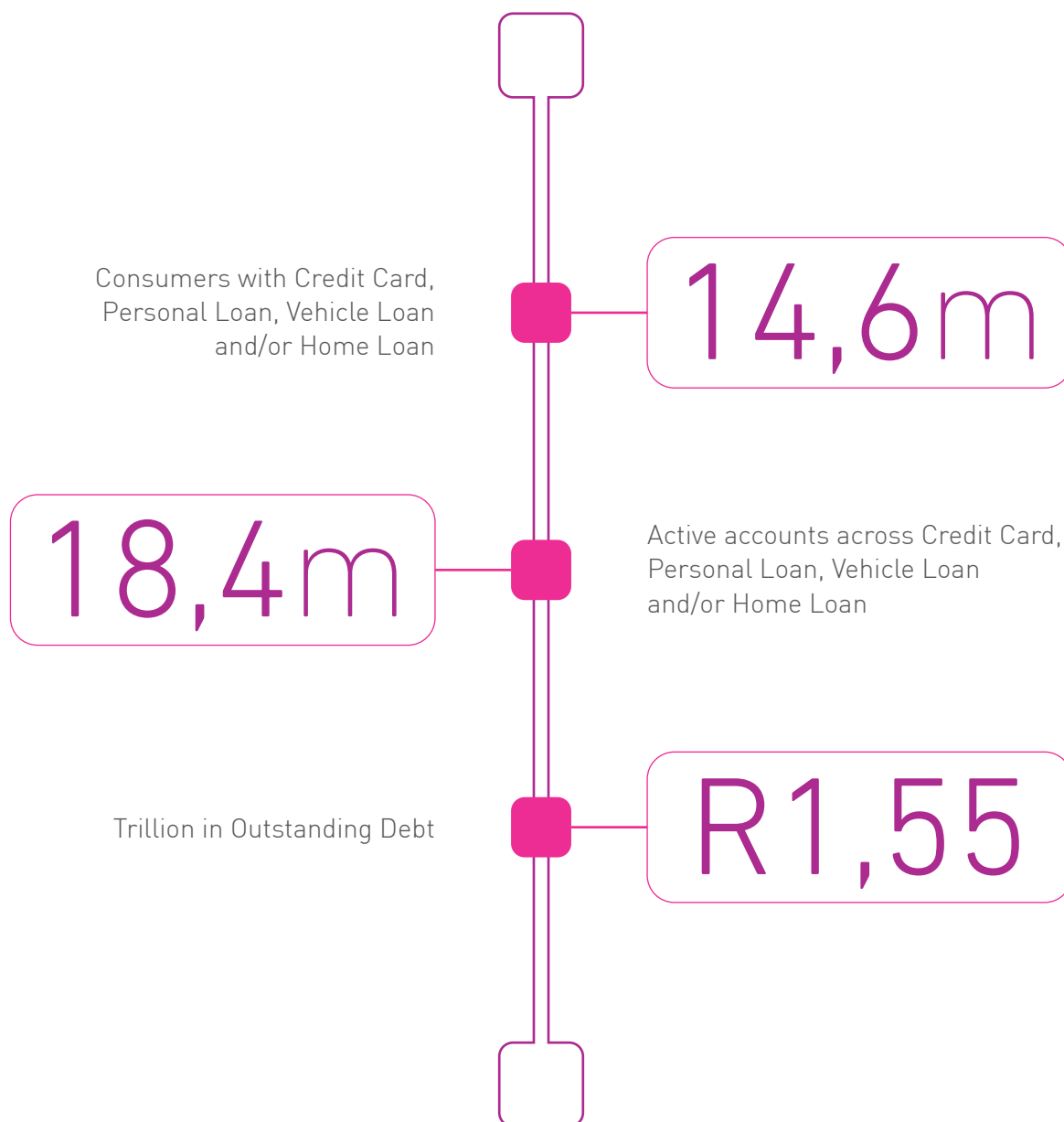
Monthly Update **December 2017**

Index

Experian Consumer Default Index Overview

What it measures?

The Experian Consumer Default Index (CDI) is designed to measure the rate of first time default 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 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 composite index that measures performance across Home Loan, Vehicle Loan, Credit Card and Personal Loan accounts. In addition, there are also 4 product specific sub-indices . Each 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.

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

14,6m

18,4m

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

Trillion in Outstanding Debt

R1,55

:experian™

Experian Consumer Default Index

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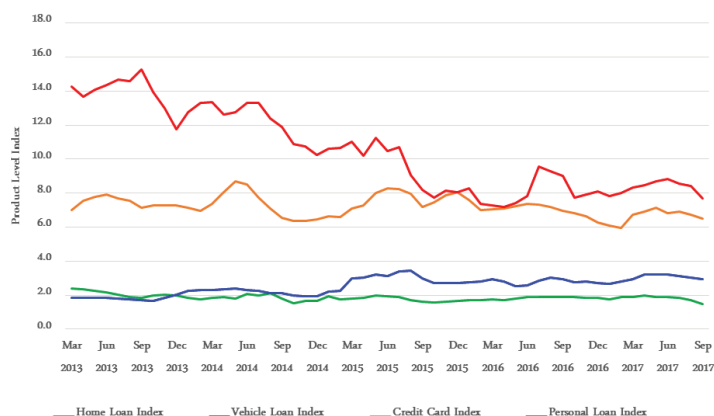CDI = % Never Default Balances that Defaulted in the last 3 Months
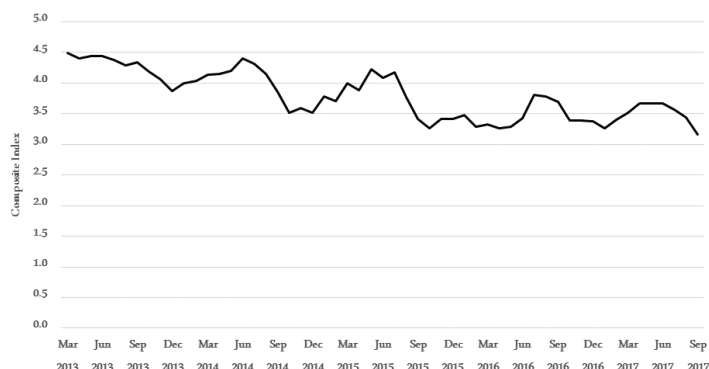
Experian Consumer Default Index | Product Level
CDI = % Never Default Balances that Defaulted in the last 3 Months

Home Loan Index   Vehicle Loan Index   Credit Card Index   Personal Loan Index

Experian CDI	CDI Sep'17	CDI Sep'16	Average Outstanding Jul'17 – Sep'17	New Default Balances Jul'17 – Sep'17
Composite Index	3,16	3,69	1,545,578,611,300	12,213,726,729
Home Loan Index	1,50	1,88	820,800,023,587	3,081,814,243
Vehicle Loan Index	2,93	2,95	375,319,874,617	2,748,523,871
Credit Card Index	6,48	6,96	107,223,259,181	1,737,728,377
Personal Loan Index	7,67	9,03	242,235,453,915	4,645,660,238

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.
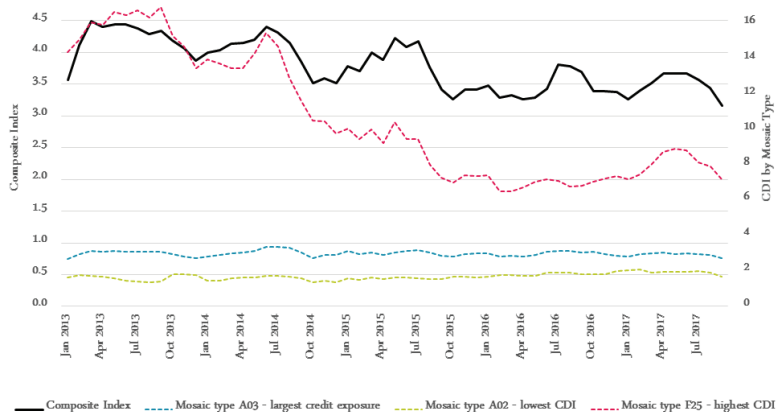
All of the indices are also determined at Mosaic segmentation level to provide further insight into the dynamics faced by specific consumer segments that are experiencing different stress due to macro forces such as unemployment, interest rate changes and economic growth.

Group	Description	Type	Description	
A	Wealth To Do 9,84%	A1 A2 A3 A4 A5	Midlife Cruisers Secured Affluence Hard-working Money Platteland Progressives Prosperous Pensioners	0,70% 2,65% 2,83% 2,57% 1,09%
B	Up-and-Coming 4,37%	B6 B7 B8 B9	Upwardly Mobile Would-be Wealth City Convenience Student Digs	1,04% 0,84% 1,47% 1,02%
C	Township Traditionalists 7,56%	C10 C11 C12	Diligent Settlement Households Adult Township Families Elderly-headed Homes	2,23% 2,21% 3,11%
D	Loyal Labourers 7,84%	D13 D14 D15 D16 D17	In the Family Manufactory Middle Class Farmworking Communities Senior Migrant Farmhands Migratory Hard Labour	1,85% 1,30% 2,51% 0,74% 1,44%
E	Blue-collar Communities 18,43%	E18 E19 E20 E21 E22 E23	Generational Township Family Middle-aged Marginalists Coastal Low-wage Households Informal Country Tenants Breadline Families Modest Township Living	4,43% 3,18% 3,66% 3,46% 2,23% 1,39%
F	Young Urban Survivors 9,28%	F24 F25 F26	Migrant City Settler Indigent Township Families Single Room Landlords	1,53% 3,86% 3,89%
G	State Dependents 11,46%	G27 G28 G29 G30	Sustainable RDP Families Poor RDP Households Impoverished Grant Reliants Penniless Grant Transients	4,14% 3,08% 2,27% 1,97%
H	Rural Traditionalists 17,97%	H31 H32 H33	Eastern Tribal Gap Households Inland Traditional Gap Households Senior Single Traditionalists	7,07% 6,88% 4,03%
I	Outskirts Families 13,24%	I34 I35 I36	Borderline Gap Households Baseline Gap Families Minimum Wage Rural Families	7,28% 2,82% 3,14%

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

experian™

Experian CDI | Mosaic Segmentation

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

Legend:
— Composite Index ---- Mosaic type A03 - largest credit exposure ---- Mosaic type A02 - lowest CDI ---- Mosaic type F25 - highest CDI

3,16%
of balances on an annualized basis defaulted
for first time over the period Jul to Sep 2017

R12,21bn
in value defaulted for first time
over the period Jul to Sep 2017

Experian CDI	CDI Sep'17	CDI Sep'16	New Default Balances Jul'17 - Sep'17
Composite Index	3,16	3,69	12,213,726,729
Mosaic type A03 - Largest credit exposure	2,72	3,07	1,384,953,370
Mosaic type A02 - Lowest CDI	1,69	1,96	820,558,930
Mosaic type F25 - Highest CDI	7,19	6,84	148,149,517

Geospatial & Mosaic Insights

Province & Rank	CDI
1. Western Cape	2,32
2. Gauteng	2,94
3. Eastern Cape	3,32
4. Free State	3,33
5. KwaZulu-Natal	3,39
6. Mpumalanga	3,86
7. Northern Cape	4,01
8. Limpopo	4,06
9. North West	4,08

● Mosaic type A03 - Largest Credit Exposure
● Mosaic type A02 - Lowest CDI
● Mosaic type F25 - Highest CDI

Best
Good
Average
Bad
Worst
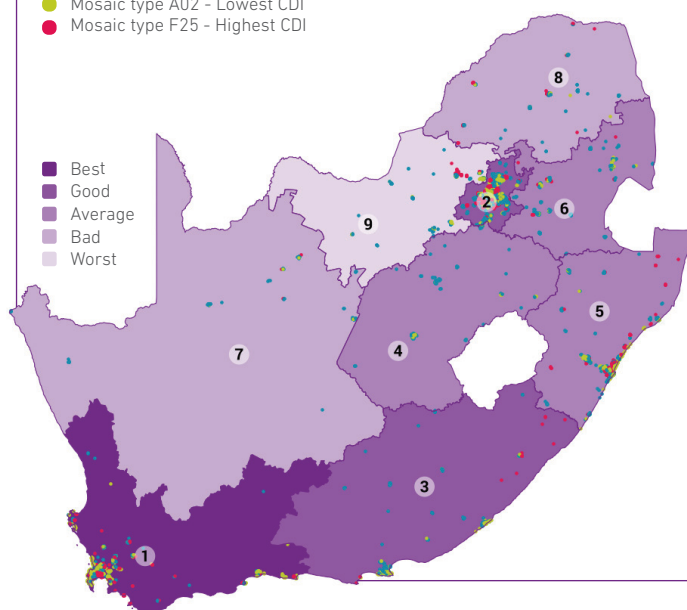
A03 – Hard Working Money
Middle-aged educated families, with a mid to high income living in the suburbs around industrial and mining areas recorded an improved CDI of 2.72% in Sep 2017 compared to the 3.07% in Sep 2016.

A02 – Secured Affluence
Mature, well educated, wealthy couples living in free-standing high-value established homes in city suburbs recorded the lowest CDI of 1.69% in Sep 2017 which was an improvement on the 1.96% recorded in Sep 2016.

E23 – Modest Township Living
Mixed-age, minimum wage, extended families, living in their own small shacks or poor quality housing recorded the best year on year improvement in CDI from 4.48% in Sep 2016 to 3.78% in Sep 2017.

F25 – Indigent Township Families
Very low income, mostly unemployed, young families living in small properties or in a room of shared-housing in densely populated areas remained the worst performing segment with a CDI of 7.19% in Sep 2017 compared to the 6.84% recorded in Sep 2016.

I35 – Baseline Gap Families
Households headed mostly by unemployed grandparents with many children, in relatively rural areas like Limpopo and Mpumalanga recorded the worst year on year deterioration moving from 3.98% in Sep 2016 to 5.13% in Sep 2017.

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,

Core Metric numerators for
January, February, March

─────────────────

Core Metric denominators for
January, February, March

Index Value
for March

= 12 X

SUM OF

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

experian™

Experian CDI readings for each Mosaic segmentation type

MOSAIC		CDI	CDI	Average Outstanding	New Default Balances
		Sep'17	Sep'16	Jul'17 - Sep'17	Jul'17 - Sep'17
A1	Midlife Cruisers	1.81	1.85	117,407,188,471	177,038,638
A2	**Secured Affluence**	**1.69**	**1.96**	**194,022,056,698**	**273,519,643**
A3	**Hard-working Money**	**2.72**	**3.07**	**203,816,282,926**	**461,651,123**
A4	Platteland Progressive	2.71	2.91	74,355,564,431	167,733,048
A5	Prosperous Pensioners	2.44	2.29	26,298,017,838	53,438,594
B6	Upwardly Mobile	2,14	2,31	120,268,461,368	214,383,797
B7	Would-be Wealth	3,29	3,79	57,783,227,002	158,292,341
B8	City Convenience	2,01	2,19	97,085,375,888	162,321,545
B9	Student Digs	3,35	3,33	15,155,003,854	42,254,653
C10	Diligent Settlement Households	3,57	3,97	67,698,317,368	201,504,983
C11	Adult Township Families	4,12	4,41	26,410,378,030	90,570,247
C12	Elderly-headed Homes	3,63	3,76	48,041,817,341	145,173,892
D13	In the Family	3,69	4,18	103,619,633,453	318,583,801
D14	Manufactory Middle Class	4,95	5,26	34,706,885,239	143,093,365
D15	Farmworking Communities	2,47	3,10	26,511,544,139	54,540,872
D16	Senior Migrant Farmhands	3,43	3,28	2,982,294,024	8,527,045
D17	Migratory Hard Labour	4,43	4,13	8,305,534,041	30,692,699
E18	Generational Township Family	5,64	5,33	16,695,901,130	78,472,406
E19	Middle-aged Marginalists	5,86	5,85	12,114,341,377	59,163,466
E20	Coastal Low-wage Households	7,01	6,87	28,595,547,957	166,927,747
E21	Informal Country Tenants	6,22	5,99	10,504,892,907	54,454,964
E22	Breadline Families	4,39	4,55	19,008,292,594	69,492,173
E23	**Modest Township Living**	**3,78**	**4,48**	**2,660,476,964**	**8,375,514**
F24	Migrant City Settler	4,24	4,48	25,276,889,208	89,336,276
F25	**Indigent Township Families**	**7,19**	**6,84**	**8,240,087,667**	**49,383,172**
F26	Single Room Landlords	6,70	6,48	23,422,421,838	130,846,094
G27	Sustainable RDP Families	6,21	5,61	11,287,105,165	58,398,100
G28	Poor RDP Households	6,25	5,78	10,645,459,919	55,459,766
G29	Impoverished Grant Reliants	6,43	5,39	1,343,688,512	7,203,933
G30	Penniless Grant Transients	4,61	5,13	1,900,654,788	7,309,182
H31	Eastern Tribal Gap Households	5,59	5,75	2,274,968,188	10,601,394
H32	Inland Traditional Gap Households	4,84	5,17	8,088,353,002	32,624,332
H33	Senior Single Traditionalists	4,25	4,63	1,499,607,504	5,311,543
I34	Borderline Gap Households	4,43	4,39	13,605,052,089	50,178,499
I35	**Baseline Gap Families**	**5,13**	**3,98**	**6,304,385,402**	**26,975,160**
I36	Minimum Wage Rural Families	5,44	5,43	2,173,423,736	9,849,154