EIGHTY20/XDS CREDIT STRESS REPORT

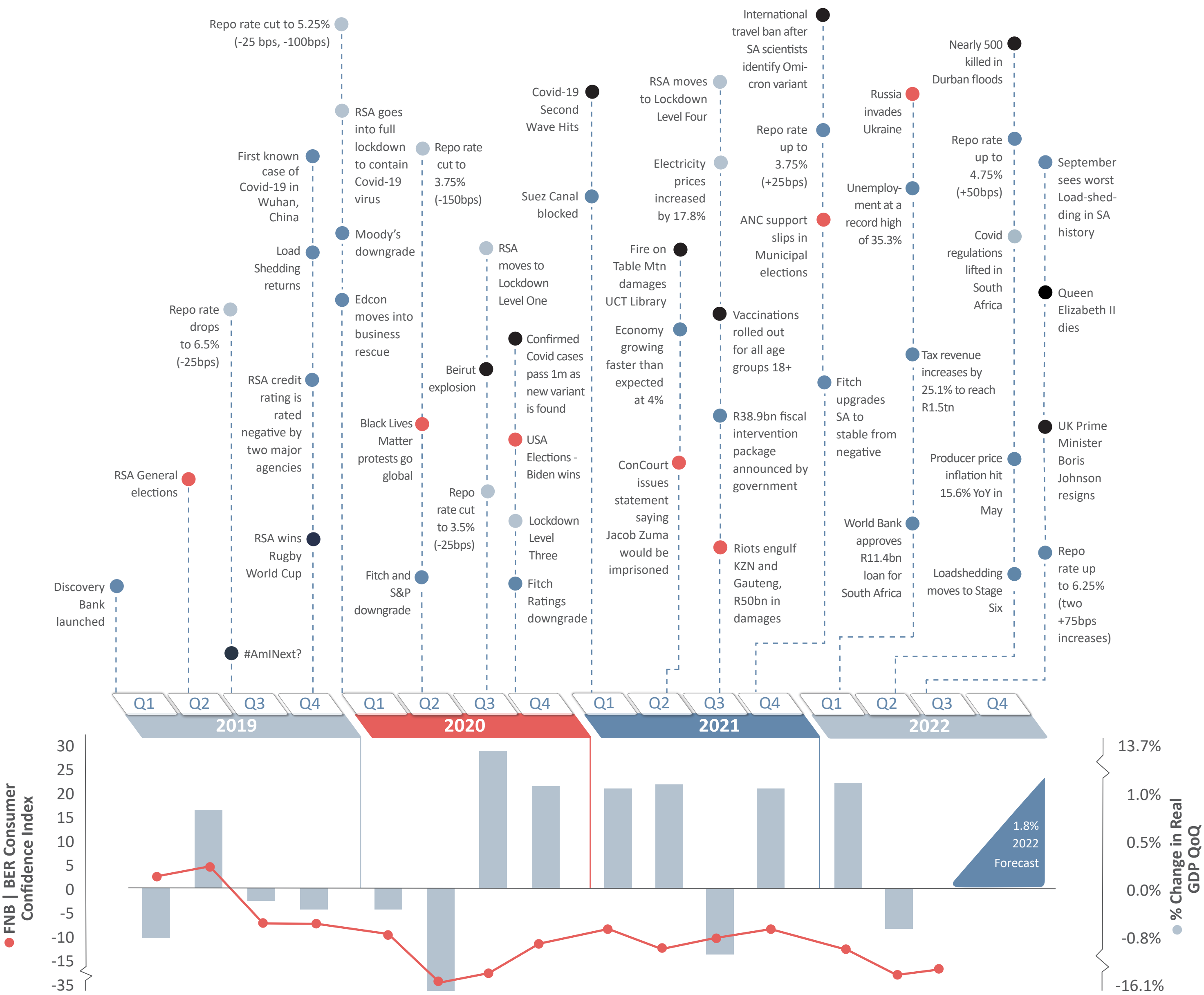
2022 Q3

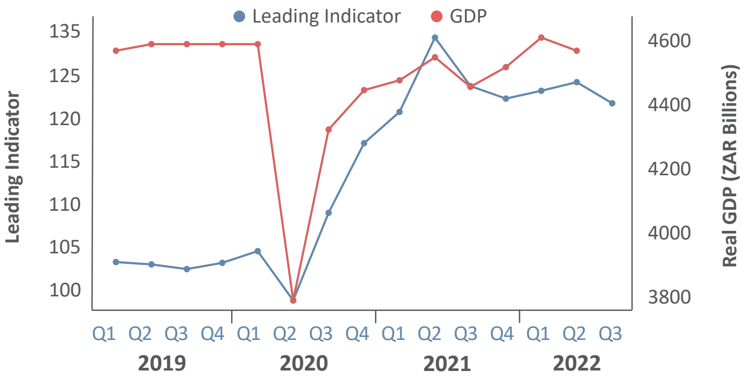
This quarterly report highlights the impact of economic forces on the South African consumer, with particular focus on consumer credit behaviour. All credit data in this report was sourced from the Eighty20 / XDS Online Credit Portal.

SECTION ONE: ECONOMIC CONTEXT AND IMPACT ON CONSUMER

● Economic Events ● Political Events ● Legislative Events ● Other

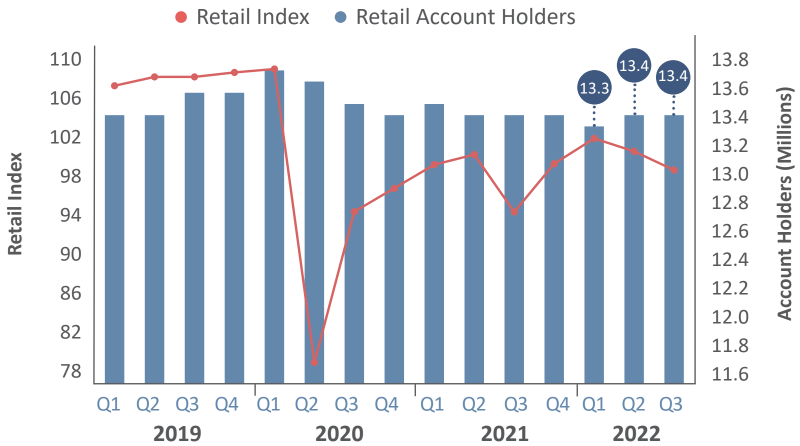
Timeline: Major Events





Leading Indicator of the South African Economy vs. GDP

Real 2022 Q2 GDP decreased by 0.7% QoQ due to electricity production problems and the devastating KZN floods which hampered economic activity. Despite the contraction, the economy performed better than expected, beating industry forecasts by 0.1 percentage points. The IMF raised SA GDP forecasts from 1.9% to 2.1%. The manufacturing, mining and agriculture sectors experienced the sharpest declines while the transport, storage and communication sector and finance, real estate and business services sector experienced stronger growth.



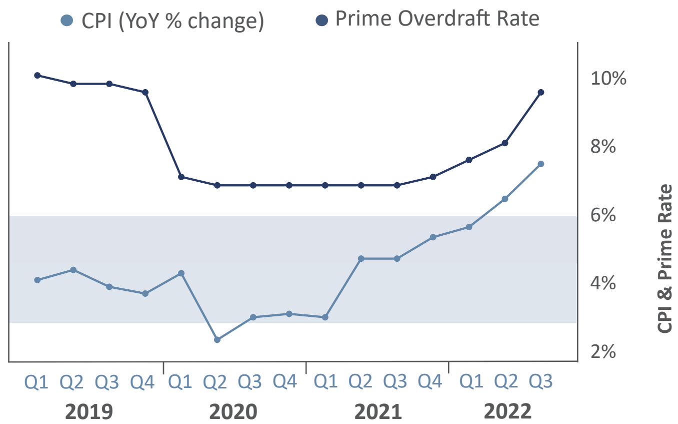
Retail Sales Index

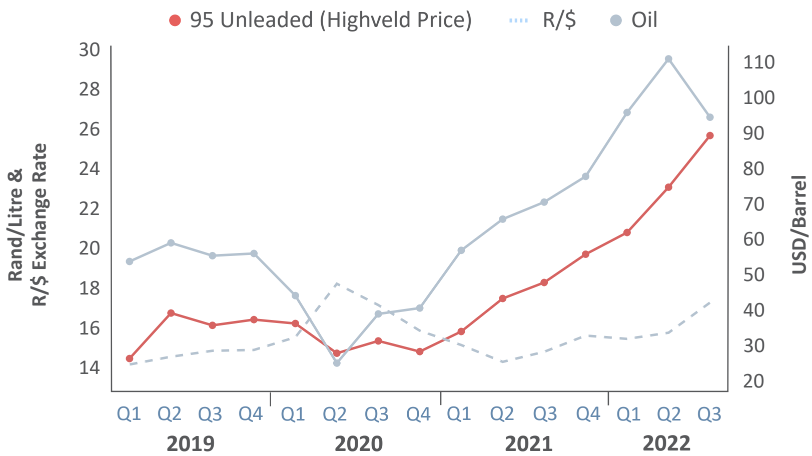
Retail sales activity slowed in 2022 Q3, declining by 1.9% QoQ. This is mirrored by the contraction in GDP.

In this quarter, Eighty20's Mall Visits Index and Dwell Time Index for 20 selected malls across the country declined by 2.4% and 0.2% QoQ, respectively. These malls represent 47m visits, down from 48m in the previous quarter.

Consumer Price Index & Prime Rate

Consumer inflation edged up to 7.6% in 2022 Q3 from 6.6% in Q2. The upward pressure continued to come from food and non-alcoholic beverages, and transport costs. Core inflation in September was at its highest since July 2017. The prime rate also increased from 8.25% in 2022 Q2 to 9.75% in 2022 Q3 with the SARB citing considerable upside risks to the inflation outlook.





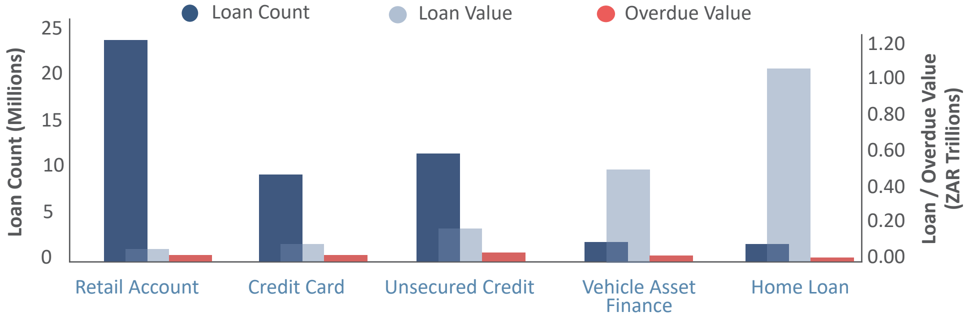
Exchange Rate, Oil & Fuel Price

Petrol and diesel prices continued on an upward trajectory in Q3, rising by 11%. Petrol prices averaged R25.18 per litre in the quarter while diesel averaged R24.52 per litre over the same period. The rise in fuel prices was partly driven by a weak Rand which fell by 9% in Q3. In contrast, crude oil prices fell by as much as 14% to reach $93.18 per barrel. The reduction in crude oil prices should ease fuel prices for the end of 2022.

SECTION TWO: CONSUMER CREDIT STRESS

Unsecured vs Secured Credit

The current balance on all loans remained fairly flat this quarter at R2,231bn, increasing by approximately 1% (R17bn). However, the overdue balance (loans 30+ days in arrears) showed a significant decrease of R14bn - a 7% drop QoQ. This decline was primarily driven by the closure of R9.8bn overdue VAF balances more than 9 months in arrears.

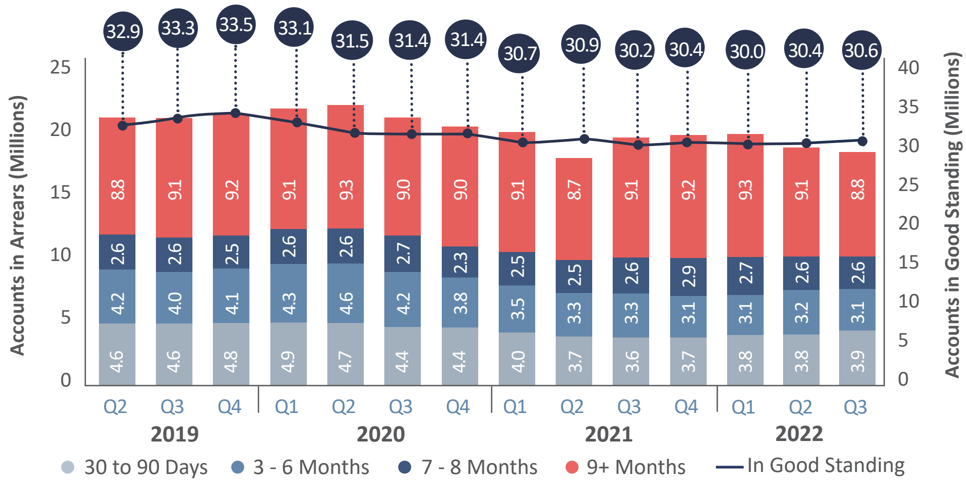


Year-on-Year Change			
Credit Product	**Loan Count**	**Loan Value**	**Overdue Value***
Retail Account	-1%	4%	-18%
Credit Card	2%	12%	-9%
Unsecured Credit	-3%	0%	-13%
Vehicle Asset Finance	-3%	5%	-45%
Home Loan	1%	7%	-12%

* Change in Overdue Value as a % of total loan value.

Credit Accounts by Arrears Status

Loans in arrears decreased for the second quarter in a row, taking the total number in arrears to 18.4m (37.5% of all loans). The largest decrease in loans in arrears was seen within those that are 9+ months in arrears, resulting in the percentage of all loans of this category decreasing by 0.6 percentage points QoQ. Additionally, there was an increase in the percentage of loans in good standing of 0.5%, indicating a potentially improving credit status for South Africans.



Impact on ENS Segments

Mass Credit Market

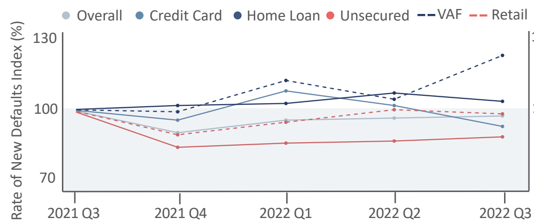
This is the employed, lower middle class, 100,000 of whom have a home loan, fewer with VAF. However, 7.5m have retail credit, 3m have unsecured loans and 1.5m have a credit card.

They are using their credit cards to survive with average instalments increasing by 41%, and overdue balances going up by 26%. This segment holds R70bn in unsecured debt and 1 in 25 of all unsecured loans went newly into default this quarter.

R2 200 ↑7% YoY
Avg. Monthly Instalments

2.7% ↑1% YoY
Rate of New Defaults*

35.9% ↑6% YoY
Avg. Instalments to Monthly Income Ratio



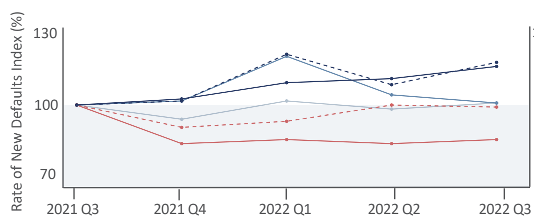
Middle Class Workers

This segment represemts the 4.1m middle income, credit active population with families, 621k of whom have a home loan and 630k who have VAF (down 40k and 60k respectively YoY). This is where they are feeling distress. Their rate of new defaults on VAF loans went up by 21% YoY, with total VAF balances 55% of their home loan balances. The rate of new defaults on home loans went up 19% YoY with average instalments up 15% YoY.

R9 791 ↑7% YoY
Avg. Monthly Instalments

4.9% ↓3% YoY
Rate of New Defaults*

66.0% ↑9% YoY
Avg. Instalments to Monthly Income Ratio



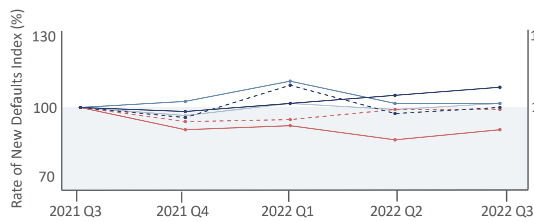
Heavy Hitters

This is the wealthiest 5% of the population, mostly male, with more assets than any other segment. Many bought assets while interest rates were low, as seen in their total loan balance growth of 10% YoY, 4% more than the growth in number of individuals in this segment. They experienced an 11% increase in total home loan balances YoY, combined with a 16% increase in average instalments. Some 1.2% of all current home loan balances went into default this quarter, which is a 10% YoY increase in the rate of new defaults.

R19 658 ↑2% YoY
Avg. Monthly Instalments

1.4% ↓2% YoY
Rate of New Defaults*

58.0% ↑3% YoY
Avg. Instalments to Monthly Income Ratio



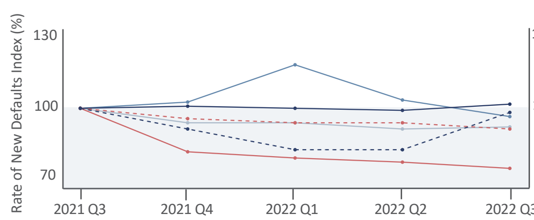
Comfortable Retirees

This group of older, high income credit active and asset rich ex-professionals and middle class consumers is in the least financial distress of all segments. They are the only group that will benefit from higher interest rates. Their average instalment to income ratio is up 8% from 39.1% to 42.3% YoY, but the rate of new defaults dropped this quarter by more than 8%. Their credit card loan balance increased by 12% with average instalment up by 7% YoY. Unsecured average instalments are up 10% YoY more than any other segment.

R7 610 ↑5% YoY
Avg. Monthly Instalments

2.1% ↓9% YoY
Rate of New Defaults*

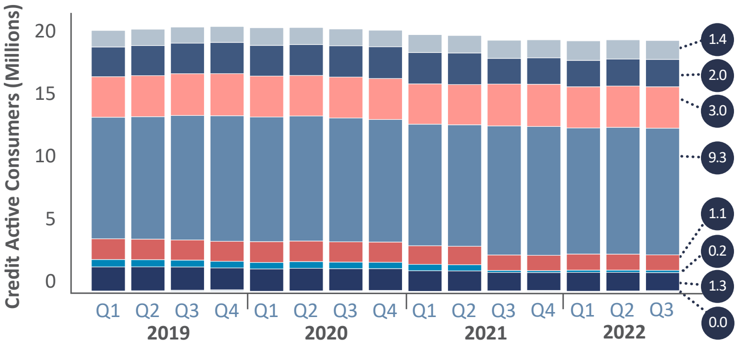
42.2% ↑8% YoY
Avg. Instalments to Monthly Income Ratio

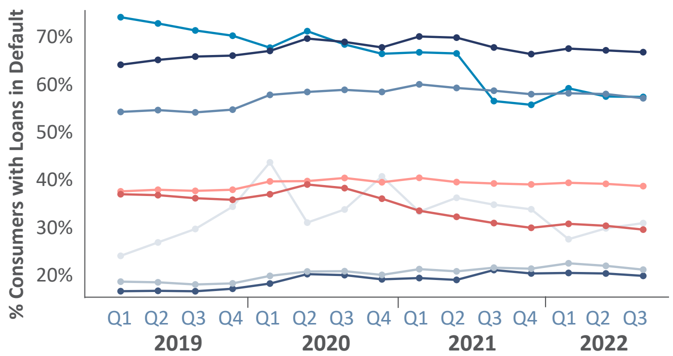


Consumer Default by ENS Segment

The segments with the highest proportion of defaulters are Mothers of the Nation, Hustling Males, and the Mass Credit Market with more than 50% of people with at least one loan in default. These are all lower income segments with retail and unsecured credit. The second group in the 30% to 40% range are Middle Class Workers, Humble Elders and Students. The erratic light grey line shows how 16% of the ~75,000 retail loans held by Students go into default every quarter. The Heavy Hitters and Comfortable Retirees have very similar, lower default rates.

● Comfortable Retirees ● Heavy Hitters ● Middle Class Workers ● Mass Market ● Humble Elders ● Hustling Males ● Mothers of the Nation ● Students and Scholars

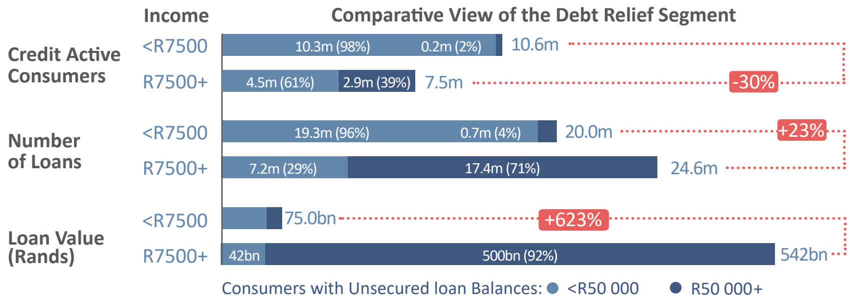




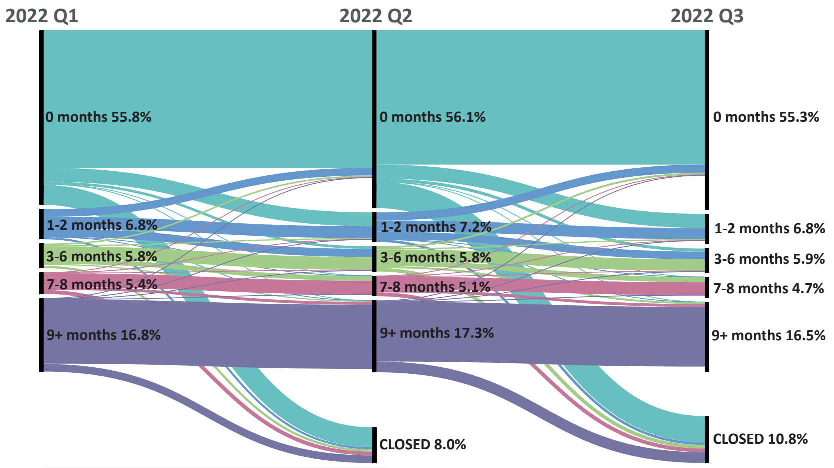
Debt Relief Segment

The number of consumers in the debt relief segment decreased by 63 340 to 10.3m, and now makes up 57.6% of all consumers with unsecured credit and 9.2% of total loan value. There are 233 055 consumers earning below R7 500/month who do not qualify for debt relief due to having over R50 000 in unsecured debt.

* The Debt Relief Segment is affected by the National Credit Amendment Bill. People earning less than R7 500/month and have unsecured debt less than R50 000 can apply to have their debt suspended or extinguished.



* This excludes people who have only secured debt.



Quarterly Loan State Movement

In 2022 Q3, 5.90m new loans entered the system while 5.95m loans were paid off, resulting in a net decrease of 51 668 loans.

Metric	2022 Q2 Movement	2022 Q3 Movement
Loans that remained in the same state	38.3m	37.0m
Loans that recovered (<3 months in arrears)	487k	555k
Loans that defaulted	1.4m	1.4m

Eighty20 & XDS Consumer Credit Solutions

Eighty20 and XDS have created a National Segmentation (ENS) Customer Profiling Tool which fuses credit bureau data with external data sets such as the MAPS dataset which not only helps companies segment their market, but also link that segmentation back to their internal data.

The ENS, while protecting customer privacy and data protection, enables the most comprehensive view of South African adults. Using statistical techniques to overlay diverse datasets, including credit bureau, national and regional surveys, over one thousand variables are mapped to each consumer. Your consumers are mapped to one of 1,500 micro-segments, 46 sub-segments and 8 segments using either SA ID, mobile number (in a POPIA compliant manner) or key variables such as age, income and gender. Call us for more information.

Notes:

1. The Economic Context graph in Section One is not an exhaustive list. Only events that are highly publicised and believed to have a significant influence on the economy and the political environment are included.
2. Retail Sales Index: Retail trade sales at constant 2015 prices.
3. All economic data sourced from the South African Reserve Bank (SARB), excluding the consumer confidence Index and oil/fuel prices.
4. The consumer confidence index is sourced from the Bureau for Economic Research (BER) and First National Bank (FNB).
5. The oil price is sourced from the U.S. Energy Information Administration.
6. The 95 Unleaded inland fuel price is sourced from the South African Petroleum Industry Association.
7. GDP forecasts are according to the Netwerk24/Beeld Consensus.
8. All consumer credit related measures are sourced from XDS.
9. The Leading Indicator was developed by the South African Reserve Bank and shows the expected business cycle movements in the SA economy.
10. The Rate of New Defaults (RND) is the percentage of current loan balances that went into default this quarter. Rate of New Defaults Index (RNDI) indexes the RND against the 2021 Q3 baseline.

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