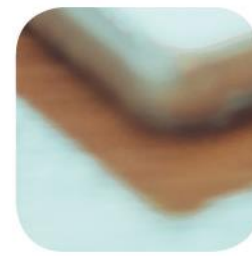


Empowering Credit Inclusion

A Deeper Perspective on
New-to-Credit Consumers

Nidhi Verma

Vice President, Research and Consulting
TransUnion



The topic of credit inclusion is crucial to the success of economies we serve



Greater awareness and education on credit products and payment management tools



Greater ability to fulfill consumption needs



Better decisioning and credit access through credit history on payment



Expanded opportunities for economic advancement and upward mobility



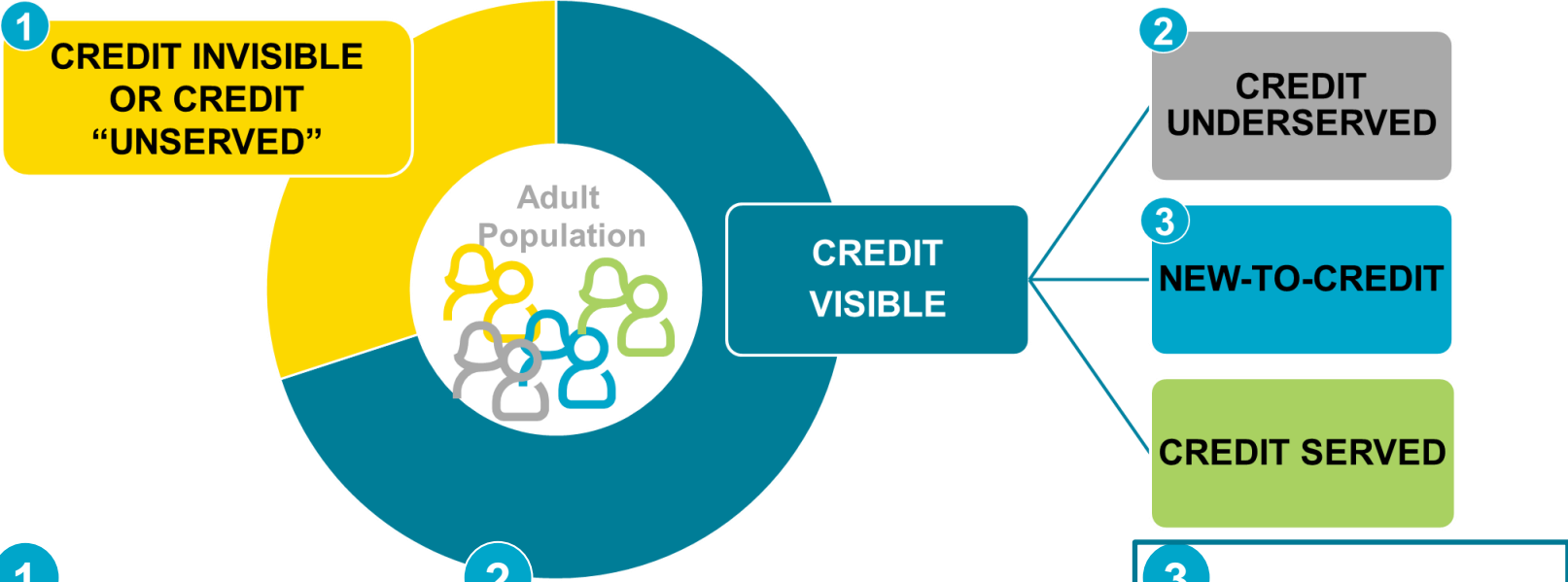
Information for Great Experiences



Information for Personal Empowerment



Information for Economic Opportunity



1
Consumers with no credit history and/or credit scores

2
Consumers with more than two years of credit history with lower participation i.e. 0 to 2 open products, no more than 1 type of credit product ever open

3
Consumers opening their first credit product and hence less than 2 years of credit history

Credit Served

Consumers with more than two years of credit history with higher participation i.e. 2 or more open products, more than 2 types of credit product ever open

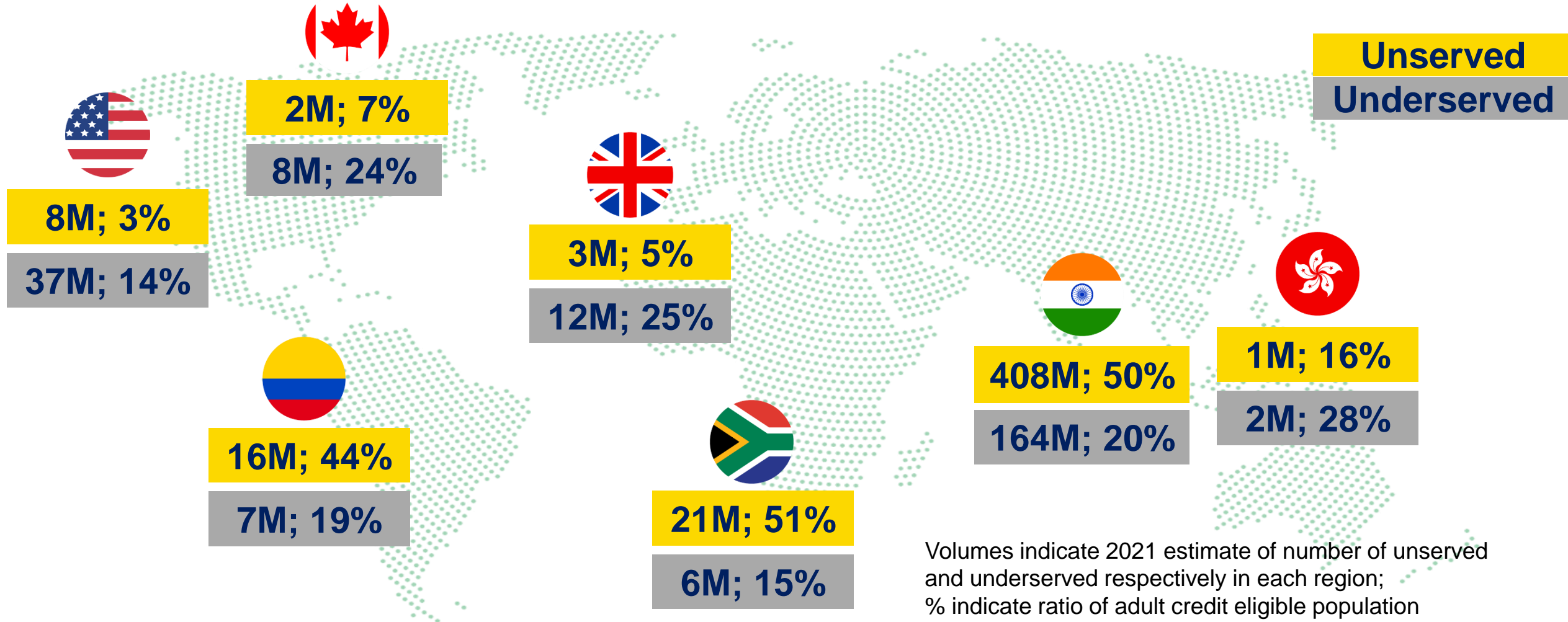
TransUnion is focusing on three unique consumer segments to empower financial inclusion



Our work around credit inclusion begins by identifying the unserved, underserved and new-to-credit consumers.



There are more than 650 million unserved and underserved consumers in the international markets we serve

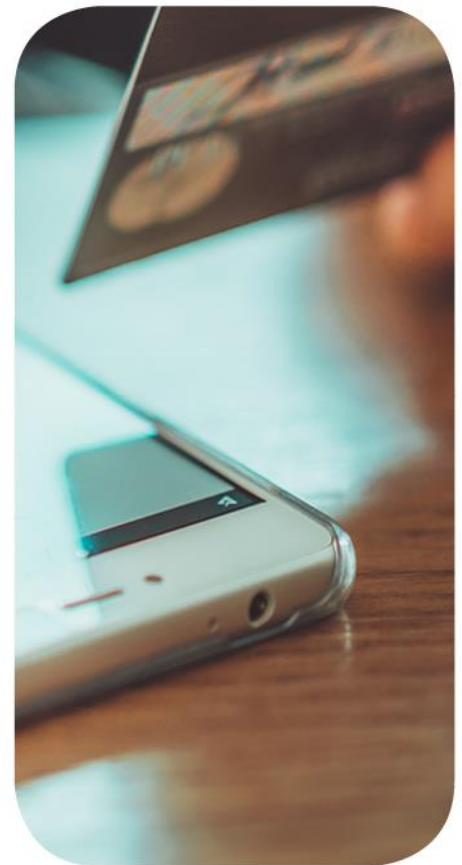
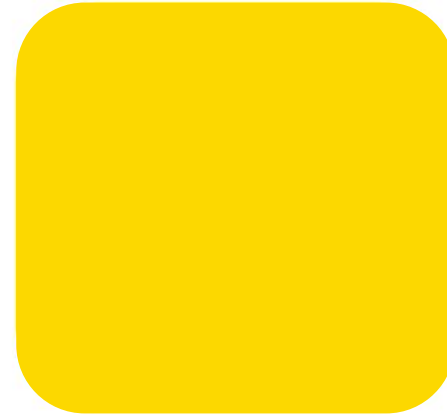


To continue our purpose of advancing financial inclusion, we will address the following key topics regarding new-to-credit consumers

- **Sizing and Profile:** Review the importance and characteristics of NTC consumers
- **Journey:** Take a deeper look at the journey of NTC consumers from first product opening to subsequent products opened
- **Voice of Consumer:** Share findings from survey of NTC consumers to better understand their credit needs
- **Strategic Implications:** Highlight implications for lenders to consider



Sizing and Profile of NTC Consumers





How many NTC consumers, on an annual basis, entered the South African credit market before the pandemic?

A. 800,000

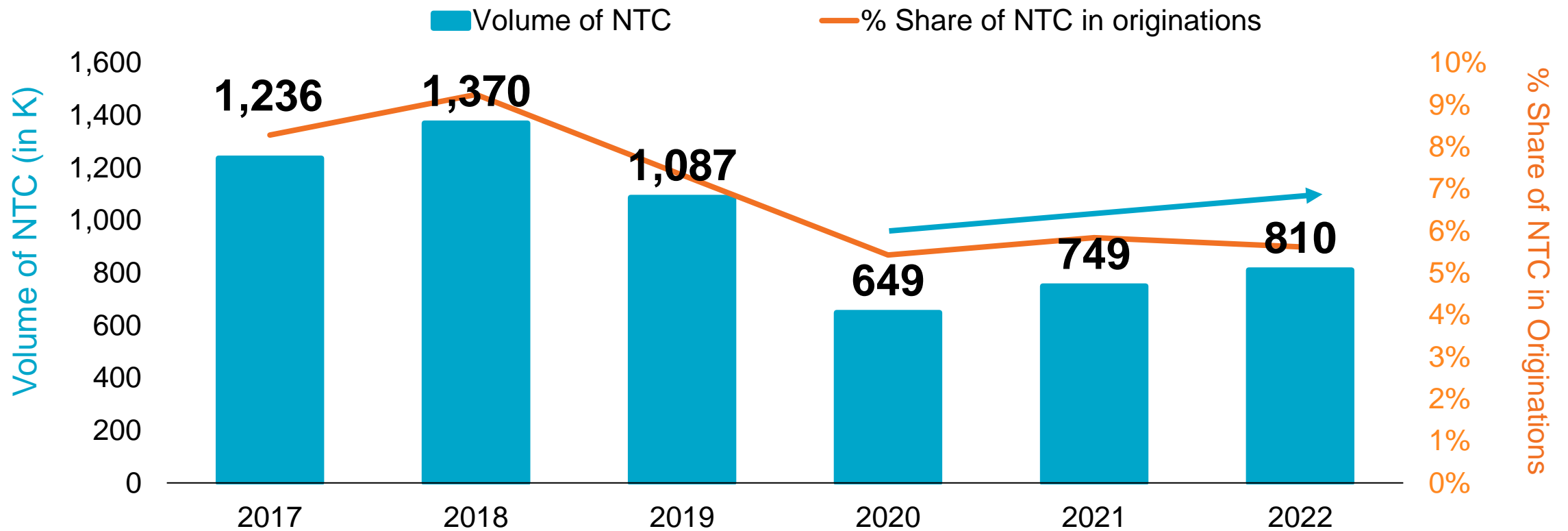
B. 1,200,000

C. 1,750,000

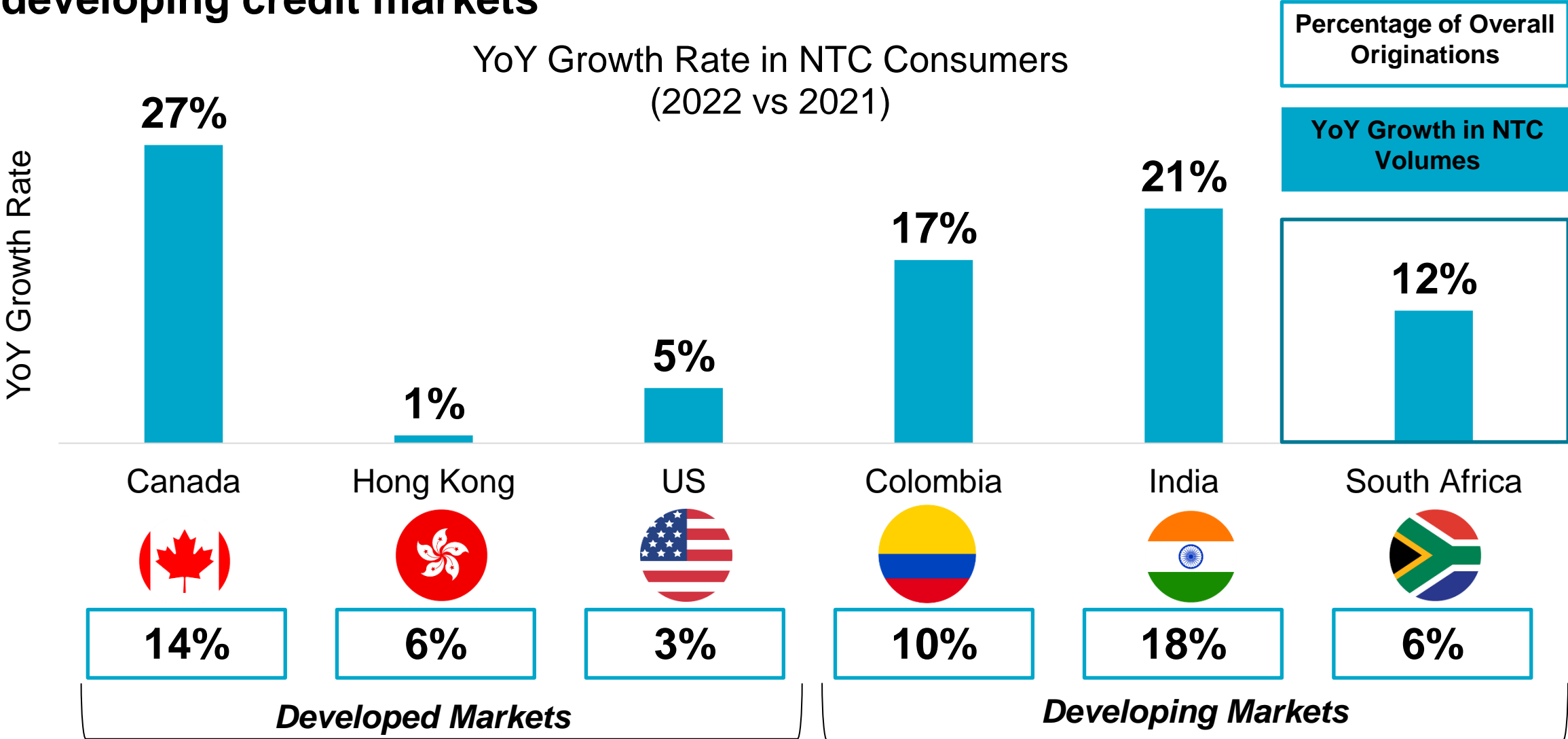
D. 1,000,000

New-to-credit consumers are crucial to the success of the South African credit economy

Volume of NTC Consumers and % Share of NTC in Originations



Growth in NTC consumers has rebounded recently across developed and developing credit markets



NTC consumers are generally younger, implying different needs, preferences and channels for opening credit products

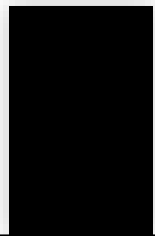
Gen Z
Millennials

Percentage of Consumers That Are Gen Z and Millennials

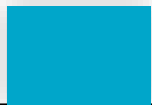
Developed Markets



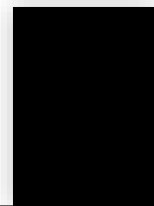
60%



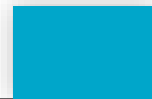
26%



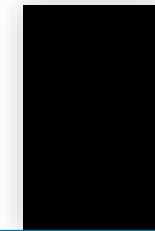
53%



25%



59%



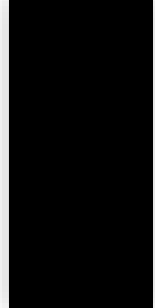
21%



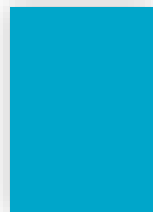
Developing Markets



47%



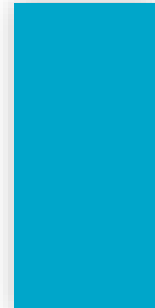
31%



29%



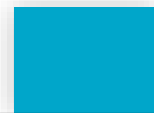
42%



57%

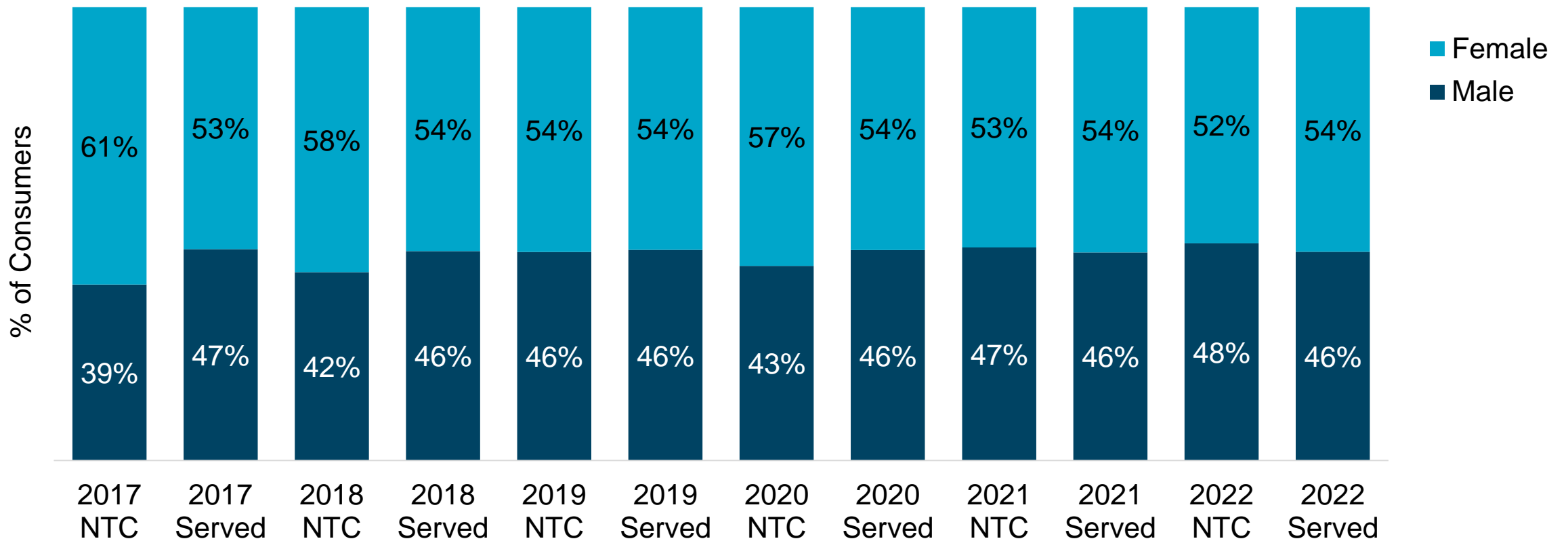


28%

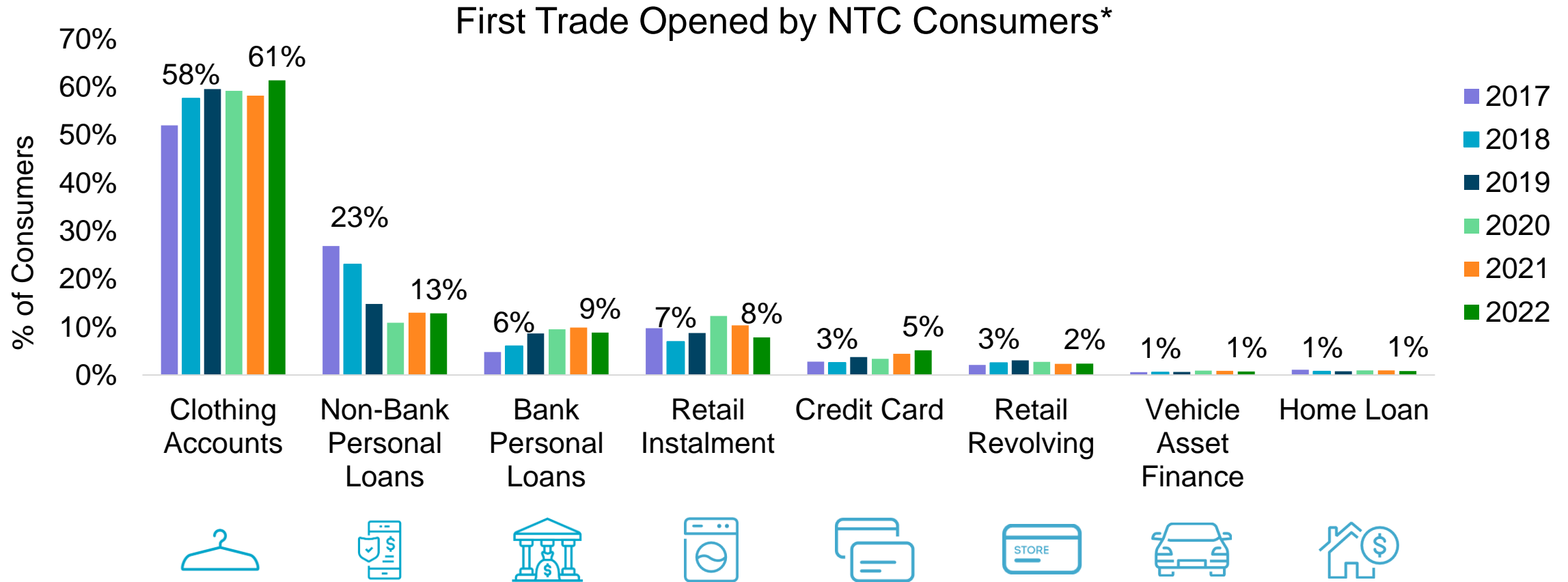


Majority of South Africa's credit active population are women and New-To-Credit consumers are no different

Gender Distribution



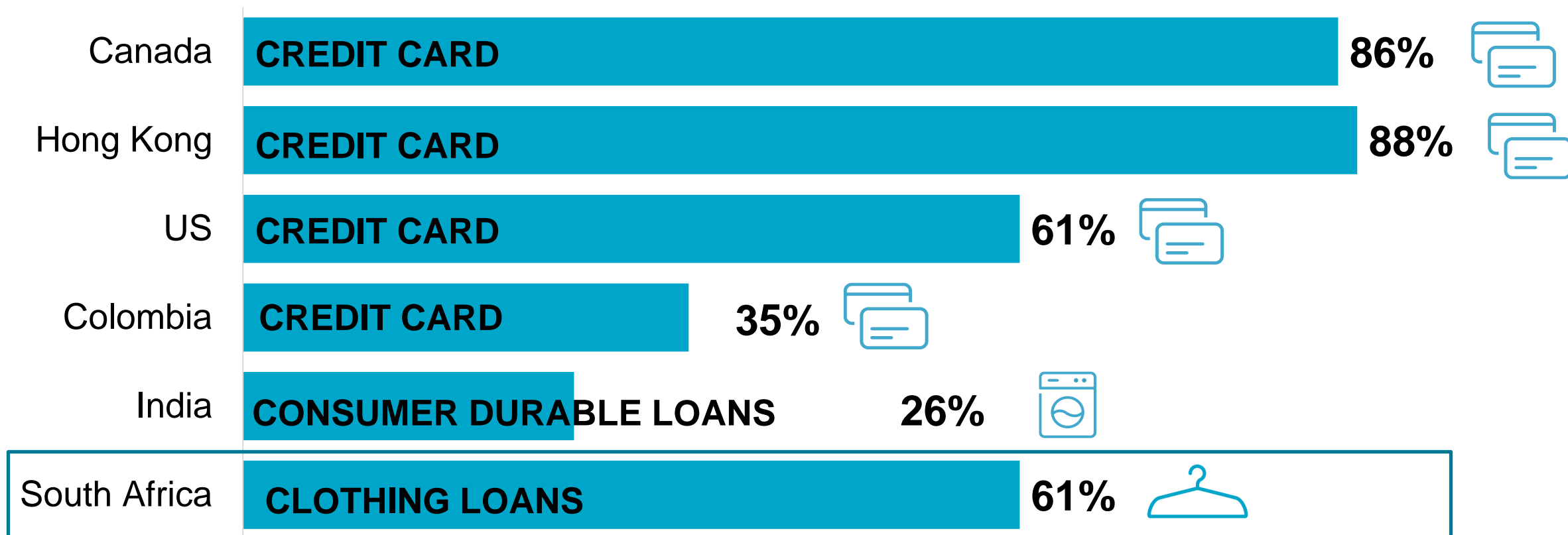
Majority of NTC consumers opened clothing accounts as their first credit product; only about 5% opened credit cards



*Home Loans and Vehicle Finance Excluded due to low volumes

Consumption-based loans are popular entry products in developing markets, compared to credit cards in developed economies

First Credit Product in Wallet of NTC Consumers





NTC Consumers are...

- Women borrowers—an important segment and one that requires continued focus on inclusion in the financial services sector.
- Younger and hence offers an excellent opportunity for developing long-term customer relationship.
- Starting their financial journey with basic necessities such as clothing accounts or consumption-based products i.e. personal loans.

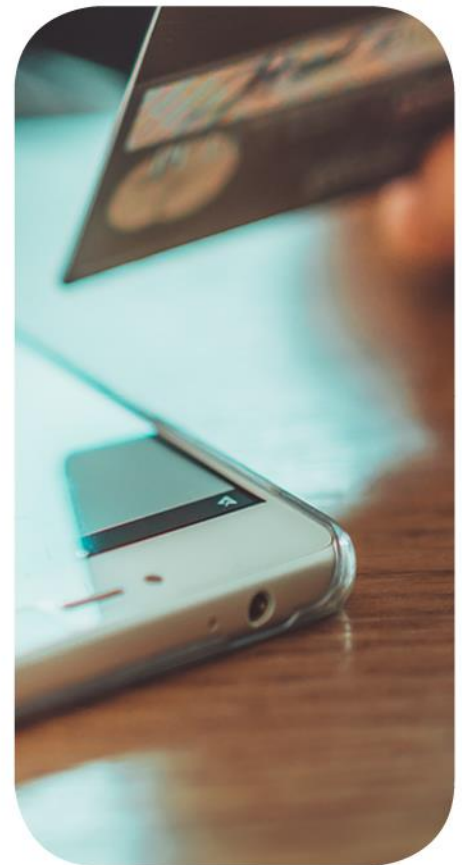
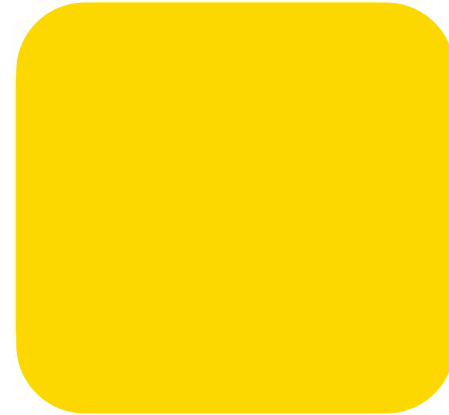
Who are NTC Consumers?



How can TU help you serve NTCs better as they become ready to enter the credit marketplace?

TransUnion^{tu}

Journey of NTC Consumers: First Credit Product in Wallet



We compared NTC consumers to credit served consumers to better understand their unique characteristics and behaviors

Classify
NTC and
Credit Served
Consumers at t



NTC are those who opened their first credit product



CREDIT SERVED

- Oldest trade opened at least 2 years ago, and
- 1+ currently open accounts, and
- 2+ product types OR 3+ currently open accounts

t

Jul 2019 – Dec 2019 (*Pandemic Cohort*)
Jan 2017 – Jun 2017 (*Pre-pandemic Cohort*)

Measure at t:

- Age
- Credit Scores
(for NTC at t+3; for Credit Served at t)
- Products in Wallet
- Credit History

t + 24 months

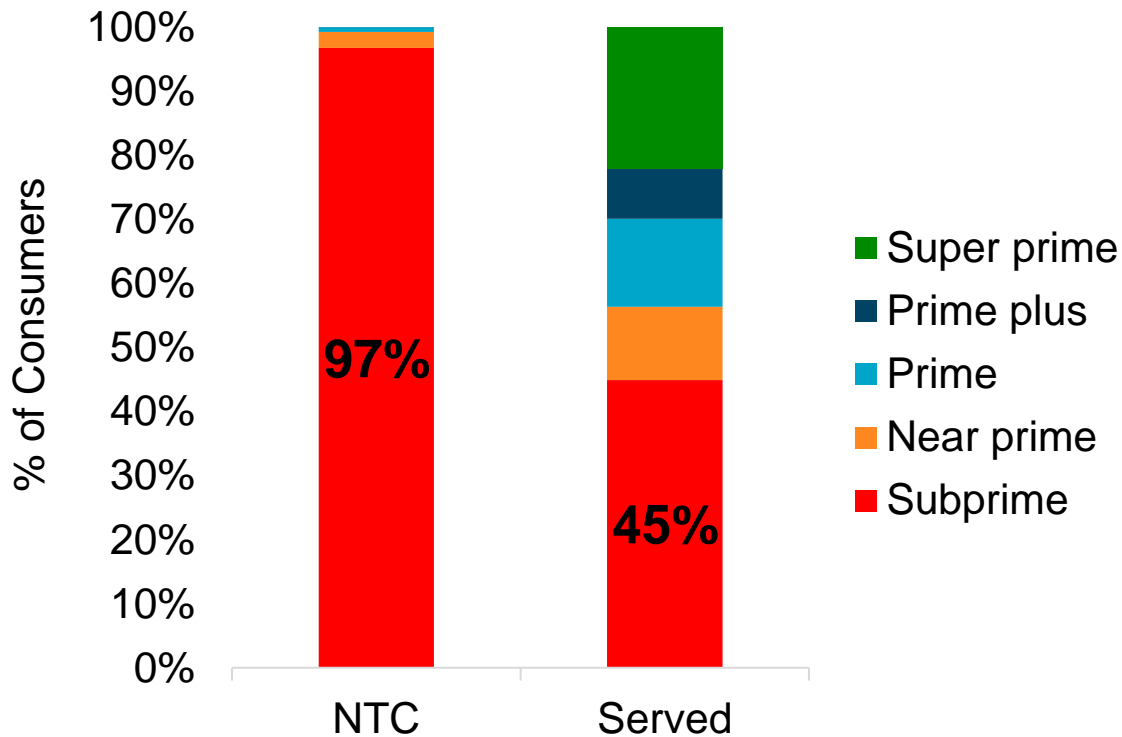
Jul 2021 – Dec 2021 (**Pandemic Cohort**)

Measure between t and t+24 months:

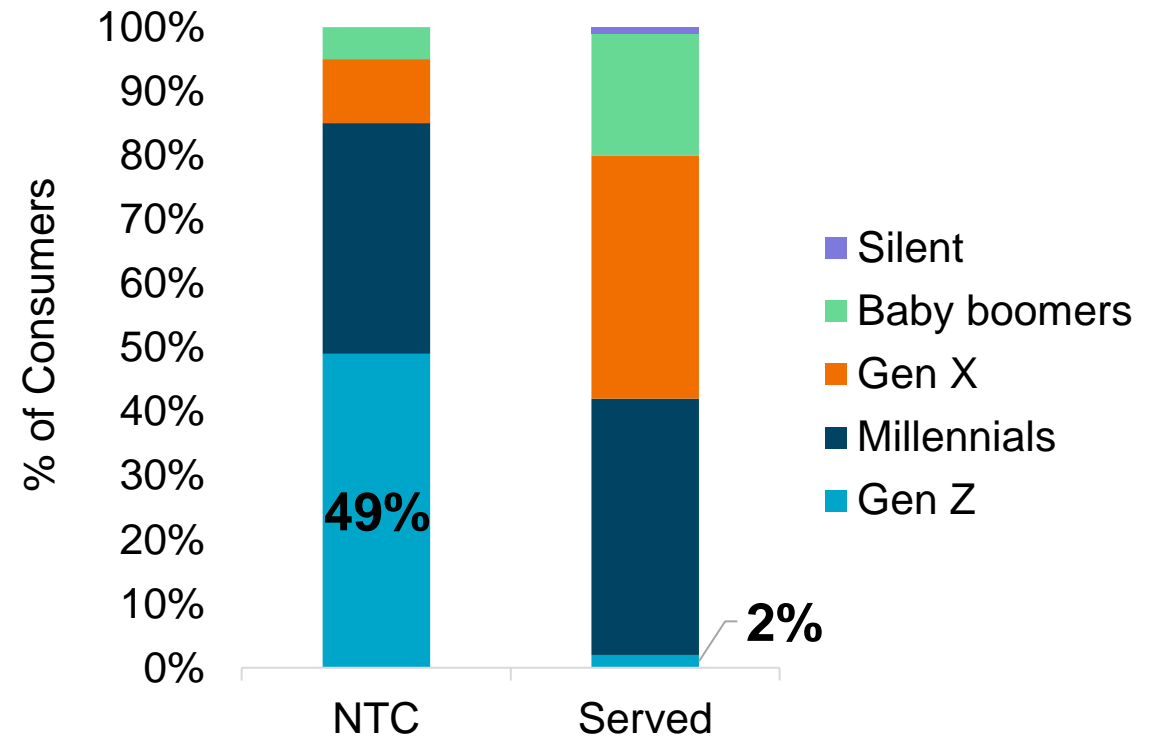
- New Loan/Line Amount
- Outstanding Balances
- Delinquency Performance

Unsurprisingly, our NTC study population is comprised of younger and higher risk consumers

Risk Distribution of NTC Consumers



Generation Distribution of NTC Consumers

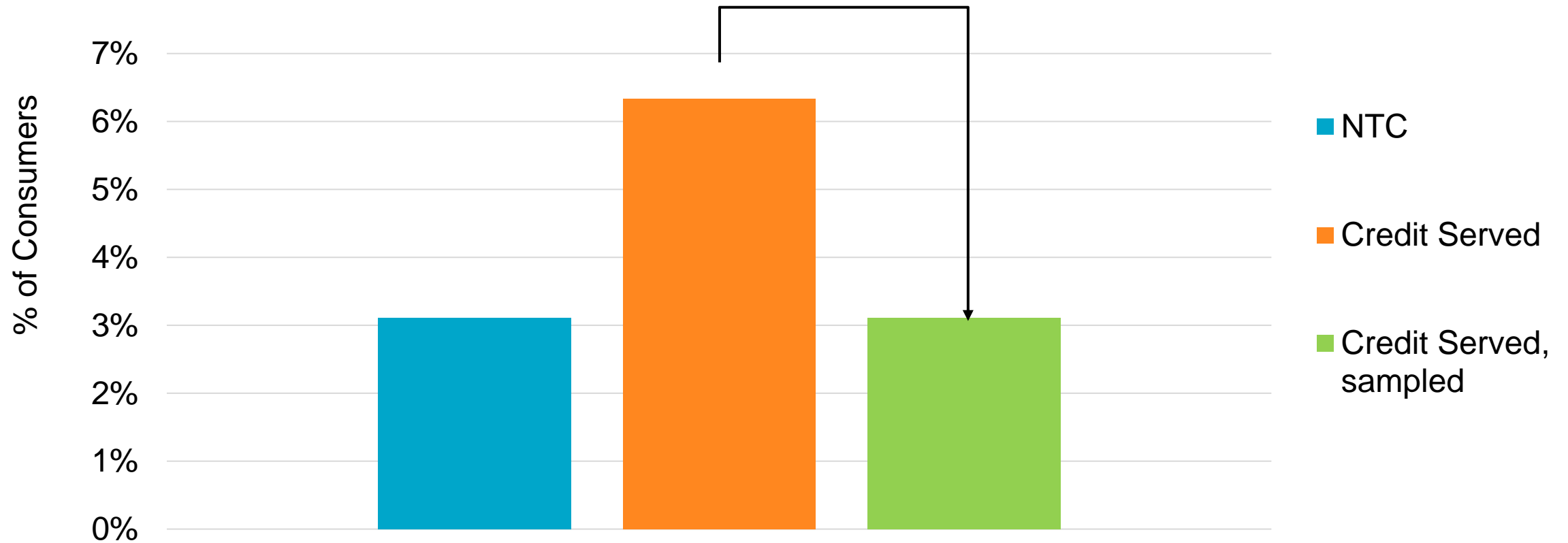


CreditVision® Risk Score:
Subprime = 300-639; Near prime = 640-719; Prime = 720-759; Prime plus = 760-799; Super prime = 800+



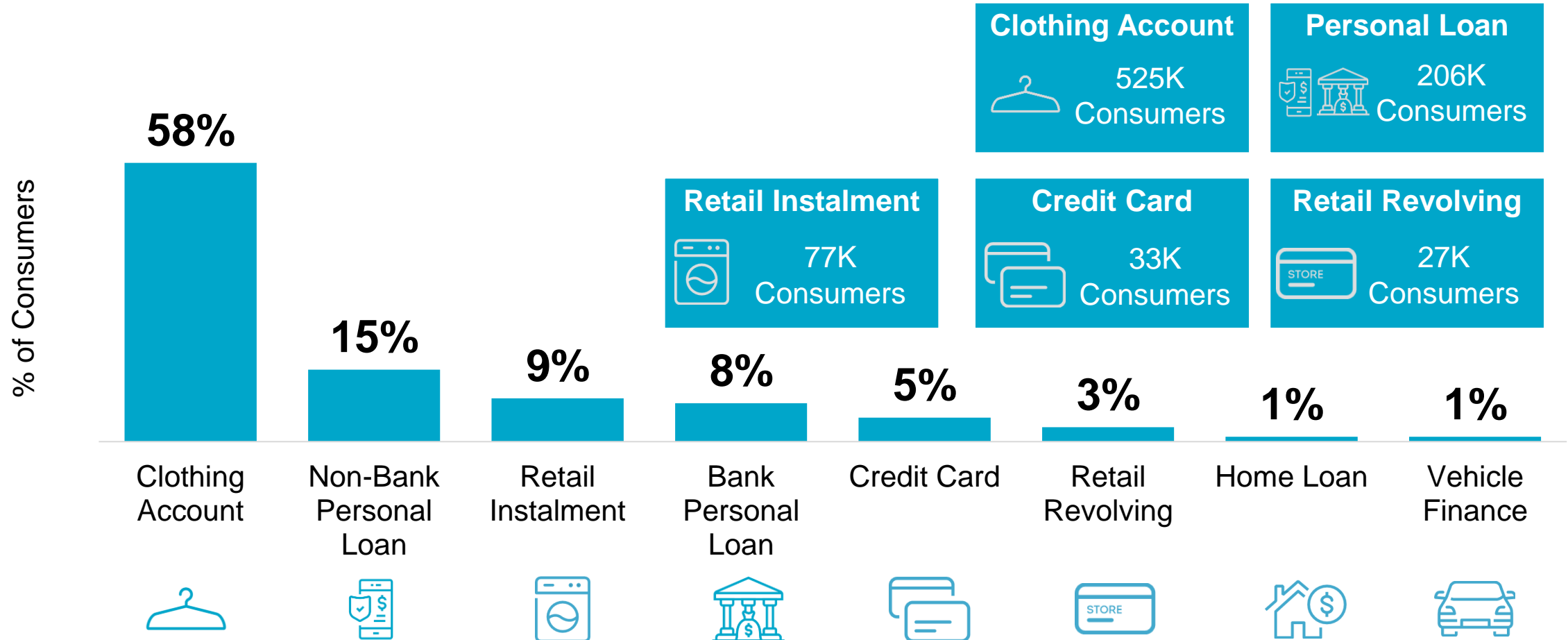
Hence, we controlled for risk and age differences to ensure comparability amongst the two segments

Example of Sampling Down by Risk and Age Segments



Given the unique nature of each consumer's needs and related product preferences, we will explore the following NTC personas

First Trade Opened by NTC Consumers

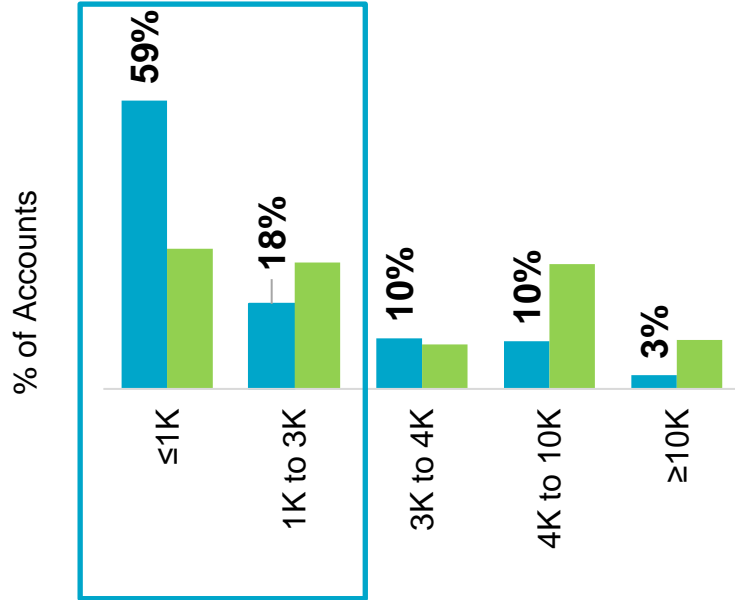


South African NTC consumers start their journey with significantly lower access compared to credit served consumers

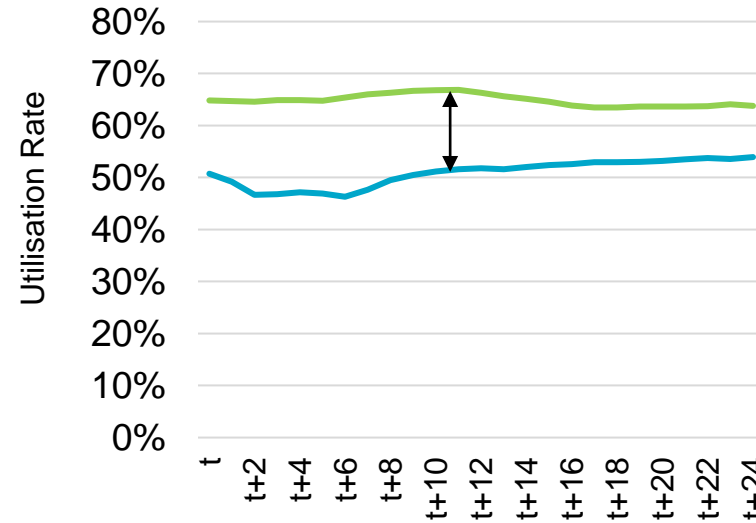


New-to-Credit
Credit Served

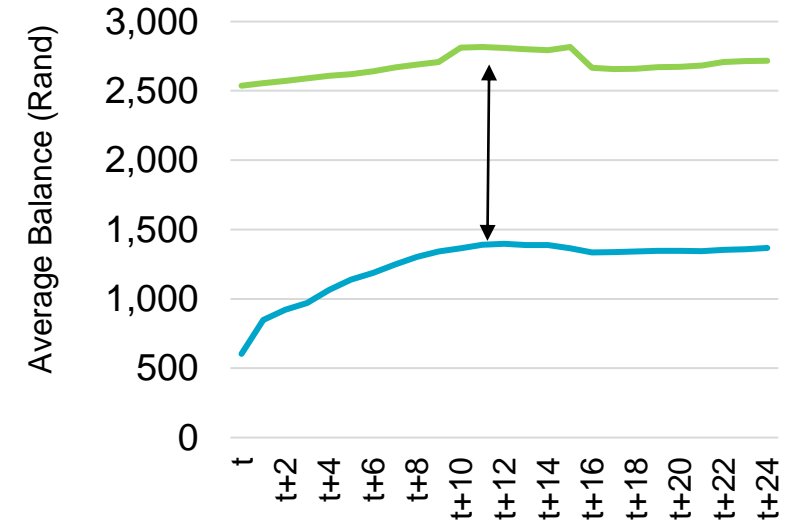
Clothing Account Limit



Average Clothing Account Utilisation Per Consumer



Average Clothing Account Balance Per Consumer



1 NTC consumers tend to have lower credit limits than credit served consumers

2 NTC consumers utilise lines 10% points below credit served consumers

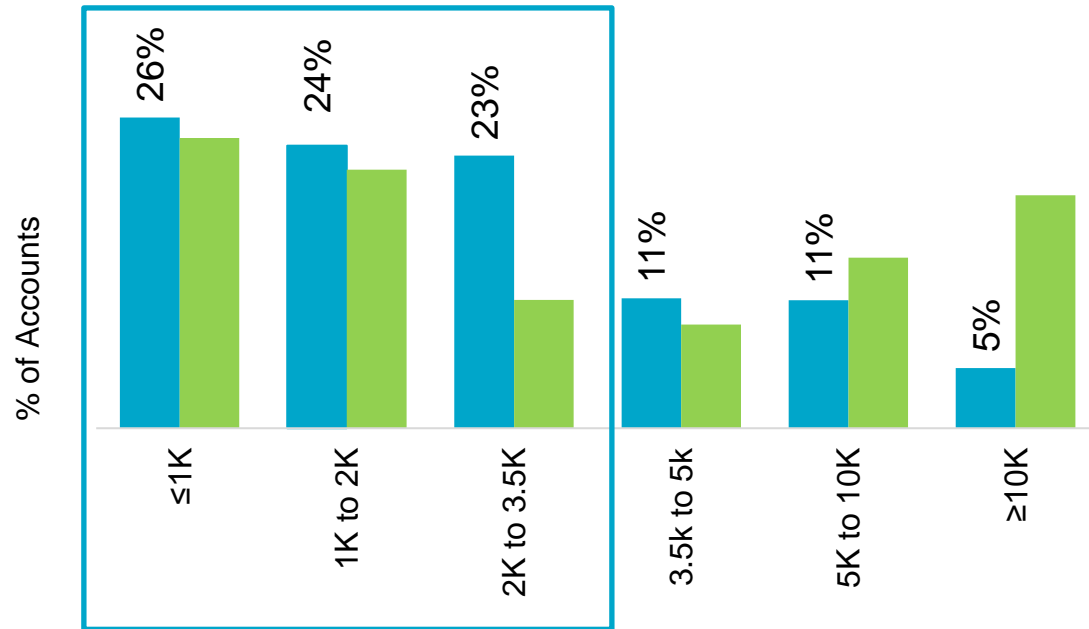
3 As a result, NTC consumers carry lower balances, but tend to build balances over time

NTC consumers starting their journeys with personal loans are issued lower amounts compared to their counterparts

New-to-Credit
Credit Served



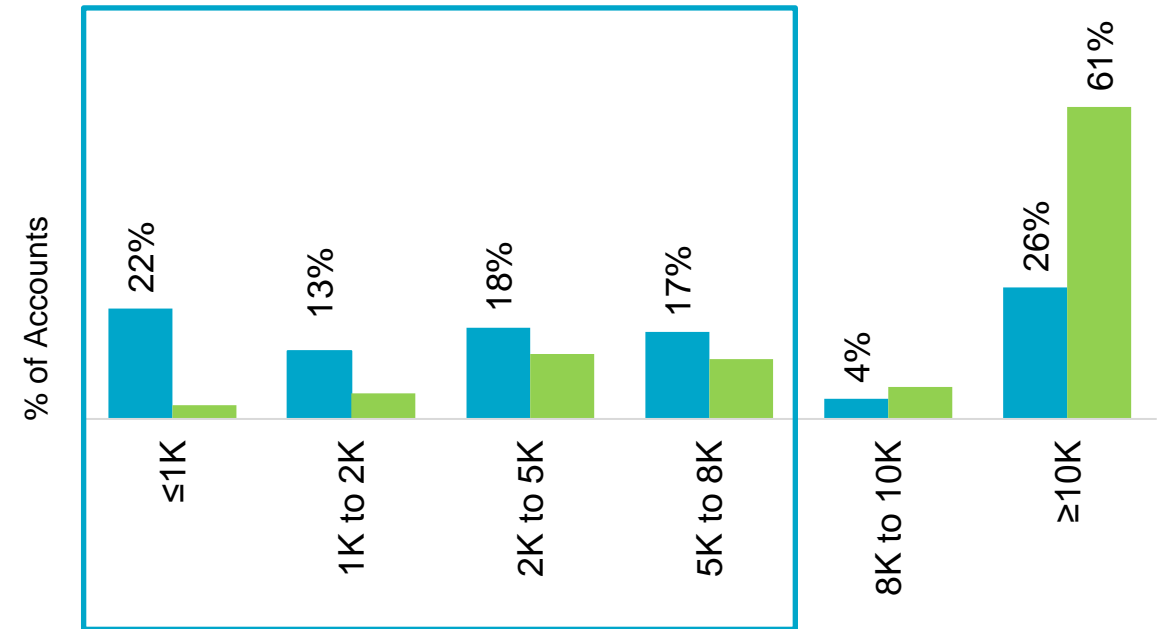
Non-Bank Personal Opening Loan Amount



1 NTC consumers tend to have lower loan amounts than credit served consumers



Bank Personal Loan Opening Loan Amount

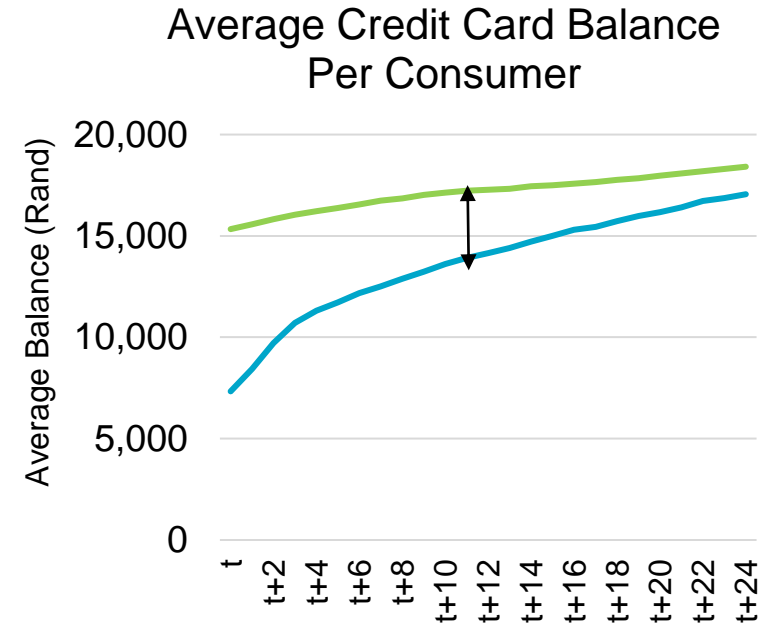
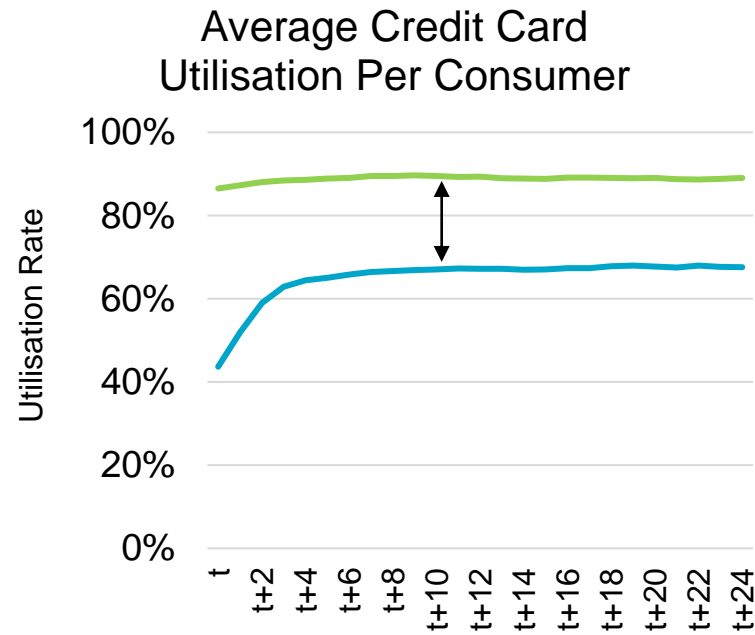
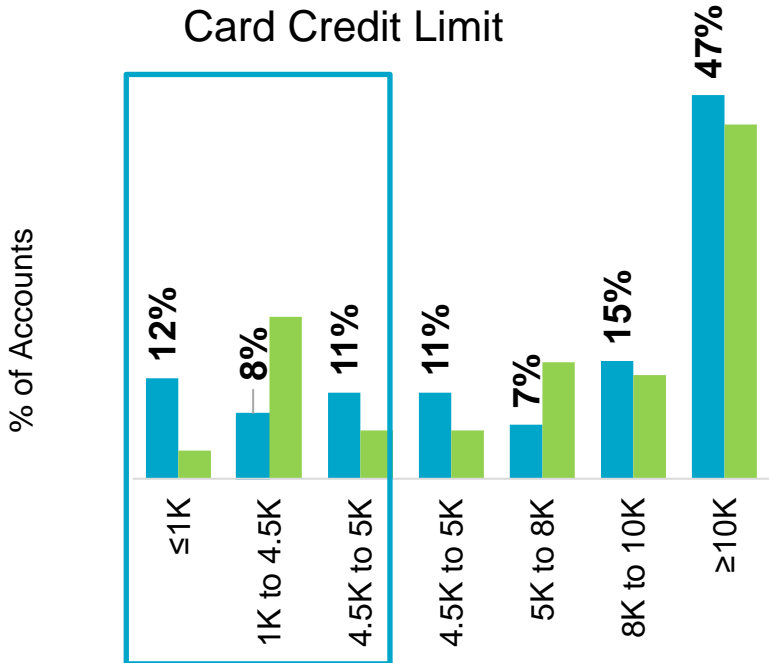


2 NTC consumers tend to have lower credit loan amounts than credit served consumers

NTC consumers receive low credit limits on their first card in wallet, but build balances over time



New-to-Credit
Credit Served



1 NTC consumers tend to have lower credit limits than credit served consumers

2 NTC consumers utilise lines 20% points below credit served consumers

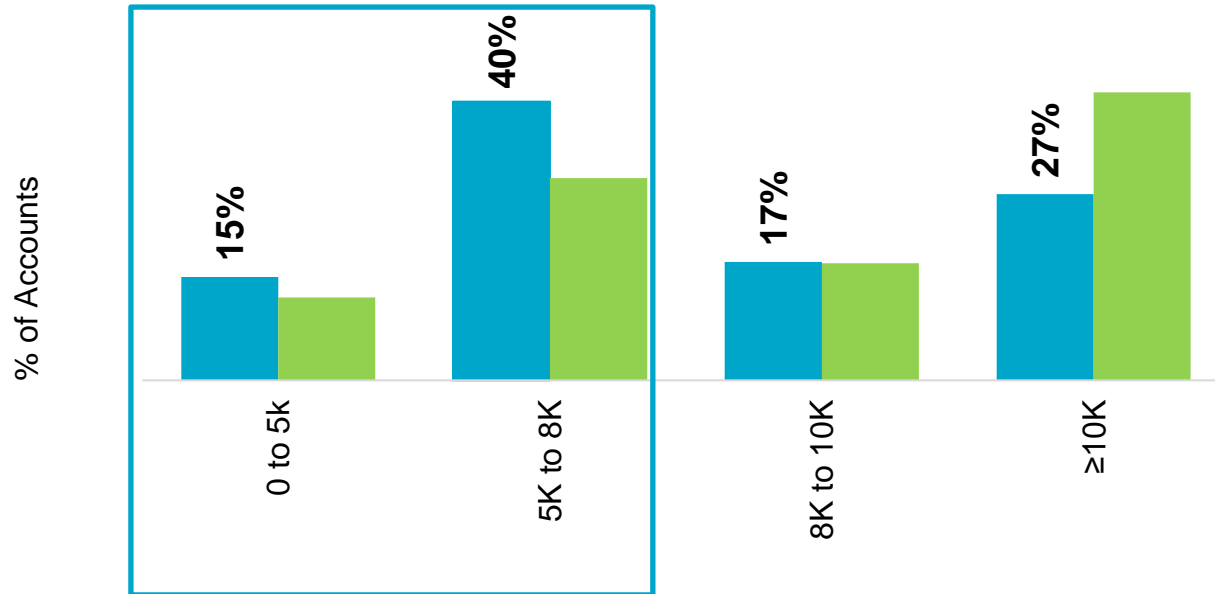
3 As a result, NTC consumers carry lower balances, but tend to build balances over time

Retail Instalment NTC consumers start their journeys with smaller retail instalment loans



New-to-Credit
Credit Served

Retail Instalment Average Opening Loan Amount

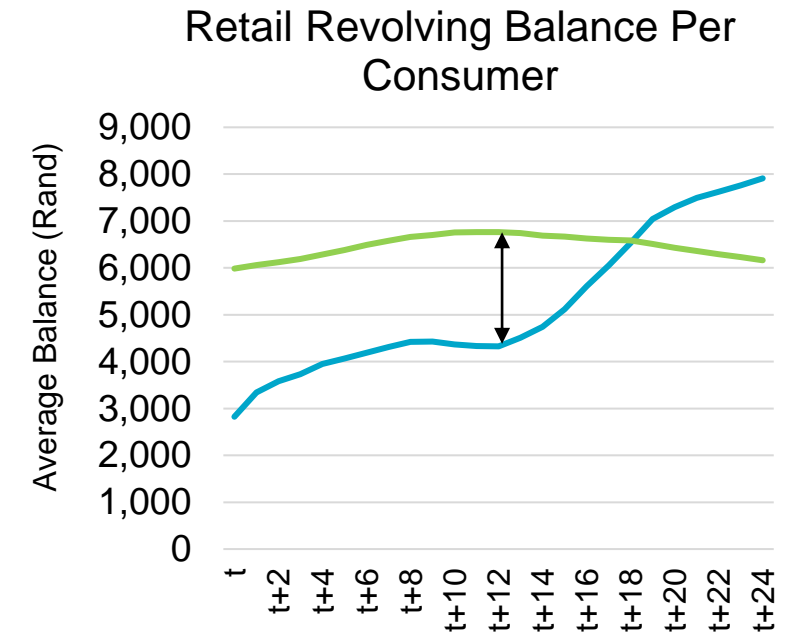
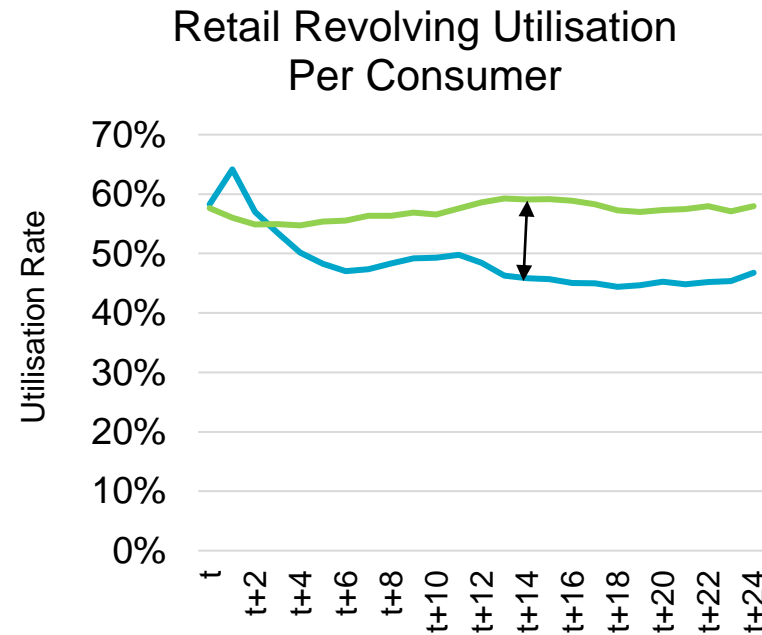
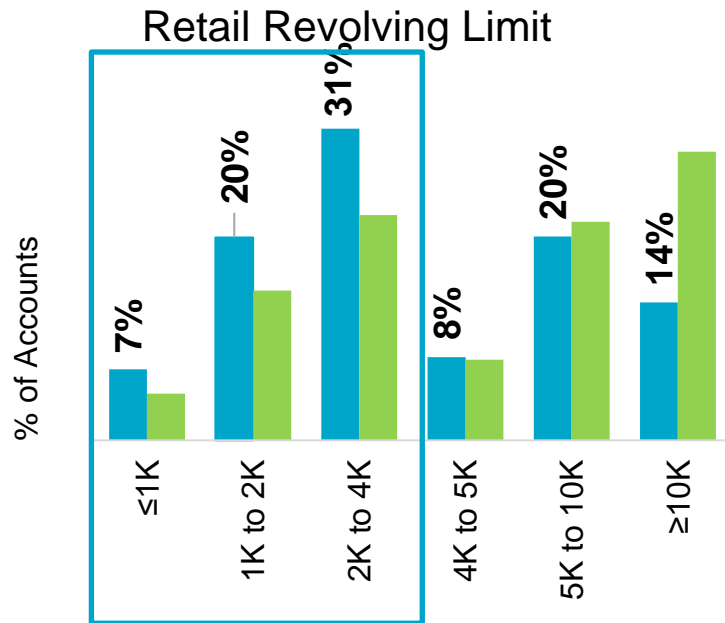


1 NTC consumers tend to have lower loan amounts than credit served consumers

NTC consumers build balances on their first retail revolving line at a faster pace than credit served consumers



New-to-Credit
Credit Served

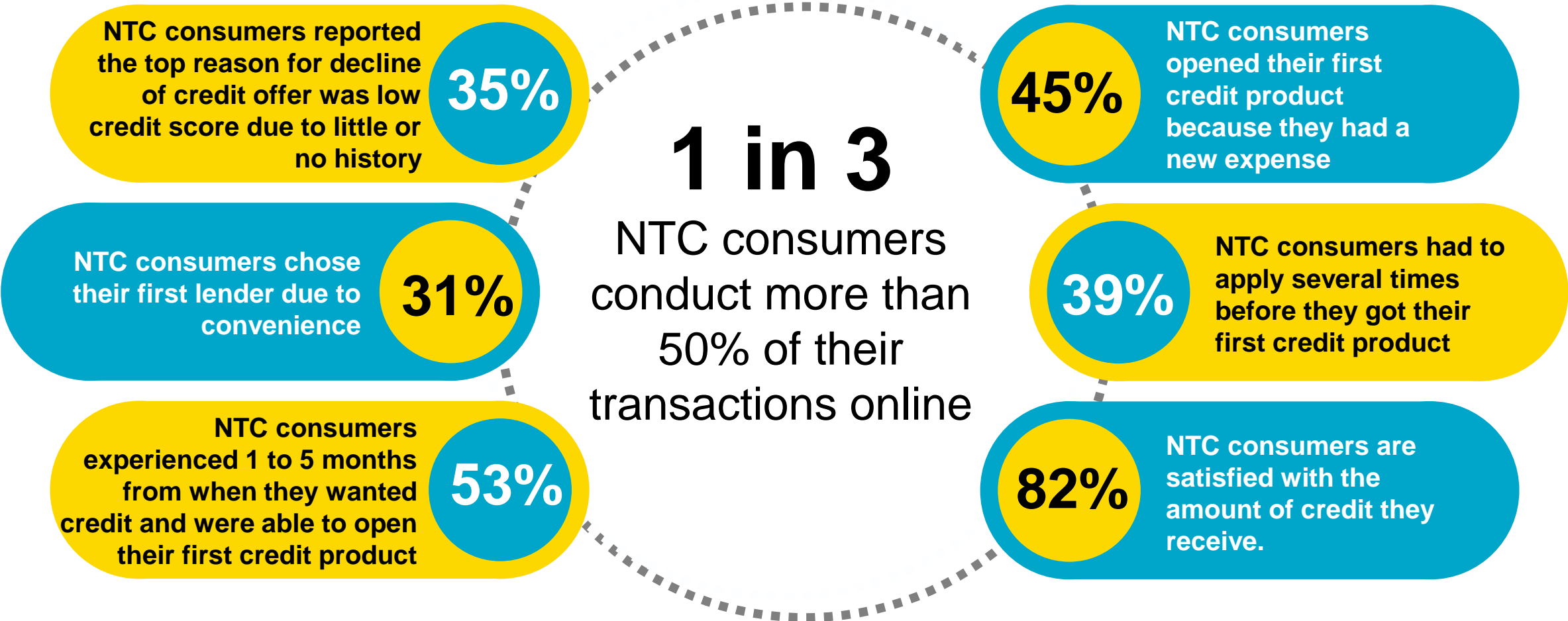


1 NTC consumers tend to have lower credit limits than credit served consumers

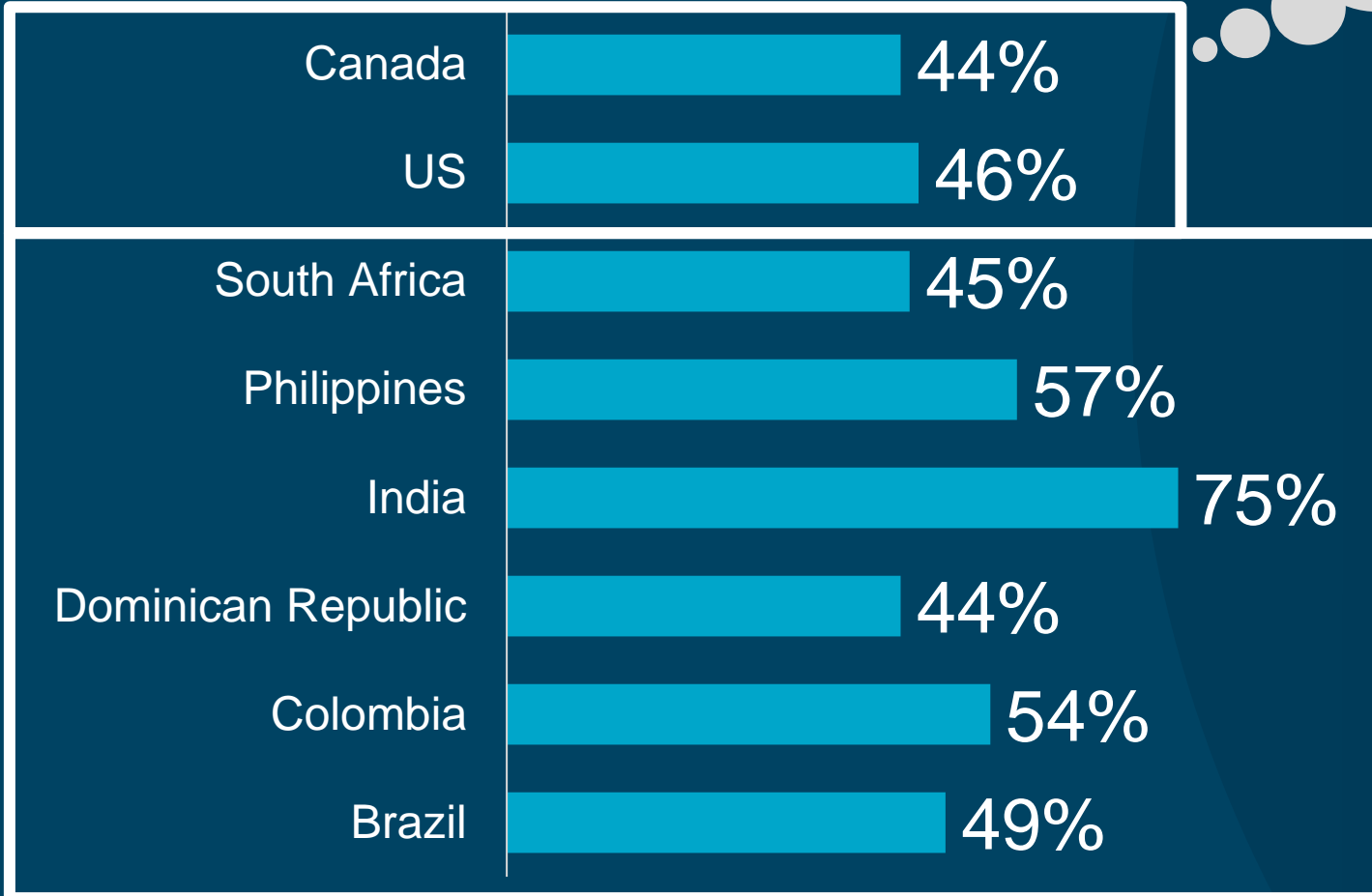
2 NTC consumers utilise lines similarly to served consumers

3 As a result, NTC consumers carry lower balances at first, but tend to build balances over time

We surveyed South African NTC consumers to hear more about their experiences in opening first credit product



We surveyed 8,000 NTC consumers across regions to learn why they opened their first credit product

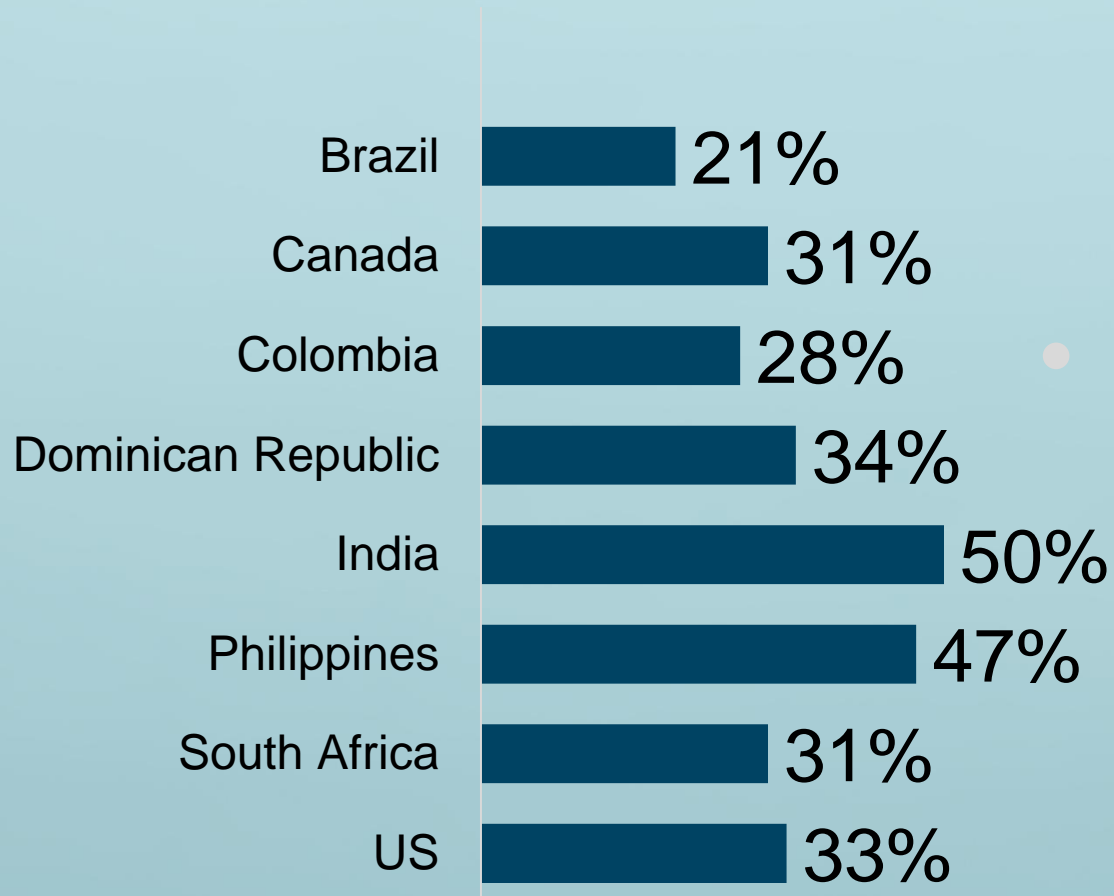


“Convenient means of spending” reported as the most common reason for opening first credit product

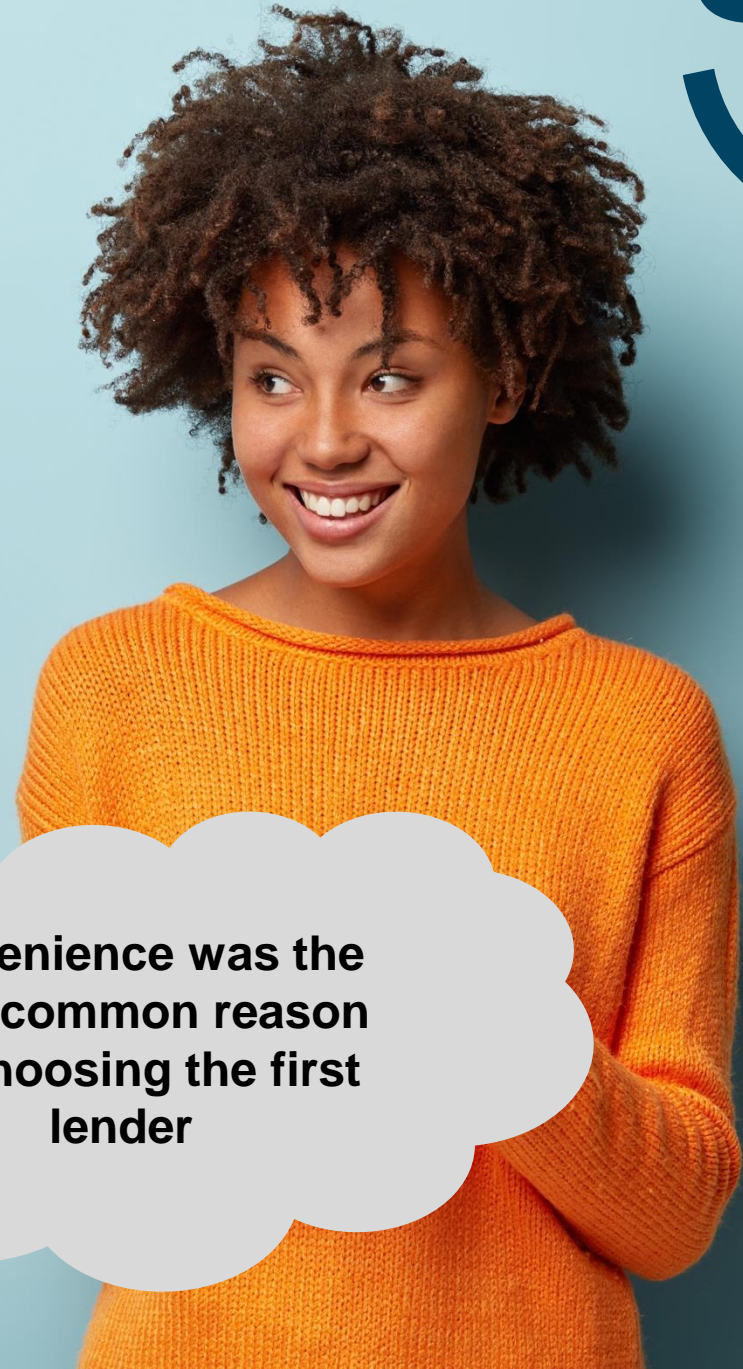
“Had new expense” reported as the most common reason for opening first credit product



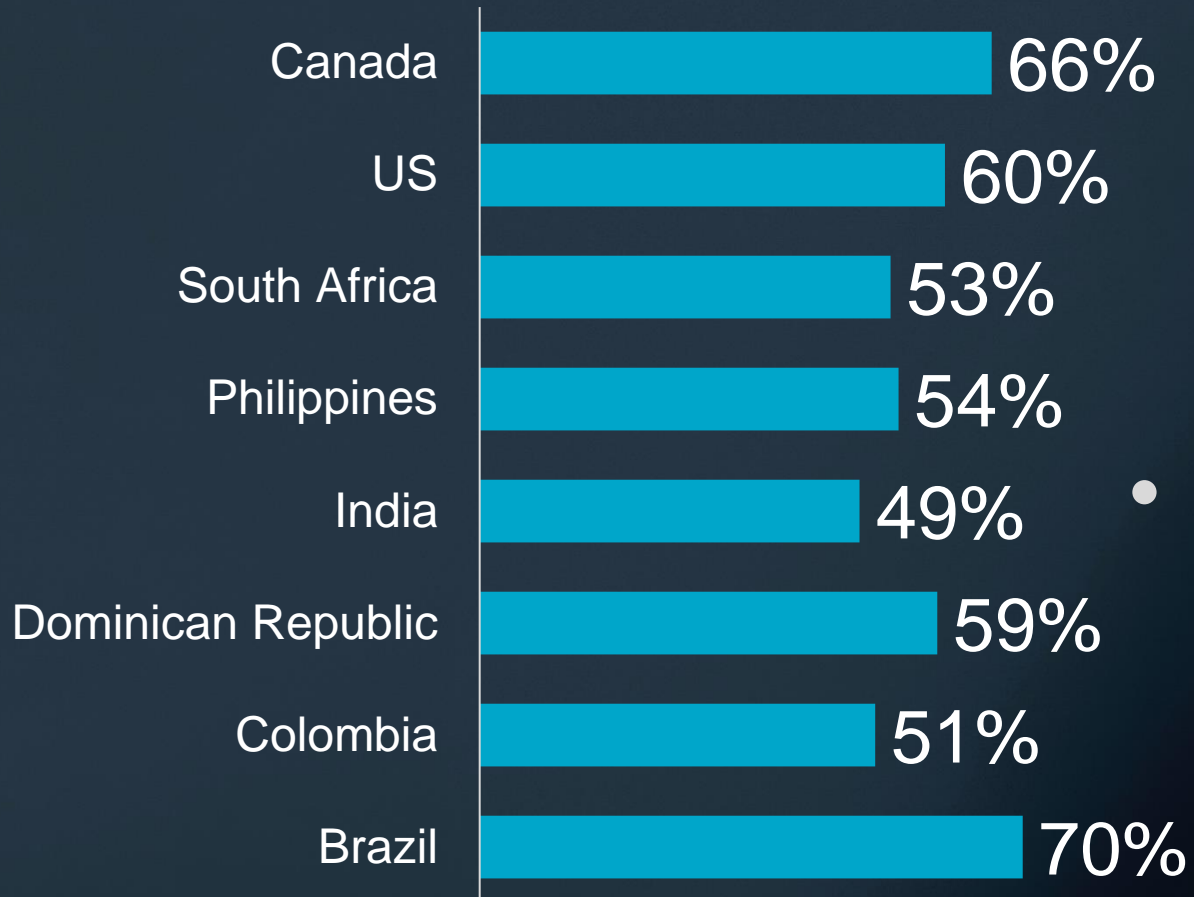
We asked NTC consumers what factor drove their choice of first lender



Convenience was the most common reason for choosing the first lender



NTC consumers responded as to how long it took to get credit once they decided they wanted it



Percent of NTC consumers who responded getting approved within one month





NTC Consumers...

- Gain lower amounts at origination, primarily due to lower risk appetite for those with little or no credit history.
- Build credit balances over time, indicating their growing credit needs and awareness of credit after they enter the market.
- Choose their first lender due to convenience.
- Face hurdles in their credit journey, including low credit scores due to limited history, and multiple applications before securing their first credit product.

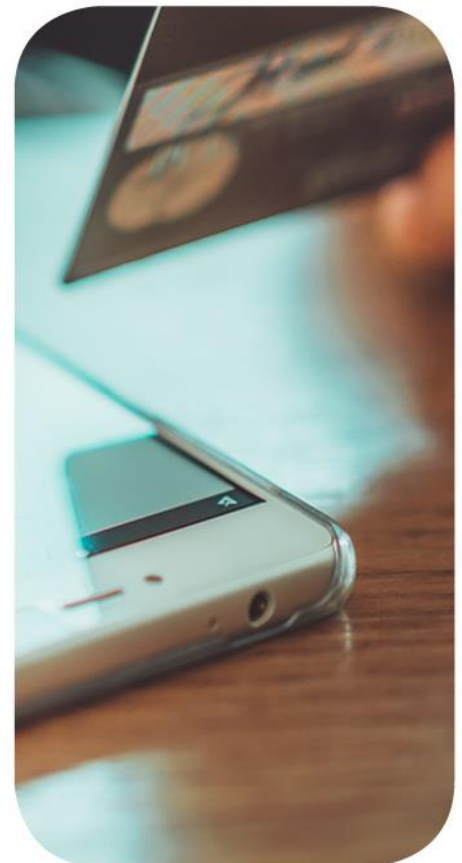
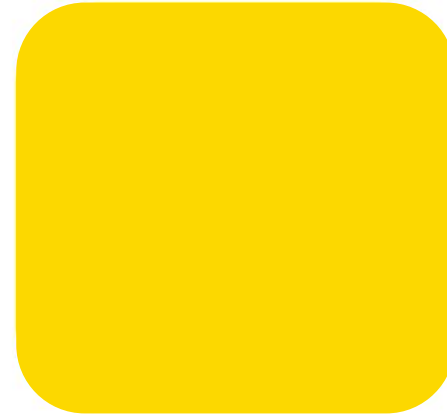
What products do NTC open first and how do they perform?



How can TU help you serve NTCs better as they become ready to enter the credit marketplace?

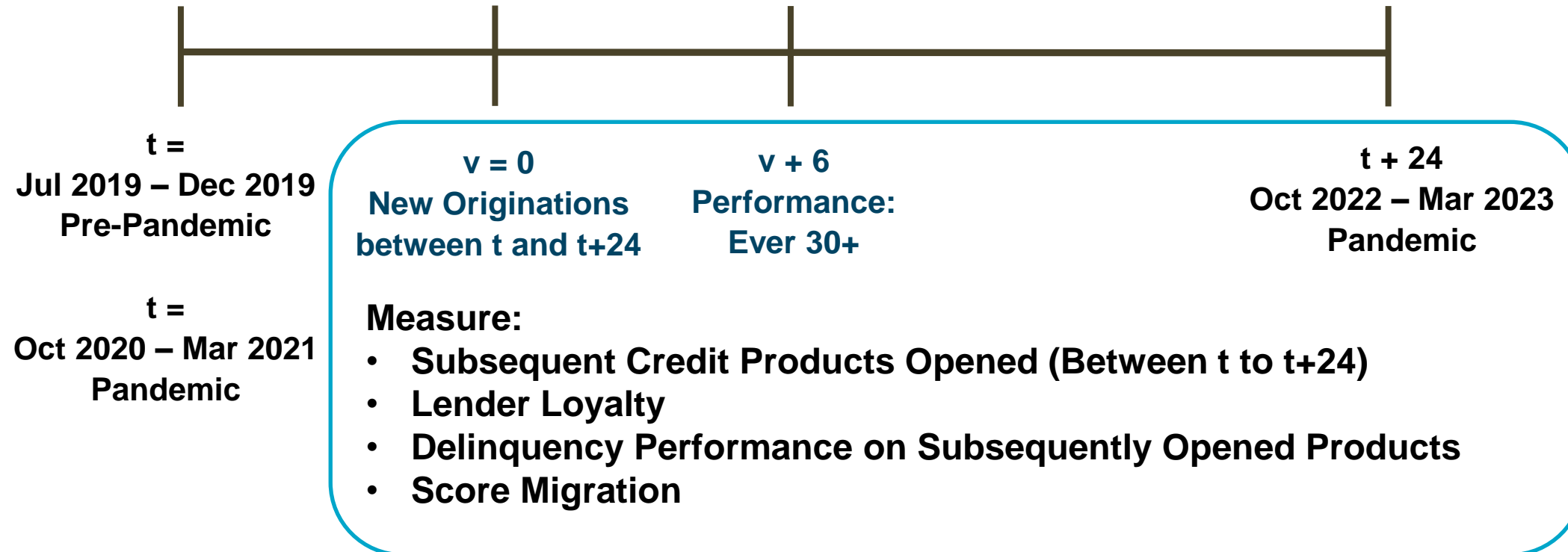


Journey of NTC Consumers: Subsequent Credit Product Openings



We followed the journey of NTC consumers after their first product opening to evaluate opportunities to advance credit inclusion

Classify
NTC and Credit Served
Consumers at t





What percentage of NTC consumers open subsequent products within the first two years of entering the credit market?

A. 20% - 25%

B. 30% - 40%

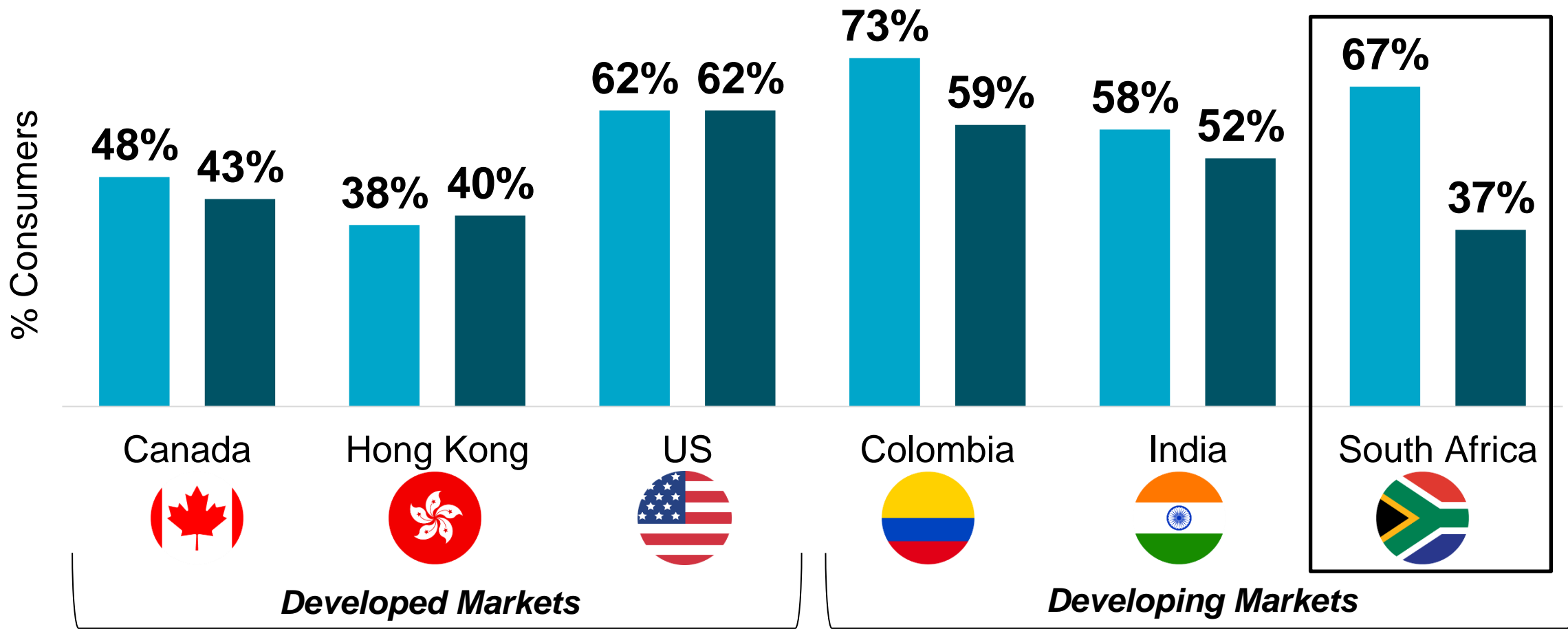
C. 45% - 55%

D. 60% - 80%

A significant ratio of NTC consumers open subsequent credit product(s) within two years of first product opening

Percentage of NTC Consumers Opening Second Product

Pre-Pandemic
Pandemic



Developed Markets

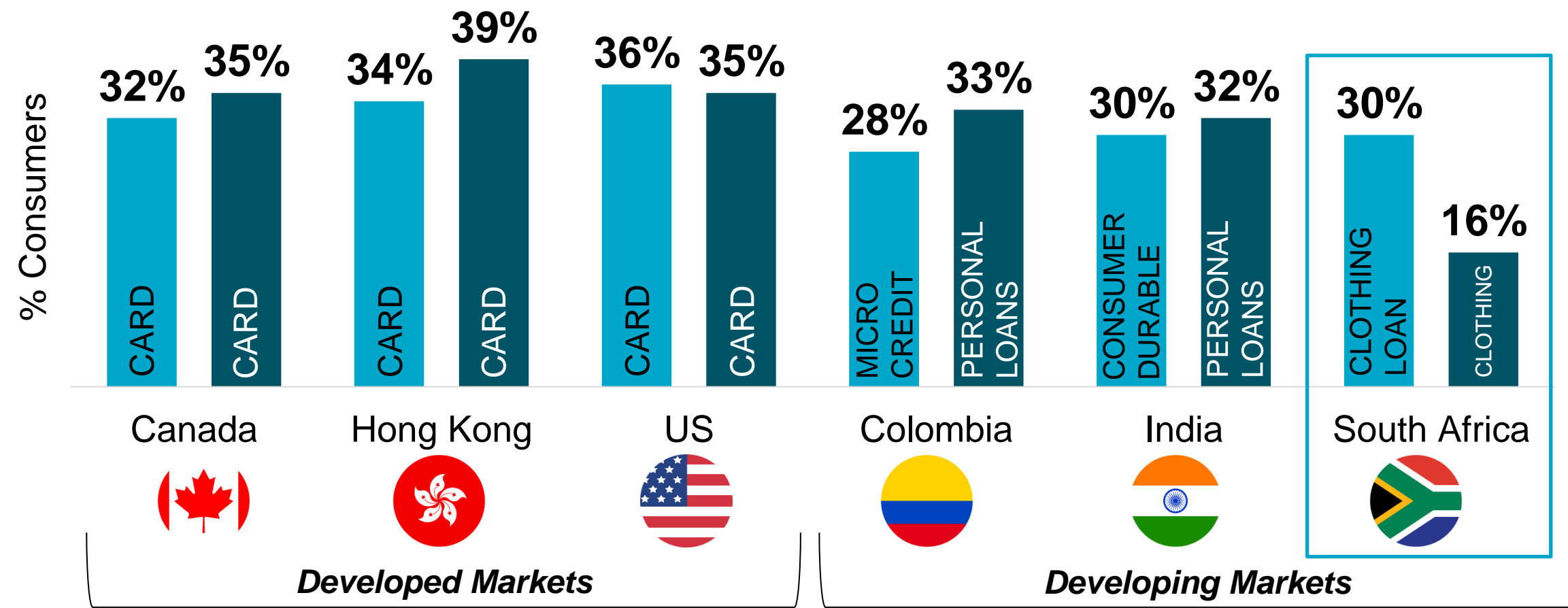
Developing Markets



NTC consumers in some developing economies are shifting product preferences, primarily related to digital acceleration in the markets

Percentage of NTC Consumers Opening Second Product

Pre-Pandemic
Pandemic


















Consumption products are popular subsequent products that South African NTC consumers open after entry into the market

 **NTC First Product of Entry**

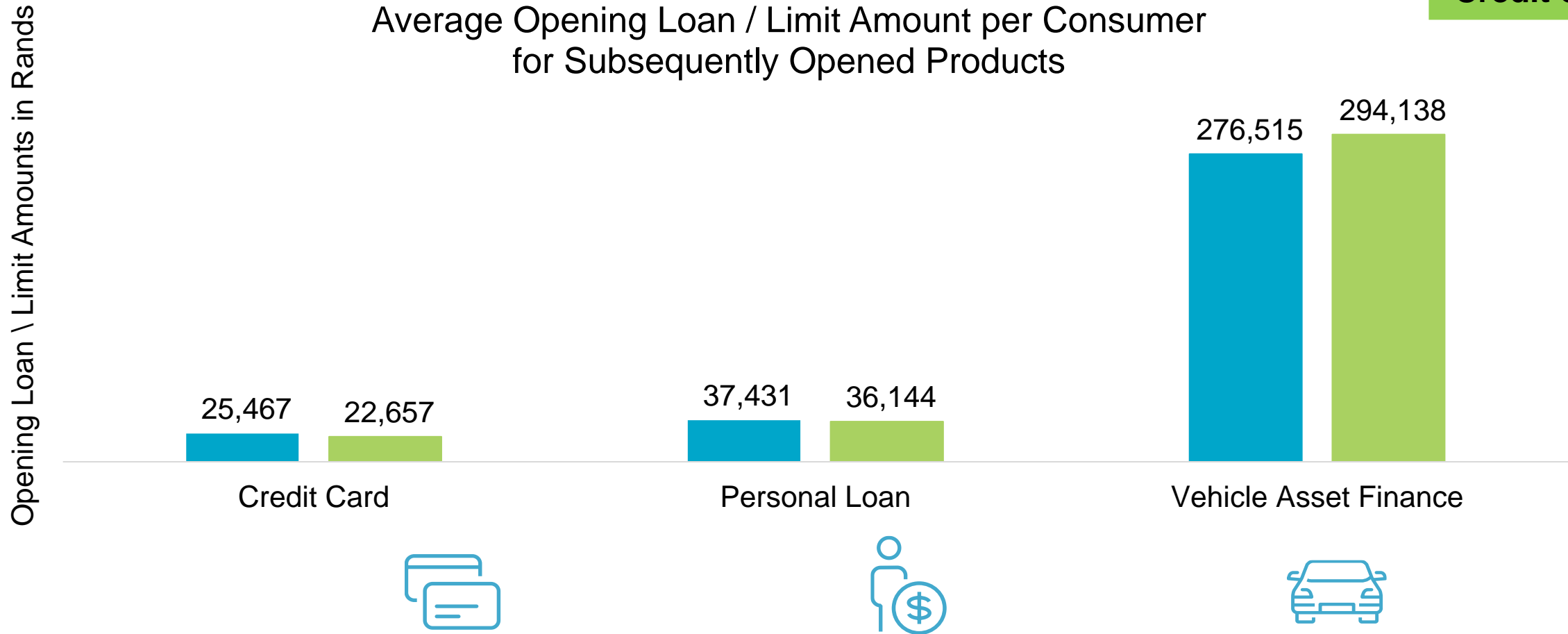


 **NTC Subsequent Products Opened within the First Two Years of Entry**

 Clothing Account		Clothing Account 52%	 Non-Bank Personal Loan 14%
 Non-Bank Personal Loan		Non-Bank Personal Loan 87%	 Clothing Account 5%
 Retail Instalment		Retail Instalment 54%	 Clothing Account 18%
 Bank Personal Loan		Bank Personal Loan 67%	 Clothing Account 13%
 Credit Card		Vehicle Finance 24%	 Bank Personal Loan 23%

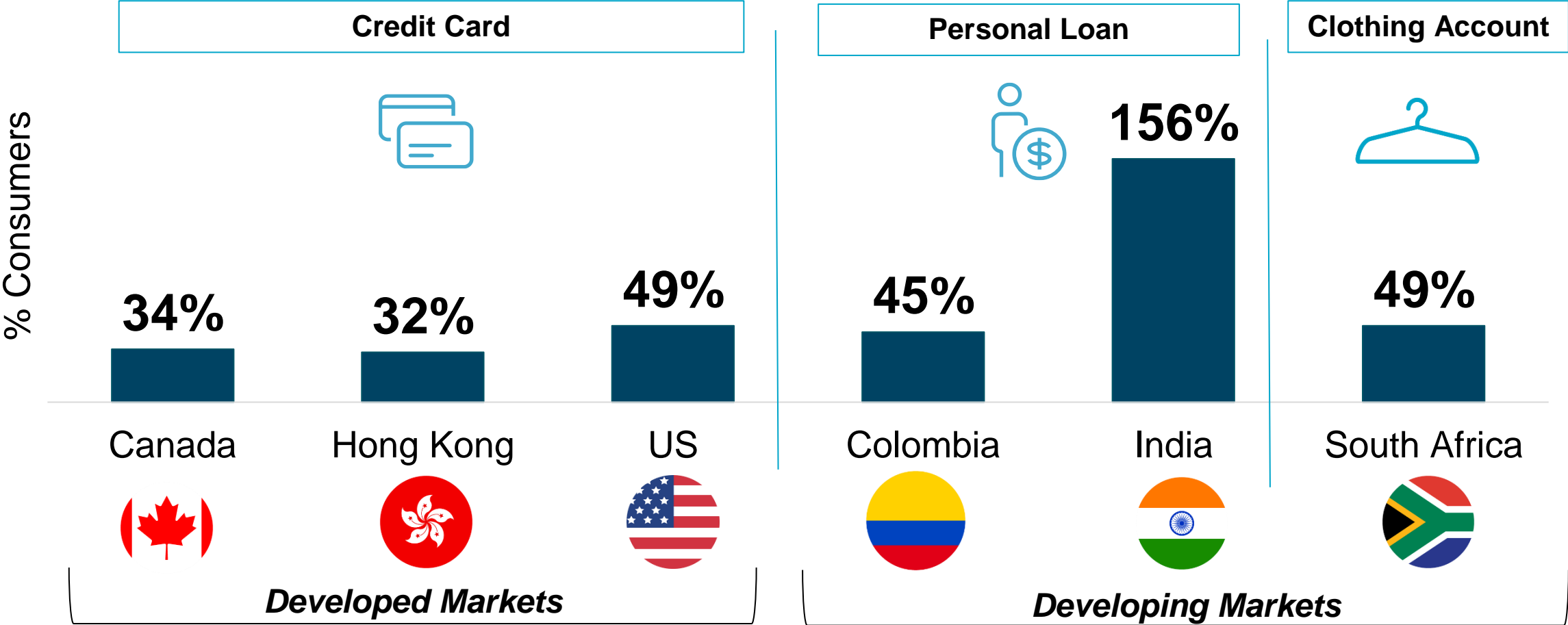
NTC consumers are generally offered comparable loan amounts even for the subsequently opened products

New-to-Credit
Credit Served



When comparing opening loan and line amounts, NTC consumers have lower access than credit served consumers, except for India

Opening Loan or Line Amount for NTC versus Credit Served For Subsequently Opened Products

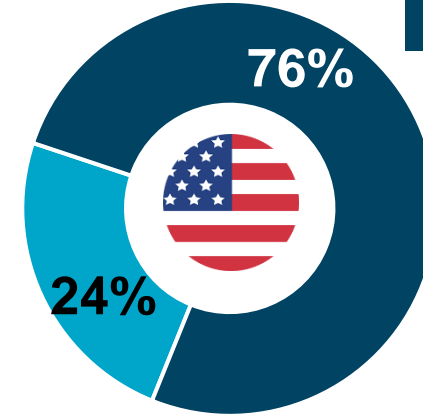
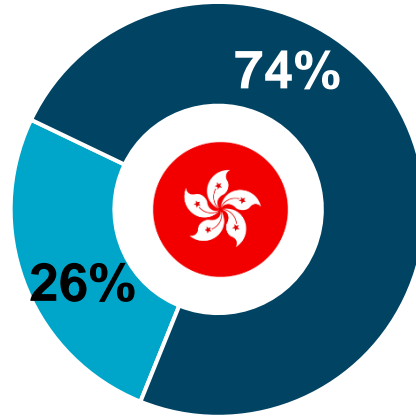
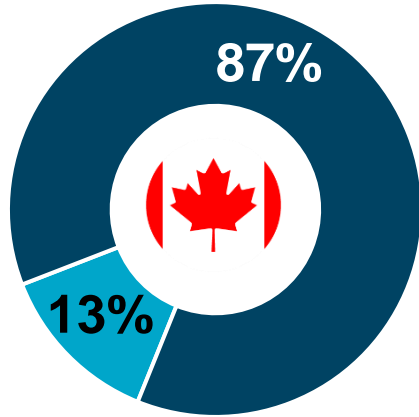


NTC consumers pose an opportunity, in terms of loyalty towards their first product lender for lifetime customer relationship

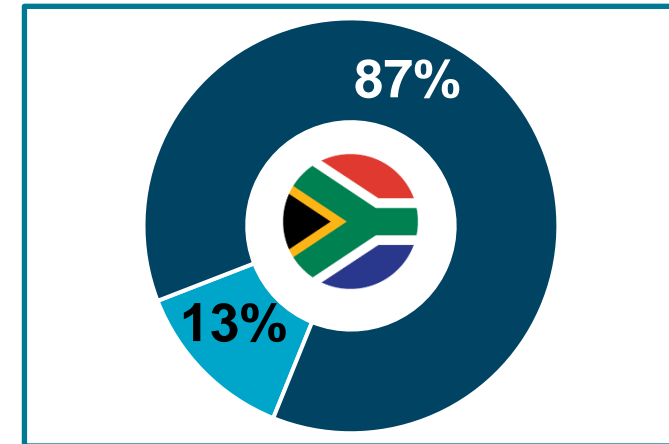
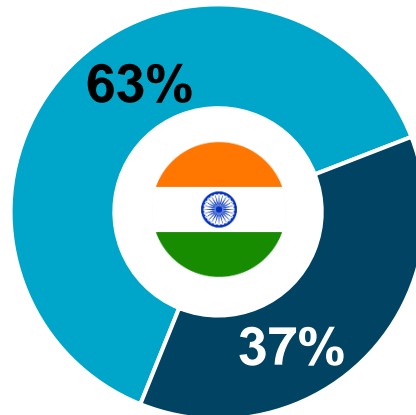
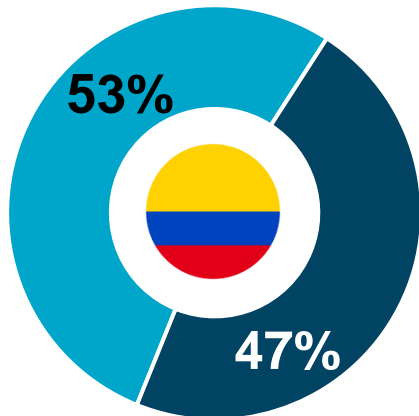
Opened subsequent product with existing lender in wallet

Opened subsequent product(s) with a new lender

Developed Markets



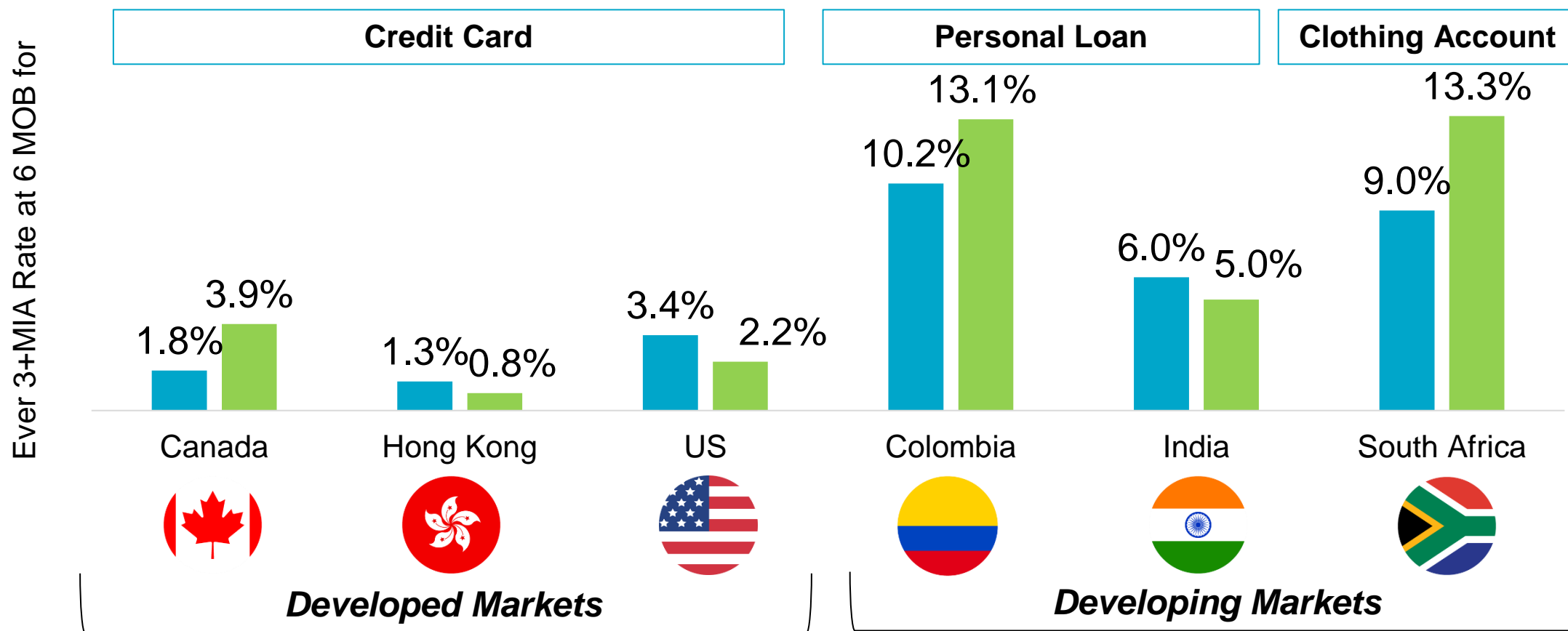
Developing Markets



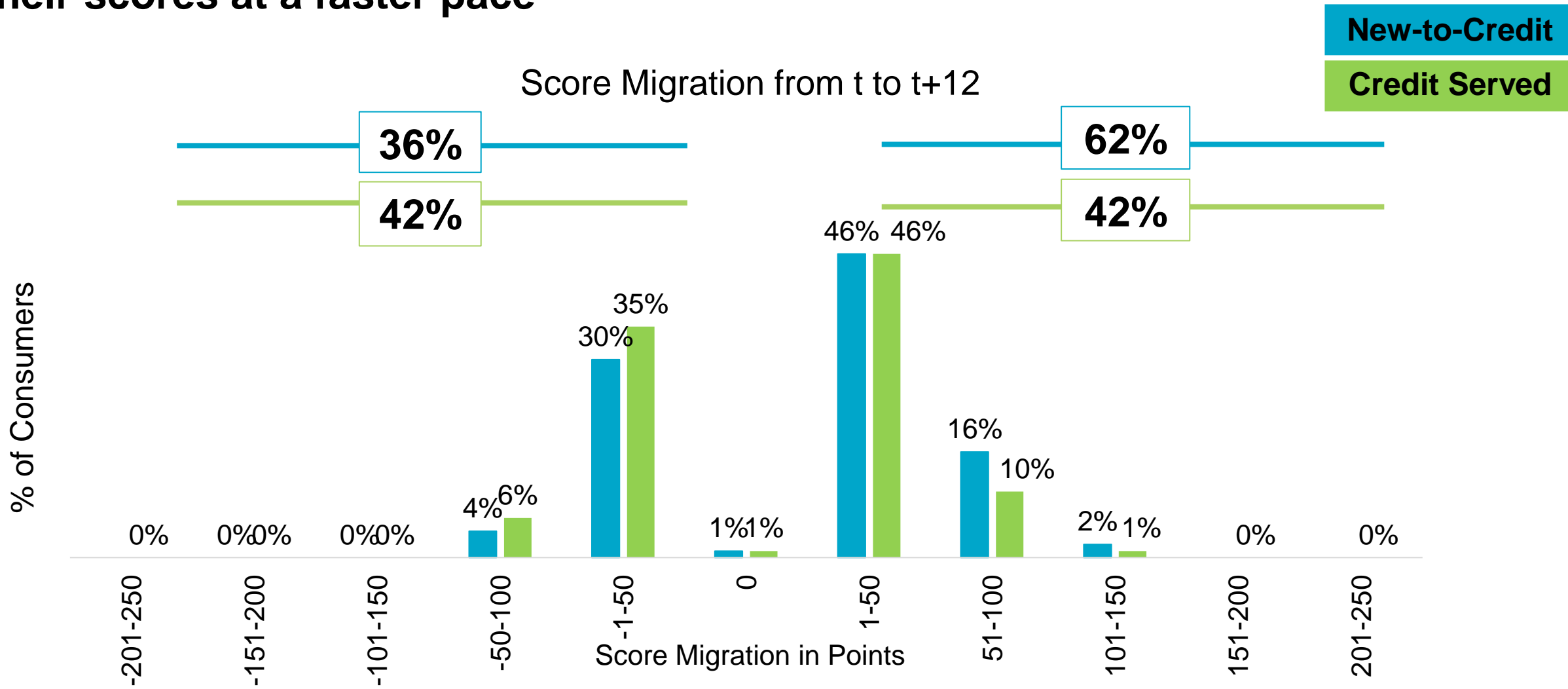
Across all regions, NTC consumers perform well compared to credit served consumers—an opportunity to capture!

New-to-Credit
Credit Served

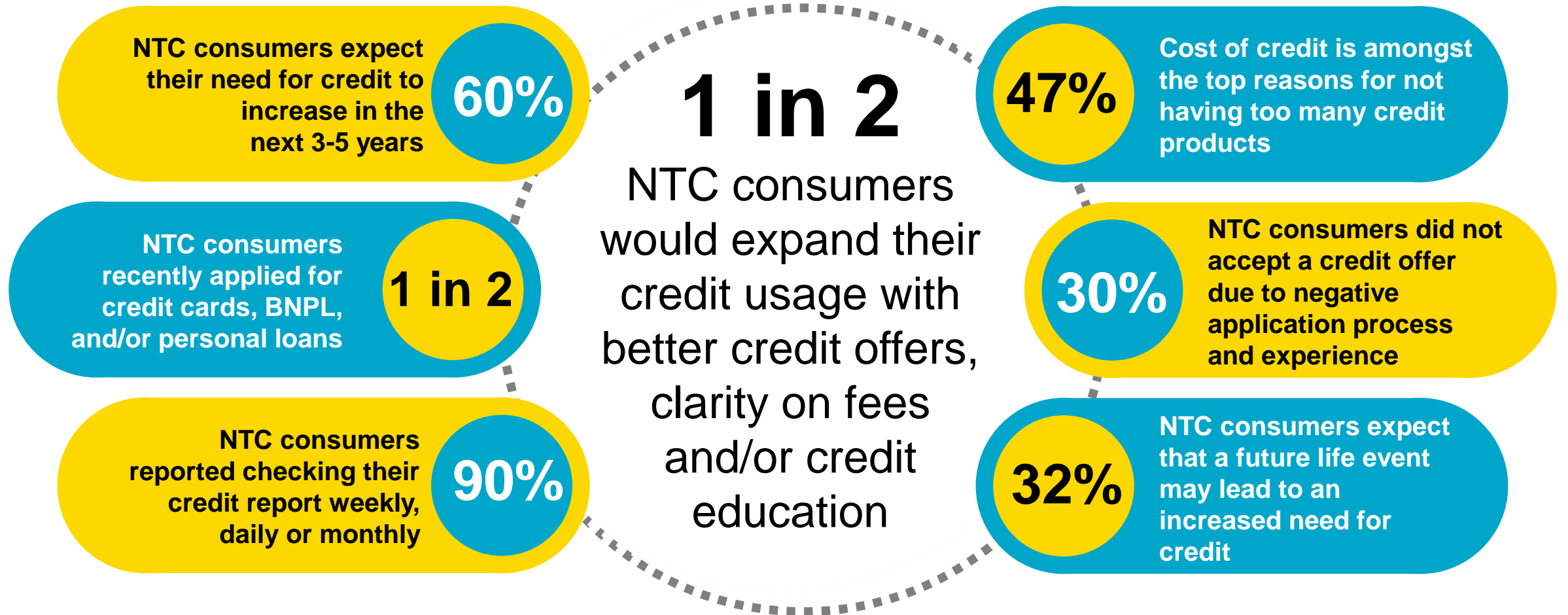
Ever 3+ MIA Rate on Subsequent Near Prime Origination at 6 MOB



After the first year of entering the credit market, NTC consumers improved their scores at a faster pace



We surveyed SA NTC consumers to hear more about their journey since entry into the credit market





NTC Consumers...

- Demonstrated the need for subsequent products and loans to meet their growing needs.
- Generally performed better than credit served on the subsequent opened products, indicating their ability to become credit aware and responsible.
- Improved their scores at a faster rate than credit served population, as they gained more credit.
- Are influenced heavily by factors around cost and the application experience, and are likely to expand their credit usage given better offers, clearer fee structures, and credit education.

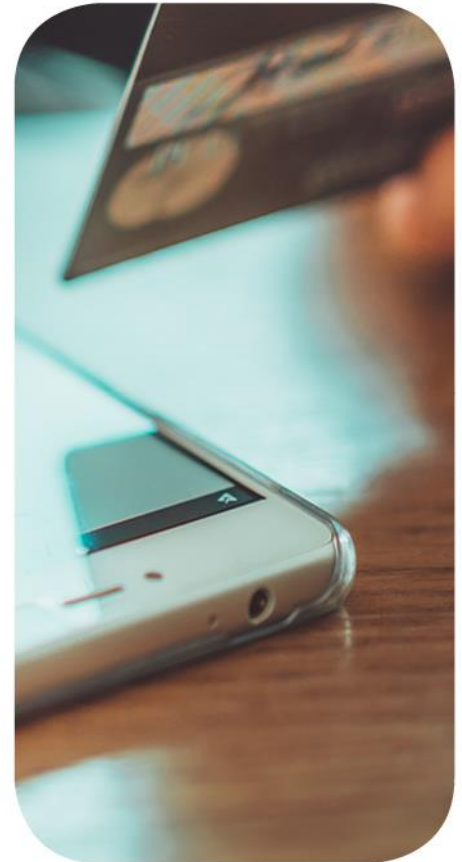
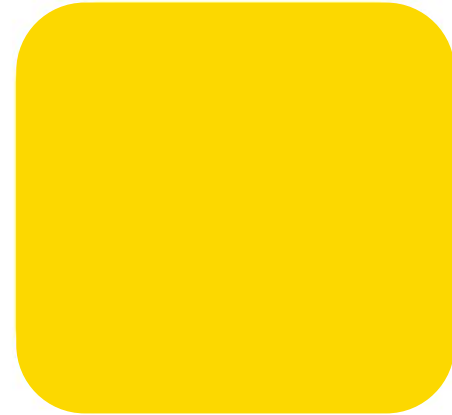
What subsequent products do NTC open and how do they perform?



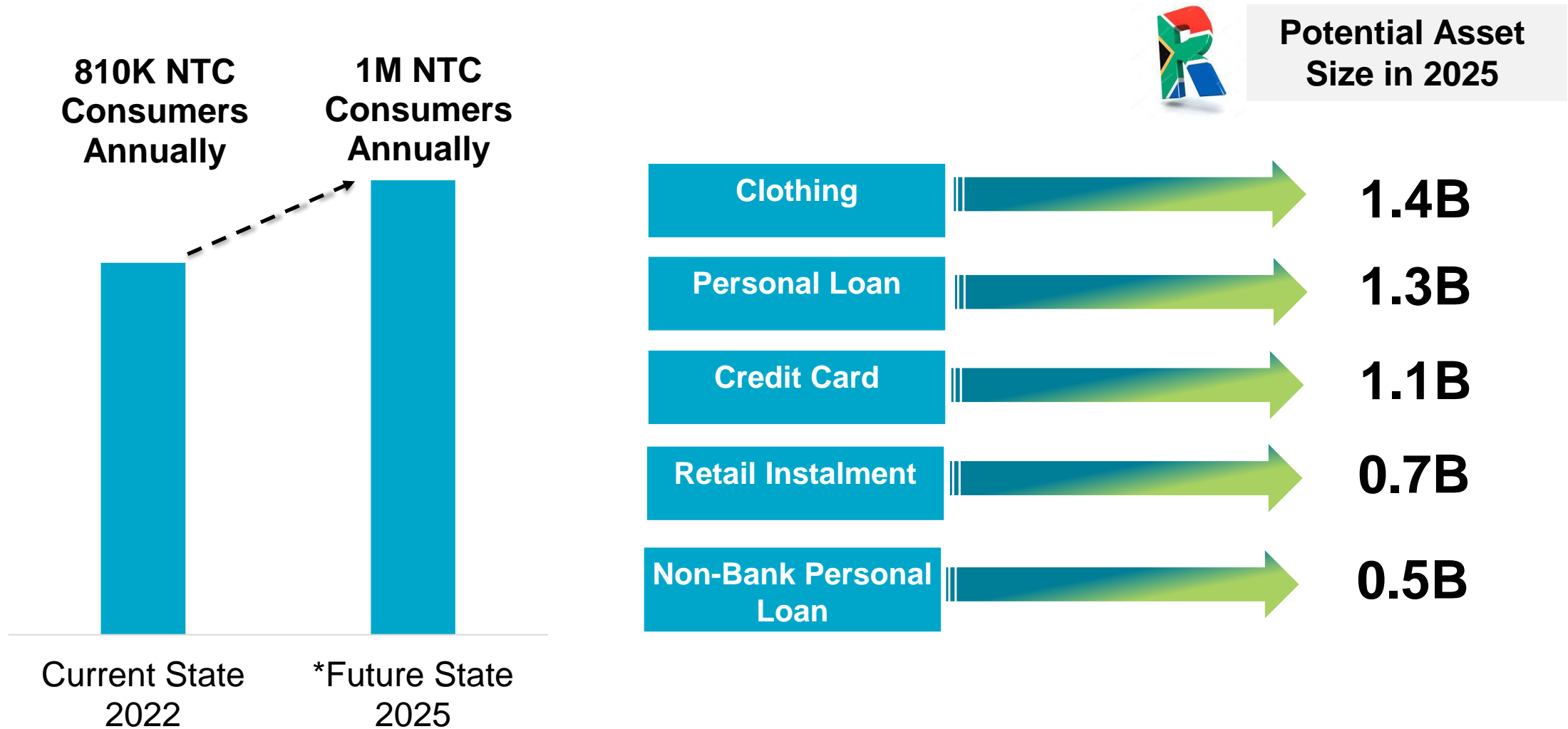
How can TU help you gain loyalty, i.e. smart growth, amongst NTC consumers who open subsequent products?

TransUnion^{tu}

Strategic Implications for Lenders



As we partner with you to advance financial inclusion for NTC consumers, we can help generate smart asset growth



Lenders have a prime opportunity to serve new-to-credit consumers

1

Engage Relevantly

Ensure your products, channels and onboarding experience meet the early stage needs of New-to-Credit consumers

2

Leverage Enhanced Data

Use alternative data to better assess New-to-Credit consumers

3

Enable Credit Education

Educate New-to-Credit consumers to enable responsible credit management

Thank You

QUESTIONS?

