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Beyond the Score: Credit Risk Trends in the Region and New Era for Signaling

Johannesburg, South Africa

September 16th, 2025

Presenters

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Giorgio Baldassarri, PhD

Credit

Sphere

Credit Sphere

Model Application & Methodologies

Credit Trends in South Africa and the wider region

Model Features & Capabilities

Scenario Analysis & Forensic Accounting

Q&A Session

Credit Risk Models Application and Methodologies

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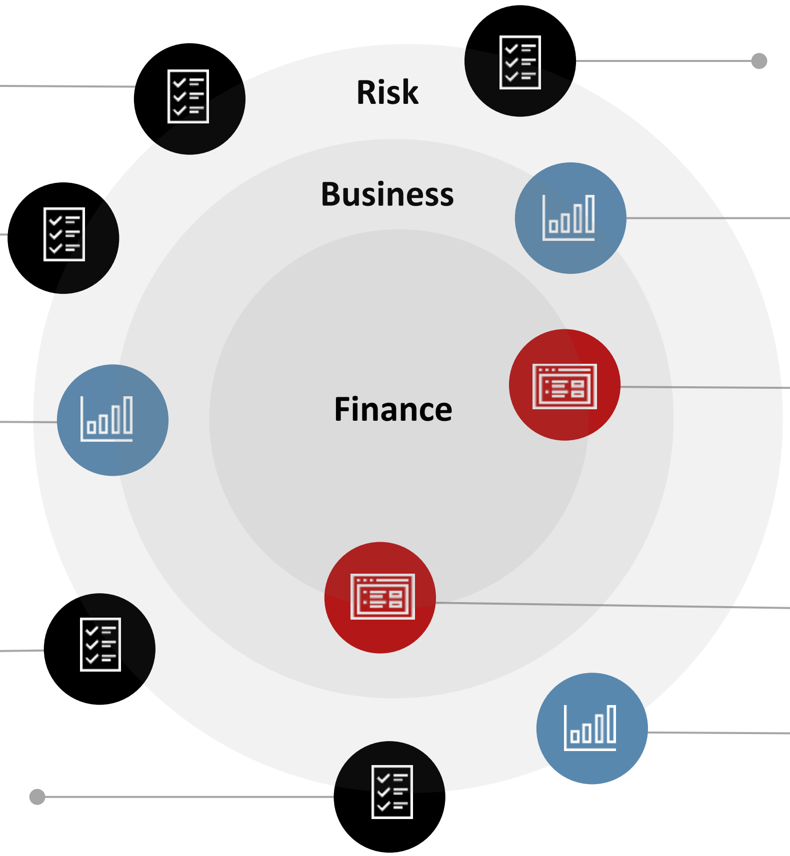
Credit Risk Sphere Application



Managing credit risk for a supply chain
Evolve a supply chain management process with credit risk assessment of your customers, suppliers and contractors

Credit risk reporting
Build different customize reports for management underlying key risk drivers at a company or at a portfolio level

Credit limit framework
Use risk-based approach to set-up maximum exposure limits

Stress-testing and scenario analysis
Run your own scenario analysis to assess credit quality changes caused by different industry specific or global factors

Budgeting and strategic planning
Define your risk adjusted strategic goals at a company level

Credit management
Manage credit throughout the loan origination process

Comparable analysis
Compare yourself or your counterparts with other companies

IFRS9
Calculate Impairments for expected credit losses (ECL) under International Financial Reporting Standard 9 (IFRS 9)

Intercompany financing
Define fair interest rate for intercompany financial transactions according to actual Organisation for Economic Co-operation and Development (OECD) guideline

Investment decisions
Provides proven, objective, transparent and quantifiable investment criteria

Source: S&P Global Market Intelligence. For illustrative purposes only.

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Risk Gauge Explained

Why Traditional Credit-risk Assessments are NOT Sufficient?

Fundamentals-driven Probability of Default (PD) models:

Lagging Indicator Reporting Issues & Data Incompleteness

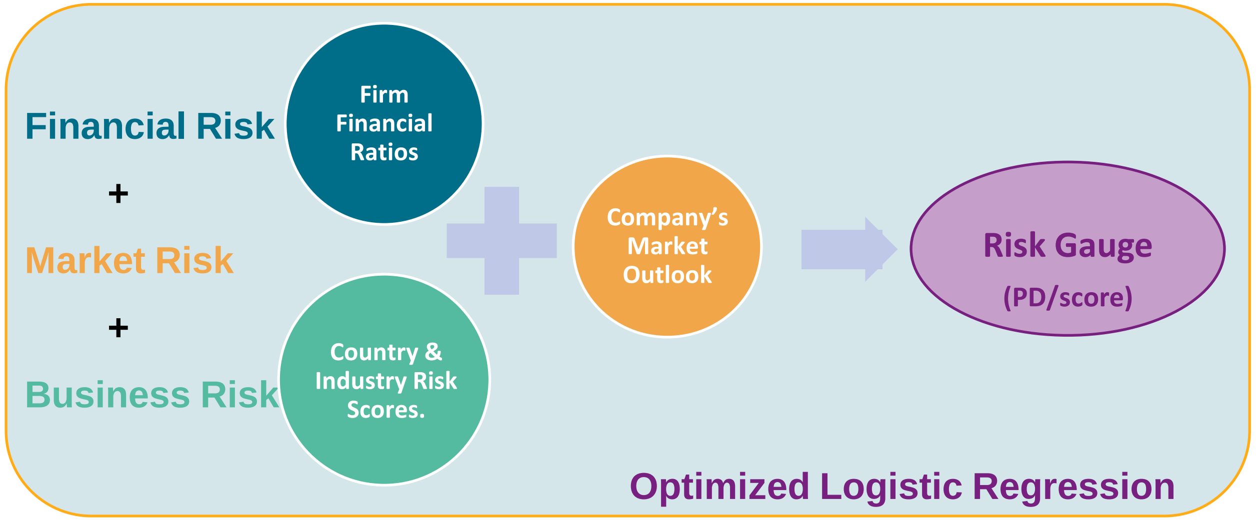
Market-driven PD models:

Coverage Gaps Noise Factors External Influences

Business Risk Scores:

Low Granularity Generic Assessments & Lack Nuance

Risk Gauge Assessment



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S&P Credit Scoring Scales

- We used RiskGauge™, a quantitative fundamental based scoring model to determine the likelihood of default for public and private companies that gives a medium to long-term credit view.
- S&P Global Market Intelligence credit scores range from aaa to c. (comparable to AAA to C in S&P Global Ratings Scale), using lower denominated letters to differentiate from S&P Official Ratings.
- Each score is calibrated to a range of Probabilities of Default.
- The South Africa National Scale provides ratings relative to other issuers in South Africa, offering more granularity and better comparison within the local context compared to the global scale.

South Africa National Scale Credit Score	S&P Global Market Intelligence Scale Credit Score	1 yr Probability of Default (%)		1-100 Score	Risk Category
		>=	<		
zaAAA	aaa	0.00%	0.00%	100-95	Very Low Risk
zaAAA	aa+	0.00%	0.01%	94-90	Very Low Risk
zaAAA	aa	0.01%	0.01%	89-85	Very Low Risk
zaAAA	aa-	0.01%	0.02%	84-80	Low Risk
zaAAA	a+	0.02%	0.03%	79-76	Low Risk
zaAAA	a	0.03%	0.05%	75-71	Low Risk
zaAAA	a-	0.05%	0.08%	70-66	Low Risk
zaAAA	bbb+	0.08%	0.14%	65-61	Intermediate Risk
zaAAA	bbb	0.14%	0.23%	60-57	Intermediate Risk
zaAAA	bbb-	0.23%	0.38%	56-52	Intermediate Risk
zaAAA	bb+	0.38%	0.63%	51-47	Moderately High Risk
zaAAA	bb	0.63%	1.05%	46-42	Moderately High Risk
zaAA+,zaAA,zaAA-	bb-	1.05%	1.75%	41-38	High Risk
zaA+, zaA, zaA-	b+	1.75%	2.92%	37-33	High Risk
zaA-, zaBBB+, zaBBB	b	2.92%	4.87%	32-28	High Risk
zaBBB-, zaBB+, zaBB	b-	4.87%	8.12%	27-23	Very High Risk
zaBB-, zaB+, zaB	ccc+	8.12%	13.53%	22-19	Very High Risk
zaB-, zaCCC+	ccc	13.53%	22.57%	18-14	Very High Risk
zaCCC, zaCCC-	ccc-	22.57%	37.63%	13-9	Very High Risk
zaCC	cc	37.63%	62.74%	8-4	Very High Risk
zaC	c	62.74%	100.00%	3-1	Very High Risk

S&P GLOBAL RATINGS DOES NOT CONTRIBUTE TO OR PARTICIPATE IN THE CREATION OF CREDIT SCORES GENERATED BY S&P GLOBAL MARKET INTELLIGENCE. LOWERCASE NOMENCLATURE IS USED TO DIFFERENTIATE S&P GLOBAL MARKET INTELLIGENCE PD CREDIT MODEL SCORES FROM THE CREDIT RATINGS ISSUED BY S&P GLOBAL RATINGS.

Credit Trends in South Africa and the wider region

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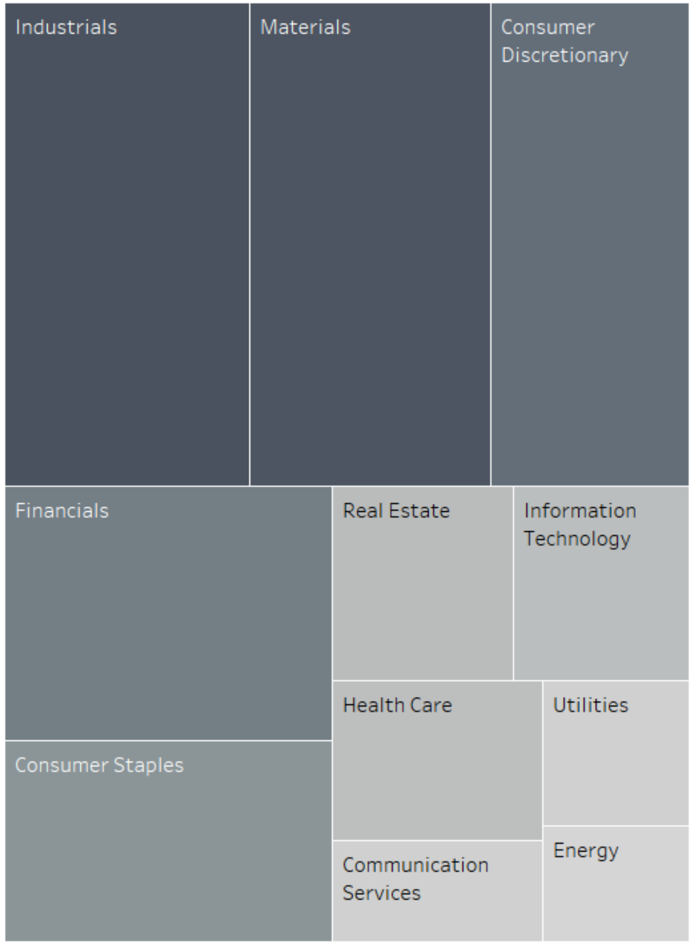
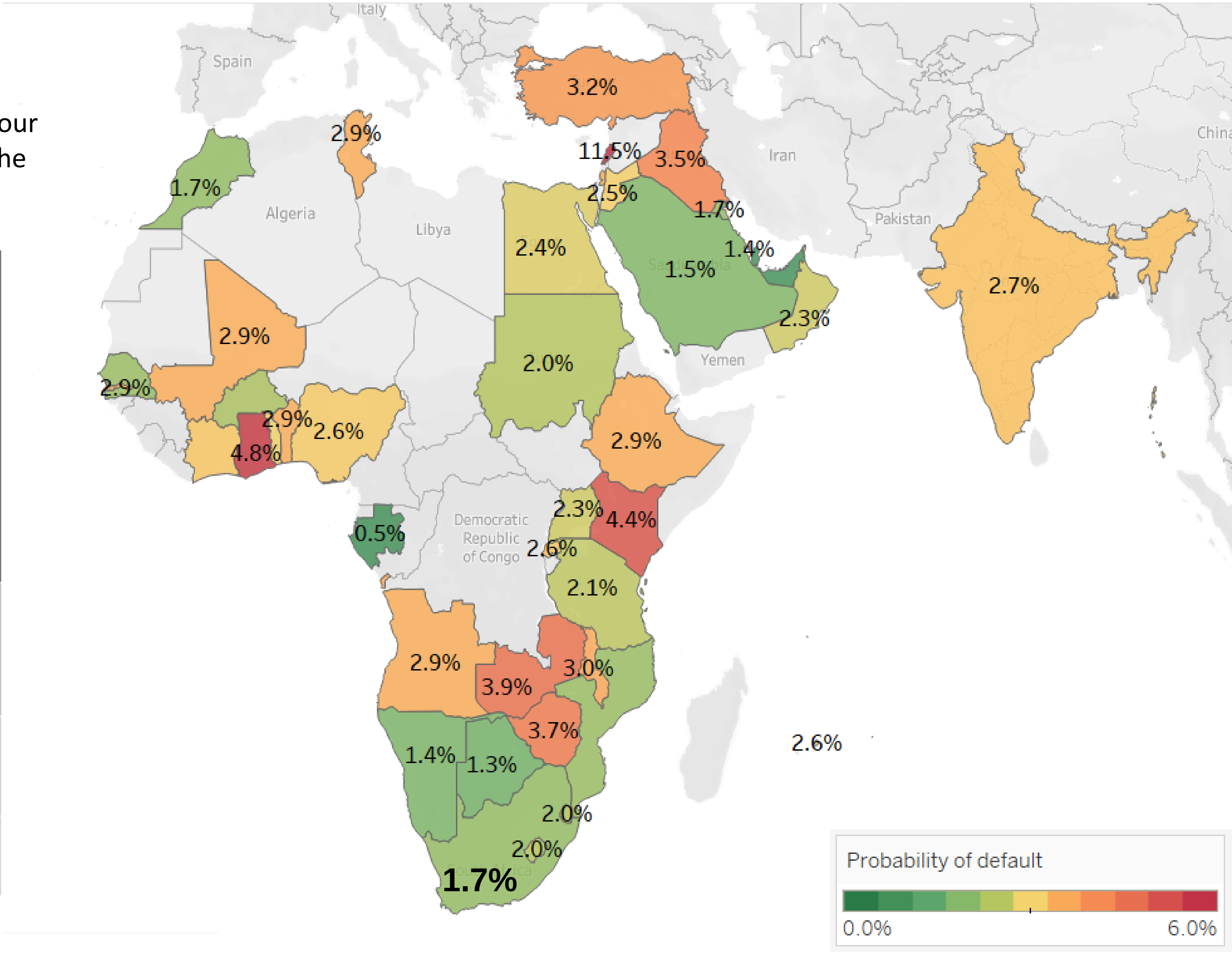
The **Sample**

We have analyzed 4000+ entities using our Risk Gauge Model™ across Africa and the Middle East and India from different sectors





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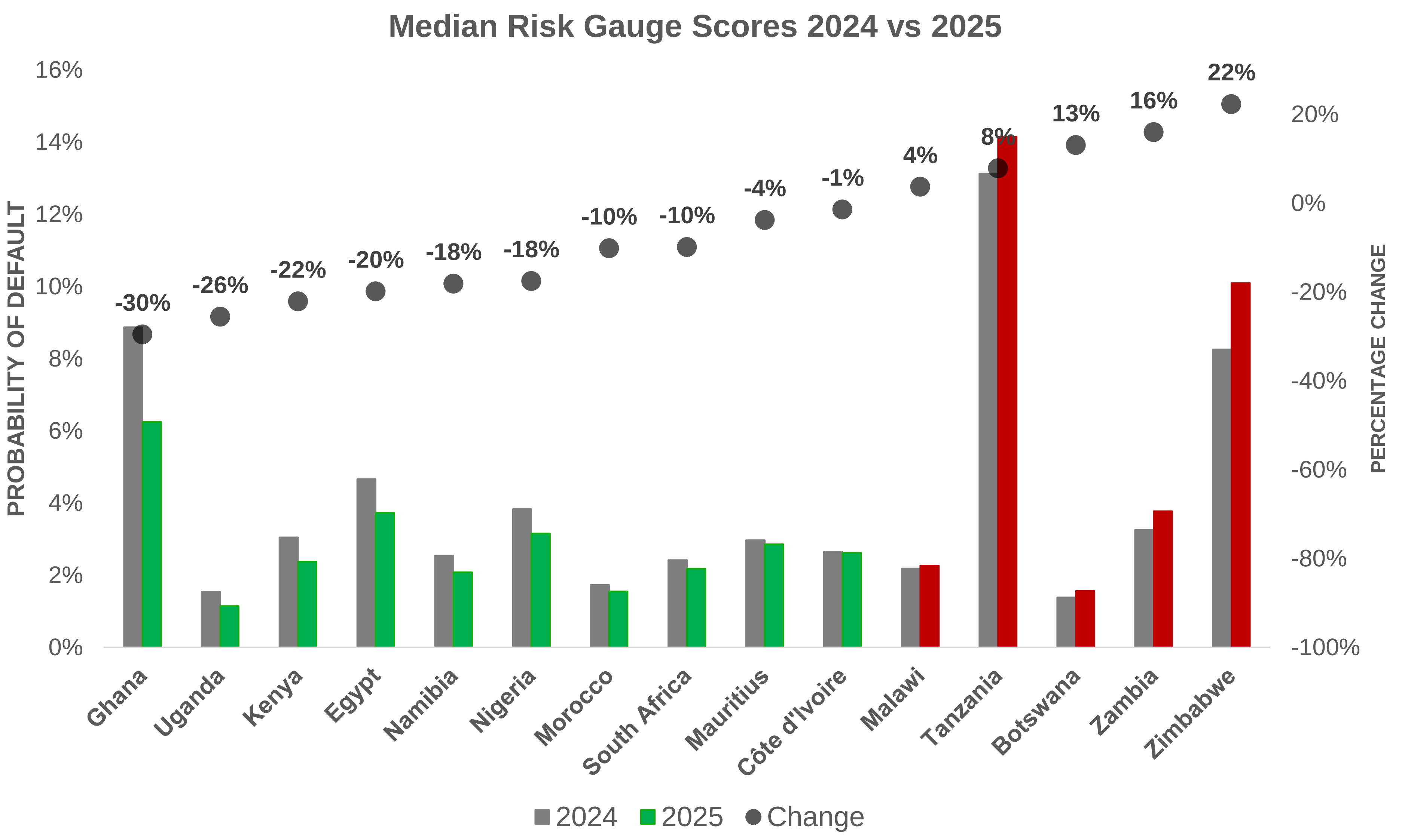
Changes in PDs for corporates during 2025 in Africa **by country**

- Compared to last year, several major African economies recorded notable improvements in their corporates credit scores. While South Africa overall saw a **10% reduction** in credit risk, this improvement was less pronounced than in other economies such as Nigeria and Egypt.



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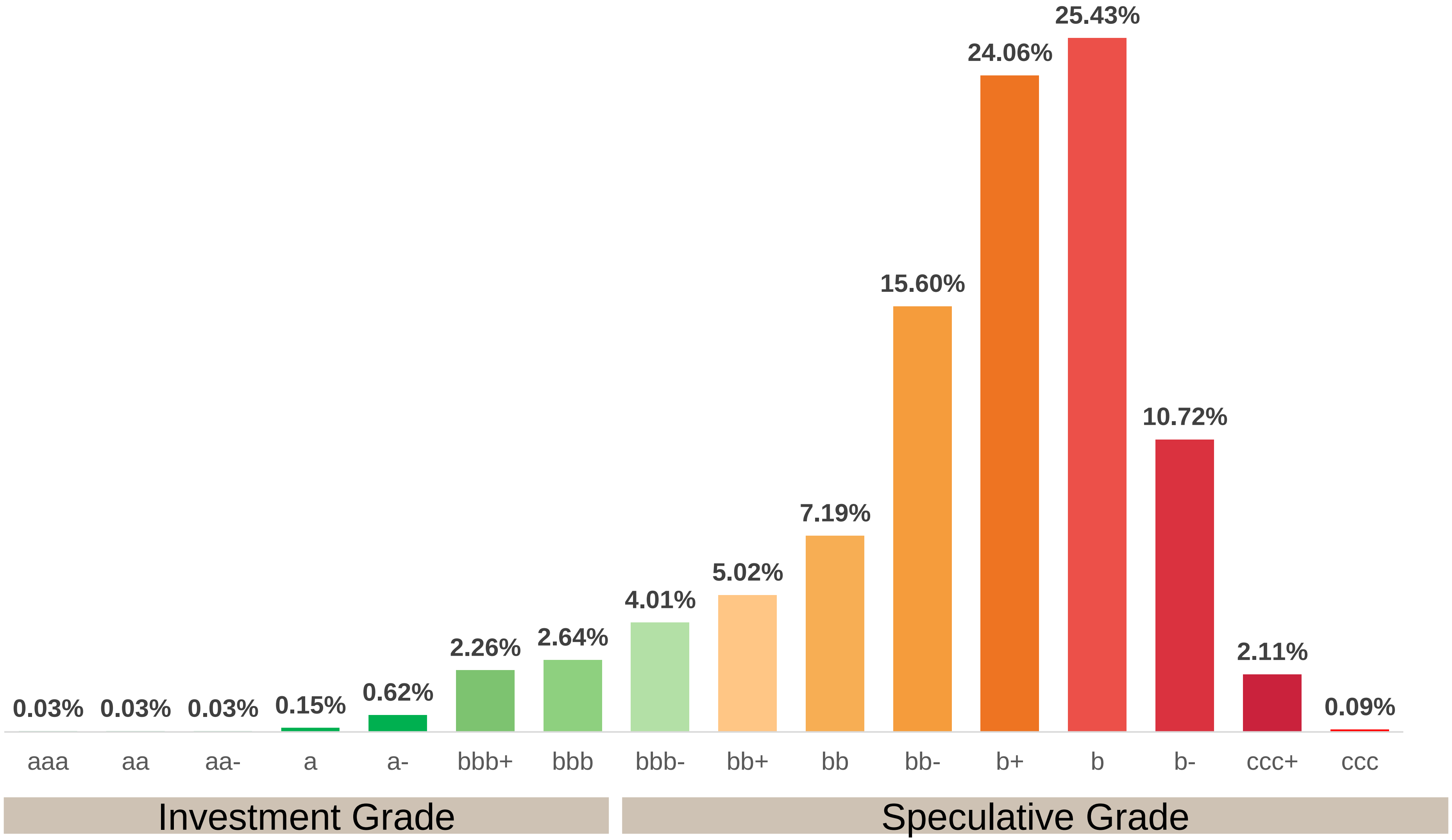
Credit Scores
Distribution

- Credit Scores ranges from **aaa** to **ccc** using the model.
- Only 6% of the companies are scored are in the investment grade category, while the balance lie in the speculative grade.
- Most companies do fit in the range of **b+** to **b** level.



Source: S&P Global Market Intelligence. For illustrative purposes only.

S&P Global Ratings does not contribute to or participate in the creation of credit scores generated by S&P Global Market Intelligence. Lowercase nomenclature is used to differentiate S&P Global Market Intelligence PD credit model scores from the credit ratings issued by S&P Global Ratings.

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Sectoral X Regional Credit Scores distribution in 2025

The average probability of default greatly varies across different regions and sectors

Geographic Locations	Industrials	Information Technology	Consumer Discretionary	Consumer Staples	Communication Services	Health Care	Materials	Utilities	Real Estate	Financials	Energy
South Africa	3.71%	3.09%	2.03%	1.95%	1.36%	1.34%	1.18%	0.80%	0.65%	0.40%	0.24%
Sub-Saharan Africa	4.36%	2.91%	3.41%	2.87%	2.23%	2.02%	3.72%	1.85%	0.28%	2.97%	2.40%
North Africa	3.96%	2.32%	3.10%	2.11%	1.17%	1.94%	2.05%	2.43%	1.67%	1.82%	1.93%
Middle East	3.03%	2.46%	2.79%	2.64%	3.69%	1.35%	2.20%	2.35%	0.95%	1.09%	0.87%
India	3.88%	2.77%	3.19%	2.45%	3.35%	1.30%	2.16%	1.87%	2.79%	1.21%	1.87%

Average Probability of Default

0.0% 3.5%

The size of the sphere indicates the number of companies, while the color indicates the average probability of default

Source: S&P Global Market Intelligence. For illustrative purposes only.

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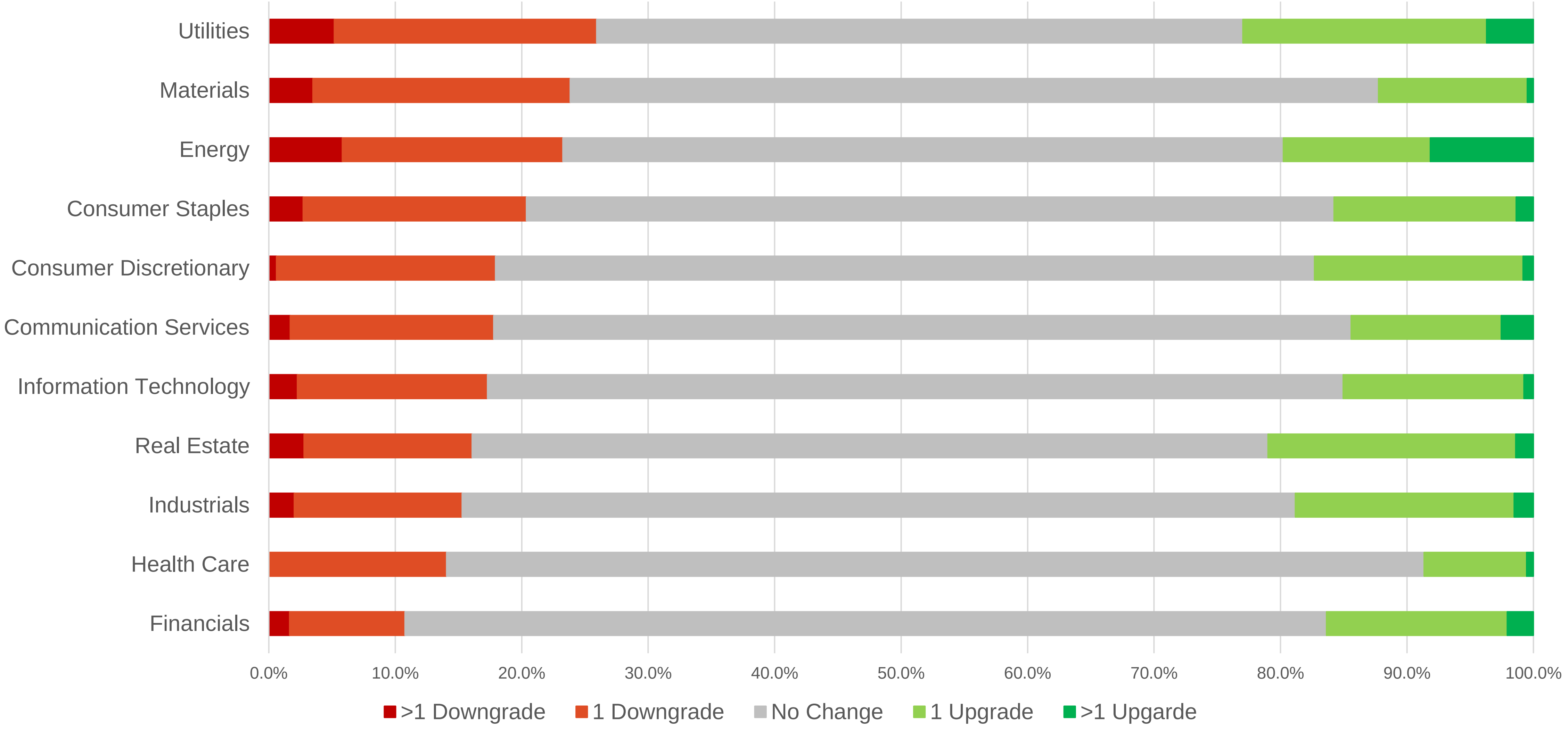
Sectoral Credit Score Changes during 2025 in Developing Markets



Source: S&P Global Market Intelligence. For illustrative purposes only.

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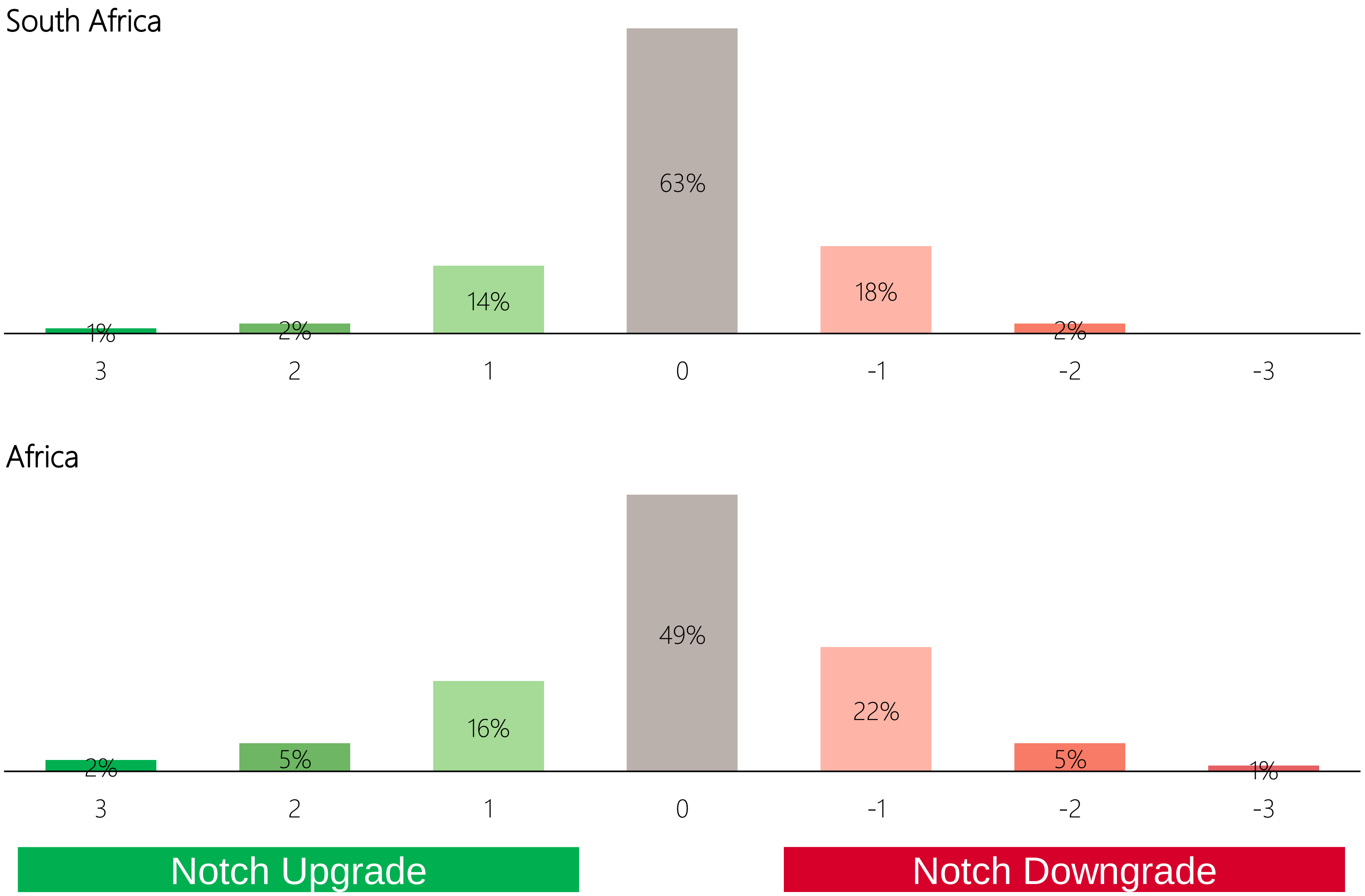
Scores notch changes during 2025 in South Africa vs. Rest of the continent

- The scores across the rest of the continent has been more volatile this year compared to previous years, with about half of the scores remaining the same.
- Compared to last year, the African region recorded stronger credit score improvements than South Africa — with 23% upward notches versus 17% in South Africa.
- In 2024 Score change distribution had a symmetric shape with 16% upgrades and 18% downgrades over the year, indicating a relatively more stable year.



Source: S&P Global Market Intelligence. For illustrative purposes only.

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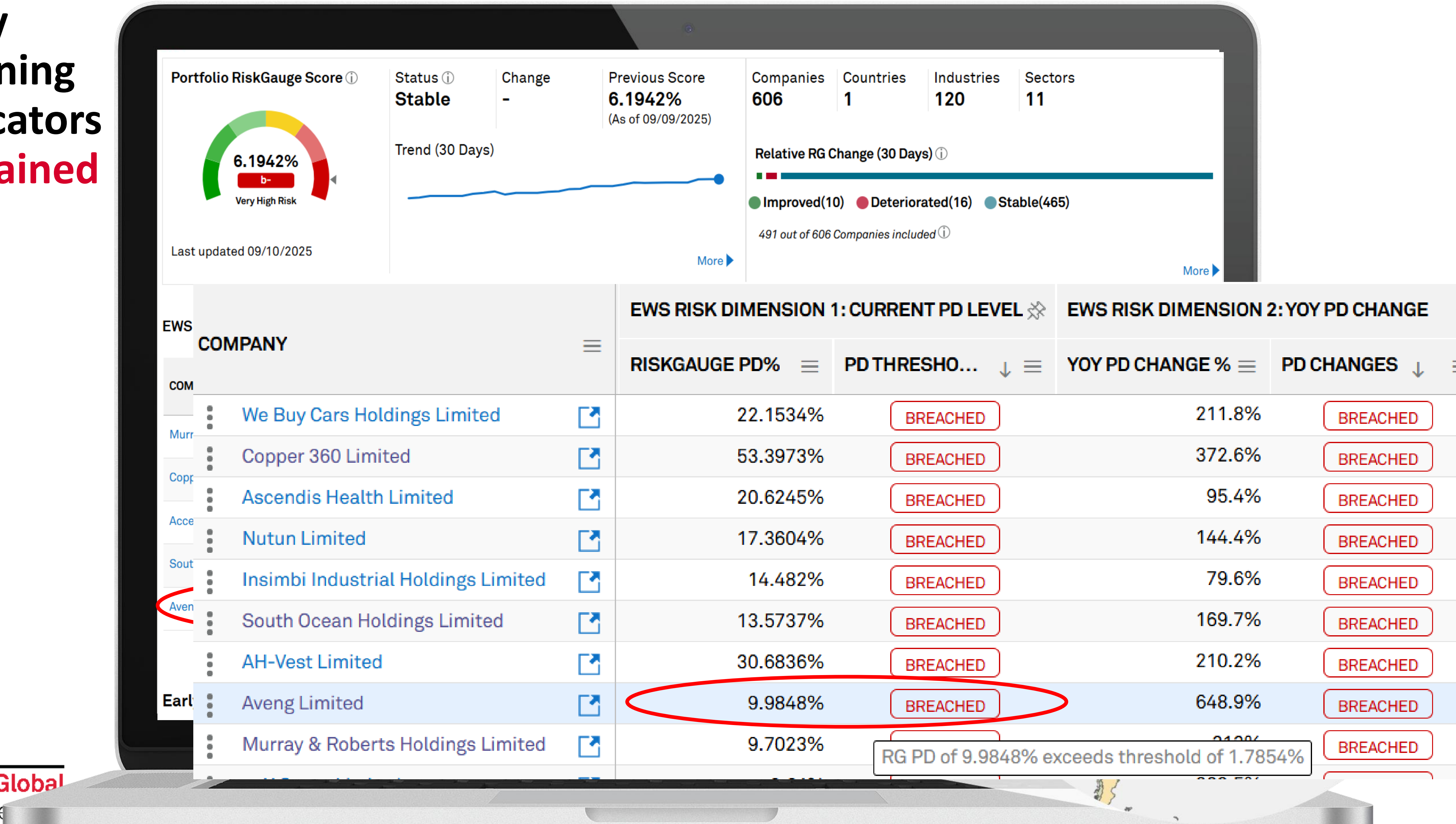
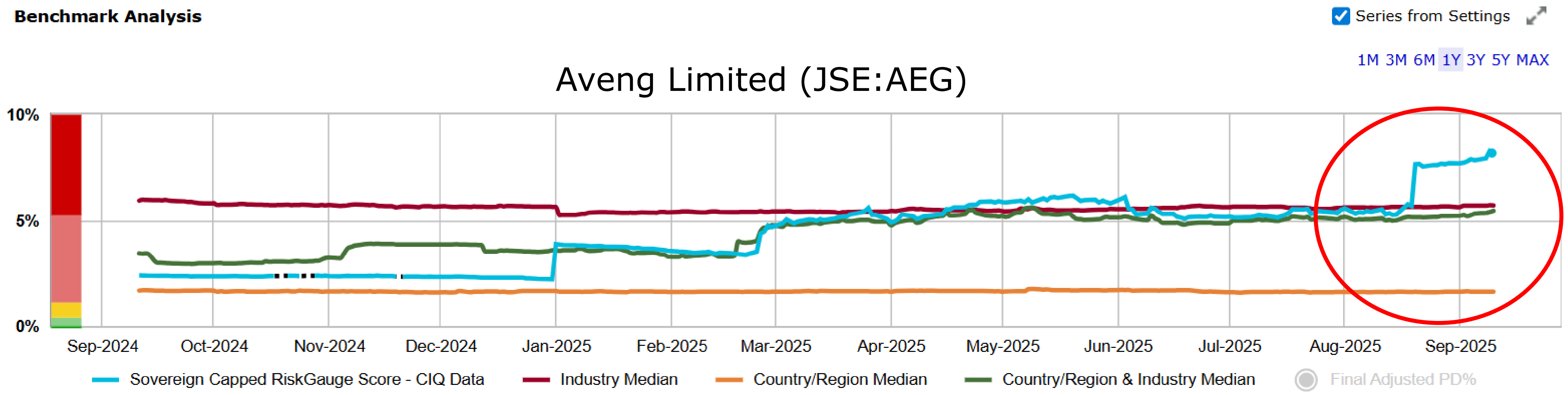
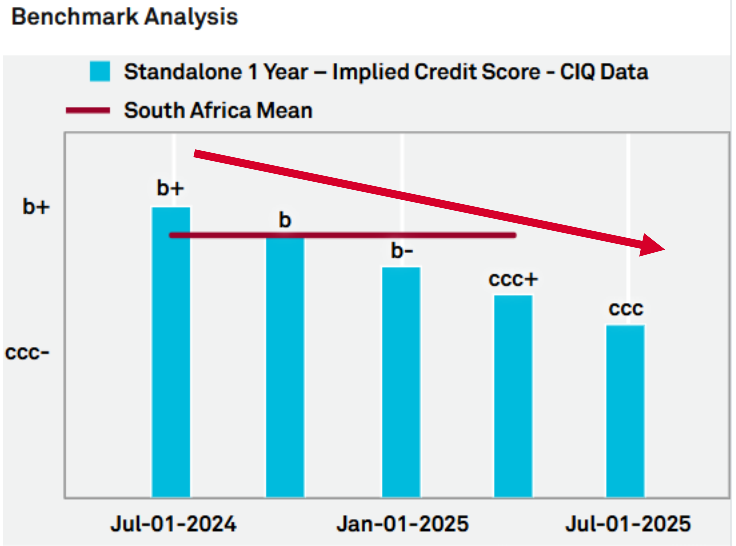
Early Warning Indicators **Explained**



RiskGauge Features | Company Analysis

-Understand how much better or worse a company is vs its peers in same industry and/or country





Market Sentiment

STABLE

Standalone 1 Year - Implied Score

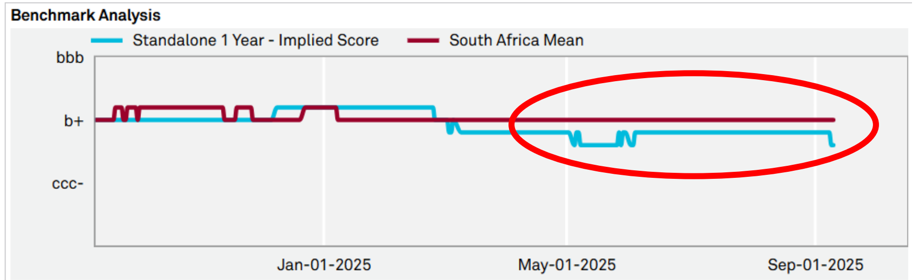
b-

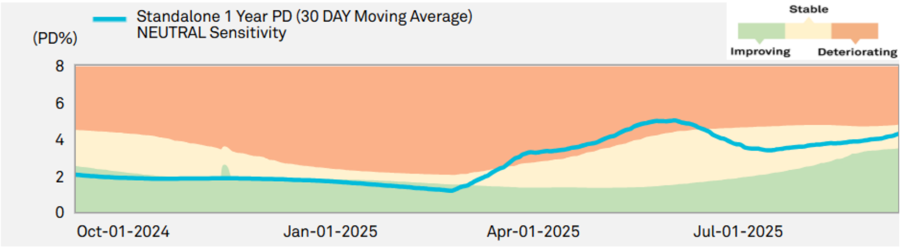
Change	YTD Change
-	▼

PD ADJUSTMENTS

Credit Cycle Adj. PD	5.8923%

Final Adjusted Probability of Defaults (PDs). in contrast to Through-the-Cycle PDs, react promptly to changing market conditions by taking into account all available information on current market trends and credit cycle considerations.





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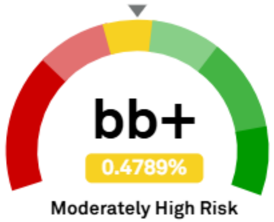
RiskGauge Features | Company Comparer

ADD COMPANY

	RG Aveng Limited JSE:AEG	RG Raubex Group Limi... JSE:RBX	RG Wilson Bayly Holm... JSE:WBO



Top Risk Drivers	Top Risk Drivers	Top Risk Drivers
Distance To Default	Country/Region Risk Score	Distance To Default
Total Assets (USD, M)	Distance To Default	Total Assets (USD, M)
Bond Implied Benchmark	Total Assets (USD, M)	Country/Region Risk Score

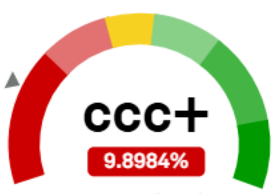
COMPANY INFORMATION	Aveng Limited	Raubex Group Limited	Wilson Bayly Holmes-Ovcon Limited
Industry	Construction & Engineering	Construction & Engineering	Construction & Engineering
Country/Region	South Africa	South Africa	South Africa
Financial Period	LTM42025 (Jun-30-2025)	LTM42025 (Feb-28-2025)	LTM42025 (Jun-30-2025)
EXPECTED LOSS PER 1000 EXPOSURE (USD)	68.22	3.3	7.44
ADJUSTMENTS	-1 Notch(es)	+2 Notch(es)	0 Notch(es)
QUALITATIVE ADJUSTMENTS	-1 Notch(es)	+2 Notch(es)	0 Notch(es)
Competitive Position	Fair	Fair	Fair
Diversification	Neutral	Moderate	Neutral
Capital Structure	Neutral	Neutral	Neutral
Financial Policy	Neutral	Neutral	Neutral
Management & Governance	Satisfactory	Satisfactory	Satisfactory
Payment Behavior	Constant	Constant	Constant

Source: S&P Global Market Intelligence. For illustrative purposes only.

RiskGauge Features | Company Comparer

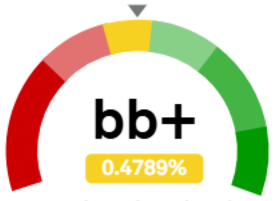
ADD COMPANY ⊕

Aveng Limited	Raubex Group Limi...	Wilson Bayly Holm...
JSE:AEG	JSE:RBX	JSE:WBO



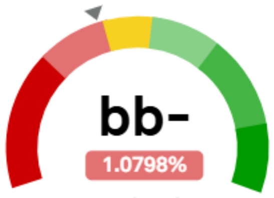
Very High Risk

Top Risk Drivers
- Distance To Default
- Total Assets (USD, M)
- Bond Implied Benchmark



Moderately High Risk

Top Risk Drivers
- Country/Region Risk Score
- Distance To Default
- Total Assets (USD, M)



High Risk

Top Risk Drivers
- Distance To Default
- Total Assets (USD, M)
- Country/Region Risk Score

RISK DRIVERS	Value	Contribution	Value	Contribution	Value	Contribution
FINANCIAL		17%		15%		7%
EBIT Interest Coverage	(3.03x)	5.41%	7.35x	3.38%	-	-
EBITDA Interest Coverage	0.32x	3.40%	11.27x	1.21%	31.96x	1.01%
Cash Interest Coverage	5.14x	2.61%	10.82x	2.02%	-	-
Current Ratio	0.93x	2.46%	1.3x	3.47%	1.13x	4.81%
Cash/Current Liabilities	38.14%	2.18%	37.1%	2.49%	-	-
Cash to Total Debt	218.21%	0.73%	88.47%	0.87%	4,248.64%	0.68%
Debt/(Debt + Equity)	38.4%	0.17%	25.07%	0.94%	1.78%	0.90%
Retained Earnings/Total Assets	57.15%	0.16%	38.31%	0.40%	-	-

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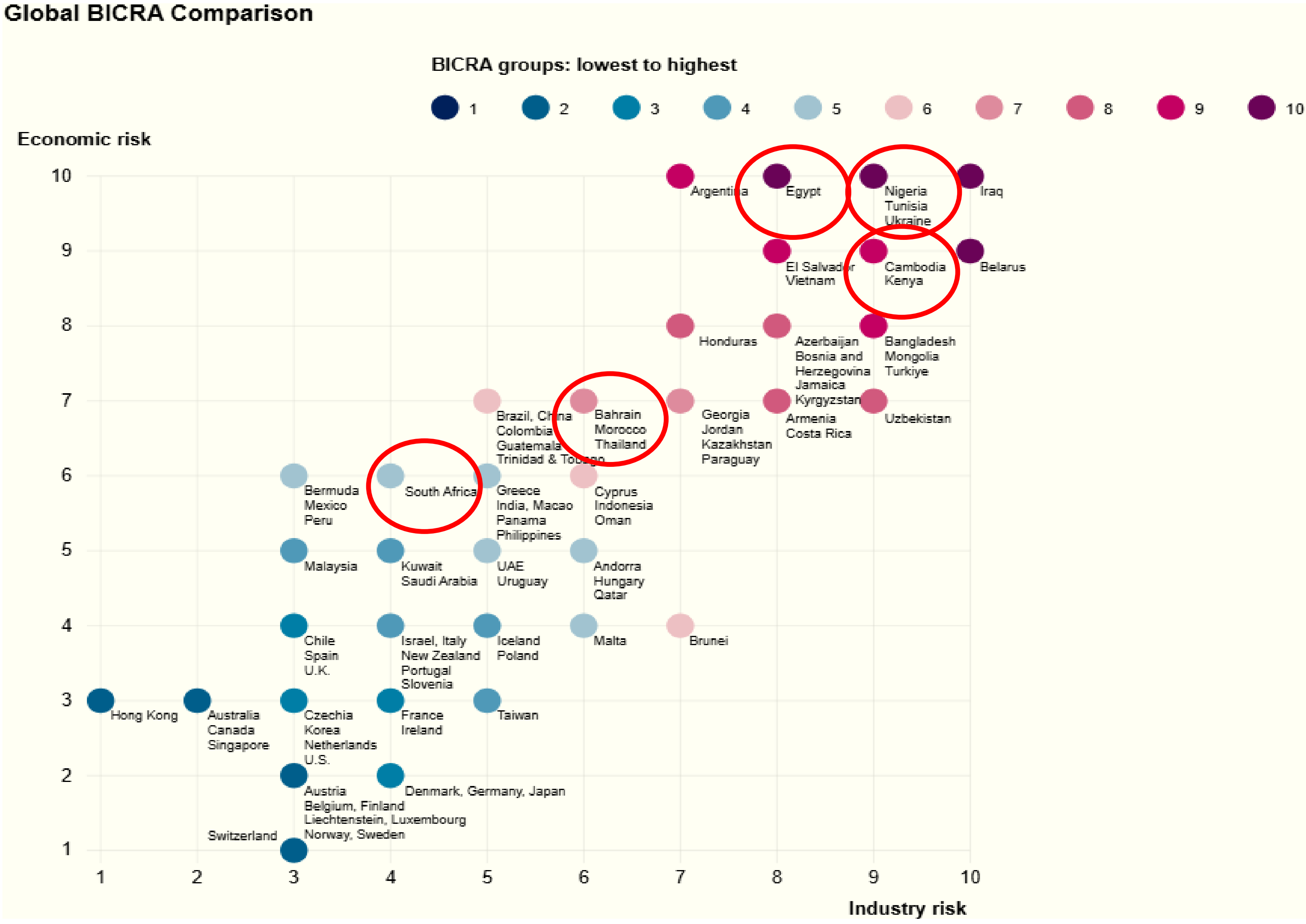
Source: S&P Global Market Intelligence. For illustrative purposes only.

South Africa leads the region in BICRA score, reflecting a strong banking system

- Five of the six S&P-rated banks currently hold a Positive Outlook, indicating the potential for a notch upgrade in the near future.
- The scores of our rating model fully aligns with the official rating, cementing the power and accuracy of the model and the data its rained with.

Bank Name	Credit Model Score	S&P Issuer Rating	Outlook
African Bank Limited	b	B+	Stable
Capitec Bank Limited	bb-	BB-	Positive
FirstRand Bank Limited	bb-	BB-	Positive
Investec Limited	bb-	BB-	Positive
Nedbank Limited	bb-	BB-	Positive
Absa Bank LTD	bb-	BB-*	Stable
Standard Bank Group Limited	bb-	BB-*	Stable

* Issuer credit Ratings from other rating agency's



S&P Global Ratings has revised its South Africa assessment of the banking sector upwards for the first time in 5 years in July 2025

Economic Imbalances

+ Private sector lending will accelerate to 8%-9% in 2025.

+ Increase in housing prices over the next two years.

+ Commercial real estate's recovery remains on track.

- Infrastructure bottlenecks and weak Chinese demand have hit the commodity sector and exports.

Systemwide Funding

+ Funding profiles are underpinned by stable sources and the closed rand system.

+ Major banks are not vulnerable to large-scale refinancing risk or a reversal of investor sentiment given their lack of exposure to international wholesale market-based funding.

+ South Africa has broad and deep capital markets.

+ SARB has supported the sector in times of stress.

RATINGSDIRECT®

COMMENTARY | BANKING INDUSTRY COUNTRY RISK ASSESSMENT

South Africa

July 28, 2025 | Analytical Contacts

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This report does not constitute a rating action.

Economic risk Trend: Stable	6	Industry risk Trend: Stable	4	BICRA group
Economic resilience	Very high risk	Institutional framework	Intermediate risk	5
Economic imbalances	Low risk	Competitive dynamics	Intermediate risk	
Credit risk in the economy	High risk	Systemwide funding	Intermediate risk	**Government support:** Uncertain

BICRA groups are ranked on a scale of 1-10 with 1 denoting the lowest risk and 10 the highest risk.

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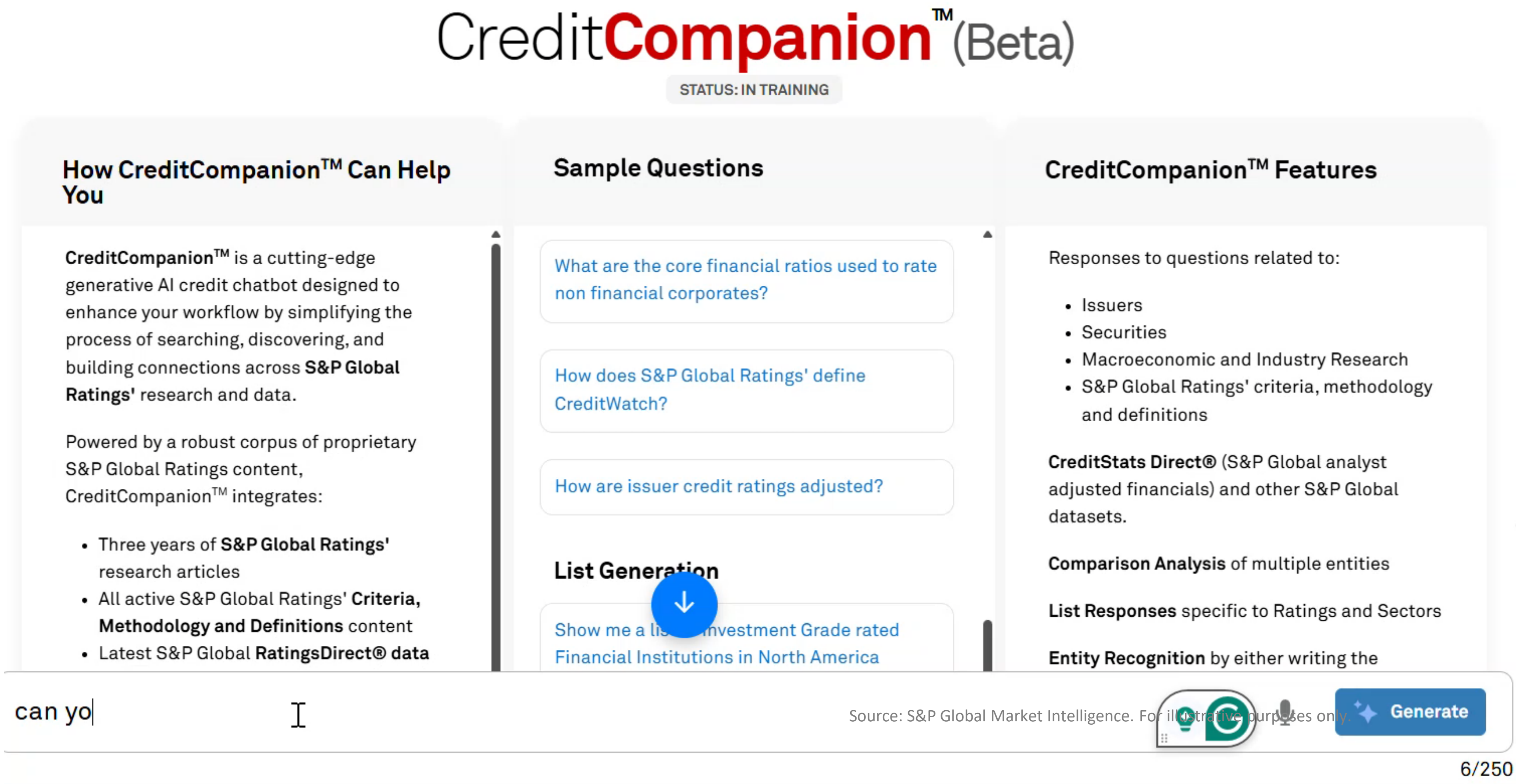
AI is everywhere today; S&P Global developed our own Gen AI tool to make it easy to access our research, ratings, methodologies and more



Source: S&P Global Market Intelligence. For illustrative purposes only.

Advanced Credit Analysis

Scenario Analysis and Forensic Accounting

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Macro Economic Scenario Model

Challenges

- Typical credit risk assessments often adopts a “through the cycle” perspective.
- Overlook the influence of economic conditions.
- Economic cycles impact creditworthiness and default probabilities.

Who Needs This?

- **Corporations**: To assess credit risk effectively.
- **Investors**: To make informed decisions.
- **Regulatory Purposes**: Evaluations as per IFRS 9 and CECL standards.

What we offer?

- **Scenario Analysis**: Evaluate multiple economic scenarios simultaneously.
- **Point-in-Time Adjustments**: Probability of Default (PD) adjustments.
- **Expert Economic Insights**: Leverage scenarios from SPGMI economists.

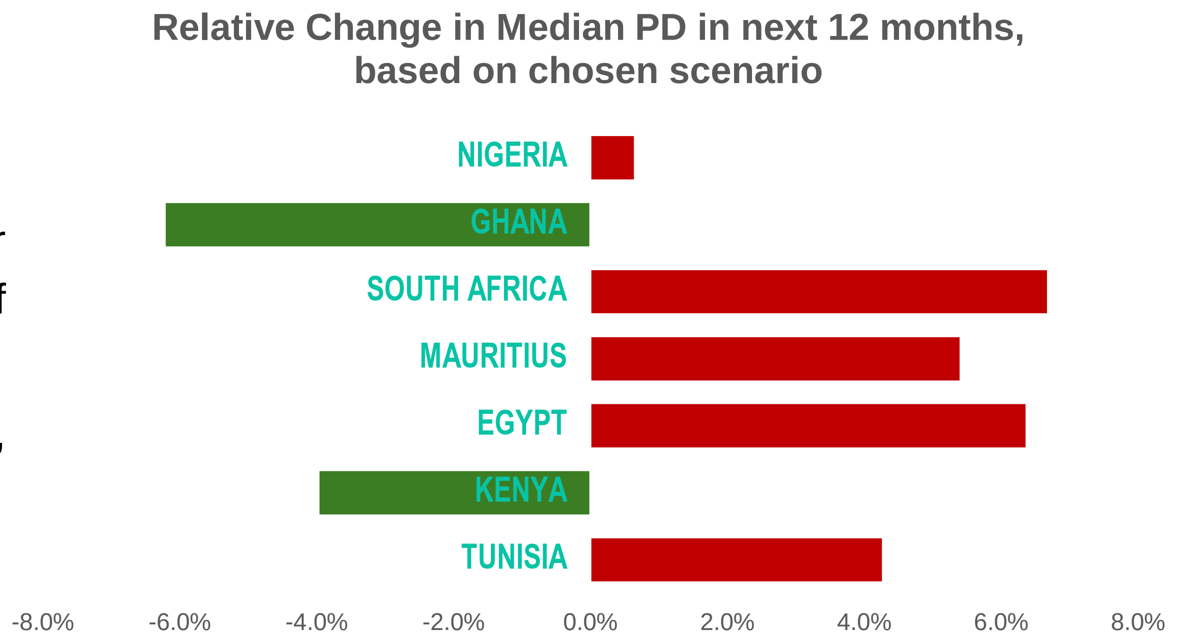
US Tariffs Scenario Blog

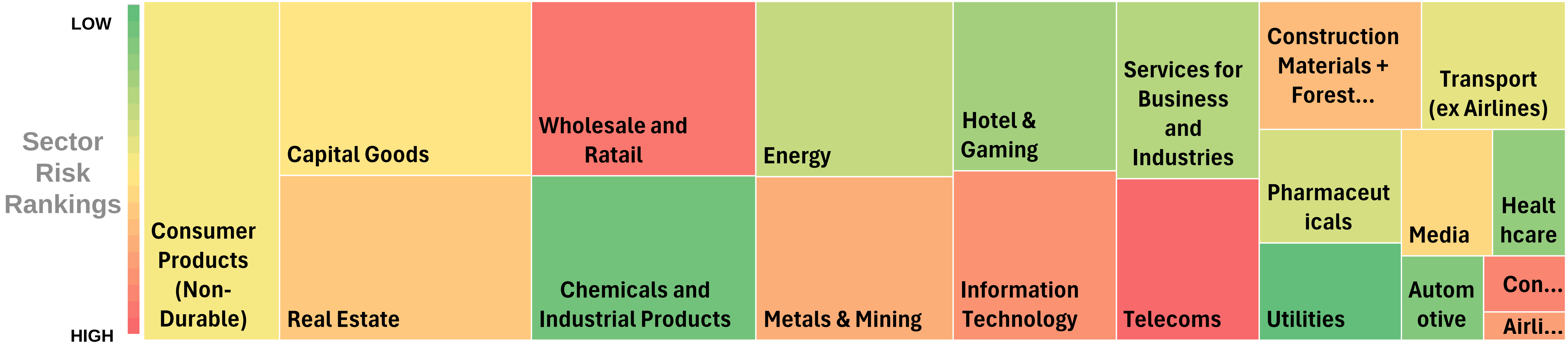
Trade Tariffs Scenario

Trade Uncertainty and Financial Stress Scenario

Assumptions (a bit outdated, but useful to project into the future):

1. April 2 tariffs assumptions for all countries except China. For mainland China we assume that non-Section 232 goods' tariff rate jumps from 64% to 125%.
2. Full retaliation will occur from China, Mexico, and Canada, with energy goods from Canada excluded.
3. The European Union will retaliate on final consumer goods.

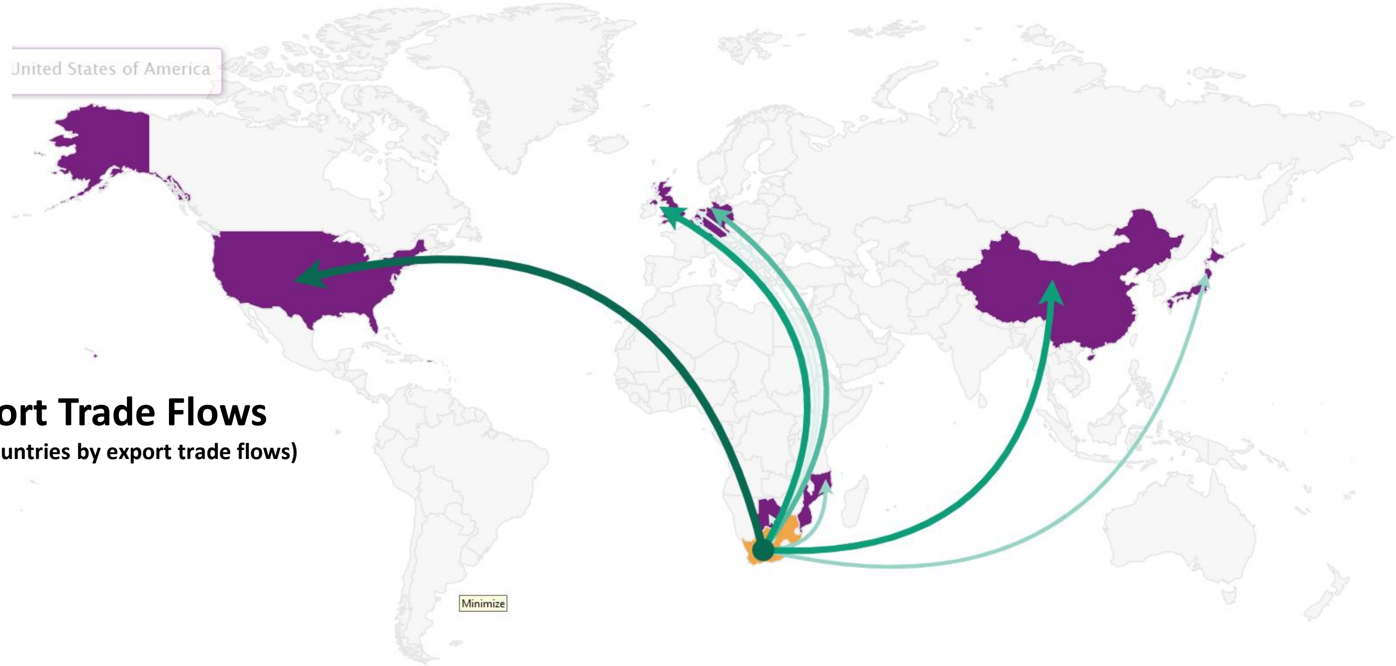




Source: S&P Global Market Intelligence. For illustrative purposes only.

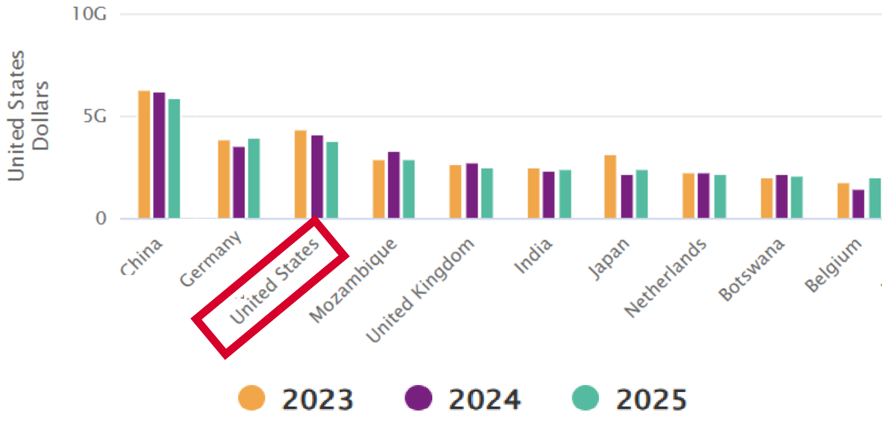
South Africa Exports and US Tariffs

Exports to US are expected to decrease during 2025, moving from #2 to #3



Export Trade Flows
(top 10 countries by export trade flows)

Source: S&P Global Market Intelligence. For illustrative purposes only. As of July 1st, 2025.



Source: White House. Imports data from US Census Bureau (2024). Updated 06 Aug 2025

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South Africa Exports to US, by Category (top 20)

US tariffs will impact South African exports with a “lagged” effect (until 2027)

Rank	Product	Description	2020	2021	2022	2023	↓ 2024	2025	2026	2027
			United States Dollars					Trade Forecast YoY Change		
	Total	Total	7,130,445,805	13,087,317,463	10,873,725,886	8,394,549,970	8,229,145,938	n/a	n/a	n/a
1	71	Natural Or Cultured Pearls, Precious Or Semiprecious	3,470,889,241	7,380,865,187	5,168,566,062	3,062,862,848	3,009,343,644	172.51	-15.20	9.38
2	⚠ 87	Vehicles, Other Than Railway Or Tramway Rolling Stock,	610,025,066	880,023,023	1,003,217,664	1,211,218,780	1,402,170,706	-43.00	1.67	4.75
3	76	Aluminum And Articles Thereof	319,007,130	559,378,719	499,967,910	600,213,766	534,514,059	25.77	-6.80	0.92
4	72	Iron And Steel	351,371,062	634,899,262	719,558,194	429,660,380	504,141,210	1.09	-5.03	-0.83
5	⚠ 26	Ores, Slag And Ash	352,980,608	264,304,588	386,697,552	302,233,173	404,200,505	-1.77	-3.37	0.50
6	⚠ 84	Nuclear Reactors, Boilers, Machinery And Mechanical	397,521,383	556,176,315	596,673,634	517,321,801	337,813,187	-3.92	4.44	1.85
7	08	Edible Fruit And Nuts; Peel Of Citrus Fruit Or Melons	159,734,871	220,819,067	239,510,649	210,336,734	234,624,607	4.17	7.82	4.60
8	⚠ 29	Organic Chemicals	194,402,852	249,770,926	303,170,698	221,800,078	190,404,010	24.99	-3.70	-0.01
9	85	Electrical Machinery And Equipment And Parts Thereof;	66,035,198	68,858,910	97,688,911	112,579,531	157,855,540	-20.08	7.25	3.21
10	⚠ 28	Inorganic Chemicals; Organic Or Inorganic Compounds	86,171,331	112,942,982	151,175,166	173,116,366	133,553,248	-17.89	1.16	1.64
11	⚠ 27	Mineral Fuels, Mineral Oils And Products Of Their	93,314,231	198,670,816	235,765,307	149,002,705	112,072,648	-2.67	-0.30	2.04
12	20	Preparations Of Vegetables, Fruit, Nuts, Or Other Parts	44,208,350	59,919,264	78,167,462	70,929,748	97,199,063	-9.91	9.15	4.72
13	⚠ 38	Miscellaneous Chemical Products	210,119,187	788,644,221	210,814,821	208,948,774	87,941,717	29.86	3.85	4.29
14	89	Ships, Boats And Floating Structures	41,733,326	75,982,909	52,080,757	98,327,979	87,910,621	11.50	1.56	3.87
15	22	Beverages, Spirits And Vinegar	58,970,175	93,258,677	81,549,899	67,941,368	67,931,140	-2.33	-0.83	-0.88
16	⚠ 33	Essential Oils And Resinoids; Perfumery, Cosmetic Or	41,557,546	55,715,407	43,643,542	31,971,172	50,844,244	-4.85	8.07	2.71
17	75	Nickel And Articles Thereof	36,219,116	133,622,391	167,539,345	152,733,208	50,336,512	34.01	0.62	1.38
18	73	Articles Of Iron Or Steel	19,474,684	27,355,092	67,245,325	63,918,353	47,309,647	-0.50	3.43	1.80
19	25	Salt; Sulfur; Earths And Stone; Plastering Materials, Lime	46,168,983	26,308,623	40,693,495	40,400,614	45,071,665	-19.10	1.78	1.37
20	03	Fish And Crustaceans, Molluscs And Other Aquatic	32,154,609	47,390,779	51,999,724	54,574,029	44,498,701	-3.41	-1.16	0.42

Source of data: South African Revenue Service

Forensic Accounting Model

- A quantitative model to automate detection of accounting inconsistencies and potential financial fraud, covering public and private companies, globally.

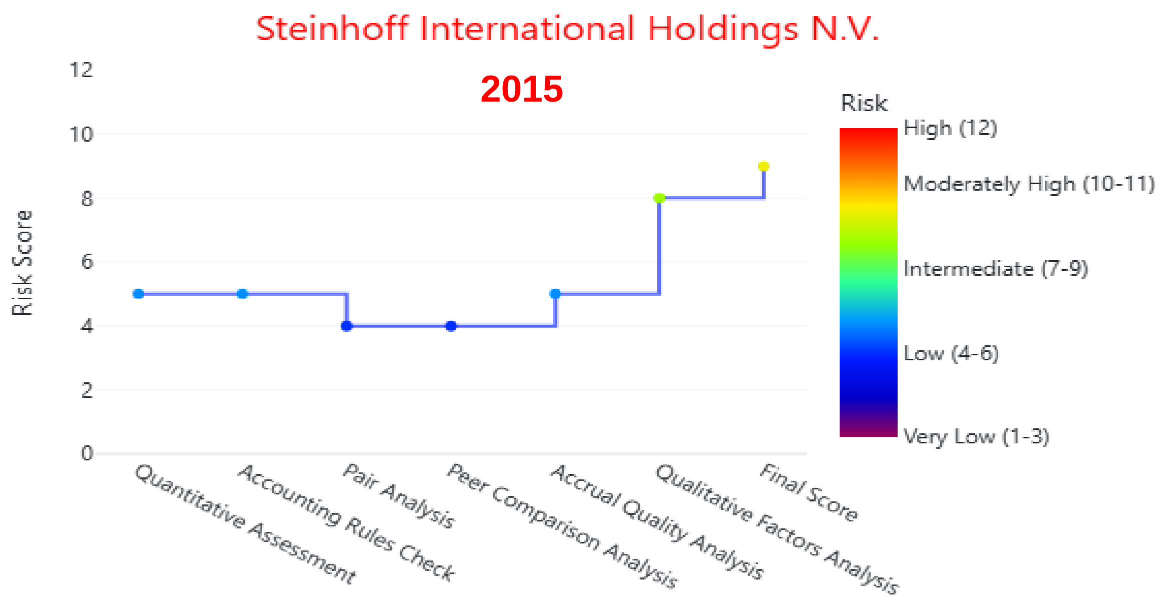
Automated Fraud Detection:
Identifies potential accounting fraud in financial statements.

Risk Scoring:
Generates risk scores from quantitative and qualitative data.

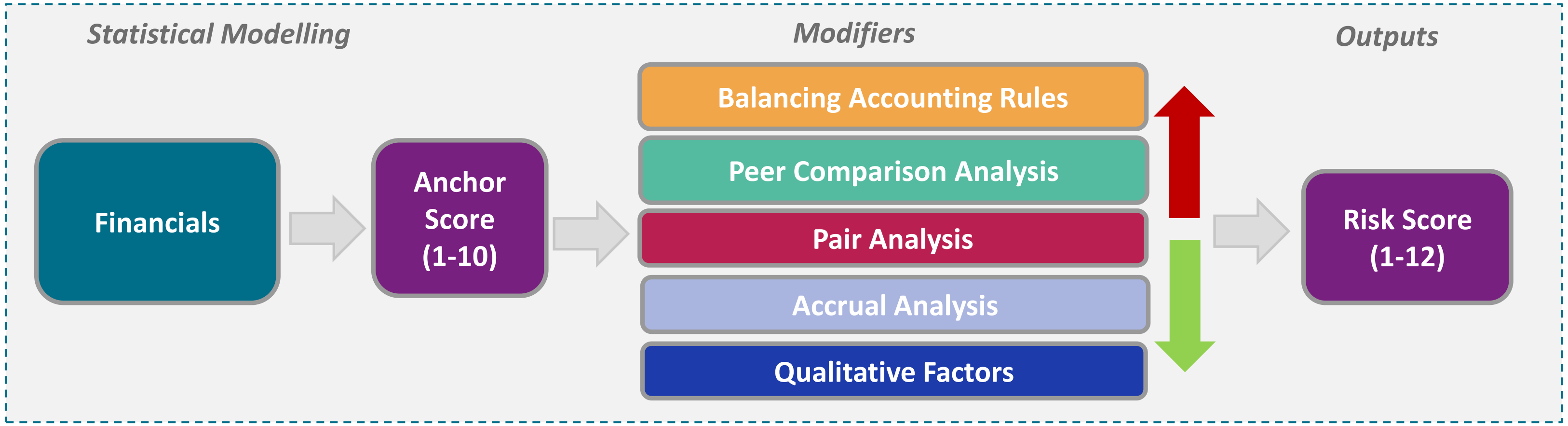
Multi-Module Structure:
Integrates various components for comprehensive analysis.

Industry-Specific:
Utilizes industry benchmarks for accurate fraud detection.

Global Coverage:
Assesses companies worldwide with tailored approaches.

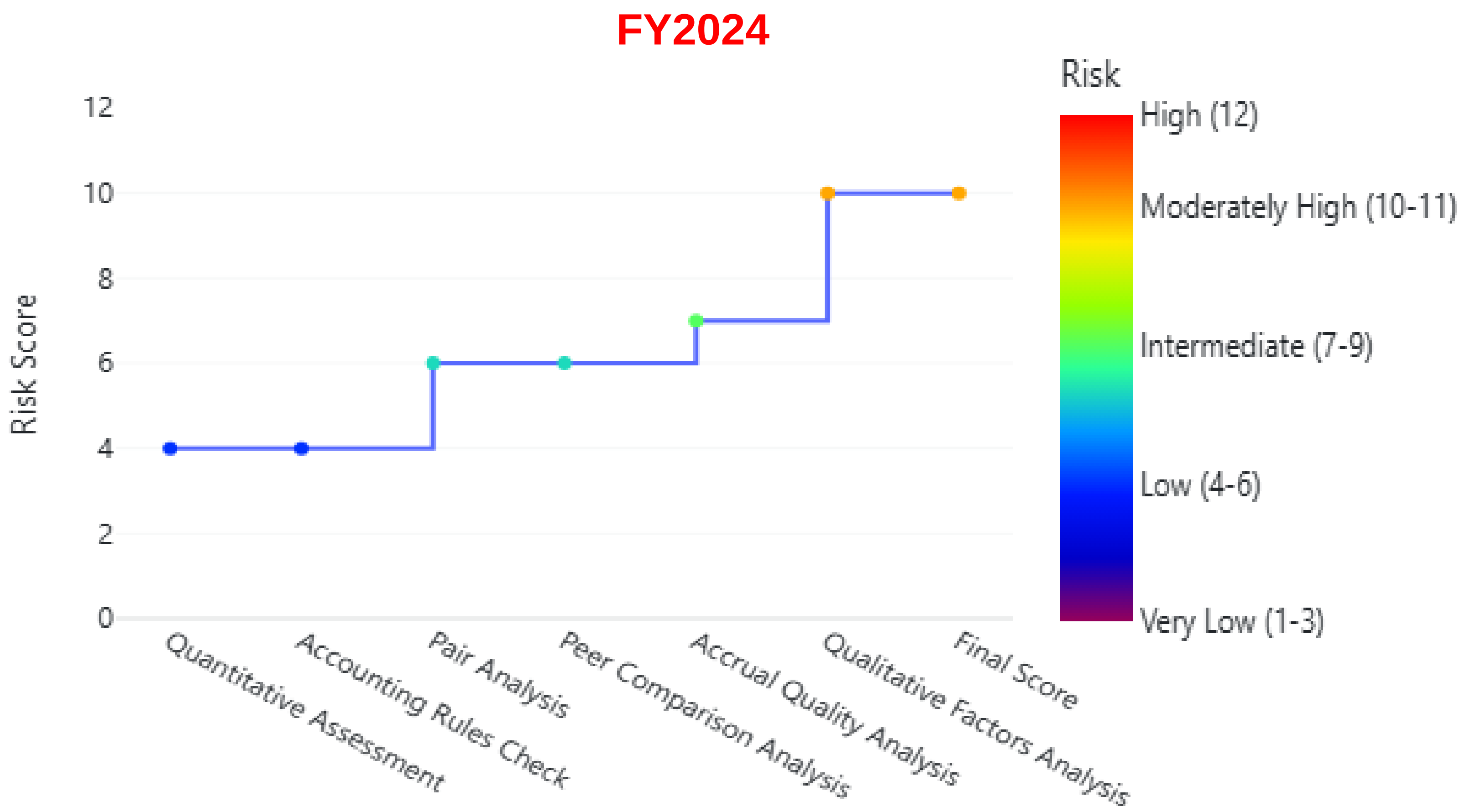


Our Approach



S&P Global
Market Intelligence

Trivia Time!
Another public company with potential financial irregularities?



S&P Global
Market Intelligence

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Market Intelligence

Break

S&P Global Market Intelligence

South Africa Roadshow

Johannesburg, South Africa

Tuesday 16th September, 2025