Global Credit Trends

2023
TRENDS

Rising debt holds consumers to stricter spending

Financial education and support mechanisms
Authorities in some regions proactively implement measures to support consumers to weather economic headwinds

Cumulative payment impact
Card utilization trends upwards as consumers cope with cumulative effects of sustained levels of inflation and higher mortgage repayments

Enduring Delinquencies
A pronounced rise in mortgage and credit card delinquencies in most regions, with some surpassing pre-pandemic levels

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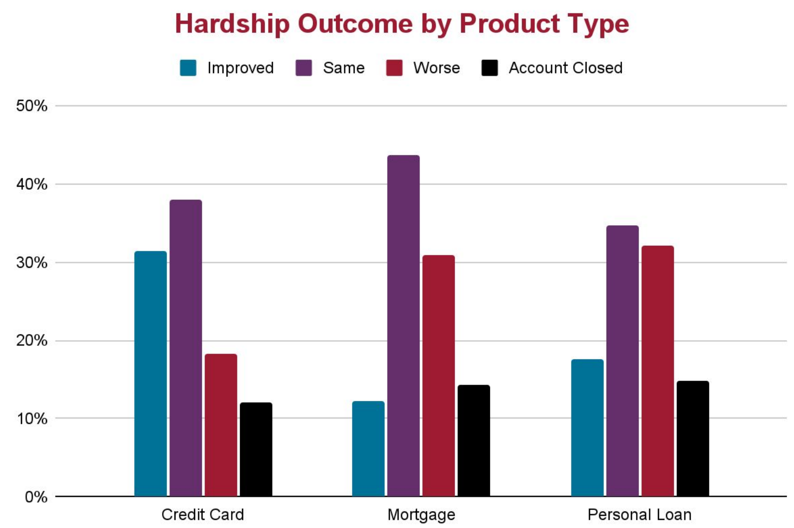
Hardship assistance helps consumers get back on track

Up to 70% of credit card consumers maintained or improved on their repayment status after assistance



Consumers declaring financial hardship for credit cards recover better than mortgage and personal loan, due to comparatively smaller repayments and shorter loan terms.

Up to 70% of credit card consumers maintain or improve on their status, vs 56% for mortgages and 52% for personal loans.

Providers and governing bodies actively collaborating to reduce the number of closed accounts. Which currently make up ~10% of accounts that entered hardship assistance programs.

Consumers with improved outcome come off hardship 50% faster. Average duration of hardship treatment was 3 months.

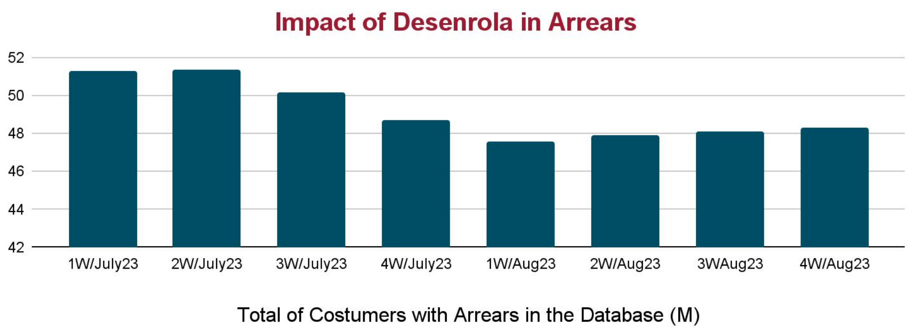
*__Outcome__ is calculated using consumer repayment status one month prior/after hardship start and end dates.

What does this mean for customers?

- Providers should proactively identify vulnerability through internal and external data sources. Explore new data elements to improve detection and accuracy
- Assess current assistance programs over the long term to measure true effectiveness
- Increase consumer awareness on financial hardship programs and educate how consumers can obtain support and assistance when required

Program offers forgiveness of small delinquent loans so consumers can gain access to credit again

Desenrola is a government program introduced to support consumers with delinquencies, enabling them to access credit again



In the first 15 days of the program more than 3.5 million people had their debts cancelled by the initiative. This amount represents a total of 7% of our database of delinquent debts.

In terms of value, it is important to say the program has cancelled more than R$10 billion of debt.

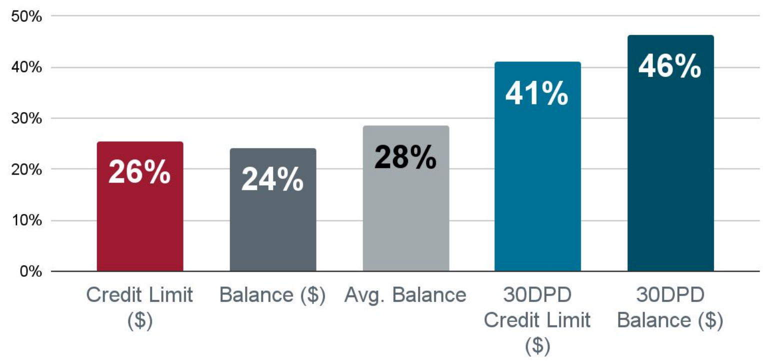
What does this mean for customers?

- Crucial to assist clients during and after the program. Demonstrate our credit risk models continued to work well in this population
- Majority of consumers forgiven under the program are not seeking credit more than usual

Rise in credit card delinquencies continued cause of concern

Comparing Key Credit Card Metrics

Nov 2019 vs Nov 2023



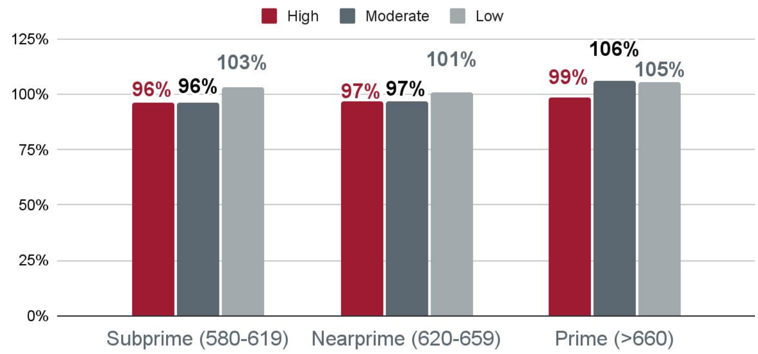
Credit Card balances have **increased 24% since 2019** compared to credit limits increasing by 26%. Credit limits and balances associated with 30+DPD arrears increased by 41% and 46% respectively.

The number of consumers with at least one 30+DPD delinquency increased from 4.4% in 2019 to 5.1% in 2023. Utilization for consumers with at least one delinquency increased from 67% to 75%.

Consumers with a lower financial durability index had an increase in delinquency higher than the average, while those with a higher durability had below average increases.

Consumer 30+DPD Bankcard Delinquency

2023 indexed vs 2019 by Risk Tier and Financial Durability



What does this mean for customers?

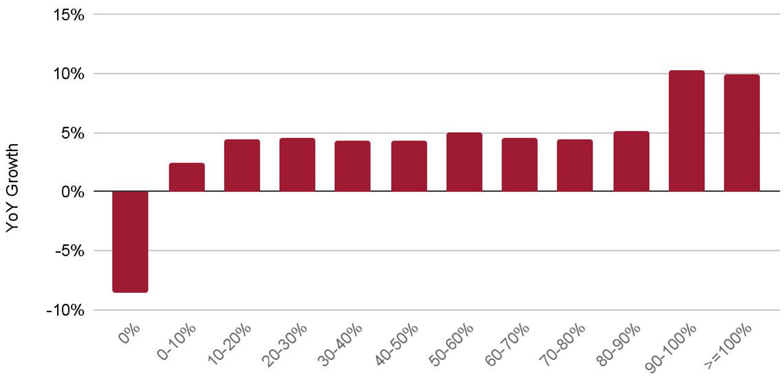
- Asset and wealth data is a useful tool to understand consumer resilience during periods of financial distress
- Continued or increased account management activities to segment consumers into different treatment buckets may be helpful to identify at-risk consumers
- While recent economic indicators was reason for cautious optimism, a K-shaped recovery means that certain pockets of consumers will continue to face increasing financial stress

Increasing credit card usage

Emerging signs of credit card reliance amongst UK consumers in the face of persistent inflation and interest rate driven cost pressures

Credit Card* Volumes by Utilization Band

Year-on-Year Growth Rate



With consumers facing increased costs on multiple fronts, credit line headroom accumulated by UK consumers during the pandemic years is seemingly eroding.

Observing the credit card market as a whole reveals a long-term balance growth trend — with **total outstanding credit card balance up 9.6% year-on-year.**

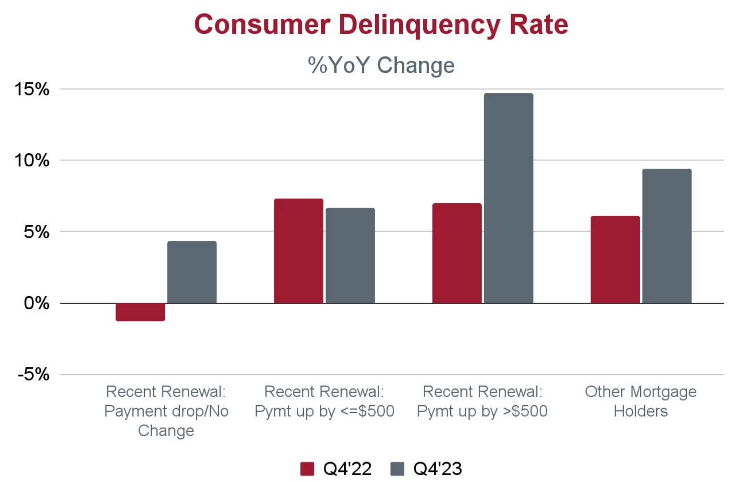
Assessing banded utilization provides additional insight into usage, with **significant growth** in the volume of overlimit cards and those with over 90% utilization. Both groups show year-on-year growth in **excess of 10%**, compared to just 3.5% growth in overall card volumes over the same period.

*__Active credit cards__: Cards with any financial activity in the last 3 months.

What does this mean for customers?

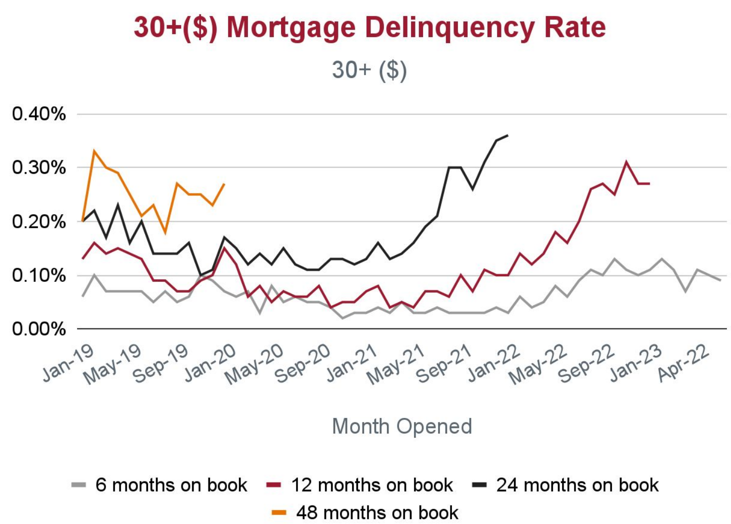
- Pockets of consumers showing signs of over-reliance on credit cards for day-to-day expenses
- Robust and flexible affordability assessment remains key in supporting responsible lending in the face of continued consumer expenditure challenges
- Regulatory scrutiny requires lenders to ensure early identification of financial stress through timely portfolio monitoring

Mortgage holders are feeling the financial pressure from high interest rates



Mortgage renewals dealing with payment shocks.

Huge spike in missed payments from mortgages opened during low interest rate periods.



What does this mean for customers?

- Mortgage delinquency rates over the last 12 months went up from 0.09% to 0.14%, representing a 52.3% increase with some regions surpassing pre-pandemic levels
- Upcoming mortgage renewals will be pivotal for many homeowners in Canada — consumers who locked in historically low interest rates in 2020 — particularly those with substantial loan amounts, may face challenges in sustaining their payments
- Financially stressed mortgage holders have already started missing payments on credit cards and are now at a higher risk of insolvency

Global insight

Inflationary pressures continue to mount across the globe

United States
Headline inflation as measured by the CPI remains above the US Fed's target of 2.0%. Shelter costs continue to weigh on the Fed's ability to begin lowering rates. The labor market continues to grow, though some pain points are starting to show. Consumer spending up on a strong holiday sales season

Canada
The Consumer Price Index rose 2.9% on a year-over-year basis in January, following a 3.4% gain in December. The largest contributor to headline deceleration was lower year-over-year prices for gasoline

United Kingdom
UK economy fell into technical recession in the second half of 2023, with a 0.3% contraction in GDP during Q4. Inflation continues to fall, however the Bank of England Monetary Policy Committee remain cautious, maintaining the Bank Rate for successive reviews

Spain
Spanish GDP grew by 2.3% in 2023. Inflation falls although core inflation remains high. Interest rates have risen in the last year; nevertheless the reference index in Europe (Euribor) presents a downward trend

Australia
Cash rate left stable as falling inflation continues to bring relief for consumers. Attention now shifts towards unemployment as it climbed to 3.9% in Dec 2023 and 4.1% in Jan 2024

Brazil
The Brazilian economy grew 2.9% in 2023. During this period, inflation slowed from 5.78% in 2022 to 4.62% and the basic interest rate fell from 13.75% per year to 11.75%. Economy's performance surprised the market positively over the past year and most recent forecasts to 2024 point to growth just below 2%

New Zealand
Headline inflation is trending down, but domestic non-tradables inflation proving more sticky. Progress is being made but the Cash Rate will remain restrictive for some time yet, albeit further increases are looking less likely

Ecuador
Ecuador closed 2023 with the lowest inflation in Latam. Growth rate reflects the economic stagnation in a context of a new president being elected. Interest rates have reached a historical maximum due to demand problem and informal labor force has reached 62%

Argentina
Argentina's inflation rate was 53% in Q4 '23 in a context of government change. Consumer prices rose 211% YoY and the official exchange rate started moving at a higher rate than inflation. In December the new government devalued the country's official exchange rate by over 50%. Inflation for Jan'24 is expected to go down

		GDP	Inflation		Interest Rate		Unemployment
		per capita*	Percent	+/- YoY*	Percent	+/- YoY*	Percent
North America	US	0.0% ▲	0.00%	0.0% ▲	0.00%	0.0% ▲	0.00%
	CA	-0.30% ▼	2.90%	-3.0% ▼	5.0%	-0.5% ▼	5.70%
South America	AR	-2.63% ▼	211%	116% ▲	133%	58% ▲	5,7%
	EC	0.0% ▲	1.35%	-2.39% ▼	0.00%	0.0% ▲	3,4%
	BR	0.0% ▲	0.00%	0.0% ▲	0.00%	0.0% ▲	0.00%
Europe	UK	-0.30% ▼	4.20%	-5.0% ▼	5.25%	1.75% ▲	3.80%
	ES	2.04% ▲	3.10%	-2.6% ▼	3.51%	0.22% ▲	11.76%
Oceania	AU[1]	-0.30% ▼	4.10%	-3.7% ▼	4.35%	+1.25% ▲	3.90%
	NZ[2]	1.30% ▲	4.70%	-2.5% ▼	5.50%	+1.25% ▲	3.90%

*Data shows change in percentage compared to this quarter last year

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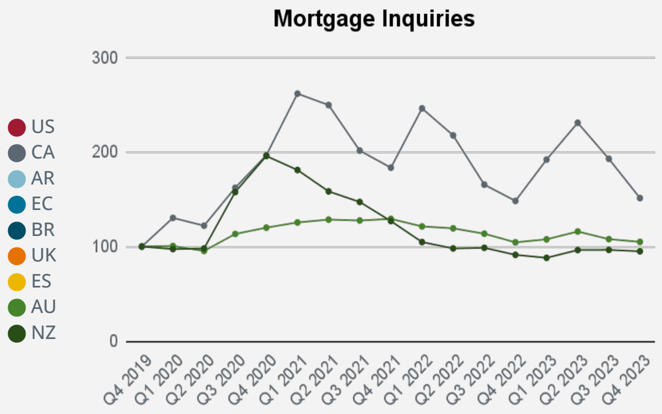
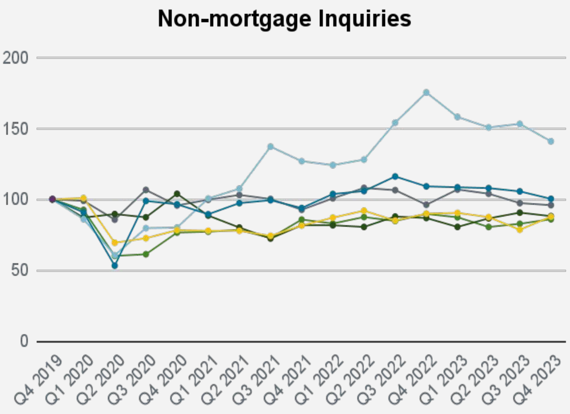
1. ABS.gov
2. stats.nzt

Demand

Growth in card and personal loan demand across multiple regions





North America

Canada

Non-mortgage demand primarily being driven by higher immigration. Mortgage demand up year over year with first time home buyers as well as upcoming renewals driving inquiries

South America

Argentina

Non-mortgage inquiries have remained stable despite the economic context. Online inquiries remain strong in order to retain existing clients and focus on portfolio quality over new clients in the open market

Ecuador

Non-mortgage inquiries present a slight slowdown (-2%) due to political instability, fiscal and financing risks

Brazil

In 2023, the demand for credit remained stable, but decreased by about 10% compared to the previous year

Europe

United Kingdom

Annual growth rate for all consumer credit rose to 8.0% in September, the highest since November 2018, primarily driven by the annual growth rate for credit card borrowing reaching 12.5% in September

Spain

Shows an increase in credit demand in Q4’23 compared to previous the quarter which normally has low activity during the summer period

Oceania

Australia

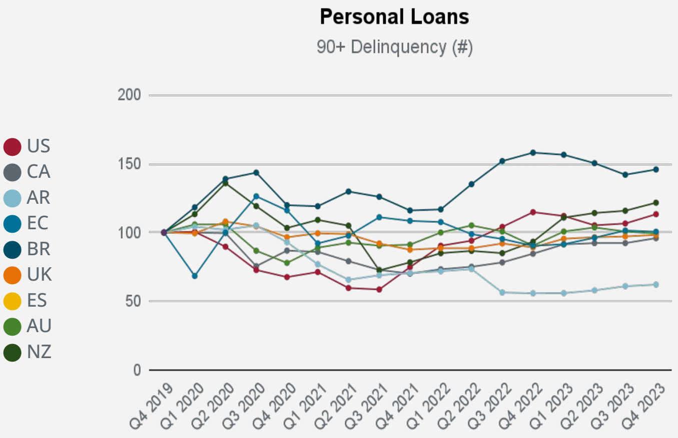
Mortgage demand during Q4’23 returns to positive growth for the first time since 2021. Softer inflation brought temporary relief for consumers, slowing unsecured credit demand by 5% compared to last year

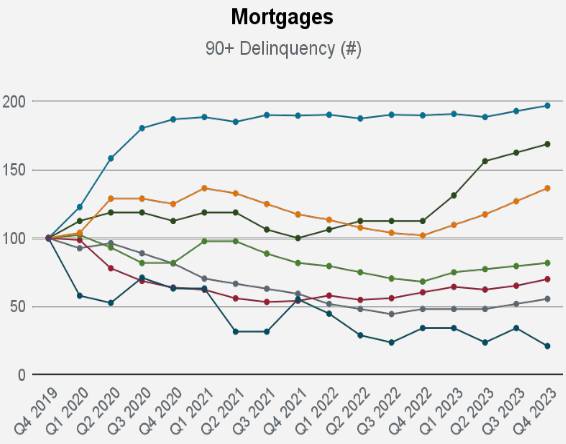
New Zealand

Average weekly credit demand in 2023 finishes 4.8% higher than 2022 except for home lending. Weekly mortgage demand for 2023 finished 4% lower than 2022 with notably higher volume into the new year

Delinquencies

Pronounced rise in personal loan delinquencies across multiple regions, with some areas surpassing pre-pandemic levels





North America

United States

Non-mortgage delinquencies (removing student loans) have reached pre-pandemic levels on all product categories, while mortgage delinquency remains much lower, despite an uptick in 2023

Auto and personal loan delinquency is continuing to increase, while credit card delinquency has steadied in the most recent month

Canada

Delinquencies and insolvencies are rising across the board. Over 150k more consumers missed at least 1 payment than 12 months ago

Mortgage delinquency is exceeding 2019 levels for younger consumers and those in Ontario and British Columbia

South America

Argentina

Delinquency is starting to rise due to economic uncertainty and high interest rates are affecting payment capacity

Ecuador

Personal loans delinquency is starting to rise due to liquidity problems and economic uncertainty are affecting payment capacity

Brazil

The delinquency rate for auto and personal loans increased slightly (2.2%). However, mortgage delinquencies fell by 28.3% compared to the prior year

Europe

United Kingdom

Mortgage delinquencies are showing sustained increases as mortgage customers transition out of low interest fixed rate periods on to new higher interest fixed or variable rate products. Unsecured delinquency rates are generally stable despite consumer cost pressures

Oceania

Australia

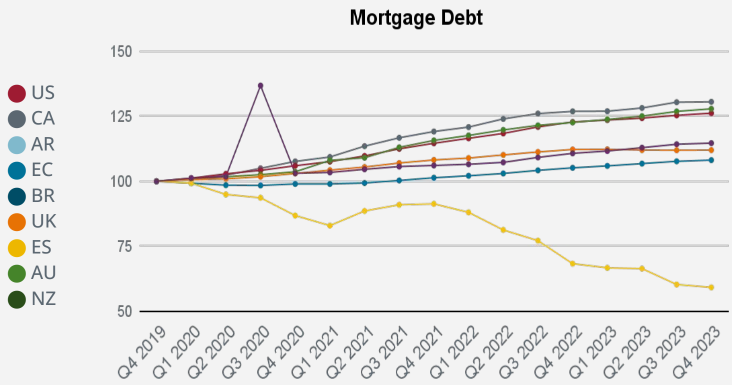
Delinquencies for mortgages and credit cards are hovering at 2022 levels. Personal loan and auto loan delinquencies improved compared to last year

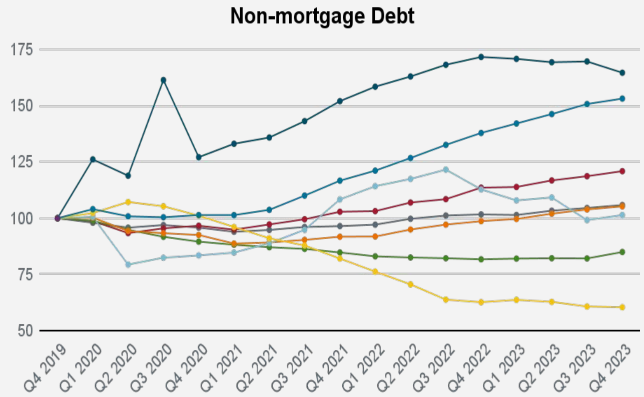
New Zealand

While late stage home loan delinquencies were relatively stable for the later half of 2023, there is worsening hardship stress in the economy. Home loan accounts flagged in hardship have increased for 11 consecutive months

Overall debt

Non-mortgage debt continues to increase across most countries globally driven by demand and inflation





Mortgage debt

United States
Mortgage originations are down 20% while average loan amounts are staying steady YoY. Overall mortgage debt has increased by 3.7% YoY

Canada
Slowest increase in mortgage debt as new originations continue to decline

Australia
Mortgage originations 9% below last year. National average limit per new account increased 8% YoY

Brazil
Mortgage debts increased 2% YoY. Non-mortgage debts increased 3% YoY

Non-mortgage debt

United States
Non-mortgage debt increased by ~9% YoY, driven by increases in credit card debt (15%) and Auto debt (7%). Credit card originations limits are on the rise and are currently 9% higher than the same time a year ago

Canada
Non-mortgage debt continues to rise with credit cards being the biggest driver. Card spend is slowing but reduced payments are driving balances up

United Kingdom
Gradual long term increasing trend in credit card balances, likely driven by increased costs. Total credit card balances up 9.6% YoY

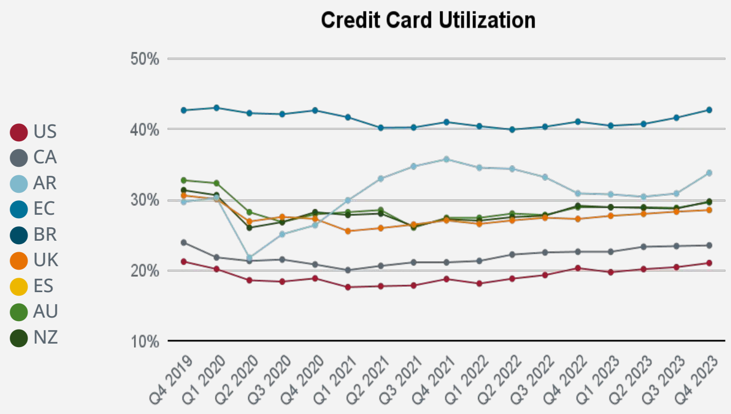
Spain
Gradual decrease in mortgage debt and stabilization of other forms of debt (only defaulted assets)

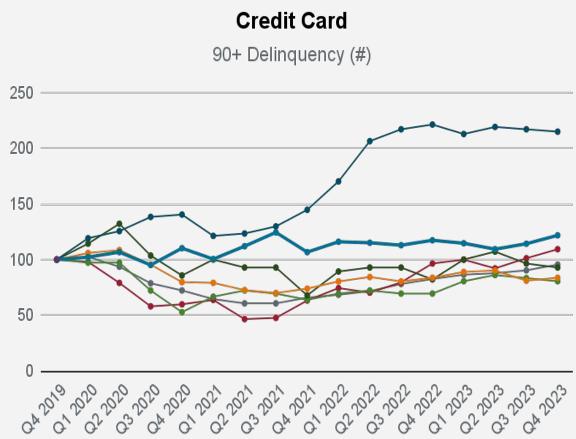
Argentina
Non-mortgage debt presents a 9.2% drop mainly caused by an exchange rate correction and banks' reluctance to expand their portfolios, given the economic uncertainty ahead of primary elections that took place in Oct '23

Ecuador
Non-mortgage debt presents an increase in the third quarter caused by liquidity and credit supply restrictions. Mainly driven by a 5% increase in credit card debt in 3Q

Utilization

Higher card utilization and delinquencies across most regions as consumers cope with cost of living pressure





Rising card delinquencies

United States
Credit card delinquency is continuing to increase and early delinquency (30+DPD after 6 months of opening) is continuing to increase for all score tiers, including prime

Canada
Vintage view of credit card delinquencies shows a much higher increase in newly opened cards after 6 months of opening (especially in the sub-prime segments)

Brazil
The delinquency rate for credit cards increased 18% compared to the last year

Revolving debt

United States
Credit card utilization has now reached pre-pandemic levels of ~22%. Credit card limits are 26% higher than pre-pandemic and credit card balances are 24% higher than pre-pandemic

Canada
Credit card utilization is increasing but the overall impact on utilization is being masked due to increasing growth in new credit card volume as well as higher credit limits being assigned to new cards

Argentina
The third quarter presents stable levels of credit card utilization. In a context of monthly double-digit inflation and liquidity restrictions, credit cards still remain the most common financial instrument as a way to manage monthly inflation

Ecuador
Credit card utilization is slightly increasing. Total credit card debt presents a 5% increase in Q4 and a 16% YoY caused by limited microcredits, liquidity restrictions and use of credit cards as financial leverage

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Non-mortgage: Includes Buy Now Pay Later, credit cards, installment loans, personal loans and automobile loans. Availability and coverage will vary by region. Debt: Money borrowed by consumers at a point in time. Refers to amortised limit or outstanding balance depending on data collected from each region, except Spain which reports just defaulted assets because Spanish Bureau manages negative data only. Delinquency (#): The delinquency rate refers to the percentage of loans that are 90 or more days past due.