



OCTOBER MORTGAGES AND HOUSEHOLD CREDIT

*-The long declining growth trend
continues*

PROPERTY MARKET
ANALYTICS

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NEGATIVE GROWTH IN MORTGAGES AND HOUSEHOLD CREDIT GETTING NEARER, WHICH IS NOT NECESSARILY BAD NEWS

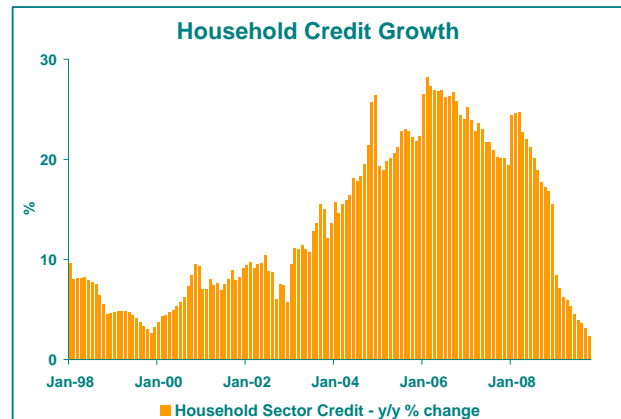
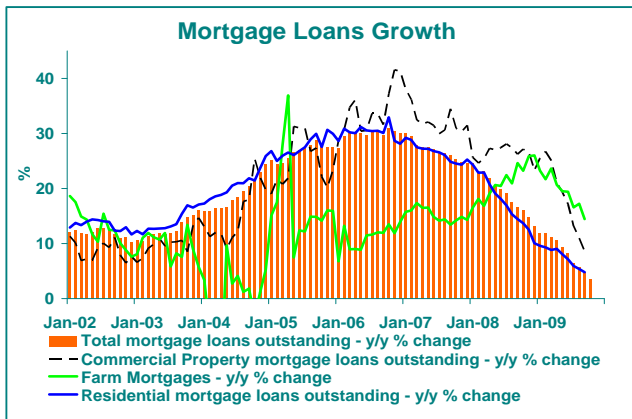
The value of total South African mortgage advances outstanding saw its year-on-year growth rate continue its long multi-year declining trend, edging steadily closer to negative growth territory. From 4.8% year-on-year in September, the growth rate declined to 3.6% in October.

While residential mortgage advances are the lion's share of the total, and thus are the major influence, we have seen commercial mortgage advances growth literally dropping like a stone. Residential advances for September (the split runs 1 month behind the total) showed 4.8% year-on-year growth, down from 5.4% previous, as this category of loans starts to reflect the dramatic drop in new lending from around mid-2007.

Commercial property advances recorded 8.5% growth for the same month. While still more respectable than the residential mortgage growth rate, the commercial growth rate is declining at a far greater speed, having been double its most recent rate at around 17% as recently as June 2009.

The smaller farming sector mortgage segment showed 14.4% year-on-year growth for September, but it too has slowed significantly, with its previous month's growth being 17.2%. The farming sector has seen its GDP slip into negative growth during 2009 after a bumper production year in 2008, while food prices have also slipped significantly after the end of the commodity price spike around mid-last-year.

Total household sector loans outstanding show similar trend in value, with a year-on-year growth rate of 2.3% for October, down from 3.1% previous.



COMMENT

Nothing in the mortgage and household sector credit data comes as a surprise. Given the lengthy lag between new lending trend changes and those of the outstanding book, one can expect the growth decline to continue through much of 2010, and this should include a period of negative growth both in mortgage loans outstanding as well as total household sector credit.

With the economy emerging from recession, which should translate into some recovery in household disposable income growth from recently weak levels, the steadily diminishing growth in household credit outstanding should lead to more significant progress being made in reducing the currently-high debt-to-disposable income ratio of the household sector. The most recent figure for the debt-to-disposable-income ratio was 76.3% (2nd quarter) which, while not at a "crisis" level, remained near the historic high reached early in 2008. This high debt ratio has been instrumental in prohibiting the household sector from responding "aggressively" to significant interest rate cuts this year, and the start of a more noteworthy decline in the ratio in 2010 would ultimately put the household sector on a more healthy financial "platform".

A lower debt ratio prior to the next interest rate hiking cycle would significantly reduce the negative impact of such rate hiking on the property and household sector.

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Mortgage Market Summary

| END OF PERIOD | 2004 | 2005 | 2006 | 2007 | 2008 | Q4-2008 | Q1-2009 | Q2-2009 | Q3-2009 | Jun-09 | Jul-09 | Aug-09 | Sep-09 | Oct-09 |
|--|---------|---------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Mortgage Market (R'm) | | | | | | | | | | | | | | |
| Total Mortgage Advances (R'm) | 412 769 | 526 647 | 684 593 | 853 819 | 966 921 | 966 921 | 981 192 | 983 387 | 986 765 | 983 387 | 982 819 | 985 225 | 986 765 | 989 369 |
| y/y % change | 24.4 | 27.6 | 30.0 | 24.7 | 13.2 | 13.2 | 11.2 | 8.2 | 4.8 | 8.2 | 6.4 | 5.6 | 4.8 | 3.6 |
| Banking Sector - New mortgage loans and re-advances granted per property type (R'm) | | | | | | | | | | | | | | |
| Residential dwellings | 179 316 | 248 800 | 338 327 | 364 575 | 271 276 | 57 399 | 35 347 | 35 718 | - | 13 761 | - | - | - | - |
| y/y % change | 60.9 | 38.7 | 36.0 | 7.8 | -25.6 | -28.9 | -57.5 | -49.6 | - | -27.3 | - | - | - | - |
| Of which: Residential re-advances | | | | | | | | | | 4 614 | - | - | - | - |
| Commercial premises and other | 49 668 | 82 171 | 79 491 | 73 207 | 23 578 | 3 787 | 4 767 | 4 192 | - | 1 587 | - | - | - | - |
| y/y % change | 25.3 | 65.4 | -3.3 | -7.9 | -67.8 | -81.4 | -38.1 | -38.1 | - | -37.3 | - | - | - | - |
| Farms | 3 251 | 4 373 | 5 125 | 3 626 | 3 794 | 866 | 558 | 499 | - | 173 | - | - | - | - |
| y/y % change | 116.0 | 34.5 | 17.2 | -29.2 | 4.6 | -12.2 | -33.8 | -52.5 | - | -52.1 | - | - | - | - |
| Total | 232 234 | 335 348 | 422 941 | 441 410 | 298 643 | 62 050 | 40 674 | 40 406 | - | 15 522 | - | - | - | - |
| y/y % change | 52.2 | 44.4 | 26.1 | 4.4 | -32.3 | -39.2 | -55.6 | -48.7 | - | -28.9 | - | - | - | - |
| Banking Sector - New mortgage loans granted per application (R'm) | | | | | | | | | | | | | | |
| Construction of buildings | 27 565 | 32 445 | 30 941 | 28 574 | 29 927 | 4 658 | 3 757 | 4 185 | - | 1 401 | - | - | - | - |
| y/y % change | 73.4 | 17.7 | -4.6 | -7.7 | 4.7 | -22.3 | -60.5 | -50.9 | - | -39.9 | - | - | - | - |
| Existing Buildings | 189 411 | 277 697 | 357 851 | 384 052 | 256 668 | 55 677 | 35 916 | 35 268 | - | 13 823 | - | - | - | - |
| y/y % change | 48.4 | 46.6 | 28.9 | 7.3 | -33.2 | -38.0 | -53.9 | -47.1 | - | -25.3 | - | - | - | - |
| Vacant Land | 15 261 | 25 206 | 34 149 | 28 784 | 12 049 | 1 715 | 1 000 | 953 | - | 298 | - | - | - | - |
| y/y % change | 68.1 | 65.2 | 35.5 | -15.7 | -58.1 | -72.8 | -76.4 | -73.3 | - | -69.8 | - | - | - | - |
| Banking Sector - Payouts and Capital Repayments (R'm) | | | | | | | | | | | | | | |
| Total loans paid out per period | 220 206 | 313 886 | 399 295 | 461 727 | 276 271 | 51 233 | 29 845 | 28 396 | - | 10 191 | - | - | - | - |
| y/y % change | 32.2 | 42.5 | 27.2 | 15.6 | -40.2 | -57.3 | -66.4 | -61.7 | - | -53.7 | - | - | - | - |
| Capital repayments per period | 146 613 | 183 527 | 250 359 | 297 877 | 156 192 | 24 441 | 16 294 | 25 974 | - | 9 101 | - | - | - | - |
| y/y % change | 28.7 | 25.2 | 36.4 | 19.0 | -47.6 | -70.9 | -74.6 | -33.1 | - | -12.3 | - | - | - | - |
| Total Banking Sector Mortgages Outstanding (R'm) | | | | | | | | | | | | | | |
| Farm Mortgages | 3 559 | 4 126 | 4 700 | 5 372 | 6 771.0 | 6 771 | 7 132 | 7 297 | 7 344 | 7 297 | 7 280 | 7 329 | 7 344 | - |
| y/y % change | 5.2 | 15.9 | 13.9 | 14.3 | 26.0 | 26.0 | 23.6 | 19.4 | 14.4 | 19.4 | 16.6 | 17.2 | 14.4 | - |
| Housing Advances: Total | 327 953 | 426 205 | 546 197 | 684 317 | 753 122.0 | 753 122 | 766 362 | 768 660 | 772 098 | 768 660 | 768 945 | 770 850 | 772 098 | - |
| y/y % change | 25.9 | 30.0 | 28.2 | 25.3 | 10.1 | 10.1 | 8.9 | 7.1 | 4.8 | 7.1 | 5.9 | 5.4 | 4.8 | - |
| Commercial Property Advances: Total | 74 336 | 91 644 | 129 488 | 170 252 | 209 882.2 | 209 882 | 212 018 | 214 162 | 214 892 | 214 162 | 213 728 | 214 443 | 214 892 | - |
| y/y % change | 19.7 | 23.3 | 41.3 | 31.5 | 23.3 | 23.3 | 25.1 | 17.2 | 8.5 | 17.2 | 13.2 | 11.0 | 8.5 | - |
| Total Banking Sector Mortgage Loans Outstanding | 405 847 | 521 974 | 680 384 | 852 639 | 969 775.0 | 969 775 | 985 750 | 990 127 | - | 990 127 | - | - | - | - |
| y/y % change | 24.5 | 28.6 | 30.3 | 25.3 | 13.7 | 13.7 | 12.1 | 9.3 | - | 9.3 | - | - | - | - |
| Household-Related Debt and Deposits (R'm) | | | | | | | | | | | | | | |
| Household Debt | 478 741 | 585 541 | 726 270 | 867 635 | 1 002 020 | 1 002 020 | 1 013 684 | 1 012 116 | 1 017 827 | 1 012 116 | 1 014 223 | 1 017 133 | 1 017 827 | 1 019 002 |
| y/y % change | 26.5 | 22.3 | 24.0 | 19.5 | 15.5 | 15.5 | 6.2 | 4.6 | 3.1 | 4.6 | 4.0 | 3.6 | 3.1 | 2.3 |
| Household Deposits held by banks | 283 750 | 319 095 | 363 113 | 423 700 | 501 878.0 | 501 878 | 508 165 | 511 738 | - | 511 738 | - | - | - | - |
| y/y % change | 9.7 | 12.5 | 13.8 | 16.7 | 18.5 | 18.5 | 14.1 | 9.4 | - | 9.4 | - | - | - | - |