



NATIONAL BANK OF KAZAKHSTAN

BANK LENDING SURVEY

**2nd quarter
of 2021**

Bank lending survey

2nd quarter of 2021

Corporate lending

The demand for loans to small and medium-sized businesses increased slightly in the second quarter of 2021, while it decreased to large business loans (Figure 1). Credit conditions in some banks somewhat loosened for small businesses (Figure 2).

The growth of demand for loans in the small business segment has been continuing for a year (Figure 1). Since the launch of online bank credit products in the second half of last year, the number of incoming applications from small business, mainly individual entrepreneurs, has significantly increased in a number of banks. Most of the banks adapted their digital credit products to government lending programs, that further increases the need for a loan due to its preferential terms. However, the main growth in the number of incoming applications for loans resulted from banks that do not participate in the state lending programs. Consequently, the total number of applications for small business loans in the second quarter increased by 29% q/q and amounted to 155 thousand.

The demand indicator for medium-sized business loans increased slightly in many banks in the reporting quarter, while it decreased to large business loans, mainly in large banks (Figure 1). As a result, the number of loan applications from large and medium-sized businesses increased by 9% q/q to 1.3 thousand.

The willingness of banks to lend to businesses increased slightly. The approval rates of applications for large and medium-sized businesses loans noticeably increased, amounting to 62% and 76%, respectively, compared to the previous quarter rates of 55% and 57%. However, there was a decline in the approval rate for small business loan applications in the banks participating in state lending programs. The share of approved applications from small businesses was 24%, down from 31% in the previous quarter and 76% in the fourth quarter of last year. Respondent banks stated that the decrease was owing to the temporary lack of a budget under the state program Business Roadmap-2025 for the provision of state guarantees and interest rate subsidies for micro and small businesses. Thus, micro and small businesses, according to the respondents, did not want to borrow on market terms, neither met a sufficient level of risk of the borrower, as they were not able to secure a loan with high-quality collateral.

Some banks loosened lending conditions to businesses by simplifying the process of loan issuing, providing longer maturity loans and increasing the loan caps, as well as they improved the attitude to certain sectors of the economy.

In the next quarter, many banks expect a slight increase in the demand for credit from all business segments. Banks do not plan to change credit terms for businesses in the next quarter.

Retail lending

In the 2nd quarter of 2021, the demand in retail lending changed heterogeneously. Hence, the demand for mortgage, unsecured consumer loans and car loans increased slightly, while the demand for consumer loans secured by collateral remained at the level of previous period (Figure 5).

The demand for mortgage lending, where the role of state programs remains at a high level, increased. Respondent banks explained that after the closure announcement of one of the most popular state programs in the secondary housing market Baspana Hit, the demand for mortgage loans slightly increased. In addition, a continuing interest of population in the program of pension savings` withdrawal for the purpose of buying or repairing housing also positively influenced on a rise of the demand for mortgage lending. Accordingly, the number of incoming applications for mortgage loans increased by 30% during the current quarter, and amounted to 97 thousand applications in total.

There were also various changes in the demand for consumer lending. For instance, marketing campaigns and changes in interest rates occurred in some banks had a positive impact on the growth of demand in the segment of unsecured loans and car loans. Thus, compared to the previous period, in the 2nd quarter of 2021, the number of incoming applications for unsecured loans and car loans increased by 31% and 11%, amounting to 8.2 million and 428 thousand applications, respectively. It is worth to note that banks did not receive an expected tranche under the preferential program of Development Bank of Kazakhstan JSC, so they provided car loans at the expense of released funds from previously repaid loans. At the same time, the high requirements on customer solvency established by individual banks reduced the demand for secured consumer loans to some extent, however, in aggregate terms, the number of applications in this segment increased by 58%, and amounted to 8 thousand applications.

Credit conditions for all type of loans slightly loosened over the second quarter of 2021 (Figure 6). Hereby, some banks agreed to a lower margin on loans, decreasing the interest rates on mortgage lending (Figure 7). In turn, changes in consumer lending terms occurred in a form of cutting interest rates by a particular bank, while the second one extended the maximum loan maturity period, and, as a result of competition for a high-quality borrower, the third bank reduced commissions unrelated to the interest rate (Figure 8).

In the 3rd quarter of 2021, banks expect a slight increase in the demand for mortgage, secured consumer loans and car loans, while the demand for unsecured consumer loans is expected to remain at the level of current quarter.

General information about the survey

The Bank lending survey is conducted by the National Bank on a quarterly basis to assess the changes in supply and demand for credit resources. The Survey is addressed to bank managers who are responsible for the formation of bank's general credit policy and risk management. During the research, all banks are surveyed out by filling questionnaires and subsequent interviews with representatives of individual banks.

The choice of answers to the most of questions assume one of the following:

-1 = will decrease/decreased significantly

-0,5 = will decrease/decreased slightly

0 = will remain/remained at the same level

0,5 = will increase/increased slightly

1 = will increase/increased significantly

Prior to Q1 2018 survey results were aggregated as a simple average by calculating the net percentage change (NPC)– difference between the proportion of respondents who have noted an increase (loosening) in parameter and the proportion of respondents who have noted its decrease (tightening).

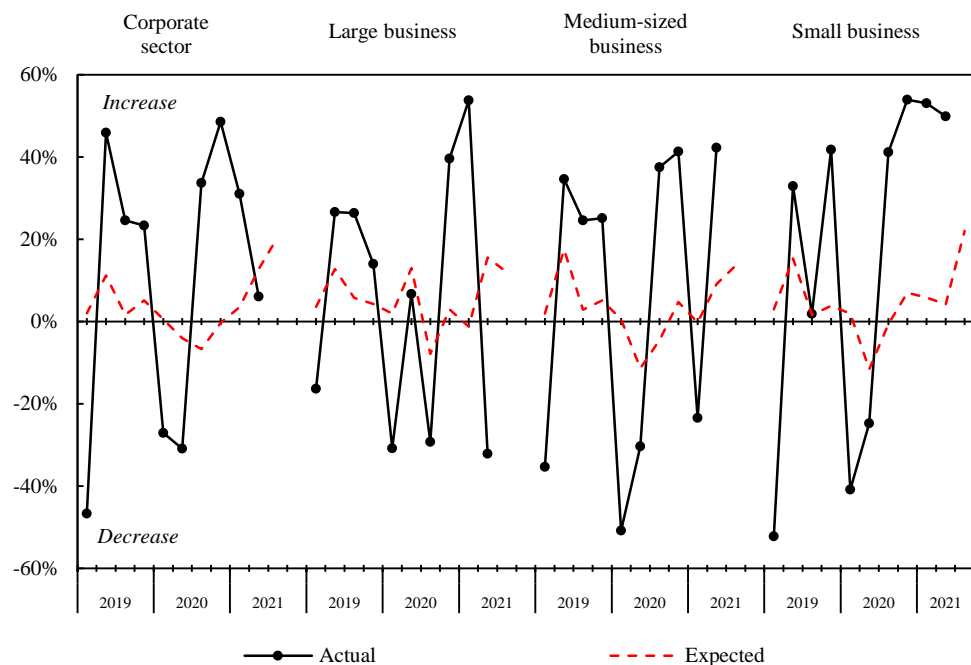
Starting from Q1 2018, the survey results are aggregated in the NPC, taking into account the bank's share in the corresponding segment of the lending market. The value of this indicator can vary from -100% - if all banks choose "decreased/tightened significantly" - to 100% - if all banks choose "increased/loosened significantly"

A positive value of this NPC indicator reflects a growth trend (loosening), a negative value indicates a decrease (tightening) of the parameter. At the same time, value of the net percentage change does not show the amount of change in the parameter, but only indicates the change itself.

Also, starting from Q1 2018, questions of received and approved loan applications were included to the questionnaire (Questions №21, 22, 23). The total number of received applications includes both, applications for which a credit decision was already made (approved/rejected), and applications that were on consideration during the time of conducting the survey.

Figure 1. The demand of corporate business entities for credit resources

Net percentage change

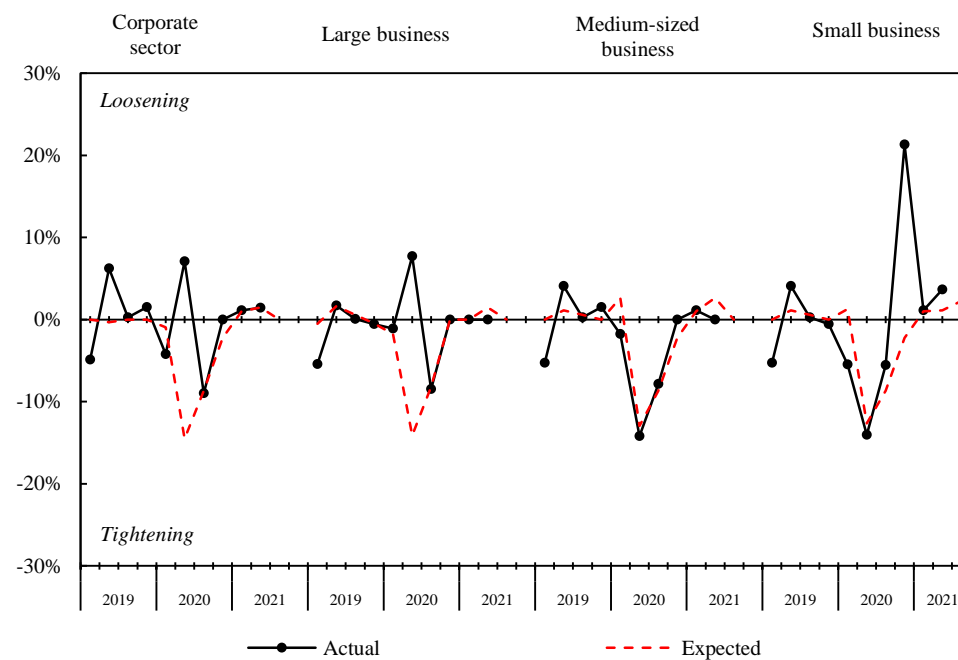


(a) Question №1: How has the demand of corporate business entities for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of corporate business entities for loans change in the next 3 months?

(b) A positive net percentage change is a sign of an increase in the demand for credit resources by entrepreneurs.

Figure 2. Lending terms to corporate business entities

Net percentage change

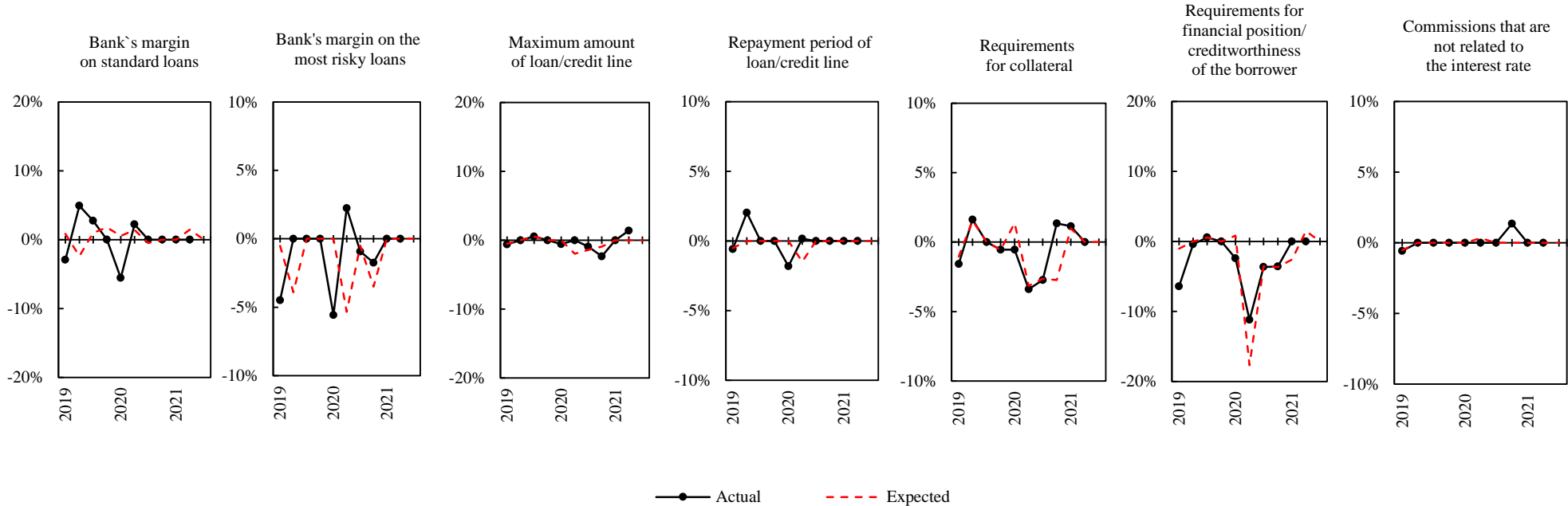


(a) Question №5: How have the lending terms to corporate business entities changed over the past 3 months? In your opinion, how will the lending terms to corporate business entities change in the next 3 months?

(b) A positive net percentage change is a sign of a loosening of lending terms.

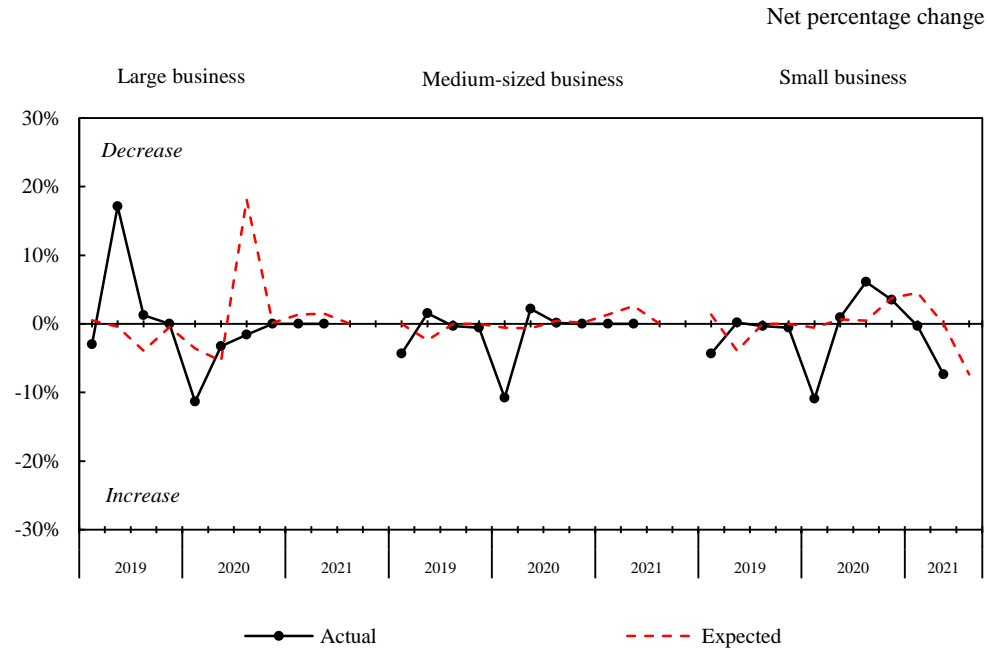
Figure 3. Lending terms

Net percentage change



(a) Question №7: How have the following lending terms to corporate business entities changed over the past 3 months? In your opinion, how will the following lending terms change in the next 3 months?
(b) A positive net percentage change is a sign of a loosening of lending terms.

Figure 4. Interest rates on loans

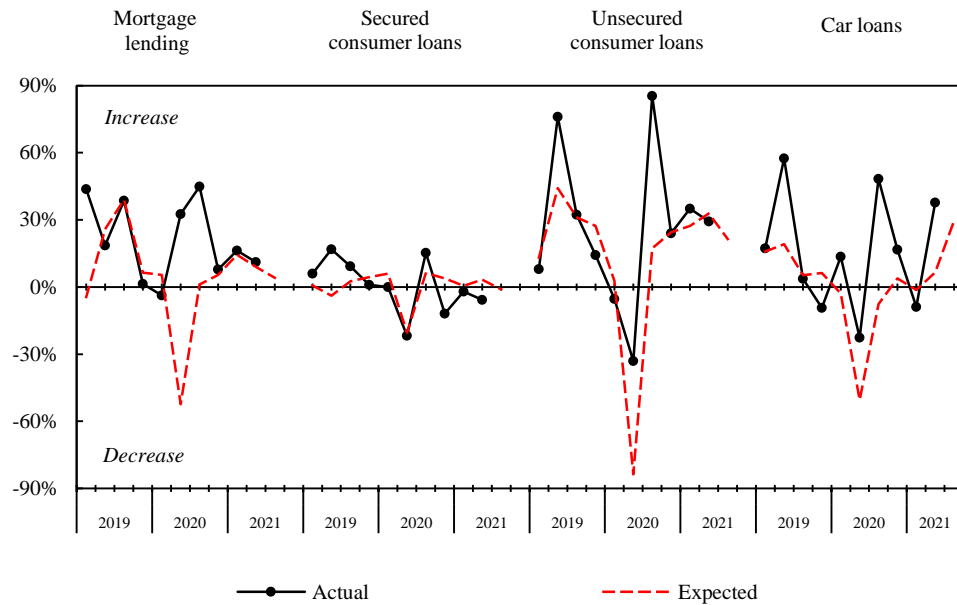


(a) Question №8: How have the interest rates on loans changed over the past 3 months? In your opinion, how will the interest rates on loans change in the next 3 months?

(b) A positive net percentage change is a sign of a decrease in the interest rates on loans to the corporate sector.

Figure 5. The demand of individuals for credit resources

Net percentage change

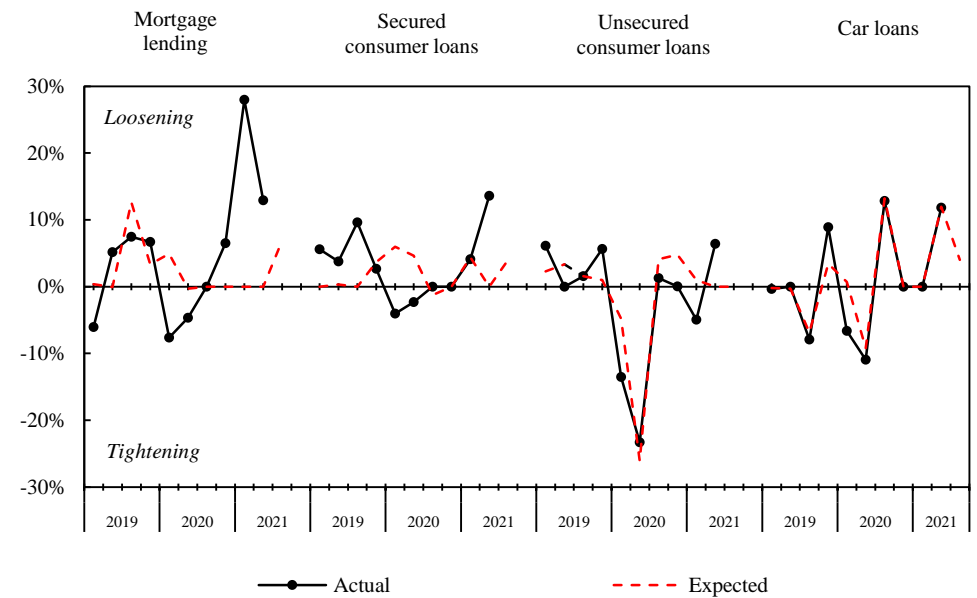


(a) Question №9: How has the demand of individuals for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of individuals for loans change in the next 3 months?

(b) A positive net percentage change is a sign of an increase in the demand of individuals for credit resources.

Figure 6. Lending terms to individuals

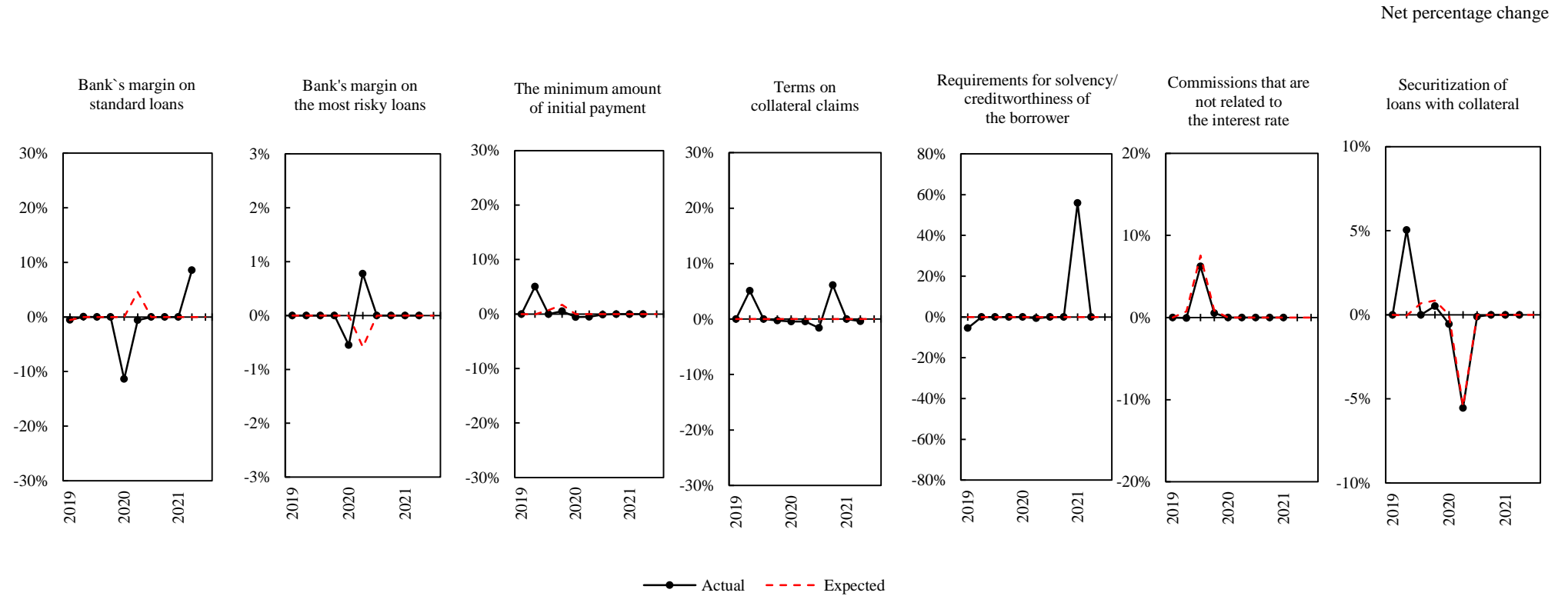
Net percentage change



(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

(b) A positive net percentage change is a sign of a loosening of lending terms.

Figure 7. Mortgage lending terms

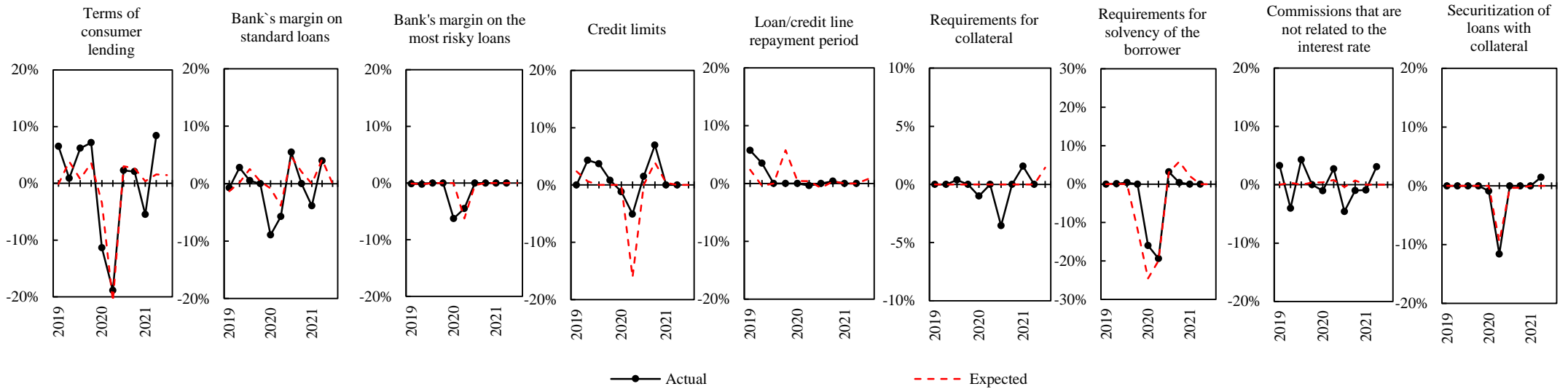


(a) Question №16: How have the following mortgage lending terms changed over the past 3 months? In your opinion, how will the following mortgage lending terms change in the next 3 months?

(b) A positive net percentage change is a sign of a loosening of mortgage lending terms.

Figure 8. Consumer lending terms

Net percentage change

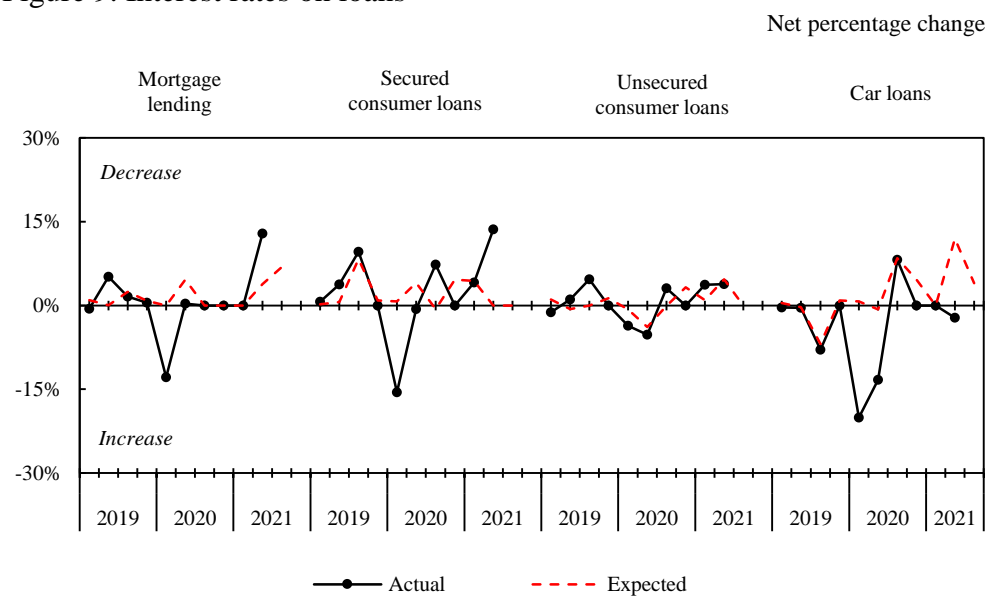


(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

(b) Question №17: How have the following consumer lending terms changed over the past 3 months? In your opinion, how will the following consumer lending terms change in the next 3 months?

(c) A positive net percentage change is a sign of a loosening of consumer lending terms.

Figure 9. Interest rates on loans



(a) Question №18: How have the interest rates on loans changed over the past 3 months? In your opinion, how will the interest rates on loans change in the next 3 months?

(b) A positive net percentage change is a sign of a decrease in the interest rate on loans to individuals.