



NATIONAL BANK OF KAZAKHSTAN

BANK LENDING SURVEY

**3rd quarter
of 2021**

Bank lending survey

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Corporate lending

The demand for business loans had multidirectional changes in the 3rd quarter according to the survey results. Thus, the growth of demand for small business loans continued, demand from medium-sized businesses was estimated at the level of the previous quarter, while demand for large businesses declined (Figure 1). Lending conditions for small and medium-sized businesses slightly eased in some banks (Figure 2).

The ongoing growth in demand for loans from small businesses, which had been continuing since the 3rd quarter of the previous year, was maintained mainly by unsecured loans to small and microenterprises. The number of small business loan applications received in the 3rd quarter increased by 43% q/q and reached a new peak of 221 thousand, while the average application size increased 1.5 times q/q to 21 million KZT. Banks explained the increase in the number of applications for loans by the development and active use of scoring models for assessing the creditworthiness of business entities, which significantly reduced the processing time of loan applications. According to large banks, government support for small businesses provided under the Business Roadmap-2025 program continued to contribute to the growth of demand for loans. However, due to the limited amounts of allocated to guarantee loans and subsidize interest rates under this program, customers were increasingly being granted loans on market terms.

Despite the maintenance of loan demand indicator at the level of the previous quarter in the section of medium-sized businesses (Figure 1), specific banks had become more likely to offer short-term unsecured loans based on credit scoring also for medium-sized businesses. As a result, the number of applications for the medium-sized business segment grew, but the average volume of a loan application dropped. Thus, the number of loan applications received in the 3rd quarter increased by 27% q/q to 1.3 thousand, and the average application size decreased by 59% q/q and amounted to 512 million KZT.

The demand for loans from large business entities had been noticeably decreasing over the last 2 quarters (Figure 1). According to banks, large borrowers on the one hand slowly recover after the coronavirus pandemic, and applies for a loan less often accordingly, on the other hand, many large customers have already utilized deferred demand for borrowed funds since the beginning of 2021. The average number of loan applications received per quarter in 2021 (239 applications) in the large business segment remains at the level of the quarter of 2020, but is still 28% below the level of 2019. Nevertheless, the average size of the application of large borrowers in the 3rd quarter reached the pre-pandemic level, amounting to 7 billion KZT.

Approval ratios for business loan applications decreased q/q, amounting in 3rd quarter to 38%, 61% and 49% for small, medium and large businesses, respectively, compared with 44%, 76% and 62% in the previous quarter. Banks explained the relatively low rate of approval in the small business segment by an increase in the number of incoming applications with the expansion of online services and the use of scoring systems for risk assessment, which was increasingly used among customers. Despite the decline in the approval rate of loans to medium-sized businesses in the 3rd quarter, this level remained on average higher than last year. The number of approved applications in the large business segment was decreasing both in relative and absolute terms. In the 3rd quarter, their number was 102, which is the lowest value since 2018. Few banks that actively lent to large businesses previously, provided less credit to this type of borrowers in recent years, seeking to refocus to SME customers and diversify their portfolios as much as possible.

Lending conditions to SMEs have eased somewhat. Banks mostly noted an increase in the speed of processing loan applications. Also, large banks have revised the risk levels for certain industries in anticipation of economic growth in the near future.

As a result of the active growth in the supply of fast credit products to small businesses over the past year, the loan portfolio of individual entrepreneurs in the banking system increased by 70%, amounting to 601 billion KZT at the end of the reporting quarter. According to major banks, this trend will continue next year as well. In their view, the level of credit penetration in this segment is very low, which explains the desire of banks to increase the portfolio of small businesses.

Banks expect continued growth in demand for loans from small and medium-sized businesses in the next quarter. Banks mostly do not expect changes in business lending conditions in the next quarter.

Retail lending

In the 3rd quarter of 2021, the demand for retail lending increased in the segment of secured and unsecured consumer lending, while the demand for mortgages and car loans decreased slightly (Figure 5).

An increase in spending on durable goods among population, as well as marketing campaigns by large banks significantly affected a growth in demand for consumer loans in the reporting quarter. Also, competition for better customer played a significant role in the revision of consumer loans` terms in some banks. Thus, in the reporting quarter, some banks reduced the requirements for the solvency of customers (Figure 8), increased credit limit size and decreased interest rates on loans (Figure 9), as well as revised thresholds in scoring models for unsecured consumer loans. As a result, the number of applications received for secured and unsecured consumer loans increased by 33% and 8%, respectively. However, the approval rate increased only for secured loans, by 2%, while for unsecured loans decreased by 3% q/q.

In the 3rd quarter, demand for car loans slightly decreased. Banks consider the lack of new cars in showrooms to be one of the main factors, which, in their opinion, occurred due to a shortage of microchips, for which competition has arisen between car and electronics manufacturers. The current situation in the automotive market, as well as the suspension of JSC "Development Bank of Kazakhstan" preferential program for car loans stimulated banks to reconsider the terms of lending for their own products. Thus, an individual large bank has reduced the interest rates and revised thresholds within the credit scoring. Nevertheless, despite an increase by 10% in the number of applications received, the approval rate for them remained at the level of previous quarter.

In the reporting quarter, the demand for mortgage lending decreased to a greater extent in large banks. According to banks` representatives, a decline in the demand occurred due to high prices on real estate market and a closure of "Baspana-Hit" state program. Reduction of government programs motivated banks to focus more on promoting their own products by revising terms of lending (Figure 6). Thus, in the 3rd quarter, some banks eased requirements on collateral, decreased interest rates, and also revised the minimum amount of down payment and reduced banking transaction fees (Figure 7). On the other hand, introduction of a scoring system for assessing the creditworthiness of borrowers in a large bank has tightened requirements for solvency of customers. Thus, despite an increase in the number of applications received for mortgages by 27%, in the current quarter the approval rate for them decreased from 78% to 61%.

In the next quarter, banks expect a slight increase in demand for both secured and unsecured consumer loans, as well as for car loans, while demand for mortgage loans is expected to remain at the level of the 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).

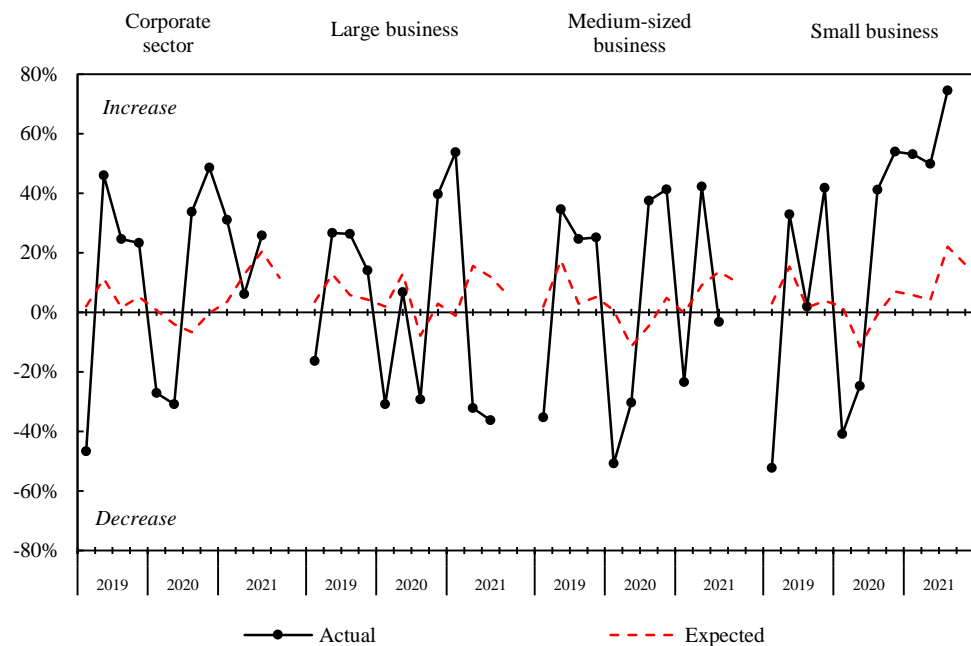
Starting from Q1 2018, the survey results are aggregated in the NPC, taking into account the bank's share in the corresponding segment of the lending market. The value of this indicator can vary from -100% - if all banks choose "decreased/tightened significantly" - to 100% - if all banks choose "increased/loosened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

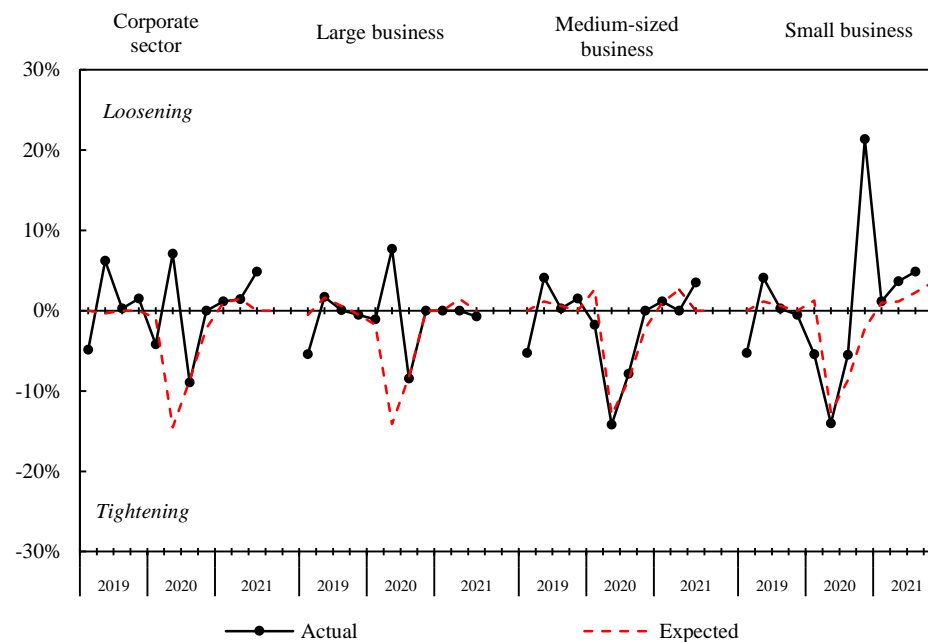


(a) Question №1: How has the demand of corporate business entities for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of corporate business entities for loans change in the next 3 months?

(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

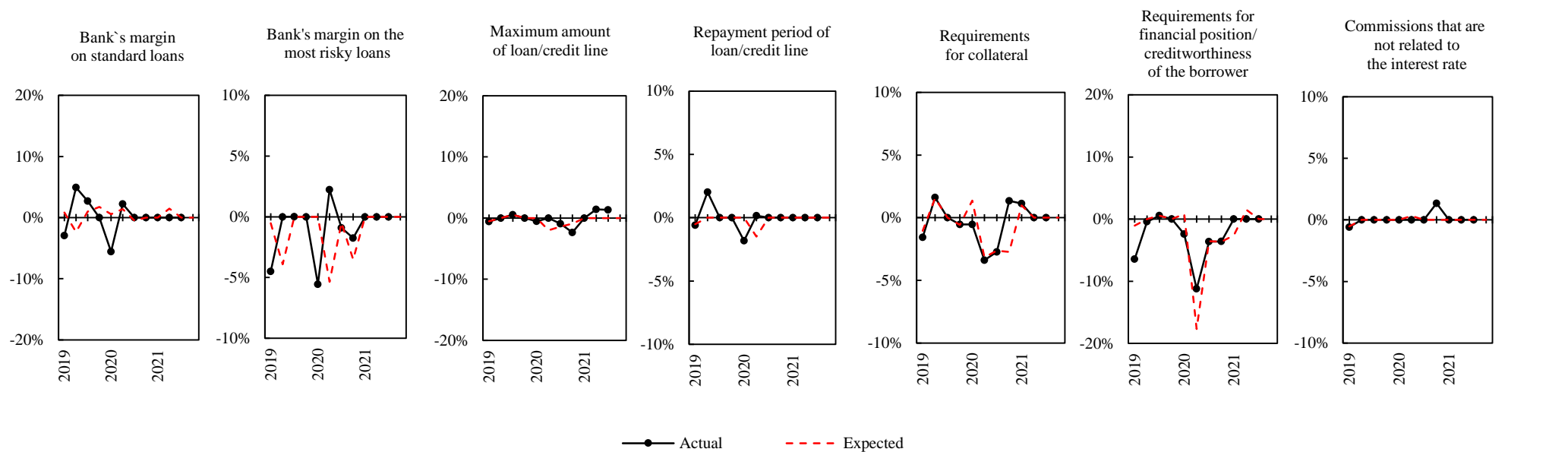
Net percentage change



(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.

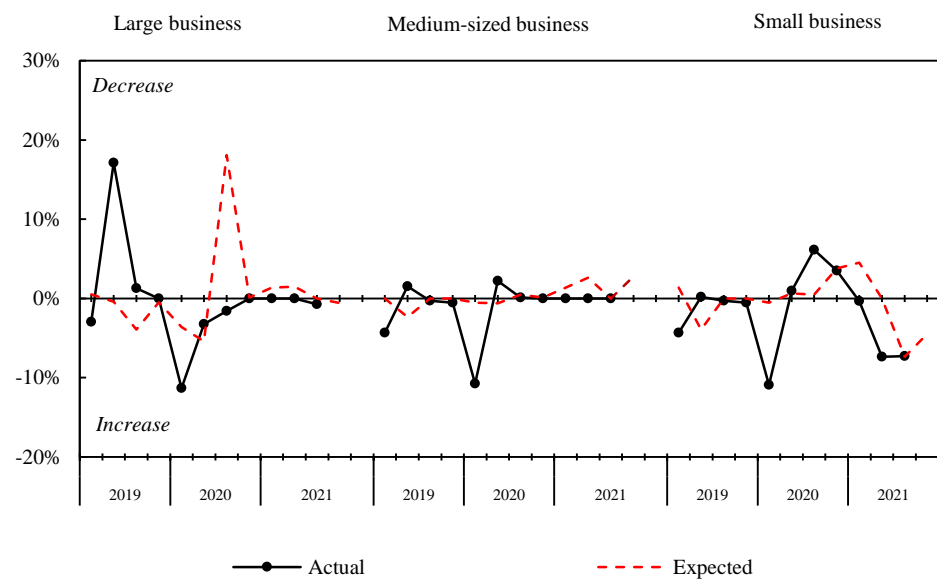
Figure 3. Lending terms



- (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

Net percentage change

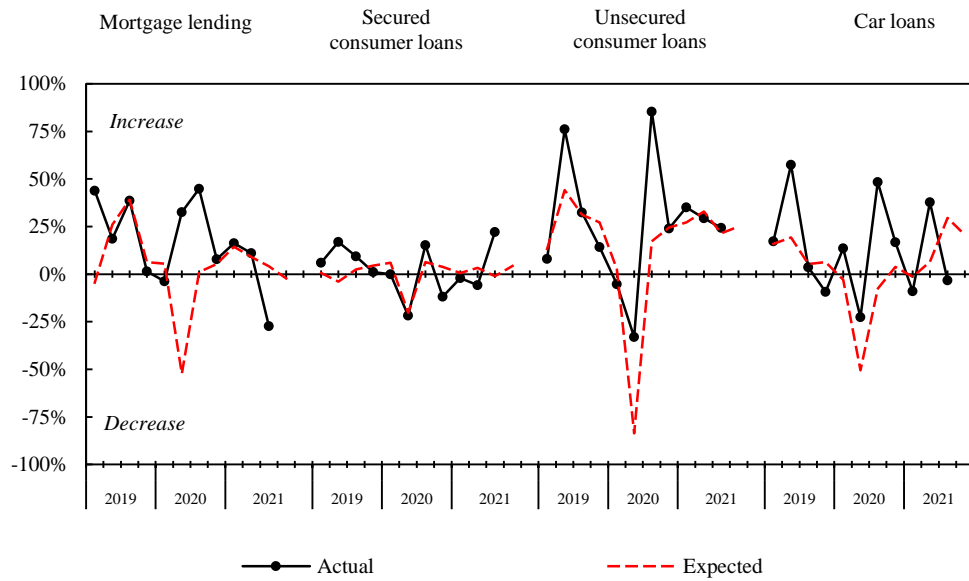


(a) Question №8: How have the interest rates on loans changed over the past 3 months? In your opinion, how will the interest rates on loans change in the next 3 months?

(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

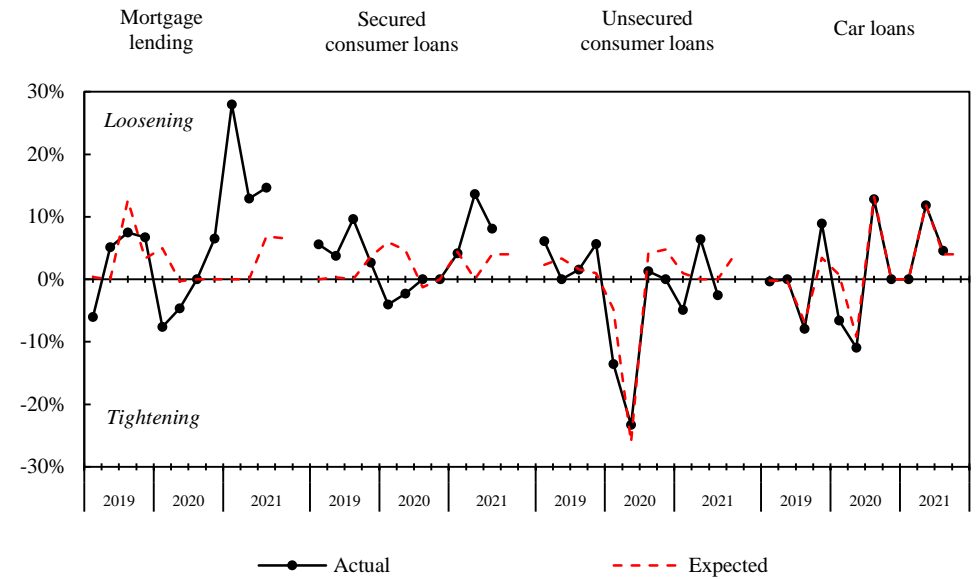


(a) Question №9: How has the demand of individuals for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of individuals for loans change in the next 3 months?

(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

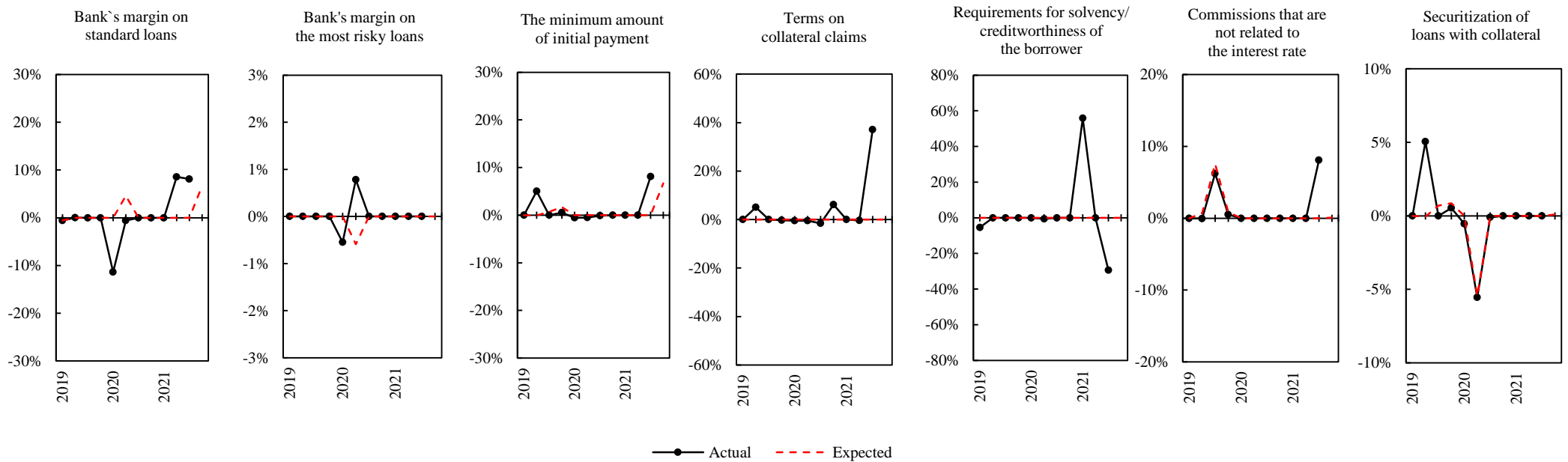


(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

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

Figure 7. Mortgage lending terms

Net percentage change

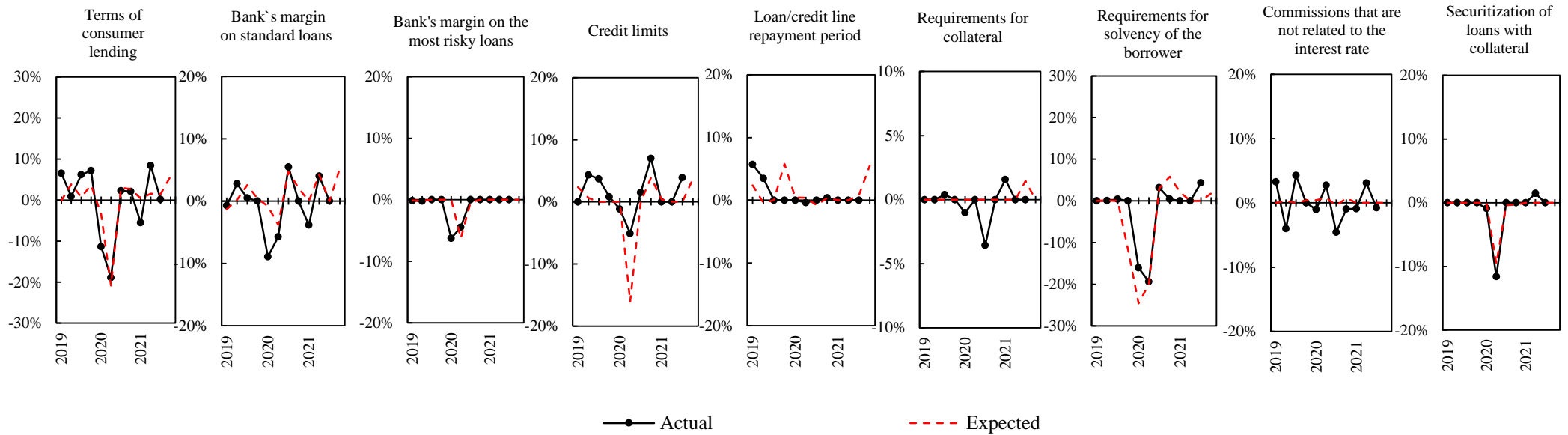


(a) Question №16: How have the following mortgage lending terms changed over the past 3 months? In your opinion, how will the following mortgage lending terms change in the next 3 months?

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

Figure 8. Consumer lending terms

Net percentage change

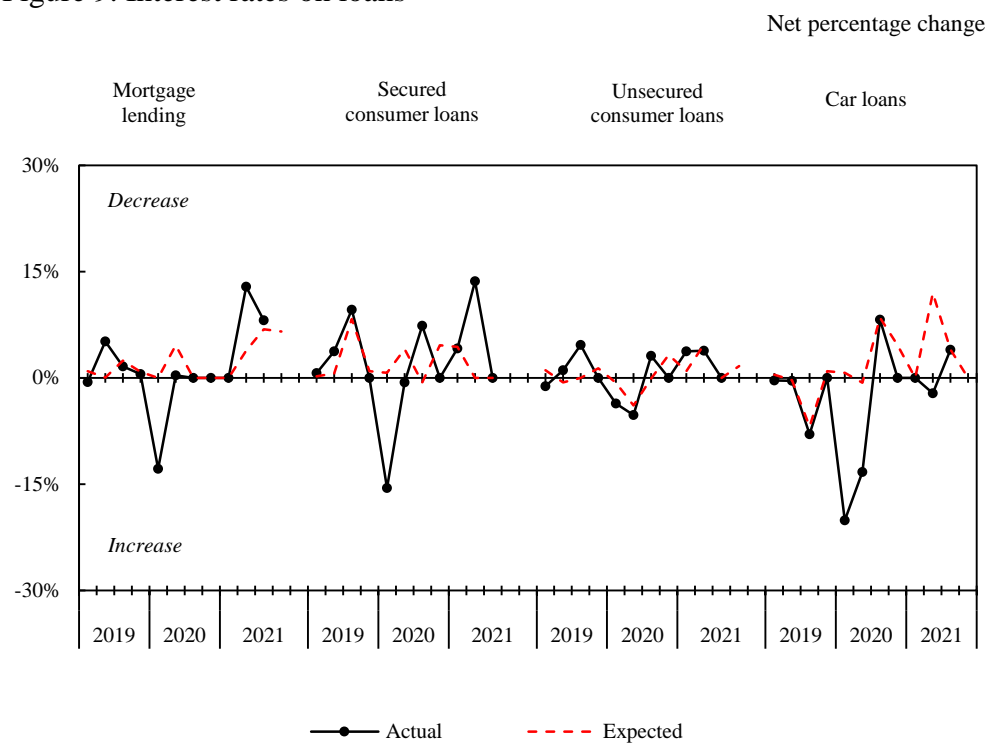


(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

(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.