



MORTGAGE LENDING MARKET OF THE REPUBLIC OF KAZAKHSTAN

REVIEW FOR THE PERIOD OF JANUARY - JUNE 2019

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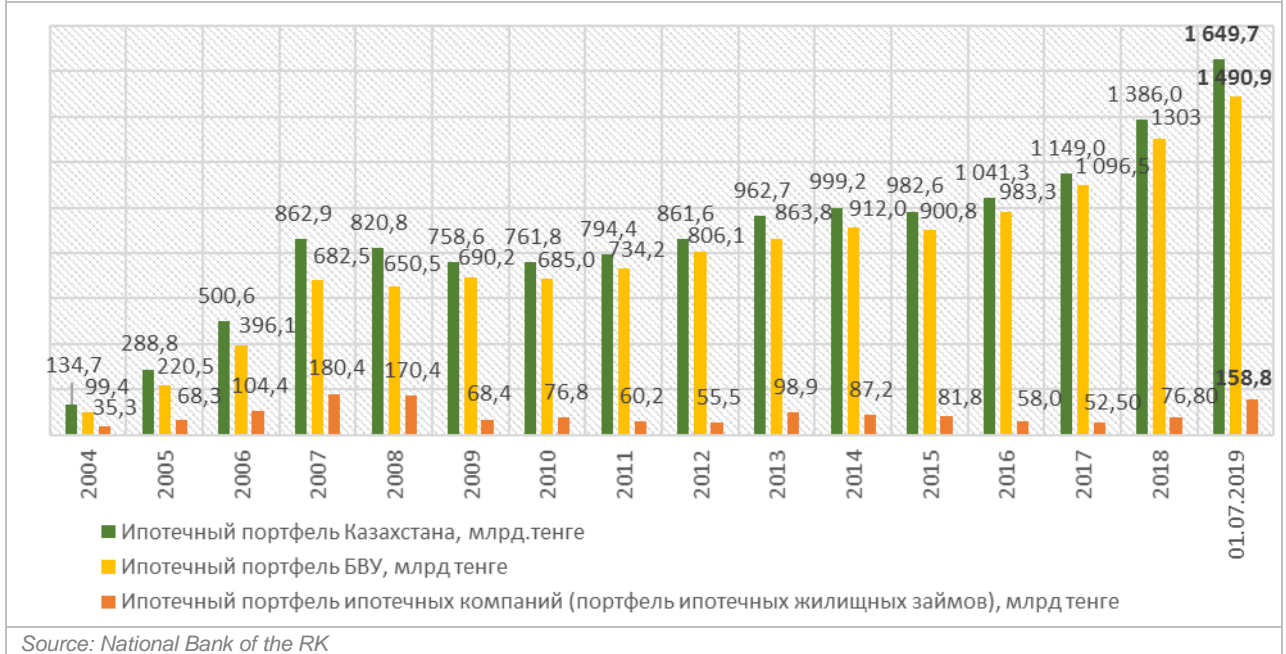
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Total mortgage portfolio of the Republic of Kazakhstan

In general, the mortgage portfolio of the Republic of Kazakhstan includes mortgage portfolio of the second-tier banks (STB) and mortgage portfolio of the mortgage organizations. As of 01.07.2019 the total mortgage portfolio of RK is made up to 1649,7 bln. KZT, incl. (fig.1):

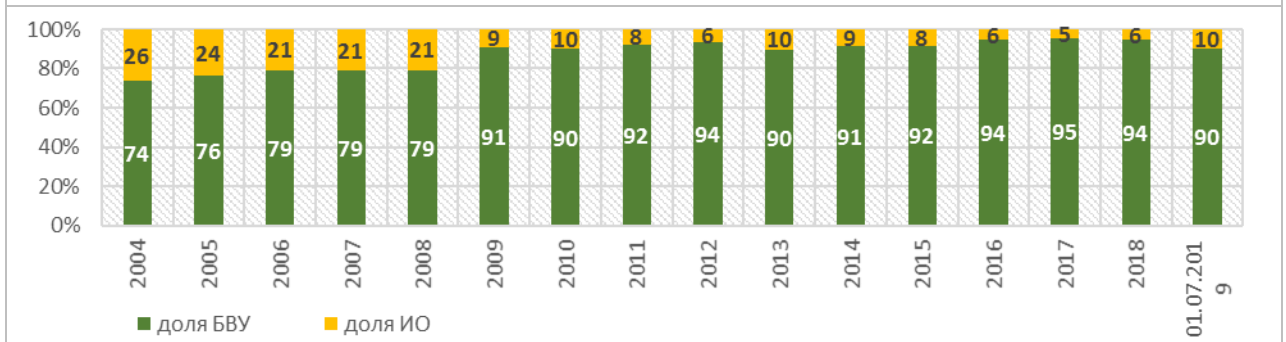
- Mortgage portfolio of STB – 1490,9 bln KZT¹ (90%);
- Mortgage portfolio of the mortgage organizations – 158,8 bln KZT² (10%).

Figure.1 The volume of total mortgage portfolio of the Republic of Kazakhstan, bln. KZT



Kazakhstan's mortgage portfolio has grown by 19% since the beginning of 2019. The ratio of the volumes of the mortgage portfolio of STB and MO is shown in Fig.2.

Fig.2 The volume of total mortgage portfolio of the Republic of Kazakhstan, bln. KZT



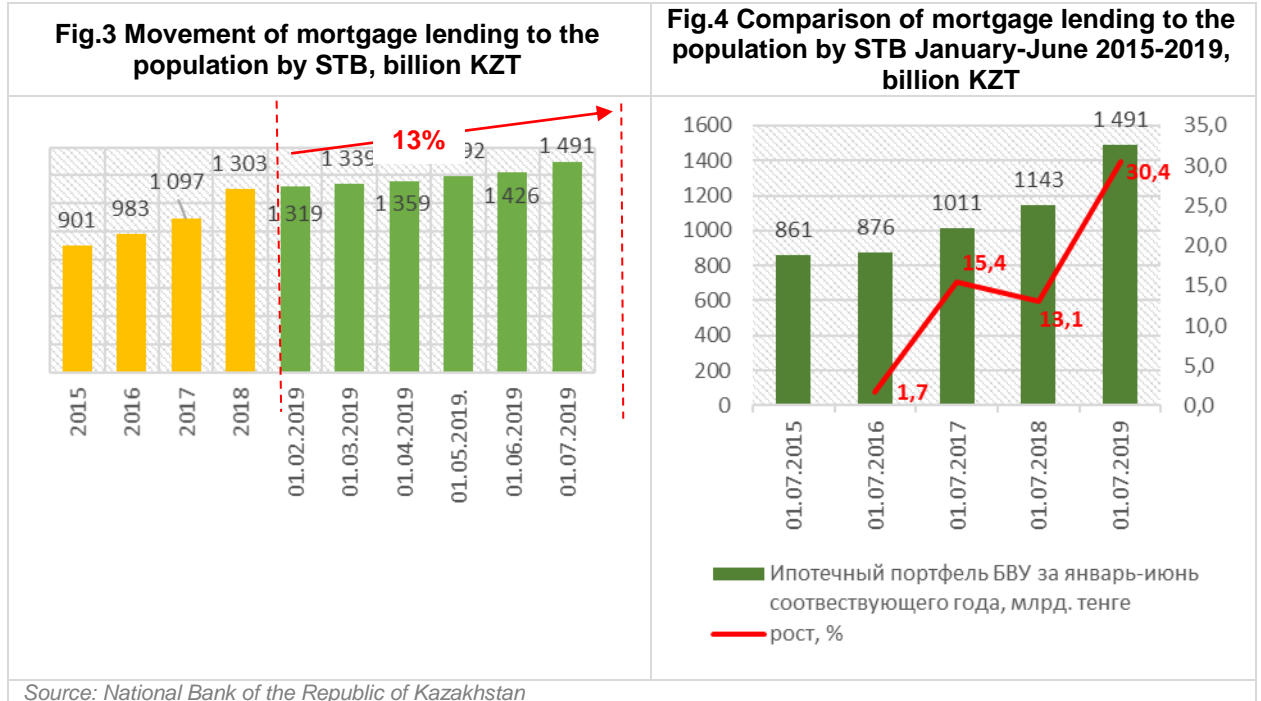
As it can be seen from the Fig no.2 the share of the mortgage portfolio of the MO has a tendency for its increase.

¹Mortgage lending to the population in the regional breakdown for January-June 2019// <https://nationalbank.kz/?docid=3442&switch=russian>

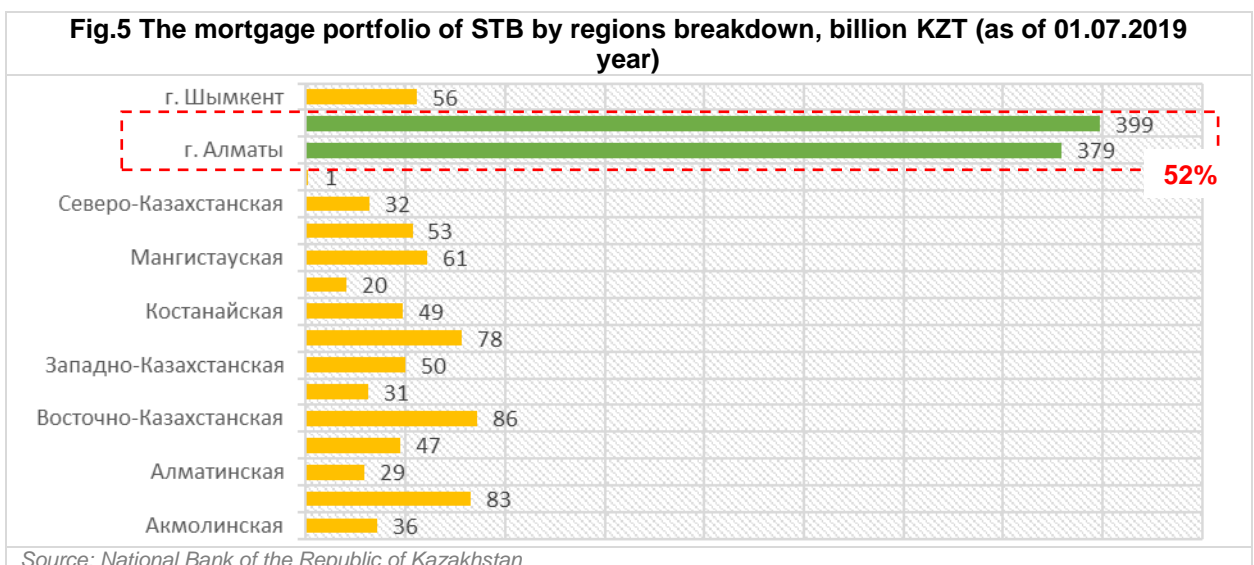
² According to the report "Information on the structure and quality of the loan portfolio of mortgage organizations as of 24.05.19.", presented on the website of the national Bank of Kazakhstan (<https://nationalbank.kz>), mortgage housing loans in the loan portfolio of mortgage organizations amounted to 158.8 billion KZT as of 01.07.2019

Mortgage portfolio of second-tier bank

During January - July 2018, the volume of mortgage lending of the population provided by second-tier banks of the Republic of Kazakhstan amounted to 1490.9 billion KZT, including 1455.8 billion KZT - in national currency (or 98% of the total), 35.1 billion KZT – in foreign currency (2%). The growth rate from January to July this year was 13% (Fig.3). The growth rate compared to the same period of the last year – 30.4% (Fig.4).



Analysis by region breakdown shows that Nur Sultan and Almaty cities account for 52% of the total mortgage portfolio of STB (Fig.5).



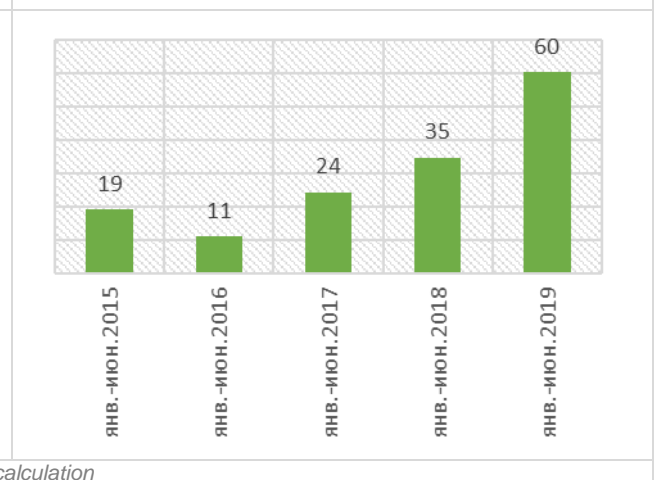
Mortgage loans provided to the population by the STB

During January-June 2019, mortgage loans were issued to the population in the amount of 362.2 billion KZT, which is higher in comparison with the same period of last year by 73.7% (Fig.6). The average monthly volume of mortgage loans is 60 billion KZT. In comparison with 2018, the volume of the average monthly mortgage loan for the same period increased by 1.7 times (Fig.7). While maintaining the current movement of issuance, it is possible to forecast the mortgage loans growth issued by STB by the end of the year will be up to 720 billion KZT.

Fig.6 The volume of mortgage loans by STB to the population for January-June 2015-2019, billion KZT



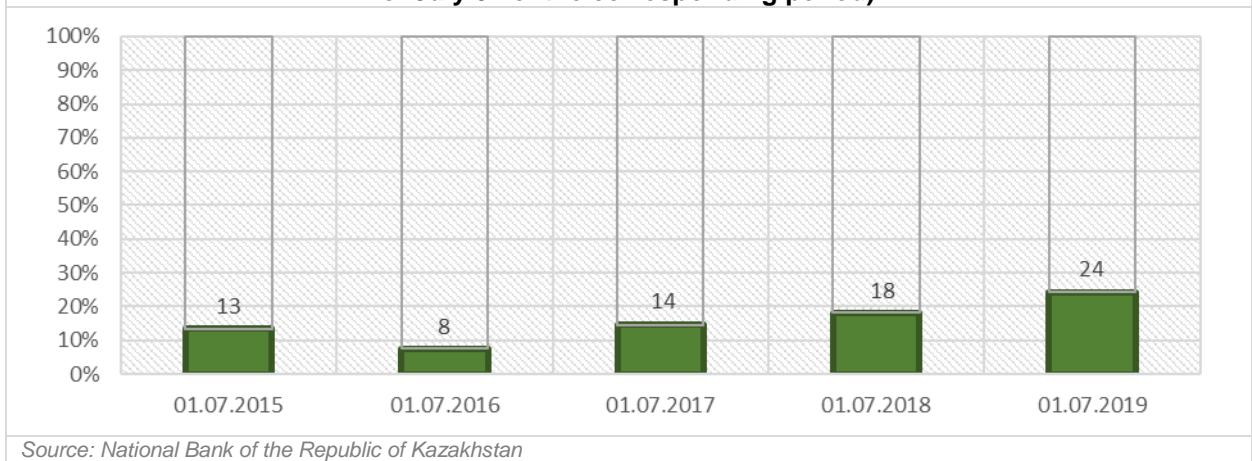
Fig.7 Average monthly volume of mortgage loans for January-June 2015-2019, billion KZT



Source: National Bank of the Republic of Kazakhstan, personal calculation

The share of provided mortgage loans in the total mortgage portfolio of STB has increased and as of 01.07.2019 amounted to 24%.

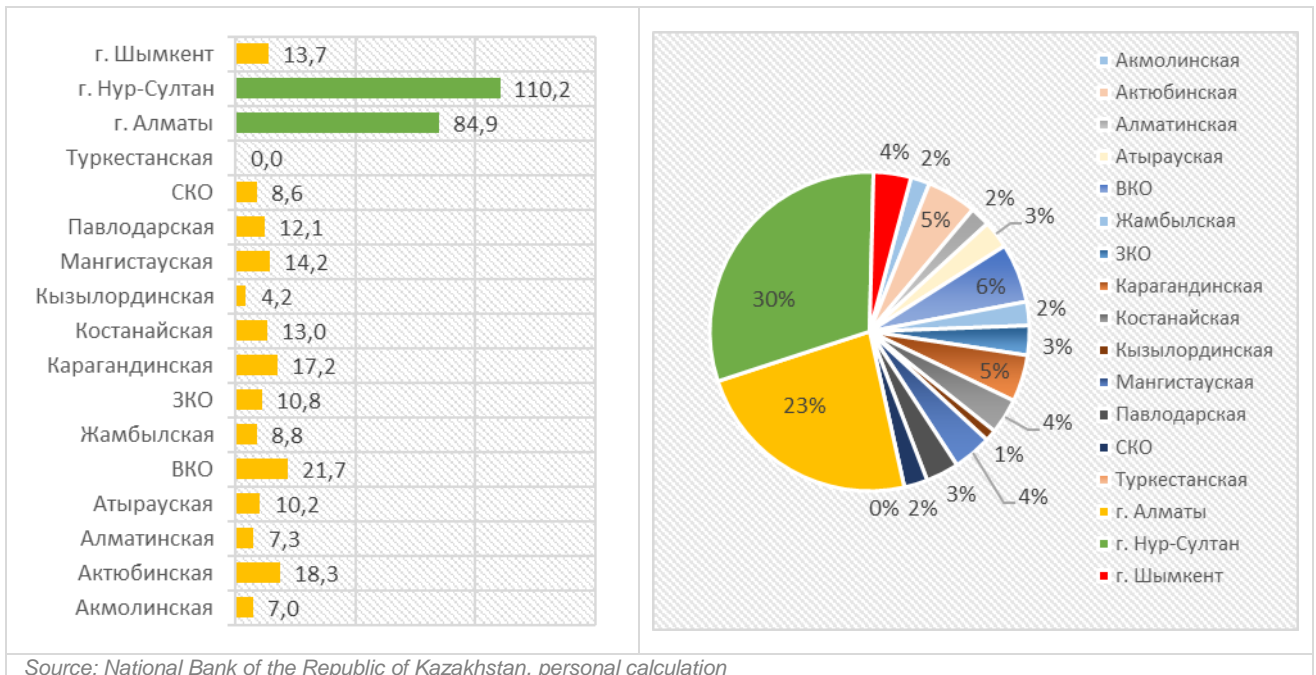
Fig.8 Volume share of mortgage loans in the volume of the mortgage portfolio of STB (as of July 01 of the corresponding period)



Source: National Bank of the Republic of Kazakhstan

Nur-Sultan and Almaty cities account for 54% of the total amount of issued mortgage loans (Fig.9).

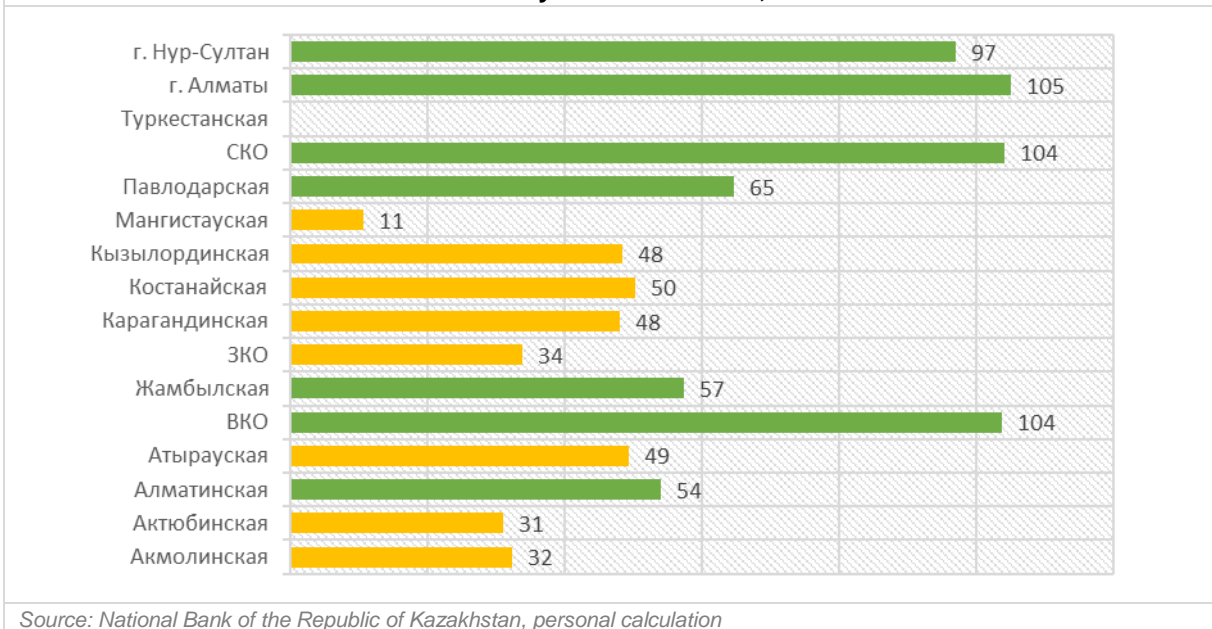
Fig.9 The volume of mortgage loans issued to the population by STB (billion KZT) and the share of regions in the total volume of issuance (%) as of 01.07.2019



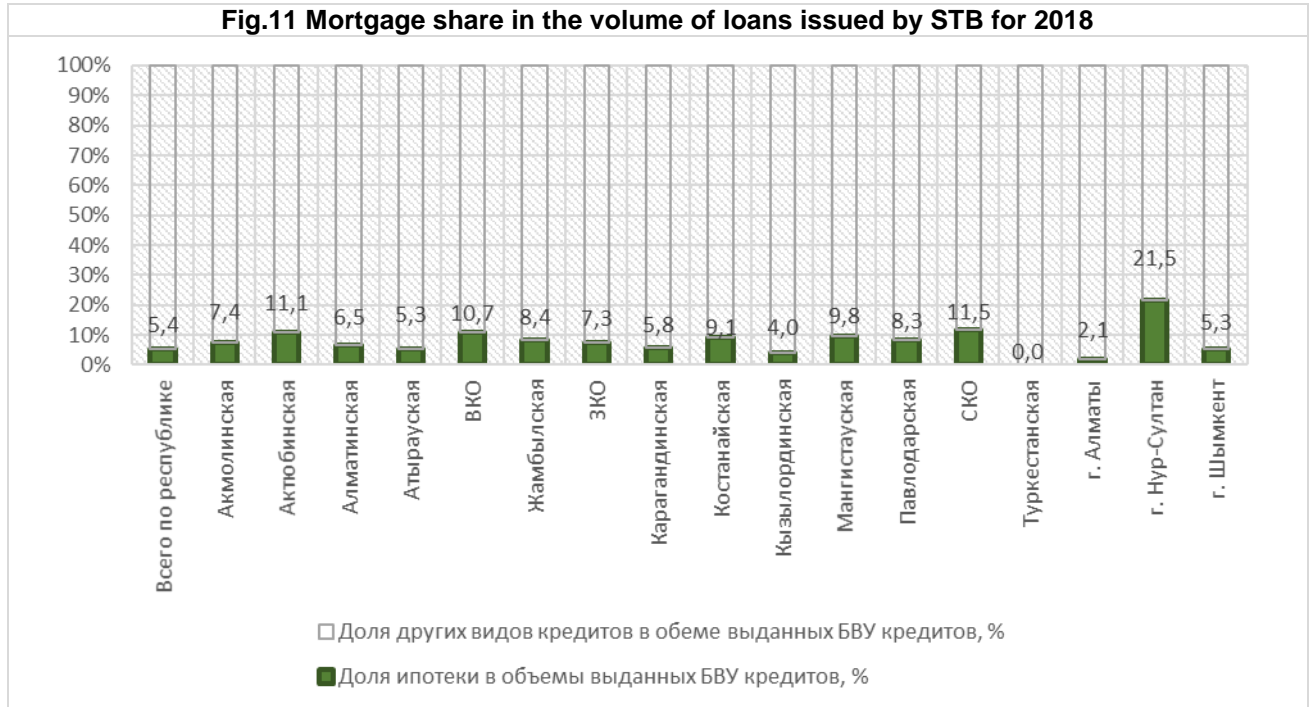
Mortgage lending has increased in all regions of the country, excluding Turkestan Region

The increase in the volume of loans issued by more than 50% during the period from January to April 2018-2019 is observed in 7 regions: Nur-Sultan city, Almaty city, North Kazakhstan, Pavlodar city, Zhambyl city, East Kazakhstan, Almaty regions. For the rest of the regions, credit growth ranges from 11% to 50% (Fig.10).

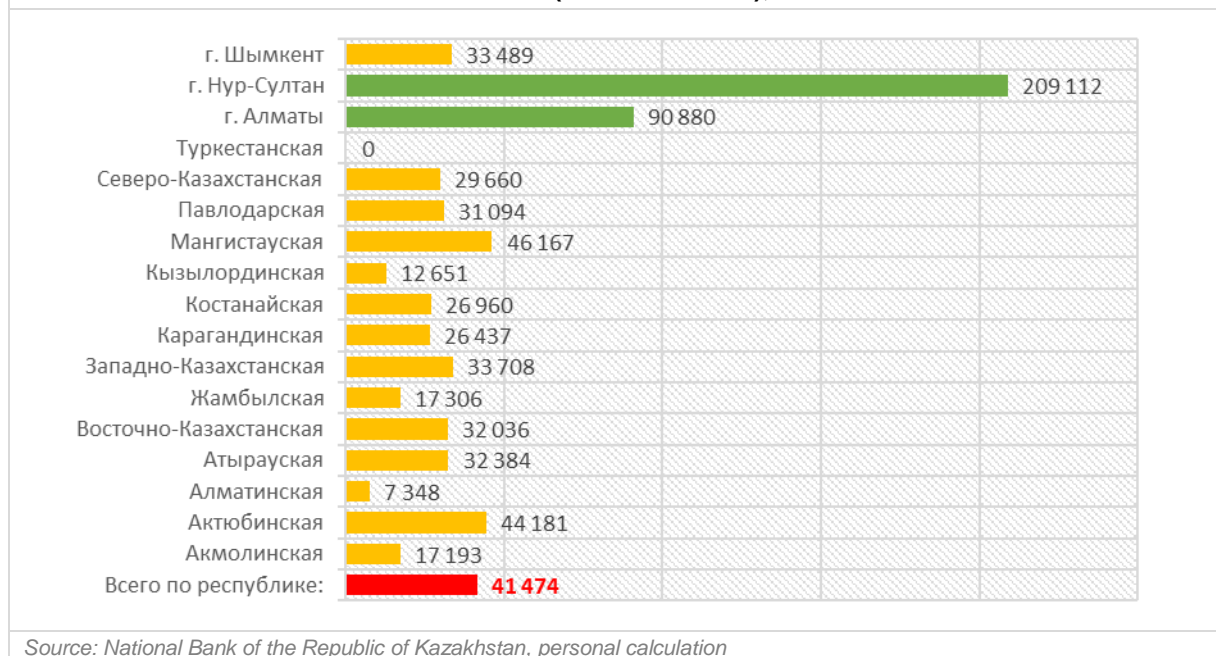
Fig.10 Increase in the volume of mortgage loans in the breakdown issued by regions in January-June 2018-2019, %



In General, the share of mortgage loans in the volume of all loans issued by STB during the period of January to June 2019 was 5.4%. By region, the share of mortgages in the total volume of loans is in the range from 2.1 to 21.5%. In Nur Sultan, the share of mortgages in the volume of loans issued in 2016-2018 increased by 4 times, this is the highest figure in the country (Fig.11)

Fig.11 Mortgage share in the volume of loans issued by STB for 2018


The volume of mortgage loans issued in the first half of 2019 per employed resident of the country averaged to 41.5 thousand KZT (Fig.12). The growth rate compared to the same period in 2018 amounted to 73%.

Fig.12 Volume of mortgage loans issued per one employed resident of the Republic of Kazakhstan (1st half of 2019), KZT


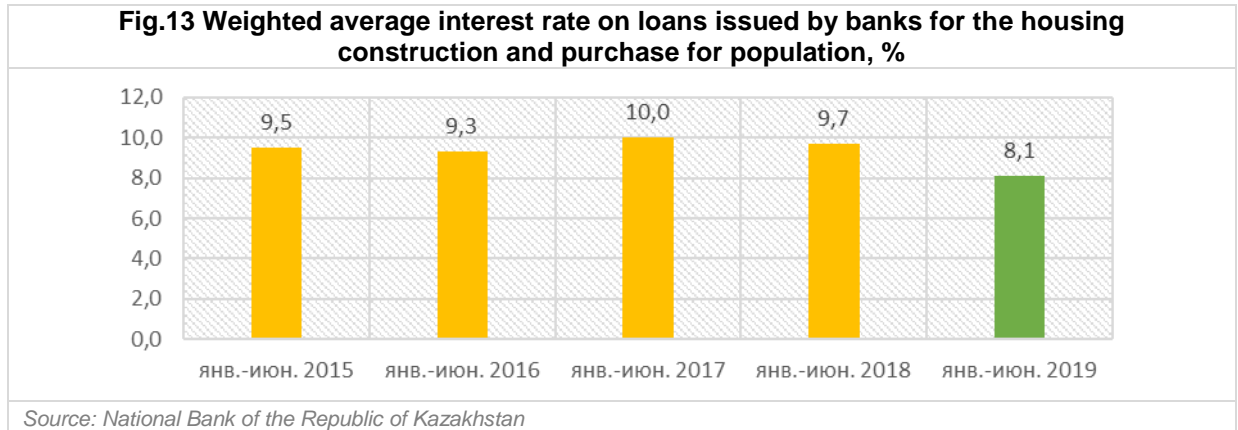
The highest rates of debt load are observed in the following regions:

- Nur-Sultan (209.1 thousand KZT per employed resident).
- Almaty (90.9 thousand KZT per employed resident);

In Nur-Sultan, the volume of mortgage loans per employed resident exceeded the national average by 5 times.

Average remuneration rates of the mortgage loans provided to the population by STB

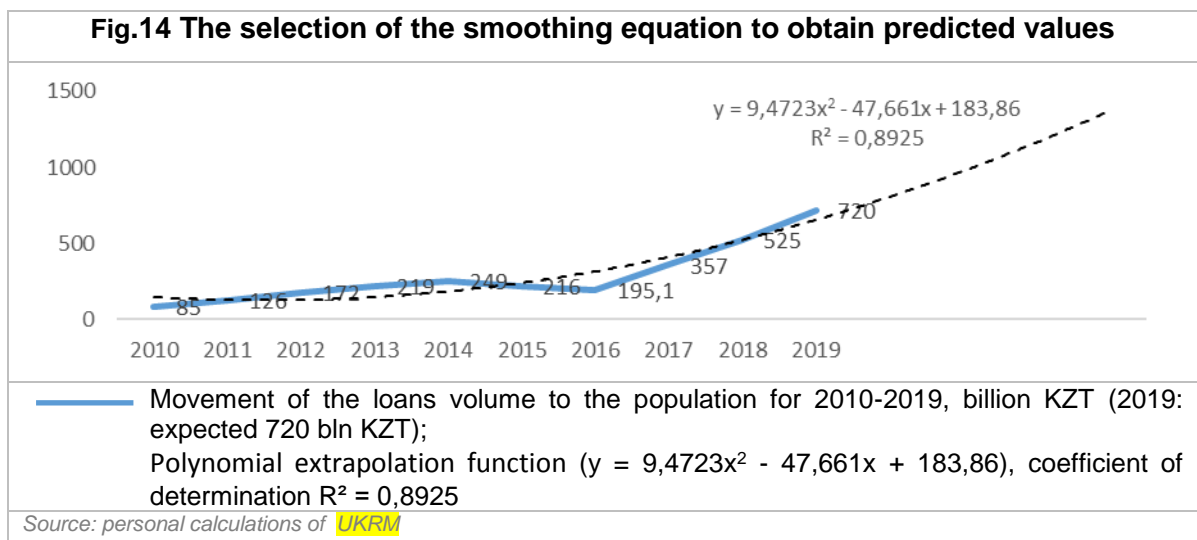
As of June 2019, the interest rate on mortgage loans was 8.21%. The average rate for the six months of 2019 was 8.12%, which is less than was in the same period last year by 1.6 percentage points (Fig.13).



Forecast of mortgage loan volumes

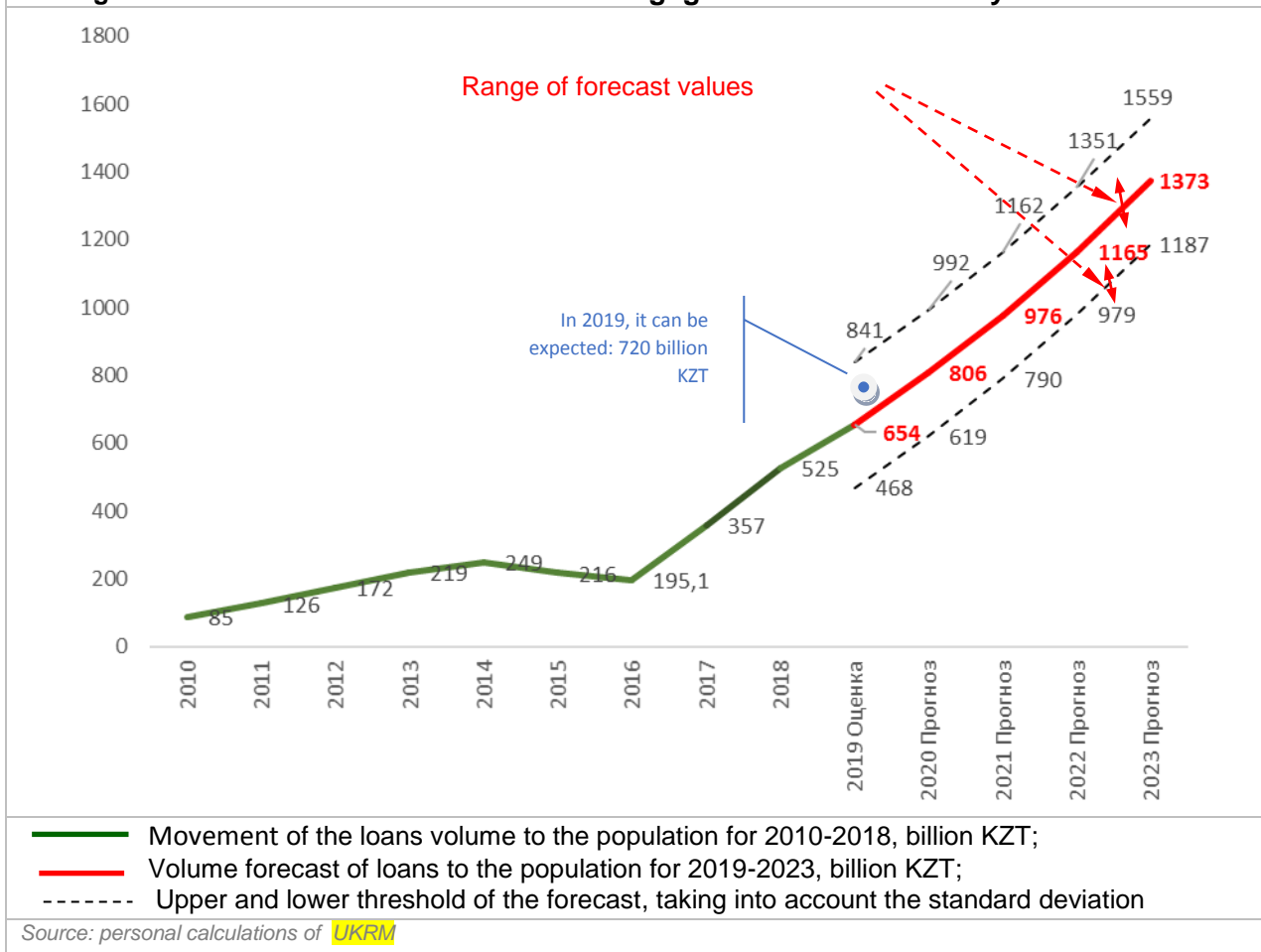
The volume of mortgage loans in Kazakhstan for 2019-2023 can be forecasted as follows:

Step 1: selection of the closest extrapolation function to the dynamic series. In this case, the most accurate function is polynomial, with the coefficient of determination $R^2=0.89$ (Fig.14)



Step 2: calculate the predicted values by solving the equation of the corresponding function. According to the polynomial function equation, the forecasted values of mortgage lending volumes for 2019-2023 are 89% likely to be in the following ranges (Fig.15):

- 2019: 654 bln. KZT (± 186 bln. KZT ³);
- 2020: 806 bln. KZT (± 186 bln. KZT);
- 2021: 976 bln. KZT (± 186 bln. KZT);
- 2022: 1165 bln. KZT (± 186 bln. KZT);
- 2023: 1373 bln. KZT (± 186 bln. KZT).

Fig.15 Forecast values of volumes of mortgage loans issue for the years 2019-2023


Review of the second-tier banks' offers

As of 01.07.2019, mortgage loans on the country's market is offered by 13 STB out of 27, 8 of which are also involved in the implementation of the mortgage program of JSC "MO "Baspana", 3 – in the implementation of the program of JSC "MO KMO" (Appendix.1).

Offers for mortgage products can be differentiated according to interest rate, initial payment, term of mortgage and the amount of the loan. The most attractive conditions in terms of interest rates is offered by the JSC "Zhilstroisberbank". Relatively attractive terms in terms of down payment is offered by the JSC "Zhilstroisberbank", JSC "ATF Bank", JSC "Sberbank", JSC "Halyk savings Bank of Kazakhstan", JSC "Forte Bank JSC "Tengri Bank" (20% of the loan value). For some mortgage products, instead of the initial payment, it is proposed to provide additional collateral in the form of real estate – JSC "RBK Bank", JSC "Halyk savings Bank of Kazakhstan". JSC «Halyk savings Bank

³ 186 billion KZT is the value of the standard deviation of the forecast values from the actual data (the value of the standard error inherent in the statistical forecast).

of Kazakhstan» does not limit clients on the loan amount, which is an attractive condition for customers who intend to buy expensive housing.

In 2018, the mortgage portfolio of 13 banks increased by 24.9% compared to the previous year. The share of mortgage portfolio in the loan portfolio of STB was 12.6% (table. 1).

Table 1. – Loan portfolio (loans), including mortgage loans (loans) of STB

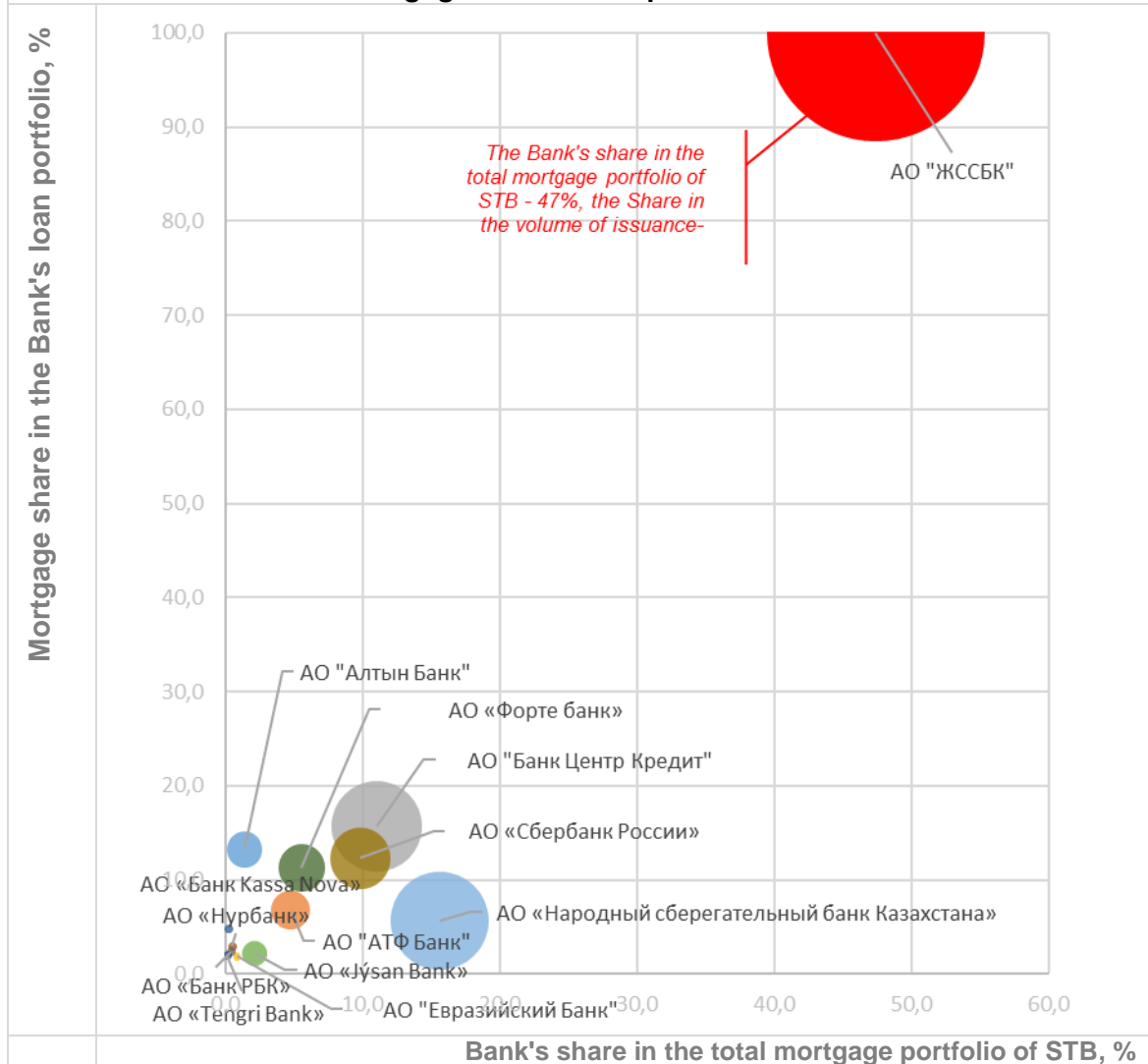
No.	Bank	Loan portfolio (loan/credit portfolio), million KZT			Mortgage lending, million KZT (gross book value)			The share of mortgages in the loan portfolio, %	Share of banks in the volume of mortgage lending, %
		2018	2017	%	2018	2017	%		
1	JSC "Altyn Bank"	147,9	116,0	27,6	19,6	14,7	33,1	13,2	1,4
2	JSC "ATF Bank"	982,2	836,7	17,4	66,7	64,3	3,7	6,8	4,8
3	JSC "BankCenterCredit"	983,2	946,7	3,9	154,5	146,5	5,5	15,7	11,1
4	JSC "Eurasian Bank"	638,0	614,4	3,8	12,0	13,9	-13,9	1,9	0,9
5	JSC "ZhSSBK"	662,3	460,1	44,0	662,3	460,1	44,0	100,0	47,4
6	JSC «Jýsan Bank»	1366,0	1808,8	-24,5	30,0	34,4	-12,6	2,2	2,1
7	JSC «Bank Kassa Nova»	74,6	71,3	4,6	3,6	6,5	-45,1	4,8	0,3
8	JSC «Nubank»	237,5	224,2	5,9	7,0	11,3	-38,2	3,0	0,5
9	JSC «Bank RBK»	245,1	209,2	17,2	5,9	6,3	-7,5	2,4	0,4
10	JSC «Sberbank Russia»	1120,2	1028,7	8,9	137,8	117,7	17,0	12,3	9,9
11	JSC «Tengri Bank»	98,1	86,6	13,2	1,9	0,6	207,1	2,0	0,1
12	JSC «Forte Bank»	689,6	671,9	2,6	77,8	93,1	-16,5	11,3	5,6
13	JSC «Halyk Savings Bank of Kazakhstan»	3810,8	2728,9	39,6	218,0	149,4	45,9	5,7	15,6
	Total of 13 banks	11055,6	9803,4	12,8	1397,1	1119,0	24,9	12,6	100,0

Source: Audited FS of STB as of 2018

JSC "Zhilstroisberbank" (ZHSSBK) is the only Bank, which loan portfolio consists of 100% of housing loans provided to the population. The volume of loans issued by the Bank for the year 2018, amounted to 360 billion KZT. The share of ZHSSBK in the volume of mortgage loans at the end of 2018 amounted to 63% (Fig. 16).

The share of other banks in the volume of mortgage loans, including loans under the program "7-20-25" and "Baspana Hit" was 37%, excluding loans under the program "7-20-25" and "Baspana Hit" - 27%.

Fig.16 - The matrix “Bank's Share in the total mortgage portfolio of STB – the Share of mortgages in the loan portfolio of the Bank”



As of 01.07.2019, within the framework of the program “7-20-25” STB approved 8844 applications in the amount of 101.9 billion KZT. For the period January-June 2019, the amount of approved applications amounted to 55.3 billion KZT. The share of loans under the program "7-20-25" in the total volume of mortgage loans issued for six months was 15.3% (Fig. 17).

According to the program “Baspana Hit” as of April 30, 2019, the number of approved applications is amounted to 30 billion KZT, whereas from January 1, 2019 to April 30, 2019 – in the amount of 26.3 billion KZT. The share of loans under the program in the total volume of mortgage loans issued in January-April 2019 was 13.1% (Fig.18).

Fig.17 Volume of approved (issued) mortgage loans under the program “7-20-25”, billion KZT



Fig.18 Volume of approved (issued) mortgage loans under the program “Baspana Hit”, billion KZT



Appendix

Offers of STB and mortgage companies on their own mortgage products

№	Name of the bank	The Bank's own mortgage lending program						Participation in the implementation of mortgage programs of JSC MO "Baspana"	Participation in the mortgage program of JSC "MO "KMO" (Orda)
		Program name	Mortgage period in months	Initial payment, %	Remuneration rate, %	Annual effective rate, %	Maximum loan amount		
1	JSC «Zhilstroisberbank»	«Own house»	300	From 20%	from 3,5% until 7% with further decrease up to 5%	12,8%	90 mln KZT	Participates	Does not participate
2	JSC «BankCenterCredit»	Construction of individual housing	180	30%	from 16,5%	from 18%	Up to 60% from the market value of the collateral	Participates	Participates
3	JSC «Altyn Bank»	Favourable mortgage «Yessentai City»	60	50%	10%		175 mln KZT	Does not participate	Does not participate
			61-120	60%	13%				
			120-180	60%	13,5%				
		For the purchase of new real estate	36-239		From 13,75%	From 15,4%			
4	JSC «ATF Bank»	Mortgage	6-180	From 20%	From 16%	From 17,4%	100 mln KZT	Participates	Does not participate
5	JSC «Nurbank»	Mortgage	240	From 35%	From 15%	From 16,5%	50 mln KZT	Does not participate	Does not participate
6	JSC «Bank RBK»	Needed loan «Mortgage»	12-180	from 30%	From 14,5%	From 28%	75 mln KZT	Participates	Does not participate
7	JSC «Sberbank Russia»	Housing loan	240	From 20%	From 18,5%	From 20%	Up to 80% from the cost of purchased housing	Does not participate	Does not participate
8	JSC «Forte Bank»	Mortgage lending secured by real estate	12-180	From 15%	From 14,49%	From 16,7%	50 mln KZT	Participates	Does not participate
9	JSC «Halyk savings Bank of Kazakhstan»	Mortgages with a preliminary decision	240	From 0%	From 12,5%	From 14,8%	limitless	Participates	Does not participate
10	JSC «Tengri Bank»	«My house»	240	From 20%	From 14,99%	From 16,5%	Up to 80% from the cost of purchased housing	Does not participate	Does not participate
11	JSC «Eurasian Bank»	Does not have its own program	Participates		Does not participate				
12	JSC «Jýsan Bank»	Does not have its own program						Participates	Participates
13	JSC «Bank Kassa Nova»	Does not have its own program						Does not participate	Participates

information obtained from official websites of STBs