NATIONAL BANK OF KAZAKHSTAN

BANK LENDING SURVEY

1st quarter of 2024

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Corporate lending

According to banks, demand for loans from corporate entities increased slightly during the 1st quarter of 2024 and predominantly was driven by large and medium-sized enterprises. Demand from small businesses remained at the level of the previous quarter.

The demand for credit facilities for small businesses was largely supported by the resumption of financing under government programs, in particular the "National Project for the Development of Entrepreneurship for 2021-2025" (hereinafter referred to as the National Project) (Figure 1). Additionally, certain banks noted the positive impact of secured and unsecured scoring products introduced towards the end of 2023, featuring expedited and automated review processes. Moreover, the strategic shift of one medium-sized bank towards lending to small and micro businesses has also had a positive impact on lending in this segment. Nonetheless, some banks reported a downturn in demand due to revised customer risk profile requirements aimed at mitigating insolvency risks. Consequently, the total number of loan applications from small businesses increased by 6% quarter-on-quarter (q/q), totaling 786 thousand, while the average application size decreased by 7% (q/q), reaching 35.3 million KZT.

The increase in demand from medium-sized enterprises, according to banks, can be attributed to a confluence of factors: a decline in the cost of credit resources and the recommencement of financing under the second direction of the National Project (Figure 2). Consequently, several banks reduced interest rates on loans. In turn, a separate large bank noted an expansion in staffing to attract and serve more customers. Thus, the total number of loan applications for medium-sized businesses increased by 7% (q/q), to 6.2 thousand, and the average size of applications increased by 2% (q/q), to 488 million KZT.

The index of demand for loans from large enterprises sustained positive dynamics during the 1st quarter, which, according to banks, is also the result of a decrease in the interest rate on loans for entities in this segment (Figure 2). Nevertheless, some medium-sized banks reported a slight decrease in demand due to the suspension of large business product promotions, alongside some customers awaiting more favorable terms (Figure 4). Consequently, the total number of loan applications from large businesses decreased by 6% (q/q), to 169, while the average size of applications increased by 15% (q/q), to 8.3 billion KZT.

Approval rates for loan applications from large and medium-sized enterprises slightly decreased, settling at 51% and 39%. Conversely, for small businesses, this indicator remained largely unchanged at 35%. The decline in approval rates for large and medium-sized businesses was primarily due to an increase in the number of active customer applications received at the end of the reporting quarter against the background of a decrease in the remuneration rate.

Banks noted a slight easing of credit conditions for all business entities owing to a marginal reduction in loan interest rates (Figure 4). However, it is worth noting an insignificant tightening of a number of other conditions in a separate bank, such as collateral requirements, the maximum loan amount and additional commissions (Figure 3). Minor tightening reflected a decrease in demand in this bank, but did not significantly impact overall market demand.

In 2nd quarter, banks anticipate a further increase in demand from large and medium-sized enterprises. This outlook is attributed to the expectation of sustained trends of a gradual decrease in the cost of credit resources. In addition, a separate bank noted plans to increase its loan portfolio by actively attracting customers of large and medium-sized businesses. Conversely, demand from small businesses, similar to the 1st quarter, will be supported by financing under government programs. At the same time, some banks will continue to work on improving the scoring products launched in previous quarters.

Retail lending

According to the results of the 1st quarter, the demand for retail products, excluding car loans, continued to grow.

Demand for mortgage, on average, held steady compared to the previous quarter, showing a slight upward trend (Figure 5). Some large banks noted the impact on demand of some easing of credit conditions for market products (Figure 9). Moreover, these banks introduced special products with promotional conditions, including offers tailored for their employees. Thus, the number of applications for mortgage loans increased by 1% (q/q), to 216 thousand, while the average size of applications remained at the level of 17 million KZT.

The positive trend of demand for secured consumer loans during the 1st quarter was formed as a result of intensified promotional efforts by several banks in this lending segment. Several banks highlighted the impact of a reduction in the interest rate (Figure 9). As a result, the total number of loan applications in this segment of lending increased by 6% (q/q), to 38 thousand, while the average size of applications increased by 3% (q/q), to 11.5 million KZT.

Banks observed a surge in demand for unsecured consumer loans, driven by active marketing campaigns. In addition, a separate large bank switched to full-fledged online lending, streamlining the application process and consequently increasing the number of applications received. At the same time, banks did not make any significant changes to the lending terms. Consequently, the number of applications received increased by 10% (q/q), to 21.1 million, while the average size of applications decreased by 3% (q/q), to 893.9 thousand KZT.

Conversely, demand for car loans decreased slightly during the 1st quarter (Figure 5). Several banks attribute this decrease to the conclusion of promotional offers, partially subsidized by car dealership partners. Moreover, certain medium-sized banks adjusted their lending strategies due to anticipated risks associated with reduced collateral values resulting from increased supply in this segment. While some large banks continued to promote car loans, including by expanding partnerships and launching marketing campaigns. As a result, the number of applications for car loans decreased by 2% (q/q), to 903 thousand, while the average size of applications increased by 5% (q/q), to 6.8 million KZT.

Approval rates for mortgage loans remained consistent with the previous quarter, standing at approximately 33%. Conversely, banks' willingness to approve unsecured loans and car loans decreased by 2% (to 27% and 17%, respectively), while the approval rate for secured consumer loans increased by 3%, reaching 39%. Banks attribute the decline in approval rates for unsecured consumer loans and car loans to a more cautious approach in evaluating risk profiles of customers, alongside a reduction in the maximum term for certain products (Figure 8). Additionally, banks anticipate a further decline in approval rates, particularly for secured retail loans, due to the expanded perimeter of the debt service to income ratio (DSTI).

In the 2nd quarter, banks expect a slight decrease in demand for all types of retail credit products, primarily due to stricter regulatory requirements concerning DSTI (Figure 5). Nonetheless, some banks still expect an increase in demand for unsecured consumer loans.

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).

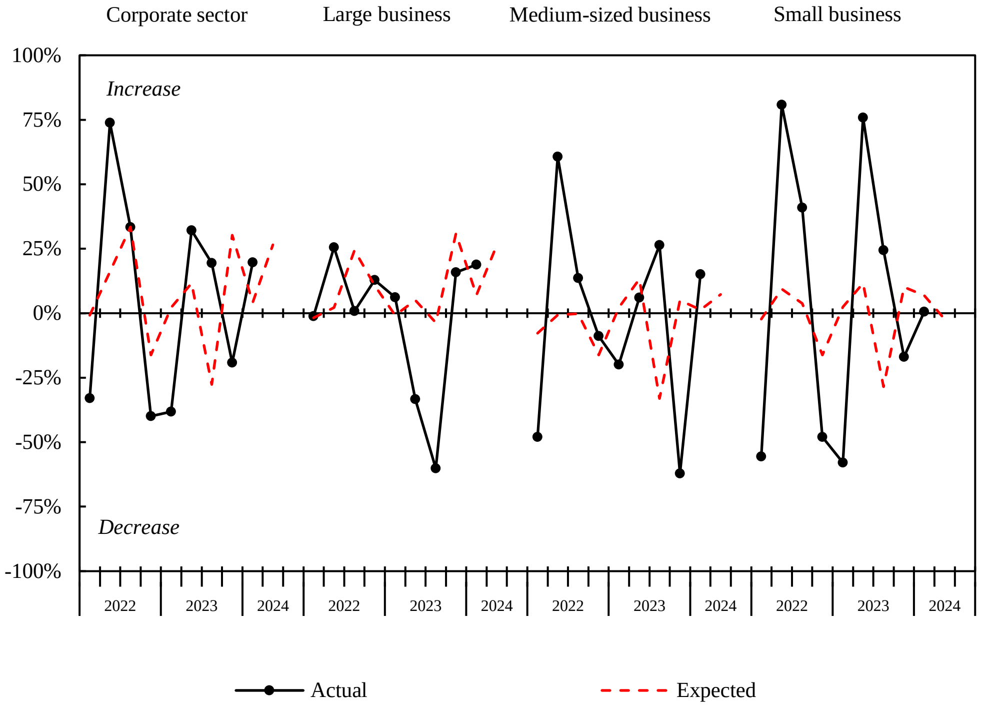
Starting from Q1 2018, the survey results are aggregated in the NPC, taking into account the bank's share in the corresponding segment of the lending market. The value of this indicator can vary from -100% - if all banks choose "decreased/tightened significantly" - to 100% - if all banks choose "increased/loosened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

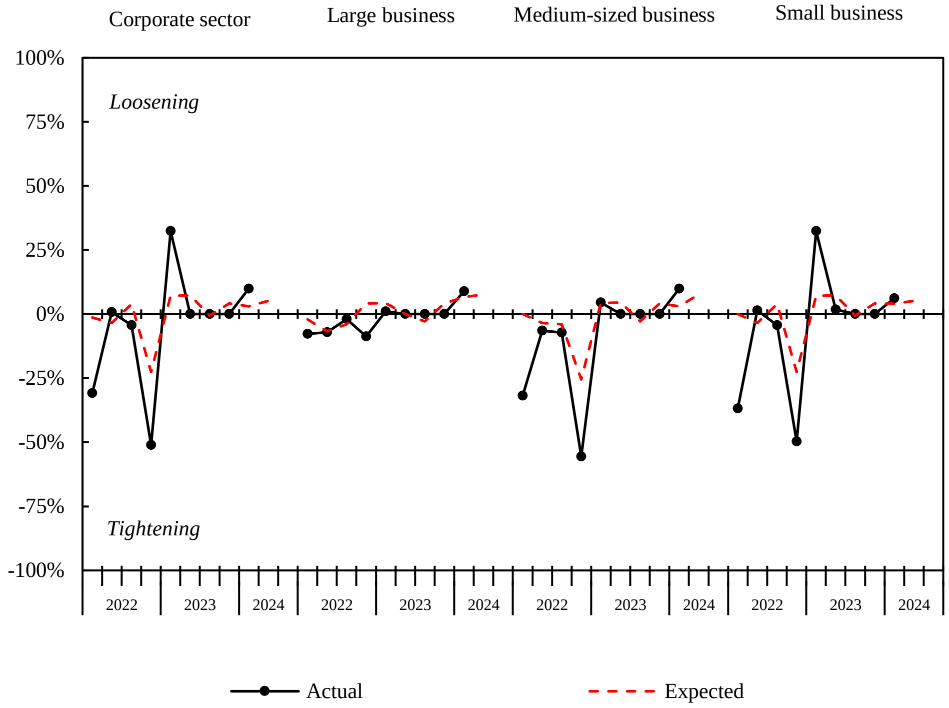
Net percentage change



(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

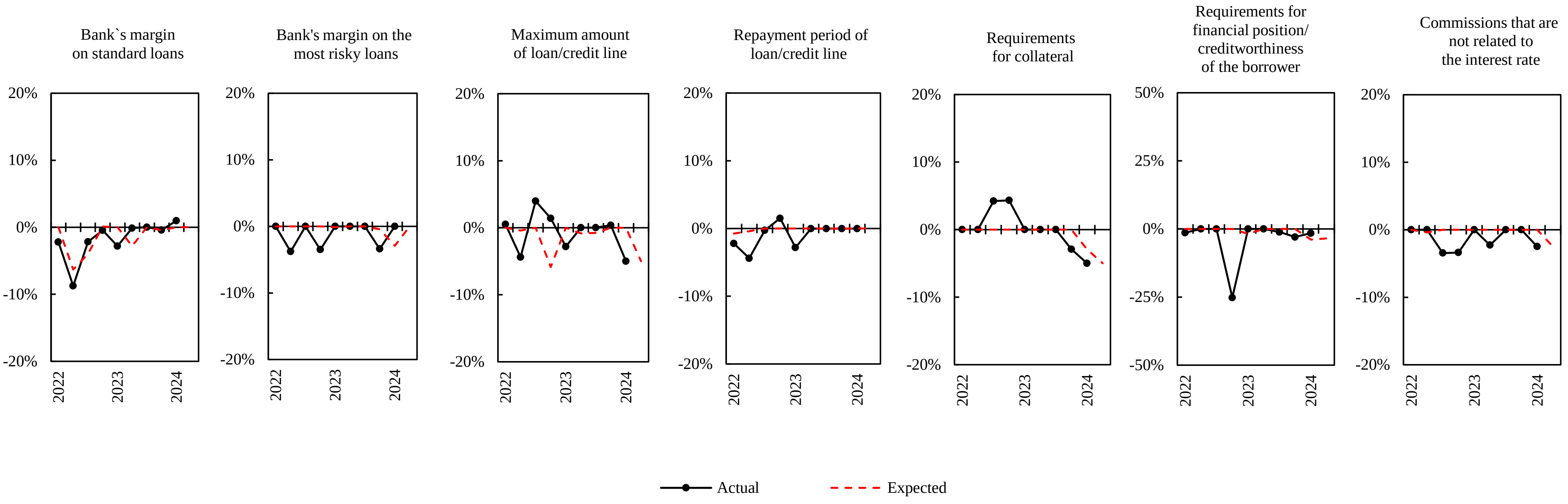
Net percentage change



(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.

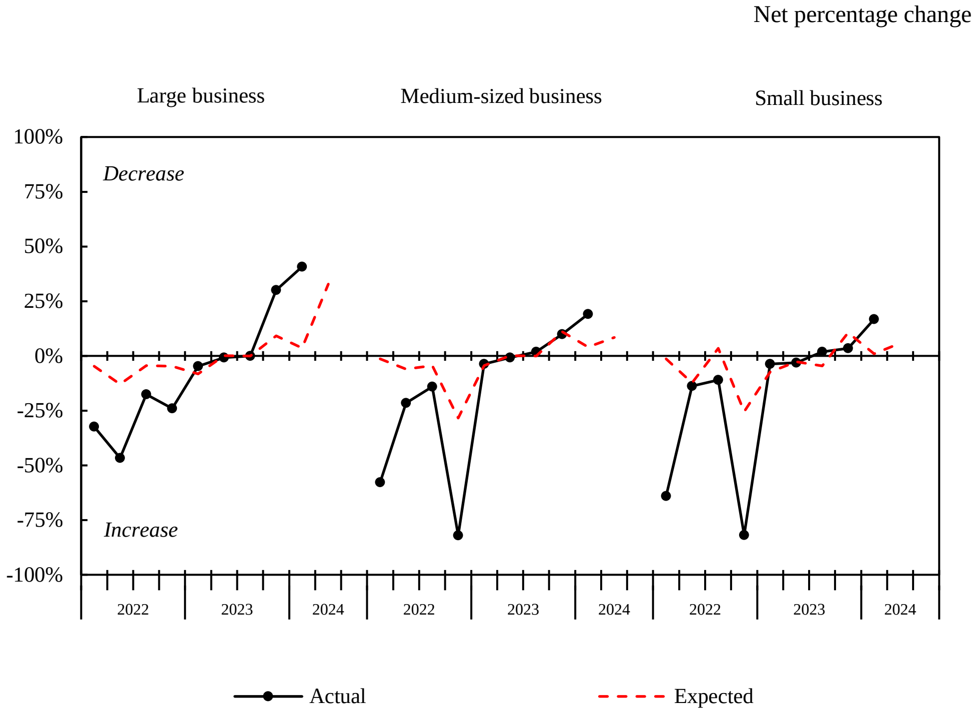
Figure 3. Lending conditions

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.

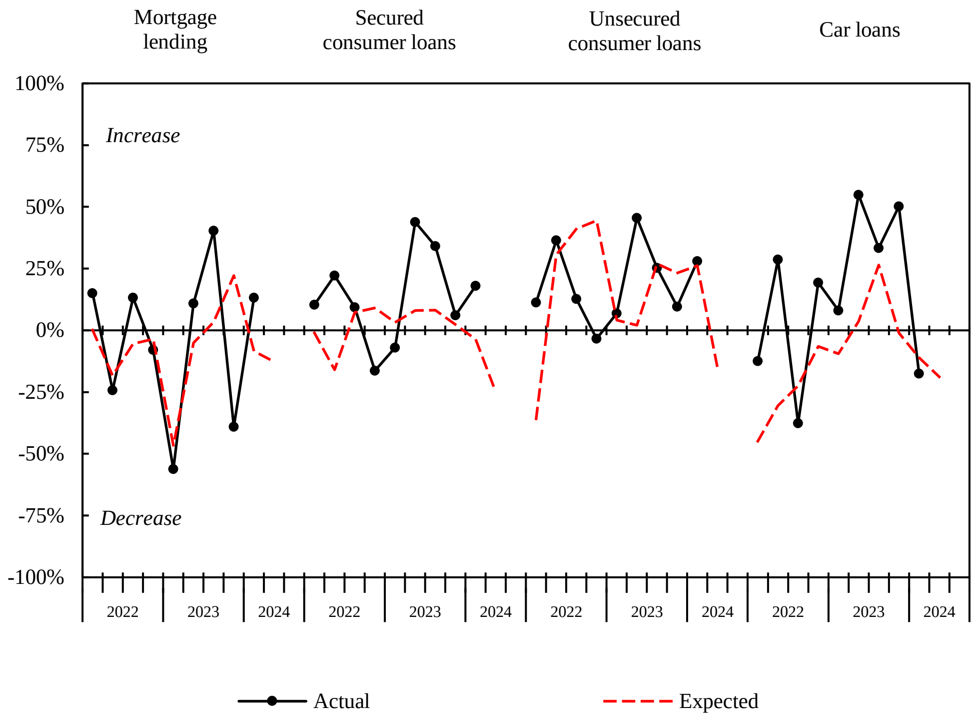
Figure 4. Interest rates on loans



(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

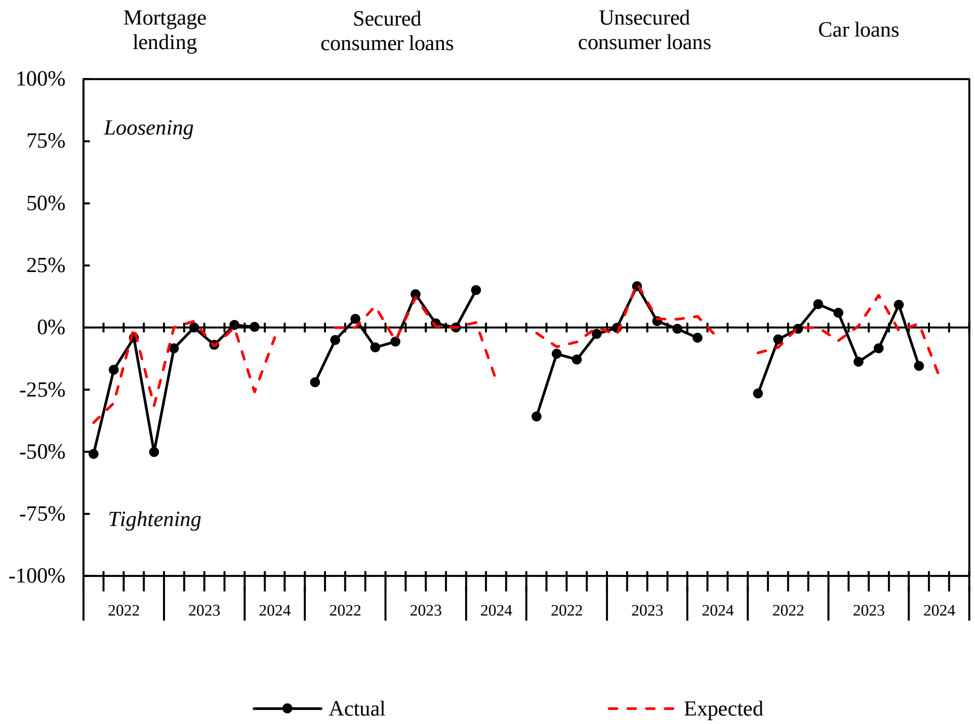
Net percentage change



(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

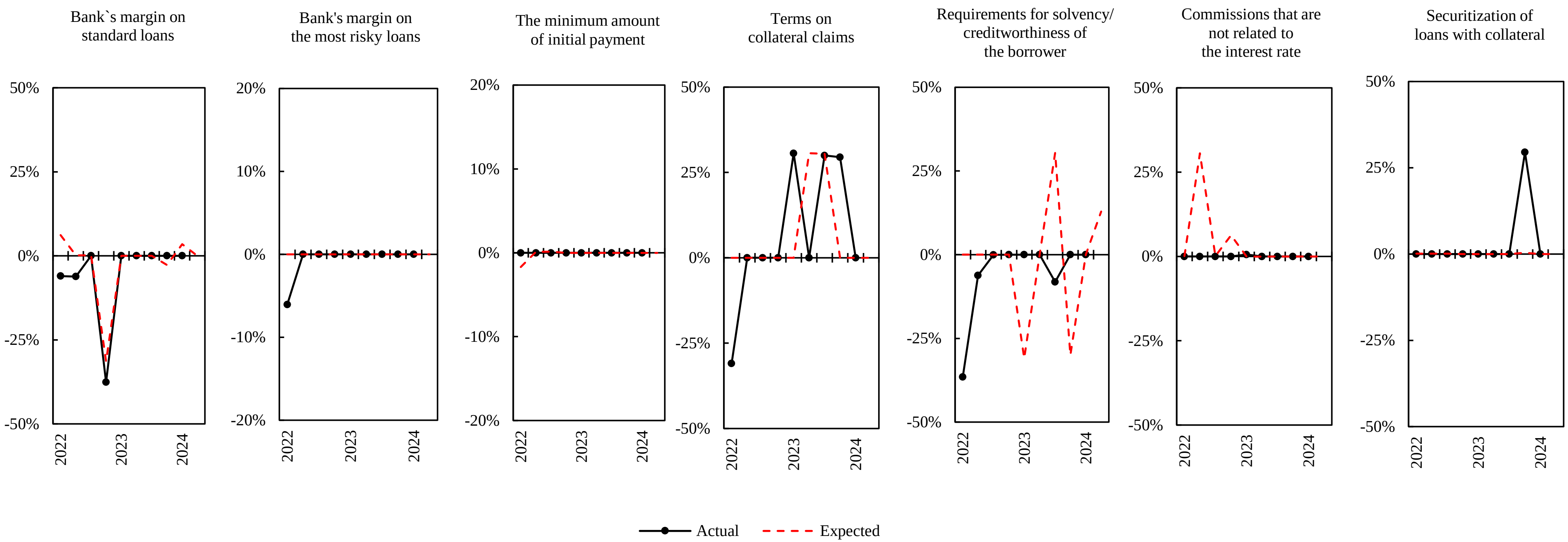
Net percentage change



(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

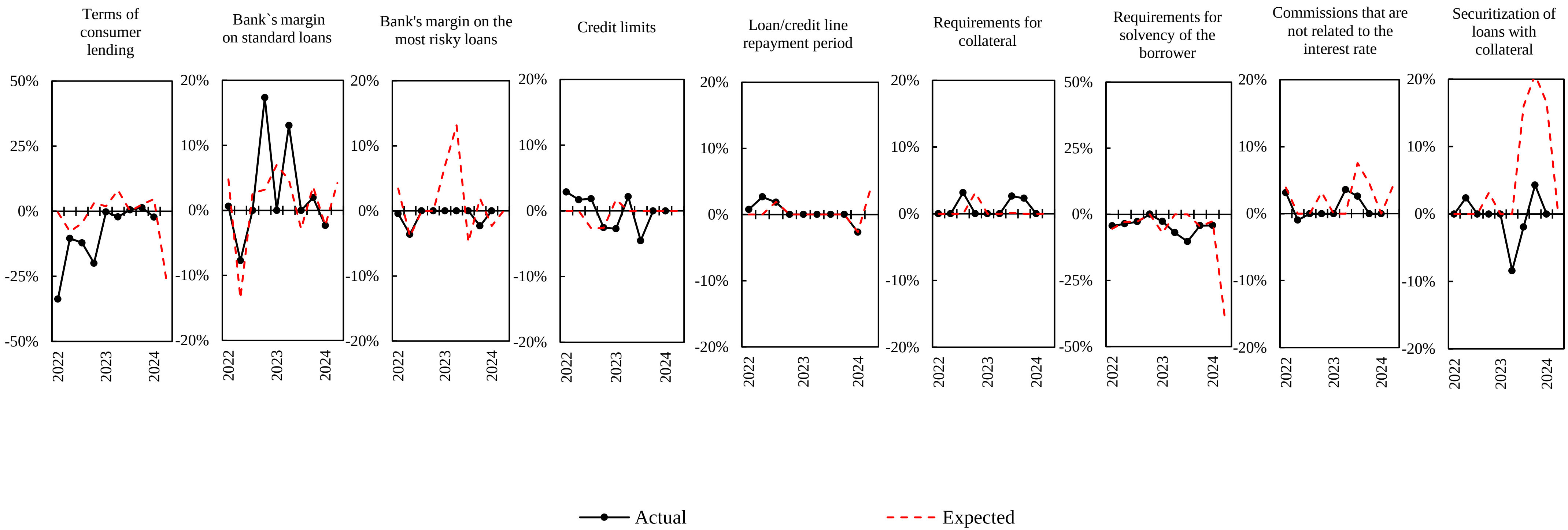
Net percentage change



(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

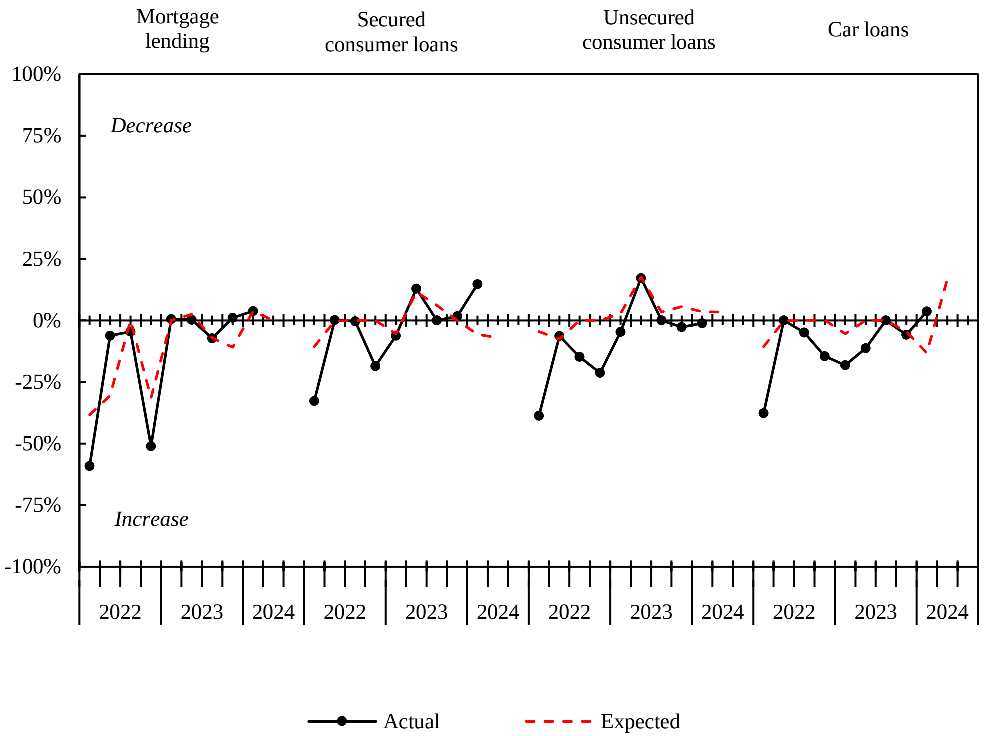
Net percentage change



(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

Net percentage change



(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.