



NATIONAL BANK OF KAZAKHSTAN

# **BANK LENDING SURVEY**

**2<sup>nd</sup> quarter  
of 2024**

# Bank lending survey

2<sup>nd</sup> quarter of 2024

## Corporate lending

According to the results of the 2<sup>nd</sup> quarter of 2024, banks observed a slight increase in demand from business entities, primarily due to large and medium-sized businesses.

The increase in demand for loans from large business entities, according to several large and medium-sized banks, is attributed to the continued decline of the cost of credit resources and borrowers' expectations for further reduction (Figure 4). Some large banks highlighted the financing of substantial investment projects in the mining, oil and gas and construction industries, which significantly increased lending volumes in the 2<sup>nd</sup> quarter. As a result, the total number of loan applications from large businesses increased by 12% (q/q), to 190, and the average size of applications increased by 63% quarter-to-quarter (q/q), to 13.6 billion KZT.

Large banks also noted an increase in demand from medium-sized businesses, primarily due to the resumption and launch of several government-backed preferential lending programs, including for the agro-industrial complex. Additionally, some banks slightly reduced interest rates on loans and carried out targeted measures to attract customers as part of an internal strategy for developing lending to medium-sized businesses (Figure 4). The temporary tightening of scoring parameters in a number of products within the framework of financing under government programs and limited funding opportunities of individual banks, in turn, had an impact on reducing the average size of applications. Thus, the total number of loan applications for medium-sized businesses increased by 25% (q/q), to 7.7 thousand, while the average size of applications decreased by 6% (q/q), to 457 million KZT.

The demand index for credit resources from small businesses remained positive in the reporting quarter (Figure 1). Government financing programs, according to most major banks, remain the primary driver of demand due to the reduced cost of credit through subsidies and guarantees provided by JSC «Damu» Entrepreneurship Development Fund». Moreover, some banks noted the positive impact of the development of online products. At the same time, other banks introduced temporary tightening measures in scoring products to prevent portfolio deterioration led to an increase in the share of offline products and, consequently, an increase in the average loan size. As a result, the total number of small business loan applications increased by 4% (q/q) and amounted to 821 thousand, and the average size of applications increased by 34% (q/q), to 49.9 million KZT.

The approval rate of loan applications for small and medium-sized businesses remained at the level of the previous quarter at 36% and 38%, respectively, while for large businesses, this indicator decreased by 8 percentage points to 43%. The decrease in the approval rate for large

businesses, according to banks, is associated with an increase in the number of customer applications received by the end of the 2<sup>nd</sup> quarter, which are still under consideration. Consequently, decisions on these applications will be made in 3<sup>rd</sup> quarter, which is likely to increase the approval rate.

In 2<sup>nd</sup> quarter, most banks did not make significant changes to lending terms, except for a slight reduction in interest rates, mainly for medium and large businesses (Figure 2). However, some banks have revised certain lending terms towards insignificant tightening, including financing under government programs (Figure 3).

In 3<sup>rd</sup> quarter, banks expect demand to remain at the level of the reporting quarter. Such expectations are largely due to the further financing of small and medium-sized businesses within the framework of government programs. For large businesses, banks predict a positive impact of a gradual reduction in interest rates on loans on demand. In addition, a number of banks are planning to launch new scoring-based products for legal entities, as well as relatively short-term loans for the purpose of financing working capital in the trade industry for micro-business entities.

## Retail lending

According to the results of the 2<sup>nd</sup> quarter, demand for mortgages declines, while for all types of consumer loans demand showed an increase.

Demand for mortgages decreased significantly compared to the previous quarter (Figure 5). Several large and medium-sized banks note the impact on demand in 2<sup>nd</sup> quarter of some tightening of lending conditions in 1<sup>st</sup> quarter and a reduce in willingness to lend mortgage loans due to the current trend in the real estate market (Figure 7). However, another major bank notes that with decreased competitor activity, the quantity and quality of incoming customer flow have significantly improved. Thus, the number of applications for mortgage loans decreased by 3% (q/q), to 210 thousand, while the average size of applications remained at the level of 17 million KZT.

There has been a sustained growth in demand for secured consumer loans in the 2<sup>nd</sup> quarter. This increase in demand is the result of the active promotion of this type of loan by several banks. Additionally, a separate large bank noted an improvement in decision-making processes and application monitoring. At the same time, in a separate bank, the interest rate on borrowing increased in the 2<sup>nd</sup> quarter, and the perimeter of the debt service to income ratio (DSTI) expanded across all banks (Figure 9). Thus, the total number of applications in this segment of lending increased by 20% (q/q), to 46 thousand, while the average size of applications grew by 4% (q/q), to 12 million KZT.

Large banks have noted a slight increase in demand for consumer unsecured consumer loans due to customer acquisition through marketing promotions (Figure 5). At the same time, banks did not make significant changes to the terms of lending. In their opinion, the tightening of requirements for the solvency of borrowers in the 2<sup>nd</sup> quarter did not have a noticeable impact on demand due to the expansion of the list of accepted confirmations of income sources in the form of statements from other banks. Thus, the number of applications received increased by 1% (q/q) to 21.8 million, while the average size of applications increased by 16% (q/q) to 1.12 million KZT.

Demand for car loans increased slightly in the 2<sup>nd</sup> quarter (Figure 5) largely due to the primary car market. The increase in demand, according to large banks, is a result of marketing promotions from partner car dealerships and the offer of several promotional products, partially subsidized by such partners. At the same time, in the 2<sup>nd</sup> quarter, some banks slightly reduced interest rates on car loans (Figure 9). In addition, a separate medium-sized bank continued to purposefully reduce lending due to the likelihood of risks of a decrease in the value of collateral due to the continued increase in supply in this segment. As a result, the number of applications for car loans increased by 10% (q/q), to 997 thousand, while the average size of applications increased by 3% (q/q), to 6.9 million KZT.

Approval ratios for mortgage products increased by 7 percentage points compared to the previous quarter and amounted to 40%. Banks' willingness to provide unsecured loans remained at 27%, while the approval rate for secured consumer loans and car loans decreased by 5 percentage points and 2 percentage points, to 34% and 15% respectively. Banks attribute the decrease in approval ratios for secured consumer loans and car loans to the expansion of the DSTI scope (Figure 8).

According to banks, the demand for retail products in the 3<sup>rd</sup> quarter of 2024 will be various. In 3<sup>rd</sup> quarter, banks expect a slight decline in demand for mortgages and secured consumer loans due to tightening of certain lending conditions. At the same time, a separate major bank plans to increase its market share in mortgage lending through the automation and digitalization of loan application procedures. In turn, banks forecast an increase in demand for car loans due to the deferral of the DSTI requirement for car loans until the end of 2024. For unsecured consumer loans, banks also expect an increase in demand in the 3<sup>rd</sup> quarter due to planned marketing promotions and decrease in interest rates on 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

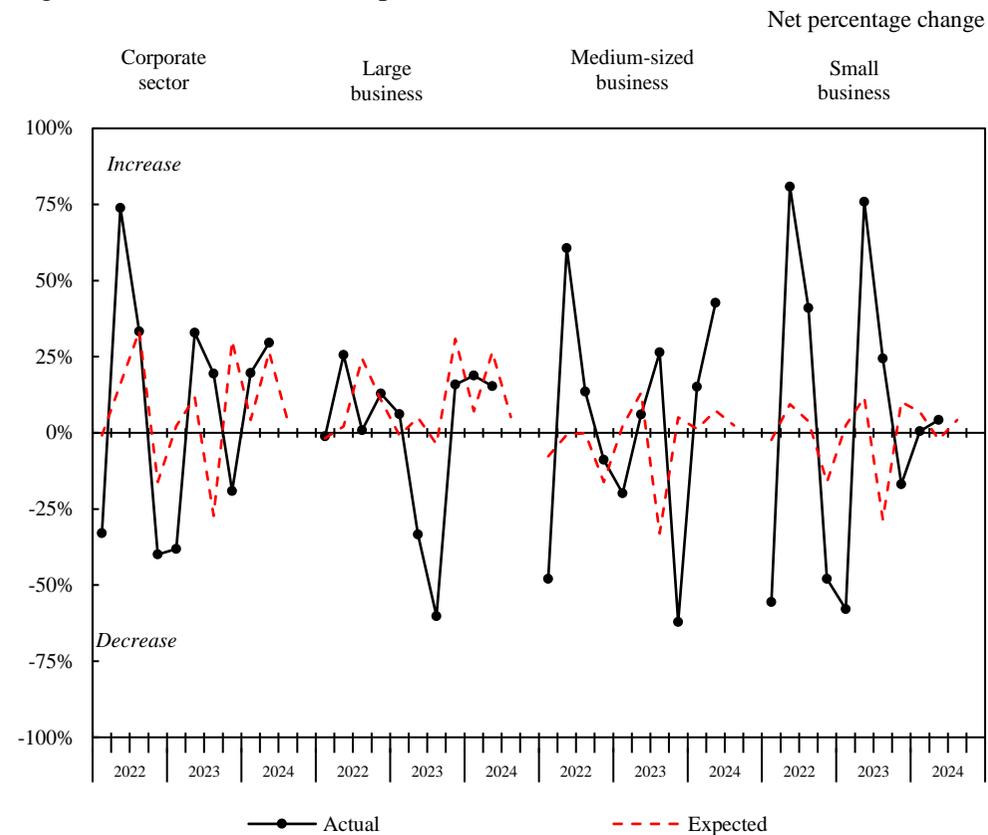
Prior to Q1 2018 survey results were aggregated as a simple average by calculating the net percentage change (NPC)– difference between the proportion of respondents who have noted an increase (loosening) in parameter and the proportion of respondents who have noted its decrease (tightening).

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.

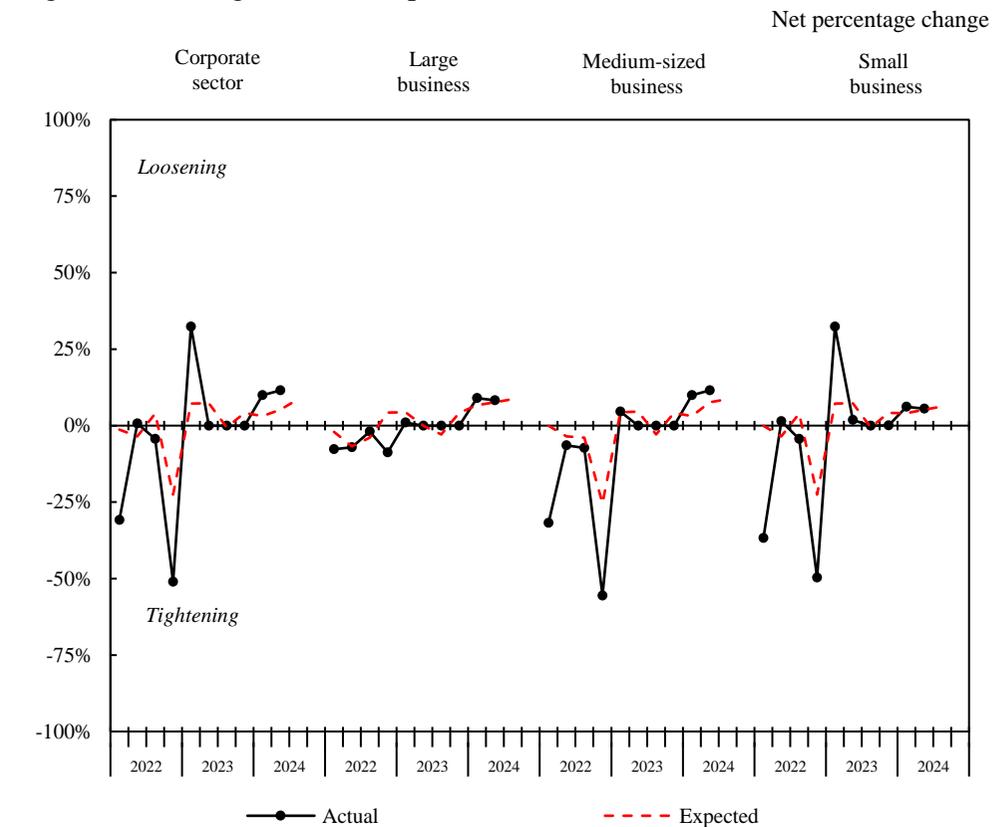
Figure 1. The demand of corporate business entities for credit resources



(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

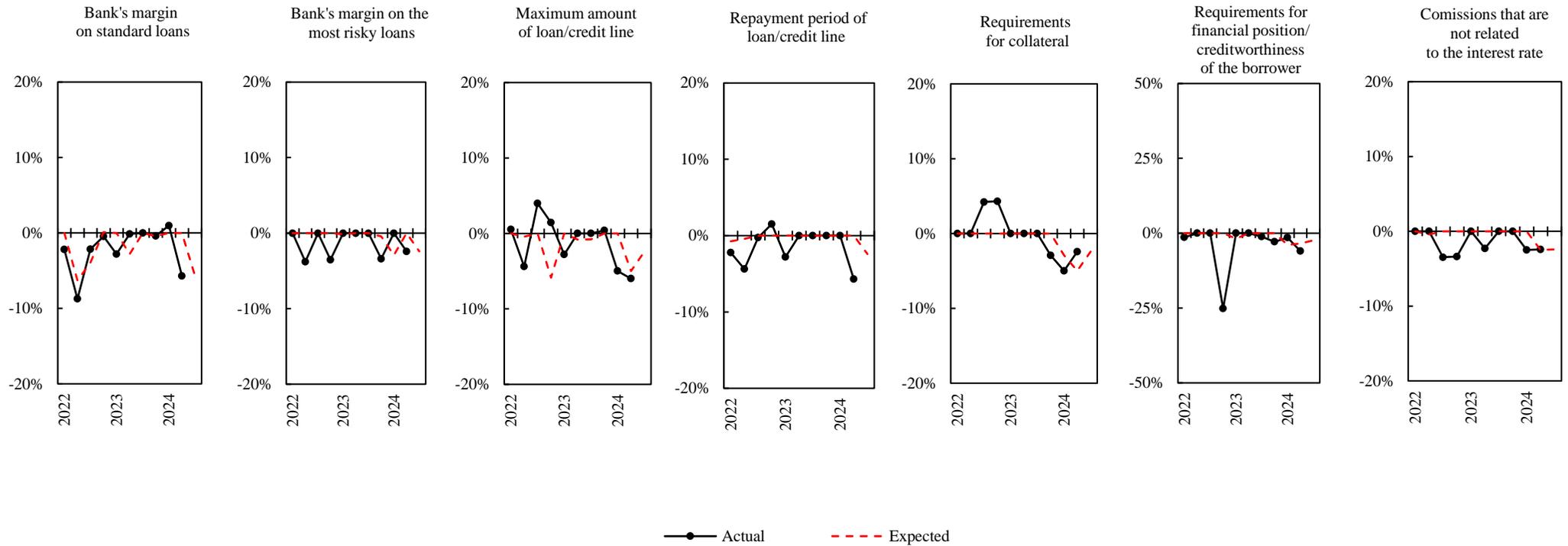


(a) Question №5: How have the lending terms to corporate business entities changed over the past 3 months? In your opinion, how will the lending terms to corporate business entities change in the next 3 months?

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

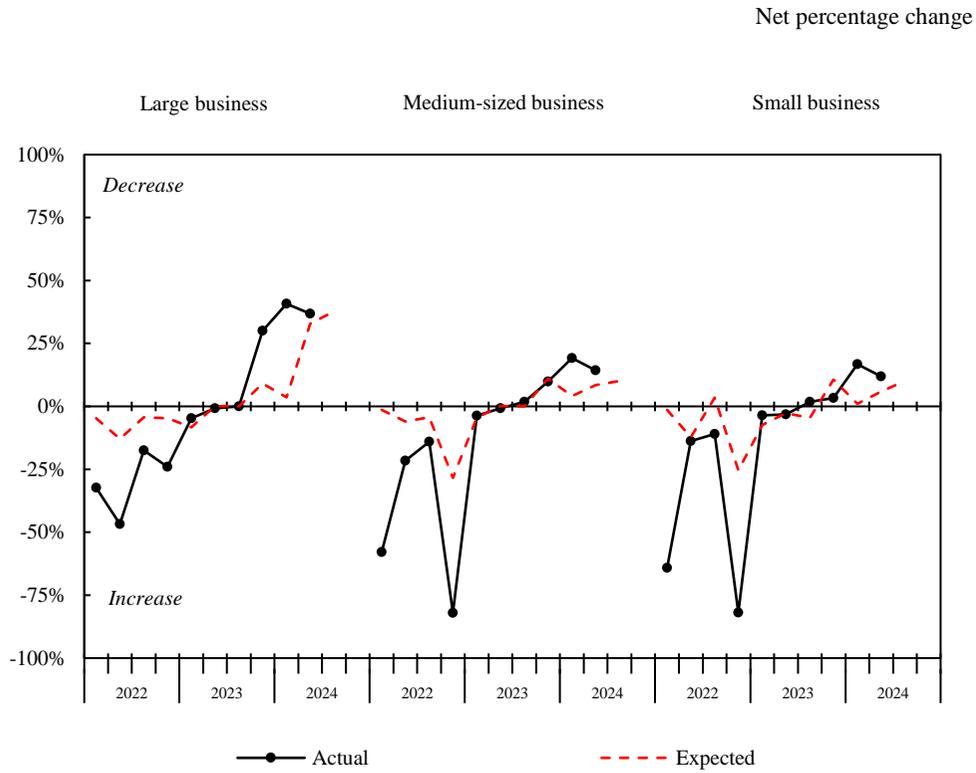
Net percentage change

Figure 3. Lending conditions



- (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

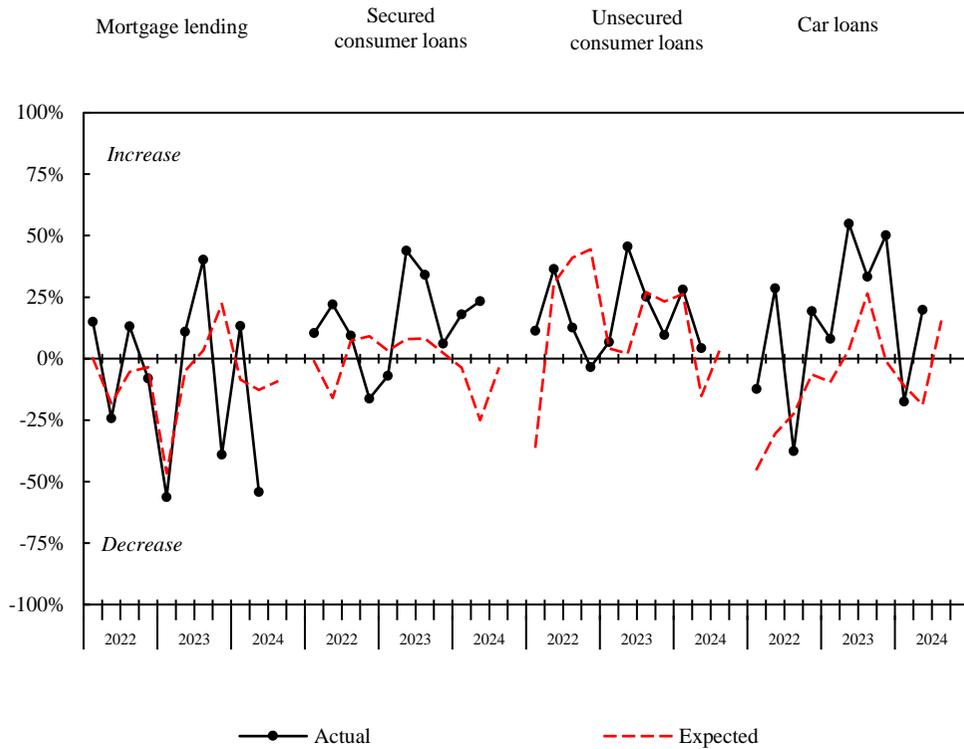


(a) Question №8: How have the interest rates on loans changed over the past 3 months? In your opinion, how will the interest rates on loans change in the next 3 months?

(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

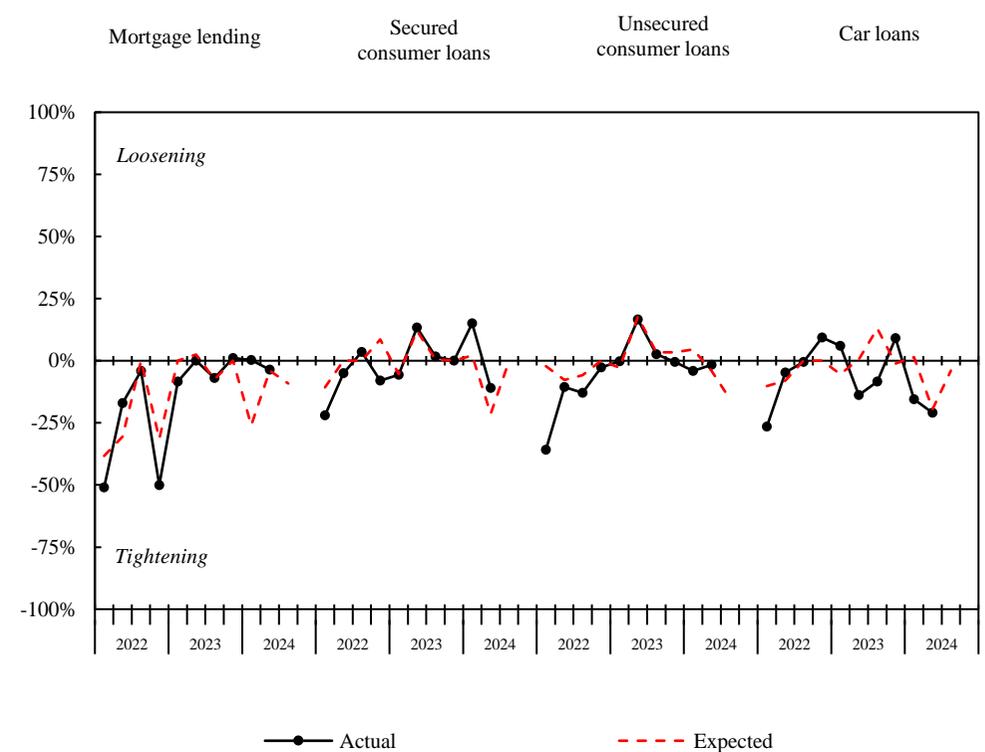
Net percentage change



- (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

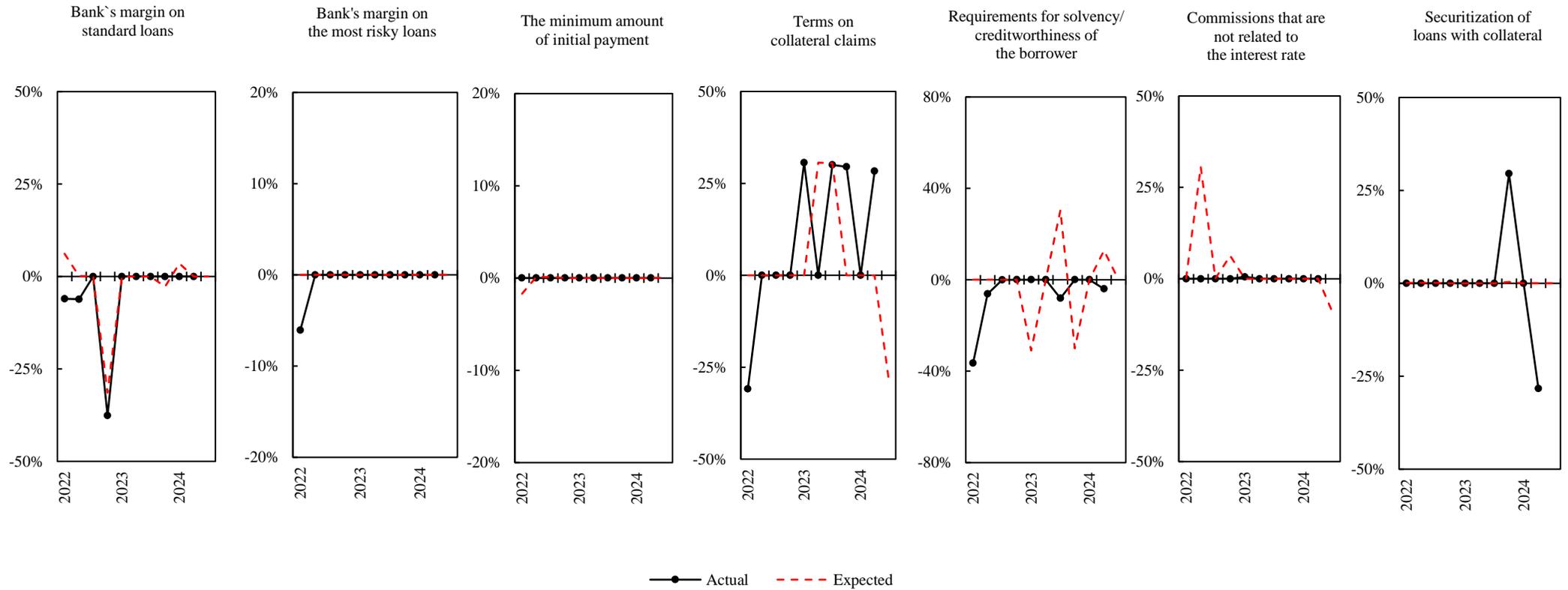
Net percentage change



- (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.

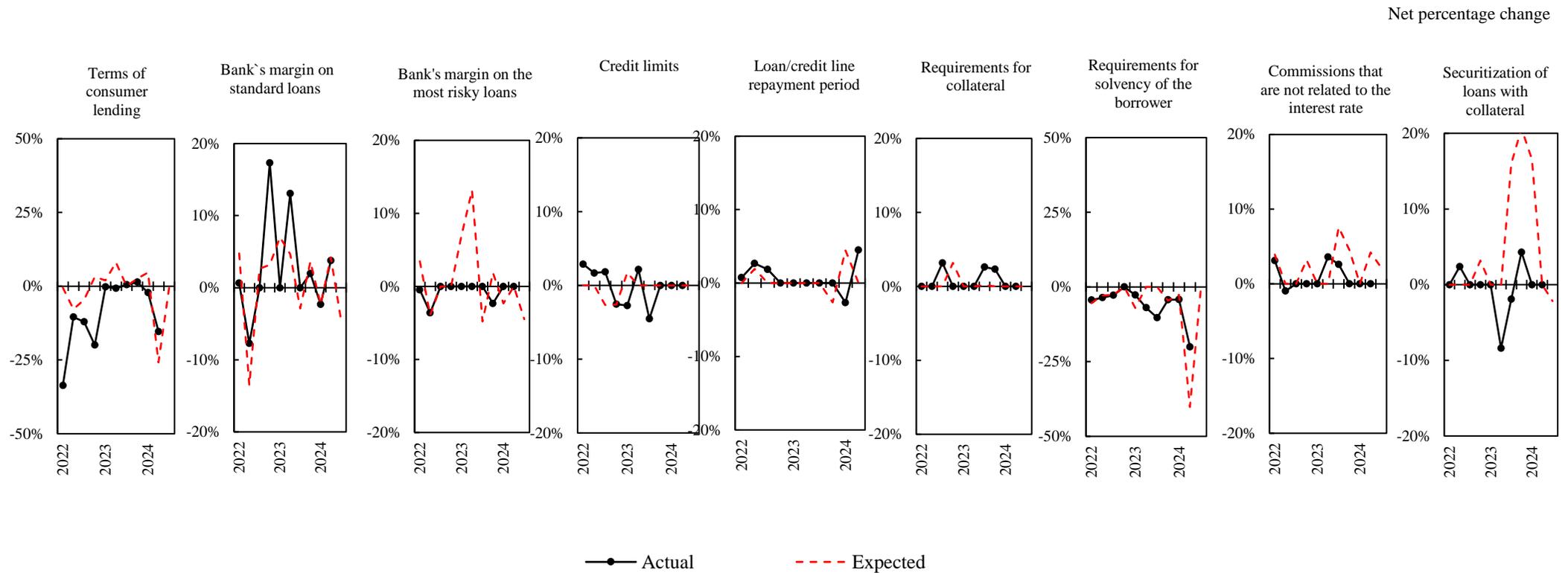
Figure 7. Mortgage lending terms

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

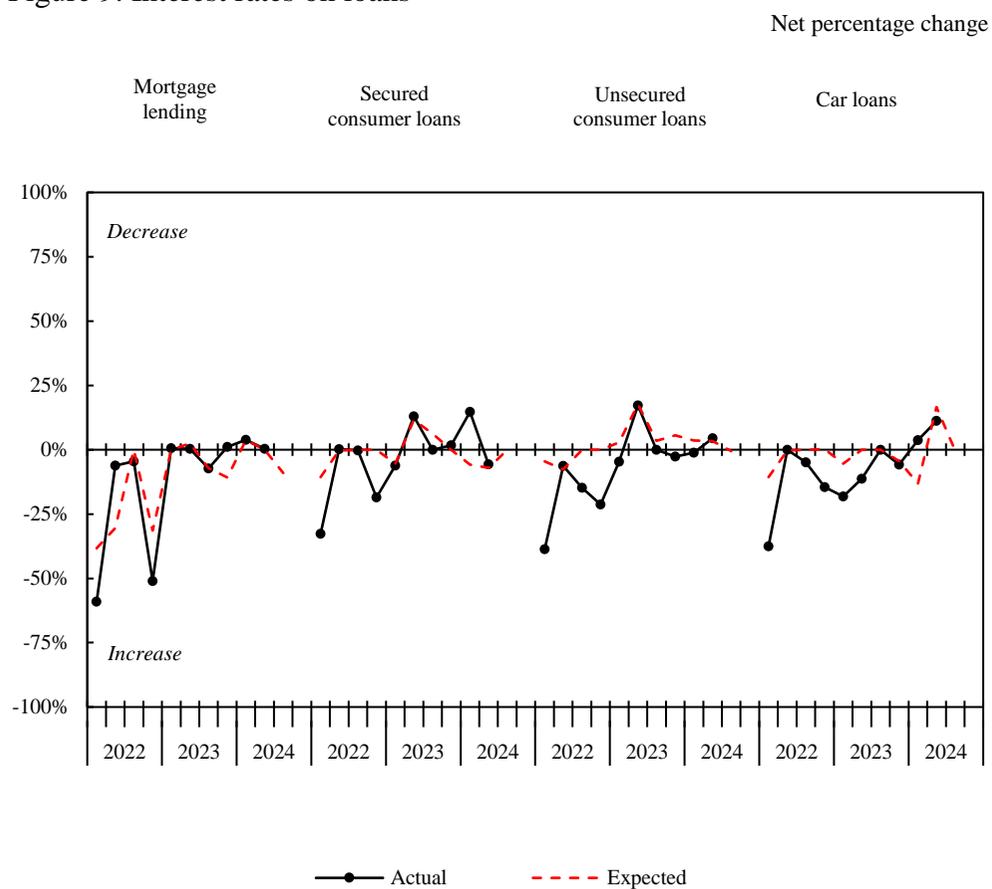


(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

(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.