



NATIONAL BANK OF KAZAKHSTAN

BANK LENDING SURVEY

**3rd quarter
of 2024**

Bank lending survey

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Corporate lending

In the 3rd quarter, the demand for loans from business entities remained at the same level as in the previous quarter. However, the demand across different categories of business entities exhibited mixed trends (Figure 1).

According to banks, the positive trend in loan demand from large businesses continues, largely due to the gradual decrease in the cost of credit resources (Figure 4). Some banks note the activation of several investment projects, which has also supported demand for loan financing, amid moderate business needs for financing large projects compared to the previous quarter. As a result, the total number of loan applications from large businesses increased by 3% quarter-to-quarter (q/q), reaching 196, while the average loan size decreased by 25% (q/q), to 10,1 billion KZT.

Banks note a slight decrease in demand from medium-sized businesses, mainly due to the suspension of financing under government preferential lending programs as a result of the exploration of limits for 2024 (Figure 1). Additionally, one major bank noted a decline in activity and reduced turnover in certain sectors, particularly those related to services provided under government procurement programs. Nevertheless, in the 3rd quarter, particular medium-sized bank launched a loan product aimed at medium and large businesses. The bank anticipates an increase in lending to medium-sized businesses under this product, especially with the expectation of attracting funds from the "Unified Accumulative Pension Fund" through bond issuance for lending to the real sector in priority industries. Consequently, the total number of loan applications from medium-sized businesses decreased by 40% (q/q), to 4,6 thousand, while the average loan size increased by 96% (q/q), to 895 million KZT. This increase in the average loan size is linked to a significant reduction in the share of applications for loans of smaller amounts.

Demand for loans from small businesses also showed a slight decline in the 3rd quarter. The demand dynamics in the small business segment remain largely dependent on financing under government programs (Figure 1). Moreover, both large and medium-sized banks noted the temporary impact of tighter lending conditions for individual entrepreneurs (Figure 2). In the 3rd quarter, however, the financial regulator increased the credit limit for loans to individual entrepreneurs requiring the mandatory consent of their spouse, which, according to banks, is expected to positively influence further demand from micro-business entities. In addition, one major bank launched an online product offering short-term loans to wholesale and retail food traders to ensure continuity of their cash flows. Meanwhile, another bank introduced an online income assessment tool through integration with the Ministry of Finance's State Revenue

Committee databases. As a result, the total number of loan applications from small businesses increased by 3% (q/q), totaling 845 thousand, while the average loan size decreased by 21% (q/q), to 39,5 million KZT.

Approval rates for loan applications from small businesses remained unchanged at 35%, while those for medium and large businesses showed a slight increase, reaching 41% and 51%, respectively. The increase in approval rates for medium and large businesses is attributed to the high volume of applications received in the second quarter, which were processed during the reporting period.

Lending conditions for medium and large businesses remained largely unchanged throughout the 3rd quarter, with the exception of a slight easing of interest rates due to the reduction in the base rate of the National Bank of Kazakhstan (Figure 4). At the same time, the conditions for online loan products aimed at small businesses were slightly tightened. For instance, some large banks revised the approval thresholds for credit scoring models. Additionally, according to one major bank, the creation of a unified platform for collateral realization influenced the tightening of collateral assessments through the revision of loan risk parameters.

In the 4th quarter, banks expect a recovery in demand from business entities, largely due to the resumption of financing under state programs in certain regions (Figure 1). Furthermore, some large banks forecast an increase in lending under the products launched in the reporting quarter. Generally, banks do not plan to make significant changes to their lending conditions and products. However, some banks expect increased financing for medium and large business projects through the involvement of financing and guarantees from quasi-state sector entities.

Retail lending

As of the 3rd quarter, the demand for car loans and mortgage loans has increased, while the demand for both secured and unsecured consumer loans has declined.

Demand for mortgage lending in the 3rd quarter significantly increased compared to the previous quarter (Figure 5). Some banks note that the growth in demand for mortgage loans was influenced by the additional submission of applications under state subsidized mortgage programs, an increase in the number of partnership products with developers, the digitalization of offered products, as well as some tightening of collateral requirements by competing banks. As a result, the number of mortgage loan applications increased by 31% (q/q), reaching 274 thousand, while the average loan size rose by 8% (q/q), amounting to 18 million KZT.

Despite the variety of responses from banks regarding the dynamics of demand for secured consumer loans, the overall trend indicates a slight decrease in demand following a prolonged period of growth. The decline in demand is attributed to a tightening of collateral requirements (Figure 8). However, some banks report an increase in demand for their loan products due to marketing campaigns and a reduction in the interest rates. The number of applications increased slightly by 6% (q/q) to 48 thousand, while the average loan size rose by 6% (q/q) to 12,6 million KZT.

Banks observe a slight decrease in demand for unsecured consumer loans due to the tightening of certain lending conditions, following the introduction of regulatory requirements on the maximum amount for unsecured loans and the requirement for spousal consent when individuals apply for loans over 1,000 monthly calculation indicators. However, banks believe that the decline in demand was more due to temporary technical difficulties in implementing these requirements rather than the requirements themselves. Additionally, one bank noted a negative effect of the tightening of the maximum unsecured loan amount on its salary card holder lending program. Overall, banks note that demand for cash loans has decreased, while demand for goods loans has increased. As a result, the total number of applications in this segment declined by 5% (q/q) to 20,7 million, while the average loan size remained at the same level of around 1,1 million KZT.

In the 3rd quarter, demand for car loans slightly increased (Figure 5), largely due to marketing efforts by car dealership partners and the offering of promotional products, partially subsidized by such partners. At the same time, some medium-sized banks indicated their reluctance to further increase their car loan portfolios during the reporting quarter, citing the potential risks of a decrease in the collateral value due to the continuing rise in supply in this segment. As a result, the number of car loan applications increased by 10% (q/q), reaching 1,1 million, while the average loan size remained at 6,9 million KZT.

Approval rates for mortgage products increased by 4 percentage points quarter-on-quarter, reaching 44%. The approval rates for unsecured loans and car loans rose by 2 percentage points, reaching 29% and 17%, respectively, while the approval rate for secured consumer loans decreased by 3 percentage points, to 31%. Banks attribute the increase in approval rates for car loans to the deferral of tightening debt-to-income ratio requirements until the end of the current year. Meanwhile, the rise in approval rates for unsecured consumer loans is explained by some banks' decision to expand the list of banks whose card account statements are accepted as proof of the borrower's income.

In the 4th quarter, banks expect a slight increase in demand for secured consumer loans due to a reduction in interest rates. As for other retail products, banks believe that demand will remain at the same level as in the 3rd quarter 2024. Some banks anticipate a slight increase in demand for goods loans and a decrease in demand for cash loans in the 4th 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

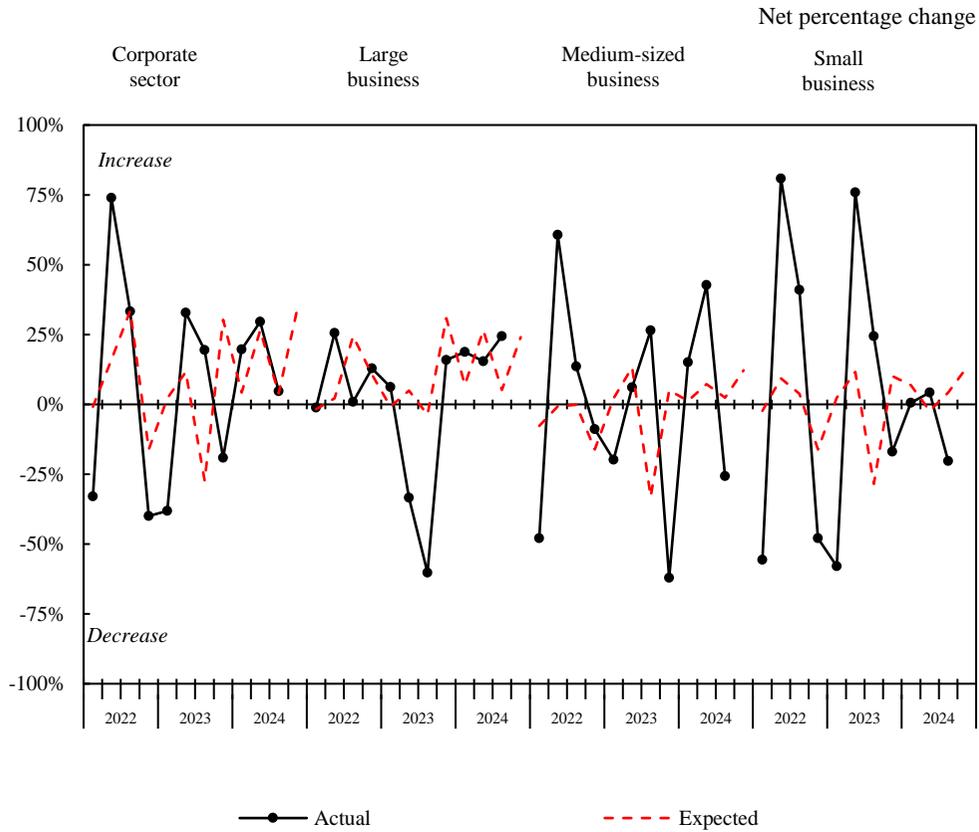
Prior to Q1 2018 survey results were aggregated as a simple average by calculating the net percentage change (NPC)– difference between the proportion of respondents who have noted an increase (loosening) in parameter and the proportion of respondents who have noted its decrease (tightening).

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.

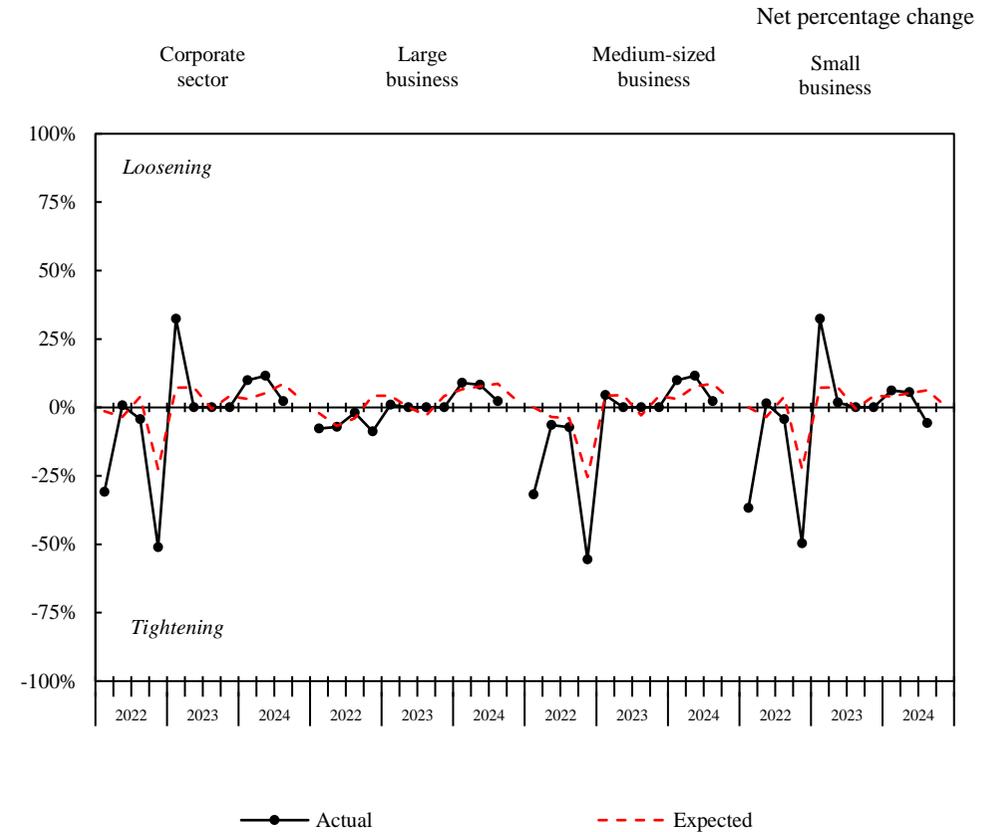
Also, starting from Q1 2018, questions of received and approved loan applications were included to the questionnaire (Questions №21, 22, 23). The total number of received applications includes both, applications for which a credit decision was already made (approved/rejected), and applications that were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

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



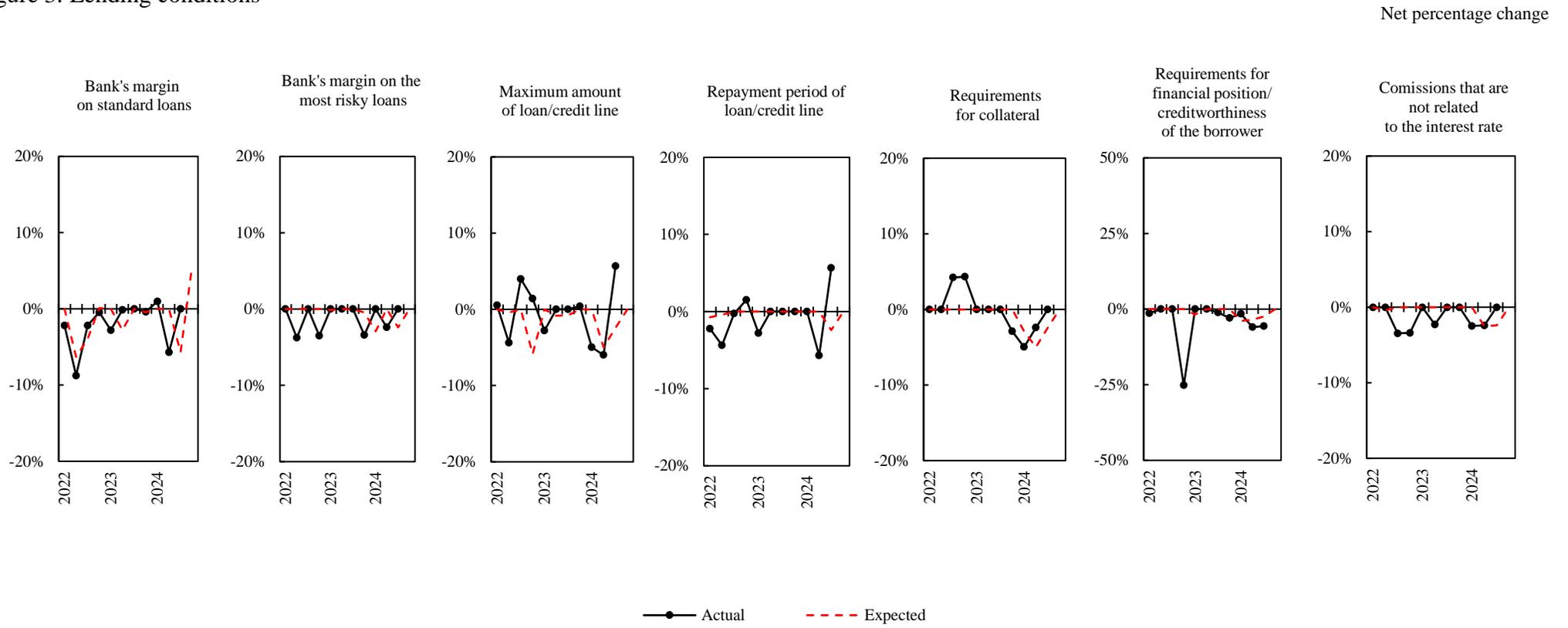
- (a) Question №1: How has the demand of corporate business entities for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of corporate business entities for loans change in the next 3 months?
- (b) A positive net percentage change is a sign of an increase in the demand for credit resources by entrepreneurs.

Figure 2. Lending terms to corporate business entities



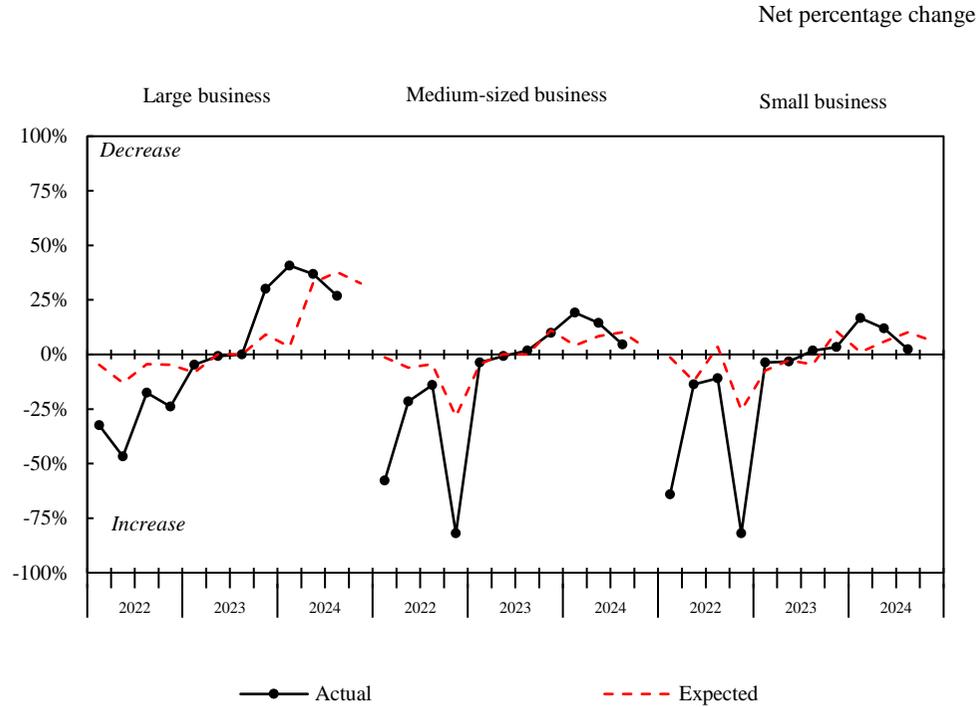
- (a) Question №5: How have the lending terms to corporate business entities changed over the past 3 months? In your opinion, how will the lending terms to corporate business entities change in the next 3 months?
- (b) A positive net percentage change is a sign of a loosening of lending terms.

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

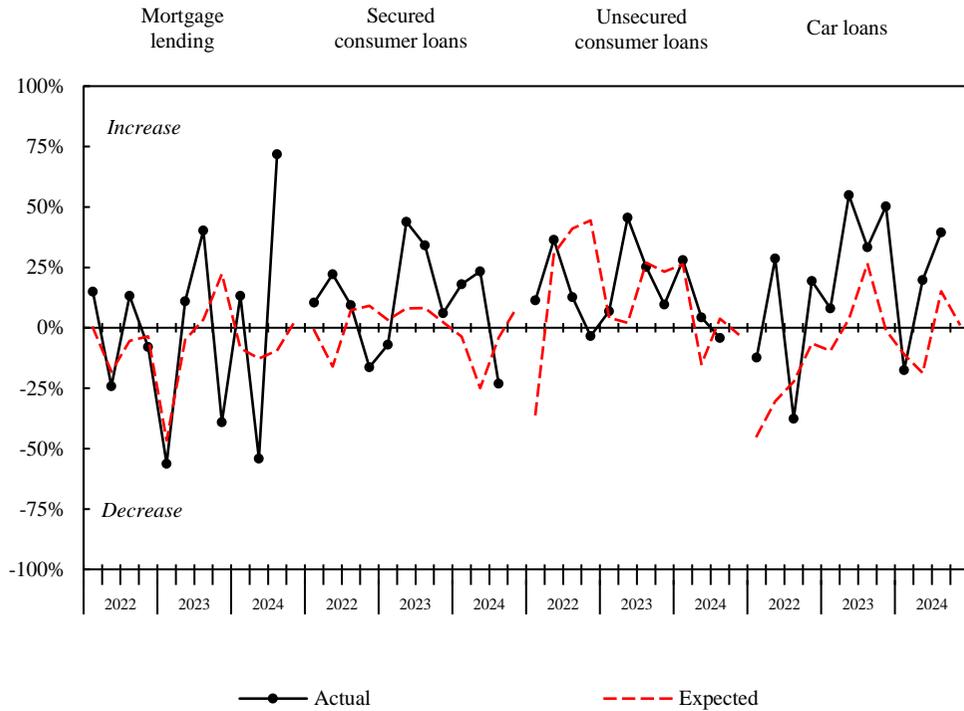


(a) Question №8: How have the interest rates on loans changed over the past 3 months? In your opinion, how will the interest rates on loans change in the next 3 months?

(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

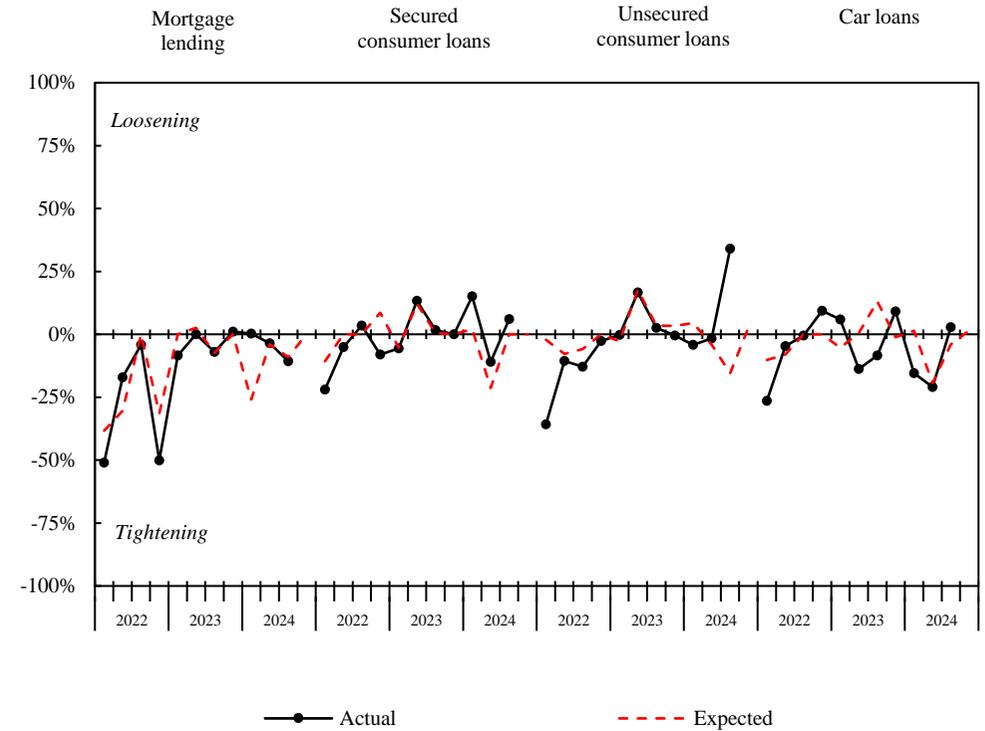


(a) Question №9: How has the demand of individuals for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of individuals for loans change in the next 3 months?

(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

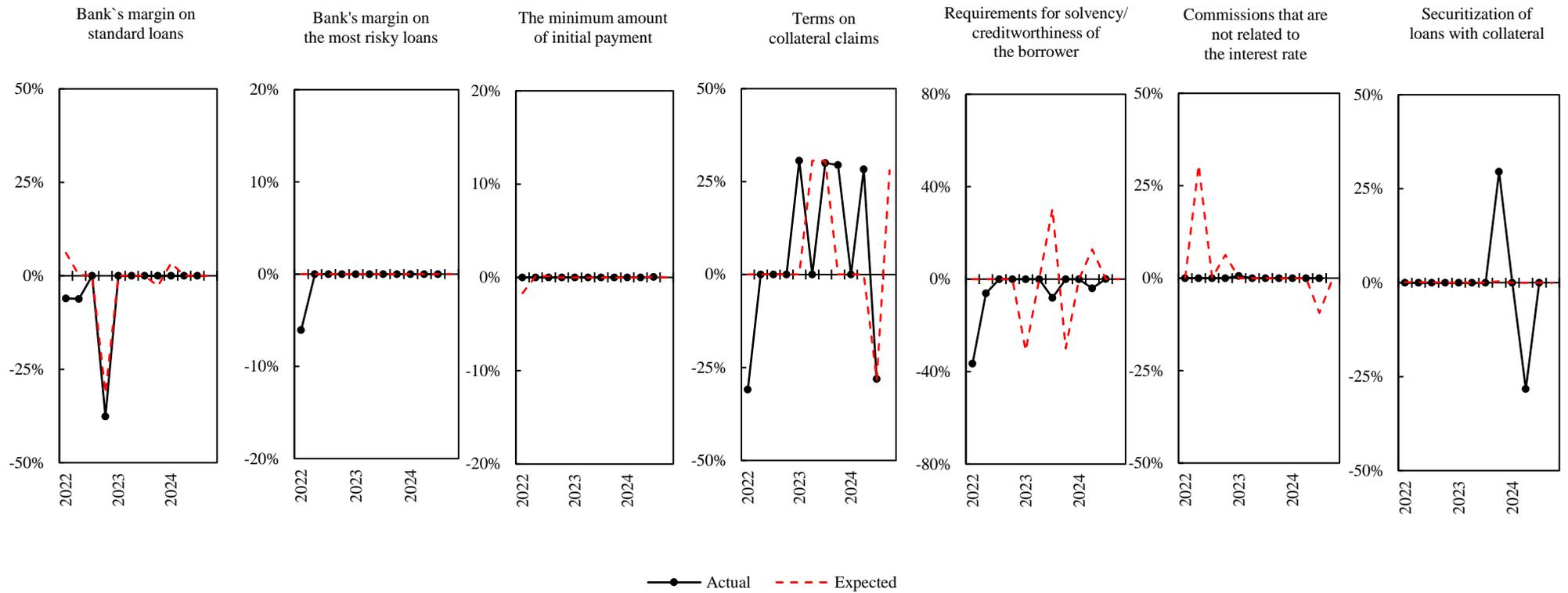


(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

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

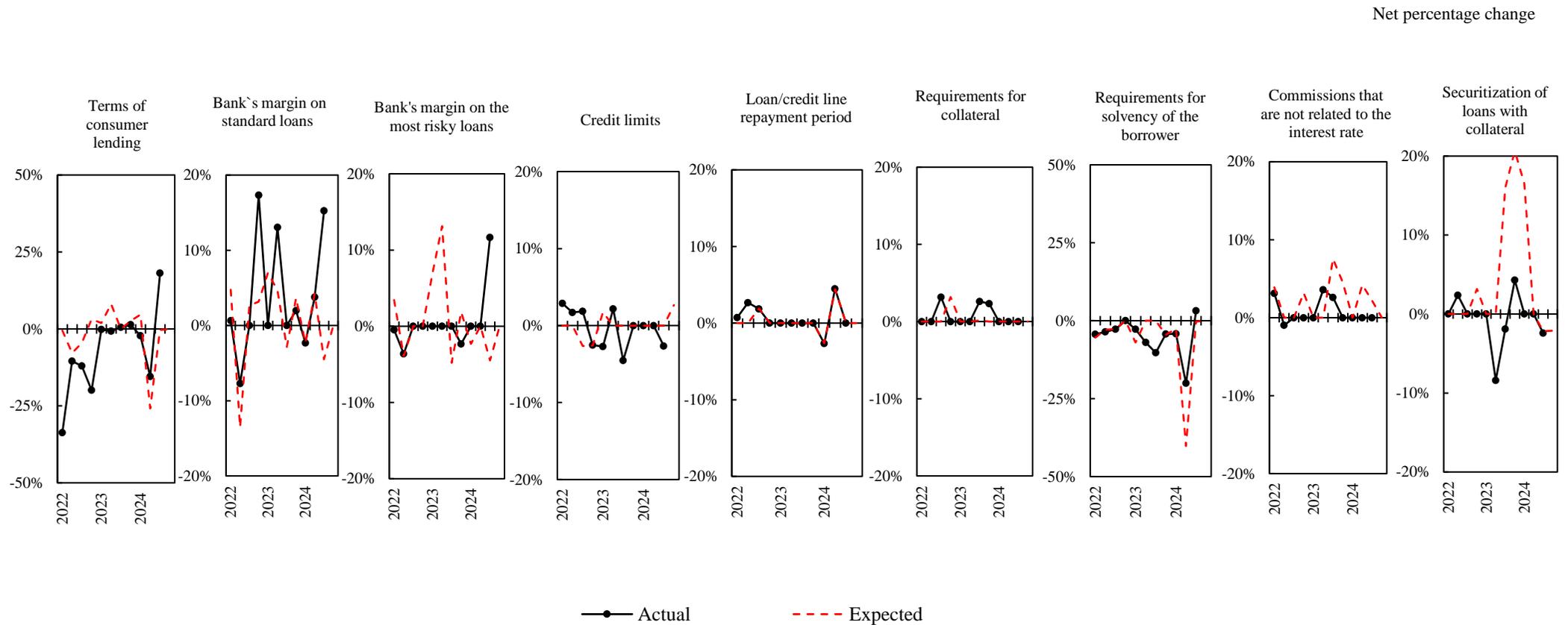
Figure 7. Mortgage lending terms

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

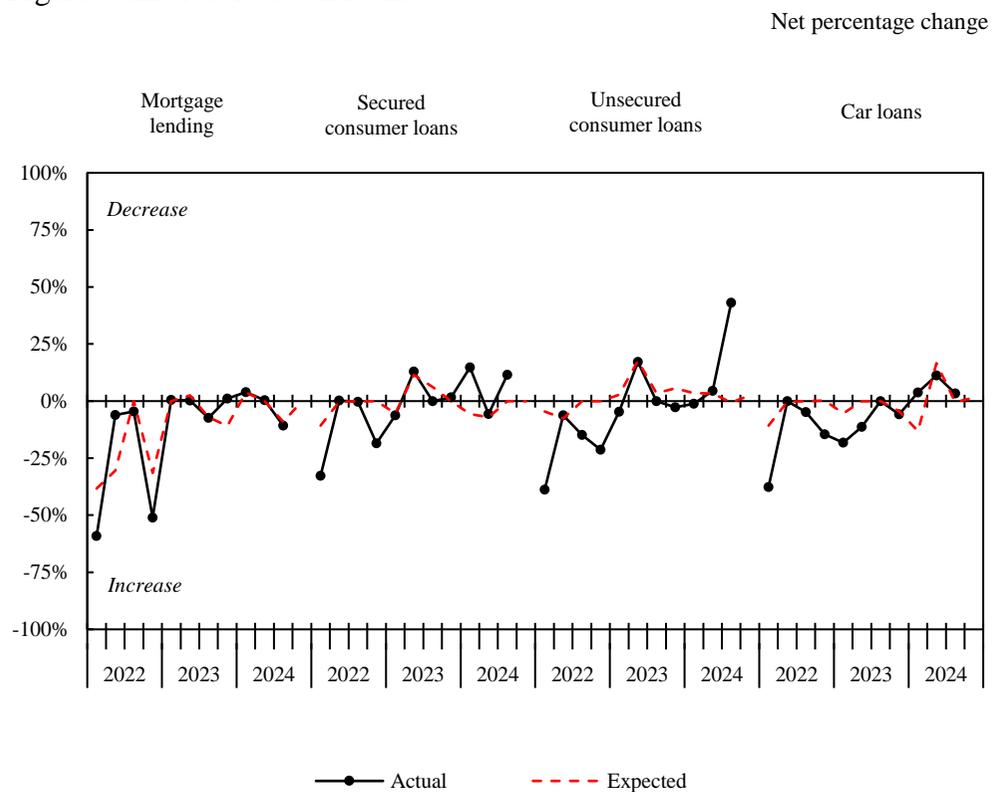


(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

(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.