



NATIONAL BANK OF KAZAKHSTAN

BANK LENDING SURVEY

**4th quarter
of 2024**

Bank lending survey

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Corporate lending

According to banks' assessments, demand for loans from business entities slightly increased in the 4th quarter of 2024, primarily due to small and medium-sized businesses (Figure 1).

Banks note that demand from large businesses remained at the same level as in the previous quarter (Figure 1). Banks believe that uncertainty regarding external economic conditions and consequently inability of long-term forecasting somewhat limited the growth of demand for large investment projects. Banks observe that large companies are gradually shifting focus from implementing strategic goals to improving operational efficiency, as well as reducing costs and increasing profitability through the optimization of operational activities. One major bank noted an increase in demand for loan restructuring and a reduction in available funding for businesses due to the active use of savings to service their debt. Additionally, medium-sized banks observed an increase in the share of loans for working capital financing. Some banks also reported an activation of several investment projects, including those financed through syndicated loans provided in cooperation with foreign banks. As a result, the total number of loan applications from large businesses increased by 9% quarter-on-quarter (q/q) to 214, while the average loan size decreased by 13% (q/q) to 8.8 billion KZT.

Meanwhile, the slight increase in demand from medium-sized businesses was largely due to the resumption of funding under state subsidized lending programs (Figure 1). Furthermore, some banks began to actively lend to medium-sized businesses under market conditions. One bank reported positive results from scaling up lending activity through a product launched in the 3rd quarter. Another medium-sized bank shifted its lending from large businesses to medium-sized businesses. However, other medium-sized banks observed a decrease in demand from medium-sized businesses due to economic factors (lower business income and reduced investment appetite due to high costs), particularly from subcontractors in large projects. As a result, the total number of loan applications from medium-sized businesses increased by 2% (q/q) to 4.7 thousand, while the average loan size decreased by 7% (q/q) to 836 million KZT.

The increase in demand for loans from small businesses was supported by several factors. In the 4th quarter several large banks launched online products for small and micro businesses, including business installment plans for retail businesses and business credit cards. Some banks developed new products for individual entrepreneurs with simplified application procedures and attractive conditions to encourage self-employed individuals to transition from consumer credit to business lending. Another factor supporting demand was the resumption of small businesses'

access to state subsidized lending programs in the 4th quarter. As a result, the total number of loan applications from small businesses increased by 10% (q/q) to 930 thousand, while the average loan size decreased by 21% (q/q) to 47.9 million KZT.

In the 1st quarter of 2025, banks expect a slight decrease in demand from small and medium-sized businesses (Figure 1). This expectation is largely due to the temporary absence of funding under certain state programs. On the other hand, demand from large businesses is expected to remain at the level of the previous quarter.

The approval rate for large businesses increased to 60% due to the financing of accumulated applications at the end of the year, while the approval rate for medium-sized businesses remained at 41%. The approval rate for small business loan applications slightly decreased due to an increase in the number of applications for online products, which traditionally have a low approval rate, and amounted to 33%.

Banks did not make significant changes to lending conditions in the 4th quarter, except for a slight increase in the interest rates for large and medium-sized businesses by some banks due to the National Bank's base rate hike (Figure 4). Banks do not plan to make significant changes to lending conditions in the 1st quarter of 2025.

Retail lending

Based on the results of the 4th quarter demand for mortgage loans and car loans increased, while demand for consumer loans, both secured and unsecured, decreased.

The dynamics of demand in the mortgage loan segment remained positive in the 4th quarter compared to the previous quarter (Figure 5). However, the responses from banks regarding demand for mortgage loans were mixed. On the one hand, one large bank launched a mortgage product at the end of 2024, another medium-sized bank continues to actively work on partner mortgage programs. On the other hand, one medium-sized bank maintains strict requirements for collateral valuation and explains the decline in demand for its mortgage products by the increase in real estate prices. Another medium-sized bank attributes the reduced lending activity in the mortgage loan segment to the lack of long-term funding sources. As a result, the number of mortgage loan applications increased by 5% (q/q) to 228 thousand, while the average loan size grew by 2%, reaching 17.8 million KZT.

Demand for secured consumer loans decreased (Figure 5), mainly due to a tightening of interest rates (Figure 9). Additionally, certain banks noted stricter collateral requirements due to the adjustment of collateral property prices. As a result, the number of applications decreased by 16% (q/q) to 40.8 thousand, while the average loan size increased by 11% (q/q) to 14 million KZT.

The demand for unsecured consumer loans slightly decreased. Banks attribute this trend to the tightening of regulatory requirements in the 3rd quarter of 2024 concerning the maximum amount of unsecured loans and the requirement for spouses' consent when applying for loans exceeding 1,000 monthly calculation indices. In this regard, several medium-sized banks mentioned difficulties related to access restrictions to databases of state authorities and emphasized the need to ensure uninterrupted data delivery to meet the established regulatory requirements. Consequently, the total number of applications in this segment decreased by 2% (q/q) to 20.2 million, while the average loan size decreased by 19% (q/q) to 907 thousand KZT.

At the end of the 4th quarter, demand for car loans continued to grow (Figure 5), largely due to marketing efforts by partner car dealerships and the offering of promotional products, partially subsidized by these partners. Additionally, a large bank is actively promoting and developing its digital car loan product, which also contributed to the increase in demand. There has been an expansion of the list of creditors in this segment. For example, one medium-sized bank started accepting car loan applications from the 3rd quarter. However, one medium-sized bank noted a reduction in the channels for collecting applications due to the potential risks of decreasing collateral value, resulting from the ongoing increase in supply in this segment. As a result, the number of car loan applications increased by 9% (q/q) to 1.2 million, while the average loan size increased by 3% (q/q) to 7.1 million KZT.

In the 1st quarter of 2025, banks expect a slight increase in demand for car loans (Figure 5). According to banks, demand for mortgage loans and secured consumer loans is expected to decrease slightly, while demand for unsecured loans will remain at the level of the 4th quarter of 2024.

The approval rate for mortgage products decreased by 3 percentage points (q/q) to 31%. The approval rates for unsecured loans and car loans remained at the previous quarter's level, at 29% and 18%, respectively, while the approval rate for secured consumer loans increased by 5 percentage points to 36%. The increase in the approval rate for secured consumer loans is associated with one medium-sized bank prioritizing collateral-based lending to ensure loan repayment, as well as its decision to disable the online channel to improve the quality of the application flow.

In the 4th quarter, banks did not make significant changes to the terms of mortgage lending, except for a minor tightening of collateral requirements. Some banks plan to increase the level of digitalization of their mortgage products and launch a shared equity financing product. For secured consumer loans, some banks slightly tightened interest rates. In the car loan segment, one bank eased collateral requirements, while another medium-sized bank reduced interest rates. Meanwhile, the terms for unsecured loans remained unchanged compared to the previous quarter. In the next quarter, banks do not plan significant changes in retail lending conditions, except for minor adjustments in car loan terms.

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

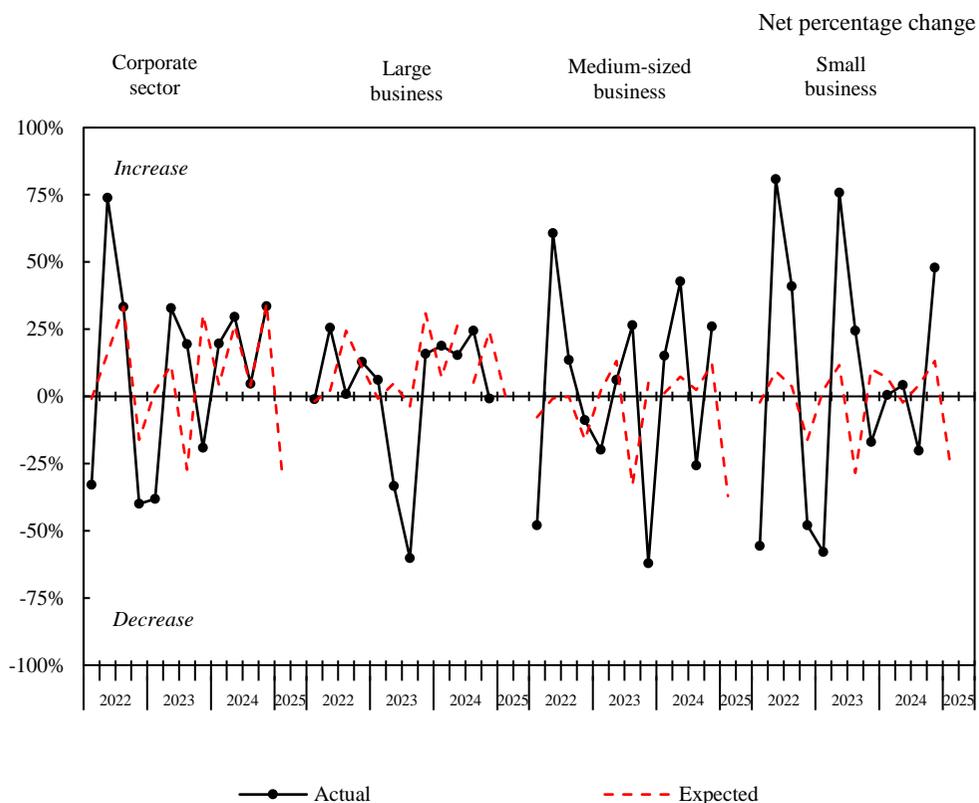
Prior to Q1 2018 survey results were aggregated as a simple average by calculating the net percentage change (NPC)– difference between the proportion of respondents who have noted an increase (loosening) in parameter and the proportion of respondents who have noted its decrease (tightening).

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.

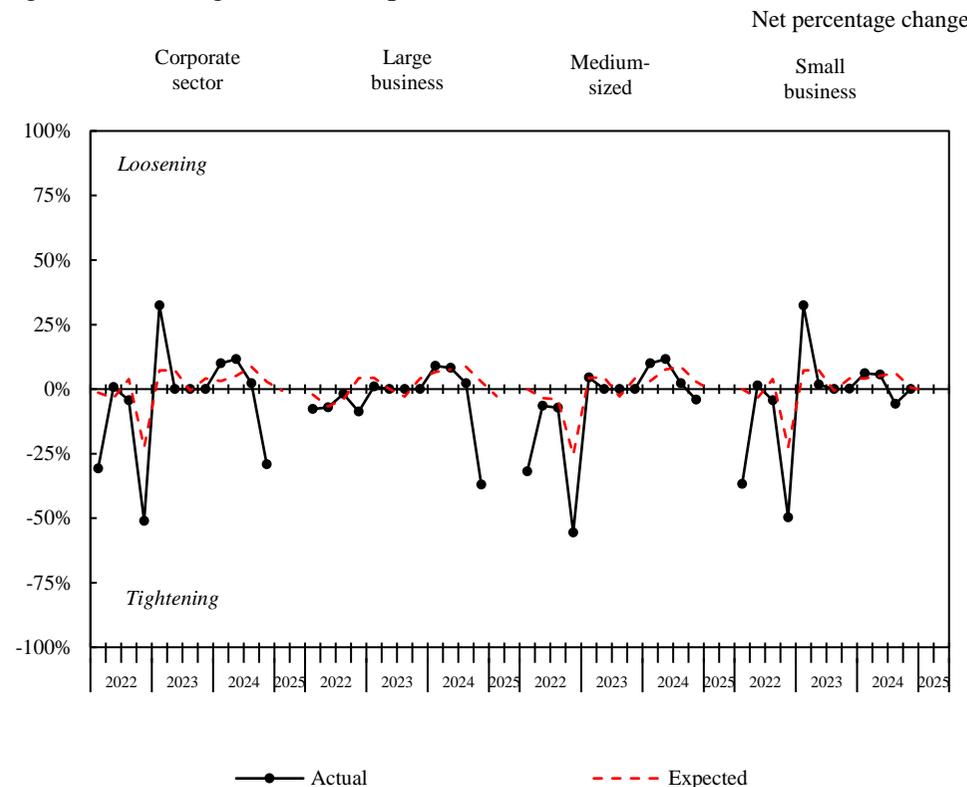
Figure 1. The demand of corporate business entities for credit resources



(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

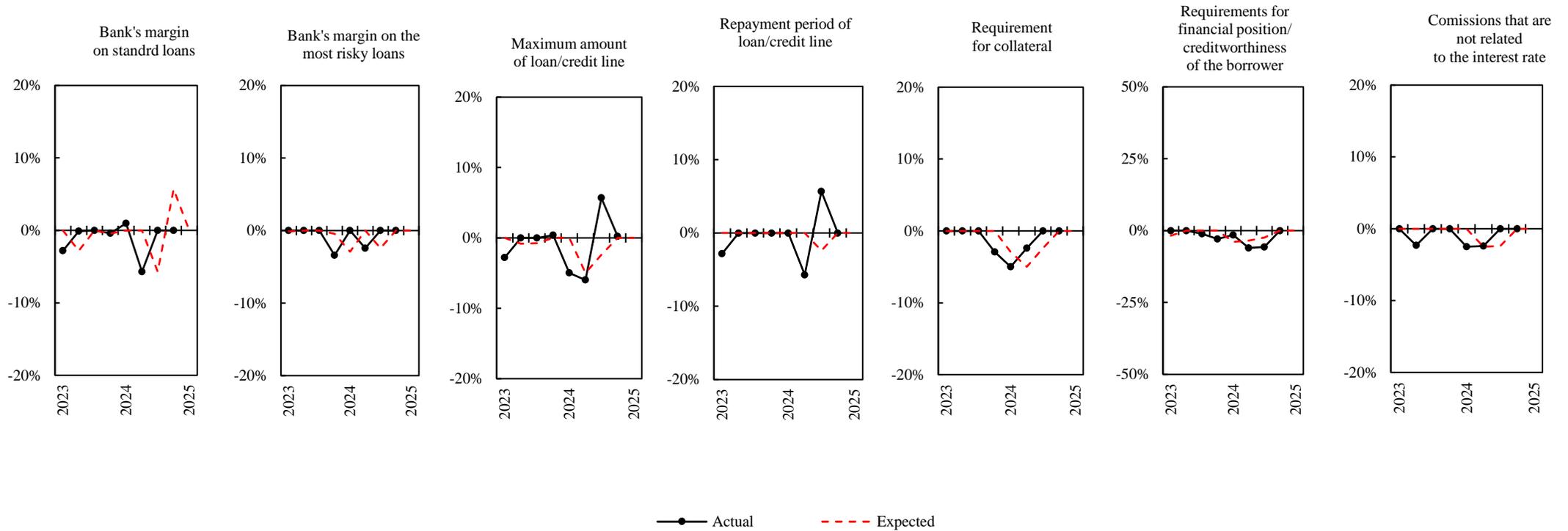


(a) Question №5: How have the lending terms to corporate business entities changed over the past 3 months? In your opinion, how will the lending terms to corporate business entities change in the next 3 months?

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

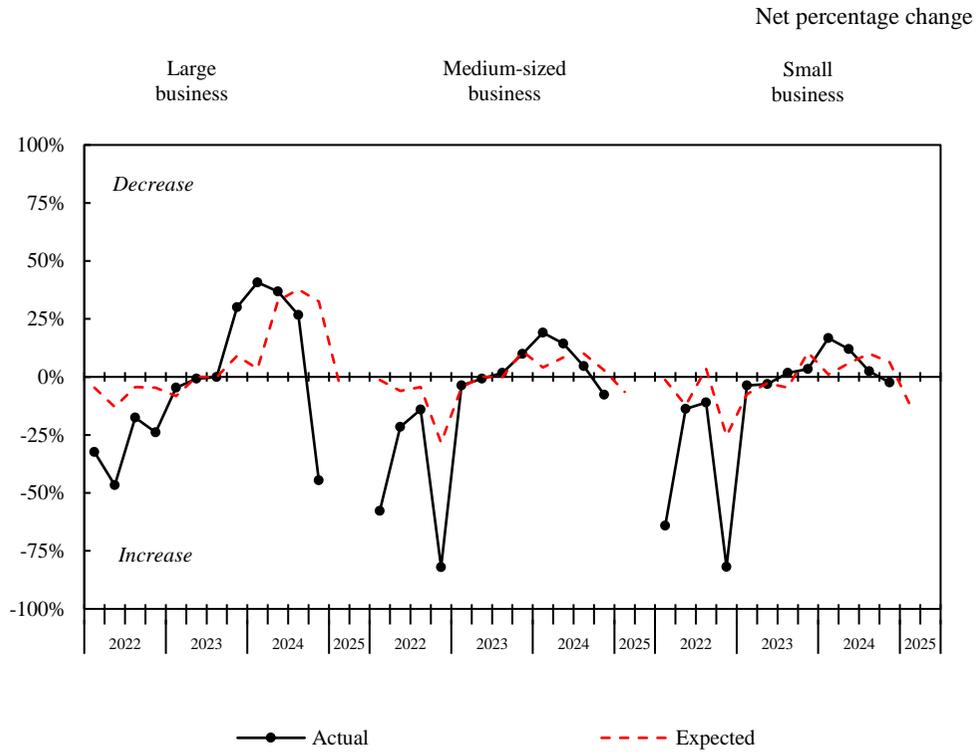
Figure 3. Lending conditions

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.

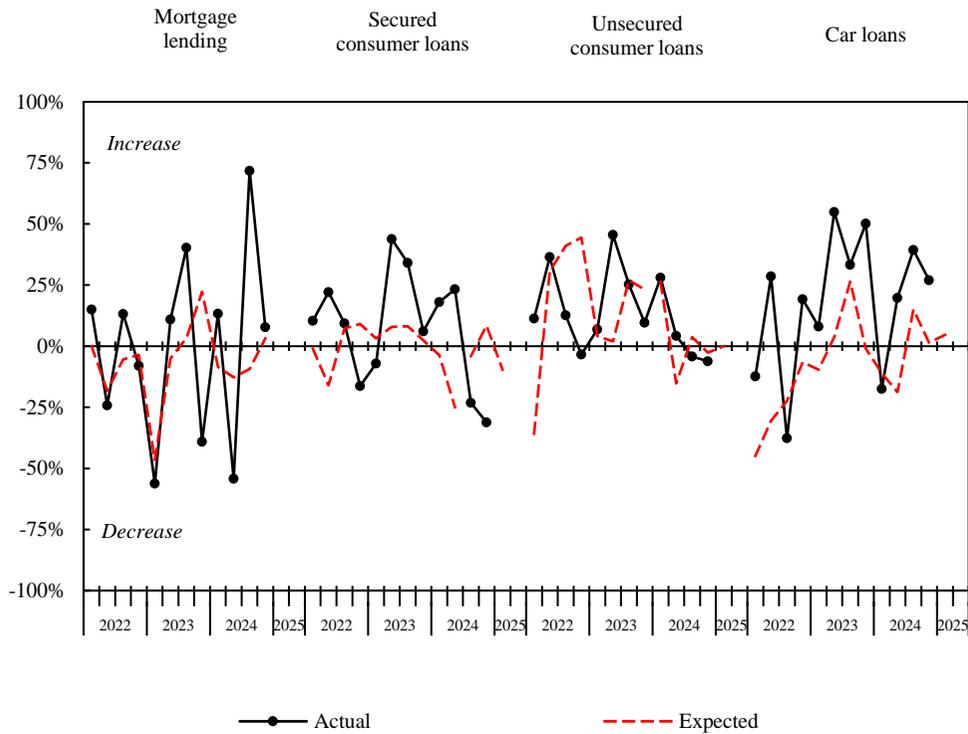
Figure 4. Interest rates on loans



- (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

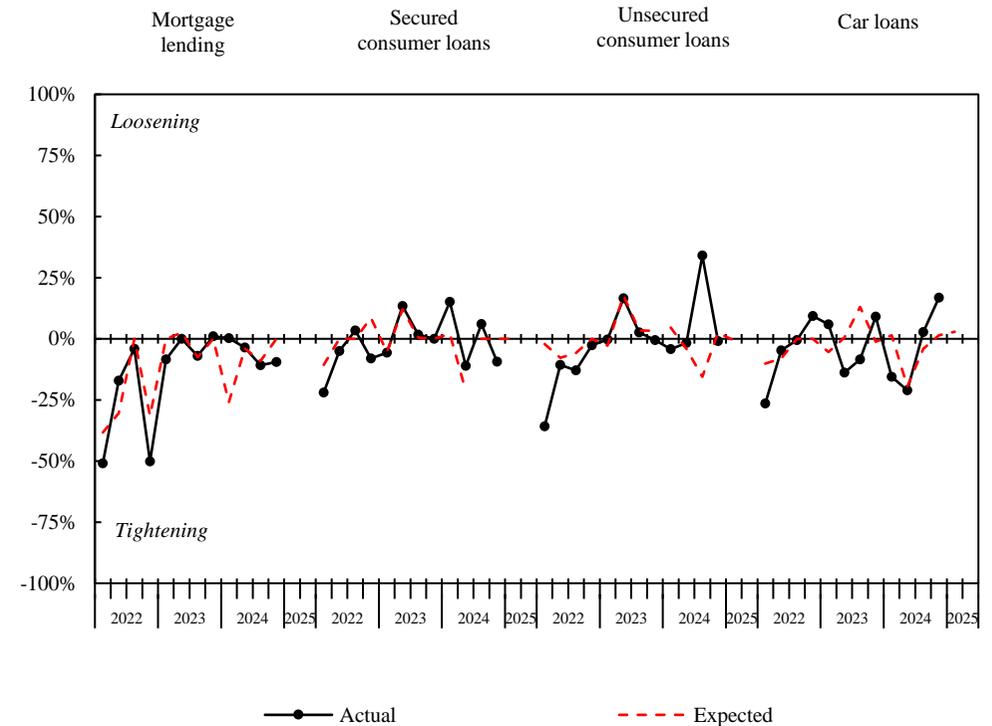


(a) Question №9: How has the demand of individuals for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of individuals for loans change in the next 3 months?

(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

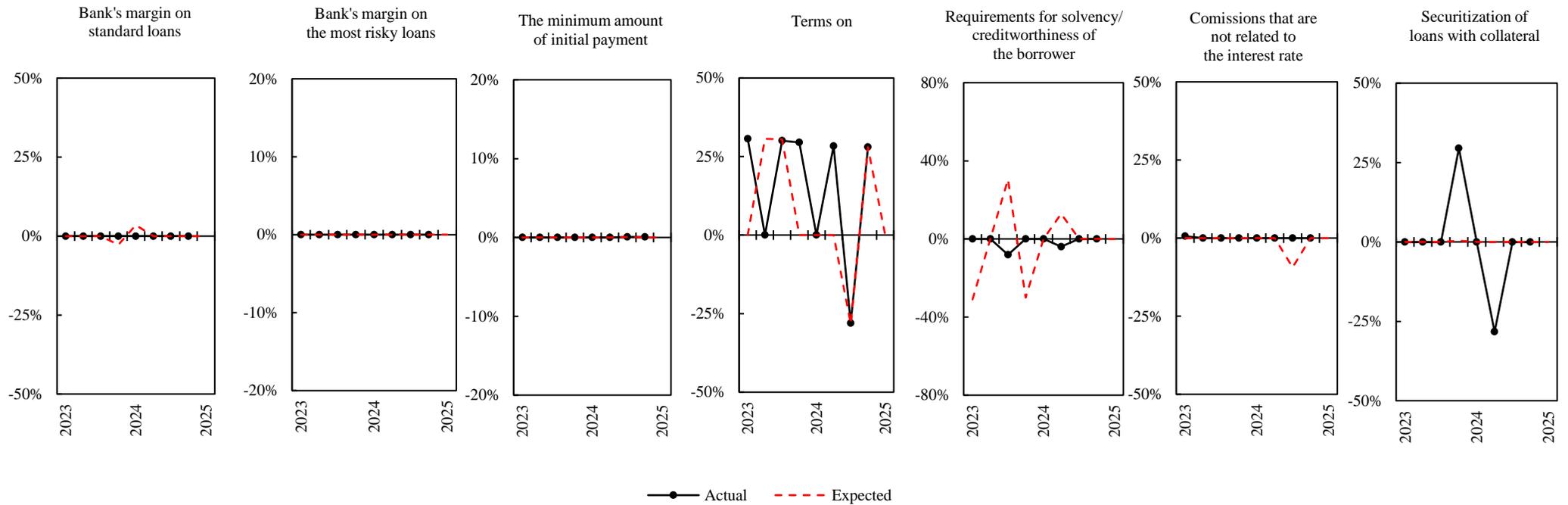


(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

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

Figure 7. Mortgage lending terms

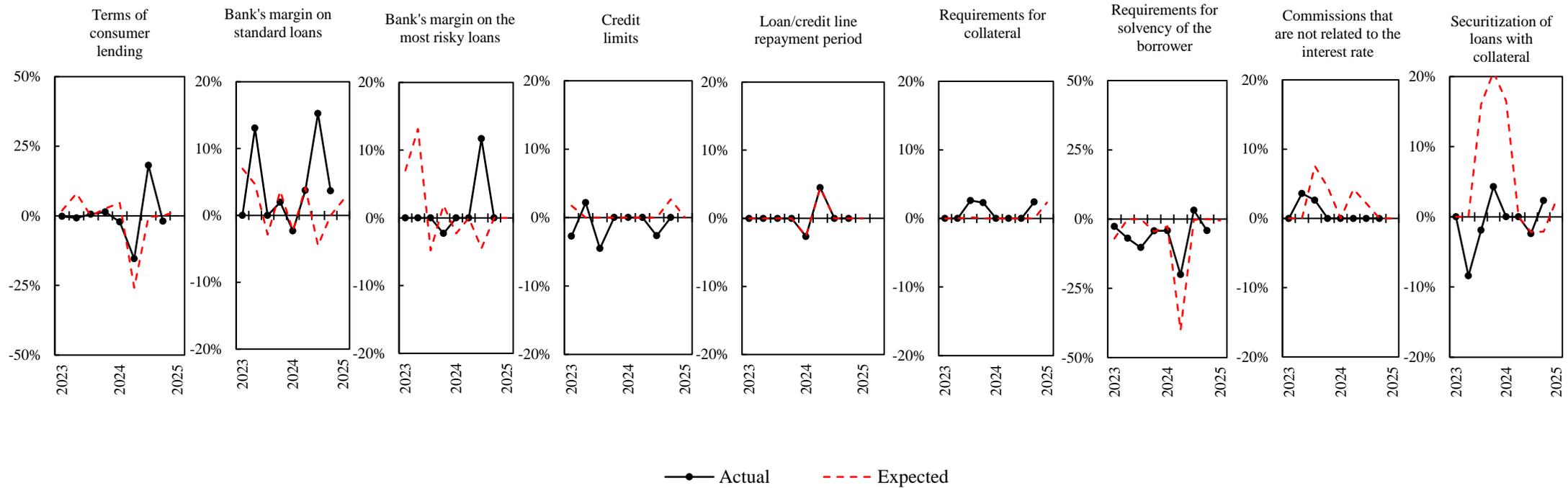
Net percentage change



- (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

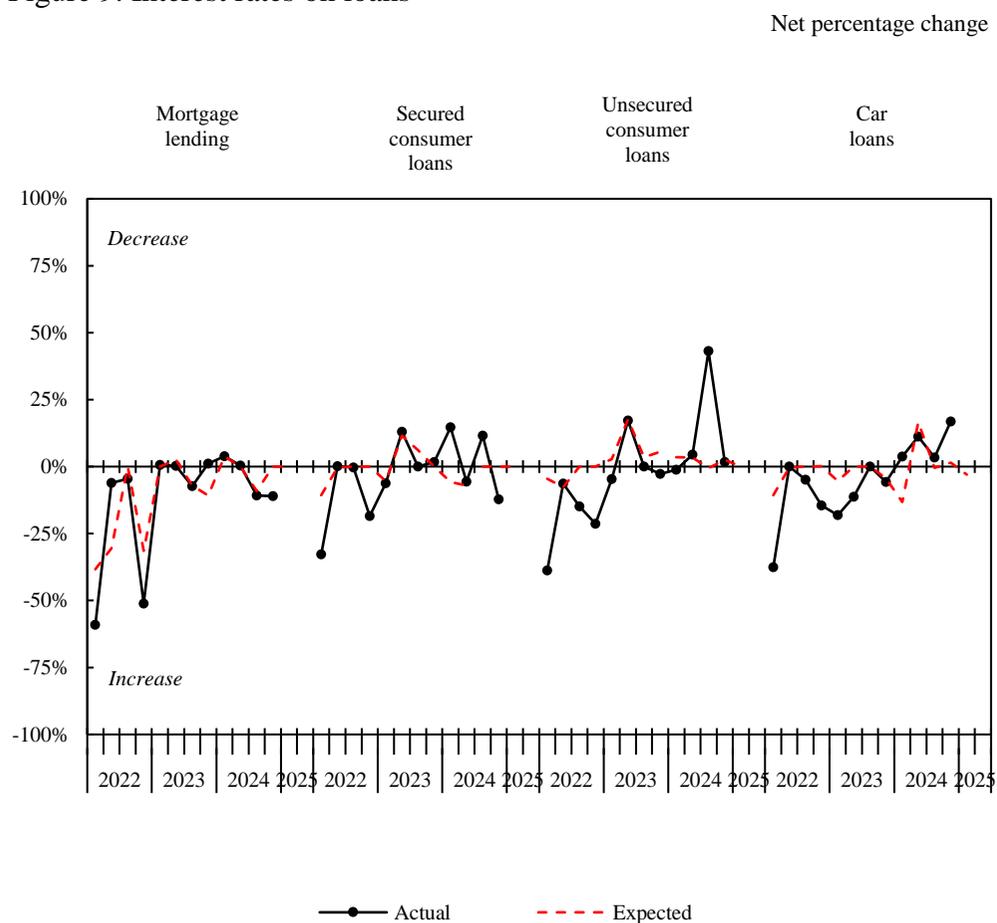


(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

(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



(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.