NATIONAL BANK OF KAZAKHSTAN

BANK LENDING SURVEY

4th quarter of 2022

Bank lending survey

4th quarter of 2022

Corporate lending

Demand for loans from small and medium-sized businesses decreased noticeably in the reporting quarter compared to the previous one, while demand from large businesses increased slightly (Figure 1). At the same time, many banks have tightened lending conditions, primarily for small and medium-sized businesses (Figure 2).

Demand index for loans from small businesses decreased significantly according to the 4th quarter results, mostly due to a decrease in large banks. They explain the decline in credit demand among small businesses in the reporting quarter by the increase in the cost of credit sources. Moreover, due to the growth of interest rates, some large banks increased the requirements for the creditworthiness of small business borrowers, and, according to banks, it led to a reduced number of potential loan applications. At the same time, the number of applications for credit products based on credit score for micro and small businesses continued to grow in some large banks, increasing the total number of credit applications. As a result, the number of small business applications for loans increased by 23% quarter-on-quarter (hereinafter – q/q) to 512 thousand, and the average application size decreased by 13% to 22.5 million KZT.

Despite the fact that most of the respondent banks noted a slight increase in credit demand from medium-sized businesses, the overall demand index turned negative due to its decrease in some large banks. A decrease in demand from medium-sized businesses, same as with small businesses, is associated with an increase in the cost of credit according to banks. On the contrary, respondents who noted an increase in credit demand, observe demand growth for loans with score models among medium-sized businesses partly owing to maximum loan term increase. Thus, the number of loan applications of medium-sized businesses increased by 22% q/q to 5.4 thousand, and the average size of the application increased by 9% to 274 million KZT.

Demand from large businesses did not change relative to the previous quarter in most banks. However, there was an increase in the demand index in some banks in the reporting quarter, also due to loan applications for refinancing by large customers of banks that were under US and EU sanctions. As a result, the number of large business loan applications increased by 35% q/q to 211, and the average application size increased by 14% to 6.7 billion KZT.

Loan application approval rates decreased slightly for small businesses, but increased for medium-sized and large businesses according to the results of the reporting quarter to 39%, 51% and 73%, respectively. The main contribution to the decrease in approval rate of small business loan applications was made by 3 large banks. In medium-sized businesses, the increase in the approval rate was mainly due to unsecured and very short term score loans. Large banks mostly interested in borrowers of large businesses. Some banks approved applications of large businesses that were from previous periods.

The tightening of lending conditions for small and medium-sized business customers (Figure 2) occurred mainly in large banks, and was most often expressed in an increase in interest rates on loans (Figure 4). Some respondents noted the cost and risks of funding as the main factor that influenced the tightening of credit conditions. Large banks tightened the requirements for the creditworthiness in score models due to the growth in the cost of credit sources. For instance, the requirements for transactions activity of small businesses increased. Additionally, among the lending conditions banks slightly increased fees unrelated to the interest rate, increased the maximum size and maturity of loans in the reporting quarter. Requirements for collateral were eased in some cases. Thus, agricultural lands of certain areas were accepted as liquid collateral.

Banks' expectations for changes in credit demand from businesses in the next quarter were mixed. Demand indices as a result of banks' assessments will move positive for small and medium–sized businesses, and negative for large businesses (Figure 1). According to most banks, business lending conditions will not change. At the same time, some banks expect a slight increase in interest rates on loans to small, medium-sized and large businesses in the 1st quarter of 2023 (Figure 4).

Retail lending

In the 4th quarter, the demand for retail loans increased in the car loans segment, while demand for mortgage and consumer loans declined (Figure 5).

Decrease in the demand for mortgage lending mainly occurred in large banks. Banks relate this decline with the realization of demand for mortgages in previous periods. At the same time, the number of loan applications for mortgage lending increased by 22% to 224 thousand applications. However, this increase is mostly associated with a growth in the number of applications in a separate bank, which does not have a large share in the mortgage market. This bank has simplified the online application process, which led to applications` increase in the reporting quarter from 97 thousand to 140 thousand. In general, the negative trend of the demand index for mortgage loans in the reporting quarter influenced by changes in the demand of some large banks. Besides, the terms of issuing loan in the mortgage lending segment were tightened (Figure 6) in the form of an increase in interest rates by the majority of respondent banks (Figure 7).

Decrease in the demand for consumer loans in the reporting quarter, both for secured and unsecured, to a greater extent, is associated with an increase of interest rates in a number of banks. At the same time, the number of applications for secured and unsecured consumer loans increased by 25% (up to 17 thousand) and 22% (up to 14.7 million), respectively. The observed increase in applications was rather seasonal due to holidays at the end of year, without affecting the demand index, which declined in the reporting quarter. Along with this, in the reporting quarter banks did not conduct active marketing campaign to promote consumer lending under conditions of ongoing regulatory policy to prevent the debt burdening of population.

In the reporting quarter, the average loan application size in the segment of secured consumer lending increased by 16% and amounted to 15.8 million tenge, while in unsecured lending decreased by 12% and amounted to 591 thousand tenge. In the reporting quarter, terms for secured and unsecured consumer lending were tightened for the requirements of the customer’s creditworthiness, which, in turn, affected the increase of refusal rates on such loans to 43% and 65%, respectively (in the 3rd quarter - 31% and 61%, respectively). In addition, in terms of unsecured consumer loans there was a reduction in the credit limit by an individual bank with a large share in appliance financing (Figure 8).

Increase in the demand for car loans in the 4th quarter is directly related to the growth of demand on the secondary market car loans by a separate large bank, as well as with the interest of population in the program of preferential car loans. In November 2022 the state program operator announced the formation of an online queue, and as result, the number of car loans applications increased by 15% q/q and amounted to 499 thousand in the reporting quarter. Average car loans application size also slightly increased by 10% q/q. According to the received responses, in the 4th quarter, banks did not revise the terms of car loans (Figure 9).

In the next quarter, banks expect that the downward trend in the demand for mortgage lending will continue. In addition, in the 1st quarter of 2023, banks expect a slight decrease in the demand for car loans due to the lack of available cars for lending, as well as maintaining a long review period of loan applications. Banks plan to continue tightening of retail lending terms in a form of high solvency requirements for the customers.

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).

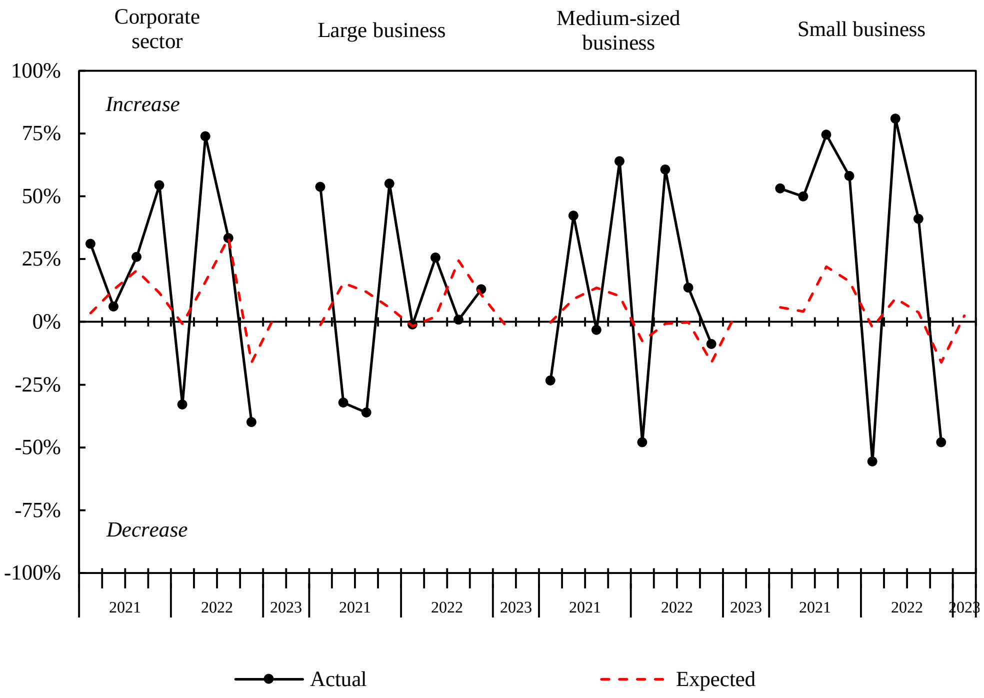
Starting from Q1 2018, the survey results are aggregated in the NPC, taking into account the bank's share in the corresponding segment of the lending market. The value of this indicator can vary from -100% - if all banks choose "decreased/tightened significantly" - to 100% - if all banks choose "increased/loosened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

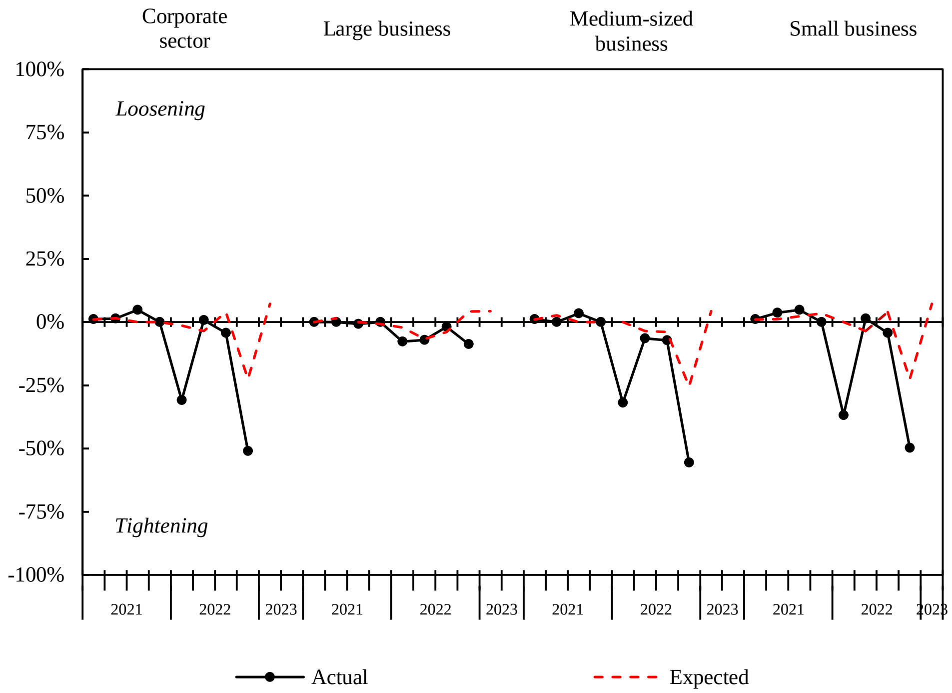
Net percentage change



(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

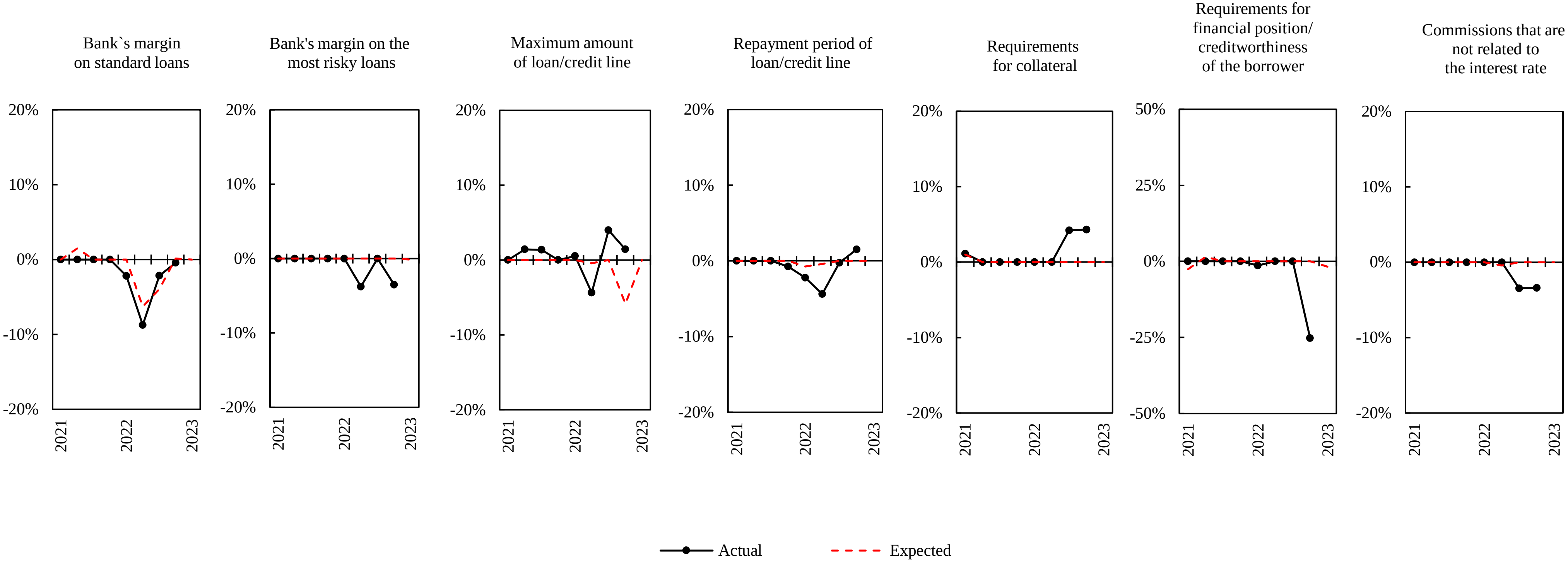
Net percentage change



(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.

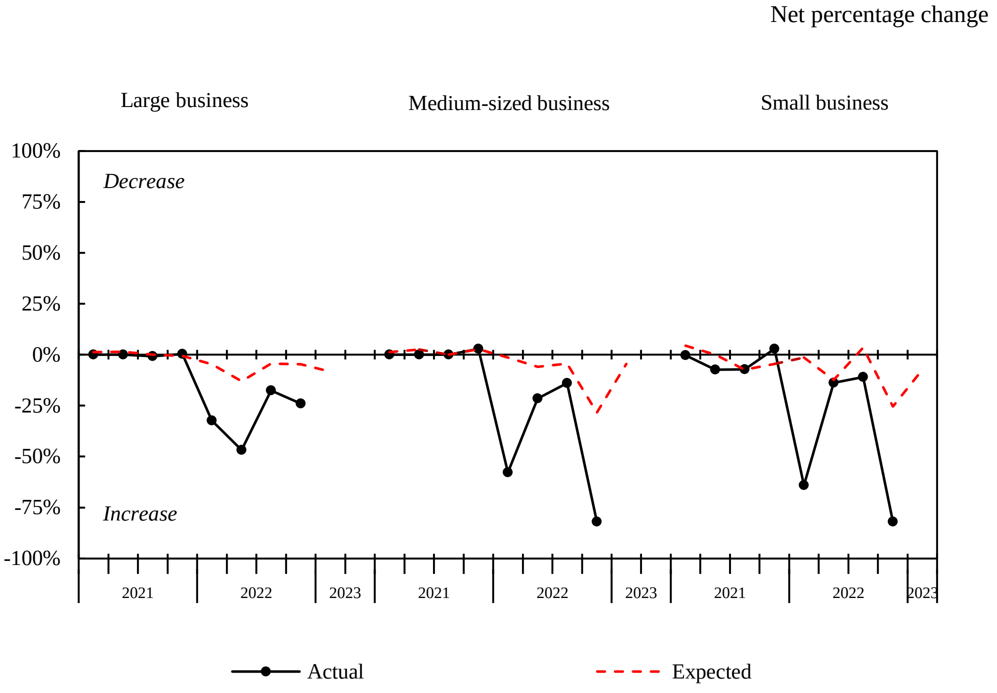
Figure 3. Lending conditions

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.

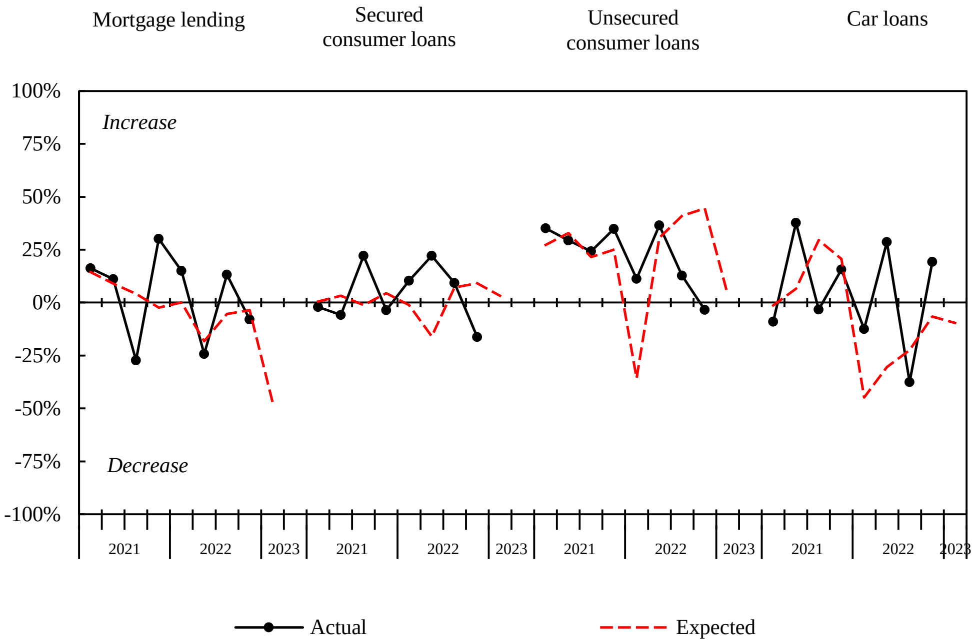
Figure 4. Interest rates on loans



(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

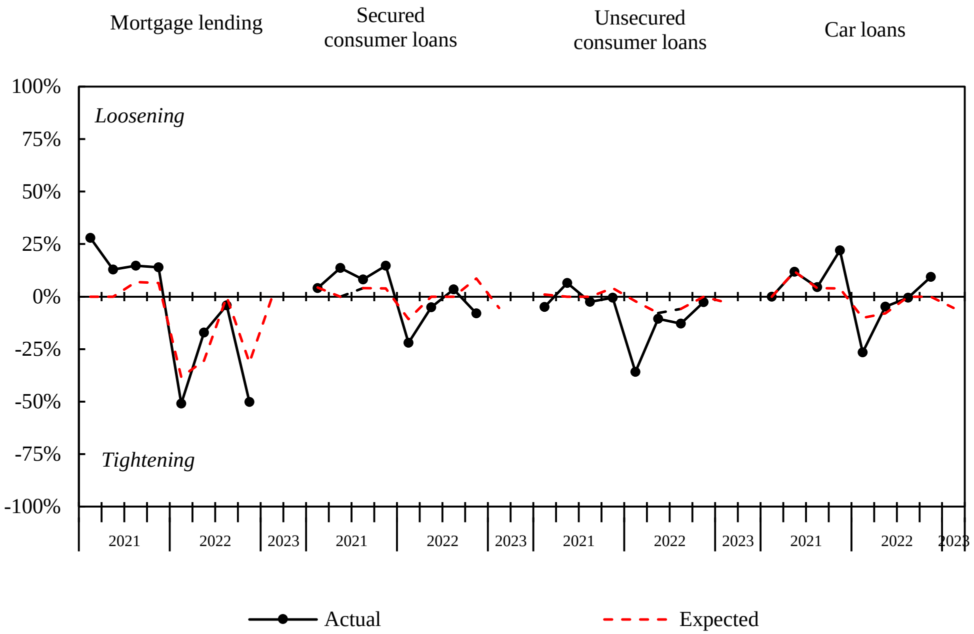
Net percentage change



(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

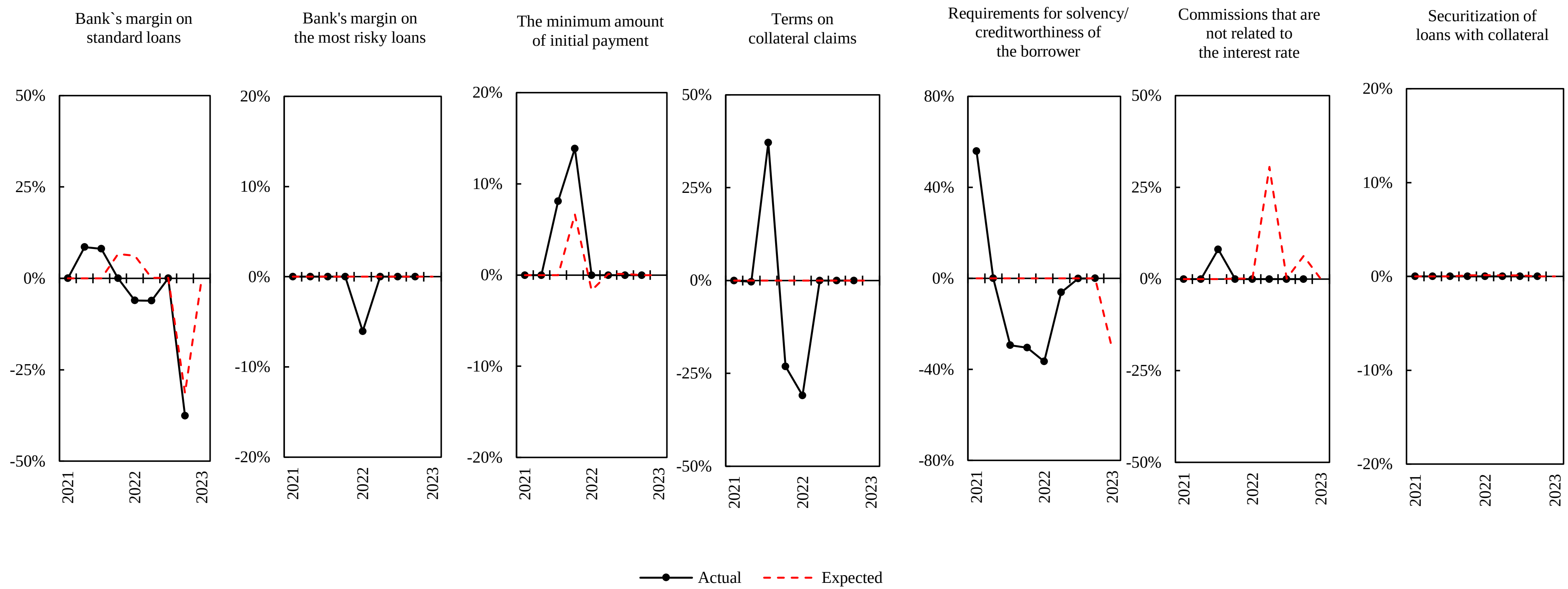
Net percentage change



(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

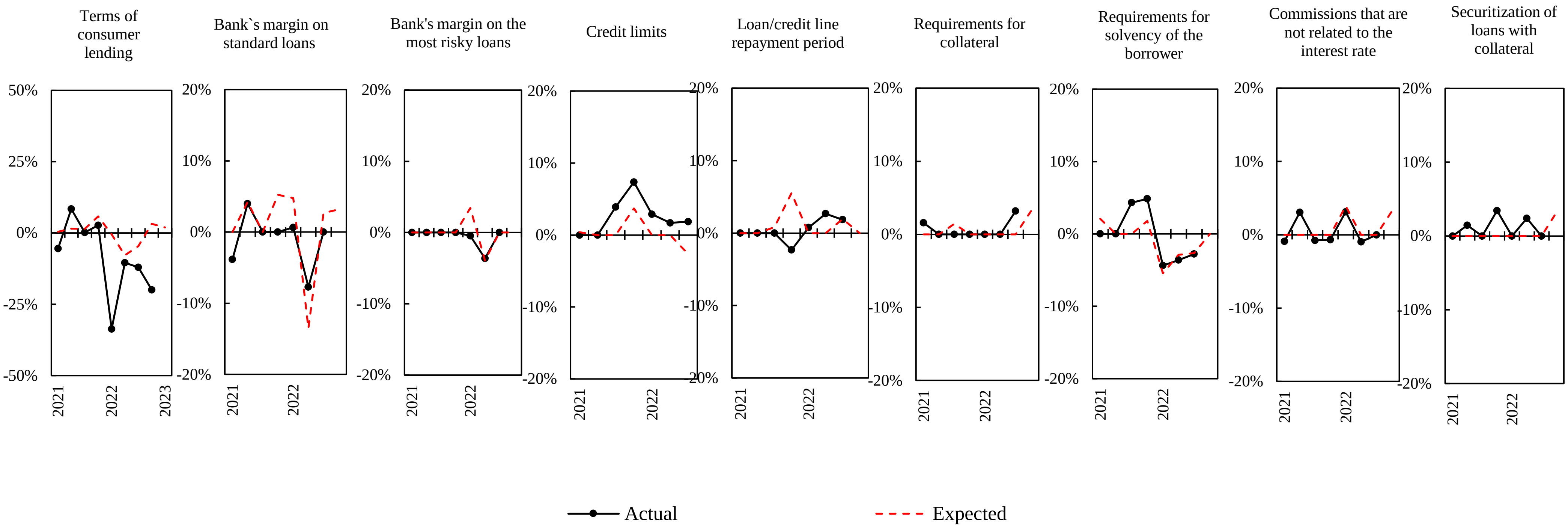
Net percentage change



(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.

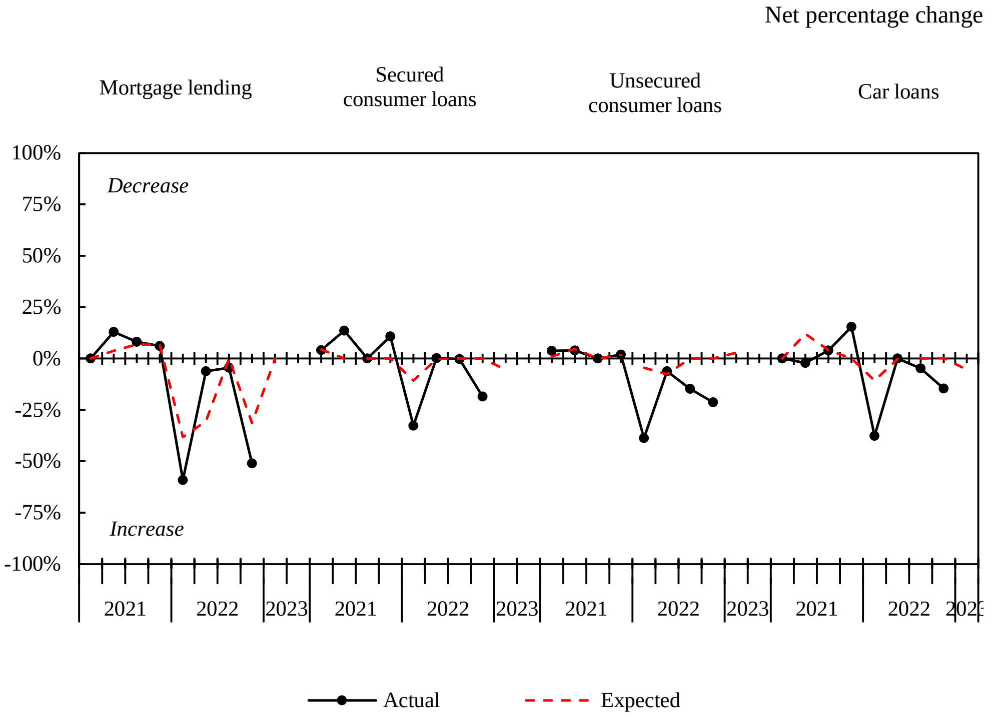
Figure 8. Consumer lending terms

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



(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.