



NATIONAL BANK OF KAZAKHSTAN

BANK LENDING SURVEY

**3rd quarter
of 2023**

Bank lending survey

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Corporate lending

According to the results of the 3rd quarter of 2023, there is a slight increase in demand for loans in the corporate sector, mainly due to small and medium-sized businesses (hereinafter referred to as SMEs).

According to the results of the reporting quarter, the index of demand for loans from small businesses remained positive (Figure 1). Major banks assert that the suspension of financing in the first direction of the state program «National Project for the Development of Entrepreneurship for 2021-2025» (hereinafter – the National Project) did not have a significant negative impact on demand. At the same time, some small businesses are switching to their own products of banks with the expectation of a subsequent transition to lending within the framework of the National project. Moreover, the active marketing promotion of own market products of a number of large banks, including online loans launched in the previous quarters of this year, have increased awareness and, accordingly, demand for such products. Consequently, the total number of small business loan applications increased by 20% q/q (quarter to quarter) and amounted to 822 thousand, and the average size of applications increased by 43% (q/q), to 34.4 million KZT.

The index of demand for loans from medium-sized businesses increased slightly in the 3rd quarter (Figure 1). This increase is due to the softening of some conditions of credit products in a number of large banks and expectations of further improvement of credit conditions on the part of medium-sized businesses. Thus, limits on individual digital products for medium-sized businesses were increased, and remuneration rates slightly reduced (Figure 4). Similar to small businesses, marketing campaigns of individual large banks had a positive impact on demand. Some banks, however, report a negative impact from the suspension of state financing within the National Project. Nevertheless, the number of applications received for loans from medium-sized businesses increased by 47% (q/q), to 7.8 thousand, and the average size of applications for loans increased by 77% (q/q), to 656.7 million KZT.

Demand for loans from large businesses in the 3rd quarter declined primarily in major banks (Figure 1). Banks highlight the reluctance of large entities to seek debt financing under existing conditions, anticipating a short-term reduction in the cost of credit resources for more attractive terms. Despite this, some banks observe a resurgence in demand from individual representatives of large businesses, leading to an increase in average application size. Consequently, the total number of loan applications decreased by 22% (q/q), to 170, while the average size of applications increased by 61% (q/q), to 8.8 billion KZT.

Approval rates for loan applications slightly decreased across all business categories, standing at 34% for small businesses, 37% for medium-sized businesses, and 51% for large businesses. The introduction of online products for SMEs expanded access to loan applications, but the enhancement of banks' scoring models in the reporting quarter helped screen out low-quality potential borrowers, reducing approval rates. The decline in approval rates for large businesses is attributed to the lengthy consideration period for certain applications in individual banks, where decisions are pending from the 3rd quarter.

Bank lending conditions for the corporate sector held steady at 2nd quarter levels (Figure 2), with some major banks noting a marginal easing of specific lending conditions (Figure 4).

Most banks anticipate a slight increase in demand from business entities in the 4th quarter, driven primarily by large businesses (Figure 1). These expectations align with forecasts from large businesses, anticipating a reduction in the cost of credit resources. Some major banks also foresee continued positive dynamics in SME demand due to planned launches and enhancements of online products.

Retail lending

According to the results of the 3rd quarter, there is a slight increase in demand across all product categories within the retail segment.

The demand for mortgage loans exhibited growth in major banks during the reporting quarter, primarily attributed to marketing promotions featuring temporary preferential rates and the positive impact of resumed financing under state social programs, as noted by a specific large bank (Figure 5). Lending conditions, except for a slight tightening of solvency requirements and interest rates in one major bank, remained consistent with the 2nd quarter (Figures 7 and 9). Thus, the number of applications increased slightly – by 11% (q/q), to 253 thousand, and the average size of applications amounted to 16.7 million KZT, reflecting a 4% increase from the previous quarter.

The sustained positive dynamics of the demand index for consumer loans with collateral, as highlighted by several major banks, resulted from eased collateral requirements (Figure 8). Some banks reduced the required solvency level and broadened the array of acceptable collateral types. As a result, the total number of loan applications in this segment of lending increased by 26%, to 31 thousand, while the average size of applications decreased slightly by 12% (q/q), to 11.8 million KZT.

The demand for unsecured consumer loans remained stable compared to the 2nd quarter, although certain major banks reported a slight uptick in demand in this segment. This increase is attributed to factors such as active marketing promotion, softened conditions including a reduction in the remuneration rate, elimination of the organization's commission, and the introduction of a differentiated pricing approach based on borrower risk (Figure 9). At the same time, solvency requirements were tightened by another large bank (Figure 8). Overall, the number of applications received increased by 2%, to 19.1 million, while the average size of applications decreased by 11%, to 917.9 thousand KZT.

Several major banks highlight an increased demand for car loans driven by the active promotion of their market products (Figure 5). Notably, there was a rise in the number of participating banks in the car loan segment, along with an expansion of the product offerings, including digital car loans. Banks are also actively fostering partnerships with car dealerships, introducing preferential offers for specific car models. Consequently, the number of applications for car loans increased by 19% (q/q), to 797 thousand, while the average size of applications decreased by 9%, to 5.4 million KZT.

The approval rates of individual credit applications in the 3rd quarter generally remained consistent with the previous quarter, except for a 9% quarter-to-quarter decrease in the approval

rate for consumer loans with collateral, which stands at 45%. Banks attribute this decline to a relatively high flow of applications resulting from softened conditions.

In the 4th quarter, banks anticipate an increase in demand for mortgage and unsecured consumer loans, while they project demand for secured consumer loans and car loans to remain at the levels observed in the reporting quarter. The forecasted increase in mortgage loan demand is linked to an expanded product list, including partner programs with construction companies. Positive expectations for unsecured consumer loans' demand are associated with the planned launch of online products and their active marketing promotion.

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).

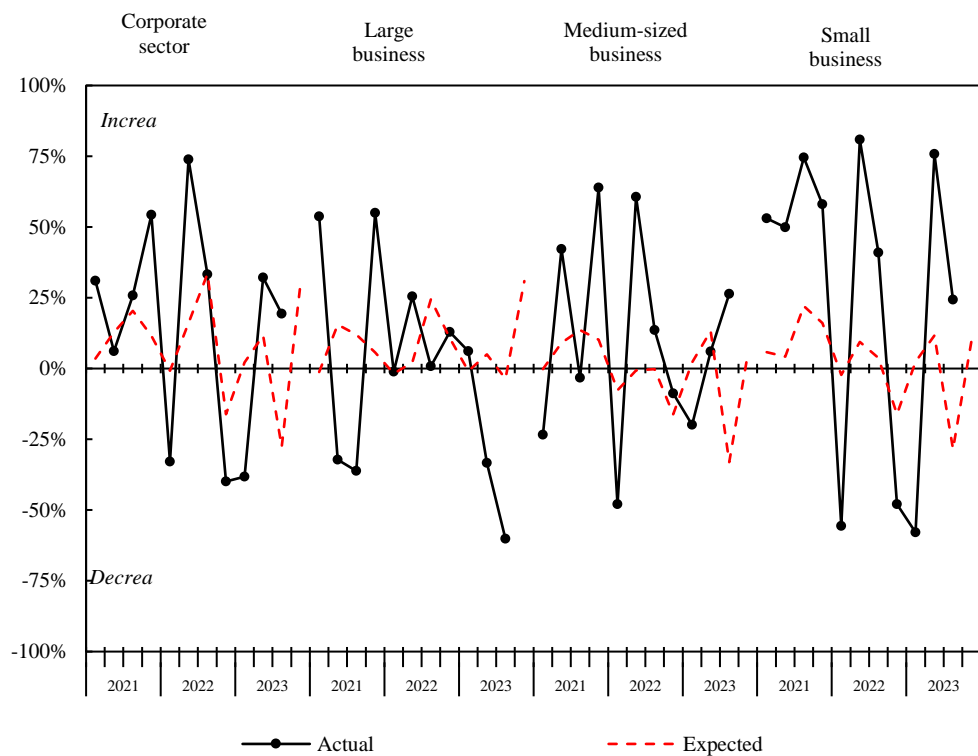
Starting from Q1 2018, the survey results are aggregated in the NPC, taking into account the bank's share in the corresponding segment of the lending market. The value of this indicator can vary from -100% - if all banks choose "decreased/tightened significantly" - to 100% - if all banks choose "increased/loosened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

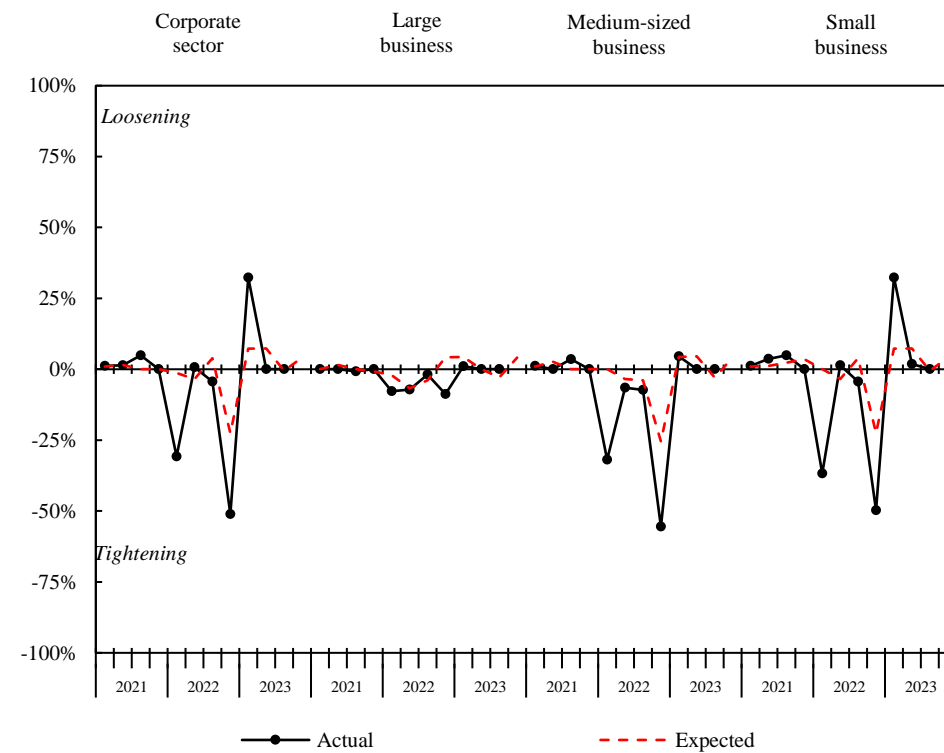


(a) Question №1: How has the demand of corporate business entities for loans changed over the past 3 months, excluding seasonal fluctuations? In your opinion, how will the demand of corporate business entities for loans change in the next 3 months?

(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

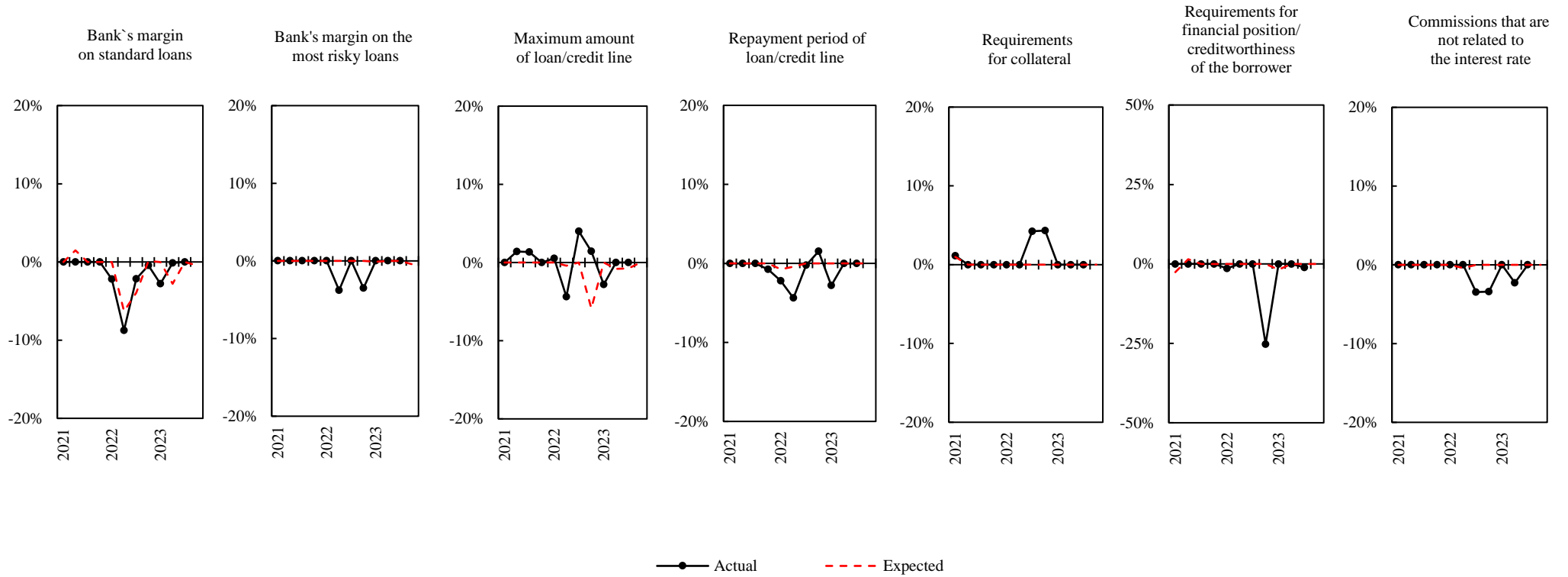
Net percentage change



(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.

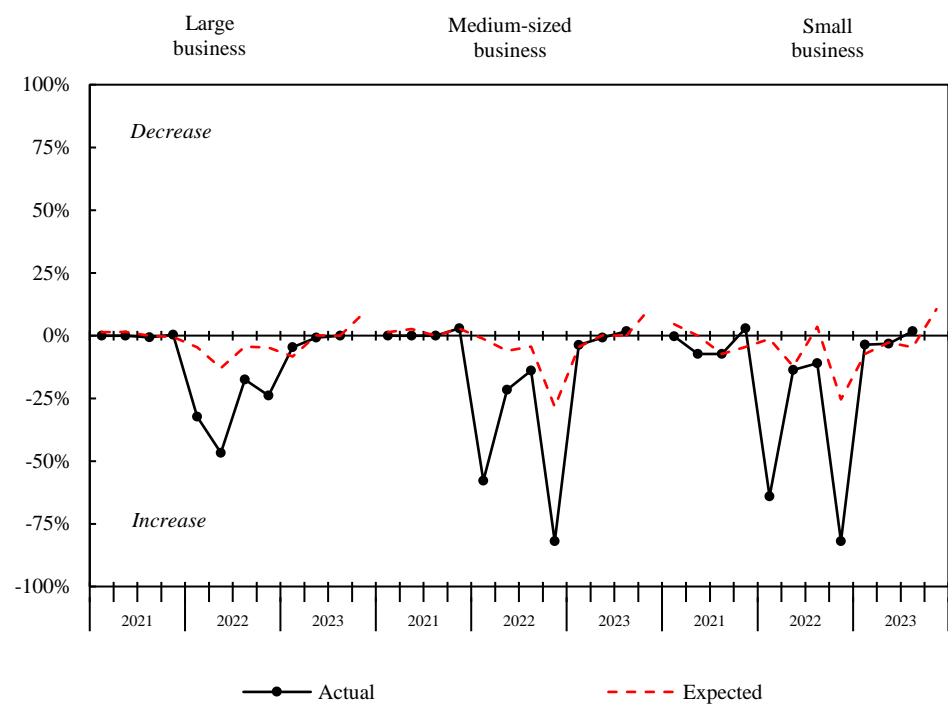
Figure 3. Lending conditions



(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

Net percentage change

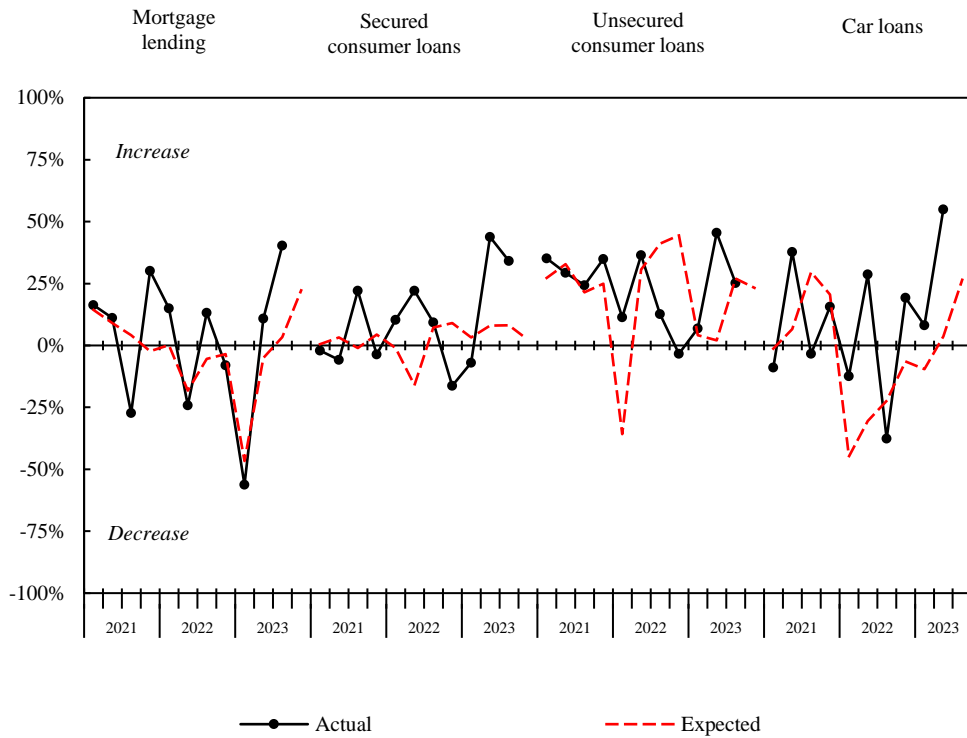


(a) Question №8: How have the interest rates on loans changed over the past 3 months? In your opinion, how will the interest rates on loans change in the next 3 months?

(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

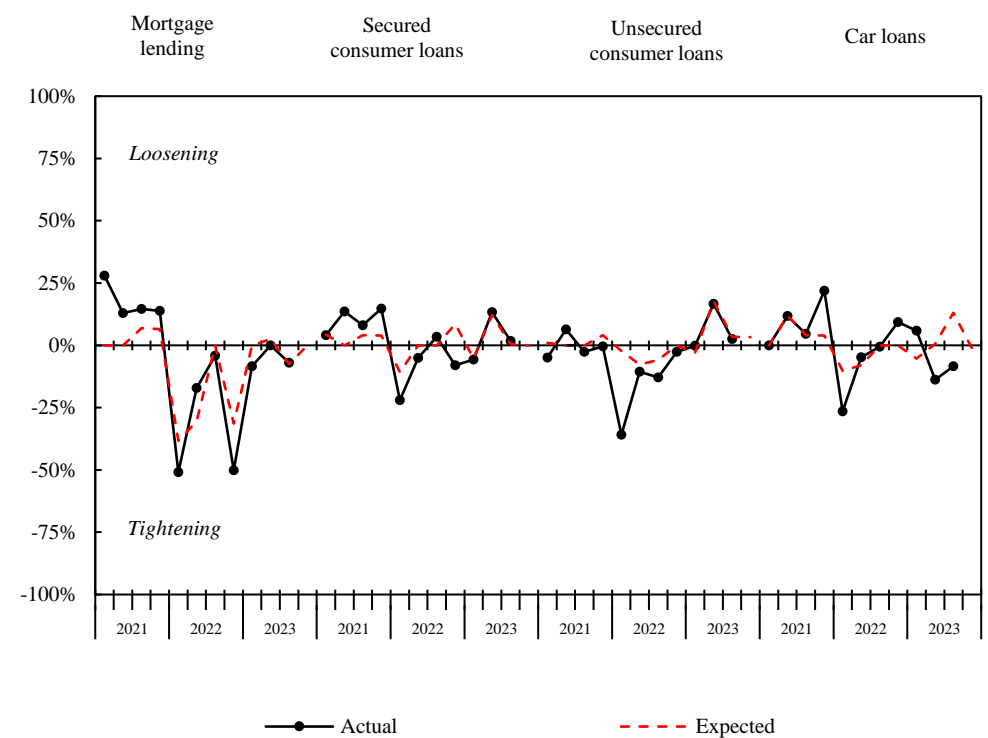
Net percentage change



- (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

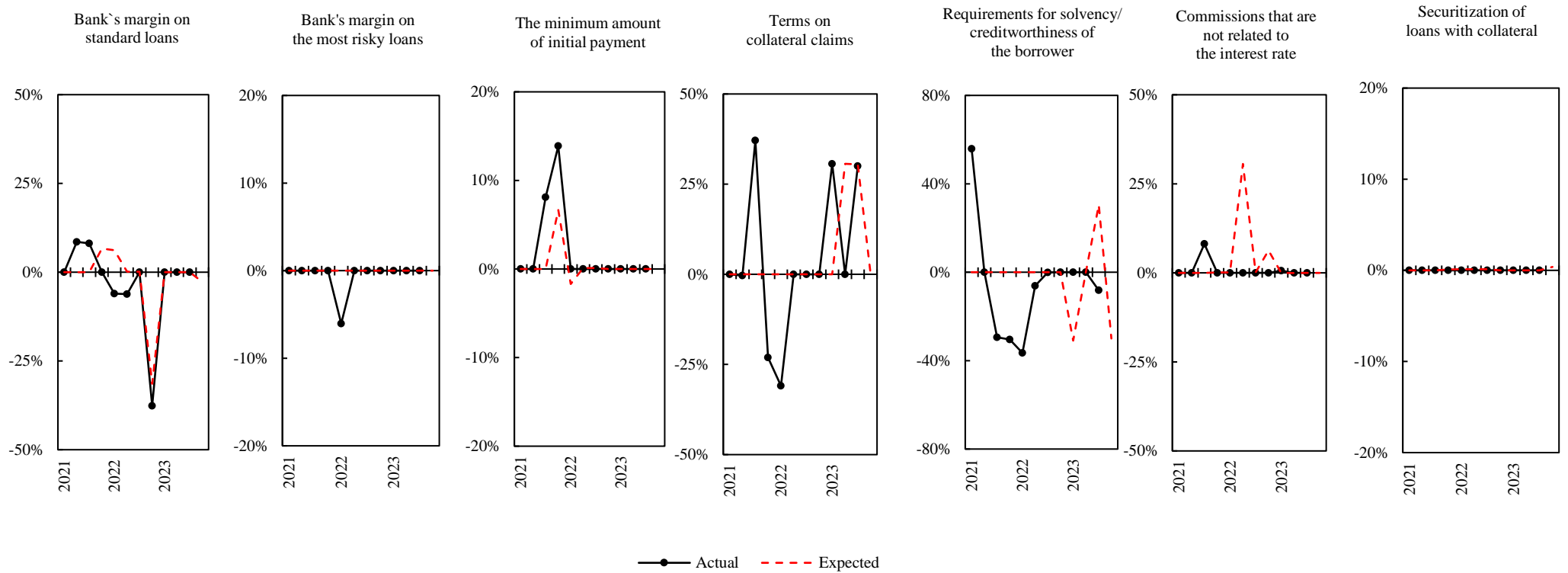
Net percentage change



- (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

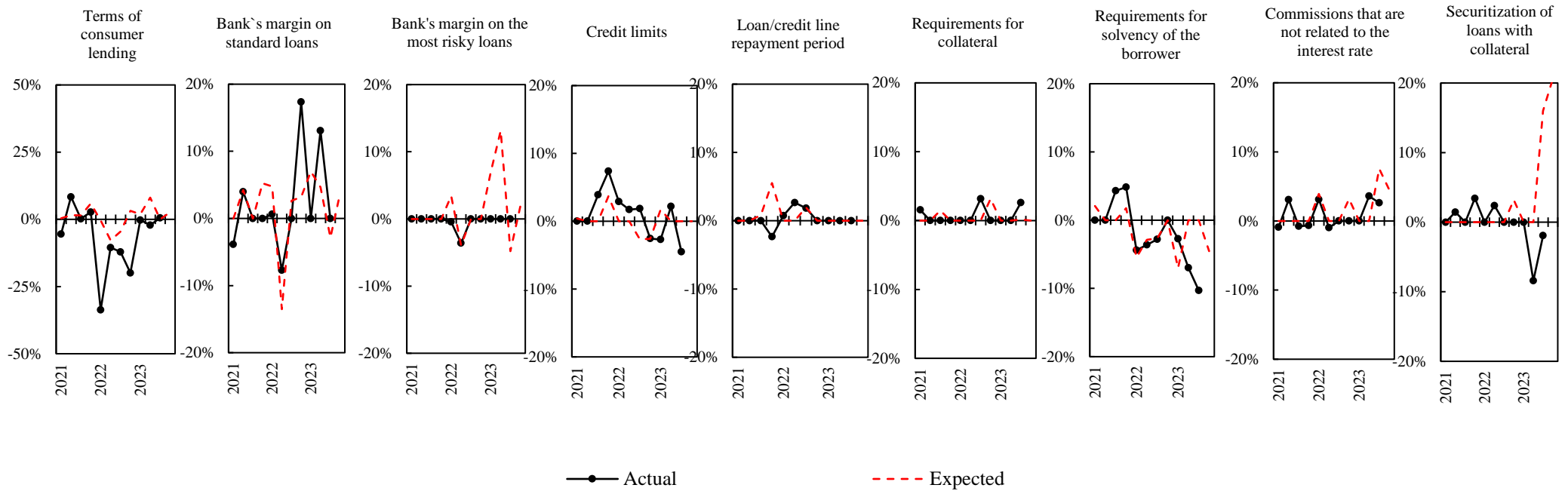
Net percentage change



- (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

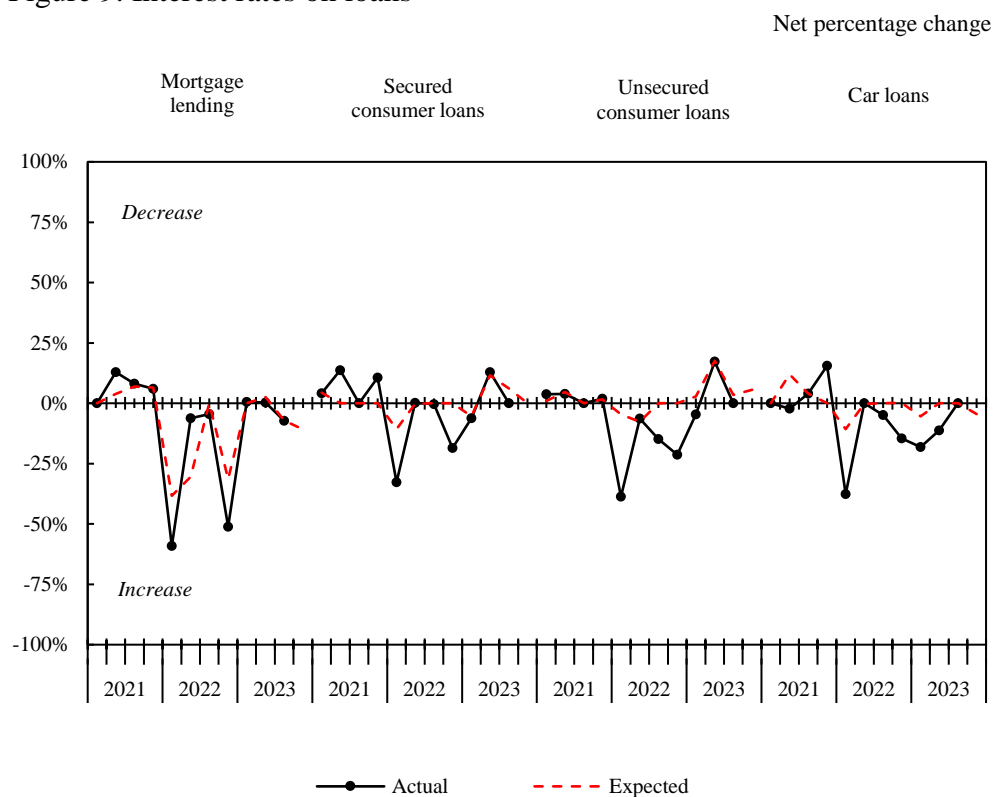


(a) Question №13: How have the lending terms to individuals changed over the past 3 months? In your opinion, will the lending terms to individuals change in the next 3 months?

(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.