NATIONAL BANK OF KAZAKHSTAN

BANK LENDING SURVEY

4th quarter of 2023

Bank lending survey
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Corporate lending

Banks have observed a slight decrease in loan demand from corporate sector entities following the 4th quarter of 2023, particularly from small and medium-sized businesses (hereinafter referred to as SMEs).

The diminished demand from small businesses is primarily attributed to the suspension of financing in the first direction of the state program "National Project for the Development of Entrepreneurship for 2021-2025" (hereinafter referred to as the National Project) (Figure 1). Some medium-sized banks also report a tightening of lending rates, the suspension of marketing promotions for products targeting small businesses, including individual entrepreneurs, and a strategic revision. Concurrently, certain banks are actively embracing digitalization and automation of the SME loan issuance process. Notably, a prominent bank introduced a tool in the 4th quarter for assessing the solvency of SME companies based on the study of supply chains through interconnected transactions between bank customers (Figure 3). Consequently, the total number of small business loan applications decreased by 10% quarter-to-quarter (q/q) amounted to 739 thousand, while the average size of applications increased by 10% (q/q) to 37.8 million KZT.

In the 4th quarter, demand from medium-sized businesses experienced a significant decline, largely due to the suspension of financing under government programs and the anticipated reduction in the cost of credit resources (Figure 1). Consequently, loan applications from medium-sized businesses decreased by 26% (q/q) to 5.8 thousand, with the average size of applications decreased by 27% (q/q) to 480.3 million KZT.

On the other hand, the index of demand for loans from large businesses experienced a slight increase in the 4th quarter. This uptick is attributed to the active engagement of several large business entities in closing and executing the annual plan, as well as the incentives provided by suppliers through discounts on raw materials and other components (Figure 1). Additionally, a particular bank acknowledges the positive impact of the downward trend in interest rates on credit products (Figure 4). Consequently, the total number of loan applications increased by 6% (q/q) to 180, while the average size of applications decreased by 17% (q/q) to 7.3 billion KZT.

Overall, the willingness of most banks to lend to businesses increased slightly in the 4th quarter of 2023. Loan application approval rates rose for all business entities, reaching 36% for small businesses, 43% for medium-sized businesses, and 76% for large businesses. This increase in approval rates for small businesses can be attributed to the introduction of scoring products by individual banks, reducing review time. For medium and large businesses, the increase is primarily due to the accumulation and financing of more applications towards the end of the year.

Bank lending conditions, except for a slight decrease in interest rates on specific loan products (Figure 2), remained at the previous quarter's level.

Looking ahead, banks anticipate a modest increase in demand from corporate entities in the 1st quarter of 2024, with the exception of medium-sized businesses (Figure 1). Expectations for large businesses stem from the anticipated further reduction in the cost of credit resources, while individual large banks plan strategic development in lending to small businesses, including micro-businesses. Some large banks plan to enhance SME segmentation to improve application processing efficiency and reduce operating costs. Moreover, banks aim to refine the issuance procedure by integrating new services, expanding the volume of processed data, and developing factoring tools.

Retail lending

In the 4th quarter, a positive trend in retail product demand continued, except for mortgage loans.

The decline in mortgage loan demand, as reported by several banks, can be attributed to the suspension of marketing promotions for mortgage products and the conclusion of certain promotional offers (Figure 5). Additionally, a separate large bank highlights the impact of stricter conditions for issuing mortgage loans, although this bank simultaneously relaxed collateral requirements (Figure 7). Consequently, the number of mortgage loan applications slightly decreased by 15% quarter-to-quarter (q/q) totaling 215 thousand, and the average application size reached 17 million KZT, reflecting a 2% increase from the previous quarter.

Banks observed a slight uptick in demand for secured consumer loans in the 4th quarter (Figure 5). According to one bank, a modest increase in demand was influenced by effective marketing promotion. Furthermore, particular major banks introduced a scoring product for collateralized consumer loans and expanded the list of accepted collateral assets (Figure 8). Despite no significant alterations to lending terms, the total number of loan applications in this segment rose by 15% (q/q) to 36 thousand, while the average size of applications slightly decreased by 6% (q/q) to 11.1 million KZT.

Consumer unsecured loans experienced a slight increase in demand in the reporting quarter compared to the 3rd quarter (Figure 5). Most banks attribute this organic growth to improved application procedures and a higher share of online products in previous quarters. Some banks also note an increase in partners in the commodity lending segment. Overall, the number of applications received increased by 10% (q/q) to 21.1 million, while the average size of applications decreased by 3% (q/q) to 893.9 thousand KZT.

Simultaneously, there was a continued noticeable increase in demand for car loans (Figure 5). This demand in the 4th quarter was driven by several factors, including the expansion of the car loan market participants and increased partnerships with car dealerships offering subsidized car loans. The interest from car dealerships in subsidized car loans, as noted by several banks, contributed to the sale of accumulated cars in warehouses. Consequently, the number of car loan applications increased by 16% (q/q) to 923 thousand, and the average size of applications increased by 18% (q/q) to 6.4 million KZT.

Approval rates for unsecured consumer loans remained steady at 19%, while for mortgages and secured consumer loans, they slightly decreased to 32% and 36%, respectively. Banks attribute this decline to some tightening of conditions for mortgage loans and the introduction of scoring products for secured consumer loans. However, there is a slight increase in the approval rate for car loans due to more participating banks in this segment.

Looking ahead, banks forecast multidirectional trends in retail product demand in the 1st quarter of 2024. Several large banks anticipate a slight decrease in demand for mortgages and car loans due to a slight tightening of credit conditions related to down payment, bank margin, solvency, and maturity dates (Figure 5). Banks also note the potential negative impact of the conclusion of some promotional offers with partners. Conversely, the demand for unsecured consumer loans is expected to continue growing, driven by the expansion of online products in the market. Banks, however, do not plan significant changes to lending 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).

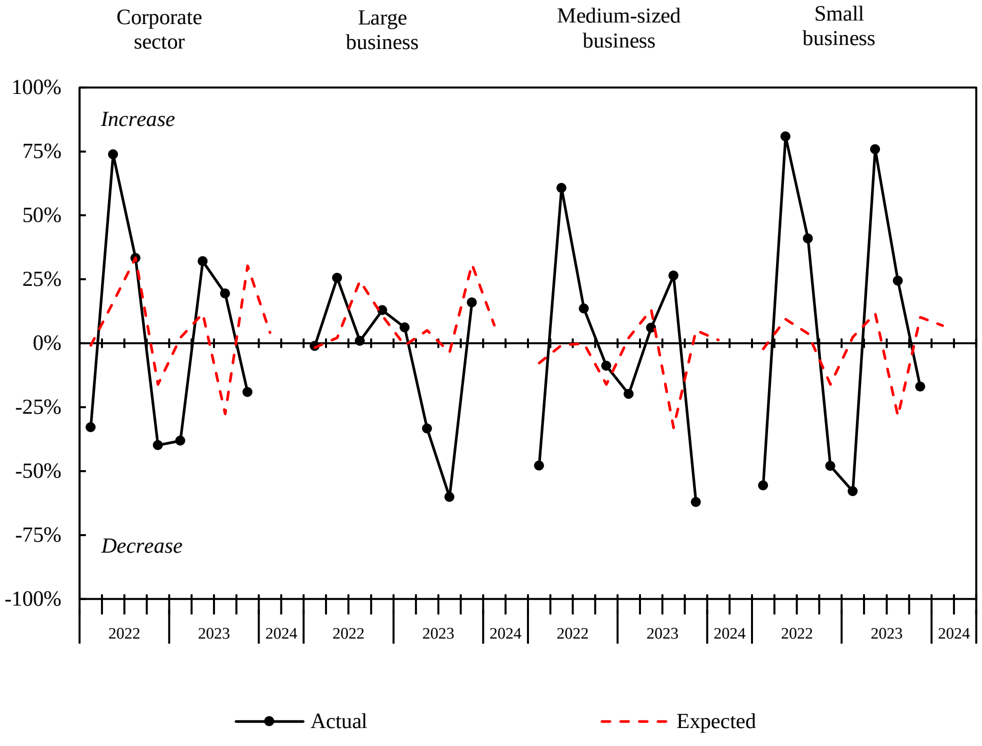
Starting from Q1 2018, the survey results are aggregated in the NPC, taking into account the bank's share in the corresponding segment of the lending market. The value of this indicator can vary from -100% - if all banks choose "decreased/tightened significantly" - to 100% - if all banks choose "increased/loosened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

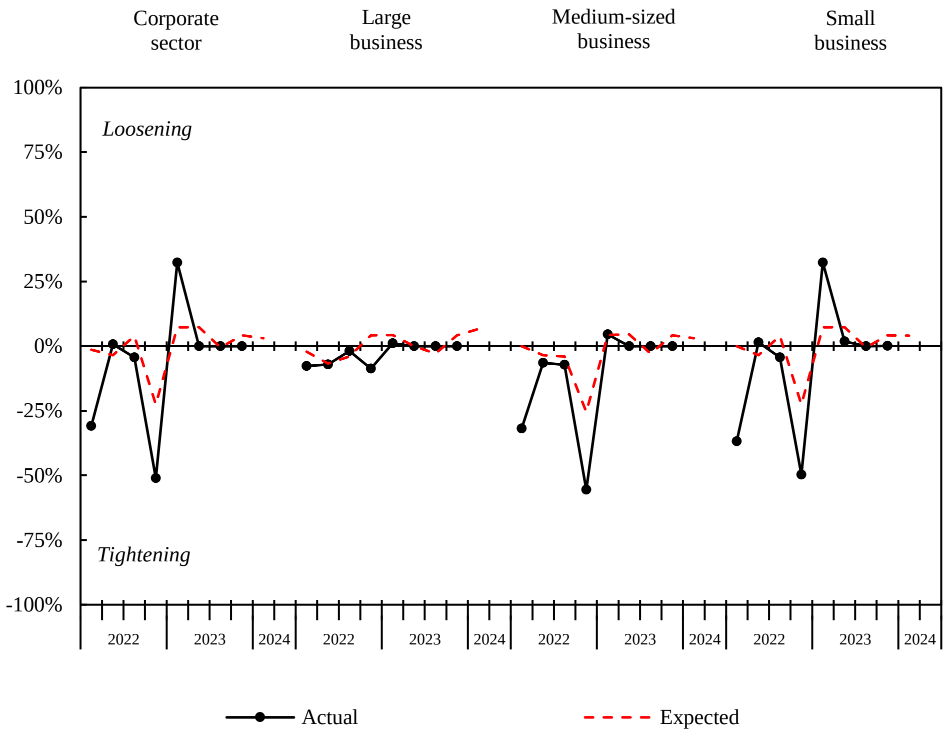
Net percentage change



(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

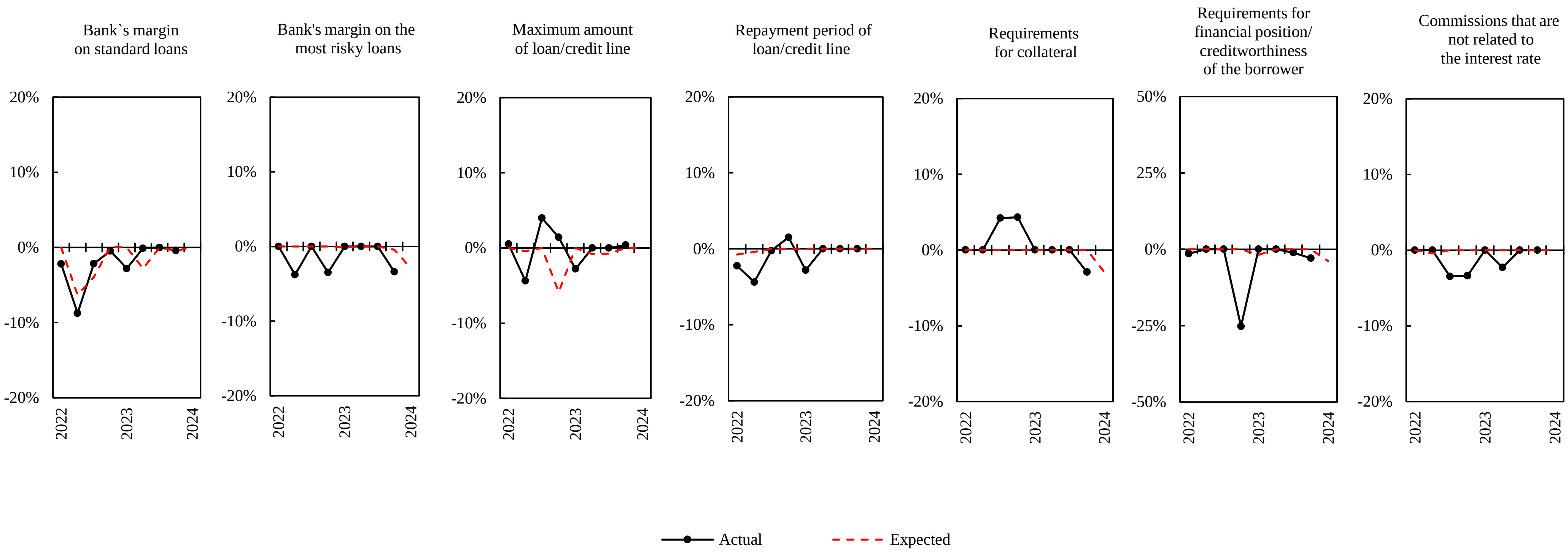
Net percentage change



(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.

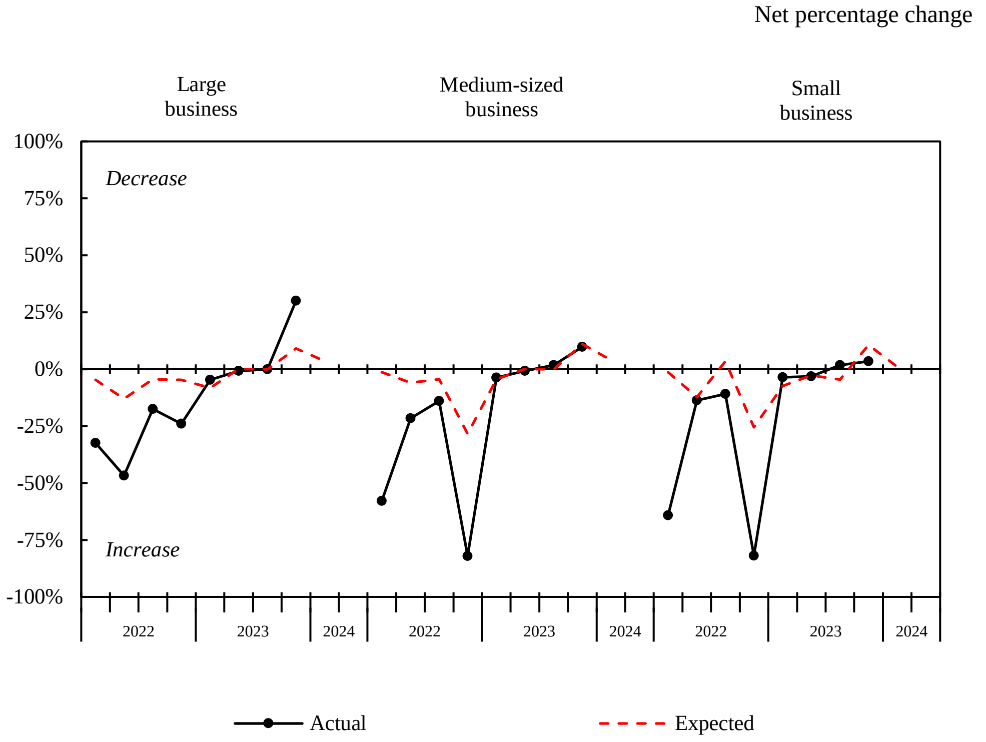
Figure 3. Lending conditions

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.

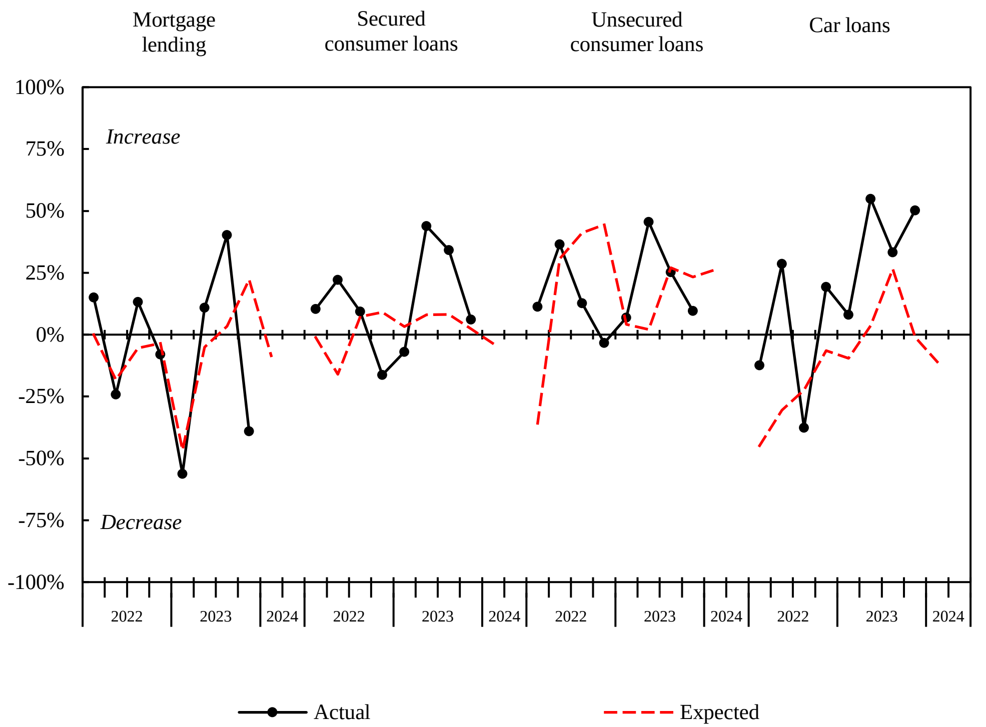
Figure 4. Interest rates on loans



(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

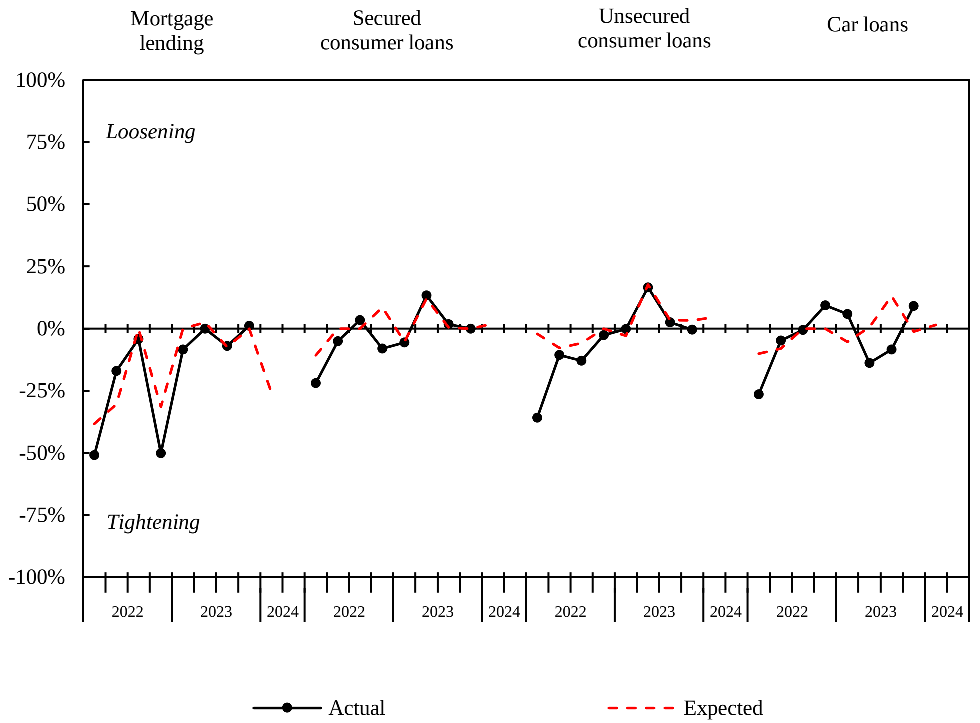
Net percentage change



(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

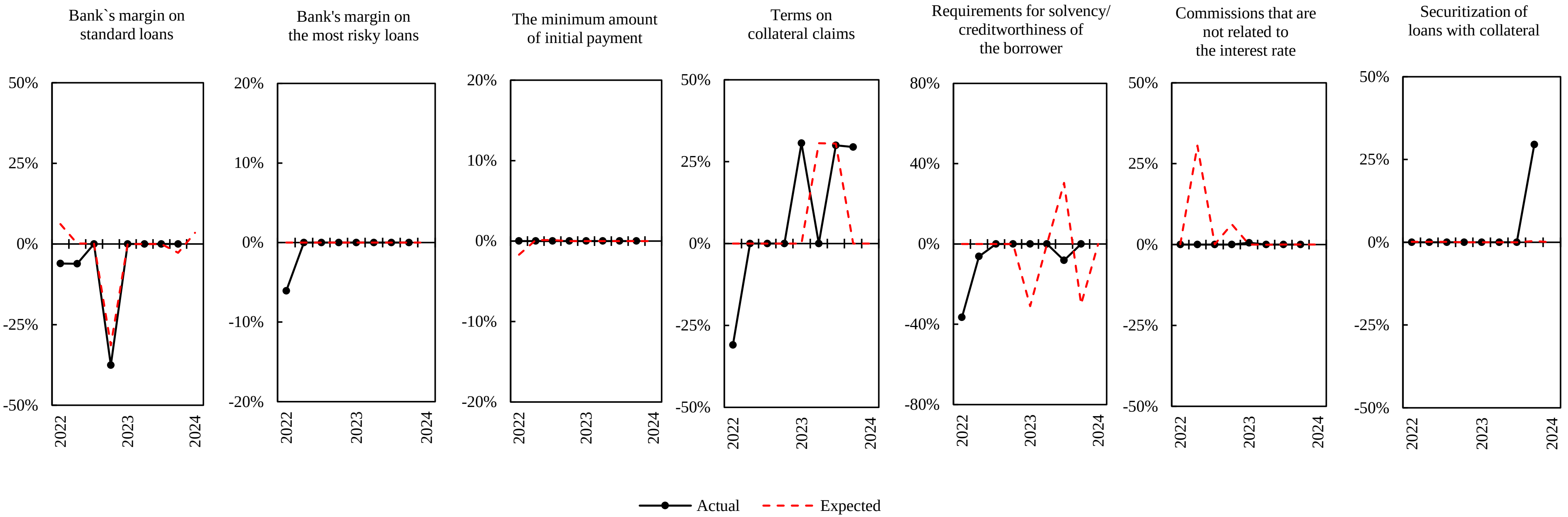
Net percentage change



(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

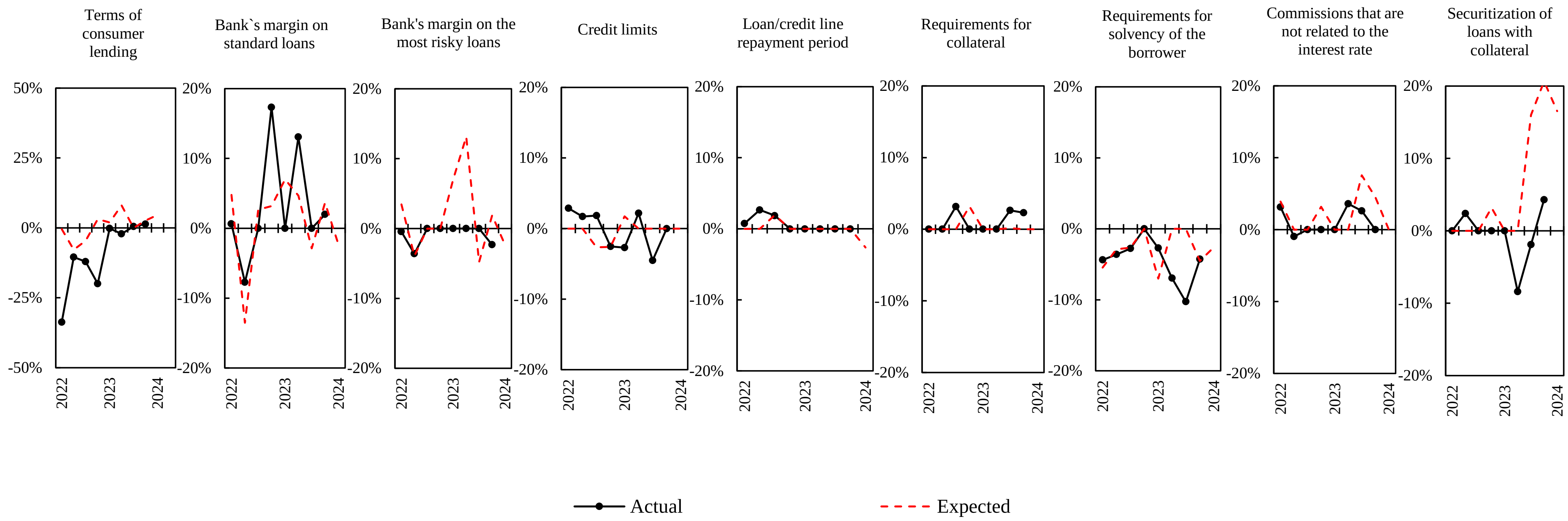
Net percentage change



(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.

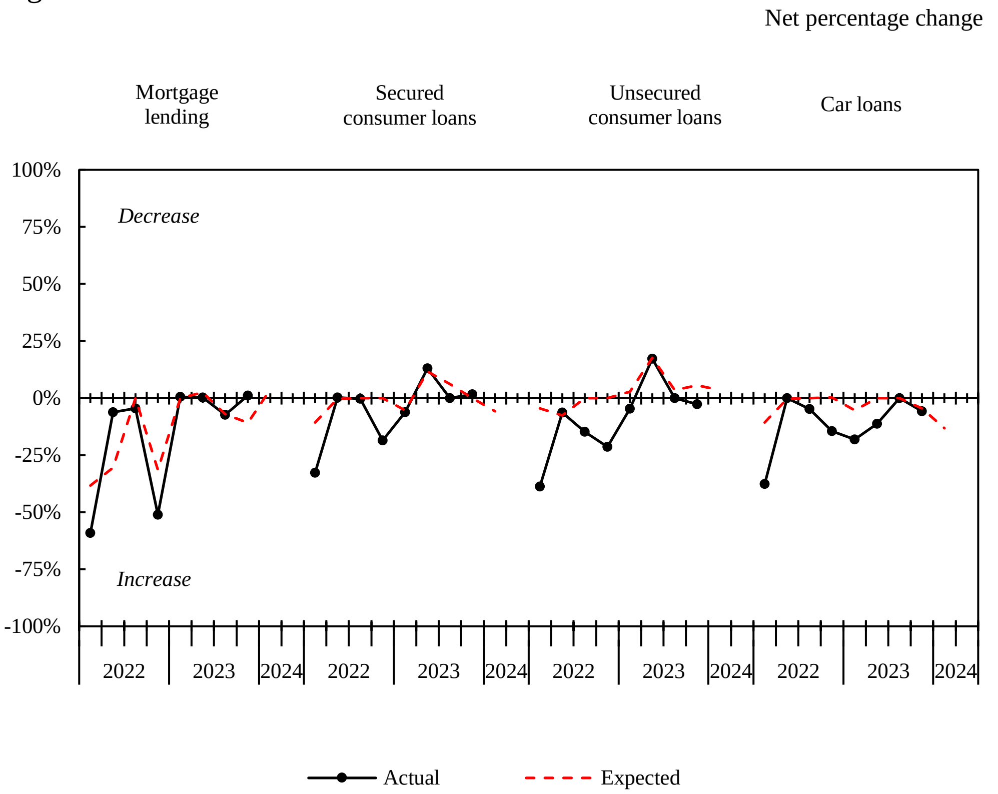
Figure 8. Consumer lending terms

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.