

# Credit Conditions Survey

I Quarter, 2024



საქართველოს ეროვნული ბანკი  
National Bank of Georgia

The National Bank of Georgia has been conducting a quarterly credit conditions survey since 2013. The survey is conducted through an online platform, and the respondents include senior managers of the banking sector. The purpose of the survey is to obtain information from respondents on current and future trends in lending. In particular, the survey includes questions about demand for loans and changes in interest and non-interest terms of lending to individuals and legal entities, as well as questions about the factors causing these changes.

The questionnaire consists of only qualitative questions and does not require quantitative evaluation by respondents. In order to convert the information into quantitative units, the methodology of balance sheet statistics is used. The index ranges from -100 to 100. 100 indicates that 100% of respondents perceive a significant improvement in the trend, while the index value of -100 indicates that 100% of respondents perceive a significant deterioration. 0 means that the trend has not changed compared to the previous quarter. When calculating the index, the answers of the respondents are given equal weight, regardless of the size of the bank.

Based on the analysis of the survey results, a report is prepared, which is published quarterly. In addition to the final results of the survey, this report includes official statistical information on lending trends.

The expectations presented in this report reflect only the assessment of the respondents of the credit conditions survey on the future trend of lending and do not represent the expectations of the representatives of the National Bank of Georgia.

# Credit Conditions Survey

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## Summary

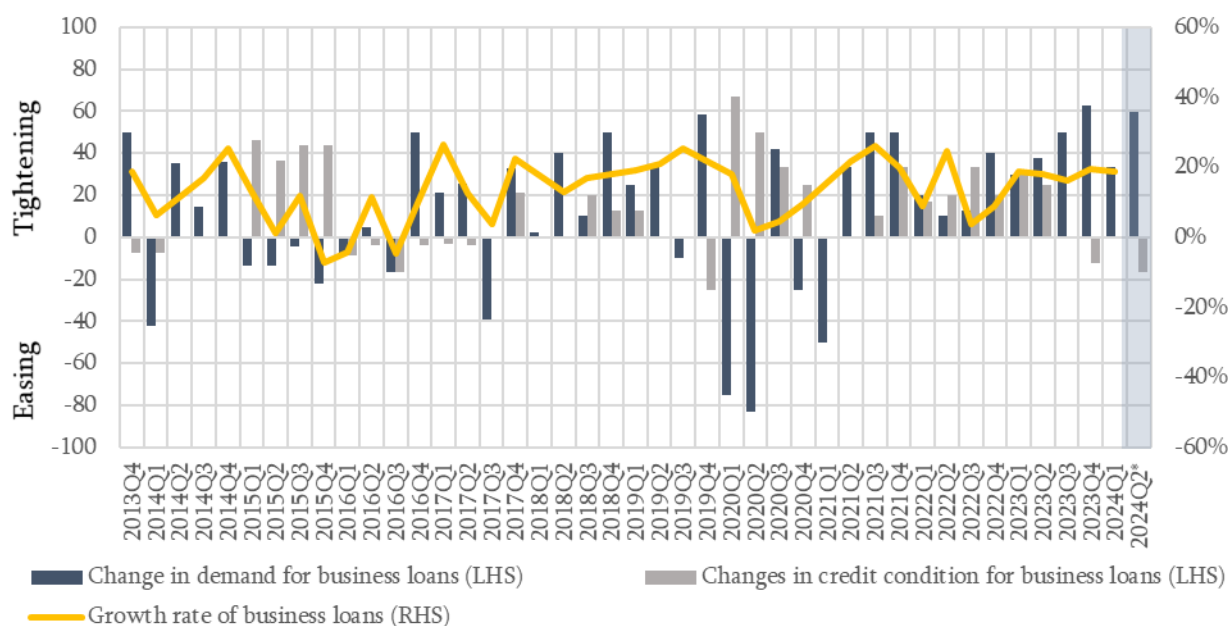
According to the credit conditions survey, in the first quarter of 2024, the demand for business loans increased compared to the previous quarter. Representatives of the banking sector also anticipate an increase in demand for business loans in the next quarter. According to the survey, credit conditions for business loans issued in domestic currency loosened slightly. Representatives of the banking sector expect non-interest conditions to be loosened in the next quarter. Besides, the respondents expect a slight decline in interest rate conditions for domestic and foreign currency loans in the next quarter.

According to the credit conditions survey, in the first quarter of 2024, demand for retail loans increased. In the next quarter, an increase in demand for retail loans is also expected. According to the survey, non-interest rate conditions for retail loans loosened. Representatives of the banking sector expect a loosening of credit conditions in the next quarter. Respondents of the survey anticipate a slight decline in interest rates for mortgage loans in the next quarter.

## Credit conditions and trends for business loans

According to the credit conditions survey, in the first quarter of 2024, the demand for business loans increased compared to the previous quarter. Representatives of the banking sector also anticipate an increase in demand for business loans in the next quarter. According to the data available to the National Bank, in the first quarter of 2024, compared to previous quarter, the annualized growth rate<sup>1</sup> of business loan portfolio equaled to 18.9%. The growth of the business loan portfolio was mainly driven by foreign currency loan growth. From sectoral perspective, the growth of business loans was primarily driven by an increase in loans issued to trade and construction. According to the survey, in the second quarter of 2024 an increase in demand for business loans is expected (see Figure 1).

Figure 1. Changes in demand for business loans and credit conditions<sup>2</sup>



Source: Credit conditions Survey, NBG.

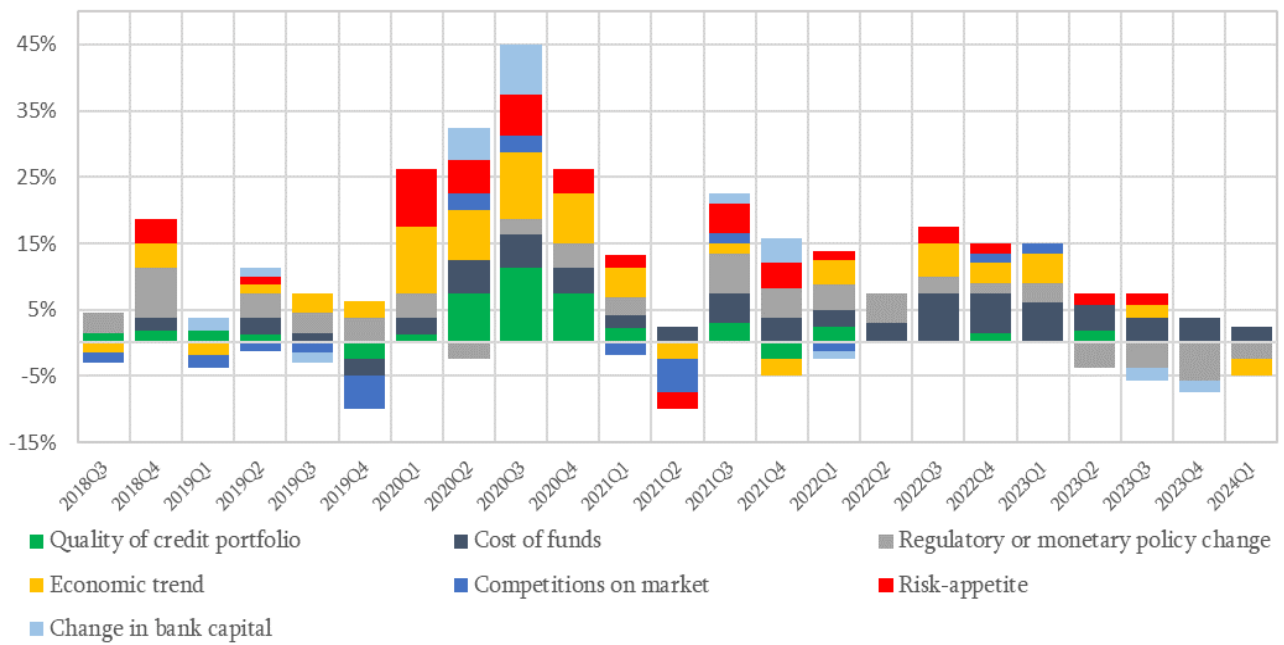
In the first quarter of 2024, credit conditions for business loans issued in domestic currency have slightly loosened compared to the previous quarter. This slight loosening was primarily driven by changes in regulatory policy and economic trends (see Figure 2). According to the data available to the National Bank, while the maturity for loans issued in domestic currency has not changed significantly, loans issued in foreign currency experienced a slight decline in maturity (see Figure 3). Representatives of the banking sector expect slight decline in non-interest rate conditions.

<sup>1</sup> The data reflects the annualized growth of seasonally adjusted loans, excluding the exchange rate effect.

<sup>2</sup> The index of change in credit conditions and demand ranges from -100 to 100. 100 indicates that 100% of respondents perceive a significant improvement in the trend, while the Index -100 indicates that 100% of respondents perceive a significant deterioration. 0 means that the trend has not changed compared to the previous quarter. 2024Q2\* indicates the expectations over the second quarter of 2024 of representatives of the banking sector.

According to the data available to the National Bank, in March the interest rate on large business loans issued in national currency within the month declined to 11.8%.<sup>3</sup> As for the foreign currency loans, in March, compared to December, the interest rate for corporate loans issued in Euro declined by 0.7 pp to 8.6%, while for loans issued in USD it declined by 0.4 pp to 9.4%. For SME loans, the interest rates on national currency loans did not change and amounted to 13.2%. For the SME loans issued in euro interest rate declined by 0.3 pp and equaled 7.0%. While, for USD-denominated loans, interest rate declined slightly to 8.4% (see Figure 3). According to the survey, interest rates for fixed-rate loans issued in foreign currency did not change, while it declined slightly for loans issued in domestic currency. Representatives of the banking sector expect interest rates to decline in the next quarter.

**Figure 2. Factors affecting changes in the credit conditions for business loans <sup>4</sup>**

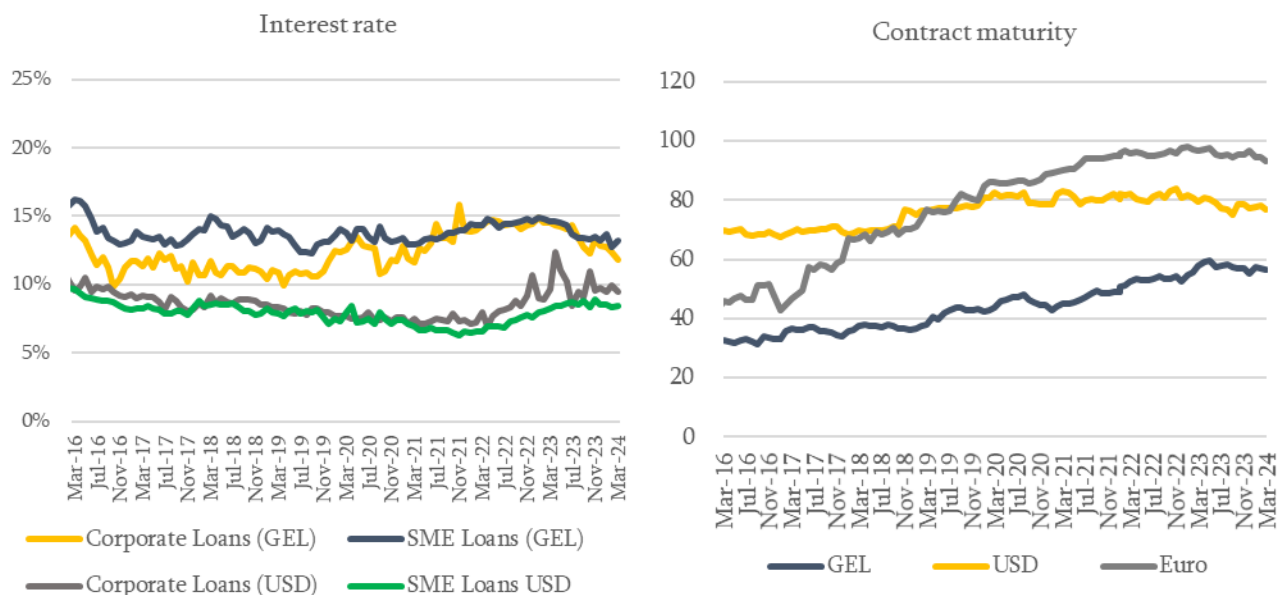


Source: Credit conditions survey

<sup>3</sup> Due to the transition to the new IFRS forms, the data on interest rates have been clarified.

<sup>4</sup> The figure shows the share of each factor in the change in credit conditions. The positive share indicates the share of the factor in tightening, while a negative one indicates a share in easing.

Figure 3. Interest rates and contract maturity for business loans<sup>5</sup>



Source: NBG.

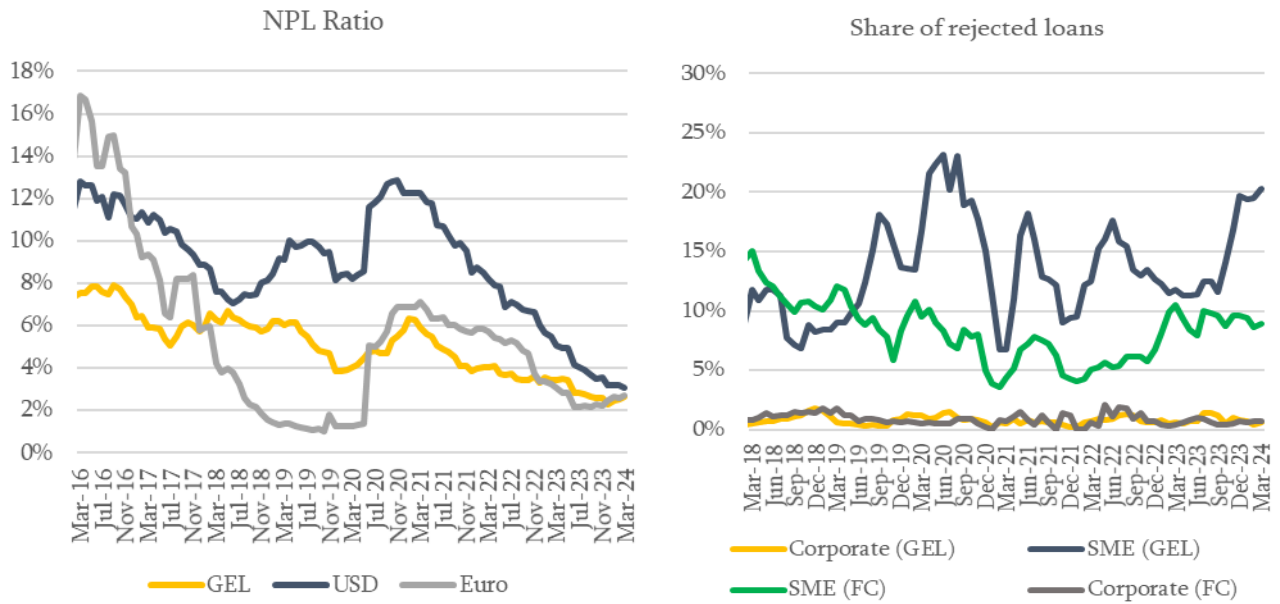
**In the first quarter of 2024, the share of non-performing loans (NPL) in business loans increased slightly.<sup>6</sup>** In the first quarter, compared to the previous quarter, the overall share of NPLs in business loans declined by 0.1 pp and amounted to 2.8%. In terms of currencies, it is important to indicate that the share of NPLs in business loans issued in national currency increased by 0.4 pp and amounted to 2.7%. The share of NPLs for loans issued in USD decreased by 0.1 pp and equaled to 3.1%. For euro-denominated loans NPLs increased by 0.2 pp and amounted to 2.7% (see Figure 4). According to the credit conditions survey, representatives of the banking sector expect the share of NPLs in business loans to decline in the next quarter.

**In the first quarter of 2024, the share of rejected loans did not change significantly.** In the first quarter, compared to the previous quarter, the share of rejected loans in SME loans issued in national currency did not change and equaled to 20%. While for foreign currency SME loans, the share of rejected loans declined to 9%. For corporate portfolio, the share of rejected loans issued in national currency declined by 0.2 pp and amounted to 0.6%, while, in foreign currency it did not change (see Figure 4).

<sup>5</sup> Interest rates on SME and large business loan flows issued within a month.

<sup>6</sup> Starting from June 2023, the third-quarter report includes credit quality indicators calculated using the IFRS-9 approach.

Figure 4. Share of NPL<sup>7</sup> and Rejected loans in business loans



Source: NBG.

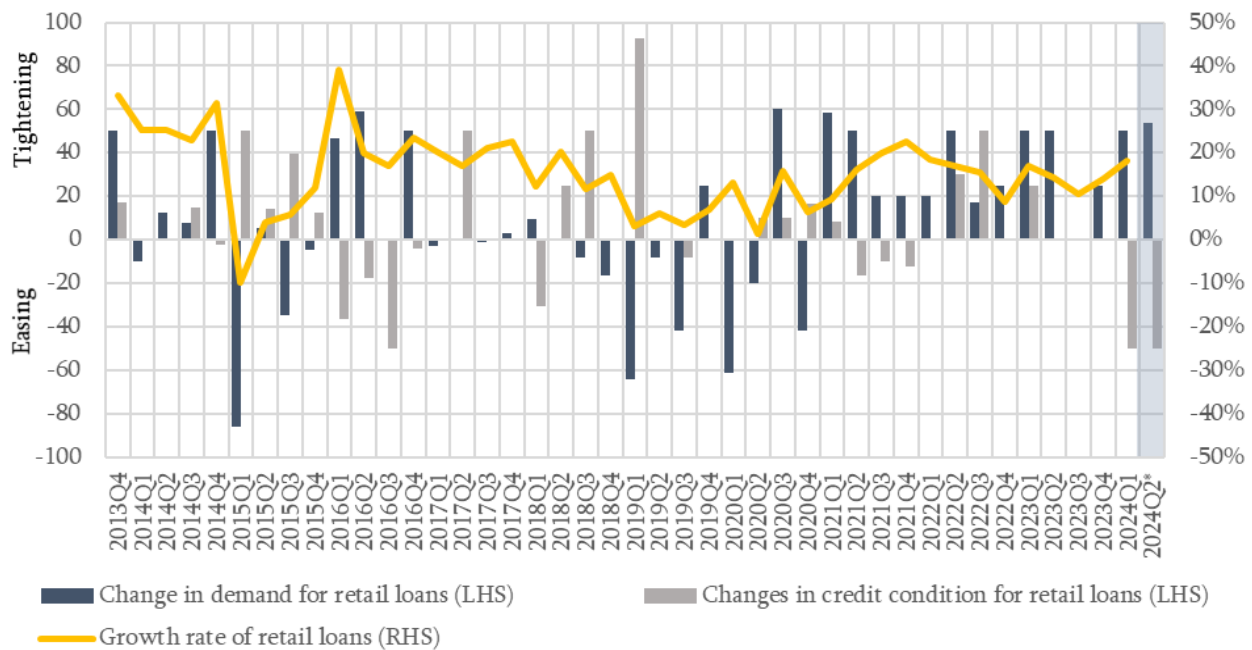
<sup>7</sup> The graph displays NPL ratios calculated according to the NBG’s methodology until June 2023, while data from June 2023 onwards reflects calculations based on the IFRS 9 methodology.



## Credit conditions and trends for retail loans

According to the credit conditions survey, in the first quarter of 2024, compared to the previous quarter, demand for retail loans increased slightly. In the next quarter, increase in demand for retail loans is expected. In particular, according to the data available to National Bank of Georgia, in the third quarter, compared to the previous quarter, the annualized growth rate<sup>8</sup> of retail loans equaled to 18.1% (see Figure 5). In terms of currencies, the growth of retail loan portfolio was mainly driven by domestic currency loans. Representatives of the banking sector expect increase in demand for retail loans in the next quarter.

Figure 5. Changes in demand for retail loans and credit conditions<sup>9</sup>



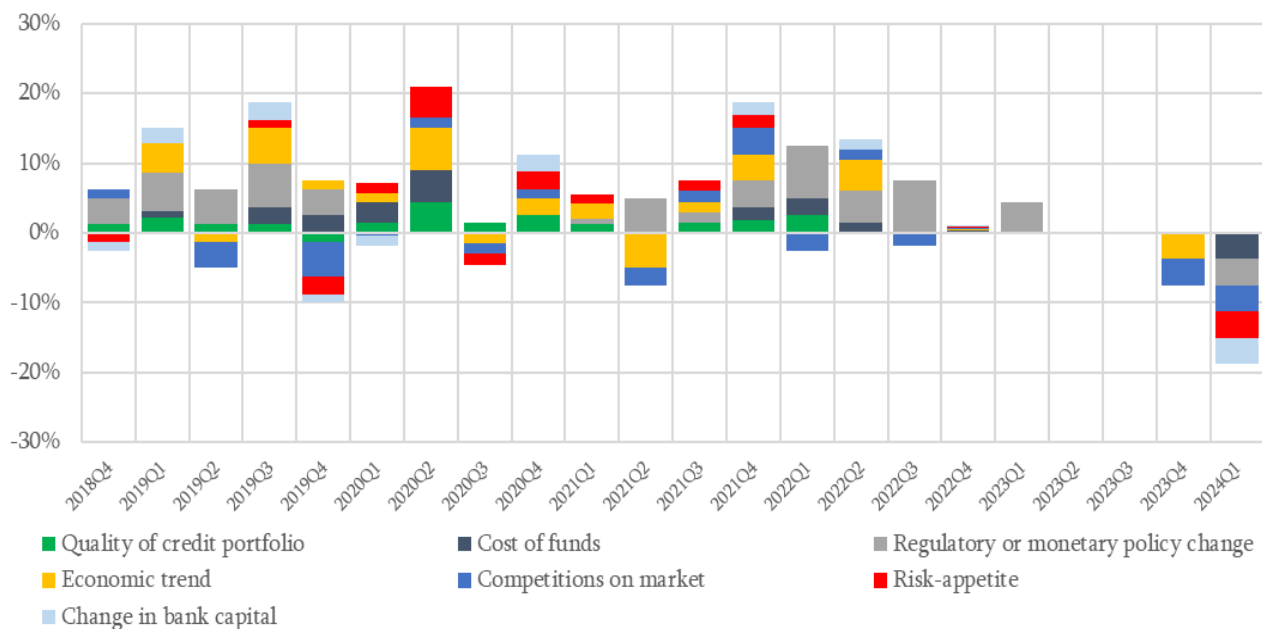
Source: Credit conditions Survey, NBG.

In the first quarter of 2024, non-interest rate conditions for retail loans loosened slightly. Based on the results of the survey, the slight decline in credit conditions was due to changes in regulatory policy, cost of funds, risk appetite, competition on market and bank capital. According to the data available to the National Bank, in the first quarter of 2024, loan maturity for mortgage loans did not change significantly compared to the previous quarter. Additionally, the distribution of loan-to-value ratio (LTV) remained relatively stable. Overall, non-interest rate conditions loosened slightly (see Figures 6-8). It's noteworthy that respondents anticipate a similar trend of slight loosening in credit conditions in the next quarter.

<sup>8</sup> This data reflects the annualized growth of seasonally adjusted loans, excluding the exchange rate effect.

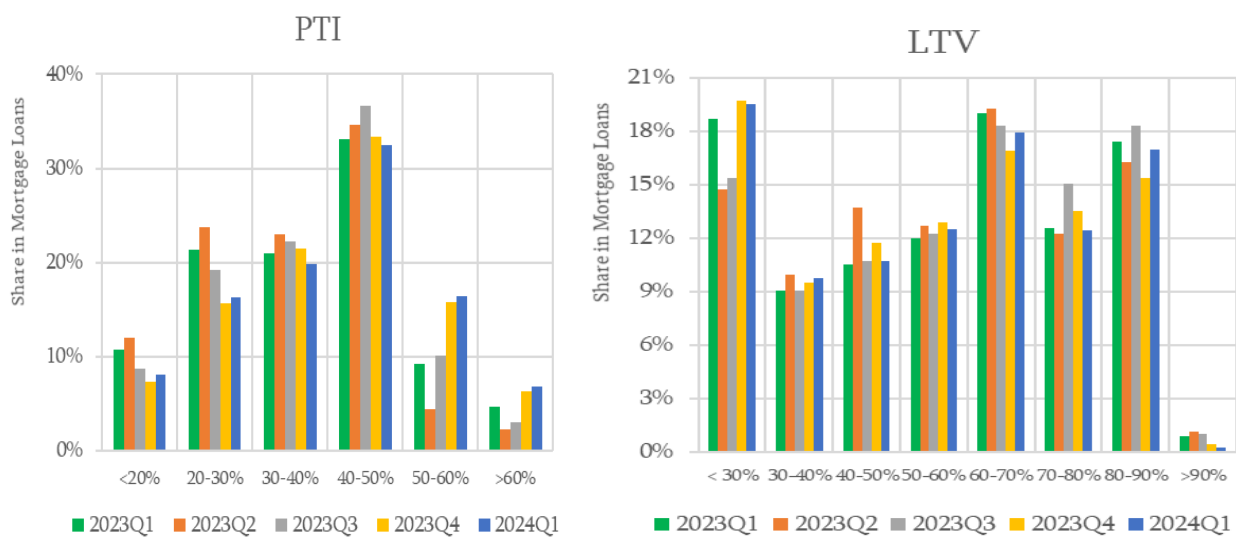
<sup>9</sup> For further details please refer to footnote 2.

Figure 6. Factors affecting changes in the credit conditions for retail loans <sup>10</sup>



Source: Credit conditions Survey

Figure 7. Distribution of payment-to-income (PTI) and loan-to-value (LTV) ratios

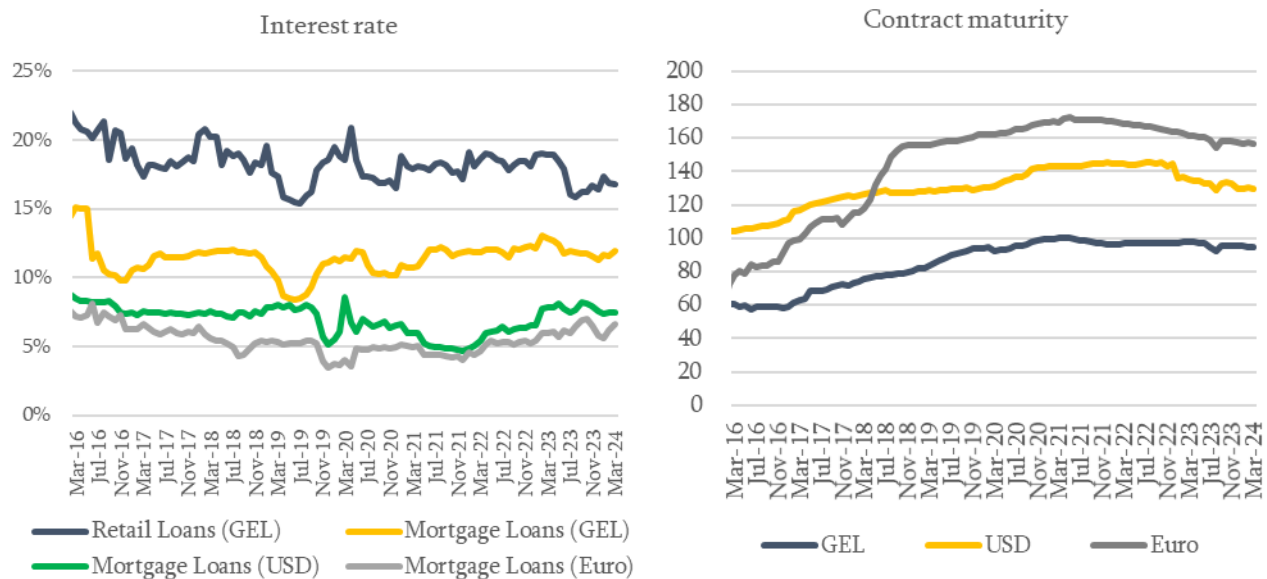


Source: NBG

<sup>10</sup> See notes of Figure 2.

**Interest rates for retail loans increased slightly.**<sup>11</sup> In particular, in March, compared to December, interest rates for consumer loans issued in domestic currency increased by 0.4 pp and amounted to 17%. For mortgage loans issued in national currency interest rates increased by 0.6 pp and amounted to 11.9%. Whereas for foreign currency dominated loans, interest rate for mortgage loans issued in USD did not change and equals 7.5%, while for mortgages issued in euro interest rate increased by 0.8 pp and amounted to 6.6% (see Figure 8). Respondents of the survey anticipate a slight decline in interest rates for mortgage loans in the next quarter.

**Figure 8. Interest rates and contract maturity for retail loans<sup>12</sup>**



Source: NBG

**In the first quarter of 2024, compared to the previous quarter, the share of non-performing loans (NPL) did not change significantly.** In particular, according to the data available to the National Bank, the share of NPLs in mortgage and consumer loans did not change significantly and equaled 2% and 2.4%, respectively. In terms of currencies, the share of NPLs in euro-denominated mortgage loans increased slightly to 2.1%, while in USD it remained at 1.9%. The share of NPLs in mortgage loans issued in GEL declined slightly to 1.8% (see Figure 9). Representatives of the banking sector expect slight increase in NPL ratio in the second quarter of 2024. Compared to the previous quarter, the share of restructured loans in retail loans did not change significantly.

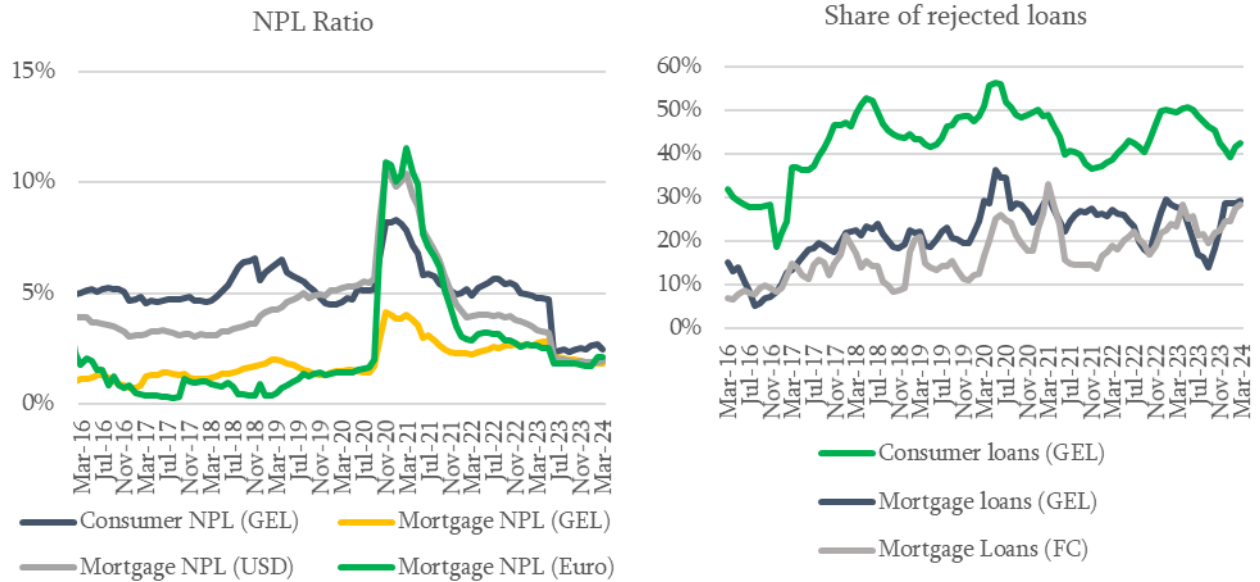
**In the first quarter of 2024, the share of rejected consumer loans issued in the national currency and mortgage loans issued in foreign currency increased slightly.** In the first quarter of 2024, the share of rejected consumer loans issued in domestic currency increased to 43% compared to the previous quarter. Meanwhile, for mortgage loans issued in domestic currency, the share of rejected loans remained

<sup>11</sup> Due to the transition to the new IFRS forms, the data on interest rates have been clarified.

<sup>12</sup> Interest rates on retail loan flows issued within a month.

unchanged at 29%. However, for loans issued in foreign currency, the share of rejected loans increased to 28%. (See Figure 9).

**Figure 9. Share of NPLs<sup>13</sup> and Rejected loans in retail loans**



Source: NBG

<sup>13</sup> The graph displays NPL ratios calculated according to the NBG’s methodology until June 2023, while data from June 2023 onwards reflects calculations based on the IFRS 9 methodology.

## Disclaimer

The report was prepared by the Financial Stability Analysis and Macro-Financial Modeling Division of the Financial Stability Department of the National Bank of Georgia. The expectations presented in this report reflect only the assessment of the respondents of the credit conditions survey on the future trends of lending and not the expectations of the representatives of the National Bank. The statistics presented in the report on the current trends of lending are intended for current analytical purposes only, as some of the data presented here may be subject to periodic review and, consequently, they may contain measurement errors. Although every effort is made to ensure their timeliness, correctness, and completeness, the full accuracy of the data is not guaranteed by the National Bank of Georgia. Some data published in the report may differ from those published on the official website of the National Bank website because supervisory data is used in the calculations.

Data are presented as of 29/03/2024.

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