AZƏRBAYCAN RESPUBLİKASININ
MƏRKƏZİ BANKI

FINANCIAL STABILITY DEPARTMENT

CREDIT CONDITIONS AND FUNDING SOURCES SURVEY RESULTS

Q2
2026

ABBREVIATIONS

MCGF - Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan

SME – Small and Medium Enterprises

MSME – Micro, Small and Medium Enterprises

LE – Legal entities

Ind. – Individuals

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Introduction

The purpose of this survey is to monitor and analyze banks' lending activities and funding sources, identify, and assess threats to financial stability at an early stage, determine the appropriate prudential policy, and inform the financial sector participants about relevant trends. This survey includes the assessment of supply and demand factors with respect to business, consumer, and mortgage loans, as well as the analysis of the structure of banks' funding sources and the cost of funding. The survey covers the following aspects:

- *Dynamics of changes in credit standards (policies)*
- *Factors affecting the dynamics of credit standards*
- *Dynamics of changes in loan demand*
- *Structure of sources of funding*
- *Cost of funding and factors affecting it*

The survey contains qualitative questions and does not require quantitative scoring. The method of balance statistics is used to convert the results of the survey into quantitative data. The diffusion index ranges from negative 100% to positive 100%. A positive 100% indicates that 100% of respondents observe a significant easing or an increase in the trend, while a negative 100% indicates that 100% of respondents observe a significant tightening or decrease. An index value of 0% indicates that the trend has not changed from the previous quarter. Banks' responses are weighted by each bank's share of the loan portfolio to calculate the index. Survey respondents are senior bank loan officers or board members responsible for the relevant area.

The survey has been conducted on a quarterly basis since the first quarter of 2022. The expectations presented in the report do not reflect the expectations of the Central Bank of the Republic of Azerbaijan, but only the assessments of the survey respondents (banks) on the current and future trends of lending, the structure of the sources of funding, and the cost of funding.

Summary of Survey Findings

According to the results of the Q2 2026 survey, there was no significant change in standards for the overall business portfolio, and demand increased across all three portfolio segments: large enterprises, SMEs, and micro businesses. Respondents predict that demand will continue to increase in all three segments in the next quarter.

According to the survey results, there were no significant changes in general consumer loan standards in the second quarter of this year, though demand for loans increased. Banks predict that these standards and the demand for loans will remain the same in the next quarter.

The results of the second-quarter 2026 survey indicate that mortgage loan standards remained unchanged. However, banks reported an increase in demand for mortgage loans in the second quarter of this year. Respondents predict that mortgage loan standards and demand will remain the same in the next quarter.

Survey respondents reported an increase in the proportion of individuals' demand and term deposits among funding sources. An increase in funding through the interbank market was noted in the second quarter of 2026. Banks expect term deposits of individuals, as well as demand deposits of legal entities, to increase in the next quarter, as will the volume of funding through the interbank market.

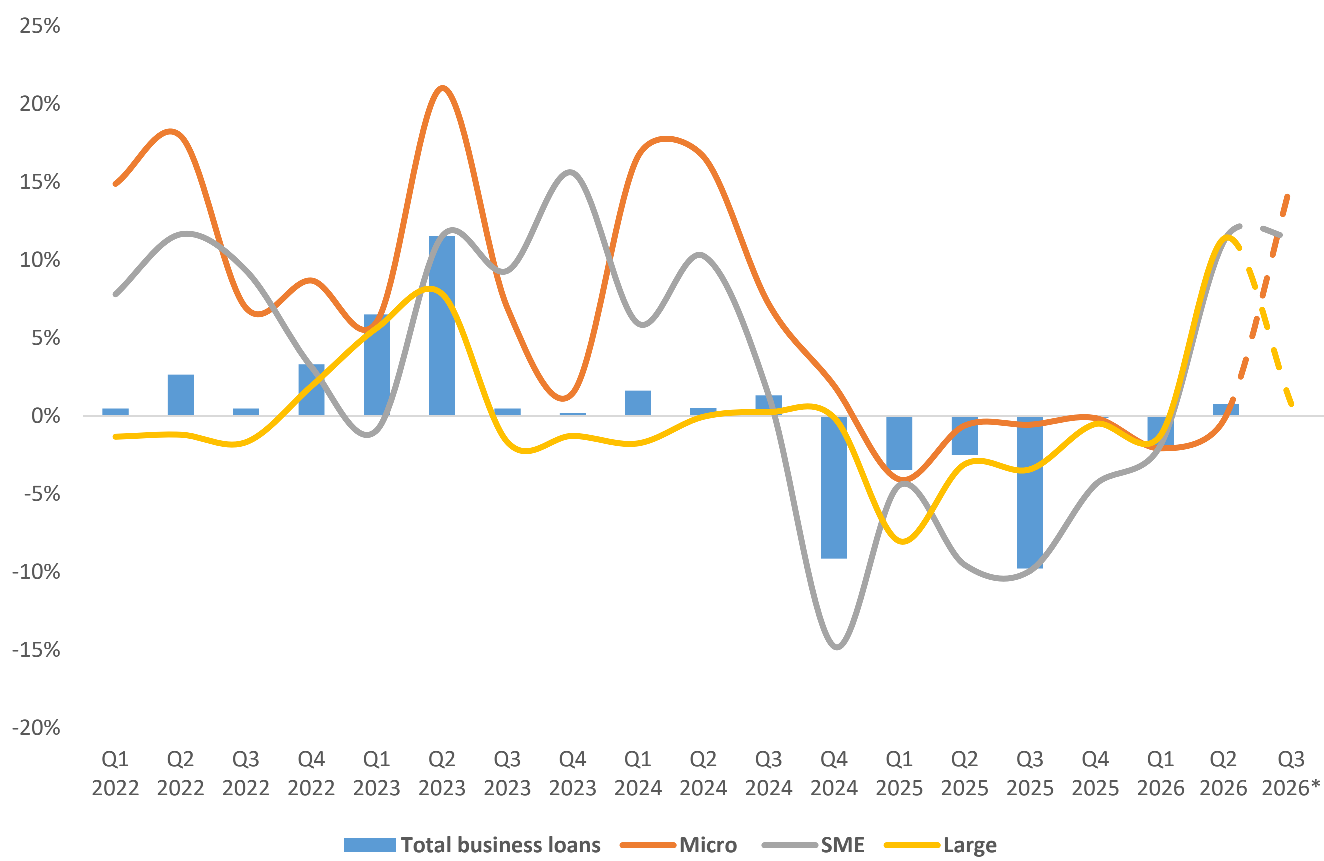
Sectoral Analysis of Loans

Business Loans

According to the survey results, there was no significant change in overall business loans in Q2 2026. However, credit standards were relaxed for SME and large loan segments. Banks predict that standards for micro- and SME loans will be further relaxed in the next quarter, while standards for loans to large enterprises will remain the same.

Chart 1. Dynamics of changes in standards for business loans

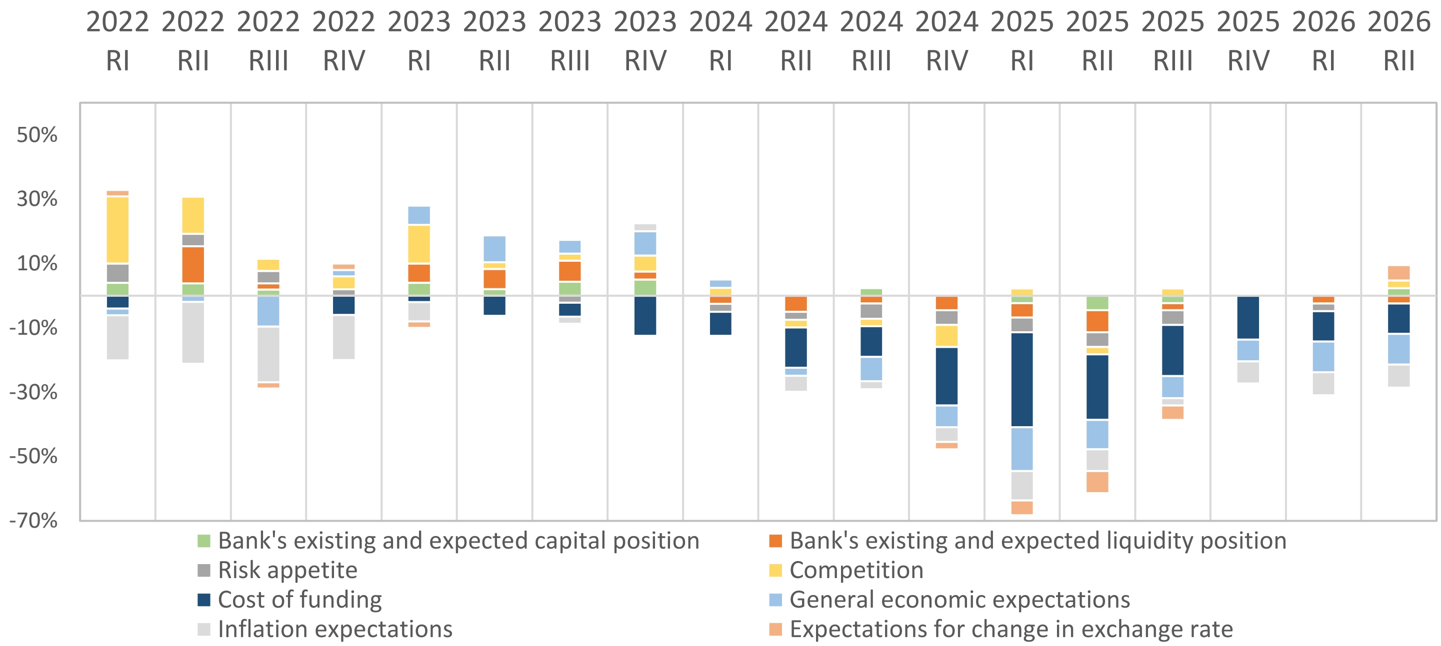
Diffusion Index: positive = softening, negative = tightening



*The * sign indicates that the data is a forecast.*

Chart 2. Factors affecting credit standards for business loans

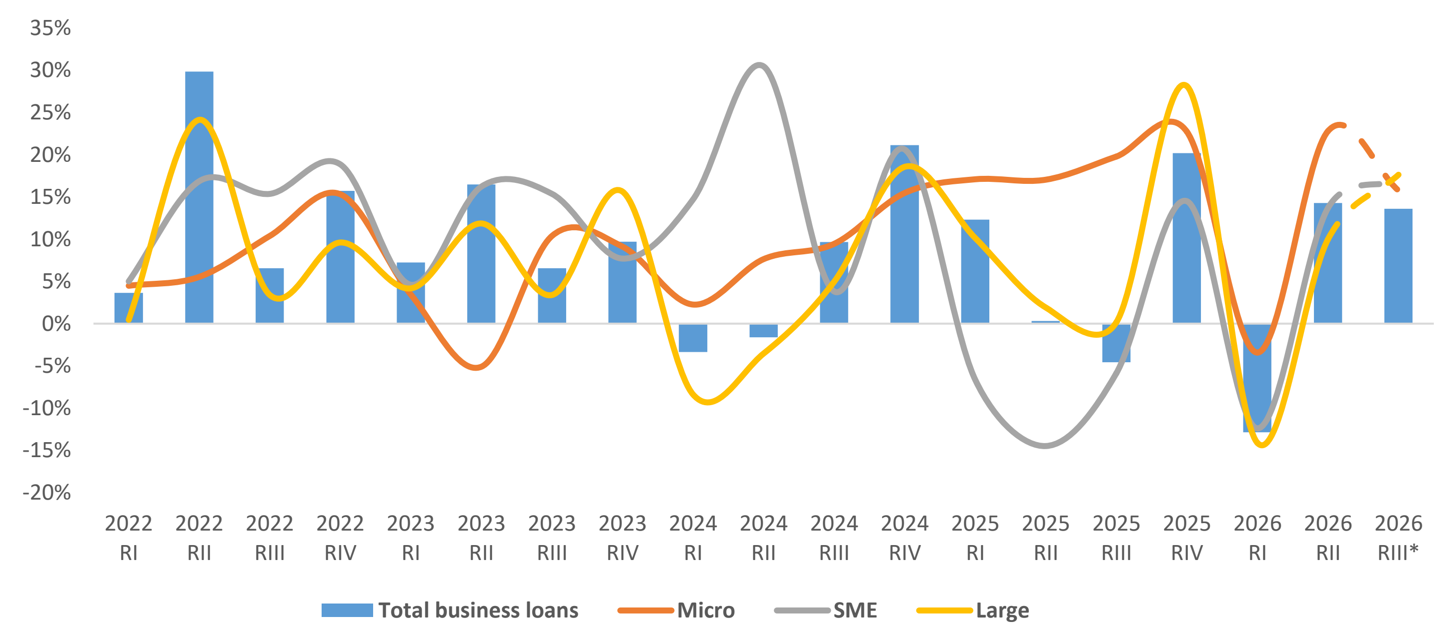
Diffusion Index: positive = softening, negative = tightening



According to the survey results, loan demand increased across all business segments in the second quarter of this year. Banks predict that demand will continue to increase across all business segments in the next quarter as well.

Chart 3. Dynamics of changes in demand for business loans

Diffusion Index: positive = increase, negative = decrease



*The * sign indicates that the data is a forecast.*

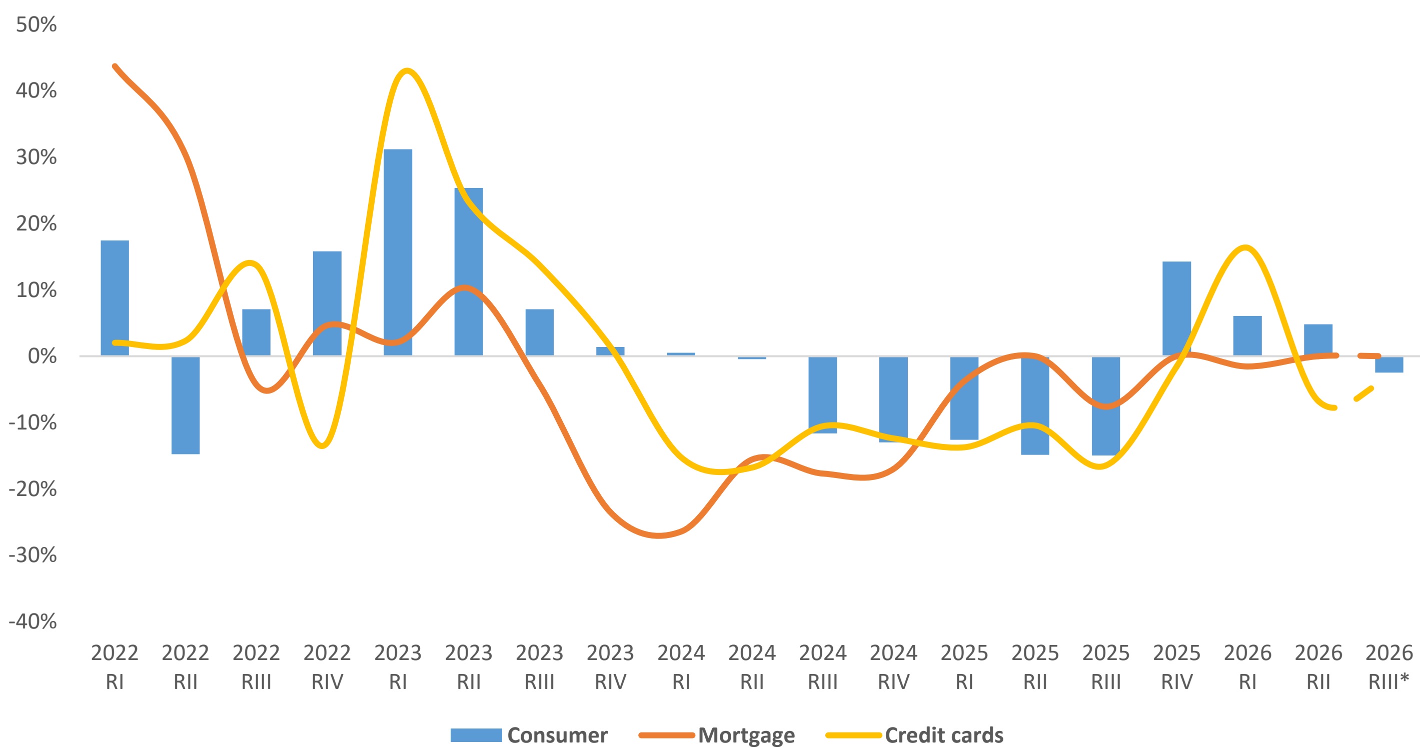
Consumer and Mortgage Loans

According to the second quarter 2026 survey results, no significant changes were observed in consumer credit standards. Banks predict that these standards will remain unchanged in the next quarter.

According to the banks' responses to the survey, mortgage credit standards have not changed compared to the previous quarter. The participating banks predict that there will be no changes in mortgage credit standards in the next quarter.

Chart 4. Dynamics of changes in credit standards for consumer (including credit cards) and mortgage loans

Diffusion Index: positive = softening, negative = tightening



*The * sign indicates that the data is a forecast.*

Chart 5. Factors affecting credit standards for consumer loans

Diffusion Index: positive = softening, negative = tightening

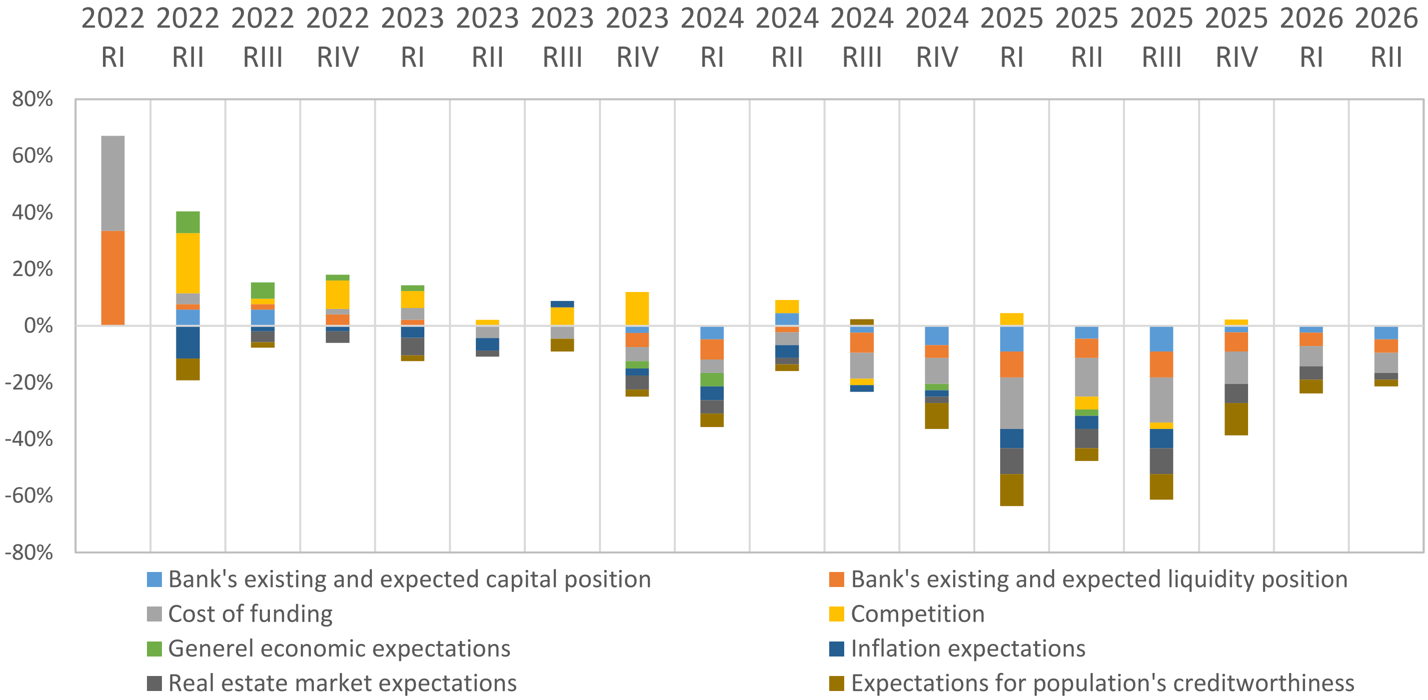


Chart 6. Factors affecting credit standards for mortgage loans

Diffusion Index: positive = softening, negative = tightening

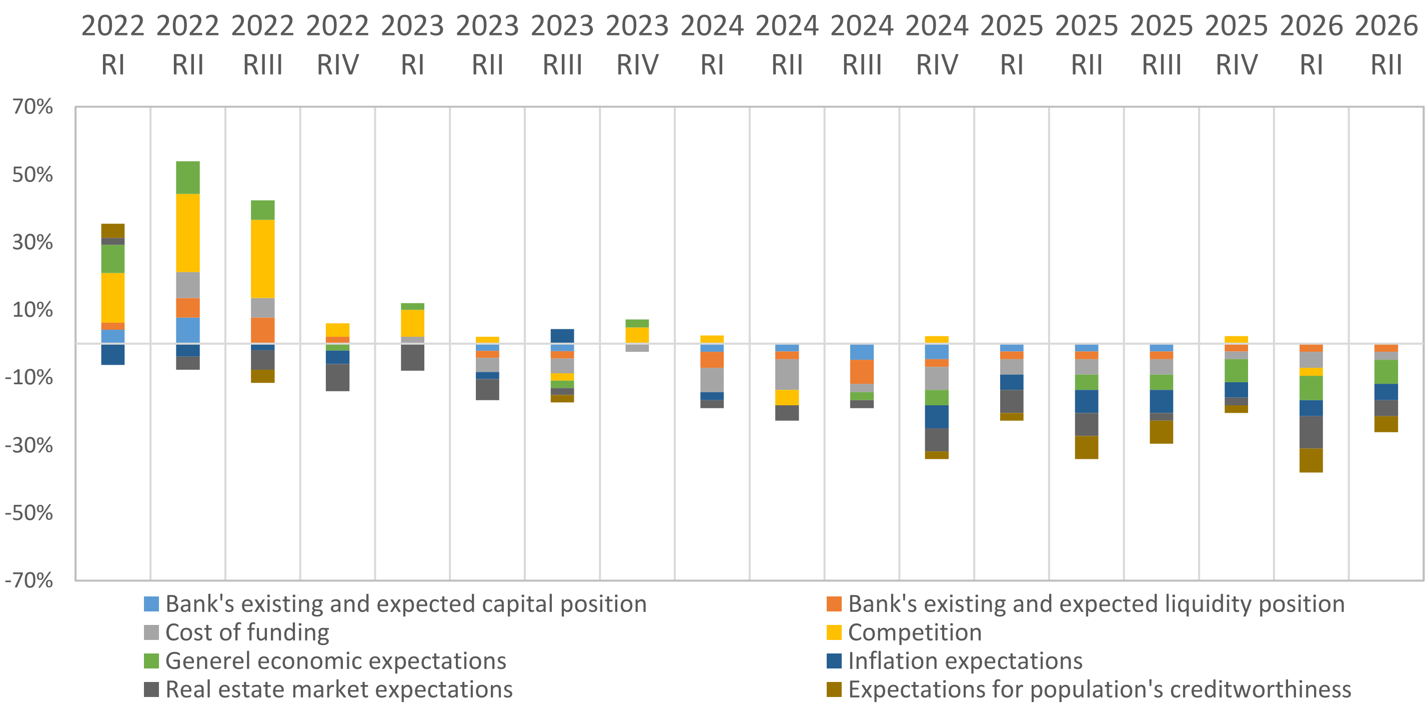
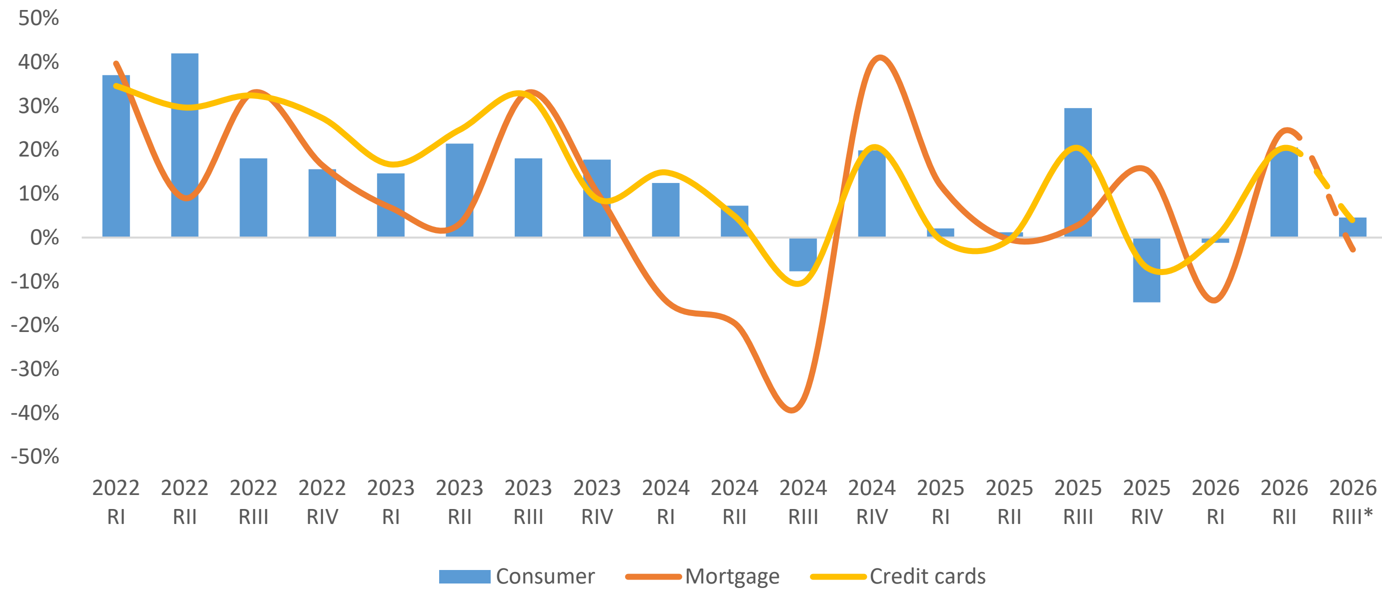


Chart 7. Dynamics of the change in demand for consumer (including credit cards) and mortgage loans

(Diffusion index: positive = increase, negative = decrease)



*The * sign indicates that the data is a forecast.*

According to data obtained from banks, the demand for credit cards and general consumer loans increased during Q2 2026. Banks predict that demand for general consumer loans will not change in the next quarter.

According to the survey results, there was an increase in demand for mortgage loans in the second quarter of 2026. Banks predict that demand for mortgage loans will remain unchanged in the next quarter.

Chart 8. Population historical debt diffusion index

((Diffusion index: positive = increase, negative = decrease)

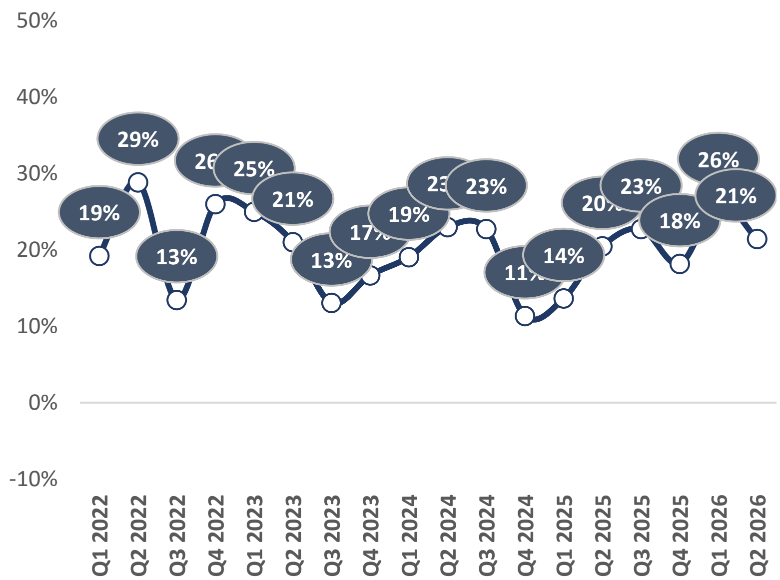
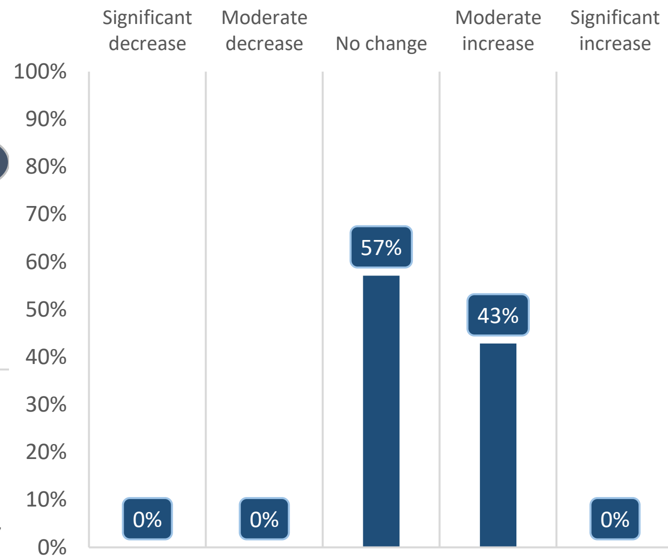


Chart 9. Changes in population debt levels: past quarter



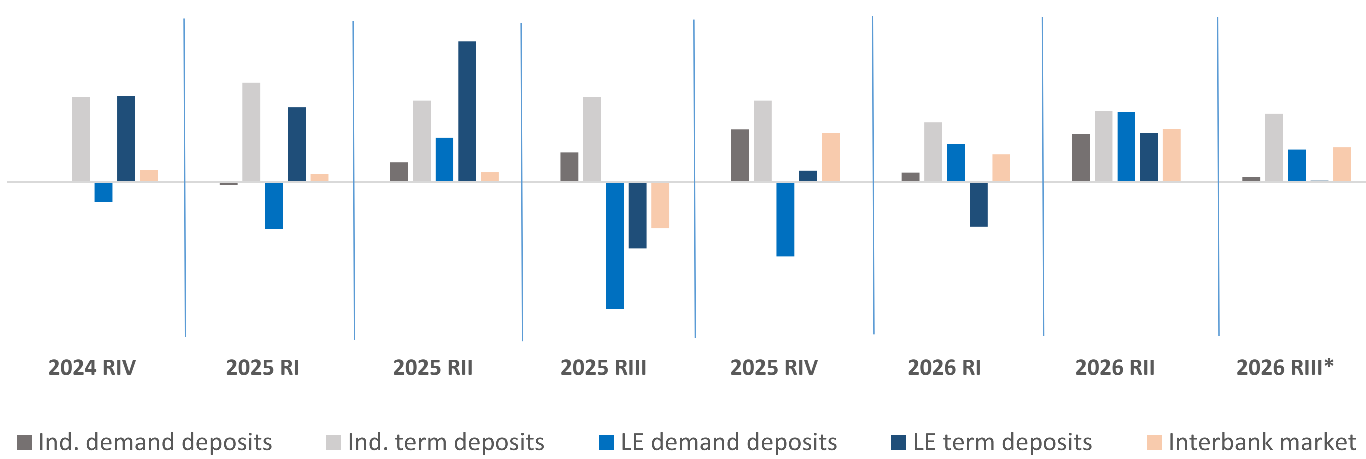
According to the results of the second-quarter survey, 57% of banks reported no change in the level of population borrowing, while 43% reported a moderate increase. Consequently, the diffusion index calculated based on the number of banks for the second quarter of 2026 was 21%. This indicates that the growth rate of population indebtness continues.

Funding

According to the survey results, the share of demand and term deposits of individuals and legal entities in the funding structure of banks increased in the second quarter of 2026. Banks reported an increase in funding through the interbank market. Respondents predict that the main increase in the funding structure in the next quarter will occur at the expense of individuals' term deposits, along with an increase in legal entities' demand deposits and funds attracted through the interbank market. The survey results indicate that the funding structure and market share targets of banks, including deposit interest rates, were the key factors driving the increase in the size of deposits.

Chart 10. Structure of funding sources

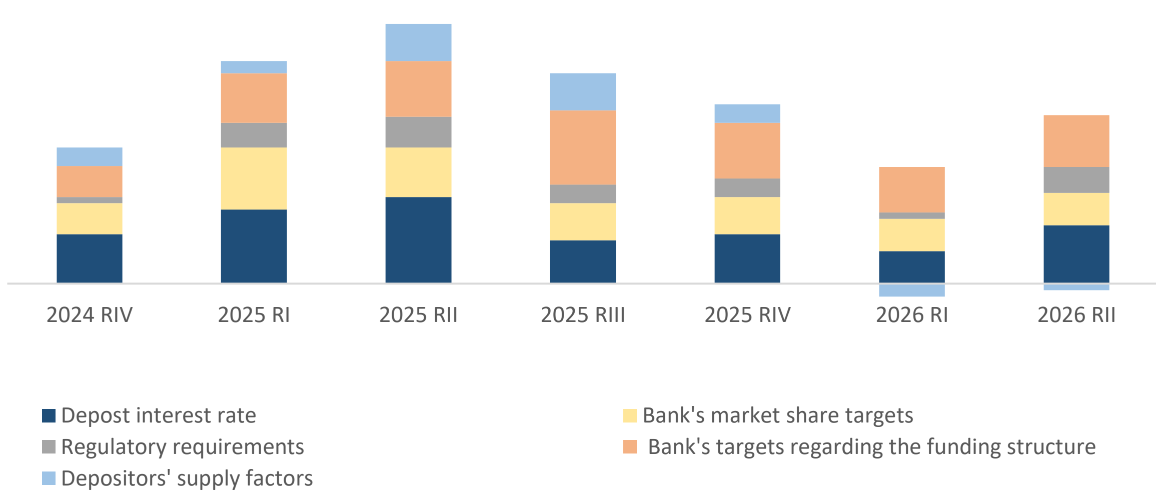
(Diffusion index: positive =increase, negative = decrease)



** The * sign indicates that the data is a forecast.*

Chart 11. Factors affecting the amount of deposits

(Diffusion index: positive =increase, negative = decrease)



According to the banks' responses to the survey, the main factors affecting their funding costs in the second quarter of 2026 were changes in the regulatory framework, competition, liquidity position, funding structure, and interest rates.

Chart 12. Factors affecting the cost of funding

(Diffusion index: positive =increase, negative = decrease)