



**CENTRAL BANK**  
OF THE REPUBLIC OF AZERBAIJAN

# **CREDIT CONDITIONS AND FUNDING SOURCES SURVEY RESULTS**

**Q II**  
**2025**

**FINANCIAL STABILITY DEPARTMENT**

## **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

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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 results

Q2 2025 showed no significant changes in the standards or demand for business loans in general. Banks expect no changes in overall business loan standards in the next quarter, while demand is anticipated to increase.

According to the survey findings, there were no changes in the standards either for internal or MCGF-granted mortgage loans. According to the respondents, there were no changes in the demand for total mortgage loans, including mortgage loans issued from internal resources of the bank in Q2 2025. However, banks expect a tightening of credit standards for mortgage loans and an increase in demand in the next quarter.

Based on the survey results from banks, tightening of standards for all consumer loans, including credit cards, continued in Q2 2025. However, banks reported no change in demand for consumer loans during the period. Survey respondents believe that standards for consumer loans will continue to tighten in the next quarter, though demand is not expected to change significantly.

Respondents reported an increase in term deposits from legal entities and individuals as a source of funding. Banks expect an increase in the volume of term and demand deposits of individuals in the structure of funding in the next quarter. The banks' market share goals and deposit interest rates acted as the main factors influencing the increase in the volume of deposits.

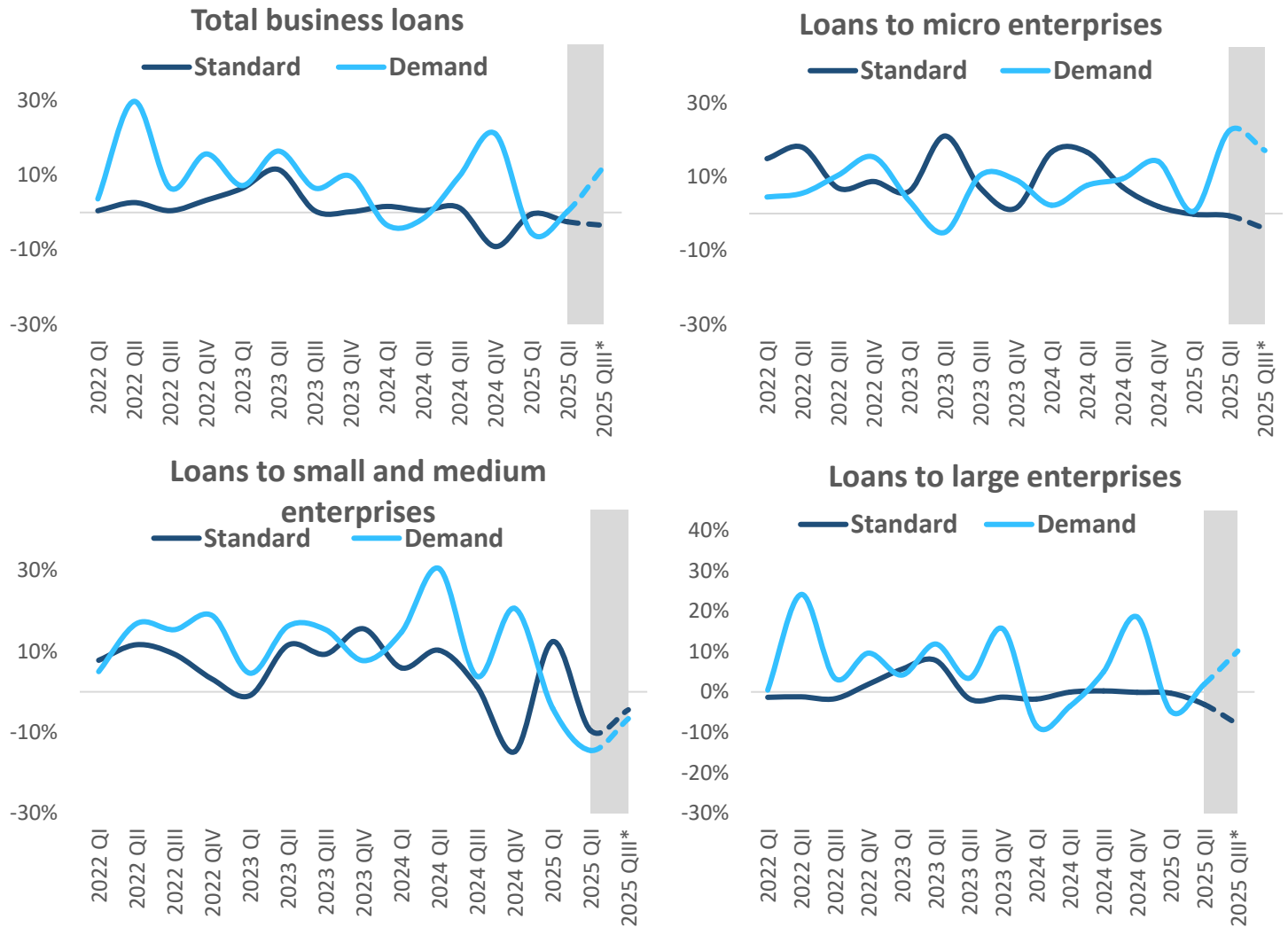
# Sectoral analysis of loans

## Business loans

According to the survey, there were no changes in the standards for business loans in Q2 2025. Banks believe that there will be no considerable changes in business loans standards.

Chart 1. Dynamics of changes in standards and demand for business loans

Diffusion Index: positive = softening or increase, negative = tightening or decrease

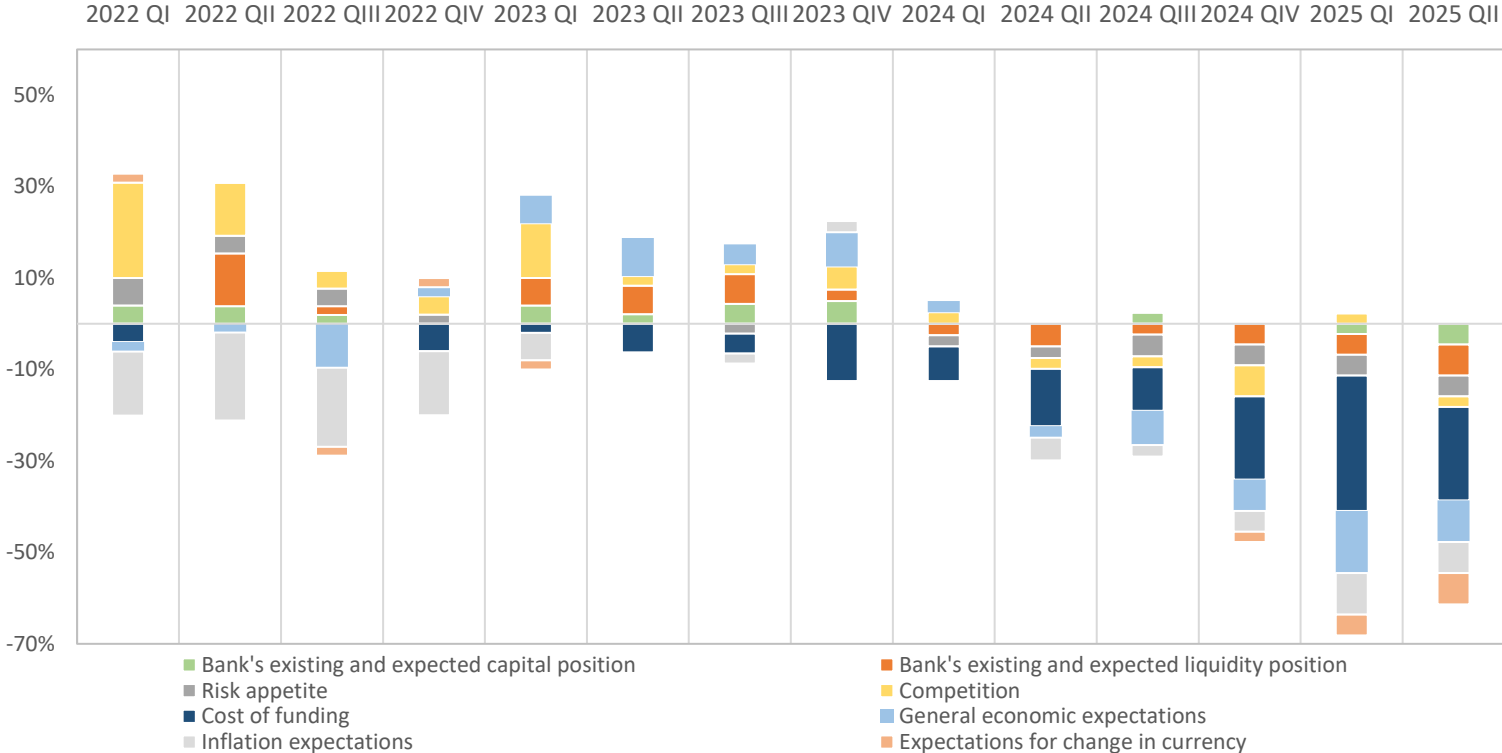


- The \* sign indicates that the data is a forecast.

The survey suggests that, although there was no significant change in the overall demand for business loans in Q2 2025, demand for microloans increased. Based on the information provided by banks, sales campaigns carried out by several banks for microloans were the main factor contributing to the rise in demand for microloans. Banks expect an increase in overall business loan demand, including both micro and large-scale enterprises, in the next quarter.

Chart 2. Factors affecting credit standards for business loans

(Diffusion Index: positive = softening, negative = tightening)

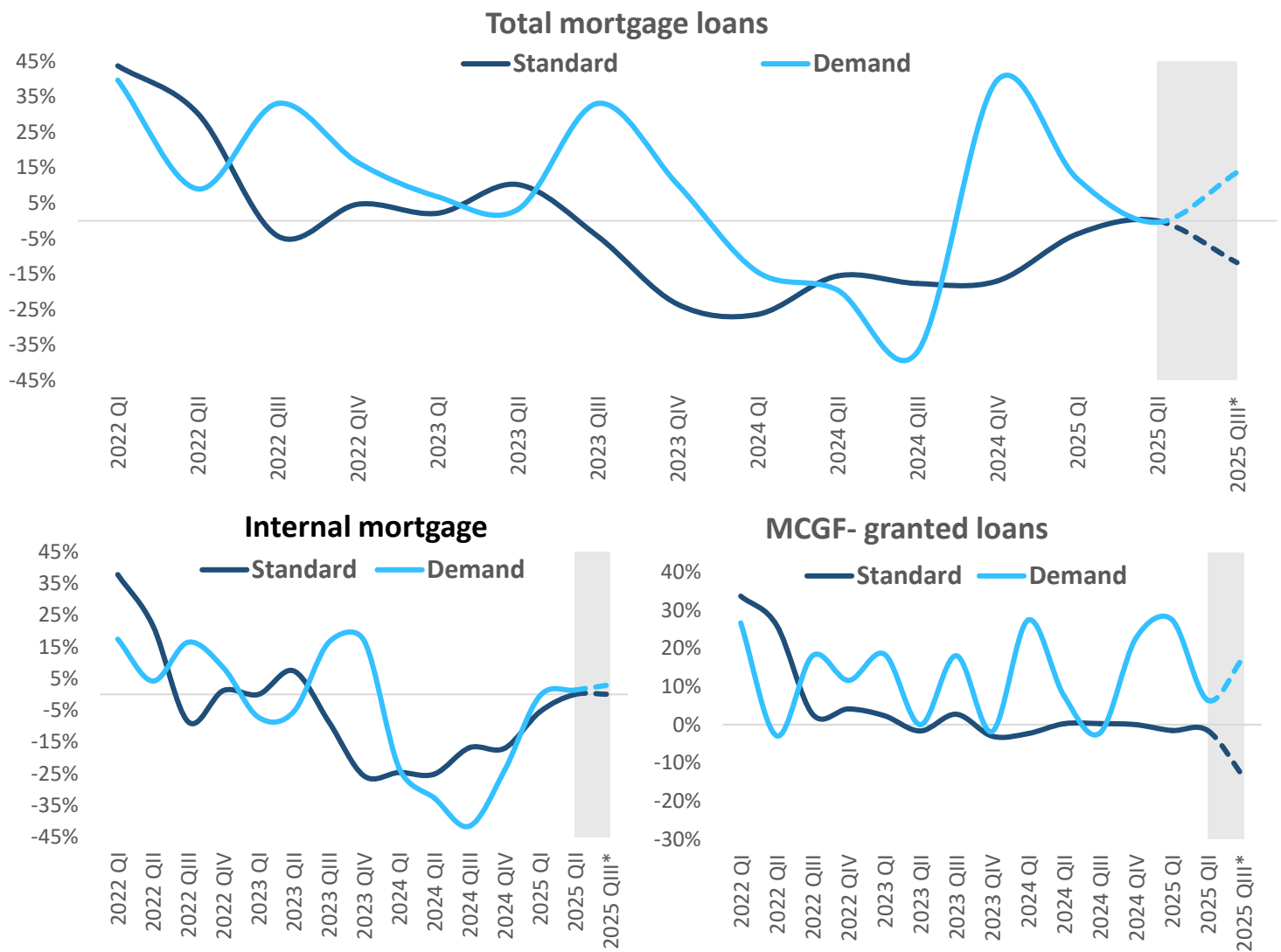


## Mortgage loans

According to the survey results for Q2 2025, there were no significant changes in the standards for either internal loans or those provided through the MCGF. Banks expect a tightening of lending standards for mortgage loans in general, including those issued through the MCGF, in the next quarter. Based on the information from respondents, the reason for the expected tightening of standards on MCGF-financed loans in the next quarter is a series of amendments made by the Management Board of the Fund to the 'Regulations on the evaluation, formalization, and servicing of mortgage loans issued at the expense of the Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan,' which will come into effect on 1 July 2025.

*Chart 3. Changes in credit standards and in demand for mortgage loans*

*(Diffusion Index: positive = softening or increase, negative = tightening or decrease)*

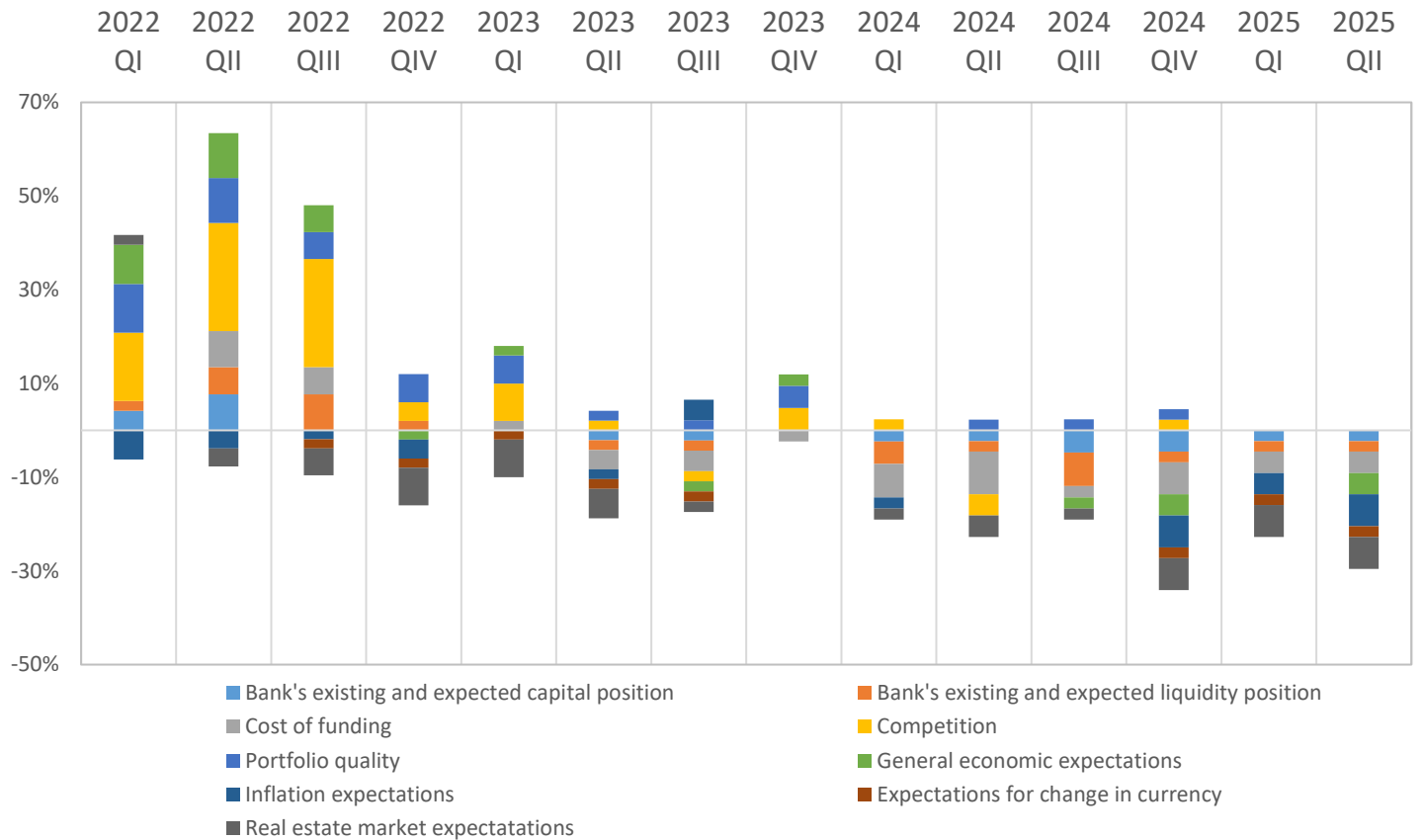


- The \* sign indicates that the data is a forecast.

The Survey suggests that there were no changes in the overall demand for mortgage loans in Q2 2025. Banks forecast an increase in demand for overall mortgage loans, including those financed through the MCGF in the next quarter. Based on the information from banks, the main factor expected to drive the increase in demand in the next quarter is the anticipated allocation of limits to banks by the MCGF in Q3 2025.

*Chart 4. Factors affecting credit standards for mortgage loans*

(Diffusion Index: positive = softening, negative = tightening)

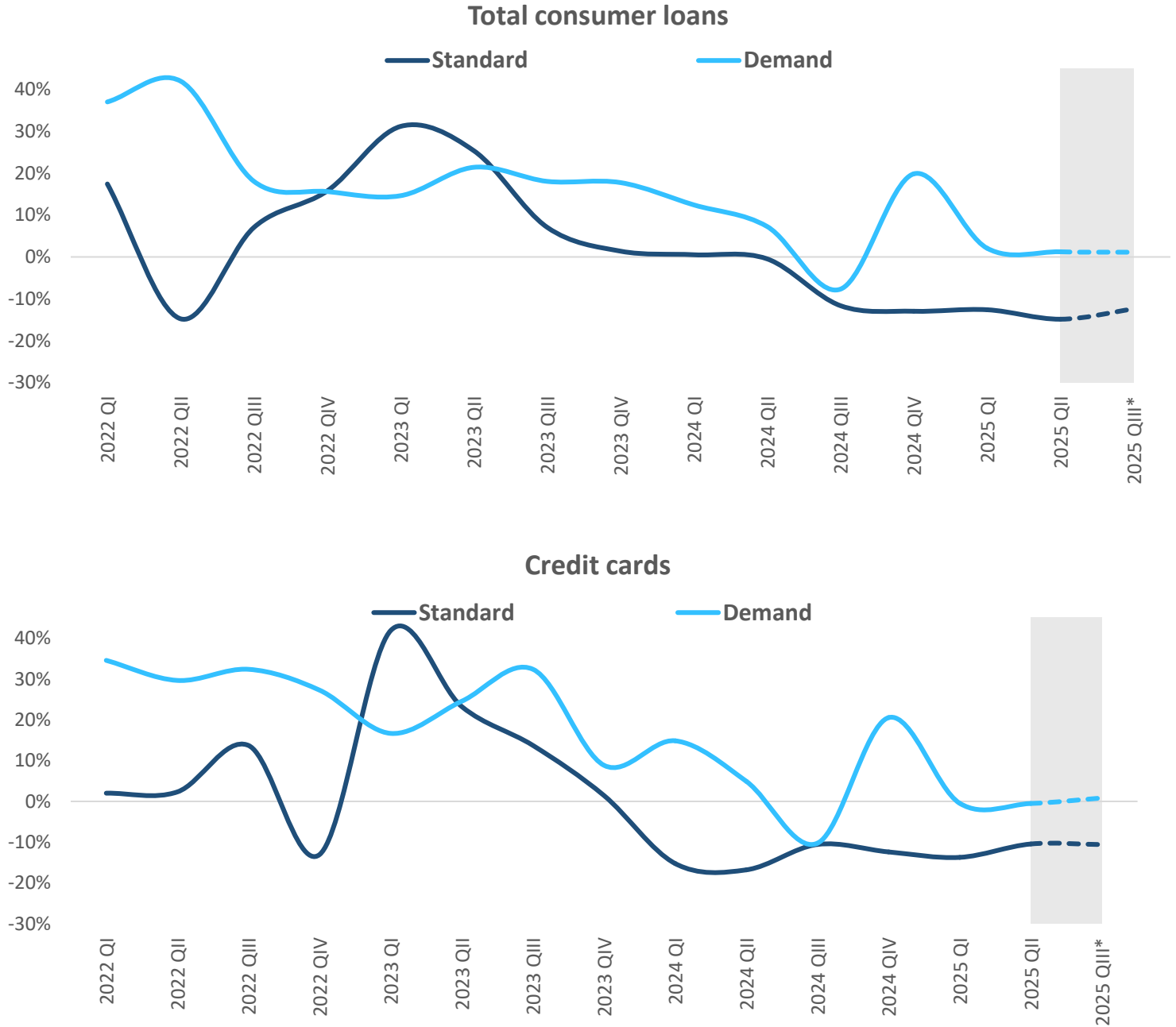


## Consumer loans

According to the survey results, in Q2 2025, the tightening of credit standards for total consumer loans, including credit cards, continued. Consumer loan standards were tightened in the form of increases in loan costs and commission fees. Respondents forecast that the tightening of standards for consumer loans in general, including credit cards, will continue in the next quarter.

*Chart 5. Change in credit standards and demand for consumer loans*

*(Diffusion Index: positive = softening or increase, negative = tightening or decrease)*



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

According to the survey results, there was no change in the demand for consumer loans in general, including credit cards. Banks forecast that there will be no change in demand for overall consumer loans, including credit cards, in the next quarter.

*Chart 6. Factors affecting credit standards for consumer loans*

*(Diffusion Index: positive = softening, negative = tightening)*

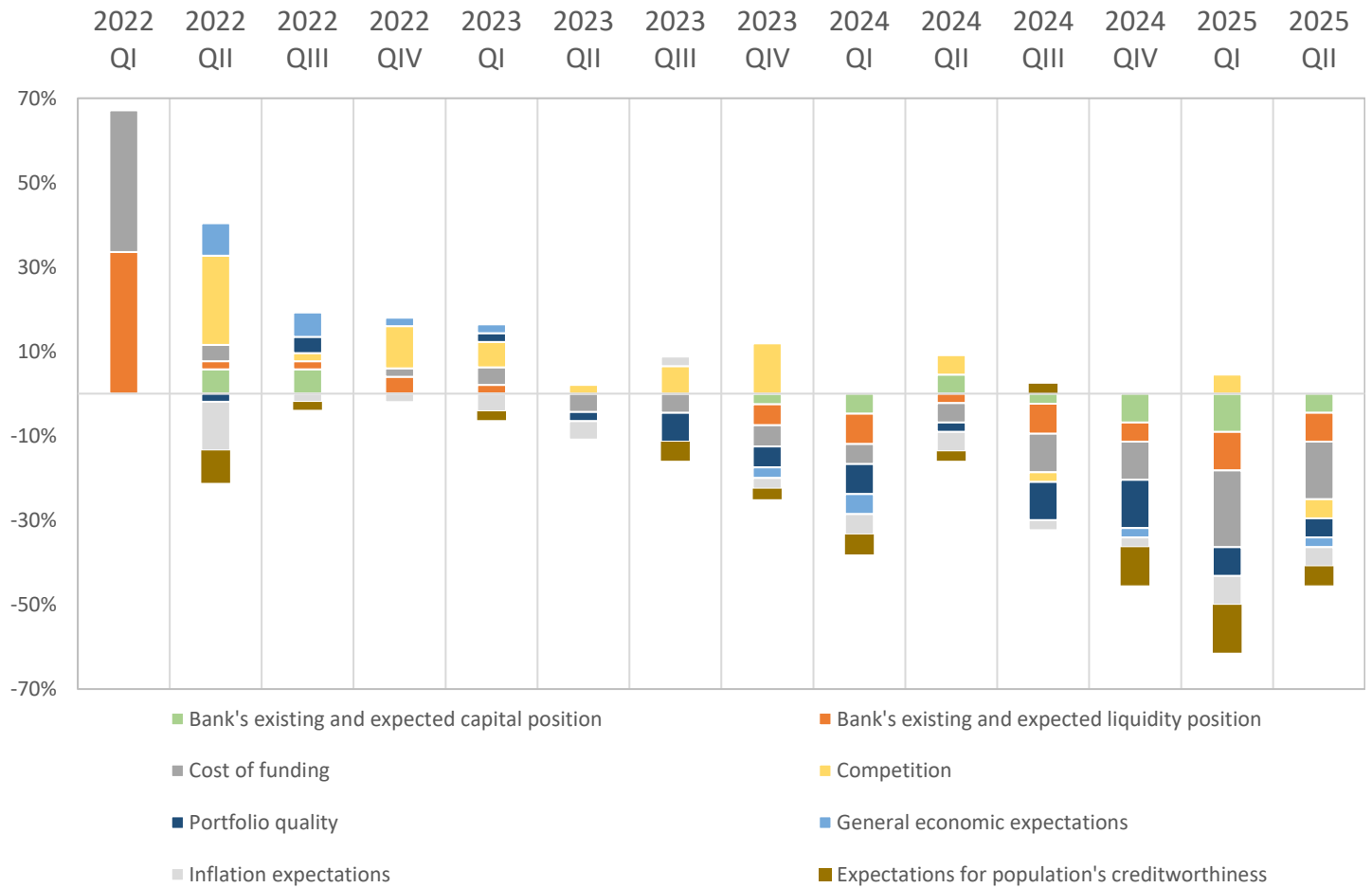


Chart 7. Population debt diffusion index

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

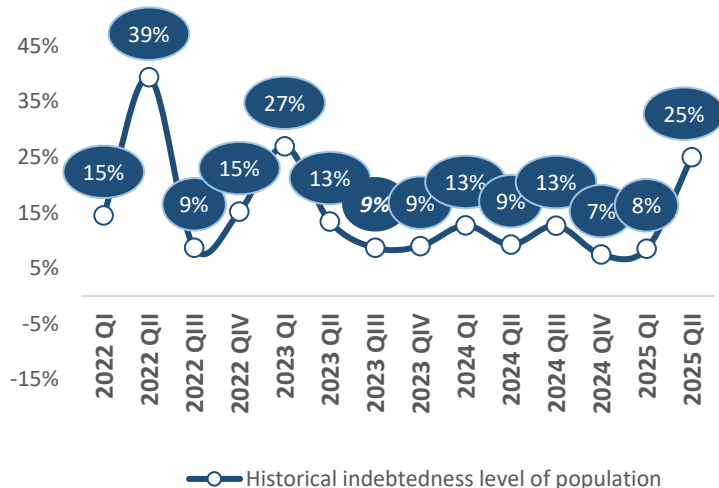
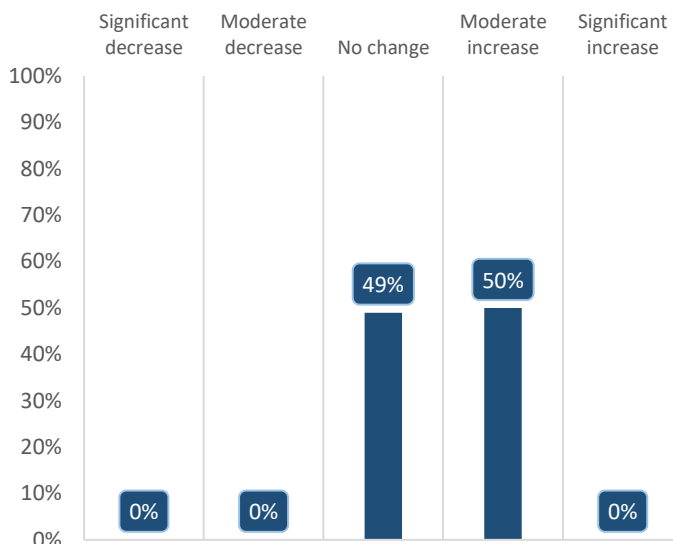


Chart 8. Changes in population debt levels: past quarter



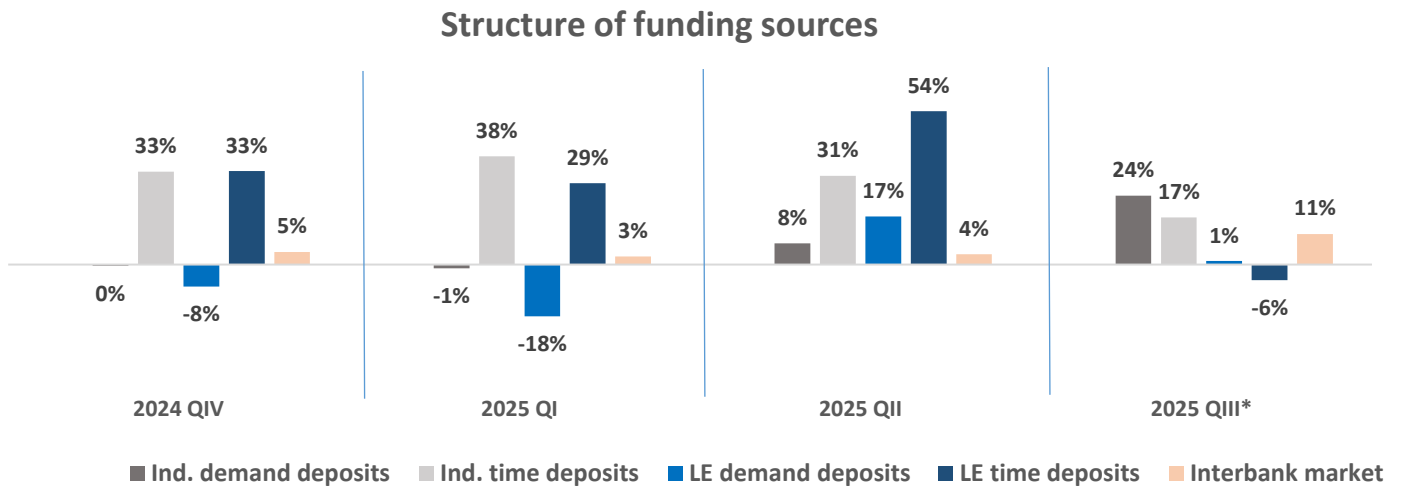
According to the results of the survey on lending activity and funding sources for Q2 2025, 49% of banks by market share reported no change in household borrowing levels, while 50% indicated a moderate increase. Consequently, the diffusion index for Q2 2025 stood at 25%, which reflects an upward trend in the dynamics of household borrowing levels.

## Funding

The Survey suggests that, in Q2 2025, the share of term deposits of legal entities and individuals in the structure of banks' funding sources increased. Based on banks' responses, while there was no significant change in funding through demand deposits of individuals, funding through demand deposits of legal entities increased. Respondents predict that in the next quarter, funding through both term and demand deposits of individuals, as well as through the interbank market, will increase, while term deposits of legal entities are expected to decline. Deposit growth was driven by banks' market share targets and deposit interest rates.

Chart 9. Structure of funding sources

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



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

Chart 10. Factors affecting the cost of funding

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

