



**CENTRAL BANK**  
OF THE REPUBLIC OF AZERBAIJAN

**FINANCIAL STABILITY DEPARTMENT**

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

**Q1  
2026**

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## 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 Q1 2026 survey results, although standards for the overall business portfolio did not change, demand for business loans decreased due to seasonal factors. Respondents predict an increase in demand for all three business portfolio segments (large, SME, and micro) in the next quarter.

According to the survey results, there were no significant changes in standards or demand for general consumer loans in the first quarter of this year. Banks predict that standards for general consumer loans will ease and demand will increase in the next quarter.

The survey results from the first quarter of 2026 indicate that mortgage loan standards remained unchanged. However, according to banks, demand for mortgage loans decreased in the first quarter of this year. Respondents predict that standards will remain unchanged in the next quarter while demand for loans will increase.

Survey respondents reported an increase in the proportion of individuals' term deposits among funding sources. An increase in funding through the interbank market was noted in the first 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.

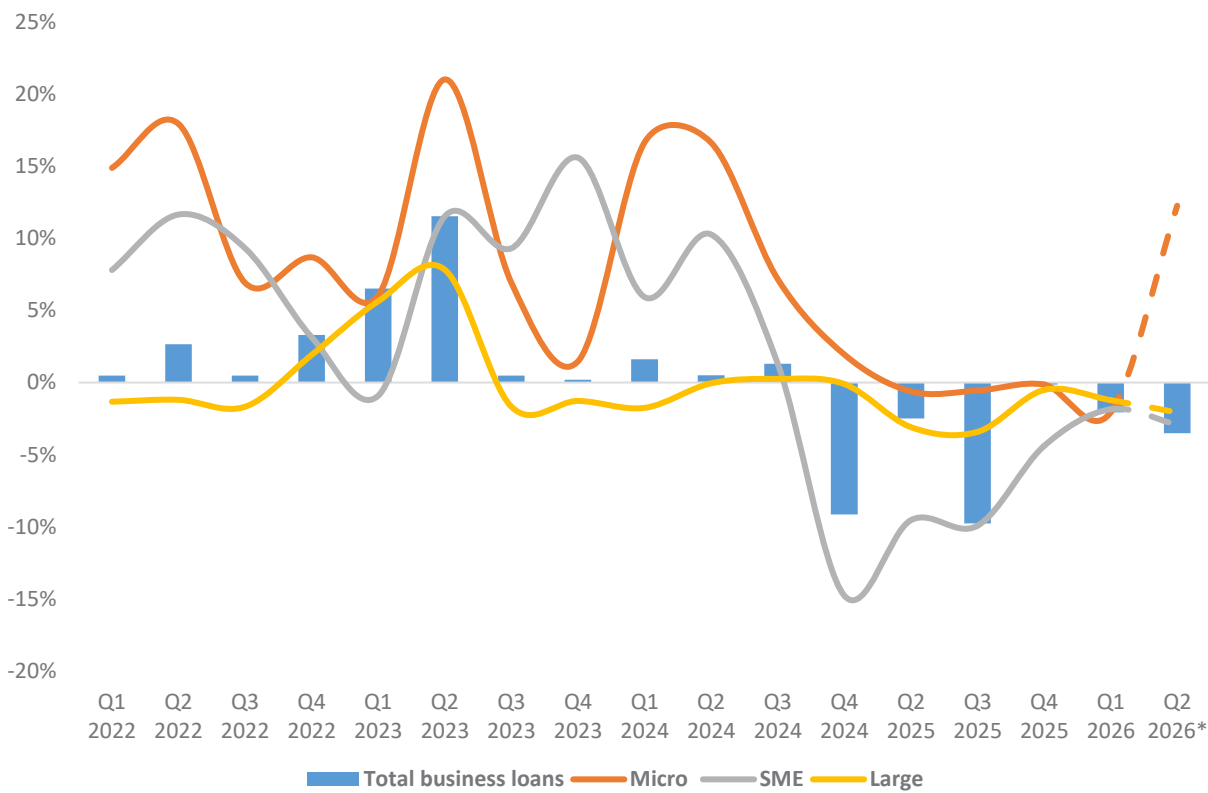
# Sectoral analysis of loans

## Business loans

The survey results showed that credit standards remained unchanged for all three segments of the business portfolio in Q1 2026. Based on information from banks, standards for business loans did not change compared to the previous quarter. Banks predict that standards for microloans will relax in the next quarter.

*Chart 1. Dynamics of changes in standards for business loans*

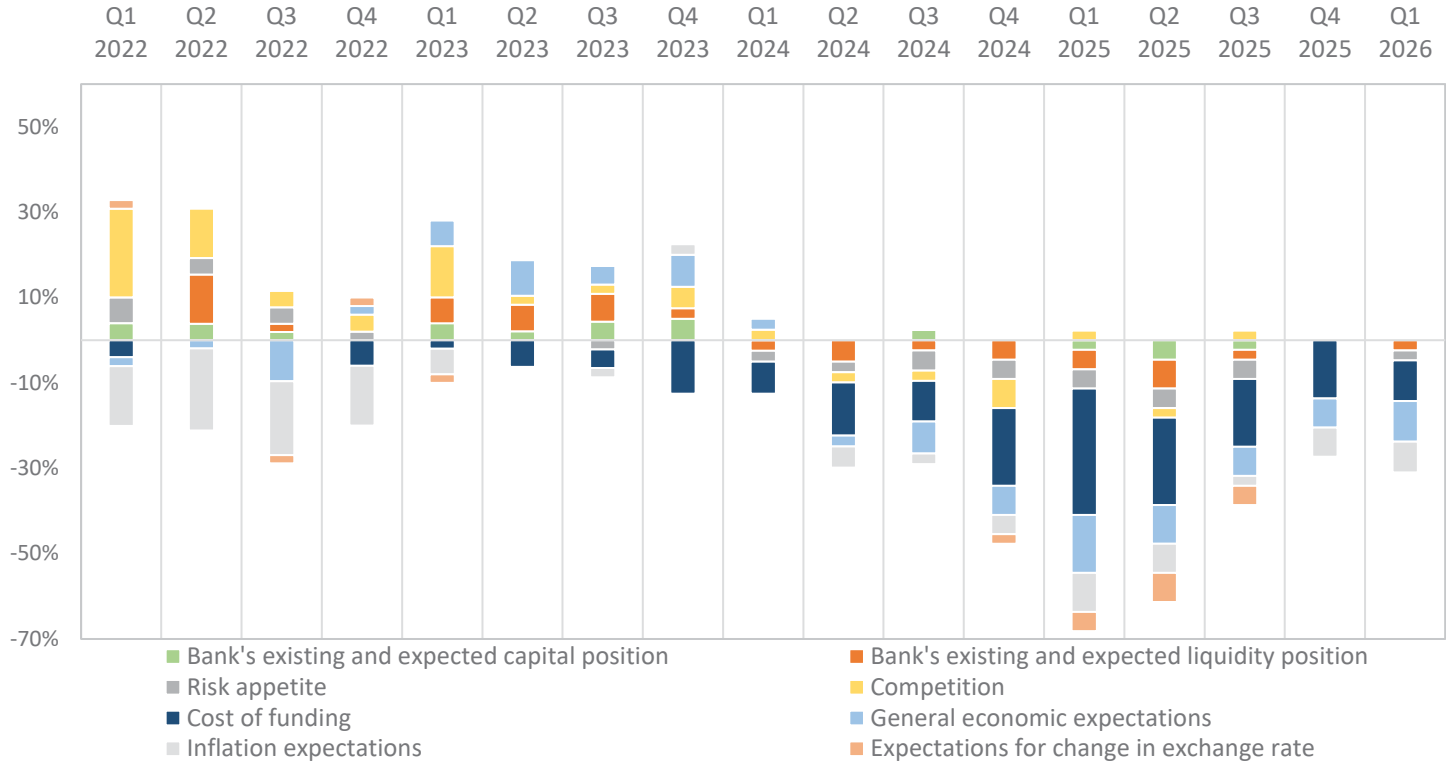
*Diffusion Index: positive = softening, negative = tightening*



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

**Chart 2. Factors affecting credit standards for business loans**

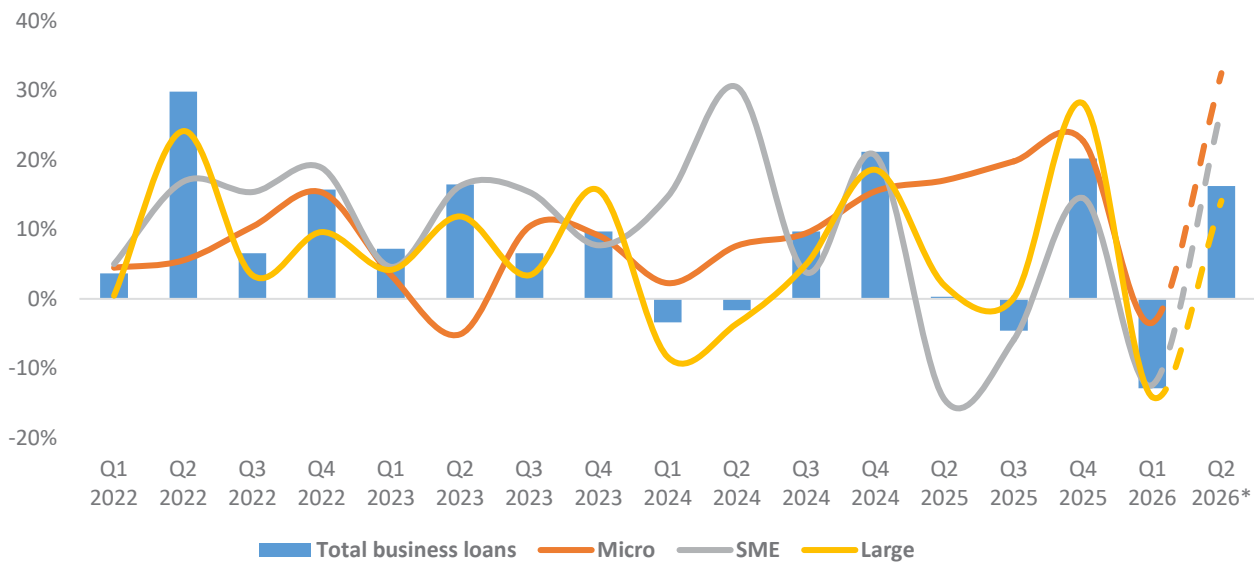
Diffusion Index: positive = softening, negative = tightening



According to the survey results, loan demand decreased across all business segments in the first quarter of this year due to seasonal factors. Banks predict an increase in demand for loans to MSMEs and large businesses in the next quarter.

**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.

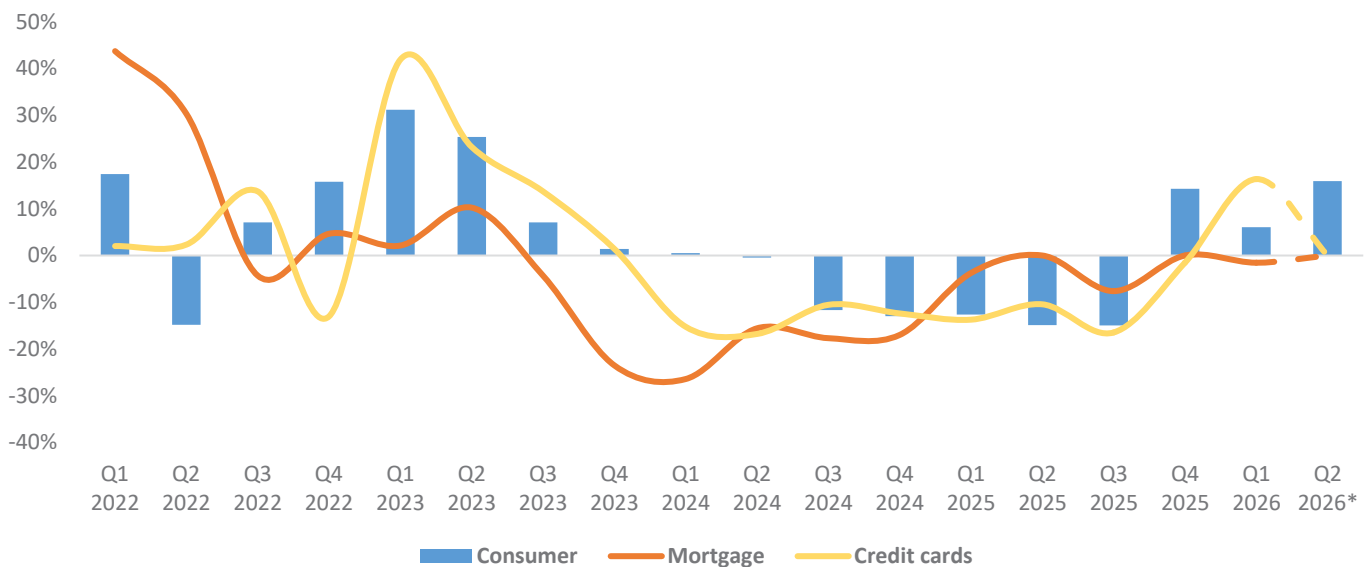
## Consumer and mortgage loans

According to the first quarter 2026 survey results, no significant changes were observed in consumer credit standards. However, banks predict that these standards will ease in the next quarter.

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

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

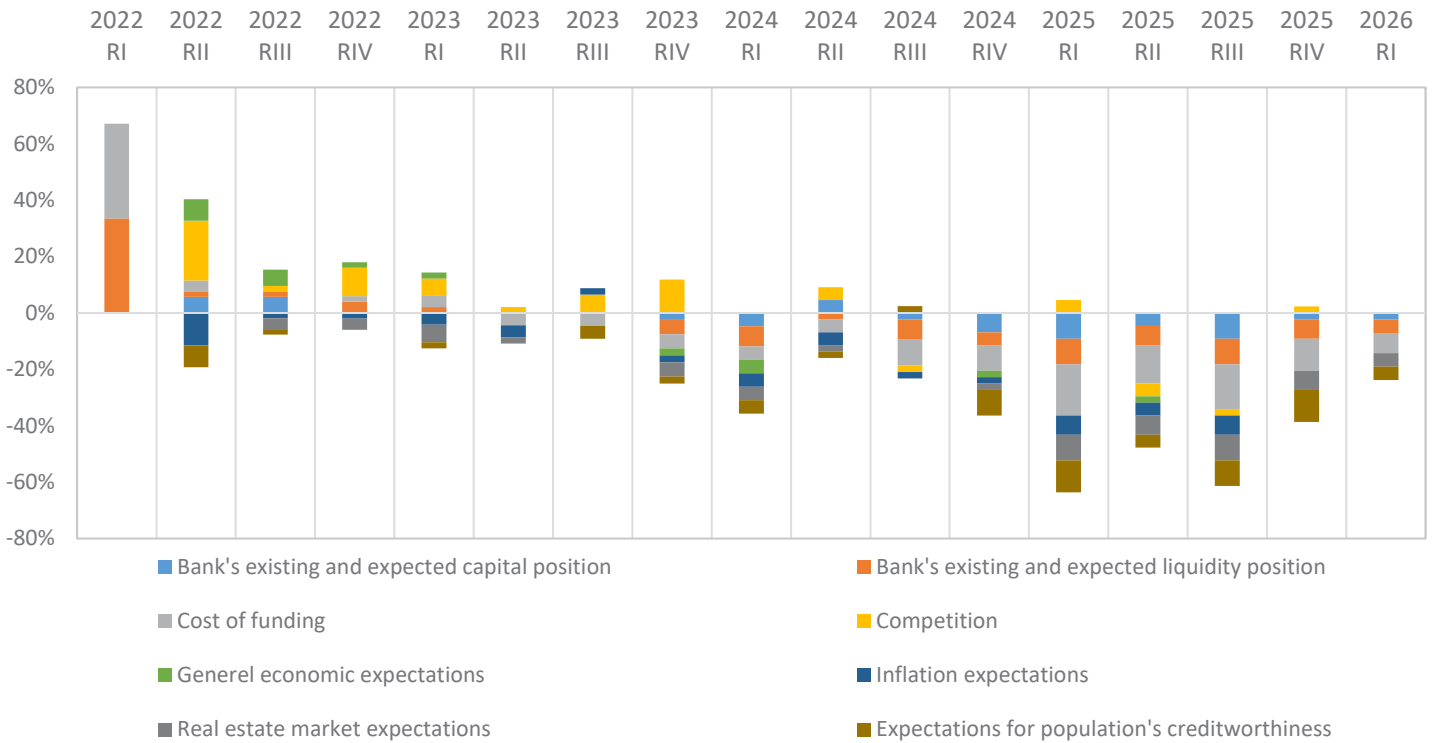
*Diffusion Index: positive = softening, negative = tightening*



*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*

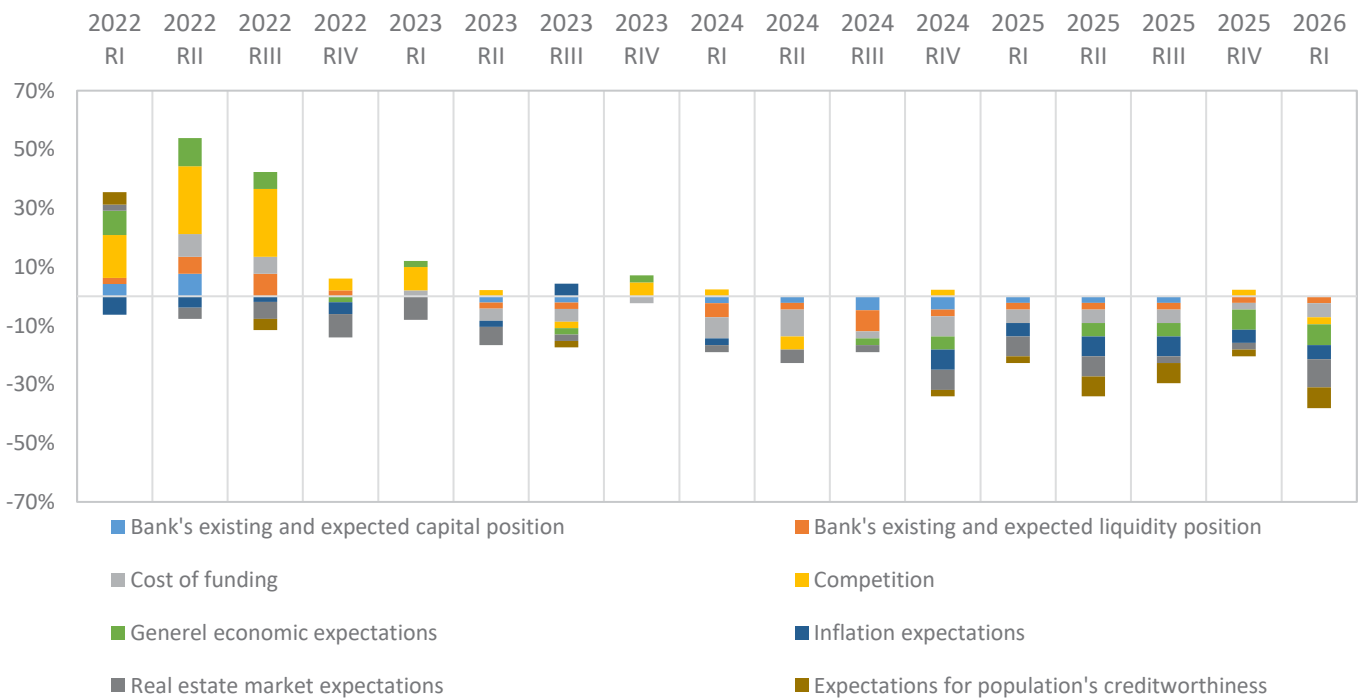
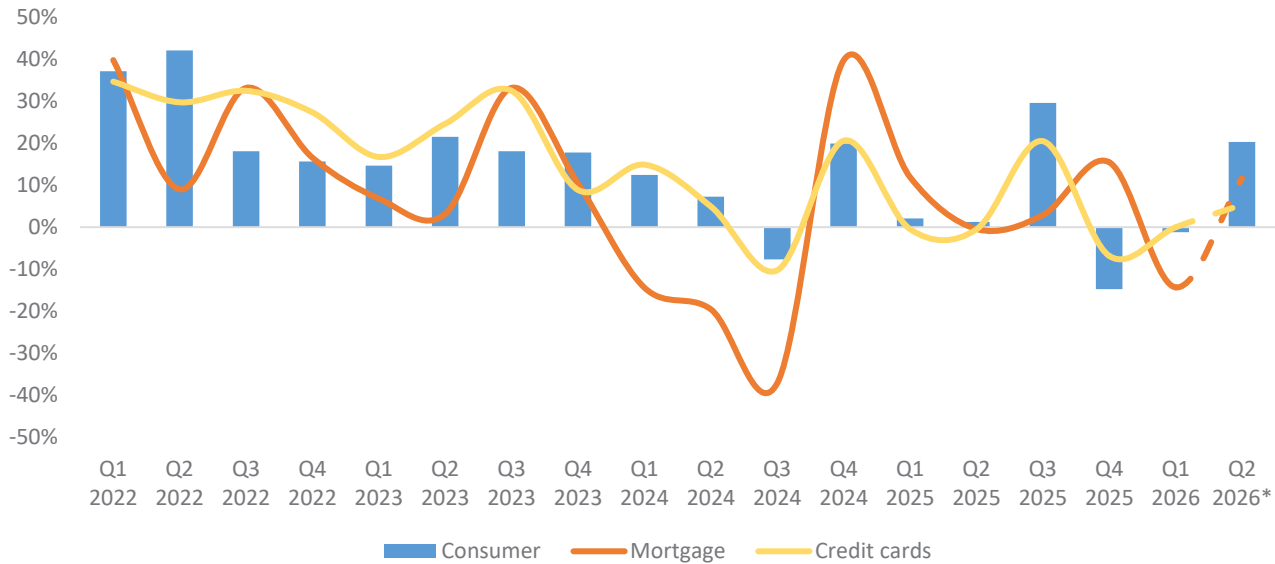


Chart 7. Dynamics of the change in demand for consumer (including credit cards) and mortgage loans

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



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

According to data obtained from banks, demand for credit cards decreased in the first quarter of 2026. However, demand for general consumer loans remained unchanged. Banks expect demand for general consumer loans to increase in the next quarter.

According to the survey results, demand for mortgage loans decreased in the first quarter of 2026. Information from banks indicates that demand for both domestic mortgages and MCGF-granted loans decreased. Banks predict an increase in demand for mortgage loans in the next quarter. They stated that the increase will be due to loans granted through the MCGF.

Chart 8. Population historical debt diffusion index

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

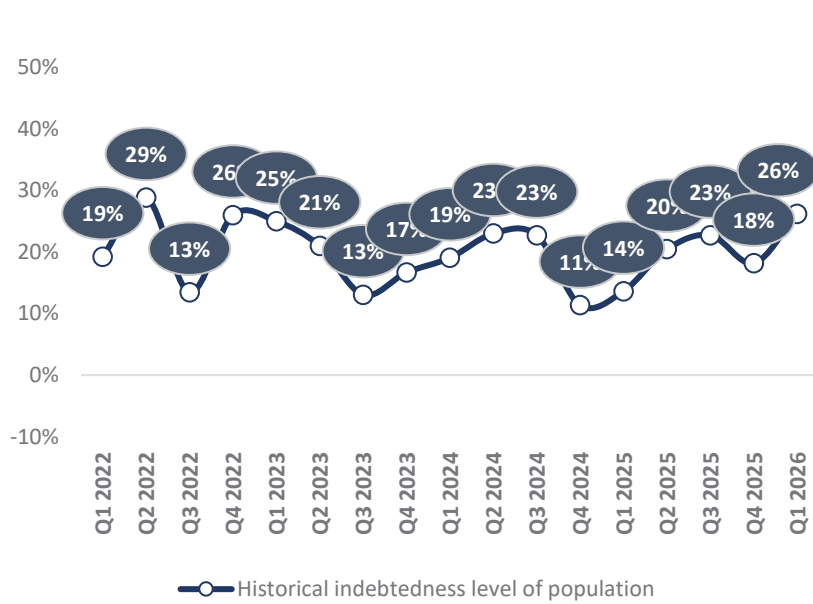
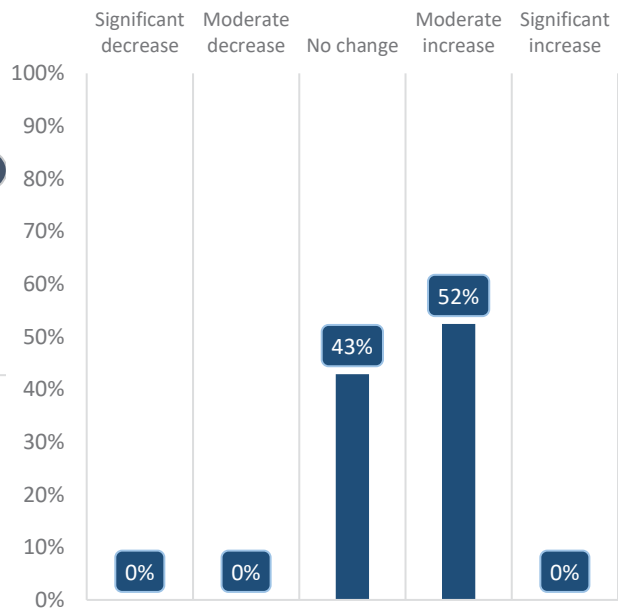


Chart 9. Changes in population debt levels: past quarter



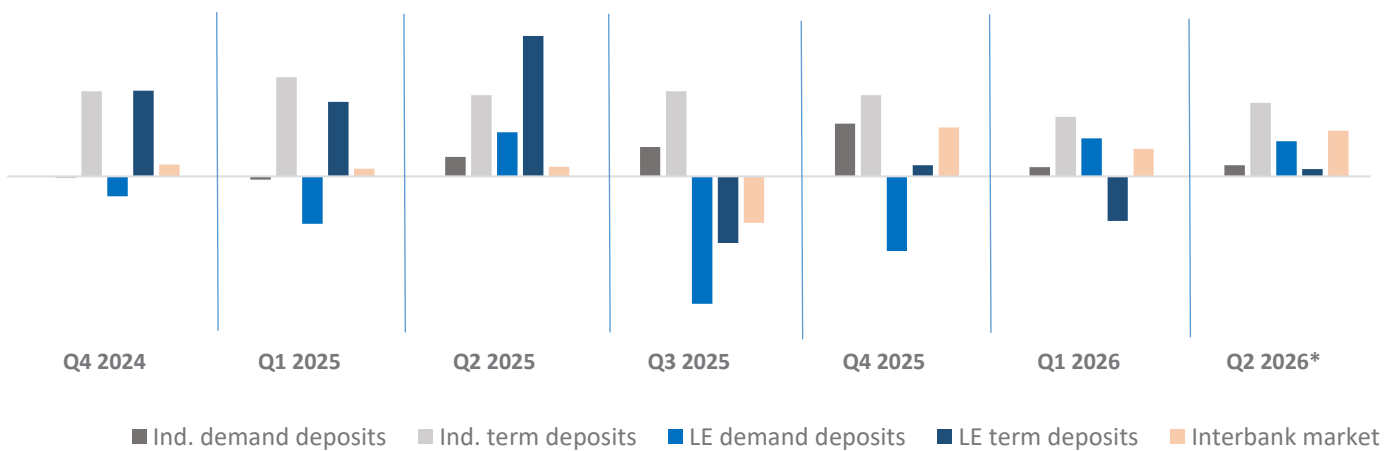
According to the survey results from the first quarter of this year, 43% of banks reported no change in the level of population borrowing, while 52% reported a moderate increase. Consequently, the diffusion index calculated based on the number of banks for the first quarter of 2026 was 26%. This indicates an increase in population borrowing compared to the previous quarter.

## Funding

According to the survey results, the proportion of individuals' term deposits in banks' funding structures increased in the first quarter of 2026. Banks reported an increase in funding through the interbank market. Respondents predict an increase in term and demand deposits of individuals, including funding through the interbank market, in the next quarter. According to the survey results, banks' targets related to the funding structure and market share, as well as deposit interest rates were the key factors driving the increase in the size of deposits.

**Chart 10. Structure of funding sources**

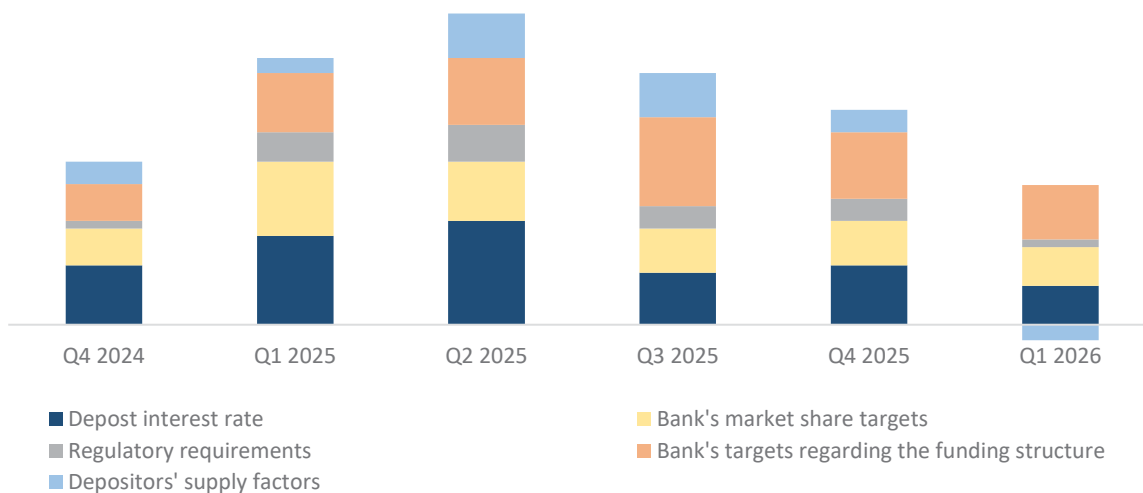
(Diffusion index: positive = increase, negative = decrease)



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 first quarter of 2026 were changes in the regulatory framework, their liquidity position, their funding structure, and interest rates.

*Chart 12. Factors affecting the cost of funding*

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

