



AZƏRBAYCAN RESPUBLİKASININ
MƏRKƏZİ BANKI

CREDIT CONDITIONS AND FUNDING SOURCES SURVEY RESULTS

Q3

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

Contents

Introduction.....1

Summary of survey findings.....2

Business loans.....3

Consumer and mortgage loans5

Funding.....9

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 market share 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

Based on the findings of the survey for Q3 2025, although lending standards for SME loans have tightened, there was no change in overall demand for business loans. Banks expect that in the next quarter, lending standards for general business loans will ease, while demand is likely to increase.

According to the survey, mortgage lending standards slightly tightened. Based on respondents' answers, overall demand for mortgage loans remained unchanged in Q3 2025. Banks anticipate no changes in mortgage lending standards in the next quarter and do not expect any significant shifts in overall mortgage loan demand. Additionally, in Q3 2025, the tightening of standards for consumer loans, including credit cards, continued. Nevertheless, respondents reported an increase in demand for consumer loans during the third quarter. Survey participants expect no changes in standards or overall demand for consumer loans in the next quarter, while demand for credit cards is expected to decline.

Respondents also noted changes in the structure of funding sources, reporting an increase in the share of deposits of individuals and a decrease in the share of deposits of legal entities. Banks anticipate that in the next quarter, the volume of both term and demand deposits from households and legal entities, as well as interbank market funding, will increase. Survey results indicate that banks' funding structure targets and deposit interest rates remain key factors influencing the growth of deposit amounts.

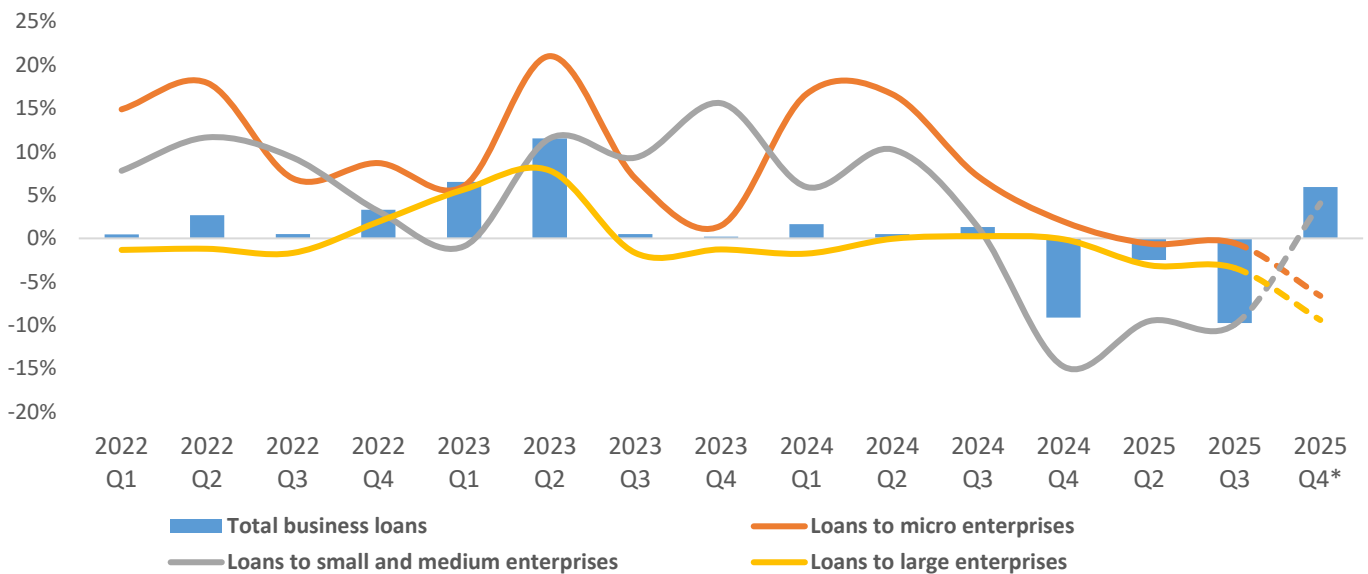
Sectoral analysis of loans

Business loans

Based on the survey results, in Q3 2025, standards were tightened for business loans, against the backdrop of stricter standards applied to SME loans. According to information obtained from banks, the tightening of standards for business loans primarily took the form of an increase in the cost of lending.

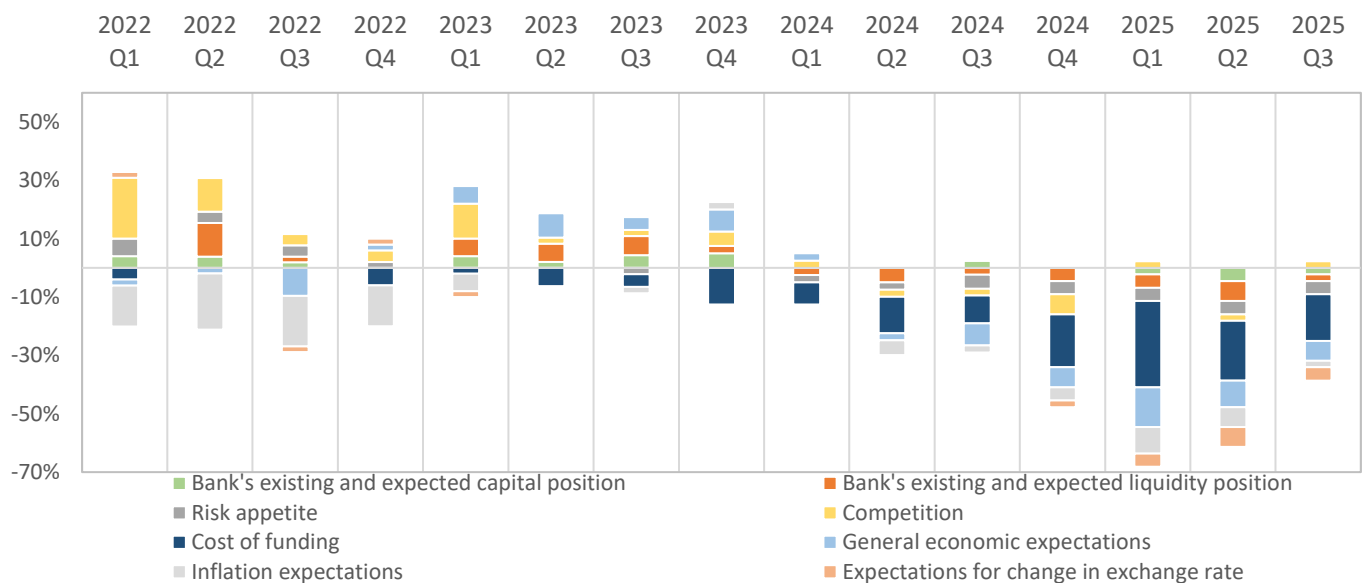
Chart 1. Dynamics of changes in standards for business loans

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



The * sign indicates that the data is a forecast.

Chart 2. Factors affecting credit standards for business loans

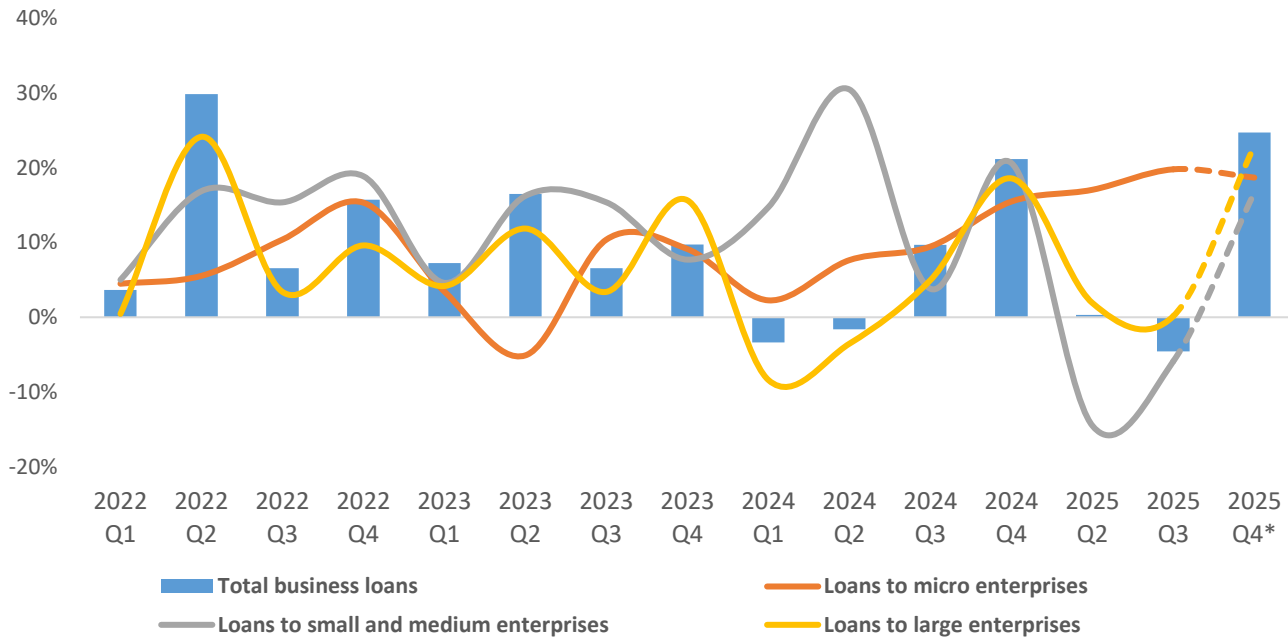


Banks expect the standards to be eased for overall business loans in the next quarter. According to banks' responses, the easing of standards will mainly apply to SME loans.

Based on information obtained from banks, in Q3 2025, there was no change in demand for total business loans; however, demand for loans to micro-entities increased, while demand for SME loans decreased. Banks expect the demand across all three portfolios to rise in the next quarter.

Chart 3. Dynamics of changes in business loans

Diffusion index: positive indicator= increase, negative indicator = decrease



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

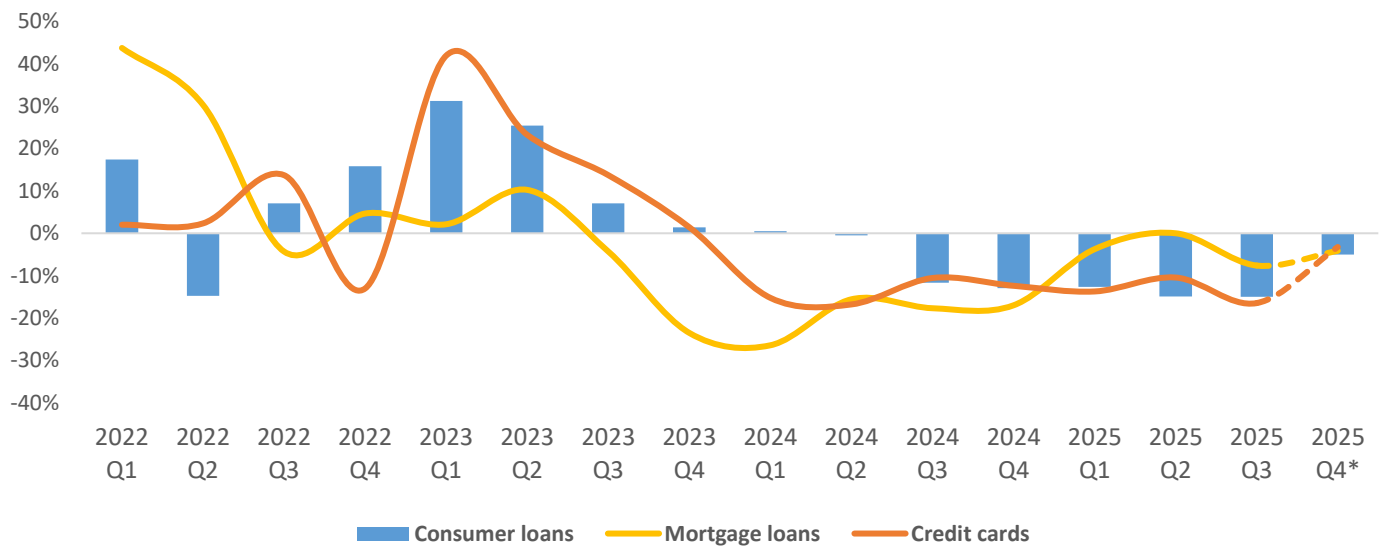
Consumer and mortgage loans

Based on the results of the survey for Q3 2025, standards for consumer loans, including credit cards were tightened. According to information obtained from banks, the tightening of standards for consumer loans was mainly due to an increase in the cost of lending. Banks attributed the tightening of standards for credit cards to changes made to the regulatory framework. Banks expect no change in credit standards for overall consumer loans, including credit cards, in the next quarter.

Based on information obtained from banks, standards for mortgage loans were slightly tightened. Banks believe that there will be no change in standards for mortgage loans 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

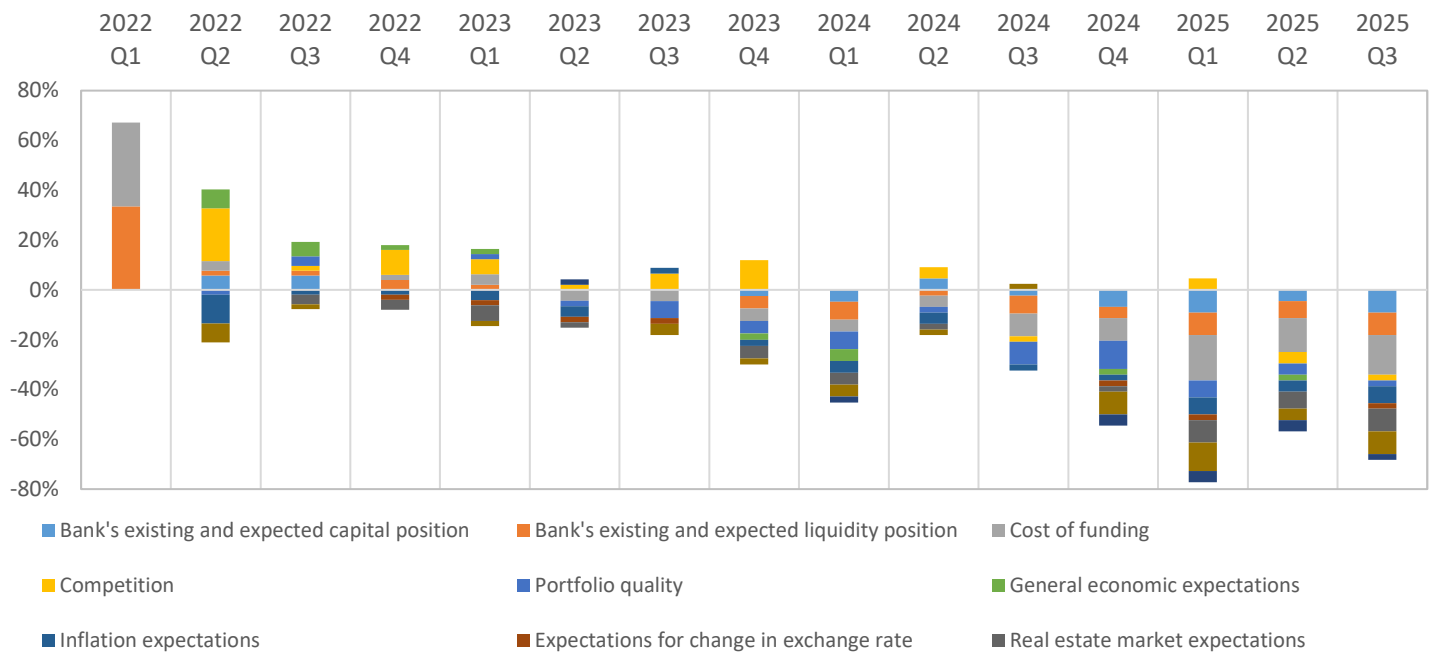


Chart 6. Factors affecting credit standards for mortgage loans

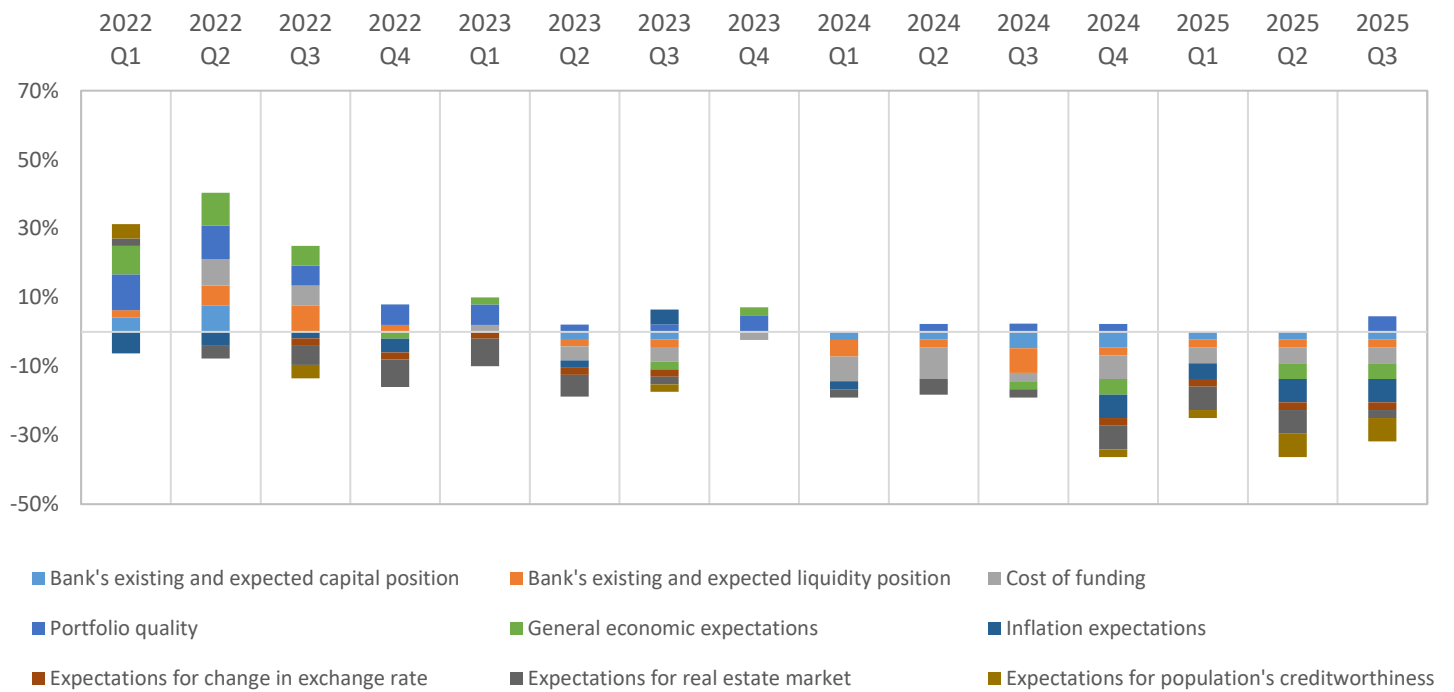
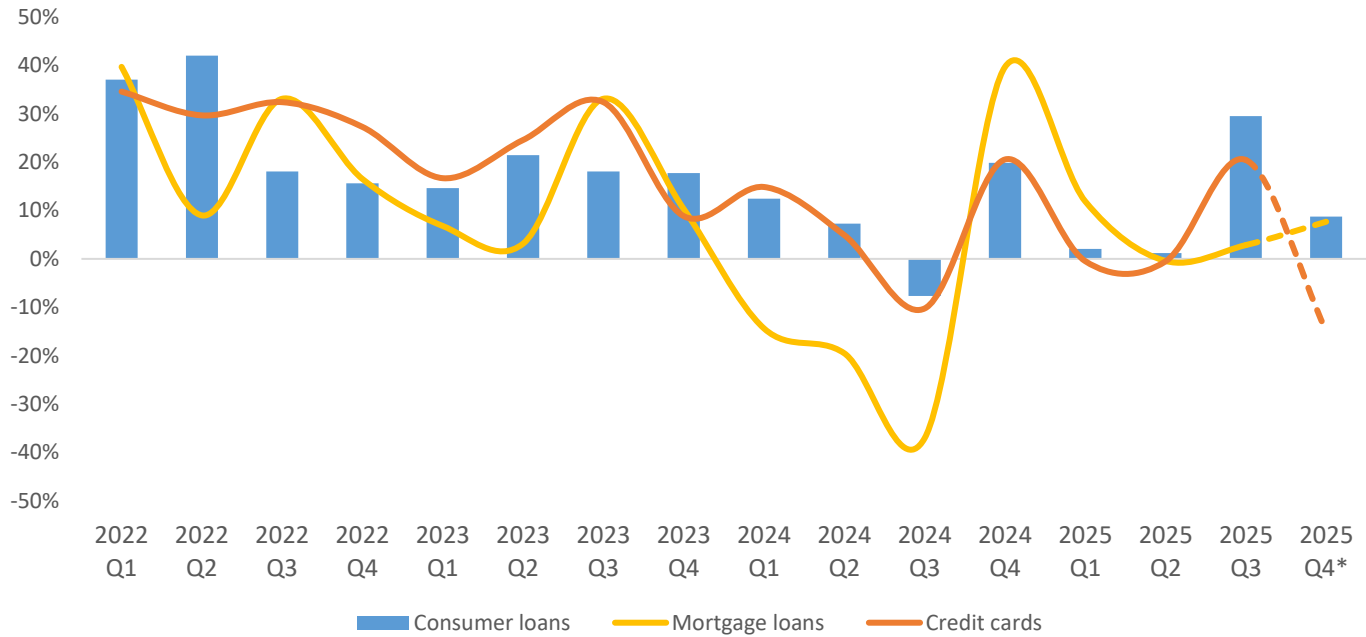


Chart 7. Dynamics of the change in demand for consumer (including credit cards) and mortgage loans

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



The * sign indicates that the data is a forecast.

Based on information obtained from banks, in Q3 2025, demand for overall consumer loans, including credit cards, increased. Banks associated the increase in demand for consumer loans with rising household incomes. Banks forecast that in the next quarter there will be no change in demand for overall consumer loans, while demand for credit cards is expected to decline.

According to the survey results, there was no change in demand for mortgage loans in Q3 2025. Banks also forecast no significant change in demand for mortgage loans in the next quarter

Chart 8. Population historical debt diffusion index

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

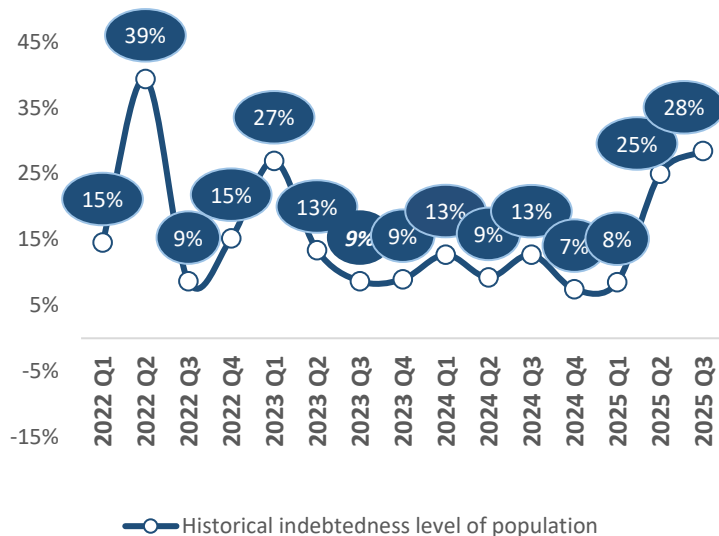
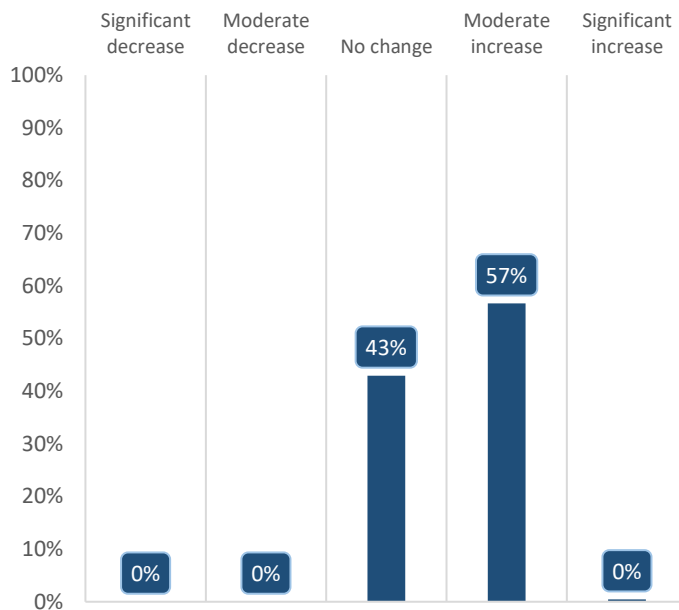


Chart 9. Changes in population debt levels: past quarter



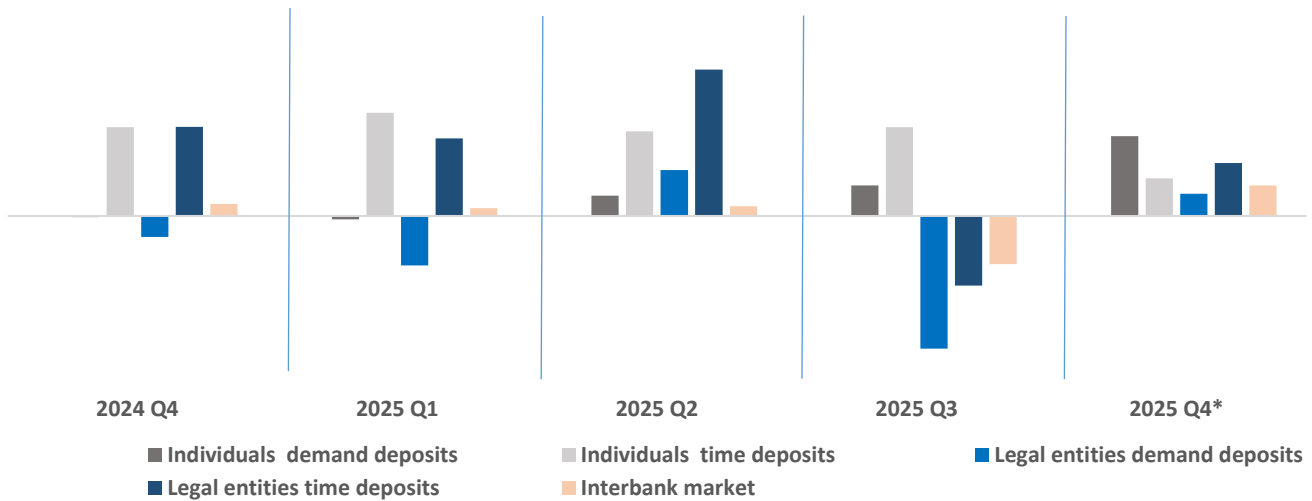
43% of banks by market share reported no change in household borrowing levels, while 57% indicated a moderate increase. Consequently, the diffusion index for Q3 2025 stood at 28%, attributable to an upward trend in the dynamics of household borrowing levels.

Funding

Based on the results of the survey, in Q3 2025 the share of deposits of individuals increased, while those of legal entities decreased in the structure of banks' funding sources. According to banks' responses, funding through the interbank market decreased. Respondents expect term and demand deposits of individuals and legal entities, including funding through the interbank market to increase in the next quarter. According to the survey results, banks' targets related to the funding structure and deposit rates were the key factors driving the increase in the size of deposits.

Chart 10. Structure of funding sources

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



The * sign indicates that the data is a forecast.

Chart 11. Factors affecting the amount of deposits

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

