

FINANCIAL STABILITY DEPARTMENT

CREDIT CONDITIONS AND FUNDING SOURCES SURVEY RESULTS

Q4
2025

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

Based on the findings of the survey for Q4 2025, there was no change in overall business lending standards last quarter. However, demand for loans increased across all business portfolio segments. Banks expect demand for the business portfolio to decrease in the next quarter due to seasonal factors.

According to the survey results, no changes were observed in mortgage loan standards. Respondents reported an increase in demand for general mortgage loans in Q4 2025, against the backdrop of an increase in demand for loans issued at the expense of the MCGF. No significant changes in mortgage loan standards or demand for general mortgage loans are expected in the next quarter. Additionally, a relaxation of consumer loan standards was observed in Q4 2025. However, respondents reported a decrease in demand for consumer loans, including credit cards, in the last quarter of the year. Survey participants expect no changes in standards for general consumer loans, including credit cards, in the next quarter, while demand is expected to decline.

Respondents reported that the proportion of individuals' deposits in the funding source structure increased while the proportion of legal entity deposits decreased. An increase in funding through the interbank market was noted in Q4 2025. Banks expect term and demand deposits of individuals, as well as term deposits of legal entities, to increase in the next quarter, as will the volume of funding through the interbank market.

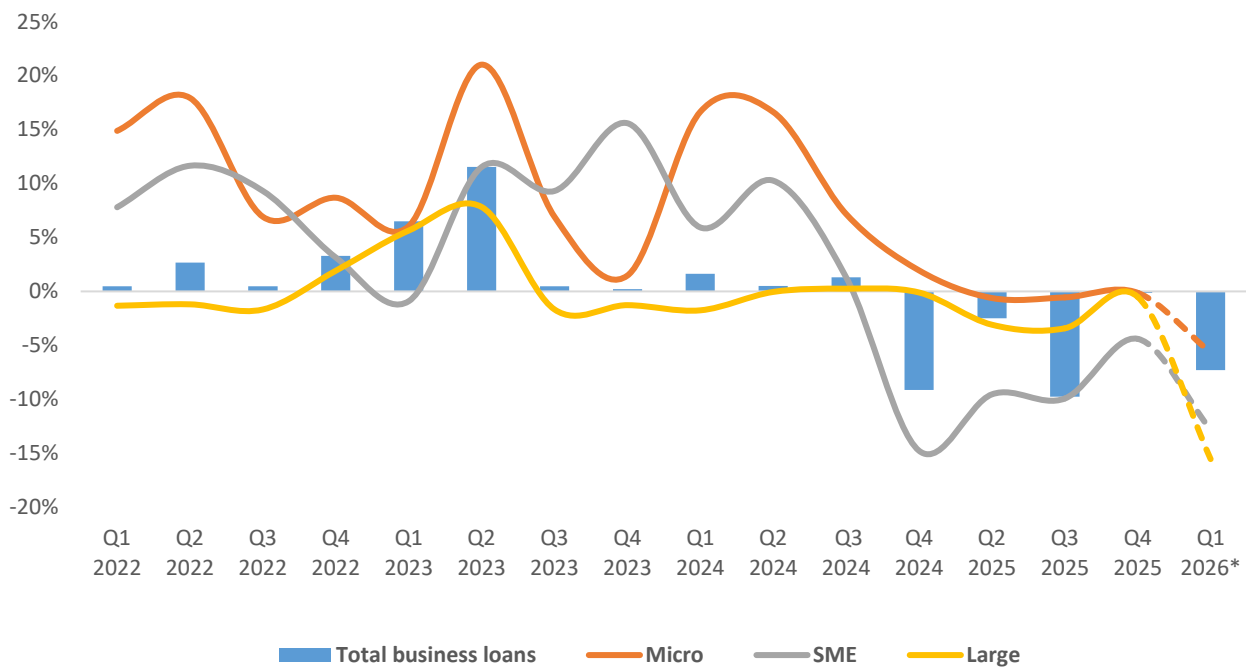
Sectoral analysis of loans

Business loans

According to the survey results, no changes were observed in credit standards across all three segments of the business portfolio in Q4 2025. Banks reported that, although the cost of funding had a tightening effect on credit standards, credit standards for business loans remained unchanged compared to the previous quarter.

Chart 1. Dynamics of changes in standards for business loans

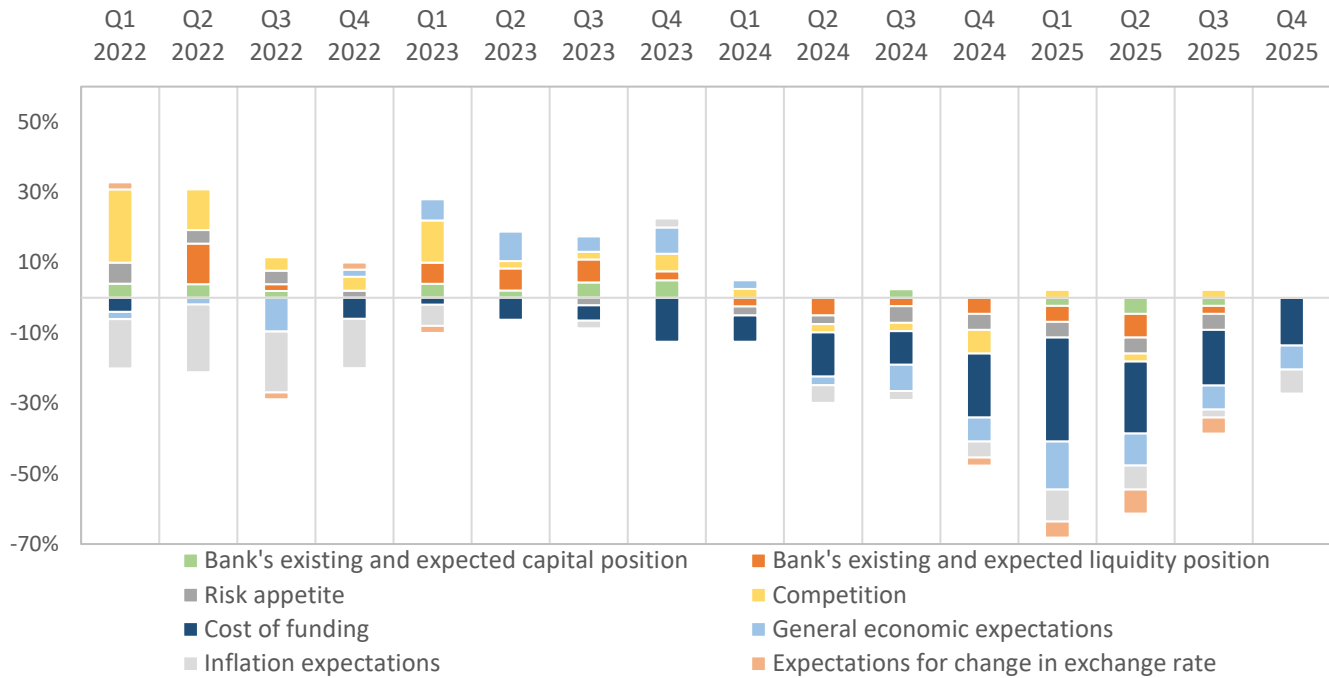
Diffusion Index: positive = softening, negative = tightening



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

Chart 2. Factors affecting credit standards for business loans

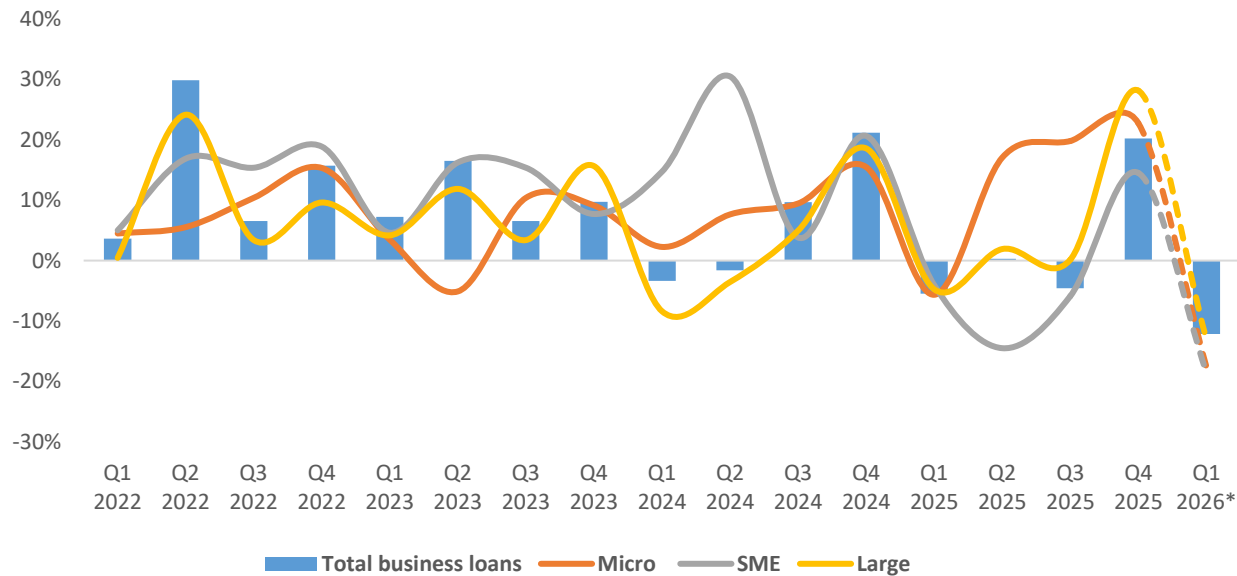
Diffusion Index: positive = softening, negative = tightening



According to data from banks, demand for all business loans, including those for micro, large and SMEs, increased in Q4 2025. Banks expect a decrease in demand for all business portfolio segments in the next quarter. Banks attribute this expected decrease to the low number of working days in the first quarter of 2026.

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.

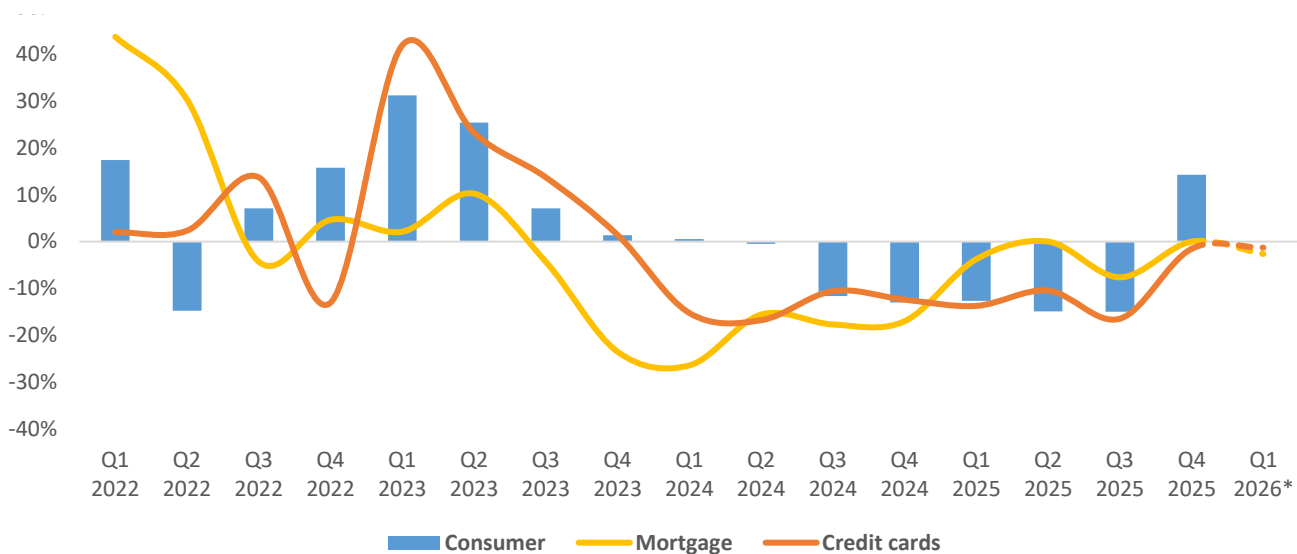
Consumer and mortgage loans

According to the Q4 2025 survey results, standards for consumer loans were relaxed. Based on information received from banks, this relaxation took the form of reduced interest rates on loans. Banks do not expect any changes in credit standards for general consumer loans, including credit cards, in the next quarter.

According to information received from banks, there have been no changes observed in mortgage lending standards. Banks do not expect any 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

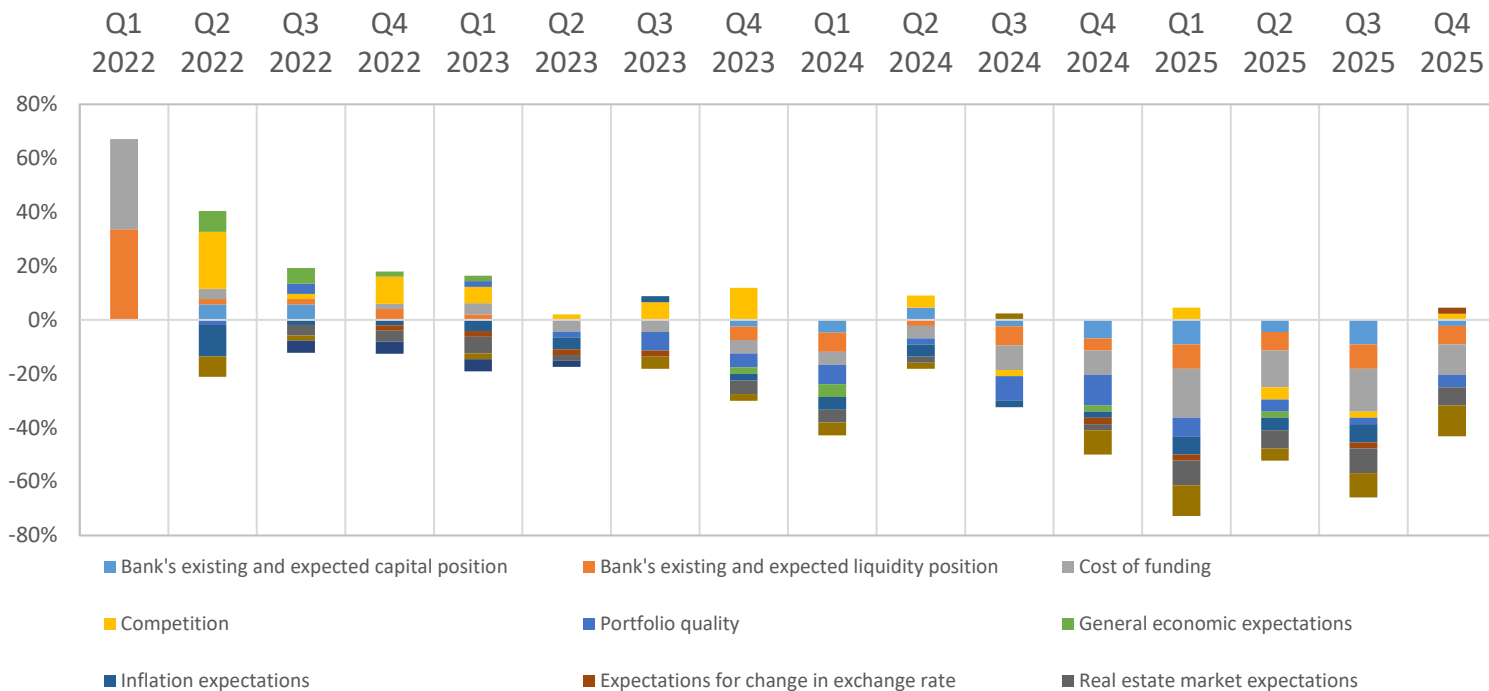


Chart 6. Factors affecting credit standards for mortgage loans

Diffusion Index: positive = softening, negative = tightening

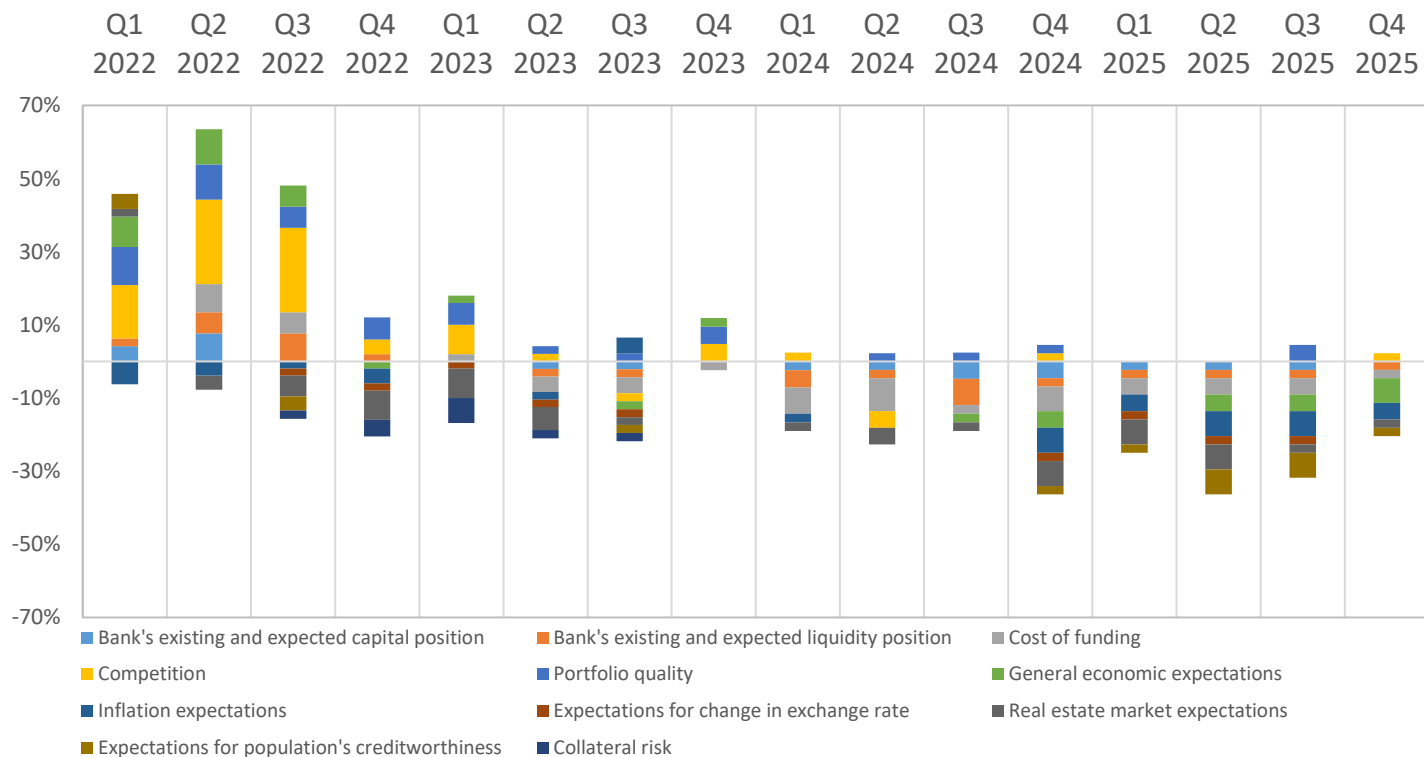
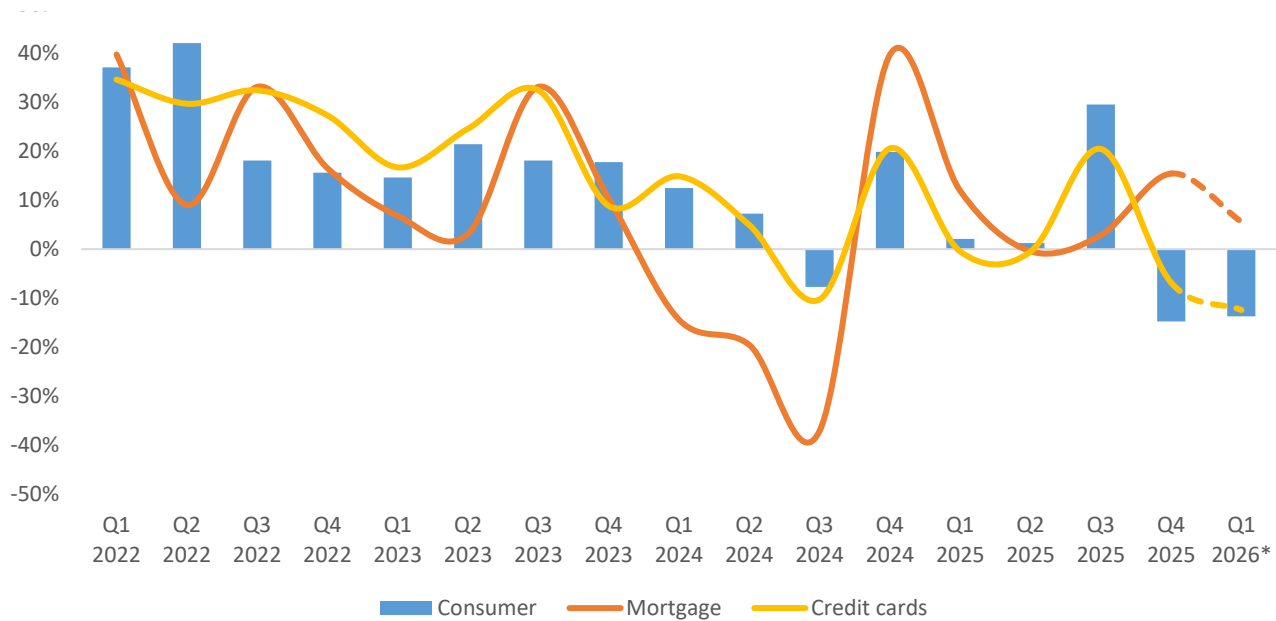


Chart 7. Dynamics of the change in demand for consumer (including credit cards) and mortgage loans

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



The * sign indicates that the data is a forecast.

According to data obtained from banks, demand for general consumer loans, including credit cards, decreased in the fourth quarter of this year. Banks predict this trend will continue into the next quarter.

According to the survey results, there was an increase in demand for mortgage loans in Q4 2025. Banks predict that there will be no significant change in demand for mortgage loans in the next quarter. They reported that the increase in demand for mortgage loans was in the form of an increase in loans granted at the expense of the MCGF. The main reason for this increase, according to information received from the banks, was The State Housing Construction Agency's sale of subsidized apartments in December 2025.

Chart 8. Population historical debt diffusion index

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

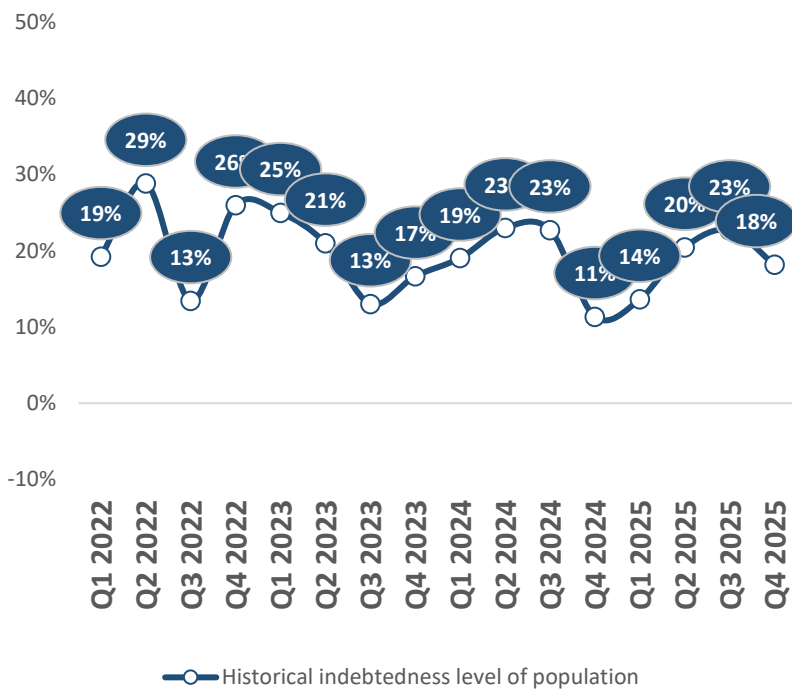
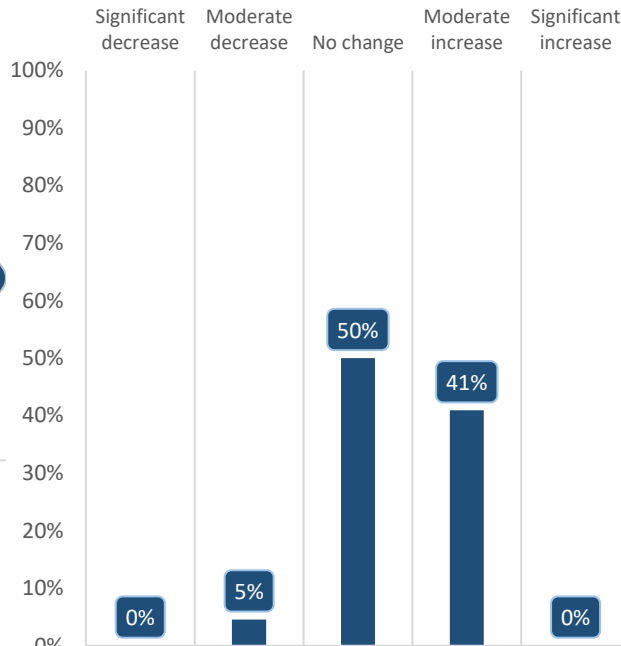


Chart 9. Changes in population debt levels: past quarter



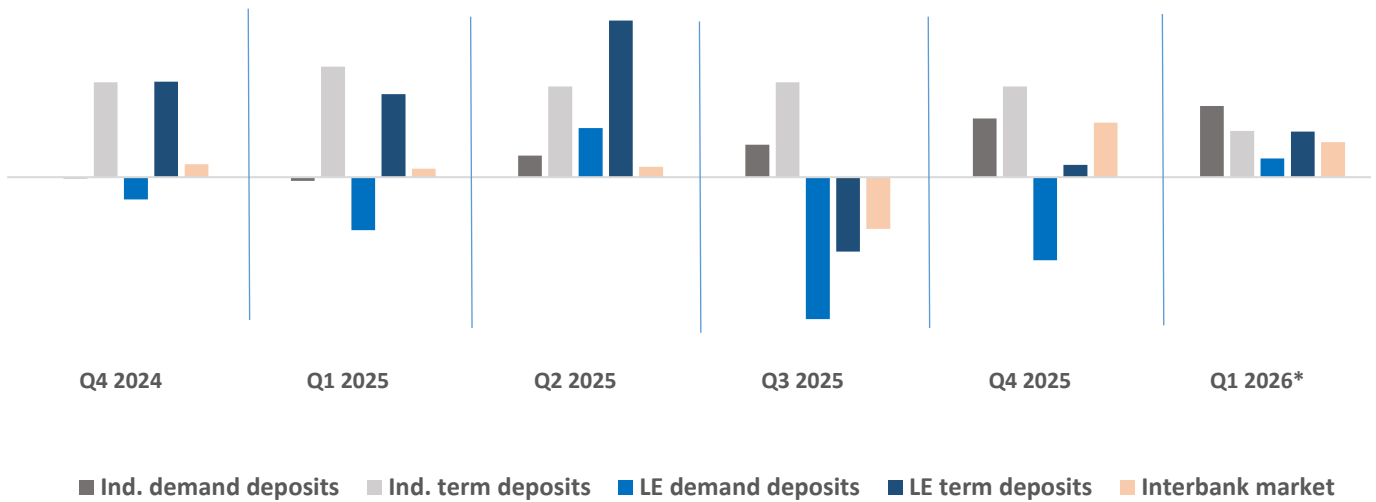
According to the survey results for Q4 2025, 50% of banks reported no change in population indebtedness levels, while 41% reported a moderate increase. Consequently, the diffusion index calculated based on the number of banks for Q4 2025 stood at 18%. This indicates an increase in population borrowing.

Funding

Based on the results of the survey, the share of individuals' deposits increased in Q4 2025, while legal entities' share decreased in the structure of banks' funding sources. According to the banks' responses, funding through the interbank market increased. Respondents expect both term and demand deposits of individuals, term deposits of 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

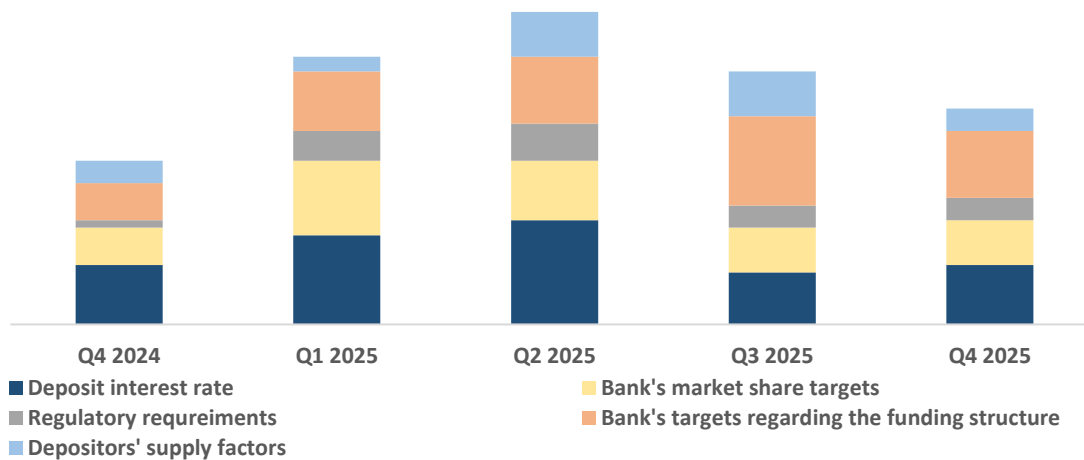
(Diffusion index: positive = increase, negative = decrease)



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 banks' cost of funding in Q4 2025 were changes in the regulatory framework, their liquidity position, and competition from other banks.

Chart 12. Factors affecting the cost of funding

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

