



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS  
CENTRALNA BANKA REPUBLIKE KOSOVA  
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

# Bank Lending Survey in Kosovo

Number 25

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# **Bank Lending Survey in Kosovo**

*(Q3 2025 and expectations for Q4 2025)*

Number 25

**BOTUES**

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## **ABBREVIATIONS**

**BLSK– Bank Lending Survey in Kosovo**

**KCGF– Kosovo Credit Guarantee Fund**

**SMEs - Small Medium Enterprises**

## Bank Lending Survey in Kosovo (BLSK)

### Introduction<sup>1</sup>

With the primary aim of deepening the understanding of credit dynamics in Kosovo, the Central Bank of the Republic of Kosovo (CBK) conducts periodic surveys of commercial banks operating in the banking market in Kosovo. As a secondary objective, the survey assesses the expectations of the banking sector regarding developments in the level of consumer prices (inflation) in the country.

The quarterly report analyzing the results of this survey provides a broad and systematic overview of risk perception and banks' willingness to lend, as well as of the behavior of households and enterprises in response to changes in lending conditions. In addition to the standard questions, the survey also includes additional questions that provide qualitative information for explaining current dynamics in the banking sector, as well as for breaking down developments in credit supply and credit demand for enterprises by economic sector.

This edition of the report reflects lending behavior in the third quarter of 2025, as well as banks' expectations regarding credit dynamics and inflation in the fourth quarter of 2025.

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<sup>1</sup> For more detailed information about the background of the CBK bank lending survey, please refer to the publication "Bank Lending Survey and Inflation Expectations" No. 1.

## Summary

*Bank lending dynamics in the third quarter of the year continued to be driven by both credit demand and credit supply, with the latter having a noticeably stronger impact. Credit supply continued to tighten to some extent for both the enterprise segment and households. On the other hand, credit demand showed differing developments across the segments. For households, demand remained largely unchanged, characterized by a decline in personal and consumer loans. Meanwhile, in the enterprise segment, demand increased to some extent for SMEs, while it remained largely unchanged for large enterprises. For the fourth quarter (Q4 2025), banks expect an easing of credit standards for both segments. Credit demand is expected to be higher from enterprises, while demand from households is expected to remain at levels similar to the previous quarter.*

*In the enterprise segment, credit standards tightened to some extent for the second consecutive quarter, with more pronounced tightening for large enterprises. The key factors contributing to the tightening of terms and conditions were banks' lower risk tolerance, access to overall funding, and perceptions regarding the economic outlook in the domestic market. Within the terms and conditions offered, banks reported tightening to some extent in the interest rate offered and the average loan size, for both SMEs and large enterprises. The loan approval rate recorded a slight decline compared to the increase observed in the previous quarter. Credit demand increased to some extent, mainly driven by financing demand from SMEs, specifically related to inventory financing, working capital, and fixed investment needs. Credit quality remained largely unchanged, while a slight increase in the level of nonperforming loans is expected in the following quarter. In Q4 2025, banks expect a moderate easing of credit standards for enterprises, while credit demand is expected to increase, driven by the need for inventory financing, working capital, and fixed investments.*

*In line with banks' expectations from the previous survey, overall credit standards for households tightened to some extent for both segments housing loans and personal and consumer loans. The main factors contributing to the tightening were perceptions regarding developments in the domestic market, access to overall funding, constraints in banks' capacity, and lower bank risk tolerance. Within the terms and conditions offered, banks reported tightening to some extent in interest rates, as well as tightening to a lesser extent in the average loan size and maturity periods. The loan approval rate remained almost unchanged, recording a marginal increase compared to the previous quarter. Credit demand remained broadly unchanged, with a moderate decline in personal and consumer loans, mainly influenced by lower demand for financing other consumption expenditures. Credit quality remained unchanged and is expected to remain so in the following quarter. For Q4 2025, credit standards are expected to ease moderately overall, while credit demand is expected to remain unchanged, with a slight downward tendency for housing loans (table 1).*

*Banks' access to funding increased during Q3 2025, mainly supported by deposits from households and nonfinancial corporations. In addition, intragroup bank funding also recorded a moderate increase. In the following quarter, access to funding is expected to increase further, mainly as a result of higher deposits from households, nonfinancial corporations, and funding from international financial institutions.*

**Table 1. Banks assessment on the change of credit supply and demand**

	Supply (Credit standards)		Demand	
	Q3 2025	Q4 2025 (expectations)	Q3 2025	Q4 2025 (expectations)
<b>Enterprises</b>	↓	↗	↗	↗
SMEs	↓	↗	↗	↗
Large enterprises	↓	↗	→	↗
<b>Households</b>	↓	↗	→	→
Housing loans	↓	↗	→	→
Consumer credit	↓	↗	↓	→

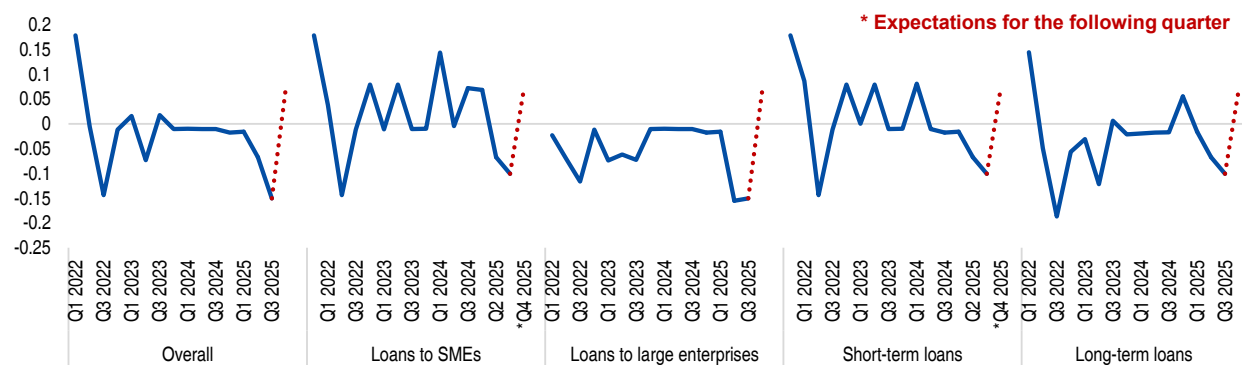
↑	Easing of credit standards/Increase in demand for loans (positive index over 0.20)
↗	Easing of credit standards/Increase in demand for loans (positive index below 0.20)
→	Mainly unchanged (positive index/negative up to 0.05)
↓	Tightening of credit standards/Decrease in demand for loans (negative index below 0.20)
↘	Tightening of credit standards/Decrease in demand for loans (negative index over 0.20)

Source: CBK.

## 1.0. Loans to enterprises

### 1.1. Credit Standard

The averaged results of the Bank Lending Survey for Q3 2025 (reflecting the credit weighted average of each bank) indicate that credit standards for the enterprise segment continued to tighten for the second consecutive quarter, with a more pronounced effect in the large enterprise segment (chart 1). For SMEs, tightening of credit standards was reported by two banks, one of which is a systemically important bank. For large enterprises, credit standards were tightened by three banks, two of which are systemically important.

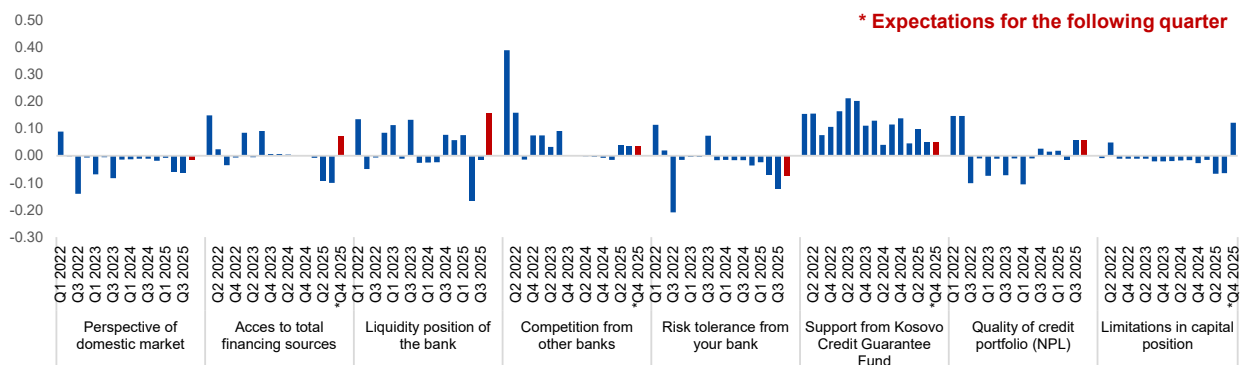
**Chart 1. Credit standards applied for enterprises**

Source: CBK.

The main factors contributing to the tightening of credit standards during this period were banks' lower risk tolerance, more limited access to overall funding sources, constraints in banks' capacity, and perceptions regarding the outlook of the domestic market. The continued support of the Kosovo Credit Guarantee Fund (KCGF) continued to contribute positively to bank credit supply. Other factors that had a positive impact on credit supply included the low level of nonperforming loans and

interbank competition, although these effects were offset by other developments in the banking market (chart 2).

**Chart 2. Impacting factors on credit standards applied for enterprises**



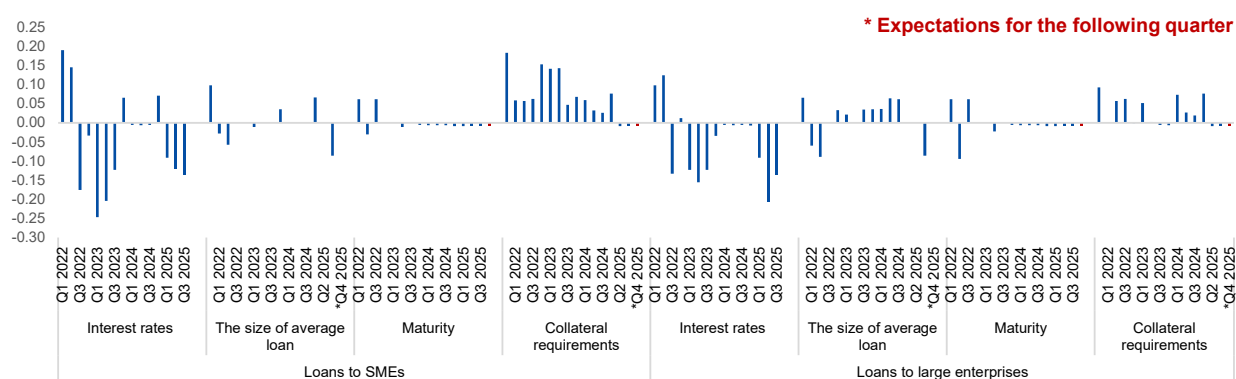
Source: CBK.

For Q4 2025, banks expect an easing of credit standards for both SMEs and large enterprises. Overall, most factors affecting credit standards are expected to have a positive effect, while the impact of two other factors expected to remain negative the outlook for the domestic market and risk tolerance is expected to soften, thus also contributing to expectations for an overall improvement in lending policies (chart 2).

### 1.2. Terms and conditions

In Q3 2025, the terms and conditions applied to enterprises remained tight overall (chart 3). Specifically, banks reported tightening in interest rates for both SMEs and large enterprises, continuing the tightening trend observed in the previous two quarters. In addition, tightening was reported in loan size for both enterprise segments. Meanwhile, other lending terms and conditions loan maturity, collateral requirements, and other fees remained largely unchanged. These developments reflect the responses of three banks, two of which are systemically important.

**Chart 3. Terms and conditions applied for credit standards for enterprises**



Source: CBK.

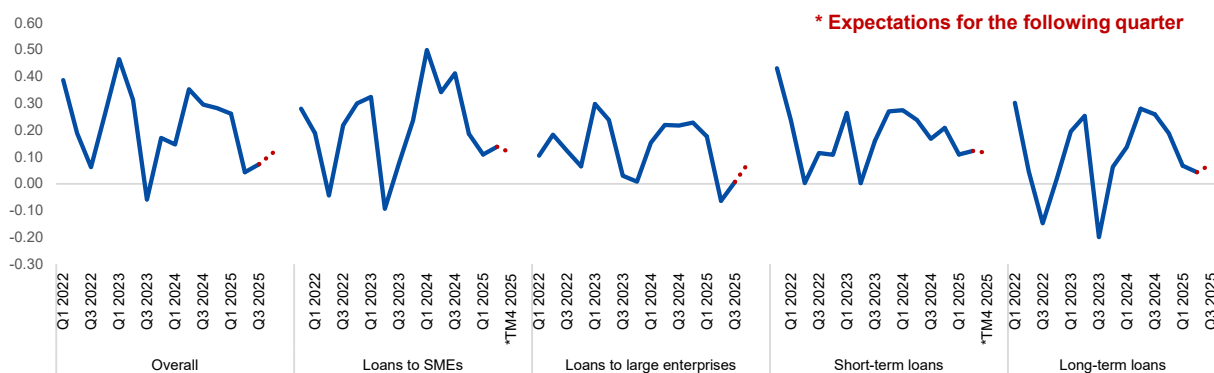
The main factors affecting lending terms and conditions for the enterprise segment were the same as those affecting credit standards. Tightening was mainly driven by lower risk tolerance, constraints in banks' capacity, access to funding sources, and the outlook of the domestic market. Meanwhile, factors with a positive contribution included continued support from the Kosovo Credit Guarantee Fund, the low level of nonperforming loans, and interbank competition, although their effects were offset by the influence of tightening factors. *In the following quarter, the terms and conditions applied by banks are expected to remain largely unchanged for both SMEs and large enterprises.*

In Q3 2025, the loan approval rate for enterprises declined. Specifically, approval rates were lower for loans to large enterprises and for long term maturity loans. For SMEs, there was an increase in the approval rate mainly for short term maturity loans but significantly lower compared to the previous quarter. *For the following quarter, the approval rate is expected to increase to some extent for both SMEs and large enterprises, for both short term and long term maturity loans.*

### 1.3. Credit Demand

According to the survey results, credit demand in Q3 2025 increased, mainly as a result of higher demand from SMEs, while demand from large enterprises remained largely unchanged. For SMEs, banks reported an increase in demand for both short term and long term maturity loans. These dynamics reflect the responses of six banks, three of which are systemically important (chart 4).

**Chart 4. Household demand for loans**

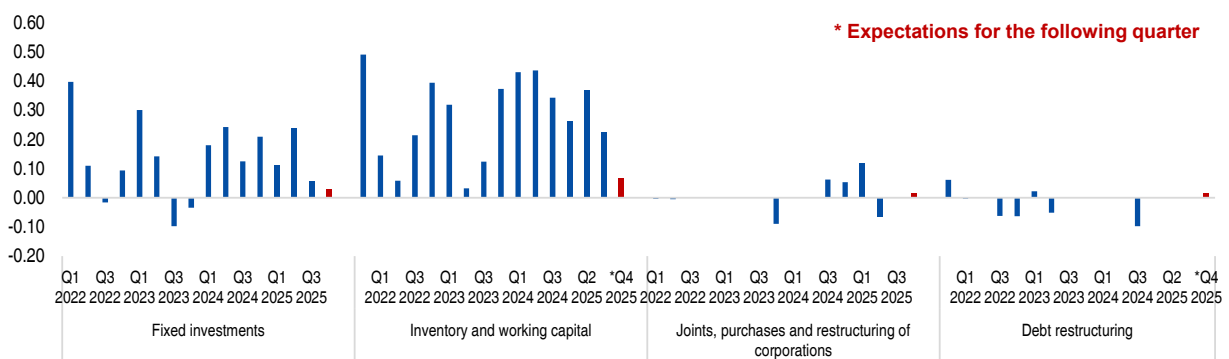


Source: CBK.

The main factors that positively affected overall credit demand from enterprises during this quarter were the need for investment in inventory and working capital, as well as financing for fixed investments (chart 5).

The quality of applications submitted by enterprises recorded a slight decline, but is expected to improve in the following quarter of Q4 2025.

**Chart 5. Factors which affected the credit demand from enterprises**



Source: CBK.

*In Q4 2025, banks expect an increase in credit demand from both SMEs and large enterprises, based on the responses of six banks, all non systemically important. The increase in demand is expected to be present for both enterprise categories and across all loan maturities. This is expected to be mainly*

driven by the need for inventory and working capital financing, while demand for fixed investments is expected to have a more limited impact.

### 1.4. Credit quality

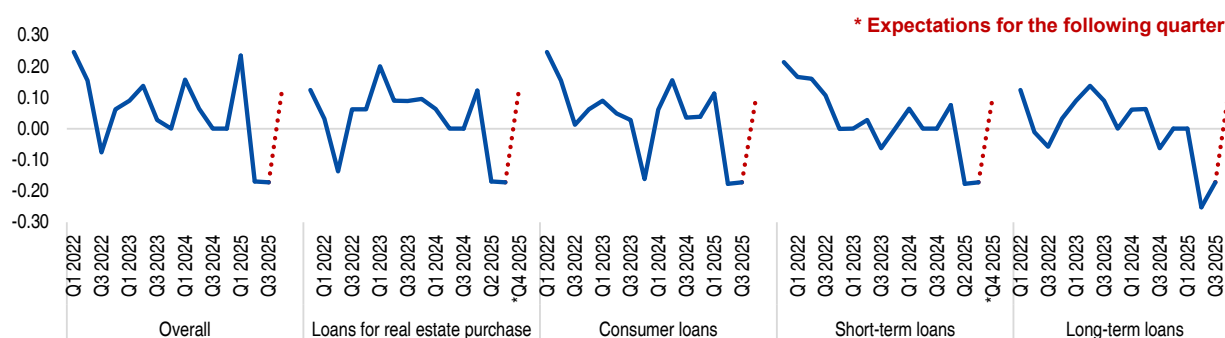
Banks generally reported an increase, albeit at a low level, in nonperforming loans in the enterprise segment. For Q4 2025, a slight increase in nonperforming loans is expected compared to the current quarter.

## 2.0. Loans to households

### 2.1. Credit Standard

Based on the averaged results of the Bank Lending Survey for Q3 2025, credit standards applied overall to households tightened to some extent, reflecting the continuation of more conservative lending conditions for the second consecutive quarter (chart 6). Tightening of credit standards for both personal and consumer loans and housing loans was reported by two systemically important banks, while other banks reported credit standards that were largely unchanged compared to the previous quarter.

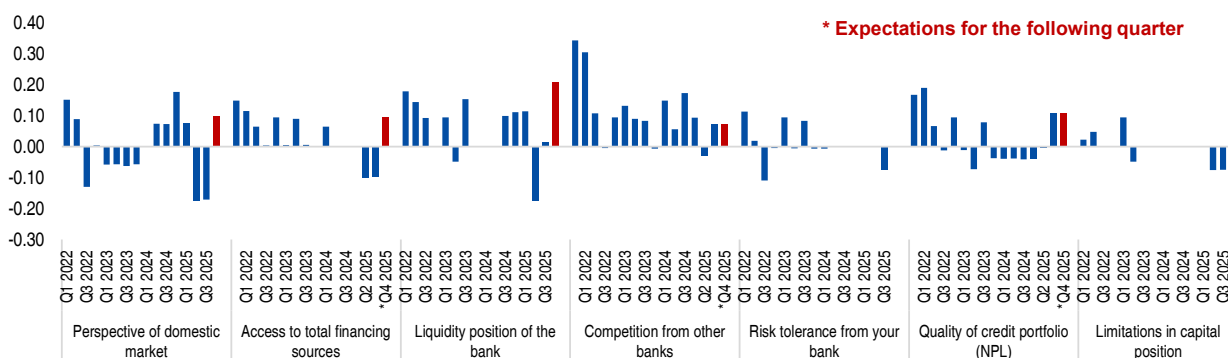
**Chart 6. Credit standards applied for households**



Source: CBK.

The main factors contributing to the tightening of credit standards were the outlook for the domestic market, access to overall funding, constraints in banks’ capacity, and lower bank risk tolerance (chart 7). Meanwhile, factors contributing to an easing of credit standards, albeit with a weaker effect, included the good quality of the loan portfolio and competition from other banks.

**Chart 7. Impacting factors on credit standards applied for households**



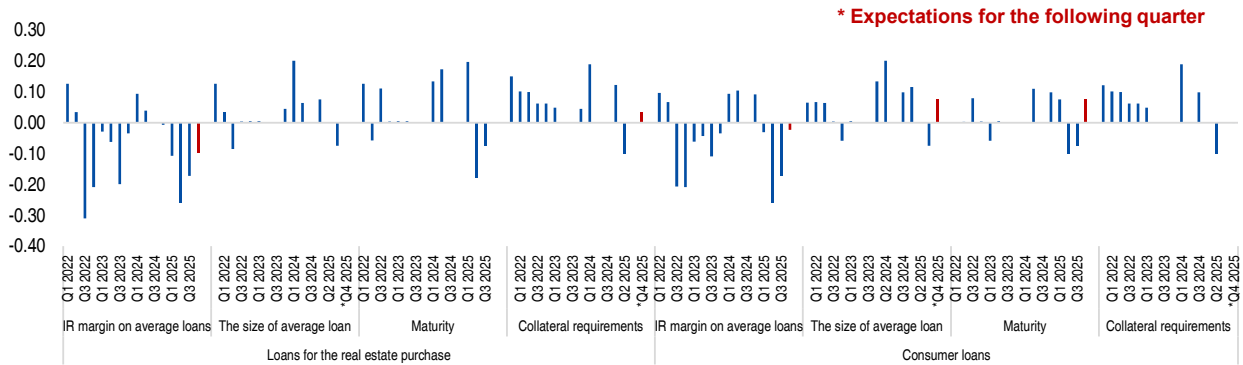
Source: CBK.

For Q4 2025, a moderate easing of credit standards for households is expected on overall terms, according to the responses of one systemically important bank and one non systemically important bank. A somewhat more pronounced easing is expected to be applied to housing loans compared to personal and consumer loans. Factors expected to contribute to the easing of credit standards include a stronger liquidity position, increased access to overall funding sources, good quality of the loan portfolio, and banks' capital position.

### 2.2. Terms and conditions

The terms and conditions applied to new loans to households tightened to some extent, for both housing loans and personal and consumer loans (chart 8). More specifically, within the terms and conditions, two systemically important banks reported tightening in interest rates. In addition, one systemically important bank reported tightening in the average loan size and maturity. The factors contributing to the tightening of the applied terms and conditions were the outlook for the domestic market, access to overall funding, and constraints in banks' capacity.

**Chart 8. Terms and conditions applied for credit standards for households**



Source: CBK.

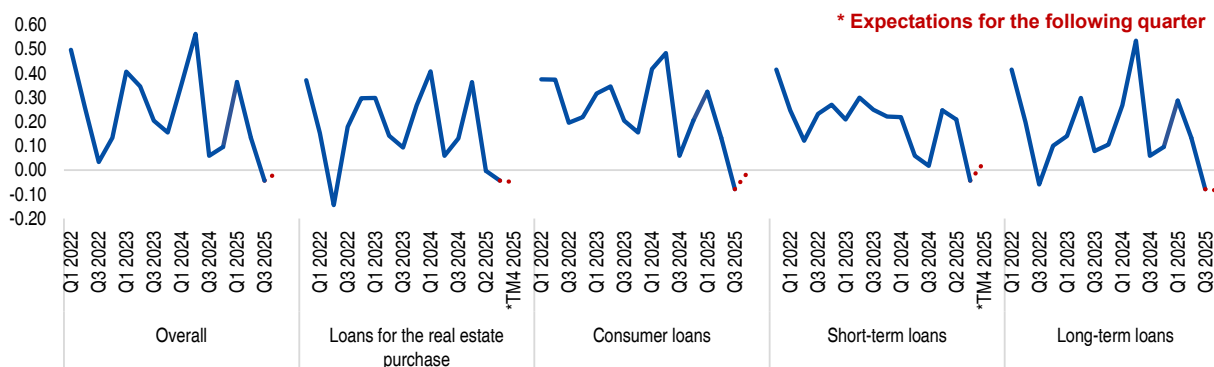
For Q4 2025, banks expect mixed developments in the terms and conditions applied to households, with movements in both directions. More specifically, tightening in interest rates is expected for housing loans, while for personal and consumer loans interest rates are expected to remain largely unchanged. On the other hand, an easing is expected in the average loan size and maturity for loans in both segments.

The approval rate of loan applications from households remained almost unchanged during this quarter as well, with a slight positive tendency.

### 2.3. Credit demand

According to the averaged survey results for Q3 2025, overall credit demand from households remained largely unchanged, unlike the previous quarter when an increase in credit demand was observed (chart 9). A moderate decline in demand characterized personal and consumer loans, while demand for housing loans remained largely unchanged.

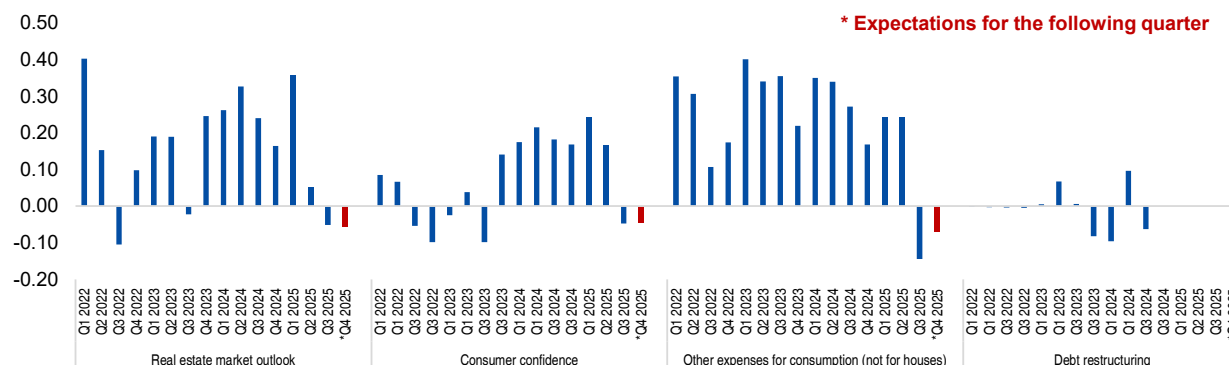
Chart 9. Household demand for loans



Source: CBK.

The decline in demand for financing other consumption expenditures was the main factor contributing to the decrease in demand for personal and consumer loans. In addition, developments in the real estate market outlook and consumer confidence had a moderately negative impact on overall credit demand (chart 10). *For Q4 2025, credit demand is expected to remain largely unchanged, with a slight downward tendency for housing loans.*

Chart 10. Factors which affected the credit demand from households



Source: CBK.

The quality of applications received from households remained unchanged compared to the previous quarter. *Similarly, for the following quarter, banks expect the quality of applications to remain unchanged.*

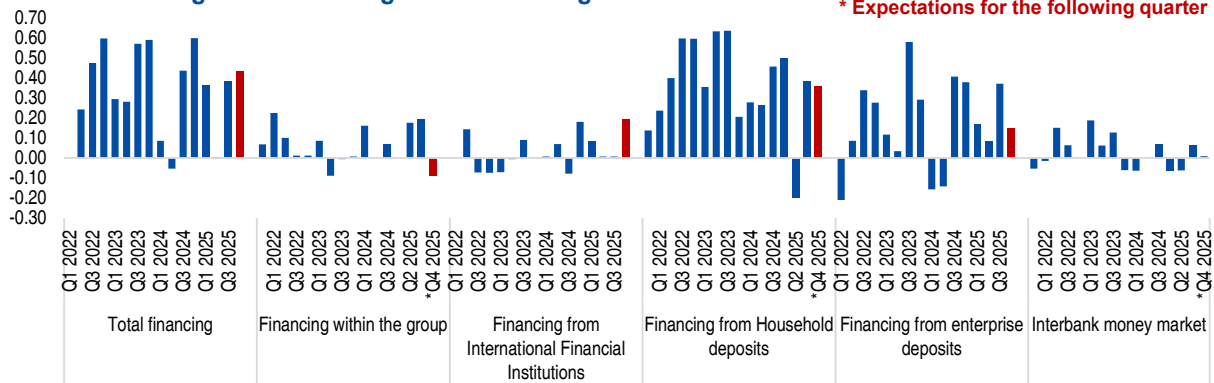
### 2.4. Credit quality

The quality of the loan portfolio for households remained unchanged, in line with banks' expectations from the previous quarter. *Similarly, in the following quarter, the quality of the loan portfolio for households is expected to remain largely unchanged.*

### 3.0. Financing

In Q3 2025, banks' access to funding increased compared to the second quarter of the year, when it remained broadly unchanged. This development was mainly driven by household deposits and deposits of nonfinancial corporations, which recorded a significant increase according to the responses of most banks. Moreover, for the second consecutive quarter, banks reported an increase in intragroup funding. In terms of maturity, both long term and short term funding increased (chart 11).

Chart 11. Change of the banking sector financing



Source: CBK.

*In Q4 2025, a further increase in access to funding is expected, mainly as a result of higher household deposits, while deposits from nonfinancial corporations are expected to increase but at a slower pace. On the other hand, intragroup funding is expected to decline, which will be offset by increased funding from international financial institutions.*

### 3.1 Summary of focused questions

The survey questionnaire for Q3 2025 was expanded with two additional questions aimed at broadening the scope of the survey beyond the standard questions related to credit supply and demand and the factors affecting them. Banks were asked about how they have adjusted their approach and lending policies to ensure compliance with macroprudential requirements arising from the harmonization of the CBK legal framework with that of the EU.

**In their responses to the first question, it was generally emphasized that changes in capital requirements did not necessitate adjustments to lending standards.** Most banks, including all systemically important banks, reported capital stability and adequacy, which enabled growth without the need for changes in lending policies. Banks highlighted that they had been prepared in advance for this change by maintaining internal capital buffers and carefully planning capital growth through retained earnings or Tier 2 capital instruments. In some cases, banks reported having undertaken measures to optimize the loan portfolio by directing lending toward exposures with lower risk weights and strengthening risk assessment and collateral evaluation processes. Overall, banks' responses reflect a proactive and resilient approach to capital management, whereby the impact of new regulatory requirements has been addressed mainly through internal planning and the maintenance of additional capital, without the need for changes in lending standards.

**In their responses to the second question, banks reported that their access to funding sources remained largely stable, relying primarily on deposit growth as the main source. As a result, most banks did not report the need for significant changes in lending policies.** However, some banks adjusted lending and portfolio growth management at the operational level in line with deposit and liquidity flows, the cost of funds, and portfolio structure, in order to prioritize lower risk sectors and clients and ensure that lending policies are aligned with financial capacity and available capital. Some banks exercised increased caution due to a higher loan to deposit ratio and a slowdown in deposit growth, by more closely monitoring maturity structures and directing lending toward sectors with a lower risk profile. In specific cases, banks secured additional funding from international financial institutions including banking groups to maintain liquidity stability and support sustainable credit growth.

Regarding banks' disaggregated responses for enterprises by economic sector, credit standards as well as the applied terms and conditions remained largely unchanged, with a slight tightening tendency in the conditions offered to the construction sector. Similar to the previous quarter, credit demand in Q3 2025 increased across almost all economic sectors, with a particular emphasis on the residential real estate sector. *In the following quarter, credit standards are expected to ease for the services sector, while they are expected to remain largely unchanged for other sectors. Similarly, the applied terms and conditions are expected to remain largely unchanged, with the exception of the construction sector, where a moderate tightening is expected. Credit demand is expected to be significantly higher, particularly in the residential real estate sector, followed by manufacturing and the services sector. Rising credit demand is also expected in the construction sector, but at a lower level compared to other sectors where growth is expected.*

#### 4.0. Results summary on inflation expectations

Data from the October 2025 survey show that banks generally expect inflation during the remainder of the year to remain around the same levels as in the previous quarter. According to their assessments, the inflation rate is expected to be around 4.5% in the last quarter of 2025, while the annual average is expected to be around 4.2% (table 2). These expectations continue to reflect higher inflationary pressures compared to 2024, when average inflation stood at 1.6%.

**Table 2. Inflation expectations of banks, annual change in percent**

Banks	Q3 2025	Q4 2025	2025
1	4.2%	4.4%	4.5%
2	4.5%	4.2%	4.0%
3	4.1%	4.2%	3.8%
4	4.7%	4.0%	3.5%
5	4.5%	4.8%	4.2%
6	4.7%	3.9%	3.9%
7	5.5%	5.5%	5.5%
8	4.7%	5.1%	3.8%
9	4.2%	3.6%	3.6%
10	4.7%	4.9%	4.9%
<b>Average</b>	<b>4.6%</b>	<b>4.5%</b>	<b>4.2%</b>

Source: Commercial banks and CBK calculations.

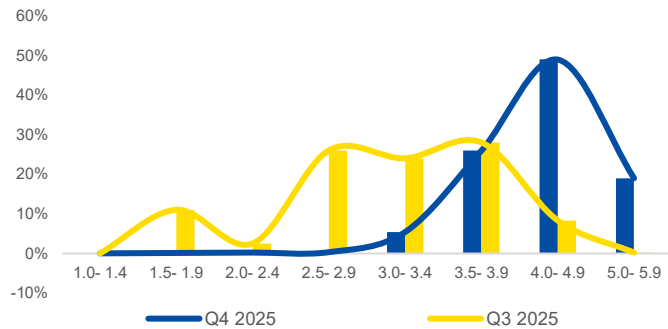
Chart 12 presents banks' assessment of the probability of realizing different inflation levels. The results indicate a shift in expectations toward higher inflation levels. Compared to the survey of the second quarter of 2025, when expectations were mainly concentrated in the 2.5–3.9% range, they have now shifted toward the higher range of 3.9–5.9%. This shift is consistent with developments in the HICP, which accelerated from 3.6% in the second quarter of 2025 to 4.5% in the third quarter.

Overall, banks' expectations regarding inflation developments reflect the impact of several key factors that have driven price increases so far and are expected to continue exerting inflationary pressures. According to banks, the increase in food prices, which account for a significant share of the consumer basket, has been one of the main drivers of inflation acceleration and may continue to have an impact in the period ahead.

In addition, higher electricity tariffs and increased electricity consumption during the winter season are expected to continue fueling inflationary pressures. Banks assess that service prices have also contributed to the acceleration of inflation and are expected to continue to do so in the coming months. Beyond domestic factors, external influences, including geopolitical tensions and uncertainties related to commodity prices in international markets, are considered to remain significant sources of uncertainty for inflation developments in the coming months.

Overall, banks expect inflation in the fourth quarter of 2025 to remain approximately at the same level as in Q3 2025 (around 4.5%), reflecting the upward trend in the HICP. However, their expectations for annual inflation (4.2%) exceed the year-to-date average up to September, which stood at 3.4%, and are higher than would be expected given the lower inflation recorded in the first half of the year.

**Chart 12. Probability of Inflation for the following quarter** (axis-x: inflation expectations, annual change in percent; axis-y: probability)



Source: Commercial banks and CBK calculations.

## Box 1. Methodology

### The questionnaire of the Bank Lending Survey in Kosovo

The BLSK questionnaire is based on the standardized questionnaires used by Central Banks in the euro area and beyond. However, the BLSK questionnaire of the CBK has been modified and adopted to its best and comprehensive manner to represent lending developments in Kosovo's banking sector.

The BLSK questionnaire contains 19 questions, which cover the changes in credit supply, in the demand for loans, factors which contribute in these changes and the access of the banking sector to financing, on quarterly basis. Questions on bank lending are focused on two main categories: (i) loans to enterprises, and (ii) loans to households. Moreover, loans to enterprises are sub-categorized in to loans to SMEs and loans to large enterprises, while loans to households are sub-categorized in housing loans and in personal/consumer credit. For all the above mentioned categories, changes in loan supply conditions are defined by credit standards applied in the process of loans approval, terms and conditions applied for new loans, the approval rate of loans, and the factors which affect their changes. Meanwhile, the changes in the demand for loans are defined by the demand for loans (the number of applications for loans), the quality of the applications received, and the factors which affect the demand for loans. The questions of the survey primarily are designed to obtain a feedback for changes over the past three months and changes expected in the following three months. Also, questions cover loans in the aspect of their maturity and the currency in which they were granted. Besides the standard questions, the BLSK questionnaire may contain also additional questions on specific issues in order to explain the developments in the banking sector. While standard questions cover a three-months period, additional questions may refer to changes occurred during a longer period of time. The survey conveys ten out of ten banks operating in Kosovo. Consequently, the participating banks represent the general banking market and ensure a proper statistical representation, taking into account that they represent 98% of total assets of the banking sector, and 99.1% of total lending of the banking sector. The survey participants are asked to indicate, in a qualitative manner, the strength of any tightening or easing or the strength of any decrease or increase, reporting changes using the following five-point scale: (i) tightened / decreased considerably, (ii) tightened / decreased somewhat, (iii) basically no change, (iv) eased / increased somewhat or (v) eased / increased considerably.

### Generation of the bank lending survey results

Quantifying of the answers received from individual banks and their aggregation to present the changes on the level of the sector is achieved by generating the appropriate index. This index is generated for each category and sub-category of each of the questions, thus giving a quantifying unit for the answers received on the level of the sector. Initially, the answers are determined by a value based on the strength of the changes, namely answers where banks stated a considerable tightening/lowering are determined with a value - 1 a double value in size than the one defined for answers when banks state tightening/lowering to some extent (a value of -0.5). Similarly, answers have a value of 1 when there is a considerable ease/increase, while those with ease/increase to some extents are determined with a value of 0.5. Results are also weighed based on the weight that each of the bank has in total lending of the banking sector. Consequently, the weight of each bank based on its share on the credit market is multiplied with the value determined based on the intensity of the given answer, thus obtaining the index in question. Furthermore, the aggregation of the index on the sector's level is performed through the sum of the indices obtained for each of the bank. The values of indices are ranged from -1 to 1, where the positive values of the index represent ease, increase or positive contribution, whereas negative values represent tightening, decline or negative contribution.

### Inflation Expectations

Inflation expectations have at least two important roles. First, they offer summarized quantitative series for inflation rate in the future, and secondly, they may be used to assess the confidence of the objective of inflation set by the central banks. The importance of inflation expectations is more significant for the countries which have adopted the strategy of targeting the inflation. For these countries, inflation expectations, among others, serve also as an indicator of the public confidence towards the central bank. If the public believes that the central bank will take the necessary actions to achieve the inflation target, then the expectations of economic agents for the inflation rate will be closer to the set target.

Inflation expectations are also important for banks that do not have monetary policy, as they serve as an important input for determining prices and wages, as well as for the process of economic modeling and forecasting. Furthermore, inflation expectations affect aggregate demand, which then affects the inflation performance.

Unlike actual inflation, which is measured directly, inflation expectations are estimated using indirect methods. One of the most widely used methods is the survey of economic agents: consumers, businesses, commercial banks, etc. The CBK, for the first time, has started assessing inflation expectations in the third quarter of 2019, initially with commercial banks.

The estimates obtained from commercial banks are quantitative in form and are accompanied by probability distributions. Inflation expectations are assessed for different time horizons: initially for the current quarter, then for the next quarter and for the whole year in general. The collection of information through surveys is followed by the process of systematization, processing and aggregation of data to find the average expectations of inflation from commercial banks.



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