



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

Bank Lending Survey in Kosovo

Number 26

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(Q4 2025 and inflation expectations for Q1 2026)

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PUBLISHER

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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)

Introduction¹

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 fourth quarter of 2025, as well as banks' expectations regarding credit dynamics and inflation in the first quarter of 2026.

¹For 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

The bank lending dynamics were mainly driven by lending supply and demand side in the fourth quarter of the year, where the demand for loans had a more significant impact on the trend of new loans in Q4 2025. Credit supply continued to tighten to some extent for households, while for enterprises it remained largely unchanged. On the other hand, overall credit demand increased for both enterprises and households. Regarding different segments, demand increased for SMEs, while it remained largely unchanged for large enterprises. For households, demand increased in both categories – housing loans and, in particular, personal/consumer loans. For the next quarter (Q1 2026), banks expect credit standards to remain largely unchanged for both enterprises and households, while credit demand is expected to be higher.

For the enterprise segment, credit standards in Q4 2025 remained largely unchanged, interrupting the tightening trend observed in the previous two quarters, for both SMEs and large enterprises. The determining factors were bank and non-bank competition, access to funding sources, and constraints related to capital position. Within the terms and conditions offered, banks reported some tightening in the interest rates offered for both SMEs and large enterprises. Meanwhile, other lending terms and conditions – loan maturities, collateral requirements, and other fees – remained largely unchanged. The loan approval rate increased compared to the decline recorded in the previous quarter. Credit demand increased to some extent, mainly driven by SMEs' demand for inventory/working capital financing and fixed investments, while for large enterprises it remained largely unchanged. Credit quality recorded a slight deterioration this quarter, while for the next quarter it is expected to remain largely unchanged. In Q1 2026, banks expect credit standards to remain largely unchanged, while credit demand is expected to increase, particularly for SMEs. The applied terms and conditions are expected to remain broadly similar to the current quarter, except for a relaxation of collateral requirements for the SME segment.

*For the household segment, **credit standards** tightened to some extent for the third consecutive quarter, with more pronounced tightening for consumer and short-term loans. The main factors contributing to this tightening were developments in loan portfolio quality and, to a lesser extent, perceptions regarding developments in the domestic market. Within the terms and conditions offered, banks reported some tightening in overall interest rates, while other lending terms and conditions remained largely unchanged from the previous quarter. Despite the tightening of standards, the loan approval rate increased compared to the previous quarter, with a more pronounced increase in consumer and short-term loans, mainly reflecting higher demand. Credit demand increased to some extent overall, and particularly for consumer loans, in contrast to the previous quarter when a decline was recorded for this category. The increased demand during this quarter was mainly driven by improved consumer confidence and the need to finance other consumption expenditures. Credit quality recorded a slight deterioration, while for the next quarter it is expected to remain largely stable, with a slight downward tendency. For Q1 2026, credit standards are expected to remain unchanged overall, while credit demand is expected to increase, with emphasis on personal/consumer loans (Table 1).*

Banks' access to funding increased for the second consecutive quarter, mainly supported by household deposits and deposits from non-financial corporations. Notable growth was also recorded in financing from international financial institutions, while intragroup financing increased to a lesser extent. In the next quarter, access to funding is expected to remain unchanged, with a slight downward tendency.

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

	Supply (Credit standards)		Demand	
	Q4 2025	Q1 2026 (expectations)	Q4 2025	Q1 2026 (expectations)
Enterprises	→	→	↗	↑
SMEs	→	→	↗	↑
Large enterprises	→	→	→	↗
Households	↘	→	↗	↗
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)

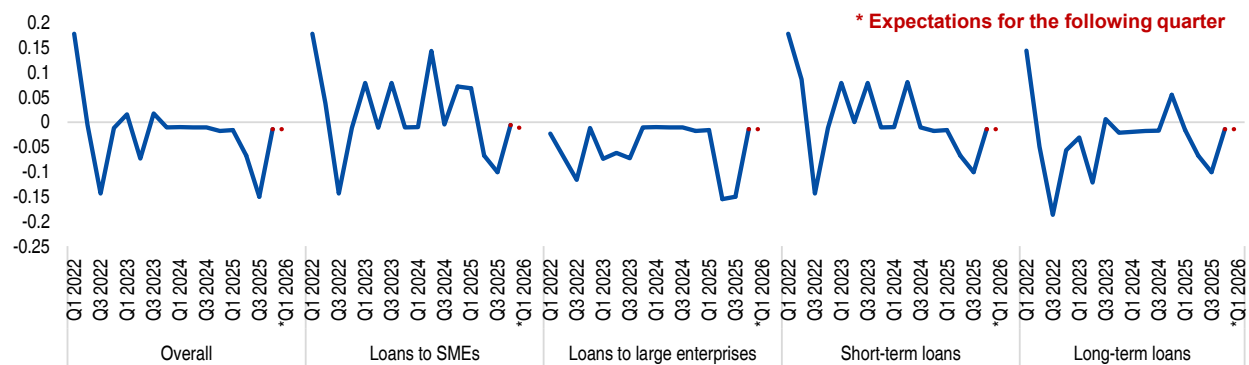
Source: CBK.

1.0. Loans to enterprises

1.1. Credit Standard

The averaged² results of the Bank Lending Survey for Q4 2025 indicate that credit standards for the enterprise segment – for SMEs, and in particular for large enterprises – have interrupted the tightening trend of the previous two quarters, as for this quarter they were reported to have remained largely unchanged (Chart 1). For both SMEs and large enterprises, the credit standards applied by banks followed the general trend, remaining largely unchanged after two consecutive quarters during which tightening was reported, especially for large enterprises.

Chart 1. Credit standards applied for enterprises



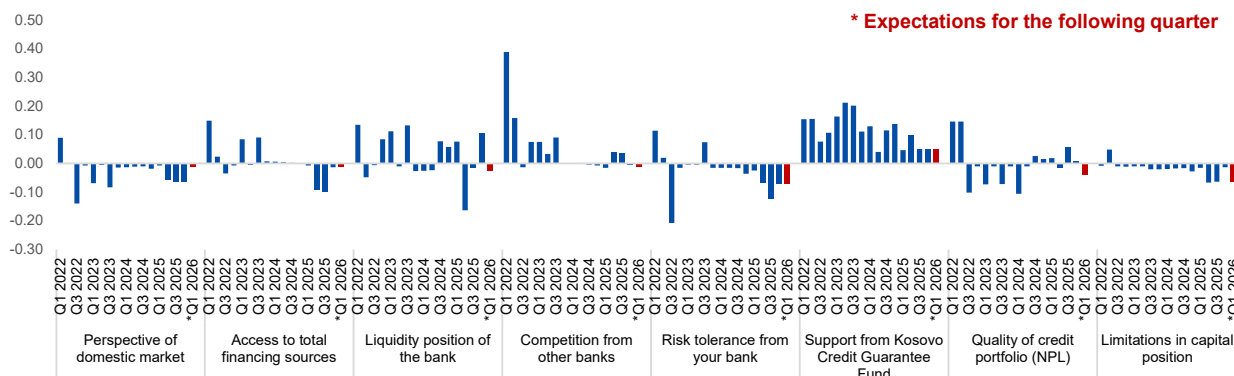
Source: CBK.

Most of the factors influencing credit standards remained largely unchanged, such as competition, more limited overall access to funding sources, and constraints in banks’ capacity. Tightening factors included perceptions regarding the outlook of the domestic market and lower risk tolerance by banks,

²These results reflect the weighted average in lending of each bank.

but their effect was neutralized by easing factors such as a more favorable liquidity position and continued support from FKGK (Chart 2).

Chart 2. Impacting factors on credit standards applied for enterprises



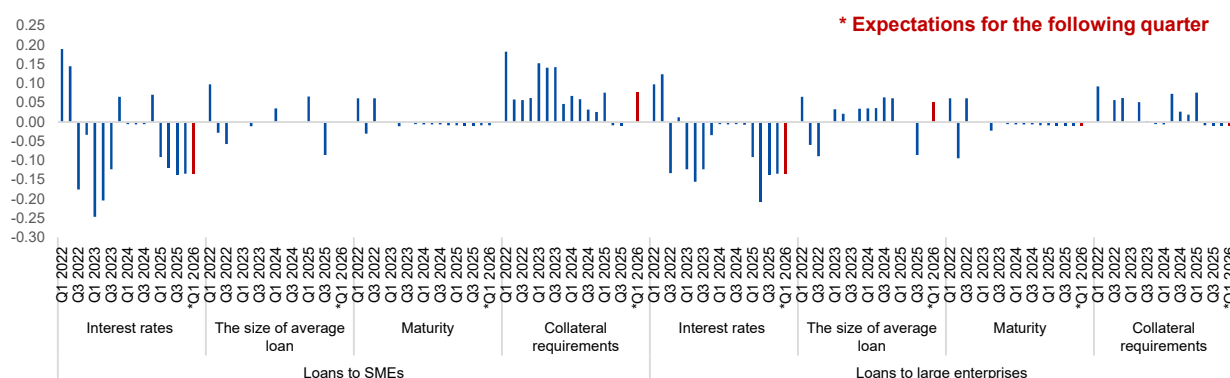
Source: CBK.

For Q1 2026, banks expect credit standards for the enterprise sector to remain largely unchanged. A positive effect is expected from support by FKGK. Factors assessed as having negative effects on credit standards, but expected to be neutralized due to their low impact, include lower bank risk tolerance, credit quality, and the liquidity position (Chart 2).

1.2. Terms and conditions

In Q4 2025, lending terms and conditions for enterprises showed tightening only in the interest rate component (Chart 3). Specifically, banks reported an increase in interest rates for both SMEs and large enterprises, continuing the tightening trend for the fourth consecutive quarter. Unlike the previous quarter, when tightening was also recorded in loan size, in Q4 this category remained largely unchanged. Other lending terms and conditions – such as loan maturity, collateral requirements, and other fees – generally remained unchanged. +.

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



Source: CBK.

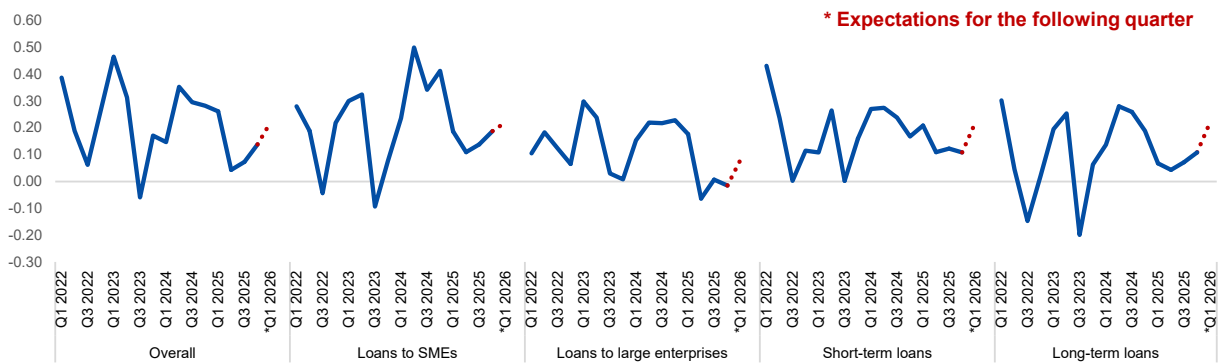
The factors influencing lending terms and conditions for the enterprise segment, particularly the tightening of interest rates, were mainly related to perceptions regarding the economic outlook in the domestic market, the quality of the loan portfolio (a slight increase in non-performing loans), and reduced bank risk tolerance. On the other hand, positive factors included continued support from FKGK, a stable liquidity position, and the level of market competition, which contributed to preventing further tightening of other lending terms and conditions. *In the next quarter, the terms and conditions applied by banks are expected to remain largely unchanged compared to the current quarter, except for a relaxation of collateral requirements for the SME segment.*

In Q4 2025, the loan approval rate for enterprises increased. Specifically, there was a higher approval rate for SME loans and short-term loans. *For the next quarter, the approval rate is expected to increase considerably for both segments, particularly for SMEs, for both short-term and long-term loans.*

1.3. Credit demand

According to the survey results, credit demand in Q4 2025 increased, mainly due to higher demand from SMEs, while demand from large enterprises remained largely unchanged. For SMEs, banks reported increased demand for both short-term and long-term loans (Chart 4).

Chart 4. Household demand for loans

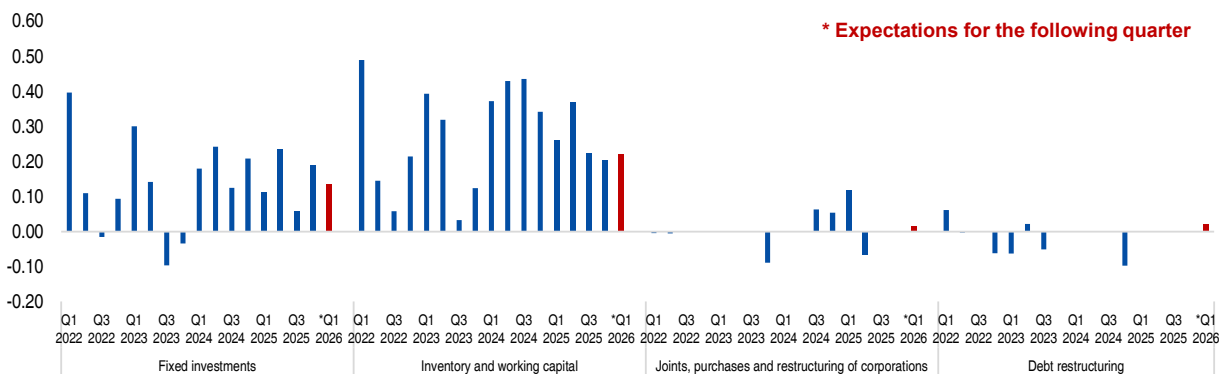


Source: CBK.

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 received from enterprises remained largely unchanged this quarter *but is expected to improve slightly in Q1 2026.*

Chart 5. Factors which affected the credit demand from enterprises



Source: CBK.

In Q1 2026, banks expect an increase in credit demand from enterprises, with particular emphasis on SMEs. An increase in demand is expected across all maturity segments. The factors influencing this dynamic will mainly be needs for inventory and working capital financing and, to a lesser extent, demand for financing fixed investments.

1.4. Credit quality

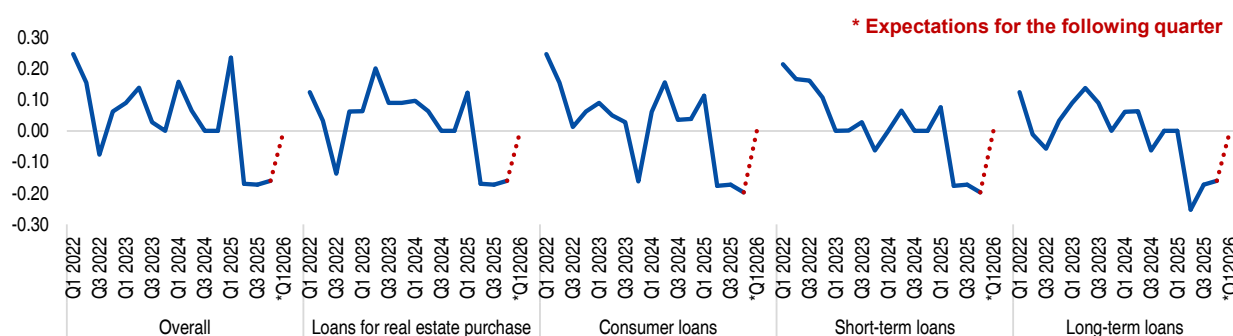
Banks generally reported a slight increase in non-performing loans for the enterprise segment. *For Q1 2026, the level of non-performing loans is expected to remain largely unchanged.*

2.0. Loans to households

2.1. Credit Standards

Based on the results of the Lending Survey for Q4 2025, credit standards applied to households overall tightened to some extent, continuing the tightening trend for the third consecutive quarter (Chart 6). The tightening was more pronounced for consumer and short-term loans compared to housing loans and long-term loans.

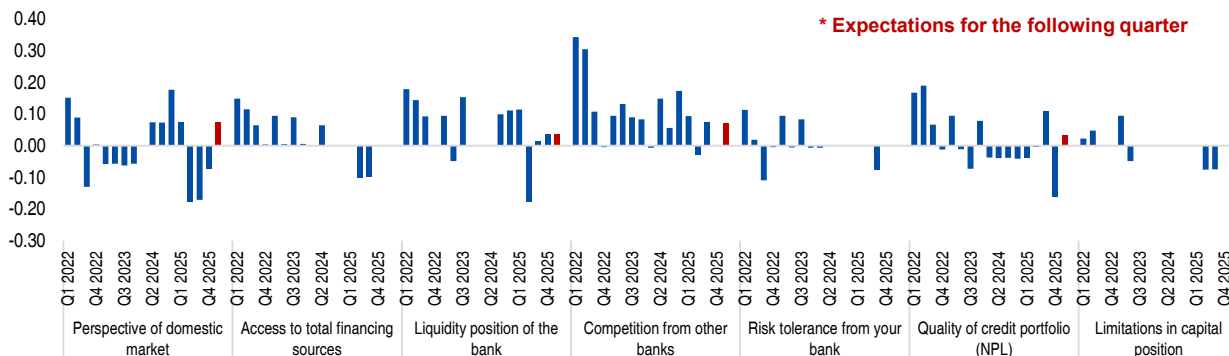
Chart 6. Credit standards applied for households



Source: CBK.

The main factors contributing to the tightening of credit standards were developments in loan portfolio quality, specifically a slight increase in non-performing loans, as well as the outlook for the domestic market (Chart 7). On the easing side, although to a limited extent, the favorable liquidity position had an impact.

Chart 7. Impacting factors on credit standards applied for households



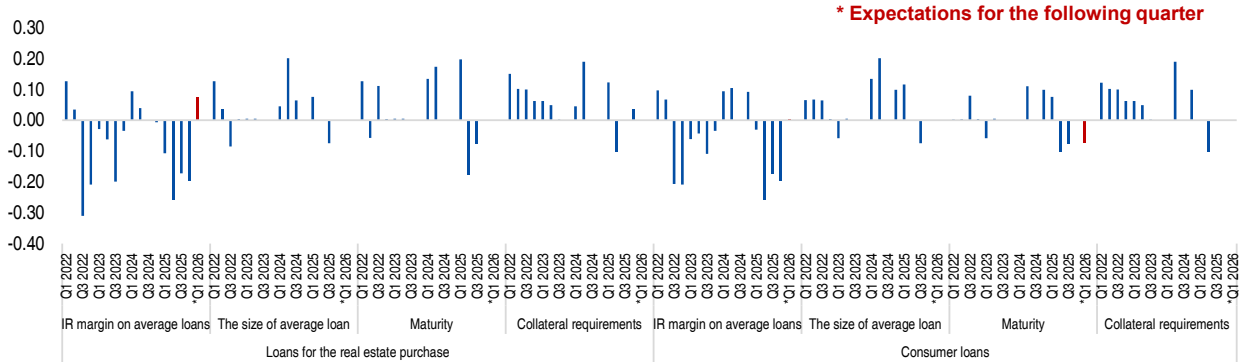
Source: CBK.

For Q1 2026, credit standards for households are expected to remain unchanged overall, for both consumer loans and housing loans. These expectations are supported by interbank competition and the outlook for the domestic market, while the liquidity position is expected to have a more limited impact.

2.2. Terms and conditions

The terms and conditions applied to new household loans tightened to some extent, both for housing loans and consumer loans (Chart 8). More specifically, within the terms and conditions, tightening was reported in interest rates, while other terms and conditions remained largely unchanged. The factors influencing this tightening were overall access to financing, the outlook for the domestic market, and loan portfolio quality.

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



Source: CBK.

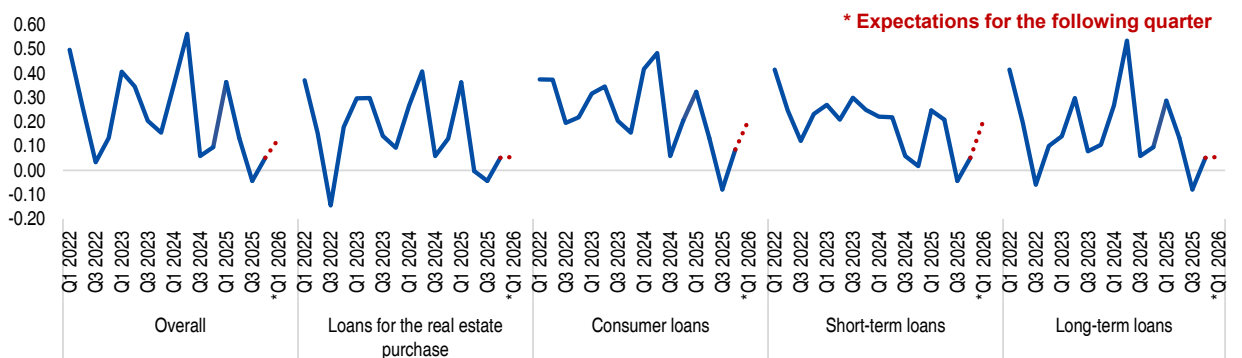
For Q1 2026, as in the previous quarter, banks expect movements in the terms and conditions applied to households in both directions. More specifically, an easing in interest rates is expected for housing loans, while for consumer loans interest rates are expected to remain largely unchanged, but accompanied by some tightening in maturities.

The approval rate of household loan applications increased compared to the previous quarter, with a more pronounced increase for consumer and short-term loans, mainly reflecting higher demand, while credit standards for this category remained tightened. For the first quarter of 2026, the approval rate is expected to record a slight increase for households overall.

2.3. Credit demand

Based on the survey results for Q4 2025, unlike the previous quarter, overall credit demand from households increased to some extent (Chart 9). A more pronounced increase during this quarter was recorded for consumer loans compared to the increase in demand for housing loans.

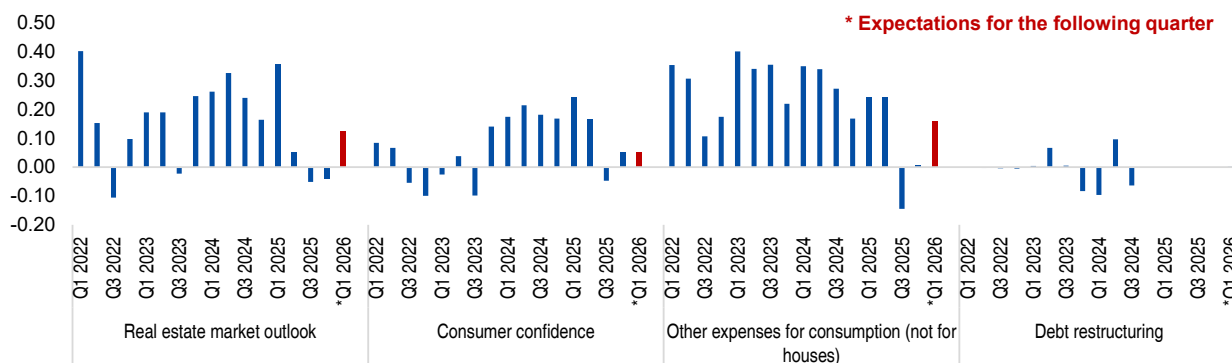
Chart 9. Household demand for loans



Source: CBK.

The main factors influencing overall household credit demand were increased consumer confidence and the need to finance consumption expenditures (Chart 10). *For Q1 2026, demand is expected to record a higher increase, with emphasis on consumer loans.*

Chart 10. Factors which affected the credit demand from households



Source: CBK.

The quality of applications received from households, similar to the previous quarter, remained unchanged, *and this dynamic is expected to continue in the first quarter of 2026.*

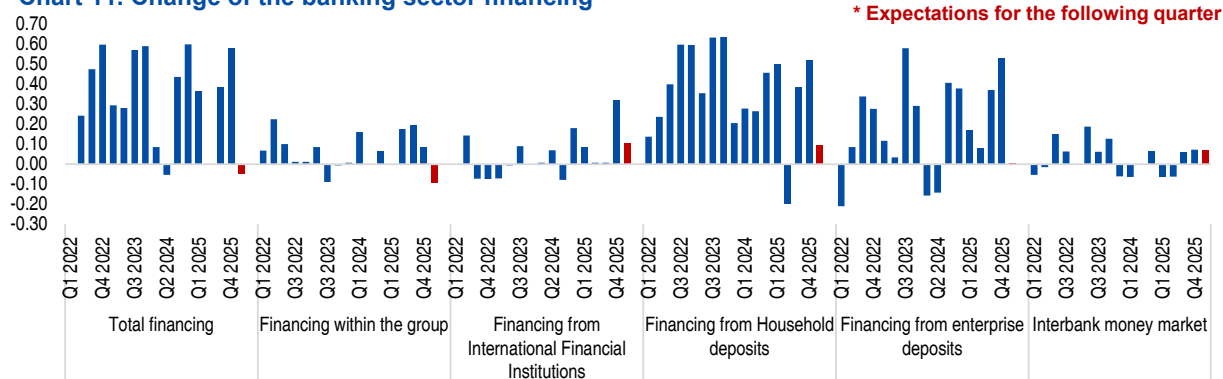
2.4. Credit quality

Banks reported a slight increase in the level of non-performing loans compared to the previous quarter. *For Q1 2026, this indicator is expected to increase, but at a slower pace than in the current quarter.*

3.0. Financing

In Q4 2025, banks’ access to funding recorded the highest increase during the year. This development resulted from growth in deposits from households and non-financial corporations, which recorded considerable increases according to most banks’ reports. Notable growth during this quarter was also recorded in financing from international financial institutions, while intragroup financing increased at a lower rate compared to the previous quarter. In terms of maturity, short-term funding increased more than long-term funding (Chart 11).

Chart 11. Change of the banking sector financing



Source: CBK.

In the first quarter of 2026, overall access to funding is expected to remain largely unchanged, with a slight downward tendency. Deposits from households, financing from international financial institutions, and the interbank money market are expected to record some increase, while financing from non-financial corporations is expected to remain largely unchanged.

3.1. Summary of focused questions

The survey questionnaire for Q4 2025 was supplemented with two additional questions aimed at expanding the content beyond the standard questions related to credit supply and demand and the factors influencing them. Banks were asked about the main risks to which they are exposed and how these would affect their activity, as well as the approach they would follow to secure funding in order to maintain a stable liquidity position while supporting lending activity.

In response to the first question, banks generally assessed that the main risks for 2026 remain manageable, with mostly low impact. Specifically, the main but manageable risk identified was the risk of an increase in non-performing loans, influenced by macroeconomic factors such as inflation, economic slowdown, and cash-flow pressures, particularly for businesses. Liquidity risk was generally considered low due to the stable deposit base. Banks also identified macroeconomic and political risks as potential risks, mainly risks related to delays in the formation of institutions and the risk of budget closure or non-approval. However, they have undertaken preventive measures to mitigate potential effects through increased provisioning levels.

In response to the second question, banks generally reported a cautious and prudent approach to healthy growth while maintaining key liquidity indicators. Specifically, banks stated that they will maintain high liquidity indicators through conservative management and continuous monitoring; diversify funding sources, mainly through cooperation with international financial institutions as a complementary measure; and increase lending without jeopardizing liquidity sustainability.

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 Q4 2025 increased from almost all economic sectors, with 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 January 2026 survey indicate that commercial banks expect inflation in the first quarter of 2026 to record a slight slowdown compared to the previous quarter. According to their assessments, the inflation rate is expected to decelerate to 4.6 percent in the first quarter of 2026 from 5.2 percent in the previous quarter, while the annual average for 2026 is expected to be around 4.2 percent (Table 2).

Considering that average inflation in 2025 was 3.9 percent, the projected level for 2026 implies an increase compared to the previous year, despite expectations of gradual moderation within 2026 itself.

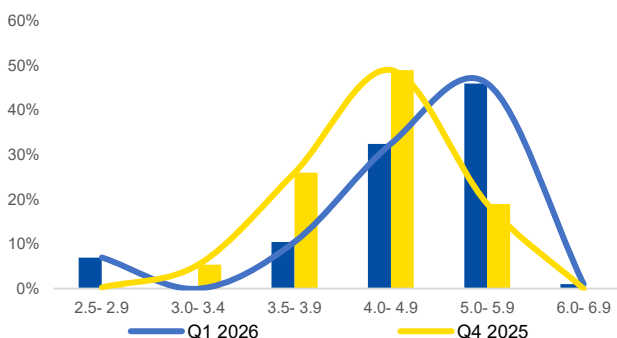
Table 2. Inflation expectations of banks, annual change in percent

Banks	Q4 2025	Q1 2026	2026
1	5.0%	4.0%	3.5%
2	5.3%	4.5%	3.2%
3	5.2%	4.9%	4.7%
4	5.3%	4.5%	3.5%
5	5.3%	5.2%	4.3%
6	5.2%	4.9%	4.6%
7	5.3%	5.3%	5.0%
8	5.3%	5.5%	5.5%
9	5.3%	2.7%	2.7%
10	5.3%	5.0%	5.0%
Average	5.2%	4.6%	4.2%

Source: Commercial banks and CBK calculations.

Chart 12 depicts banks’ assessment of the probability of realizing different inflation levels. The results indicate a shift in expectations toward higher inflation levels compared to the third quarter 2025 survey. In that period, expectations for the following quarter were mainly concentrated in the 3.9–4.9 percent range, whereas the current distribution has shifted toward the 4.0–5.9 percent range. This shift reflects an increased perception of upside risks to inflation, although the expected rate for the first quarter of 2026 points to a slowdown compared to the previous quarter. These developments are consistent with the performance of the CPI, which accelerated from 4.5 percent in the third quarter of 2025 to 5.2 percent in the fourth quarter.

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



Source: Commercial banks and CBK calculations.

Banks’ expectations for inflation in the upcoming period reflect the influence of several key factors that have driven price increases so far and are expected to continue exerting inflationary pressures. Rising food prices, which account for a significant share of the consumption basket, remain one of the main drivers of inflation according to banks, largely due to the country’s high dependence on imports and developments in international markets. In addition, banks link the acceleration of inflation to higher electricity prices, particularly during the winter season when demand is elevated. To a lesser extent, hospitality service prices have also contributed to the increase in inflation.

Although inflation is expected to remain elevated in the first half of 2026 compared to the average of 2025, expectations point to moderation during the second half of the year. The outlook continues to be affected by external factors, including uncertainties related to commodity prices in international markets, geopolitical tensions, and import dependence, which banks consider significant sources of uncertainty for inflation dynamics.

Overall, banks forecast a slight slowdown in inflation in the first quarter of 2026 to 4.6 percent, despite the upward trend observed at the end of 2025. Expectations for annual inflation of 4.2 percent in 2026 suggest that inflation will remain above the 2025 level, but with a moderating trajectory throughout the year 2026.

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 extent 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. Further more, 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 of inflation expectations from commercial banks.



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