



BANK LENDING SURVEY

2025 Q2

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July 2025

MONETARY POLICY DEPARTMENT

General Notes

The Bank Lending Survey (BLS) questionnaire aims to collect the commercial banks' opinions related to developments in the past three months on credit supply and demand, and their expectations for the next three months. The BLS provides a summary of commercial banks' perceptions of changes in credit supply conditions, - illustrated by credit standards, terms and conditions and approved loans -, and on changes in loan demand by both enterprises and households. This analysis is based on the aggregate responses gathered from all banks in the banking system.

The BLS questionnaire, in principle follows the practice implemented by the European Central Bank, but is modified allowing for some changes which reflect the specifications and features of Albanian credit market for the private sector. The time series of BLS indicators are tested for seasonality, and they reflect this effect, the series are adjusted accordingly. For more detailed information on BLS questionnaire, which consists of a glossary of terms, a short description on the importance of this survey, some methodological aspects and the time series for analysis purpose, please follow the link:

https://www.bankofalbania.org/Monetary_Policy/Surveys_11282/Bank_Lending_Survey/

The terminology used in this analysis is detailed in the glossary at the end of the material.

OVERVIEW OF RESULTS

In the second quarter of 2025, lending to enterprises was based on a lending policies framework of banks similar to the previous quarter, reflecting unchanged standards, terms and conditions. In addition, banks reported a loan approval ratio to enterprises similar to the previous quarter. Banks continue to be prudent in risk assessment by applying higher margins on riskier loans.

The lending framework to households, similar to enterprises, remained almost unchanged during the second quarter of the year. Banks kept the credit standards, terms and conditions on loans to households unchanged during the second quarter. On the other hand, banks reported a higher loan approval rate to households, backed by banks' assessments on the borrowers' creditworthiness and the employment records in the labour market.

In line with the expectations of the previous quarter, demand for loans from private sector was higher. The increased financing needs – driven by planned business investments, house purchases, and household consumer spending – together with business and consumer confidence indicators and a favourable interest rate environment, all contributed to higher loan demand from economic agents during the second quarter.

In the third quarter, banks expect to maintain an unchanged approach towards lending to enterprises, across all business categories and loan purposes. In contrast, lending policies are expected to tighten on loans to households, primarily in the house purchase loan segment. Loan demand from enterprises is expected to remain high across all types of loan. Conversely, for households, lower loan demand in the third quarter is expected to derive from the needs for house purchase financing.

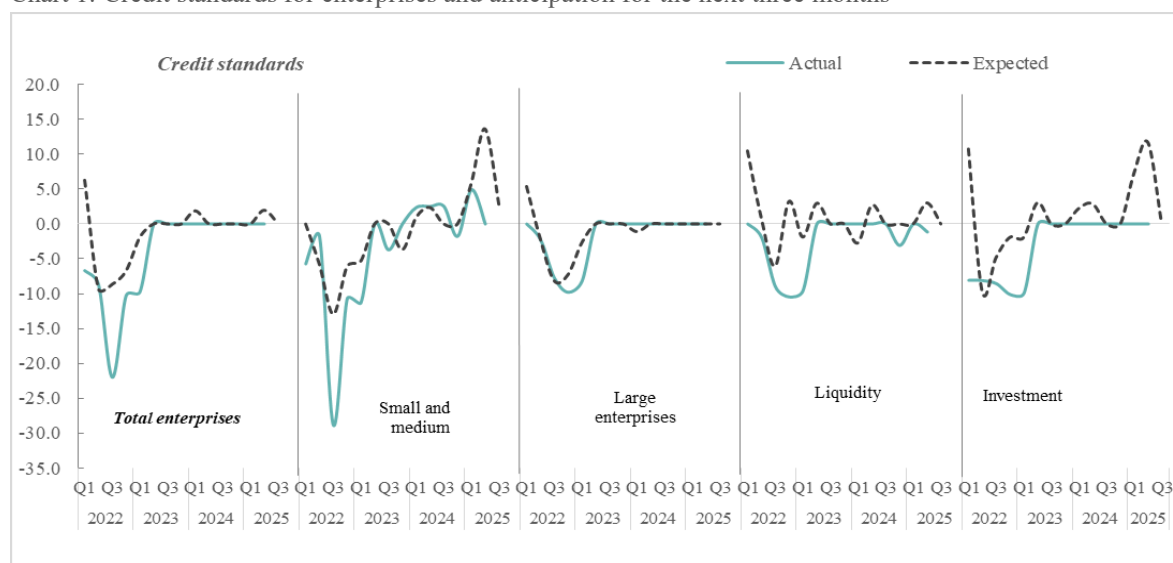
CREDIT SUPPLY CONDITIONS AND DEMAND FOR LOANS

1. LOANS TO ENTERPRISES

1.1. Credit standards

Credit standards for loans to enterprises remained unchanged in 2025 Q2. Unchanged credit standards were reported for both segments, small and medium-sized enterprises (SMEs) and large enterprises. Standards also remained unchanged for loans for used to meet liquidity needs and loans for financing investments.

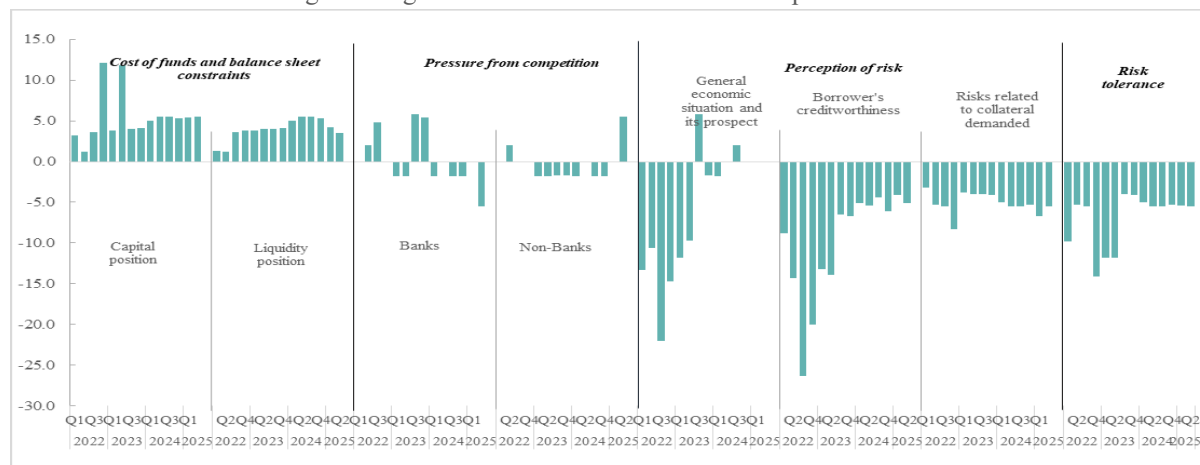
Chart 1. Credit standards for enterprises and anticipation for the next three months¹



¹: Calculated as net percentages. Positive values indicate eased of credit standards, whereas negative ones indicate tightened credit standards. Source: Bank of Albania.

The easing side of credit standards was affected by lower cost of funds and balance sheet constraints. The factors that led to tightened credit standard were related to bank's perception on risk. In more concrete terms, the perceived risk from borrowers' creditworthiness and from the demanded collateral. Also, banks' lower tolerance toward risk was another factor triggering tightened credit standards for loans to enterprises.

Chart 2. Factors contributing to changes in credit standards for total enterprises²



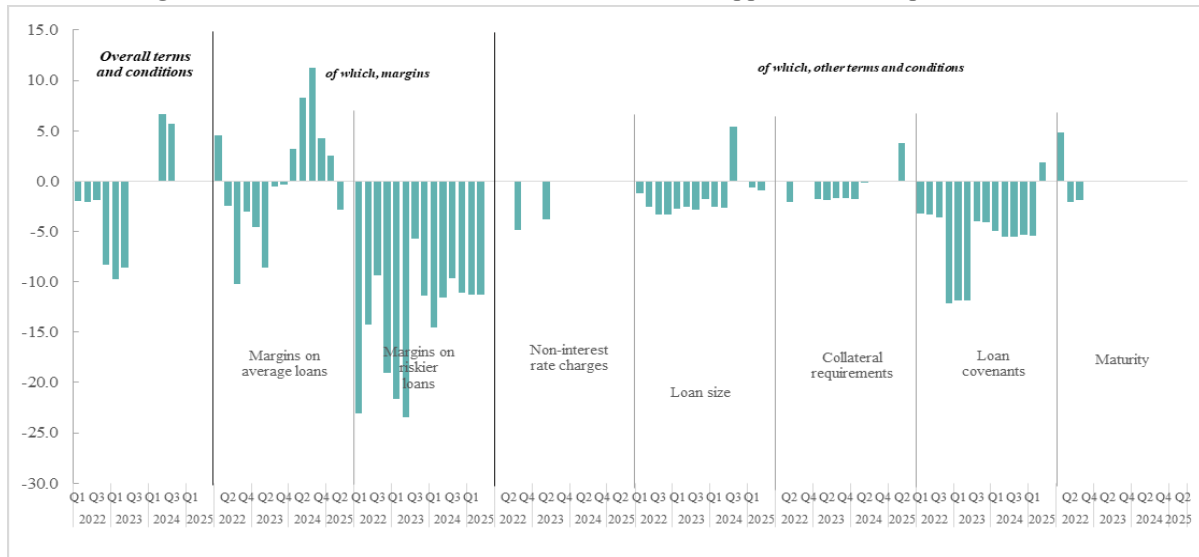
²: Calculated as net percentages. Positive values indicate eased credit standards, whereas negative ones indicate tightened credit standards. Source: Bank of Albania.

In 2025 Q3, banks anticipate almost unchanged credit standards, both in terms of loans size and loans' purpose of use (*Chart 1*).

1.2. Terms and conditions

Overall terms and conditions on new loans to enterprises remained unchanged in 2025 Q2. On one hand, banks reported higher margins on riskier loans; on the other hand, they imposed lower collateral requirements relative to the loan size, particularly for small and medium-sized enterprises (SMEs).

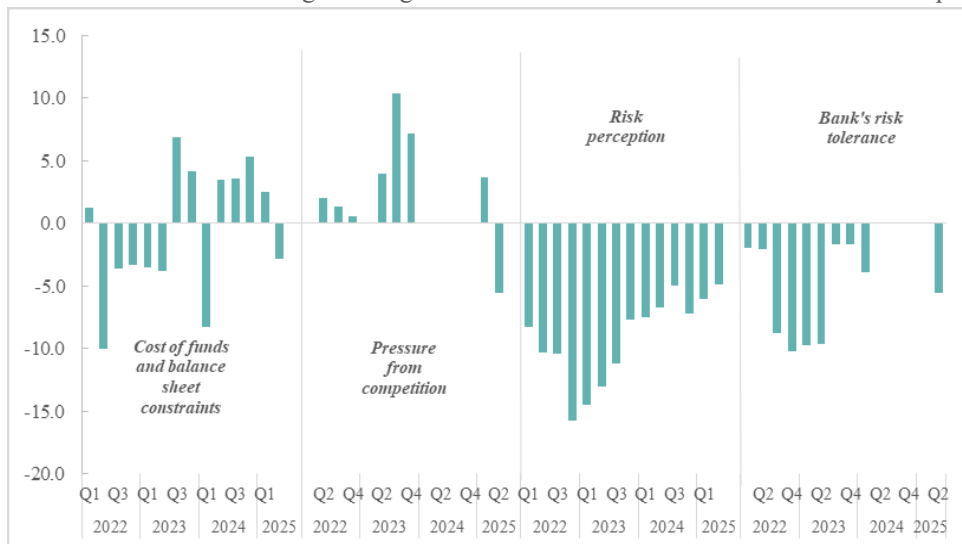
Chart 3. Changes in the overall terms and conditions on new loans approved to enterprises³



³: Calculated as net percentages. Positive values indicate an easing of terms and conditions, whereas negative values indicate tightening. Source: Bank of Albania.

The highest margins reported on riskier loans were driven by the augmented risk perception from one bank of the system and its lower tolerance toward risk.

Chart 4. Factors contributing to changes of terms and conditions for loans to total enterprises⁴

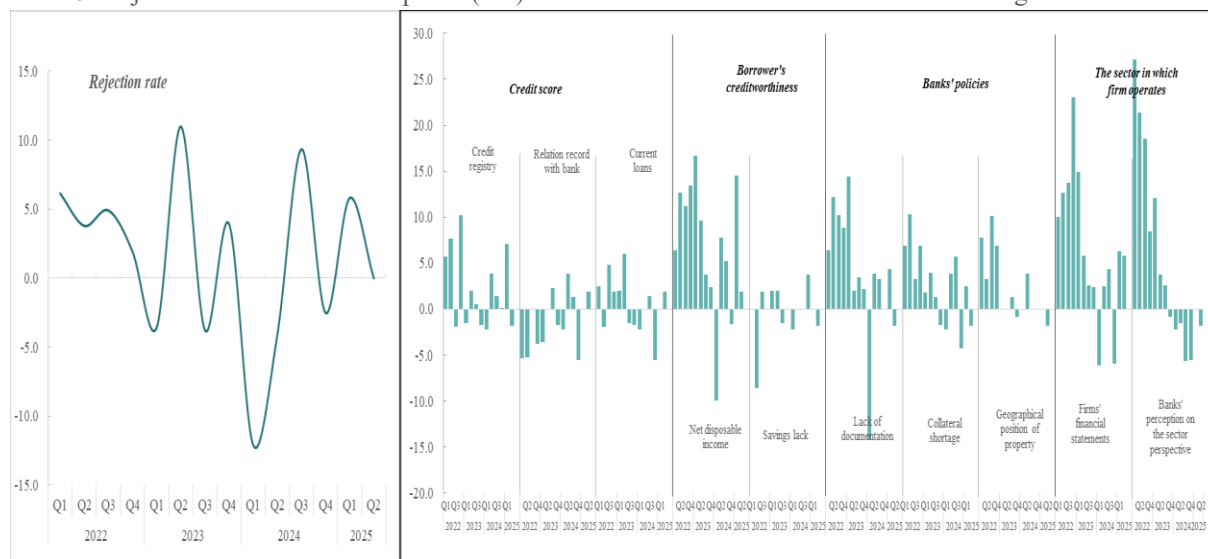


⁴: Positive values indicate that the factor contributed to an easing of terms and conditions, whereas negative values indicate tightening. Source: Bank of Albania.

1.3. Loan approval rates

Banks reported unchanged loan approval rate for enterprises in the second quarter of 2025. The factors behind the rejection rate on loans to enterprises showed minimum changes during this quarter.

Chart 5. Rejected loan ratio for enterprises (left) and the factors behind banks' decision making⁵



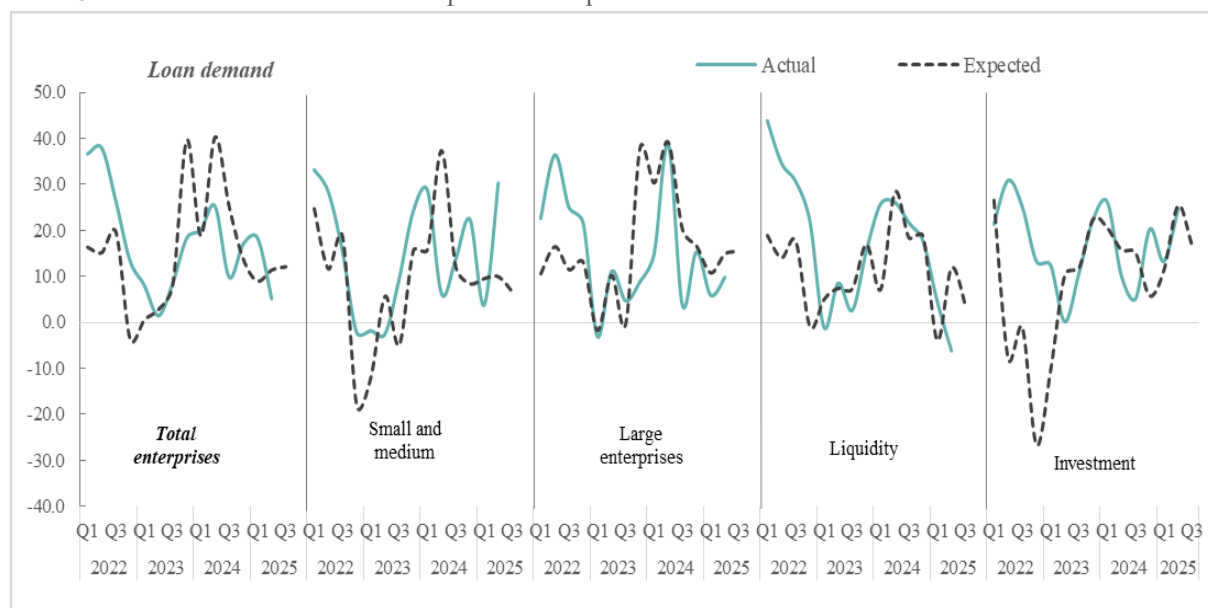
⁵: Positive values show an increase in the rejection rate relative to total loan applications (left chart). Similarly, positive values indicate that the factor contributed to a higher rejection rate (right chart), while negative values indicate a reduction.

Source: Bank of Albania.

1.4. Demand for loans

Loan demand from enterprises was reported upward in 2025 Q2 as well. Loan demand was reported as high, across loans' purpose of use and enterprise size. Meanwhile, in terms of meeting short-term liquidity needs, loan demand was perceived as lower.

Chart 6. Current loan demand from enterprises and expectations over the next three months⁶

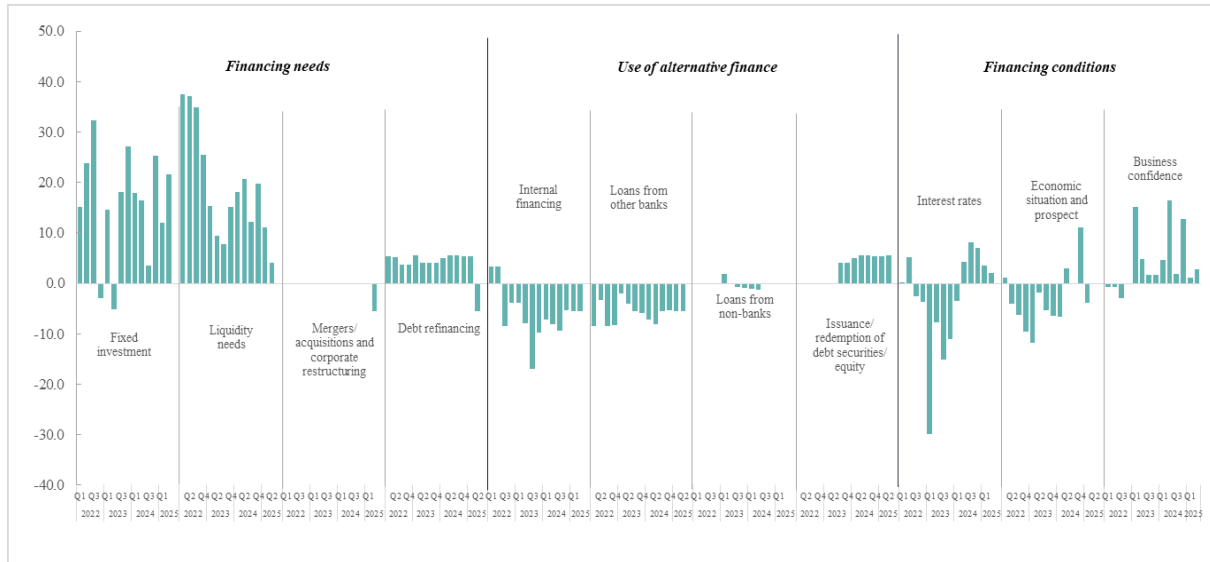


⁶: Calculated as net percentages. Positive values indicate an increase in loan demand, while negative values indicate a decrease.

Source: Bank of Albania.

From the perspective of banks, a higher necessity to finance investments, the overall level of interest rates and the enhanced business' confidence fuelled the elevated loan demand in the second quarter of 2025. On the other hand, internal financing deployment was reported as a factor driving downward the loan demand from enterprises in the first quarter of 2025.

Chart 7. Factors affecting changes in the loan demand of enterprises⁷



⁷: Calculated as net percentages. Positive values indicate an increase in loan demand, while negative ones a decrease in loan demand.
Source: Bank of Albania.

In 2025 Q3, banks anticipate a higher loan demand from enterprises, in terms of both enterprise size and purpose of loan use ([Chart 6](#)).

2. LOANS TO HOUSEHOLDS

2.1. Credit standards

Credit standards for loans to households remained almost unchanged in 2025 Q2.

Chart 8. Change in credit standards for loans to households and anticipation for the next three months

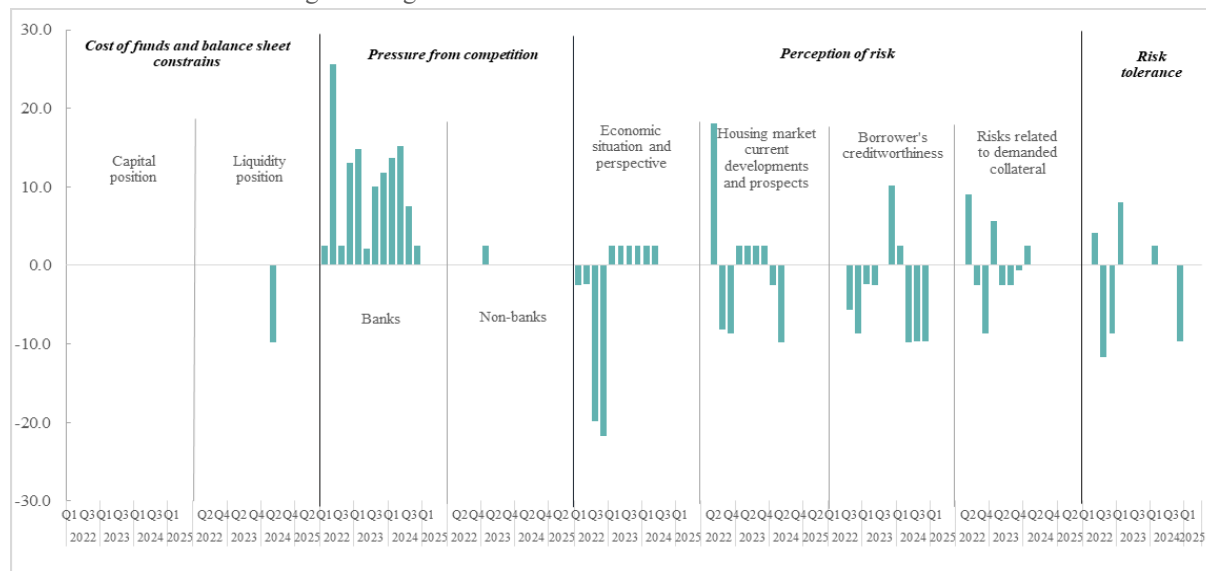


⁸: Calculated as net percentages. Positive values indicate an easing of credit standards, while negative values indicate tightening.

Source: Bank of Albania.

All factors affecting credit standards on loans to households remained unchanged during the second quarter of 2025.

Chart 9. Factors contributing to changes of credit standards to households⁹



⁹: Calculated as net percentages. Positive values indicate that the factor contributed to eased credit standards, whereas negative values indicate tightened credit standards.

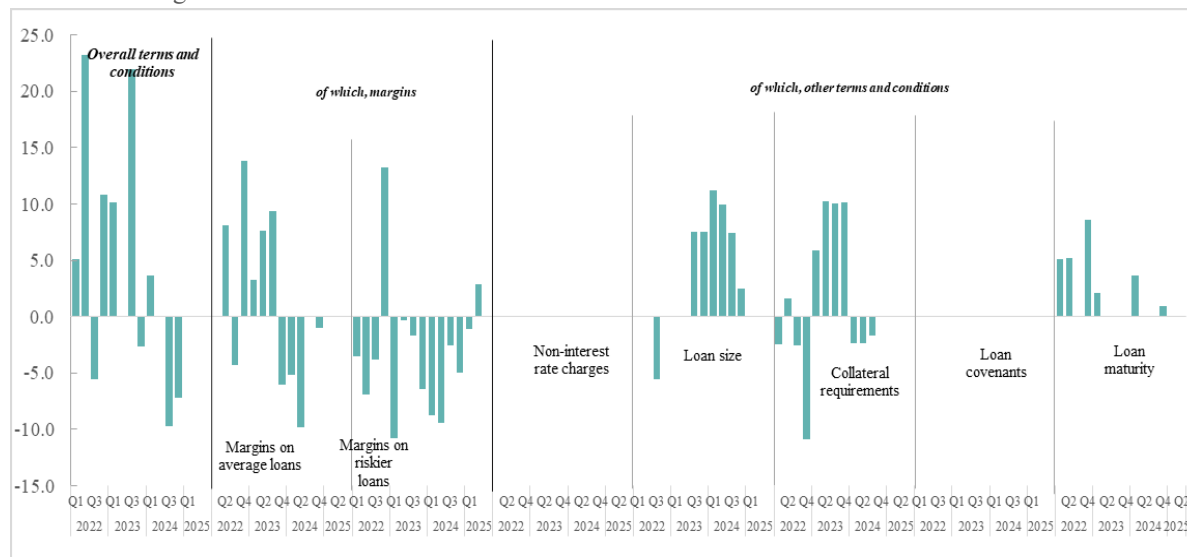
Source: Bank of Albania.

Banks expect to tighten credit standards for loans to households in the third quarter of 2025, mainly on house purchase loans ([Chart 8](#)).

2.2. Terms and conditions

Overall terms and conditions on loans to households remained unchanged in 2025 Q2. All price and non-price components shaping terms and condition on loans granted to households were reported as unchanged during this quarter.

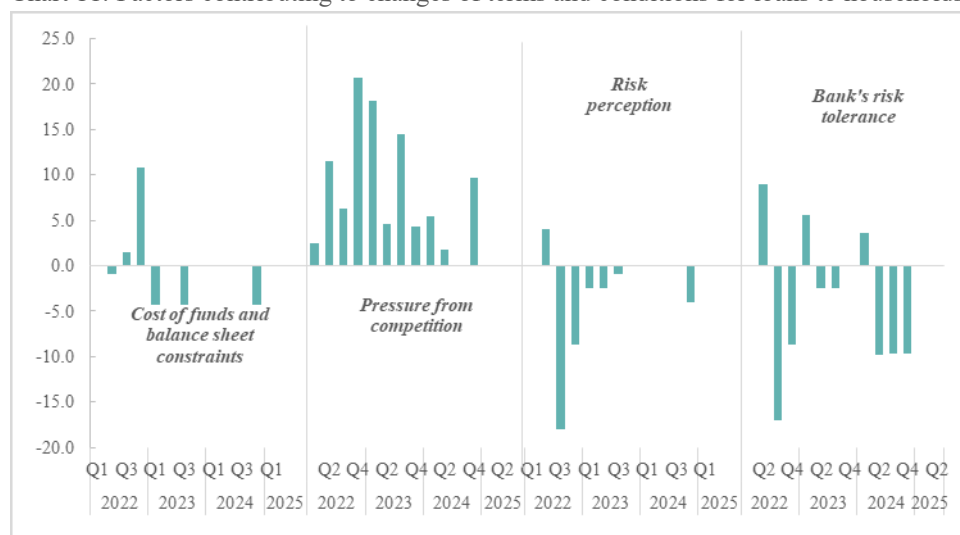
Chart 10. Change in the overall terms and conditions on new loans to households¹⁰



¹⁰: Calculated as net percentages. Positive values indicate an easing of terms and conditions, whereas negative values indicate a tightening. Source: Bank of Albania.

Factors contributing to changes in terms and conditions on loans to households also remained unchanged in the second quarter.

Chart 11. Factors contributing to changes of terms and conditions for loans to households¹¹

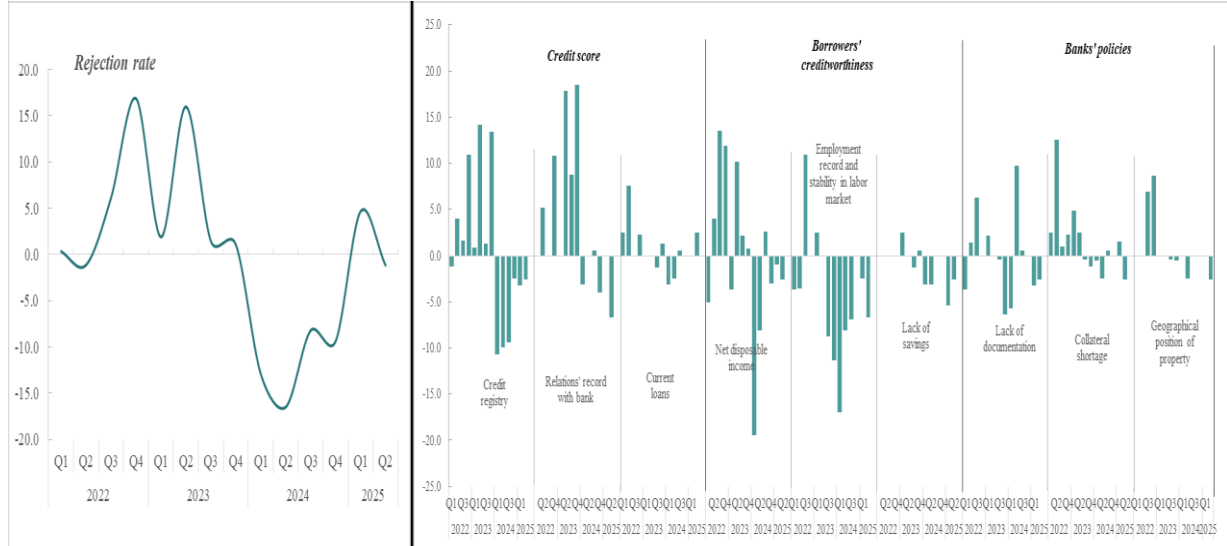


¹¹: Positive values indicate that the factor contributed to an easing of terms and conditions, while negative values indicate tightening. Source: Bank of Albania.

2.3. Loan approval rate

In 2025 Q2, banks reported a higher loan approval rate for households. The lower loan rejection rate to households was fuelled by all determining factors, with the highest balances in the stability of both employment in the labour market and the history of relations with the bank.

Chart 12. Rejected loan rate for households (left) and factors behind banks' decision making¹²

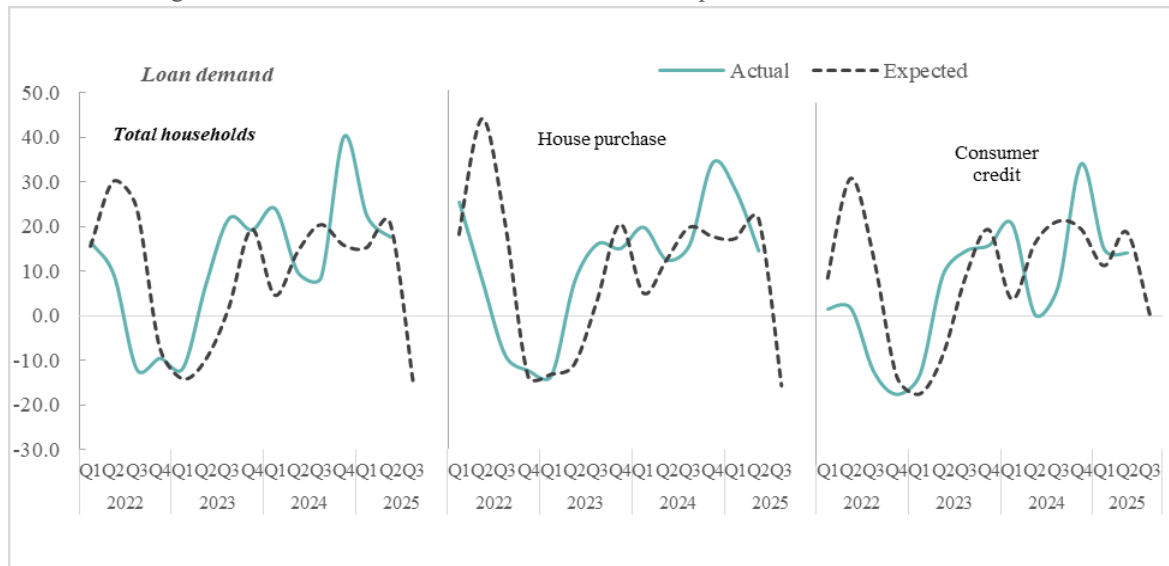


¹²: Positive values show an increase in rejection rates to the total loan applications (left-hand chart). Also, positive values indicate that the factor contributed to an increase in rejection rate (right- chart), while negative values indicate a reduction.
Source: Bank of Albania.

2.4. Demand for loans

Loan demand from households was perceived higher in 2025 Q2, for both house purchase loans and consumer loans.

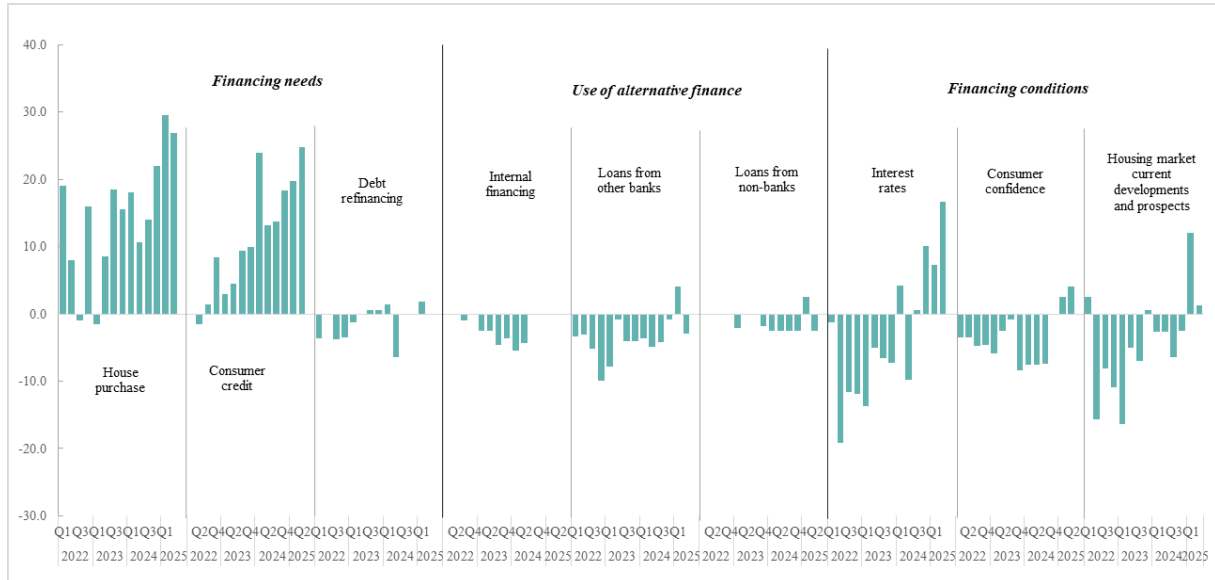
Chart 13. Changes in current loan demand of households and expectations over the next three months¹³



¹³: Calculated as net percentages. Positive values indicate an increase in loan demand, while negative values indicate a decrease.
Source: Bank of Albania.

On banks' view, the higher loan demand from households in this quarter was mainly attributed to the increased needs for loans to finance both house purchase and consumption. Also, the overall level of interest rates and improved consumer confidence drove to higher loan demand in the second quarter. Other factors had a minimal impact.

Chart 14. Factors contributing to changes in the loan demand from households¹⁴



¹⁴: Calculated as net percentages. Positive values indicate that the factor contributed to an increase in loan demand, while negative values indicate a decrease.

Source: Bank of Albania.

In 2025 Q3, banks anticipate a lower loan demand, mainly for house purchase loans ([Chart 13](#)).

Dictionary of the Bank Lending Survey

The dictionary of the Bank Lending Survey is compiled in order to assist the designated banking experts when filling out the survey. It consists of the basic terminology used in the Bank Lending Activity of the Bank of Albania, as revised in May 2018. This revision aims to further approximate the Survey with the international practices, particularly those of the European Central Bank. Consequently, in cases when an explicit explanation has not been laid out in the Albanian legislation, the terminology of the BLS has been adopted with that of the ECB.

Consumer confidence. This indicator is based on individuals' perception on the current situation and their expectations on main economic and financial indicators. Consumer confidence is a combination of past, present and future assessments on the financial standing of individuals, based on their outlook regarding the political and economic situation. These assessments guide their decision-making for investing on residential properties and long-term consumer goods. In theory, the improvement of consumer confidence is accompanied by an increase in the demand for loans.

Enterprises. According to Law No. 8957, dated 17.10.2002, as amended, "On small and medium-sized enterprises", the term business or enterprise refers to all entities that are involved in an economic activity (i.e., production, sale of goods and services), despite their legal form. In this context, businesses represent small and medium-sized enterprises. This category also includes self-employed people, family businesses who are involved in craftsmanship and other activities, as well as companies and associations regularly engaged in economic activities. State enterprises and non-residential businesses are excluded from the Survey.

Marketing campaigns. This indicator is one of the factors that affects both credit demand and supply. Marketing campaigns should be considered a factor with an impact on credit supply only in cases when there are changes to loans' terms and conditions. In other cases (when the loans' terms and conditions do not undergo changes through marketing campaigns) this indicator is grouped under the factors with an impact on credit demand. In such cases, the interviewed should put the marketing campaign undertaken by them under the category of "Other factors", respectively when answering Questions 6 and 12, which identify the factors with an impact on credit demand from households and enterprises.

Households/consumers. In compliance with Law No. 9902, dated 17.04.2008, as amended, "On consumer protection", consumer means any person who purchases and uses goods and services in order to meet individual needs, unrelated to commercial activity or exercising his/her profession. This law categorizes non-profit organisations as consumers as well.

Non-bank institutions. Generally, non-bank institutions are non-monetary financial corporations. They include insurance companies and pension funds, financial aids and other financial intermediaries

Capital. Pursuant to Law No. 9662, dated 18.12.2006 "On banks in the Republic of Albania", and Decision No. 69 of the Supervisory Council of the Bank of Albania, dated 18.12.2014 on the approval of the Regulation "On the regulatory capital of the Bank of Albania," this term refers to the regulatory capital¹ required for covering credit risk, market risk and operational risk.

¹ The capital calculated for banking supervisory purposes, including various categories of capital and reserves, as well as other elements, which are stipulated by the sub-legal acts of the Bank of Albania.

Credit demand². Credit demand refers to the gross demand for loans by households and enterprises, including requests to extend the maturity of existing loans. This term reflects households' and enterprises' needs for financing bank loans, regardless of whether this need will translate into an actual loan. When filling out the Survey, each bank should assess the developments in loan demand (for both households and enterprises), compared to the previous quarter and independent from price performance.

Collateral. According to Law No. 9662, dated 18.12.2006 "On banks in the Republic of Albania", and Regulation No. 62, dated 14.09.2011 of the Bank of Albania, this concept means the tools utilised by banks in order to ensure return of the borrower's obligation. Real estate, securities and compensating balance may be used as collateral, where the latter consists of the minimal amount that the borrower is obligated to hold in its own bank account.

Non-interest commissions. These are various payments that could be part of the loan price, such as commissions on circulating credit, taxes on credit administration (i.e., the costs of preparing documentation) and payments on credit investigation, guarantee and insurance.

Cost of funds and balance sheet restrictions. The level of bank capital and the cost related to providing the capital required by regulators, may hinder growth in the lending activity. For a specific capital level, supply of credit may be affected by both the liquidity position of banks, as well as its ability to raise capital in the market. A bank may forgo or be less willing in granting a loan, when it perceives that it will be unable to expand the capital required for this purpose. Furthermore, risk related to non-performing loans may be reflected not only on bank's risk perception, but also on the increase in the cost of funds and balance sheet restrictions.

Loans. This term shall mean as it is referred to in Law No. 9662, dated 18.12. 2006 "On banks in the Republic of Albania". For the purpose of this Survey, credit includes all loans or credit lines of enterprises; loans granted to households for house purchases; consumer loans; as well as other types of loans granted to households. It must be emphasized that this term refers to loans granted to Albanian residents, excluding interbank and non-resident loans.

Consumer credit and other loans. Consumer credit includes any type of loan disbursed by banks to households with the purpose of purchasing goods and services for their own consumption, in accordance with the definitions stipulated in Decision No. 48, dated 01.07.2015 of BoA for the approval of Regulation "On consumer credit and mortgages" and Law No. 9902, dated 17.04.2008, "On consumer protection", as amended. Examples that illustrate this credit category are loans granted for purchasing cars, house furniture and other consumer goods, vacation travels etc. Overdraft and credit card loans are usually included under this category as well. Loans of this category may have a collateral or may not.

House purchase loans. This term refers to the loans granted to households by banks for purchasing, constructing or reconstructing a residential real estate pursuant to Decision No. 48, dated 01.07.2015 of BoA for the approval of Regulation "On consumer credit and mortgages". This type of real estate includes houses, buildings, apartments or the land on which the house will be constructed.

Credit terms and conditions. The credit terms and conditions refer to the terms and maturity of the approved loan, as determined in the credit contract, on which the bank and borrower have reached an agreement. They generally consist of the margin over the reference interest rate, the size of loan, the

² For the purposes of this survey, the term 'credit' is used as equivalent to the term 'loan'.

conditions over bank's approach and other conditions in the form of fees, commission, non-interest costs, collateral or guarantees, loan restrictions and maturity of approved loan. The credit terms and conditions depend on the borrower's report, and they might change in a parallel or independent way, depending on credit standards. For example, the higher financing costs or the deterioration of economic perspective may bring about a restriction of the credit standards, as well as a tightening of conditions on those loans that the bank and its clients are willing to approve. Alternatively, banks may adjust only the contract terms/conditions laid out in the credit contract (such as: the increase of margins against the reference rates) requested to compensate for additional costs/risk and to keep credit standards unchanged.

Loan covenants. The covenants of a credit contract consist of an agreement or legal specification, according to which the borrower (typically an enterprise) pledges to undertake or stop undertaking additional measures, in order to meet the entirety of conditions when according a loan. As such, covenants in the credit agreement are part of the credit terms and conditions.

Enterprise size. The size of enterprise is laid down in Law No. 8957 "On small and medium-sized enterprises", dated 17.10.2002, as amended. The provisions laid down in this law stipulate two criteria when determining the enterprise size: the number of employees and annual revenue. The category of large enterprises include those enterprises with over 250 employees and over ALL 250 million annual revenue. The rest of enterprises are categorised in the group of small and medium enterprises.

Margin above the market reference rate. This indicator specifies the difference between the loan's interest rate as applied by the bank and the reference rate (which could be the yield on T-bills, Repo, Euribor, Libor, etc). The margin is determined on the basis of loan's characteristics. It reflects the differences between the loan's interest rate applied by the bank, which depends on the cost of the bank's financing, and the borrower's risk, as well as bank's perception on the political and economic situation domestically. Simply put, the margin reflects changes in the bank's interest rate independently from changes in market rates.

Maturity. Loan maturity refers to initial maturity - the lifespan of a loan as agreed upon between the two parties i.e., the borrower and the bank.

Risk perception and risk tolerance. Risk perception refers to the bank's judgements about the current and expected developments on the key economic indicators, the present situation of the enterprise or industry and its perspective, the borrower's solvency, and the required collateral (demand factors). Contrarily, risk tolerance refers to bank's tolerance regarding its lending policy, which could vary depending on changes in the strategy adopted by the bank (supply factors). Banks' perception on current risk and their tolerance towards risk may change in the same direction or in opposite directions.

Collateral coverage ratio. The ratio of the sum lent against the market value of the collateral placed for this loan. This indicator refers mainly to loans used to finance real estate.

Refinancing/restructuring and debt renegotiation. This concept is included in the survey as a factor which affects credit demand. It refers to the term on credit refinancing, restructuring and renegotiation, as laid down in the Regulation of the Bank of Albania No. 62, dated 14.09.2011 "On credit risk management from banks and branches of foreign banks", which consists of the alleviations that the bank provides to borrowers experiencing financial difficulties. These includes facilitations to the contract's conditions related to the maturity, principal payment and interest rate; the use of collateral to partially settle the loan; or the substitution of the primary borrower with a secondary borrower. This

factor will impact credit demand only when changes to the contract do occur, followed by the extension of initial maturity or increase of the loaned sum.

Credit restructuring does not include cases when the method of borrower's financing switches from a bank loan to instruments of credit securities in the capital market. Meanwhile, credit restructuring in the form of loans obtained from another institution is to be classified as a factor under “loans from non-banks”.

Credit standards. Credit standards are the internal guidelines or the loan approval criteria adopted by the bank. They have been set out prior to the negotiation of the terms and conditions of the loan, as well as prior to the current decision on the approval or refusal of the loan. The standards determine the type of loans which the bank considers desirable or undesirable, the sectoral and geographical priorities, and the collateral to be considered acceptable and unacceptable etc. Credit standards lay out the characteristics of the borrower (e.g.: balance sheet conditions, income state, age, employment status) necessary to grant a loan. Credit standards may vary depending on changes to the cost of funds; bank's balance sheet; competitiveness; bank's risk perception; risk tolerance and regulatory amendments.

Loan application status. In theory, loan applications consist of the formal loan request, as well as any other non-formal request for credit which has not reached the official credit loan application status. If the information on non-formal loan requests cannot be secured, then the bank should respond based on the size of formal loan requests. Loan applications are reported as changed not only from new clients, but also from existing clients. However, applications from existing clients should be included only when the size of an existing loan increases or a new loan is granted.

Loan rejection refers to cases when loan applications have been refused. This indicator is calculated as the ratio of the turned-down loans to the total loans applications for that quarter. Loan rejections do not include cases when the borrower withdraws the loan application due to unfavourable bank conditions.

Current and expected developments in the housing market. This term is one of the factors that affects both credit demand and supply. It includes banks' or households' perception on the expected developments in housing prices. In Question 8, 3b this factor refers to the risk related to the requested collateral. In Question 12, 3.c it refers to expected developments in the housing market, including an increase (decrease) of demand for house loans, due to an expected increase (decrease) of the purchasing costs of a house and/or perceived return from a real estate investment.