



**CENTRAL BANK OF CYPRUS**

EUROSYSTEM

**JANUARY 2025**  
**BANK LENDING SURVEY**  
**Results for Cyprus**

Nicosia - Cyprus

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## 1. Overview

The January 2025 Bank Lending Survey (BLS)<sup>1</sup> records, among other things, the changes in credit standards and loan demand that occurred in 2024Q4 compared with 2024Q3 in Cyprus, as well as the changes that are expected to occur in 2025Q1 compared with 2024Q4. It should be emphasised that the results of the Survey reflect the perceptions and expectations of the participating banks and do not, in any way, reflect the views or expectations of the Central Bank of Cyprus (CBC) (see Notes).

Summary of BLS results - January 2025	Cyprus	
	2024Q4	2025Q1 (expectations)
<b>Supply of loans</b>		
<b>Credit standards for loans</b>		
<b>Enterprises</b>	Unchanged	Easing
<b>Households</b>		
- Housing loans	Unchanged	Easing
- Consumer credit and other lending	Unchanged	Easing
<b>Overall terms and conditions for loans</b>		
<b>Enterprises</b>	Easing	*
<b>Households</b>		
- Housing loans	Easing	*
- Consumer credit and other lending	Easing	*
<b>Demand for loans</b>		
<b>Enterprises</b>	Unchanged	Increase
<b>Households</b>		
- Housing loans	Unchanged	Increase
- Consumer credit and other lending	Decrease	Increase

\* The survey does not include questions on expected changes in loan terms and conditions.

Source: CBC

<sup>1</sup> - The January 2025 BLS was conducted in the period 10 December 2024 – 7 January 2025. The statistical analysis for Cyprus uses the diffusion index. More information on the methodology of the Survey can be found [here](#).  
 - In those cases where no line or bar is evident in the charts of this report, the diffusion index is zero for the respective quarter. Either this implies that there was no change compared with the previous quarter or that the answers of the participating banks offset one another.  
 - The BLS results for the euro area are available [here](#).

On the *loan supply* side, **credit standards<sup>2</sup> for loans to enterprises and households, for housing loans as well as consumer credit and other lending, remained unchanged** in 2024Q4 compared with the previous quarter. According to the Survey, all factors related to credit standards, across all loan categories, had a neutral impact in the quarter under review.

**The overall terms and conditions on new loans<sup>3</sup> to enterprises and on new housing loans, consumer credit and other lending to households eased** in 2024Q4. According to the Survey, a decrease in interest rates and a narrowing of bank margins on average loans as well as on riskier loans was recorded across all loan categories. The easing of the overall terms and conditions on new loans reflects banks' lower risk perceptions. In the case of new business loans and new housing loans to households, competitive pressures also played a role.

On the *loan demand* side, **net demand for loans by enterprises and for housing loans by households remained unchanged** in 2024Q4. Conversely, **net demand for consumer credit and other lending by households decreased**. According to the Survey, the decrease is attributed to lower spending on durable consumer goods.

According to *banks' expectations for 2025Q1*, **credit standards for loans to both enterprises and households are expected to ease**. At the same time, **net demand for loans by enterprises and by households is anticipated to increase**.

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<sup>2</sup> Credit standards refer to the internal guidelines or loan approval criteria of a bank. Both new loans and loan refinancing, i.e. a prolongation of a loan or a higher loan amount, are considered. Credit standards are established prior to the actual loan negotiation on the terms and conditions and the actual loan approval/rejection decision. They define the types of loan a bank considers desirable and undesirable, the designated sectoral or geographic priorities, the collateral deemed acceptable or unacceptable, etc. Credit standards specify the required borrower characteristics under which a loan can be obtained.

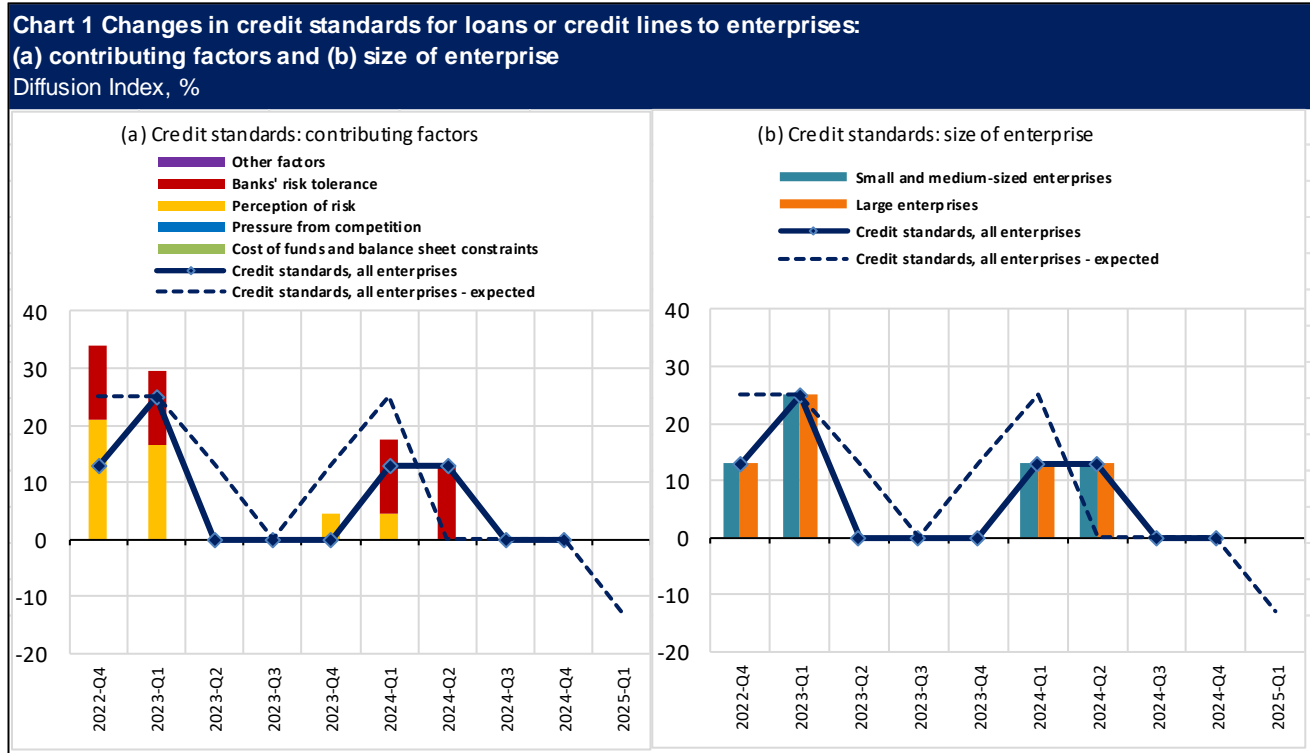
<sup>3</sup> Credit terms and conditions refer to the conditions of a loan that a bank is willing to grant, i.e. to the terms and conditions of the (new or refinanced) loan actually approved, as laid down in the loan contract agreed between the bank (the lender) and the borrower. Credit terms and conditions depend on the borrower's characteristics and may change in parallel with credit standards or independently of them.

## 2. Loan Supply

### 2.1. Credit standards for loans

#### 2.1.1. Credit standards for loans or credit lines to enterprises<sup>4</sup>

In 2024Q4, **credit standards for loans to enterprises in Cyprus remained unchanged** compared with the previous quarter, in line with expectations expressed in the Survey of the previous quarter. This marks the second consecutive quarter where credit standards for business loans have remained stable. As in the previous quarter, all factors contributing to changes in credit standards for loans to enterprises had a neutral impact in 2024Q4 (**Chart 1(a)**). It is noted that, in the quarter under review, credit standards remained unchanged for loans to both small and medium-sized enterprises (SMEs) and large enterprises (**Chart 1(b)**).



**Notes:**

Concerning the direction of changes in the credit standards, a **positive value** indicates a tightening of credit standards and a contribution by the factors to this direction, while a **negative value** indicates an easing of credit standards and a contribution by the factors to this direction.

**"Cost of funds and balance sheet constraints"** as unweighted average of banks' "Capital and cost related to capital position", "Access to market financing" and "Liquidity position".

**"Pressure from competition"** as unweighted average of "Competition from other banks", "Competition from non-banks" and "Competition from market financing".

**"Perception of risk"** as unweighted average of "General economic situation and outlook", "Industry or firm-specific situation and outlook/borrower's creditworthiness" and "Risk on collateral demanded".

**"Other factors"** refer to further factors which were mentioned by participating banks as having contributed to changes in credit standards.

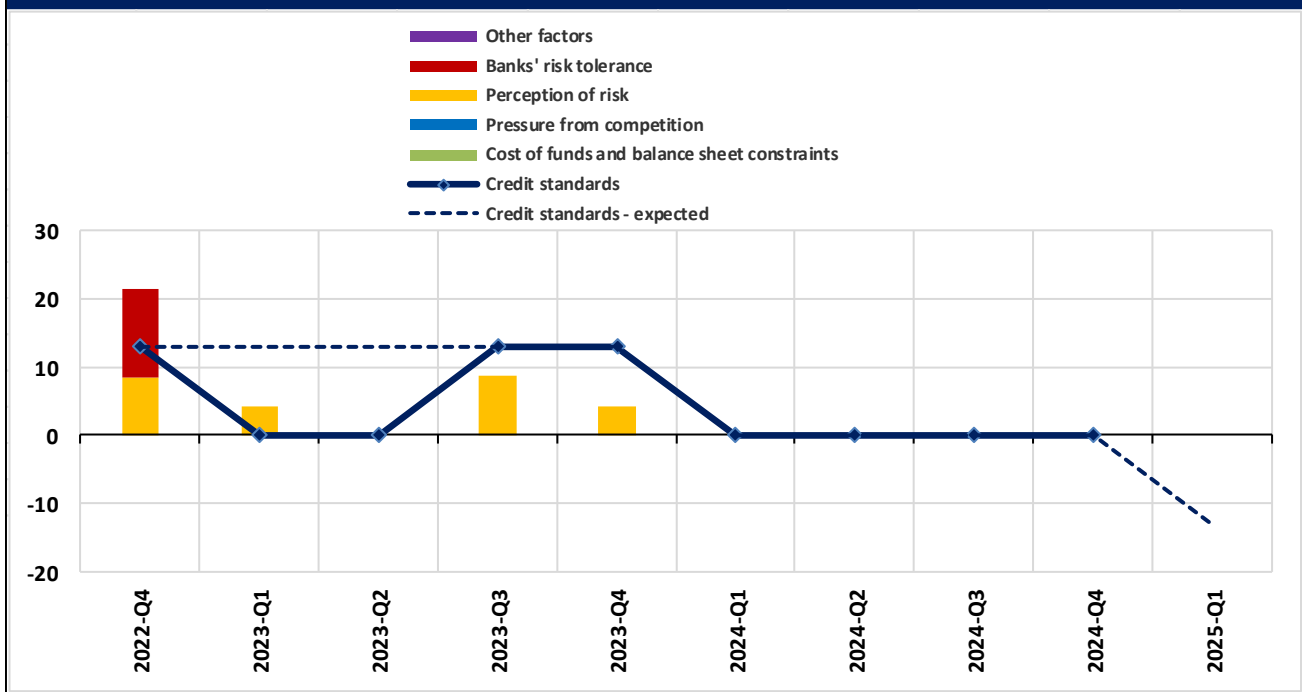
<sup>4</sup> The term "enterprises" refers to non-financial corporations.

## 2.1.2. Credit standards for loans to households for house purchase

**Credit standards for loans to households for house purchase remained unchanged** in 2024Q4, for a fourth consecutive quarter, an outcome consistent with banks' expectations expressed in the Survey of the previous quarter. During the reporting quarter, all underlying factors continued to have a neutral impact on credit standards for housing loans, for a total of four consecutive quarters (**Chart 2**).

**Chart 2 Changes in credit standards for loans to households for house purchase and contributing factors**

Diffusion Index, %



**Notes:**

Concerning the direction of changes in the credit standards, a **positive value** indicates a tightening of credit standards and a contribution by the factors to this direction, while a **negative value** indicates an easing of credit standards and a contribution by the factors to this direction.

**"Cost of funds and balance sheet constraints"** as unweighted average of banks' "Capital and cost related to capital position", "Access to market financing" and "Liquidity position" (detailed sub-factors were introduced in April 2022).

**"Pressure from competition"** as unweighted average of "Competition from other banks" and "Competition from non-banks".

**"Perception of risk"** as unweighted average of "General economic situation and outlook", "Housing market prospects, including expected house price developments" and "Borrower's creditworthiness".

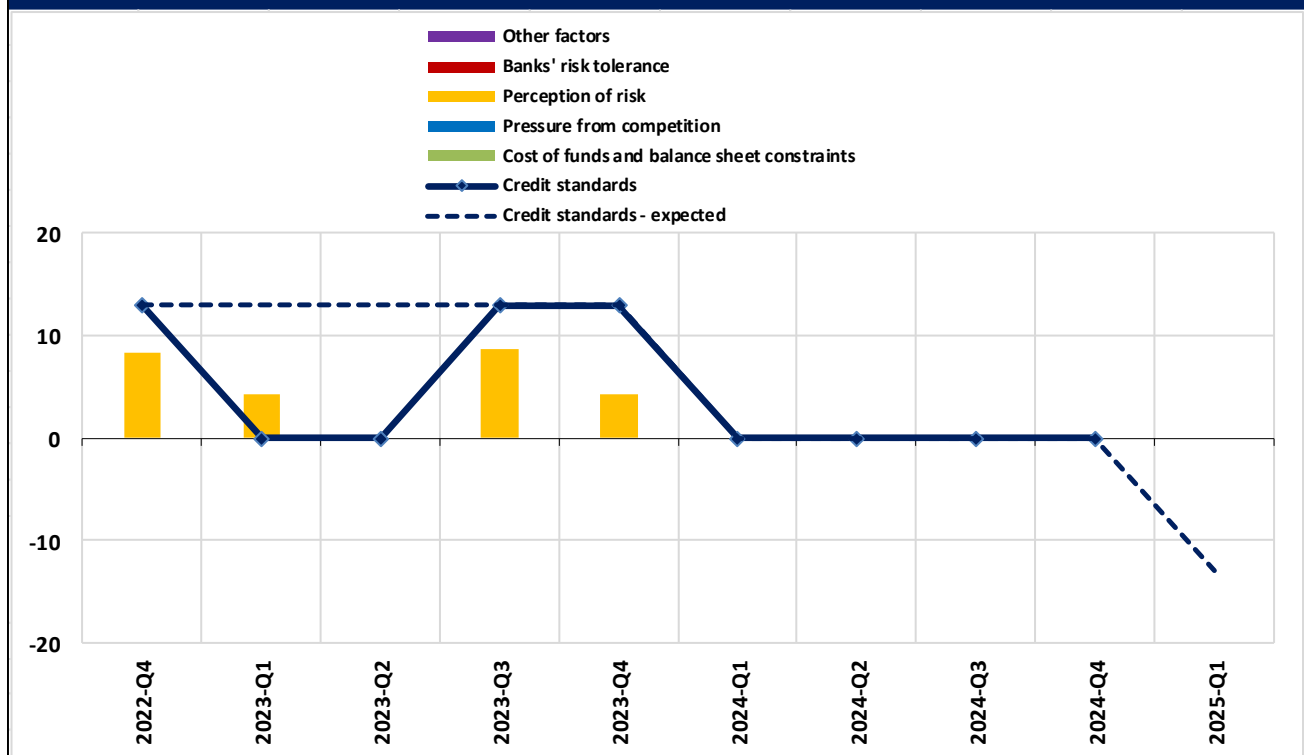
**"Other factors"** refer to further factors which were mentioned by participating banks as having contributed to changes in credit standards.

### 2.1.3. Credit standards for consumer credit and other lending to households

In 2024Q4, **credit standards for consumer credit and other lending to households remained unchanged** for a fourth consecutive quarter, consistent with banks' expectations outlined in the October 2024 Survey. As with the other loan categories, all factors related to credit standards for consumer credit and other lending to households had a neutral impact, for four consecutive quarters (**Chart 3**).

**Chart 3 Changes in credit standards for consumer credit and other lending to households and contributing factors**

Diffusion Index, %



#### Notes:

Concerning the direction of changes in the credit standards, a **positive value** indicates a tightening of credit standards and a contribution by the factors to this direction, while a **negative value** indicates an easing of credit standards and a contribution by the factors to this direction.

"**Cost of funds and balance sheet constraints**" as unweighted average of banks' "Capital and cost related to capital position", "Access to market financing" and "Liquidity position" (detailed sub-factors were introduced in April 2022).

"**Pressure from competition**" as unweighted average of "Competition from other banks" and "Competition from non-banks".

"**Perception of risk**" as unweighted average of "General economic situation and outlook", "Creditworthiness of consumers" and "Risk on the collateral demanded".

"**Other factors**" refer to further factors which were mentioned by participating banks as having contributed to changes in credit standards.

### 2.1.4. Expectations for the next quarter

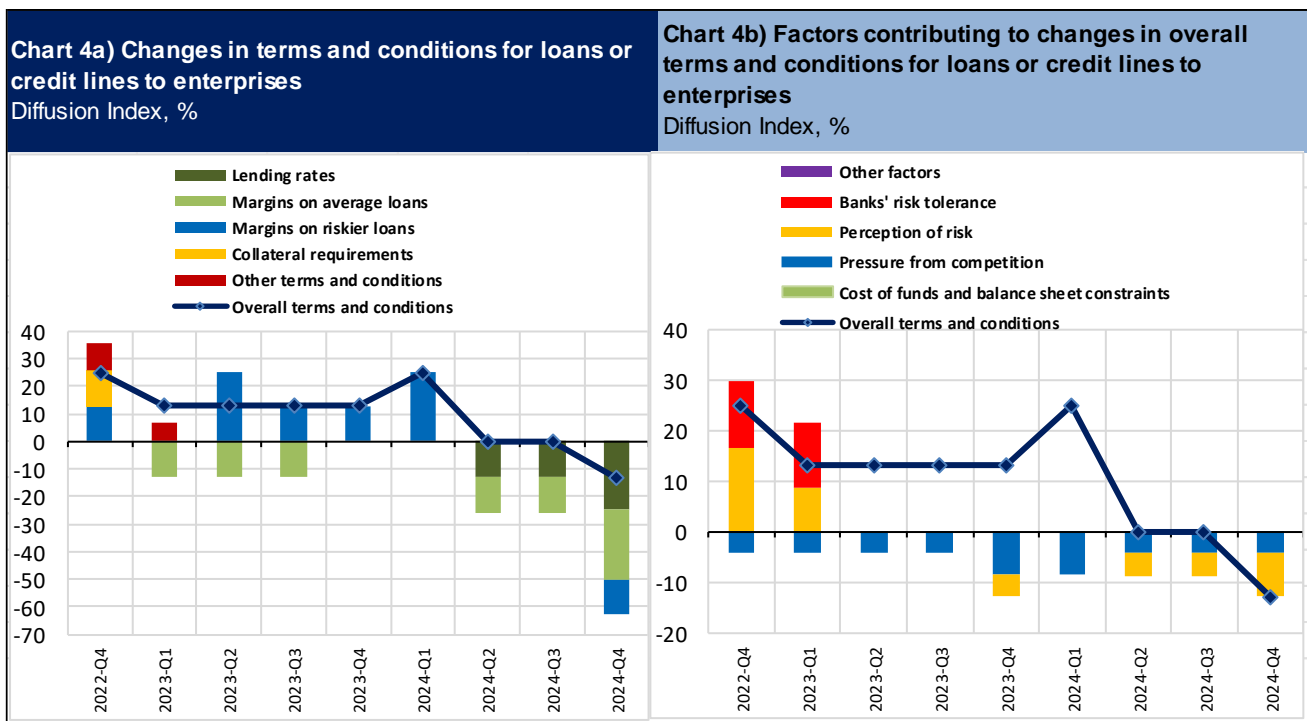
According to banks' expectations for 2025Q1, credit standards in Cyprus are expected to ease for loans to enterprises, as well as for housing loans, consumer credit and other lending to households (**Charts 1-3**). If this materialises, it will mark the first easing of credit standards since 2009 for loans to enterprises and since 2017 for loans to households, after a prolonged period of tightening or unchanged credit standards.

## 2.2. Overall terms and conditions on loans

### 2.2.1. Overall terms and conditions on loans or credit lines to enterprises

The overall terms and conditions on new business loans (i.e. banks' actual terms and conditions agreed upon in the loan contract) **eased** in 2024Q4 compared with the previous quarter. Specifically, lower interest rates on new business loans, as well as a narrowing of banks' margins on average loans and, to a lesser extent, on riskier loans were reported (**Chart 4(a)**).

According to the Survey, the easing in the overall terms and conditions on new business loans mainly reflects banks' perceptions of reduced risk regarding the general economic situation and outlook, which were reinforced in 2024Q4. Additionally, increased competition from other banks was another contributing factor, albeit a less decisive one (**Chart 4(b)**).



**Notes:**

Concerning the direction of changes in terms and conditions on loans or credit lines, a **positive value** indicates a tightening of terms and conditions and a contribution by the factors to this direction, while a **negative value** indicates an easing of terms and conditions and a contribution by the factors to this direction.

4a) «**Margins**» are defined as the spread over a relevant market reference rate (wider spread = tightened, narrower spread = eased).

«**Other terms and conditions**» as unweighted average of "Non-interest rate charges", "Size of the loan or credit line", "Loan covenants" and "Maturity".

"Lending rates" was introduced in April 2024.

4b) «**Cost of funds and balance sheet constraints**» as unweighted average of "Capital and cost related to capital position", "Access to market financing" and "Liquidity position".

«**Pressure from competition**» as unweighted average of "Competition from other banks", "Competition from non-banks" and "Competition from market financing".

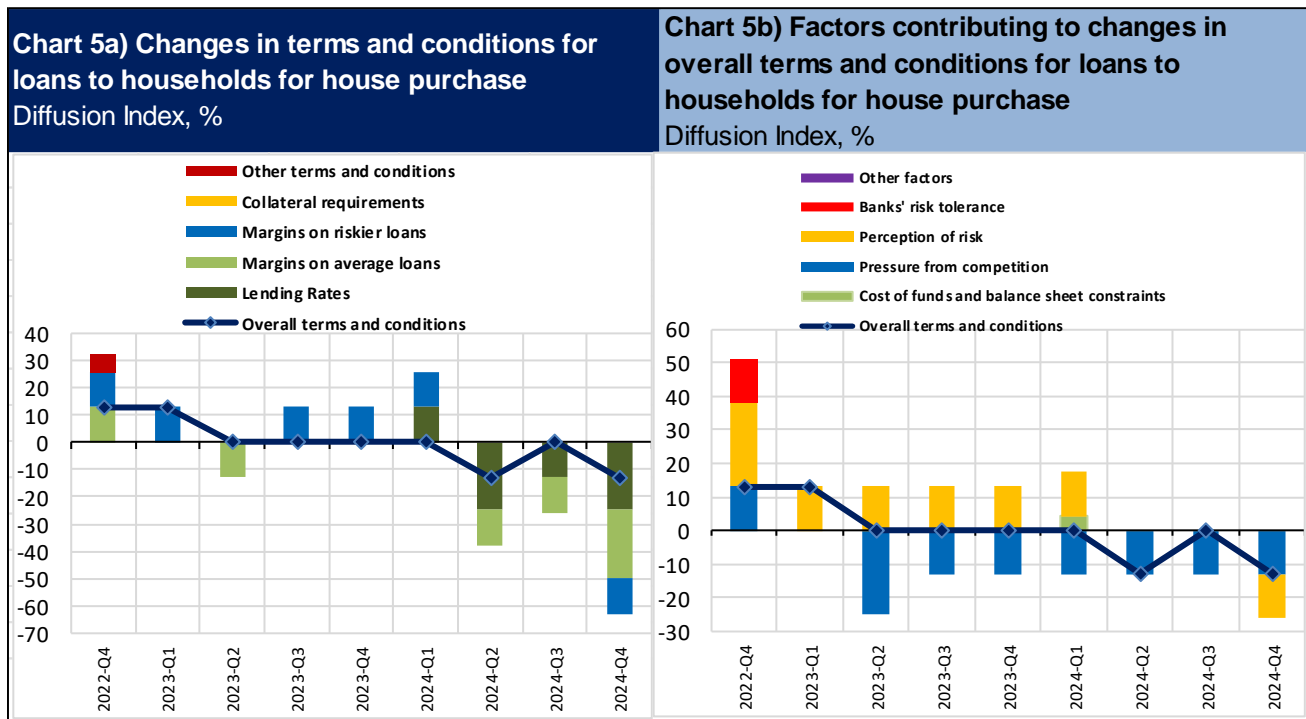
«**Perception of risk**» as unweighted average of "General economic situation and outlook", "Industry or firm-specific situation and outlook/borrower's creditworthiness" and "Risk on collateral demanded".

«**Other factors**» refer to further factors which were mentioned by participating banks as having contributed to changes in terms and conditions.

### 2.2.2. Overall terms and conditions on loans to households for house purchase

The **overall terms and conditions on new loans to households for house purchase eased** in 2024Q4, as was the case in the second quarter of the year. Specifically, similar to new business loans, lower interest rates on new housing loans, as well as a narrowing of banks' margins on new average housing loans and, to a lesser extent, on riskier housing loans were reported (**Chart 5(a)**).

As with new business loans, the easing of the overall terms and conditions on new housing loans reflects banks' perceptions of reduced risk. For housing loans, this is the first time since 2015 that a decrease in this factor has been recorded. At the same time, increased pressure from competition was also an additional easing factor in this category of loans (**Chart 5(b)**).



**Notes:**

Concerning the direction of changes in terms and conditions on loans, a **positive value** indicates a tightening of terms and conditions and a contribution by the factors to this direction, while a **negative value** indicates an easing of terms and conditions and a contribution by the factors to this direction.

5a) **«Margins»** are defined as the spread over a relevant market reference rate (wider spread = tightened, narrower spread = eased).

**"Other terms and conditions"** as unweighted average of "Loan-to-value ratio", "Other loan size limits", "Maturity" and "Non-interest rate charges".

"Lending rates" was introduced in April 2024.

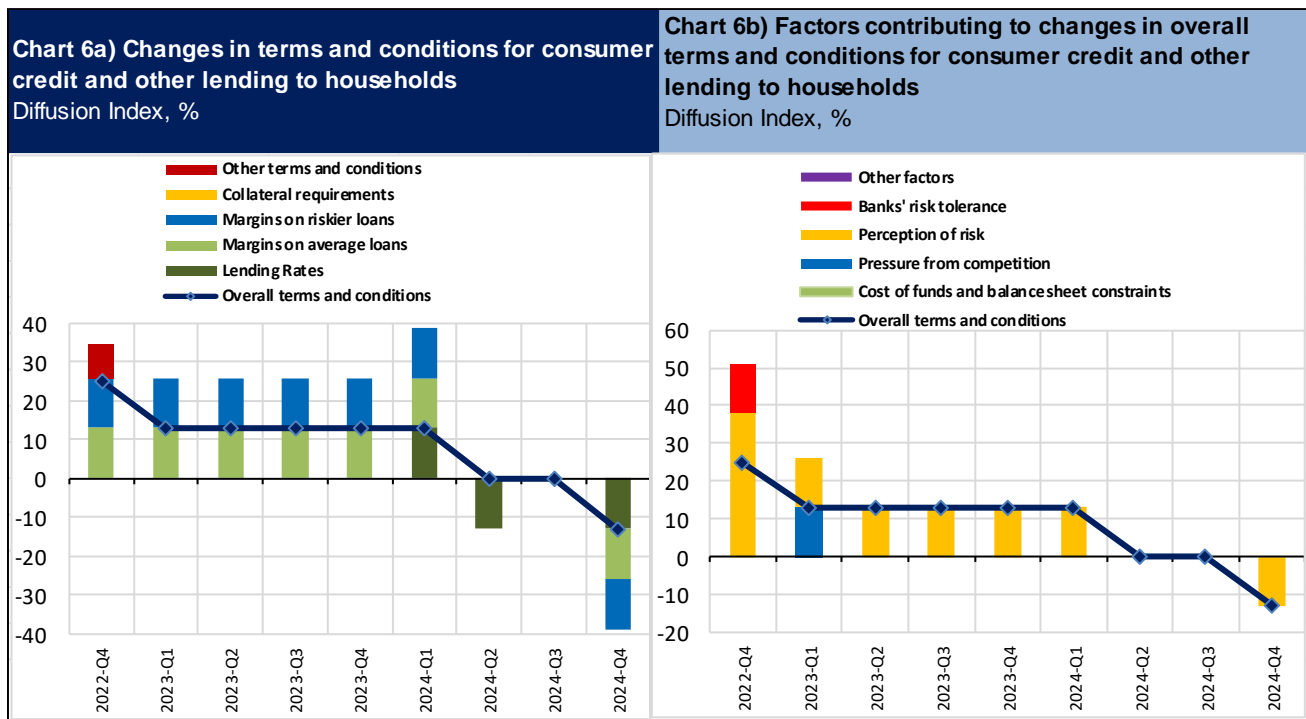
5b) **"Cost of funds and balance sheet constraints"** as unweighted average of "Capital and cost related to capital position", "Access to market financing" and "Liquidity position". Detailed sub-factors were introduced in April 2024.

**"Other factors"** refer to further factors which were reported by participating banks as having contributed to changes in the terms and conditions for these loans.

### 2.2.3. Overall terms and conditions on consumer credit and other lending to households

In 2024Q4, the **overall terms and conditions on new consumer credit and other lending to households also eased**, for the first time since 2018Q1 (**Chart 6(a)**). Specifically, according to the Survey, a decrease in lending rates as well as a narrowing of banks' margins on average loans and on riskier loans were recorded (**Chart 6(a)**).

According to the Survey, the easing of the overall terms and conditions on new consumer credit and other lending to households is driven by banks' lower risk perceptions (**Chart 6(b)**).



**Notes:**

Concerning the direction of changes in terms and conditions on loans, a **positive value** indicates a tightening of terms and conditions and a contribution by the factors to this direction, while a **negative value** indicates an easing of terms and conditions and a contribution by the factors to this direction.

6a) **«Margins»** are defined as the spread over a relevant market reference rate (wider spread = tightened, narrower spread = eased).

**"Other terms and conditions"** as unweighted average of "Size of loan", "Maturity", and "Non-interest rate charges". "Lending rates" was introduced in April 2024.

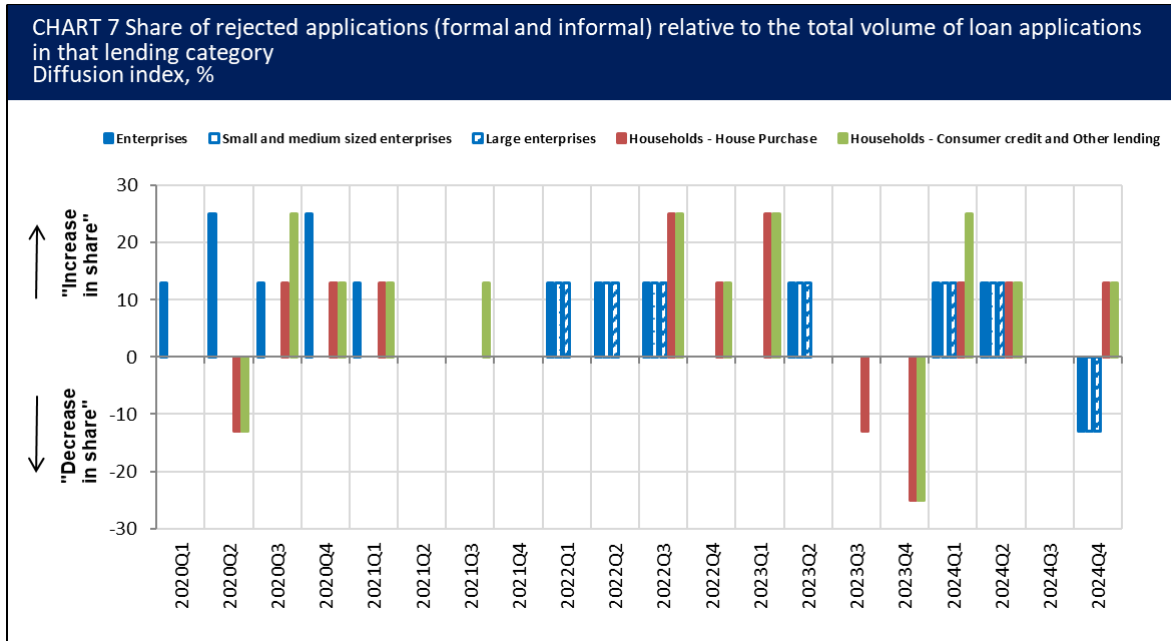
6b) **"Cost of funds and balance sheet constraints"** as unweighted average of "Capital and cost related to capital position", "Access to market financing" and "Liquidity position". Detailed sub-factors were introduced in April 2024.

**"Other factors"** refer to further factors which were reported by participating banks as having contributed to changes in the terms and conditions for these loans.

### 2.3. Rejected applications

The share of rejected applications (both formal and informal) relative to the total volume of loan applications from enterprises decreased in 2024Q4, for the first time since 2019Q2. This decline was observed for both SMEs and large enterprises (**Chart 7**)

In contrast, the share of rejected applications for new loans to households increased across all loan categories, in the quarter under review (**Chart 7**).



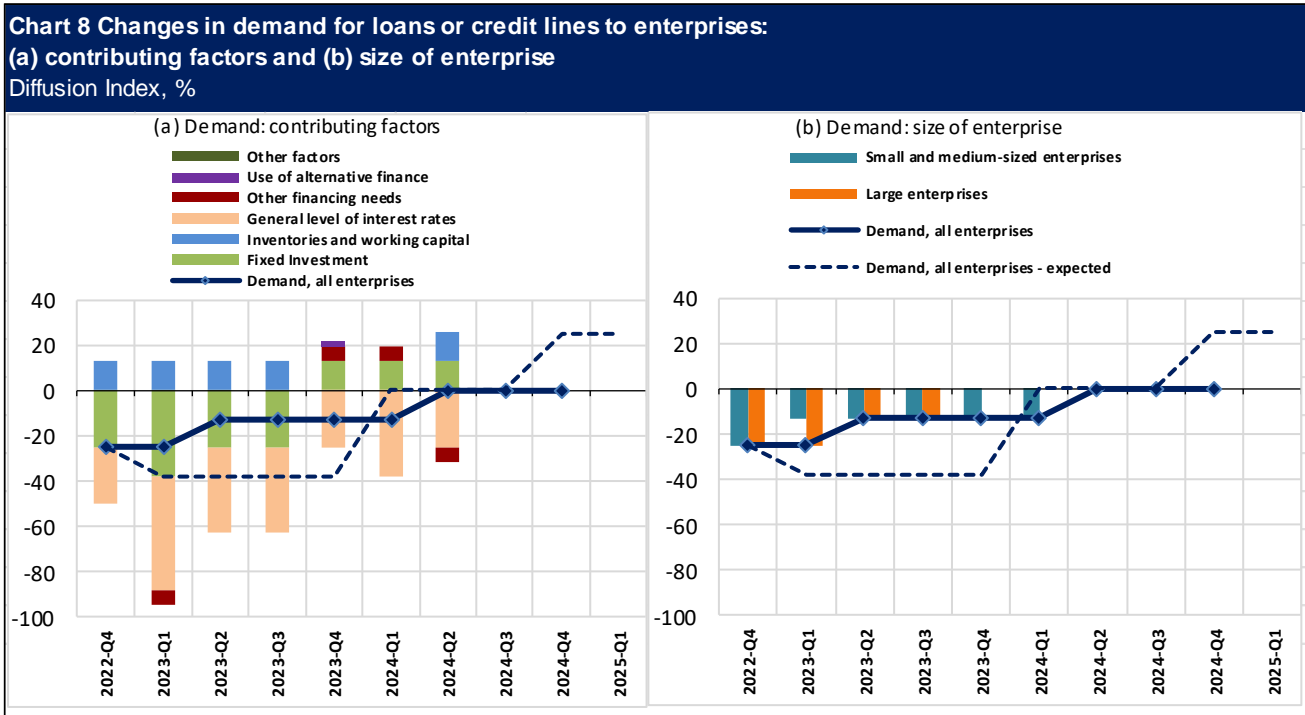
**Notes:**

Share of rejected loan applications relative to the volume of all loan applications in that loan category. The breakdown by firm size was introduced in April 2022.

### 3. Loan demand

#### 3.1. Demand for loans or credit lines to enterprises

In 2024Q4, **net demand for loans by enterprises remained unchanged**, for a third consecutive quarter, contrary to expectations of increased demand expressed in the Survey of the previous quarter. As in the previous quarter, all factors affecting demand for business loans had a neutral impact in the quarter under review (**Chart 8(a)**). According to the Survey, net demand for loans in 2024Q4 remained unchanged for both SMEs and large enterprises (**Chart 8(b)**).



**Notes:**

Concerning the direction of changes in loan demand, a **positive value** indicates an increase in demand and a contribution by the factors to this direction, while a **negative value** indicates a decrease in demand and a contribution by the factors to this direction.

**"Other financing needs"** as unweighted average of "Mergers/acquisitions and corporate restructuring" and "Debt refinancing/restructuring and renegotiation".

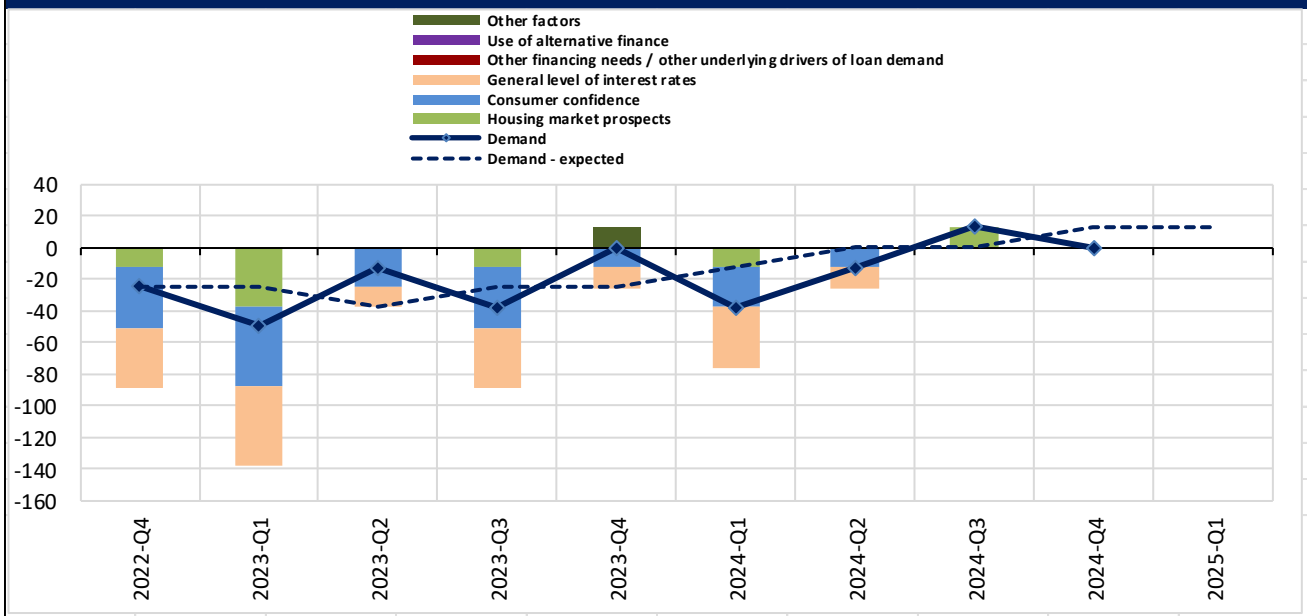
**"Use of alternative finance"** as unweighted average of "Internal financing", "Loans from other banks", "Loans from non-banks", "Issuance/redemption of debt securities" and "Issuance/redemption of equity".

### 3.2. Demand for loans to households for house purchase

Net demand for loans to households for house purchase remained unchanged in 2024Q4, in contrast to expectations expressed in the October 2024 Survey for a continuous increase. According to the Survey, all factors related to household demand for housing loans remained unchanged in 2024Q4 (Chart 9).

**Chart 9 Changes in demand for loans to households for house purchase and contributing factors**

Diffusion Index, %



**Notes:**

Concerning the direction of changes in loan demand, a **positive value** indicates an increase in demand and a contribution by the factors to this direction, while a **negative value** indicates a decrease in demand and a contribution by the factors to this direction.

"**Other financing needs / other underlying drivers of loan demand**" as unweighted average of "Debt refinancing/restructuring and renegotiation" and "Regulatory and fiscal regime of housing markets".

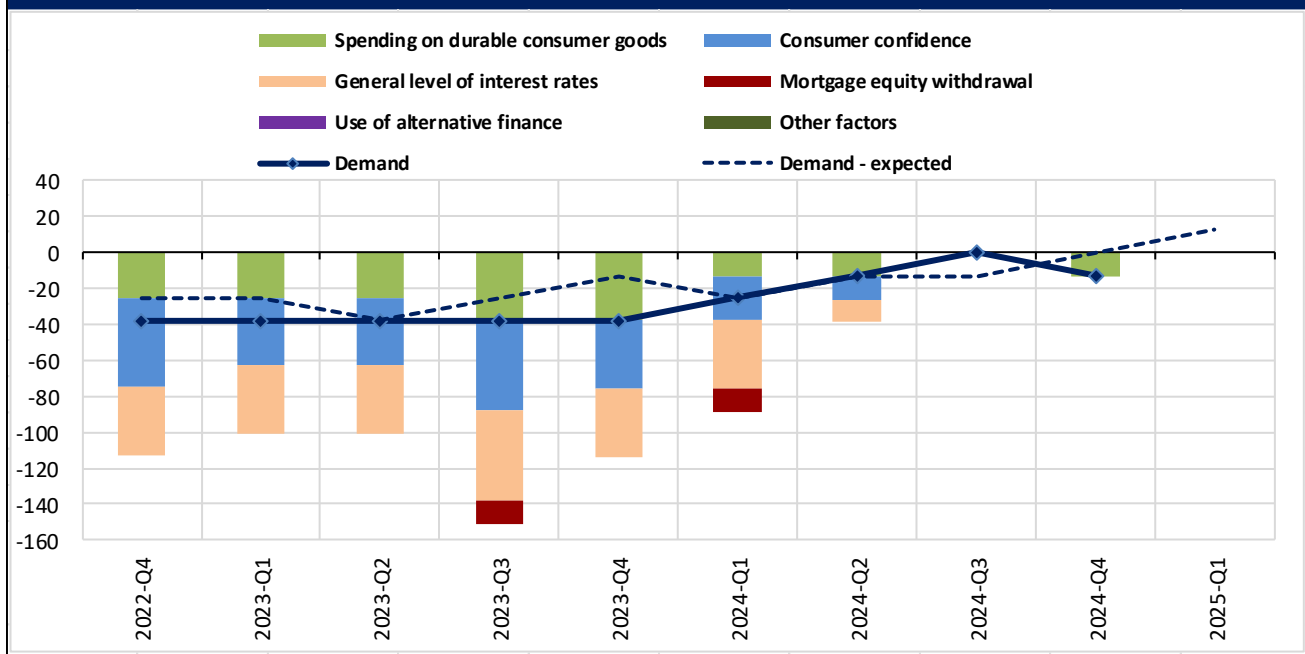
"**Use of alternative finance**" as unweighted average of "Internal financing out of savings/down payment", "Loans from other banks" and "Other sources of external finance".

### 3.3. Demand for consumer credit and other lending to households

In 2024Q4, **net demand for consumer credit and other lending by households declined further**, contrary to banks' expectations for unchanged demand expressed in the Survey of the previous quarter. This development followed the unchanged demand recorded in 2024Q3. It should be noted that net demand for these loans has shown a continuous decline from 2022Q1. The decline in net demand for consumer credit and other lending by households in 2024Q4 is attributed to lower spending on durable consumer goods (Chart 10).

**Chart 10 Changes in demand for consumer credit and other lending to households and contributing factors**

Diffusion Index, %



**Notes:**

Concerning the direction of changes in loan demand, a **positive value** indicates an increase in demand and a contribution by the factors to this direction, while a **negative value** indicates a decrease in demand and a contribution by the factors to this direction.

"**Use of alternative finance**" as unweighted average of "Internal finance out of savings", "Loans from other banks" and "Other sources of external finance".

"**Mortgage equity withdrawal**" denotes "Consumption expenditure financed through real-estate guaranteed loans".

### 3.4. Expectations for the next quarter

According to participating banks' expectations for 2025Q1, net demand for loans to enterprises and for all loan categories to households, is expected to increase compared with the previous quarter (Charts 8-10).

## 4. Notes

The Bank Lending Survey is a qualitative survey for the assessment of credit conditions in the euro area and its main objective is to enhance the understanding of bank lending behaviour. The Survey questionnaire is addressed to senior loan officers in a representative sample of euro area banks and covers a broad area of relevant subjects regarding credit to enterprises and households. For example, it includes questions concerning credit standards as applied to the approval of loans, the terms and conditions of new loans, as well as questions concerning the evaluation by banks of factors affecting demand. More information on the methodology of the Survey can be found [here](#).

In order to enhance the information content of the Survey, a revised BLS questionnaire and compilation guide were introduced in April 2015. Since then, the questionnaire continues to be enriched at times, to include all relevant information to aid the monetary policy decision-making process of the Governing Council of the European Central Bank. In this context, specific questions of special interest may be added in order to investigate current economic issues. However, to ensure the anonymity of participating banks, these results are not published in this report.

The results of the January 2025 Bank Lending Survey relate to changes in 2024Q4 compared with the previous quarter and to changes expected in 2025Q1 compared with 2024Q4 regarding credit standards, terms and conditions, and demand for loans to/by enterprises and households. The results of the Survey for Cyprus are not weighted by the market share of each participating bank, thus the answers of all participants are given the same weight. The Survey covers around 85% of the total market for outstanding loans in Cyprus granted to euro area enterprises and households. The diffusion index is used in the analysis. It should be noted that a diffusion index value equal to zero may imply that either there was no change compared with the previous quarter or that the answers of the participating banks offset one another.

The results of the Survey relate to answers provided by the participating banks and represent their own assessment of the domestic financing market. The results do not in any way reflect the perceptions, expectations or evaluations of the Central Bank of Cyprus.