



CENTRAL BANK OF CYPRUS

EUROSYSTEM

July 2025
BANK LENDING SURVEY
Results for Cyprus

Nicosia - Cyprus

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1. Overview

The July 2025 Bank Lending Survey (BLS)¹ records, among other things, the changes in credit standards and loan demand that occurred in 2025Q2 compared with 2025Q1 in Cyprus, as well as the changes that are expected to occur in 2025Q3 compared with 2025Q2. 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 - July 2025	Cyprus	
	2025Q2	2025Q3 (expectations)
Supply of loans		
Credit standards for loans		
Enterprises	Unchanged	Tightening
Households		
- Housing loans	Unchanged	Unchanged
- Consumer credit and other lending	Unchanged	Unchanged
Overall terms and conditions for loans		
Enterprises	Unchanged	*
Households		
- Housing loans	Unchanged	*
- Consumer credit and other lending	Unchanged	*
Demand for loans		
Enterprises	Increase	Unchanged
Households		
- Housing loans	Increase	Increase
- Consumer credit and other lending	Increase	Increase

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

Source: CBC

¹ - The July 2025 BLS was conducted in the period 13 June – 1 July 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 standards² for loans to enterprises and households, for housing loans as well as for consumer credit and other lending, remained unchanged** in 2025Q2 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 or credit lines³ to enterprises as well as on new housing loans, consumer credit and other lending to households, also remained unchanged in 2025Q2 compared with the previous quarter. Regarding enterprises, they remained overall stable although, according to the Survey, a decline was recorded in interest rates for new business loans and a narrowing of margins on average new business loans, reflecting increased competition from other banks and lower risk perceptions related to the general economic situation and outlook. As regards households, the overall terms and conditions for new housing loans in 2025Q2 remained unchanged compared with the previous quarter, although, as with business loans, a decrease in lending rates as well as a narrowing in banks' margins on average new housing loans was recorded, reflecting pressure from competition. Individual terms and all factors related to the overall terms and conditions of consumer credit and other lending to households had a neutral impact during the quarter under review.

On the *loan demand* side, **net demand for loans increased in 2025Q2, both by enterprises and by households** for consumer credit and other lending and, to a greater extent, for housing loans. The net increase in demand for business loans was attributed by banks to enterprises' financing needs for inventories and working capital as well as for fixed investment. As regards households, the net increase in demand for housing loans was attributed to the general level of interest rates, increased consumer confidence, and improved housing market prospects. The increase in demand for consumer credit and other lending was, according to the Survey, driven by the general level of interest rates.

According to *banks' expectations* for **2025Q3, credit standards for loans to enterprises are expected to tighten, while they are expected to remain unchanged for both loan categories to households**. At the same time, **net demand for loans by enterprises is expected to remain stable, while net demand by households both for housing loans as well as consumer credit and other lending is expected to increase further**.

² 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.

³ 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

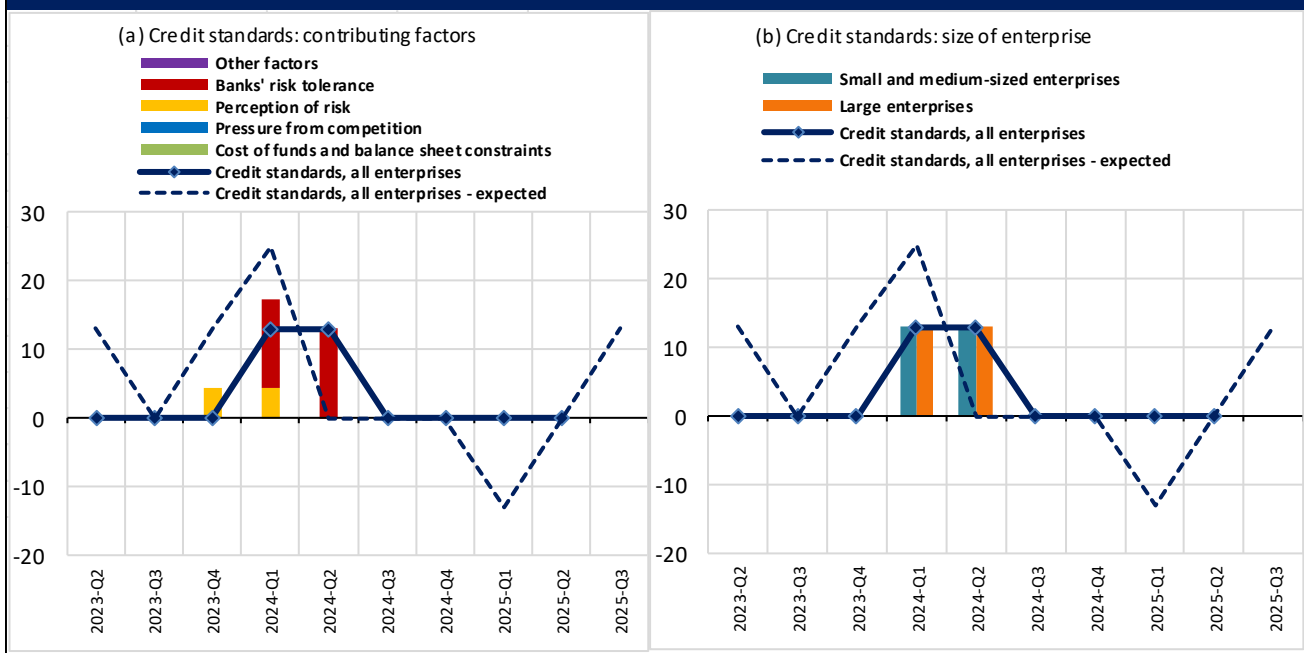
2.1.1. Credit standards for loans or credit lines to enterprises⁴

In 2025Q2, **credit standards for loans or credit lines to enterprises in Cyprus remained unchanged** compared with the previous quarter, continuing the trend observed since 2024Q3. This development was in line with expectations expressed in the previous Survey round. All underlying factors continued to have a neutral impact on credit standards for business loans during this quarter (**Chart 1(a)**).

It is noted that credit standards in 2025Q2 remained unchanged both for loans to small and medium-sized enterprises (SMEs) and for loans to large enterprises (**Chart 1(b)**).

Chart 1 Changes in credit standards for loans or credit lines to enterprises:
(a) contributing factors and (b) size of enterprise

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".

"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.

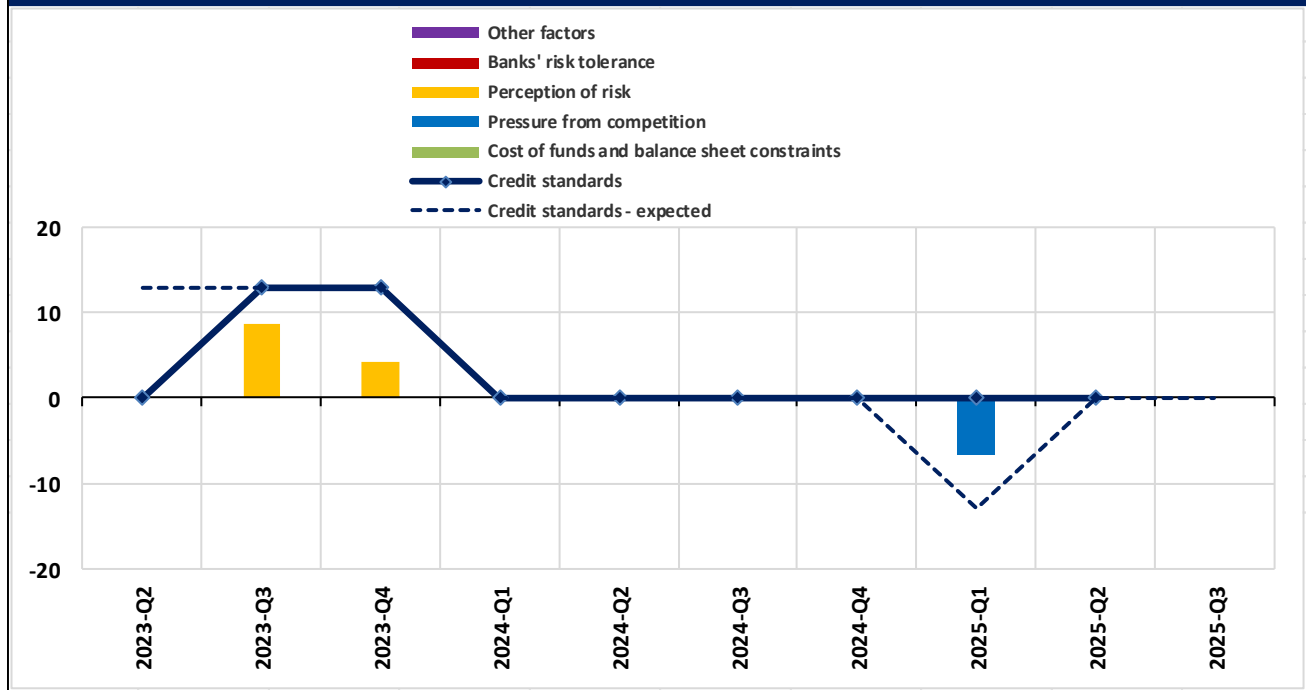
⁴ The term "enterprises" refers to non-financial corporations.

2.1.2. Credit standards for loans to households for house purchase

In 2025Q2, **credit standards for loans to households for house purchase remained unchanged**, for a sixth consecutive quarter, a development that is consistent with expectations expressed in the April 2025 Survey. According to the participating banks, all underlying factors affecting credit standards for housing loans to households had a neutral impact in 2025Q2 (**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).

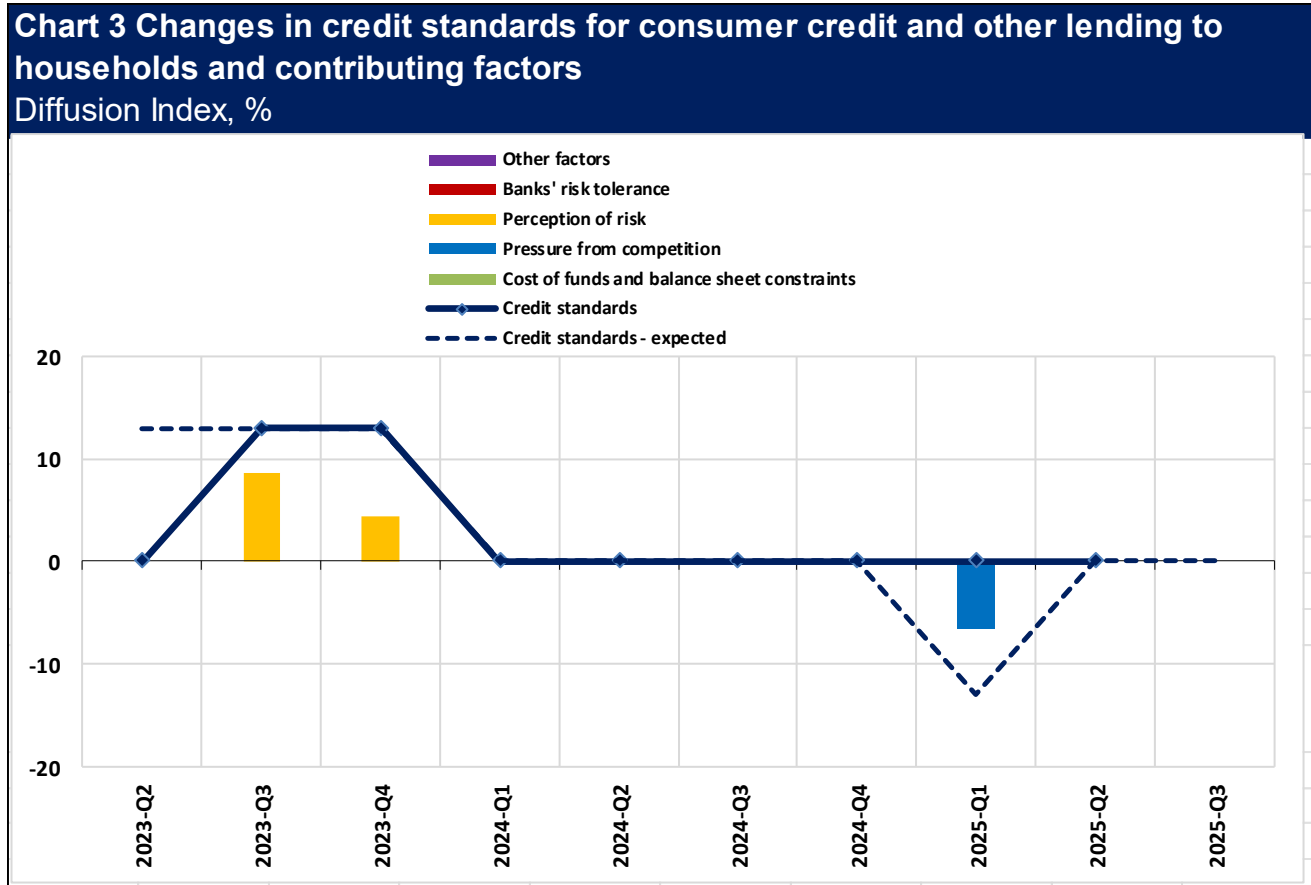
"Pressure from competition" as unweighted average of "Competition from other banks" and "Competition from non-banks".

"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 2025Q2, **credit standards for consumer credit and other lending to households also remained unchanged** compared with the previous quarter, in line with expectations expressed in the April 2025 Survey. As with housing loans, this was the sixth consecutive quarter during which credit standards for consumer credit and other lending to households remained stable. All factors affecting credit standards for this loan category also remained unchanged during the quarter under review (**Chart 3**).



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.

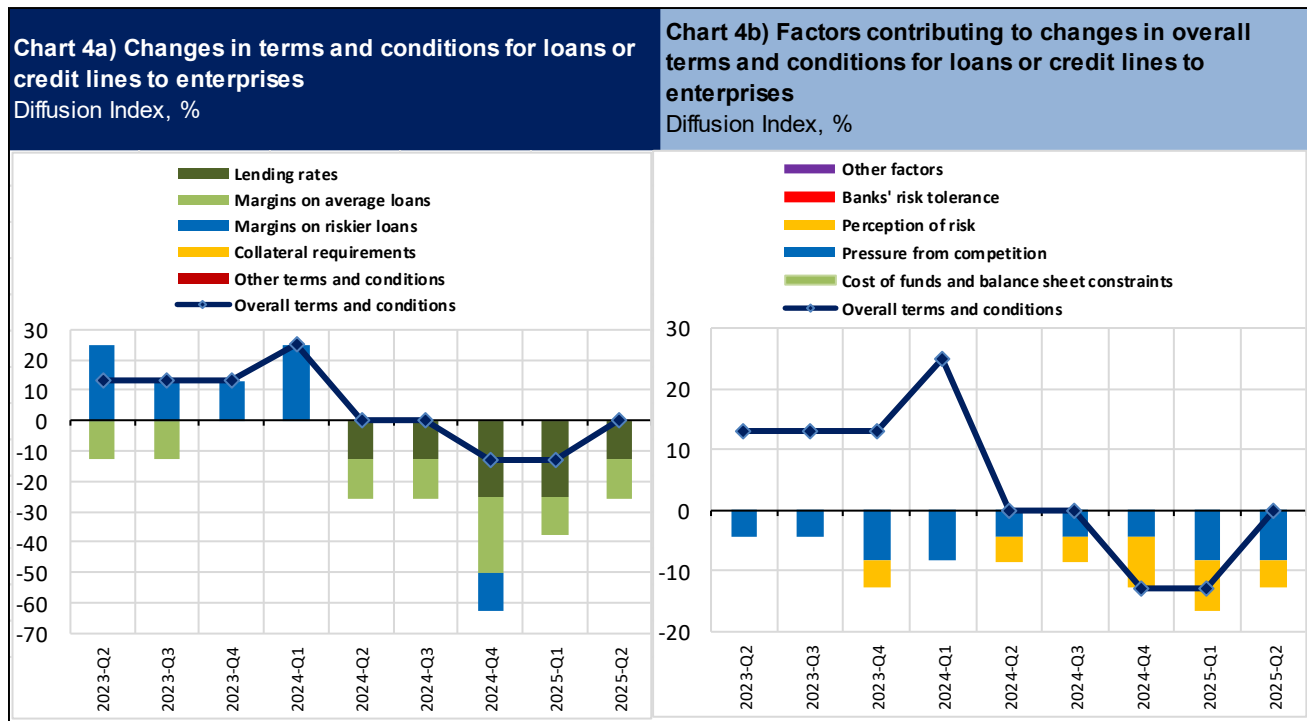
2.1.4. Expectations for the next quarter

According to banks' expectations for 2025Q3, credit standards for loans to enterprises are expected to tighten compared with the previous quarter while, for both categories of loans to households, they are expected to remain unchanged (**Charts 1–3**).

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) **remained unchanged** in 2025Q2, after two consecutive quarters of easing. According to the Survey, although these terms and conditions remained stable overall, a further decrease was reported in interest rates for new business loans and a narrowing of banks' margins on average new business loans (**Chart 4(a)**). As regards the relevant underlying factors, increased competition from other banks and lower risk perceptions related to the general economic situation and outlook were cited (**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".

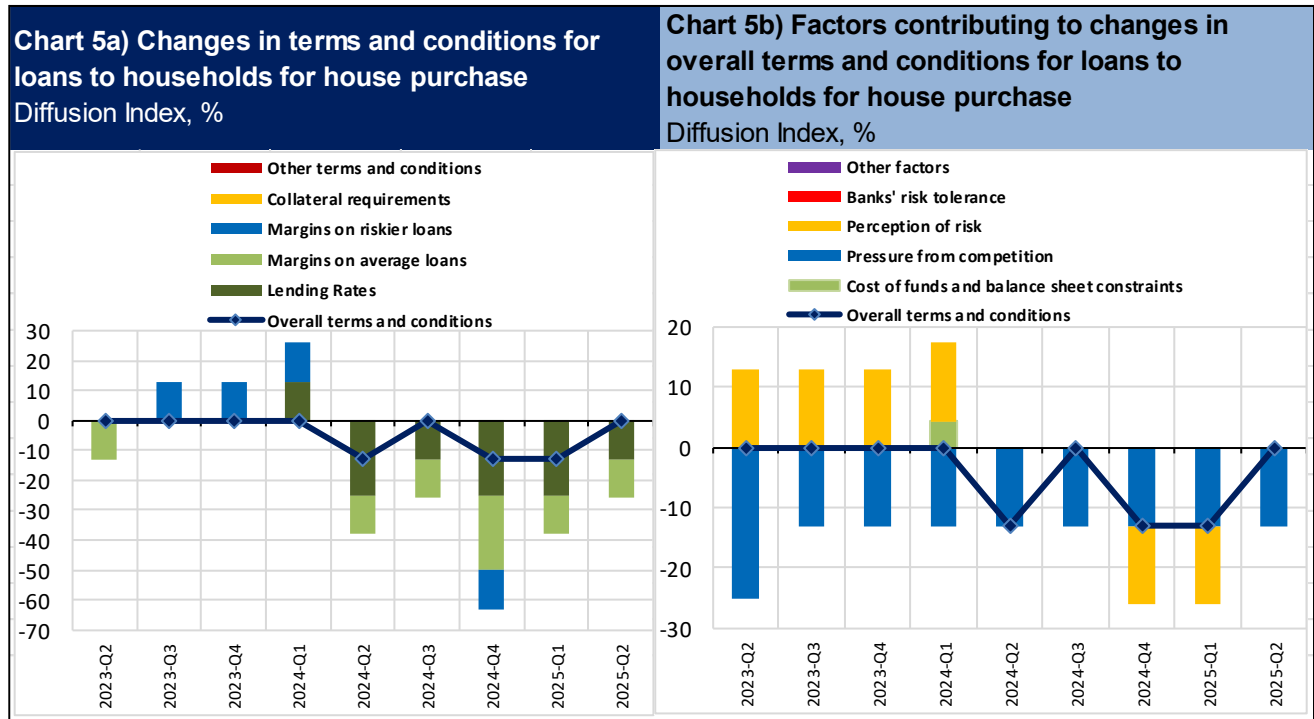
"**Pressure from competition**" as unweighted average of "Competition from other banks", "Competition from non-banks" and "Competition from market financing".

"**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** remained unchanged in 2025Q2, although lending rates and margins on average new housing loans continued to ease driven by pressure from competition (**Chart 5(a)**). In contrast to the previous two quarters, lower risk perceptions were not reported for 2025Q2 (**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".

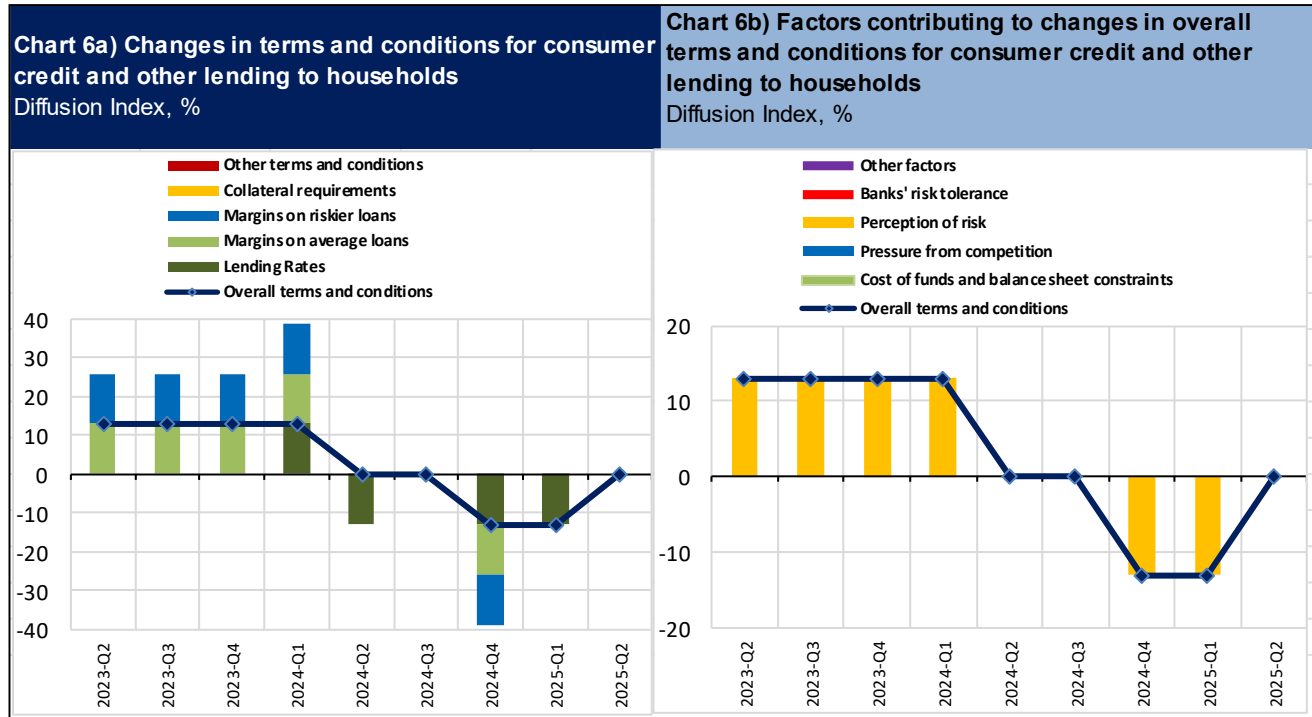
"Lending rates" was introduced in April 2024.

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 2025Q2, **overall terms and conditions on new consumer credit and other lending to households** also **remained unchanged**, after two consecutive quarters of easing (**Chart 6(a)**). According to the Survey, all factors related to the overall terms and conditions for this category of loans to households had a neutral impact during the reference quarter (**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).

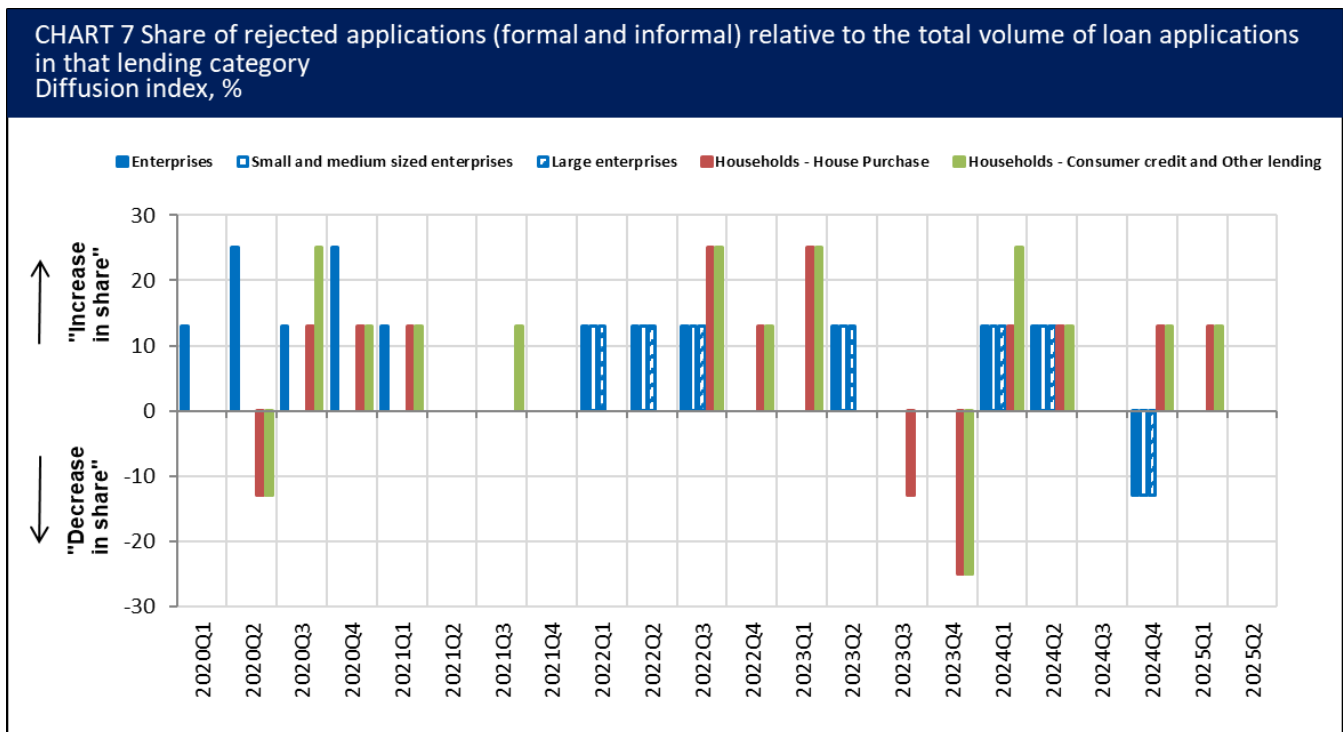
“Other terms and conditions” as unweighted average of “Size of loan”, “Maturity”, and “Non-interest rate charges”. “Lending rates” was introduced in April 2024.

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 remained unchanged in 2025Q2, both for SMEs and for large enterprises. Similarly, the share of rejected applications for loans to households also remained unchanged for both loan categories (**Chart 7**). The stability in rejection rates is consistent with the overall stability recorded in credit standards in the quarter under review.



Notes:

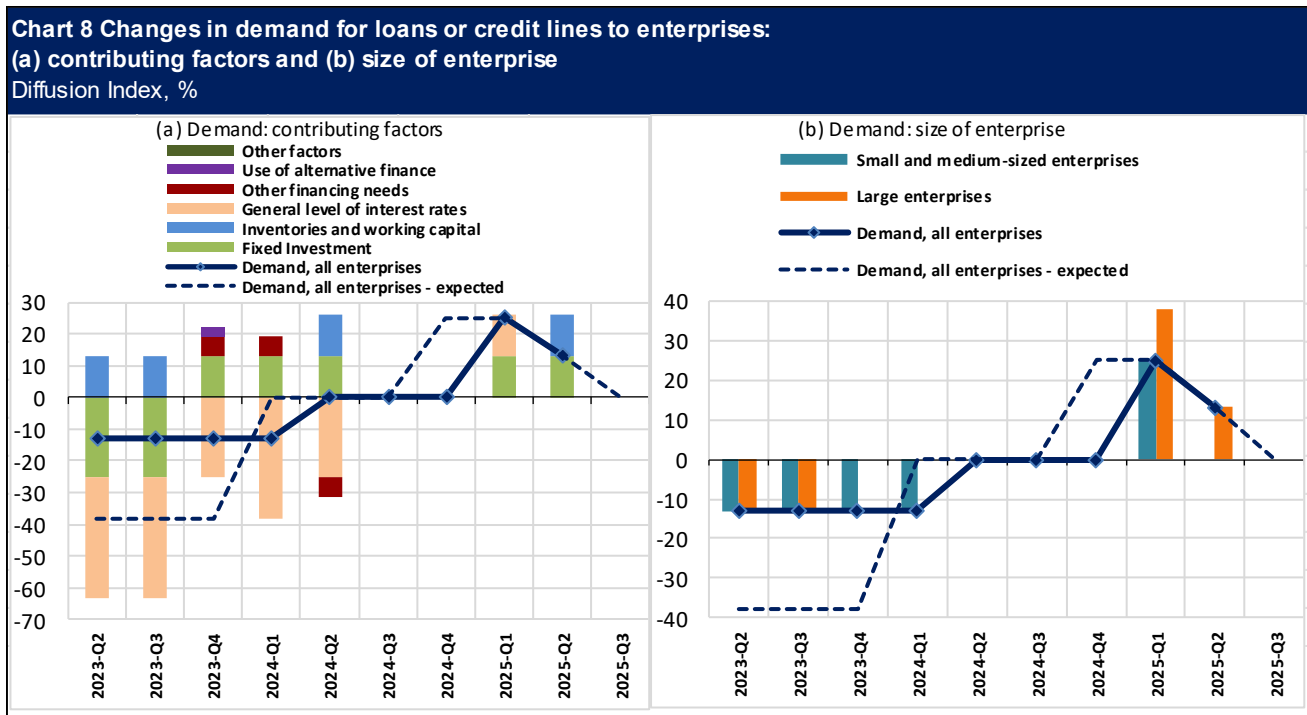
Share of rejected loan applications relative to the volume of all loan applications in that loan category.
The breakdown by firm size was introduced in April 2022.

3. Loan demand

3.1. Demand for loans or credit lines to enterprises

In 2025Q2, **net demand for loans by enterprises, increased** for a second consecutive quarter, consistent with expectations expressed in the previous Survey round. According to the Survey, stronger demand for loans for inventories and working capital as well as for fixed investment was reported (**Chart 8(a)**).

In terms of firm size, the net increase in the overall demand for business loans in 2025Q2 stemmed from large enterprises. In contrast, net demand for loans by SMEs remained unchanged compared with the previous quarter (**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.

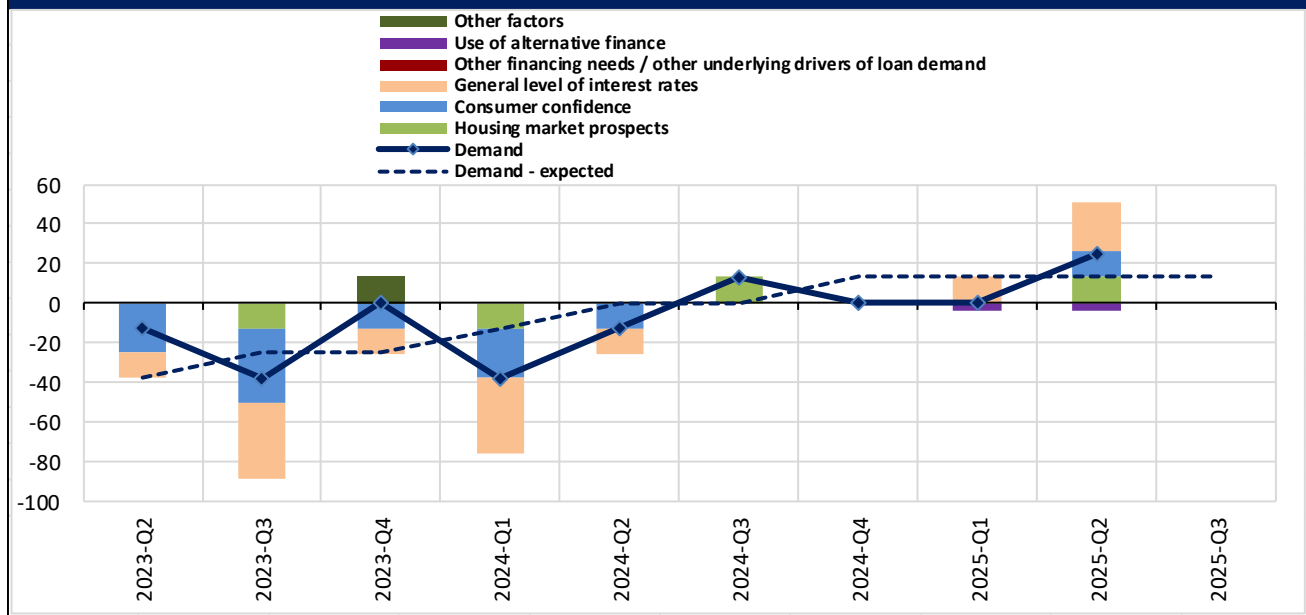
"Other financing needs" as unweighted average of "Mergers/acquisitions and corporate restructuring" and "Debt refinancing/restructuring and renegotiation".

"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 housing loans by households increased in 2025Q2, to a greater extent than banks' expectations as recorded in the April 2025 Survey round. According to the banks, the increase in demand was driven by the general level of interest rates, higher consumer confidence, and improved housing market prospects. At the same time, loans from other banks (included in the "Use of alternative financing sources") was mentioned as a factor with an adverse effect on demand for housing loans (**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".

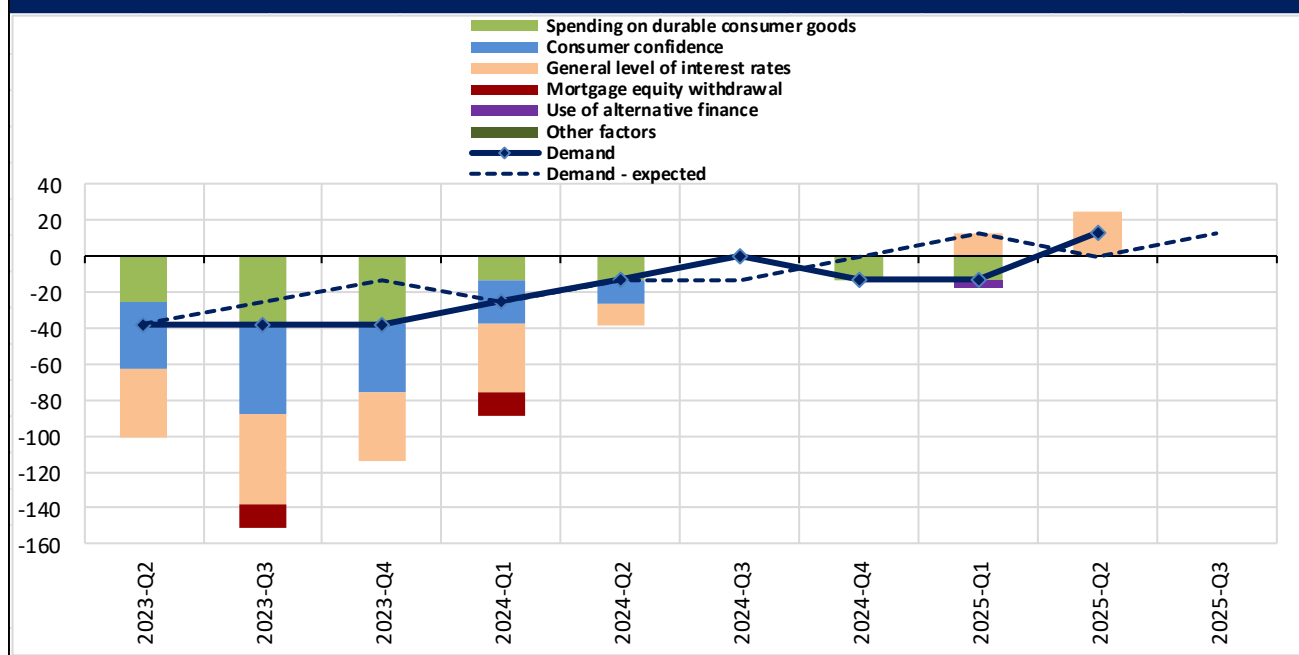
"**Use of alternative finance**" as unweighted average of "Internal financing out of savings/down payment", "Loans from other banks" and "Other sources of external finance".

3.3. Demand for consumer credit and other lending to households

In 2025Q2, **net demand for consumer credit and other lending by households increased** for the first time since 2021Q2, in contrast to banks' expectations of unchanged demand reported in the previous Survey round. According to the Survey, the increase is attributed to the general level of interest rates (**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 the Survey, net demand for loans by enterprises in 2025Q3 is expected to remain unchanged compared with the previous quarter. By contrast, a further increase is expected in net demand for both housing loans as well as consumer credit and other lending by households (**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 July 2025 Bank Lending Survey relate to changes in 2025Q2 compared with the previous quarter and to changes expected in 2025Q3 compared with 2025Q2 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.