CENTRAL BANK OF CYPRUS
EUROSYSTEM

BANK LENDING SURVEY[1]

January 2015

Results for Cyprus

Supply

In contrast to expectations expressed in the previous quarter, credit standards on loans and credit lines to enterprises tightened further in 2014Q4. In particular, the diffusion index[1] of the participating banks remained at 13% as in the previous quarter. In 2015Q1, credit standards for loans and credit lines to enterprises are expected to remain unchanged.

With respect to households, in 2014Q4 there was an increase in the net tightening of credit standards on loans to households both for house purchase and for consumer credit and other lending. In both cases, the level of net tightening was not in line with the participating banks' previous expectations of no change in credit standards. Nevertheless, in 2015Q1 credit standards for loans and credit lines to households are expected to ease.

Demand

Net demand for loans to enterprises in 2014Q4 remained unchanged for the third consecutive quarter since the beginning of the year. Net demand for loans by households for consumer credit and other lending also remained unchanged, whereas net demand for loans by households for house purchase recorded a decrease. In 2015Q1, net demand for loans by enterprises and households is expected to increase.

Summary of results[3]	Cyprus		Euro area	
	2014Q4	2015Q1 (expectations)	2014Q4	2015Q1 (expectations)
Credit standards for loans				
Enterprises	*Tightening*	*Unchanged*	*Easing*	*Easing*
Households				
- Housing loans	*Tightening*	*Easing*	*Easing*	*Easing*
- Consumer credit and other lending	*Tightening*	*Easing*	*Easing*	*Easing*
Demand for loans				
Enterprises	*Unchanged*	*Increase*	*Increase*	*Increase*
Households				
- Housing loans	*Decrease*	*Increase*	*Increase*	*Increase*
- Consumer credit and other lending	*Unchanged*	*Increase*	*Increase*	*Increase*

Results for the euro area

Supply

In the euro area, the net easing of credit standards for loans to enterprises continued to decline in 2014Q4, in line with the participating banks' expectations in the previous survey. In 2015Q1, banks expect credit standards for loans to enterprises to further ease but only marginally more than in 2014Q4.

During 2014Q4 credit standards for loans to households for house purchase were eased to the same extent as in the previous quarter, and in line with the participating banks' expectations. In 2015Q1, participating banks expect credit standards for housing loans to further ease. Credit standards for consumer loans and other lending were also further eased but to a greater extent than the participating banks' expectations in the previous survey. Like housing loans,

[1] This is an abbreviated translation of the original Greek version.

[2] See note on page 7.

[3] The results refer to changes observed in the last three months (in this case, in 2014Q4 compared with the previous quarter) as well as to changes that are expected in the next three months (that is, 2015Q1), also relative to the respective previous quarter.

credit standards for consumer credit and other lending are expected to ease further in 2015Q1.

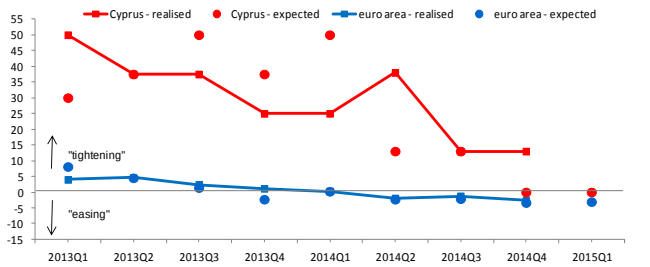
Demand

In the euro area, there was an increase in net demand for loans by enterprises in 2014Q4, in line with the participating banks' expectations recorded in the previous survey. It is worth noting that, net demand for loans by enterprises was for the first time since 2012Q2 above the participating banks' expectations. Net demand for loans by households for house purchase and for consumer credit and other lending in the euro area also increased in 2014Q4 compared with the previous quarter.

In 2015Q1 net demand for all loan categories is anticipated to increase.

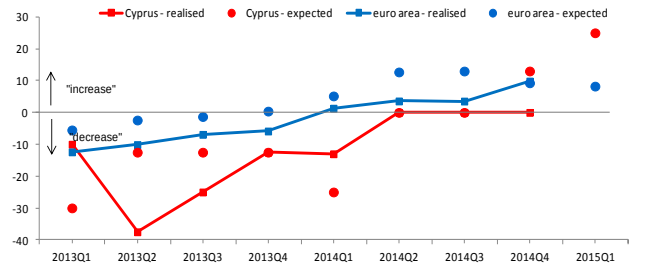
1. Loans or credit lines to enterprises

CHART 1 **Credit standards: loans to enterprises**
(diffusion index, %)



Source: CBC.

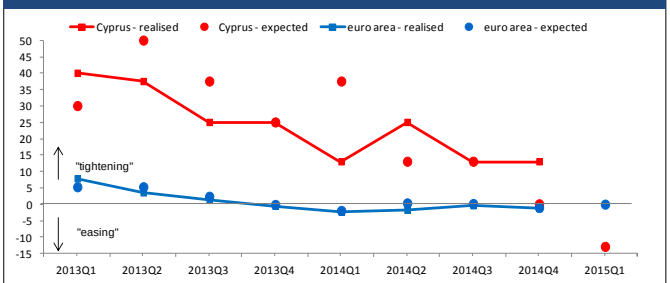
CHART 2 **Demand: loans to enterprises**
(diffusion index, %)



Source: CBC.

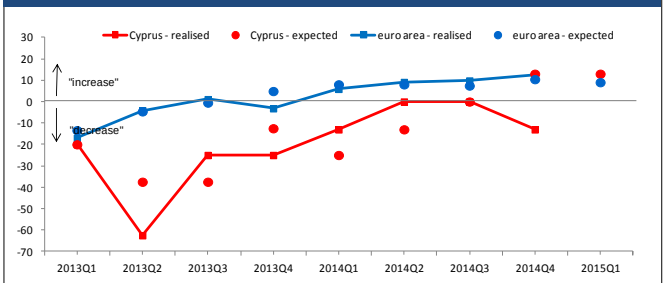
2. Loans to households

CHART 3 **Credit standards: loans to households for house purchase**
(diffusion index, %)



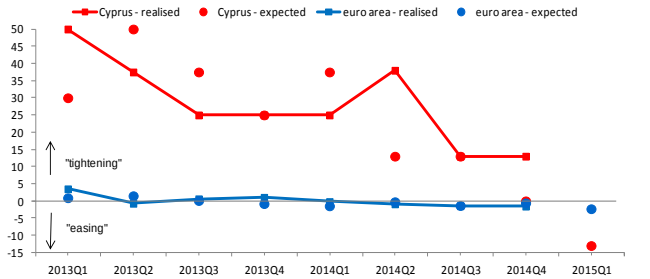
Source: CBC.

CHART 4 **Demand: loans to households for house purchase**
(diffusion index, %)



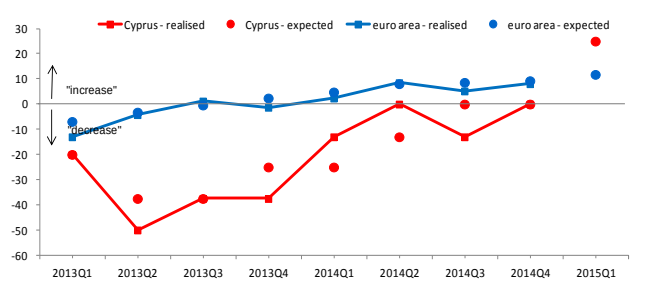
Source: CBC.

CHART 5 **Credit standards: loans to households for consumer credit and other lending**
(diffusion index, %)



Source: CBC.

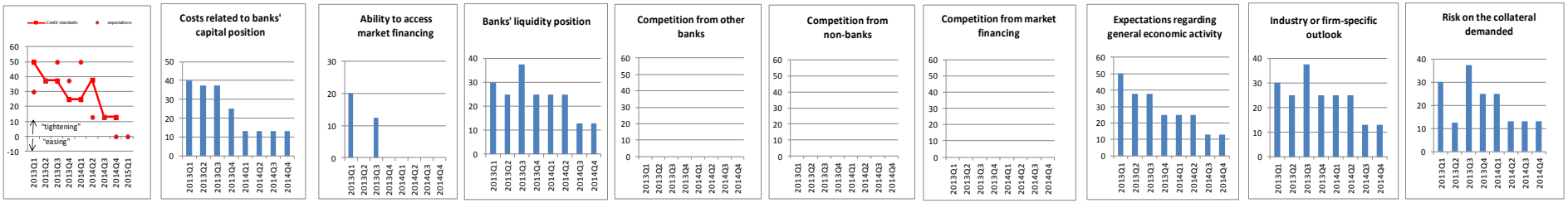
CHART 6 **Demand: loans to households for consumer credit and other lending**
(diffusion index, %)



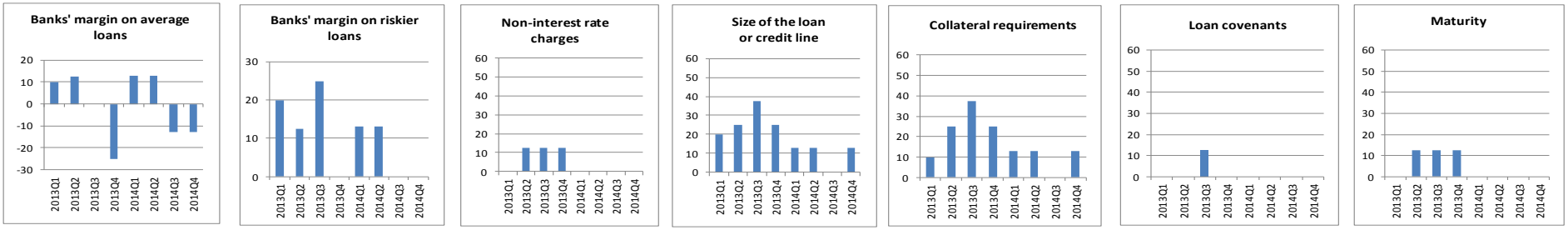
Source: CBC.

Appendix 1. Loans or credit lines to enterprises from MFI in Cyprus (diffusion index)

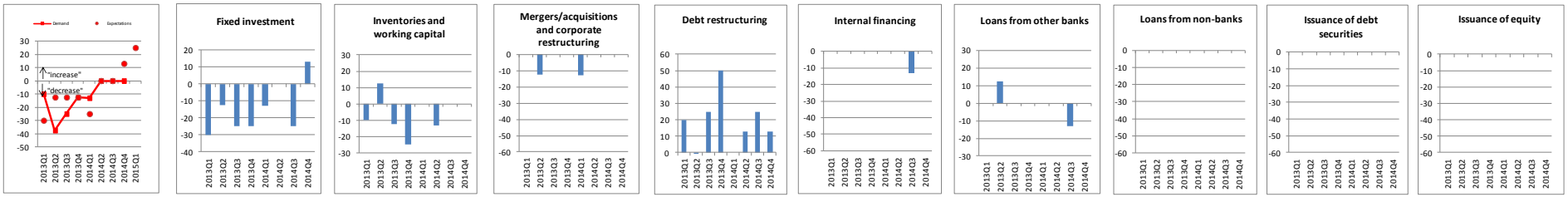
(A) Supply - Main factors affecting credit standards as applied to the approval of loans or credit lines to enterprises



- Changes in terms and conditions for approving loans or credit lines to enterprises



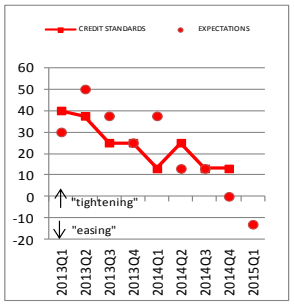
(B) Demand - Main factors affecting the demand for loans or credit lines to enterprises

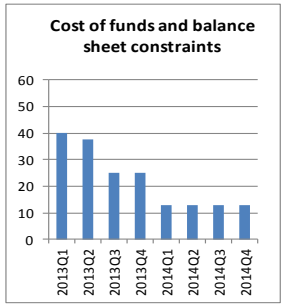


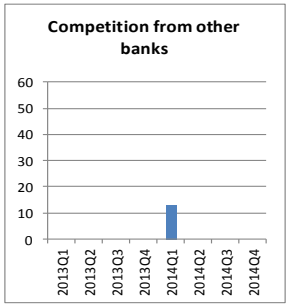
Note: In those cases where no bar is evident in the graph, the diffusion index is 0 for the respective quarter implying; (1) no change was recorded compared with the previous quarter; (2) the banks' responses cancel each other out; or (3) the banks responded by stating "N/A" (not applicable).

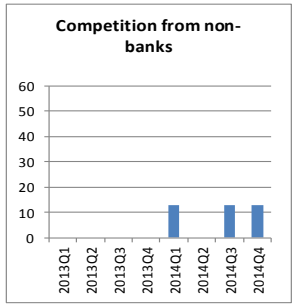
Appendix 2a. Loans to households for house purchase from MFI in Cyprus (diffusion index)

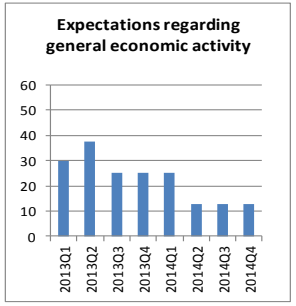
(A) Supply - Main factors affecting credit standards as applied to the approval of loans to households for house purchase



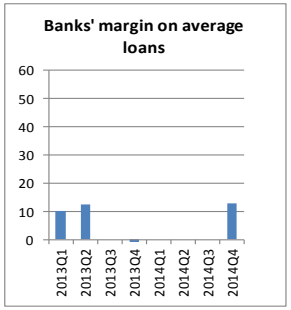


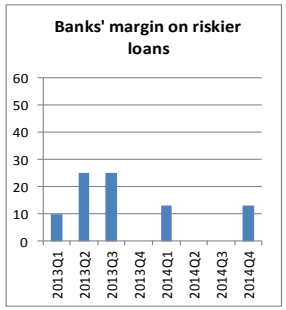


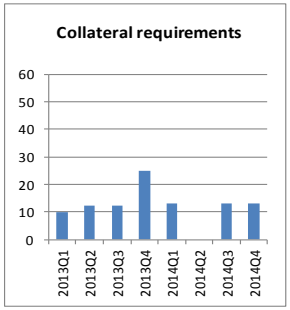


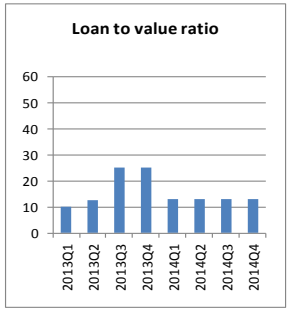


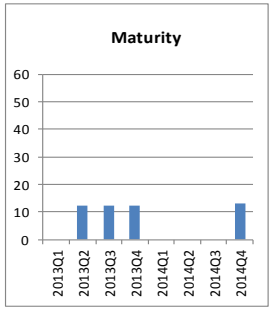
- Changes in terms and conditions for approving loans to households for house purchase

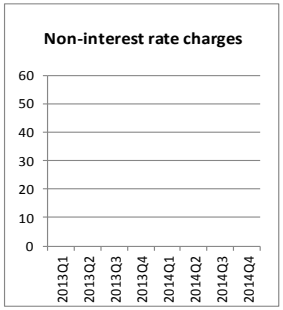




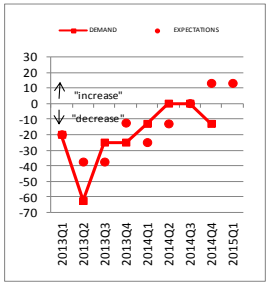


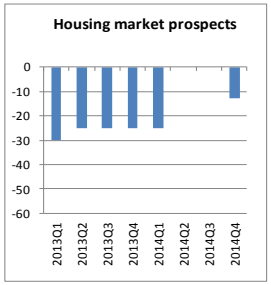


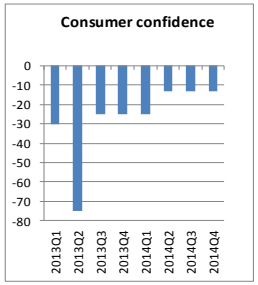


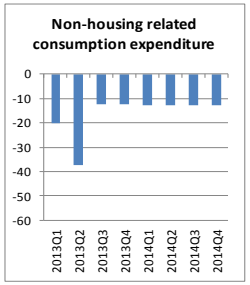


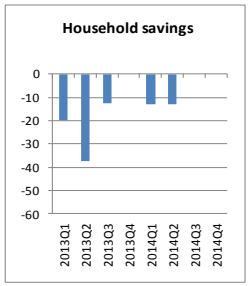
(B) Demand - Main factors affecting the demand for loans by households for house purchase

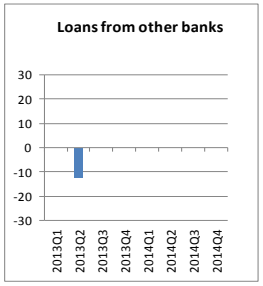


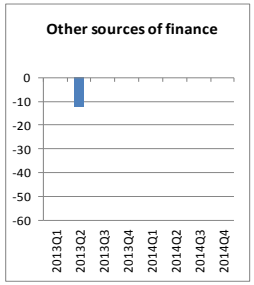












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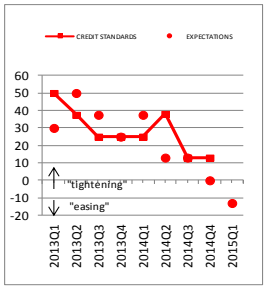
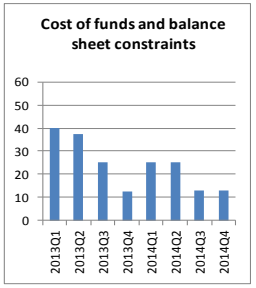
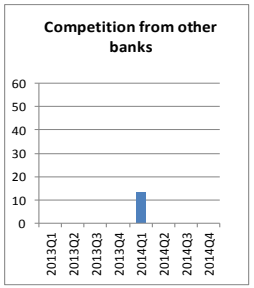
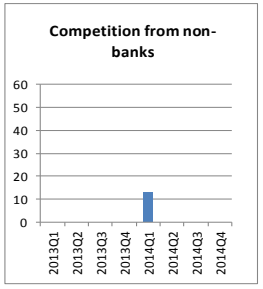
Appendix 2b. Loans to households for consumer credit and other lending from MFI in Cyprus (diffusion index)

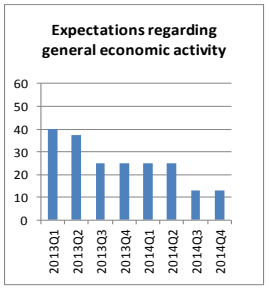
(A) Supply - Main factors affecting credit standards as applied to the approval of loans to households for consumer credit and other lending

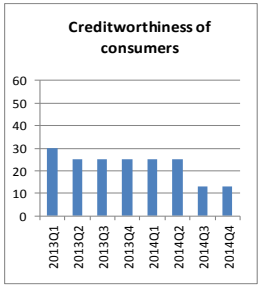


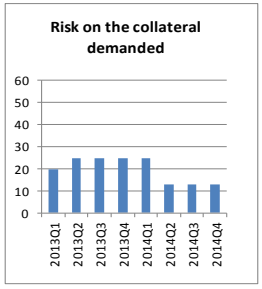




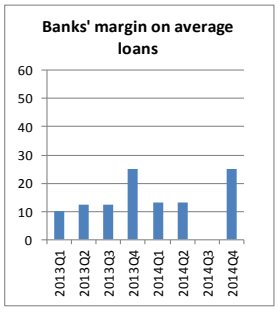


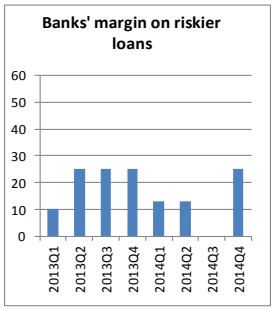


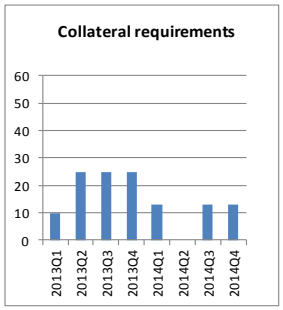


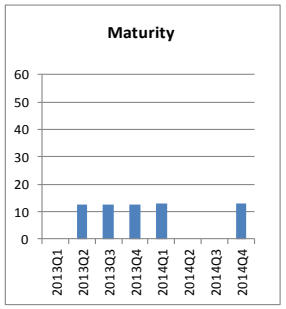


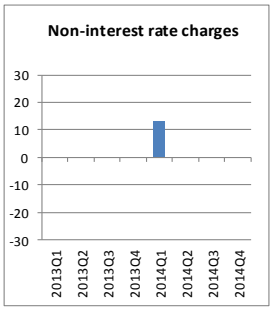
- Changes in terms and conditions for approving loans to households for consumer credit and other lending



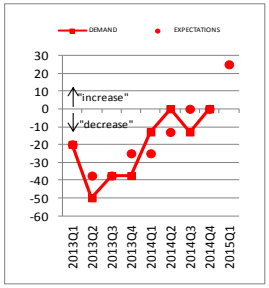


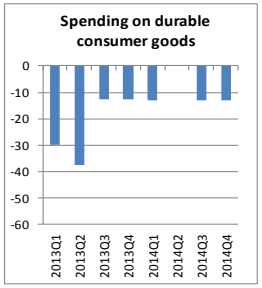


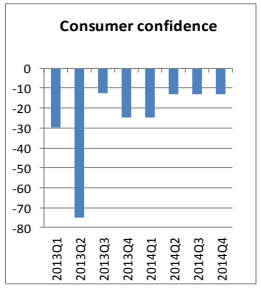


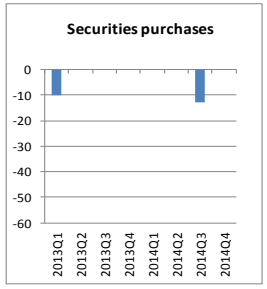


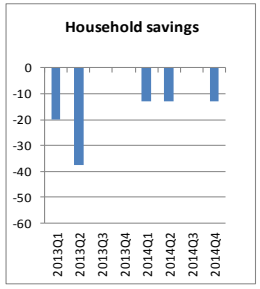
(B) Demand - Main factors affecting the demand for loans by households for consumer credit and other lending

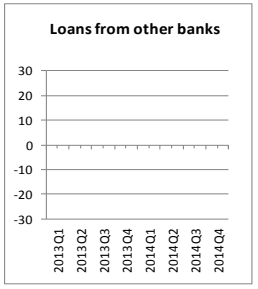


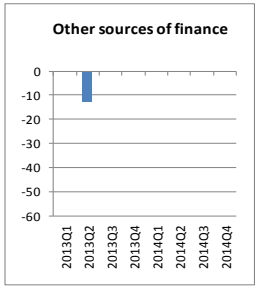












Note: In those cases where no bar is evident in the graph, the diffusion index is 0 for the respective quarter implying; (1) no change was recorded compared with the previous quarter; (2) the banks' responses cancel each other out; or (3) the banks responded by stating "N/A" (not applicable).

Notes:

The Bank Lending Survey (BLS) 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, credit terms and conditions as applied to the approval of 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 at:

http://www.centralbank.gov.cy/media/pdf_gr/Methodology_100210.pdf

The results of the January 2015 BLS relate to changes in 2014Q4 compared with the previous quarter and to changes expected in 2015Q1 regarding credit standards and demand for loans to enterprises and households[1].

It should be noted that the results of the survey relate to answers provided by the participating banks and represent their own assessment of the financial market. The results do not in any way reflect the views of the Central Bank of Cyprus.

1. 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. For the analysis of the aggregated results for Cyprus and the euro area, the diffusion index is used. It should be noted that a diffusion index value equal to zero may imply that; (a) there was no change compared with the previous quarter; (b) the answers of the participating banks offset one another; or (c) no data are available.