



KPMG Cyprus Corporate Lending Survey 2025

April 2025



Foreword

With approximately €12 billion in loans granted to non-financial corporations at the end 2024 and €64 billion of assets under management¹, the banking sector in Cyprus plays a pivotal role in shaping the prospects of all other sectors on the island.

The 2025 Cyprus Corporate Lending Survey was conducted between November and December 2024 and was compiled from the views of nine (9) major financial institutions operating in Cyprus, providing unique insights into topics such as lending appetite, key lending criteria, as well as their outlook on the sector and economy over the short- to medium-term.

Beyond the traditional sectors in Cyprus, such as travel, tourism & leisure and real estate development, respondents appear to have a heightened appetite for lending in other sectors, such as renewable energy, education, and healthcare & life sciences.

While the uncertainty caused by ongoing regional conflicts and borrowers' debt sustainability concerns appear to be the predominant challenges on local lending, the majority of respondents expressed confidence for a decline in interest rate margins in the short to medium term.

As a concluding remark, we would like to take this opportunity to thank all the individuals who participated in the 2025 Cyprus Corporate Lending Survey and whose contribution was key to its success.



Christophoros Anayiotos

**Board Member,
Head of Deal Advisory**
KPMG in Cyprus

"The market is increasingly characterised by limited new lending opportunities, with banks striving to increase their market share in the most attractive sectors in terms of risk appetite, such as travel, tourism & leisure, healthcare, education, and renewable energy."



Rennos Ioannides

**Board Member,
Restructuring & Debt Advisory**
KPMG in Cyprus

"Cash flow along with debt servicing capacity and viability are the most critical factors that underpin banks' assessment of new corporate lending opportunities."

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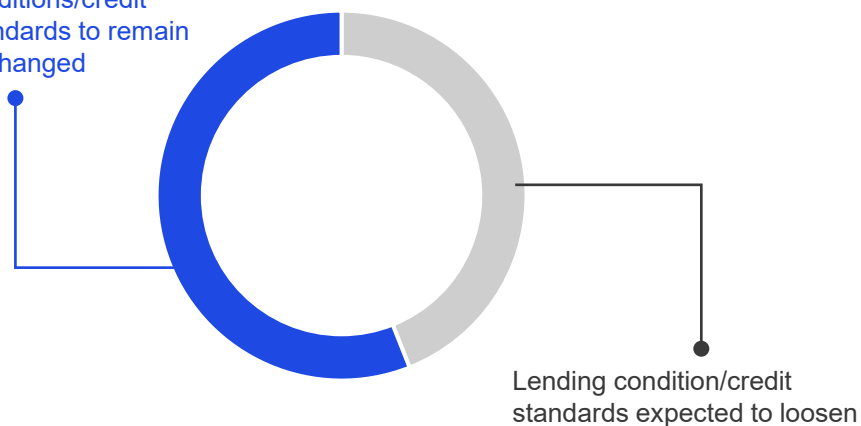
ESG lending

Adoption of ESG lending practices

Outlook on lending conditions and interest rate margins in the near future

Expectations of the lending conditions in the Cypriot market in the next 12 to 18 months

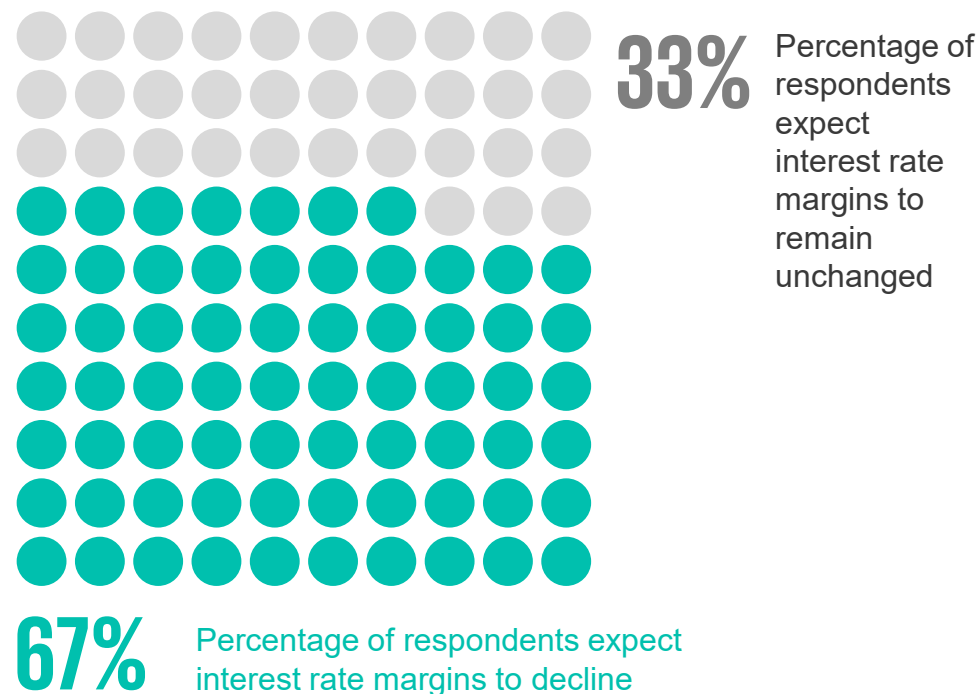
Lending conditions/credit standards to remain unchanged



The majority of lenders in Cyprus expect lending conditions to remain unchanged, while interest rate margins are expected to decline in the next 12 to 18 months.

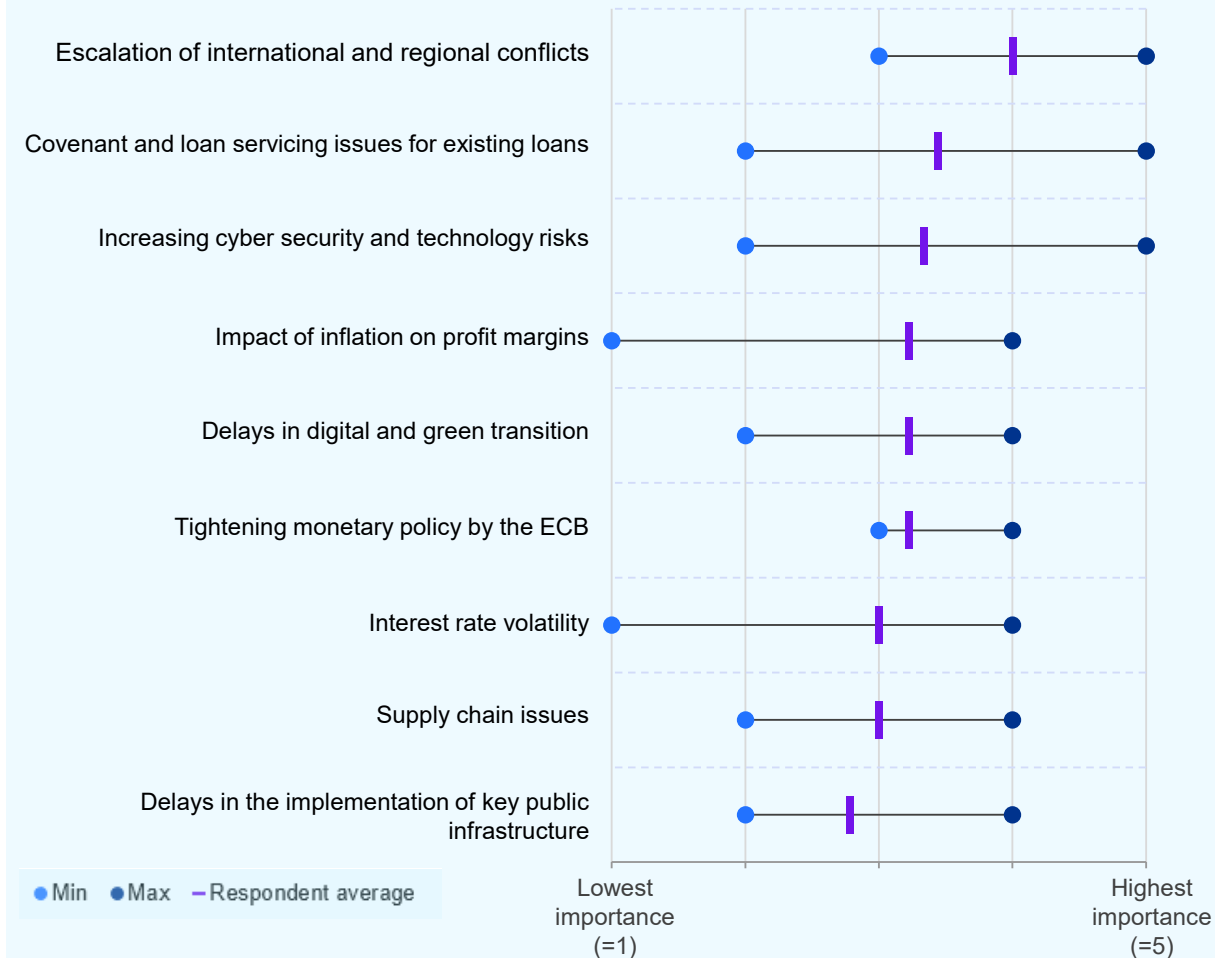
This is in line with Cyprus Central Bank's publication for Q4 2024 lending conditions for new loans in Cyprus.

Interest rate margins expectations over the next 12 to 18 months



Key lending challenges in the near future

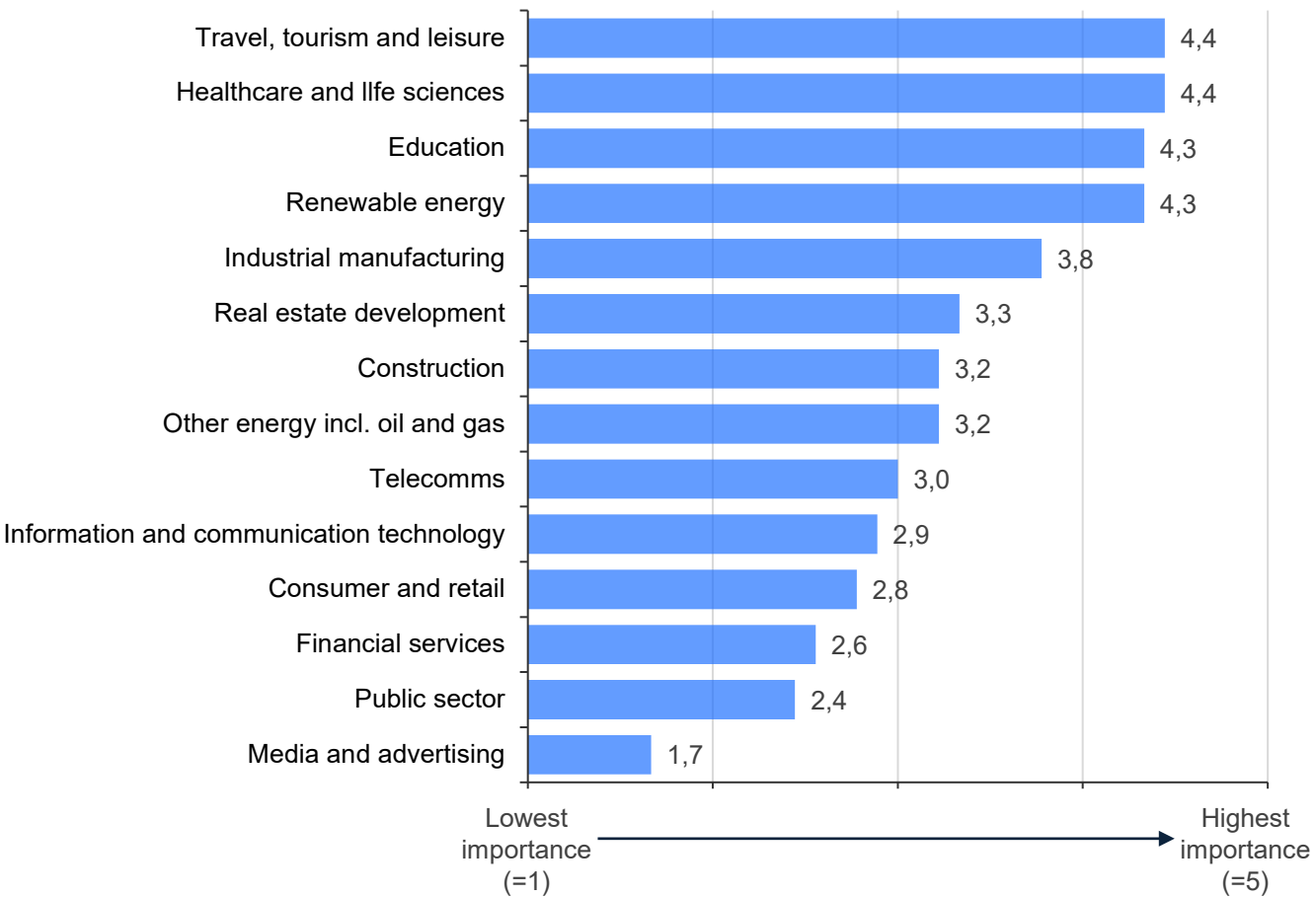
Respondents' biggest challenges for lending in the next 12 to 18 months



The escalation of international and regional conflicts, along with the covenants and servicing of existing loans, are considered the biggest challenges for lenders in the near future.

Lending appetite per sector

Respondents' lending appetite per sector (respondent average)

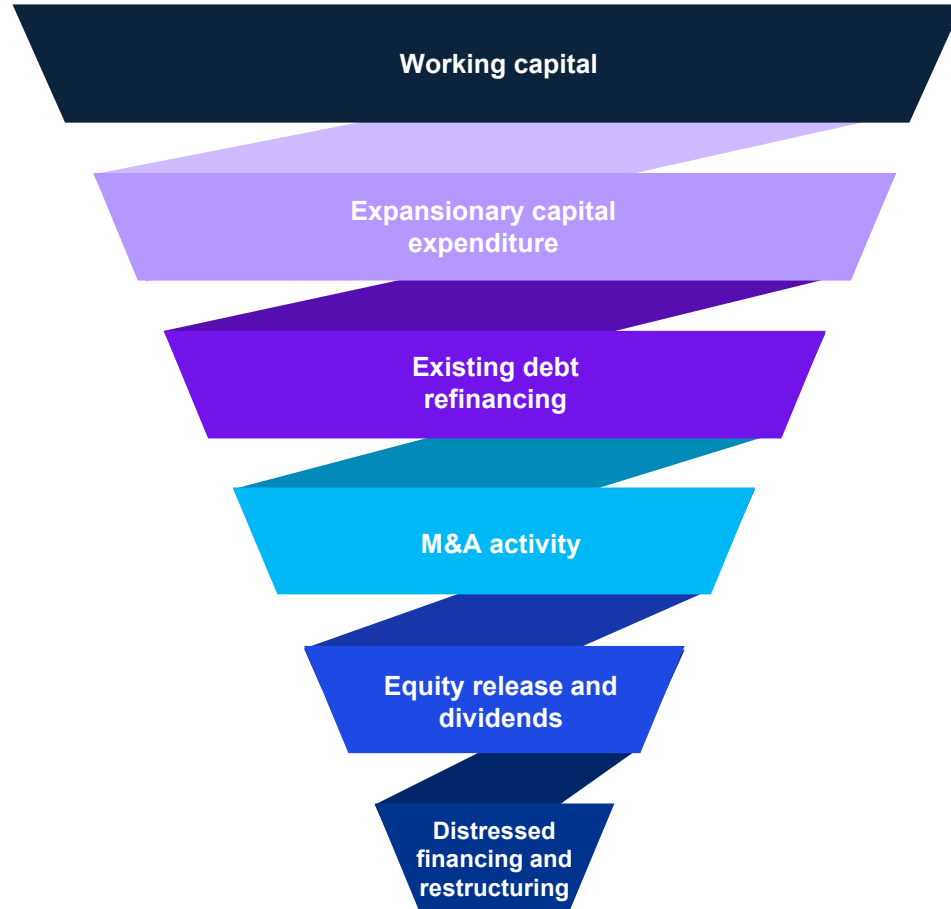


Travel, tourism & leisure, Healthcare, Renewables and Education appear to be the most appealing sectors for lenders in Cyprus.



Lending growth opportunities

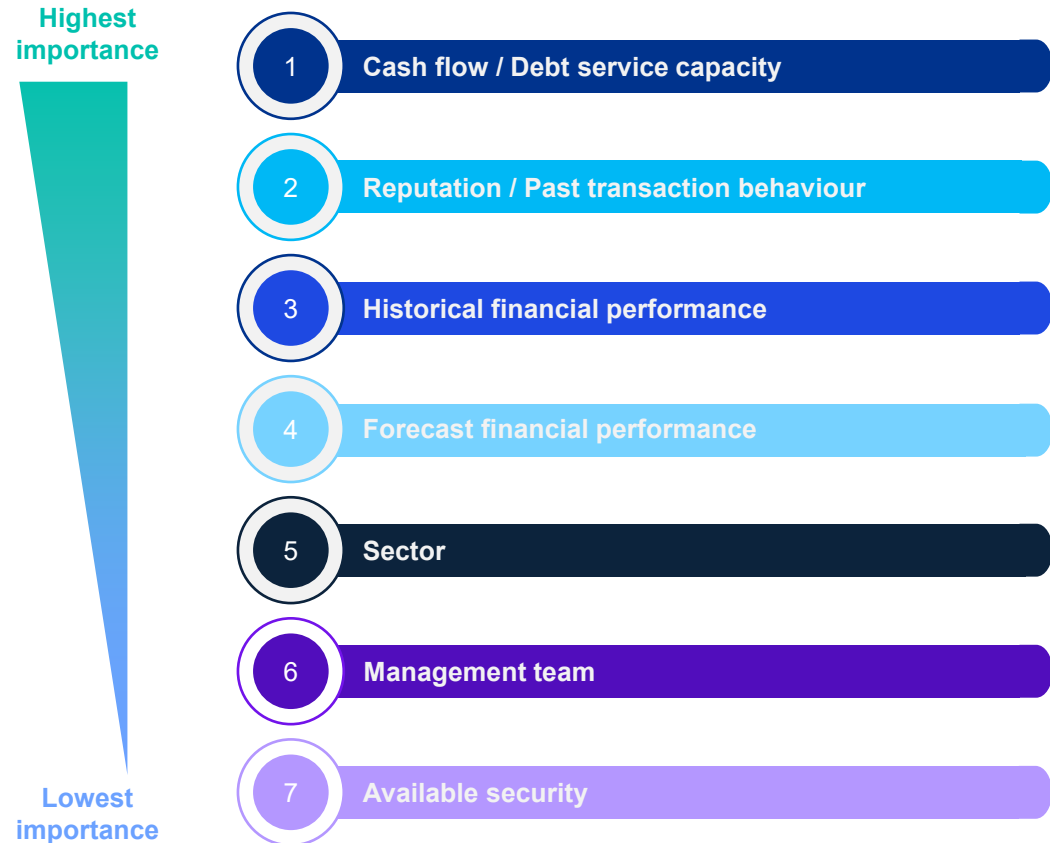
Respondents' expectation of lending activity per area of focus in the next 12 to 18 months



Working capital, expansionary capital expenditure and existing debt refinancing are the top three anticipated lending activities by lenders in the short-to medium-term.

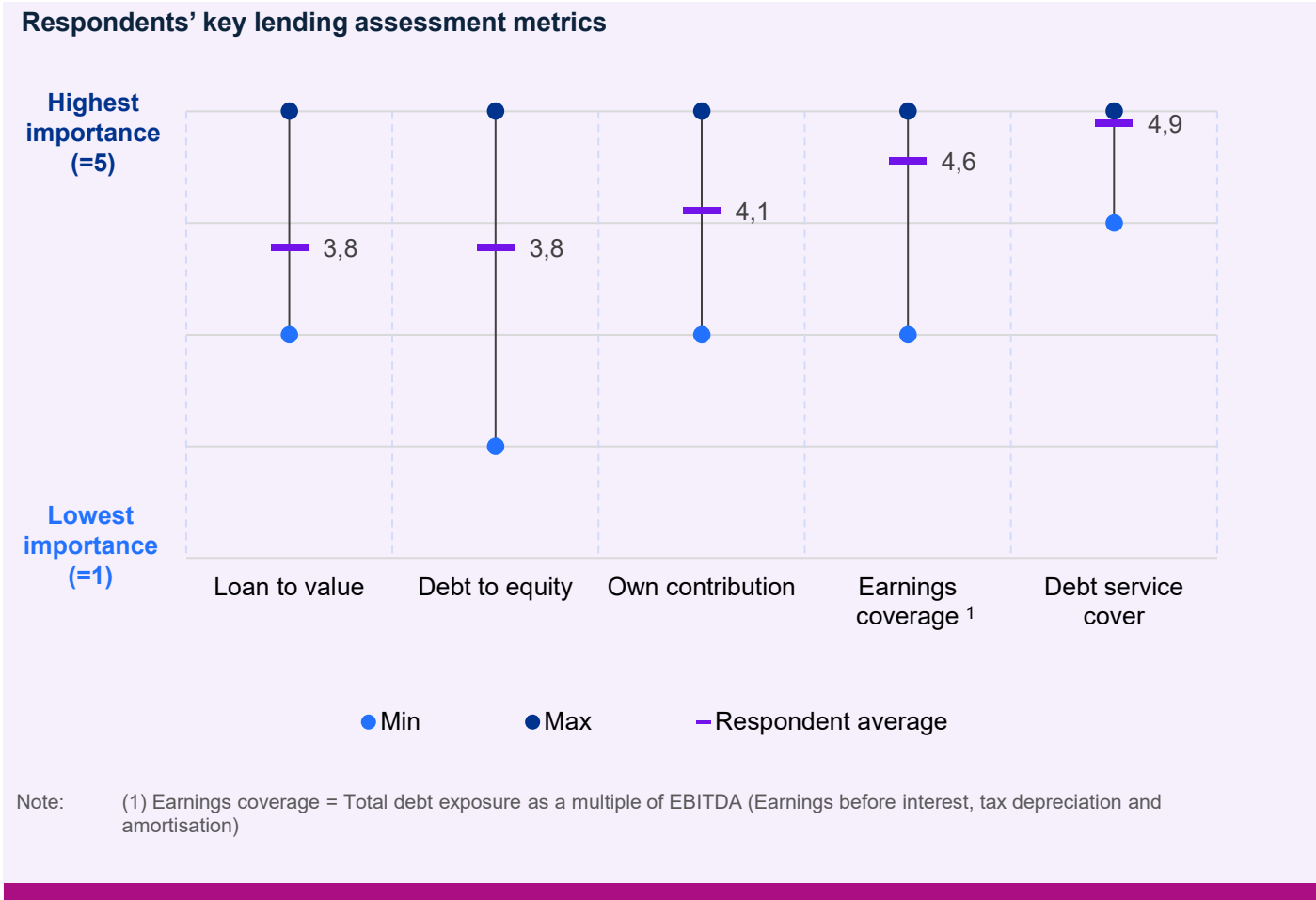
Key lending criteria during the credit review process

Respondents' key areas of focus during their credit review process



Debt service capacity as well as reputation and past transaction behaviour appear to be the most important areas of focus for lenders' credit approving authorities in Cyprus.

Key debt viability ratios



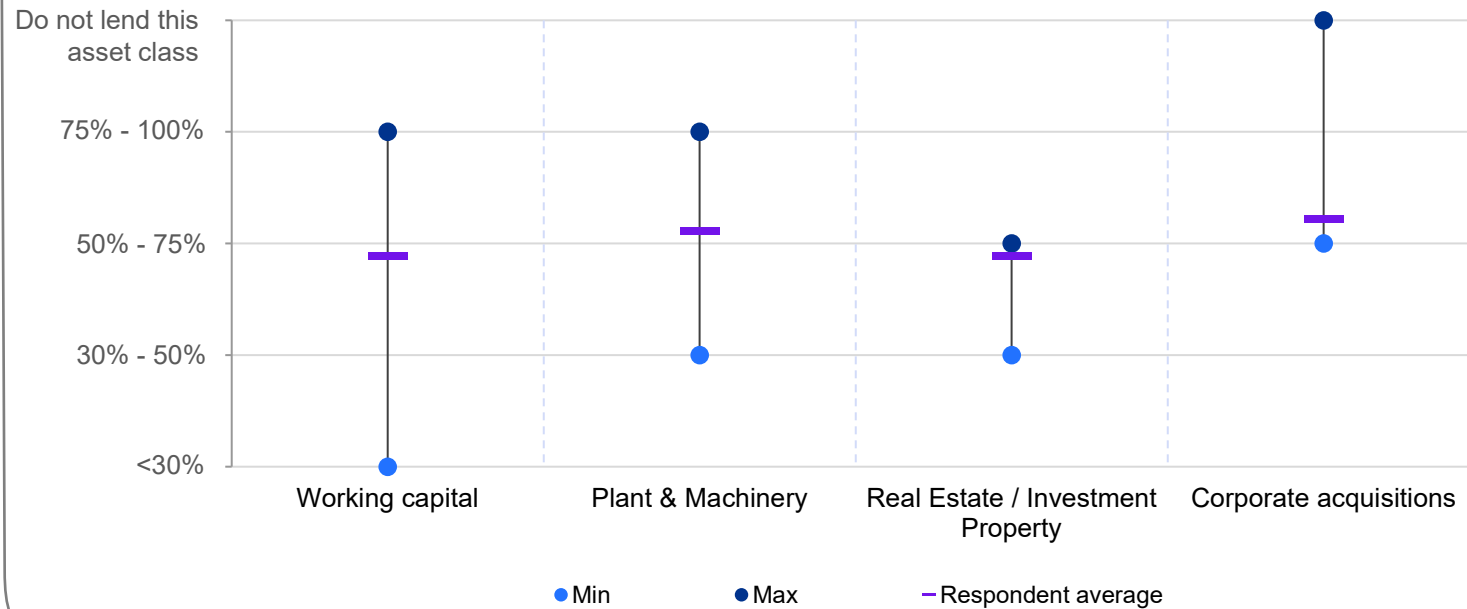
Debt service cover ratio is considered the most important financing indicator, with the common range being 1,2x to 1,4x.

Most respondents view a debt exposure ranging from 5,0x to 6,0x on EBITDA as the upper limit.

Maximum loan to cost percentage per asset type

Maximum total debt exposure (as a percentage of total cost of the specific asset category) that respondents are comfortable to lend in the following asset classes.

Assuming no other tangible securities and considering a borrower with average creditworthiness.



The average response indicates a maximum loan-to-cost percentage of 50-75% across all asset categories.

ESG framework and adoption

Banks have developed or are in the process of developing their ESG frameworks and are in the process of adopting ESG targets for loan pricing.

Respondents consider the assessment of a borrower's ESG policies and practices to be an upcoming focus area to be considered during the credit review process.

The majority of respondents who link ESG targets to loan pricing typically offer a reduction on interest rate margins up to 25 basis points.





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