

THE EBRD IN CYPRUS

Financial sector resilience

2014-20

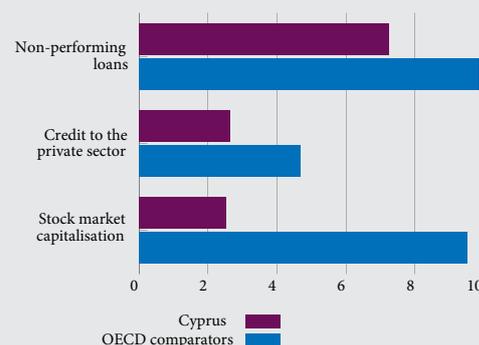
Related SDGs



When the EBRD started investing in Cyprus in 2014, NPL levels were very high at 45 per cent (due to the European debt crisis) and among the highest in Europe, burdening the financial system and restricting access to finance for local firms. In recent years, since the deep recession, the government has made significant efforts to strengthen the resilience of the banking sector, with increased capital buffers and restored profitability. At the same time, the size of the banking sector remains large, at 280 per cent of GDP, and enterprise debt is on average twice as high as in the rest of the EU. The economic impact of the Covid-19 pandemic is resulting in a further deterioration of the asset quality and a drop in the already low profitability of local banks, while the Central Bank of Cyprus continues efforts to reduce non-performing assets in the banking sector. Due to the continued distressed situation, banks have reduced tenors and country limits for Cyprus, significantly affecting the banks' abilities to provide trade finance.

EBRD score

(1-worst, 10-best)



How we work

The EBRD helped to strengthen the resilience of the financial sector, including through improved governance standards in the banking sector, enterprise restructuring and introducing new sustainable economic activities. This support has been provided through direct and indirect financing, equity investments into systemic banks, and engaging in policy dialogue with the government and market participants. To support trade, the EBRD Trade Facilitation Programme (TFP) provided guarantees covering the political and commercial payment risk. The EBRD also provided trade finance know-how to local banks through trade finance training courses, as well as the optimisation of banking procedures and the structuring of trade finance.

In numbers

€497 million

Net cumulative EBRD investment in the financial sector

€365 million

Combined volume of more than 600 transactions under the TFP

Quick links

[> Trade Finance e-Learning Programme](#)



The EBRD Trade Facilitation Programme aims to promote foreign trade to, from and within the EBRD regions and offers a range of products to facilitate this, including guarantees and trade-related cash advances.



Achievements and results: Restoring resilience to the financial sector

We supported a more resilient financial sector by:

- ▶ strengthening the capital base and rebuilding confidence in the banking sector via equity investments in two systemic banks: the Bank of Cyprus and Hellenic Bank (€128 million in total)
- ▶ supporting the successful restructuring of and high standards of corporate governance in these two banks
- ▶ assisting with the development and implementation of the new restructuring and insolvency framework to help reduce NPLs, by advising the government and financial institutions and by training restructuring and insolvency practitioners.

We promoted international integration of the financial sector through:

- ▶ providing training and advice to partner banks and local businesses in trade finance through the TFP and providing guarantees for import, export and local distribution of imported goods, in order to strengthen trade links between Cyprus and other economies where the EBRD invests
- ▶ helping clients to access new sources of finance, including the international financial markets.

More resilient banking sector

The non-performing exposures ratio of domestic client banks Bank of Cyprus and Hellenic Bank decreased during 2014-20, from 55 per cent to close to 20 per cent.

Better business standards

The EBRD promoted major improvements to the business standards of the Bank of Cyprus and Hellenic Bank (for example, compliance with central bank directives, internal risk management).

More efficient law implementation

With funding from the EU, the EBRD Legal Transition team helped the government to implement the insolvency service more efficiently, assisting efforts to restructure firms and reduce NPLs.

More trade finance

€340 million utilisation of TFP facilities supporting trade activities of exporters, importers and distributors of imported goods in Cyprus.

Better skills

The TFP issued 278 certificates to trade finance professionals across the EBRD regions for their completion of the EBRD Trade Finance e-Learning Programme, thereby improving their skills in processing complex trade products.

Capital market development

An EBRD client accessed international capital markets for the first time since the financial crisis through an initial public offering at the London Stock Exchange.

Our case study:

Trade Facilitation Programme in Cyprus



Read how the EBRD became a shareholder in Hellenic Bank, a systemically important bank, to contribute to Cyprus's economic recovery.



See how the EBRD helped address the Covid-19 crisis through increased trade support in Cyprus with a new limit for a large local bank.



Read how the EBRD's client Eurobank Cyprus won the TFP Deal of the Year in 2016. The construction of the 90 km, three-lane road in Egypt was a great challenge that was met effectively by the joint efforts of the EBRD and Eurobank Cyprus.

