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## Morningstar DBRS Confirms Republic of Cyprus at "A", Stable Trend

**Industry:** Governments  
**Subindustry:** Sovereigns  
**Region:** Europe

DBRS Ratings GmbH (Morningstar DBRS) confirmed the Republic of Cyprus' (Cyprus) Long-Term Foreign and Local Currency – Issuer Ratings at "A". At the same time, Morningstar DBRS confirmed Cyprus' Short-Term Foreign and Local Currency – Issuer Ratings at R-1 (low). The trend on all ratings remains Stable.

### KEY CREDIT RATING CONSIDERATIONS

The Stable trend reflects Morningstar DBRS' view that the risks to the credit ratings are balanced. The Cypriot economy's growth momentum remained strong over the past year. Real GDP expanded by 3.8% in 2025 on the back of strong domestic demand and rising service exports. At the same time, the recent increase in hostilities in the Middle East has raised uncertainty over Cyprus' short-term economic outlook given the island's geographical proximity to the region. This applies particularly to the tourism industry, which has been an important driver of growth in recent years. Furthermore, potential high-for-longer global energy prices might weaken households' purchasing power and, as a result, private consumption. The scale of potential negative repercussion of the conflict on the Cypriot economy depends in large part of the duration and the intensity of the conflict.

Nevertheless, Morningstar DBRS takes the view that Cyprus has large fiscal buffers to weather potential negative repercussions of the conflict. Fiscal accounts registered recurring surpluses in recent years with the general government's annual budgetary surplus averaging 2.8% of GDP between 2022 and 2025. This favourable fiscal performance resulted not only from cyclical tailwinds which bolstered public revenues but also from structural improvement on the revenue side. Moreover, general government debt has decreased markedly in recent years, amounting to a moderate 60.6% of GDP in September 2025.

Cyprus' credit ratings are supported by the government's strong fiscal performance in recent years, the strong financial condition of the banking sector, and a stable domestic political environment. Furthermore, although governance indicators are weaker than those of most EU peers, Morningstar DBRS views the country's EU membership as an important anchor for institutional quality. On the other hand, the credit ratings of Cyprus continue to be constrained by the small size of its service-driven economy, which renders it vulnerable to external shocks, the economy's still comparatively low level of labour productivity and the economy's large current account deficit.

### CREDIT RATING DRIVERS

The credit ratings could be upgraded if one or a combination of the following occur: (1) sustained economic growth and a lasting strong fiscal performance result in a further material reduction in the public debt ratio; (2) evidence of increased economic resiliency and rising labour productivity levels.

The credit ratings could be downgraded if one or a combination of the following occur: (1) a significant deterioration in the public debt trajectory, potentially due to a prolonged period of weak growth or rising budgetary pressures; (2) the materialisation of large contingent liabilities particularly from the sizeable domestic banking sector.

## CREDIT RATING RATIONALE

### Economic Growth Remained Strong in 2025 but Short-Term Outlook is Exposed to Downside Risks

Economic growth dynamics remained strong over the past year. Real GDP grew by 3.8% in 2025, underpinned by strong domestic demand and rising service exports. Private consumption was bolstered by rising employment and real wage gains of households as nominal wage growth remained strong and inflationary pressures subsided. Service export growth was driven by tourism and information and communications technology (ICT), which includes intellectual property rights, as well as by financial and other business services. The number of tourist arrivals rose by 12.2% in 2025. Looking ahead, the December 2025 projections of the Central Bank of Cyprus (CBC) projects growth dynamics to remain strong with real GDP growth forecasted at 3.0% both for 2026 and 2027. These forecasts are based on the expectation that private consumption will remain robust, underpinned by favourable labour market developments. Furthermore, investment activity is projected to be supported by several major investment projects particularly in the tourism and residential real estate sectors as well as, to a lesser extent, in energy, education and health. However, the recent increase in hostilities in the Middle East has raised uncertainty over Cyprus' short-term economic outlook given the island's geographical proximity to the region. This applies particularly to tourism and large capital inflows as the latter have been a key driver of construction-related investment activity in recent years due to the economy's comparatively low savings rate. Moreover, a potential increase in energy import prices might - if sustained - weigh down households' purchasing power and as a result, private consumption.

Although the Cypriot economy grew at a comparatively strong pace in recent years, the credit ratings continue to be constrained by the small size of its service-driven economy, which renders it vulnerable to external shocks. In terms of the sectoral composition of the economy, the relative importance of the ICT industry has increased markedly over the past decade as several foreign ICT companies relocated operations to Cyprus because of different policy measures (e.g. tax incentives, headquartering policy). However, while the share of the ICT sector to total gross value added more than doubled from 4.8% to 12.0% between 2015 and 2025, the increase of employment in the ICT sector was much less pronounced, accounting for 4.8% of total domestic employment in 2025, up from a share of 2.7% in 2015. While labour productivity levels have caught up in recent years, they remain below the EU average which can partly be ascribed to the still important role of labour-intensive industries such as tourism. According to Eurostat, the level of nominal GDP per person employed in Cyprus amounted to only 89.2% of the EU27 average in 2023.

### Structural Surplus in Fiscal Accounts Provides Important Buffer for Absorbing Potential Shocks

Cyprus' fiscal outcomes were strong in recent years. The general government posted recurring budgetary surpluses since 2022, driven by structural improvements on the revenue side. In particular, many foreign companies relocated to Cyprus in the context of the government's headquartering policy. This helped widen the corporate income tax base. According to preliminary data, the general government budget surplus stood at 2.6% of GDP in 2025, down from 4.1% in 2024. The moderate narrowing of the budget surplus over the past year resulted from strong expenditure growth (+10.3%) which outpaced revenue growth (+5.9%). Expenditure growth was mainly driven by rising spending on public wages and social benefits and, to a lesser extent, by higher public investment (including capital grants). On the revenue side, fiscal accounts benefited from continued strong growth in social security contributions and income taxes whereas VAT revenues were weighed down by household support measures such as the reduction of the VAT rate for electricity from April 2025 onwards and the continuation of the zero VAT rate for basic goods. Furthermore, general government accounts were adversely affected by a refund of an EU grant for the Vasiliko LNG terminal (0.2% of GDP) and support measures related to the wildfires in the Limassol district in summer 2025 (0.2%).

Looking ahead, the Draft Budget 2026 from October 2025 forecasts the general government budget surplus at 3.0% of GDP in 2026 based on the expectation that economic growth dynamics will remain strong and bolster public revenues. While the ongoing conflict in the Middle East has raised uncertainty over future fiscal outcomes, Morningstar DBRS currently does not expect a sharp weakening in fiscal accounts. Furthermore, the structural improvement in fiscal accounts over the past years puts the government in a strong position to weather potential negative repercussions of the conflict on budget balances. Over the longer-term, spending needs on the adaptation and mitigation of climate change are likely to be sizeable. In general, potential future changes to international corporate taxation are a risk factor for public finances given Cyprus's relatively high share of fiscal revenues coming from this source. Corporate income tax revenues amounted to a large 6.9% of GDP in 2024 compared to an average of 3.6% for EU countries.

#### Public Debt Burden is Moderate

The public debt ratio declined markedly in recent years and is now assessed as moderate. General government gross debt declined to 60.6% of GDP in September 2025 from 96.5% in December 2021, underpinned by large primary surpluses and high nominal GDP growth. Looking ahead, the government's Draft Budget 2026 projects the public debt ratio to remain on a firm downward trend with the general government gross debt forecast to decrease to 52.7% of GDP by end 2026. The decrease in public debt in recent years has also helped offset the impact of higher interest rates on the government's interest burden. The EC forecasts general government interest expenditure to remain unchanged at 1.3% of GDP between 2025 and 2027. In terms of the interest burden, the government continues to benefit from the favourable, albeit rising, interest rate on the ESM loan which had been granted to Cyprus in 2013 and which accounted for 29.0% of outstanding general government gross debt in September 2025.

In general, Morningstar DBRS notes that outstanding intra-government debt, which is cancelled out in general government debt calculations, is large. At end 2024, the central government owed domestic social security funds debt to the amount of 34.2% of GDP as large social security surpluses have been utilized for financing central government budget deficits in the past. While the utilisation of these social security buffers is a cheap and stable source of funding, it also raises downside risks for central government finances in case sustained deficits in the social security system would need to be covered by budgetary transfers. That said, a materialisation of these downside risks appears unlikely over the next few years as the social security system is forecast to continue to register surpluses on the back of solid employment growth and the recent increase in social security contribution rates. Potential short-term funding risks are mitigated by the central government's cash buffer that amounted to 4.6% of GDP in December 2025. The main risks for public finances emanate from a potential economic shock or a materialisation of contingent liabilities in the large domestic banking sector whose total assets amounted to 193% of GDP in December 2025 and which is characterised by a high degree of concentration. Currently, these risks are partly mitigated by the strong financial condition of the banking sector.

#### Banking Sector Benefits from Very Large Capital Buffers but Asset Quality Remains Weaker than at EU Peers

The financial condition of the banking sector has improved in recent years and is now assessed as strong. Banks' capital buffers have risen markedly as a temporary increase in net interest income boosted banks' retained earnings. The average CET 1 ratio stood at 26.1% in September 2025, up from 17.8% in December 2022. In addition, banks' liquidity positions continue to benefit from very large cash balances. The asset quality of the banking sector has improved but the legacy stock of non-performing loans (NPLs) in the banking system from the 2012-2013 crisis remains a credit weakness. Although the NPL ratio has decreased markedly from 46.4% in December 2016 to 3.2% in December 2025 mainly due to sales and write-offs of problem loans, it is still higher than in most other EU economies. The average NPL ratio of EU economies stood at 2.2% in September 2025. Looking ahead, pockets of vulnerability might emerge in case of negative repercussions of the conflict in the Middle East on the Cypriot economy. These risks are partly mitigated by the diversified structure of banks' corporate loan book with the exposures towards accommodation and real estate accounting for 9% and 10%, respectively of the total loan book.

### Current Account Deficit of Non-SPE Economy Is Very Large but Has been Primarily Financed by Non-Debt Financial Inflows

External finances are heavily impacted by Cyprus' role as a financial sector and the operations of special purpose entities (SPEs) which have limited links to the domestic economy. The impact of SPEs is particularly visible regarding the economy's negative net international investment position (NIIP), which amounted to 87.9% of GDP in Q3 2025. When excluding external assets and liabilities held by SPEs, the economy's negative NIIP decreases to 37.3%. At the same time, strong domestic demand within the non-SPE economy has raised the current account deficit markedly over the past years. Between Q4 2024 and Q3 2025, the current account deficit (excluding SPEs) amounted to a very large 8.5% of GDP compared to just 1.4% in 2017. Although net service exports increased strongly on the back of rising ICT and intellectual property service exports and, to a lesser extent, a rebound in tourist arrivals, this was more than offset by a marked deterioration in the primary income balance which resulted from higher profit outflows to foreign shareholders. While the widening current account deficit raises external vulnerabilities, this is partly mitigated by the fact that it has been primarily financed by non-debt FDI inflows such as foreign purchases of real estate and capital injections into companies. Instead, gross external debt (excluding SPEs) declined to 167% of GDP in September 2025 from 315% of GDP in December 2017. The distortion of the overall NIIP by SPEs underpins a positive qualitative adjustment to the "Balance of Payments" building block assessment.

### Credit Ratings Are Supported by Stable Political Environment

The political environment in Cyprus is stable. Parliamentary elections are likely to take place in May 2026 but we do not expect the election to lead to major policy changes particularly regarding fiscal policy and the reforms embedded in Cyprus's recovery plan. The next presidential elections are scheduled for 2028. In terms of institutional quality, the country's ranking in the Worldwide Governance Indicators (e.g. Control of Corruption, Rule of Law) has deteriorated over the past years and is now below the EU average. At the same time, Morningstar DBRS considers the country's EU membership as an important anchor for institutional quality. With respect to the reunification talks supported by the United Nations (UN), Morningstar DBRS currently assumes that the chances of a significant breakthrough remain limited.

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

ESG Considerations had a significant effect on the credit analysis.

### **Social (S) Factors**

The following Social factor had a significant effect on the credit analysis: Human Capital and Human Rights. Cyprus' nominal GDP per capita, standing at USD 42,413 in 2025, is relatively low when compared to other Euro area countries. This factor has been taken into account in the 'Economic Structure and Performance' building block.

### **Governance (G) Factors**

The following Governance factors had a relevant effect on the credit analysis: (1) Bribery, Corruption and Political Risks, and (2) Peace and Security. Cyprus ranks below the EU average in World Bank's World Governance indicators 'Rule of Law' and 'Control of Corruption'. These risks are partially mitigated by the country's membership in the EU which Morningstar DBRS regards as an important anchor for institutional quality. Risks for peace and security emanate from the unresolved nature of the Cyprus conflict. Cyprus has been divided since the 1974 invasion by Turkey, and the internationally recognized Republic of Cyprus does not currently exercise effective control over the northern third of the island. Despite recent efforts, United Nations backed negotiations have not

resulted in a solution. Morningstar DBRS currently views the persistence of the political status quo as likely and, therefore, does not expect the Governance factor Peace and Security to impact sovereign credit quality. The two relevant Governance factors are reflected in the 'Political Environment' building block.

There were no Environmental factors that had a relevant or significant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (16 May 2025) <https://dbrs.morningstar.com/research/454196>.

For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments.

EURO AREA RISK CATEGORY: LOW

**Notes:**

All figures are in euros unless otherwise noted. Public finance statistics reported on a general government basis unless specified.

The principal methodology is the Global Methodology for Rating Sovereign Governments (09 July 2025) <https://dbrs.morningstar.com/research/457952>. In addition Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings <https://dbrs.morningstar.com/research/454196> in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://dbrs.morningstar.com/about/methodologies>.

The sources of information used for these credit ratings include Ministry of Finance (Cyprus Draft Budgetary Plan 2026, October 2025; Annual Progress Report 2025, April 2025; Medium-Term Fiscal Structural Plan for the Period 2025-2028, October 2024), Public Debt Management Office (Annual Report Public Debt Management 2024, April 2025), Central Bank of Cyprus (Macroeconomic Forecasts, December 2025; Financial Stability Report, July 2025; Statistics), Ministry of Labour and Social Insurance (2024 Ageing Report, Cyprus – Country Fiche, December 2023), Statistical Service of the Republic of Cyprus, European Commission (European Economic Forecast, Autumn 2025, November 2025), European Central Bank, European Banking Authority, Eurostat, European Environment Agency, OECD, IMF (Cyprus: 2024 Article IV Consultation, May 2024; World Economic Outlook October 2025; International Financial Statistics, Financial Soundness Indicators), World Bank, BIS, International Energy Agency, and Macrobond. Morningstar DBRS considers the information available to it for the purposes of providing these credit ratings to be of satisfactory quality.

Morningstar DBRS does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' outlooks and credit ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: <https://registers.esma.europa.eu/cerep-publication>. For further information on Morningstar DBRS



historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: <https://dbrs.morningstar.com/research/476297>.

These credit ratings are endorsed by DBRS Ratings Limited for use in the United Kingdom.

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For more information on this credit or on this industry, visit [dbrs.morningstar.com](https://dbrs.morningstar.com).

Issuer	Debt Rated	Credit Rating Action	Credit Rating	Trend
Cyprus, Republic of	Long-Term Foreign Currency - Issuer Rating	Confirmed	A	Stable
Cyprus, Republic of	Long-Term Local Currency - Issuer Rating	Confirmed	A	Stable
Cyprus, Republic of	Short-Term Foreign Currency - Issuer Rating	Confirmed	R-1 (low)	Stable
Cyprus, Republic of	Short-Term Local Currency - Issuer Rating	Confirmed	R-1 (low)	Stable

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**Cyprus, Republic of**  
ESG Checklist

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis: Y/N	Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*		
<b>Environmental</b>		<b>Overall:</b>	<b>N</b>	<b>N</b>
<b>Emissions, Effluents, and Waste</b>	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Carbon and GHG Costs</b>	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	<b>N</b>	<b>N</b>	<b>N</b>
	Will recent regulatory changes have an impact on economic resilience or public finances?	<b>N</b>	<b>N</b>	<b>N</b>
	<b>Carbon and GHG Costs</b>	<b>N</b>	<b>N</b>	<b>N</b>
<b>Resource and Energy Management</b>	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	<b>N</b>	<b>N</b>	<b>N</b>
	Is the economy reliant on industries that are vulnerable to import or export price shocks?	<b>N</b>	<b>N</b>	<b>N</b>
	<b>Resource and Energy Management</b>	<b>N</b>	<b>N</b>	<b>N</b>
<b>Land Impact and Biodiversity</b>	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Climate and Weather Risks</b>	Under key IPCC climate scenarios will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Passed-through Environmental credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Social</b>		<b>Overall:</b>	<b>Y</b>	<b>S</b>
<b>Human Capital and Human Rights</b>	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible and productive?	<b>Y</b>	<b>S</b>	<b>S</b>
	Are labour or social conflicts a key source of economic volatility?	<b>N</b>	<b>N</b>	<b>N</b>
	Are individual and human rights insufficiently respected or failing to meet the population's expectations?	<b>N</b>	<b>N</b>	<b>N</b>
	Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	<b>N</b>	<b>N</b>	<b>N</b>
	<b>Human Capital and Human Rights</b>	<b>Y</b>	<b>S</b>	<b>S</b>
<b>Access to Basic Services</b>	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Passed-through Social credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Governance</b>		<b>Overall:</b>	<b>Y</b>	<b>R</b>
<b>Bribery, Corruption, and Political Risks</b>	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	<b>Y</b>	<b>R</b>	<b>R</b>
<b>Institutional Strength, Governance, and Transparency</b>	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	<b>N</b>	<b>N</b>	<b>N</b>
	Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	<b>N</b>	<b>N</b>	<b>N</b>
	Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	<b>N</b>	<b>N</b>	<b>N</b>
	<b>Institutional Strength, Governance, and Transparency</b>	<b>N</b>	<b>N</b>	<b>N</b>
<b>Peace and Security</b>	Is the government likely to initiate or respond to hostilities with neighbouring governments?	<b>N</b>	<b>N</b>	<b>N</b>
	Is the government's authority over certain regions contested by domestic or foreign militias?	<b>Y</b>	<b>R</b>	<b>R</b>
	Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Peace and Security</b>	<b>Y</b>	<b>R</b>	<b>R</b>	
<b>Passed-through Governance credit considerations</b>	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	<b>N</b>	<b>N</b>	<b>N</b>
<b>Consolidated ESG Criteria Output:</b>		<b>Y</b>	<b>S</b>	<b>S</b>

\* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.  
A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

## **Republic of Cyprus: ESG Considerations**

13 March 2026

### **Environmental**

There were no Environmental factors that had a significant or relevant effect on the credit analysis. The country is vulnerable to extreme weather events, including droughts, heatwaves and wildfires but the fiscal cost from such weather events has been manageable so far. Cyprus has been underperforming in terms of environmental sustainability compared to other EU peers mainly due to its heavy reliance on fossil fuels for energy production and strong population growth. The European Environment Agency estimates that Cyprus' total greenhouse gas (GHG) emissions from non-ETS sectors (e.g. road transport, buildings) rose by 9.7% between 2005 and 2024. At the same time, similar to other EU countries, Cyprus has stepped up its GHG emission reduction target for the non-ETS sectors. It now seeks to reduce its GHG emissions from non-ETS-sectors by 32% until 2030 when compared with 2005, up from the previous reduction target of 24%. Meeting this target appears challenging and most likely necessitates the adoption of additional measures, partly funded by EU funds. Cyprus is planning to dedicate about 41% of the funds it expects to receive from the NGEU programme to support the green transition, by promoting energy efficiency and expanding renewable energy. Morningstar DBRS currently takes the view that the fiscal costs of new measures do not present a significant burden to the sovereign rating but will continue to assess the credit impact of new regulatory and policy measures.

### **Social**

The following Social factor had a significant effect on the credit analysis: Human Capital and Human Rights. Cyprus' nominal GDP per capita, standing at USD 42,413 in 2025, is relatively low when compared to other Euro area countries which can in part be ascribed to its lower labour productivity. Respect for human rights is high, and there is widespread access to quality healthcare and other basic services.

### **Governance**

The following Governance factors had a relevant effect on the credit analysis: (1) Bribery, Corruption and Political Risks, and (2) Peace and Security. Cyprus ranks below the EU average in World Bank's World Governance indicators 'Rule of Law' and 'Control of Corruption'. These risks are partially mitigated by the country's membership in the EU which Morningstar DBRS regards as an important anchor for institutional quality. Risks for peace and security emanate from the unresolved nature of the Cyprus conflict. Cyprus has been divided since the 1974 invasion by Turkey, and the internationally recognized Republic of Cyprus does not currently exercise effective control over the northern third of the island. Despite recent efforts, United Nations backed negotiations have not resulted in a solution. While a settlement to reunify Cyprus could unleash opportunities in the medium-to-long term, a severe escalation of tensions could potentially hamper investment in the country. Morningstar DBRS currently views the persistence of the political status quo as likely and, therefore, does not expect the Governance factor Peace and Security to impact sovereign credit quality.

# Cyprus

## Scorecard Indicators

Source

Current Scorecard Input

<b>Fiscal Management and Policy</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>			
Overall Fiscal Balance (% of GDP)	-5.6%	-1.6%	2.7%	1.7%	4.3%	3.4%	3.2%	3.0%	2.6%	IMF WEO	13 year average	1.1%
Government Effectiveness (Percentile Rank)	80.0	77.1	78.3	78.7	77.3	-	-	-	-	World Bank	5 year average	78.3
<b>Debt and Liquidity</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>			
General Government Gross Debt (% of GDP)	113.6%	96.5%	81.1%	73.6%	65.1%	57.7%	53.7%	48.7%	44.3%	IMF WEO	5 year projection	38.3%
Interest Costs (% of GDP)	2.0%	1.6%	1.2%	1.2%	1.2%	1.3%	1.2%	1.2%	1.3%	IMF WEO	5 year average	1.2%
<b>Economic Structure and Performance</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>			
GDP per Capita (USD thousands)	28.3	33.9	34.2	36.6	38.8	42.4	45.6	47.5	49.7	IMF WEO	10 year average	32.4
Output Volatility (%)	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%	4.0%	4.0%	-	IMF WEO	Latest	4.1%
Economic Size (USD billions)	26	30	31	34	36	40	43	45	47	IMF WEO	5 year average	34
<b>Monetary Policy and Financial Stability</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>			
Rate of Inflation (% EOP)	-0.8%	4.8%	7.6%	1.9%	3.1%	-0.4%	2.0%	2.0%	2.0%	IMF WEO	13 year average	1.8%
Total Domestic Savings (% of GDP)	267%	252%	224%	215%	218%	216%	-	-	-	ECB/IMF	Latest <sup>1</sup>	216%
Change in Domestic Credit (% of GDP)	0.8%	-25.2%	-38.1%	-15.9%	-14.1%	-11.1%	-	-	-	ECB/IMF	7 year average <sup>1</sup>	-17.3%
Net Non-Performing Loans (% of Capital)	50.1%	31.1%	23.7%	15.6%	8.5%	6.7%	-	-	-	IMF IFS	Latest <sup>1</sup>	6.7%
Change in Property Price/GDP Index (%)	14.2%	-15.7%	-6.6%	4.2%	-2.4%	-5.4%	-	-	-	ECB/IMF	7 year average <sup>1</sup>	-2.0%
<b>Balance of Payments</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>			
Current Account Balance (% of GDP)	-9.7%	-5.5%	-6.9%	-11.3%	-8.4%	-8.5%	-9.1%	-9.4%	-9.9%	IMF WEO	8 year average	-8.6%
International Investment Position (% of GDP)	-123.8%	-107.5%	-98.3%	-95.6%	-87.1%	-87.3%	-	-	-	IMF	5 year average <sup>1</sup>	-95.2%
Share of Global Foreign Exchange Turnover (Ratio)	207.4%	210.7%	205.1%	207.9%	209.8%	191.3%	-	-	-	BIS/IMF	Latest	191.3%
Exchange Rate Classification (see footnote)	5	5	5	5	5	5	-	-	-	IMF	Latest	5
<b>Political Environment</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>			
Voice and Accountability (Percentile Rank)	83.7	76.0	75.5	77.0	76.5	-	-	-	-	World Bank	5 year average	77.7
Rule of Law (Percentile Rank)	73.3	73.8	72.8	73.8	71.9	-	-	-	-	World Bank	5 year average	73.1

See Morningstar DBRS' Global Methodology for Rating Sovereign Governments for additional details on the methodology behind the scorecard indicators and associated scoring thresholds. Following the World Bank's December 2025 methodology update, percentile rankings on World Bank Governance Scores are calculated by Morningstar DBRS. Exchange Rate Classifications: Freely floating exchange rate = 1; Float = 2; Crawls, banded pegs, and other managed = 3; Stabilized = 4; Pegs, currency unions and dollarized arrangements = 5.

<sup>1</sup> Scores for 2025 have been computed using the most recent data when year-end data is not available.

# Cyprus

Building Block Assessments and Rating Committee Summary



11-Mar-2026

Building Blocks	Scorecard Result	Quantitative Assessment	Net Impact of Qualitative Factors	Building Block Assessment
Fiscal Management and Policy	18.88	Strong	N/A	Strong
Debt and Liquidity	16.20	Strong/Good	N/A	Strong/Good
Economic Structure and Performance	6.11	Poor	N/A	Poor
Monetary Policy and Financial Stability	18.33	Strong	N/A	Strong
Balance of Payments	4.31	Weak/Poor	+ 1 Category	Poor
Political Environment	16.81	Strong/Good	N/A	Strong/Good
Overall Assessment	Composite Scorecard Result	Scorecard Rating Range	Composite Building Block Assessment	Indicative Rating Range
	67.2	A (high) - A (low)	68.9	AA (low) - A

## Cyprus's Long-Term Foreign Currency - Issuer Rating

A

Main topics discussed in the Rating Committee include: Recent macroeconomic developments and outlook, fiscal developments and outlook, financial stability, the current account deficit of the non-SPE economy and external financing sources, domestic and geopolitical developments. For additional details on Morningstar DBRS analysis and opinions, please see the accompanying rating report.

### Morningstar DBRS Scorecard: Scoring Ranges and Associated Assessment Categories

Lower bound	0.00	1.00	3.00	5.00	7.00	9.00	11.00	13.00	15.00	17.00	19.00
Upper bound	0.99	2.99	4.99	6.99	8.99	10.99	12.99	14.99	16.99	18.99	20.00
Assessment Category	Very Weak	Weak	Weak/Poor	Poor	Poor/Moderate	Moderate	Good/Moderate	Good	Strong/Good	Strong	Very Strong



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