



**Republic of Cyprus
Ministry of Finance**

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PRESS RELEASE

Ministry of Finance welcomes the results of the EU-stress test

The Ministry of Finance welcomes the undertaking and the outcome of the stress test for the EU banking sector, which will contribute substantially to the enhancement of transparency in the banking system, contributing positively towards strengthening of the conditions of financial stability. The particular objective of the EU-wide stress test, which covered 91 credit institutions, was to assess the resilience of the European banking system to possible adverse economic developments in the period 2010-2011.

The results of the stress tests in relation to the two participating Cypriot banks (Bank of Cyprus, Marfin Popular Bank) are positive, showing the resilience of the Cypriot banking system to withstand possible negative shocks.

It is pointed out that the results of the stress tests should not be considered as representative of the current situation of the European and Cypriot banking system and their possible present capital needs. A stress testing exercise does not provide forecasts of expected outcomes since the adverse scenarios are designed as "what-if" scenarios reflecting extreme assumptions, which are therefore not very likely to materialize.

The scenarios, included a fall of GDP by 3%-points in the EU as compared to the forecasts of the European Commission for the years 2010 and 2011 as well as a deterioration in the markets of Government bonds worse than the situation that was observed at the beginning of May 2010.

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