



Republic of Cyprus
Ministry of Finance

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PRESS RELEASE

EU-wide Stress Test 2011

1. Resolute action to address investor perceptions of sustained weakness in the EU banking sector is an important part of the comprehensive response to the crisis, as endorsed by the European Council. In this context, the objective of the EU-wide stress test carried out across 91 banks for the period 2011-2012 is to assess the resilience of the EU banking system to adverse shocks.
2. It should be noted that the stress test, which is a regular element of the supervisory toolkit, is not a forecast. The purpose of the stress test is to provide a means to assess the resilience of participating banks to solvency pressures under a plausible but unlikely scenario of stress. In this way, the test results provide a measure of whether banks are sufficiently capitalised to weather adverse economic and financial conditions that go well beyond the likely outcomes.
3. In Cyprus, 2 banks, namely Bank of Cyprus Public Co. Ltd., and Marfin Popular Bank Public Co. Ltd. have directly participated in the EU-wide stress test. The Government of the Republic of Cyprus acknowledges the results of the test and welcomes the enhanced transparency in the publication of the test results and in the disclosure of the sovereign exposures of participating banking groups. Over the past year, these banks have taken pre-emptive steps to strengthen their capital position, whereas additional measures are underway or planned.
4. The results of the test indicate that both banks have surpassed the 5% benchmark. If the additional mitigating measures, as reported in the banks' results endorsed by the European Banking Authority, are taken into account, both banks' capital ratio exceeds 9%.
5. We are confident that the measures underway or planned to be taken by the banks themselves, including the mitigating measures, will significantly further enhance the capital position of both banks. In the unlikely scenario, that additional support will be needed, the Republic of Cyprus stands ready, to take

the required measures to maintain financial stability. Along these lines, a Recapitalisation Scheme has been elaborated. The conditions attached to gain access to the scheme are:

- Incorporation of the credit institution in Cyprus.
- Failure of private sector solutions.
- A positive recommendation by the competent supervisory authority.

6. The Republic of Cyprus is committed to safeguard financial stability and to contribute to further enhancing the resilience of the banking sector as part of a comprehensive EU-wide strategy.

7. All public support measures will comply fully with EU state-aid rules and will be conditional on the banks submitting a comprehensive restructuring plan including a clear path aiming to restore viability. Furthermore, such support will be contingent to compensation and adequate remuneration and recovery of public funds used, or to the ownership rights in the banks concerned.