

EBA Stress Test Successfully Completed by Cyprus Banks

When European Banking Authority announced the results of its “Stress Test” run on 130 biggest financial institutions of the Eurozone, it became obvious that Cyprus banking sector holds a satisfactory place amongst other jurisdictions. The purpose of the landmark “bank health check” was to reveal whether banks are ready for economic breakdown and have sufficient capital reserves. The stress test outcome displayed a stable and good standing status pertaining to three of four Cyprus banks that completed the stress test. In general, the results demonstrated that capital buffers of such banks as Bank of Cyprus, RCB and Central Co-op are more than sufficient to cover all the capital needs. It is worth mentioning that three banks were enabled to pass the stress test thanks to a wise crisis management and timely recapitalization which significantly strengthened their positions. The only Cypriot bank that did not pass the test due to a small capital shortfall is Hellenic Bank. The management of Hellenic Bank already considered the problem which will be resolved upon the board of directors to decide on supplementary equity issue in the nearest future. It is expected that the deficit is to be made up also by means of conversion of convertible debt securities without a need for additional financial support from the Government of Cyprus.

Such positive results of the stress test serve not only as a confirmation of the very fact that all the measures and efforts directed to reinforcement of banking sector and Cyprus economy in general were correct, targeted and well-weighted but also boost the trust and confidence of depositors and investors in Cypriot banks.

Sincerely,

NakLaw Team