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**FINANCIAL RATIO ANALYSIS AND TEST OF BANKRUPTCY  
OF  
THE BANK OF CYPRUS  
PUBLIC COMPANY  
LIMITED**

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REPORT  
ON  
FINANCIAL RATIO ANALYSIS OF  
BANK OF CYPRUS PUBLIC COMPANY LIMITED

Dissertation

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## **ABSTRACT**

This study examines the changes in the ratio analysis of banking activities and testing with Z-score the effect of bankrupts comparing with the Marfin Popular Bank of Cyprus over the last years, focusing on the effects of the financial crisis of 2007. The valuation analysis of this study recognizes that banks create value through the types of assets and liabilities that they create and the various types of risk they undertake including their leverage, their lending risk, and their interest rate risk. The ratio analysis is on the base of income statements and annual reports of the Bank of Cyprus Public Company.

This research finds that the declines in bank stock values since 2007 reflect declining values of various categories of banking activity and changes in market conditions. Dividend payments matter for market values increasingly over time. “Carry-trade” effects from taking on interest rate risk are also apparent. The effects of leverage on bank valuation changed sign during the crisis while the market rewarded high leverage with higher market values prior to the crisis, leverage became associated with lower values during and after the crisis. Contrary to the view that the declines in values for BOCY bank from 2004-2011 mainly reflect unrecognized losses, we find that other factors explain most of the decline in ratios such as the bad management. Although results of financial ratio analysis had changed over time, more than what was expected and especially for 2011 of the change in values that raised from 2007 to the end of 2011 were predictable based on changes in financial crisis and the case of exposure of BOCY to Greece’s bonds. A comparison of key indicators of Bank of Cyprus with Laiki Popular Bank validates that our gowns is reducing the banking system. This forecast and the implementation of the Z-Score, where with a probability of 75% -90% the Bank of Cyprus will go bankrupt. The salvation of the banking system of Cyprus is the direct lending and this fact is where all of our hopes rest.