



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

By

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FINANCIAL RATIO ANALYSIS AND BANKRUPTCY
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Dissertation

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ABSTRACT

This study carried out for understanding the evolution of the Bank of Cyprus Public Company via the ratio analysis of banking activities in the run up to the global financial crisis. More specifically this study tested empirically through testing by Z-score, as to estimate the probability of bankrupts. The aim of the study is to follow bank's progress line during the years 2004-2011 and analyse the risk that bank has taken. The valuation analysis of this study focusing on the affects of the financial crisis of 2007 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 data used in the study, taken from the annual financial statements of Bank of Cyprus Public Company using the total equities and the liabilities applied on Ratio Analysis and Z-score. The results of the Ratio Analysis and Z-score compared with the results of Laiki's Bank. Bank of Cyprus was one of the biggest banks in Cyprus and most respected banking groups in the East Mediterranean.

The results of the study had show a downward progress of the bank. This study found that the declines in bank stock values since 2007 reflect declining values of various categories of banking activity and changes in market conditions. 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, found 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 Marfin 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.

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As a part of my completion of the Master Degree in Banking, Investment and Finance program, for our department I had been assigned to prepare a dissertation. My dissertation is on the topic “**Financial Ratio Analysis of Bank of Cyprus Public Company Limited**” which is based on my final fourth quarter of the programme’s lessons.