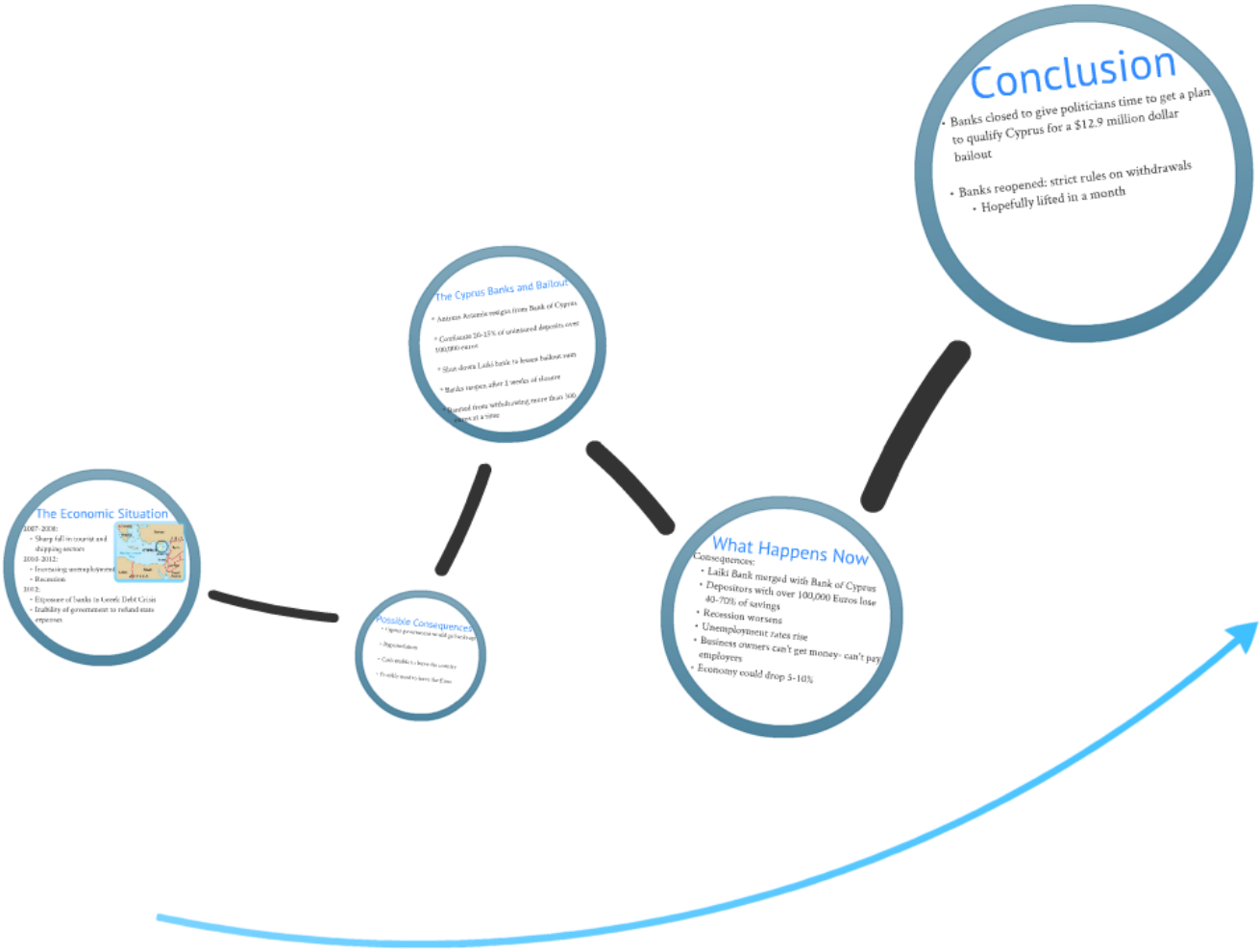
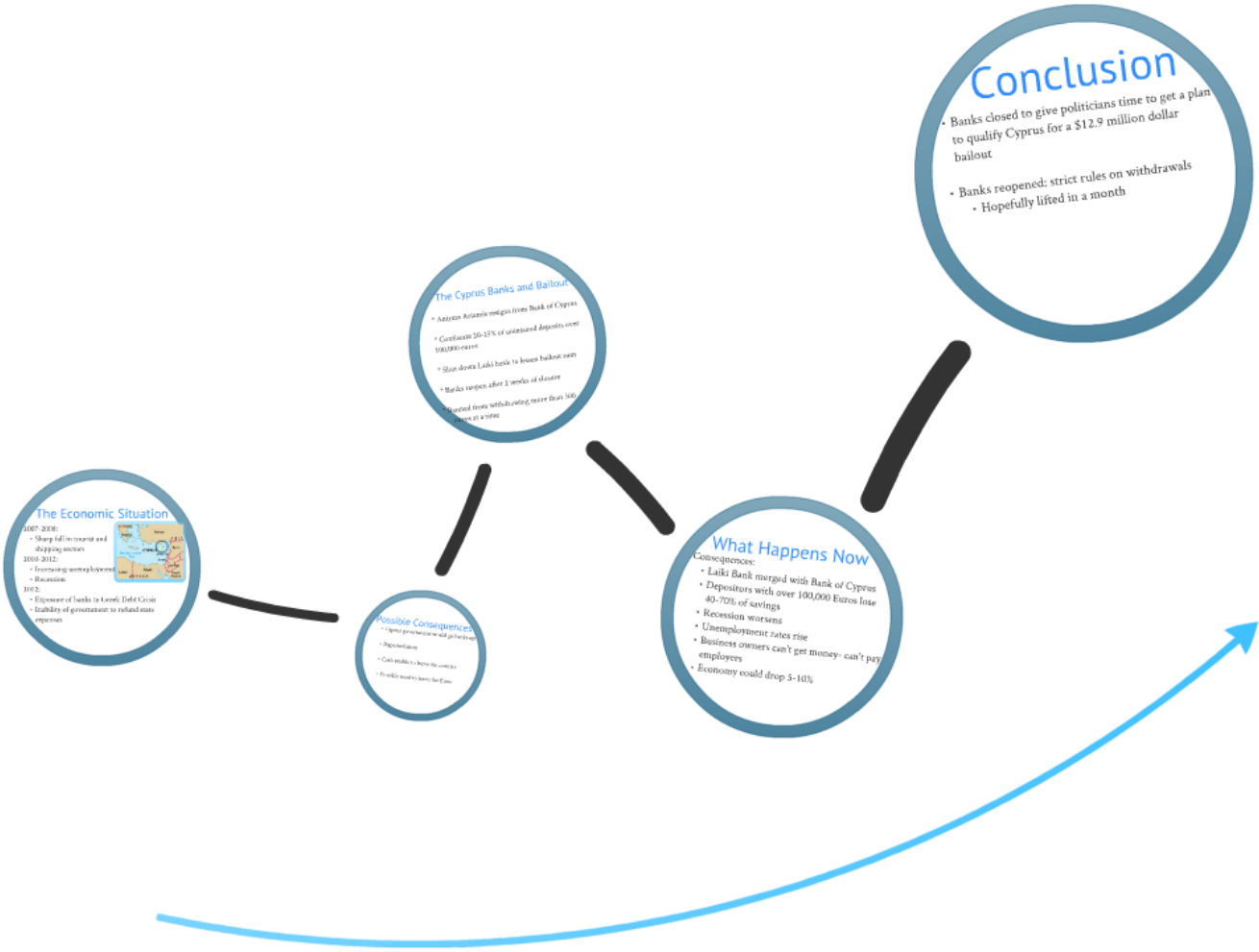


Cyprus Crisis Harvard Case Solution & Analysis



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The Economic Situation

2007-2008:

- Sharp fall in tourist and shipping sectors

2010-2012:

- Increasing unemployment
- Recession

2012:

- Exposure of banks to Greek Debt Crisis
- Inability of government to refund state expenses



Possible Consequences

- Cyprus government would go bankrupt
- Hyperinflation
- Cash unable to leave the country
- Possibly need to leave the Euro

The Cyprus Banks and Bailout

- * Antreas Artemis resigns from Bank of Cyprus
- * Confiscate 20-25% of uninsured deposits over 100,000 euros
- * Shut down Laiki bank to lessen bailout sum
- * Banks reopen after 2 weeks of closure
- * Banned from withdrawing more than 300 euros at a time

What Happens Now

Consequences:

- Laiki Bank merged with Bank of Cyprus
- Depositors with over 100,000 Euros lose 40-70% of savings
- Recession worsens
- Unemployment rates rise
- Business owners can't get money- can't pay employees
- Economy could drop 5-10%

Conclusion

- Banks closed to give politicians time to get a plan to qualify Cyprus for a \$12.9 million dollar bailout
- Banks reopened: strict rules on withdrawals
 - Hopefully lifted in a month