

# annual report 0 3



## CONTENTS

DIRECTORS - MANAGEMENT	4
FINANCIAL HIGHLIGHTS	5
CHAIRMAN'S STATEMENT FOR THE YEAR 2003	9
FINANCIAL REVIEW	27
CORPORATE GOVERNANCE CODE	33
FINANCIAL STATEMENTS 2003:	
Report of the Board of Directors	41
Auditors' Report	43
Consolidated Income Statement	45
Consolidated Balance Sheet	46
Consolidated Statement of Changes in Equity	47
Consolidated Cash Flow Statement	48
Notes to the Consolidated Financial Statements	49
IMPORTANT ADDRESSES:	
Cyprus	104
Overseas	105

## BOARD OF DIRECTORS

Kikis N. Lazarides	Chairman
Michael R. Erotokritos	Managing Director
Jacovos Dimitriou	
Marios E. Lanitis	
Platon E. Lanitis	
Andreas Louroutzatis	
Andys Loutsios	
Rena Rouvitha Panou	
Christos Papaellinas	
Chris Pavlou	
Michael Sarris	
Andreas Philipou	
George Psimolophitis	
John A. P. Hill	
Anthony Townsend	

## SENIOR MANAGEMENT

Kikis N. Lazarides	Executive Chairman
Michael R. Erotokritos	Managing Director
Neoklis Lysandrou	General Manager
Petros Petrou	General Manager
Panayiotis Kounnis	General Manager

## SECRETARY

Stelios Hadjijoseph

## MANAGER

GROUP FINANCIAL CONTROL Annita Philippidou

## AUDITORS

PricewaterhouseCoopers

## LEGAL ADVISERS

Tassos Papadopoulos & Co

## REGISTERED OFFICE

154, Limassol Avenue, 2025 Nicosia

## NOTE

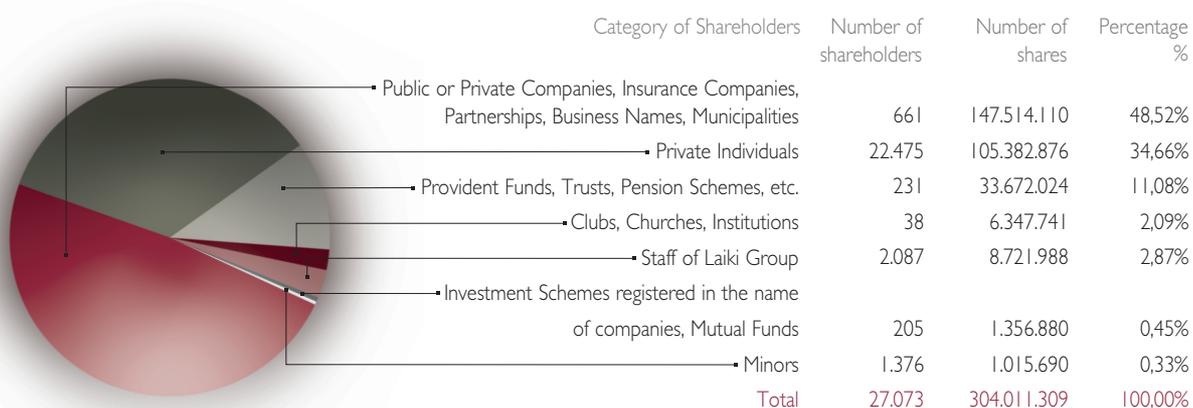
The Annual General Meeting will be held on May 26, 2004 at 6:00 p.m. at the Hilton Hotel, Nicosia.

## FINANCIAL HIGHLIGHTS

	2003	2002	2001	2000	1999
	C£ '000				
Group operating profit	65.951	51.425	19.871	82.341	167.157
Profit/(loss) attributable to the shareholders	9.511	(51.284)	(9.263)	46.526	131.324
<b>Capital resources</b>					
Capital	152.450	151.819	149.404	149.107	87.857
Reserves	127.962	119.423	152.895	220.071	280.482
Loan capital	215.068	148.723	149.015	40.141	43.192
Minority interest	29.393	26.039	28.062	33.316	16.102
	524.873	446.004	479.376	442.635	427.633
Deposits	4.262.283	4.138.302	3.956.361	3.438.539	3.000.091
Advances	3.123.582	2.913.825	2.601.348	2.224.458	1.944.152
Total assets	5.075.474	4.878.240	4.714.635	4.063.387	3.599.453
Total capital resources/Total assets	10,3%	9,1%	10,2%	10,9%	11,9%
Capital adequacy ratio	13,8%	12,3%	14,5%	13,9%	13,05%
Return on average assets	0,19%	(1,07%)	(0,21%)	1,21%	4,10%
Per ordinary share					
Earnings – cents	3,1	(17,0)	(3,1)	15,8	51,2
Gross dividend – cents	-	-	8	12	15
Capital and reserves – C£	0,92	0,90	1,01	1,24	1,21

## ANALYSIS OF SHAREHOLDERS

Issued Capital: 304.011.309







# d y n a m i s m

ch a i r m a n ' s t a t e m e n t

## CHAIRMAN'S STATEMENT FOR THE YEAR 2003



### INTRODUCTION

The first thing to note about 2003 is that Laiki Group returned to profitability, overcoming the difficulties of recent years. Furthermore, despite the changes in the operating framework and the intensified competition, its performance was very satisfactory.

The good results of the Group are of special significance given the environment in which they were achieved. It was a subdued environment, characterised mainly by the slowdown of the rate

of growth of the Cyprus economy, the continued fall in prices on the Cyprus Stock Exchange (CSE), the weak economic recovery in the eurozone and the rise of international stock markets.

Despite the very low interest rates, the increased amount of interest in suspense on the basis of the new, stricter Central Bank regulations which came into effect on 01.01.03 and higher operating costs, the operating profit (before provisions) of Laiki Group reached C£ 66,0 m, compared to C£ 51,4 m in 2002. The loss from the disposal and revaluation of securities included in this profit dropped to C£ 2,1 m from C£ 12,1 m in 2002, indicating that the exposure of the Group to the fluctuations of the stock markets has been significantly reduced. The profit attributable to shareholders reached C£ 9,5 m, compared to a loss of C£ 51,3 m in 2002. It should be borne in mind that last year's profit and loss account was charged with a transfer of C£ 47,1 m from the investment revaluation reserve due to the permanent impairment in the value of investments available for sale. The transfer made this year for the same reason has been reduced to C£ 2,5 m. It is important to emphasise that the return to profitability was achieved together with the improvement in the quality of the loan portfolio.

Considering the above, the Board of Directors has decided to recommend at the Annual General meeting of the Shareholders that no dividend be distributed for 2003. This will contribute to the strengthening of the capital base of the Group, the financing of the programme of international expansion and the creation of the conditions for increased future profitability, given the difficulties of raising funds from the capital market.

As a Group, we continued in 2003 the implementation of our ambitious development programme in Cyprus and abroad, with the aim to exploit opportunities that emerge.

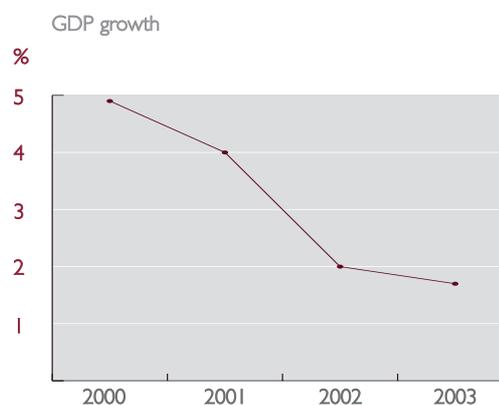
## INSTITUTIONAL, ECONOMIC DEVELOPMENTS

The signing of the Treaty of Accession of Cyprus to the European Union on 16th April 2003 was of decisive importance to the economic future of Cyprus. The impact on the Cyprus economy from the accession will be positive. The harmonisation with the *acquis communautaire* is expected to accelerate the process of modernisation and restructuring of the Cyprus economy. Furthermore, better conditions will be created which will be conducive to improved economic stability and investment activity, while development prospects will be enhanced.

During the year under review, the course of harmonisation with the *acquis communautaire* was pursued further thereby bringing about significant changes to the institutional, legal framework within which the financial system in Cyprus operates. An important change was the implementation of the new, stricter regulations of the Central Bank regarding the suspension of interest. On the basis of these new regulations, from January 2003 the interest receivable on advances, which are in arrear for more than nine months, is no longer recognised as income in the profit and loss account. From January 2004 this period was reduced to six months.

The process of gradual abolition of exchange controls also continued leading to the integration of the local financial system into the single financial market of the EU. Accession to the EU entails the complete abolition of foreign exchange controls.

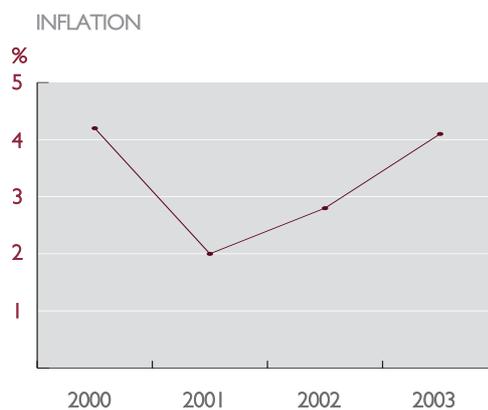
In 2003 conditions of sluggish development prevailed with the result that the rate of economic expansion of the Cyprus economy decelerated to 1,7%, mainly due to a decrease in tourist traffic. Tourist arrivals in 2003 dropped by 4,8%. From the demand side, growth originated from the private and public consumption and from investments for housing purposes. From the sectoral perspective, relative high growth was exhibited by the construction sector and the services sector (except hotels and restaurants), such as telecommunications and educational services.



The unemployment rate in 2003 increased marginally to 3,5% of the economically active population. The rate of inflation, from 2,8% in 2002 accelerated to 4,1%, attributable to the increase in the VAT rate from 13% to 15% and certain excise taxes within the framework of tax harmonisation. The fiscal deficit as a percentage of GDP is estimated to have significantly exceeded the threshold of 3%. At the same time the current account deficit decreased to 4,2% of GDP from 5,3% in 2002, a development which is attributed to the drop in the rate of increase of imports.

As regards the monetary system, the main development in 2003 was the subdued demand for credit despite the environment of low interest rates. The rate of increase of

total liquidity slowed down to 4,0% compared with 13,4% in 2002. Credit to the private sector rose by 5,0%. Credit for housing, construction and consumer purposes showed the highest expansion. Deposits in local currency in the banking system slowed down to 1,5% compared with 10,5% in 2002. This is mainly due to the drop in interest rates, with investors seeking alternative forms of investment.



The expected participation of Cyprus in the Exchange Rate Mechanism II, few months after accession with the strategic aim of entering the Eurozone in 2007, will be of decisive importance for the future development of the financial sector.

For 2004 a strengthening to about 3,5% in the rate of growth of the Cyprus economy is forecast. Inflation is expected to decelerate to 2,5%. Public finances are anticipated to show an improvement in view of the Government's commitment to proceed with fiscal consolidation. It is noted that the effects of a possible solution to the Cyprus problem have not been taken into account in this forecast.

The Cyprus capital market operated in a negative climate in 2003. The share price index followed a downward course for most of the year, closing at 80,58 units at the end of 2003, with an annual loss of 14,7%. The interest of investors was very low, as the average daily volume of transactions was only C£ 631,000, a decrease of 58,2% compared with 2002.

## DOMESTIC OPERATIONS

### Banking Activities

A sluggish economic environment and conditions of intensified competition created the climate in which domestic banking operations were conducted in 2003. The banking market was affected by the reduced demand for credit and the slowdown in the rate of increase of deposits. At the same time, the environment of low interest rates continued. Under these conditions we pursued a balanced and flexible pricing policy for deposit and loan products, without disregarding the changing trends in the market. As a result, we managed to increase net income from interest, despite the implementation of the new regulations regarding suspension of interest.

In 2003 particular efforts were made in all areas of banking activity to improve the quality of the loans portfolio. Among others, the following measures were implemented:

- Assessment of credit applications with stricter criteria and with emphasis on the repayment ability of the customers.
- Better pricing of credit facilities.
- Utilisation of the technology for better appraisal of credit risk.
- Closer monitoring of problematic advances.
- More systematic monitoring of loan repayments.
- Reduction of excesses and arrears.

The upgrading of the quality of the loans portfolio aims at the gradual reduction of non-performing advances and, by extension, of the interest in suspension and the provisions for bad and doubtful debts, which will have a positive effect on the profitability of the Group.

With regard to retail banking, we concentrated our efforts on increasing sales. The main focal points were the wide use of technology, the further increase of cross-selling, the upgrading of the role of the banking network as a central point of sale of financial products, the better exploitation of the alternative delivery channels of service and the more effective utilisation of the human resources involved in selling.

Efforts also continued to upgrade the quality of service through the anthropocentric approach that we follow in all sectors. At the same time, emphasis was given on the development and market promotion of new competitive products, especially as regards the interest rates, covering mainly the housing and the needs of Cypriot students. Our permanent aim is to offer flexible products with characteristics adapted to the needs of our customers. In addition, the provision of bancassurance products continued, which are expected to contribute to the increase in non-interest income.

The main characteristic of the year under review in the card sector was the emphasis on enhancing loyalty and the provision of incentives to customers.

In 2003 the card market expanded with a slightly lower rate in comparison with the previous year. Nonetheless, payments with the use of plastic money continued to increase with a much faster rate than the nominal GDP. Despite the intensely competitive environment, the Card Service maintained a strong market share and played a leading role in the carrying out of payments by cards, contributing significantly to the profits of the Group. Turnover, including transactions through automated teller machines (ATMs), registered an increase of 12,2%.

During 2003 priority was given to upgrading the loyalty scheme "Purchase–Win", which provides the facility to print gift vouchers from ATMs and exchange card points with items covering basic needs. Emphasis was also given on the promotion of new cards, such as the Special Edition 2004 Visa, which is the official card of the Cyprus Olympic Team, as well as on the upgrading of other products and services to meet the needs of customers.

The small and medium-sized businesses constitute the backbone of the Cyprus economy. The aim of our Group is to contribute to the efforts made by these companies to restructure and adapt to the new environment that is evolving. During the year under review, the efforts in the commercial business sector concentrated on the improvement of the quality of the loan portfolio, with very positive results. We also gave emphasis on the strengthening of relationships with customers as well as on the improvement of the quality of service, by setting standards for the prompt response to their applications.

A permanent aim of our Group is to provide specialised services of high quality and practical, comprehensive solutions to the financial needs of large businesses and organisations. Our efforts in 2003 concentrated on the strengthening of the already close

professional relations with customers. The centralised infrastructure and our properly trained staff through their experience and specialisation in the relevant sectors of the economy contributed to this.

In 2003 the programme for the reduction in the number of branches was pursued further, within the framework of the policy of containing operating costs. The Laiki Bank branch network in Cyprus was reduced from 120 branches at the end of 2002 to 114 at the end of 2003. At the same time, measures were taken for the upgrading and enhancing of the efficiency of the branch network.

During the same period, the trend of transferring transactions from the branches to the electronic bank was stepped-up. This positive trend is expected to continue in the coming years.

In December of the year under review, the preparatory work for the restructuring of the domestic banking operations was completed. On February 9th 2004 the new structure for domestic banking operations came into force. The main objectives are:

- Further upgrading of the level of customer service with emphasis on sales promotion.
- Improvement of the loan approval procedure and the supervision of loans/current accounts.
- Reduction of operating costs through the centralisation of certain procedures.

In the year under review, excess liquidity in the banking system and the Cyprus money market continued to prevail. Despite this, the Treasury managed effectively the liquid assets of the Bank and achieved satisfactory returns, offsetting the interest rate risk and also the risk stemming from the fluctuations in exchange rates. In addition, the provision to customers of services of an investment nature and deposit products continued, such as Performer products of three years duration, in Cyprus pounds, sterling pounds and US dollars. The interest rate on such products increases over time and is paid at the end of the year.

The process of harmonisation with the *acquis communautaire* has created a new operating environment, which is expected to enhance the prospects for the further expansion of the activities of international businesses. These have been boosted by the tax reform and the introduction of a low corporate tax rate of 10%. During the year under review, the efforts to upgrade the services we offer to this sector continued, through the development and introduction of special programmes for the faster service of our customers. The operation of a third International Business Centre in October 2003, completed our strategic plan in this sector, by offering a complete and qualitatively upgraded service in accordance with the requirements of the institutional framework. A positive development is that these centres operate until 6.00 p.m., a fact which supports their international competitiveness.

The Private Banking Service operates two units in Nicosia and Limassol and is staffed by personnel who serve the banking and investment needs of wealthy private customers. Our firm aim is to differentiate ourselves from competition as regards professionalism, discretion and dedication, thereby creating a long - term relationship of trust with the customer. During the year under review, Private Banking activities concentrated on the increase of assets under management with positive results.

As regards the prospects for 2004 in the sector of domestic banking activities, these are assessed to be positive, mainly because of the expected acceleration of economic activity and the increased probability for a reversal of the trend of the CSE. A limiting factor is the intensifying competition. Special emphasis will be given to market segments that present a significant scope for expansion, such as retail banking, cards, international business units and private banking. Emphasis will also be given to the development of new products of an investment nature.

### **Laiki eBank**

During 2003 Laiki eBank, the Group's electronic bank, focused on the growth of electronic transactions and the direct sale of electronic products such as:

- The Laiki eChecking current account.
- The Laiki eSavings savings account.
- The Laiki eCard credit card.
- The Euro<26Visa card for young persons.

Our electronic products remained the most competitive in the market, offering at the same time quality of service to customers on a 24-hour basis. These features, in combination with the change in the way customers wish to be served, and given the increased penetration of the Internet, have contributed positively to the increase in the use of electronic channels and the consolidation of electronic banking. The transactions that customers carry out through the electronic channels increased in 2003 by 27,6%. Of particular significance is the fact that at the end of 2003 the number of electronic accounts surged by 57% compared with the end of 2002. Our ultimate objective is to become more productive by exploiting the potential that Laiki eBank provides for cost saving while at the same time offering an alternative and attractive option to the Group's customers.

Furthermore, Laiki eBank has upgraded the Laiki eTrading service, using advanced technology and offering investors easy navigation, further information and a more friendly environment. The service allows direct link-up with the CSE for the buying and selling of shares through the Internet.

Laiki eBank enriched further its pioneering electronic messaging service, Laiki eBank Alerts, which is offered free to all electronic banking subscribers. The Group's customers can be notified immediately on their mobile phones or their electronic mail about the movements in their accounts, cards, share portfolios or share prices. Thus they have the greatest possible security and control over their accounts.

It is worth mentioning that Laiki eBank received an international recognition in the category "Best Internet Banking Service" by the Institute of Financial Services (Institute of Bankers). The winner was chosen among Laiki eBank and the international giants such as HSBC, Nationwide Building Society, Royal Bank of Scotland and Barclays. HSBC was awarded first place, while the remaining four finalists were not ranked.

At the end of 2003, Laiki eBank concluded a successful year with more than 86.000 subscribers, an increase of 21% over the previous year. The Group's aim and commitment is the constant enrichment of its electronic services and products, so that it offers to its customers the most up-to-date method of banking service.

## INSURANCE SERVICES

The life insurance market remained sluggish because of the continuing fall of the share prices in the Cyprus Stock Exchange and the slowdown in the Cyprus economy in general. On the contrary, the general insurance market recorded a satisfactory increase.

### Laiki Cyprialife

The year 2003 was very successful for Laiki Cyprialife, with a significant recovery, as after three years it returned to profitability. The determining factors were:

- The increase in premiums.
- Control of commissions.
- Containment of operating costs.
- Restructuring of the investments portfolio.

During the year under review, the capital base of the Company was further strengthened, in accordance with the increased requirements of the new institutional framework that came into force on January 1st 2003, within the framework of harmonisation with the acquis communautaire which aims at further protection of the holders of insurance schemes.

The Company, in pursuance of its policy of improving and enhancing the range of its products, gave emphasis on the creation of flexible products, adapted to the needs of the customers.

In the field of investment management of insurance funds, priority was given to the rational diversification of investments with the objective of reducing investment risk and improving returns.

### Laiki Insurance

Laiki Insurance was the largest company in the general insurance industry in Cyprus in 2003 as well, recording total premiums of C£ 23,4 m, or an increase of 11,4%. Despite significant problems the insurance industry faced internationally, through coordinated initiatives the Company managed to achieve an increase in its profits in 2003.

The following factors contributed to the achievement of these positive results:

- Coordinated implementation of the strategic plan and particularly the balanced development of its portfolio.
- Readjustment of pricing policy.
- Improvement in the composition of the portfolio through the rational analysis of insurance risks.
- Focus on the timely arrangement of claims.
- Improvement in the management of debtors.
- Containment of administrative costs.

With regard to the life insurance market and its prospects for 2004, this is expected to continue to show a positive growth rate, which will, however, be lower than its medium-term potential. In contrast, the growth of the general insurance market is expected to continue to be higher than the growth rate of the nominal GDP.

## OTHER FINANCIAL SERVICES

### Laiki Finance

Laiki Finance maintained its successful course in 2003 as well, contributing significantly to the profitability of the Group. The Company played a leading role in the finance market with positive results, despite the highly competitive environment, the slowdown in consumer demand and the slump in investments in the private sector. The Company focused its activities on the further upgrading of the quality of its services and on the improvement of customer service.

### Laiki Factors

Laiki Factors operated in a difficult environment characterised by the slowdown in economic activity. In spite of these negative conditions, the Company continued its profitable course, maintaining at the same time its leading role in the provision of factoring services. In addition to the growth of its operations in the year under review, efforts were concentrated on the upgrading of the quality of the advances portfolio, with positive results.

### Laiki Investments

It is noted that in 2003 Laiki Investments and its subsidiary company Laiki Brokerage obtained a licence from the Cyprus Securities and Exchange Commission to operate as companies providing investment services. At the same time, Laiki Asset Management secured a licence to operate as a mutual funds management company and has been renamed to Laiki EDAK and Asset Management. These new operating licences provide Laiki Investments and its subsidiaries the ability to offer their customers the whole range of investment services.

The brokerage sector is going through a period of structural changes with the reduction in the number of stockbroking offices. Laiki Brokerage remained an important player in the stockbroking field, providing, in a climate of intense competition and low activity, quality of service through alternative channels, such as Laiki eTrading and Laiki Telebank. With the liberalisation of transactions, the customers of Laiki Brokerage will be able to transmit instructions for the purchase or sale of shares in international stock exchanges.

In 2003 activity in the investment banking market continued to be low with regard to the number and volume of mergers and acquisitions as well as the establishment of new public companies. In contrast, increased activity was recorded in relation to the issue of fixed income bonds. The Investment Banking Division of Laiki Investments was a pioneer in this sector, since it was the manager or co-manager in a total of eight issues of fixed term income bonds for companies, which raised capital of more than C£ 80 m. At the same time the Division was active in the area of providing financial advisory services for large BOT projects.

Laiki EDAK and Asset Management Ltd was very active in the sector of institutional asset management, which includes provident and pension funds, insurance and investment companies. Having secured the EDAK licence, the Company applied to the Cyprus Securities and Exchange Commission for the creation of two mutual fund products, thereby widening the options available to the Cypriot investor. At the same time, emphasis was given on the qualitative upgrading of the services offered.

With regard to the prospects of the other financial services for 2004, it is noteworthy that the expected adoption this year of the institutional framework, which will govern leasing will create a new growth potential in the financing market. Prospects are also considered to be positive in the segment of investment banking, particularly as regards self-financing or BOT projects and the issue of securities, asset management and mutual funds. The factoring services market is expected to grow at the same rate as the nominal GDP.

## INTERNATIONAL EXPANSION

Within the framework of broadening and diversifying its profit sources, Laiki Group continued successfully the implementation of its strategic plan, the main feature of which is the internationalisation of its operations. Special emphasis is attached to the expansion of the Group in the Greek market and the penetration of foreign markets where there is a significant Greek or Cypriot presence.

The contribution of foreign operations to total profits of the Group before provisions amounted to 27,6% compared to 23,6% in 2002. The contribution of Greece to the total operating profit, as well as the performance of the Group in Greece, showed significant growth compared to 2002. The contribution of the operations in Greece to the total operating profit of the Group rose from 15,5% in 2002 to 19,0% in 2003.

### **Laiki Bank (Hellas) S.A. and subsidiaries**

Activities were conducted in an operating environment characterised by the high growth rate of the Greek economy and the recovery of the Athens Stock Exchange (ASE), together with the recovery in international capital markets.

As regards the legal framework for banking in Greece, this has undergone many changes in recent years. A significant development was the liberalisation of consumer credit, which resulted in the removal of the upper limits of lending for consumer purposes.

During the year, the advances of our Group in Greece to customers expanded by 20,9% and deposits by 14,0% compared with 2002. These increases were higher than those of the market. The Bank's branch network at the end of 2003 reached 42, from 36 in 2002, and is expected to grow further in 2004. Particularly, satisfactory was the increase recorded in advances to strategic sectors, such as consumer credit and housing loans, by 70,7% and 35,6% respectively.

New, pioneering products for specific categories of customers were launched through retail banking, such as Laiki Wedding Plan, as well as facilities for Cypriots for acquiring a house in Greece. In addition, the deposit product Laiki 4 Plus, the new credit card, Popular Card Visa Electron, Laiki Transfer and the housing plan Laiki Home with a grace period were also promoted.

With regard to electronic banking, Laiki eBank continued to expand at a very fast pace, with the number of its subscribers increasing by 26,2%. There was also a significant growth in the number of transactions through the Internet, ATMs and the Telebank, while at the same time the five ATMs installed off-site operated successfully.

During 2003 the exchange of clientele between the subsidiaries of the Group and the development of cross-selling was pursued further with very positive results for the whole Group. Penetration in the area of leasing of immovable property was particularly successful. As a result, Laiki Leasing S.A. had an upward course for a six successive year with leasing agreements increasing by 24,4%.

For Laiki Factoring S.A. 2003 was another successful year, in view of the fact that loan assignments increased by 5,1%, while at the same time efforts to attract new customers were stepped-up.

Laiki AEDAK continued in 2003 to offer investors the possibility to invest their capital profitably through appropriate strategies and experienced guidance. The mutual funds managed by Laiki AEDAK are: Laiki Greek Money Market, Laiki Greek Equity, Laiki Domestic Bond and Laiki Blue Chips Equity. These products cover a wide spectrum of the investment needs of the customer with prudent and professional management, quality of service and continuous feedback.

During the year under review, Laiki Attalos recorded significant improvement in its results following the positive climate on the ASE. The policy of widening the range of services was maintained with the introduction of the provision of credit for margin trading, which showed significant growth in the outstanding balances.

Laiki Life S.A., which commenced operations in 2002, promoted with great success its products, mainly through the Bank and its clientele. These products include Laiki Child and Laiki Pension, while the new product of Personal Accident Insurance was completed.

2003 was the second year of operations for Laiki Insurance Agent Ltd, which aspires to offer high quality general insurance products and services through co-operations, which guarantees a variety of options, great flexibility and speed of service. During the year, the property insurance scheme was promoted, while products were designed for home, building and contents insurance and for leased equipment with Laiki Leasing S.A. These initiatives enjoyed great success, significantly boosting the Company's profitability.

### **Laiki United Kingdom**

The performance of Laiki Bank in the United Kingdom in 2003 was particularly satisfactory since net income exceeded the budgeted figure.

During the year, investments in technological infrastructure and the centralisation of procedures continued, while the launching of the electronic bank is expected in the coming months. The strategically important investment in electronic banking is expected to have a very positive impact on the image and the efficiency of the Bank.

### **Laiki Bank (Australia) Ltd**

2003 was a very important year for Laiki Bank (Australia) because it achieved satisfactory profits, which exceeded the budgeted figure. The size of the balance sheet grew significantly. Advances surged by 98,4% and deposits by 107,6% compared with 2002. It is estimated that the positive course of the Bank as regards the growth of operations and improvement in profitability will continue in 2004.

The branch network of the Bank grew from five at the end of 2002 to seven at the end of 2003. At the same time, special importance is attached to the introduction of electronic banking, which is expected to be implemented in the coming months. This important investment will have a positive impact on attracting new customers both in the retail banking sector and in the small to medium-sized business sector. Furthermore, its contribution will influence positively the attraction of customers from geographical areas where the Bank does not have a physical presence.

### **Representative Offices**

This year the Representative Offices again played an important role in the international operations of the Group. They are the source of referrals for new deposits, advances and also investments of customers, in line with the licence of each office. The Offices also provide information to the Group about the local markets in which they operate. The Group maintains a total of six Representative Offices in Johannesburg, Toronto, Montreal, Belgrade, New York and Moscow.

## **SUPPORT SERVICES**

### **Infrastructure – Technology**

As Laiki Group, we attach particular importance on the implementation of infrastructural projects in the field of technology and computerised systems. The rapid growth of technology and the new demands of the liberalised financial environment render this policy imperative. As an indication, I note that during the year under review, expenditure on technology projects rose by 14,8% to C£ 11,6 m.

In 2003 a special programme was implemented on a pilot basis for quality management in the Technology and Computer Service, which won the honorary distinction "Commitment to Business Excellence" of the European Organisation for Quality Management. This success is the result of a well-planned initiative, which began three years ago as part of the strategy for quality management.

Based on the existing conditions in Cyprus, our Group continued in 2003 to play a leading role in the field of research and development, particularly in relation to the introduction of innovative products and processes. Within this framework, it made available manpower and funds for the development of products, the internal development of software programs and the utilisation of information technology.

In 2003 the implementation of the project Employee Portal was completed with great success. This contributes significantly to the reduction in the use of paper and the speeding up of relevant procedures. At the same time, work has begun on the implementation of a system for the collection/recovery of debts and of the programme "Toxotis", which includes the implementation of four related projects:

- Centralisation of processes.
- Upgrading of the banking system through the "Ithaki" project.
- Implementation of a system of customer management.
- Computerisation of the procedures relating to advances.

## Human Resources

Human resources is a "sine qua non" factor for achieving the objectives of the Group. It is essentially its driving force. The basic directions of the activities of human resource management in 2003 was the strengthening of communication, meritocracy and transparency.

These directions also guided the promotion procedures. The Group proceeded with a large number of promotions, implementing the agreement with the employers' union, which burdened operating costs. The Group continued its restrictive policy on recruitment, a policy, which is expected to be in force in the coming years.

In 2003 efforts were made aiming to utilise the findings of staff appraisals in order to enhance performance and promote a more appropriate and constructive feed-back through an open dialogue.

Special emphasis was also given to staff development, since management skills in the changing environment assume increasing importance, especially at the middle management level. To support this effort the implementation of the "360<sup>o</sup> Feedback" method was successfully continued.

Furthermore, the implementation of a new software system went on, thereby increasing capabilities in the personnel management sector. The system also offers a potential for time and cost saving, reduction in bureaucracy and improved performance.

At this point I wish to mention that on 17th June 2003, following a decision of the Board of Directors, Mr Michael Erotocritos was appointed Group Managing Director. I am sure that with the qualifications he possesses and the wealth of his experience, Mr Erotocritos will make an important contribution to the fulfilment of the Group's objectives.

For the year we are reviewing, I also note the retirement in December of Mr Charalambos Schizas, who was a member of the management team. I express my warmest thanks, as well as those of the staff to Mr Schizas, for his contribution to our Group over many years.

## Risk Management

With regard to credit risk, in 2003 higher priority was given to the improvement in the quality of the loan portfolio. Among the measures adopted were:

- More rational pricing taking into account the risk undertaken.
- Automatic credit rating on the basis of the repayment history.
- Use of a credit rating model for large and medium sized businesses and of an upgraded system of credit scoring for private individuals.
- Reduction of excesses and arrears.
- More systematic monitoring of customer behaviour by means of automated systems of credit rating.
- Strengthening of securities for better risk coverage.
- More effective handling of problematic cases.
- Strengthening of the debt collection service.

The results were positive since non-performing loans as a percentage of total loans declined, despite the stricter supervisory framework. At the same time, the level of arrears and excesses was significantly reduced.

Following international trends, the Group is constantly upgrading its procedures and methods for the design, implementation and control of its policy relating to the management of market risks. During 2003 our policy focused on the strengthening of risk management skills, the improvement of specific procedures and methods and the review of the criteria for the Group's investments. The upgrading of the technological infrastructure will proceed further with the implementation of a more advanced treasury and market risk system.

More specifically, as regards the interest risk, the procedures for measuring this risk were further strengthened; an attempt was made to reduce the percentage of fixed term deposits in local currency, while appropriate compensating measures were taken. In addition, the liquidity of the Group during the year moved within the framework laid down by the Central Bank. Broadly, in the banking system conditions of excess liquidity prevailed during 2003. In recent years, the exposure of the Group to risk from the fluctuations in the stock market has been significantly restrained. This is also due to the fact that the Group's investments in shares have been further reduced.

### **Managing for Value**

In 2001 the Group embarked on the implementation of a new strategy based on the philosophy of "Managing for Value", which, inter alia, includes the adoption of economic profit as the ultimate business target at the Group level. This strategy includes the abolition of activities and procedures that destroy value and the corresponding adoption and upgrading of procedures that add value for the shareholders of the Group. During the year under review, efforts were centred on the further consolidation of this philosophy. Emphasis was given to strengthening processes such as the planning processes, the centralisation of services, the rational allocation of resources and the implementation of other practices that create value.

### **CORPORATE SOCIAL RESPONSIBILITY**

As Laiki Group, we have always believed that the role of large organisations ought not be solely confined to their business activities, all the more when these organisations base their existence and their profits on the trust of the public. This led us to the adoption of a policy of social responsibility and reciprocity towards the public, which we have been consistently following until today. The overall aim of this policy is to contribute to the improvement of the quality of life in the Cypriot society. The relevant activities concern involvement in the fields of culture, sports, wider social contribution and charity. In recent years our efforts have focused on the child and culture.

For fourteen years now the uppermost activity of the Group, and also its culminating social and charitable event of international dimension, has been the Radiomathon for children with special needs, which we organise in collaboration with the Cyprus Broadcasting Corporation. In 2003 the Radiomathon raised more than C£ 1,3 m

a record amount for the fourteen years it has been functioning. The total amount raised over the fourteen-year period is C£ 14 m and has contributed to the improvement of the quality of life for individuals with special needs and their families.

Laiki Group has always supported Cypriot sports in various ways. We believe in propagating and disseminating the Olympic spirit as a factor conducive to peace. We believe in the need to upgrade sports in our country.

With this as our motto and with the aim of enhancing public awareness, and in view of the Athens Olympics, our Group sponsored once again the Cyprus Olympic Committee's multi-faceted work.

Within the same framework and in collaboration with the Municipal Arts Centre, we also organised an exhibition of and tribute to "Athens 1896-1906" with the aim of bringing the public closer to the institution of the Olympic Games.

The social policy of the Group is complemented by the contribution of our Cultural Centre and its multifarious activities. During the year under review, the Cultural Centre completed its twentieth year. This occasion was marked by the inauguration of the new Cultural Centre, which is housed in a neo-classical mansion at Byron Avenue, Nicosia, where we hosted an exhibition and tribute to the Cyprus Railways.

In addition, work went on for the upgrading of the collections and premises of the Cultural Centre of the Laiki Group – Pierides Museum Trust in Lamaca.

#### STRATEGIC ACTION 2004

The strategic plan of our Group has recently been revised covering the period 2004-2006. Our vision is to stand out as the most dynamic, effective and reliable financial organisation. Our success will primarily rely on our ability to adapt to the new environment and other factors, such as the quality of customer service, the growth of business and the improvement of our profitability over time, the increase in value we create for our shareholders, the expansion of our operations abroad and strengthening our competitiveness.

More specifically, the strategic targets of the Group for Cyprus are:

1. Develop effective leadership at all levels.
2. Ensure high employee morale.
3. Enhance the quality of the loan portfolio.
4. Utilise fully all customer service channels.
5. Base our business development on the continuous control of costs.
6. Develop a culture of qualitative service and of increase in sales by all employees.

During 2004 the measures and initiatives of strategic importance, which will be implemented include the following:

- Improvement of the loan portfolio.
- Growth of operations through an active sales promotion.

- Promotion of mutual funds.
- Launching of offering of leasing products.
- Full implementation of the programme of restructuring domestic banking operations.
- Expansion of the network in Greece and Australia.
- Development of electronic banking in the United Kingdom and Australia.
- Promotion of products of an investment nature.

## CLOSING REMARKS

In conclusion, I reiterate: despite the impact of the negative economic environment in Cyprus and internationally, our Group returned to profitability in 2003, which is very important. Today we can face the future with renewed optimism and the certainty that our upward course will be maintained.

The accession of Cyprus to the European Union on 1st May 2004 is of historic importance and creates new challenges and also opportunities, which we are called upon to meet. To take advantage of the opportunities offered, it is imperative that special emphasis be given to strengthening our competitiveness by increasing productivity and upgrading the quality of the products and services offered.

Of decisive importance for our competitiveness and also for our profitability is the further reduction of the cost to income ratio through the improvement of our operational performance and cost control. The adoption of coordinated and effective measures for the dynamic increase of income, the containment of labour costs and the better utilisation of the work force are essential for the boosting of our profitability.

It follows naturally from the above observations that the progress and performance of our Group in 2003 was very satisfactory. Contributors to this were the management, the staff, the shareholders, our customers and the Cyprus public in general. I wish to express my sincere thanks to them all for the confidence they have shown in us.

I am sure that our Group will continue its upward course at an even faster pace. Hard work will be needed, greater endeavour and dedication and also ability to adapt to the new era. We are sure that we will achieve our objectives because we believe in our strengths and capabilities. This is guaranteed by the quality and dedication of the management and the staff.





# r e l i a b i l i t y

f i n a n c i a r e | v i e w

## FINANCIAL REVIEW

### Profitability of the Group

The financial results of the Group for the year 2003 are very satisfactory, given the adverse economic and geopolitical conditions prevailing during the period. The profit before provision for impairment of advances reached £ 66,0 m, recording an increase of 28,2% compared to 2002. The profit attributable to shareholders reached £ 9,5 m compared to a loss of £ 51,3 m in 2002. It should be noted that last year's results were charged with a £ 47,1 m transfer from the investment revaluation reserve, due to impairment in the value of available for sale investments. The transfer that took place for the same reason this year has been restricted to £ 2,5 m.

The operating income of the Group has increased by 12,9% compared to 2002. Net interest income, which is the largest part of the operating income, showed an increase of 6,2% compared to the corresponding period last year. The losses from disposal and revaluation of securities have been reduced by 82,9% compared to 2002, and were restricted to £ 2,1 m.

The Group's operating expenses increased by 6,4% compared to 2002. The increase is apparently low because in 2002 the staff costs for Cyprus were burdened with a retrospective charge of £ 3,8 m resulting from the signing of the collective agreement.

The economy continues to experience a slowdown in its rate of growth, and subdued economic activity prevails as a result of the negative impact from the decrease in tourist activity. Despite that, the Group managed to restrain the expected increase of non-performing advances. The percentage of non-performing advances (excluding cumulative interest in suspense) over total Group advances has been reduced significantly from 12,6% (as estimated) in the beginning of 2003 to 11% at the end of the year. This success is reflected in the level of the Group provisions for the year, which are lower than last year.

### Analysis of operating income

Net interest income showed an increase of 6,2% compared to 2002. This was achieved despite the fact that from the beginning of 2003, stricter Central Bank of Cyprus rules apply regarding the suspension of interest. Furthermore, it should be noted that we are going through a period of low interest rates, both in Cyprus and abroad, and this imposes a squeeze on interest margins and reduces the return of the Group's liquid funds.

Net interest margin has increased to satisfactory levels, mainly due to the Group's efforts to apply a more rational pricing policy, both in advances and in deposits. The net interest margin of the Group reached 2,79% in 2003 compared to 2,75% in 2002. The margin is calculated after suspension of interest, in accordance with the new regulations of the Central Bank. It is obvious that an overall increase in net interest margin has been achieved, despite the negative consequences that the increased interest suspension has had on our interest income. Indicatively, we mention that the Group's net interest margin before the suspension of interest was 3,05% in 2003 compared to 2,89% in 2002.

The Group's income from fees and commissions increased by 8,6% compared to 2002. The increase is considered satisfactory given the slowdown in economic activity and commercial transactions. Furthermore, the commissions arising from stock exchange transactions were also restricted due to the continuing inactivity in the capital markets.

The Group's income from foreign exchange is reduced mainly due to the reduction in tourist arrivals and the shrinkage in the inflow of foreign exchange income.

The Group's other income, which consists mainly of income from insurance operations, had an increase of 25,9% compared to 2002, which is very satisfactory. It is worth noting that there is a gradual recovery in the insurance sector of the Group, mainly through savings in direct expenses (insurance companies' income is shown after deducting direct expenses such as reinsurance costs, claims and agents' commissions). However, the low demand in investment type products continues and the life assurance industry remains in recession.

### **Analysis of operating costs**

Staff costs, representing 62% of the operating costs of the Group, increased by 4,9% compared to 2002. The increase is apparently low, because in 2002 the staff costs for Cyprus were burdened with a retrospective charge, which resulted from the acceptance of specific terms in the last collective agreement. In particular, the recognition of the probation period and the increase of the retirement benefits ratio were considered "vested" as they related to past service, and as a result (in accordance with an external actuarial valuation) an amount of £ 3,8 m was charged in the staff costs of 2002 but it concerned prior years services. Excluding this charge, the increase in staff costs was 10,3% compared to 2002, and is due to the annual increases in salaries and the increased retirement benefits.

The depreciation and amortisation of the Group increased by 15,6% compared to 2002 and reached £ 15,3 m. The significant increase in depreciation and amortisation is mainly due to the revision of the useful life of the goodwill that arose from the acquisition of the Paneuropean Group in 1999. The useful life that was set at that time was 20 years. During the review at the end of 2003, it was considered that the future economic benefits that will accrue to the Group from this acquisition would not exceed the seven years after the end of 2003. The additional charge from this revision was £ 1,6 m.

The other expenses of the Group increased by 6,4% compared to 2002 and reached £ 33,9 m. The increase in other expenses of the Group mainly arises from the expansion of our overseas operations. The Group operated 36 branches in Greece at the end of 2002, which increased to 42 by the end of 2003. In Australia, our new Bank operated 5 branches at the end of 2002, which increased to 7 by the end of 2003. As far as our Cyprus operations are concerned, other expenses have been controlled to a great extent, as a result of the continuous and persistent efforts to contain operating expenses.

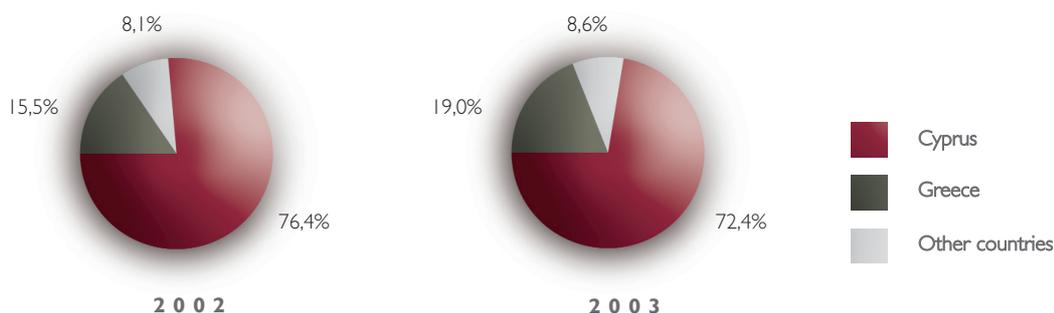
### Analysis of profit before provision for impairment of advances by geographical area

The contribution of the Group's overseas operations to the total profit before provision for impairment of advances is progressing satisfactorily. In 2003, the profit from overseas activities reached 27,6% of the total compared to 23,6% in 2002. The contribution of the Bank in Australia to the total profits of the Group is now positive, and the future prospects of increased profitability are outstanding.

The contribution of the Group in Greece to the total profits of the Group increased to 19% at the end of 2003 compared to 15,5% in 2002. The Group in Greece is growing rapidly and offers a complete range of financial services and products. Apart from the successful penetration in the sectors of Leasing and Factoring, the Group offers services in the insurance sector, both in the Life and General Insurance.

Even though the Group is in a growing phase and despite the intense competition that exists, the Group in Greece has managed to increase the profits before provision for impairment of advances by 56,8%.

PROFIT BEFORE PROVISION FOR IMPAIRMENT OF ADVANCES BY REGION



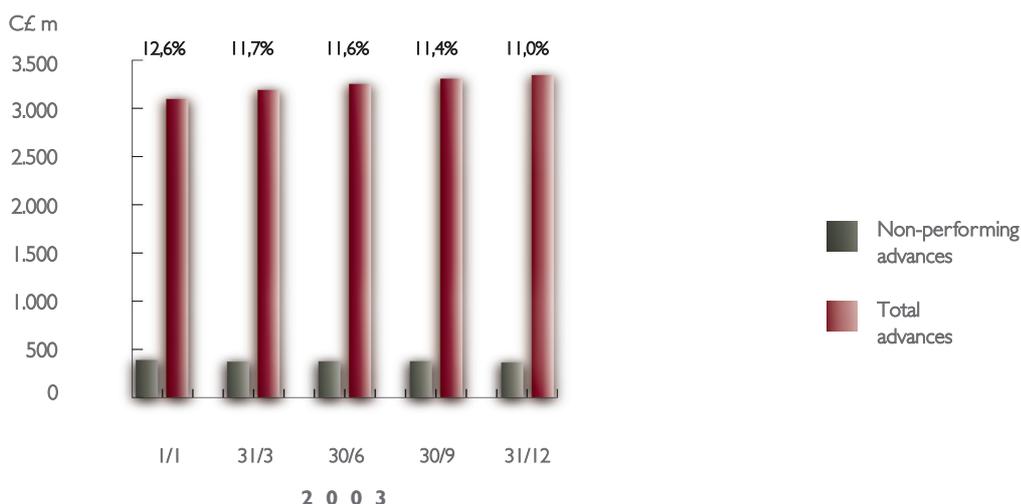
### Provision for impairment of advances

The provisions reached £ 49,6 m, recording a decrease of 7,9% compared to 2002. It is obvious that the Groups' measures to reduce possible provisions and improve the quality of the portfolio of advances, started to become effective.

Non-performing advances (excluding the cumulative interest in suspense) were contained at £ 366 m at the end of 2003 compared to £ 391 m at the beginning of the year (as estimated).

The percentage of non-performing advances over total Group advances was reduced to 11% at the end of 2003 compared to 12,6% at the beginning of the year.

PERCENTAGE OF NON - PERFORMING ADVANCES TO TOTAL ADVANCES



Our target is to contain these percentages throughout 2004, even though the Central Bank's criteria for the categorisation of advances as non-performing are getting even stricter. In particular, from the beginning of 2004 all the advances more than six months in arrears will be considered as non-performing.

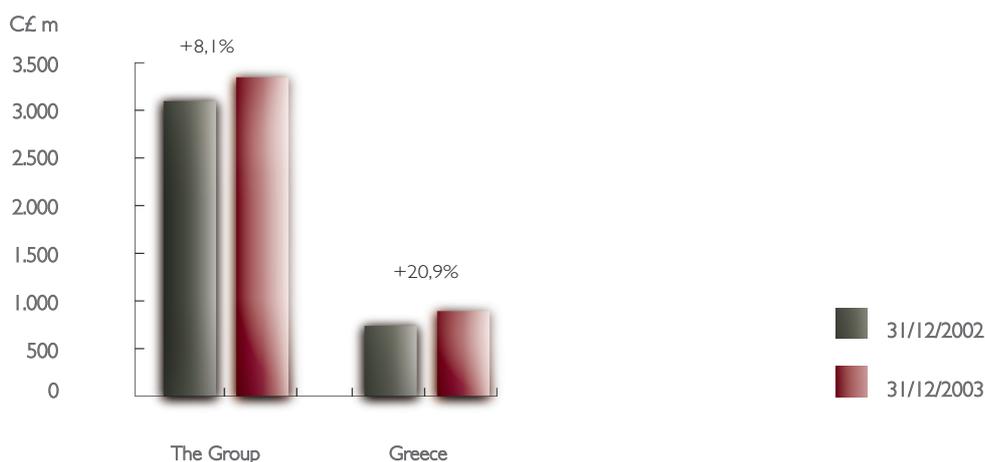
**Balance sheet analysis**

Group total assets reached £ 5,1 bln, recording an increase of 4% compared to 2002. In Greece, the Group's total assets increased by 11,9% compared to 2002, reaching £ 1,2 bln.

Group customer advances reached £ 3,3 bln, showing an increase of 8,1% compared to 2002. The rate of increase of the Group's advances portfolio is satisfactory, having in mind the Group's intense efforts to upgrade the quality of its portfolio and concentrate on the more profitable advances.

The Group's advances in Greece reached £ 893 m, showing an increase of 20,9%. We anticipate the continuous expansion of the Greek operations for the future, mainly as a result of the continuous expansion of the branch network and the maturity of the new branches opened.

GROWTH IN CUSTOMER ADVANCES



Group customer deposits increased by 3,4% and reached £ 4,1 bln. It should be noted that intense competition exists regarding deposit products both in Cyprus and abroad, since the low interest rates prevailing urge depositors to seek higher yielding alternatives.

The Group's deposits in Greece reached £ 873 m, showing an increase of 14% compared to 2002.

### **Capital base**

The Group has a strong capital base, which can support its future development plans both in Cyprus and abroad. The Group's Capital Adequacy Ratio as at 31 December 2003 is 13,80%, whereas the minimum percentage required by the Central Bank is 10% and the European Union's directions set 8%.

During 2003, the Group has successfully completed the raising of £ 65 m of Tier 1 and Tier 2 capital, thus further reinforcing its financial strength. The Group's capital resources have grown from £ 446 m in 2002 to £ 524,9 m in 2003.

On 29 December 2003, the Group announced the establishment of a Euro Medium Term Note Program (EMTN Program). Through this program, the Bank will be able to issue Senior debt and/or Subordinated debt up to 750 m euro, according to its needs.

corporate governance

## CORPORATE GOVERNANCE CODE REPORT

The Cyprus Stock Exchange (CSE) adopted in September 2002, a Corporate Governance Code for companies which are listed on the Stock Exchange. The Board of Directors had taken the necessary decisions for the full implementation of the Code. The Code requires listed companies to include a Report on Corporate Governance in their Annual Report.

In September 2003 the Board had adopted a Revised Corporate Governance Code. The Revised Code contains all the provisions of the Code issued by the Cyprus Stock Exchange and also to a great extent, the provisions of the Revised Combined Code issued in the United Kingdom in July 2003, following the recommendations of the Higgs Report.

The Board of Directors states that it complies fully with the provisions of the Code adopted by the CSE and, with the exception of the composition of Board Committees, it also complies with the Revised Code. The Bank will comply with the Revised Code at the earliest possible.

### **Board of Directors**

The Board meets regularly and at least six times every year which ensures that the Directors are able to review corporate strategy, the Budget and the results of the Bank and its subsidiaries, major capital and other important transactions.

The Directors are informed in writing and on time for all Board meetings and have at their disposal all necessary documents for each meeting.

The Board of Directors includes five independent non-executive directors as defined by its Revised Code, namely: Andreas Louroutziatis, Christos Papaellinas, George Psimolophitis, Michael Sarris and Anthony Townsend and maintains a balance between executive, non-executive and independent non-executive directors as required by the Revised Code.

All directors offer themselves for re-election at regular intervals and at least every three years.

In addition, none of the Directors have a material interest, directly or indirectly in any contract of significance with the Company or any of its subsidiaries.

### **Going Concern**

The Board of Directors is satisfied that Laiki Group has adequate resources to continue in business.

### **Board Committees**

The Board has appointed an Audit Committee and also a Nomination and a Remuneration Committee.

The Board had appointed for the first time an Audit Committee with written terms of reference about ten years ago. These terms of reference were revised in order to comply with the principles of the Code and the guidelines of the Central Bank of Cyprus. The Committee comprises exclusively of non-executive directors, namely: John A.P.Hill (Chairman), Andys Loutsios, Andreas Philippou and Michael Sarris

The Committee meets at least four times a year to consider the reports of the Internal Audit Department of the Group, the Auditors' fees, the financial reports and other matters falling within its terms of reference. The Committee is assisted in the execution of its duties by the audit committees appointed by major group subsidiaries.

The Nomination Committee has the responsibility for making recommendations for the appointment of new Board Members and has written terms of reference. The appointments are made by the Board subject to the approval of the Annual General Meeting. The Members of the Nomination Committee are Kikis N. Lazarides (Chairman), Jacovos Dimitriou, Marios Lanitis, Chris Pavlou and Anthony Townsend.

The Remuneration Committee considers the remuneration of the non-executive directors in accordance with written terms of reference which take into account the provisions of the Code. The Committee takes into account their responsibilities, experience and performance, the profitability of the Group and comparative remuneration in the banking industry.

The Members of the Committee are: John A.P. Hill (Chairman), Andys Loutsios, Andreas Philippou and Anthony Townsend.

### **Internal Control System**

The Board of Directors has the overall responsibility for maintaining a proper internal control environment, which safeguards, among others, the assets of the Group and its clients, the accuracy and confidentiality of transactions, the reliability of financial information, and compliance with applicable regulations.

To this end, the management of each business entity within the Group are tasked with introducing and operating internal control systems, which are commensurate with the scale and complexity of operations, and comprise, as a minimum, the following:

- Clear organisational structure and division of responsibility, including supervision of day-to-day operations.
- Drafting and monitoring of implementation of strategic and operating plans and budgets for each material line of business.
- Effective internal communication lines that disseminate information quickly and to the appropriate level.
- Documented procedures for key areas of activity and frequent briefing of staff through circulars, announcements, and training seminars on prescribed Group policies and practices.

- Adequate segregation of duties and avoidance of assignment of conflicting responsibilities.
- Frequent compilation of financial and operational performance statistics.
- Support of key activities by reliable and secure information systems.
- Approval of transactions by appropriate and authorised persons.
- A well established financial control environment including routine controls, such as reconciliations, audit trail, and spot checks.
- Existence of business resumption and contingency plans.
- Adequate insurance arrangements.

In addition, at Group level suitable risk management units exist for supporting the Asset and Liability Committee (ALCO) in drafting and monitoring implementation of the overall risk policy and in managing individual risks. For measurable risks, in particular, Group procedures require determination and periodic revision of acceptable exposure limits.

An internal control system aims at mitigating, but not eliminating, the risks faced by the entity, and provides reasonable but not absolute assurance that material loss will not be incurred.

The adequacy and proper operation of internal controls in individual areas of operation are reviewed periodically by an independent internal audit function, and its findings are reported to the Audit Committee. The latter informs the Board regarding important issues, and presents also an annual report on the adequacy and efficiency of the internal control systems of the Group. The report for the year 2003 confirmed the adequacy and effectiveness of the internal control systems of the Group.

Based on the above, the Board states that it is satisfied with the adequacy of the system of internal control and also the procedures for ensuring that the information supplied by the Bank to investors is correct and complete. In addition, the Board states that it had not come to its attention any violation of the Stock Exchange Laws and Regulations.

The Board had also appointed an Officer responsible for compliance with the Code of Corporate Governance.

### **Relations with Shareholders**

Laiki Group, recognising the importance of communicating correct and timely information, publishes its results on a quarterly basis. The results and other information relating to the activities of the Group are presented at meetings which are attended by analysts, journalists, shareholders and investors.

The Bank encourages shareholders to attend the annual general meetings and in its relations with shareholders complies with the requirements of the Companies Law and the Corporate Governance Code.

The Bank had also appointed an Investor Relations Officer.

### Members of the Board eligible for re-election

Curriculum vitae of Members of the Board of Directors who offer themselves for re-election:

#### Michael R. Erotokritos

He studied Economics, Law and International Relations and was recently awarded an Honorary Doctorate in Law (LL.D.) by the University of Portsmouth. He had held the position, amongst others, of Commissioner for Co-operative Development, Permanent Secretary of the Ministry of Finance, and Permanent Secretary of the Ministry of Commerce, Industry and Tourism. He headed the Cyprus Delegation in the negotiations that led to the establishment of the European Bank for Reconstruction and Development and was a member of the Cyprus Delegation in the negotiations that led to the Customs Union between Cyprus and the European Union. He is the Group Managing Director of the Laiki Group.

#### John A.P. Hill

He studied Arabic Studies at the Middle East Centre for Arabic Studies in Lebanon. He started his career with the British Bank of the Middle East (BBME) in 1956 and had worked in many countries in the Middle East. After the acquisition of BBME by the Hong Kong and Shanghai Banking Corporation (HSBC) he worked in Hong Kong in Senior Managerial positions reaching the rank of General Manager.

#### Platon E. Lanitis

He studied Economics at Reading University. He is Executive Chairman of the Lanitis Group dealing in construction, trade and tourism, since 1992. He is Vice-Chairman of the Board of Directors of Laiki Bank (Hellas) and is a Director of the Board of several other companies. He is the honorary consul of the Netherlands in Cyprus.

#### Andreas Louroutziatis

He received his B.A. in Economics from the University of Toronto in Canada. He is Executive Director of a company dealing in paper processing. He is Chairman of the Larnaca Chamber of Commerce and Member of the Board of the Cyprus Chamber of Commerce. He is Vice-Chairman of the Cyprus Electricity Authority and was a Director of Laiki Insurance. He is also Councillor of the Municipality of Larnaca.

#### Christos Papaellinas

He received his B.Sc Economics from the University of Leicester and his Master in Business Administration from Imperial College. He is Executive Director of C.A. Papaellinas, which is involved in the import and trading of pharmaceuticals and consumer goods. He is a Member of the Boards of Cyprus Airways and C.A. Papaellinas Trading. He was Director of Laiki Investments.

### George Psimolophitis

He received his B.Sc Economics from the London School of Economics and his Master in Business Administration from the Manchester Business School. He is Executive Director of the Metalco and Gevo Group of Companies, which are involved in metal processing, trading of construction materials and mattress manufacturing. He is also a Member of the Boards of the Nicosia and the Cyprus Chamber of Commerce. He was a Director of Laiki Finance.

### Michael Sarris

He received his B.Sc. Economics from the London School of Economics and continued his studies in the United States where he obtained his Doctorate in Economics. From 1972 to 1975 he worked for the Central Bank and the Bank of Cyprus. He has been working at the World Bank since 1975 where he currently holds the position of Director. Through his career at the World Bank his responsibilities included supporting through the Bank's Programs the reforms of financial systems, the privatisation and restructuring of Banks and the liberalisation of interest rates, credit policies and capital markets. He has also interacted closely with Ministers of Finance and Central Bank Governors from many countries and has forged relations with senior officials at the International Monetary Fund and the European Union.





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