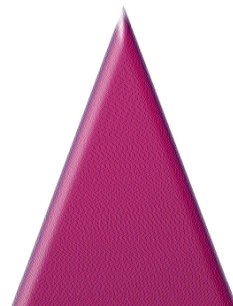


ANNUAL REPORT
2001



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BOARD OF DIRECTORS

Kikis N. Lazarides	Chairman
David Baker	
Jacovos Dimitriou	
Michael R. Erotokritos	
Nicos A. Hadjinicolaou	
John A.P. Hill	
Marios E. Lanitis	
Platon E. Lanitis	
Andys Loutsios	
Andreas Papaellinas	
Chris Pavlou	

SENIOR MANAGEMENT

Kikis N. Lazarides	Executive Chairman
Nicos A. Hadjinicolaou	Executive Director
Michael R. Erotokritos	Executive Director
Charalambos Schizas	General Manager
Neoklis Lysandrou	General Manager
Petros Petrou	General Manager
Rena Rouvitha Panou	General Manager

SECRETARY

Stelios Hadjijoseph

CHIEF ACCOUNTANT

Takis Phidia

AUDITORS

Deloitte & Touche

LEGAL ADVISERS

Tassos Papadopoulos & Co

REGISTERED OFFICE

154, Limassol Avenue, 2025 Nicosia

NOTE

The Annual General Meeting will be held on May 15, 2002,
at 6.00 p.m. at the Forum Hotel, Nicosia.

FINANCIAL HIGHLIGHTS

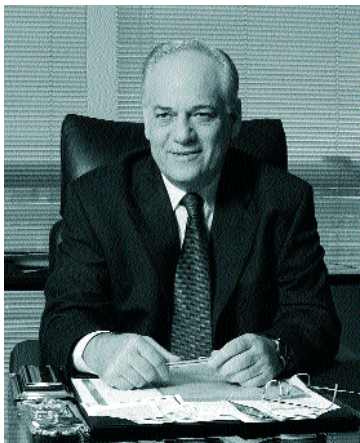
	2001	2000	1999	1998	1997
	€ '000	€ '000	€ '000	€ '000	€ '000
Group operating profit	19,871	82,341	167,157	53,157	44,395
(Loss)/profit attributable to the shareholders	(9,263)	46,526	131,324	26,078	22,826
Capital resources					
Capital	149,404	149,107	87,857	76,011	75,913
Reserves	152,895	220,071	280,482	104,706	91,211
Loan capital	149,015	40,141	43,192	14,632	14,638
Minority interest	<u>28,062</u>	<u>33,316</u>	<u>16,102</u>	<u>6,618</u>	<u>6,616</u>
	479,376	442,635	427,633	201,967	188,378
Deposits	3,956,361	3,438,539	3,000,091	2,445,760	2,343,731
Advances	2,601,348	2,224,458	1,944,152	1,673,380	1,414,934
Total assets	4,716,625	4,063,387	3,599,453	2,852,930	2,681,026
Total capital resources/Total assets	10,2%	10,9%	11,9%	7,1%	7,0%
Capital adequacy ratio	14,5%	13,9%	13,05%	10,1%	10,4%
Return on average assets	(0,21%)	1,21%	4,10%	0,94%	0,91%
Per ordinary share					
Earnings – cents	(3,1)	15,8	51,2	10,4	9,1
Gross dividend – cents	8	12	15	10	10
Capital and reserves – €	1,01	1,24	1,21	0,72	0,66

ANALYSIS OF SHAREHOLDERS

Issued Capital: 298,329,934

Category of Shareholders	Number of shareholders	Number of shares	Percentage %
Public or Private Companies, Insurance Companies, Partnerships, Business Names, Municipalities	709	142.625.895	47,81%
Private Individuals	22.695	105.753.105	35,45%
Provident Funds, Trusts, Pension Schemes, etc.	271	33.088.417	11,09%
Clubs, Churches, Institutions	42	6.179.878	2,07%
Staff of Laiki Group	1.920	7.824.761	2,62%
Investment Schemes registered in the name of companies, Mutual Funds	294	1.511.631	0,51%
Minors	1.598	1.346.247	0,45%
Total	27.529	298.329.934	100,00%

INTRODUCTION



The performance of Laiki Group in 2001 was satisfactory, despite the generally negative environment within which the broader financial sector operated.

The operating profit from the banking and financial activities of the Group, before the provisions for bad and doubtful debts, recorded a satisfactory rise of 15,5%. This is considered of great importance since banking and financing operations constitute the core of the Group's activities.

However, the Group's total operating profit, before the provisions for bad and doubtful debts, declined to C£ 60,5 m. compared to C£ 83,0 m. in 2000. The loss from the disposal and revaluation of securities in 2001 amounted to C£ 40,6 m. due to the fall of the price index of the Cyprus Stock Exchange (CSE).

The Board of Directors of Laiki Bank decided to propose to the Annual General Meeting of the shareholders the payment of a final dividend of 3 cent per share, in addition to the interim dividend of 5 cent per share already paid in October 2001. Thus, the total dividend amounts to 8 cent per share or 16% on the nominal value of the share. It is important to underline that with the 2001 results - as well as those of 2000 - the Group has absorbed the negative effects from the sharp drop of the CSE price index, the recession of the insurance industry and the loss of commissions following the introduction of the euro.

Laiki Group, well prepared in every respect, continues dynamically the implementation of its ambitious development programme in Cyprus and abroad. The prospects for the year 2002 and the future are very satisfactory.

The Group's operations have developed within an unfavourable economic environment as a result of the terrorist events of 11 September 2001, which weakened further the American economy and led to the creation of conditions of international economic recession and increased instability. The Cypriot economy, within this difficult external environment continued to register a relatively satisfactory growth rate. The drop in the tourist traffic after September 2001 led to the deceleration of the economic growth rate to 3,8% compared to the initial forecast of 4,5%.

The unemployment rate fell to 3,0% from 3,3% in 2000, despite the fact that a slight increase in unemployment was registered during the last months of the year. At the same time, a significant decrease in inflation was recorded from 4,2% in 2000 to 2,0% in 2001. The current account deficit declined to 4,2% of GDP compared to 5,0% in 2000 as a result of the restrained increase in foreign exchange earnings from tourism and import expansion.

As regards developments in the monetary system, total liquidity accelerated from 8,2% in 2000 to 12,9% in 2001 mainly due to the increased inflows of foreign exchange resulting mainly from foreign currency loans. The increase in liquidity originated also from the increased lending, both to the private and public sectors.

Lending to the private sector rose by 13,4% compared to 14,9% in the year 2000. A significant acceleration in deposits was recorded, particularly in time deposits.

For the first year, the banking system operated under a regime of flexible interest rates. The Central Bank followed a low interest rate policy in order to boost economic activity and to promote the convergence with the euro zone interest rates by successively reducing the base rate by an aggregate of 150 basis points on three occasions between August and 2nd November 2001.

During the first nine months of the year, the CSE index continued its long correction course which commenced in 2000. Supported by the announced tax reform and the fall in the interest rates, the negative course was reversed during the last quarter of the year. This resulted in the index exceeding 140, closing, however, at 129.09 at the end of 2001 compared to 244,5 at the end of 2000, registering a decrease of 47,2%.

During the year under review, Laiki Group vigorously continued the implementation of its strategic plan which is based on the following pillars:

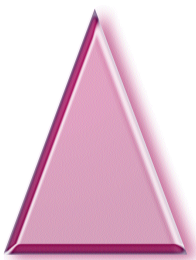
- internationalisation of activities
- expansion of non-interest revenues
- strengthening of the technological infrastructure and use of advanced technology
- integrated provision of high quality products and services
- continuous improvement of the operational efficiency
- attraction and motivation of the best human resources

DOMESTIC OPERATIONS

Banking Activities

The year 2001 was a year of particularly satisfactory performance with regard to domestic banking business due to the high increase in loans for consumption, housing and business purposes and the further expansion of deposits. The introduction of the new flexible interest rate regime from the beginning of the year contributed to the strengthening of the competitive conditions in the banking sector. Our Bank promptly and successfully adjusted its systems and procedures to the new operational regime. The three successive reductions of the base rate decided by the Central Bank in August, September and November exerted pressures on the interest rate margins. During the year, Laiki Bank pursued a careful and flexible pricing policy with regard to the deposit and loan products, without overlooking the prevailing tendencies in the market.

Guided by the aim of a customer-oriented approach in all areas of banking activity, systematic efforts were made to further upgrade the quality of customer service. In addition, particular emphasis was given to the supply of new products which satisfy the changing needs of customers in response to the new circumstances which characterise the broader financial environment.



Retail Banking activities focussed on offering new, upgraded products such as the Triple Express, the Privilege Deposit and the new Return 12. These new options provide fast and effective solutions to the customer's changing financial needs.

The preparatory work for introducing the "personal banker" concept was completed. This new service aims at providing advisory services for portfolio management and maximum utilisation of customer savings in relation to the emerging investment options and according to their individual needs. In addition, attractive bancassurance products are being offered at the Bank's branches.

With regard to cards, the european youth card Euro<26 Visa was launched in co-operation with the Cyprus Youth Organisation. Two other new cards were launched, Laiki Business Card, addressed to the businessman, and Laiki eCard.

The Commercial Banking Division focused its effort on upgrading and enriching the products and services offered and on maintaining a substantial customer relationship. Also, intensive efforts continued throughout the year to promote sales to new and existing customers.

The Corporate Banking Division continued successfully to efficiently service the needs of its customers. Its goal is to provide specialised services and creative solutions to the financial needs of customers. The division co-operated closely with Laiki Investments on matters involving the listing procedure as well as in identifying new financial opportunities for customers through mergers and acquisitions or expansion on the international market.

With the goal of keeping abreast of developments and responding effectively to the demands of the times in 2001 we further pursued the restructuring of domestic banking operations with a view to improving the productivity and efficiency of the branch network and ensuring the high quality of our service. The new branches are designed as points of sale for all Group products so as to fully utilise the electronic channels and all productive resources of the Group.

The Treasury has assumed an enhanced role as a result of the liberalisation process and the increased foreign exchange and interest rate risks inherent in the financial system. During the year under review, a new range of products and services was offered, such as syndicated loans, index linked and capital guarantee deposit products which provide alternative investment options and enable the diversification of investment risks.

The International Business Department registered a remarkable growth in 2001. Many opportunities for cross selling were created which boosted significantly the profitability of the Group. The co-ordination desks in Greece and the UK successfully continued their operations. Preparatory work for the establishment of our Nicosia and Limassol business service centres for international companies in Cyprus has almost been completed.

The level of service and the contribution to the profitability of the Group are expected to be further enhanced through these specialised service centers.



Laiki eBank

Laiki eBank started operations in October 2000 and today it is the most comprehensive electronic bank in Cyprus as well as in Greece. We have proceeded with the provision of global and integrated electronic banking services, 24hours a day. In September 2001, we launched the electronic current account, Laiki eChecking and the credit card, Laiki eCard. These two products combine special features, such as: attractive pricing, convenience, speed and quality of service 24hours a day. Our Group, pioneered once again by offering, for the first time in Cyprus, the electronic alerts service while at the same time it has broadened the ability to conduct electronic payments.

The electronic text messaging service, Laiki eBank Alerts, automatically sends notification messages to mobile phones. Laiki ePayments offers up-graded facilities for carrying out electronic payments and money transfers to any person wherever his or her account may be. With these two services, our Group has kept its commitment to constantly upgrade its electronic banking services. Our aim is to continuously add greater value to our relationship with customers by providing high quality services and the simplest procedures. Particular emphasis was given to the increase in the number of Laiki eBank subscribers and the use of the Group's alternative electronic channels. By the end of 2001, Laiki eBank had 56.000 subscribers which corresponds to a 36% increase within a period of just over twelve months. The Group will continue launching new attractive electronic banking products and services.

INSURANCE SERVICES

During 2001, the domestic market of life insurance and general insurance operated within a subdued climate, which suppressed the growth of the insurance industry as a whole. The Group's subsidiaries, Laiki Cyprialife and Laiki Insurance, proceeded dynamically with the enhancement of their organisational structure and the provision of new products and services, taking into account the latest technological innovations. Laiki Cyprialife gave priority to the development of its sales force and the implementation of the Cypria Smile Scheme. The creation of multiple investment funds was a significant development. These funds are characterised by transparency, as they give investors the choice to place their savings according to their own preferences and needs.

Today, Laiki Cyprialife is Cyprus' leading life insurance company. With a market share that exceeds 30%, it is in the advantageous position of offering more benefits to its customers, due to economies of scale and synergies achieved within the Group. The company offers a complete range of products which include: life insurance, investment plans, health insurance and disability cover, bancassurance, cover against personal accidents and group insurance plans.

Laiki Insurance, with an annual premium income in excess of C£ 19 m., enjoys a dominant position within the general insurance industry.

It offers a wide range of innovative insurance products ranging from simple insurance cover to specialised services for individuals, business people and industrialists, aiming at fully satisfying the requirements of its clients. During the year, the company focused on the enhancement of its internal procedures, the design of new products and the revision of the pricing policy, particularly in relation to third-party motor cover.

OTHER FINANCIAL SERVICES

The year 2001 has been yet another year of success and achievements for Laiki Finance. Despite the intensely competitive environment, the company has managed to maintain its leading position and a dominant market share in its field, while at the same time contributing significantly to the profitability of the Group. The company proceeded with the further upgrading of its services and the launching of new products, such as hire-purchase financing in foreign currency. Its long experience in the finance market opens up favourable prospects for 2002.

For the factoring field, 2001 was a year of very satisfactory performance. Laiki Factors continued to play a leading role in the factoring and the invoice discounting business, thereby strengthening its position in the market. The steady progress and profitable development of the company's activities are attributed to its efficient internal operation and to the well-focused efforts of the company's staff.

The negative course of the price index of the CSE affected brokerage transactions and, consequently, Laiki Investments' financial results. However, during 2001, the company continued with the upgrading of its operational systems, enabling the Cypriot investor to have access to international stock exchanges.

In the field of investment banking, Laiki Investments maintained its leading role in the investment market, providing wide-ranging financial services through its highly trained staff, advanced technology and know-how. Laiki Investments actively participated in a number of mergers and acquisitions of well-established companies as well as in the restructuring of businesses. Another significant development was the company's association with international firms for the provision of investment products.

In relation to asset management, systematic efforts were made to attract customers to whom a comprehensive professional service and portfolio management could be offered. AEDAK is ready in every respect to start operations when the relevant legislation is finalised. It is significant to add that mutual funds will be available at any branch of Laiki Group in Cyprus and abroad and through the other subsidiaries.

In relation to private banking services, the Group, aims at supplementing its range of financial products with investment and insurance services to high-net-worth individuals and institutional investors. During the year, Laiki Private Banking entered into agreements with HSBC and INVESCO for the distribution and provision of mutual funds and with CIBC Oppenheimer for international brokerage transactions.

The Group's investment advisers have direct access to the world markets and to a wide range of the highest return investment products, and are, therefore, able to present their clients with the best investment options for their funds, depending on their targets, time horizon and combination of yield/risk they are willing to undertake.

The long-term professional relationship with clients is based on the principles of trust, professionalism and dedication.

INTERNATIONAL EXPANSION

The internationalisation of operations is of strategic importance to Laiki Group with the main targets being the Greek market as well as countries with a strong presence of Greeks. It is particularly encouraging that international operations continued to contribute significantly to the Group's profits, achieving a contribution of 23,7% to the total gross income during 2001 which was a difficult year worldwide.

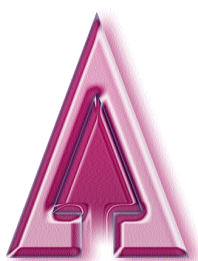
Laiki Bank (Hellas) SA and subsidiaries

The Group's results in Greece during 2001 are considered to be very satisfactory taking into account the investments made in new branches, subsidiaries, technology and human capital. Both Laiki Bank (Hellas) SA and its subsidiaries played a significant role in achieving positive results for the Group in Greece.

The Group, through Laiki Bank (Hellas) SA, continued the implementation of its ambitious, yet prudent, development programme which is aimed at a dynamic presence in the Greek market. It pursued the further expansion of its network, with the branches increasing from 19 to 28 and the establishment of the first electronic channel service through Laiki eBank(Hellas) which has been successfully operating since June 2001. These two factors, together with the launch of a complete range of financial products, services and the cross-selling among the Group's subsidiaries, constitute the main pillars of the expansion programme in Greece. The basic financial indicators of Laiki Bank (Hellas) SA continued their upward trend. The deposits and loans of Laiki Bank (Hellas) SA were up by 20,7% and 41,1% respectively, compared to 2000, registering a particularly high increase in the area of consumer and housing loans through the launch of new pioneering products such as the housing package, the tax loan and the share loan. The Bank is also active in the field of investment banking, shipping finance and has recently entered the derivatives market.

Laiki Leasing S.A. registered a remarkable increase in its profitability. The company focused on further penetrating the field of vendor leasing, while selectively expanding its operations in the field of real estate leasing. Laiki Factoring S.A. also continued the dynamic development of its activities and the expansion of its clientelle.

Laiki AEDAK (Mutual Funds) introduced, inter alia, an innovative investment plan - Laiki Bonus - whereas Laiki Attalos Brokerage significantly increased its customer service capacity by associating with other brokerage companies ("AELDE").



At the same time, it adopted new procedures enhancing clients' access to overseas markets and managed, despite the difficult market environment, to increase its total market share from 1,2% in 2000 - the year it was acquired by Laiki Group - to 2,1% in December 2001.

A new company, Laiki Life has recently commenced operations in Greece offering life bancassurance products. Also the procedures for the establishment of a new general business insurance company have been finalised and it is expected to be operational soon.

Laiki United Kingdom

Laiki Bank has recently adopted a new strategy, which envisages the significant upgrading of its network and the product range offered as well as its technological infrastructure and the level of staff recruitment in the United Kingdom.

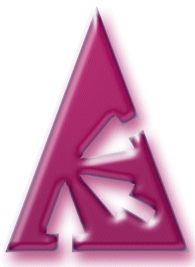
During 2001, Laiki Bank embarked on an overhaul of its IT systems, a major project, whose first phase was completed in March 2002. This investment is expected to help the expansion of the Bank's operations in the United Kingdom, the enhancement of productivity, the more efficient risk management, the reduction of administrative costs, the introduction of new products and services and the significant upgrading of the quality of service.

The results of Laiki United Kingdom for 2001 are considered satisfactory, taking into account the above-mentioned major infrastructural projects as well as the particularly conservative policy followed by the Group regarding loans, in view of the difficulties faced by the world economy in 2001.

Laiki Bank (Australia) Ltd

The establishment of Laiki Bank (Australia) at the end of April 2001 was of decisive importance to the process of Laiki Group's international expansion. The Group's strategy to provide banking services in countries with a strong presence of Greeks, the 16 - year long successful operation of the Representative Offices in Australia, as well as the intense desire of the Greek ex-patriates to have a bank which acknowledges their individual needs, were decisive factors for the Group in upgrading its presence in Australia to a fully-fledged bank.

Laiki Bank (Australia) Ltd commenced operations with five branches, two in Sydney, two in Melbourne and one in Adelaide. In the course of its establishment as the leading bank of the Greeks in Australia, Laiki Bank Australia proceeds to steadily offer a wide range of deposit and loan products.



The results of the Bank for the first months of operation are satisfactory considering the difficult global economic environment as well as the Group's conservative policy of writing off, in the first year of operations, all organisational costs including investment in state-of-the art technology.

The Bank's deposits and advances are increasing rapidly and it is expected that Laiki Bank (Australia) will shortly contribute significantly to the Group's profitability.

LOOKING TO THE FUTURE

Infrastructure -technology

In 2001, significant progress was achieved towards the implementation of important infrastructural projects in the areas of technology and computerised systems. SAP and SEM (Strategic Enterprise Management) which will cater for the needs of important functional sectors of the Group and the Management Information Systems (MIS) area, respectively. The implementation of these projects will have multiple benefits, particularly in relation to the Group's ability to design and assess the cost of new products, to manage rationally its resources and to evaluate information with speed and flexibility. The Group has already invested and shall continue to acquire new advanced technology for service automation in all countries where Laiki maintains a presence.

Human resources

The rapid development of Laiki Group in Cyprus and abroad is mainly based on the Group's continuous development of its human resources, the improvement of working conditions and the overall welfare of its staff. The objective is to enable the Group to cope with the challenges created by the new banking and the broader financial environment. In our effort to achieve this, we attach particular importance to our hard - working, ambitious and dedicated staff.

During the year, the implementation of the sub-system SAP-HR (Human Resources) concerning the management of human resources advanced considerably, with the listing of job descriptions and the preparation for the adoption of a new, more objective assessment system. On the occasion of its centenary, the Group also allocated 2 m. Laiki Bank shares to its staff at the attractive price of 50 cent per share.

"Managing for Value"

Our Group has adopted the philosophy "Managing for Value" according to which our every day actions, our decisions and activities should add value to the Group for the benefit of its shareholders, thereby contributing to the maximisation of economic return. The management and I are personally committed to promoting this strategy so that all of us together shall boost even more our Group's customer-oriented approach.

The consolidation of this philosophy shall be conducive to the reinforcement of the Group's competitive position in its course for the 21st century.

New Corporate Image

It is a simple truth that every human need, whether great or small, requires support. Every event in the life of a human being requires planning and each vision requires confidence. Laiki Group is connected with the individual because it cares for him and links his dreams with their fulfilment.

Supported by its excellent, qualified staff and through high technology, Laiki Group carries out a multiplicity of transactions on a daily basis. With its philosophy focused on the individual, it stands by each one of its customers sharing his dreams, plans and wishes.

Laiki Group creates, communicates, lives and moves forward together with the people. It stands by the individual whenever needed. Human relations are the cornerstone of its policy because it believes in the individual.

Given the above, the Group has proceeded to define its new corporate image through its slogan "It lives with what you live". Because the Group *does* live with what each individual lives with!

SOCIAL POLICY

Cultural and social contribution

I wish to stress that our Group attaches great importance to its contribution to the society of which it is an integral part. With the belief that the role of great organisations is not confined to business activities and profit-making alone, Laiki Group has, for several years, pursued a social policy which aims at contributing to the improvement of the quality of life on the island. The Group considers this as a social responsibility, a way of reciprocating people's trust and a form of returning to the society part of the profits it enjoys thanks to the support and trust of the people. Our efforts during the last few years have focused on health and culture.

The culmination of the Group's social activities, and the leading social and charitable event on the island is the Radiomathon for children with special needs, which in the year 2001 completed 12 years of contribution. The achievements of this charity event are undisputable. It has helped upgrade the quality of life of children with special needs, having at the same time a positive impact on the families of these children. This was achieved through raising public awareness as well as raising significant cash contributions. In 2001, the Radiomathon raised over C£ 1,2 m, bringing the total sum raised since the launch of the event to C£ 11 m.

It is worth noting that in 2001, Laiki Group celebrated its centenary and honoured each and everyone who contributed to its creative evolution.

Within this framework, a series of events were organised including a great festive evening for the staff at Fassouri Waterpark and two musical concerts with Vanessa Mae at the ancient theatre of Curium.

The Group's social policy is complemented by a series of programmes focusing on sports sponsoring, arts and education through a wide range of activities of the Laiki Cultural Centre. Within the framework of the centenary events our Cultural Centre organised three important exhibitions: "The Beauty and the Beast", "100 Years of Cyprus" and "Shortcuts" with art pieces from the Dakis Ioannou collection.

EPILOGUE

To sum up, I would like to stress that in 2001, despite the deceleration in the rate of economic growth in Cyprus and in Greece and the difficult competitive environment, the Group's operating profit from banking and financing operations, before providing for bad and doubtful debts, registered an increase of 15,5%. This confirms that the Group's basic line of operations maintained its upward trend with very satisfactory results. 2001 has been a year of significant strategic decisions and moves that promote our strategic repositioning within the increasingly competitive environment.

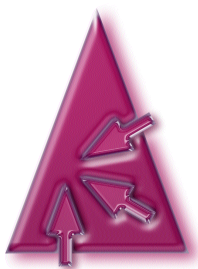
The very good performance of the banking and financing operations, which constitute the Group's core activities, in conjunction with the anticipated enhanced performance and the contribution of the Group's other activities, i.e. the insurance and capital market related activities, which were significantly adversely affected in the last two years, underlie the favourable prospects of the future performance of the Group.

At the dawn of the 21st century, our vision is to distinguish ourselves as the most dynamic, effective and reliable financial services organisation, while at the same time maintaining our approach to customer service centred on the individual. The diversification of the Group's activities in the local market and the internationalisation of its operations have created a solid infrastructure which guarantees a steady path for the future.

Our Group possesses the means, financial soundness, vision and strategy to face successfully the emerging competitive environment. In 2002, the Group will continue the implementation of its ambitious development programme in Cyprus and abroad, which aims at further expansion and diversification of the sources of profit of the Group strengthening its competitive capacity within the rapidly changing environment.

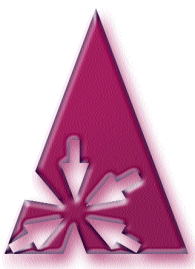
The priorities for 2002 include:

- Promotion of a new range of products with attractive and innovative features in the banking, insurance and investment field, which will provide solutions tailored to the financial needs of customers
- Continuous enhancement and provision of specially designed, pioneer electronic products and services, such as electronic messages, electronic payments and the positioning in the market of new electronic products



- Promotion of the "personal banker" concept which offers specialised advisory services to the developing segment of the market, composed of the "high-net-worth" individuals
- Active promotion of bancassurance products through the branch network
- Provision of advisory services adding value to portfolio management
- Further dynamic expansion of the branch network in Greece, the number of which will rise to 38 by the end of 2002 and to 50 by the end of 2003
- Promotion of full range of financial products and services in Greece and enhancement of the electronic service channels of Laiki eBank (Hellas)
- Expansion of the range of products offered in the Greek insurance market through Laiki Life with special emphasis on bancassurance products. Participation in the general insurance sector through the launch of a general insurance company
- Introduction of electronic banking in the United Kingdom and, at a later stage, in Australia
- Continuation of the implementation of significant infrastructural projects in technology and computerisation which will cover the Group's needs as a whole or in key operational areas

Contributors to the Group's satisfactory course in 2001 were the management, staff, shareholders, customers and the Cypriot public in general. I take this opportunity to express my sincere thanks to all of them for their trust.



PROFITABILITY OF THE GROUP

The operating profit of the Group declined to C£ 60,5 m. compared to C£ 83,0 m. in 2000. The drop in operating profit was due to the reduction of the Group's income in three main areas and to important factors that affected these areas. These factors were:

- i. The on-going negative climate in the Stock Exchange in Cyprus and Greece that resulted in a significant reduction of the Group's Stock Exchange related income.
- ii. The general recession in the insurance industry that has limited significantly the new business and the Group's income in this area.
- iii. The introduction of the euro as from 01.01.2001 that resulted in the elimination of the commission from foreign exchange transactions in the 11 currencies that were replaced by the European currency, as well as the Bank's profit from the foreign exchange differences between those currencies.

The provision for bad debts reached C£ 17,8 m. compared to C£ 13,2 m. in 2000. The increase in provisions relates mainly to the operations of the Group in Cyprus and reflects the slowdown in economic growth. The Cyprus economy was adversely affected by both the events of the 11th September and the continuing negative Stock Exchange climate.

The loss from the disposal and revaluation of securities in 2001 amounted to C£40,6 m. due to the continuing fall of the price

index of the Cyprus Stock Exchange (CSE). The low CSE volumes in 2001 prevented the Group from disposing a significant part of its trading portfolio and reducing its exposure to this risk.

Net interest income

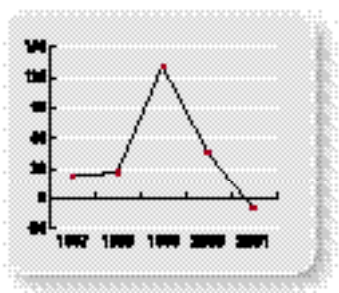
The net interest income increased by 16,4% reaching C£ 114,8 m. This is considered satisfactory, especially if we take into account the significant decrease in the interest rates in Cyprus (1,5%) and abroad. The multiple reductions in the interest rates internationally resulted of course in the squeeze of the net interest margin. The net interest margin in Cyprus remained at the same levels as in 2000, i.e. at 2,89%. However, we must point out that there was a significant pressure on margins in the second half of the year, due to a lack of methods to cover the interest rate risk that the banks undertake in the Cyprus Pound.

A significant part of our deposits are fixed term deposits (up to one year) while floating rates apply to almost all advances. Inevitably, this creates interest rate risks for the banks. In foreign currencies the Group maintains a low interest rate risk exposure, since there is a market to cover this risk.

In Greece, the net interest rate margin increased from 2,58% in 2000 to 2,67% in 2001. This was achieved despite the fall in the interest rates of the euro, the U.S. dollar and the British pound, which inevitably had a negative impact on the interest rate margins.

GROUP PROFIT

(attributable to the shareholders of the Bank)
in C£ million



The main reason for the increase was the strategic decision of the Group to expand in retail banking in Greece, as well as its decision not to enter into the deposit interest rates “war”.

Fees and commissions

The Group income from fees and commissions decreased by 6,1% to C£ 37,4 m. The negative Stock Exchange climate during 2001, both in Cyprus and in Greece, had a negative impact on all the Stock Exchange related income categories of the Group: brokerage commissions, commission from the sale of mutual funds, portfolio management fees etc. Therefore, the fees and commissions of the Group companies engaged in this area, Laiki Investments in Cyprus and Laiki Attalos in Greece, dropped significantly. It should be noted that the income of Laiki Bank (Hellas) from the sale of mutual funds and from investment banking were also significantly lower. Fees and commissions of the other Group companies showed a total increase of 10%, despite the prevailing adverse economic conditions.

Profit from dealing in foreign exchange

The Group income from dealing in foreign exchange in Cyprus recorded a significant increase of over 19%. However, the decrease of this profit in Greece and the United Kingdom, mainly due to the introduction of the euro and the instability of the international capital markets following the events of the 11th September in the United States, resulted in the Group total profit remaining at the same levels as in 2000, i.e. at C£ 10,4 m.

Other Operating Income

Other operating income of the Group mainly includes net income from insurance business, namely premiums less reinsurance costs, commissions, claims, increase/decrease of life assurance reserves etc.

The year 2001 was a very difficult year for insurance operations. New business in the life insurance sector was significantly reduced, while contract surrenders persisted at a high pace. Furthermore, the significant fall of the Cyprus and international stock exchange indices pushed further down the value of the life funds of Laiki Cyprialife and the income from their management. The present value of future profits at 31 December 2001 showed a significant fall, mainly due to the lower new business, the unit price of the Unit-linked contracts and the high volume of contract surrenders and cancellations. The decrease in the present value of future profits is included in other operating income. We believe that the introduction of multiple investment funds in 2001 will significantly improve new business, as these funds allow the insured to choose the level of investment risks they are willing to take.

The general insurance sector showed a significant loss in 2001, mainly from the motor business, due to the increase in the claims reserve. The Company was driven to this decision after examining in detail all the outstanding claims and having in mind the increased settlements that the courts award these days. Laiki Insurance, having considered the higher claim costs and the extremely inflated reinsurance costs for 2002 following the events of the

11th September in the United States, decided to reset its pricing policy so as to ensure a satisfactory profitability in 2002.

Staff costs

Staff costs showed an increase of 21,5% and reached C£ 64 m. The increase is due to the Group's expansion abroad, especially in Greece and Australia. In Greece, Laiki Bank (Hellas) S.A. opened nine new branches in 2001 and is planning to open 10 more within 2002. The staff for these branches is recruited in advance so as to receive the necessary training. Furthermore, the increased operating volumes of the subsidiary companies in Greece necessitate new recruitments. The total number of the Group employees in Greece in 2001 was 652 (2000: 545). In Australia, the Group set up a subsidiary bank with 5 branches and is now employing 51 persons. In Cyprus, the Group did not increase the number of employees in 2001 and is not planning to increase it in 2002. Higher staff costs are a consequence of the employment agreements as well as the increased retirement benefits compared to 2000.

Depreciation and Amortisation

The cost for depreciation and amortisation showed an increase of 13,6%, mainly as a result of the Group's further investments in technology systems, for the Electronic Financial Services and Laiki Teletbank and investments relating to the Group's expansion in Greece and Australia.

Other expenses

The remaining operating expenses were lower than in 2000 as the Group follows its declared policy for containing operating expenses. The Group's efforts for the control of operating expenses will continue in the future at the same pace.

Loss from disposal and revaluation of securities

The unexpected upsurge in the CSE index in 1999, shortly after the acquisition of the companies of the Paneuropean Group created a significant overvalue in Laiki Group's investment portfolio and led to profits from disposal and revaluation of securities of the order of C£ 107,6 m. in 1999. The subsequent fall in the CSE index in 2000 and 2001 has brought a significant diminution in the Group's investment portfolio and resulted in a C£ 65,7 m. loss in 2000 and a C£ 40,6 m. loss in 2001 from the disposal and revaluation of securities. The Group's policy in this area is to significantly reduce its portfolio, so that any fluctuation in the share prices will not have a significant impact on its results. Unfortunately, due to the lack of depth of trading in most of the CSE shares and the large size of our portfolio, the disposal of a significant part of our portfolio has not been possible. At the end of 2001, the Group had a trading portfolio made up of shares listed on CSE valued at C£ 27,6 m. The Group's intention is to reduce this amount significantly as soon as there is sufficient interest in the market for the shares in our portfolio.



Provisions for bad and doubtful debts

The provisions for bad and doubtful debts reached C£ 17,8 m. recording an increase of 35% compared to 2000.

This significant rise in provisions was necessary as a result of the slowdown of the rate of growth of the economy. The uncertainty caused by the events of the 11th September for traders and consumers, as well as the significant recession in tourism worldwide, had chain effects on the Cyprus economy. The negative climate in the Cyprus Stock Exchange also had a negative impact on the Cyprus economy. Our Group, following its traditional conservative policy in this area, increased provisions for bad and doubtful debts by C£ 4,5 m.

Liabilities

The liabilities of the Group rose by 17% to C£ 4,2 bn. This is due to the increase in customer deposits of C£ 513 m. or 15,8%, and the issue of a syndicated loan of euro 120 m.

The syndicated loan was issued in May 2001. The purpose of the loan was to finance the expansion of the Group in Australia and Greece and to cover the exchange risk that arises from these investments.

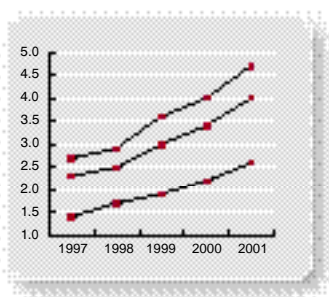
Group customer deposits reached C£ 3.756 m.

Assets

Total assets rose by C£ 654 m. reaching C£ 4.717 m. recording an increase of 16,1%. Advances increased by C£ 377 m. and liquid assets by C£ 300 m. Total advances in Greece were up by 41,1%.

The decision of Laiki Bank (Hellas) to expand into retail banking was one of the reasons for this increase. Liquid assets grew mainly due to purchases of government bonds and treasury bills which were used to partly cover the interest rate risk on the Cyprus pound.

FINANCIAL HIGHLIGHTS



Capital resources

The Group's capital resources were higher by 8,3% and amounted to C£ 479,4 m. mainly due to the issue of a new loan capital of euro 180 m.

