

# Cyprus: Confidence Restored

The successful restoration of the Cypriot finance and banking sector

**C**yprus is the largest island in the eastern Mediterranean sea and due to its location, an excellent hub for international trade and business. Because of the sunny climate and the warmth of the locals, the country is among Europe's favorite vacation destinations. Conditions are excellent not only for tourism: Cyprus is characterized by business-friendly policies, a highly skilled workforce and a modern, cutting-edge ICT infrastructure.



**Harris Georgiades**  
Minister of Finance



**John Hourican**  
CEO, Bank of Cyprus

opportunities on the island, along with a high quality of life.

Germany and Cyprus have close relations. The diplomatic relationship reaches back to 1960 and the independence of the Republic of Cyprus from Britain. The two partners share the experience of a divided country. Although the north of the island is in fact separated as the self-declared Turkish Republic of Northern Cyprus since 1974, the whole of Cyprus is EU territory.

**“Cyprus is an ideal center of operations with a good business environment, highly skilled personnel and a location that connects East and West.”**

**Marios Demetriades, Minister of Transport, Communications & Works**

The favorable business environment is shaped by an EU-compliant tax regime with a flat rate of 12.5% corporate tax and double taxation agreements in 60 countries. Large scale developments, major infrastructure projects and privatization plans as well as the newly restructured banking sector offer international investors interesting

With Cyprus joining the EU in 2004, relations with Germany have strengthened further. The Cypriot Minister of Finance, Harris Georgiades, appreciates the partnership with Germany, which is marked by good trade relations and close political cooperation. More than half of the Cypriot trade in goods is in exchange with the European Union, with Germany as the third largest export and fourth largest import partner. German direct investors are already putting their trust in Cyprus and rely on its internationally renowned shipping sector. Nearly half of Cypriot ship management companies are German owned. The German company Eurogate International GmbH won the tender for the container terminal

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**Marios Demetriades**  
Minister of Transport,  
Communications and  
Works

of the port in Limassol. The prestigious project is supervised by the leading law firm Ioannides Demetriou.

Due to the warm bilateral relations, the German Ambassador in Cyprus, Nikolai von Schoepff, is working towards establishing a joint chamber of commerce.

#### **Cypriot finance sector: return to stability**

The accession of Cyprus to the eurozone in 2008 led to a rapid development of the country's financial sector. The economic growth and outstanding performance of the banking sector

in the past two years have won Cyprus international acclaim. Credit rating upgrades and positive balance sheets for 2015 confirm the stability of the banking sector.

The country's stability, efficient infrastructure and favorable tax system traditionally attract international banks, using the island as a hub and connection between the EU, Eastern Europe and Asia and as a launch pad into high-growth markets.

2013 marked a significant change. At the height of the sovereign debt crisis in the eurozone, Cyprus was the fifth EU member state to apply for financial assistance. In a global precedent, the Troika imposed a bail-in of bank deposits as a condition of the package. As a result of this challenging adjustment program, Cyprus underwent a restructuring of the financial sector with subsequent recapitalisation in a record time of two years.

Due to remarkable resilience, Cyprus turned its back on the recession in 2015, much sooner than expected. Owing to the overall strengthening

of liquidity and capital adequacy, the stress tests of the ECB and the European Banking Authority have been passed successfully and Cyprus has drawn important foreign investors.

The European Bank for Reconstruction and Development (EBRD) has invested in the three main financial institutions of Cyprus: Bank of Cyprus, Cooperative Central Bank and Hellenic Bank. The latter played an extraordinary part as the only systemically important financial institution with no need to resort to the bail-out funds of the Troika.

Cyprus has radically outperformed its budgetary targets and ultimately did not require almost 30% of bail-out funds. Since then the country is experiencing growth again, with an expected GDP increase by 1.4% in 2016 and 2% in 2017. The completed recapitalization led to the return of confidence in the finance and banking sector.

**“Cyprus is a very open country and remains an attractive destination for tourism, business and investors.”**

**Harris Georgiades, Minister of Finance**

Intrinsically linked to the recovery of Cyprus is the management of non-performing loans. Instead of moving NPLs onto the sovereign balance sheet and ultimately burdening the taxpayer, Cyprus turned to a private sector solution. As a result, Bank of Cyprus as the country's largest bank has already repaid more than what Cyprus used for its adjustment program, a number equivalent to 50% of the GDP.

The Cooperative Central Bank approached non-performing loans with a holistic strategy and can point to phenomenal achievements for 2015. More than 10,000 cases of viable restructuring were completed, while transparency and reforms restored customer confidence. Nicholas

## **Wargaming: only passion leads to success**

**W**argaming is an award-winning developer of online computer games and leading in the market of free-to-play massively multiplayer online games. Titles such as World of Tanks, World of Warplanes and World of Warships focus on team-based strategy games across platforms on PC, consoles and mobile devices. The series with its advanced design puts gamers in mid-20th century war scenarios. Wargaming co-founder and CEO Victor Kislyi emphasizes the passion with which the products are developed: “In the gaming industry, you cannot go anywhere without passion.” From the beginning, Wargaming focused on strategy games which would satisfy the developers themselves and meet their own high standards.

In 2016, Wargaming can point to nearly 20 years of experience and has shipped more than 15 games. CEO Victor Kislyi identifies the major challenge for successful game developers and publishers as the need for continuous evolution to adapt to technology and player demands. When a company has reached a certain size, it is important to align growth and economic interests with initial start-up ideals. Wargaming is known for its expertise, strong reputation and connections in the industry, yet the company has kept its vision. The same passion as in the beginning still drives the production of big budget titles today. Constant advancement and innovation excite gamers of all types. For Victor Kislyi, the key to success is investing in knowledgeable people: Wargaming especially values entrepreneurial spirit, passion for game design and development and employees who know how to reach a global audience.



**Victor Kislyi**  
Founder & CEO  
Wargaming

The company employs over 4,000 professionals and has its headquarters in Nicosia in Cyprus. Geographically, this business hub is only one stop away from Dubai, London, Tokyo or Sydney. The strategic location allows the company to stay in touch with its global community of players. With an international presence, Wargaming is active across key regions such as North America, Europe, Russia, Asia and Australia. CEO Victor Kislyi praises the business-friendly climate in Cyprus and values the can-do attitude of the country's inhabitants and their trust in their abilities

to create greatness together.

Wargaming's massively multiplayer online games connect players worldwide. The company is proud to have more than 150 million registered players around the globe and titles are available in over 40 languages. Understanding the differences between markets, Wargaming creates interactive worlds that are challenging, entertaining and technologically advanced and enable gamers to find their own passion within. With the Wargaming.net League, the company has also expanded its presence into the eSports industry, attracting international eSports professionals. Wargaming puts players first and delivers legendary online games that are played with passion around the world.

Hadjiyiannis, CEO of CCB, views this as a collective success: "Resilience is a historical characteristic of Cyprus. United, people step up and assume responsibility."

**"Cyprus offers international companies an attractive, supportive business environment. In a region of historical difficulty, the country is an oasis of stability."**

**John Hourican, CEO of Bank of Cyprus**

The Cypriot banking sector is regulated by the Central Bank of Cyprus under ECB supervision. Arrangements and practices for commercial banking following the British model. Corporate governance standards in place are among the world's highest, ensuring the competitiveness of Cyprus. John Hourican, CEO of Bank of Cyprus, underlines the attractiveness for business: "Cyprus offers international companies an attractive, supportive business environment. In a region of historical difficulty, the country is an oasis of stability."

### ICT vote of confidence for Cyprus

In line with the Digital Agenda of Europe, Cyprus is committed to developing information and communications technology as a catalyst for economic growth and productivity. The privatization program, the country's drive for innovation and the financial incentives for IT companies create ideal conditions for start-ups.

"Cyprus is an ideal center of operations with a good business environment, highly skilled personnel and a location that connects East and West," declares Marios Demetriades, Minister of Transport, Communications and Works. He emphasizes the importance of

communications technology for the country's investment in the future.

The global community recognizes Cyprus as an emerging global technology hub and international companies such as the gaming giant Wargaming move their headquarters to the island, attracted by the business climate and the high-quality IT services.

Cyprus is able to benefit from its strategic location within easy reach of Europe, Asia and Africa. In the words of Victor Kislyi, co-founder and CEO of Wargaming: "As part of the EU and the eurozone, Cyprus is a great country for our global headquarters. The level of education is high and the geostrategic location makes it advantageous for a host of international hubs, including: Dubai, London, Tokyo and Sydney."

With technology and research initiatives, an efficient and competitive financial sector and its excellent location, Cyprus is able to offer foreign investors and businesses favorable conditions and significant growth opportunities for the coming years.

The Minister of Finance, Harris Georgiades, summarizes the situation as follows: "Cyprus is a very open country and remains an attractive destination for tourism, business and investors."

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## The Cooperative Central Bank stands for a modern Cyprus

**T**he Cooperative Central Bank Cyprus is a modern European banking institution. As the country's largest local financial institution, the bank holds the substantial market share of all retail deposits.

CEO Nicholas Hadjiyiannis aims for adopting the model of a competitive and streamlined European cooperative bank and highlights the CCB's important position both on the Cypriot banking sector and the competitive credit sector. The CCB is deeply rooted in the community, financing small and medium-sized enterprises, which are so vital to the economy of Cyprus - and the European Union. The Cooperative Central Bank seized the restructuring process of the financial sector in Cyprus as a moment of opportunity to transform the organisation and its culture.

By facing this great challenge head-on, an ambitious significant transformation since 2013 has been achieved in record time. Following the mission of offering a competitive and transparent banking option, the Cooperative Central Bank pursues a responsible banking policy. The results for 2015 show that with a holistic strategy and strong incentives for borrowers, the bank is leading the management of Non-performing Loans. Results increased 7 fold with the cure rate staying at 80%.

The commitment to corporate responsibility and transparency is paying off: By restoring confidence with the motto "What you see is what you get" and by abolishing smaller fees, the Cooperative Central Bank ranks first in client preference in Cyprus.

Going forward, the Cooperative Central Bank will venture stronger into the SME lending and ancillary income generating services.

CEO Nicholas Hadjiyiannis draws from crucial international experience at Merrill Lynch and BNP Paribas, an experience which was key in the creation of the internationalization of the strategies and the adoption of



**Nicholas Hadjiyiannis**  
CEO  
Cooperative Central Bank

the best practices across the CCB. The most important achievement is the creation of the financial framework and architecture for Npl management division.

The implemented platform adopts international strategies and best practices, while the architecture remains open to fit Cypriot clients with tailor-made solutions. Hadjiyiannis is convinced that the bank will continue to lead by example, bringing value to customers through the results-oriented approach and collective effort of hand-picked teams with interpersonal skills. This balance is key to the CCB's success and future: The bank will stay true to its values, strong history and culture and aim to be competitive and attractive within the European banking system. The CEO will advance the streamlining process and gradually lead the Cooperative Central Bank Cyprus to a stock exchange listing within the next 24 months.

The CCB stands for building close relationships with business partners and clients; for internal expertise, developed in close work with the IMF and international consultants; for a strategic plan with an open architecture based on the best and most recent market practices. It is on track to fulfill both its vision by serving responsibly the banking needs of every citizen, family and company to support a country that will grow and prosper and progress, as well as its ambitions of accessing capital markets through a stock exchange listing in the future.



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[www.ccb.coop.com.cy](http://www.ccb.coop.com.cy)

## Cyprus is a country of investment opportunities

**H**ellenic Bank has been able to establish itself as one of the largest banking and financial institutions of Cyprus in a short period since its commencement of operations in 1976.

The bank has a network of more than 60 branches in the country and employs 1,400 people. The success of the Hellenic Bank is determined by exemplary customer service, a wide range of financial products and services and the use of modern technology in information and control systems (ICTs).

Irena Georgiadou, chairwoman of Hellenic Bank, describes the business policy as "business not as usual" and points out the significant change Cyprus has gone through. The country enjoys international recognition and the confidence of investors.

Cyprus is characterized by attractive conditions to visit, live, work and invest. The business climate and investor environment are favorable. The old, pre-crisis business practices no longer exist, with Hellenic Bank operating as a modern, efficient and results-oriented financial institution.

After the restructuring of the financial sector as part of the economic adjustment program, the Cyprus banking system is now supervised by the European Central Bank.

The recapitalization of banks has been completed successfully. With proper structures for corporate governance in place, deposits are returning quickly and confidence in the system is on the rise.

Hellenic Bank has the chance to not only overcome nonperforming loans, but also face Europe wide challenges. For Irena Georgiadou as chairwoman, it means finding the right balance between increased regulations and unconventional monetary measures dictated both by the ECB and the Bank's own ambitious strategy for growth.



**Irena A. Georgiadou**  
Chairwoman  
Hellenic Bank

Hellenic Bank is the only systemic bank — not only in Cyprus but in the whole region — which did not have to resort to any bail-out funds.

Instead, the recapitalization has been completed through financing on behalf of quality investors shortly after the climax of the crisis.

### Strong and Robust

Hellenic Bank is now fully recapitalised, having passed the ECB stress test

Hellenic Bank has also found a strategic shareholder and valuable partner in the European Bank of Reconstruction and Development (EBRD).

Irena Georgiadou has an unbiased and fresh perspective on the financial sector. Through her previous role as Chief of Staff at the Ministry of Finance in Cyprus, she has the benefit of a life-changing role with the experience of constant interaction at the highest level.

Under her confident leadership, Hellenic Bank is a long way from returning to "business as usual."

With her election as chairwoman of the board, the shareholders are advocating an innovative corporate culture, defined by a new approach and thinking outside of the box.

Hellenic Bank's corporate governance is a team effort to implement a customer-centric structure which meets the differing requirements of its wide and diverse client base.

**Hellenic Bank**

[www.hellenicbank.com](http://www.hellenicbank.com)



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