

February 25, 2014

Director,  
Cyprus Stock Exchange,  
71-73 Vyronos Avenue,  
Nicosia

Dear Sir,

### **ANNOUNCEMENT**

#### **DECISIONS OF THE MEETING OF THE BOARD OF DIRECTORS OF USB BANK PLC FOR THE CAPITAL BASE**

Further to the announcement dated 12 February, 2014, we wish to inform you that the Board of Directors of USB BANK PLC (the "Bank") decided at the meeting held on 24 February, 2014 in relation to capital matters and having taken into account the prevailing financial conditions both in Cyprus and internationally, as well as the increased supervisory capital requirements set in the updated Memorandum of Understanding of 6 November 2013, to convene an Extraordinary General Meeting of the members of the Bank on 27 March, 2014 in order to propose for adoption the following Resolutions:

#### **SPECIAL RESOLUTION NO.1**

**THAT** the authorised share capital of the Bank which comprises of Euro 85.500.000 divided into 150.000.000 shares of a nominal value of Euro 0,57 each, as well as the issued share capital of the Bank which comprises of Euro 56.584.277,91 divided into 99.270.663 ordinary shares of nominal value of Euro 0,57 each, be reduced so that the authorised share capital is reduced to Euro 15.000.000 divided into 150.000.000 ordinary shares of a nominal value of Euro 0,10 each and the issued share capital is reduced to Euro 9.927.066,30 divided into 99.270.663 ordinary shares of a nominal value of Euro 0,10 each, and that this reduction is carried out by the reduction of the nominal value of each ordinary share from Euro 0,57 each to Euro 0,10 each for the purpose of writing off losses and **THAT** immediately after the above reduction, the authorised share capital of the Bank be re-increased to the amount of Euro 85.500.000 which will be divided into 855.000.000 ordinary shares of a nominal value of Euro 0,10 each.

#### **Explanation:**

The reduction of the nominal value of the share is proposed in order to facilitate the issue and allotment of new ordinary shares in view of the prevailing market conditions and the fact that pursuant to the Cyprus Companies Law Cap 113 (as amended), new shares cannot be issued and allotted at a price lower than the current nominal value of Euro 0,57 which is higher than the current net asset value per share. The proposed reduction of the price of the nominal value of each share is effected in order to provide greater flexibility for the issue of shares.

The total amount from the reduction of the nominal value of the issued ordinary shares amounting to Euro 46.657.212 will be utilised for the reduction of the Bank's capital against accumulated losses of the Bank.

This special resolution No.1 is subject to ratification by the District Court of Nicosia.

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## **SPECIAL RESOLUTION NO.2**

(a) THAT, subject to the approval of the above Special Resolution No.1 by the District Court of Nicosia, the Board of Directors of the Bank be authorised to issue and allot 66.666.667 new ordinary shares of a nominal value of Euro 0,10 each at the issue price of Euro 0,30 each pursuant to the provisions of these resolutions; and

(b) THAT, subject to the approval of the above Special Resolution No. 1 by the District Court of Nicosia and pursuant to Special Resolution No 2 (a), the pre-emption rights of the existing members of the Bank in relation to the said issue are hereby waived in accordance with the provisions of the Cyprus Companies Law Cap. 113 (as amended); and

(c) THAT for the purpose of the increase of the issued share capital of the Bank, the 66.666.667 new ordinary shares of a nominal value of Euro 0,10 will not be offered to the existing members of the Bank on a pro rata basis but will be issued and allotted at the price of Euro 0,30 per share to BLC Bank SAL. The 66.666.667 new ordinary shares will rank pari passu with the existing fully paid shares of the Bank.

### **Explanation:**

Special Resolution No.2 enables the Bank to strengthen its capital base in order to achieve satisfactory capital adequacy ratios and compliance with the regulatory requirements.

It is noted that BLC Bank SAL, the majority shareholder of the Bank has made an irrevocable commitment before the year end of 2013 to fully cover any required increase of capital of the Bank in an effort for the Bank to comply in a timely manner with the regulatory requirements and maintain an adequate capital base by blocking in an escrow account €20m demonstrating its continued support to the Bank. As a consequence the Core Tier 1 ratio of the Bank as at 31 December 2013 stands at 10.2% and the Total Capital Ratio at 13.04%.

For this reason, the Board of Directors of the Bank proposes to the shareholders to waive their pre-emption rights and proceed with the issue and allotment of 66.666.667 new ordinary shares of a nominal value of Euro 0,10 each at the issue price of Euro 0,30 each.

Due to the fact that the proposed Issue will not be allocated to all existing members, BLC Bank sal has further expressed its commitment to dispose up to 1.790.363 ordinary shares of nominal value of €0,10 each, at the issue price of €0,30 per share (which represents the proposed issue price of the new shares to BLC Bank sal), to those registered members of the Bank who will within 30 days from the date of the Issue to BLC Bank sal ("Expiry Date"), following the approval of the proposed Resolutions at the Extraordinary General Meeting, the approval of Special Resolution No. 1 by the District Court of Nicosia and provided that an exception is granted by the Cyprus Securities and Exchange Commission in accordance with the provisions of the Public Takeover Bids Law (L.41(I) / 2007), express their interest in acquiring such number of shares which correspond to the ratio and number that they will hold on the Expiry Date that represents the number of shares that would have been offered to them if the Issue was offered and allotted to all members of the Bank on a pro rata basis.

After the completion of the issue and allotment of 66.666.667 new ordinary shares, the Bank will take all necessary measures for their listing on the Cyprus Stock Exchange, provided that an exception is granted to BLC Bank SAL by the Cyprus Securities and Exchange Commission in accordance with the provisions of the Public Takeover Bids Law (L.41(I) / 2007).

With the successful completion of the reduction, the re-increase and subsequent issue and allotment of 66.666.667 new ordinary shares, the issued share capital of the Bank will amount to €16.593.733 divided into 165.937.330 ordinary shares of nominal value of €0,10 each.

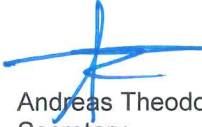
It is noted that BLC Bank sal currently holds 96.604.705 shares that represent 97,31% of the issued share capital of the Bank out of which 53.765.035 are temporarily suspended. With the completion of the above issue, the stake of BLC Bank sal in the share capital of the Bank will increase to 98,39% (excluding any possible disposal of 1.790.363 shares by BLC Bank sal mentioned above to the registered members of the Bank).

**ORDINARY RESOLUTION**

THAT the Board of Directors be and is authorized to take all necessary actions in order to give effect to the above resolutions, including, to make all necessary applications to the District Court of Nicosia for a Court Order approving the aforesaid Special Resolution No.1, to make all necessary entries in the Bank's books and finally to file all necessary returns with the Registrar of Companies as prescribed by law.

The relevant notice to the shareholders in accordance with the provisions of the Cyprus Companies Law Cap. 113 (as amended) will be mailed in due course.

Yours sincerely,



Andreas Theodorides  
Secretary

c.c. Chairman, CySec.