

USB BANK PLC
INDICATIVE RESULTS FOR THE YEAR ENDED
31 DECEMBER 2013

On 24 February 2014 the Board of Directors of USB Bank Plc (the “Bank”) reviewed and approved the unaudited indicative results of the Bank for the year ended 31 December 2013.

The environment:

The Board of Directors noted that the current period is characterized by unprecedented developments in the financial sector and in the economy in general after the developments that followed the Eurogroup decisions on the 25th of March 2013. The uncertain economic conditions in Cyprus created by the imposition of capital controls in the banking transactions, new stringent banking regulations and the intense economic recession are the key factors that affect the operations and the financial results of all the banks in Cyprus including the Bank.

The Liquidity:

Despite this operational environment the Bank maintained healthy liquidity levels, with:

- A gross loans to deposits ratio that stands at 84%,
- A liquidity ratio in Euro that stands at 26% with the minimum regulatory ratio being 20%,
- A foreign currencies liquidity ratio that stands at 96% with the minimum regulatory ratio being 70% and
- No financing from the European Central Bank or from any other external party.

The operational profit:

Regardless of this economic environment and the restrictive measures imposed on the banking transactions both locally and internationally which resulted in the reduction in the Banks’ turnover for the year by 6%, the operational profit of the Bank has substantially increased by 79% for the year 2013 and amounted to €8,6 million in relation to €4,8 million for the corresponding last year:

- Interest income presented a decrease of 5% in relation to last year and amounted to €40,9 million in relation to €43 million for year 2012 mainly due to the reduction in the income received from placements and investments because of the lower returns during the year based on a more prudent approach.
- Interest expense amounted to €18,4 million in year 2013 in relation to €24,6 million in year 2012 presenting a reduction of 25% as a result of the reduction in the cost of deposits and, to a lesser extent and due to the capital restrictions, the decrease in the customer deposits which amounted to €590 million in relation to €657 million at end of 2012.
- As a result of the above the net interest income increased by 22,3% from €22,5 million in relation to €18,4 million for the corresponding last year.
- Net fee and commission income decreased by 17% due to the reduction in turnover and the imposition of capital controls and amounted to €3,3 million in relation to €4 million for last year.

- The staff cost which represents 69% of total expenses of the Bank presents a decrease of 7% in relation to last year due to the full recognition in year 2012 of the accounting loss of the retirement benefit after the decision to replace the defined benefit scheme with a defined contribution scheme in December 2011.
- The other administration expenses present an increase of 8% in relation to last year mainly because of increased expenses incurred for the support of the Bank's operations in a more than difficult environment with new stringent regulations.

Exceptional losses and provisions:

- In October 2013 the Bank reclassified a loss of €1,6 million from the investment revaluation reserve to the income statement as a result of the sale of a bond that was classified under the "Investments available for sale" category and, as a consequence, the Bank has no more exposure either on Greece or on the banking sector in Cyprus.
- In addition, an amount of €2,2 million was recognized as a loss on revaluation of investment properties which were acquired by the Bank in settlement of customer debts and are accounted for at their estimated fair value at the reporting date.
- Due to:
 - o the continuing economic recession,
 - o the continuing reduction in real estate prices,
 - o the Central Bank of Cyprus new regulations related to the classification of loans and the provisioning methodology,and based on the resulting repayment difficulties faced by clients the provisions for impairment of loans and advances increased substantially and amounted to €19,7 million in relation to €3,7 million for the corresponding last year.

Net Results for year 2013:

As a consequence of the above, the loss for the year 2013 amounted to €15,9 million in relation to losses of €824 thousand for last year.

Outlook:

The requirements of the new economic environment require a prudent management and a strong capital base. As a consequence, the main objectives of the Bank, are the effective management of existing and new credit risks and the maintenance of adequate capital base and liquidity.

To that effect, the Bank's parent company BLC Bank SAL has renewed, on its own and before the closing of 2013, its continuous support to the Bank by taking proactive measures to strengthen the Bank's capital base in order to respond to the new economic and regulatory environment by blocking in an escrow account €20 million as an irrevocable commitment to fully cover any required increase of capital. As a consequence, the Core Tier 1 ratio of the Bank stands at 10,2% and the Total Capital Ratio at 13,04% allowing for further growth of the Bank.

For this purpose the Board of Directors of the Bank decided to propose the issue of €20 million ordinary shares.

Key Indicators:

	2013	2012
	€000	€000
Turnover	44.807	47.733
Profit before provisions for impairment of loans and advances and revaluations of investments and properties	8.649	4.762
Loss from sale and revaluation of investments and properties	(3.760)	(713)
Profit before provisions for impairment of loans and advances	4.889	4.049
(Loss)/profit after provisions for impairment of loans and advances	(14.774)	385
Provision for impairment of Greek Government Bonds	-	(504)
Provision for impairment of investments available for sale	(171)	(290)
Loss for the year after tax	(15.873)	(824)
Loss per share (cent)	(16,0)	(1,2)
Customer deposits	589.677	657.121
Loans and advances to customers (gross)	497.338	489.267

Notes:

1. The audit of the Bank for the year ended 31 December 2013 by the external auditors is not yet completed.
The indicative results are prepared in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113. and in accordance to the Cyprus Stock Exchange Laws and Regulations.
The indicative results are prepared in accordance to the same accounting policies of the audited financial statements for the year 2012, except with the adoption of the new and amended IFRSs and Interpretations with effective date 1 January 2013. The adoption of the new and amended IFRSs and Interpretations did not have any impact on the indicative results.
2. The Bank's main activity is the provision of banking and financial services in Cyprus.
3. The indicative results and the explanatory statement for the year ended 31 December 2013 will be published to a newspaper on Wednesday 26 February 2014. Also copies will be made available for the Bank's shareholders at the Bank's registered office, 83 Digenis Akritas Avenue, 5th floor, 1070 Nicosia and on the Bank's internet site www.usbbank.com.cy under Investor Relations.