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ANNUAL REPORT 2008

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ANNUAL REPORT 08

USB BANK PLC
(formerly Universal Bank Public Limited)

Contents

Notice of Annual General Meeting

Agenda

1. Submission of the financial statements of the Bank for the year ended 31 December 2008 and the Directors' and Independent Auditors' Reports.
2. Election of the members of the Board of Directors. The biographical details of the members of the Board of Directors submitting themselves for re-election are presented on pages 9 to 11 of the Annual Report.
3. Fix the remuneration of the members of the Board of Directors.
4. Re-appointment of the Independent Auditors and authorization of the Board of Directors to fix their remuneration.
5. Any other business which can be carried out at an Annual General Meeting.

By order of the Board

Michalis Kleopas
Secretary

Nicosia, 10 April 2009

Chairman's Statement

Dear shareholders,

In year 2008 we were faced with probably the most severe financial crisis since the end of 2nd World War, which undoubtedly has affected the economy and the banking system worldwide. The collapse of large financial institutions, followed by the crash of the stock markets, and the lack of market liquidity, has led to an international economic slowdown.

Although the Cyprus economic growth shows greater resistance to most of the European countries, the aggressive pricing policies especially on the deposits site, and the increased competition from local as well as from foreign European banks operating in Cyprus, has put into trial the profitability of banks and necessitated the review of their objectives and policies.

Our Bank, following the change in the shareholder structure in February 2008 and within the framework of its strategic plan for innovative and efficient redevelopment and growth, has created a new, contemporary and dynamic corporate identity and has been renamed to USB BANK PLC, responding to the new challenges of the continuously changing financial sector.

Within the framework of timely and effective management, the Bank administers, measures and closely monitors its exposure to different risks to ensure a constant value to its shareholders. During the year, the Bank has invested in low risk products and had limited exposure to interbank finance.

The Bank's strong liquidity for the year 2008, with the gross loans to deposits ratio being 80% and the capital adequacy ratio, as per Basel II requirements, being 11,60%, represent important strategic priorities to the Bank for its future development and profitability.

Despite the increased competition, both the deposits and the total advances showed an annual increase of 11% and 44% respectively. The customer deposits and other accounts amounted to €448,4 million in comparison to €403 million in December 2007, while the total advances amounted to €313,2 million in comparison to €217,9 million in December 2007. The further improvement of the quality of the advances portfolio remains a priority. The total provisions for impaired loans and advances amounted to €44,3 million in 2008 relating to €46 million in 2007 representing a decrease of 4%. The loans and advances for which interest is suspended were reduced by 8% in comparison to 2007, due to the efficient monitoring of credit portfolio.

Equity showed an increase of 5% and amounted to €30,9 million in 2008 relating to €29,4 million in 2007. An increase of 4% was achieved in the Bank's total assets, which amounted to €486,1 million in December 2008 in relation to €468,3 million in December 2007.

The net interest income amounted to €11,2 million in relation to €17,6 million in 2007. This decrease was mainly due to the lower compared to the prior year, recovery of interest previously suspended from the Bank's income, as well as to the continuous reductions of the minimum interest rate for the main refinancing operations of the European Central Bank (Repo Rate), during the last quarter of 2008.

Despite the increased competition for attracting deposits, the interest expense showed a marginal increase of 3% in relation to 2007 amounting to €15,4 million.

The total of other income for the year showed a decrease of 9% and reached €3,7 million in comparison to €4,1 million for the year 2007, mainly because of the loss of income from the Euro adoption as the official currency of Cyprus.

The total administration expenses showed a slight increase of 2% and reached €12,6 million, while the staff costs, which represent 66% of the above expenses, showed an increase of 9% due to the application of the employment terms of the collective labour agreement. The total of other operating expenses showed a decrease of 8% and reached €4,3 million for the year 2008 as a result of the cost reduction efforts.

As a result of the above and despite the unfavourable economic conditions, the Bank maintained its profitability, with the profit before provisions amounting to €2,3 million in comparison to €9,3 million in 2007 and the profit for the year to €0,6 million in relation to €7,8 million in 2007.

The year 2009 is expected to be a challenging year for the Cyprus economy and for the financial sector with reduced growth rates. The Management of the Bank takes all the necessary measures to counter act the negative implications of the financial crisis, with primary focus on the long term growth and disciplined expansion of the Bank's operations rather than on the short term profitability.

Chairman's Statement (continued)

In a period of economic slowdown, the right pricing, the efficient management of credit risk together with strong liquidity and capital adequacy are key focus areas and are crucial for the Bank's operation and long term prospects.

We continuously upgrade our systems and processes in order to provide quality service and products to our customers but also to improve the Bank's effectiveness.

The Bank's new name, noting our legacy, Universal Savings Bank, communicates a new dynamic era for the Bank. A Bank, which respects its heritage but at the same time glances at the future with drive and professionalism. The Bank is changing to focus more on client's needs and to play an active part in their lives, building relationships based on trust and respect.

The corner stone for the success of the Bank's strategic plan is its human capital that works with dedication for the achievement of the Bank's goals within the current financial environment.

Closing, I would like to thank the former Chairman, Mr. Takis Klerides, the former General Manager Mr. Spyros Episkopou and the members of the Board of Directors who resigned in 2008 for their contribution to the Board and for their services to the Bank. I would like to extend special thanks to our clients and shareholders for their trust and support. Our promise is to apply a reliable and balanced policy aiming always to the creation of additional value to our shareholders and clients.

Pavlos Savvides
Chairman

Report on Corporate Governance

Part A

The establishment and adoption of the corporate governance principles and the reinforcement of the supervisory role of the Board of Directors aims at the full transparency over the total administration of USB BANK PLC (the "Bank"), the continuous servicing of corporate interest and investors, the provision of timely information, as well as the guarantee of sufficient independence in the Board of Directors decision making.

The Board of Directors recognizes the importance of implementing sound corporate governance policies as a basic precondition for the creation of value to the shareholders and the community.

In November 2004, the Board of Directors decided to fully adopt all the provisions of the Corporate Governance Code of the Cyprus Stock Exchange (the "Code") and in January 2007 adopted the provisions of the revised Code.

Part B

The Board of Directors of the Bank confirms that it has taken appropriate action in order to comply with the provisions of the Code.

Information relating to the application of the principles and provisions of the Code, are given below:

Board of Directors

Role of the Board of Directors

The Bank is governed and controlled by the Board of Directors as per the provisions of its Memorandum and Articles of Association.The Board of Directors has mainly the role of setting the strategic objectives and ensuring that these objectives are achieved, through the application of adequate internal administration and internal control system. The Board of Directors is responsible for the monitoring and evaluation of the actions and output of the Executive Management as well as to its conformity with the policies issued.

Areas the Board of Directors is dealing with

- Target setting and strategic policy of the Bank.
- Preparation of the annual budget and the operational plan of the Bank.
- Setting the framework for capital investments and expenditure.
- Mergers, acquisitions, and sale of Bank's assets.
- Adoption and application of amendments to the International Financial Reporting Standards.
- Monitoring of the substantial transactions of the Bank of any nature, in which the Chairman, the Executive Directors, member of the Board of Directors, Executive Management, the Secretary, the Auditors, or major shareholders of the Bank as well as their related parties that hold directly or indirectly more than 5% of the issued share capital of the Bank or voting rights, have a direct or indirect substantial interest.
- Selection, appointment and termination of the services of the Bank's Managing Director.
- Smooth succession of the Bank's Top Management.
- Directors' retirement policy.
- Selection and appointment of Bank's Secretary.

The members of the Board of Directors are appropriately informed by the Bank about their responsibilities as well as the responsibilities of their related parties in accordance to the Cyprus Stock Exchange Laws and Regulations, and the laws, regulations and guidelines of the Cyprus Securities and Exchange Commission. They are also informed about the responsibilities of the Bank in accordance to the Cyprus Companies Law Cap.113, the Cyprus Stock Exchange and the Cyprus Securities and Exchange Commission.

For the best possible implementation of their responsibilities as members of the Board of Directors, all the members, after approval by the Board of Directors, can take independent professional advice with all expenses covered by the Bank.

All Board members may also receive advice and other services by the Bank's Secretary.

The Bank's Board of Directors operates in accordance with the principles of collective responsibility and no differentiation exists between groups of Directors with regards to their responsibility.

Areas the Board of Directors is dealing with (continued)

The Secretary ensures the application of the Board of Directors procedures and the Board's compliance with the applicable regulations.

The Bank's Directors hold positions in other companies' Boards of Directors (listed and non listed). The members of the Board of Directors notify to the Bank the companies in which they take part and also their role in these companies (executive or non executive). Their participation in other Boards of Directors does not prevent them from dedicating the required time and attention in carrying out their duties as part of their role in the Bank's Board of Directors.

Meetings of the Board of Directors

The Board of Directors must meet regularly, at least 6 times in a year. During 2008, the Board of Directors has met 12 times.

The Directors receive prompt written notice together with all the essential documentation before any Board of Directors meeting, so that they are appropriately prepared for its attendance.

Composition of the Board of Directors

On 31 December 2008 the Bank's Board of Directors comprised of one Executive member, Mr. Kikis Kyriakides and of seven non executive Directors:

Savvides Pavlos (Chairman)
Kleopas Michalis (Secretary)
Mouzouris Yiannos
Keheyan Garo
Demosthenous Kleanthis
Stylianou George
Christofi Yiannos

With a Board of Directors decision dated 21/1/2009, the members of the Board of Directors were increased to twelve (12). Specifically, the following new members were appointed:

Theodorides Andreas	- Executive member
Polycarpou Despo	- Executive member
Philis Philippos	- Non Executive member
Hannides Marios	- Non Executive member

Senior Independent Director

With a Board of Directors decision, dated 12/12/2008, Mr. George Stylianou was appointed as Senior Independent Director. This position was filled after the resignation of Mr. Christakis Pavlou on 30/9/2008.

The Senior Independent Director is available to listen to the concerns of the shareholders, whose problems have not been resolved through the normal communication channels.

Non executive Directors

The nine non executive Directors, represent 75% of the total members of the Board of Directors, which is line with the provisions of the Code, which states that the non executive Directors should not be less than 1/3 of the Board of Directors.

Classification criteria for determining Independent Directors

The Bank has adopted classification criteria for the Independent Directors, which were determined in accordance to the Code of the Cyprus Stock Exchange and the Directive[1] of the Central Bank of Cyprus for the Framework of Principles of Operation and Criteria of Assessment of Banks' Organizational Structure, Internal Governance and Internal Control Systems (the "Directive").

The Bank, has drawn up the "Director's Declaration of Independence", with the ultimate purpose of compliance with the A.2 provision of the Code.

[1]The Directive was issued according to article 41 of the Banking Laws of 1997.

Classification criteria for determining Independent Directors (continued)

In the Banks' Board of Directors four independent non executive members participate, (Mr. Keyehan Garo, Mr. Stylianou George, Mr. Philis Philippos and Mr. Hannides Marios). With the participation of these four independent Directors, the Bank confirms that it complies with the provision A.2.3 of the Code, which refers to the balance of the Board of Directors and requires that the majority of the non executive Directors or at least two persons are independent for companies that are listed on the parallel market. There are five non independent and non executive members on the Board of Directors.

Definition and Division of Responsibilities of the Chairman and Managing Director

The Chairman responsibilities are performed by Mr. Pavlos Savvides and the responsibilities of the Managing Director by Mr. Kikis Kyriakides. The Chairman is responsible for the proper running of the Board of Directors meetings and the General Meetings of the Bank, guides the Board of Directors and deals with strategic issues of the Bank. The Managing Director has the responsibility for the daily operations of the Bank and deals with the management and the effective monitoring of the activities and operations of the Bank.

The division of the Chairman position and the Managing Director position satisfies the relative provision A.2.6 of the Code.

Re-election of Directors

According to the Banks' Articles of Association, at the first annual general meeting of the Bank, all directors shall retire and at the annual general meeting of each consecutive year, one third of the directors for the time being, or if their number is not three or a number multiplied by three, then the number nearest to the one third (rounded up), shall retire from their position.

For the year ended 31 December 2008 and according to the Banks' Articles of Association at the next annual general meeting of the shareholders, Mr. Kleopas Michalis, Mr. Stylianou George and Mr. Demosthenous Kleanthis will retire but they offer themselves for re-election.

The names of the Directors who are submitted for election or re-election are accompanied by their biographical details, so that the shareholders can make an informed decision on their election.

Member resignations during the year 2008

On 24/6/2008 Mr. Klerides Christakis, Mr. Episkopou Spyros, Mr. Mavrellis Christos and Mr. Miranthis Kypros, have resigned from the Board of Directors.

On 8/8/2008 Mr. Ellinas Christodoulos has resigned, on 30/9/2008 Mr. Pavlou Christakis has resigned and on 19/12/2008 Mr. Vidalis Demetrios has resigned.

Loans and other transactions of the members of the Board of Directors

Details of the loans and other transactions of the members of the Board of Directors and their related parties for the year ended 31 December 2008 are set out in Note 33 of the audited financial statements. It is certified that all the transactions are conducted in the normal course of the Banks' business, on an arms length basis and with transparency.

Biographical Details of the Members of the Board of Directors

Short biographical details of the members of the Banks' Board of Directors as at the date of this report are set out below:

Non Executive Members

Savvides Pavlos (Appointed on 28/2/2008)
(Appointed on 7/7/2008 as Chairman of the Board of Directors)

Born in 1949. He is a Chartered Accountant, member of the Institute of Chartered Accountants in England & Wales. In 1989 he was appointed Minister of Communication and Works until 1991. From 2002 to 2004, he was president of the Cyprus Stock Exchange. Since 2004, he has been involved in a number of mergers and acquisitions mainly in the banking sector in Cyprus and Greece and he is a member of the Board of Directors in a number of public and private companies.

Biographical Details of the Members of the Board of Directors (continued)

Non Executive Members (continued)

Kleopas Michalis (Secretary – appointed on 21/1/1994)

Born in 1949. He holds a Law degree from the University of Athens. He has been a member of the Board of Directors of the Bank since 1994. For many years he has been a member of the Legal Council of the Republic, a member of the Disciplinary Board of the Cyprus Bar Association and a member and officer of the Cyprus Bar Association. For many years he has been a member of Sport Supreme Judicial Committee and appointed as President and member of various Legal, Disciplinary and Investigative Committees of the Cyprus Sport Organization, the Cyprus Football Association, the Cyprus Handball Association and the Technical Committee of Referees. He is a Secretary and member of the Board of Directors of a number of private and public companies.

Mouzouris Yiannos (Appointed on 2/5/2007)

Born in 1969. He graduated from the University of Wisconcin Madison with degrees in Bsc Electrical and Computer Engineering and Mathematics, M.Sc. Electrical and Computer Engineering and M.Sc. Investment and Banking. Later on, he completed his PhD Electrical and Computer Engineering at the same university. He started his career in 1999 in Prudential Securities Inc. in New York. In 2000 he moved to CLR Financial Services Ltd, where he was mainly involved in investment banking. Later on, he worked for 3 years in Tufton Oceanic Finance Group Ltd as Business Development Officer. From 2004, he works in Interorient Navigation Co. Ltd as the Business Development Officer. He is a member of the Board of Directors of a number of private and public companies.

Demosthenous Kleanthis (Appointed on 24/6/2008)

Born in 1964. He has a degree in Business Management and a Law degree by the Aristotle University of Thessaloniki. He started his career in 1992 in the Cyprus Trading Corporation until 1998. Later on he worked as a Lawyer in the Legal office of Kallis & Kallis and from 2001 until today he works as a partner in the Legal office Argyrou & Demosthenous. He is a member of the Board of Directors of a number of private and public companies.

Christofi Yiannos (Appointed on 24/6/2008)

Born in 1964. He has a Bsc degree in Economics with specialization in Finance. During his studies he took part in several surveys relating to the Cyprus Stock Exchange. From 1991 to 1995 he worked in several departments of retail banking in Bank of Cyprus. From 1995 to 1997 he worked as a Manager/Marketing Officer in the private individuals sector in the Limassol region. From 1997 to 2000 he worked as Manager/General Representative of the four representative offices of Bank of Cyprus in Australia, where he took over the responsibility for the set up of a local bank, Bank of Cyprus Australia Ltd. From 2000 to 2002 he worked in Marketrends Financial Services Ltd as the General Manager for Business Development. Today he is the Executive Director of Aspis Liberty Life Insurance Public Co. Ltd. He is a member of the Board of Directors of a number of private and public companies.

Keyehan Garo (Appointed on 9/7/2007)

Born in 1953. Graduated from Oxford University with a degree in English Language and Literature. He obtained a post-graduate degree in International Relations from the University of Southern California (USC) and an MBA from the University of Callifornia, Los Angeles (UCLA). In 1981 he returned to Cyprus as an Executive Director of Stella Holdings Ltd, an investment company and also as Chairman of Pharos Consultants Ltd a business and management consulting company. He is the founder and president of the non-profit making organization “Pharos”. From 1986 until 2000, he was a member of the Board of Directors of Lombard Natwest Bank Ltd (later on Alpha Bank Ltd). He is the Honouring Ambassador of Brazil in Cyprus.

Stylianou George (Appointed on 24/6/2008)
(Senior Independent Director – appointed on 11/12/2008)

Born in 1966. He has a Bsc (Honours) degree in Economics from Ealing College of United Kingdom. He is a member of the Association of Chartered Certified Accountants and the Association of Certified Public Accountants of Cyprus. From 1990 to 1993 he worked in London for Moore Stephens Chartered Accountants and from 1994 until today he works as a partner in Moore Stephens/Panayiotis Stylianou & Co. Accountants and Consultants in Cyprus.

Biographical Details of the Members of the Board of Directors (continued)

Non Executive Members (continued)

Philis Philippos (Appointed on 21/1/2009)

Born in 1961. He has a Dipl. Ing. (MSc) Mechanical Engineering Rwth Aachen, Germany ELP (Executive Leadership) CIIIM. He specialized in the construction sector and to the application of expert software systems for rationalized production, ship management and logistics. From 1989 to 1997 he worked in the family printing company Aristos Philis Printers Ltd. As a Production Manager he developed software systems for review and planning of the production, cost accounting and set up of a data warehouse, covering all the products and services of the Company. In 1996 he founded Lemissoler Shipping Group with activities in international shipping. From the date of the Company’s set up he is acting as a an Executive Director for the Group, which has offices in Limassol, in Hamburg Germany, in Gdynia Polland, in Kiev and Odyssos Ukraine, in New Delhi India, in Kuveit, in Bahrain, in Riga Latvia. He is a member of the Cyprus Professional Engineers Association, the Cyprus Scientific and Technical Chamber and the Institute of Marine Engineering, Science & Technology (IMAREST). He is also a member of the Executive Board and President of the Technical Committee of the Cyprus Shipping Chamber. He is a member of the Board of Directors of a number of private and public companies.

Hannides Marios (Appointed on 21/1/2009)

Born in 1975. He studied Law in the University of Hull in England followed by postgraduate studies in European Intercultural Management in Brussels. He worked in the European Union Press and Information Office in Brussels. He was also employed as a consultant by the European Press and Information Organization in Brussels participating in missions and representing the Organization in several European countries. Today he is the General Director of the Cyprus Heart Foundation with intense interest in research, prevention and information for the heart diseases in Cyprus and overseas. He represents the Cyprus Heart Foundation as a permanent member in the European Heart Network, which is situated in Brussels, but also to the World Heart Federation in Geneva.

Executive Members

Kyriakides Kikis (Managing Director - Appointed on 21/1/2009)

Born in 1948. He graduated the Economics Department of the Law School of the University of Athens. He specialized in Banking in a special program in the United Kingdom from Bank of America and throughout his career he took part in a number of seminars relating to Business Administration and Banking services. He worked for five years in a public company in Glasgow Scotland as an Administrator/Auditor. In 1980 he was employed by Hellenic Bank in Cyprus where he reached the position of Nicosia Regional Manager. In 1994 he took the position of the General Manager in the National Bank of Greece (Cyprus) Ltd where he worked until 2005. Today he holds the position of the Banks’ Managing Director. He is a member of the Board of Directors of a number of private and public companies.

Theodorides Andreas (Appointed on 21/1/2009)

Born in 1970. He has a BA Economics with specialization in Accounting and Finance of the University of Manchester, United Kingdom. He is a Chartered Accountant, member of the Institute of Chartered Certified Accountants in England & Wales, the Association of Certified Public Accountants of Cyprus and the Association of Internal Auditors Cyprus. He started his career in 1992 with the audit firm of Arthur Andersen Manchester. He then worked for Lombard Natwest Bank Ltd as an internal auditor until the end of 1998 when he was employed by USB BANK PLC. At USB BANK PLC, he worked as a Manager of Internal Audit and a Manager of Management Services. Since 2003 he holds the position of Manager for Banking Operations and Information Technology and from 30/1/2008 the position of Chief Financial Officer of the Bank.

Polycarpou Despo (Appointed on 21/1/2009)

Born in 1957. She has the Chartered Institute of Bankers (FCIB) degree. She is a member of the Executive Committee of the Institute of Financial Services in Cyprus from 1995. She started her career in 1976 in Hellenic Bank and resigned in 1999 when she had the position of Trade Services Manager. She was employed in USB BANK PLC in 1999 in the position of Manager Banking Operations and Trade Services. Since 2003 she holds the position of Nicosia Regional Manager.

Confirmations by the Board of Directors

Going Concern

The Board of Directors confirms that it is satisfied that the Bank has adequate resources to continue in business as a going concern for the next twelve months.

Internal Control Systems

The Board of Directors confirms that the Bank has set up and complied with an effective internal control system, which is annually reviewed and assessed for its effectiveness by the Directors and also by the Audit Committee of the Board of Directors, ensuring that the procedures for the accuracy and validity of the information provided to the shareholders of the Bank are reviewed.

The Bank maintains an Internal Audit Department headed by the Chief Inspector Mr. Stelios Alexandrou. The Department currently employs four people.

According to the provision C.2.1. of the Code, the Board of Directors confirms that it has conducted a review of the effectiveness of the Bank's internal control systems and the procedures for review of the correctness and completeness of the information which are provided to the investors and states its satisfaction. The review covers all the systems of controls, including the financial and operational systems as well as the risk management systems.

Additionally the Board of Directors confirms that, to its knowledge, no violation in the Stock Exchange Legislation and Regulations has occurred.

Board of Directors Committees

According to the Code of the Cyprus Stock Exchange but also in accordance to the Central Bank of Cyprus Directive, the following Board of Directors committees have been set up:

Audit Committee

Role of the Committee

The role of the Audit Committee is to establish specific and transparent procedures relating to the implementation of the Banks' internal control system, the preparation of its financial statements, the implementation of the Corporate Governance principles and the maintenance of appropriate relationship with the Banks' Auditors.

Composition and terms of operation of the Audit Committee

- The Committee is appointed by the Board of Directors, at the first meeting held after the Annual General Meeting of the Bank for a period until the next Annual General Meeting.
- The Board of Directors appoints the members of the Committee.
- The Committee Chairman is appointed by the Board of Directors and should have experience in the area of Accounting and Finance.
- The majority of the members of the Audit Committee should have experience and knowledge in the wider operations of the Bank and to the information technology systems.
- The Chairman position and the members of the Committee are selected taking into account the need for member rotation and ensuring that no dependency is created on a single member of the Committee.
- The Committee should have at least three non executive Directors, with the majority being independent.
- Three members of the Committee comprise a quorum.
- The Committee meets regularly and at least once every three months.
- The Committee keeps minutes for its decisions, and submits a copy to its members and the Board of Directors.
- The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.
- The Board of Directors is authorized to replace any member or the Chairman of the Committee during their service and to fill any vacant position.
- The Chairman of the Committee is available to answer any questions, which are submitted at the Annual General Meeting, or any other informative meeting held for the Banks' shareholders.

Audit Committee (continued)

Duties and responsibilities of the Committee

- Recommendations to the Board of Directors with regards to the appointment, termination and remuneration of the Bank's external auditors.
- The continuous supervision of the extent and effectiveness of the external audit and the independence and objectivity of the auditors.
- Review and evaluation on an annual basis of the adequacy and effectiveness of the Internal Control System as per the relative information provided by the Internal Audit Department, the findings and observations of the External Auditors, the Central Bank of Cyprus and the Cyprus Securities and Exchange Commission. On the basis of this examination, it recommends the corrective actions to be taken by the Bank's Board of Directors.
- Review of the six monthly, interim statements and the final financial statements before submission to the Board of Directors for approval.
- Guarantees that the Bank appoints every three years external auditors for the evaluation of the Internal Control System according to the Central Bank of Cyprus Directive.
- Review of any significant events or risks that affect the Bank's operations.
- Review the material transactions of the Bank which the Chairman, the Managing Director, Executive Directors, members of the Board of Directors, the Secretary, the External Auditors or any shareholders who holds directly or indirectly more than 5% of the issued share capital or the voting rights of the Company, has directly or indirectly any material interest, in order to ensure that these transactions are carried out in the normal course of business and at arm's length.
- Prepare, with the guidance of the Compliance Officer, the Board of Directors' Report for the Corporate Governance, to be included in the Banks' Annual Report.
- The performance of any other related duties, which may be assigned by the Board.

Composition and service of the Audit Committee during 2008 until today

Chairman:	George Stylianou (since 7/7/2008, non executive, independent)
Members:	Garo Keyehan (since 7/7/2008, non executive, independent) Philippos Philis (since 21/1/2009, non executive, independent) Yiannos Christofi (since 21/1/2009, non executive, non independent)
	Resignations during the year 2008 Christakis Klerides (Committee Chairman until 24/6/2008) Christos Mavrellis (until 24/6/2008) Christakis Pavlou (from 7/7/2008 until 30/9/2008)

During the year 2008, the Audit Committee met three times.

Nomination Committee/Internal Governance

Role of the Committee

The Committee has the responsibility to ensure the Bank's compliance with the internal governance policy. It also has the responsibility of overseeing the selection and appointment process to ensure that competent and suitable individuals participate in the Bank's Board of Directors.

Nomination Committee/Internal Governance (continued)

Composition and terms of operation of the Committee

- The Committee is appointed by the Board of Directors, at the first meeting followed the Annual General Meeting of the Bank for a period until the next Annual General Meeting.
- The Board of Directors appoints the members of the Nomination Committee.
- The Board of Directors appoints the Chairman of the Committee.
- The majority of the members of the Committee should be non executive Directors.
- The Chairman position and the members of the Committee are selected taking into account the need for member rotation and ensuring that no dependency is created on a single member of the Committee.
- The Committee should consist of at least three or more members.
- Three members of the Committee comprise a quorum.
- The Committee meets at least three times in a year and when required.
- The Committee keeps minutes for all its decisions and submits a copy to its members and the Board of Directors.
- The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.
- The Board of Directors is authorized to replace any member or the Chairman of the Committee during their service and to fill in any vacant position.
- The Chairman of the Committee is available to answer any questions, which are submitted at the Annual General Meeting, or any other informative meeting held for the Banks' shareholders.

Duties and responsibilities of the Committee

- Determining the selection criteria for the members of the Board of Directors. The minimum criteria set by the Nomination Committee are:
    1. The specific qualifications that are required as per the Central Bank Directive concerning the "Ability and Suitability (Criteria of Evaluation) of Board Members and Executives of Banks Directive of 2006 and 2007".
    2. Availability of time to perform the duties of a Board member at the Bank.
    3. Appropriate knowledge, experience and skills required.
    4. Integrity and objective judgement.
- Submission to the Board of Directors of recommendations for the appointment of new Directors based on their academic and professional qualifications, as well as their personalities.
- Evaluation and recommendation to the Board of Directors regarding the composition and structure of the Board in accordance with the provisions of the Code.
- Planning the succession of the resigned members in cooperation with the Secretary of the Board of Directors.
- The evaluation of the effectiveness of the Board of Directors, members' knowledge and experience.
- The evaluation of the compliance achieved with the Bank internal governance policy.
- The performance of any other related duties, which may be assigned by the Board.

Composition and service of the Nomination Committee during 2008 until today

Chairman: Michalis Kleopas (member since 19/7/2008, non executive, non independent)
(Committee Chairman since 21/1/2009)

Members: Kleanthis Demosthenous (since 7/7/2008, non executive, non independent)
Yiannos Mouzouris (since 19/7/2007, non executive, non independent)
Yiannos Christofi (since 7/7/2008, non executive, non independent)

Resignations during the year 2008
Pavlos Savvides (Committee Chairman from 7/7/2008 until 20/1/2009)
Christakis Klerides (from 18/10/2007 until 24/6/2008)
Kypros Miranthis (from 19/7/2007 until 24/6/2008)

Remuneration Committee

Role of the Committee

The Committee reviews the remuneration of the Executive and Non Executive Directors and top management and ensures that these are in line with the culture, the strategic plans, the objectives and the regulatory environment of the Bank.

Composition and terms of operation of the Committee

- The Committee is appointed by the Board of Directors at the first meeting that follows the Annual General Meeting of the Bank for a period until the next Annual General Meeting.
- The Board of Directors appoints the members of the Remuneration Committee.
- Only non executive Directors comprise the Committee with the majority being independent.
- The Chairman position and the members of the Committee are selected taking into account the need for member rotation and ensuring that no dependency is created on a single member of the Committee.
- The Committee should consist of minimum three or more members.
- Three members of the Committee comprise a quorum.
- The Committee meets at least twice in a year or when this is required.
- The Committee keeps minutes for its decisions, and submits a copy to its members and the Board of Directors.
- The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.
- The Board of Directors is authorized to replace any member or the Chairman of the Committee during their service and to fill in any vacant position.
- The Chairman of the Committee is available to answer any questions, which are submitted at the Annual General Meeting, or any other informative meeting held for the Banks' shareholders.

Duties and responsibilities of the Committee

- Submission to the Board of Directors recommendations concerning the framework and level of remuneration of the Executive Directors. The remuneration must be sufficient so as to attract and maintain the Directors at the Bank's service.
- Review of employment contracts of the Executive Directors.
- Submission of the Directors' remuneration to the shareholders for approval at an Annual General Meeting.
- Evaluation and approval of the Annual Remuneration Statement in accordance with Annex 2 of the Code, which is included in the Annual Report.
- The Remuneration Committee recommends the Remuneration Policy Report in accordance with Annex 1 of the Code and is part of the Bank's Annual Report. The Remuneration Policy Report is presented to the Annual General Meeting of the shareholders for approval.
- The performance of any other related duties, which may be assigned by the Board.

Composition and service of the Remuneration Committee during 2008 until today

Chairman: Michalis Kleopas (since 21/1/2009, non executive, non independent)

Members: Garo Keyehan (since 19/7/2007, non executive, independent)
Marios Hannides (since 21/1/2009, non executive, independent)

Resignations during the year 2008
Yiannos Christofi (from 7/7/2008 until 20/1/2009)
Christakis Pavlou (from 19/7/2007 until 30/9/2008)
Christodoulos Ellinas (from 7/7/2008 until 8/8/2008)

Risk Management Committee

Role of the Committee

The main role of the Committee is to assist the Board of Directors in the process of establishing a policy for handling risks and managing of funds that reflect the business goals of the Bank.

Composition and terms of operation of the Committee

- The Committee is appointed by the Board of Directors at the first meeting that follows the Annual General Meeting of the Bank for a period until the next Annual General Meeting.
- The Board of Directors appoints the members of the Risk Committee.
- The Board of Directors appoints the Chairman of the Committee.
- The Committee is comprised by Directors with sufficient knowledge and experience in managing risks and at least one of its members is executive and one member an independent non executive.
- The Chairman position and the members of the Committee are selected taking into account the need for member rotation and ensuring that no dependency is created on a single member of the Committee.
- The Committee should consist of minimum three or more members.
- Three members of the Committee comprise a quorum.
- The Committee meets at least once every three months.
- The Committee keeps minutes for its decisions, and submits a copy to its members and the Board of Directors.
- The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.
- The Board of Directors is authorized to replace any member or the Chairman of the Committee during their service and to fill in any vacant position.
- The Chairman of the Committee is available to answer any questions, which are submitted at the Annual General Meeting, or any other informative meeting held for the Banks' shareholders.

Duties and responsibilities of the Committee

- Formation of strategy for handling all kinds of risks and the management of funds relating to the business goals of the Bank on an individual but also group basis.
- Development of an internal system of managing risks and integration of this in decision-making process for all the activities/departments of the Bank.
- Annual assessment of the adequacy and effectiveness of the risk management policy.
- Assessment of the issues that are raised by the Risk Management Department and inform the Board of Directors regarding the most important risks that the Bank has assumed.
- Performance of annual stress test and other scenarios to assess market risk, credit risk, liquidity risk, and operational risk.
- Overall review in cooperation with the Audit Committee of the implementation of the Basel II Directive.
- Review and assessment of the relevant reports relating to management risk and submission of proposals for corrective measures to the Board of Directors.
- The assessment of the various risks involved in the participation of the Bank in new markets, new companies or new operations and submission of a proposal to the Board of Directors.
- The performance of any other related duties, which may be assigned by the Board.

Risk Management Committee (continued)

Composition and service of the Risk Committee during 2008 until today

Chairman:	Pavlos Savvides (since 21/1/2009, non executive, non independent)
Members:	Kikis Kyriakides (since 7/7/2008, executive, non independent) Yiannos Mouzouris (since 19/7/2007, non executive, non independent) Yiannos Christofi (since 7/7/2008, non executive, non independent) George Stylianou (since 21/1/2009, non executive, independent)
	Resignations during the year 2008 Garo Keheyan (from 19/7/2007 until 20/1/2009) Christakis Pavlou (from 19/7/2007 until 30/9/2008) Kypros Miranthis (from 19/7/2007 until 24/6/2008) Christodoulos Ellinas (from 7/7/2008 until 8/8/2008) Spyros Episkopou (from 28/2/2008 until 24/6/2008)

During the year 2008, the Risk Committee has met three times.

Report on Remuneration of Board of Directors

The Remuneration Committee proposes to the Board of Directors, the Remuneration policy that was prepared according to Annex 1 of the Corporate Governance Code. This Report is included in the Annual Report of the Bank and is submitted for approval at the Annual General Meeting of the shareholders.

The remuneration of the members of the Board of Directors is analysed between remuneration as members of the Board of Directors and remuneration for their executive services. The analysis of the remuneration of the Board of Directors for the years 2007 and 2008 is presented in Note 33 of the audited financial statements for the year ended 31 December 2008.

Remuneration Policy for the Non Executive Directors

The remuneration of the non executive Directors is based on their responsibilities, time spent on meetings and their participation to the various Committees of the Board of Directors. The remuneration of the non executive Directors has been revised at the Extraordinary General Meeting of the Banks' shareholders at 21/1/2009, taking into account the above and also the respective remuneration of Directors in other comparable organisations.

Also, as per the Bank's Articles of Association, the members of the Board of Directors can claim the travelling expenses incurred for attending the meetings.

The revision of the remuneration of the non executive Directors is authorised by the shareholders at the General Meeting of the Bank.

Remuneration policy for the Executive Directors

The remuneration of the Executive Directors in case where this is out of the scales of the collective agreements, is determined by the Board of Directors after recommendation by the Remuneration Committee.

The contract of the Managing Director is for five years. In case of an early and non-justified termination of the employment contract, there is a provision for compensation. The remuneration package includes an annual salary payable monthly, taking into account the duties, responsibilities, experience and comparable positions in the banking sector. It also includes out of pocket expenses and car allowance.

The employment and remuneration of the Executive Directors are governed by the collective agreements as applied for all other staff members of the Bank.

Report on Corporate Governance (continued)

Investor Relations

All shareholders of the Bank are treated on an equal basis. The Bank, within the framework of providing the shareholders with timely information announces its financial results. Besides the Annual General Meeting of the shareholders, the Bank organises from time to time Company Presentations where the audited financial results of the prior year and its short-term strategic plans are presented.

In addition the Board of Directors provides the opportunity to shareholders who represent at least 5% of the Bank's share capital to place items on the agenda of the General Meetings of the shareholders, up to 5 months after the Bank's year end and not later than 10 days prior to the fixed date of the General Meeting.

The Bank, with an announcement dated 16/4/2008 appointed the Chief Financial Officer of the Bank Mr. Andreas Theodorides, as the Investor Relations Officer in replacement of Mrs. Elli Photiadou, who left the Bank on 6/5/2008.

Corporate Governance Compliance Officer

The Bank, with an announcement dated 16/4/2008, appointed the Chief Financial Officer of the Bank Mr. Andreas Theodorides, as the Corporate Governance Compliance Officer, in substitution of Mrs. Elli Photiadou who left the Bank on 6/5/2008.

Board of Directors
USB BANK PLC

Nicosia, 10 April 2009

Board of Directors and Executives

Board of Directors

Pavlos Savvides	Chairman	
Kikis Kyriakides	Executive Director	
Michalis Kleopas	Non Executive Director	
Yiannos Mouzouris	Non Executive Director	
Yiannos Christofi	Non Executive Director	
George Stylianou	Non Executive Director	
Garo Keheyan	Non Executive Director	
Kleanthis Demosthenous	Non Executive Director	
Marios Hannides	Non Executive Director	(Appointed on 21/1/2009)
Philippos Philis	Non Executive Director	(Appointed on 21/1/2009)
Andreas Theodorides	Executive Director	(Appointed on 21/1/2009)
Despo Polykarpou	Executive Director	(Appointed on 21/1/2009)

Chief Executive Officer

Kikis Kyriakides

Chief Financial Officer

Andreas Theodorides

Secretary

Michalis Kleopas

Registered Office

85 Digenis Akritas Avenue
5th floor
1070 Nicosia

Legal Advisor

Dr. Kypros Chrysostomides & Co

Independent Auditors

Ernst & Young Cyprus Ltd
Certified Public Accountants and Registered Auditors

Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Financial Statements

(in accordance with the provisions of the Law 190(I)/2007 on Transparency Requirements)

In accordance with article 9, part (3)(c) and (7) of the Transparency Requirements (Moveable values for Negotiation in a Regulating Market) Law, we, the members of the Board of Directors and the officers responsible for the drafting of the financial statements of USB BANK PLC (formerly Universal Bank Public Ltd) (the "Bank") for the year ended 31 December 2008, declare that, to the best of our knowledge:

a. the financial statements which are presented in pages 24 to 60:
   i. have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Article 9, part (4) of the Law, and
   ii. give a true and fair view of the assets, liabilities, financial position of USB BANK PLC (formerly Universal Bank Public Ltd), and

b. the Directors' report includes a fair review of the developments and performance of the Bank as well as of the financial position of USB BANK PLC (formerly Universal Bank Public Ltd), together with a description of the principal risks and uncertainties that they face.

Pavlos Savvides	Chairman
Kikis Kyriakides	Executive Director, Managing Director
Michalis Kleopas	Non Executive Director
Yiannos Mouzouris	Non Executive Director
Yiannos Christofi	Non Executive Director
George Stylianou	Non Executive Director
Garo Keheyan	Non Executive Director
Kleanthis Demosthenous	Non Executive Director
Marios Hannides	Non Executive Director
Philippos Philis	Non Executive Director
Andreas Theodorides	Executive Director, Chief Financial Officer
Despo Polykarpou	Executive Director

Nicosia, 10 April 2009

Directors' Report

The Board of Directors of USB BANK PLC (formerly Universal Bank Public Ltd) (the "Bank") submit to the shareholders their report and the audited financial statements for the year ended 31 December 2008.

Activities

The Bank's main activity during the year was the provision of banking and financial services in Cyprus through the operations of 19 branches.

Change of name

In an Extraordinary General Meeting held on 21 January 2009 it was decided to change the name of the Bank from "Universal Bank Public Ltd" to "USB BANK PLC".

Financial Results

The Bank, despite the international financial crisis, the continuing uncertainty existing in international markets and the intense competitive environment in Cyprus, both from domestic commercial banks but also from European Banks due to the accession of Cyprus to the European Union, maintained its liquidity at high levels with the loans to deposits ratio being 80% and the capital adequacy ratio as per Basel II requirements being 11,60%.

The main financial highlights for the year 2008 and 2007 are as follows:

	2008 €000	2007 €000
Turnover	**30.718**	37.021
Profit before provisions	**2.252**	9.339
Profit before tax	**536**	7.818
Profit after tax	**573**	7.823
Earnings per share (cent)	**3,8**	51,7
Deposits	**448.362**	403.020
Loans and advances before provision for impairment	**357.525**	263.919
Total assets	**486.075**	468.262
Equity	**30.921**	29.393

In 2008 and 2007, no dividends were paid or declared since the Bank had accumulated losses.

Board of Directors

The Board of Directors as at the date of this report are listed on page 19. On 7 July 2008, the Bank's Board of Directors elected Mr. Pavlos Savvides as Chairman to replace Mr. Christakis Klerides who resigned from his position as Chairman of the Board of Directors.

The changes in the composition of the Board of Directors during the year and until the date of this report were:

Pavlos Savvides	(appointed on 28/2/2008)
Christakis Klerides	(resigned on 24/6/2008)
Spyros Episkopou	(resigned on 24/6/2008 - was appointed on 17/1/2008)
Kypros Miranthis	(resigned on 24/6/2008)
Christos Mavrellis	(resigned on 24/6/2008)
Christakis Pavlou	(resigned on 30/9/2008)
Yiannos Christofi	(appointed on 24/6/2008)
George Stylianou	(appointed on 24/6/2008)
Kleanthis Demosthenous	(appointed on 24/6/2008)
Kikis Kyriakides	(appointed on 24/6/2008)
Christodoulos Ellinas	(resigned on 08/8/2008 - was appointed on 24/6/2008)
Demetris Vidalis	(resigned on 19/12/2008 - was appointed on 24/6/2008)
Marios Hannides	(appointed on 21/1/2009)
Philippos Philis	(appointed on 21/1/2009)
Andreas Theodorides	(appointed on 21/1/2009)
Despo Polykarpou	(appointed on 21/1/2009)

Directors’ Report (continued)

Board of Directors (continued)

For the year ended 31 December 2008 and in accordance with the Bank’s Articles of Association, at the next annual general meeting of the shareholders, Messrs. Michalis Kleopas, George Stylianou and Kleanthis Demosthenous will retire but are offered for re-election. Also Mr. Andreas Theodorides, Mrs. Despo Polykarpou, Mr. Philippos Philis and Mr. Marios Hannides, who were appointed by the Board of Directors on 21 January 2009, will retire and offer themselves for re-election.

The members of the Board express their gratitude to the retired Chairman of the Board Mr. Christakis Klerides for his valuable contribution as Chairman of the Board and to Mr. Spyros Episkopou for his many years of service as General Manager of the Bank and for his services to the Board since his appointment on 17 January 2008. They also express their gratitude to the retired Directors Messrs. Kypros Myranthis, Christos Mavrellis, Christodoulos Ellinas, Christakis Pavlou and Demetris Vidalis for their services to the Bank’s Board of Directors.

Future Developments

The Bank, through a close observation of the developments in the international economy and financial sector, takes action to compensate for the negative effects with special emphasis on maintaining the liquidity and efficient risk management aiming at a prudent expansion of its operations.

The automation and simplification of a large number of methods and procedures, the launching of new deposit and credit products, including bank assurance products for better customer service and increase of the client base, are the important objectives of the Bank.

Risk management

The Bank considers risk management to be a major operation and a significant factor to ensure a constant return to its shareholders. The financial risks the Bank is exposed to are credit risk, operational risk, market risk and liquidity risk. Detailed information relating to risk management is set out in Note 29 of the financial statements.

Share Capital

With the adoption of the Euro as the new official currency of Cyprus on 1 January 2008 and with the Resolution of the Extraordinary General Meeting dated 24 June 2008, the nominal value of the Bank’s share capital has changed and increased after rounding upwards on the irrevocable exchange rate €1 = £0,585274 from £1 to €1,71 per share. The increase of the issued share capital due to the conversion and rounding of €21.157 was performed by capitalizing the corresponding amount from the share premium reserve account.

Events after the balance sheet date

Events after the balance sheet date are disclosed in Note 35 of the financial statements.

Independent auditors

The independent auditors of the Bank, Ernst & Young Cyprus Ltd, have expressed their willingness to continue in office. A resolution fixing their remuneration will be proposed at the shareholders’ Annual General Meeting.

Pavlos Savvides
Chairman

Nicosia, 10 April 2009

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USB BANK PLC
(formerly Universal Bank Public Limited)

Income Statement
for the year ended 31 December 2008

	Note	2008 €	2007 €
Turnover		**30.718.165**	37.021.416
Interest income	2	**26.616.969**	32.629.825
Interest expense	3	**(15.431.125)**	(15.018.296)
Net interest income		**11.185.844**	17.611.529
Fee and commission income		**3.411.414**	3.585.990
Fee and commission expense		**(410.049)**	(334.414)
Foreign exchange income		**652.170**	746.640
Income from available for sale investments	4	**5.177**	6.506
Other income		**32.435**	52.455
Total net income		**14.876.991**	21.668.706
Staff costs	5	**(8.337.547)**	(7.669.225)
Depreciation and amortisation of property, equipment and intangible assets		**(931.706)**	(1.047.774)
Loss on revaluation, sale and impairment of financial instruments		**-**	(57.831)
Loss on revaluation and sale of investment properties		**-**	(30.193)
Other operating expenses		**(3.355.606)**	(3.525.171)
Total operating expenses before provisions		**(12.624.859)**	(12.330.194)
Profit before provisions		**2.252.132**	9.338.512
Provisions for impairment of loans and advances	11	**(1.715.731)**	(1.520.267)
Profit before tax	6	**536.401**	7.818.245
Tax	7	**37.002**	4.806
Profit for the year		**573.403**	7.823.051
Earnings per share (cent)	8	**3,8**	51,7

Balance Sheet
as at 31 December 2008

	Note	2008 €	2007 €
ASSETS			
Cash and balances with the Central Bank	9	**21.738.899**	118.407.924
Placements with banks	10	**43.407.771**	36.784.085
Loans and advances to customers	11	**313.177.044**	217.903.917
Investments held-to-maturity	12	**99.438.430**	88.183.830
Investments available for sale	13	**85.170**	248.830
Investments in subsidiary companies	14	**2.111**	1.975
Property and equipment	15	**6.523.181**	5.117.202
Intangible assets	16	**519.011**	640.792
Other assets	17	**1.183.181**	973.445
Total assets		**486.074.798**	468.262.000
LIABILITIES			
Deposits by banks		**839.146**	43.383
Amounts due to banks		**-**	15.243.532
Customer deposits and other accounts	18	**448.362.274**	403.019.849
Other liabilities	19	**4.978.584**	5.919.429
Subordinated loan stock	20	**973.903**	14.642.714
Total liabilities		**455.153.907**	438.868.907
EQUITY			
Share capital	21	**25.869.138**	25.847.981
Share premium		**21.164.638**	21.185.795
Revaluation reserves	22	**3.311.721**	2.056.876
Accumulated losses		**(19.424.606)**	(19.697.559)
		30.920.891	29.393.093
Total liabilities and equity		**486.074.798**	468.262.000
CONTINGENT LIABILITIES AND COMMITMENTS			
Contingent liabilities	23	**25.967.882**	24.027.397
Commitments	23	**36.845.297**	21.195.500

Pavlos Savvides Chairman
Kikis Kyriakides Managing Director
Andreas Theodorides Chief Financial Officer

Statement of Changes in Equity

for the year ended 31 December 2008

	Share capital	Share premium	Revaluation reserves (Note 22)	Accumulated losses (Note 22)	Total
	€	€	€	€	€
YEAR 2008					
1 January	25.847.981	21.185.795	2.056.876	(19.697.559)	**29.393.093**
Property revaluation	-	-	1.608.275	-	**1.608.275**
Deferred tax	-	-	(189.770)	-	**(189.770)**
Revaluation of available for sale investments	-	-	(163.660)	-	**(163.660)**
Net income for the year recognised directly in equity	-	-	1.254.845	-	**1.254.845**
Profit after tax	-	-	-	573.403	**573.403**
Total recognised income for the year	-	-	1.254.845	573.403	**1.828.248**
Capitalisation of share premium reserve due to the conversion of the nominal value of shares from £1 to €1,71 each	21.157	(21.157)	-	-	**-**
Deemed dividend distribution (Note 22)	-	-	-	(300.450)	**(300.450)**
31 December	**25.869.138**	**21.164.638**	**3.311.721**	**(19.424.606)**	**30.920.891**
YEAR 2007					
1 January	25.847.981	21.185.795	1.880.818	(27.520.610)	**21.393.984**
Transfer to the income statement on sale of available for sale investments	-	-	(1.828)	-	**(1.828)**
Revaluation of available for sale investments	-	-	177.886	-	**177.886**
Net income for the year recognised directly in equity	-	-	176.058	-	**176.058**
Profit after tax	-	-	-	7.823.051	**7.823.051**
Total recognised income for the year	-	-	176.058	7.823.051	**7.999.109**
31 December	**25.847.981**	**21.185.795**	**2.056.876**	**(19.697.559)**	**29.393.093**

Cash flow statement

for the year ended 31 December 2008

	Note	2008 €	2007 €
Net cash flow (used in)/from operating activities	27	**(46.234.353)**	27.394.369
Cash flow from investing activities			
Purchase of property, equipment and software packages		**(642.673)**	(911.279)
Proceeds from the disposal of property and equipment		**1.600**	6.695
Proceeds from the disposal of investment properties		**-**	808.168
Proceeds from the disposal of shares		**-**	4.217
Purchase of bonds		**(34.310.216)**	(8.759.455)
Proceeds from the disposal and redemption of bonds		**23.055.616**	7.427.646
Interest received on government bonds and other debt securities		**4.299.559**	3.924.570
Dividend income from shares		**5.177**	4.678
Net cash flow (used in)/from investing activities		**(7.590.937)**	2.505.240
Cash flow from financing activities			
Interest on subordinated loan stock		**(515.783)**	(870.960)
Repayment of subordinated loan stock		**(13.668.811)**	-
Net cash flow used in financing activities		**(14.184.594)**	(870.960)
Net (decrease)/increase in cash and cash equivalents for the year		**(68.009.884)**	29.028.649
Cash and cash equivalents			
At 1 January		**124.235.563**	95.206.914
Net (decrease)/increase in cash and cash equivalents		**(68.009.884)**	29.028.649
At 31 December	28	**56.225.679**	124.235.563

The accounting policies followed in respect of items that are considered material or significant for the results and the financial position of USB BANK PLC (formerly Universal Bank Public Limited) (the "Bank") are stated below:

1. Basis of preparation

The financial statements are prepared on a historical cost basis, modified to include the revaluation of freehold properties, investment property, available-for-sale investments and derivatives.

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

In addition, the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113 and the Cyprus Stock Exchange Laws and Regulations.

2. Functional currency and presentation of financial statements

The financial statements are presented in Euro (€).

On 1 January 2008, date of introduction of the Euro as the new official currency of Cyprus, the functional currency of the Bank and the presentation currency of the Bank's financial statements (including comparative amounts) changed from Cyprus Pounds to Euro. As a result, from 1 January 2008 all the assets and liabilities of the Bank are converted into Euro at the rate lock €1=£0,585274. The comparative amounts presented in these financial statements are translated into Euro at the same rate.

3. Changes in accounting policies and adoption of new and amended IFRSs

The accounting policies adopted are consistent with those of the prior year, except as set out below:

The Bank has adopted the following new and amended IFRSs and IFRIC Interpretations during the year:

Amendments to IAS 39 and IFRS 7	"Reclassification of Financial Instruments"
IFRIC 11	"IFRS 2 - Group and Treasury Share Transactions"
IFRIC 12	"Service Concession Arrangements"
IFRIC 14	"IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The adoption of the above did not have any impact on the financial statements of the Bank.

4. Standards and interpretations that are issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective for the current reporting period and which the Bank has not early adopted, are as follows:

i. Standards and Interpretations issued by the IASB and adopted by the EU

IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009)

IFRS 8 replaces IAS 14 "Segment Reporting" and adopts a management-based approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Bank is in the process of assessing the impact of this Standard on its financial statements.

Summary of Significant Accounting Policies
at 31 December 2008

4. Standards and Interpretations that are issued but not yet effective (continued)

i. Standards and Interpretations issued by the IASB and adopted by the EU (continued)

Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2009)

IFRS 1 has been amended to allow an entity, in its separate financial statements, to determine the cost of its investments in subsidiaries, jointly controlled entities or associates (in its opening IFRS financial statements) at cost or at deemed cost. This determination is made for each investment, rather than being a policy decision. The revisions to IAS 27 are to be applied prospectively. These amendments will not have any impact on the Bank's financial statements.

IFRS 2 "Share-based Payment" (Revised) (effective for annual periods beginning on or after 1 January 2009)

The amendments to IFRS 2 clarify the definition of a vesting condition and prescribe the treatment for an award that is effectively cancelled. These amendments will not have any impact on the Bank's financial statements.

IAS 1 "Presentation of Financial Statements" (Revised) (effective for annual periods beginning on or after 1 January 2009)

The main revisions to IAS 1 are the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in profit or loss together with other comprehensive income. The revised IAS 1 includes also the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Bank will make the necessary changes to the presentation of its financial statements in 2009.

IAS 23 "Borrowing Costs" (Revised) (effective for annual periods beginning on or after 1 January 2009)

The revised IAS 23 requires the capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The option in the current standard to expense borrowing costs to the income statement in case of a qualifying asset has been eliminated. In accordance with the transitional requirements of the standard, the Bank will adopt this change from the effective date of the revised IAS 23. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation" (effective for annual periods beginning on or after 1 January 2009)

The revisions provide a limited scope exemption for puttable instruments to be classified as equity if they fulfil a number of specified features. These amendments will have no impact on the financial position or performance of the Bank, as the Bank has not issued such instruments.

Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009)

In May 2008 IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. IASB has separated the 34 amendments of this edition in two Parts: Part I deals with amendments resulting in accounting changes, and Part II deals with editorial or terminology amendments with minimal impact. There are separate transitional provisions for each standard. The Bank is currently assessing their impact on its financial statements.

IFRIC 13 "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008)

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Bank maintains loyalty programmes that fall within the scope of this Interpretation; however it does not expect that its adoption will have a material impact on its financial statements.

4. **Standards and interpretations that are issued but not yet effective** (continued)

ii. Standards and Interpretations issued by the IASB but not yet adopted by the EU

Revised IFRS 3 "Business Combinations" and Amended IAS 27 "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009)

IFRS 3 (revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor they will give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 "Statement of Cash Flows", IAS 12 "Income Taxes", IAS 21 "The Effects of Changes in Foreign Exchange Rates", IAS 28 "Investment in Associates" and IAS 31 "Interests in Joint Ventures". The changes of the revised IFRS 3 and amended IAS 27 will not affect the Bank's financial statements.

Revised IFRS 1 "First-time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2009)

This revision of IFRS 1 issued in November 2008 retains the substance of the previous version, but within a changed structure. It replaces the previous version and is effective for entities applying IFRSs for the first time for annual periods beginning on or after 1 January 2009. There is no impact on the financial statements of the Bank as a result of this revision.

Amendment to IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" (effective for annual periods beginning on or after 1 July 2009)

The Amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. The Bank does not expect this Amendment to impact its financial statements.

Amendments to IFRS 7: Disclosures on Measurement at Fair Value and Liquidity Risk (effective for annual periods beginning on or after 1 January 2009)

The amendments require disclosure of additional information on instruments measured at fair value based on the three-level hierarchy for determining fair value. It changes the minimum disclosures required for the liquidity risk. The Bank will make additional disclosures in its financial statements for 2009.

Amendments to IAS 39 and IFRIC 9: Embedded Derivatives (effective for annual periods ending on or after 30 June 2009)

IAS 39 and Interpretation 9 were amended to allow the reassessment and separation of embedded derivatives when reclassification of a hybrid financial instrument outside of the category at fair value through profit or loss is made. The Bank does not expect that this amendment will have any impact on its financial statements.

IFRIC 15 "Agreement for the Construction of Real Estate" (effective for annual periods beginning on or after 1 January 2009)

The Interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 "Construction contracts" or IAS 18 "Revenue". This Interpretation is not relevant with the operation of the Bank.

IFRIC 16 "Hedges of a net investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008)

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such, it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the Bank the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The bank does not expect this Interpretation to impact its Financial Statements.

4. **Standards and interpretations that are issued but not yet effective** (continued)

ii. Standards and Interpretations issued by the IASB but not yet adopted by the EU (continued)

IFRIC 17 "Distribution of Non cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009)

IFRIC 17 applies to all non-reciprocal distributions of non-cash assets, including those giving the shareholders a choice of receiving non-cash assets or cash, provided that all owners of the same class of equity instruments are treated equally and the non-cash assets are not ultimately controlled by the same parties both before and after the distribution, and as such, excluding transactions under common control. The Bank does not expect that this interpretation will have any impact on its financial statements.

IFRIC 18 "Transfer of Assets from Customers" (effective for annual periods beginning on or after 1 July 2009)

IFRIC 18 applies to all entities that receive from customers an item of property, plant and equipment or cash for the acquisition or construction of such items. The asset must then be used to provide ongoing access to a supply of goods, services or both. The Interpretation provides guidance on how and when an entity should recognise such assets and related revenue. The Interpretation is not relevant to the Bank's operations.

5. **Significant accounting judgments and estimates**

During the preparation of the financial statements the Bank's management is required to make judgments and estimates that can significantly affect the amounts recognised in the financial statements, the most significant of which are presented below:

Provisions for loan impairment

The Bank reviews its loan portfolio for evidence that it will not be able to collect all amounts due from an individual loan or a portfolio of homogeneous loans. Evidence includes the customer's payment record, his overall financial position and the realisable value of any collateral. If such evidence exists, the recoverable amount is estimated and a provision is made for loan impairment and is charged to the income statement. The review of credit risk is continuous. The methodology and assumptions used for estimating the provision are reviewed regularly to reduce any differences between estimated and actual losses.

In addition to the individual basis provisions performed, the Bank also performs a collective provision for impairment in the value of loans. The loan default percentages are based on estimates, historical data and experience of management of the Bank.

Impairment of available for sale and held to maturity investments

Available for sale investments are measured at fair value with fair value changes taken to revaluation reserve. Available for sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost (requires estimation). This determination of what is significant or prolonged requires judgment from the Bank. Factors taken into consideration in making this judgement include the expected volatility in share price. In addition, impairment may be appropriate when there is evidence that significant changes with an adverse effect have taken place in the technological, market, economic or legal environment in which the investee operates.

Bonds held to maturity are impaired when there is objective evidence of impairment on one of more events that occurred after initial recognition of the investment and the loss event (or events) affects the expected future cash flows of investment. The assessment takes into account a number of factors such as the economic situation of the issuer, a breach of the terms of the contract, the likelihood of the issuer to declare bankruptcy or make a financial reorganisation, and therefore requires significant judgments.

Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

5. Significant accounting judgments and estimates (continued)

Taxation

The Bank is subject to taxation in Cyprus. Significant estimates are required in determining the provision for taxes at the balance sheet date, and therefore the tax determination is uncertain. Where the final tax is different from the amounts that were initially recorded, such differences will affect the income tax expense, the tax liabilities and deferred tax liabilities of the period in which the final tax is agreed with the tax authorities.

6. Foreign currency translation

The financial statements are presented in Euro (€), which is the functional and presentation currency of the Bank as outlined in Accounting Principle 2 above.

Transactions in foreign currencies are initially recorded using the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to "Foreign exchange income" in the income statement.

Non-monetary items that are measured at historic cost in a foreign currency are translated using the exchange rates ruling as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value was determined.

7. Turnover

Turnover is derived from the conduct of banking and financial services in Cyprus and includes interest income, fee and commission income, investment income, foreign exchange income and other income. The Bank does not provide leasing or hire purchase services.

Hence the Bank does not present financial information by segment under IAS 14.

8. Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Bank and the revenue can be reliably measured.

a. Interest income

For all financial assets and financial liabilities measured at amortised cost and interest bearing financial assets classified as available-for-sale investments, interest income and expenses are recognised using the effective interest rate method.

Interest and other income from non-performing loans and advances is not recognised in the income statement but is credited to a balance sheet suspense account. Non-performing loans and advances are defined as: (a) loans and advances that are more than three months in arrears and are not fully secured, (b) overdraft accounts that are over 5% in excess of their credit limit on a continuous basis for more than three months and are not fully secured at the date of calculation of the accrued interest, and (c) loans and advances for which a provision for impairment has been made.

Interest income and interest expense on loans and deposit balances that existed in the Bank's books on 15 August 1974, are not recognised due to the Turkish invasion. All interest with regard to these balances is accounted for when paid or received.

b. Fee and commission income

Fee and commission income is recognised on the basis of work done so as to match the cost of providing the service.

8. Revenue recognition (continued)

c. Dividend income

Dividend income is recognised in income statement when the Bank's right to receive payment is established.

d. Income from the disposal of property held for sale

Income from the disposal of these properties is recognised in the income statement under "Other income" when the buyer accepts delivery and the transfer of risks and rewards to the buyer is completed.

9. Operating lease expenses

Operating lease expenses represent accrued lease rentals for the year and are included in "Other operating expenses".

10. Retirement benefits

The Bank operates a defined benefits scheme, which is fully funded. All contributions to the scheme are made on an annual basis with the purpose of creating enough reserves during the working life of the employees to provide for the payment of a lump sum either upon retirement or on death before retirement. The annual cost of providing benefits under this scheme is taken to the income statement.

The cost of providing benefits is part of "Staff costs" and is estimated annually using the projected unit credit actuarial valuation method. According to this method, the cost of providing benefits is debited to the income statement over the working life of the employees participating in the scheme according to the guidance and provisions of independent professional actuaries that carry out actuarial reports on the scheme every year.

Actuarial gains or losses exceeding 10% of the present value of the defined benefit obligation or the fair value of the plan assets of the scheme, whichever is greater, are recognised over the average remaining working life of the employees participating in the scheme.

11. Financial instruments

i. Date of recognition

Purchases or sales of financial assets, where delivery is required within a time frame established by regulations or by market convention, are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Derivatives are recognised on a trade date basis. "Deposits with Central Bank", "Amounts due to banks", "Customer deposits and other accounts", "Placements with banks" and "Loans and advances to customers" are recognised when cash is received by the Bank or advanced to the borrowers.

ii. Initial recognition and measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and liabilities not measured at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

iii. Derivatives

Derivative financial instruments are recognized at fair value in the balance sheet. Fair values are estimated using quoted market prices, discounted cash flow models and options pricing models as appropriate.

Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

All derivatives are treated as derivatives held-for trading with changes in fair value reported in the Income Statement.

11. Financial instruments (continued)

iv. Loans and advances to customers

Loans and advances to customers are financial assets with fixed or determinable payments that are not quoted in an active market.

After their initial recognition, loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. The amortised cost is calculated taking into consideration the difference between the initial amount and the payable amount at maturity and all emoluments that comprise integral part of the effective interest. Amortisation is included in “Interest Income” in Income Statement. The losses arising from impairment are recognised in the income statement in “Provisions for impairment of loans and advances”.

Loans and advances are stated net of specific and general provisions for doubtful debts, which may arise during the ordinary course of business. Loans and advances are written off to the extent that there is no realistic prospect of recovery.

The collectability of loans and advances to customers is evaluated based on the individual customer’s overall financial position, resources, and payment record, the prospect of support from creditworthy guarantors and the realisable value of any collateral.

A loan is considered impaired when it is probable that the Bank will not be able to collect all amounts due according to the original contractual terms of the loan, unless such loans are secured, or other factors exist where the Bank expects that all amounts due will be received.

When a loan has been classified as impaired, its carrying amount is reduced to its estimated recoverable amount, being the present value of its expected future cash flows, including recoverable amounts from guarantees and collateral, discounted at original effective interest rate. The amount of provision is the difference between the carrying amount and the recoverable amount.

Impaired loans are monitored continuously and are reviewed for provision purposes every six months. Any subsequent changes to the estimated recoverable amounts and timing of the expected future cash flows are compared to the prior estimates and any difference arising results in a corresponding charge/credit in the income statement. A provision for an impaired loan is reversed only when the credit quality of the customer has improved to such an extent that there is reasonable assurance that all principal and interest according to the original terms of the loan will be collected timely.

Provision has been made for the total advances and loan accounts granted before 15 August 1974.

In addition to the individual basis provisions performed, the Bank also performs a collective provision for impairment in the value of loans. The loan default percentages are based on estimates, historical data and experience of management of the Bank.

v. Investments

Investments in equity shares and Government and other bonds, have been classified into investments available-for-sale and into investments held-to-maturity respectively. Management determines the appropriate classification of investments at the time of the purchase.

Investments held-to-maturity

Held-to-maturity investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in “Interest income” in the income statement. Losses arising from impairment of such investments are recognised in “Net gains on sale and change in fair value of financial instruments” in the income statement.

11. Financial instruments (continued)

v. Investments (continued)

Available for sale investments

Available for sale investments are measured at fair value, based on market prices for listed securities. The fair value of unlisted securities is estimated using appropriate models and valuation methods and/or on the basis of the investee’s financial results, conditions and prospects compared to those of similar companies for which quoted market prices are available.

Adjustments at fair values of investments available for sale are included in the “Investment revaluation reserve”. In case of sale of investments held for sale or impairment of investments, the gains or losses recognised in revaluation reserve are transferred to the “Income from investments to shares” and “Losses from revaluation, sale and impairment of financial instruments” and to income statement respectively.

Available for sale investments in equity shares are impaired if the decline in their fair value is significant and prolonged and included to “Losses from revaluation, sale and impairment of financial instruments” in the income statement. Impairment losses on investments in equity shares are not reversed in the income statement. Potential increases in the fair value following impairment are recognised in the revaluation reserve.

vi. Deposits and subordinated loan stock

Deposits and subordinated loan stock in issue are initially measured at the fair value of the consideration received net of any issue costs. They are subsequently measured at amortised cost using the effective yield method. Interest on deposits and subordinated loan stock in issue is included in “Interest expense”.

12. Derecognition of financial assets and financial liabilities

i. Financial assets

A financial asset is derecognised when: (a) the rights to receive cash flows from the asset have expired, or (b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party and has either (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ii. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

13. Offsetting financial instruments

Financial assets and financial liabilities may be offset and the net amount reported in the balance sheet when the Bank has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

14. Investments in subsidiary companies

The investments in subsidiary companies are shown in Bank’s Balance Sheet at cost less any impairment in value.

15. Share capital

The difference between the nominal value and the issue price of the share capital is included within share premium. Issue costs incurred in the process of share capital increase are deducted from equity.

16. Property, equipment, computer software and goodwill on leasehold property

Owner-occupied property is property held by the Bank for use in the supply of services or for administrative purposes.

Property is stated initially at cost and thereafter at estimated fair value less accumulated depreciation. Valuation occurs periodically by independent qualified valuers. The amount of depreciation is calculated on the basis of fair value less estimated residual value on a straight-line basis over the expected useful economic life of the assets. Gains or losses arising from changes in the estimated fair value of the assets are recognised in the "Revaluation reserve".

Upon disposal the relevant amount in the revaluation reserve is transferred to "Retained earnings reserve".

Equipment and computer software are stated at historic cost less accumulated depreciation.

Depreciation on furniture and fittings, equipment, computer software and hardware and motor vehicles is calculated on the basis of cost less estimated residual value on a straight-line basis over the expected useful economic lives of the assets, commencing from the month of acquisition.

The annual depreciation rates for the year were as follows:

	%
Buildings	4
Furniture and Fittings	10
Office equipment	20
Computer hardware	20-33
Computer software	25
Motor Vehicles	20

Improvement to leasehold property is stated at cost less accumulated depreciation.

Leasehold improvements and goodwill on leasehold property are amortised over a period of 10 years or over the lease period if this period is less than 10 years.

Any profits or losses arising from the disposal of property, plant and equipment are transferred to the Income Statement in the year of disposal.

All property, equipment and computer software, with the exception of immovable property, which remained in the Turkish occupied area, were written off in 1974. In addition, provision has been made for the total value of immovable property situated in the Turkish occupied area.

The carrying values of property, equipment, computer software and goodwill on leasehold property are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If there is such an indication and the carrying value exceeds the recoverable amount, the assets are written down to their recoverable amount through the income statement.

17. Investment property

Investment property consists of property purchased for the settlement of debts. Investment property is measured at fair value as at the balance sheet date. Gains or losses arising from changes in fair value of investment property are recorded in the income statement. Valuations are performed by independent qualified valuers.

18. Provisions for pending litigation or claims

Provisions for pending litigation or claims against the Bank are made when : (a) there is a present obligation (legal or constructive) arising from past events, (b) the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made.

Summary of Significant Accounting Policies
at 31 December 2008

19. Taxation

Taxation on income is provided in accordance with the provisions of the Income Tax Law and is recognised as an expense in the period in which the income arises. Deferred tax is calculated using the liability method.

Deferred income tax liabilities are recognised for all taxable temporary differences between the tax basis of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the amount expected to be paid to the tax authorities (or recovered from them), using tax rates expected to apply in the period in which the requirement will be realized or the liability will be settled.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

20. Cash and cash equivalents

Cash and cash equivalents in the Cash Flow Statement represent cash in hand, short term deposits repayable within three months as well as non-obligatory deposits with the Central Bank of Cyprus.

21. Financial guarantees

The Bank issues financial guarantees to its customers, consisting of letters of credit, letters of guarantee and acceptances. Financial guarantees are initially recognised in the financial statements at fair value, in "Other liabilities" in the Balance sheet, Subsequently, the Bank's liability under each guarantee is measured at the higher of : (a) the amount initially recognised reduced by the cumulative amortized premium which is periodically recognized in the income statement in "Fee and commission income" in accordance with the terms of the guarantee, and (b) the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

22. Comparative information

Reclassifications to comparative information were made to conform to changes in the presentation in the current year. Such reclassifications relate to the presentation of accrued interest on investments which is now presented as part of the carrying value of the investments rather than separately in the category "Income receivable and prepaid expenses". These reclassifications had no impact on profit after tax or equity of the Bank.

1. Corporate information

The financial statements of USB BANK PLC (formerly Universal Bank Public Limited) (the “Bank”) for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the Board of Directors on 10 April 2009.

The Bank’s main activity during the year was the provision of banking and financial services in Cyprus.

The Bank was incorporated as a limited liability company in 1925 under the Cyprus Companies Law and is considered a public company under the Company Law and Cyprus Stock Exchange Laws and Regulations and under Cyprus Income Tax Law.

2. Interest income

	2008	2007
	€	€
Loans and advances to customers	**18.434.972**	23.840.065
Placements with banks and deposits with Central Bank	**3.882.438**	4.865.190
Government and other bonds	**4.299.559**	3.924.570
	26.616.969	32.629.825

3. Interest expense

	2008	2007
	€	€
Deposits and other customer accounts	**14.910.917**	14.096.912
Amounts due to the banks	**4.425**	50.424
Subordinated loan stock	**515.783**	870.960
	15.431.125	15.018.296

4. Income from available for sale investments

	2008	2007
	€	€
Dividends from available for sale investments	**5.177**	4.678
Transfer from the revaluation reserve on sale of available for sale investments	**-**	1.828
	5.177	6.506

5. Staff costs

	2008	2007
	€	€
Staff salaries and wages	**6.571.875**	5.974.280
Social insurance and other costs	**770.326**	700.562
Retirement benefit costs	**995.346**	994.383
	8.337.547	7.669.225

The number of employees as at 31 December 2008 was 190 (2007: 190).

Retirement benefits - Defined benefit scheme

The Bank operates a defined benefit scheme, which is fully funded. All contributions to the scheme are made on an annual basis with the purpose of creating enough reserves during the working life of the employees to provide for the payment of a lump sum either upon retirement or earlier death. The annual cost of providing benefits under the scheme is charged to the income statement.

5. Staff costs (continued)

Retirement benefits - Defined benefit scheme (continued)

The cost of providing benefits is part of staff costs and is estimated annually using the projected unit credit actuarial valuation method by independent actuaries. According to this method, the cost of providing retirement benefits is debited to the income statement over the working life of the employees participating in the scheme according to the guidance and provisions of independent professional actuaries that carry out actuarial valuation of the plan every year. The calculation of the cost of providing benefits for this scheme is based on the present value of the expected future outflow using as discount rate the average interest rate of Government bonds with similar duration as the duration of the liability.

According to the actuarial valuation carried out for the year ended 31 December 2008, the amounts presented on the balance sheet of the Bank in relation to the defined benefit scheme are as follows:

	2008	2007
	€	€
Present value of the obligation	**(7.077.202)**	(6.778.034)
Fair value of plan assets	**2.904.919**	4.967.984
Deficit	**(4.172.283)**	(1.810.050)
Unrecognised actuarial loss	**2.313.701**	253.563
Net liability recognised in the balance sheet	**(1.858.582)**	(1.556.487)

The principal actuarial assumptions used for the actuarial valuation were:

	2008	2007
	%	%
Discount rate	**5,75**	5,25
Expected return on plan assets	**6,00**	6,00
Future salary increase	**6,25**	6,50

The amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

	2008	2007
	€	€
Current service cost	**936.878**	925.673
Interest expense on obligations	**350.944**	298.766
Expected return on plan assets	**(292.476)**	(249.898)
Actuarial loss recognised in the year	**-**	19.842
	995.346	994.383

Movement in the liability presented on the balance sheet (Note 19):

	2008	2007
	€	€
Net liability at 1 January	**(1.556.487)**	(837.978)
Expense recognised in the income statement	**(995.346)**	(994.383)
Employer contributions for the year	**693.251**	275.874
Net liability at 31 December	**(1.858.582)**	(1.556.487)

5. Staff costs (continued)

Retirement benefits - Defined benefit scheme (continued)

The movement in the present value of obligations is:

	2008 €	2007 €
1 January	**6.778.034**	6.052.980
Current service cost	**936.878**	925.673
Interest on liabilities	**350.944**	298.766
Benefits paid from the plan	**(693.251)**	(275.874)
Actuarial gains	**(295.403)**	(223.511)
31 December	**7.077.202**	6.778.034

Movement in plan assets:

	2008 €	2007 €
Fair value of plan assets on 1 January	**4.967.984**	4.242.628
Expected return on plan assets	**292.476**	249.898
Employer contributions for the year	**693.251**	275.874
Benefits paid for the year	**(693.251)**	(275.874)
Actuarial (losses)/gains	**(2.355.541)**	475.458
Fair value of plan assets at 31 December	**2.904.919**	4.967.984
Actual (decrease)/increase in the return on plan assets	**(2.063.065)**	725.356

Experience adjustments and their effect on the net present value of obligations and the fair value of plan assets are as follows:

	2008 €	2007 €	2006 €	2005 €
Net present value of obligations	**(7.077.202)**	(6.778.034)	(6.052.980)	(4.500.798)
Fair value of plan assets	**2.904.919**	4.967.984	4.242.628	2.328.738
Deficit	**(4.172.283)**	(1.810.050)	(1.810.352)	(2.172.060)
Experience adjustments to plan obligations	**295.403**	223.511	(476.083)	(29.202)
Experience adjustments to plan assets	**(2.355.541)**	475.458	1.751.744	540.242

The expense for the defined benefit scheme for 2009 is expected to be €1.225.897.

The main categories of plan assets as a percentage of total plan assets are:

	2008	2007
Shares	**23%**	56%
Bonds	**13%**	6%
Placements with banks	**64%**	38%
	100%	100%

Plan assets do not include securities or/and other financial instruments that have been issued by the Bank.

5. Staff costs (continued)

Principal actuarial assumptions used in the actuarial valuations

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the balance sheet date in high quality corporate bonds of suitable maturity and currency. The Bank considered the international index iBoxx Euro Corporates AAA 10+ Bond index with an adjustment for the longer duration of liabilities.

To develop the assumptions relating to the expected rates of return on plan assets, the Bank, in consultation with its advisers, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the balance sheet date. Adjustments are made annually to the expected rate of return assumption based upon revised expectations of future investment performance of asset classes, changes to local laws that may affect investment strategy as well as changes to the target strategic asset allocation.

6. Profit before tax

Profit before tax is stated after charging/(crediting) the following:

	2008 €	2007 €
Directors' emoluments (Note 33)	**266.733**	59.160
Auditors' remuneration	**47.000**	51.258
Loss/(gain) on sale and write-off of property and equipment	**33.445**	(4.060)
Operating lease rentals for buildings	**710.258**	658.515

The above amounts are included in the category "Other operating expenses", excluding the gain from sale and write-off of property, which is presented in the category "Other income".

7. Tax

	2008 €	2007 €
Deferred tax – credit to the income statement	**(37.002)**	(4.806)

The reconciliation of corporation tax on profit before tax based on the effective rates and the tax credit is as follows:

	2008 €	2007 €
Profit before tax	**536.401**	7.818.245
Corporation tax based on the effective rates	**53.640**	781.825
Tax effect of:		
- Not deductible expenses	**347.944**	137.337
- Income not subject to tax	**(87.458)**	(89.065)
- Tax losses utilised	**(351.128)**	(834.903)
	(37.002)	(4.806)

Corporation tax is calculated at a rate of 10% on taxable income (2007: 10%).

At 31 December 2008, the Bank had tax losses carried forward amounting to €18,3 million (2007: €19 million) and for €15,1 million (2007: €17,1 million) of which no deferred tax asset was recognised in the balance sheet.

7. Tax (continued)

The balance of net deferred tax liability represents:

	2008 €	2007 €
Difference between tax allowances and accounting depreciation	**55.607**	27.080
Revaluation of properties	**403.660**	213.890
Tax losses carried forward	**(315.885)**	(189.234)
	143.382	51.736

8. Earnings per share

	2008 €	2007 €
Profit attributable to shareholders	**573.403**	7.823.051
Weighted average number of shares in issue during the year	**15.128.151**	15.128.151
Earnings per share (cent)	**3,8**	51,7

At 31 December 2008 and 2007 respectively, there were no potentially dilutive ordinary shares.

9. Cash and balances with the Central Bank

	2008 €	2007 €
Cash	**5.621.047**	3.321.518
Balances with the Central Bank of Cyprus	**16.117.852**	99.842.874
Bank notes and coins in Euro	**-**	15.003.000
Euro familiarization packages	**-**	240.532
	21.738.899	118.407.924

Deposits with the Central Bank of Cyprus include the obligatory deposits for liquidity purposes which amount to €8.920.991 (2007: €15.712.914). The analysis of credit ratings for deposits with the Central Bank of Cyprus by independent rating agencies is presented in Note 29.

10. Placements with banks

	2008 €	2007 €
Repayable:		
- on demand	**6.017.929**	9.158.669
- within three months	**37.389.842**	27.625.416
	43.407.771	36.784.085

The analysis of credit ratings of placements with banks by independent rating agencies is presented in Note 29. Placements with banks earn interest which is based on the interbank rate of the relevant term and currency.

11. Loans and advances to customers

	2008 €	2007 €
Loans and other advances	**357.525.354**	263.918.766
Provision for impairment of loans and advances	**(44.348.310)**	(46.014.849)
	313.177.044	217.903.917

11. Loans and advances to customers (continued)

Provisions for impairment of loans and advances:

Year 2008	Provisions €	Suspended income €	**Total €**
1 January	29.054.612	16.960.237	**46.014.849**
Collections	(417.055)	(3.348.201)	**(3.765.256)**
Charge for the year	2.132.786	-	**2.132.786**
Net charge for the year	1.715.731	(3.348.201)	**(1.632.470)**
Write-offs	(3.266.098)	(2.121.231)	**(5.387.329)**
Suspended interest for the year	-	5.353.260	**5.353.260**
	(1.550.367)	(116.172)	**(1.666.539)**
31 December	27.504.245	16.844.065	**44.348.310**

Year 2007	Provisions €	Suspended income €	**Total €**
1 January	29.324.610	23.617.284	**52.941.894**
Collections	(3.585.675)	(5.040.174)	**(8.625.849)**
Charge for the year	5.105.942	-	**5.105.942**
Net charge for the year	1.520.267	(5.040.174)	**(3.519.907)**
Write-offs	(1.790.265)	(4.138.551)	**(5.928.816)**
Suspended interest for the year	-	2.521.678	**2.521.678**
	(269.998)	(6.657.047)	**(6.927.045)**
31 December	29.054.612	16.960.237	**46.014.849**

Total provisions for impairment at 31 December 2008 included collective impairment provision of €611.211 (2007: €630.707).

The total amount of loans and advances for which interest is suspended amounts to €65.099.190 (2007: €70.918.708).

The fair value of loans and advances is approximately equal to the amount shown on the balance sheet after the deduction of provisions for loan impairment and suspended income.

Additional analyses and information regarding credit risk are presented in Note 29.

Advances and other accounts before 15 August 1974

	2008 €	2007 €
Loans and advances to customers	**885.108**	894.003
Provisions for loans and advances to customers before 15 August 1974	**(885.108)**	(894.003)
	-	-

12. Investments held-to-maturity

	2008 €	2007 €
Government and other bonds:		
Cyprus Government	**63.723.079**	85.928.736
Cyprus public companies	**1.405.135**	2.255.094
Foreign banks	**34.310.216**	-
	99.438.430	88.183.830

	2008 €	2007 €
Listed in:		
Cyprus Stock Exchange	**65.128.214**	88.183.830
European Stock Exchanges	**32.463.100**	-
Not listed	**1.847.116**	-
	99.438.430	88.183.830

The fair value of held-to-maturity investments as at 31 December 2008 was €98.171.637 (2007: €86.475.743).

13. Investments available for sale

	2008 €	2007 €
Shares listed on the Cyprus Stock Exchange	**85.170**	248.830

The movement in available for sale investments is presented below:

	2008 €	2007 €
1 January	**248.830**	75.047
Disposals	**-**	(4.103)
Change in fair value	**(163.660)**	177.886
31 December	**85.170**	248.830

14. Investments in subsidiary companies

	2008 €	2007 €
Universal Leasing and Factoring Ltd	**846**	846
Imagetech Ltd	**1.265**	1.129
	2.111	1.975

The above companies, which have been dormant since their inception, are wholly owned subsidiaries of the Bank and are presented on the balance sheet at cost.

15. Property and equipment

Year 2008	Immovable property €	Equipment €	**Total €**
Cost or estimated fair value			
1 January	5.849.269	5.861.834	**11.711.103**
Additions	106.279	413.260	**519.539**
Disposals/write-offs	-	(100.607)	**(100.607)**
Revaluation for the year	1.608.276	-	**1.608.276**
Reversal of depreciation due to revaluation	(155.423)	-	**(155.423)**
31 December	7.408.401	6.174.487	**13.582.888**
Depreciation			
1 January	1.664.747	4.929.154	**6.593.901**
Charge for the year	351.180	335.611	**686.791**
Disposals/write-offs	-	(65.562)	**(65.562)**
Reversal of depreciation due to revaluation	(155.423)	-	**(155.423)**
31 December	1.860.504	5.199.203	**7.059.707**
Net book value	5.547.897	975.284	**6.523.181**

Year 2007	Immovable property €	Equipment €	**Total €**
Cost or estimated fair value			
1 January	5.768.850	5.549.252	**11.318.102**
Additions	85.129	428.709	**513.838**
Disposals/write-offs	(4.710)	(116.127)	**(120.837)**
31 December	5.849.269	5.861.834	**11.711.103**
Depreciation			
1 January	1.302.836	4.684.131	**5.986.967**
Charge for the year	363.868	361.150	**725.018**
Disposals/write offs	(1.957)	(116.127)	**(118.084)**
31 December	1.664.747	4.929.154	**6.593.901**
Net book value	4.184.522	932.680	**5.117.202**

Provision has been made for the total net book value of the immovable property situated in the areas controlled by the Turkish occupation forces amounting to €42.872.

Immovable property includes land valued at €1.433.695 (2007: €959.164) for which depreciation is not calculated. The revaluation of the privately owned property was carried out on 31 December 2008 by independent qualified valuers on the basis of current market value using current prices and recent market transactions. The total surplus on revaluation at 31 December 2008 amounted to €1.608.275 and is included in the property revaluation reserve (Note 22).

The net book value of immovable property as at 31 December 2008 based on historic cost less accumulated depreciation would be €2.417.775 (2007: €2.627.738).

16. Intangible assets

Year 2008	Goodwill on leasehold property €	Computer software €	Total €
Cost			
1 January	85.430	5.220.116	**5.305.546**
Additions	-	123.134	**123.134**
Write-offs	(85.430)	-	**(85.430)**
31 December	-	5.343.250	**5.343.250**
Amortisation			
1 January	75.230	4.589.524	**4.664.754**
Charge for the year	10.200	234.715	**244.915**
Write-offs	(85.430)	-	**(85.430)**
31 December	-	4.824.239	**4.824.239**
Net book value	-	519.011	**519.011**

Year 2007	Goodwill on leasehold property €	Computer software €	Total €
Cost			
1 January	85.430	4.822.675	**4.908.105**
Additions	-	397.441	**397.441**
31 December	85.430	5.220.116	**5.305.546**
Amortisation			
1 January	63.031	4.278.967	**4.341.998**
Charge for the year	12.199	310.557	**322.756**
31 December	75.230	4.589.524	**4.664.754**
Net book value	10.200	630.592	**640.792**

17. Other assets

	2008 €	2007 €
Other debtors	**434.180**	345.958
Visa International collateral amount	**749.001**	569.376
Fair value of derivatives (Note 25)	**-**	58.111
	1.183.181	973.445

The Visa International collateral amount represents a blocked deposit of the Bank in US dollars which is placed as security for the purposes of its cooperation with the organisation

18. Deposits and other customer accounts

	2008 €	2007 €
Demand deposits	**54.223.474**	49.984.115
Notice deposits	**79.430.252**	112.434.446
Term deposits	**314.708.548**	240.601.288
	448.362.274	403.019.849

The book value of deposits repayable on demand represents their fair value. The fair value of deposits with variable interest rate is equivalent to their book value. The fair value of deposits with fixed interest rate is based on the present value of future cash flows, using interest rates of new deposits with the same remaining maturity. The fair value of these deposits does not materially differ from their book value as the majority mature within one year from the balance sheet date (Note 29).

Although the Bank is entitled to legal protection according to the Debtors Relief (Temporary Provision) Laws of 1979 until 1995, as an affected and displaced legal entity, on 15 December 1998 the Bank released all frozen deposits amounting to €719.058 in favour of the Bank's depositors. The equivalent balance as at 31 December 2008 was €156.619 (2007: €159.641).

Due to the fact that the above amount consists of a large number of small deposit accounts and the likelihood of repayment is minimal, on 24 May 2000 the Board of Directors decided to transfer the amount of €234.301 to the income statement and in case of repayment of these deposits to debit the income statement accordingly. During the year 2008, the Bank repaid deposits amounting to €3.022 (2007: €485) by debiting the income statement.

19. Other liabilities

	2008 €	2007 €
Sundry creditors	**619.989**	497.565
Net deferred tax liability (Note 7)	**143.382**	51.736
Fair value of derivatives (Note 25)	**-**	115.942
Net liability for staff retirement plan (Note 5)	**1.858.582**	1.556.487
Bills payable	**709.940**	1.945.873
Deemed dividend distribution (Note 22)	**300.450**	-
Other liabilities	**519.586**	464.152
Accrued expenses	**826.655**	1.287.674
	4.978.584	5.919.429

20. Subordinated loan stock

	2008 €	2007 €
Tier I capital		
Capital securities	**973.903**	973.903
Tier II capital		
Debentures 2003/2008	**-**	13.668.811
	973.903	14.642.714

20. Subordinated loan stock (continued)

Capital Securities

The Capital Securities were issued on 30 December 2005 and were offered to professional investors and to a specific number of non-professional investors in Cyprus. The Capital Securities rank as Tier I capital and have no maturity date. However, they may be redeemed in whole at the option of the Bank subject to the prior consent of the Central Bank of Cyprus, at their nominal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter, and provided that they will be replaced with capital of equivalent or senior ranking unless the Central Bank of Cyprus concludes that the Bank's capital is at a satisfactory level.

The Capital Securities bear floating interest rate, which is revised at the beginning of each period interest is charged and will be valid for that specific period. Interest rate is equal to the base rate of the Bank at the beginning of each period interest is charged plus 1,60% annually. Interest is payable every six (6) months, on 30 June and on 31 December.

According to the terms of issue, if the Bank does not proceed with the repurchase of Capital Securities within ten years from their issuance date (ie up to 31 December 2015), then from 1 January 2016, the Capital Securities will be bearing floating interest rate that will be revised at the beginning of each period in which interest will be charged and will be equal to the base rate ruling at the beginning of each period interest is charged plus 2,25% annually.

Debentures 2003/2008

On 25 July 2003 the Bank issued debentures amounting to €13.668.811 (£8.000.000) with duration of five years maturing on 25 July 2008. These were non-secured and were included in the direct, non-secured subordinated liabilities of the Bank. The debentures carried a variable interest rate equal to the weighted average of the basic interest rate of the Central Bank of Cyprus (Lombard rate) for Cyprus pounds that was in effect during the previous interest rate period (i.e. the previous six month period), plus 1,50%.

The debentures expired on 25 July 2008 and have been repaid.

21. Share capital

	2008 Number of shares	**2008 €**	2007 Number of shares	2007 €
Authorised				
Ordinary shares of €1,71 each (31 December 2007 £1 each)	**50.000.000**	**85.500.000**	50.000.000	85.430.072
Issued and fully paid				
1 January	**15.128.151**	**25.847.981**	15.128.151	25.847.981
Capitalisation of share premium due to change in the nominal value of shares from £1 to €1,71 each	**-**	**21.157**	-	-
31 December	**15.128.151**	**25.869.138**	15.128.151	25.847.981

With the adoption of the Euro as the new official currency of Cyprus on 1 January 2008 and with the basis of a Resolution in an Extraordinary General Meeting dated 24 June 2008, the nominal value of the share capital of the Company has changed and increased after rounding upwards on the irrevocable exchange rate €1=£0,585274 from £1 to €1,71 per share. The increase of the issued share capital due to the conversion and rounding of €21.157 held by capitalizing a corresponding amount from the share premium reserve account.

Notes to the financial statements
at 31 December 2008

22. Revaluation reserves and retained earnings

Revaluation Reserves

Year 2008	Investment revaluation reserve €	Property revaluation reserve €	**Total €**
1 January	214.995	1.841.881	**2.056.876**
Property revaluation	-	1.608.275	**1.608.275**
Deferred tax	-	(189.770)	**(189.770)**
Revaluation of available for-sale investments	(163.660)	-	**(163.660)**
31 December	**51.335**	**3.260.386**	**3.311.721**

Year 2007	Investment revaluation reserve €	Property revaluation reserve €	**Total €**
1 January	38.937	1.841.881	**1.880.818**
Transfer to the income statement from the available for-sale investments	(1.828)	-	**(1.828)**
Revaluation of available for-sale investments	177.886	-	**177.886**
31 December	**214.995**	**1.841.881**	**2.056.876**

Retained earnings

Retained earnings is the only distributable reserve account. In 2008 and 2007 no dividends have been paid or declared as the Bank had accumulated losses.

As from 1 January 2003, companies which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution for the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution at 15% will be payable on such deemed dividend distribution to the extend that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are tax residents of Cyprus. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year. This special defence contribution is paid by the Company on account of the shareholders. The amount of €300.450 presented in Note 19 of the financial statements represents the special defence contribution for deemed dividend distribution for the profits of 2006.

23. Contingent liabilities and commitments

	2008 €	2007 €
Contingent liabilities		
Acceptances and endorsements	**352.089**	462.633
Guarantees	**25.615.793**	23.564.764
	25.967.882	24.027.397
Commitments		
Documentary credits	**1.131.211**	1.420.827
Undrawn formal stand by facilities, credit lines and other commitments to lend	**35.714.086**	19.774.673
	36.845.297	21.195.500

23. Contingent liabilities and commitments (continued)

Commitments to lend are agreements to lend to a customer in the future subject to certain conditions. Such commitments are made for fixed period and are cancellable by the Bank subject to notice requirements.

Capital commitments

Commitments for contracted capital expenditure for the Bank as at 31 December 2008 amount to €134.312 (2007: €146.002).

Operating leases

Presented in Note 26.

Pre-15 August 1974 deposits

The Bank has the obligation to repay the pre-15 August 1974 deposits. These balances amounted to €156.619 (2007: €159.641) as at 31 December 2008.

Litigation

There are no claims or assessments against the Bank's outcome of which would have a material effect on the Bank's financial position and operations.

24. Analysis of assets and liabilities by expected maturity

	2008 Less than one year €	2008 Over one year €	2008 Total €	2007 Less than one year €	2007 Over one year €	2007 Total €
Assets						
Cash and deposits with Central Bank	**15.245.735**	**6.493.164**	**21.738.899**	38.667.089	79.740.835	118.407.924
Placements with banks	**43.407.771**	**-**	**43.407.771**	36.784.085	-	36.784.085
Loans and advances to customers	**117.055.632**	**196.121.412**	**313.177.044**	39.719.535	178.184.382	217.903.917
Investments held to maturity	**25.754.841**	**73.683.589**	**99.438.430**	24.811.194	63.372.636	88.183.830
Investments available for sale	**85.170**	**-**	**85.170**	248.830	-	248.830
Investments in subsidiary companies	**-**	**2.111**	**2.111**	-	1.975	1.975
Property, equipment and intangible assets	**113.069**	**6.929.123**	**7.042.192**	92.362	5.665.632	5.757.994
Other assets	**1.183.181**	**-**	**1.183.181**	973.445	-	973.445
	202.845.399	**283.229.399**	**486.074.798**	141.296.540	326.965.460	468.262.000
Liabilities						
Deposits from banks	**839.146**	**-**	**839.146**	43.383	-	43.383
Amounts due to banks	**-**	**-**	**-**	15.243.532	-	15.243.532
Deposits and other customer accounts	**123.704.091**	**324.658.183**	**448.362.274**	67.782.659	335.237.190	403.019.849
Other liabilities	**3.120.002**	**1.858.582**	**4.978.584**	4.360.296	1.559.133	5.919.429
Subordinated loan stock	**-**	**973.903**	**973.903**	13.668.811	973.903	14.642.714
	127.663.239	**327.490.668**	**455.153.907**	101.098.681	337.770.226	438.868.907

Notes to the financial statements
at 31 December 2008

24. Analysis of assets and liabilities by expected maturity (continued)

The main assumptions used in determining the expected maturity of assets and liabilities are set out below:

- Loans and advances to customers are classified based on their expected repayment schedule and their expected collectability.
- Customer deposits and other accounts are classified based on historical behavioural data.
- Investments available for sale are classified with maturity date within one year.
- Other assets and liabilities are classified based on the contractual maturity date.

25. Derivatives

The nominal amounts and fair values of derivative financial instruments are summarised below:

	Nominal amount €	Fair value Assets (Note 17) €	Fair value Liabilities (Note 19) €
Year 2008	-	-	**-**
Year 2007			
Currency swaps	4.010.137	58.111	115.942
	4.010.137	**58.111**	**115.942**

26. Operating leases

Commitments under non-cancellable operating leases are as follows:

	2008 €	2007 €
Within one year	**634.225**	256.571
Between two and five years	**403.340**	194.560
	1.037.565	451.131

The Bank's commitments under operating leases depend on the provisions of the relevant operating lease agreements. These agreements contain provisions for future adjustments on the lease payments, and allow the renewal of the agreements upon expiry by the Bank.

27. Net cash flows (used in)/from operating activities

	2008 €	2007 €
Profit before tax	**536.401**	7.818.245
Adjustments for:		
Provision for loan impairment	**1.715.731**	1.520.267
Depreciation of property, equipment and intangible assets	**931.706**	1.047.774
Loss/(gain) on disposal of property and equipment	**33.445**	(4.060)
Loss on disposal of investment properties	**-**	30.193
Profit on disposal of shares	**-**	(115)
Dividends from shares	**(5.177)**	(4.678)
Interest on government and other bonds	**(4.299.559)**	(3.924.570)
Interest on subordinated loan stock	**515.783**	870.960
Impairment of available for sale investments (transfer from revaluation reserve)	**-**	(1.828)
	(571.670)	7.352.188
(Increase)/decrease in operating assets:		
Obligatory deposits with the Central Bank	**6.791.923**	271.333
Investments in subsidiary companies	**(136)**	-
Loans and advances to customers	**(96.988.858)**	208.496
Other assets	**(209.736)**	(529.272)
Increase/(decrease) in operating liabilities:		
Deposits by banks	**795.763**	(6.901.378)
Customer deposits and other accounts	**45.342.425**	25.253.290
Other liabilities	**(1.394.064)**	1.686.296
	(46.234.353)	27.340.953
Taxation paid	**-**	53.416
Net cash flows (used in)/from operating activities	**(46.234.353)**	27.394.369

28. Cash and cash equivalents

	2008 €	2007 €
Cash and balances with the Central Bank (Note 9)	**21.738.899**	103.164.392
Placements with banks (Note 10)	**43.407.771**	36.784.085
	65.146.670	139.948.477
Less obligatory deposits with the Central Bank (Note 9)	**(8.920.991)**	(15.712.914)
	56.225.679	124.235.563

29. Risk management

In the ordinary course of the business, the Bank is exposed to various risks, which are managed and monitored through various control mechanisms in order to prevent undue risk concentrations. The Bank considers risk management to be a major process and a major factor contributing to the stability of the Bank's performance. Each officer is responsible for the risk which is the result of their daily duties. A description of the nature of those risks and how they are managed is provided below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The credit risk is monitored by the Bank through various control mechanisms, such as the assessment of credit policies, limits and credit principles.

29. Risk management (continued)

Credit risk (continued)

The Credit Risk Management Unit in co-operation with General Management defines the credit dispensing policies and based of these policies the Bank evaluates the granting of credit facilities to customers.

The procedure of approving credit facilities aims to eliminate the credit risk by evaluating the creditworthiness of the counterparty, the offered collaterals and the type of the credit facility. Credit exposures from related accounts are aggregated and monitored on a consolidated basis.

In addition, the Credit Risk Management Unit of the Bank in co-operation with General Management suggests and readjusts, the loan limits for the Sanctioning Authorities, when it is deemed necessary.

The Bank's portfolio is continuously monitored in order to avoid undertaking high risks when granting credit facilities and during their term for loan and advances granted to customers. Bank uses an internal evaluation and grading system on the clients' historical payment the records and their overall relationship with the Bank. In the case of governments and financial institutions, the evaluation is made based on the ratings of international credit rating agencies. The Banks' policy regarding the identification of impaired loans and advances and the methodology employed to determining the impairment provisions is set out in the Summary of Significant Accounting Policies.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk, which is presented gross, without taking into account any collateral held and other credit enhancements.

	2008 €	2007 €
Balances with the Central Bank (Note 9)	**16.117.852**	99.842.874
Placements with banks (Note 10)	**43.407.771**	36.784.085
Loans and advances to customers (Note 11)	**313.177.044**	217.903.917
Investments held-to-maturity (Note 12)	**99.438.430**	88.183.830
Other debtors (Note 17)	**1.183.181**	973.445
Total on-balance sheet	**473.324.278**	443.688.151
Contingent liabilities (Note 23)	**25.967.882**	24.027.397
Commitments (Note 23)	**36.845.297**	21.195.500
Total off-balance sheet	**62.813.179**	45.222.897
Total credit risk exposure	**536.137.457**	488.911.048

Credit portfolio concentration

There are restrictions on credit risk concentrations which are imposed by the Banking Law and the relevant Directive of the Central Bank of Cyprus. According to these restrictions, banks should not lend more than 25% of their capital base to any one customer group. In addition, total lending to customers whose borrowings exceed 10% of a bank's capital base, should not in aggregate exceed eight times its capital base. Furthermore, according to the directive of the Central Bank of Cyprus, the uncovered risk and the total of loans to directors and any related parties cannot exceed the total of 5% and 40% respectively of the capital base of a bank. The Bank is in compliance with both restrictions except for the case of a customer group whose total lending exceeds 25% of the Bank's capital base, and the Central Bank of Cyprus is informed accordingly.

The Bank's exposure to credit risk arising from customers, who have credit facilities amounting to more than 10% of the Bank's capital base as at 31 December 2008, was €71.912 thousand (2007: €77.333 thousand).

29. Risk management (continued)

Credit risk (continued)

The allocation of advances in the various sectors of the economy is as follows:

	2008 €	2007 €
Trade and manufacturing	**32.786.733**	23.650.562
Tourism	**28.060.652**	29.993.922
Property and construction	**73.940.318**	58.152.378
Personal and professional	**210.037.548**	143.402.662
Other sectors	**12.700.103**	8.719.242
	357.525.354	263.918.766

Collateral and other credit enhancements

Loans and advances to customers

The main types of collateral obtained by the Bank are mortgages of properties, cash collateral / blocked deposits, bank guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

Other financial instruments

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury bills and other eligible bills are generally unsecured.

Analysis of loans and advances to customers

	2008 €	2007 €
Neither past due nor impaired	**206.236.804**	106.597.332
Past due but not impaired	**86.189.360**	86.402.726
Impaired	**65.099.190**	70.918.708
	357.525.354	263.918.766

Neither past due nor impaired loans and other advances to customers

The credit quality of loans and advances to customers that were neither past due nor impaired is managed by the Bank using internal credit ratings.

The table below shows the credit quality of loans and advances to customers based on this credit rating system.

	2008 €	2007 €
Grade 1	**171.294.659**	68.359.569
Grade 2 & 3	**34.834.189**	37.449.720
Grate 4	**107.956**	788.043
	206.236.804	106.597.332

Grade 1

Loans and advances to customers that are within their limits and do not display negative indications are classified as Grade 1.

Grade 2&3

Loans and advances to customers that require monitoring for the prevention of future problems. Repayment ability remains within acceptable levels despite the occurrence of problems in the past.

Grade 4

This grade is given to loans that had repayment difficulties in the past but are not in arrears and are no longer considered of doubtful recovery.

29. Risk management (continued)

Credit risk (continued)

Loans and advances to customers which were past due but not impaired

	2008 €	2007 €
In arrears:		
Up to 30 days	**48.954.114**	59.320.873
From 31 to 90 days	**15.795.409**	11.966.395
From 91 to 180 days	**7.235.367**	2.690.012
From 181 to 365 days	**5.970.611**	6.731.503
Over one year	**8.233.859**	5.693.943
	86.189.360	86.402.726

The fair value of collateral held by the Bank in respect of loans and advances to customers that are past due but not impaired as at 31 December 2008 amounts to €71.798 thousand (2007: €52.548 thousand).

Impaired loans and advances

The fair value of collateral held by the Bank in relation to individually impaired loans as at 31 December 2008 amounts to €24.027 thousand (2007: €38.336 thousand).

Renegotiated loans and other advances to customers

There were no material cases of renegotiated loans and advances which were past due and/or impaired during the year.

Analysis by rating agency designation

Balances with the Central Bank of Cyprus and placements with banks are analysed in accordance with their Moody's rating as follows:

	2008 €	2007 €
Aaa – Aa3	**18.456.690**	126.925.880
A1 – A3	**34.983.565**	425.855
Baa1 – Baa3	**-**	116.555
Items in the course of collection	**6.085.368**	9.158.669
	59.525.623	136.626.959

Government and other bonds are analysed in accordance with their Moody's rating as follows:

	2008 €	2007 €
Moody's rating:		
Aaa – Aa3	**87.365.052**	85.928.736
A1 – A3	**10.668.243**	859.191
Baa1 –Baa3	**1.405.135**	1.395.903
	99.438.430	88.183.830
Issued by:		
Cyprus government	**63.723.079**	85.928.736
Cyprus public companies	**1.405.135**	2.255.094
Foreign banks	**34.310.216**	-
	99.438.430	88.183.830

29. Risk management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the repricing of assets and liabilities.

Interest rate risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated, separately for each currency. This difference is then multiplied by 1% (the assumed change in interest rates) for the period from the repricing date until twelve months from the date of the analysis, in order to estimate the impact on annual revenues of any changes in interest rates for the next twelve months for each currency.

Sensitivity analysis

The table below indicates the effect on the Bank's net interest income and profit before tax, over a one-year period, from reasonably possible changes in the interest rate of the main currencies:

Change in interest rates 2008	Cyprus Pounds €	Euro €	US Dollars €	British Pounds €	Other Currencies €	**Total €**
+0,5% in all currencies	-	261.030	17.580	15.190	1.400	**295.200**
-0,25% in USD and -0,5% in all other currencies	-	(248.850)	(8.790)	(15.190)	(1.400)	**(274.230)**

Change in interest rates 2007	Cyprus Pounds €	Euro €	US Dollars €	British Pounds €	Other Currencies €	**Total €**
+0,5% in all currencies	(75.930)	69.302	33.904	13.747	(1.782)	**39.241**
-1,50% in USD and -0,5% in all other currencies	98.220	(69.302)	(101.712)	(13.747)	1.782	**(84.759)**

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Assets and Liabilities Committee ("ALCO") has approved open position limits for each currency and total foreign exchange position limits. These limits are monitored by the Market Risk Management Unit.

The Bank uses foreign exchange swaps for foreign exchange risk hedging, for which it does not apply hedge accounting.

As a result, there are no material open positions in any currency and consequently the impact on net profit and equity of reasonably possible changes in the exchange rates is not expected to be significant.

Liquidity Risk

Liquidity risk is the risk that the Bank is unable to fully meet payment obligations and potential payment obligations as and when they fall due.

The Bank's Market Risk Management Unit is responsible for monitoring the liquidity position of the Bank in order to ensure compliance with both internal policies, and with the limits set by the regulatory authorities.

The Unit monitors incompatibility indices between assets and liabilities for periods up to one month as well as the index of highly liquid assets for each of the basic currencies.

29. Risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity:

2008	On demand and up to one month €	Between one and three months €	Between three months and one year €	Between one and five years €	Over five years €	**Total €**
Deposits by banks	839.146	-	-	-	-	**839.146**
Customer deposits and other accounts	139.622.011	83.097.989	231.734.652	289.945	1.582.960	**456.327.557**
Other liabilities	1.879.170	-	-	-	-	**1.879.170**
Subordinated loan stock	-	-	66.712	1.040.615	-	**1.107.327**
	142.340.327	**83.097.989**	**231.801.364**	**1.330.560**	**1.582.960**	**460.153.200**

2007	On demand and up to one month €	Between one and three months €	Between three months and one year €	Between one and five years €	Over five years €	**Total €**
Deposits by banks	43.383	-	-	-	-	**43.383**
Amounts due to banks	15.243.532	-	-	-	-	**15.243.532**
Customer deposits and other accounts	180.043.614	93.515.251	132.148.746	1.161.767	1.656.532	**408.525.910**
Derivatives						
- contractual amount payable	1.150.991	2.795.050	-	-	-	**3.946.041**
- contractual amount receivable	(1.228.768)	(2.782.138)	-	-	-	**(4.010.906)**
Other liabilities	2.907.590	-	-	-	-	**2.907.590**
Subordinated loan stock	-	-	14.107.922	1.137.929	-	**15.245.851**
	198.160.342	**93.528.163**	**146.256.668**	**2.299.696**	**1.656.532**	**441.901.401**

This table presents the Bank's financial liabilities based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December until the contractual maturity date. Repayments for which notice should be given, have been placed in the relevant time bands, as if notice has been given on 31 December. The amounts in this table may not be equal to the balance sheet amounts since the table below presents all cash flows (including interest) on an undiscounted basis.

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The Bank manages operational risk through procedures and controls. Controls include segregation of duties, controllable access, reconciliation of accounts and balances. In addition, the Bank's General Inspection Unit, performs periodic reviews and evaluates the efficiency of these controls and procedures.

Equity securities price risk

The risk of loss from changes in the price of equity shares arises when there is an unfavourable change in the price of investment in equity securities held by the Bank.

The Bank is not subject to significant risk from such changes.

29. Risk management (continued)

Regulatory risk

The operations of the Bank are supervised by the Central Bank of Cyprus. All banks in Cyprus have to comply with the requirements of both the European Union and the Cyprus legislation, as well as with the regulatory framework of the Central Bank of Cyprus. Legal or regulatory changes may be introduced in the future either by the European Union or by the Central Bank of Cyprus which may adversely affect the results and financial position of the Bank.

Intensity of competition

The accession of Cyprus to the European Union and the introduction of the Euro in 2008 facilitates the operation of European banks, financial and insurance organization in the Cyprus market, thus increasing competition. Any intensification of competition as a result of more competitive interest rates being offered on deposits and advances compared to those offered by the Bank, may create pressure on the Bank's profitability.

30. Capital management

The adequacy of the Bank's capital is monitored on a continuous basis in order to ensure compliance with the requirements of supervisory authorities, to maintain a base for support and growth of its activities and to protect the shareholder's interests.

For compliance purposes with the Central Bank of Cyprus (CBC) requirements for the computation of capital adequacy, the Bank has implemented and has fully complied with the provisions of the CBC's Directive "Computation of Capital Requirements" ("Basel II") throughout the year, on the basis of which it is required by every financial institution to maintain a minimum capital adequacy ratio of 8% (2007: 10%).

For the years 2008 and 2007 the Bank complied fully with all regulatory capital adequacy requirements:

	2008	2007
	€000	€000
Original own funds	**28.064**	25.239
Supplementary own funds	**4.021**	4.003
Total regulatory capital	**32.085**	29.242
Risk weighted assets	**276.560**	211.221
Capital Adequacy Ratio	**11,60%**	13,84%

Under the Directive, regulatory capital comprises of:

i. Original own funds which consist of share capital, share premium, retained earnings less proposed dividends and hybrid capital (up to 15% of total equity) after the regulatory adjustments related to fair value reserves. The book value of goodwill and other intangible assets are deducted from original own funds.

ii. Supplementary own funds which consist of subordinated debt, general provisions and revaluation reserves arising from the valuation of immovable property and financial instruments.

Investments in associated companies are deducted equally form original own funds and supplementary own funds.

iii. The risk weighted assets are classified under their risk nature. The same procedures are used also for the off-balance sheet assets.

Notes to the financial statements
at 31 December 2008

31. Directors' interest in the share capital of the Bank

The beneficial interest in the share capital of the Bank of each of the Directors, their spouses and minor children, and of companies in which they hold, directly or indirectly, at least 20% of the voting rights, at 31 December 2008 and 31 March 2009 is stated below:

	31.12.2008	31.03.2009
	%	%
Garo Keheyan	4,92	4,92
Pavlos Savvides	8,75	8,75
Kleanthis Demosthenous	9,58	9,58
	23,25	23,25

32. Shareholders who hold more than 5% of the share capital of the Bank

The shareholders who hold more than 5% of the share capital of the Bank at 31 December 2008 and at 31 March 2009 are:

	31.12.2008	31.03.2009
	%	%
Path Holdings Ltd	25,49	25,49
Universal Life Insurance Public Co. Ltd	9,99	9,99
Pavlos Savvides	8,75	8,75
Ioanna Christofi	9,57	9,57
Jupiwind Ltd	6,84	5,71
Kaleta Services Ltd	9,58	9,58
Chryso Papaioannou	5,09	4,96
	75,31	74,05

33. Related party transactions

	2008	2007	**2008**	2007
	Number of Directors of the Bank		**€**	€
Loans and advances to members of the Board of Directors and related parties				
More than 1% of the net assets of the Bank, per Director	**-**	-		-
Less than 1% of the net assets of the Bank, per Director	**8**	7	**3.172.663**	550.554
	8	7	**3.172.663**	550.554

	2008	2007
Loans and advances to key management and related parties	**1.133.741**	1.216.763
Total loans and other advances	**4.306.404**	1.767.317
Tangible securities	**3.877.381**	2.826.920
Interest income for the year	**93.586**	86.211
Deposits:		
- members of the Board of Directors and key management personnel	**775.788**	205.121
- related parties	**16.339.658**	6.853.829
	17.115.446	7.058.950
Deposit from a shareholder who owns more than 20% of the share capital	**123.165**	2.546.070
Interest expense for the year	**254.910**	205.550

33. Related party transactions (continued)

In addition, there were contingent liabilities and commitments in respect of members of the Board of Directors of the Bank and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend, amounting to €344.704 (2007: €1.322.902), of which €225.967 (2007: €495.192) relate to Directors and their connected persons.

The key management personnel of the Bank on 31 December 2008 consisted of six (6) senior managers.

Connected persons include spouses, minor children and companies in which directors or key management personnel hold directly or indirectly at least 20% of the voting rights in a general meeting.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms applicable for comparable transactions with customers of a similar credit standing. A number of credit facilities have been extended to key management personnel and their connected persons on the same terms as those applicable to the rest of the Bank's employees.

Fees and emoluments of Directors and key management personnel

	2008	2007
Directors' emoluments	**€**	€
Non executive		
Fees	**82.558**	59.160
Executive		
Salaries and other short-term benefits	**184.175**	-
Total fees and emoluments of Directors	**266.733**	59.160
Key management personnel emoluments		
Salaries and other short-term benefits	**624.187**	678.645
Employer's contributions	**51.539**	55.222
Retirement benefit plan costs	**124.855**	116.325
Total emoluments of key management personnel	**800.581**	850.192
Total emoluments	**1.067.314**	909.352

Other transactions with related persons

Mr. Michalis Kleopas, who is a member and the Secretary of the Bank's Board of Directors, is a partner in the Law Office Kleopas & Kleopas, who are the handling court cases and legal proceedings on behalf of the Bank. The total cost of these cases which is charged to the debtors/borrowers for 2008 amounted to €31.696 (2007: €4.191).

34. Agreements with major shareholder

Except for the disclosures in Notes 32 and 33 at the date of the financial statements there were no other agreements between the Bank and its major shareholder.

35. Events after the balance sheet date

In the Extraordinary General Meeting held on 21 January 2009 the following were resolute:

i. The name of the Company to change from "Universal Bank Public Ltd" to "USB BANK PLC".

ii. The nominal share capital of the Company amounting to €85.500.000, divided into 50.000.000 ordinary shares of nominal value €1,71 each, to be subdivided into 150.000.000 ordinary shares of nominal value of €0,57 each.

iii. The issued share capital of the Bank amounting to €25.869.138, divided into 15.128.151 ordinary shares worth €1,71 each, to be subdivided into 45.384.453 ordinary shares of a nominal value of €0.57 each. The 45.384.453 new ordinary shares of a nominal value of €0,57 each arising from the above subdivision, to be given to the Company's shareholders in the proportion of 3 (three) new ordinary shares for every 1 (one) ordinary share held.

Independent Auditors' Report to the Members of USB Bank Plc

Report on the Financial Statements

We have audited the financial statements of USB BANK PLC (formerly Universal Bank Public Ltd) (the "Company") on pages 24 to 60, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of USB BANK PLC (formerly Universal Bank Public Limited) as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap.113.

Report on Other Legal Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 21 to 22 is consistent with the financial statements.

Independent Auditors' Report to the Members of USB Bank Plc

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Ernst & Young Cyprus Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 10 April 2009

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