

May 17, 2012

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

Dear Sir,

ANNOUNCEMENT

Independent Special Expert Report

Further to the announcement of USB Bank PLC (the "Bank"), dated April 26, 2012 in connection with the Issue and allotment of 29.824.562 new ordinary shares to BLC Bank SAL, provided that the approval of the proposed resolutions at the Extraordinary General Meeting of the shareholders and the approval of the Cyprus Securities and Exchange Commission in accordance with the Provisions of the article 15 of the Public Takeover Bids Law (L.41 (I) / 2007) are obtained, we enclose the Independent Special Expert Report.

The mentioned Report will also be available at the registered office of the Bank at 83 DigenisAkritas Avenue, 5th floor, 1070, Nicosia and at the website of the Bank www.usbbank.com.cy

Yours sincerely,



Andreas Theodorides
Secretary

c.c. Chairman
Cyprus Securities and Exchange Commission

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The Board of Directors
USB Bank Plc
83 Digeni Akrita,
5th Floor,
1070 Nicosia,
Cyprus

10 May 2012

Dear Sirs,

On 26th April 2012 USB Bank Plc (the "Company") announced that it will increase its share capital by issuing 29.824.562 new ordinary shares with nominal value of €0,57 at the price of €0,57. As a result, the share capital is expected to increase by €17.000.000,34. We have been requested by the Board of Directors of USB Bank Plc to express an opinion on whether the proposed issue price of €0,57 for the increase of ordinary share capital of the Company is fair and reasonable for the Company.

In providing this letter we have considered final audited financial results of the Company for the year ended 31 December 2011 announced on 24 April 2012 as well as publicly available information on the banking sector and stock market performance in the period from 1 January 2012 to 8 May 2012 summarised as follows:

We consider that the issue price offered for the acquisition of the new shares of €0,57 is fair due to the following:

- As shown in the graph 1 in Appendix A, the share price of the Company over the last 3 months traded below the offer price. The closing share price on the date of announcement of intention for increasing the share capital 26/4/2012 was €0,55, representing a 3,64% discount compared to the offer price. The average share price for the period 1 January 2012 to 8 May 2012 was €0,56, showing that the share price was consistently below the offer price throughout the period under review.
- Graph 2 in Appendix A shows that the volume of transactions remained at low levels. The low volume of transactions indicates the low liquidity of the shares and the difficulty in which the shares can be traded, which may affect their realisable value in the event of a major share sale or new issue of shares.
- According to the final results announced on 24/4/2012, the Company incurred losses of €8,9m for 2011 and its Net Assets (NAV) increased from €24m in 2010 to approximately €26,3m in 2011. The resulting NAV per share of €0,433 is significantly lower than the offer price by 31,52%.



- We have compared the Net Asset Value (NAV) per share of the three main banks whose shares are traded in the Cyprus Stock market (Appendix B Table 2). The analysis shows that the shares of the banks as at 7/5/2012 are traded at a significant discount of between 57% – 85% compared to their NAVs. The discount in the banking sector could be explained by continuing uncertainties associated with their exposure to the Greek sovereign debt and private market as well as imminent deadlines for Tier 1 requirements which will necessitate improved capital adequacy for the Cypriot banks. The proposed price of €0,57 represents a premium compared to the Company's NAV per share that may be unlikely to be obtained from other sources in the present economic climate if there was an active market for the Company's shares.

Opinion

In our opinion, the offer price of €0,57 for each of the new shares to be issued is reasonable and fair for the Company.

Disclaimer

There are a number of other areas which you should consider as part of your due diligence but which are outside the scope of our review and as such you should not place sole reliance on our report to support your Board's decision regarding whether or not to support or otherwise the terms of the offer being made.

We accept no responsibility for matters not covered by our report or needed due to the limited nature of our review.

We shall assume that the information and data included in the information described above to be true and accurate. We are not required and shall not carry out any audit procedures to verify any accuracy of information included therein and stress that our work cannot be considered to constitute in any way a valuation of the shares and bonds of the Company nor to constitute financial due diligence of the financial statements of the Company.

Our report and opinion, data and information included therein are intended to be used solely by the Board of Directors to confirm the fairness of the proposed issue price of €0,57 for the increase of ordinary share capital of the Company and for no other purpose. Our report is not intended and will not constitute investment, legal or tax advice. Investment decisions of shareholders of the Company should be made after obtaining professional advice and having regard to their specific circumstances and investment profile at their own risk and responsibility.

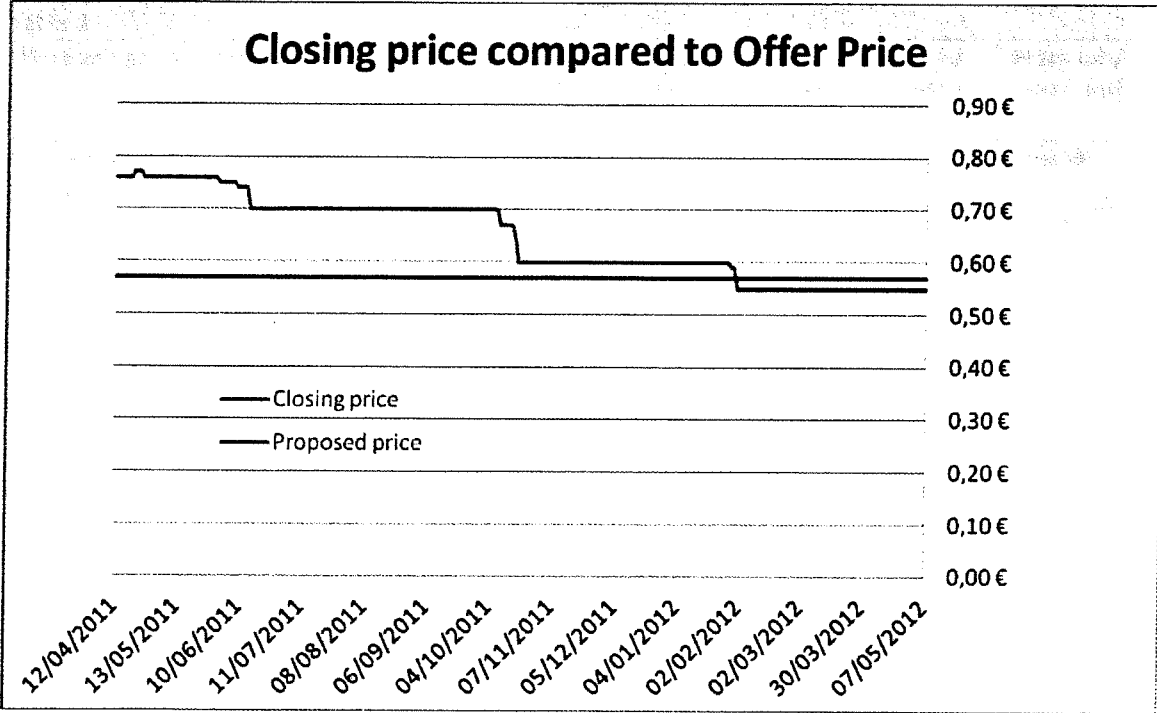
Any significant change or variance on the information provided to us, would likely impact our opinion.

Yours faithfully

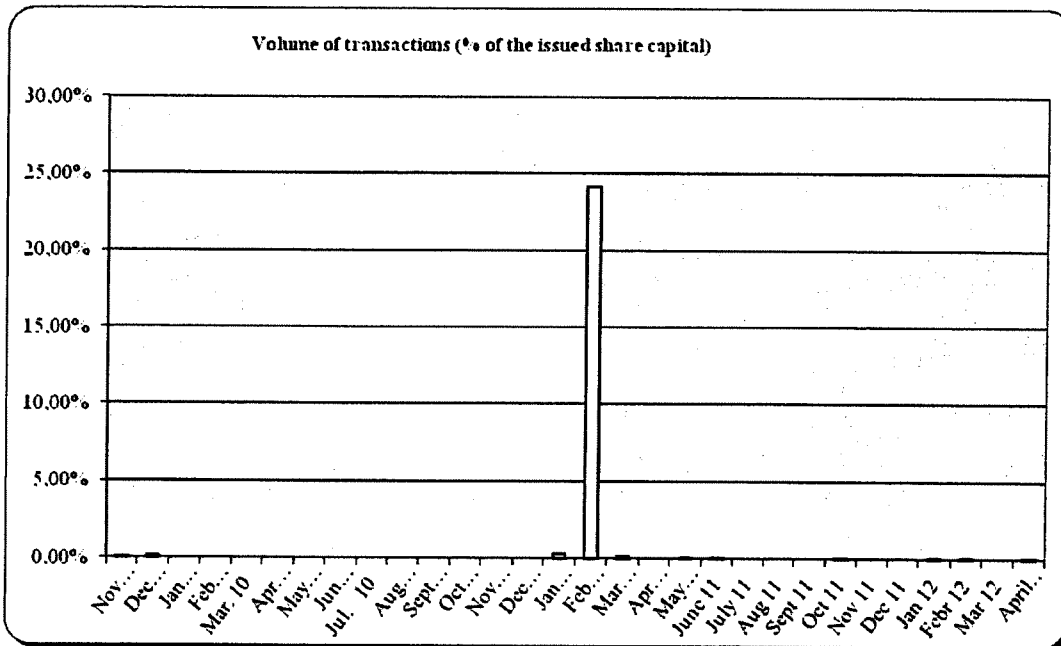
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Terence Kiely
Member of the Board

Appendix A

Graph 1



Graph 2





Appendix B

Table 1

USB Bank plc Net Assets	Net assets (€)	Issued shares	NAV per share	Offer price	Premium/ (discount)
Net asset Value per audited accounts 31/12/2008	30.920.891	45.384.453	0,681	0,57	16,34%
Net asset Value per audited accounts 31/12/2009	30.572.109	45.384.453	0,674	0,57	15,38%
Net asset Value per audited accounts 31/12/2010	24.041.507	45.505.628	0,528	0,57	-7,89%
Net asset Value per audited accounts 31/12/2011	26.295.014	60.674.171	0,433	0,57	-31,52%

Table 2

Cyprus Banks	Net assets (€)	Issued shares	NAV per share	Share price 7/5/11	Premium/ (discount)
Bank of Cyprus plc - Net asset Value per audited accounts 31/12/2011	2.429.079.000	1.795.140.547	1,353	0,38	(72%)
Marfin Popular Bank plc - Net asset Value per audited accounts 31/12/2011	600.558.000	1.611.111.000	0,373	0,16	(57%)
Hellenic Bank plc - Net asset Value per audited accounts 31/12/2011	434.198.000	308.019.635	1,410	0,216	(85%)