

CHAIRMAN'S STATEMENT

Dear Shareholders,

The past year marked a series of developments in the shareholding structure of USB Bank. On 7 September 2010, BLC Bank Lebanon acquired 9.90% of the USB Bank's share capital while on 17 February 2011, following the successful completion of the public offer, BLC Bank increased its total participation to 93.85%.

This acquisition is in line with BLC Bank's announced growth strategy resulting from internal as well as external growth, thereby reflecting the Bank's vision of becoming a Bank of reference in the region. As a result, BLC Bank's consolidated balance sheet reached USD 3.8 billion in total assets, USD 3.2 billion in total deposits and USD 1.1 billion in total loans as of 31 December 2010. Furthermore, the Bank continues to post remarkable financial results exceeding the average growth ratios of the Lebanese largest banking group. As at the end of December 2010, the Bank posted a Consolidated Net Income of USD 45.3 million, witnessing a 32% strong increase over 2009. This reflects the strategic success the Bank is attaining, on the retail and corporate levels, in addition to the Bank's success in controlling costs, increasing employee productivity, and introducing innovative products and clients solutions.

USB Bank is expected to gain from the expertise and know-how of BLC Bank, exploit opportunities arising from the international network of their clients and also enjoy the full support of BLC Bank. USB Bank's main objectives include the strengthening of the Bank's capital base, expanding our operations to offer a broad range of banking services to national and international clients, increasing productivity and maintaining strong liquidity. The Group also aims to achieve strategic regional expansion in the Middle East, Africa, Central Europe and Russia.

The year 2010 was challenging for the Cyprus economy and as a result for the banking system. The continuation of the financial crisis impacting several sectors of the economy and the resulting lower GDP growth rate created problems for the banking system.

Within this challenging economic environment, USB Bank managed to maintain strong liquidity with the ratio of advances to deposits being 70% in 2010 in comparison to 69% for the previous year. Despite the intense competitive environment, client deposits increased by 5% to €471 million in 2010 from €448 million in 2009 while the total loan portfolio increased by 6% reaching €327 million at year end 2010 from €308 million in 2009.

We consider it of paramount importance that the Bank maintains strong capital adequacy indicators to allow for growth and at the same time comply with the requirements of the regulatory authorities. In 2010 we initiated the raising of capital through the issuance of pre-emption rights and convertible bond of €1.3 million and in an Extraordinary General Meeting held on 4 May 2011, a resolution was approved to increase the Bank's share capital by €12 million.

The strengthening of the Bank's capital base, the strong liquidity and the continuous support of BLC Bank will safeguard USB Bank from the continuous challenges faced by the Cyprus economy and will also insure its successful growth, guided by our four pillars: Professionalism, Innovation, Excellence and Technology.

I would like to express my appreciation to our clients for their continuous trust and to assure them that our objective is to cater to their needs with integrity and professionalism.

Human capital is the most important factor for a successful course and I would like to thank our employees for their effective work in achieving our goals and growth of the Bank.

Maurice Sehnaoui
Chairman