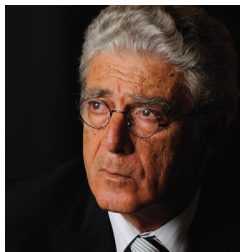


Chairman's statement



Dear Stakeholders,

During 2014 and after witnessing unprecedented situations, the Cypriot economy has turned out to be more resilient than many people had expected. At the time of the rescue, the economy was commonly characterized as one that had boomed solely on the back of its overextended banks.

Focus is placed by all banks on maintaining adequate levels of capital and liquidity in order to be able to manage potential adverse effects that could result from the present business and economic environment.

To that effect, as at year end 2014, USB Bank maintained high levels of liquidity with a gross loans to deposits ratio being 76%, a regulatory euro liquidity ratio of 33% and a regulatory foreign liquidity ratio of 73% as compared to the regulatory requirements of 20% and 70% respectively. It is important to note that the Bank has no financing from the European Central Bank or any other third party.

The continuous support of the parent company BLC Bank SAL was demonstrated once again through the strengthening of the Banks' capital base as well as facilitating the redemption of all the Banks' loan capital on 30th June 2015, by injecting €10,2 million in an escrow account. As a result, as at 31 December 2014, USB Bank had a Common Equity Tier 1 Capital ratio of 9,6% and complied with the minimum imposed by the Central Bank of Cyprus of 8%, while its Total Capital ratio was 10,2%.

Despite the challenging economic situation in Cyprus, USB Bank witnessed an increase in operational profits of 63% in 2014 as compared to 2013 and amounted to approximately €12,6 million in relation to €7,7 million for year 2013, while it maintained its turnover at approximate same levels.

The high level of non-performing loans, the continuing reduction in real estate prices and the resulting repayment difficulties faced by clients in this recessionary environment resulted to high levels of provisions booked in the year amounting to €24,2 million in relation to €19,7 million for year 2013. As a result, the net loss of the Bank for year 2014 amounted to €13,1 million.

USB Bank has set as priority the control of the high level of non-performing loans and has diverted significant resources in the proactive monitoring of its portfolio and is working closely with the clients in order to find viable restructuring solutions that would ensure the servicing of their facilities under these operating conditions.

The Bank recognizes the need to support the economy and provide lower cost of lending to businesses and households and to this effect it proceeded with reduction in its lending base rates in March 2015 in order to positively affect the real economy.

At USB Bank we adapt to new situations and we remain committed to our values of transparency, reliability, integrity and professionalism.

To conclude, allow me to express my sincere appreciation to all the members of the Board of Directors for their productive cooperation and I warmly thank our associates and customers for their continuous trust. I would like to thank the Bank's Management and staff for their devotion, hard work and commitment to the objectives of the Group.

Maurice Sehnaoui
Chairman