

Chairman's Statement



Dear stakeholders,

The Cypriot economy returned to positive growth rates in 2015 after four years of deep recession and exited the economic adjustment program earlier than forecasted as a result of fiscal developments exceeding expectations.

In recognition of the progress achieved on the fiscal front and on economic recovery the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign opening the way to access the international capital markets and credibility to be regained. Building on these achievements, the reform momentum must continue, especially in view of the renewed volatility in global financial markets. Eurozone challenges such as deflation and high unemployment but also geopolitical developments and the refugee crisis cause concern and uncertainty.



Despite the positive developments, challenges remain and involve the high level of non performing exposures in the banking sector and the deterioration of the external environment which could pose risks for an open economy like Cyprus.

At USB Bank our focus is on the credit risk management which is considered as an important process and factor contributing towards the safeguarding of the Banks' operations. Our aim was to define a strategy in order to deal decisively with the management of the non performing exposures. In this respect resources have been diverted in managing the high level of NPEs through sustainable restructuring solutions and other actions to address the issue including debt to assets swaps. This will ensure improved performance, sustainable profitability and growth.

Focus is also placed 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. USB Bank maintains healthy liquidity levels and with the support of its major shareholder its capital base was strengthened by €23 million in May 2016 with the proforma Common Equity Tier 1 Ratio as at year end of 2015 taking into account the above capital injection being 13,4%.

Despite the operational profitability of €9,4m achieved in the year 2015, due to the high provisions booked of €16,6m to cover credit risk the net loss for the year amounted to €7,2m.

The outlook for year 2016 remains to be challenging. On a country level it is imperative to continue the reform plan for a prudent course. Tackling of the NPEs is a main priority and we are fully committed towards this goal. The Bank will continue to support the economy in the coming year and provide financing to creditworthy businesses and individuals.

To conclude, allow me to express my sincere appreciation to all the members of the Board of Directors for their constructive support and to our employees for their dedication.

Finally, I would like to thank our valued customers for their continuous loyalty.

Maurice Sehnaoui
Chairman