

## **CHAIRMAN'S STATEMENT**

Dear Shareholders,

2011 was undoubtedly a very difficult year for the Cypriot economy due to the ongoing financial turbulence in the euro zone and the Cypriot banks' exposure to the Greek debt crisis. This exposure to the Greek economy resulted in the Cypriot Banking system being affected by the finalization of the terms of the private sector involvement plan (PSI) on the 21st of February, 2012 along with the rising impairment on the write-down of the Greek government bonds.

Taking into account the terms of the PSI, USB Bank recorded an impairment loss of Euro 9.5 million on the Greek government bonds, representing 71.5% of their nominal value. The profit before impairment was Euro 1.4 million for the year 2011 compared to a loss of Euro 6.5 million for the year 2010, whereby the loss after impairment for 2011 accounted for approximately Euro 9 million.

As our primary objective is to maintain a strong capital base, a healthy liquidity and to allow for growth, the main shareholder, BLC Bank SAL, has already decided to cover the losses of 2011, due to the Greek debt crisis and increase the share capital by Euro 17 million through an extraordinary general assembly meeting held on May 25, 2012.

Despite all the challenges faced, the past year was a significant turning point for USB Bank. In fact, the successful acquisition by BLC Bank – Fransabank Group in February 2011 and the latter's continuous support contributed to USB increasing its turnover by 17% compared to the previous year and its operational profits before provisions by 10 times posting Euro 4.3 million compared to Euro 392 thousand for 2010. Moreover, deposits increased by 11% reaching Euro 522 million in 2011 and the Bank's lending portfolio increased by 17% to reach Euro 449 million as at end of 2011.

Maintaining high levels of liquidity, a minimal exposure to the Greek debt and not having a presence in countries of economic risk constitute a competitive advantage for USB Bank, allowing it to focus on growing its business locally and internationally, capitalizing on the opportunities arising from the wide network of the Group and leveraging on their know-how and expertise.

Amidst this economic turmoil, satisfying clients' needs is becoming more and more challenging. At USB Bank, we adapt to new situations by focusing on technology, innovation and our human capital to meet emerging client needs. Committed to our values of transparency, reliability, integrity and professionalism, we aim to provide service excellence to all our stakeholders.

Maurice Sehnaoui

Chairman