

# Chairman's Statement



Dear Stakeholders,

In 2012, USB Bank operated in a very uncertain and recessionary environment where the Cypriot economy and the Banking sector were subject to unprecedented developments. Still, USB Bank managed during 2012 to expand its customer base by increasing its deposits by 26% compared to the prior year and its lending portfolio by 12% while maintaining a healthy liquidity.

To enforce the Bank's capital base, two share issues totaling €22 million were made in year 2012. As at 31 December 2012, USB Bank is in compliance with all minimum regulatory requirements with a total capital adequacy ratio of 12,5%.

For the year ended 31 December 2012, the Bank made operational profits of €4,8 million compared to €4,2 million last year, indicating a substantial increase of 14%. Our results were adversely affected by the prices of property and shares and also following a consistent and prudent approach we booked €3,7 million for provisions of impairment of loans and advances.

Following the finalization and exchange of the Greek Government Bonds on 12 March 2012, an additional impairment of €504 thousand on the newly issued Greek bonds was recognized by the Bank. These bonds were sold in December 2012 releasing as such any investment issued by the Greek Government.

As a result of the above, the net loss for the year 2012 is €824 thousand compared to a loss of €9m for the year 2011.

2013 will be without doubt a challenging year for the Cypriot economy, with intense recession, reduction in spending and increased unemployment. However, we monitor closely the developments within the economy and especially in the financial sector, aiming to take all necessary measures and actions against the risks arising from the Bank's operations.

Our values remain persistent over time as we are focused on delivering on our mission to provide a wide range of innovative and competitive financial products and services, in a simple and efficient way in order to deliver what matters to our stakeholders, employees and the community.

To conclude, I would like 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