



**USB BANK PLC**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
for the six months ended 30 June 2011

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## Statement by the Members of the Board of Directors and the Company Officials Responsible for the drafting of the Condensed Interim Financial Statements

(In accordance with the provisions of Law 190 (I)/(2007) on Transparency Requirements)

In accordance with Article 10, subsections (3) (c) and (7) of the Transparency Requirements (Traded Securities in a Regulated Market) Act of 2007 (the 'Law'), we the members of the Board of Directors and the officers responsible for the drafting of the unaudited Condensed Interim Financial Statements of USB Bank Plc (the 'Bank') for the six months ended 30 June 2011, declare that, to the best of our knowledge:

(a) the unaudited Condensed Interim Financial Statements which are presented on pages 5 to 19:

- (i) have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU) and the requirements of subsection (4) of Article 10 of the Law and
- (ii) give a true and fair view of the assets and liabilities, financial position and the loss of the Bank and

(b) the Interim Management Report on pages 2 to 4 provides a fair overview of the information required by subsection 6 of Article 10 of the Law.

Maurice Sehnaoui	Non Executive Chairman
Fransabank SAL represented by Mr. Adel Kassar	Non Executive Director
Nadim Kassar	Non Executive Director
Nabil Kassar	Non Executive Director
Walid Daouk	Non Executive Director
Fransa Invest Bank SAL represented by Mr. Mansour Bteish	Non Executive Director
Raoul Nehme	Non Executive Director
BLC Bank SAL represented by Mr. Walid Ziade	Non Executive Director
Tania Moussallem	Non Executive Director
Agis Taramides	Non Executive Director
George Galatariotis	Non Executive Director
George Stylianou	Non Executive Director
Philippos Philis	Non Executive Director
Andreas Theodorides	Executive Director and Secretary
Despo Polycarpou	Executive Director
Paola Ioannou	Finance Manager

Nicosia, 25 August 2011

## **Interim Management Statement**

### **Activities**

The main activity of USB Bank Plc (the "Bank") during the reporting period continued to be the provision of banking and financial services in Cyprus through the operations of 16 branches.

### **Financial Results**

The ongoing challenge for the Cypriot economy and the prolonged recession continued in the first half of 2011.

Despite the adverse economic conditions and the intense competition, the Bank following the change in shareholding structure and the new momentum, increased its turnover by 7% and its profit before provisions reached €1 million on 30 June 2011 compared to €127 thousand as at 30 June 2010.

The Bank maintained strong liquidity with the loans to deposit ratio being 80% in relation to 77% for the corresponding period of 2010 and 81% as at 31 December 2010.

Customer deposits increased by 4% since the end of 2010 and 3% compared to 30 June 2010.

The gross loans increased by 2% since the end of 2010 from €383 million as at 31 December 2010 to €391 million as at 30 June 2011, while an increase of 6% is noted compared to the corresponding period of the previous year.

In addition, the Bank's capital base has been strengthened with the increase of share capital by €12 million in order to facilitate the expansion of operations. As a result the Bank's equity increased by 35% in comparison to the end of 2010 and by 10% in comparison to 30 June 2010.

Net interest income increased by 18% in comparison to the corresponding period of the previous year, due to the credit expansion and the higher return achieved on investments and available funds. As a result net interest income amounted to €6,8 million as at 30 June 2011 compared to €5,7 million as at 30 June 2010.

Total other income amounted to €1,5 million compared to €1,8 million of the same period in the previous year, mainly due to lower fees and commissions.

Staff costs increased by 3% from €5,1 million in June 2010 to €5,2 million in June 2011 as a result of the implementation of the collective agreement with the Union. Other operating expenses decreased by 9% as a result of the Bank's efforts to constrain costs. Consequently the total operating expenses decreased marginally by 1% compared to the corresponding period of the previous year.

As a result of the above, the profit before provisions amounted to €1 million on 30 June 2011 compared to €127 thousand as at 30 June 2010.

As a result of the economic recession the provision for impairment of loans and advances amounted to €1,7 million compared to €1,1 million for the corresponding period of the previous year.

An amount of €3,1 million representing impairment on the Greek government bonds is provided for and as a result the loss for the six month period of 2011 is €3,8 million compared to a loss of €989 thousand for the six months ended 30 June 2010.

## Interim Management Statement

### Financial Results (continued)

The main financial information of the Bank for the period ended 30 June is as follows:

	<i>Six months ended</i>		
	<i>30 June</i>		
	<b>2011</b>	2010	Change
	<b>€000</b>	€000	
Turnover	<b>17.742</b>	16.534	+7%
Profit before provisions	<b>1.017</b>	127	+701%
Loss for the period	<b>(3.801)</b>	(989)	-284%
Loss per share (cent)	<b>(7,5)</b>	(2,2)	-241%

### Related party transactions

Information on related party transactions for the six months ended 30 June 2011 in accordance with IFRS is included in note 18 of the Condensed Interim Financial Statements.

### Risk management

The Bank in the ordinary course of business is exposed to various risks, the most important of which are credit risk, interest rate risk, currency risk and liquidity risk, which are managed and monitored through a continuous process of identification, measurement and monitoring to prevent undue risk concentrations. The Management of the Bank considers risk management to be a major process and a significant factor contributing towards safeguarding a stable return to its shareholders. The main risks faced by the Bank are set out in note 30 to the financial statements for the year ended 31 December 2010 and are not expected to change significantly during the second half of 2011.

### Board of Directors

The members of the Board of Directors as at the date of this Statement are presented on page 1.

### Information relating to Share Capital

Following the Board of Directors' decision on a meeting held on 31 March 2011 to boost the Bank's capital base through the increase of capital, an Extraordinary General Meeting was held on 4 May 2011 which approved the resolution for the increase of share capital by €12.134.834 (the "Issue").

As a result of the above, 15.168.543 new shares of nominal value €0,57 each were issued at a price of €0,80 per new share. As at 30 June 2011, the issued share capital of the Bank is €34.584.277, divided into 60.674.171 ordinary shares of nominal value €0,57 each.

## **Interim Management Statement**

### **Shareholding**

Information for the Bank's shareholders holding more than 5% of capital is presented in note 17 of the Condensed Interim Financial Statements.

### **Future developments**

The new shareholding structure of the Bank provides important opportunities for the future development and growth of the Bank which will benefit from the expertise, the international clientele of BLC Bank as well as the continued support of the parent company and the Group.

The primary objective of the Bank's management is to maintain a strong capital base combined with strong liquidity. These in conjunction with the enhancement of systems and procedures for increasing productivity will help the growth of the Bank.

Nicosia, 25 August 2011

**Interim Income Statement**  
**for the six months ended 30 June 2011**

	Note	<b>Six months ended</b>		<b>Year ended</b>
		<b>30 June</b>		<b>31 December</b>
		<b>2011</b>	2010	2010
		<b>€</b>	€	€
Turnover	5	<b>17.742.274</b>	16.534.401	33.981.004
Net interest income		<b>6.750.207</b>	5.699.347	11.911.944
Net fee and commission income		<b>1.390.582</b>	1.504.699	3.096.551
Foreign exchange income		<b>149.891</b>	224.559	413.538
Income from available for sale investments		-	-	10.020
Loss on revaluation of investment properties		-	-	(485.000)
Other income		<b>7.786</b>	48.580	69.172
<b>Total net income</b>		<b>8.298.466</b>	7.477.185	15.016.225
Staff costs		<b>(5.181.816)</b>	(5.054.836)	(10.161.932)
Other operating expenses		<b>(2.099.717)</b>	(2.295.781)	(4.462.412)
<b>Total operating expenses</b>		<b>(7.281.533)</b>	(7.350.617)	(14.624.344)
<b>Profit before provisions</b>		<b>1.016.933</b>	126.568	391.881
Provisions for impairment of loans and advances	7	<b>(1.705.375)</b>	(1.115.875)	(6.925.421)
Provision for impairment on investments held to maturity	8	<b>(3.112.500)</b>	-	-
<b>Loss before tax</b>		<b>(3.800.942)</b>	(989.307)	(6.533.540)
Tax		-	-	-
<b>Loss for the six months/year</b>		<b>(3.800.942)</b>	(989.307)	(6.533.540)
<b>Loss per share (cent)</b>	6	<b>(7,5)</b>	(2,2)	(14,4)

**Interim Statement of Comprehensive Income  
for the six months ended 30 June 2011**

	<b>Six months ended 30 June</b>		<b>Year ended 31 December</b>
	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Loss for the six months/year	<b>(3.800.942)</b>	(989.307)	(6.533.540)
<b>Other comprehensive income</b>			
Profit/(loss) on revaluation of available for sale investments	<b>103.389</b>	(17.190)	(240.179)
Gain on revaluation of properties	-	-	235.505
Taxation on revaluation of properties	-	-	(21.369)
<b>Total comprehensive income/(expenses) for the six months/year after taxation</b>	<b>103.389</b>	(17.190)	(26.043)
<b>Total comprehensive expenses for the six months/year</b>	<b>(3.697.553)</b>	(1.006.497)	(6.559.583)

**Interim Statement of Financial Position  
for the year ended 30 June 2011**

	Note	30 June 2011 €	31 December 2010 €
<b>ASSETS</b>			
Cash and balances with the Central Bank		28.433.411	22.744.506
Placements with banks		15.293.675	11.640.310
Loans and advances to customers	7	331.223.591	327.021.153
Investments held-to-maturity		225.441.255	157.922.918
Investments available for sale		8.850.725	8.896.933
Investment properties	9	5.700.000	5.700.000
Investment in subsidiary company		1.265	1.265
Property and equipment	10	6.033.218	6.155.615
Intangible assets	11	243.666	137.796
Other assets		1.932.712	1.735.072
<b>Total assets</b>		<b>623.153.518</b>	<b>541.955.568</b>
<b>LIABILITIES</b>			
Placements by banks and financing from the Central Banks		80.346.119	30.210.721
Customer deposits		491.598.121	470.570.828
Other liabilities		8.547.527	6.949.549
Loan capital	12	10.182.963	10.182.963
<b>Total liabilities</b>		<b>590.674.730</b>	<b>517.914.061</b>
<b>EQUITY</b>			
Share capital	13	34.584.277	25.938.208
Reserves		(2.105.489)	(1.896.701)
		<b>32.478.788</b>	<b>24.041.507</b>
<b>Total liabilities and equity</b>		<b>623.153.518</b>	<b>541.955.568</b>

**Maurice Sehnaoui** Chairman

**Andreas Theodorides** Deputy Managing Director

**Paola Ioannou** Finance Manager

**Interim Statement of Changes in Equity**  
**for the six months ended 30 June 11**

	Share capital	Share premium	Revaluation reserve	Accumulated losses	Total
	€	€	€	€	€
<b>Six Months 2011</b>					
1 January	25.938.208	21.177.967	3.330.095	(26.404.763)	<b>24.041.507</b>
Loss after tax	-	-	-	(3.800.942)	<b>(3.800.942)</b>
Issue of shares	8.646.069	3.488.765	-	-	<b>12.134.834</b>
Other comprehensive income for the period after taxation	-	-	103.389	-	<b>103.389</b>
30 June	<b>34.584.277</b>	<b>24.666.732</b>	<b>3.433.484</b>	<b>(30.205.705)</b>	<b>32.478.788</b>
<b>Six Months 2010</b>					
1 January	25.869.138	21.164.638	3.356.138	(19.817.805)	<b>30.572.109</b>
Loss after tax	-	-	-	(989.307)	<b>(989.307)</b>
Other comprehensive expense for the period after taxation	-	-	(17.190)	-	<b>(17.190)</b>
30 June	<b>25.869.138</b>	<b>21.164.638</b>	<b>3.338.948</b>	<b>(20.807.112)</b>	<b>29.565.612</b>

**Interim Statement of Cash Flows**  
**for the six months ended 30 June 2011**

	Note	30 June 2011 €	30 June 2010 €
<b>Net cash flow from operating activities</b>	15	<b>66.962.606</b>	13.527.795
<b>Cash flow from investing activities</b>			
Purchase of property, equipment and software		(333.578)	(220.716)
Purchase of bonds		(115.571.262)	(51.550.531)
Proceeds from the disposal and redemption of bonds		45.106.830	38.817.695
Interest received on government bonds and other debt securities		3.579.187	2.859.957
<b>Net cash flow used in investing activities</b>		<b>(67.218.823)</b>	(10.093.595)
<b>Cash flow from financing activities</b>			
Proceeds from the issuance of share capital		12.134.834	-
Interest on loan capital		(374.084)	(330.616)
Loan capital		-	1.209.060
<b>Net cash flow from financing activities</b>		<b>11.760.750</b>	878.444
<b>Net increase in cash and cash equivalents for the period</b>		<b>11.504.533</b>	4.312.644
<b>Cash and cash equivalents</b>			
At 1 January		25.373.352	48.214.639
Net increase in cash and cash equivalents		11.504.533	4.312.644
At 30 June	16	<b>36.877.885</b>	52.527.283

# **Notes to the Condensed Interim Financial Statements**

## **1. Corporate information**

The Condensed Interim Financial Statements of USB Bank Plc (the 'Bank') for the period ended 30 June 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 25 August 2011.

The Bank's main activity during the period continued to be the provision of banking and financial services in Cyprus.

The Bank was incorporated as a limited liability company in 1925 under the Cyprus Companies Law and is considered a public company under the Company Law and Cyprus Stock Exchange Laws and Regulations and under the Cyprus Income Tax Law.

## **2. Unaudited Financial statements**

The Condensed Interim Financial Statements for the six months ended 30 June 2011 have not been audited by the external auditors of the Bank.

## **3. Basis of preparation**

The Condensed Interim Financial Statements for the six months ended 30 June 2011 are presented in Euro (€) and have been prepared in accordance with International Accounting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU).

The Condensed Interim Financial Statements do not include all the information and disclosures required for annual financial statements and should be read together with the audited financial statements for the year ended 31 December 2010.

The Condensed Interim Financial Statements for the six months ended 30 June 2011 have been prepared in accordance with the same accounting policies adopted for preparing the financial statements for the year 2010, except for the adoption of new and revised IFRS and interpretations with effect from 1 January 2011. The adoption of new and revised IFRS and interpretations do not apply to the Bank.

## Notes to the Condensed Interim Financial Statements

### 4. Segmental Analysis

According to IFRS 8, the analysis per segment is based on the information used for internal reporting to management. The Bank operates in a single segment as it only provides banking services, its activities are provided in Cyprus and information is provided to management on this basis. Therefore, the information provided in the financial statements relates to the overall operations of the Bank.

### 5. Turnover

Turnover consists of interest income, fee and commission income, investment income, foreign exchange income and other income. The Bank does not provide leasing or hire purchase services.

### 6. Loss per share

	<b>30.06.2011</b>	30.6.2010
	€	€
Loss attributable to shareholders	<b>(3.800.942)</b>	(989.307)
Weighted average number of shares in issue during the period	<b>50.561.809</b>	45.384.453
Loss per share (cent)	<b>(7,5)</b>	(2,2)

At 30 June 2011 and 2010, there were titles convertible to ordinary shares that were not considered dilutive and consequently diluted losses per share are not presented.

### 7. Loans and advances to customers

	<b>30.6.2011</b>	30.6.2010	31.12.2010
	€	€	€
Loans and other advances	<b>391.404.974</b>	368.781.972	382.735.070
Provision for impairment of loans and advances	<b>(60.181.383)</b>	(47.521.012)	(55.713.917)
	<b>331.223.591</b>	321.260.960	327.021.153

#### Provisions for impairment of loans and advances:

	<b>30.6.2011</b>	30.6.2010	31.12.2010
	€	€	€
1 January	<b>55.713.917</b>	44.305.279	44.305.279
Collections/reversals	<b>(1.106.847)</b>	(794.245)	(1.576.919)
Charge for the six months/year	<b>2.812.222</b>	1.910.120	8.502.340
Net charge for the six months/year	<b>1.705.375</b>	1.115.875	6.925.421
Restriction of interest on impaired loans	<b>2.890.401</b>	2.334.221	5.297.438
Write-offs	<b>(128.310)</b>	(234.363)	(814.221)
	<b>4.467.466</b>	3.215.733	11.408.638
30 June/31 December	<b>60.181.383</b>	47.521.012	55.713.917

## Notes to the Condensed Interim Financial Statements

### 7. Loans and advances to customers (continued)

Total provisions for impairment as at 30 June 2011 include collective impairment provision of €1.881.090 (30 June 2010: €646.716 and 31 December 2010: €1.870.252).

The total amount of impaired loans and advances amounts to €88.284.828 (30 June 2010: €73.820.265 and 31 December 2010: €83.047.594).

### 8. Provision for impairment on investments held to maturity

At the European summit held on 21 July 2011, Euro area heads of state or government agreed a rescue plan for Greece with the participation of the public sector on the basis of the proposal of The Institute of International Finance (IIF) (the "Plan"). Under this plan, Greek government bondholders will have the opportunity to exchange bonds that currently mature up to 2020 for new bonds to be issued by Greek government with maturities of up to 30 years. The participation to the plan is voluntary. Based on present information and on a discount rate of 9% the present value of the new bonds is expected to be 79% of the nominal value of the bonds to be exchanged.

The Greek government bonds held by the Bank are classified as investments held-to-maturity. Their nominal value is €12,5 million and mature between 2014 and 2015 and are therefore eligible for exchange under the plan. Up to the date of issue of the condensed interim financial statements the Bank has not yet decided whether to participate in the plan pending the finalisation of the exact terms of the exchange. Taking into account the conditions for participation to the plan, the Bank as at 30 June 2011 recognised an impairment of €3,1 million on the above Greek government bonds.

Impairment for Greek Government Bonds carried at amortised cost:

	Amortised cost/Carrying amount before impairment €	Cumulative impairment / Charge for period €	Carrying amount after impairment €
Greek government bonds initially designated as held to maturity	<b>13.604.165</b>	<b>(3.112.500)</b>	<b>10.491.665</b>

### 9. Investment properties

The Bank in its normal course of business, acquires properties in debt satisfaction, which are held directly by the Bank or by special purpose entities for the sole purpose of managing these properties. To reflect the substance of transactions, these are classified as investment properties and are consolidated without the entities being explicitly disclosed as subsidiaries.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the reporting date.

## Notes to the Condensed Interim Financial Statements

### 10. Property and equipment

	Property 30.6.2011 €	Equipment 30.6.2011 €	Total 30.6.2011 €	Total 31.12.2010 €
<b>Cost or estimated fair value</b>				
1 January	7.526.347	5.446.163	<b>12.972.510</b>	13.295.953
Additions for the period/year	96.153	76.243	<b>172.396</b>	264.619
Disposals/write-offs for the period/year	-	(117.371)	<b>(117.371)</b>	(593.062)
Revaluation for the year	-	-	-	235.504
Reversal of depreciation due to revaluation	-	-	-	(230.504)
<b>30 June/31 December</b>	<b>7.622.500</b>	<b>5.405.035</b>	<b>13.027.535</b>	<b>12.972.510</b>
<b>Depreciation</b>				
1 January	2.162.914	4.653.981	<b>6.816.895</b>	6.954.393
Charge for the period/year	166.512	128.281	<b>294.793</b>	654.072
Disposals/write-offs for the period/year	-	(117.371)	<b>(117.371)</b>	(561.066)
Reversal of depreciation due to revaluation	-	-	-	(230.504)
<b>30 June/31 December</b>	<b>2.329.426</b>	<b>4.664.891</b>	<b>6.994.317</b>	<b>6.816.895</b>
<b>Net book value</b>	<b>5.293.074</b>	<b>740.144</b>	<b>6.033.218</b>	<b>6.155.615</b>

The depreciation charge for property and equipment for the period ended 30 June 2010 is €333.168.

### 11. Intangible assets

	Computer Software 30.6.2011 €	Computer Software 31.12.2010 €
<b>Cost</b>		
1 January	<b>5.245.890</b>	5.343.250
Additions for the period/year	<b>161.182</b>	14.705
Disposals/write-offs for the period/year	-	(112.065)
<b>30 June/31 December</b>	<b>5.407.072</b>	<b>5.245.890</b>
<b>Amortisation</b>		
1 January	<b>5.108.094</b>	5.044.638
Charge for the period/year	<b>55.312</b>	175.521
Disposals/write-offs for the period/year	-	(112.065)
<b>30 June/31 December</b>	<b>5.163.406</b>	<b>5.108.094</b>
<b>Net book value</b>	<b>243.666</b>	<b>137.796</b>

The amortization charge for intangible assets for the period ended 30 June 2010 is €94.392.

## Notes to the Condensed Interim Financial Statements

### 12. Loan capital

	30.6.2011 €	31.12.2010 €
<b><u>Tier I capital</u></b>		
Capital securities	<b>973.903</b>	973.903
<b><u>Tier II capital</u></b>		
Non-convertible bonds	<b>8.000.000</b>	8.000.000
Convertible bonds	<b>1.209.060</b>	1.209.060
	<b>9.209.060</b>	9.209.060
	<b>10.182.963</b>	10.182.963

#### **Capital Securities**

The Capital Securities were issued on 30 December 2005 and were offered to professional investors and to a specific number of non-professional investors in Cyprus. The Capital Securities rank as Tier I capital and have no maturity date, however, they may be redeemed in whole at the option of the Bank subject to the prior consent of the Central Bank of Cyprus, at their nominal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter, and provided that they will be replaced with capital of equivalent or senior ranking unless the Central Bank of Cyprus concludes that the Bank's capital is at a satisfactory level.

The Capital Securities bear floating interest rate, which is revised at the beginning of each period interest is charged and will be valid for that specific period. Interest rate is equal to the base rate of the Bank at the beginning of each period interest is charged plus 1,60% annually. Interest is payable every six (6) months, on 30 June and 31 December. According to the terms of issue, if the Bank does not proceed with the repurchase of Capital Securities within ten years from their issuance date (ie up to 31 December 2015), then from 1 January 2016, the Capital Securities will be bearing floating interest rate that will be revised at the beginning of each period in which interest will be charged and will be equal to the base rate ruling at the beginning of each period interest is charged plus 2,25% annually.

#### **Non-convertible bonds**

On 30 December 2010 the Bank issued bonds amounting to €8.000.000 with a maturity date of 31 December 2019. The bonds constitute direct, unsecured, subordinated securities of the Bank and bear a fixed interest rate of 7,50% on the nominal value for the period from the issue date to 31 December 2014. From 31 December 2014 to their maturity, the bonds will bear a fixed annual interest rate of 9% on the nominal value. Excluding the first interest rate period commencing on (and including) the 22 of December 2009 and maturing on 30 June 2010 (not included), all subsequent interest periods will cover six months.

The Bank has the right to redeem wholly the bonds at any time before their maturity date, in cash at their nominal value, along with any accrued interest relating to the current interest rate period, on 30 June 2015, or on any following interest payment date, upon approval from the Central Bank.

## Notes to the Condensed Interim Financial Statements

### 12. Loan capital (continued)

#### Convertible bonds

On 14 June 2010, the Bank issued €1.209.060 convertible bonds maturing on 30 June 2020. The convertible debentures are direct, unsecured and subordinated obligations of the Bank and carry a fixed rate 7,25% on the nominal value for the period from the date of issue until 30 June 2015. From 1 July 2015 until their maturity the convertible bonds will carry fixed interest rate 8,75% on the nominal value. Except the first interest period commencing on (included) 26 May 2010 and matures on 30 June 2010 (not included), each interest period will be 6 months.

The convertible bonds may, at the option of the holder, be converted into ordinary shares of the Bank in the year 2012 until 2014 as follows:

- 15-30 March and 15-30 September for 2012
- 15-30 March and 15-30 September for 2013
- 15-30 March and 15-30 September for 2014

The conversion price is set at the average closing price of the share of the Bank on the CSE for a period of 30 days prior to the beginning of each conversion period. For the conversion periods of the years 2013 and 2014, the conversion prices is as described above, less 5% and 15% respectively.

The Bank has a right of early redemption of convertible bonds in whole, but not part of a cash at par plus accrued interest of the current interest period on 30 June 2015 or any interest payment date, after approval from the Central Bank.

### 13. Share capital

	<b>30.6.2011</b>	<b>30.6.2011</b>	31.12.2010	31.12.2010
	<b>Number of shares</b>	<b>€</b>	Number of shares	€
<b>Authorised</b>				
Ordinary shares of €0,57 each	<b>150.000.000</b>	<b>85.500.000</b>	150.000.000	85.500.000
<b>Issued and fully paid</b>				
1 January	<b>45.505.628</b>	<b>25.938.208</b>	45.384.453	25.869.138
Share issue	<b>15.168.543</b>	<b>8.646.069</b>	121.175	69.070
30 June/31 December	<b>60.674.171</b>	<b>34.584.277</b>	45.505.628	25.938.208

## Notes to the Condensed Interim Financial Statements

### 14. Contingent liabilities and commitments

	30.6.2011	31.12.2010
	€	€
<b>Contingent liabilities</b>		
Acceptances and endorsements	32.027	211.448
Guarantees	15.667.604	20.910.539
	<b>15.699.631</b>	<b>21.121.987</b>
<b>Commitments</b>		
Documentary credits and certified export credits	2.613.585	1.147.743
Unutilised limits	40.389.248	34.773.454
	<b>43.002.833</b>	<b>35.921.197</b>

#### **Capital commitments**

There were no commitments for contracted capital expenditure of the Bank for the six months ended 30 June 2011.

#### **Litigation**

As at 30 June 2011, in the ordinary course of business, the Bank is involved in lawsuits, which the management of the Bank does not expect to have a significant effect on the financial position and operations of the Bank. At the same time, there are no pending claims or/and assessments against the Bank, the outcome of which would have a material effect on the Bank's financial position or operations.

### 15. Net cash flow used in operating activities

	30.06.2011	30.06.2010
	€	€
Loss before tax	(3.800.942)	(989.307)
<i>Adjustments:</i>		
Provision for impairment of loans and advances	1.705.375	1.115.875
Provision for impairment on investments held to maturity	3.112.500	-
Depreciation of property and equipment and amortisation of intangible assets	350.105	427.560
Interest on government and other bonds	(3.579.187)	(2.859.957)
Interest on loan capital	374.084	330.616
	<b>(1.838.065)</b>	<b>(1.975.213)</b>
<i>(Increase)/decrease in operating assets:</i>		
Obligatory deposits with the Central Bank	2.162.263	(196.149)
Investments in bonds	(16.808)	(17.190)
Loans and advances to customers	(5.907.813)	(14.617.382)
Other assets	(197.640)	(396.905)
<i>Increase in operating liabilities:</i>		
Borrowings by banks	50.135.398	1.037.008
Customer deposits	21.027.293	28.490.602
Other liabilities and other accounts	1.597.978	1.203.024
<b>Net cash flow from operating activities</b>	<b>66.962.606</b>	<b>13.527.795</b>

## Notes to the Condensed Interim Financial Statements

### 16. Cash and cash equivalents

	<b>30.06.2011</b>	30.06.2010
	€	€
Cash and balances with the Central Bank	<b>28.433.411</b>	15.769.718
Placements with banks	<b>15.293.675</b>	45.940.440
	<b>43.727.086</b>	61.710.158
Less obligatory deposits with the Central Bank	<b>(6.849.201)</b>	(9.182.875)
	<b>36.877.885</b>	52.527.283

### 17. Shareholders holding more than 5% of the share capital of the Bank

Shareholders holding more than 5% of share capital on 30 June 2011 and 31 December 2010 were:

	<b>30.06.2011</b>	31.12.2010
	%	%
BLC Bank SAL	<b>95,61</b>	9,90
Path Holdings Ltd	-	25,43
Universal Life Insurance Public Co. Ltd	-	9,96
Ioanna Christofi	-	9,55
Yiannos Kasoulides	-	8,15
Jupiwind Ltd	-	5,69
	<b>95,61</b>	68,68

## Notes to the Condensed Interim Financial Statements

### 18. Related party transactions

	Number of Directors of the Bank		Loans and advances	
	30.06.2011	31.12.2010	30.06.2011 €	31.12.2010 €
<b>Loans and advances:</b>				
To members of the Board of Directors and related parties:				
Less than 1% of the net assets per director	15	12	461.499	3.718.069
<b>Total</b>	<b>15</b>	<b>12</b>	<b>461.499</b>	<b>3.718.069</b>
To key management personnel and related parties			804.095	808.055
To shareholder who owns more than 20% of the share capital and its connected persons			-	3.760.813
<b>Total loans and other advances</b>			<b>1.265.594</b>	<b>8.286.937</b>
Tangible securities			1.850.368	9.600.665
Interest income for the period/year			23.279	610.116
<b>Deposits:</b>				
- Members of the Board of Directors and key management personnel			730.922	878.023
- Connected persons of the above			1.630.104	691.368
- Shareholder who owns more than 20% of the share capital and its connected parties			-	47.062
			<b>2.361.026</b>	<b>1.616.453</b>
Interest expense for the period/year			26.403	47.747
Subordinated loan capital issued to shareholder who owns more than 20% of the share capital			282.350	-
Subordinated loan capital issued to connected person of a member of the Board of Directors			-	70.000
Interest expense on subordinated loan stock			10.151	3.045

In addition, there were contingent liabilities and commitments to the members of the Board of Directors, key management personnel and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend, amounting to €229.073 (31 December 2010: €268.854), of which €85.386 (31 December 2010: €163.410) relate to Directors and their connected persons.

Connected persons include spouses, minor children and companies in which directors or key management personnel hold directly or indirectly at least 20% of the voting rights in a general meeting.

All transactions with non-executive members of the Board of Directors, the Bank's shareholders and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. A number of credit facilities have been extended to key management personnel and their connected persons on the same terms as those applicable to the rest of the Bank's employees.

## Notes to the Condensed Interim Financial Statements

### 18. Related party transactions (continued)

#### Fees and emoluments of Directors and key management personnel

	30.6.2011	30.6.2010
	€	€
<b>Directors' emoluments</b>		
<i>Member Fees:</i>		
Non executives	75.381	60.008
Executives	-	-
Total member fees	<b>75.381</b>	60.008
<i>Executive directors' emoluments:</i>		
Salaries and other short-term benefits	111.364	263.851
Employer's contributions	9.412	14.400
Retirement benefit plan costs	29.943	38.253
Total executive directors' emoluments	<b>150.719</b>	316.504
<b>Total Board of Directors emoluments</b>	<b>226.100</b>	376.512
<b>Key management personnel emoluments</b>		
Salaries and other short-term benefits	186.105	171.523
Employer's contributions	17.286	16.522
Retirement benefit plan costs	47.413	51.622
<b>Total key management personnel emoluments</b>	<b>250.804</b>	239.667
<b>Total emoluments</b>	<b>476.904</b>	616.179

#### **Other transactions with related parties**

Except to the normal operations of the Bank as at the reporting date and the date of approval of condensed interim financial statements, there were no other agreements with the major shareholder of the Bank.