



USB BANK PLC
CONDENSED INTERIM FINANCIAL STATEMENTS
for the six months ended 30 June 2013

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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 the Law 190(I)/2007 & 72(I)/2009 on Transparency Requirements)

In accordance with Article 10, subsections (3) (c) and (7) of the Transparency Requirements (Traded Securities in a Regulated Market) Act 2007 and 2009, 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 2013, 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 Article 10, subparagraph (4) of the Act, and
 - (ii) give a true and fair view of the assets and liabilities, financial position and profit or loss of the Bank and,
- (b) the Interim Management Report on pages 2 to 4 provides a fair overview of the information required by the Article 10, subparagraph (6) of the Act.

MEMBERS OF THE BOARD OF DIRECTORS

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. Youssef Eid
Non Executive Director

Tania Moussallem
Non Executive Director

Agis Taramides
Independent, Non Executive Director

George Galatariotis
Independent, Non Executive Director

George Stylianou
Independent, Non Executive Director

Philippos Philis
Independent, Non Executive Director

Andreas Theodorides
Executive Director

Despo Polykarpou
Executive Director

Person responsible for drafting the condensed interim financial statements:

Paola Ioannou
Finance Manager

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 15 branches.

Financial Results

The current period is characterized by unprecedented developments in the financial sector and in the economy in general particularly after the developments that followed the Eurogroup decisions on the 25 March 2013. The uncertain economic conditions in Cyprus, the imposition of capital controls in the banking transactions and the intense economic recession are the factors that affect the operations and the financial results of the Bank.

Within this operational environment the Bank maintains adequate liquidity levels, with the gross loans to deposits ratio being 80% and with no financing from the European Central Bank ensuring the unobstructed continuation of its operations.

The main financial information of the Bank for the six month period is presented below:

	<i>Six months ended</i>		
	<i>30 June</i>		
	2013	2012	Change
	€000	€000	
Turnover	23.227	23.775	-2%
Profit before provisions	3.652	3.125	+17%
(Loss)/profit before tax	(1.336)	860	-255%
(Loss)/profit for the six month period	(1.822)	616	-396%
(Loss)/profit per share (cent)	(1,8)	1,0	-280%

In this difficult economic environment and despite the restrictive measures imposed on the banking operations both locally and internationally the reduction in the Bank’s turnover was restricted to 2%.

The gross loans amounted to €494 million as at 30 June 2013 in relation to €504 million as at 30 June 2012 and €489 million as at 31 December 2012. After adjusting for the €17 million loans that were written off in December 2012 following a Board of Directors decision as stated in the audited financial statements of the year 2012, the total loans and advances present an increase of 1% from June 2012 and as a result the interest income from loans and advances amounted to €16,6 million for the period ended 30 June 2013 in relation to €15,1 million for the period ended 31 December 2012.

A decrease of 26% is presented in the income from investments and placements which amounted to €4,7 million for the period ended 30 June 2013 in relation to €6,3 million for the last year period, as a result of lower returns during the period.

Interim Management Statement

Financial Results (continued)

Customer deposits as at 30 June 2013 amounted to €619 million in relation to €637 million as at 30 June 2012 presenting a 3% decrease while a decrease of 6% is presented in relation to the end of 2012 when the total customer deposits were €657 million. The interest expense was decreased by 1% in relation to the last six month period.

The Bank's staff cost presents a decrease of 8% in relation to last year period arising from the full recognition of the accounting loss of the retirement benefit in year 2012 after the decision to replace the defined benefit scheme with a defined contribution scheme in December 2011. The total administration expenses present an increase of 4% in relation to the last year period mainly because of increased expenses incurred for the support of the Bank's operations.

The net fee and commission income amounted to €1,5 million for the period ended 30 June 2013 in relation to €1,8 million for the period ended 30 June 2012 presenting a decrease of 18%.

As a result of the above and after taking into account the loss on sale of investments of €330 thousand that was recognized in the 2012 period the profit before provisions for impairment of loans and advances presents an increase of 17% and amounts to €3,7 million for the first half of 2013 in relation to €3,1 million for the first half of 2012.

Due to the continuing economic recession and the repayment difficulties faced by clients, the provisions for impairment of loans and advances amounted to €5 million for the first half of 2013 in comparison to €1,6 million that was recognised for the last year period and as a result the loss after provisions amounted to €1,3 million for the first half of 2013 in comparison to a profit of €860 thousand for the corresponding period of 2012.

Following the increase in the special levy tax rate from 0,11% to 0,15% from 1 January 2013 as per the terms of the Memorandum of Understanding the loss after tax for the six month period of 2013 amounted to €1,8 million in relation to a profit of €616 thousand for the six month period of 2012.

Related party transactions

Information on related party transactions for the six months ended 30 June 2013 in conformity with IFRS is included in note 18 of the Condensed Interim Financial Statements.

Risk management

The Bank considers risk management to be a major process and a significant factor contributing towards the safeguarding of a stable return to its shareholders. The financial risks the Bank is exposed to are mainly credit risk, operational risk, market risk and liquidity risk. Detailed information relating to risk management is set out in Note 30 of the financial statements and is not expected to change significantly during the second half of 2013.

Board of Directors

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

The Bank's Board of Directors in a meeting held on 27 February 2013 approved the replacement of Mr. Walid Ziade representing BLC Bank SAL by Mr. Youssef Eid to represent BLC Bank SAL as a non executive and a non independent member of the Bank's Board of Directors.

Interim Management Statement

Information relating to Share Capital

There are no restrictions on the transfer of the Bank's ordinary shares, other than the provisions of the Banking Law of Cyprus, which requires Central Bank of Cyprus approval prior to the acquiring of shares of the Bank in excess of certain thresholds and the requirements of the Directive on Insider Dealing and Market Manipulation, which relates to transactions with related parties.

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 difficult economic conditions and the effects of the continuing economic crisis are expected to continue for the remaining of 2013.

The Bank's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, these could have on the future financial performance, cash flows and financial position of the Bank.

The Bank's management believes that it is taking all the necessary measures to maintain the viability of the Bank and the development of its operations in the current business and economic environment. In parallel, the Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the financial resources to continue its business operations in the foreseeable future. Accordingly, the financial statements continue to be prepared on the going concern basis.

Nicosia, 30 August 2013

Interim Income Statement
for the six months ended 30 June 2013

	Note	Six months ended		Year ended
		30 June		31
		2013	2012	December
		€	€	€
Turnover	5	23.226.538	23.774.556	47.733.208
Net interest income		10.357.570	10.238.660	18.427.797
Net fee and commission income		1.481.040	1.808.653	3.528.000
Foreign exchange income		174.610	196.342	373.325
Loss from sale of investments		-	(329.818)	(358.242)
Loss on revaluation of investment properties		-	-	(355.000)
Other income		44.599	27.062	92.622
Total net income		12.057.819	11.940.899	21.708.502
Staff costs		(5.922.924)	(6.430.258)	(12.813.428)
Other operating expenses		(2.483.216)	(2.386.118)	(4.846.233)
Total operating expenses		(8.406.140)	(8.816.376)	(17.659.661)
Profit before provisions		3.651.679	3.124.523	4.048.841
Provisions for impairment of loans and advances	7	(4.987.693)	(1.604.315)	(3.663.973)
(Loss)/profit before impairment of bonds		(1.336.014)	1.520.208	394.868
Provision for impairment of Greek Government Bonds	8	-	(503.570)	(503.570)
Provision for impairment of investments available for sale		-	(156.617)	(289.853)
(Loss)/profit before tax		(1.336.014)	860.021	(408.555)
Special Taxation for Credit Institutions		(485.956)	(244.166)	(488.332)
Deferred Tax		-	-	72.395
(Loss)/profit for the six months/year		(1.821.970)	615.855	(824.492)
(Loss)/profit per share (cent)	6	(1,8)	1,0	(1,2)

**Interim Statement of Comprehensive Income
for the six months ended 30 June 2013**

	<i>Six months ended 30 June</i>		<i>Year ended 31 December</i>
	2013 €	2012 €	2012 €
(Loss)/profit for the six months/year	(1.821.970)	615.855	(824.492)
Other comprehensive income			
Loss on revaluation of investments available for sale	(189.829)	(858.230)	(676.000)
Transfer to the statement of comprehensive income due to impairment in the value of available for sale investments	-	-	60.405
Loss on revaluation of properties	-	-	(165.096)
Transfer to the income statement due to disposal of available for sale investments	-	65.897	249.705
Taxation on revaluation of properties	-	-	18.164
Other comprehensive income for the six months/year after taxation	(189.829)	(792.333)	(512.822)
Total comprehensive income for the six months/year	(2.011.799)	(176.478)	(1.337.314)

**Interim Statement of Financial Position
for the year ended 30 June 2013**

	Note	30 June 2013 €	31 December 2012 €
ASSETS			
Cash and balances with the Central Bank		67.523.961	121.936.274
Placements with banks		35.504.141	28.370.592
Loans and advances to customers	7	427.394.988	432.167.329
Investments held-to-maturity		112.248.317	142.508.707
Investments available for sale		550.562	739.697
Investment properties	9	26.876.000	26.876.000
Property and equipment	10	5.906.530	5.860.791
Intangible assets	11	655.092	558.611
Other assets		1.994.542	1.988.791
Total assets		678.654.133	761.006.792
LIABILITIES			
Placements by banks and financing from the Central Bank		-	42.306.250
Customer deposits		618.788.851	657.121.241
Other liabilities		4.736.417	4.438.637
Loan capital	12	10.182.963	10.182.963
Total liabilities		633.708.231	714.049.091
EQUITY			
Share capital	13	56.584.278	56.584.278
Share premium		24.666.732	24.666.732
Revaluation reserves		1.708.577	1.898.406
Accumulated losses		(38.013.685)	(36.191.715)
Total equity		44.945.902	46.957.701
Total liabilities and equity		678.654.133	761.006.792

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 2013**

	Share capital	Share premium	Revaluation reserves	Accumulated losses	Total
	€	€	€	€	€
Six Months 2013					
1 January	56.584.278	24.666.732	1.898.406	(36.191.715)	46.957.701
Loss after tax	-	-	-	(1.821.970)	(1.821.970)
Other comprehensive income for the period after taxation	-	-	(189.829)	-	(189.829)
Total comprehensive income for the period	-	-	(189.829)	(1.821.970)	(2.011.799)
30 June	56.584.278	24.666.732	1.708.577	(38.013.685)	44.945.902
Six Months 2012					
1 January	34.584.277	24.666.732	2.411.228	(35.367.223)	26.295.014
Profit after tax	-	-	-	615.855	615.855
Other comprehensive income for the period after taxation	-	-	(792.333)	-	(792.333)
Total comprehensive income for the period	-	-	(792.333)	615.855	(176.478)
30 June	34.584.277	24.666.732	1.618.895	(34.751.368)	26.118.536

Interim Statement of Cash Flows
for the six months ended 30 June 2013

	Note	30 June 2013 €	30 June 2012 €
Net cash flow used in operating activities	15	(82.329.391)	(33.542.828)
Cash flow from investing activities			
Purchase of property, equipment and software		(517.199)	(666.766)
Proceeds from the disposal of property and equipment		-	1.350
Purchase of bonds		(3.864.856)	(99.294.986)
Proceeds from the disposal and redemption of bonds		35.895.856	175.359.472
Interest on government and other debt securities		4.228.383	5.959.253
Net cash flow from investing activities		35.742.305	81.358.323
Cash flow from financing activities			
Interest on loan capital		(378.887)	(378.572)
Net cash flow used in financing activities		(378.887)	(378.572)
Net (decrease)/increase in cash and cash equivalents for the period		(46.965.973)	47.436.923
Cash and cash equivalents			
At 1 January		143.994.136	32.031.066
Net (decrease)/increase in cash and cash equivalents		(46.965.973)	47.436.923
At 30 June	16	97.028.163	79.467.989

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 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 30 August 2013.

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

The Bank was incorporated in Cyprus as a limited liability company with registration number 10 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. The registered office of the Bank is at 83, Digenis Akritas Avenue, 1070 Nicosia.

2. Unaudited Financial statements

The Condensed Interim Financial Statements for the six months ended 30 June 2013 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 2013 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 2012.

The Condensed Interim Financial Statements for the six months ended 30 June 2013 have been prepared in accordance with the same accounting policies adopted for preparing the financial statements for the year 2012, except for the adoption of new and revised IFRSs and interpretations with effect from 1 January 2013. The adoption of new and revised IFRSs and interpretations did not have any material impact on the Condensed Interim Financial Statements.

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)/profit per share

	30.06.2013	30.06.2012
	€	€
(Loss)/profit attributable to shareholders	(1.821.970)	615.855
Weighted average number of shares in issue during the period	99.270.663	60.674.171
(Loss)/profit per share (cent)	(1,8)	1,0

At 30 June 2013 and 2012, there were titles convertible to ordinary shares that were not considered dilutive and consequently diluted (loss)/profit per share is not presented.

7. Loans and advances to customers

	30.6.2013	30.6.2012	31.12.2012
	€	€	€
Loans and other advances	493.657.574	503.563.229	489.266.967
Provision for impairment of loans and advances	(66.262.586)	(68.982.037)	(57.099.638)
	427.394.988	434.581.192	432.167.329

Provisions for impairment of loans and advances:

	30.6.2013	30.6.2012	31.12.2012
	€	€	€
1 January	57.099.638	64.314.013	64.314.013
Collections/reversals	(674.501)	(1.265.229)	(3.059.206)
Charge for the six months/year	5.662.194	2.869.544	6.723.179
Net charge for the six months/year	4.987.693	1.604.315	3.663.973
Restriction of interest on impaired loans	4.485.885	3.844.202	9.084.077
Write-offs	(310.630)	(780.493)	(19.962.425)
	9.162.948	4.668.024	(7.214.375)
30 June/31 December	66.262.586	68.982.037	57.099.638

Notes to the Condensed Interim Financial Statements

7. Loans and advances to customers (continued)

Total provisions for impairment as at 30 June 2013 include collective impairment provision of €1.619.130 (30 June 2012: €1.546.247 and 31 December 2012: €1.566.708).

The total amount of impaired loans and advances amounts to €112.475.696 (30 June 2012: €110.275.423 and 31 December 2012: €91.983.853).

On 11 July 2013 the Central Bank of Cyprus issued a directive to the Financial Institutions for the definition of Non Performing and Restructured Facilities, with effect from 1 July 2013.

The Management of the Bank is assessing the possible effect to its financial statements from the adoption of the above directive pending for the relevant directives that will be issued by the Central Bank of Cyprus regarding the provisions for impairment of loans and advances, the recognition of interest as well as for the administration procedure of the Non Performing and Restructured Facilities based on the provisions of the Memorandum of Understanding.

8. Impairment of Greek Government Bonds

In the first six month period of 2012 the Bank recognized an impairment loss of €504 thousand for the Greek bonds that were held following the finalization of the terms and the final exchange of the Greek Government bonds on 12 March 2012. In December 2012 the Bank disposed its entire investment in Greek bonds and as a result as at 30 June 2013 the Bank did not hold any investments issued by the Greek government.

Notes to the Condensed Interim Financial Statements

9. Investment properties

The Bank as part of its normal operations, acquires property from customers in settlement of their obligations, which are held directly or through companies controlled by the Bank whose sole business activity is the management of these properties. The properties are recognized in the financial statements of the Bank as investment property and are included without presenting the subsidiary companies separately, reflecting the substance of these transactions.

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

10. Property and equipment

	Property 30.6.2013 €	Equipment 30.6.2012 €	Total 30.6.2013 €	Total 31.12.2012 €
Cost or estimated fair value				
1 January	7.555.771	5.878.692	13.434.463	13.395.712
Additions	258.703	64.348	323.051	518.243
Disposals/write-offs	-	-	-	(83.492)
Revaluation	-	-	-	(165.096)
Reversal of depreciation due to revaluation	-	-	-	(230.904)
30 June/31 December	7.814.474	5.943.040	13.757.514	13.434.463
Depreciation				
1 January	2.544.908	5.028.764	7.573.672	7.269.572
Charge for the period/year	149.663	127.649	277.312	618.496
Disposals/write-offs	-	-	-	(83.492)
Reversal of depreciation due to revaluation	-	-	-	(230.904)
30 June/31 December	2.694.571	5.156.413	7.850.984	7.573.672
Net book value	5.119.903	786.627	5.906.530	5.860.791

The depreciation charge for property and equipment for the period ended 30 June 2012 is €320.722.

Notes to the Condensed Interim Financial Statements

11. Intangible assets

	Computer Software 30.6.2013	Computer Software 31.12.2012
	€	€
Cost		
1 January	5.108.062	5.535.740
Additions	194.148	422.109
Disposals/write-offs	-	(849.787)
30 June/31 December	5.302.210	5.108.062
Amortisation		
1 January	4.549.451	5.238.621
Charge for the period/year	97.667	160.617
Disposals/write-offs	-	(849.787)
30 June/31 December	4.647.118	4.549.451
Net book value	655.092	558.611

The amortization charge for intangible assets for the period ended 30 June 2012 is €78.701.

12. Loan capital

	30.6.2013	31.12.2012
	€	€
<u>Tier I capital</u>		
Capital securities	973.903	973.903
<u>Tier II capital</u>		
Non-convertible bonds	8.000.000	8.000.000
Convertible bonds	1.209.060	1.209.060
	9.209.060	9.209.060
	10.182.963	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.

Notes to the Condensed Interim Financial Statements

12. Loan capital (continued)

Capital Securities (continued)

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.

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 2013 until 2014 as follows:

- 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 Cyprus Stock Exchange 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.

Notes to the Condensed Interim Financial Statements

13. Share capital

	30.6.2013 Number of shares	30.6.2013 €	31.12.2012 Number of shares	31.12.2012 €
Authorised				
Ordinary shares of €0,57 each	150.000.000	85.500.000	150.000.000	85.500.000
Issued and fully paid				
1 January	99.270.663	56.584.278	60.674.171	34.584.277
Share issue	-	-	38.596.492	22.000.001
30 June/31 December	99.270.663	56.584.278	99.270.663	56.584.278

14. Contingent liabilities and commitments

	30.6.2013 €	31.12.2012 €
Contingent liabilities		
Acceptances and endorsements	59.553	211.590
Guarantees	20.952.995	20.307.773
	21.012.548	20.519.363
Commitments		
Documentary credits and certified export credits	2.025.167	1.621.481
Unutilised limits	35.053.139	35.976.537
	37.078.306	37.598.018

Capital commitments

There were no commitments for contracted capital expenditure of the Bank for the six months ended 30 June 2013.

Litigation

As at 30 June 2013, 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.

Notes to the Condensed Interim Financial Statements

15. Net cash flow used in operating activities

	30.06.2013	30.06.2012
	€	€
(Loss)/profit before tax	(1.336.014)	860.021
<i>Adjustments:</i>		
Provision for impairment of loans and advances	4.987.693	1.604.315
Charge for impairment of the value of financial assets	-	660.186
Depreciation of property and equipment and amortisation of intangible assets	374.979	399.423
Profit on disposal of property and equipment	-	(1.350)
Interest on government and other bonds	(4.228.383)	(5.959.253)
Interest on subordinated loan capital	378.887	378.572
	177.162	(2.058.086)
<i>(Increase)/decrease in operating assets:</i>		
Obligatory deposits with the Central Bank	312.791	4.488.656
Investments in bonds	(1.771.425)	(9.169.513)
Loans and advances to customers	(215.352)	(51.078.494)
Other assets	(5.751)	(473.509)
	(1.679.737)	(56.232.860)
<i>Increase/(decrease) in operating liabilities:</i>		
Deposits by banks	(42.306.250)	(93.466.157)
Customer deposits	(38.332.390)	114.346.063
Other liabilities and other accounts	297.780	4.112.378
	(80.340.860)	24.992.284
Special tax paid	(485.956)	(244.166)
	(80.826.816)	24.748.118
Net cash flow used in operating activities	(82.329.391)	(33.542.828)

16. Cash and cash equivalents

	30.06.2013	30.06.2012
	€	€
Cash and balances with the Central Bank	67.523.961	50.018.368
Placements with banks	35.504.141	34.851.615
	103.028.102	84.869.983
Less obligatory deposits with the Central Bank	(5.999.939)	(5.401.994)
	97.028.163	79.467.989

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

Shareholders holding more than 5% of share capital on 30 June 2013 and 31 December 2012 were:

	30.06.2013	31.12.2012
	%	%
BLC Bank SAL	97,31	97,31

Notes to the Condensed Interim Financial Statements

18. Related party transactions

	30.06.2013	31.12.2012	30.06.2013	31.12.2012
	Number of Directors of the Bank		€	€
Loans and advances:				
To members of the Board of Directors and related parties:				
Less than 1% of the net assets per director	15	15	407.374	478.275
Total	15	15	407.374	478.275
To key management personnel and related parties			1.610.951	1.582.264
Total loans and other advances			2.018.325	2.060.539
Tangible securities			2.891.596	2.770.139
Interest income for the period/year			39.562	74.594
Deposits:				
- members of the Board of Directors and key management personnel			1.219.636	1.153.973
- connected persons of the above			1.449.465	1.160.847
Total deposits			2.669.101	2.314.820
Interest expense for the period/year			46.961	94.231
Subordinated loan capital issued to shareholder who owns more than 20% of the share capital			282.350	282.350
Interest expense on subordinated loan stock			10.152	20.526

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 €482.729 (31 December 2012: €453.469), of which €237.842 (31 December 2012: €192.839) 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.

Furthermore, on 30 June 2013 there were interbank deposits amounting of €12.606.015 (31 December 2012: €12.242.285) to the parent company BLC Bank SAL, as part of the ordinary operations of the Bank while there was no interbank lending from BLC Bank SAL.

Notes to the Condensed Interim Financial Statements

18. Related party transactions (continued)

Fees and emoluments of Directors and key management personnel

	30.6.2013	30.6.2012
	€	€
Directors' emoluments		
<i>Member Fees:</i>		
Non executives	78.053	83.500
Executives	-	-
Total member fees	78.053	83.500
<i>Executive directors' emoluments:</i>		
Salaries and other short-term benefits	116.011	115.997
Employer's contributions	11.155	12.727
Retirement benefit plan costs	15.454	15.454
Total executive directors' emoluments	142.620	144.178
Total Board of Directors emoluments	220.673	227.678
Key management personnel emoluments		
Salaries and other short-term benefits	412.632	372.637
Employer's contributions	41.686	34.590
Retirement benefit plan costs	51.645	44.885
Total key management personnel emoluments	505.963	452.112
Total emoluments	726.636	679.790

Due to a change in the Bank's organizational structure, the salaries and other short term benefits for key management personnel as stated above, include emoluments for 9 managers of the Bank for the period 2013 (period 2012: 8) and does not refer to any salary increases from prior year.

Other transactions

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 who owns more than 20% of the share capital.