



USB BANK PLC
Unaudited Interim Management Statement for the period
1 January 2015 to 20 April 2015

The unaudited Interim Management Statement of USB Bank Plc (the “Bank”) for the period 1 January 2015 to 20 April 2015 is prepared in accordance to Article 11 of the Transparency Law of 2007 and 2009 (L.190(I)/2007 & 72(I)2009).

1. Explanation of material events and transactions

The Bank continues to operate within a challenging environment with the economic adjustment programme of the Cyprus economy still in progress in order to address short and medium term financial, fiscal and structural challenges. The most important factor in the Cyprus economy is to be able to restore its credibility and to enhance the confidence of people towards the banking sector.

The Cyprus economy is showing signs of stabilization amidst a relatively unfavourable external environment. However domestic challenges remain and relate mostly to the high level of non-performing loans and the delays in the implementation of the relevant legal framework as well as delays in the implementation of structural reforms agreed in the economic adjustment programme.

Key objectives of the Bank are the effective management of credit risk and more specifically non-performing loans and the maintenance of adequate levels of capital and liquidity in order to be able to manage the potential adverse effects that could result from the present business and economic environment.

In this respect, the Bank maintains healthy liquidity levels with a gross loans to deposits ratio being 78% as at 31 March 2015, complies with the minimum Euro and foreign currency liquidity ratios as set by the Central Bank of Cyprus and has no financing from the European Central Bank or any other third party.

The Bank complies with the minimum regulatory ratio of Common Equity Tier 1 capital ratio of 8% as set by the Central Bank of Cyprus with the pro forma ratio as at 31 March 2015 being 9,3%.

During this period there were no other material transactions other than the Bank’s ordinary operations that affected significantly the Banks’ financial statements and no other profit or loss occurred from non recurring activities other than the Banks’ ordinary operations.

2. Financial Results for the period from 1 January 2015 to 31 March 2015

The recessionary conditions that prevail in the market affected the Banks' turnover and as a result the net interest income for the period under review decreased by 13% in relation to the corresponding last year period and amounted to €6,1 million for the 1st quarter of year 2015 in relation to €6,9 million for the 1st quarter of year 2014.

In particular, the interest income from loans and advances presents a decrease of 10% in relation to last years' corresponding period and amounted to €8,1 million mainly because of the reduction in the average gross loan balances between the two year periods. The interest received from placements and investments amounted to €1,2 million for the 1st quarter of year 2015 in relation to €1,5 million for the 1st quarter of year 2014 due to the lower returns and the Bank's policy of placing excess liquidity with European Central Bank.

The interest expense of the Bank for the 1st quarter of 2015 amounted to €3 million in relation to €3,4 million for last year corresponding period, presenting a decrease of 12% which was a result of the reduction in the cost of deposits and the lower deposit levels maintained during the period under review.

Net fees and commissions decreased by 5% in relation to last year period and amounted to €576 thousand for the 1st quarter of year 2015. The total expenses of the Bank marginally decreased from last year period and amounted to €4,2 million in relation to €4,3 million for the 2014 period.

The Bank's operational profit for the period under review following the above amounted to €2,4 million in relation to €3,3 million for the 1st quarter of year 2014.

An amount of €375 thousand relating to provision for revaluation loss on the Bank's investment properties has been booked for the 1st quarter of year 2015.

Due to the continuing economic recession, the continuing reduction in real estate prices and based on the resulting repayment difficulties faced by clients, the provisions for impairment of loans and advances amounted to €3,7 million for the 1st quarter of 2015 in relation to €6,4 million for the 1st quarter of 2014.

As a result following the booking of the above provisions, the net loss for the period under review is €1,7 million in relation to €3,1 million for the corresponding last year period.

3. Future Outlook

The Banks' Management monitors closely the developments within the economy and considers that the credit risk management is the most important process and factor contributing towards the safeguarding of its operations and takes all necessary steps to effectively manage it.

20 April 2015