



**USB BANK PLC**  
**Unaudited Interim Management Statement for the period**  
**from 1 July 2014 to 31 October 2014**

The unaudited Interim Management Statement of USB Bank Plc (the "Bank") for the period from 1 July 2014 to 31 October 2014 is prepared in accordance to Article 11 of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Laws of 2007 to 2013.

**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 restoration and soundness of the Cypriot banking sector and rebuild of depositors and market confidence through the restructuring of financial institutions and strengthening of supervision will be the key factors that will contribute to the financial stability.

Cyprus economy is expected to return back to growth in 2015 although this will be moderate. In this effect prudent management is the key objective of the Bank through maintaining adequate levels of capital and liquidity.

The Bank maintains healthy liquidity levels with the gross loans to deposits ratio being 77% as at 30 September 2014, complies with the minimum regulatory liquidity ratios for Euro and foreign currency as set by the Central Bank of Cyprus and has no financing from the European Central Bank or any other third party.

As at 30 September 2014 the Bank complies with the minimum regulatory ratio of Core Tier 1 of 8% as set by the Central Bank of Cyprus with the Core Tier 1 ratio being 8,24%.

There were no other material transactions during this period other than the Bank's ordinary operations that affected significantly the Bank's financial statements and no other profit or loss occurred from non-recurring activities other than the Bank's ordinary operations.

**2. Financial Results for the three month period from 1 July 2014 to 30 September 2014**

Despite the recessionary conditions, the Banks' turnover increased by 4% between the 2 year periods while the operational profit of the Bank has substantially increased by 51% and amounted to €3,8 million in comparison to €2,5 million for the corresponding last year period.

The interest income for the period under review presents an increase of 6% in relation to the last years' corresponding period and amounted to €10,6 million in relation to €10 million for the last years' three month period. The interest expense of the Bank for the period under review amounted to €3,4 million presenting a decrease of 15% as a result of the reduction in the cost of deposits.



As a result of the above, net interest income amounted to €7,2 million in relation to €6 million for the last year corresponding period presenting an increase of 20%.

The continuation of the capital controls affects the net fees and commissions which present a decrease of €133 thousand in relation to the last year corresponding period.

The staff cost which represents 67% of total expenses of the Bank presents a decrease of 7% in relation to last year period due to the application of the new collective agreement between the Cyprus Union of Bank Employees and the Cyprus Employers' Association which implemented reductions in salaries applicable from 1 March 2014 and also reductions for the employers contributions to the employees provident fund applicable from 1 January 2014. The other administration expenses of the Bank remain at approximate same levels of the last year period.

Due to the continuing economic recession, the repayment difficulties faced by clients and the continuing reduction in real estate prices, the provisions for impairment of loans and advances amounted to €7,7 million in relation to €6,1 million for the last years' three month period.

The loss after tax for the period under review amounted to €4,1 million in relation to a loss of €4,4 million for the last year period showing an improvement of 5%. In relation to the nine month period ended 30 September 2014 the loss amounted to €8,6 million in relation to a loss of €6,2 million for the period ended 30 September 2013.

Total gross loans amounted to €467 million as at 30 September 2014 and present a reduction of 7% from September 2013 adjusted for the €28,4 million gross loan balances that were written off in June 2014 following a Board of Directors decision as stated in the unaudited Condensed Interim Financial Statements for the six months ended 30 June 2014.

Customer deposits remained at approximate same levels in relation to September 2013 and amounted to €609 million.

### **3. 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.

*31 October 2014*