

**USB BANK PLC**  
**Unaudited Interim Statement for the period**  
**from 1 January 2012 to 24 April 2012**

The unaudited Interim Management Statement of USB Bank Plc (the "Bank") for the period from 1 January 2012 to 24 April 2012 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**

During the period under examination and particularly on the 21 February 2012, an agreement was reached between the Finance ministers of the Eurozone countries (Eurogroup), for the granting of new support to Greece. In addition, the terms of the private sector involvement plan (PSI) were finalised. As a result and according to the terms of the plan on 12 March 2012 the creditors, including the Bank, exchanged the existing Greek Government Bonds held and received:

- a. new Greek Government Bonds having a face value equal to 31,5% of the face amount of the exchanged debt
- b. notes issued by the European Financial Stability Fund (EFSF) maturing in 24 months or less and face amount equal to 15% of the face amount of the old bonds tendered for exchange
- c. detachable GDP-linked securities issued by the Hellenic Republic having a notional amount equal to the face amount of the new bonds received.

Any accrued interest on the original Greek government bonds was paid using 6-month securities issued by the EFSF.

The new Greek bonds have gradual maturity which commences on the 11<sup>th</sup> anniversary of the issue date of 24 February 2012 with final maturity in 2042 and bear fixed coupon rate as follows:

- 2% per annum for payment dates up to 2015
- 3% per annum for payment dates between 2016 and 2020
- 3.65% per annum for payment dates in 2021
- 4.3% per annum for payment dates in 2022 and thereafter

The Bank with the continuous support of its parent company BLC Bank and within a difficult economic environment it's expanding its operations while focusing on the effective management of credit risk.

Other than the finalization of the terms of exchange of the Greek government bonds 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 January 2012 to 31 March 2012**

Despite the recessionary environment and uncertainty the Bank continued its expansion and demonstrates a substantial increase of 44% in its turnover which amounts to €12,2 million in relation to €8,4 million for the corresponding period of last year while it maintained high liquidity with the gross loans to deposits ratio being 86% in relation to 82% in March 2011.

The customer deposits as at 31 March 2012 increased by 17% and amounted to €548 million in relation to €467 million as at 31 March 2011 while the Banks' lending portfolio increased by 24% amounting to €472 million in relation to €382 million for last year period.

As a result of the above credit expansion but also because of the higher returns achieved on the Banks' investments and available funds, net interest income increased substantially by 78% reaching €5,6 million for the period ended 31 March 2012 in relation to €3,2 million for the period ended 31 March 2011.

Other income illustrates an increase of 17% in relation to the corresponding period of 2011 mainly because of the increase in commission income and fees. Total administration expenses amounted to €4,2 million in relation to €3,6 million for 2011 mainly because of the increase in staff costs.

The profit for the period before provisions for impairment of loans and advances and taxation amounted to €2,2 million in relation to a profit of €151 thousand for the three month period of 2011.

Despite the continuing financial crisis and the prudent provisioning policy followed by the Bank, that resulted in the increase of provisions for impairment on loans and advances by 64% in relation to last year period, the Bank for the three month period of 2012 reported net profits of €605 thousand in relation to a loss of €762 thousand for the 2011 period.

Maintaining a strong capital base is a priority for the Bank and for this purpose it is examining a program of enhancing its capital base and capital adequacy ratios.

Nicosia, 24 April 2012