

## USB BANK

NUMBER OF BRANCHES: 14

NUMBER OF ATMS: 17

NUMBER OF EMPLOYEES: 230

**HEAD OFFICE:**  
83, Digeni Akrita Avenue,  
1070 Nicosia P.O.Box  
28510, 2080 Nicosia  
Tel: 22883333  
Fax: 22875899  
**Website:**  
www.usbbank.com.cy

**usb**bank

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## KEY FINANCIAL INFORMATION

DEPOSITS:  
€621  
MILLION

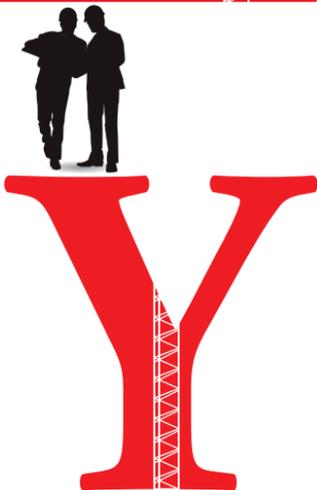
NET LOANS:  
€394  
MILLION

PROFIT/  
(LOSS):  
€4.5  
MILLION

CET1  
9.11%

ASSETS:  
€685  
MILLION

9M 2014



Yialousa Savings Bank (YSB), established in 1925 in Yialousa, in what is now the Turkish-occupied part of Cyprus, was the 10<sup>th</sup> limited company to be registered on the island. In 1996, Universal Life acquired 30% of YSB and on 10 July 1996, YSB was renamed Universal Savings Bank Limited. Following the change in the shareholder structure in February 2009 and within the framework of its strategic plan for innovative and efficient redevelopment and growth, the Bank created a new, contemporary and dynamic corporate identity and was renamed USB Bank PLC, responding to the new challenges of the continuously changing financial sector. The new name maintained the Universal Savings Bank acronym, thus communicating respect for its heritage and, at the same time, the way

it was looking to the future. It marked the start of a new dynamic era for the Bank, investing in people, in new technology with new processes and in new products and services that offer real solutions to our customers and high quality services. In 2011, USB Bank became a member of the International BLC Bank-FRANSABANK Group, the fourth-largest banking Group in Lebanon with an active presence in nine countries. Through an innovative and dynamic approach, USB Bank aims to support its customers with integrity and professionalism, offering flexible solutions tailored to their traditional and newly formed needs. USB Bank focuses on growing its business locally and internationally, capitalizing on the opportunities arising from the Group's wide network and leveraging on their know-how and expertise, while benefiting from the continuous support of BLC Bank. USB Bank offers a full range of financial services in the Retail, Corporate and International Divisions, through a network of 14 branches throughout the island, specialised Corporate Banking Units, International Business Units in Nicosia and Limassol and a Representative Office in Moscow, Russia.

"The intention of the bank is not to foreclose mortgaged properties"

Andreas Theodorides, CEO



**What are the main short-term (2015) objectives of the Bank's management?**

The current economic environment requires prudent management. Our objective is to manage credit risk effectively and address the issue of non-performing loans in an efficient way through close monitoring, viable and sustainable restructurings. Our objective is to reverse the increasing trend in non-performing loans and the Bank is working closely with its clients to find solutions and to assist them during these difficult times. In a volatile and uncertain environment, liquidity and capital adequacy are areas of continuous focus and review.

In an effort to stimulate the growth of the economy and with the support of our Group, we are ready to finance corporate customers for new projects and productive activities as well as working capital needs. Towards the middle of 2014 the Bank announced a new housing loan available to households while we are planning to introduce more retail products in 2015.

At the same time, we aim at the effective supervision of the work and activities of the Bank in order to ensure quality of service, compliance with the Central Bank of Cyprus Directives and the legislative framework. We will continue to implement sound corporate governance principles and to adapt policies and procedures aiming at full transparency. It is of utmost importance to continue safeguarding the interests of our stakeholders-shareholders, depositors, clients, our people and society by acting responsibly

and in a prudent manner. The bank's operating environment is undergoing a whole transformation that necessitates close monitoring and readjustment.

**The amount of debt (household and corporate) is extremely high, compared to the EU average. Do you consider this unhealthy and is it a factor that could delay the recovery of the economy?**

The amount of debt accumulated over the years, especially during the credit boom of the banking sector after the island's accession to the EU, is one of the highest in the euro area, despite the efforts of deleveraging over the past year. This high private sector indebtedness affects the management of the increasing number of non-performing loans and is a negative factor in the recovery of the economy. It has a direct negative effect on the disposable income of households and is directly linked to increasing non-performing loans in the banking system with all the negative consequences to the economy and the banks. In addition, high corporate debt in relation to their turnover and income generation jeopardizes the viability of corporations and hinders their growth.

**How is the Bank dealing with the issue of corporate Non-Performing Loans? What is the philosophy and approach to corporations with a high degree of debt? If it is viewed as unsustainable, what action will the Bank take?**

We do realise the difficulties that corporate customers, as well as individuals, are facing due to the current economic

conditions, the fall in consumption, and the lack of liquidity in the market. Our objective is to assist our clients to overcome this situation as far as possible. On a case-by-case basis we are analysing the new circumstances of our clients and the impact on their financial standing and we are focusing on finding solutions that will be mutually beneficial to both clients and the Bank. In this admittedly difficult task, the cooperation of clients is a key element in order to reach a viable and sustainable solution in line with the requirements of the relevant Directives of the Central Bank of Cyprus based on which we need to evaluate a substantial volume of information such as financial statements, cash flow projections, feasibility studies, etc. In the case of non-cooperating clients, the Bank has no other option than to initiate legal procedures in line with the Arrangements Management Directive of Central Bank of Cyprus. It must be stressed that the intention of the Bank is not to foreclose mortgaged properties and that this is rather a measure of the last resort. That is why we always try to find alternative solutions and proposals for the repayment of outstanding debts.

**Do you consider that the Bank's provisions for impairment are adequate?**

The financial statements of the Bank are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, subject to audit by independent

external auditors. The Bank reviews its loans and advances to assess whether a provision for impairment should be recorded in the income statement. Management is required to estimate the amount and timing of future cash flows in order to determine the level of provision required and, as a result, the calculation of the impairment allowance involves judgment. Estimates are based on assumptions about a number of factors and therefore actual impairment losses may differ. A very important factor for the estimation of provisions is timing and the expected receivables against the outstanding balances. In the past two years, given the negative economic climate, the increasing number of non-performing loans and the deterioration of real estate prices, provisions for impairment of loans and advances have been increased, substantially reflecting the increased credit risk.

**What is the Bank's new lending philosophy as regards corporations? Are there sectors to which it will give priority for loans?**

We consider that it is of paramount importance that the banks support the Cyprus economy, which needs liquidity to overcome the current situation and attain fiscal rectitude. However, any lending should be carefully analysed and supported by a viable business proposition and plan. We are ready to provide lending in cases that satisfy the above criteria in our effort to support and restart the economy. We believe that all sectors play an important role in the economy and we evaluate each case in its own right. **G**