0004/00008228/en
Half-Yearly Financial Report
USB Bank Plc
USB

Correction To:0004/00008221

Announcement for the Six Monthly Results

The relative announcement is attached.

Attachments:

1. **Announcement**
2. **Six Monthly Statements**

Regulated

Publication Date: 25/07/2014

usbbank

July 25, 2014

General Manager,
The Cyprus Stock Exchange,
Nicosia

Dear Sir,

ANNOUNCEMENT

We wish to inform you that at the meeting held on July 24, 2014, the Board of Directors of USB BANK PLC ("the Bank"), examined and approved the unaudited Financial Results for the first half of 2014.

The Results will be published in the daily press on July 26, 2014 and copies will be available at the Bank's registered office, 83 Digeni Akrita Avenue, 5th floor, 1070, Nicosia and its website, www.usbbank.com.cy

Yours sincerely,

Andreas Theodorides
Secretary

c.c. Chairman, CySec

USB BANK PLC
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

Contents

In accordance with Article 10, subparagraph (3)(c) and (7) of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Laws of 2007 and 2013, we, the members of the Board of Directors and the officials responsible for the drafting of the unaudited Condensed Interim Financial Statements of USB Bank Plc (the 'Bank') for the six months ended 30 June 2014, declare that, to the best of our knowledge:

(a) the unaudited Condensed Interim Financial Statements which are presented on pages 6 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 abovementioned law, 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 3 to 5 provides a fair overview of the information required by the Article 10, subparagraph (6) of the abovementioned law.

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 ....

Official responsible for drafting the condensed interim financial statements:
Paola Ioannou
Finance Manager ....

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 14 branches.

Financial Results
The Bank operates within a challenging economic environment after the developments that followed the Eurogroup decisions on the 25th March 2013. Cyprus is expected to continue to be in recession during the whole of 2014 with moderate real GDP growth and a decline in unemployment levels being expected in 2015.

This economic environment requires prudent management. As a consequence, the main objectives of the Bank are the effective management of credit risk 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 74% as at 30 June 2014, 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.

As at 30 June 2014 the Bank complies fully with the minimum capital requirements issued by the Central Bank of Cyprus with the proforma Core Tier 1 ratio being 9,11% and the proforma Total Capital Ratio being 11,90%.

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

	Six months ended 30 June	
	2014	2013
	€000	€000
Turnover	**22.527**	23.227
Profit from operations	**7.353**	3.652
Loss after provisions for impairment of loans and advances	**(4.028)**	(1.336)
Loss for the period	**(4.466)**	(1.822)
Loss per share (cent)	**(4,0)**	(1,8)

The operational profit of the Bank was doubled between the two year periods from €3,7 million in the 1st half of 2013 to €7,4 million in the 1st half of 2014 despite the recessionary environment and the restrictive measures imposed on the banking transactions both locally and internationally and which have impacted the Bank's turnover by a 3% reduction between the two year periods.

Net interest income for the period under review increased by 35% reaching €14 million in relation to €10,4 million for last year period.

In particular, while the interest income presents a decrease of 2% in relation to the last years' corresponding period and amounts to €21 million mainly due to the lower returns received from placements and investments, the interest expense of the Bank for the 1st half of 2014 amounted to €7 million in relation to €10,9 million presenting a decrease of 36% which was a result of the reduction in the cost of deposits and the maintenance of lower deposit levels during the current period in comparison to the prior year period.

Net fees and commissions have been affected by the imposition of capital controls and decreased by €360 thousand from €1,5 million in the 1st half of 2013 to €1,1 million in the 1st half of 2014.

Financial Results (continued)

The total expenses of the Bank present a decrease of 4,8% mainly due to the reduction of staff cost following the application of the new collective agreement between the Cyprus Union of Bank Employees and the Cyprus Bankers 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.

Due to the continuing economic recession, the continuing reduction in real estate prices, the new stringent regulations imposed by the Central Bank of Cyprus on the definition of non-performing loans and provision methodology and based on the resulting repayment difficulties faced by clients, the provisions for impairment of loans and advances increased substantially and amounted to €9,9 million for the 1st half of 2014 in relation to €5 million for the 1st half of 2013.

Despite the increase in operational profit by €3,7 million reaching €7,4 million in the 1st half of 2014, the loss for the period under review resulting from the above increase in provisions for loans is €4,5 million in relation to €1,8 million for the corresponding last year period.

Related party transactions

Information on related party transactions for the six months ended 30 June 2014 in conformity with IFRS is included in Note 17 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 that 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 29 of the financial statements for the year ended 31 December 2013 and is not expected to change significantly during the second half of 2014.

Board of Directors

The members of the Board of Directors as at the date of this Statement are presented on page 2.

Information relating to share capital

In a meeting held on the 24th February 2014 the Board of Directors of the Bank decided to proceed with an increase of the issued share capital of the Bank by €20 million (the "Issue") to strengthen the capital base. The proposed Issue concerned the issue and allotment of 66.666.667 new ordinary shares at an issue price of €0,30 per new share.

In order to facilitate the issue and allotment of new ordinary shares, in view of the prevailing current financial conditions and the fact that pursuant to the Cyprus Companies Law Cap. 113 (as amended), new shares cannot be issued and allotted at a price lower than the current nominal value, which was €0,57 and higher than the net asset value per share, the Board of Directors of the Bank convened an Extraordinary General Meeting (EGM) on the 27th March 2014 and approved a resolution for the reduction of the nominal value of the ordinary shares of the Bank from €0,57 to €0,10 per share. The reduction of the nominal value of the Bank's shares was approved in order to facilitate and provide greater flexibility to the Bank, for the issuance of 66.666.667 new ordinary shares. The total amount from the reduction of the nominal value of the issued ordinary shares amounting to €46.657.212 was utilised for the reduction of the Bank's accumulated losses.

With the approval of the above resolution and based on the subsequent ratification by the District Court of Nicosia, the authorised share capital of the Bank was reduced to €15.000.000 divided into 150.000.000 ordinary shares of nominal value of €0,10 each and the issued share capital was reduced to €9.927.066,30 divided into 99.270.663 ordinary shares of nominal value of €0,10 each. Within the same resolution the authorised share capital of the Bank re-increased to the amount of €85.500.000 which was divided into 855.000.000 ordinary shares of a nominal value of €0,10 each.

Information relating to Share Capital (continued)
In a meeting held on the 27th May 2014 the Board of Directors of the Bank decided to issue and allot 66.666.667 new ordinary shares of nominal value €0,10 each at the total issue price of €0,30 each, exclusively to BLC Bank SAL. The 66.666.667 new ordinary shares rank pari passu with the existing fully paid shares of the Bank.

As a result of the above, the issued share capital of the Bank amounts to €16.593.733 divided into 165.937.330 ordinary shares of nominal value of €0,10 each and the authorised share capital amounts to €85.500.000 divided into 855.000.000 ordinary shares of nominal value of €0,10 each.

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 16 of the Condensed Interim Financial Statements.

Operating environment of the Bank and Future developments
The Cyprus economy entered into a deep recession following the bailout agreement signed with the Troika in 2013. The agreement entailed the recapitalisation of the two largest banks through the bailing-in of their uninsured depositors. These developments undermined the credibility of the entire banking system, stalled the credit cycle and made necessary the imposition of capital controls both domestic and international. Since May 2014 the domestic capital controls have been lifted but the international capital controls still remain.

The recession has been steep, coupled with falling wages and rising unemployment. But overall macroeconomic performance has been better than initially anticipated as the economy has proven to be more resilient and significantly more flexible. The fiscal performance has also been better than anticipated, exceeding programme targets by a considerable margin. Furthermore, in the banking sector there are signs of stabilisation and deposit outflows have dissipated. The outlook for 2014 remains difficult as the economy continues to face significant challenges, but programme implementation remains on track and the recession is likely to end in 2015.

The restoration of a sound and well capitalised banking sector along with progress in the gradual deleveraging of the private sector will create the conditions for the eventual economic recovery. However, downside risks remain mainly driven from a more protracted period of tight credit conditions, a prolonged deleveraging process and further worsening of labour market conditions.

The overall adverse conditions existing in the Bank's operating environment have had a significant impact on the Bank's customers and their ability to meet their loan repayment obligations as they fall due. The Bank's management has diverted significant resources in the pro-active monitoring of its portfolio and is actively working with the Bank's customers in order to restructure their facilities in a manner that would ensure their viable servicing under these new operating conditions.

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, they could have on the future financial performance, cash flows and financial position of the Bank.

The requirements of the new economic environment require prudent management. Consequently, the main objectives of the Bank are the effective management of credit risk 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.

Nicosia, 24 July 2014

Interim Income Statement
for the six months ended 30 June 2014

	Note	*Six months ended 30 June* **2014** €	*Six months ended 30 June* 2013 €	*Year ended 31 December* *2013* €
Turnover	5	**22.527.273**	23.226.538	44.806.616
Net interest income		**13.991.098**	10.357.570	22.500.026
Net fee and commission income		**1.121.221**	1.481.040	2.854.721
Foreign exchange income		**153.817**	174.610	357.176
Other income		**90.630**	44.599	100.545
Total net income		**15.356.766**	12.057.819	25.812.468
Staff costs		**(5.578.391)**	(5.922.924)	(11.912.123)
Other operating expenses		**(2.425.477)**	(2.483.216)	(5.251.116)
Total operating expenses before provisions		**(8.003.868)**	(8.406.140)	(17.163.239)
Profit from operations		**7.352.898**	3.651.679	8.649.229
Loss from the sale of investments		**-**	-	(1.551.510)
Loss on revaluation of investment properties		**(1.500.000)**	-	(2.208.463)
Profit before provisions for impairment of loans and advances		**5.852.898**	3.651.679	4.889.256
Provisions for impairment of loans and advances	7	**(9.880.741)**	(4.987.693)	(19.663.694)
Loss before impairment of bonds		**(4.027.843)**	(1.336.014)	(14.774.438)
Provision for impairment of investments available for sale		**-**	-	(171.200)
Loss before tax		**(4.027.843)**	(1.336.014)	(14.945.638)
Special Taxation for Credit Institutions		**(438.084)**	(485.956)	(926.762)
Deferred Tax		**-**	-	(47.720)
Loss for the six months/year		**(4.465.927)**	(1.821.970)	(15.920.120)
Loss per share (cent)	6	**(4,0)**	(1,8)	(16,0)

	Six months ended 30 June **2014** €	*Six months ended 30 June* 2013 €	*Year ended 31 December* 2013 €
Loss for the six months/year	**(4.465.927)**	(1.821.970)	(15.920.120)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available for sale investments			
Loss on revaluation of investments available for sale	-	(189.829)	(290.859)
Transfer to the income statement due to impairment of available for sale investments	-	-	171.200
Transfer to the income statement due to disposal of available for sale investments	-	-	1.551.510
	-	(189.829)	1.431.851
Items that will not be reclassified subsequently to profit or loss			
Property revaluation			
Loss on revaluation of properties	-	-	-
Taxation on revaluation of properties	-	-	-
	-	-	-
Other comprehensive income for the six months/year after taxation	-	(189.829)	1.431.851
Total comprehensive income for the six months/year	**(4.465.927)**	(2.011.799)	(14.488.269)

	Note	30 June 2014 €	31 December 2013 €
ASSETS			
Cash and balances with the Central Bank		**40.771.853**	44.931.789
Placements with banks		**65.107.957**	49.365.884
Loans and advances to customers	7	**394.230.158**	411.644.053
Investments held-to-maturity		**147.337.440**	114.598.264
Investment properties	8	**29.628.342**	27.950.000
Property and equipment	9	**5.468.847**	5.705.928
Intangible assets	10	**535.245**	627.743
Other assets		**1.926.741**	1.754.614
Total assets		**685.006.583**	656.578.275
LIABILITIES			
Customer deposits		**621.467.695**	589.677.203
Other liabilities		**5.354.465**	4.250.722
Loan capital	11	**10.182.963**	10.182.963
Total liabilities		**637.005.123**	604.110.888
EQUITY			
Share capital	12	**16.593.733**	56.584.278
Share premium	12	**38.000.065**	24.666.732
Special reserve	12	**-**	20.000.000
Revaluation reserves		**3.330.257**	3.330.257
Accumulated losses		**(9.922.595)**	(52.113.880)
Total equity		**48.001.460**	52.467.387
Total liabilities and equity		**685.006.583**	656.578.275

Maurice Sehnaoui
Chairman
....

Andreas Theodorides
Chief Executive Officer
....

Paola Ioannou
Finance Manager
....

Interim Statement of Changes in Equity
for the six months ended 30 June 2014

	Share capital	Share premium	Special reserve	Revaluation reserves	Accumulated losses	Total
	€	€	€	€	€	€
Six Months 2014						
1 January	**56.584.278**	**24.666.732**	**20.000.000**	**3.330.257**	**(52.113.880)**	**52.467.387**
Reduction of capital	**(46.657.212)**	-	-	-	**46.657.212**	-
Issue of shares	**6.666.667**	**13.333.333**	**(20.000.000)**	-	-	-
Loss after tax	-	-	-	-	**(4.465.927)**	**(4.465.927)**
Other comprehensive income for the period after taxation	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	**(4.465.927)**	**(4.465.927)**
30 June	**16.593.733**	**38.000.065**	-	**3.330.257**	**(9.922.595)**	**48.001.460**
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

	Note	30 June 2014 €	30 June 2013 €
Net cash flow from/(used in) operating activities	14	**40.773.195**	(82.329.391)
Cash flow from investing activities			
Purchase of property, equipment and software		**(63.218)**	(517.199)
Proceeds from the disposal of property and equipment		**1.062**	-
Purchase of bonds		**(47.111.617)**	(3.864.856)
Proceeds from the disposal and redemption of bonds		**15.734.082**	35.895.856
Interest on bonds		**2.826.872**	4.228.383
Net cash flow (used in)/from investing activities		**(28.612.819)**	35.742.305
Cash flow from financing activities			
Proceeds from the issue of share capital		**20.000.000**	-
Transfer of contribution of the parent company into share capital		**(20.000.000)**	-
Interest on loan capital		**(378.893)**	(378.887)
Net cash flow used in financing activities		**(378.893)**	(378.887)
Net increase/(decrease) in cash and cash equivalents for the period		**11.781.483**	(46.965.973)
Cash and cash equivalents			
At 1 January		**88.535.567**	143.994.136
Net increase/(decrease) in cash and cash equivalents		**11.781.483**	(46.965.973)
At 30 June	15	**100.317.050**	97.028.163

1. Corporate information

The Condensed Interim Financial Statements of USB Bank Plc (the 'Bank') for the period ended 30 June 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 24 July 2014.

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 2014 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 2014 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 2013.

The Condensed Interim Financial Statements for the six months ended 30 June 2014 have been prepared in accordance with the same accounting policies adopted for preparing the financial statements for the year 2013, except for the adoption of new and revised IFRSs and interpretations with effect from 1 January 2014. The adoption of new and revised IFRSs and interpretations did not have any material impact on 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, income from investments, foreign exchange income and other income. The Bank does not provide leasing or hire purchase services.

6. Loss per share

	30.06.2014	30.06.2013
	€	€
Loss attributable to shareholders	**(4.465.927)**	(1.821.970)
Weighted average number of shares in issue during the period	**111.863.256**	99.270.663
Loss per share (cent)	**(4,0)**	(1,8)

At 30 June 2014 and as at 30 June 2013, there were titles convertible to ordinary shares that were not considered dilutive and consequently diluted loss per share is not presented.

7. Loans and advances to customers

	30.6.2014	30.6.2013	31.12.2013
	€	€	€
Loans and other advances	**461.850.939**	493.657.574	497.338.135
Provision for impairment of loans and advances	**(67.620.781)**	(66.262.586)	(85.694.082)
	394.230.158	427.394.988	411.644.053

Provisions for impairment of loans and advances:

	30.6.2014	30.6.2013	31.12.2013
	€	€	€
1 January	**85.694.082**	57.099.638	57.099.638
Collections/reversals	**(636.496)**	(674.501)	(1.620.132)
Charge for the six months/year	**10.517.237**	5.662.194	21.283.826
Net charge for the six months/year	**9.880.741**	4.987.693	19.663.694
Restriction of interest on impaired loans	**2.856.205**	4.485.885	9.922.060
Write-offs	**(30.810.247)**	(310.630)	(991.310)
	(18.073.301)	9.162.948	28.594.444
30 June/31 December	**67.620.781**	66.262.586	85.694.082

7. Loans and advances to customers (continued)

The table below analyses the loans and advances to customers into the different categories:

	30.6.2014 €000	31.12.2013 €000
Neither past due nor impaired	**193.672**	234.461
Non restructured loans	163.728	191.005
Restructured loans	29.944	43.456
Past due but not impaired	**34.965**	27.634
Up to 30 days	14.560	11.559
From 31 to 90 days	20.405	16.075
Impaired or NPLs	**233.214**	235.243
Provision for impairment of loans and advances	**(67.621)**	(85.694)
Specific Provision	(50.211)	(68.809)
Collective Provision	(17.410)	(16.885)
Net Book Value	**394.230**	411.644

Non-performing loans and advances

On 30 June 2014, the gross non-performing loans and advances in accordance with the new Directive of the Central Bank of Cyprus, which was applied as of 1st July 2013, amounted to €233.212.625. As at 30 June 2013 the amount of loans and advances classified as non- performing was €112.475.696 and varies significantly to the amount as at 30 June 2014 due to the application of the new Directive of the Central Bank of Cyprus.

According to the new Directive, customer loans and advances are considered non-performing when:

- they present past due balances or are in excess for a period of more than ninety (90) days,
- they have been restructured and at the time of restructuring were classified as non-performing or presented arrears for a period of more than 60 days (with the exception of loans and advances which on 15th March 2013 were performing, were restructured between 18th March 2013 and 30th September 2013 and the restructuring did not provide for a lump sum payment of 20% or higher of the loan or for a grace period over 12 months for interest and over 24 months for capital),
- they have been restructured twice or more times in an 18 month period (with the exception of loans and advances fully secured with cash).

Based on the decision of the Board of Directors of the Bank, loan balances amounting to €28.390.032 which were fully impaired, and for which all legal measures have been exhausted were fully written off. The respective amount of provision was also written off.

8. 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.

9. Property and equipment

	Property 30.6.2014 €	Equipment 30.6.2014 €	**Total 30.6.2014 €**	Total 31.12.2013 €
Cost or estimated fair value				
1 January	7.800.228	5.464.515	**13.264.743**	13.434.463
Additions	8.065	20.986	**29.051**	395.863
Disposals/write-offs	(11.401)	(47.675)	**(59.076)**	(565.583)
30 June/31 December	7.796.892	5.437.826	**13.234.718**	13.264.743
Depreciation				
1 January	2.798.897	4.759.918	**7.558.815**	7.573.672
Charge for the period/year	157.307	105.768	**263.075**	550.006
Disposals/write-offs	(8.344)	(47.675)	**(56.019)**	(564.863)
30 June/31 December	2.947.860	4.818.011	**7.765.871**	7.558.815
Net book value	4.849.032	619.815	**5.468.847**	5.705.928

The depreciation charge for property and equipment for the period ended 30 June 2013 was €277.312.

10. Intangible assets

	Computer Software 30.6.2014 €	Computer Software 31.12.2013 €
Cost		
1 January	**5.395.068**	5.108.062
Additions	**34.167**	287.006
Disposals/write-offs	**-**	-
30 June/31 December	**5.429.235**	5.395.068
Amortisation		
1 January	**4.767.325**	4.549.451
Charge for the period/year	**126.665**	217.874
Disposals/write-offs	**-**	-
30 June/31 December	**4.893.990**	4.767.325
Net book value	**535.245**	627.743

The amortization charge for intangible assets for the period ended 30 June 2013 was €97.667.

11. Loan capital

	30.6.2014 €	31.12.2013 €
Tier I capital		
Capital securities	**973.903**	973.903
Tier II capital		
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

11. Loan capital (continued)

Capital Securities

The Capital Securities were issued on 1 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 1 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.

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 (i.e. up to 30 November 2015), then from 1 December 2015, the Capital Securities will bear 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 2009 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 30 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 on 30 June 2015 but not partially, 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 of 7,25% on the nominal value for the period from the date of issue until 30 June 2015. From 30 June 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 2014 between the following dates:

- 15-30 September

The conversion price is set at the weighted average closing price of the share of the Bank on the CSE for a period of 30 trading days prior to the beginning of each conversion period. For the conversion periods of 2014, the conversion prices is as described above, less 15% while the conversion price cannot be reduced below the nominal value of the shares.

The Bank has a right of early redemption of convertible bonds in whole, and not partially, in cash at their nominal value along with any accrued interest relating to the current interest period on 30 June 2015 or on any following interest payment date, upon approval from the Central Bank.

12. Share capital, share premium reserve and special reserve

	30.6.2014			31.12.2013		
	Number of shares	**Share capital €**	**Share premium €**	Number of shares	Share capital €	Share premium €
Authorised						
Ordinary shares of €0,10 each (2013: €0,57 each)	**855.000.000**	**85.500.000**	-	150.000.000	85.500.000	-
Issued and fully paid						
1 January	**99.270.663**	**56.584.278**	**24.666.732**	99.270.663	56.584.278	24.666.732
Reduction of capital	**-**	**(46.657.212)**	**-**	-	-	-
Share issue	**66.666.667**	**6.666.667**	**13.333.333**	-	-	-
30 June/ 31 December	**165.937.330**	**16.593.733**	**38.000.065**	99.270.663	56.584.278	24.666.732

In December 2013 the Parent company, BLC Bank SAL, made an irrevocable commitment to fully cover any required increase of capital of the Bank, in an effort for the Bank to comply in a timely manner with the regulatory requirements and maintain an adequate capital base by blocking €20 million in an escrow account demonstrating its continuous support to the Bank. As a result the Bank`s equity was increased by €20 million through the Special Reserve account as at 31 December 2013.

In a meeting held on the 24th February 2014 the Board of Directors of the Bank decided to proceed with an increase of the issued share capital of the Bank by €20 million (the "Issue") to strengthen the capital base. The proposed Issue concerned the issue and allotment of 66.666.667 new ordinary shares at an issue price of €0,30 per new share.

In order to facilitate the issue and allotment of new ordinary shares, in view of the prevailing current financial conditions and the fact that pursuant to the Cyprus Companies Law Cap. 113 (as amended), new shares cannot be issued and allotted at a price lower than the nominal value of €0,57, which was higher than the net asset value per share, the Board of Directors of the Bank convened an Extraordinary General Meeting (EGM) on the 27th March 2014 and approved a resolution for the reduction of the nominal value of the ordinary shares of the Bank from €0,57 to €0,10 per share. The reduction of the nominal value of the Bank's shares was approved in order to facilitate and provide greater flexibility to the Bank, for the issuance of 66.666.667 new ordinary shares. The total amount from the reduction of the nominal value of the issued ordinary shares amounting to €46.657.212 was utilised for the reduction of the Bank's accumulated losses.

With the approval of the above resolution and based on the subsequent ratification by the District Court of Nicosia, the authorised share capital of the Bank was reduced to €15.000.000 divided into 150.000.000 ordinary shares of nominal value of €0,10 each and the issued share capital was reduced to €9.927.066,30 divided into 99.270.663 ordinary shares of nominal value of €0,10 each. Within the same resolution the authorised share capital of the Bank re-increased to the amount of €85.500.000 which was divided into 855.000.000 ordinary shares of a nominal value of €0,10 each.

In a meeting held on the 27th May 2014 the Board of Directors of the Bank decided to issue and allot 66.666.667 new ordinary shares of nominal value €0,10 each at the total issue price of €0,30 each, exclusively to BLC Bank SAL. The 66.666.667 new ordinary shares rank pari passu with the existing fully paid shares of the Bank.

As a result of the above, the issued share capital of the Bank amounts to €16.593.733 divided into 165.937.330 ordinary shares of nominal value of €0,10 each and the authorised share capital amounts to €85.500.000 divided into 855.000.000 ordinary shares of nominal value of €0,10 each.

13. Contingent liabilities and commitments

	30.6.2014	31.12.2013
	€	€
Contingent liabilities		
Acceptances and endorsements	**69.768**	87.793
Guarantees	**20.085.350**	19.456.267
	20.155.118	19.544.060
Commitments		
Documentary credits and certified export credits	**2.413.178**	1.822.536
Unutilised limits	**38.222.065**	35.212.204
	40.635.243	37.034.740

Capital commitments

There were no commitments for contracted capital expenditure of the Bank for the six months ended 30 June 2014.

Litigation

As at 30 June 2014, 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.

14. Net cash flow from/(used in) operating activities

	30.06.2014	30.06.2013
	€	€
Loss before tax	**(4.027.843)**	(1.336.014)
Adjustments:		
Provision for impairment of loans and advances	**9.880.741**	4.987.693
Loss on revaluation of investment property	**1.500.000**	-
Depreciation of property and equipment and amortisation of intangible assets	**389.740**	374.979
Loss on disposal of property and equipment	**1.995**	-
Interest on bonds	**(2.826.872)**	(4.228.383)
Interest on subordinated loan capital	**378.893**	378.887
	5.296.654	177.162
(Increase)/decrease in operating assets:		
Obligatory deposits with the Central Bank	**199.346**	312.791
Investments in bonds	**(1.361.641)**	(1.771.425)
Loans and advances to customers	**4.354.812**	(215.352)
Other assets	**(172.127)**	(5.751)
	3.020.390	(1.679.737)
Increase/(decrease) in operating liabilities:		
Deposits by banks	**-**	(42.306.250)
Customer deposits	**31.790.492**	(38.332.390)
Other liabilities and other accounts	**1.103.743**	297.780
	32.894.235	(80.340.860)
Special tax paid	**(438.084)**	(485.956)
	32.456.151	(80.826.816)
Net cash flow from/(used in) operating activities	**40.773.195**	(82.329.391)

15. Cash and cash equivalents

	30.06.2014	30.06.2013
	€	€
Cash and balances with the Central Bank	**40.771.853**	67.523.961
Placements with banks	**65.107.957**	35.504.141
	105.879.810	103.028.102
Less obligatory deposits with the Central Bank	**(5.562.760)**	(5.999.939)
	100.317.050	97.028.163

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

Shareholders holding more than 5% of share capital on 30 June 2014 and 31 December 2013 were:

	30.06.2014	31.12.2013
	%	%
BLC Bank SAL	**98,39**	97,31

17. Related party transactions

The Bank is a subsidiary of BLC Bank SAL through its 98,39% shareholding, which is incorporated in Lebanon. The ultimate controlling party of the Bank is Fransabank SAL through its 68,58% shareholding in BLC Bank SAL.

	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	Number of Directors of the Bank		€	€
Loans and advances:				
To members of the Board of Directors and related parties:				
Less than 1% of net assets per director	**15**	15	**387.210**	380.613
Total	**15**	15	**387.210**	380.613
To key management personnel and related parties			**1.437.884**	1.736.767
Total loans and other advances			**1.825.094**	2.117.380
Tangible securities			**3.540.233**	3.911.609
Interest income for the period/year			**36.990**	76.588
Deposits:				
- members of the Board of Directors and key management personnel			**1.667.306**	2.311.154
- connected persons of the above			**737.518**	785.082
Total deposits			**2.404.824**	3.096.236
Interest expense for the period/year			**32.886**	54.945
Loan capital issued to shareholder who owns more than 20% of the share capital			**282.350**	282.350
Interest expense on loan capital			**10.151**	20.470

In addition, there were contingent liabilities and commitments to the members of the Board of Directors, key management personnel and their connected persons amounting to €529.401 (31 December 2013: €482.729), of which €99.947 (31 December 2013: €125.271) relate to Directors and their connected persons.

17. Related party transactions (continued)

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 2014 there were interbank deposits amounting to €8.272.810 (31 December 2013: €25.642.765) to the parent company BLC Bank SAL and €20.020.118 (31 December 2013: €5.000.556) to Fransabank (France) SA, a 60% subsidiary company of the ultimate parent company of the Bank, Fransabank SAL, as part of the ordinary operations while there was no interbank lending from any affiliate company.

Fees and emoluments of Directors and key management personnel

	30.6.2014	30.6.2013
	€	€
Directors' emoluments		
Member Fees:		
Non executives	**78.609**	78.053
Executives	**-**	-
Total member fees	**78.609**	78.053
Executive directors' emoluments:		
Salaries and other short-term benefits	**104.352**	116.011
Employer's contributions	**13.307**	11.155
Retirement benefit plan costs	**9.151**	15.454
Total executive directors' emoluments	**126.810**	142.620
Total Board of Directors emoluments	**205.419**	220.673
Key management personnel emoluments		
Salaries and other short-term benefits	**434.820**	412.632
Employer's contributions	**59.318**	41.686
Retirement benefit plan costs	**36.062**	51.645
Total key management personnel emoluments	**530.200**	505.963
Total emoluments	**735.619**	726.636

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 11 managers of the Bank for the period 2014 (as at 30 June 2013: 9 Managers) 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.

Credit Risk

Analysis of the credit portfolio according to performance status for balances as at 30 June 2014

	Total credit facilities	Performing credit facilities			Non-performing credit facilities
		Not restructured credit facilities	Restructured credit facilities	Total	
	€000	€000	€000	€000	€000
Credit facilities to corporate legal entities	**245.251**	**80.382**	**23.866**	**104.248**	**141.003**
Construction	87.397	14.817	13.195	28.012	59.385
Wholesale and retail trade	43.391	17.405	904	18.309	25.082
Real estate activities	34.637	5.168	6.970	12.138	22.499
Accommodation and food service activities	26.497	15.212	351	15.563	10.934
Transportation and storage	16.979	10.858	-	10.858	6.121
All other sectors	36.350	16.922	2.446	19.368	16.982
Credit facilities to retail legal entities	**73.914**	**46.462**	**4.356**	**50.818**	**23.096**
Construction	23.868	16.524	1.674	18.198	5.670
Wholesale and retail trade	19.033	13.248	83	13.331	5.702
Real estate activities	10.472	3.894	1.548	5.442	5.030
Accommodation and food service activities	5.723	1.875	555	2.430	3.293
Electricity, gas, steam and air conditioning supply	3.787	3.548	-	3.548	239
All other sectors	11.031	7.373	496	7.869	3.162
Credit facilities to private Individuals	**142.686**	**64.661**	**8.910**	**73.571**	**69.115**
Credit Facilities for the purchase/construction of immovable property:	53.366	35.453	3.860	39.313	14.053
(a) Owner occupied	48.769	33.282	3.860	37.142	11.627
(b) For other purposes	4.597	2.171	-	2.171	2.426
Consumer loans	46.450	13.900	4.415	18.315	28.135
Credit cards	3.595	2.028	-	2.028	1.567
Current accounts	11.128	6.100	105	6.205	4.923
Credit Facilities to sole traders	28.147	7.180	530	7.710	20.437
Total credit facilities	**461.851**	**191.505**	**37.132**	**228.637**	**233.214**
Provisions	**67.621**	**1.228**	**687**	**1.915**	**65.706**

Credit Risk (continued)

Analysis of the credit portfolio according to performance status for balances as at 31 December 2013

	Total credit facilities	Performing credit facilities			Non-performing credit facilities
		Not restructured credit facilities	Restructured credit facilities	Total	
	€000	€000	€000	€000	€000
Credit facilities to corporate legal entities	**251.274**	**83.329**	**30.997**	**114.326**	**136.948**
Construction	80.983	7.055	18.596	25.651	55.332
Wholesale and retail trade	50.948	16.944	1.034	17.978	32.970
Real estate activities	28.143	5.983	6.202	12.185	15.958
Accommodation and food service activities	24.917	15.332	353	15.685	9.232
Transportation and storage	16.907	11.890	-	11.890	5.017
All other sectors	49.376	26.125	4.812	30.937	18.439
Credit facilities to retail legal entities	**99.013**	**58.752**	**12.674**	**71.426**	**27.587**
Construction	41.602	27.893	5.303	33.196	8.406
Wholesale and retail trade	17.138	10.153	24	10.177	6.961
Real estate activities	11.423	4.182	5.240	9.422	2.001
Accommodation and food service activities	10.154	3.652	1.419	5.071	5.083
Electricity, gas, steam and air conditioning supply	3.966	3.581	151	3.732	234
All other sectors	14.730	9.291	537	9.828	4.902
Credit facilities to private Individuals	**147.051**	**68.871**	**7.472**	**76.343**	**70.708**
Credit Facilities for the purchase/construction of immovable property:	52.740	36.251	2.971	39.222	13.518
(a) Owner occupied	48.015	34.209	2.543	36.752	11.263
(b) For other purposes	4.725	2.042	428	2.470	2.255
Consumer loans	45.579	14.837	3.765	18.602	26.977
Credit cards	3.605	1994	-	1.994	1.611
Current accounts	12.242	7.096	16	7.112	5.130
Credit Facilities to sole traders	32.885	8.693	720	9.413	23.472
Total credit facilities	**497.338**	**210.952**	**51.143**	**262.095**	**235.243**
Provisions	**85.694**	**1.875**	**474**	**2.349**	**83.345**