ANNUAL REPORT 2013

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Contents

Notice of Annual General Meeting

The Annual General Meeting of USB Bank PLC will be held at the Hilton Hotel in Nicosia, on **Thursday 24 July, 2014 at 4.00 p.m.** to address the following:

1. Review and approval of the Board of Directors' Report for the year ended 31 December 2013.

2. Review and approval of the Financial Statements and the Independent Auditors' Report for the year ended 31 December 2013.

3. Election of the members of the Board of Directors in place of those who retire.

4. Approval of the Remuneration Policy Report and determination of the remuneration of the members of the Board of Directors.

5. Re-appointment of the Independent Auditors and authorisation to the Board of Directors to fix their remuneration.

6. Any other business, which can be carried out at an Annual General Meeting.

By order of the Board,

Andreas Theodorides
Secretary

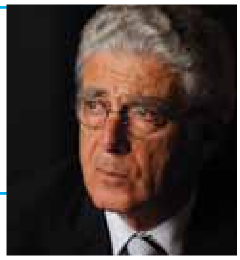
Nicosia, 29 April 2014

Notes:

(a) A member entitled to attend and vote at the above meeting, is entitled to appoint a proxy, whether shareholder or not, to attend and vote on his behalf. The instrument appointing the proxy must either be received at P.O. Box 28510, 2080, Nicosia, or by Fax at +35722458367 or deposited at the registered office of the Bank, 83 Digenis Akritas Avenue, 5th floor, 1070, Nicosia, at least 48 hours before the time of the meeting or adjourned meeting.

(b) The Annual Report of USB Bank PLC for the year 2013 is available in electronic form on the Bank's website at www.usbbank.com.cy The Annual Report will also be available, in printed form during the Annual General Meeting.

Chairman's statement



Dear Stakeholders,

During the year 2013 the Cypriot Economy witnessed unprecedented developments following the events that took place in March 2013 and the bailout agreement that was signed with Troika. These developments rocked the banking sector, slowed down the credit cycle and mandated the imposition of capital movement restrictions.

Despite the deep recession in 2013 with falling wages and rising unemployment, USB Bank maintained healthy liquidity levels with a euro liquidity ratio of 26% and a foreign currency liquidity ratio of 96% as compared to the regulatory requirements of 20% and 70% respectively.

The continuous support of the parent company BLC Bank SAL was demonstrated once again in December 2013 with the irrevocable commitment to fully cover any increase of capital required from USB Bank to comply with the regulatory requirements and maintain an adequate capital base, by injecting €20 million Core Tier I equity. As a result, at 31 December 2013, USB Bank had a Core Tier 1 Ratio of 10,2% and complied with the minimum imposed by Central Bank of Cyprus of 9% while its total capital adequacy ratio was 13,04%.

In a very difficult economic environment and within restrictive measures imposed on banking transactions, the operational profit of USB Bank increased by a substantial 82% compared to year 2012 and amounted to €8,6 million. As a result of the continuing economic recession, the constant fall in real estate prices, the stringent regulations issued by the Central Bank of Cyprus on the classification of loans and provisioning methodology and the resulting repayment difficulties faced by clients, the provisions for impairment of loans and advances increased substantially and as a consequence the loss for the year 2013 amounted to €15,9 million fully covered by the above €20 million equity injection.

The outlook for year 2014 remains difficult as the economy continues to face significant challenges, but program implementation remains on track and the recession is likely to end in 2015. The overall macroeconomic performance for 2013 has been better than initially anticipated, as the economy has proven to be resilient and significantly flexible. The fiscal performance has also been better than anticipated, exceeding program targets by a considerable margin.

Amidst this economic turmoil, meeting client needs is becoming more and more challenging. At USB Bank we adapt to new situations by focusing on technology, innovation and our human capital to deliver what matters to our stakeholders, employees and the community. We remain committed to our values of transparency, reliability, integrity and professionalism.

To conclude, I would like to express my sincere appreciation to all the members of the Board of Directors for their productive cooperation and I warmly thank our associates and customers for their continuous trust. I would like to thank the Bank's Management and staff for their devotion, hard work and commitment to the objectives of the Group.

Maurice Sehnaoui
Chairman

Report on Corporate Governance

Part A

The establishment and adoption of corporate governance principles and the reinforcement of the supervisory role of the Board of Directors are aiming to the full transparency over the total administration of USB Bank Plc (the "Bank"), the continuous servicing of corporate interest and investors' interest, the provision of timely information, as well as the guarantee that the Board of Directors is sufficiently independent in its decision making.

The Board of Directors recognizes the importance of implementing sound corporate governance policies as a basic precondition for the creation of value to the members of the Bank and the community.

The Bank declares that from 9 November 2004, the Board of Directors decided to fully adopt all the provisions of the Corporate Governance Code of the Cyprus Stock Exchange ("C.S.E.").

In September 2012, the C.S.E. published the 3rd (Amended) Edition of the Corporate Governance Code ("Code"). The Board of Directors of the Bank has adopted the Code and applies its principles.

Following the successful Public Offer by BLC Bank SAL to the members of the Bank for the acquisition of up to 100% of the issued share capital, the dispersion of the Bank has dropped below 10%. As a result of this and in view of the failure to abide by the obligations of the parallel market that the Bank was listed in, the C.S.E. Council had decided to transfer the titles of the Bank from the parallel market to the Special Characteristics Market. In the year 2013 and having considered the prevailing financial conditions, the C.S.E. Council decided that will not take any further measures in relation with Companies abiding by the obligation for the minimum dispersion of 10%. The whole issue will be re-examined by the C.S.E. Council within 2014.

Voting rights which correspond to 53.765.035 new shares acquired by BLC Bank SAL during the years 2011 to 2012, are suspended temporarily so that the Bank complies with the required dispersion criteria of at least one of the regulated markets of the Cyprus Stock Exchange, as stated above.

Part B

The Board of Directors of the Bank confirms that during 2013 it has complied with the relative provisions of the Code.

Information relating to the application of the principles and provisions of the Code, is given below:

1. Board of Directors

1.1 Role of the Board of Directors

The Bank is governed and controlled by the Board of Directors as per the provisions of its Memorandum and Articles of Association. The Board of Directors has mainly the role of setting the strategic objectives and ensuring that these objectives are achieved, through the application of adequate internal administration and internal control system. The Board of Directors is responsible for the monitoring and evaluation of the actions and output of the Executive Management as well as to its conformity with the policies issued.

1.2 Operation of the Board of Directors

Pursuant to the Bank's Memorandum and Articles of Association, the number of Board members shall not be less than 5 and no more than 15.

Pursuant to the Articles of Association of the Bank, at the first annual general meeting of the Bank, all directors shall retire and at the annual general meeting of each consecutive year, one third of the directors or a multiple of three or if their number is not three or a number multiplied by three, then the number nearest to the one third (rounded up), shall retire from their position but they have the right of re-election at the Annual General Meeting of the members of the Bank.

1.2 Operation of the Board of Directors (continued)

The Directors to retire in every year shall be those who have been longest in office since their last election. The Board of Directors has power at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Articles of Association of the Bank. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

1.3 Board of Directors Main Responsibilities

- Target setting and strategic policy of the Bank.
- Approval of the annual budget and the operational plan of the Bank.
- Setting the framework for capital investments and expenditure, mergers, acquisitions, and sale of Bank's assets.
- Adoption and application of amendments to the International Financial Reporting Standards.
- Monitoring of the substantial transactions of the Bank of any nature, in which the Chairman, the Executive Directors, the members of the Board of Directors, the Executive Management, the Secretary, the Auditors, or major shareholder of the Bank as well as their related parties who hold directly or indirectly more than 5% of the issued share capital of the Bank or voting rights, have a direct or indirect substantial interest.
- Selection, appointment and termination of the services of the Bank's Managing Director.
- Smooth succession of the Bank's Top Management.
- Directors' retirement policy.
- Selection and appointment of Bank's Secretary.

The members of the Board of Directors are appropriately informed by the Bank about their responsibilities as well as the responsibilities of their related parties in accordance to the Cyprus Stock Exchange Laws and Regulations, and the laws, regulations and guidelines of the Cyprus Securities and Exchange Commission. They are also informed about the responsibilities of the Bank in accordance to the Cyprus Companies Law Chapt.113, the Cyprus Stock Exchange, the Cyprus Securities and Exchange Commission and the Central Bank of Cyprus.

For the best implementation of the responsibilities of the members of the Board of Directors, all the members, after approval by the Board of Directors, can take independent professional advice with all expenses covered by the Bank.

All Board members may receive advice and other services by the Bank's Secretary.

The Bank's Board of Directors operates in accordance with the principles of collective responsibility and no differentiation exists between groups of Directors with regards to their responsibility.

The Chairman of the Board of Directors is a non Executive member. There is a division of responsibilities between the Chairman and the Executive Management.

The Secretary ensures the application of the Board of Directors procedures and its compliance with the applicable regulations.

The Bank's Directors hold positions in other companies' Boards of Directors. The members of the Board of Directors notify to the Bank the companies in which they take part and also their role in these companies (executive or non executive). Their participation in other Boards of Directors does not prevent them from dedicating the required time and attention in carrying out their duties as part of their role in the Bank's Board of Directors.

1.4 Meetings of the Board of Directors

During 2013, the Board of Directors has convened five times.

The Directors receive prompt written notice together with all essential documentation before any Board of Directors meeting, so that they are appropriately prepared during the meeting.

1.5 Composition of the Board of Directors

On 31 December 2013 the Bank's Board of Directors comprised of fifteen members as follows:

Chairman:		
Mr. Maurice Sehnaoui	Non Independent,	Non Executive
Members:		
Fransabank SAL represented by Mr. Adel Kassar	Non Independent,	Non Executive
Mr. Nadim Kassar	Non Independent,	Non Executive
Mr. Nabil Kassar	Non Independent,	Non Executive
Mr. Walid Daouk	Non Independent,	Non Executive
Fransa Invest Bank SAL represented by Mr.Mansour Bteish	Non Independent,	Non Executive
Mr. Raoul Nehme	Non Independent,	Non Executive
BLC Bank SAL represented by Mr. Youssef Eid	Non Independent,	Non Executive
Mrs Tania Moussallem	Non Independent,	Non Executive
Mr. Agis Taramides	Independent,	Non Executive
Mr. George Galatariotis	Independent,	Non Executive
Mr. George Stylianou	Independent,	Non Executive
Mr. Philippos Philis	Independent,	Non Executive
Mr. Andreas Theodorides	Non Independent,	Executive
Mrs Despo Polycarpou	Non Independent,	Executive

Secretary:
Andreas Theodorides

Changes in the composition during 2013
During the year 2013 no new member's appointment has taken place.

Pursuant to the Articles of Association of the Bank, at the Annual General Meeting of the members of the Bank which was held on July 26 2013, Messrs Maurice Sehnaoui, BLC BANK SAL (represented by Mr. Youssef Eid), Fransa Invest Bank SAL (represented by Mr. Mansour Bteish), Mr. Walid Daouk and Mr. Agis Taramides retired but they were re-elected by the members of the Bank.

Structure of the Board of Directors as at 31.12.2013
Total Board Members, fifteen out of which:

Executive/Non-Independent Members: two
Non-Executive and Independent Members: four
Non-Executive and Non-Independent Members: nine

Replacement of the representative of BLC BANK SAL at the Board of Directors of the Bank
The Board of Directors of the Bank, at its meeting held on February 27, 2013 approved the replacement of the representative of BLC BANK SAL Mr. Walid Ziade, by Mr. Youssef Eid.

1.6 Senior Independent Director
With a Board of Directors decision, dated 12 December 2008, Mr. George Stylianou was appointed as Senior Independent Director.

The Senior Independent Director is available to listen to the concerns of the members of the Bank, that have not been resolved through the normal communication channels.

1.7 Non executive Directors
The number of non-executive Directors, (thirteen out of fifteen) is adequate and it is in line with the provisions of the Corporate Governance Code, that requires that the non-executive Directors should not be less than one third of the Board of Directors with regards to Companies which are listed on markets other than the C.S.E's Main Market or the Major Projects Market or the Shipping Companies Market.

1.8 Classification criteria for determining Independent Directors
The Bank has adopted classification criteria for the Independent Directors, which were determined in accordance to the Code of the Cyprus Stock Exchange and the Directive[1] of the Central Bank of Cyprus for the Framework of Principles of Operation and Criteria of Assessment of Banks' Organizational Structure, Internal Governance and Internal Control Systems (the "Directive").

Based on an internal policy, the Bank, has drawn up the "Director's Declaration of Independence", which is completed and submitted to the Bank by the Members of the Board of Directors. This Declaration is submitted to the C.S.E. in compliance with the provisions of the Code.

The Bank has proceeded with the revision of the criteria for determining Independent Directors, based on the amendment of the Business of Credit Institutions Law (Amending No.3 of 2013) published in the Gazette no. 4404, on 9 September 2013 under article 11 and also on the provisions of the revised Corporate Governance Code (3rd edition – (Amended) September 2012), incorporating any new requirements.

On an annual basis, an Assessment Report concerning the non-executive and independent members is submitted to the Board of Directors in order to evaluate their compliance with the criteria of independence. Based on the structure of the Board of Directors, the Bank confirms that during the year 2013, it has complied with the Provision A.2.3 of the Code, by the participation of four Independent members in the Board of Directors. However, the Board of Directors of the Bank acknowledging the "principle" and importance of the provision A.2 of the Code concerning the balance of the Board of Directors, confirms that it takes all necessary measures so that no individual Director or small group of Directors can dominate the Board's decision-making and examines systematically the composition of the Board of Directors as far as the effectiveness and unbiased judgement during the decision making process is concerned.

Pursuant to the provisions of the Business of Credit Institutions Law (Amending No.4 of 2013) published in the Gazette no. 4416, on 4 December 2013 under article 19B, new criteria have been set for the independence of the Board of Directors and the independence of the Chairman, where it is clearly defined that the majority of the members of the Board of Directors of the Bank and the Chairman should be independent. The Bank is evaluating this new provision so that it complies with the amendment of the Business of Credit Institutions Law and subsequently with the provisions of the Central Bank of Cyprus.

[1] The Directive was issued according to article 41 of the Banking Laws of 1997.

1.9 Definition and Division of Responsibilities of the Chairman and Managing Director

The Chairman responsibilities are performed by Mr. Maurice Sehnaoui and the responsibilities of the Managing Director by Mr. Andreas Theodorides – Deputy Managing Director. The Chairman is responsible for the proper running of the Board of Directors meetings and the General Meetings of the Bank, guides the Board of Directors and deals with strategic issues of the Bank. The Deputy Managing Director has the responsibility for the daily operations of the Bank and deals with the management and the effective monitoring of the activities and operations of the Bank.

The division of the Chairman position and the Managing Director position satisfies the relative provision A.2.6 of the Code.

1.10 Re-election of Directors

At the next Annual General Meeting of the members of the Bank, and according to the Articles of Association of the Bank, Mr. Philippos Philis, Mr. George Stylianou, Mr. Raoul Nehme, Mrs. Tania Moussallem and Mrs. Despo Polycarpou will retire but are offered for re-election.

The names of the Directors who are submitted for election or re-election are accompanied by their biographical details, so that the members of the Bank can make an informed decision on their election.

Biographical Details of the Members of the Board of Directors

Short biographical details of the members of the Bank's Board of Directors as at the date of this report are set out below:

H.E. Maurice Sehnaoui (Chairman of the Board of Directors)

He was born in 1943. Mr. Maurice Sehnaoui is the Chairman of the Board of Directors and General Manager of BLC Bank since 2008. He holds a degree in Economics (June 1967) from Saint Joseph University of Beirut. He was a former Minister of Energy and Water from 2004 to 2005. Mr. Sehnaoui was the Chairman–General Manager of Société Générale de Banque au Liban from 1984 to 2007, the Chairman of Societe General Cyprus Ltd from 1990 to 2008 and the Vice Chairman of Societe Generale Jordan from 2000 and until 2008. He is a Board member and holds participations in a number of companies and owns a large real estate portfolio including prestigious buildings in the Beirut city center. He is Chevalier of the French "Légion d'Honneur" and Officer of the French "Ordre National du Mérite".

Mr. Adel Kassar representing Fransabank SAL

He was born in Beirut in 1932. He has a degree in Lebanese and French law from St. Joseph University- Beirut and has thirty years of experience in banking. He is a former Chairman of the Association of Banks in Lebanon and is the Honorary Consul General of the Republic of Hungary in Lebanon. He is the Founder and Co-Owner of A.A. Kassar Sal, and Board Member of " Chateau Ksara", a leading wine spirit in Lebanon. He is the Deputy Chairman of the Board of Directors of Fransabank SAL and of Fransa Holding. He is also the Chairman of the Board of Directors of Fransabank (France) SA and Fransabank (Syria) SA. He is also the Chairman of the Board of Directors and General Manager of Bancassurance SAL and of the Lebanese Leasing Company SAL. He is a Member of the Supervisory Board of Fransabank OJSC and Member of the Board of Directors of BLC Bank SAL.

Mr. Nadim Kassar

He was born in 1964. He has a degree in Business Administration from the American University of Beirut. He is a Board member of the Banking Association in Lebanon since 2001 where he actually heads the AML Committee. General Manager of Fransabank SAL, Chairman of Fransa Invest Bank "FIB", Chairman of Fransabank Al Djazair and Vice-Chairman of BLC Bank SAL, he is also a Board member of MasterCard Incorporated South Asia, Middle East & Africa Region, SAMEA Regional Board of Directors since 2005. He is a member of the Board of Directors of a number of other affiliated companies.

Biographical Details of the Members of the Board of Directors (continued)

Mr. Nabil Kassar
He was born in 1970. He holds a bachelor degree in Law from the St. Joseph University, Beirut, Lebanon. Currently he is the Secretary General of Fransabank SAL He is also a member of the Board of Directors of BLC Bank SAL and of a number of other overseas companies.

Mr. Youssef Eid representing BLC Bank SAL (as from 27.2.2013)
He was born in 1959. He has a degree in Business Administration from the American University of Beirut and also a Master's degree in International Business Studies from the University of South Carolina. He is an Assistant General Manager and also the Head of Retail Banking Group of BLC BANK SAL, Lebanon. He has held the position of Vice President and Regional Manager of Wachovia Bank Cooperation, Dubai during the period 1998 - 2003 and of Vice President and Regional Manager of First Union National Bank, London during the period 1994 - 1998. He has held executive positions at First Fidelity Bank, U.S.A. and London, at Fidelity Bank, London as well as other organizations in other countries.

H.E. Mr. Walid Daouk, Esq.
He was born in 1958. He has a degree in Lebanese and French law from St. Joseph University Beirut. He is a practioner lawyer, member of the Beirut Bar Association since 1982 and is a member of the Board of Directors of various companies, real estate, banks and financial institutions in Lebanon and abroad including Fransabank (France) SA, Fransabank El Djazair SPA, BLC Bank SAL, Bankassurance SAL and the Lebanese Leasing Company SAL. He is the Government Commissioner at the Beirut Stock Exchange and a former member of the Board of Directors of the Council of Development and Reconstruction of Lebanon. Between June 2011 and February 2014, he was appointed as Minister of Information of the Republic of Lebanon and as per interim, Minister of Justice.

Mr. Mansour Bteish representing Fransa Invest Bank SAL
He was born in 1954. He has a degree in Business Administration of the St. Joseph University, Beirut and also a Master's degree in Money & Banking. Currently he holds the position of General Manager at Fransabank SAL. He is also Member of the Board of Directors of Fransa Invest Bank SAL (FIB) , BLC Bank SAL and also he is a Member of the Board of Directors of a number of other overseas companies.

Mrs. Tania Moussallem
She was born in 1972. She has over 18 years of banking experience and is currently Assistant General Manager heading the Strategic Development and Financial Management Group at BLC Bank. She joined BLC Bank in 2008 where she initiated, headed and implemented several strategic and innovative development projects involving external and organic growth for the bank. Areas covered include acquisitions, finance, insurance, factoring, investment banking, technology, corporate social responsibility, etc. She had started her career with Société Générale de Banque au Liban where she held several managerial positions and headed among others Investment Banking, Specialized Financing and SME's Departments. In parallel, she acted as Deputy Head of the Corporate and Investment Banking Division. She developed as well an extensive experience in privatization of the energy and water and waste water sectors including a 6 months period as member of the Minister of Energy and Water Cabinet. She holds a Masters degree in Finance & Communication from Ecole Superieure des Sciences Economiques et Commerciales ESSEC, France and a degree in Business Administration from the American University of Beirut.

Mr. Raoul Nehme
He was born in 1956. Mr. Raoul Nehme is the General Manager and a Board member of BLC Bank SAL. He graduated from Ecole Polytechnique de Paris and Ecole des Mines de Paris (France). He was previously the Advisor to the Chairman and Head of Corporate and Investment Banking at Société Générale de Banque au Liban. He has been working in the banking sector since 2001.

Biographical Details of the Members of the Board of Directors (continued)

Mr. George Stylianou (Senior Independent Director)
He was born in 1966. He has a BA (Honours) degree in Economics from Ealing College of United Kingdom. He is a Fellow of the Association of Chartered Certified Accountants and the Association of Certified Public Accountants of Cyprus. From 1990 to 1993 he worked in London for Moore Stephens Chartered Accountants and from 1994 until today he works as a partner in Moore Stephens/Panayiotis Stylianou & Co. Accountants and Consultants in Cyprus. He is a member of the Board of Directors of a number of other companies.

Mr. Philippos Philis
He was born in 1961. Since 1996, he is the founder of Lemissoler Group which is active in the ship management, ship operations and ship owning and he has been its Managing Director since its establishment and its Chairman since 2009. In 1997 he founded IMCL Inter Marine Container Lines, one of the most successful container feeder operators in the Baltic Sea. He has graduated from RWTH Aachen with the title of Dipl. Ing. in Mechanical Engineering. He is specialized in Expert Systems applications in Logistics and completed the Executive Leadership Program (ELP) at the Cyprus International Institute of Management (CIIM). He has also completed the Private Equity and Venture Capital (PEVC) executive course at the Harvard Business School (HBS). He has been appointed as Vice President of the Board of Directors of the Cyprus Shipping Chamber (CSC). He acts as Chairman of the Chamber's Marine Committee and represents the Chamber at the European Community Ship Owners Association (ECSA). He is a member of the Expert Group of the International Maritime Organisation (IMO). He is a member of the Cyprus Professional Engineers Association (CPEA), the Scientific and Technical Chamber of Cyprus (ETEK) and the Institute of Marine Engineering, Science and Technology (IMarEST). He is a member of the Board of Directors of a number of other companies.

Mr. George Galatariotis
He was born in 1948. He has a B.Sc Economics degree of the University of London and also an MBA of City University. Since 1986 he is the Managing Director of Galatariotis Technical Ltd.

Mr. Agis Taramides
He was born in 1971. He has a Bachelors degree in Mathematics, Statistics and Operational Research and also a Masters Degree in Statistics. He is a Chartered Accountant, member of the Institute of Chartered Accountants in England & Wales and the Institute of Certified Public Accountants of Cyprus. He started his career in 1997 with Hallidays (Chartered Accountants) Limited in the United Kingdom. As from April 2010 he is the Managing Director of COR Limited.

Mr. Andreas Theodorides
He was born in 1970. He has a BA Economics with specialization in Accounting and Finance of the University of Manchester, United Kingdom. He is a Chartered Accountant, member of the Institute of Chartered Accountants in England & Wales, the Association of Certified Public Accountants of Cyprus and the Association of Internal Auditors Cyprus. He started his career in 1992 in the audit firm of Arthur Andersen Manchester and then in Lombard Natwest Bank Ltd. He has been employed by USB BANK PLC since 1998 where he held various managerial positions. In 2009 he was appointed as Chief Financial Officer and as from 1 July 2010 he holds the position of Deputy Managing Director of the Bank.

Mrs. Despo Polycarpou
She was born in 1957. She is a Fellow of the Chartered Institute of Bankers (FCIB) and holds the ACIB degree. She is the Secretary General of the Cyprus Institute of Financial Services. She started her career in 1976 in Hellenic Bank. She has been employed by USB BANK PLC since 1999 where she held various positions including Manager Banking Operations and Trade Services, Nicosia Regional Manager, Manager Banking Services Development, Manager Retail Sector and currently holds the position of the Assistant General Manager, Manager of Compliance & Projects and also the position of the Manager of Human Resources.

2. Confirmations by the Board of Directors

2.1 Going Concern
The Board of Directors confirms that it is satisfied that the Bank has adequate resources to continue in business as a going concern for the next twelve months.

On February 24, 2014 the Board of Directors of the Bank, having considered the increased supervisory capital requirements set in the updated Memorandum of Understanding of 6 November 2013, decided the strengthening of the capital base of the Bank and for this reason decided to increase the issued share capital of the Bank by €20.000.000 (the "Issue"). The proposed increase concerns 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 of Euro 0,57 which is higher than the current net asset value per share, a resolution has been examined and approved at the Extraordinary General Meeting (the "EGM) of the members of the Bank held on March 27, 2014, for the reduction of the nominal value of the ordinary share of the Bank from €0,57 each to Euro €0,10 each share. The total amount from the reduction of the nominal value of the issued ordinary shares amounting to Euro 46.657.212 will be utilized for the reduction of the Bank's capital against accumulated losses of the Bank.

At the above EGM it was also approved that immediately after the reduction, the authorised share capital of the Bank will be re-increased to the amount of €85.500.000 which will be divided into 855.000.000 ordinary shares of a nominal value of €0,10 each.

Furthermore, at the above EGM where the existing members have been called to waive their pre-emption rights, it was also approved that subject to the approval of the resolution for the reduction of the nominal value of the ordinary share of the Bank by the District Court of Nicosia, the Board of Directors of the Bank will be authorised to issue and allot 66.666.667 new ordinary shares of nominal value of Euro 0,10 each at the total issue price of Euro 0,30 each, exclusively to BLC Bank sal. The 66.666.667 new ordinary shares will rank pari passu with the existing fully paid shares of the Bank.

With the successful approval of the reduction and the re-increase of the share capital by the Court and the subsequent issue and allotment of 66.666.667 new ordinary shares, the authorised share capital of the Bank will amount to €85.500.000 divided into 855.000.000 ordinary shares of a nominal value of €0,10 each and the issued share capital of the Bank will amount to €16.593.733 divided into 165.937.330 ordinary shares of a nominal value of €0,10 each.

2.2 Internal Control Systems
The Board of Directors confirms that the Bank maintains an effective internal control system, designed to manage and minimize risks which is annually reviewed and assessed for its effectiveness from both the Directors as well as the Audit Committee of the Board of Directors. In this way the procedures for the accuracy and validity of the information provided to investors are reviewed.

The Bank maintains an Internal Audit Department headed by the Manager of Internal Audit Mrs. Tasoula Mouzouri, Chartered Accountant, who replaced by her appointment on 15 January 2014 Mr. Stelios Alexandrou. The Department currently employs four people.

2.2 Internal Control Systems (continued)

According to the provision C.2.1. of the Code, the Board of Directors confirms that it has conducted a review of the effectiveness of the Bank's internal control systems and the procedures for verifying the correctness and completeness of the information which are provided to the investors and states its satisfaction. The review covers all the systems of controls, including the financial and operational systems as well as the risk management systems.

Additionally the Board of Directors confirms that, to its knowledge, no violation of the Cyprus Stock Exchange Legislation and Regulations has occurred.

3. Board of Directors Committees

According to the Code of the Cyprus Stock Exchange but also in accordance to the Central Bank of Cyprus Directive, the following Board of Directors Committees have been set up:

3.1 Audit Committee

Role of the Committee

The role of the Audit Committee is to establish specific and transparent procedures relating to the implementation of the Banks' internal control audit system, the preparation of its financial statements, the implementation of the Corporate Governance principles and the maintenance of appropriate relationship with the External Auditors of the Bank.

Composition and terms of reference of the Committee

- The Board of Directors appoints the members of the Committee.
- The Committee Chairman is appointed by the Board of Directors and either him or any other member of the Committee should have experience in the area of Accounting or Audit.
- The majority of the Audit Committee should have experience and knowledge in the wider operations of the Bank and to the information technology systems.
- The Chairman position and the members of the Committee are selected taking into account the need for member rotation and ensuring that no dependency is created on a single member of the Committee.
- The Committee should have at least three non executive Directors, with the majority being independent.
- Three members of the Committee comprise a quorum.
- The Committee meets regularly and at least once every three months.
- The Committee keeps minutes for its decisions, and submits a copy to its members and the Board of Directors.
- The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.
- The Board of Directors is authorized to replace any member or the Chairman of the Committee during their service and to fill any vacant position.
- The Chairman of the Committee is available to answer any questions, which are submitted at the Annual General Meeting, or any other informative meeting held for the members of the Bank.

3.1 Audit Committee (continued)

Duties and responsibilities of the Committee

- Recommendations to the Board of Directors with regards to the appointment, termination and remuneration of the Bank's external auditors, the continuous supervision of the extent and effectiveness of the external audit and the independence and objectivity of the auditors.
- Review in cooperation with the Risk Management Committee the implementation of the Basel II framework.
- Review and evaluation on an annual basis of the adequacy and effectiveness of the Internal Control System as per the relative information provided by the Internal Audit Department, the findings and observations of the External Auditors, the Central Bank of Cyprus and the Cyprus Securities and Exchange Commission. On the basis of this examination, it recommends the corrective actions to be taken by the Bank's Board of Directors.
- Review of the six monthly, interim statements and the final financial statements before submission to the Board of Directors for approval.
- Ensures that the Bank appoints every three years external auditors for the evaluation of the Internal Control System according to the Central Bank of Cyprus Directive.
- Review of any significant events or risks that affect the Bank's operations.
- Review the material transactions of the Bank which the Chairman, the Executive Directors, the members of the Board of Directors, the Executive Management, the Secretary, the Auditors or major shareholder of the Bank as well as their related parties who hold directly or indirectly more than 5% of the issued share capital or the voting rights of the Company, have a direct or indirect substantial interest, in order to ensure that these transactions are carried out in the normal course of business and at arm's length.
- Drafting with the assistance of the Corporate Governance Compliance Officer, of a report on Corporate Governance on behalf of the Board of Directors.
- The performance of any other related duties, which may be assigned by the Board.

Composition and service of the members of the Committee during 2013 until today

Current composition

Chairman:		
George Stylianou	from 7/7/2008	Non Executive, Independent
Members:		
Philippos Philis	from 21/1/2009	Non Executive, Independent
Walid Daouk	from 21/3/2011	Non Executive, Non Independent
BLC Bank SAL (represented by Mr. Youssef Eid)	from 21/3/2011	Non Executive, Non Independent
Agis Taramides	from 21/3/2011	Non Executive, Independent

The Board of Directors of the Bank, at its meeting held on February 27, 2013 approved the replacement of the representative of BLC BANK SAL Mr. Walid Ziade, by Mr. Youssef Eid. Mr. Walid Ziade was representing BLC BANK SAL from 21 March 2011 until the above date.

During the year 2013, the Audit Committee met four times.

3.2 Nominations/Internal Governance Committee

Role of the Committee
The Committee has the responsibility to ensure the application by the Bank of corporate governance principles. It also has the responsibility of overseeing the selection and appointment process to ensure that competent and suitable individuals participate in the Bank's Board of Directors.

Composition and terms of reference of the Committee
- The Board of Directors appoints the members of the Committee
- The Board of Directors appoints the Chairman of the Committee.
- The Chairman of the Committee may be either the Chairman of the Board of Directors (non executive), or a non executive member.
- The majority of the members of the Committee should be non executive Directors.
- The Chairman position and the members of the Committee are selected taking into account the need for member rotation and ensuring that no dependency is created on a single member of the Committee.
- The Committee should consist of at least three or more members.
- Three members of the Committee comprise a quorum.
- The Committee meets when required.
- The Committee keeps minutes for all its decisions and submits a copy to its members and the Board of Directors.
- The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.
- The Board of Directors is authorized to replace any member or the Chairman of the Committee during their service and to fill any vacant position.
- The Chairman of the Committee is available to answer any questions, which are submitted at the Annual General Meeting, or any other informative meeting held for the Bank's members.

Duties and responsibilities of the Committee
- Determining the selection criteria for the members of the Board of Directors. The minimum criteria set by the Committee are:
  1. The specific qualifications that are required as per the Central Bank Directive concerning the "Ability and Suitability (Criteria of Evaluation) of Board Members and Executives of Banks Directive of 2006 and 2007.
  2. Availability of time to perform the duties of a Board member at the Bank.
  3. Appropriate knowledge, experience and abilities.
  4. Integrity and objective judgement.
- Submission to the Board of Directors of recommendations for the appointment of new Directors based on their academic and professional qualifications, as well as their personalities.
- Evaluation and recommendation to the Board of Directors regarding the composition and structure of the Board in accordance with the provisions of the Code.
- Planning the succession of the resigned members in cooperation with the Secretary of the Board of Directors.
- The evaluation of the effectiveness of the Board of Directors, members' knowledge and experience.
- The evaluation of the compliance achieved by the Bank in terms of corporate governance.
- The performance of any other related duties, which may be assigned by the Board.

3.2 Nominations/Internal Governance Committee (continued)

Composition and service of the members of the Committee during 2013 until today

Current composition

Chairman:		
Philippos Philis	from 25/2/2010	Non Executive, Independent
Members:		
Raoul Nehme	from 21/10/2010	Non Executive, Non Independent
Nadim Kassar	from 21/3/2011	Non Executive, Non Independent
Nabil Kassar	from 21/3/2011	Non Executive, Non Independent
BLC Bank SAL (represented by Mr. Youssef Eid)	from 21/3/2011	Non Executive, Non Independent
Andreas Theodorides	from 21/3/2011	Executive, Non Independent

The Board of Directors of the Bank, at its meeting held on February 27, 2013 approved the replacement of the representative of BLC BANK SAL Mr. Walid Ziade, by Mr. Youssef Eid. Mr. Walid Ziade was representing BLC BANK SAL from 21 March 2011 until the above date.

During the year 2013, the Committee met once.

3.3 Remuneration Committee

Role of the Committee

The Committee reviews the remuneration of the Executive and Non Executive Directors as well as Senior Management and ensures that these are in line with the culture, the strategic plans and objectives and the regulatory environment of the Bank.

Composition and terms of reference of the Committee

- The Board of Directors appoints the members of the Remuneration Committee.
- Only non executive Directors comprise the Committee with the majority being independent.
- The Chairman position and the members of the Committee are selected taking into account the need for member rotation and ensuring that no dependency is created on a single member of the Committee.
- The Committee should consist of minimum three or more members.
- Three members of the Committee comprise a quorum.
- The Committee should include at least one member with knowledge and experience in remuneration policy.
- The Committee meets when required.
- The Committee keeps minutes for its decisions, and submits a copy to its members and the Board of Directors.
- The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.
- The Board of Directors is authorized to replace any member or the Chairman of the Committee during their service and to fill any vacant position.
- The Chairman of the Committee is available to answer any questions, which are submitted at the Annual General Meeting, or any other informative meeting held for the Bank's members.

3.3 Remuneration Committee (continued)

Duties and responsibilities of the Committee
- Submission to the Board of Directors of recommendations concerning the framework and level of remuneration of the Executive Directors. The remuneration must be sufficient so as to attract and maintain the Directors at the Bank's service.
- Review of employment contracts of the Executive Directors.
- Periodic review of the Remuneration Policy for the Executive Directors or the Managing Directors, including the policy regarding remuneration, based on shares and its application.
- Submission of the Directors' remuneration Policy to the members of the Bank for approval at an Annual General Meeting.
- Evaluation and approval of the Annual Directors' Remuneration Statement in accordance with Annex 2 of the Code, to be included in the Annual Report.
- The Remuneration Committee recommends the Remuneration Policy Report in accordance with Annex 1 of the Code. The Remuneration Policy Report is included in the Bank's Annual Report and is presented to the Annual General Meeting of the members of the Bank for approval.
- The Remuneration Committee shall, when using the services of a consultant to obtain information on market standards for remuneration systems, ensure that this consultant is not also giving advice to the human resources department or the Executive or Managing Directors of the Bank.
- The performance of any other related duties, which may be assigned by the Board.

Composition and service of the members of the Committee during 2013 until today

Current composition

Chairman:		
George Galatariotis	from 21/3/2011	Non Executive, Independent
Members:		
Philippos Philis	from 21/10/2010	Non Executive, Independent
Maurice Sehnaoui	from 21/3/2011	Non Executive, Non Independent

All the members of the Remuneration Committee have sufficient knowledge and experience in the remuneration policy sector.

During the year 2013, the Committee met once.

3.4 Risk Management Committee

Role of the Committee
The main role of the Committee is to assist the Board of Directors in the process of establishing a policy for handling risks and managing of funds that reflect the business goals of the Bank.

Composition and terms of reference of the Committee
- The Board of Directors appoints the members of the Committee.
- The Board of Directors appoints the Chairman of the Committee.
- The Committee shall be composed of Directors with sufficient knowledge and experience in the field of risk management and according to the Directive of the Central Bank of Cyprus for the Framework of Principles of Operation and Criteria of Assessment of Banks' Organizational Structure, Internal Governance and Internal Control Systems, at least one of its members is Executive and one member is Independent and Non Executive.

3.4 Risk Management Committee (continued)

Composition and terms of reference of the Committee (continued)

- The Chairman position and the members of the Committee are selected taking into account the need for member rotation and ensuring that no dependency is created on a single member of the Committee.
- The Committee should consist of minimum three or more members.
- Three members of the Committee comprise a quorum.
- The Committee meets regularly and at least once every three months.
- The Committee keeps minutes for its decisions, and submits a copy to its members and the Board of Directors.
- The Committee has the approval of the Board of Directors to obtain independent professional advice whenever it deems this necessary.
- The Board of Directors is authorized to replace any member or the Chairman of the Committee during their service and to fill any vacant position.
- The Chairman of the Committee is available to answer any questions, which are submitted at the Annual General Meeting, or any other informative meeting held for the Bank's members.

According to the provisions of the 3rd Edition (Amended) of the Code - September 2012, the Companies which are listed in the Main Market, the Shipping Companies Market and the Large Projects Market of C.S.E. must have a Risk Management Committee which shall be composed of only Non-Executive Directors. The Bank is not listed in any of the above markets and therefore, this provision does not apply.

Duties and responsibilities of the Committee

- Formation of strategy for handling all kinds of risks and the management of funds relating to the business goals of the Bank on an individual but also group basis.
- Development of an internal risk management system of managing risks and integration of this in the decision-making process for all the activities / Departments of the Bank.
- Annual assessment of the adequacy and effectiveness of the risk management policy.
- Assessment of the issues that are raised by the Risk Management Department and inform the Board of Directors regarding the most important risks that the Bank has assumed.
- Performance of annual stress test and other scenarios to assess market risk, credit risk, liquidity risk, and operational risk.
- Overall review in cooperation with the Audit Committee of the implementation of the Basel II Directive.
- Review and assessment of the relevant reports relating to management of risk and submission of proposals for corrective measures to the Board of Directors.
- The assessment of the various risks involved in the participation of the Bank in new markets, new companies or new operations and submission of a proposal to the Board of Directors.
- The performance of any other related duties, which may be assigned by the Board.

Composition and service of the members of the Committee during 2013 until today

Current composition

Chairman:		
Walid Daouk	from 21/3/2011	Non Executive, Non Independent
Members:		
Andreas Theodorides	from 12/7/2010	Executive, Non Independent
Nabil Kassar	from 21/3/2011	Non Executive, Non Independent
BLC Bank SAL		
(represented by Mr.Youssef Eid)	from 21/3/2011	Non Executive, Non Independent
George Galatariotis	from 21/3/2011	Non Executive, Independent
Raoul Nehme	from 4/11//2011	Non Executive, Non Independent
Fransa Invest Bank SAL		
(represented by Mr. Mansour Bteish)	from 4/11/2011	Non Executive, Non Independent

The Board of Directors of the Bank, at its meeting held on February 27, 2013 approved the replacement of the representative of BLC BANK SAL Mr. Walid Ziade, by Mr. Youssef Eid. Mr. Walid Ziade was representing BLC BANK SAL from 21 March 2011 until the above date.

During the year 2013, the Committee met four times.

4. Report on Remuneration of Board of Directors

The Bank applies the provisions regarding the Remuneration of the Directors that are included in the Cyprus Stock Exchange Corporate Governance Code as well as the High-level Guidelines for Remuneration Policies issued by the Central Bank of Cyprus.

The Remuneration Committee proposes to the Board of Directors, the Remuneration policy that is prepared in accordance with the above. The Directors' Remuneration Report is submitted for approval at the Annual General Meeting of the members of the Bank.

The remuneration of the members of the Board of Directors is analysed between remuneration as members of the Board of Directors and remuneration for their executive services. The analysis of the remuneration of the Board of Directors is presented in Note 31 of the audited financial statements for the year ended 31 December 2013.

Furthermore the Remuneration of the members of the Board of Directors is analyzed as follows:

4.1 Remuneration of the Non-Executive Members of the Board

	2013 €	2012 €
Maurice Sehnaoui	31.098	31.226
Fransabank SAL represented by Mr. Adel Kassar	7.256	7.171
Nadim Kassar	7.927	7.671
Nabil Kassar	10.269	10.098
Walid Daouk	15.196	14.982
Fransa Invest Bank SAL represented by Mr. Mansour Bteish	9.683	9.769
Raoul Nehme	10.269	10.269
BLC Bank SAL represented by Mr. Youssef Eid (appointed on 27.2.2013)	9.839	-
BLC Bank SAL represented by Mr. Walid Ziade (retired on 27.2.2013)	2.259	12.525
Tania Moussallem	7.171	7.342
Agis Taramides	9.427	9.769
George Galatariotis	10.812	10.867
George Stylianou	12.854	12.940
Philippos Philis	11.568	11.243
	155.628	**155.872**

The Remuneration of the Non Executive Members of the Board includes fees for their participation as Members in the Board of Directors of the Bank and also as Members in the Committees of the Board of Directors.

Based on the existing policy of the Bank, the remuneration of the non executive Directors is based on their responsibilities, time spent on meetings and their participation to the various Committees of the Board of Directors. The last time the remuneration of the Non-Executive Directors was revised, was at the Extraordinary General Meeting of the members of the Bank at 21 January 2009, taking into account the above and also the respective remuneration of Directors in other comparable organisations.

Also, as per the Articles of Association of the Bank, the members of the Board of Directors can claim the travelling expenses incurred for attendance in meetings.

The revision of the remuneration of the non executive Directors is authorised by the members of the Bank at the General Meeting of the Bank.

4.2 Remuneration of Executive Members of the Board

The salaries and other short-term benefits of the Executive Members of the Board totalling €248K (2012 €251K) concern €128K (2012:128K) for Mr. Andreas Theodorides and €120K (2012:123K) for Mrs. Despo Polycarpou.

The employment and remuneration of the Executive Directors are governed by the collective agreements as applied to all other staff members of the Bank.

The Executive members of the Board of Directors are also entitled to any other benefits that are offered to the management and personnel of the Bank as part of its overall employment policy and collective agreements.

As far as the remuneration of the Executive Directors is concerned, no remuneration policy is provided, under which variable remuneration components are included, nor were any schemes adopted under which share options are granted.

All Executive Members of the Board of Directors are participating in the Staff Retirement Plan with the same terms applicable to the personnel of the Bank. The main characteristics of the Scheme are described in Note 6 of the audited financial statements for the year ended 31 December 2013.

5. Loans and other transactions of the members of the Board of Directors

Details of the loans and other transactions of the members of the Board of Directors and their related parties for the year ended 31 December 2013 are set out in Note 31 of the audited financial statements. It is certified that all the transactions are conducted in the normal course of the Bank's business, on an arms length basis and with transparency.

6. Investor Relations

All members of the Bank are treated on an equal basis. The Bank, within the framework of providing the members with timely information, announces its financial results. Besides the Annual General Meeting of the members, the Bank organises from time to time Company Presentations where the audited financial results of the prior year and its short-term strategic plans are presented.

The Board of Directors provide the opportunity to the members of the Bank who represent at least 5% of the Bank's share capital to place items on the agenda of the General Meetings of the members, in accordance with the procedures provided for by the Companies Act.

Any amendments or additions to the Memorandum and Articles of Association of the Bank are considered valid only by a special resolution at meeting of the members.

The Bank, has appointed the Deputy Managing Director of the Bank Mr. Andreas Theodorides, as the Investor Relations Officer.

The Senior Independent Director Mr. George Stylianou is available to the members of the Bank if they have concerns that have not been resolved through the normal communication channels.

7. Corporate Governance Compliance Officer

The Bank, has appointed the Deputy Managing Director of the Bank Mr. Andreas Theodorides, as the Corporate Governance Compliance Officer of the Bank.

8. Compliance Officer of Stock Market Issues

The Bank, has appointed the Deputy Managing Director of the Bank Mr. Andreas Theodorides, as the Compliance Officer of Stock Market Issues of the Bank.

Board of Directors
USB BANK PLC

Nicosia 29 April 2014

Board of Directors and Executives

Board of Directors
Maurice Sehnaoui, Non Executive Chairman
Fransabank SAL represented by Mr. Adel Kassar
Nadim Kassar
Nabil Kassar
Walid Daouk
Fransa Invest Bank SAL represented by Mr. Mansour Bteish
Raoul Nehme
BLC Bank SAL represented by Mr.Youssef Eid
Tania Moussallem
Agis Taramides
George Galatariotis
George Stylianou
Philippos Philis
Andreas Theodorides
Despo Polycarpou

Secretary
Andreas Theodorides

Deputy Managing Director
Andreas Theodorides

Finance Manager
Paola Ioannou

Registered Office
83 Digenis Akritas Avenue, 5th floor, 1070 Nicosia

Legal Advisors
Dr. Kypros Chrysostomides & Co
L.Papafilippou and Co

Independent Auditors
Deloitte Limited
Certified Public Accountants and Registered Auditors

Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Financial Statements

in accordance with the provisions of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Laws of 2007 to 2013

In accordance with Article 9, subparagraph (3)(c) and (7) of the Transparency Requirements (Securities Admitted to Trading on a Regulated Market) Laws of 2007 to 2013, we, the members of the Board of Directors and the officials responsible for the drafting of the financial statements of USB Bank Plc (the "Bank") for the year ended 31 December 2013, declare that, to the best of our knowledge:

(a) the financial statements which are presented in pages 30 to 81:
 i) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of Article 9, 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 the undertakings included in the financial statements taken as a whole and

(b) the Directors' report provides a fair review of the development and performance of the Bank, its financial position and the undertakings included in the financial statements as a whole, together with a description of the principal risks and uncertainties that they face.

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 Polycarpou	Executive Director

Official responsible for the drafting of the financial statements:

Paola Ioannou	Finance Manager

Board of Directors' Report

The Board of Directors of USB Bank Plc (the 'Bank') submit to the shareholders their Report and the audited financial statements for the year ended 31 December 2013.

Activities
The Bank's main activities during the year continued to be the provision of banking and financial services in Cyprus through the operation of 14 branches.

Operating environment of the Bank and Future developments
The Cyprus economy entered into a deep recession in 2013 following the bailout agreement signed with the Troika. 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.

The recession in 2013 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 towards the end of the year. 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 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.

Detailed information about the operating environment is set out in Note 33 to the Financial Statements.

Financial Results
Within this operational environment, the Bank during 2013 maintained healthy liquidity levels, with:

- A gross loans to deposits ratio that stands at 84%,
- A liquidity ratio in Euro that stands at 26% with the minimum regulatory ratio being 20%,
- A foreign currencies liquidity ratio that stands at 96% with the minimum regulatory ratio being 70% and
- No financing from the European Central Bank or from any other unrelated external party.

The Board of Directors in a meeting held on 24 February 2014 decided to proceed with an increase of the issued share capital of the Bank by €20 million in order to strengthen the Bank's capital base through the Parent company's, BLC Bank SAL, irrevocable commitment made in December 2013 to fully cover any required increase of capital by depositing €20 million in an escrow account. As a result at 31 December 2013, the Bank had a Core Tier 1 ratio of 10,2% and complied with the minimum Core Tier 1 ratio set by the Central Bank of Cyprus of 9%, while the total capital ratio was 13,04%.

Regardless of the economic environment and the restrictive measures imposed on banking transactions and the reduction of the Bank's turnover for the year by 6%, the operational profit of the Bank has substantially increased by 82% for the year 2013 and amounted to €8,6 million in relation to €4,8 million for last year.

Financial Results (continued)
Interest income presented a decrease of 5% in relation to last year and amounted to €40,9 million in relation to €43 million for 2012 mainly due to the reduction in the income received from placements and investments because of the lower returns during the year based on a more prudent approach. Interest expense amounted to €18,4 million in 2013 in relation to €24,6 million in 2012 presenting a reduction of 25%. The aforementioned reduction is a result of the decrease in the cost of deposits and, to a lesser extent, due to the decrease in customer deposits. Customer deposits amounted to €590 million in relation to €657 million at end of 2012. As a result of the above, net interest income increased by 22% to €22,5 million in relation to €18,4 million for last year.

Net fee and commission income decreased by 17% due to the reduction in turnover and amounted to €3,3 million in relation to €4 million for last year. Staff costs, which represent 69% of total expenses of the Bank, presents a decrease of 7% in relation to last year. This is due to the full recognition in 2012 of the accounting loss from the retirement benefit which occurred after the decision to replace the defined benefit scheme with a defined contribution scheme in January 2012. Other administration expenses present an increase of 8% in relation to last year mainly because of increased expenses incurred for the support of the Bank's operations in a difficult environment with new stringent regulations.

In October 2013 the Bank reclassified a loss of €1,6 million from the investment revaluation reserve to the income statement as a result of the sale of a bond that was classified under the "Investments available for sale" category and, as a consequence, the Bank has no more exposure either in Greece or other banks in Cyprus.

In addition, an amount of €2,2 million was recognised as a loss on revaluation of investment properties which were acquired by the Bank in settlement of customer debts and are accounted for at their estimated fair value at the reporting date.

Due to the continuing economic recession and continuing reduction in real estate prices, the Central Bank of Cyprus issued new regulations related to the classification of loans and the provisioning methodology to be followed by banks under its supervision. Considering the repayment difficulties faced by clients, the provisions for impairment of loans and advances increased substantially and amounted to €19,7 million compared to €3,7 million for 2012.

As a consequence to the above, the loss for 2013 amounted to €15,9 million compared to losses of €824 thousand for 2012.

The main financial highlights of the Bank for 2013 and 2012 are as follows:

	2013	2012
	€000	€000
Turnover	**44.807**	47.733
Profit from operations	**8.649**	4.762
Loss from sale and revaluation of investments and properties	**(3.760)**	(713)
Profit before provisions for impairment of loans and advances	**4.889**	4.049
(Loss)/profit after provisions for impairment of loans and advances	**(14.774)**	385
Provision for impairment of Greek government bonds	**-**	(504)
Provision for impairment of investments available for sale	**(171)**	(290)
Loss for the year after tax	**(15.920)**	(824)
Loss per share (cent)	**(16,0)**	(1,2)
Customer deposits	**589.677**	657.121
Loans and advances to customers (gross)	**497.338**	489.267

In 2013 and 2012 no dividends were paid or declared by the Bank since the Bank had accumulated losses.

Board of Directors
The Board of Directors at the date of this report is listed on page 21.

For the year ended 31 December 2013 and according to the Bank's Articles of Association, at the next Annual General Meeting of the Bank's shareholders, Mr. Philippos Philis, Mr. George Stylianou, Mr. Raoul Nehme, Mrs. Tania Moussallem and Mrs. Despo Polycarpou will retire but are offered for re-election.

Information relating to share capital
As at 31 December 2013 the issued share capital of the Bank amounted to 99.270.663 ordinary shares with a nominal value of €0,57 each while are all listed in the Cyprus Stock Exchange (CSE).

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 depositing €20 million in an escrow account demonstrating its continuous support to the Bank. As a result, the Bank's equity is increased by €20 million through the Special Reserve account.

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 concerns 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 of €0,57, which is higher than the current 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 will be utilised for the reduction of the Bank's accumulated losses.

With the approval of the above resolution the authorised share capital of the Bank will be reduced to €15.000.000 divided into 150.000.000 ordinary shares of nominal value of €0,10 each and the issued share capital is reduced to €9.927.066,30 divided into 99.270.663 ordinary shares of nominal value of €0,10 each. Within the same resolution it was also proposed that the authorised share capital of the Bank to be re-increased to the amount of €85.500.000 which will be divided into 855.000.000 ordinary shares of a nominal value of €0,10 each.

The above resolution approved at the EGM was subject to ratification and subsequently ratified by the District Court of Nicosia.

At the same EGM a second resolution was approved whereby subject to the ratification of the above resolution by the District Court of Nicosia, the existing members waived their pre-emption rights so that the Board of Directors of the Bank was authorised to issue and allot 66.666.667 new ordinary shares of nominal value of €0,10 each at the total issue price of €0,30 each, exclusively to BLC Bank SAL. The 66.666.667 new ordinary shares will rank pari passu with the existing fully paid shares of the Bank.

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.

Agreements with the members of the Board of Directors or the Bank's staff members
For contracts involving probationary hiring of personnel who are governed by the agreement with the Cyprus Union of Bank Employees ("ETYK"), the Bank has the right to terminate the services of the employee at any time during his probationary service, without any notice. If for any reason an employee wishes to terminate his employment with the Bank, one month's notice must be given. The employment contracts of staff members, whose employment terms are not governed by the agreement with ETYK, include provisions for a notice period in case of non-justified pre-mature termination of contract.

Compliance with the CSE regulations on dispersion
Following the successful Public Offer by BLC Bank SAL to the shareholders of the Bank to acquire up to 100% of the issued share capital, the Bank's minority interest decreased below 10% and as a consequence of failure to comply with the requirements for minimum dispersion to the public for companies traded in the Parallel Market, the Board of the CSE has decided to transfer the shares of the Bank in the Special Characteristics Market. After taking into account the current economic conditions, Board of the CSE decided to abstain from taking any other measures for the companies which continue not to comply with the dispersion requirement. The subject matter will be re-examined by the Board of the CSE within 2014.

Statement of Corporate Governance
The Bank implements a sound internal control system which is supervised and evaluated annually for its effectiveness, both by the Directors and the Audit Committee of the Board of Directors. Therefore, verification procedures are controlled and proper and accurate information is provided to the Bank's shareholders.

The Bank aims to provide full transparency in its overall management and seeks to serve its own corporate and investors' interest. The Board of Directors considers proper and responsible corporate governance as a prerequisite for creating value for its shareholders and the wider community.

The Bank which is quoted on the Special Characteristics Market of the CSE has voluntarily decided to fully adopt and apply the Corporate Governance Code (the "Code"). The Code is available on the CSE website, www.cse.com.cy. The Bank complied with the relevant provisions of the 3rd Revised Edition of the Corporate Governance Code of the CSE during 2013, as published by the CSE in September 2012.

The Annual Report on Corporate Governance for 2013 is available on the Bank's website, www.usbbank.com.cy.

The operating regulations of the Board of Directors as well as the powers of the executive and supervisory bodies of the Bank are presented in the Report on Corporate Governance. According to the Bank's Memorandum and Articles of Association, the number of Board members shall not be less than 5 or more than 15. At each Annual General Meeting of the shareholders, one third (1/3) of the Board members who are appointed, or if their number is not a multiple of three (3), then the number nearest to one third (1/3) will resign from the Board of Directors, having however the right for re-election. Any changes or additions to the Bank's Memorandum and Articles of Association are considered valid only by a special resolution at a shareholders' meeting.

The Board of Directors has the power to distribute and place any of the Bank's unissued shares as it considers appropriate, provided the new shares to be issued are offered first to the existing shareholders, pro-rata to their existing shareholding. Otherwise, the shareholders' approval at a General Meeting is required.

In addition, in the event that an increase in the authorised share capital is required, the approval of the shareholders at a General Meeting must be obtained. Any share repurchase plan also requires shareholder approval at General Meeting. The existing Bank's shares are ordinary shares and are not divided into classes. Voting rights attributable to 53.765.035 new shares that were acquired by BLC Bank SAL during 2011 and 2012 have been temporarily suspended.

Shareholders holding more than 5% of the share capital of the Bank
As at 29 April 2014 and 31 December 2013, the following shareholders held directly or indirectly more than 5% of the share capital of the Bank:

	29.04.2014 %	31.12.2013 %
BLC Bank SAL	97,31	97,31

Directors' interest in the share capital of the Bank
At the date of this report, Messrs Adel Kassar, Nadim Kassar and Nabil Kassar indirectly control 97,31% of the share capital of the Bank, through their participation in Fransabank SAL, which owns 68,58% of BLC Bank SAL.

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 to the financial statements.

Events after the reporting date
Any significant events that occurred after the reporting date are described in Note 34 to the Financial Statements.

Independent auditors
The independent auditors of the Bank, Deloitte Limited, have expressed their willingness to continue in office. A resolution for the election of the Bank's independent auditors and their remuneration will be proposed at the shareholders' Annual General Meeting.

Maurice Sehnaoui
Chairman

29 April 2014

FINANCIAL STATEMENTS 2013

Income Statement
for the year ended 31 December 2013

	Note	**2013 €**	2012 €
Turnover		**44.806.616**	47.733.208
Interest income	4	**40.912.044**	42.983.991
Interest expense	5	**(18.412.018)**	(24.556.194)
Net interest income		**22.500.026**	18.427.797
Fee and commission income		**3.436.851**	4.283.270
Fee and commission expense		**(582.130)**	(755.270)
Foreign exchange income		**357.176**	373.325
Other income		**100.545**	92.622
Total net income		**25.812.468**	22.421.744
Staff costs	6	**(11.912.123)**	(12.813.428)
Depreciation of property, equipment and intangible assets	16,17	**(767.880)**	(779.113)
Other operating expenses		**(4.483.236)**	(4.067.120)
Total operating expenses before provisions		**(17.163.239)**	(17.659.661)
Profit from operations		**8.649.229**	4.762.083
Loss from the sale of investments	14	**(1.551.510)**	(358.242)
Loss on revaluation of investment properties	15	**(2.208.463)**	(355.000)
Profit before provisions for impairment of loans and advances		**4.889.256**	4.048.841
Provision for impairment of loans and advances	12	**(19.663.694)**	(3.663.973)
(Loss)/profit before impairment of bonds		**(14.774.438)**	384.868
Provision for impairment of Greek government bonds		**-**	(503.570)
Provision for impairment of investments available for sale	14	**(171.200)**	(289.853)
Loss before tax	7	**(14.945.638)**	(408.555)
Special Taxation for Credit Institutions	8	**(926.762)**	(488.332)
Deferred tax	8	**(47.720)**	72.395
Loss for the year		**(15.920.120)**	(824.492)
Loss per share (cent)	9	**(16,0)**	(1,2)

Statement of Comprehensive Income
for the year ended 31 December 2013

	Note	**2013 €**	2012 €
Loss for the year		**(15.920.120)**	(824.492)
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	14,23	**(290.859)**	(434.280)
Transfer to the income statement due to impairment of available for sale investments	14,23	**171.200**	(289.852)
Transfer to the income statement due to disposal of available for sale investments	14,23	**1.551.510**	358.242
		1.431.851	(365.890)
Items that will not be reclassified subsequently to profit or loss			
Property revaluation			
Loss on revaluation of properties	23	**-**	(165.096)
Taxation on revaluation of properties	23	**-**	18.164
		-	(146.932)
Other comprehensive income for the year after taxation		**1.431.851**	(512.822)
Total comprehensive income for the year		**(14.488.269)**	(1.337.314)

Statement of Financial Position
as at 31 December 2013

	Note	**2013** **€**	2012 €
ASSETS			
Cash and balances with the Central Bank	10	**44.931.789**	121.936.274
Placements with banks	11	**49.365.884**	28.370.592
Loans and advances to customers	12	**411.644.053**	432.167.329
Investments held-to-maturity	13	**114.598.264**	142.508.707
Investments available for sale	14	**-**	739.697
Investment properties	15	**27.950.000**	26.876.000
Property and equipment	16	**5.705.928**	5.860.791
Intangible assets	17	**627.743**	558.611
Other assets	18	**1.754.614**	1.988.791
Total assets		**656.578.275**	761.006.792
LIABILITIES			
Placements by banks and financing from the Central Bank	19	**-**	42.306.250
Customer deposits	19	**589.677.203**	657.121.241
Other liabilities	20	**4.250.722**	4.438.637
Loan capital	21	**10.182.963**	10.182.963
Total liabilities		**604.110.888**	714.049.091
EQUITY			
Share capital	22	**56.584.278**	56.584.278
Share premium	22	**24.666.732**	24.666.732
Special reserve	22	**20.000.000**	-
Revaluation reserves	23	**3.330.257**	1.898.406
Accumulated losses		**(52.113.880)**	(36.191.715)
Total equity		**52.467.387**	46.957.701
Total liabilities and equity		**656.578.275**	761.006.792

Statement of Changes in Equity
for the year ended 31 December 2013

	Share capital (Note 22)	Share premium (Note 22)	Special reserve (Note 22)	Revaluation reserves (Note 23)	Accumulated losses (Note 23)	Total
	€	€	€	€	€	€
YEAR 2013						
1 January	56.584.278	24.666.732	-	1.898.406	(36.191.715)	**46.957.701**
Contribution by parent company	-	-	20.000.000	-	-	**20.000.000**
Loss after tax	-	-	-	-	(15.920.120)	**(15.920.120)**
Other comprehensive income for the year after taxation	-	-	-	1.431.851	-	**1.431.851**
Total comprehensive income for the year	-	-	-	1.431.851	(15.920.120)	**(14.488.269)**
Deemed dividend distribution (Note 23)	-	-	-	-	(2.045)	**(2.045)**
31 December	**56.584.278**	**24.666.732**	**20.000.000**	**3.330.257**	**(52.113.880)**	**52.467.387**
YEAR 2012						
1 January	34.584.277	24.666.732	-	2.411.228	(35.367.223)	**26.295.014**
Issue of share capital	22.000.001	-	-	-	-	**22.000.001**
Loss after tax	-	-	-	-	(824.492)	**(824.492)**
Other comprehensive income for the year after taxation	-	-	-	(512.822)	-	**(512.822)**
Total comprehensive income for the year	-	-	-	(512.822)	(824.492)	**(1.337.314)**
31 December	**56.584.278**	**24.666.732**	**-**	**1.898.406**	**(36.191.715)**	**46.957.701**

Statement of Cash Flows
for the year ended 31 December 2013

	Note	2013 €	2012 €
Net cash flow used in operating activities	27	**(114.369.499)**	(41.188.258)
Cash flow from investing activities			
Purchase of property, equipment and software		**(682.869)**	(940.352)
Proceeds from the disposal of property and equipment		**500**	1.600
Purchase of bonds		**(9.873.634)**	(100.124.080)
Proceeds from the disposal and redemption of bonds		**42.899.987**	222.202.894
Interest on government and other debt securities		**7.330.955**	10.772.597
Net cash flows from investing activities		**39.674.939**	131.912.659
Cash flow from financing activities			
Proceeds from the issue of share capital		**-**	22.000.001
Proceeds from contribution of the parent company		**20.000.000**	-
Interest on loan capital		**(764.009)**	(761.332)
Net cash flow from financing activities		**19.235.991**	21.238.669
Net (decrease)/increase in cash and cash equivalents for the year		**(55.458.569)**	111.963.070
Cash and cash equivalents			
At 1 January		**143.994.136**	32.031.066
Net (decrease)/increase in cash and cash equivalents		**(55.458.569)**	111.963.070
At 31 December	28	**88.535.567**	143.994.136

1. Corporate information

The financial statements of USB Bank Plc (the 'Bank') for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 29 April 2014.

The Bank's main activity during the year 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. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union ("EU"), and the requirements of the Cyprus Companies Law, Cap.113.

The financial statements are presented in Euro (€) and have been prepared on a historical cost basis, except for freehold properties, investment properties, available-for-sale investments and financial derivative instruments which are measured at fair value.

The Bank presents its statement of financial position in order of liquidity. An analysis regarding the expected recovery or settlement of any asset and liability within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 25.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Bank's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2. Significant accounting policies (continued)

2.2. Adoption of new and revised IFRSs

In the current year, the Bank has adopted all of the new and revised standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2013. Except as mentioned below the adoption of these Standards did not have a material effect on the accounting policies of the Bank.

– **IAS 1 "Presentation of Financial Statements" on the Presentation of items of Other Comprehensive Income (Amendment)**

The Bank has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive" and the "income statement" is renamed as the "statement of profit or loss". The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income either in a single statement or in two separate but consecutive statements.

The amendments to IAS 1 also require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

– **IFRS 13 "Fair Value Measurement"**

The Bank has applied IFRS 13 for the first time in the current year. This standard establishes a single source of guidance for fair value measurements that are required or permitted by other standards for both financial and non-financial instrument items, and analyses the disclosures required in the financial statements about fair value measurements.

IFRS 13 defines fair value as the price that an entity would receive to sell an asset or pay to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

IFRS 13 is applied from 1st of January 2013 onwards but the disclosures do not need to be applied for the comparative information provided for periods before the initial application of the standard. The adoption of IFRS 13 did not have any effect on the profit or loss of the Bank but has led to additional disclosures in the financial statements of the Bank. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. IFRS 13 applies prospectively.

2. Significant accounting policies (continued)

2.3. Standards, Interpretations and Amendments that are issued but not yet effective

Up to the date of approval of the financial statements, the International Accounting Standards Board has published certain new standards, interpretations and amendments to existing standards, the adoption of which is not mandatory for the current reporting period and which the Bank has not adopted early, as follows:

a) Standards and interpretations issued by the IASB and adopted by the EU

- Amendments to IAS 32:'Offsetting of financial assets and financial liabilities' (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IAS 36:'Recoverable amount disclosures for non-financial assets' (effective for accounting periods beginning on or after 1 January 2014).
- Amendments to IAS 39:'Novation of derivatives and continuation of hedge accounting' (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 10:'Consolidated Financial Statements' (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 11:'Joint Arrangements' (effective for accounting periods beginning on or after 1 January 2014).
- IFRS 12:'Disclosure of Interests in Other Entities' (effective for accounting periods beginning on or after 1 January 2014).
- Amendment to IAS 27:'Consolidated and Separate Financial Statements' (effective for accounting periods beginning on or after 1 January 2014).
- Amendment to IAS 28: 'Investments in Associates and Joint Ventures' (effective for accounting periods beginning on or after 1 January 2014).
- Transitional guidelines for IFRS 10, 11 & 12 (effective for accounting periods beginning on or after 1 January 2014).
- Investment Entities: Amendments to IFRS 10, IFRS 12 and IAS 27 (effective for accounting periods beginning on or after 1 January 2014).

b) Standards and interpretations issued by the IASB not yet adopted by the EU

- IFRS 9 'Financial Instruments' (and subsequent amendments to IFRS 9 and IFRS 7) (effective for accounting periods beginning on or after 1 January 2018)
- Amendments to IFRS 7:'Financial Instruments: Disclosures'- Disclosures on transition to IFRS 9.
- IFRS 14:'Regulatory Deferral Accounts' (effective for accounting periods beginning on or after 1 January 2016).
- Amendment to IAS 19:'Defined Benefit Plans' (effective for accounting periods beginning on or after 1 July 2014).
- Improvements to IFRS 2010-2012 (effective for accounting periods beginning on or after 1 July 2014).
- Improvements to IFRS 2011-2013 (effective for accounting periods beginning on or after 1 July 2014).
- IFRIC Interpretation 21 'Levies' (effective for accounting periods beginning on or after 1 January 2014).

2. Significant accounting policies (continued)

2.4. Foreign currency translation
The financial statements are presented in Euro (€), which is the functional and presentation currency of the Bank.

Transactions in foreign currencies are initially recognised by applying the amount of foreign currency at the current exchange rate between the functional currency and the foreign currency at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are shown in 'Foreign exchange income' in the income statement. Non-monetary items that are measured at historic cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

2.5. Turnover
Turnover consists of interest income, fee and commission income, foreign exchange income and other income.

2.6. Revenue recognition
Revenue is recognised when it is probable that economic benefits will flow to the Bank and the amount of revenue can be reliably measured.

2.7. Interest income
For all financial assets and financial liabilities measured at amortised cost and interest bearing financial assets classified as available-for-sale investments, interest income and expenses are recognised using the effective interest rate method. Interest income is recognised on the recoverable portion of impaired loans using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.8. Fee and commission income
Fee and commission income is recognised on the basis of work done so as to associate the cost of providing the service.

2.9. Dividend income
Dividend income is recognised in income statement when the Bank's right to receive payment is established.

2.10. Income from the disposal of investment properties
Income from the disposal of these properties is recognised in the income statement under 'Other income' when the buyer accepts delivery and the transfer of risks and rewards to the buyer is completed.

2.11. Operating leases
Leases that do not substantially transfer to the Bank all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term in 'Other operating expenses'.

2.12. Retirement benefits
The Bank operates a defined contribution scheme with effect from 1 January 2012 which replaced the defined benefit plan which was in effect until 31 December 2011. This plan provides for employer contributions of 14% of the employee salary and employee contributions of 3%-10% of their salary. The Company's contributions are expensed incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

2. Significant accounting policies (continued)

2.13. Financial Instruments

2.13.1. Date of recognition

Purchases or sales of financial assets, where delivery is required within a time frame established by regulations or by market convention, are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Derivatives are recognised on a trade date basis. 'Deposits with Central Bank', 'Amounts due to Bank's, 'Placements from banks and funding from Central Bank', 'Customer deposits and other accounts', 'Placements with Bank's, and 'Loans and advances to customers' are recognised when cash is received by the Bank or advanced to counterparties.

2.13.2. Initial recognition and measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and liabilities not measured at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

2.13.3. Loans and advances to customers

Loans and advances to customers are financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. The amortised cost is calculated taking into consideration the difference between the initial amount and the payable amount at maturity and all emoluments that comprise integral part of the effective interest. Amortisation is included in 'Interest Income' in Income Statement. The losses arising from impairment are recognised in the income statement in 'Provisions for impairment of loans and advances'.

Renegotiated loans

A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms, or if the terms of an existing agreement are modified, such that the renegotiated loan is substantially a different financial instrument. Loans subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as up to date loans for measurement purposes. Loans subject to collective impairment assessment whose terms have been renegotiated are taken into account in determining the inputs for collective impairment calculation. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired. The carrying amounts of loans that have been classified as renegotiated retain this classification in accordance with the rules of the relevant Directive of the Central Bank of Cyprus.

2.13.4. Investments

Management determines the appropriate classification of investments at the time of purchase.

2.13.4.1. Investments held-to-maturity

Held-to-maturity investments are those which carry fixed or determinable payments and have fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into consideration the difference between the original amount and the amount payable on maturity, and all fees that are an integral part of the effective interest rate. Amortisation is included in 'Interest income' in the income statement. Losses arising from impairment of such investments are recognised in 'Losses from revaluation, sale and impairment of financial instruments' in the income statement.

2. Significant accounting policies (continued)

2.13. Financial Instruments (continued)

2.13.4.2. Impairment of investments held-to-maturity (continued)

For investments classified as held-to-maturity or loans and receivables, the Bank assesses at each reporting date whether there is objective evidence that they have suffered an impairment loss. If there is objective evidence that an impairment loss exists, the amount of the loss is measured as the difference between the book value of the asset and the present value of estimated future cash flows (excluding future credit losses that have occurred). The book value of the asset is reduced and the amount of loss is recognised in the income statement.

If at a later period, the amount of impairment loss decreases and the decrease can be objectively related to an event occurring after the recognition of impairment, the impairment loss previously recognised is reversed, and the amount of the reversal is credited to 'Loss from revaluation, disposal and impairment of financial instruments', in the income statement.

2.13.4.3. Available for sale investments

Available-for-sale investments are those which are designated as such or do not qualify to be classified as 'Investments held-to-maturity' or 'Loans and receivables'. These investments can be sold in response to changes in market risks or liquidity requirements and include equity securities and debt securities.

After initial recognition, available-for-sale investments are measured at fair value. Unrealised gains and losses from changes in fair value are recognised directly in equity in the 'Revaluation reserve of available-for-sale investments'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the income statement in 'Net gains on available for sale investments'. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a weighted average cost basis. Interest income from available-for-sale debt securities is recorded as 'Interest income' using the effective interest rate method. Dividend income from available-for-sale equity securities is recognised in the income statement in 'Other income' when the right to receive payment has been established. Impairment losses on available-for-sale investments are recognised in the income statement in 'Losses on sale, revaluation and impairment of financial instruments'.

Available for sale investments are measured at fair value, based on market prices for listed securities.

2.13.4.4. Impairment of available for sale investments

For investments available for sale, the Bank assess at each reporting date whether there is objective evidence that they have suffered an impairment loss.

In case of equity securities classified as available for sale, objective evidence includes a significant or prolonged decline in fair value below cost. Where there is objective evidence that an impairment loss exists, the amount of total loss - measured as the difference between the acquisition cost and current fair value less the impairment loss of investment, previously recognised in profit or loss - is removed from the 'investment revaluation reserve' and recognised in the 'Income from available for sale investments' in the income statement. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment, are recognised in the 'investment revaluation reserve' in equity.

In case of debt securities classified as available for sale, the assessment for impairment is based on the same criteria as those applicable to investments held-to maturity carried at amortised cost. If at a later period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the recognition of impairment, the impairment loss previously recognised is reversed in 'Loss from revaluation, sale and impairment of financial instruments' through the income statement.

2. Significant accounting policies (continued)

2.13. Financial Instruments (continued)
2.13.5. Deposits and loan capital
Deposits and subordinate loan capital are initially measured at the fair value of the consideration received, net of any issue costs. They are subsequently measured at amortised cost using the effective yield method.

Loan capital and convertible bonds are classified as financial liabilities when the Bank is obliged to pay its contractual obligations with cash or other assets other than the exchange of a fixed amount of cash to a specific number of treasure shares. Loan capital and convertible bonds are measured at fair value of consideration received, net of issuance costs. Subsequently, they are measured at amortised cost using the effective interest method. The value of embedded derivative financial instruments is included in the amount of the liabilities in the statement of financial position. Interest on deposits, loan capital and convertible bonds is included in 'Interest Income'.

2.14. Derecognition of financial assets and financial liabilities
2.14.1. Financial assets
A financial asset is derecognised when: (a) the rights to receive cash flows from the asset have expired, or (b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party and has either (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.14.2. Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2.15. Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when the Bank has a current legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.16. Share capital
Any difference between the nominal value and the issue price of the share capital is recognised as share premium. Issue costs incurred in the process of share capital increase are deducted from equity.

2.17. Property, equipment, computer software and goodwill on leasehold property
Property held by the Bank for use in supply of services or for administrative purposes is classified as property used in the Bank's operations. Investment property is property held by the Bank for capital appreciation.

Property used in the Bank's operations is initially stated at cost and thereafter at estimated fair value less accumulated depreciation. Valuations are performed periodically by independent qualified valuers so that the carrying amount does not materially differ from fair value. The amount of depreciation is calculated on the basis of fair value less estimated residual value on a straight-line basis over the expected useful economic life of the assets. Gains or losses arising from changes in the estimated fair value of the assets are recognised in the 'Revaluation reserve'. Upon disposal, the relevant amount in the revaluation reserve is transferred to 'Retained earnings reserve'.

2. Significant accounting policies (continued)

2.17. Property, equipment, computer software and goodwill on leasehold property (continued)
Equipment and computer software are stated as historic cost less accumulated depreciation.

Depreciation on furniture and fittings, equipment, computer software and hardware and motor vehicles is calculated on the basis of cost less estimated residual value on a straight-line basis over the expected useful economic lives of the assets, commencing from the month of acquisition.

The annual depreciation rates for the year were as follows:

	%
Buildings	4
Furniture and fittings	10
Office equipment	20
Computer hardware	20-33
Computer software	25
Motor Vehicles	20

Land is not depreciated. Improvement to leasehold property is stated at cost less accumulated depreciation.

Leasehold improvements and goodwill on leasehold property are amortised over a period of 10 years or over the lease period if this period is less than 10 years.

Any profits or losses arising from the disposal of property, plant and equipment are transferred to the Income Statement in the year of disposal.

The carrying values of property, equipment, computer software and goodwill on leasehold property are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If there is such an indication and the carrying value exceeds the recoverable amount, the assets are written down to their recoverable amount through the income statement.

2.18. Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement. Valuations are carried out by independent qualified valuers on the basis of current market values.

The Bank in its normal course of business, acquires properties in debt satisfaction, which are held directly by the Bank or by special purpose entities for the sole purpose of managing these properties. To reflect the substance of transactions, these are classified as investment properties and are consolidated without the entities being explicitly disclosed as subsidiaries.

As per the Directive issued on 17 February 2014 by the Central Bank of Cyprus on Loan Impairment and Provisioning practices, Part VI, Paragraph 17, Assets Repossessed in satisfaction of Debts, the classification of assets repossessed in satisfaction of debts in the ordinary course of business shall be accounted for on the basis of the relevant IFRS, i.e. IFRS 5, IAS 2 or IAS 40. However in the case of classification of such assets as investment property under IAS 40 then the cost method shall be applied only. This limitation is applicable from 1 January 2014 onwards.

2.19. Provisions for pending litigation or claims
Provisions for pending litigation or claims against the Bank are made when: (a) the Bank has a present obligation (legal or constructive) arising from past events, (b) it is probable that the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made.

2. Significant accounting policies (continued)

2.20. Taxation
Taxation on income is provided in accordance with the provisions of the Income Tax Law and is recognised as an expense in the period in which the income arises. Deferred tax is calculated using the liability method.

Deferred income tax liabilities are recognised for all taxable temporary differences between the tax basis of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax assets to be utilised.

Deferred income tax assets and liabilities are measured at the amount expected to be paid to the tax authorities (or recovered from them), using tax rates expected to apply in the period in which the requirement will be realised or the liability will be settled. Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

2.21. Cash and cash equivalents
Cash and cash equivalents for the purpose of the Statement of Cash Flows represents cash, non-obligatory deposits with the Central Bank of Cyprus and placements with banks.

2.22. Financial guarantees
The Bank issues financial guarantees to its customers, consisting of letters of credit, other letters of guarantee and revenue guarantees. Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities' in the statement of financial position. Subsequently, the Bank's liabilities under each financial guarantee is measured at the higher of: (a) the amount initially recognised reduced by the cumulative amortised premium which is periodically recognised in the income statement in 'Fee and commission income' in accordance with the terms of the guarantee, and (b) the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

2.23. 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.

3. Significant accounting estimates and judgments

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. Going concern

Despite recent developments in the economic environment of the Cyprus economy as mentioned in Note 33 to the Financial Statements, the Bank's management has assessed the Bank's ability to continue as a going concern and is satisfied that the Bank has the financial resources to continue its business operations in the foreseeable future. Accordingly, the financial statements continue to be prepared on the going concern basis.

3.2. Provision for impairment of loans and advances

The Bank reviews its loans and advances to customers to assess whether a provision for impairment should be recorded in the income statement. In particular, management is required to estimate the amount and timing of future cash flows in order to determine the amount of provision required and as a result the calculation of the impairment allowance involves the use of judgment. Such 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 the timing and net recoverable amount from foreclosure of collaterals that mainly comprise land and buildings.

Assumptions have been made concerning the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral.

For example, the timing of collections from collateral has been estimated to be 3 years for loans that have been managed by Recoveries Division, and 5 years for all other loans.

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes of required provisions for impairment of loans and advances.

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Bank's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process). The level of the impairment allowance is the difference between the value of the present value of future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Subjective judgments are made in the calculation of future cash flows.

Furthermore, judgments change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. Further information on impairment allowances and related credit information is set out in Note 12 of the financial statements.

In addition to provisions for impairment on an individual basis, the Bank also makes collective impairment provisions. The Bank adopts a formulaic approach for collective provisions, which includes assigning probabilities of default and loss given default for portfolios of loans. This methodology is subject to estimation uncertainty, partly because it is not practical to identify losses on an individual loan basis because of the large number of loans in each portfolio.

3. Significant accounting estimates and judgments (continued)

3.2. Provision for impairment of loans and advances (continued)
The total amount of the Bank's provision for impairment of loans and advances is inherently uncertain because it is highly sensitive to changes in economic and credit conditions which are influenced by many factors. The methodology and the assumptions used in calculating impairment losses are reviewed regularly. It is possible that the actual results within the next financial year could be different from the assumptions made, resulting in a material adjustment to the carrying amount of loans and advances.

3.3. Fair value of investments
The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Bank use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

3.4. Impairment of available for sale investments
Available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. In such a case, the total loss previously recognised in equity is recognised in the income statement. This determination of what is significant or prolonged requires judgment by management. Factors taken into consideration in making this judgment include the expected volatility in share price. In addition, impairment may occur when there is evidence that significant adverse changes in technology, market, economic or legal environment in which the investee operates.

Available for sale investments in debt securities are impaired when there is objective evidence of impairment in one or more events that occurred after initial recognition of the investment and the loss making event (or events) affect the expected future cash flows of the investment. The assessment takes into account a number of factors such as economic condition of the issuer, a breach of the terms of the contract, the likelihood that the issuer will file for bankruptcy or make a financial reorganisation, and therefore significant judgments are required.

3.5. Tax
The Bank is subject to Cyprus income tax. Significant estimates are required in determining the provision for taxes at the reporting date, and therefore the tax determination is uncertain. Where the final tax is different from the amounts that were initially recorded, such differences will affect the income tax expense, the tax liabilities and deferred tax liabilities of the period in which the final tax is agreed with the tax authorities.

The Bank recognises a deferred tax asset in relation to tax losses, to the extent there may be future taxable profits against which the losses may be utilised. The determination of the amount of deferred tax assets that can be recognised is based on the timing and level of future taxable profits, in combination with future tax planning strategies. These variables are determined based on significant estimates and assumptions, and are by definition uncertain. It is possible that the actual conditions in the future will be different from the assumptions used, resulting in material adjustments to the carrying value of deferred tax assets.

4. Interest income

	2013 €	2012 €
Loans and advances to customers	**32.915.607**	31.245.871
Placements with banks and with the Central Bank	**665.482**	965.523
Investments	**7.330.955**	10.772.597
	40.912.044	42.983.991

Interest income from loans and advances to customers includes interest on impaired loans and advances of €2.790.738 (2012: €2.410.156).

5. Interest expense

	2013 €	2012 €
Customer deposits	**17.528.440**	23.276.751
Placements by banks	**119.569**	518.111
Loan capital	**764.009**	761.332
	18.412.018	24.556.194

6. Staff costs

	2013 €	2012 €
Staff salaries and other remuneration	**9.443.117**	9.422.965
Social insurance and other contributions	**1.171.109**	1.241.147
Retirement benefit costs	**1.297.897**	2.149.316
	11.912.123	12.813.428

The number of persons employed by the Bank as at 31 December 2013 was 230 (2012: 233).

Retirement benefits plan costs
The Bank operates a defined contribution scheme with effect from 1 January 2012 which replaced the defined benefit plan which was in effect until 31 December 2011. This plan provides for employer contributions of 14% of the employee salary and employee contributions of 3%-10% of their salary. The Bank's contributions are expensed as incurred and are included in staff costs. The Bank has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The new collective agreement for the 3 year period from 1 January 2014 to 31 December 2016 amends the employer contributions to the provident fund as follows:

- For period 1 January 2014 to 31 December 2015 the employer contribution will be 9%
- For period 1 January 2016 to 31 December 2016 the employer contribution will be 9,5%
- For period 1 January 2017 onwards the employer contribution will be 11,5%

6. Staff costs (continued)

Contracts with employees
For contracts involving probationary hiring of personnel which are governed by the agreement with the Cyprus Union of Bank Employees ("ETYK"), the Bank has the right to terminate the services of the employee at any time during his probationary service, without any notice. If for any reason an employee wishes to terminate his employment with the Bank, one months' notice must be given. The employment contracts of staff members whose employment terms are not governed by the agreement with ETYK include a provision for a notice period in case of non-justified pre-mature termination of contract.

7. Loss before tax

Loss before tax is stated after charging/(crediting) the following items:

	2013 **€**	2012 €
Directors' emoluments (Note 31)	**460.847**	458.521
Loss/(gain) on sale and write-off of fixed assets	**220**	(1.600)
Operating lease rentals for buildings	**682.598**	704.331
Independent auditors' remuneration for audit and other professional services provided to the Bank:		
- Statutory audit of the financial statements of the Bank and its special purpose entities	**109.731**	56.050
- Other assurance services	**17.155**	20.060
- Tax advice	**3.570**	3.540
- Other non-audit services	**33.753**	50.129

The above amounts are included in the category "Other operating expenses", except for Directors' emoluments, which is presented in the category "Staff costs".

8. Tax

The total tax charge for the year can be reconciled to the accounting profit as follows:

	2013 **€**	2012 €
Loss before tax	**(14.945.638)**	(408.555)
Corporation tax based on the applicable rates	**(1.868.205)**	(40.856)
Tax effect of:		
- Not deductible expenses	**876.467**	386.429
- Income not subject to tax	**(89.435)**	(403.823)
- Tax losses for the year	**1.081.173**	58.250
Tax per the income statement	**-**	-

8. Tax (continued)

Corporation tax is calculated at the rate of 12,5% on taxable income (2012: 10%). As per the terms of the Memorandum agreed between Cyprus and the Eurogroup the Income Tax Law has been amended via legislation enacted on 18 April 2013 such that the corporation tax rate is increased from 10% to 12,5% retrospectively from 1 January 2013. Furthermore, the Special Contribution for Defence Law has been also amended such that the special contribution for defence on interest income is increased from 15% to 30%.

On 21 December 2012, the House of Representatives enacted amendments to the Income Tax law, according to which the loss of any tax year shall not be carried forward and shall not be offset against any income of any tax year further than five years from the end of the tax year in which the loss arose. As a result, brought forward tax losses amounting to €12,7 million cannot be carried forward for future use. As at 31 December 2013 the Bank's tax losses to be carried forward amounted to €15,3 million (2012: €6,7 million) in connection with which the Bank recognised a deferred tax asset in the statement of financial position corresponding to the future utilisation of €3,8 million (2012: €4,5 million) of tax losses.

The movement of the deferred tax liability is as follows:

	2013 **€**	2012 €
Balance at 1 January	**71.525**	162.084
Charge/(reversal of charge) to the Income Statement	**47.720**	(72.395)
Reversal of charge to the Statement of Comprehensive Income	**-**	(18.164)
Balance at 31 December	**119.245**	71.525

The balance of net deferred tax liability (Note 20) represents:

	2013 **€**	2012 €
Difference between tax allowances and accounting depreciation	**143.548**	94.727
Revaluation of property	**453.392**	272.307
Collective provisions	**-**	156.671
Tax losses utilised	**(477.695)**	(452.180)
	119.245	71.525

Special Levy on Credit Institutions
According to the "Special Levy on Credit Institutions Law of 2011", passed on 14 April 2011, a special levy, for the years 2011 and 2012, on credit institutions was imposed at the rate of 0,095% on qualifying deposits held by each credit institution at 31 December of the year preceding the year of taxation. Amendments passed on 21 December 2012, for purposes of enforcing the terms of the Memorandum between the Republic of Cyprus and the lenders, provide for the extension of the validity of the relevant law, increase of the special levy tax to 0,11% and the deletion of provision under which the tax paid should not exceed 20% of the total taxable profits of the credit institution assessed by the Director of Inland Revenue. With an amendment of the Law, published in the official Gazette on 29 April 2013, the special levy tax rate increased to 0,15%.

8. Tax (continued)

Special Levy on Credit Institutions (continued)
Based on a new amendment of the Law published in the official Gazette on the 26th July 2013, the special levy specifically for year 2013 was calculated on a quarterly basis at the rate 0,0375% on the deposits of financial institutions at 31st December, 31st March, 30th June and 30th September of each year. 25/60 of the total revenue collected from the imposition of the bank special levy tax is deposited to a resolution fund that will be considered a part of the Deposits Protection Fund under the Establishment and Operation of the Deposit Protection Scheme and Resolution of Credit and Other Institutions Law.

The effect on the Bank's results relating to the Special Levy on Credit Institutions in Cyprus for the year ended 31 December 2013 amounted to a charge of €926.762 (2012: €488.332).

9. Loss per share

	2013 €	2012 €
Loss attributable to shareholders	**(15.920.120)**	(824.492)
Weighted average number of shares in issue during the year	**99.270.663**	66.792.893
Loss per share (cent)	**(16,0)**	(1,2)

At 31 December 2013, there were titles convertible to ordinary shares that are not considered dilutive and consequently diluted losses per share are not presented.

10. Cash and balances with the Central Bank

	2013 €	2012 €
Cash	**5.672.867**	5.217.239
Balances with the Central Bank of Cyprus	**39.258.922**	116.719.035
	44.931.789	121.936.274

Deposits with the Central Bank of Cyprus include obligatory deposits for liquidity purposes which amount to €5.762.106 (2012: €6.312.730). Moreover, balances with the Central Bank of Cyprus included an interbank placement of €30.000.000. The analysis of credit ratings for deposits with the Central Bank of Cyprus by independent rating agencies is presented in Note 29.

11. Placements with banks

The analysis of credit ratings of placements with banks by independent rating agencies is presented in Note 29. Placements with banks earn interest which is based on the interbank rate of the relevant term and currency.

12. Loans and advances to customers

	2013	2012
	€	€
Loans and other advances	**497.338.135**	489.266.967
Provision for impairment of loans and advances	**(85.694.082)**	(57.099.638)
	411.644.053	432.167.329

Provision for impairment of loans and advances:

	2013	2012
	€	€
1 January	**57.099.638**	64.314.013
Collections/reversals	**(1.620.132)**	(3.059.206)
Charge for the year	**21.283.826**	6.723.179
Net charge for the year	**19.663.694**	3.663.973
Restriction of interest on impaired loans	**9.922.060**	9.084.077
Write offs	**(991.310)**	(19.962.425)
	28.594.444	(7.214.375)
31 December	**85.694.082**	57.099.638

Non-performing loans and advances

On 31 December 2013, 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 €235.243.280. As at 31 December 2012 the amount of loans and advances classified as non performing was €91.983.853 and varies significantly to the amount as at 31 December 2013 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).

Loans with conditions that were renegotiated

Loans with conditions that were renegotiated represent clients' facilities that have been restructured in accordance with the new Directive of the Central Bank of Cyprus which applied as of 1st July 2013. Under the new Directive, restructuring of a client's facilities covers any action that changes the terms and/or conditions of the client's facilities in order to deal with existing or expected difficulties of the client to service the facilities.

According to the said Directive, a restructured non-performing facility remains classified as non-performing as follows:

- For six months following the commencement of the new amortisation repayment schedule of capital instalments in relation to credit facilities with modifications in their amortisation repayment schedule, while for credit facilities with gradual increase of the instalment amount, the facility remains non-performing for six months following the first month at which the highest instalment is due. Exceptions to the above rules are cases where the modified repayment schedule provides for a lump sum payment on maturity of 20% or higher of the outstanding balance (as at the date of restructuring). For these cases, the facility remains non-performing until its maturity.

12. Loans and advances to customers (continued)

Loans with conditions that were renegotiated (continued)

- For six months following the restructuring in relation to overdrafts. After the six months, overdraft accounts will be classified as performing only if their credit turnover (excluding credits relating to cheques returned unpaid and credits relating to disbursement of loans) is equal to or higher than the interest charged for the above-mentioned period.

After the lapse of the above-mentioned period for the classification of restructured facilities as non-performing, the facility will be classified as non-performing only if it fulfils the criteria for the classification of non-performing facilities according to the said Directive.

Bank's policy for specific and collective provisions

The Bank reviews the collectability of its loans and advances to customers and assesses whether a provision for impairment should be recorded in the income statement. The procedure followed by the Bank for the provisioning exercise comprises of an individual assessment of the exposures for specific provision and assessment for collective impairment as per the Bank's provisioning policy.

Specific provision

The selection criteria for clients which are individually assessed for specific provision and based on the Bank's policy are as follows:

- All exposures to a borrower and his connected parties that are considered significant. A materiality threshold was determined by the Bank.
- All exposures to related parties of the Bank as defined in the Fit and Proper Criteria of the Members of the Management Body Directive of 2006-2007 and their connected parties.
- Any exposure to a borrower which is classified as high risk because of its total banking exposure or industry.

Exposures which are identified from the above selection criteria are assessed for impairment if a "trigger event" existed. The following trigger events are set by the Bank:

- Exposures that are classified as Non Performing
- Exposures that are Performing but Restructured

For the exposures that are individually assessed for impairment, discounted cash flow (DCF) calculations are performed. The amount of impairment is the difference between the exposure's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The estimated future cash flows include any expected cash flows from the borrowers operations, any other sources of funds and the proceeds from liquidation of collateral where applicable.

Assumption regarding the realisable value of real estate collateral

A model is used to predict the realisable value of the collateralised properties at the time of disposal using as a benchmark the latest independent valuation in hand. Some other considerations taken into account for assessing the realisable value of the collateral include projections of the Cyprus economy and Management best estimates.

The realisable value is determined as the lower of the expected value at the point of sale given the above assumptions and the property's mortgaged value. The time of disposal is assessed on a case by case basis, bearing in mind the particular characteristics of each case, the customer's classification, customer intentions and market expectations.

12. Loans and advances to customers (continued)

Collective provision
All exposures which are assessed on an individual basis but for which no impairment is recognised and also all exposures not individually assessed are included in a pool of exposures with similar characteristics and are assessed for collective impairment using the applicable Probability of Default (PD) and Loss Given Default (LGD) rates that are set in the Bank's provision policy. The PDs and LGDs assigned to each category in the provision methodology are assigned based on Management judgment.

13. Investments held-to-maturity

	2013 €	2012 €
Government and other bonds:		
Cyprus Government	**82.377.190**	103.723.235
Foreign banks	**32.221.074**	38.785.472
	114.598.264	142.508.707

	2013 €	2012 €
Listed in:		
Cyprus stock exchange	**15.150.847**	15.199.650
European stock exchanges	**97.263.027**	125.027.999
Other stock exchanges	**2.184.390**	2.281.058
	114.598.264	142.508.707

The movement of investments held-to-maturity for the year analysed as follows:

	2013 €	2012 €
1 January	**142.508.707**	252.915.264
Purchase of bonds	**9.873.634**	100.124.080
Sale/maturity of bonds	**(40.899.639)**	(215.548.914)
Impairment charge	**-**	(503.570)
Effect of changes in exchange rates	**(264.086)**	19.840
Amortisation	**3.379.648**	5.502.007
31 December	**114.598.264**	142.508.707

The fair value of held-to-maturity investments as at 31 December 2013 was €107.901.993 (2012: €116.342.727).

14. Investments available for sale

	2013 **€**	2012 €
Shares listed on the Cyprus Stock Exchange	**-**	175.350
Bonds of Cyprus public companies	**-**	564.347
	-	739.697

The movement in the available for sale investments during the year is analysed as follows:

	2013 **€**	2012 €
1 January	**739.697**	7.875.011
Purchase of bonds	**-**	-
Sale/maturity of bonds	**(448.838)**	(6.404.275)
Change in fair value	**(115.509)**	(434.280)
Impairment charge	**(175.350)**	(471.167)
Amortisation	**-**	174.408
31 December	**-**	739.697

During the year ended 31 December 2013, the Bank recognised fair value losses amounting to €290.859, relating to investments available for sale. An amount of €171.200 was reclassified through other comprehensive income from the available for sale reserve to the net result for the year as the Bank considers that its available for sale investments have suffered a prolonged decline in their fair value.

The fair value losses of €290.859 include an amount of €115.509 relating to available for sale investments which were disposed during the current year. The available for sale investment had an original acquisition cost of €2.000.000 and the proceeds from the sale amounted to €448.838 resulting in a loss on disposal of €1.551.510 in the Income Statement.

15. Investment properties

Investment properties consist of properties acquired in settlement of customer debts and are presented at the reporting date at their estimated fair value.

	2013 **€**	2012 €
1 January	**26.876.000**	9.030.000
Additions for the year	**3.396.213**	18.201.000
Disposals for the year	**(113.750)**	-
Change in fair value	**(2.208.463)**	(355.000)
31 December	**27.950.000**	26.876.000

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 recognised 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.

The fair value of investment properties as at 31 December 2013 has been estimated based on valuations carried out by independent qualified surveyors. The valuation technique mainly applied is the market comparable approach, adjusted for market and property specific conditions. The fair value of investment properties is as at the reporting date and does not represent any expectations about their future value.

15. Investment properties (continued)

The Bank uses the following hierarchy for determining and disclosing fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses the investment properties measured at fair value based on hierarchy level:

	Level 3 **€**
31 December 2013	
Investment properties	27.950.000
	27.950.000

There have been no transfers between different levels during the year.

Reconciliation of Level 3 fair value measurements:

	€
Opening balance	26.876.000
Total gains on losses:	
- in income statement	(2.208.463)
- in other comprehensive income	-
Additions for the year	3.396.213
Disposals for the year	(113.750)
Closing balance	27.950.000

The fair value measurements of investment properties which were classified as Level 3 are affected by the adverse economic environment in Cyprus. The liquidation of properties is considered to be problematic and the number of transactions that the valuators can use has been dramatically restricted. The valuations were determined by using transaction prices from similar properties adjusted to reflect the differences between these transactions and the properties under study.

15. Investment properties (continued)

The special purpose entities which are included in the individual accounts of the Bank as at 31 December 2013 are as follows:

Name	Country of incorporation	Participation	Nature of operations
Imagetech Limited	Cyprus	100%	Note (i)
Averrhoa Limited	Cyprus	100%	Note (ii)
Rowington Ventures Limited	Cyprus	100%	Note (ii)
Lardonia Limited	Cyprus	100%	Note (ii)
Sabatia Limited	Cyprus	100%	Note (ii)
Serenoa Limited	Cyprus	100%	Note (ii)
Shortia Limited	Cyprus	100%	Note (ii)
Delaway Limited	Cyprus	100%	Note (i)
Cotidie Ventures Limited	Cyprus	100%	Note (ii)
Olcinia Holdings Limited	Cyprus	100%	Note (i)
Crantenia Ventures Limited	Cyprus	100%	Note (ii)
Osperus Holdings Limited	Cyprus	100%	Note (i)
Kantadia Ventures Limited	Cyprus	100%	Note (ii)
Dusanic Holdings Limited	Cyprus	100%	Note (i)
Macerio Limited	Cyprus	100%	Note (ii)
Perekin Holdings Limited	Cyprus	100%	Note (i)
Azulito Ventures Limited	Cyprus	100%	Note (ii)
Perequito Holdings Limited	Cyprus	100%	Note (i)
Bequelia Ventures Limited	Cyprus	100%	Note (ii)
Serissa Holdings Limited	Cyprus	100%	Note (i)
Tipuana Ventures Limited	Cyprus	100%	Note (ii)

(i) Intermediate holding company
(ii) Property ownership and management

16. Property and equipment

Year 2013	**Property**	**Equipment**	**Total**
	€	**€**	**€**
Cost or estimated fair value			
1 January	7.555.771	5.878.692	**13.434.463**
Additions	297.020	98.843	**395.863**
Disposals/write-offs	(52.563)	(513.020)	**(565.583)**
31 December	7.800.228	5.464.515	**13.264.743**
Depreciation			
1 January	2.544.908	5.028.764	**7.573.672**
Charge for the year	306.552	243.454	**550.006**
Disposals/write-offs	(52.563)	(512.300)	**(564.863)**
31 December	2.798.897	4.759.918	**7.558.815**
Net Book Value	5.001.331	704.597	**5.705.928**

16. Property and equipment (continued)

Year 2012	Property €	Equipment €	Total €
Cost or estimated fair value			
1 January	7.845.080	5.550.632	13.395.712
Additions	167.919	350.324	518.243
Disposals/write-offs	(61.228)	(22.264)	(83.492)
Revaluation	(165.096)	-	(165.096)
Reversal of depreciation due to revaluation	(230.904)	-	(230.904)
31 December	7.555.771	5.878.692	13.434.463
Depreciation			
1 January	2.502.406	4.767.166	7.269.572
Charge for the year	334.634	283.862	618.496
Disposals/write-offs	(61.228)	(22.264)	(83.492)
Reversal of depreciation due to revaluation	(230.904)	-	(230.904)
31 December	2.544.908	5.028.764	7.573.672
Net Book Value	5.010.863	849.928	5.860.791

Properties are presented at fair value based on valuation carried out in December 2013 by independent qualified surveyors. The valuation technique mainly applied is the market comparable approach, adjusted for market and property specific conditions. The fair value of investment properties is as at the reporting date and does not represent any expectations about their future value.

The net book value of own properties at 31 December 2013 based on cost less accumulated depreciation is €2.155.911 (2012: €2.107.525). Land is not depreciated and its book value at 31 December 2013 and 31 December 2012 was €1.433.695.

The Bank uses the following hierarchy for determining and disclosing fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses the properties measured at fair value based on hierarchy level:

	Level 3 €
31 December 2013	
Properties	7.800.228
	7.800.228

There have been no transfers between different levels during the year.

16. Property and equipment (continued)

Reconciliation of Level 3 fair value measurements:

	Level 3 **€**
Opening balance	7.555.771
Total gains on losses:	
- in income statement	-
- in other comprehensive income	-
Additions for the year	297.020
Disposals for the year	(52.563)
Closing balance	7.800.228

The fair value measurements of properties were classified as Level 3 because of the adverse economic environment in Cyprus. The liquidation of properties is considered to be problematic and the number of transactions that the valuators can use has been dramatically restricted. The valuations were determined by using transaction prices from similar properties adjusted to reflect the differences between these transactions and the properties under study.

17. Intangible assets

Year 2013	**Computer software** **€**
Cost	
1 January	5.108.062
Additions	287.006
Disposals/Write-offs	-
31 December	**5.395.068**
Amortisation	
1 January	4.549.451
Charge for the year	217.874
Disposals	-
31 December	**4.767.325**
Net Book Value	**627.743**

17. Intangible assets (continued)

Year 2012	**Computer software** **€**
Cost	
1 January	5.535.740
Additions	422.109
Disposals/Write-offs	(849.787)
31 December	**5.108.062**
Amortisation	
1 January	5.238.621
Charge for the year	160.617
Disposals	(849.787)
31 December	**4.549.451**
Net Book Value	**558.611**

18. Other assets

	2013 **€**	2012 €
Sundry debtors and other assets	**884.965**	1.080.508
Collateral amount with Visa International	**869.649**	908.283
	1.754.614	1.988.791

The collateral amount with Visa International represents a blocked deposit account of the Bank in US dollars which is placed as security for the purposes of its cooperation with the organisation.

19. Placements by banks, financing from the Central Bank and customer deposits

Placements by banks and financing from the Central Bank:
At 31 December 2013 the Bank had nil funding from the European Central Bank (2012: €42.306.250) or any other third party.

	2013 **€**	2012 €
Customer deposits:		
Demand deposits	**151.118.703**	143.224.834
Notice deposits	**66.666.757**	81.801.331
Term deposits	**371.891.743**	432.095.076
	589.677.203	657.121.241

20. Other liabilities

	2013	2012
	€	€
Sundry creditors	**362.948**	478.030
Financial guarantees	**89.308**	66.331
Net deferred tax liability (Note 8)	**119.245**	71.525
Bills payable	**724.246**	1.406.579
Deemed dividend distribution (Note 23)	**2.045**	-
Other liabilities	**1.437.930**	1.338.350
Accrued expenses	**664.185**	427.980
Special defence contribution	**850.815**	649.842
	4.250.722	**4.438.637**

21. Loan capital

	2013	2012
	€	€
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
Total	**10.182.963**	10.182.963

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.

21. Loan capital (continued)

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 March and 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.

22. Share capital, share premium reserve and special reserve

	2013			2012		
	Number of shares	**Share capital**	**Share premium**	Number of shares	Share capital	Share premium
	€	**€**	**€**	**€**	**€**	**€**
Authorised						
Ordinary shares of €0,57 each	**150.000.000**	**85.500.000**	**-**	150.000.000	85.500.000	-
Issued and fully paid						
1 January	**99.270.663**	**56.584.278**	**24.666.732**	60.674.171	34.584.277	24.666.732
Share issue	**-**	**-**	**-**	38.596.492	22.000.001	-
31 December	**99.270.663**	**56.584.278**	**24.666.732**	99.270.663	56.584.278	24.666.732

22. Share capital, share premium reserve and special reserve (continued)

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 is increased by €20 million through the Special Reserve account.

In a meeting held on the 24th February 2014 the Board of Directors of the Bank decided to proceed to an increase of the issued share capital of the Bank by €20 million (the "Issue") to strengthen the capital base. The proposed Issue concerns 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 of €0,57 which is higher than the current 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 will be utilised for the reduction of the Bank's accumulated losses.

With the approval of the above resolution the authorised share capital of the Bank will be reduced to €15.000.000 divided into 150.000.000 ordinary shares of nominal value of €0,10 each and the issued share capital is reduced to €9.927.066,30 divided into 99.270.663 ordinary shares of nominal value of €0,10 each. Within the same resolution it was also proposed that the authorised share capital of the Bank to be re-increased to the amount of €85.500.000 which will be divided into 855.000.000 ordinary shares of a nominal value of €0,10 each.

The above resolution approved at the EGM was subject to ratification and subsequently ratified by the District Court of Nicosia.

At the same EGM a second resolution was approved whereby subject to the ratification of the above resolution by the District Court of Nicosia, the existing members waived their pre-emption rights so that the Board of Directors of the Bank was authorised to issue and allot 66.666.667 new ordinary shares of nominal value of €0,10 each at the total issue price of €0,30 each, exclusively to BLC Bank SAL. The 66.666.667 new ordinary shares will rank pari passu with the existing fully paid shares of the Bank.

23. Revaluation reserves and accumulated losses

Revaluation Reserves	Investments revaluation reserve €	Property revaluation reserve €	Total €
Year 2013			
1 January	**(1.431.851)**	**3.330.257**	**1.898.406**
Revaluation of available for sale investments	**(290.859)**	**-**	**(290.859)**
Transfer to statement of comprehensive income due to disposal	**1.551.510**	**-**	**1.551.510**
Transfer to the statement of comprehensive income due to impairment	**171.200**	**-**	**171.200**
31 December	**-**	**3.330.257**	**3.330.257**

23. Revaluation reserves and accumulated losses (continued)

Revaluation Reserves	**Investments revaluation reserve**	**Property revaluation reserve**	**Total**
	€	**€**	**€**
Year 2012			
1 January	(1.065.961)	3.477.189	2.411.228
Revaluation of available for sale investments	(434.280)	-	(676.000)
Revaluation of property	-	(165.096)	(165.096)
Deferred tax	-	18.164	18.164
Transfer to statement of comprehensive income due to disposal	358.242	-	249.705
Transfer to the statement of comprehensive income due to impairment	289.852	-	60.405
31 December	(1.431.851)	3.330.257	1.898.406

Accumulated losses

The only reserves available for distribution as dividend are retained earnings. In 2013 and 2012 no dividends were paid nor declared to be paid since the Bank had accumulated losses.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Bank for the account of the shareholders. The amount of €2.045 presented in Note 20 to the financial statements represents the special defence contribution for deemed dividend distribution for the profits of 2011, whilst for the year 2010 the Bank incurred losses and as a result the amount payable for special defence in year 2012 is nil.

24. Contingent liabilities and commitments

	2013	**2012**
	€	**€**
Contingent liabilities		
Acceptances and endorsements	**87.793**	211.590
Guarantees	**19.456.267**	20.307.773
	19.544.060	20.519.363
Commitments		
Documentary credits and certified export credits	**1.822.536**	1.621.481
Unutilised limits	**35.212.204**	35.976.537
	37.034.740	**37.598.018**

Unutilised limits are commitments for the provision of facilities to customers. The limits are provided for a fixed period and are cancellable by the Bank after specific notice to the client.

24. Contingent liabilities and commitments (continued)

Capital commitments
There were no commitments for contracted capital expenditure of the Bank as at 31 December 2013 and as at 31 December 2012.

Litigation
As at 31 December 2013, 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.

25. Analysis of assets and liabilities by expected maturity

	2013			2012		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
	€	**€**	**€**	€	€	€
Assets						
Cash and deposits with the Central Bank	**34.386.596**	**10.545.193**	**44.931.789**	69.578.468	52.357.806	121.936.274
Placements with banks	**49.365.884**	**-**	**49.365.884**	28.370.592	-	28.370.592
Loans and advances to customers	**33.630.663**	**378.013.390**	**411.644.053**	56.862.483	375.304.846	432.167.329
Investments held-to-maturity	**37.423.199**	**77.175.065**	**114.598.264**	39.611.002	102.897.705	142.508.707
Investments available for sale	**-**	**-**	**-**	739.697	-	739.697
Investment properties	**-**	**27.950.000**	**27.950.000**	-	26.876.000	26.876.000
Property, equipment and intangible assets	**-**	**6.333.671**	**6.333.671**	-	6.419.402	6.419.402
Other assets	**884.965**	**869.649**	**1.754.614**	1.080.507	908.284	1.988.791
	155.691.307	**500.886.968**	**656.578.275**	196.242.749	564.764.043	761.006.792
Liabilities						
Deposits by banks	**-**	**-**	**-**	-	42.306.250	42.306.250
Customer deposits	**62.417.530**	**527.259.673**	**589.677.203**	139.230.953	517.890.288	657.121.241
Other liabilities	**4.250.722**	**-**	**4.250.722**	4.438.637	-	4.438.637
Loan capital	**-**	**10.182.963**	**10.182.963**	-	10.182.963	10.182.963
	66.668.252	**537.442.636**	**604.110.888**	143.669.590	570.379.501	714.049.091

The main assumptions used in determining the expected maturity of assets and liabilities are set out below:
- Loans and advances to customers are classified based on their expected repayment schedule and their expected collectability.
- Customer deposits and other accounts are classified based on historical behavioural data.
- Investments available for sale are classified with maturity date within one year.
- Other assets and liabilities are classified based on their contractual maturity date.

26. Operating leases

Commitments under non-cancellable operating leases are as follows:

	2013 €	2012 €
Within one year	**470.309**	618.492
Between two and five years	**879.435**	735.441
Over five years	**-**	34.027
	1.349.744	1.387.960

The Bank's commitments for leases of buildings depend on the provisions of the relevant operating lease agreements. These agreements contain provisions for future adjustments on the lease payments, and allow the renewal of the agreements upon expiry by the Bank.

27. Net cash flow used in operating activities

	2013 €	2012 €
Loss before tax	**(14.945.638)**	(408.555)
Adjustments:		
Provision for impairment of loans and advances	**19.663.694**	3.663.973
Charge for impairment of the value of financial assets	**171.200**	793.423
Depreciation of property and equipment and amortisation of intangible assets	**767.880**	779.113
Loss/(profit) on disposal of property and equipment	**220**	(1.600)
Loss on revaluation of investment property	**2.208.463**	355.000
Interest on government and other bonds	**(7.330.955)**	(10.772.597)
Interest on loan capital	**764.009**	761.332
	1.298.873	(4.829.911)
(Increase)/decrease in operating assets:		
Obligatory deposits with the Central Bank	**550.624**	3.577.920
Investments in bonds	**(3.115.562)**	(5.696.255)
Loans and advances to customers	**(2.422.881)**	(68.925.289)
Other assets	**234.177**	(301.970)
	(4.753.642)	(71.345.594)
Increase/(decrease) in operating liabilities:		
Deposits by banks	**(42.306.250)**	(94.296.139)
Customer deposits	**(67.444.038)**	134.830.172
Other liabilities and other accounts	**(237.680)**	(5.058.454)
	(109.987.968)	35.475.579
Special levy paid	**(926.762)**	(488.332)
	(110.914.730)	34.987.247
Net cash flow used in operating activities	**(114.369.499)**	(41.188.258)

28. Cash and cash equivalents

	2013	2012
	€	€
Cash and balances with the Central Bank (Note 10)	**44.931.789**	121.936.274
Placements with banks (Note 11)	**49.365.884**	28.370.592
	94.297.673	150.306.866
Less obligatory deposits with the Central Bank (Note 10)	**(5.762.106)**	(6.312.730)
	88.535.567	143.994.136

29. Risk management

In the ordinary course of the business, the Bank is exposed to various risks, which are managed and monitored through a continuous process of identification, measurement, and monitoring to prevent undue risk concentrations. The Bank's management considers risk management to be a major process and a major factor in ensuring sustainable return to its shareholders. Each manager is responsible for the risks arising from their daily duties. A description of the nature of those risks and the way they are managed is provided below:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The risk is created primarily from credit facilities, trading and treasury management.

The Credit Risk Management Department has the responsibility to evaluate and assess the credit risk of the Bank and the responsibility to manage and control credit risk through various mechanisms on the basis of the strategic goals as determined by the Board of Directors. It recommends establishing and developing credit policies and procedures based on Central Bank of Cyprus directives and not only and adjusts when appropriate, in consultation with the General Management, the lending delegation limits for the various Approval Authorities.

The Credit Risk Management Department evaluates the granting of credit facilities to customers of the Bank under the credit policy and procedures, limits and principles of financing and also assesses the new banking products and new banking activities of the Bank.

The approval process of credit facilities aims in minimising credit risk by evaluating the creditworthiness of the counterparty, the collateral offered and the type of credit facility. Credit risks from related accounts are consolidated and monitored on a uniform group basis.

The Bank's portfolio is continuously monitored in order to avoid undertaking high risks when granting credit facilities and in their subsequent duration. When granting loans and advances to customers, the Bank uses an internal evaluation and grading system based on the clients' historical payment records and their overall relationship with the Bank and also a Rating System for corporate customers. In the case of governments and financial institutions, the evaluation is made based on the ratings of international credit rating agencies. The Bank uses Internal Rating Systems so as the customer's rating is representative of the credit risk involved. The evaluation process is supported by periodic audits by the Internal Audit Department.

The Bank's policy regarding the identification of impaired loans and advances and the methodology employed to determining the impairment provisions is set out in the significant accounting policies (Note 2) and significant accounting estimates and judgements (Note 3).

29. Risk management (continued)

The Bank prepares all statements relating to the control of credit risk at fixed intervals, and sends them to the Board of Directors and the Department of Regulatory Banking Supervision of Central Bank of Cyprus. On individual cases where there is a breach of the supervisory limits, the Bank takes all appropriate measures to reduce them within the directives of the Central Bank of Cyprus.

The principles of the Bank's collateral policy are based on the instructions of the Central Bank of Cyprus and include the definition of the realisable value of each collateral type, the type of collaterals accepted and that reassessments should be performed for immovable property at certain intervals by external certified surveyors/ associates of the Bank. Any concentration in each type of security is monitored on a frequent basis and all appropriate measures are taken.

Maximum exposure to credit risk
The table below shows the maximum exposure to credit risk, without taking into account any collateral held as well as other credit enhancements.

	2013	2012
	€	€
Balances with the Central Bank (Note 10)	**39.258.922**	116.719.035
Placements with banks (Note 11)	**49.365.884**	28.370.592
Loans and advances to customers (Note 12)	**411.644.053**	432.167.329
Investments held-to-maturity (Note 13)	**114.598.264**	142.508.707
Investments available for sale (Note 14)	**-**	564.347
Other assets (Note 18)	**1.754.614**	1.988.791
Total on-statement of financial position	**616.621.737**	722.318.801
Contingent liabilities (Note 24)	**19.544.060**	20.519.363
Commitments (Note 24)	**37.034.740**	37.598.018
Total off-statement of financial position	**56.578.800**	58.117.381
Total credit exposure	**673.200.537**	780.436.182

Credit risk concentration
There are restrictions on credit risk concentrations which are imposed by the Banking Law and the relevant Directive of the Central Bank of Cyprus. According to these restrictions, banks are prohibited from lending more than 25% of their capital base to a single customer group after taking into account the effect of credit risk reduction techniques as they are defined in the Directive of the Central Bank of Cyprus regarding the calculation of Capital Requirements and Large Exposures.

Also, the Banking law provides for the following limitations and prohibitions in relation to the transactions below involving members of the Board of Directors and main shareholders of the Bank.

For the Board of Directors:

- Not to grant any exposure to any of the independent members of the Board of Directors
- Not to permit the total value of exposures to any member of the Board of Directors to exceed at any time the amount of €500.000
- Not to permit the total value of exposures in respect of all members of the Board of Directors together, to exceed at any time 10% of its capital base
- Not to permit the total value of any unsecured exposures, which are granted to all members of the Board of Directors together, to exceed at any time 1% of its capital base

29. Risk management (continued)

For the main shareholders:

- Not to grant to any shareholder holding directly or indirectly, more than 10% of the share capital of the Bank, a large exposure (i.e. a credit facility over 10% of the Bank's capital base)
- Not to grant to all shareholders of the Bank, holding directly or indirectly, more than 10% of the share capital of the Bank, exposures that in total exceed 20% of the Bank's capital base
- Not to grant to all shareholders of the Bank, holding directly or indirectly, more than 10% of the share capital of the Bank, unsecured exposures that in total exceed 2% of the Bank's capital base

The Bank is in total compliance with all the regulatory limits above.

The Bank's exposure to credit risk arising from customer groups, who have credit facilities amounting to more than 10% of the Bank's capital base as at 31 December 2013, was €115,2 million (2012: €110,2 million), before any provision and credit risk reduction techniques.

The allocation of loans and advances relating to the clients' sector in the economy is as follows:

	2013	2012
	€	€
Trade and manufacturing	**99.834.642**	101.479.491
Tourism	**48.104.113**	41.544.014
Property and construction	**126.524.487**	120.918.656
Personal and professional	**195.582.227**	195.136.094
Other sectors	**27.292.666**	30.188.712
	497.338.135	489.266.967

Collateral and other credit enhancements

Loans and advances to customers

The main types of collateral obtained by the Bank are mortgages of properties, cash collaterals, bank guarantees, pledges of equity securities, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

Other financial instruments other than loans and advances to customers

Collateral held as security for financial assets other than loans and advances to customers is determined by the nature of the instrument. Debt securities, treasury bills and other eligible bills are generally unsecured.

Analysis of loans and advances to customers

	2013	2012
	€	€
Neither past due nor impaired	**234.460.856**	331.319.917
Past due but not impaired	**27.633.999**	65.963.197
Impaired or NPLs	**235.243.280**	91.983.853
	497.338.135	489.266.967

29. Risk management (continued)

Neither past due nor impaired loans and advances to customers
The credit quality of loans and advances to customers that were neither past due nor impaired is managed by the Bank using internal credit ratings.

The table below shows the credit quality of loans and advances to customers that were neither past due nor impaired based on this credit rating system.

	2013	2012
	€	€
Grade 1	**175.183.276**	233.846.205
Grade 2 & 3	**59.277.580**	96.622.433
Grade 4	**-**	851.279
	234.460.856	331.319.917

Grade 1
Loans and advances to customers that do not display negative indications are classified as Grade 1.

Grade 2 & 3
Loans and advances to customers that require monitoring for the prevention of future problems. Repayment ability remains within acceptable levels.

Grade 4
This grade is given to loans and advances that have repayment difficulties and are classified as non-legal non-performing loans (NPLs).

Loans and advances to customers which are past due but not impaired:

	2013	2012
	€	€
In arrears:		
Up to 30 days	**11.559.460**	18.767.689
From 31 to 90 days	**16.074.539**	13.134.212
From 91 to 180 days	**-**	2.541.007
From 181 to 365 days	**-**	3.111.401
Over one year	**-**	28.408.888
	27.633.999	65.963.197

The fair value of collateral held by the Bank in respect of loans and advances to customers that are past due but not impaired as at 31 December 2013 amounted to €29,9 million (2012: €75,4 million).

Following the issue of the new Directive by the Central Bank of Cyprus, which was applied from 1st July 2013, non-performing loans and facilities that present past due balances or are in excess for a period of more than 90 days are classified as NPLs.

Collateral on impaired loans and advances
The fair value of collateral held by the Bank in relation to impaired or NPL loans as at 31 December 2013 amounted to €164,1 million (2012: €33,9 million).

29. Risk management (continued)

Renegotiated loans and other advances to customers
During the year, the Bank proceeded in a number of negotiations with customers concerning the restructuring of their facilities.

Due to the adverse economic conditions prevailing in the Cyprus economy, a number of borrowers were or became apparent that they would be unable to repay their facilities in accordance with the original terms of the agreement with the Bank. The Bank, in collaboration with its customers proceeded to amend the original terms by offering revised terms to its borrowers such as the extension of the grace period (with or without payment of interest), deferring the payment of one or more loan instalments, reducing the amount of each instalment while extending the duration of the loan so that customers could facilitate the repayment of their obligations, and also giving the repayment option of bullet payment of their obligations in justifiable cases. At the same time the Bank, managed through the renegotiation of loans to improve the quality of collaterals (tangible and intangible) according to the abilities of each customer and as a result to limit its losses.

Despite the various types of terms renegotiated, the customer facilities are classified as restructured in the Bank records, according to certain criteria as defined by the relevant directives of the Central Bank of Cyprus.

The facilities that are considered restructured as at the year end, are analysed below as per their facility sector:

	2013	2012
	€	€
Trade and manufacturing	**12.623.604**	16.125.184
Tourism	**15.498.259**	16.220.467
Property and construction	**39.413.727**	27.307.199
Personal and professional	**38.354.268**	22.261.877
Other sectors	**763.679**	241.151
	106.653.537	82.155.878

Credit ratings from independent rating agencies
Balances with the Central Bank of Cyprus and placements with banks are analysed in accordance with their Moody's rating as follows:

	2013	2012
	€	€
Items in the course of collection	**2.295.988**	1.628.795
Aaa – Aa3	**8.326.919**	287.560
A1 – A3	**5.429.880**	14.145.494
Baa1 – Baa3	**2.608.253**	26.979
B1 – B3	**5.000.556**	116.719.035
Caa1 – Caa3	**39.320.445**	39.479
Unrated	**25.642.765**	12.242.285
	88.624.806	145.089.627

29. Risk management (continued)

Government and other bonds are analysed in accordance with their Moody's rating as follows:

	2013	2012
	€	€
Aaa – Aa3	**4.383.814**	2.424.486
A1 – A3	**9.569.212**	27.058.121
Baa1 – Baa3	**18.268.048**	9.302.865
B1 – B3	**-**	104.287.582
Caa1 – Caa3	**82.377.190**	-
Unrated	**-**	175.350
	114.598.264	143.248.404
Issued by:		
Cyprus government	**82.377.190**	103.723.235
Cyprus public companies	**-**	739.697
Foreign banks	**32.221.074**	38.785.472
	114.598.264	143.248.404
Classified as:		
Investments held to maturity	**114.598.264**	142.508.707
Investments available for sale	**-**	739.697
	114.598.264	143.248.404

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises as a result of timing differences on the repricing interest rates of assets and liabilities.

Interest rate risk is measured, monitored and controlled using interest rate sensitivity gap analysis estimating the difference between assets and liabilities for which interest rates are repriced in each time band, separately for each currency. This difference is multiplied by 1% (the assumed change in interest rates) for the period from the repricing date until twelve months from the date of the analysis, in order to estimate the impact on annual revenues of any changes in interest rates for the next twelve months for each currency.

29. Risk management (continued)

Sensitivity analysis
The table below indicates the effect on the Bank's net interest income and profit before tax, for one-year period, from reasonably possible changes in the interest rate of the main currencies:

Change in interest rates 2013	Euro €	US Dollars €	Japanese Yen €	Other currencies €	Total €
+0,5% for all currencies	**421.364**	**35.011**	**456**	**37.510**	**494.341**
-0,25% for US Dollars and -0,5% for all other currencies	**(436.284)**	**(17.506)**	**(456)**	**(37.510)**	**(491.756)**

Change in interest rates 2012	Euro €	US Dollars €	Japanese Yen €	Other currencies €	Total €
+0,5% for all currencies	296.822	8.099	844	504	306.269
-0,25% for US Dollars and -0,5% for all other currencies	(289.343)	(4.049)	(844)	(504)	(294.740)

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Assets and Liabilities Committee (ALCO) has approved open position limits for each currency and for total foreign exchange position limits. These limits are monitored by the Market Risk Management Unit. The Bank uses foreign exchange swaps for foreign exchange risk hedging, for which it does not apply hedge accounting.

As a result, there are no materially open positions in any currency, and consequently the impact on net loss and equity of reasonably possible changes in exchange rates is not expected to be significant.

Liquidity Risk
Liquidity risk is the risk that the Bank is unable to fully or promptly meet current and future payment obligations as and when they fall due. This risk includes the possibility that the Bank may have to raise funding at higher cost or sell assets at a discount.

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment or unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

29. Risk management (continued)

Liquidity Risk (continued)
The Bank has developed internal control processes and contingency plans for managing liquidity risk. These incorporate an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

The Bank`s Treasury department is responsible for managing liquidity and to ensure compliance with internal and regulatory liquidity policies and provide direction as to the actions to be taken regarding liquidity availability. The Assets and Liability Committee (ALCO) reviews the liquidity position on a weekly basis and takes the necessary actions to enhance the Bank's liquidity position.

Monitoring Process
Due to the economic crisis, it is also important to monitor cash flows and highly liquid assets in addition to the supervisory liquidity ratios to ensure the uninterrupted operation of the Bank's activities. The Bank`s Regulatory department submits a report to the Central Bank of Cyprus on a daily basis indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash (both banknote balances, nostro balances and any overnight money market balances). This information is also reviewed by the Bank`s Treasury department for appropriate actions to be taken. Moreover, the Regulatory department prepares a weekly report of Euro and foreign currency liquidity mismatch which is submitted to the Central Bank of Cyprus.

Analysis of financial liabilities by remaining contractual maturity:

2013	**On demand and up to one month**	**Between one and three months**	**Between three months and one year**	**Between one and five years**	**Over five years**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Deposits and other customer accounts	**305.282.249**	**142.680.504**	**143.663.350**	**471.257**	**586.527**	**592.683.887**
Other liabilities	**2.185.057**	**-**	**-**	**-**	**-**	**2.185.057**
Loan capital	**-**	**-**	**1.738.011**	**9.612.888**	**-**	**11.350.899**
	307.467.306	**142.680.504**	**145.401.361**	**10.084.145**	**586.527**	**606.219.843**

2012	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total
	€	€	€	€	€	€
Deposits by banks	-	-	-	42.984.375	-	42.984.375
Deposits and other customer accounts	267.363.330	150.543.772	244.432.178	226.549	543.639	663.109.468
Other liabilities	2.756.448	-	-	-	-	2.756.448
Loan capital	-	-	1.738.011	10.300.545	-	12.038.556
	270.119.778	150.543.772	246.170.189	53.511.469	543.639	720.888.847

29. Risk management (continued)

Liquidity Risk (continued)
The table above presents the Bank's financial liabilities based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December until the contractual maturity date. Repayments for which notice should be given, have been placed in the relevant time bands, as if notice had been given on 31 December. The amounts in this table may not be equal to the amounts in the statement of financial position since the table above presents all cash flows (including interest) on an undiscounted basis.

The calculation of protective liquidity in euro and other currencies for supervisory purposes is submitted to the Central Bank of Cyprus every quarter, while additional information in relation to liquidity is submitted on a weekly basis. These statements are monitored by management. The minimum percentage of liquid assets is 20% of total euro deposits while the respective percentage for foreign currencies is 70%.

The liquidity ratio in Euro was as follows:

	2013	2012
	%	%
31 December	**25,94**	17,80
Average for the year	**19,28**	16,74
Maximum ratio for the year	**25,94**	24,49
Minimum ratio for the year	**12,24**	7,06

The liquidity ratio in Foreign Currencies was as follows:

	2013	2012
	%	%
31 December	**96,04**	83,02
Average for the year	**100,22**	85,31
Maximum ratio for the year	**115,19**	90,46
Minimum ratio for the year	**91,77**	82,90

The foreign currency liquidity ratio is calculated using data denominated in foreign currencies other than the euro.

Operational risk
Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Bank manages operational risk through procedures and controls it implements and also through a dedicated system for recording loss events and findings of the Risk Control Self-Assessment by the various departments/branches of the Bank. Controls include segregation of duties, controllable access, reconciliation of accounts and balances. In addition, the Bank's Internal Audit department performs periodic reviews and evaluates the efficiency of these controls and procedures. Additionally, an insurance coverage exists in order to cover unanticipated operating losses.

Regulatory risk
The Bank's operations are supervised by the Central Bank of Cyprus. In carrying out its regulatory duties, the Central Bank of Cyprus follows, inter alia by the European Union's underlying legal framework, as well as the regulatory framework of Central Bank of Cyprus. Future changes in the legal or regulatory duties as a result of arrangements either by European Union or Central Bank of Cyprus, may impact the Bank's operations.

29. Risk management (continued)

Intensity of competition
The operational environment of the Bank is highly competitive. Competition arises from commercial banks, cooperative credit institutions, and international banking units. Any intensification of competition as a result of more competitive interest rates being offered on deposits and advances compared to those offered by the Bank, may create pressure on the Bank's profitability.

Litigation risk
The Bank may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings against the Bank in the event that legal issues are not properly dealt with by the Bank, resulting in the cancellation of contracts with customers thus exposing the Bank to legal actions against it.

Political risk
External factors which are beyond the control of the Bank, such as political developments and government actions in Cyprus may adversely affect the operations of the Bank, its strategy and prospects. As described in Note 33, during March 2013 the Republic of Cyprus and the Eurogroup reached an agreement on the package of measures intended to restore the viability of the financial sector and sound public finance over the coming years which had an impact on the Bank's operations and prospects. Other important political risk factors include social developments in Cyprus, political developments in the Eurozone which might lead to a Euro exit of a Eurozone member state, the ongoing unresolved political issue of the Turkish occupied areas, and political and social unrest and political instability or military conflict in neighbouring countries and/or other overseas areas.

Given the above, the Bank recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties which may result in a negative impact on Bank's activities, operating results and position.

30. Capital management

The main regulator that sets and monitors capital requirements for the Bank is the Central Bank of Cyprus. The Central Bank of Cyprus adopts in its supervisory role the recommendations of the Basel Committee and the European Union Directives on banking issues.

In December 2006 the Central Bank of Cyprus issued a Directive to the Banks for the purposes of harmonisation with the European Union Directives in regards to the calculation of the capital requirements and large exposures of banks (Basel II). The Bank has elected to comply with Basel II as from January 2008.

In July 2011, the Central Bank of Cyprus amended its Directive for capital requirements, introducing a new ratio for Core Tier 1 capital. According to the directive, under Pillar 1, the minimum level of the new ratio was set at 8% for the period until 30 December 2012 with the provision to be increased gradually based on the percentage of the Bank's assets over the gross domestic product of the Republic of Cyprus. The Directive had also set the minimum level of Tier 1 capital as the minimum level of Core Tier 1 ratio plus 1,5%. In addition, it had set the minimum total capital ratio as the Tier 1 ratio plus 2,0%.

As a result and taking into account the increment of the percentage of the Bank's assets over the gross domestic product of the Republic of Cyprus, the minimum required ratios for the Bank as at 31 December 2012 were as follows: Core Tier at 8,02%, Tier 1 at 9,52% and total capital ratio at 11,52%.

30. Capital management (continued)

Based on the Memorandum of Understanding (MoU) between the Cyprus government and Troika dated 6th November 2013, as from 31 December 2013, the Central Bank of Cyprus increased the minimum Core Tier 1 capital ratio from 8% to 9% and the minimum requirements for Tier 1 and total capital ratios have been abolished. However, the Central Bank of Cyprus may also impose additional capital requirements for risks not recognised by Pillar 1 (Pillar 2 add-ons).

At 31 December 2013, the Bank fully meets the minimum capital requirements. Specifically, the Core Tier 1 ratio was 10,2% (December 2012: 9,5%), Tier 1 ratio 10,4% (December 2012: 9,7%) and the Total Capital ratio 13,04% (December 2012: 12,5%).

As from 1 January 2014, the new Basel III Framework known as Capital Requirement Regulations (CRR) and amended Capital Requirement Directive IV (CRD IV) became effective.

Basel III Framework comprises of three Pillars:
- Pillar 1 – Minimum capital requirements
- Pillar 2 – Supervisory review process
- Pillar 3 – Market discipline

Pillar 1 – Minimum capital requirements
Pillar 1 sets forth the guidelines for calculating the minimum capital requirements to cover the credit risk, the market risk and the operational risk.

The Bank has adopted the Standardised Approach for the calculation of the minimum capital against credit risk. Under this approach, exposures are classified in specified classes and are weighed using specific weights, depending on the class the exposures belong to and their credit rating. According to the directive, there are two methods for the recognition of collateral, the Simple Approach and the Comprehensive Approach. The Bank has applied the Comprehensive Approach, as this enables the fairer recognition and more accurate estimation of the Bank's collateral.

Regarding market risk, the Bank has adopted the Standardised Approach, according to which the minimum capital requirement is estimated by adding together the interest rate, equity and debt securities position, foreign exchange and price risk on derivatives using predefined models.

The Bank uses the Basic Indicator Approach for the calculation of the capital requirements for operational risk, based on which the operational risk capital requirement is estimated using a specific percentage on the average sum of gross income on a three year basis.

Pillar 2 – Supervisory review process
Pillar 2 includes rules to ensure that adequate capital is in place to support any risk exposures of the Bank and requires appropriate risk management, reporting and governance policies. The Bank applied the Minimum Capital Approach to determine the additional capital required to cover credit risks which are not sufficiently covered by Pillar 1 requirements, such as Residual Risk, as well as risks not recognised by Pillar 1, such as Credit Concentration Risk, Interest Rate Risk in the Banking Book and any external factors affecting the Bank.

Banks are assessing their capital needs relative to their risks with their Internal Capital Adequacy Assessment Process (ICAAP), while at the same time maintaining communication with supervisors on a continuous basis. This procedure is monitored and evaluated by the Central Bank of Cyprus.

30. Capital management (continued)

Pillar 3 – Market discipline
Pillar 3 sets out required disclosures to allow market participants to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Bank.

Based on the Central Bank Directive, disclosures by banks include information relating to their risk management objectives and policies, the composition of own funds and original and supplementary funds, their compliance with minimum capital requirements and the internal capital adequacy assessment process.

The Bank closely monitors its capital adequacy both for compliance with the requirements of the supervisory authority as well as to maintain a base to support and develop its activities and safeguard the interests of its shareholders.

The table below presents the position of the Bank's regulatory capital, in accordance with the directive, at 31 December:

	2013	2012
	€000	€000
Regulatory capital		
Core original own funds (Core Tier 1)	**48.509**	43.068
Original own funds	**49.483**	44.042
Additional own funds	**12.539**	12.539
Total regulatory capital	**62.022**	56.581
Risk weighted assets – credit risk	**434.308**	415.547
Risk weighted assets – operational risk	**41.236**	35.761
Risk weighted assets – market risk	**-**	351
Total risk weighted assets	**475.544**	451.659
Core Tier 1 ratio	**10,2%**	9,5%
Tier 1 ratio	**10,4%**	9,7%
Total Capital Ratio	**13,04%**	12,5%
Minimum ratios as per the Central Bank of Cyprus:		
Core Tier 1 ratio	**9,00%**	8,02%
Tier 1 ratio	**n/a**	9,52%
Total capital ratio	**n/a**	11,52%

31. Related party transactions

The Bank is a subsidiary of BLC Bank SAL through its 97,31% 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.

	2013	2012	**2013**	2012
	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	**380.613**	478.275
	15	15	**380.613**	478.275
To key management personnel and related parties			**1.736.767**	1.203.085
Total loans and other advances			**2.117.380**	1.681.360
Tangible securities			**3.911.609**	2.287.990
Interest income			**76.588**	70.939
Deposits:				
- members of the Board of Directors and key management personnel			**2.311.154**	1.153.973
- connected persons of the above			**785.082**	1.160.847
			3.096.236	2.314.820
Interest expense			**54.945**	115.327
Loan capital issued to shareholder who owns more than 20% of the share capital			**282.350**	282.350
Interest expense on loan capital			**20.470**	20.526

In addition, there were contingent liabilities and commitments to the members of the Board of Directors and their connected persons amounting to €482.754 (2012: €453.469), of which €125.271 (2012: €192.839) relate to Directors and their connected persons.

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 31 December 2013 there were interbank deposits amounting to €25.642.765 (2012: €12.242.285) to the parent company BLC Bank SAL and €5.000.556 (2012: nil) to the ultimate parent company Fransabank SAL, as part of the ordinary operations of the Bank while there was no interbank lending from BLC Bank SAL or Fransabank SAL.

31. Related party transactions (continued)

Fees and emoluments of Directors and key management personnel

Directors' emoluments	**2013**	2012
	€	€
Member Fees:		
Non executives	**155.628**	155.872
Executives	**-**	-
Total member fees	**155.628**	155.872
Executive directors' emoluments:		
Salaries and other short-term benefits	**248.407**	250.897
Employer's contributions	**23.328**	18.268
Retirement benefit plan costs	**33.484**	33.484
Total executive directors' emoluments	**305.219**	302.649
Total Board of Directors emoluments	**460.847**	458.521
Key management personnel emoluments:		
Salaries and other short-term benefits	**907.154**	804.895
Employer's contributions	**89.660**	75.918
Retirement benefit plan costs	**115.315**	97.900
Total key management personnel emoluments	**1.112.129**	978.713
Total emoluments	**1.572.976**	1.437.235

Due to a change in the Bank's organisational structure, the salaries and other short term benefits of key management personnel as stated above include emoluments for 10 managers of the Bank for year 2013 (2012: 8 managers) and does not refer to any salary increments from prior year.

32. Agreements with a major shareholder

Except for the disclosures in Note 31, at the reporting date and at the approval date of the financial statements there were no other agreements between the Bank and its major shareholder who owns more than 20% of the share capital.

33. Operating environment

Following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets had been significantly affected. As a result, in June 2012 the Cyprus government applied to the European Union and the International Monetary Fund for financial assistance. This led to negotiations with the European Commission, the European Central Bank ('ECB') and the International Monetary Fund ('IMF') (collectively referred to as the 'Troika') for a comprehensive programme of financial assistance.

Cyprus and the Eurogroup reached an agreement on 25 March 2013 on a package of measures intended to restore the viability of the financial sector and sound public finances over the coming years. The stability support granted to Cyprus is conditional upon the implementation of an extensive programme of policy reforms. A Memorandum of Understanding ('MoU') has been agreed between Cyprus and the Troika which includes financial sector reform, fiscal policy and fiscal structural measures, labour market reforms and improvements in goods and services markets. The financial assistance that Cyprus will receive is up to €10 billion and is subject to a restructuring programme. The memorandum was approved on 12 April 2013 and the first three tranches of funds have already been received by the Republic of Cyprus.

The package of measures aims to restore the soundness of the Cypriot banking sector, to correct the general government deficit, to increase the efficiency of public spending, to improve the functioning of the public sector, to support competiveness and to restore sustainable and balanced growth.

On 29 March 2013 the Central Bank of Cyprus issued decrees relating to Laiki Bank and Bank of Cyprus, implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013. On the basis of the relevant decrees, Laiki Bank was placed into resolution. What remained in Laiki Bank were mainly the uninsured deposits and assets outside Cyprus. The assets of Laiki Bank in Cyprus, the insured deposits and the Eurosystem financing have been transferred to Bank of Cyprus, with compensation for the value of the net assets transferred, the issue of shares by Bank of Cyprus to Laiki Bank.

The recapitalization process for the Bank of Cyprus was completed in accordance with the relevant decrees of the Resolution Authority through "bail in", that is through the partial conversion of uninsured deposits into shares. In addition, the holders of shares and debt instruments in Bank of Cyprus on 29 March 2013 have contributed to the recapitalization of Bank of Cyprus through the absorption of losses.

Although the economic situation in Cyprus remains challenging, the economic recession has been less severe than expected and the economy is proving relatively resilient. The third quarterly review mission of Troika has concluded that the Cyprus adjustment programme remains on track, with the macro-fiscal outturn better than expected. All fiscal targets have been met with considerable margins, reflecting the ambitious fiscal consolidation underway, prudent budget execution and a less severe deterioration of economic activity than originally projected. The economy is adjusting flexibly as prices and wages are declining, helping to cushion the full impact of the recession on jobs. Structural reforms are also advancing. Furthermore, there has been significant progress towards the recapitalisation and restructuring of the financial sector, with the sector showing signs of stabilisation.

The uncertain economic conditions in Cyprus, the lack of liquidity, the restructuring of the banking sector through "bail in" for Laiki Bank and Bank of Cyprus, and the imposition of capital controls together with the current situation of the banking system and the continuing overall economic recession, impact the operations of the Bank.

Following the developments described above, Bank of Cyprus is currently the largest bank operating in Cyprus in terms of its market share. Its viability, management and performance will inevitably affect the path to recovery of the entire Cypriot economy.

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.

33. Operating environment (continued)

The Bank holds significant collaterals securing loans and advances granted to customers in the form of immovable property and as part of restructuring negotiations with certain customers, such property collateral maybe foreclosed by the Bank. As a result the Bank's future performance maybe adversly affected by the current uncertainty in property prices across the Cypriot real estate market.

Furthermore, as a result of the new prevailing economic realities of Cyprus' businesses and households, the Bank's management has assessed the level of impairment provisions deemed necessary in respect of its loan portfolio as further detailed in Note 12 to the financial statements.

Temporary restrictions on money transfers

The Cypriot authorities have introduced temporary restrictive measures, with respect to banking and cash transactions as a result of the significant liquidity squeeze in the local market and the risk of an outflow of deposits. These measures include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. They also provided for the compulsory partial renewal of maturing deposits. Since their introduction, these restrictive measures have been gradually relaxed and the government has published a road map for the gradual liberalisation of the restrictions, taking into account investor confidence and financial stability indicators.

Tax and other fiscal measures

Pursuant to the implementation of the decision of the Eurogroup, the House of Representatives of Cyprus voted a number of bills regarding direct and indirect taxes, the most important of which are:

Increase of corporation tax rate

The corporate tax rate was increased from 10% to 12,5% as of 1 January 2013.

Carry forward of tax losses

As from 25 March 2013, in case of transfer of operations, assets, rights or obligations from one credit institution to another, under The Credit Institutions' Resolution Law, any accumulated losses of the transferring credit institution at the time of the transfer, are transferred to the acquiring credit institution and may be used by it for a period of up to fifteen years from the end of the year during which the transfer took place.

Increase in special defence contribution on interest

The special defence contribution rate on interest was increased from 15% to 30% as of 29 April 2013. The special defence contribution on interest is payable only by tax residents of Cyprus and applies to physical persons as well as legal persons which receive interest which is not associated with the ordinary activities of the company.

Assessment and Collection of Taxes Law

The law has been amended in order to define the books and records which need to be maintained by a taxable person to enable them to prepare and file tax returns. In addition, supporting documentation should be maintained. Similar amendments were introduced in the Companies Law.

33. Operating environment (continued)

Immovable property taxes
The immovable property tax rates have been increased for 2013 (legislation passed in April 2013) at rates which range from 0,6% to 1,9% of the value of the property as at 1 January 1980.

Annual levy on bank deposits
The special levy paid by banking institutions on deposits was increased from 0,11% to 0,15% as of 1 January 2013. In accordance with the existing legislation, the levy is imposed on deposits as at the end of the previous year and is payable in equal quarterly instalments. In order to take into account the significant drop in bank deposits, specifically for the year 2013, the levy is imposed on deposits as at the end of the previous quarter at the rate of 0,0375%.

Effects of developments
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 a 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.

34. Events after the reporting date

Other than the share capital related issues stated in Note 22 of these financial statements, there were no other significant events after the end of the financial year which have a bearing on the understanding of the financial statements.

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Independent Auditor's report

To the Members of USB BANK PLC

Report on the financial statements

We have audited the accompanying financial statements of USB BANK PLC (the "Bank") on pages 30 to 81, which comprise the statement of financial position as at 31 December 2013, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Independent auditor's report (continued)

To the Members of USB BANK PLC

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap 113.

Emphasis of matter

We draw attention to the disclosures in Note 33 to the financial statements, which describe the existing significant uncertainties of the Cyprus economy and the developments that followed the political agreement reached between the Cyprus government and the Eurogroup on 25 March 2013. In light of the above, there could be adverse economic consequences that may impact the Bank, a matter of uncertainty that cannot be determined and quantified at present. Our opinion is not qualified in respect of this matter.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:
- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Bank.
- The Bank's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Pursuant to the requirements of the Directive DI190/2007/04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

Other matter

This report, including the opinion, has been prepared for and only for the Bank's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Alexis Agathocleous
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

Maximos Plaza, Tower 1, 3rd Floor
213 Arch. Makariou III Avenue,
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Limassol, 29 April 2014

Credit risk

In February 2014, the Central Bank of Cyprus issued to credit institutions the Directive on Loan Impairment and Provisioning Procedures of 2014, which provides guidance to banks for loan impairment policy and procedures for provisions. The purpose of this Directive is to ensure that credit institutions have in place adequate provisioning policies and procedures for the identification of credit losses and prudent application of IFRSs in the preparation of their financial statements.

The Directive requires certain disclosures in relation to the loan portfolio quality, provisioning policy and levels of provision. The Directive is effective as from 21 February 2014 however the disclosure requirements should be published for the year ended 31 December 2013 together with the 2013 financial statements. The disclosures required by the Directive, in addition to those presented in Notes 12 and 29 to the financial statements, are set out in the following tables.

TABLE A: 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 €000	Restructured credit facilities €000	Total €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**

Credit Risk (continued)

TABLE B: Analysis of the credit portfolio on the basis of their origination date for balances as at 31 December 2013

Credit Facilities Granted	Total Credit Facilities			Credit Facilities to Legal Entities			Credit Facilities to Private Individuals Housing Loans			Credit Facilities to Private Individuals Other Loans		
	Total	Non Performing	Pro-visions	Total	Non Performing	Pro-visions	Total	Non Performing	Pro-visions	Total	Non Performing	Pro-visions
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	58.583	19.566	3.119	36.582	13.411	2.775	6.435	348	44	15.566	5.807	300
1 – 2 years	117.618	48.683	10.808	89.970	36.344	5.646	9.661	1.891	492	17.987	10.448	4.670
2 – 3 years	87.247	35.249	7.653	64.821	26.707	5.895	10.068	1.559	364	12.358	6.983	1.394
3 – 5 years	87.813	47.701	17.320	61.741	34.770	12.777	10.590	2.582	616	15.482	10.349	3.927
5 – 7 years	52.039	25.640	8.859	37.145	18.728	6.709	7.623	2.140	539	7.271	4.772	1.611
7 – 10 years	21.800	8.922	3.396	12.482	3.587	1.884	4.370	2.102	268	4.951	3.233	1.244
More than 10 years	72.232	49.482	34.539	47.546	30.988	21.780	3.993	2.896	1.382	20.694	15.598	11.377
Total	**497.338**	**235.243**	**85.694**	**350.287**	**164.535**	**57.466**	**52.740**	**13.518**	**3.705**	**94.311**	**57.190**	**24.523**

* The origination date of new or restructured credit facilities is defined as the date of loan agreement i.e. contract date.

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