# GPB International S.A.

## Annual accounts

as at 31 December 2014
(with the Report of the Réviseur d'Entreprises agréé thereon)

# GPB International S.A.
## Management Report

GPB International S.A. (the "Bank") was founded on 10 July 2013 as a "société anonyme" to be governed by the law of 10 August 1915 (as amended) concerning commercial companies. The Bank received its authorization on 21 October 2013 by the Minister of Finance to act as a credit institution in Luxembourg according to article 3 of the law of 5 April 1993 on the financial sector, as amended.

The purpose of the Bank is the operation of a Bank pursuant to the Luxembourg Law of 5 April 1993 on the financial sector, as amended. The scope of operations of the Bank extends to all types of banking, financial, advisory, service and trading activities in Luxembourg.

The Bank started its business activities with clients in January 2014. In a first step the Bank mainly provided banking services to its shareholder and affiliated Group companies. In a second step, the Bank extended its services and its product offering to existing corporate clients and prospects of the Gazprombank group; the Bank addresses diverse corporate customers such as Group companies, Russia/Commonwealth of Independent States ("CIS") exporters and importers, EU exporters to and importers from Russia.

The Bank successfully acquired new clients mainly consisting of international subsidiaries of large Russian corporates and Russian investors.

As a consequence the Bank was actively engaged in funds taking from its clients, granting of short terms loans to corporates, both on a bilateral and on a syndicated basis, and in settlements for its own account as well as for clients.

In order to develop the Bank as the EURO-hub for its shareholder and its clients, the Bank started the process to become a member of the TARGET system with the aim to participate in SEPA as a direct participant. The discussions with the Central Bank of Luxembourg about the membership in the TARGET system are still ongoing.

The predominately outsourced IT function proved to be robust and resilient. In order to comply with new requirements and client requests, the Bank, together with its service provider, initiated and implemented additional IT projects.

The business strategy and objectives as well as the risk and capital management policies are defined and monitored by the Board of Directors of the Bank. The management of the risks takes places at the regular meetings of the Board of Directors and is supported by regular and ad-hoc information to the members of the Board of Directors.

The main risks to be managed and controlled encompass the following main risk categories:

- Credit risk, primarily in the form of default risk, country risk and settlement risks,
- Market risk, especially interest rate and currency risk,
- Liquidity risk,
- Operational risk,
- Reputational risk.

The most important risks to which the Bank`s business activities are exposed are banking risks, reputational risks as well as risk resulting from business activities in general.

The banking risks encompass credit risk, market risk, liquidity risk and operational risk.

Credit risk arises from all transactions that create actual, contingent or potential claims against counterparties. The credit risk is the most important risk for the Bank and is divided into the three categories of default risk, country risk and settlement risk. The default risk is the risk that counterparties may fail to meet their contractual payment obligations, whereas country risk defines the risk that a loss may arise for the following reasons in any country: deterioration of economic situation, nationalisation and expropriation of assets, foreign exchange controls as well as transfer risk. The settlement risk is the risk that the settlement or clearing of transactions in the form of exchange of cash, securities or other assets may fail.

The main business of the Bank dealing with counterparty risk is the lending business. The authorisation of loans is governed by detailed guidelines and directives stating the condition, including comprehensive credit analyses, for any loan to be made. These directives and guidelines also cover the monitoring of outstanding loans. The Bank is using a rating system and classifies all counterparties into six categories. The Board of Directors receives a regular overview of the ratings of all counterparties. The Bank also uses a system of country limits that are regularly set and monitored by the Board of Directors. To limit credit risks in respect of loans, the Bank has defined lending norms in its business regulations. The granting of loans is covered by authorisation regulations. These cover the credit items, which are allocated to four credit categories, and also govern and limit amounts.

The Bank can also obtain additional information on assessments, events and developments, etc. on the Russian market via its sole shareholder, Gazprombank (JSC), Moscow.

Market risk arises from the uncertainty concerning changes in market prices and rates (including interest rates, share prices, exchange rates) as well as in the correlations among them and their volatilities.

The Bank has limited exposure to market risk assured through restrictive foreign exchange limits and interest rate risk limits. All limits are constantly monitored by the Risk Control Function and reported to the Management of the Bank and the Board of Directors.

Liquidity risk is defined as the risk of not being in a position to meet payment obligations when they mature, or only at excessive rates.

The Bank is managing and monitoring the Liquidity risk in accordance with statutory provisions and internal requirements. The liquidity position of the Bank is controlled daily by the Risk Control Function.

Operational risk is the risk to incur losses in connection with staff, contractual specifications and their documentation, technology, infrastructural failure or collapse, projects, external influences and customer's relationships. Operational risk also includes legal, compliance, tax and regulatory risk, but not the general business risk or reputational risks.

Operational risk is managed and controlled on the basis of a local and Group-wide consistent framework which systematically identifies operational risk aspects and concentrations in order to define risk mitigation measures. The management of operational risk is the responsibility of bank executives at all levels and across business and support functions.

The general business risk is the risk to arise from changes in the general business conditions. These include potential changes in the market conditions, clients' behaviour and technological progress which might have an impact on the business results of the Bank.

Reputational risk is defined as the risk that public trust in the Bank might be negatively affected by public reporting on transactions or business practice in which customers are involved.

The above-mentioned risks are monitored and controlled at all times and with the support of the Risk Management and Risk Control Department of Gazprombank (Swiss) Limited, Zürich, under a Service Level Agreement concluded between the two affiliated companies and in line with the requirements of the Luxembourg Banking Authority.

During the course of 2014 the Bank strengthened its Corporate Governance structure with the election of two independent members to the Board of Directors by the shareholder.

The shareholder, Gazprombank (JSC) amended its articles of incorporation in December 2014 resulting in a change of its name in English from Gazprombank (OJSC) into Gazprombank (JSC) and the abbreviated name to: Bank GPB (JSC). Also in December 2014 the Russian Government acquired preference shares of Gazprombank (JSC) in the total amount of RUB 39.95 billion as part of its measures to support the Russian banking system. The shares were acquired using proceeds of repayment by Gazprombank (JSC) of subordinated deposits in the same amount. The conversion allows Gazprombank (JSC) to strengthen its capital structure and provides for sufficient scope to expand its operations. The preference shares are non-voting and therefore do not affect the governance of Gazprombank (JSC) and allocation of voting rights of the current shareholders.

As a result of the restrictive measures introduced by the European Union against Russia, the initially planned business development could not be achieved and the Bank finished its first year of banking operations with a loss.

In January 2015 the shareholder of the Bank demonstrated its continuous support of the Bank with an increase of the share capital of the Bank from the amount of EUR 20 million by an amount of EUR 10 million up to EUR 30 million; the newly issued shares were subscribed by the sole shareholder Gazprombank (JSC). Please refer to the Note 20 of the annual accounts.

The total assets amounted to EUR 37.5 million.

Loans and advances to credit institutions amounted to EUR 25.3 million as at 31 December 2014, of which EUR 10 million was received in December 2014 from the Bank's sole shareholder, to be used for the above-mentioned January 2015 capital increase; loans and advances to customers were EUR 7.4 million of short-term loans in accordance with the sanctions imposed.

The deposits from customers amounted to EUR 8.1 million as at 31 December 2014.

In 2014, the Bank has recorded a loss for the financial year of EUR 6,573,732. The Board of Directors will propose to the General Meeting of Shareholders to carry forward the loss for the financial year.

For 2015 the Bank plans to expand and further develop its business in accordance with the sanctions imposed.

The Bank had no research and development activities. The Bank did not acquire its own shares.

The Bank's financial risk management objectives and policies, as well as exposures to market risk, credit risk, liquidity risk and other types of risks is given in Note 3 of the annual accounts.

Luxembourg, 26 March 2015

On behalf of the Board of Directors

| | |
|---|---|
| Vladimir M. Ryskin | Thomas Kiefer |
| General Director | General Director |

KPMG

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# REPORT OF THE REVISEUR D'ENTREPRISES AGREE

## *Report on the annual accounts*

We have audited the accompanying annual accounts of GPB International S.A., which comprise the balance sheet as at 31 December 2014 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Board of Directors' responsibility for the annual accounts*

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the Réviseur d'Entreprises agréé*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 annual accounts.

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

*Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of GPB International S.A. as of 31 December 2014, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

***Report on other legal and regulatory requirements***

The Management Report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

Luxembourg, 26 March 2015

KPMG Luxembourg, Société coopérative
Cabinet de révision agréé

M. Eichmüller de Souza

SU1001

# GPB International S.A.
## Balance sheet as of 31 December 2014

| | Notes | 31.12.2014 EUR | 31.12.2013 EUR |
|---|---|---|---|
| **ASSETS** | | | |
| Cash in hand, balances with central banks and post office banks | 3, 4 | 3,100,199 | - |
| Loans and advances to credit institutions | | | |
| - repayable on demand | 2.3, 3, 5 | 23,988,161 | 17,929,380 |
| - other loans and advances | | 1,339,494 | - |
| Loans and advances to customers | 2.3, 3, 6 | 7,437,778 | - |
| Intangible assets | 2.5.1, 7 | 991,555 | 1,343,706 |
| Tangible assets | 2.5.2, 7 | 115,670 | 89,759 |
| Other assets | 8 | 376,978 | 10,855 |
| Prepayments and accrued income | | 174,509 | - |
| **TOTAL ASSETS** | | **37,524,344** | **19,373,700** |
| **LIABILITIES** | | | |
| Amounts owed to credit institutions | 2.4, 9 | | |
| - repayable on demand | | 15,659,253 | - |
| Amounts owed to customers | 2.4, 10 | | |
| Other debts: | | | |
| - repayable on demand | | 3,733,070 | - |
| - with agreed maturity dates or periods of notice | | 4,331,407 | - |
| Other liabilities | 11 | 571,446 | 349,898 |
| Accruals and deferred income | | 25,786 | - |
| Provisions | | | |
| - provisions for taxation | | 106,310 | - |
| - other provisions | 12 | 976,800 | 329,798 |
| Subscribed capital | 13 | 20,000,000 | 20,000,000 |
| Loss brought forward | | (1,305,996) | - |
| Loss for the financial year/period | | (6,573,732) | (1,305,996) |
| **TOTAL LIABILITIES** | | **37,524,344** | **19,373,700** |
| **OFF-BALANCE SHEET ITEMS** | | | |
| Contingent liabilities | 15 | - | - |
| of which: | | | |
| guarantees and assets pledged as collateral security | | - | - |

The accompanying notes form an integral part of these annual accounts.

# GPB International S.A.

## Profit and loss account for the year ended 31 December 2014

| | Notes | 2014 EUR | For the period from 10 July 2013 to 31 December 2013 EUR |
|---|---|---|---|
| Interest receivable and similar income | 16 | 479,036 | - |
| Interest payable and similar charges | | (18,929) | - |
| Commissions receivable | | 438,818 | - |
| Commissions payable | | (11,793) | - |
| Net profit or net loss on financial operations | | 54,274 | - |
| Other operating income | | 15,365 | - |
| General administrative expenses: | | | |
| a) staff costs | 17 | (4,296,582) | (789,129) |
| *of which* | | | |
| - *wages and salaries* | | *(3,859,690)* | *(715,320)* |
| - *social security costs* | | *(421,892)* | *(73,809)* |
| *of which: social security costs relating to pensions* | | - | - |
| b) other administrative expenses | | (2,647,231) | (393,491) |
| | | (6,943,813) | (1,182,620) |
| Value adjustments in respect of tangible and intangible assets | 7 | (471,820) | (107,326) |
| Tax on loss on ordinary activities | 2.6 | (21,400) | (16,050) |
| Other taxes not shown under the preceding items | | (93,470) | - |
| **Loss for the financial year/period** | | **(6,573,732)** | **(1,305,996)** |

The accompanying notes form an integral part of these annual accounts.

# Note 1 – General

GPB International S.A. ("the Bank") was incorporated in the Grand-Duchy of Luxembourg on 10 July 2013 as a limited liability company ("société anonyme").

The purpose of the Bank is the operation of a Bank pursuant to the Luxembourg Law of 5 April 1993 on the financial sector, as amended. The scope of operations of the Bank extends to all types of banking, financial, advisory, service and trading activities in Luxembourg.

# Note 2 – Summary of significant accounting policies and valuation rules

## 2.1 Basis of presentation

These annual accounts have been prepared in conformity with accounting principles generally accepted in the banking sector in the Grand-Duchy of Luxembourg. The accounting policies and the valuation principles are determined and applied by the Board of Directors, except those which are defined by Law and by the CSSF.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the year in which the assumptions changed. The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The Board of Directors makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. 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.

The Bank holds no participating interest and is not obliged to establish consolidated accounts.

The Bank is included in the consolidated accounts of Gazprombank (JSC), which forms both the smallest and largest body of undertakings in which the Bank is included. The consolidated accounts may be obtained from Gazprombank (JSC) at the following address: Gazprombank (JSC), Nametkina St. 16, Building 1, 117420, Moscow, Russia.

## 2.2 Foreign currencies

The annual accounts are expressed in the "currency of the share capital" (EUR). The Bank has adopted a multi-currency accounting system, as a result of which assets and liabilities are to be recorded in the currencies in which they were created. For the preparation of the annual accounts, amounts in foreign currencies are translated into EUR on the following basis:

### 2.2.1 Spot transactions

Assets and liabilities denominated in foreign currencies are translated into EUR at the average of bid/ask spot exchange rates applicable at the balance sheet date.

However, assets held as financial fixed assets and tangible and intangible assets, which are not hedged in either the spot or forward markets are translated into EUR at the rates prevailing on their acquisition dates.

Income and charges in foreign currencies are converted into EUR at the rate of exchange ruling at the date of the transaction.

Unsettled spot foreign exchange transactions are translated into EUR at the spot rate of exchange prevailing on the balance sheet date. Foreign exchange gains and losses resulting from spot transactions not hedged by forward transactions are accounted for in the profit and loss account for the financial year.

Foreign exchange gains and losses resulting from spot transactions hedged by forward transactions ("swaps") are neutralised through "prepayments and accrued income" and "accruals and deferred income" accounts. Differences arising due to the gap between spot and forward exchange rates are amortised in interest receivable or payable in the profit and loss account on a prorata basis, as appropriate.

### 2.2.2 Forward transactions

Unsettled forward exchange transactions are translated into EUR at the forward rate prevailing on the balance sheet date for the remaining maturity.

Exchange losses on unhedged forward exchange contracts are recognised in the profit and loss account at the forward rate prevailing on the balance sheet date for the remaining term of the contract. Unrealised losses on unhedged forward exchange contracts are provided for and recorded in the item "Provisions: other provisions". Exchange gains on unhedged forward exchange contracts are only recognised when realised.

For hedged exchange transactions, foreign exchange losses arising on revaluation are set against profits arising as stated above. Provision is made to hedge any net loss position arising.

## 2.3 Loans and advances

Loans and advances are stated at their acquisition price. The policy of the Bank is to establish specific provisions for doubtful debts in accordance with the circumstances and for amounts specified by the Board of Directors. These provisions are deducted from the appropriate asset account balances and shall not be maintained if the reasons for which they were recorded no longer exist.

## 2.4 Amounts payable

Amounts payable are recorded under liabilities at the amount of reimbursement.

When the amount of reimbursement is greater than the amount received, the difference may be accounted for as an asset. This difference shall be amortised on an annual basis and no later than the maturity date.

## 2.5 Intangible and tangible fixed assets

Fixed assets other than financial fixed assets are valued at historical acquisition cost. The acquisition cost includes the costs to purchase the assets. The acquisition cost of intangible and tangible assets whose use is limited in time are depreciated on a straight-line basis over the estimated useful life or at the rates specified below.

In case of durable reduction in value, intangible and tangible assets are subject to value adjustments, regardless of whether their utilisation is limited. The valuation at the inferior value is not maintained if the reasons for which the value adjustments were made no longer exist.

### 2.5.1 Intangible assets

Formation expenses are amortised on a straight-line basis over five years. Unlike charges resulting from the current activity of the Bank, formation expenses are comprised of charges incurred in conjunction with the creation the Bank.

Other intangible assets are amortised on a straight-line basis over three years.

### 2.5.2 Tangible assets

Tangible assets are used by the Bank for its own operations.

Tangible assets under EUR 870 threshold are charged directly to profit and loss account.

Tangible assets are amortised on a straight-line basis over their estimated useful lives. The rates of depreciation are as follows:

| Fixed assets category | Rate |
|---|---|
| Other fixtures and fittings, tools and equipment | 12.5 – 33.3 % |

### 2.6 Income taxes

Income taxes are accounted for on an accruals basis, based on the profit and loss account of the current financial year.

## Note 3 – Analysis of financial instruments

The Bank uses financial instruments in consideration of its conservative approach to risk providing sufficient confidence that its risk exposures are appropriately mitigated and covered. For a more detailed overview on how the Bank is managing risk please refer to the Management Report.

As shown in the tables below, the financial instruments used by the Bank mainly consist of:

- Loans and advances / Amounts owed to credit institutions
- Loans and advances / Amounts owed to customers.

Concerning the use of financial derivatives please see below 3.2.

### 3.1 Information on primary financial instruments

The tables below analyse the level of primary financial instruments of the Bank with respect to their remaining maturities. Financial instruments excluded from the trading portfolio are disclosed at the carrying amount.

| | Primary non-trading instrument (in EUR) | | | | | |
|---|---|---|---|---|---|---|
| | **less than 3 months** | **> 3 months to 1 year** | **> 1 year to 5 years** | **more than 5 years** | **no maturity** | **Total** |
| Balances with central banks | 3,100,199 | - | - | - | - | 3,100,199 |
| Loans and advances to credit institutions | 25,327,655 | - | - | - | - | 25,327,655 |
| Loans and advances to customers | 7,437,778 | - | - | - | - | 7,437,778 |
| **Total financial assets** | **35,865,632** | **-** | **-** | **-** | **-** | **35,865,632** |
| Non-financial assets | - | - | - | - | 1,658,712 | 1,658,712 |
| **Total assets** | **35,865,632** | **-** | **-** | **-** | **1,658,712** | **37,524,344** |
| | | | | | | |
| Amounts owed to credit institutions | 15,659,253 | - | - | - | - | 15,659,253 |
| Amounts owed to customers | 8,064,477 | - | - | - | - | 8,064,477 |
| **Total financial liabilities** | **23,723,730** | **-** | **-** | **-** | **-** | **23,723,730** |
| Non-financial liabilities | - | - | - | - | 1,680,342 | 1,680,342 |
| **Total liabilities** | **23,723,730** | **-** | **-** | **-** | **1,680,342** | **25,404,072** |

As at 31 December 2014, the Bank had not engaged in primary trading instruments. As at 31 December 2013, the Bank had not engaged in primary trading or non-trading instruments.

## 3.2 Information on derivative financial instruments

The Bank uses foreign exchange swaps as derivative financial instruments, mainly to hedge loans granted to customers in currencies other than Euro that give customers access to other currencies.

The table below shows the level of derivatives of the Bank used:

| | Analysis of financial instruments – derivative non-trading instruments (notional amount in EUR) | | | | | Fair value, net as at 31.12.2014 EUR |
|---|---|---|---|---|---|---|
| | less than 3 months | > 3 months to 1 year | > 1 year to 5 years | more than 5 years | Total | |
| **Foreign exchange - OTC** | | | | | | |
| Foreign exchange swaps | 6,275,532 | - | - | - | **6,275,532** | **(4,899)** |

The above operations were engaged for the purpose of hedging the adverse fluctuations of exchange rate and interest/market rates arising on transactions entered into with customers.

As at 31 December 2014, the Bank does not have trading positions in derivative financial instruments. As at 31 December 2013, the Bank does not have trading or non-trading positions in derivative financial instruments.

## 3.3 Information on financial instruments - credit risk

The Bank is subject to credit risk through its transactions as disclosed below.

| **31.12.2014 EUR** | **Notional amount** | **Gross risk exposure** | **Collateral** | **Net risk exposure** |
|---|---|---|---|---|
| Loans and advances to credit institutions | 25,327,655 | 25,327,655 | - | 25,327,655 |
| Loans and advances to customers | 7,437,778 | 7,437,778 | 2,500,000 | 4,937,778 |
| | **32,765,433** | **32,765,433** | **2,500,000** | **30,265,433** |

| **31.12.2013 EUR** | **Notional amount** | **Gross risk exposure** | **Collateral** | **Net risk exposure** |
|---|---|---|---|---|
| Loans and advances to credit institutions | 17,929,380 | 17,929,380 | - | 17,929,380 |
| Loans and advances to customers | - | - | - | - |
| | **17,929,380** | **17,929,380** | **-** | **17,929,380** |

The Bank's credit activity covers the commercial loans only. No lending to investment funds, related entities or private clients occurred in 2014. As of 31 December 2014 there were three short term loan exposures in the "Loans and advances to customers" portfolio:

| **Type of credit exposure** | **Exposure, EUR Mio** | **Maturity** | **Collateral** | **Country risk** | **Industry** |
|---|---|---|---|---|---|
| Fixed advance | 2.5 | 27.01.2015 | None | Russia | Oil Industry |
| Fixed advance | 2.5 | 26.01.2015 | None | Russia | Metallurgy |
| Fixed advance | 2.5 | 27.02.2015 | Pledge of receivables and inventory | Belgium | Metallurgy |

The Commission de Surveillance du Secteur Financier ("CSSF") has granted an exemption to the large exposures regime for intra-group exposures towards the Parent Bank, Gazprombank (JSC), Moscow, and a direct 100% banking subsidiary of the Parent Bank, Gazprombank (Switzerland) Ltd, according to article 400 2. c) of Regulation (EU) No 575/2013 ("CRR") and on the basis of point 24., part XVI of the modified circular CSSF 06/273 as subsequently modified.

### 3.4 Information on financial instruments - market risk

The Bank has limited exposure to market risk assured through restrictive foreign exchange limits and interest rate risk limits. All limits are monitored by the Risk Control Function and reported to the Management of the Bank and the Board of Directors. The Bank's strategy in 2014 has foreseen neither proprietary trading book nor own investment portfolio.

Following the COREP Reporting of the Bank, there was no capital requirement to cover market risk as of 31 December 2014 (31 December 2013: none).

## Note 4 – Balances with central banks

In accordance with the requirements of the European Central Bank, the Central Bank of Luxembourg has implemented a system of mandatory minimum reserves which applies to all Luxembourg credit institutions. The minimum reserve balance as at 31 December 2014 held by the Bank with the Central Bank of Luxembourg amounted to EUR 6,670 (31 December 2013: EUR nil); the whole balance as at 31 December 2014 held by the Bank with the Central Bank of Luxembourg amounted to EUR 3,100,199 (31 December 2013: EUR nil).

## Note 5 - Loans and advances to credit institutions

Loans and advances to credit institutions are analysed by geographic sector risk concentration as follows:

| | **31.12.2014 EUR** | **31.12.2013 EUR** |
|---|---:|---:|
| Luxembourg | 12,849,501 | 163,134 |
| OECD countries (other than Luxembourg) | 2,188,317 | 17,766,246 |
| Other countries | 10,289,837 | - |
| | **25,327,655** | **17,929,380** |

Loans and advances to affiliated undertakings with a total value of EUR 10,475,813 (31 December 2013: EUR 17,766,246) are included under this heading.

## Note 6 - Loans and advances to customers

Loans and advances to customers are analysed as follows:

| | **31.12.2014 EUR** | **31.12.2013 EUR** |
|---|---:|---:|
| Luxembourg | 1,200 | - |
| OECD countries (other than Luxembourg) | 4,968,559 | - |
| Other countries | 2,468,019 | - |
| | 7,437,778 | - |

Loans and advances to affiliated undertakings with a total value of EUR 1,200 (31 December 2013: EUR nil) are included under this heading.

# Note 7 – Fixed assets

## 7.1 Movements in fixed assets

| in EUR | Gross value | | | | Value adjustments | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross value at the beginning of period | Additions | Disposals | Gross value at the end of period | Cumulative value adjustments at the beginning of period | Value adjustments | Reversal of value adjustments | Cumulative value adjustments at the end of period | Net book value at the end of period |
| Intangible assets | 1,446,470 | 81,623 | - | **1,528,093** | 102,764 | 433,774 | - | 536,538 | **991,555** |
| of which: | | | | | | | | | |
| - *Formation expenses* | *510,600* | *31,467* | - | ***542,067*** | *50,830* | *108,413* | - | *159,243* | ***382,824*** |
| - *Licenses* | *935,870* | *50,156* | - | ***986,026*** | *51,934* | *325,361* | - | *377,295* | ***608,731*** |
| Tangible assets | 94,321 | 63,957 | - | **158,278** | 4,562 | 38,046 | - | 42,608 | **115,670** |
| of which: | | | | | | | | | |
| - *Other fixtures and fittings, tools and equipment* | *94,321* | *63,957* | - | ***158,278*** | *4,562* | *38,046* | - | *42,608* | ***115,670*** |
| **TOTAL** | **1,540,791** | **145,580** | **-** | **1,686,371** | **107,326** | **471,820** | **-** | **579,146** | **1,107,225** |

### 7.2 Intangible assets

Formation expenses include fees paid to various parties at the time of incorporation of the Bank.

## Note 8 – Other assets and prepayments and accrued income

### 8.1 Other assets

As at 31 December 2014, Other assets mainly include deferred IT costs for which invoices have been received in 2014 but for which the service is to be received in 2015 (TEUR 358).

### 8.2 Prepayments and accrued income

As at 31 December 2014, Prepayments and accrued income mainly include prepaid insurance premiums for staff (TEUR 68) (2013: EUR nil).

## Note 9 – Amounts owed to credit institutions

The amounts owed to credit institutions are analysed by geographic sector risk concentration as follows:

| | **31.12.2014 EUR** | **31.12.2013 EUR** |
|---|---|---|
| OECD countries (other than Luxembourg) | 212,763 | - |
| Other countries | 15,446,490 | - |
| | 15,659,253 | - |

Amounts owed to affiliated undertakings with a total value of EUR 15,659,253 (31 December 2013: EUR nil) are included under this heading.

## Note 10 – Amounts owed to customers

The amounts owed to customers are analysed by geographic sector risk concentration as follows:

| | **31.12.2014 EUR** | **31.12.2013 EUR** |
|---|---|---|
| Luxembourg | 3,571,817 | - |
| OECD countries (other than Luxembourg) | 1,303,428 | - |
| Other countries | 3,189,232 | - |
| | 8,064,477 | - |

Amounts owed to affiliated undertakings with a total value of EUR 2,130,904 (31 December 2013: EUR nil) are included under this heading.

## Note 11 – Other liabilities

Other liabilities are analysed as follows:

| | 31.12.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| IT cost payables | 416,781 | 101,825 |
| VAT payables | 70,647 | 137,797 |
| Other | 84,018 | 110,276 |
| | **571,446** | **349,898** |

## Note 12 – Other provisions

Other provisions are analysed as follows:

| | 31.12.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| Estimated general administrative expenses payable | | |
| - Audit fees | 90,000 | 25,000 |
| - Untaken holidays | 21,000 | 20,500 |
| - Directors' fees | 15,000 | - |
| - Other | 850,800 | 284,298 |
| | **976,800** | **329,798** |

"Other" mainly includes provision for bonuses to the Bank's employees.

## Note 13 – Subscribed capital and reserves

### 13.1 Subscribed capital

The authorised and fully paid subscribed capital of the Bank amounts to EUR 20 Million.

The Bank's share capital comprises 20,000 registered shares with a nominal value of EUR 1,000 each amounting to a total of EUR 20 million.

### 13.2 Movements in reserves, and loss brought forward

| | Legal reserve EUR | Other reserves EUR | Total reserves EUR | Loss brought forward EUR |
|---|---|---|---|---|
| Balance at the beginning of the year | - | - | - | - |
| Loss for the period from 10 July 2013 (date of incorporation) to 31 December 2013 | - | - | - | (1,305,996) |
| | **-** | **-** | **-** | **(1,305,996)** |

In accordance with article 72 of the Luxembourg company law on commercial companies, at least 5% of net profit must be added annually to the legal reserve until such reserve is equal to 10% of subscribed capital. The legal reserve may not be distributed. Due to the loss brought forward and the loss for the financial year there have been no contributions to the legal reserves so far.

## Note 14 – Positions in foreign currencies

| | 31.12.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| Total amount of assets in foreign currencies | 8,090,861 | - |
| Total amount of liabilities in foreign currencies | (3,125,843) | - |

Taking into consideration the concluded foreign exchange swaps against the balance sheet currency as per 31 December 2014 (notional of TEUR 4,936) there are no significant open currency positions. The notional of the foreign exchange swap concluded against a currency different to the balance sheet currency amounted to TEUR 1,340 as per 31 December 2014.

## Note 15 – Contingent liabilities and commitments

### 15.1 Deposit guarantee and investor compensation scheme

On September 25, 1989, all credit institutions in the Luxembourg banking sector became members of the non-profit making association "Association pour la Garantie des Dépôts, Luxembourg" ("AGDL").

In accordance with the Law of April 5, 1993 as amended by the Law of June 11, 1997 and the Law of February 18, 2009, the sole object of AGDL is the establishment of a mutual guarantee scheme covering deposits made by customers of member credit institutions ("the Guarantee").

The customers covered by the Guarantee include all depositors who are physical persons, whatever their nationality or country of residence. Also covered by the Guarantee are small companies constituted under the Law of a Member State of the European Union, whose size is such that they would be permitted to draw up abbreviated accounts pursuant to Article 35 of the modified Law of December 19, 2002 on commercial companies, as amended.

With respect to each member, the Guarantee is limited to a maximum amount per cash depositor of EUR 100,000 or its foreign currency equivalent. No cash depositor can receive more than this sum, regardless of the number of accounts or deposits held in the sole or joint name of the depositor with the same credit institution.

The Law of July 27, 2000 stipulates that banks must also belong to an investment Guarantee scheme. This additional Guarantee covers the reimbursement of claims resulting from investment transactions other than relating to a cash deposit up to the amount of EUR 20,000.

The total amount of the Guarantees which will in no case exceed EUR 120,000 per customer (EUR 100,000 deposit guarantee and EUR 20,000 investor compensation) represents an absolute figure and cannot be increased by any interest, charges or any other amount. If the guarantee is called, the annual payment to be made by each member is limited to 5% of shareholders' equity.

As at 31 December 2014 the Bank has set up a provision of EUR 3,600 (2013: EUR nil) in connection with this deposit guarantee and investor compensation scheme.

During the financial year no amount was paid to or received from the AGDL (2013: EUR nil).

### 15.2 Rental commitments

The Bank has entered into certain commitments which are neither disclosed in the balance sheet nor in the off balance sheet items, but which are relevant for the purpose of assessing the financial situation of the Bank.

In particular, the Bank's commitments in respect of fixed rental payments contracted for premises and flats for employees are:

| | 31.12.2014 EUR | 31.12.2013 EUR |
|---|---|---|
| Amounts committed to be paid within 12 months | 462,042 | 259,373 |

The Bank entered into a one year lease agreement signed on 23 September 2013 to occupy the two floors of the building on 8-10, rue Mathias Hardt, L-1717 Luxembourg, from 1 October 2013 to 30 September 2014. The Bank moved into the new premises during October 2013. Given the contract had not been terminated in 2014, it had automatically been extended to 30 September 2015.

As at 31 December 2014, the Bank had given a guarantee of EUR 136,123 in respect of rental premises and flats for employees on behalf of the Bank (31 December 2013: an affiliated undertaking of the Bank had given a guarantee of EUR 89,290).

### 15.3 Contingent liabilities

There were no contingent liabilities as at 31 December 2014.

## Note 16 – Analysis of income by geographical markets

The income of the Bank mainly results from the countries Belgium, Russia, Switzerland and Gibraltar.

## Note 17 – Information relating to staff employed and management

### 17.1 Personnel employed

The average number or persons employed during the financial year/period by the Bank was as follows:

| | 2014 | For the period from 10 July 2013 to 31 December 2013 |
|---|---|---|
| Senior management | 2.0 | 0.5 |
| Management | 5.2 | 0.9 |
| Employees | 7.7 | 0.6 |
| **Total** | **14.9** | **2.0** |

### 17.2 Members of the administration, managerial and supervisory bodies

Director's fees to two external members of the Board of Directors in the amount of EUR 15,000 have been provided for in 2014 (2013: EUR nil).

Remuneration granted for the senior management and management during 2014 amounted to TEUR 2,384 (2013: TEUR 422).

There have been no loans or advances granted to the members of the Board of Directors or managerial and supervisory bodies. The Bank has not entered into guaranteed commitments on their behalf.

## Note 18 – Independent Auditor's Fees

The amounts invoiced or accrued for services provided by KPMG Luxembourg, Société coopérative during the year/period were as follows (excluding VAT):

| | 2014 EUR | For the period from 10 July 2013 to 31 December 2013 EUR |
|---|---|---|
| Audit fees | 108,000 | 25,000 |
| Tax related fees | - | 2,000 |
| **Total** | **108,000** | **27,000** |

## Note 19 – Litigation and claims

As of 31 December 2014 the Bank has no open litigation nor claims (31 December 2013: none).

## Note 20 – Subsequent Events

At an Extraordinary General Meeting held on 8 January 2015, the sole shareholder resolved to increase the capital of the Bank by an amount of EUR 10,000,000. This was undertaken through the issue of 10,000 new shares of the Bank having a nominal value of EUR 1,000.

All newly issued shares were subscribed by the sole shareholder of the Bank to support the further development of the Bank's business.