



Annual Accounts and Report of the Réviseur d'Entreprises Agréé

December 31, 2016

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to the Annual General Meeting of Shareholders to be held on May 19, 2017

The Management of East-West United Bank S.A. ("EWUB" or "the Bank") is pleased to present the Annual accounts for the year ending December 31, 2016. The total assets have decreased and amounted to EUR 506 million compared to EUR 564 million as of end of the previous year. The shareholder's equity at the year's end has increased to EUR 107 million compared to EUR 105 million in the previous year in accordance with Luxembourg GAAP.

In 2016, the Bank has recorded a profit on its operations amounting to EUR 2.4 million compared to a loss of EUR 10.3 million in 2015. In 2016, the Bank has implemented its restructuring plan that has resulted in significant improvements in credit quality of portfolio of risk bearing assets that has become more diversified and composed of higher rated assets, with shift from investments primarily into Russian and CIS markets to diversified investments in debts of European and US based borrowers. This continued restructuring of the core lending and investment activities and subsequent decrease of the total size of the loan portfolio observed during the year, has led to the decrease of net interest income to the level of EUR 15.7 million compared to EUR 21.4 million in 2015, but compensated by significant improvements in credit quality resulting in net decrease of specific provisions for loans and securities by EUR 2.0 million compared to the net increase of such provisions by the amount of EUR 28.1 million in 2015. At the same time, the Bank has started implementing new business strategy focused on further development of Corporate and Private banking activities that has enabled the Bank to maintain stable operating banking profit before provisions. The net commission income has stabilized at EUR 2.9 million compared to EUR 4.5 million recorded in 2015, but now generated from more recurring operations as opposed to sizable one-off commissions earned in 2015. General administrative expenses decreased in 2016 by equivalent of EUR 0.9 million reflecting successful restructuring of organization while assuming new expenses incurred by the Bank in order to accommodate future growth and development of business.

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Since the end of 2007 EWUB's capital is controlled by JSFC Sistema – one of the largest public diversified investment holdings in Russia and the CIS, which manages fast growing companies operating in the telecommunications, high-tech, oil and energy, radio and aerospace, banking, retail, mass-media, tourism and healthcare services and has over 100 million customers. It controls directly 34% of the Bank's capital and indirectly, through MTS Bank, which controls 66% of EWUB's capital.

The Bank continued to diversify its activity and to elaborate plans with the aim of fully exploiting the synergies and opportunities arising from potential cooperation with, but not limited to, the shareholder's group companies.

During the year, the Management was raising to the challenge of change in business model, assessing existing as well as newly revealed risks together with assessment of the new opportunities to further develop and professionalize services to Bank's clients, to diversify product lines and to contribute to the bottom-line results. The strategy is focused on development of Corporate and Private Banking activities accompanied with the complementary products of Transactional Banking and Global Markets, supported by the new teams within the Bank, by synergies with the shareholders and group companies and by new range of products. During the year, the Bank has successfully developed a new product enabling to diversify its funding through a collection of retail funds in Luxembourg and Germany via a fully automated dedicated web banking platform. This product was launched in April 2017. The Management continued to show its commitment to further improvement of the corporate governance and of strong internal control environment in the Bank. The Management has been carrying out a comprehensive review and update of internal procedures applicable to various aspects of the Bank's activity in order to address any recent developments in the economic, regulatory environment and internal organisation of the Bank. Additional investments in the infrastructure and human resources have been determined to provide the basis for the further development of the Bank's activities. This has led to the internal reorganization at the beginning of the year in order to ensure strengthening of relevant expertise and increase of efficiency of the organization in line with developed strategy and to optimize the existing recurring costs while increasing Bank's functional capacity. The Bank has strengthen its conservative approach to risk management providing sufficient confidence that its risk exposures are adequately mitigated

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and covered. In line with this prudent approach to adequately mitigate all relevant risks, the Bank has thoroughly assessed specific provisions to the existing exposures as well as continued to create country risk provisions on uncovered exposures. The level of country risk provisions is reviewed on regular basis in order to reflect the risk related to the country of origin of the borrower.

The Board of Directors possesses the authority to set up the principles on which investment decisions are made and to fix rules relating to granting, extending, or restructuring of a credit by the Bank (general credit policy, country limits and other strategic matters). The Credit Committee is responsible for the application of these principles. The continuous improvements of the internal procedures relating to the credit risk assessment implemented in previous year combined with a prudent policy resulted in changes implemented to continue de-risking of the current portfolio through increased focus on investment grade rated assets and by further diversification to decrease concentration of the assets.

The Bank continued to improve a prudent policy in matching the maturity profile of its assets and liabilities and maintains a liquidity ratios well in excess of the required minimums with a high percentage of short-term liquid funds placed with highly reputable banks and financial institutions within the OECD. The governing objective in currency risk management is to maintain a system of authorised position limits and to monitor them closely.

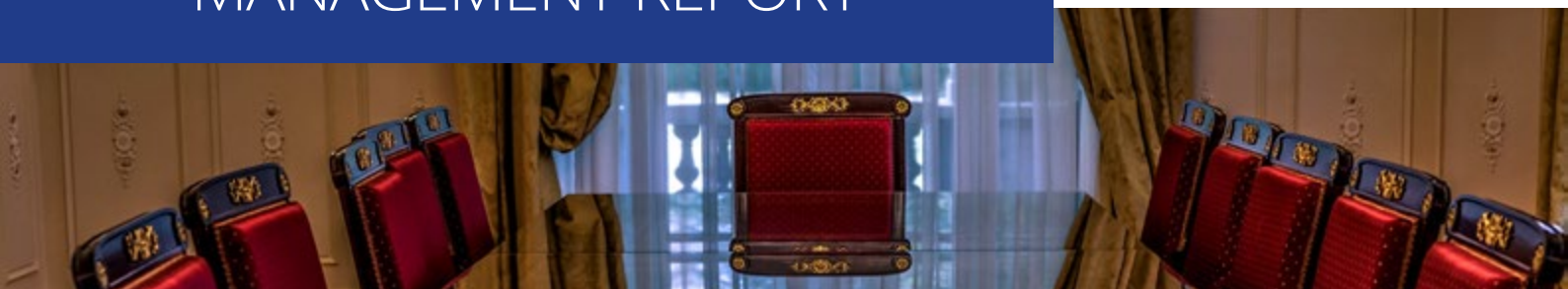
Limited proprietary securities investment activities were carried out by EWUB during the year 2016, subject to stringent restrictions on volumes and issuer. All the trading activities have been focused on improvements of the liquidity characteristics of the securities portfolio by acquisition of high liquid assets eligible for REPO transactions with central banks.

Operational risk, being the risk of losses in relation to human error and fraud, is addressed by adapting appropriate operational and administrative systems to the Bank's activities and by maintaining adequate working procedures and strong internal control environment.

There were no significant post balance sheet events affecting EWUB's financial position, as presented at the financial year-end, to report. The Bank permanently monitors and evaluates the risks associated with the Ukrainian economy and during 2016 has continued to reduce significantly its exposure held through debt securities of Ukrainian issuers.

The Bank's Board of Directors approved the annual accounts on April 25, 2017.

MANAGEMENT REPORT



The management of the Bank wishes to express its gratitude to the shareholders for their support, to our customers and banking partners for the loyalty as well as to Bank's staff for ensuring the ongoing development of East-West United Bank, and looks forward to a prosperous 2017.

The return of assets as of December 31, 2016 and 2015 amount respectively to 0.48% and -1.83%. As of December 31, 2016 and 2015 the Bank did not acquire any of its own shares.

The Management of East-West United Bank S.A.

April 25, 2017

Sergey Pchelintsev

Managing Director/CEO

25 April 2017

Luxembourg

Martin Pcola

Managing director/CFO

25 April 2017

Luxembourg



to the Board of Directors of East-West United Bank S.A. Luxembourg

Report on the annual accounts

Following our appointment by the Board of Directors, we have audited the accompanying annual accounts of East-West United Bank S.A., which comprise the Balance Sheet as at December 31, 2016 and the Profit and Loss Account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors 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 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 réviseur d'entreprises agréé's



judgement, 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 East-West United Bank S.A. as of December 31, 2016 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the annual accounts and our report of réviseur d'entreprises agréé thereon.

Our opinion on the annual accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this



other information, we are required to report this fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

The management report is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements.

For Deloitte Audit, Cabinet de révision agréé

Ekaterina Volotovskaya, *Réviser d'entreprises agréé*
Partner

25 April 2017

BALANCE SHEET AND OFF BALANCE SHEET ITEMS

December 31, 2016 (expressed in EUR)



Assets

	NOTE	2016	2015
CASH, BALANCES WITH CENTRAL BANKS AND POST OFFICE BANKS	3, 4	149,096,126	14,645,716
LOANS AND ADVANCES TO CREDIT INSTITUTIONS:	4, 5, 12	86,058,654	236,516,537
A) REPAYABLE ON DEMAND		86,058,654	183,433,135
B) OTHER LOANS AND ADVANCES		-	53,083,402
LOANS AND ADVANCES TO CUSTOMERS	4, 6, 12, 30	152,061,175	204,335,588
DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES:	4, 7, 8, 9, 12	106,234,768	95,790,667
A) ISSUED BY PUBLIC BODIES		31,934,551	36,108,420
B) ISSUED BY OTHER BORROWERS		74,300,217	59,682,247
TANGIBLE ASSETS	9, 10	5,804,842	7,522,583
INTANGIBLE ASSETS	9, 10	1,260,211	808,703
OTHER ASSETS	11	3,891,952	3,286,421
PREPAYMENTS AND ACCRUED INCOME		2,005,222	2,425,519
TOTAL ASSETS	13	506,412,950	564,523,031

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

BALANCE SHEET AND OFF BALANCE SHEET ITEMS

December 31, 2016 (expressed in EUR)

Liabilities

	NOTE	2016	2015
AMOUNTS OWED TO CREDIT INSTITUTIONS:	4, 14, 21	3,125,975	5,434,658
A) REPAYABLE ON DEMAND		1,195,575	127,474
B) WITH AGREED MATURITY DATES OR PERIODS OF NOTICE		1,930,400	5,307,184
AMOUNTS OWED TO CUSTOMERS:	4, 15, 21	356,566,804	414,384,176
A) OTHER DEBTS REPAYABLE ON DEMAND		292,148,395	222,903,342
B) OTHER DEBTS WITH AGREED MATURITY DATES OR PERIODS OF NOTICE		64,418,409	191,480,834
OTHER LIABILITIES	16	872,012	1,125,540
ACCRUALS AND DEFERRED INCOME		2,570,352	4,460,968
PROVISIONS FOR LIABILITIES AND CHARGES:		9,034,824	7,286,274
A) PROVISIONS FOR TAXATION		4,716,180	4,066,255
B) OTHER PROVISIONS	31	4,318,644	3,220,019
FUND FOR GENERAL BANKING RISKS	2.6	26,821,615	26,821,615
SUBSCRIBED CAPITAL	19	80,600,000	80,600,000
RESERVES	20	24,409,800	34,723,713
PROFIT/ (LOSS) FOR THE FINANCIAL YEAR		2,411,568	(10,313,913)
TOTAL LIABILITIES	22	506,412,950	564,523,031

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

BALANCE SHEET AND OFF BALANCE SHEET ITEMS

December 31, 2016 (expressed in EUR)



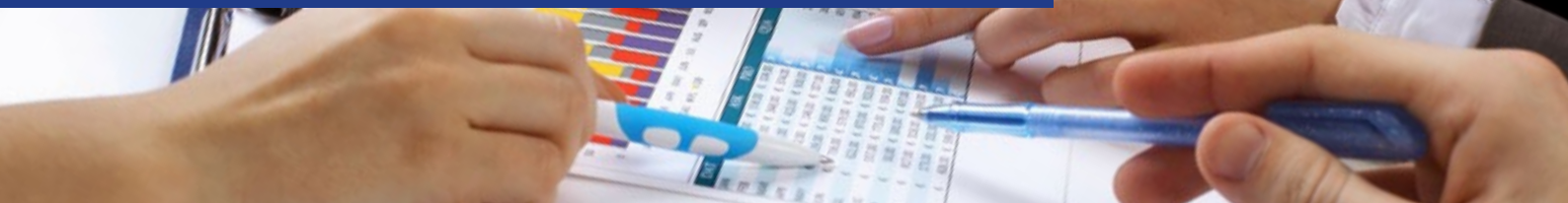
Off balance sheet items

	NOTE	2016	2015
CONTINGENT LIABILITIES	4, 23	37,830,024	19,223,307
<u>OF WHICH:</u>			
- GUARANTEES AND ASSETS PLEDGED AS COLLATERAL SECURITY		37,830,024	19,223,307
COMMITMENTS	4, 24	6,644,017	21,806,836
FIDUCIARY OPERATIONS	26	-	5,302,439

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

PROFIT AND LOSS ACCOUNT

Year ended December 31, 2016 (expressed in EUR)



	NOTE	2016	2015
INTEREST RECEIVABLE AND SIMILAR INCOME		20,766,605	27,152,825
OF WHICH:			
THAT ARISING FROM FIXED-INCOME SECURITIES		3,418,720	6,627,028
INTEREST PAYABLE AND SIMILAR CHARGES		(5,043,436)	(5,765,454)
COMMISSION RECEIVABLE		4,409,311	5,868,921
COMMISSION PAYABLE		(1,518,835)	(1,302,252)
NET PROFIT ON FINANCIAL OPERATIONS		(1,514,282)	8,410,876
OTHER OPERATING INCOME	27	395,477	65,350
GENERAL ADMINISTRATIVE EXPENSES:		(17,050,279)	(17,942,428)
A) STAFF COSTS	28, 29, 30	(10,765,958)	(12,431,583)
OF WHICH:			
- WAGES AND SALARIES		(8,972,029)	(10,485,912)
- SOCIAL SECURITY COSTS		(1,371,359)	(1,534,193)
OF WHICH:			
SOCIAL SECURITY COSTS RELATING TO PENSIONS		(465,763)	(435,253)
B) OTHER ADMINISTRATIVE EXPENSES	18	(6,284,321)	(5,510,845)
VALUE ADJUSTMENTS IN RESPECT OF TANGIBLE AND INTANGIBLE ASSETS		(1,162,257)	(1,330,342)
OTHER OPERATING CHARGES		(298,700)	(137,905)

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

PROFIT AND LOSS ACCOUNT

Year ended December 31, 2016 (expressed in EUR)



VALUE ADJUSTMENTS IN RESPECT OF LOANS AND ADVANCES AND PROVISIONS FOR CONTINGENT LIABILITIES AND FOR COMMITMENTS	(8,574,286)	(43,198,904)
VALUE RE-ADJUSTMENTS IN RESPECT OF LOANS AND ADVANCES AND PROVISIONS FOR CONTINGENT LIABILITIES AND FOR COMMITMENTS	7,290,163	17,016,823
VALUE (ADJUSTMENTS)/RE-ADJUSTMENTS IN RESPECT OF TRANSFERABLE SECURITIES HELD AS FINANCIAL FIXED ASSETS, PARTICIPATING INTERESTS AND SHARES IN AFFILIATED UNDERTAKINGS	5,373,834	1,579,185
TAXES ON ORDINARY ACTIVITIES	(659,250)	(723,955)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	2,414,065	(10,307,260)
OTHER TAXES NOT SHOWN UNDER THE PRECEDING ITEMS	(2,497)	(6,653)
PROFIT/ (LOSS) FOR THE FINANCIAL YEAR	2,411,568	(10,313,913)

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

NOTES TO THE ACCOUNTS

December 31, 2016

NOTE 1 - GENERAL

1.1. Corporate matters

East-West United Bank S.A. (the "Bank") was incorporated in Luxembourg on June 12, 1974 as a société anonyme.

As at December 31, 2016 the Bank's subscribed and paid-up capital amounts to EUR 80,600,000 represented by 800,600 shares with a nominal value of approximately EUR 100 each. MTS Bank, former Moscow Bank for Reconstruction and Development (MBRD) directly owns 66% of the Bank's shares, the remaining 34% belongs to SISTEMA Joint-Stock Financial Corporation ("SISTEMA JSFC").

The members of the Board of Directors are mostly Senior Executives of the shareholders complemented by the Independent directors represented by the financial sector professionals. The business policy and valuation principles, unless prescribed by Luxembourg rules and regulations, are determined and monitored by the Board of Directors.

1.2. Nature of the Bank's business

In accordance with its Articles of Incorporation, the object of the Bank is to undertake any banking and savings activities and more particularly to undertake any banking and trust operations including to receive deposits in cash, securities and other assets, to grant loans and to extend credits in any form whatsoever, to conclude any transactions relating to securities, precious metals, fiduciary arrangements, to provide financial services to collective investment undertakings and other persons, companies or entities as well as to hold such interests in other companies and perform such operations which permits the Bank to achieve the above objectives in any part of the world, either as principals or agents or otherwise, and by or through trustees, agents or otherwise and either alone or in conjunction with others.

The Bank has been focusing its activities on investment opportunities on diversified European as well as Russian capital market both for its own account and for the account of customers and sees its future operations centring on the provision of private banking and asset management products and services.

1.3. Annual accounts

The capital of the Bank is expressed in Euro (EUR) and the annual accounts are prepared in this currency.

The Bank's accounting year coincides with the calendar year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bank prepares its annual accounts under the historical cost principle, in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg and on the basis of accounting principles generally accepted in the banking sector in the Grand-Duchy of Luxembourg.

In observing these, the following significant accounting policies are applied:

2.1. Foreign currencies

The Bank maintains a multi-currency accounting system, which records all transactions in the currency or currencies of the transaction on the day on which the contract is concluded.

Revenues and expenses in foreign currencies are translated into EUR daily at the prevailing exchange rates.

At the year-end, tangible assets in foreign currencies not covered in either the spot or the forward markets are translated into EUR at the rate of exchange ruling at the date of their acquisition.

All other assets and liabilities are converted into EUR at the spot rates applicable at the balance sheet date. Both realised and unrealised profits and losses arising on revaluation are accounted for in the Profit and Loss Account of the year.

Results on uncompleted forward transactions linked to spot transactions and on swap transactions are accrued at the balance sheet date. The revaluation of these transactions does not affect the Profit and Loss Account since any revaluation gains or losses are neutralised in the transitory accounts.

Uncovered forward transactions, if any, are valued individually on the basis of forward exchange rates applicable at the balance sheet date. Unrealised revaluation profits are ignored, whereas a

provision is set up in respect of any unrealised revaluation losses. This provision is included on the liabilities side of the Balance Sheet under "Provisions".

2.2. Financial instruments derivatives

The Bank's commitments deriving from financial instruments derivatives, if any, are recorded on the transaction date as off Balance Sheet items. At the year-end, where necessary, a provision may be set up in respect of individual unrealised losses resulting from the revaluation of the Bank's commitments at market value. This provision, if required, is included on the liabilities side of the Balance Sheet under "Provisions".

No provision is set up in those cases where a financial instrument clearly covers an asset or a liability and economic unity is established or where a financial instrument is hedged by a reverse transaction so that no open position exists.

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 approved by the Board of Directors. The 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. Transferable securities

Transferable securities are recorded initially in their issue currencies at purchase price. The average cost method is used for valuation purposes.

2.5. Lump-Sum Provision for risk exposures

In accordance with the Luxembourg tax legislation, it is the Bank's policy to establish a lump-sum provision for risk exposures, as defined in the legislation governing prudential supervision of banks. The purpose of the provision is to take account of risks that are likely to crystallise but which have not yet been identified as at the date of preparation of the annual accounts.

Pursuant to the Instructions issued by the "Directeur des Contributions" on December 16, 1997, the provision is made before taxation and may not exceed 1.25% of the Bank's risk exposures. As of December 31, 2016, the Bank established the lump-sum provision amounting to EUR 1,600,000 (2015: EUR 0).

2.6. Fund for general banking risks

The Bank established a fund for general business risks intended to cover particular risks associated with banking operations, pursuant to Article 63 of the law on the accounts of banks, which is shown separately on the liabilities side of the Balance Sheet. Increases or decreases to this fund are determined based on the profit after tax, but before determining the profit of the financial year, and are not subject to limitations.

Transfers to this account are shown separately in the Profit and Loss Account under “Transfers to the fund for general banking risks”.

2.7. Debt securities and other fixed-income securities

The Bank has divided its portfolio of fixed-income securities into three categories, whose principal characteristics are the following:

- an investment portfolio of financial fixed assets, which are intended to be used on a continuing basis in the Bank's activities;
- a trading portfolio of securities purchased with the intention of resale in the short term; and
- a structural portfolio of securities which do not fall within either of the two other categories.

At the year-end, the Bank's fixed-income securities are allocated to the investment and the structural portfolios.

Fixed-income securities comprising investment and structural portfolios are valued at the lower of cost and market value. Fixed-income securities held for trading purposes are marked to their market values.

If market values are not freely available, the Bank determines the intrinsic value of such securities on the basis of the expected level of debt recovery.

2.8. The “Beibehaltungsprinzip”

It was the Bank's policy to retain value adjustments in respect of certain categories of assets made previously but which no longer correspond to a reduction in the value of assets in question, in accordance with Articles 56 (2) (f) and 58 (2) (e) of the law on the accounts of banks.

As at December 31, 2016 and December 31, 2015 the Bank did not apply this principle.

2.9. Country Risk

It is the Bank's policy to create a General Country Risk provision in order to address the risk of political or economic instability. The Bank has applied different percentage rates for the creation of this General Country risk provision, those rates have been set for each country based on the risk assessment of the different financial and non financial factors.

2.10. Tangible fixed assets

Tangible fixed assets are carried at purchase price.

The value of tangible fixed assets with limited useful economic lives is reduced by value adjustments calculated to write off the value of such assets systematically over their useful economic lives.

2.11. Taxes

Taxes are accounted for on an accrual basis.

2.12. Comparative figures

The presentation of the annual accounts has been modified when compared to the presentation used in respect of the financial year ended December 31, 2015. As a consequence and in order to ensure adequate comparability across both financial years, certain comparative figures in respect of the financial year ended December 31, 2015 have been reclassified, as follows:

- i. EUR 808,703 corresponding to Computer software previously grouped under "tangible assets" was reclassified to "intangible assets" in the Balance Sheet.

NOTE 3 - CASH IN HAND, BALANCES WITH CENTRAL BANKS AND POST OFFICE BANKS

In accordance with the requirements of the European Central Bank, the Central Bank of Luxembourg implemented effective January 1, 1999, a system of mandatory reserves which applies to all Luxembourg credit institutions. The minimum reserve balance as at December 31, 2016 held by the Bank with Central Bank of Luxembourg amounted to EUR 2,245,145 (2015: EUR 4,328,712).

The main balance of this caption is made of an amount of EUR 146,618,412 (2015: EUR 10,000,000) relating to amount held by the Bank with Central Bank of Luxembourg repayable on demand.

NOTE 4 - ANALYSIS OF FINANCIAL INSTRUMENTS

Primary non-trading financial instruments may be analysed according to their remaining maturity as follows:

2016	NOT MORE THAN 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL 2016
EUR (AT CARRYING AMOUNT)					
FINANCIAL ASSETS					
CASH, BALANCES WITH CENTRAL BANKS AND POST OFFICE BANKS	149,096,126	-	-	-	149,096,126
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	86,058,654	-	-	-	86,058,654
LOANS AND ADVANCES TO CUSTOMERS	25,034,987	7,702,651	62,878,786	56,444,751	152,061,175
DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES	-	381,616	70,403,982	35,449,170	106,234,768
	260,189,767	8,084,267	133,282,768	91,893,921	493,450,723
FINANCIAL LIABILITIES					
AMOUNTS OWED TO CREDIT INSTITUTIONS	1,195,575	-	1,930,400	-	3,125,975
AMOUNTS OWED TO CUSTOMERS	296,962,730	24,790,058	34,814,016	-	356,566,804
CONTINGENT LIABILITIES	-	-	37,699,075	130,949	37,830,024
COMMITMENTS	-	644,017	5,000,000	1,000,000	6,644,017
	298,158,305	25,434,075	79,443,491	1,130,949	404,166,820
2015	NOT MORE THAN 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL 2015
EUR (AT CARRYING AMOUNT)					
FINANCIAL ASSETS					
CASH, BALANCES WITH CENTRAL BANKS AND POST OFFICE BANKS	14,645,716	-	-	-	14,645,716
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	236,516,537	-	-	-	236,516,537
LOANS AND ADVANCES TO CUSTOMERS	85,052,649	21,915,661	75,133,912	22,233,366	204,335,588
DEBT SECURITIES AND OTHER FIXED INCOME SECURITIES	10,309,322	-	58,426,253	27,055,092	95,790,667
	346,524,224	21,915,661	133,560,165	49,288,458	551,288,508

2015	NOT MORE THAN 3 MONTHS	3-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	TOTAL 2015
FINANCIAL LIABILITIES					
AMOUNTS OWED TO CREDIT INSTITUTIONS	1,624,396	914,662	2,895,600	-	5,434,658
AMOUNTS OWED TO CUSTOMERS	269,905,121	143,479,055	1,000,000	-	414,384,176
SUBORDINATED LIABILITIES	-	-	-	-	-
CONTINGENT LIABILITIES	-	5,473,399	13,496,601	253,307	19,223,307
COMMITMENTS	-	-	17,640,169	4,166,667	21,806,836
	271,529,517	149,867,116	35,032,370	4,419,974	460,848,977

NOTE 5 - LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Loans and advances to credit institutions may be analysed according to their geographic origin as follows:

	2016 EUR	2015 EUR
LUXEMBOURG	15,890,610	60,334,380
OECD (OTHER THAN LUXEMBOURG)	69,208,582	134,518,748
OTHER COUNTRIES	959,462	41,663,409
	86,058,654	236,516,537

NOTE 6 - LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers net of provisions may be analysed according to their geographic origin as follows:

	2016 EUR	2015 EUR
LUXEMBOURG	354,822	80,716,967
OECD (OTHER THAN LUXEMBOURG)	116,659,990	89,976,514
OTHER COUNTRIES	35,046,363	33,642,107
	152,061,175	204,335,5882

During the year 2016, the Bank released an amount of EUR 186,298 as General Country Risk provision on its exposure. As at December 31, 2016 an amount of EUR 3,578,743 (2015: EUR 3,592,127) has been established as General Country Risk provision.

NOTE 7 - TRANSFERABLE SECURITIES

Transferable securities shown under “Debt securities and other fixed-income securities” may be broken down as follows into listed and unlisted securities:

	LISTED 2016 EUR	UNLISTED 2016 EUR	TOTAL 2016 EUR
DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES	106,234,768	-	106,234,768

	LISTED 2015 EUR	UNLISTED 2015 EUR	TOTAL 2015 EUR
DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES	95,790,667	-	95,790,667

NOTE 8 - DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES

As at December 31, 2016, transferable securities shown under “Debt securities and other fixed-income securities” which will become due within one year of the balance sheet date amount to EUR 381,616 (2015: EUR 10,309,243).

Transferable securities shown under “Debt securities and other fixed-income securities” are to be regarded as financial fixed assets for EUR 37,873,504 (2015: EUR 9,277,684) since these assets are purchased with the intention of holding them until maturity. These securities are classified within the Bank’s investment portfolio. The remaining balance of the Bank’s fixed-income securities portfolio is classified within the structural portfolio for EUR 68,361,349 (2015: EUR 86,512,983).

Debt securities and other fixed-income securities may be broken down as follows according to their geographic origin:

	2016 EUR	2015 EUR
OECD (OTHER THAN LUXEMBOURG)	77,479,318	67,940,017
OTHER COUNTRIES	28,755,450	27,850,650
	106,234,768	95,790,667

NOTE 9 - MOVEMENTS IN FIXED ASSETS

The following movements have occurred in the Bank's fixed assets in the course of the financial year:

FIXED ASSETS (EUR)							
ITEM	GROSS VALUE AT THE BEGINNING OF THE FINANCIAL YEAR	ADDITIONS*	DISPOSALS / MATURITIES / TRANSFERS	FX MOVEMENT	GROSS VALUE AT THE END OF THE FINANCIAL YEAR	CUMULATIVE VALUE ADJUSTMENTS AT THE BALANCE SHEET DATE	NET VALUE AT THE END OF THE FINANCIAL YEAR
1. DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES	9,376,650	37,116,957*	(8,275,820)	4	38,217,791	(344,287)	37,873,504
2. INTANGIBLE ASSETS	2,607,927	734,974			3,342,901	(2,082,690)	1,260,211
3. TANGIBLE ASSETS <u>OF WHICH:</u>	16,238,740	1,390	-	-	16,240,130	(10,435,288)	5,804,842
A) LAND AND BUILDINGS	14,470,665	-	-	-	14,470,665	(8,766,580)	5,704,085
B) OTHER FIXTURES AND FITTINGS, TOOLS AND EQUIPMENT	1,768,075	1,390	-	-	1,769,465	(1,668,708)	100,757

* EUR 37,116,957 included in "Additions" in the above table, previously grouped under "structural portfolio" has now been grouped under "debt securities and other fixed-income securities" under is due to a change of classification of the Bank's debt securities. This reclassification did not result in any adjustment to the Profit and Loss Account.

As at December 31, 2016, the market value of debt securities and other fixed-income securities amounted to EUR 38,543,063 (2015: EUR 9,776,212).

NOTE 10 - TANGIBLE ASSETS

Tangible assets include a net amount of EUR 5,804,842 (2015: EUR 6,713,879), which represents the land and buildings used by the Bank for its own activities.

Intangible assets include a net amount of EUR 1,260,211 (2015: EUR 808,703), which represents mainly software used by the Bank. received. The outstanding amount of this loan as at the year-end was EUR 914,662 (2014: EUR 1,641,093).

As at December 31, 2016, these land and buildings were subject to a mortgage against a loan received. The outstanding amount of this loan as at the year-end was EUR 1,930,400 (2015: EUR 914,662).

As at December 31, 2016, the market value of building pledged as collateral was EUR 19,800,000 (2015: EUR 18,970,000).

NOTE 11 - OTHER ASSETS

	2016 EUR	2015 EUR
SHORT TERM RECEIVABLE	14,035	38,534
ADVANCES ON TAXES	2,586,532	3,082,847
OTHER ASSETS	1,291,385	165,041
	3,891,952	3,286,422

NOTE 12 - RELATED PARTY BALANCES - ASSETS

As at December 31, 2016, balances with related parties are included on the assets side of the Balance Sheet under "Loans and advances to credit institutions" for EUR 897,218 (2015: EUR 2,145,793), under "Loans and advances to customers" for EUR 11,679,306 (2015: EUR 12,478,247) and under "Debt securities and other fixed-income securities" for EUR 12,395,077 (2015: EUR 19,602,437).

NOTE 13 - FOREIGN CURRENCY ASSETS

As at December 31, 2016, the aggregate amount of the Bank's assets denominated in foreign currencies after deducting any value adjustments, translated into EUR, is EUR 213,716,803 (2015: EUR 309,961,009).

NOTE 14 - AMOUNTS OWED TO CREDIT INSTITUTIONS

Amounts owed to credit institutions may be analysed according to their geographic origin as follows:

	2016 EUR	2015 EUR
LUXEMBOURG	2,928,380	5,396,756
OECD (OTHER THAN LUXEMBOURG)	4,345	5,374
OTHER COUNTRIES	193,250	32,528
	3,125,975	5,434,658

NOTE 15 - AMOUNTS OWED TO CUSTOMERS

Amounts owed to customers may be analysed according to their geographic origin as follows:

	2016 EUR	2015 EUR
LUXEMBOURG	54,390,970	92,642,016
OECD (OTHER THAN LUXEMBOURG)	35,347,453	19,441,592
OTHER COUNTRIES	266,828,381	302,300,568
	356,566,804	414,384,176

Carrying value of loans received under repurchase agreements and market value of assets pledged as at December 31, 2016 amounted to EUR 14,752,356 and EUR 17,719,075 respectively (2015: EUR 0 and EUR 0).

NOTE 16 - OTHER LIABILITIES

	2016 EUR	2015 EUR
PREFERENTIAL CREDITORS	514,620	442,418
SUNDRY CREDITORS	357,392	683,122
	872,012	1,125,540

NOTE 17 - SUBORDINATED LIABILITIES

In 2016 and 2015 the Bank had no subordinated loans.

NOTE 18 - FEES PAYABLE TO THE AUDIT FIRM

Fees (excluding VAT) charged to the Bank by the audit firm and its respective entire network are analysed as follows:

	2016 EUR	2015 EUR
ANNUAL AUDIT FEES	139,400	136,000
CONTRACTUAL AUDIT FEES	19,375	19,000
TAX ADVISORY FEES	3,120	20,400
OTHER SERVICES	146,021	84,770
	307,916	260,170

Fees are shown on an accrual basis for the financial year.

NOTE 19 - SUBSCRIBED CAPITAL

As of December 31, 2016, the Bank's authorised, subscribed and paid-up capital amounts to EUR 80,600,000 (2015: EUR 80,600,000), represented by 800,600 (2015: 800,600) shares with a nominal value of EUR 100 each (2015: EUR 100).

NOTE 20 - MOVEMENTS IN RESERVES AND PROFIT BROUGHT FORWARD

	LEGAL RESERVE EUR	OTHER RESERVES EUR
BALANCE AS AT JANUARY 1, 2016	3,157,607	31,566,106
APPROPRIATION OF PROFIT		
- TRANSFER TO RESERVES	-	(10,313,913)
BALANCE AS AT DECEMBER 31, 2016	3,157,607	21,252,193

Under Luxembourg law, the Bank must appropriate to a legal reserve an amount equivalent to at least 5% of the annual net profit until such reserve is equal to 10% of the share capital, distribution of the legal reserve is restricted.

NOTE 21 - RELATED PARTY BALANCES - LIABILITIES

	2016 EUR	2015 EUR
AMOUNTS OWED TO CREDIT INSTITUTIONS	-	155
AMOUNTS OWED TO CUSTOMERS	195,643,663	215,460,757
	195,643,663	215,460,912

NOTE 22 - FOREIGN CURRENCY LIABILITIES

As at December 31, 2016, the aggregate amounts of liabilities denominated in foreign currencies, translated into EUR was EUR 227,341,503 (2015: EUR 294,911,107).

NOTE 23 - CONTINGENT LIABILITIES

The Bank's contingent liabilities may be analysed as follows:

	2016 EUR	2015 EUR
GUARANTEES AND OTHER DIRECT SUBSTITUTES FOR CREDIT	37,830,024	19,223,307
	37,830,024	19,223,307

Balances with related parties are amounting to EUR nil (2015: EUR 5,250).

NOTE 24 - COMMITMENTS

The Bank's commitments may be analysed as follows:

	2016 EUR	2015 EUR
CONFIRMED CREDITS, NOT USED	5,644,017	21,806,836
FORWARD PURCHASE OF ASSETS	1,000,000	-
	6,644,017	21,806,836

The Bank has no significant commitments to disclose in connection with fixed rental payments for premises or leasing contracts.

CREDIT DERIVATIVES

Credit derivatives are OTC contracts designed to transfer the credit risk in an underlying financial instrument from one counterparty to another. In credit derivative TRS contracts, one counterparty agrees to pay or receive cash amounts based on the returns of a reference asset, including interest earned on these assets in exchange for amounts that are based on prevailing market funding rates. Upon the occurrence of a credit event the parties may either exchange cash payments according to the value of the defaulted assets or exchange cash based on the notional amount for physical delivery of the defaulted assets. The Bank has no open contracts as at December 31, 2016 and December 31, 2015.

NOTE 25 - OPERATIONS LINKED TO CURRENCY EXCHANGE RATES AND INTEREST RATES

The following types of forward transactions are outstanding as at December 31, 2016:

OPERATIONS LINKED TO CURRENCY EXCHANGE RATES

Forward exchange transactions (swaps and forwards)

Operations linked to currency exchange rates are made for the purposes of covering the effects of fluctuations in exchange rates.

Operations linked to currency exchange rates may be analysed according to their remaining maturity at December 31, 2016 as follows:

	2016 EUR	2015 EUR
CURRENCIES RECEIVABLE		
NOT MORE THAN THREE MONTHS	34,139,004	31,237,082
THREE TO TWELVE MONTHS	-	-
	34,139,004	31,237,082
CURRENCIES TO BE DELIVERED		
NOT MORE THAN THREE MONTHS	33,702,367	31,929,598
THREE TO TWELVE MONTHS	-	-
	33,702,367	31,929,598

The following table shows the credit risk on operations linked to currency exchange rates by applying the original exposure method.

	CURRENCIES RECEIVABLE 2016 EUR	RISK-EQUIVALENT AMOUNT 2016 EUR
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FORWARD LEG OF CURRENCY SWAPS:

CREDIT INSTITUTIONS	31,335,367	635,866
FINANCIAL INSTITUTIONS	2,367,000	46,914

	CURRENCIES RECEIVABLE 2015 EUR	RISK-EQUIVALENT AMOUNT 2015 EUR
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FORWARD LEG OF CURRENCY SWAPS:

CREDIT INSTITUTIONS	31,237,082	624,742
FINANCIAL INSTITUTIONS	-	-

Transactions in high-risk instruments or complex instruments such as leveraged derivative instruments have not been entered into by the Bank.

As at December 31, 2016, the fair value of outstanding currency swaps and forwards amounts to EUR 436,637.

NOTE 26 - INVESTMENT MANAGEMENT SERVICES AND UNDERWRITING FUNCTIONS

The Bank provides services, which consist of custody, administration of transferable securities, as well as fiduciary operations.

NOTE 27 - OTHER OPERATING INCOME

As at December 31, 2016, other operating income is represented as follows:

	2016 EUR	2015 EUR
RENTING OF OFFICE SPACE	68,481	65,350
REVERSAL OF PY EXPENSES	91,246	-
REVERSAL OF AGDL PROVISION	219,315	-
STATE SUBSIDIES	16,435	-
	395,477	65,350

NOTE 28 - STAFF NUMBERS

The average number of persons employed during the financial year by the Bank is as follows:

	2016 NUMBER	2015 NUMBER
SENIOR MANAGEMENT	7	8
MIDDLE MANAGEMENT	31	32
EMPLOYEES	33	32
WORKERS	-	3
	71	75

NOTE 29 - MANAGEMENT REMUNERATION

The Bank has granted the following emoluments in respect of the financial year to the members of the administrative and managerial bodies of the Bank by reason of their responsibilities and has entered into commitments in respect of retirement pensions for current members of these bodies as follows:

	EMOLUMENTS	PENSION	NUMBER
2016			
ADMINISTRATIVE BODIES	170,000	-	8
MANAGERIAL BODIES	2,071,034	176,249	7
	2,241,034	176,249	
2015			
ADMINISTRATIVE BODIES	364,000	-	7
MANAGERIAL BODIES	3,098,900	223,840	8
	3,462,900	223,840	

NOTE 30 - PROVISIONS

Amounts of provisions may be analysed as follows:

	2016 EUR	2015 EUR
PROVISIONS FOR TAXATION	4,716,180	4,066,255
OTHER PROVISIONS		
AGDL PROVISION	-	219,315
PROVISION FOR CLAIMS	70,000	70,000
PROVISION FOR EMOLUMENTS (INCL. DIRECTOR FEES)	2,001,000	1,203,707
PROVISIONS FOR GENERAL ADMINISTRATIVE EXPENSES	2,247,644	1,726,997
	9,034,824	7,286,274

Deposit guarantee scheme

The law related to the resolution, reorganisation and winding-up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (the "Law"), transposing into Luxembourgish law the directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and the directive 2014/49/EU related to deposit guarantee and investor compensation schemes, was passed on December 18, 2015.

The deposit guarantee and investor compensation scheme which was before in place through the "Association pour la Garantie des Dépôts Luxembourg" (AGDL) was replaced in 2016 by a new contribution based system of deposit guarantee and investor compensation. This new system covers eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000. The Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100,000 for a period of 12 months.

The provisions which have been created in the past by credit institutions for the purpose of AGDL in their annual accounts will be used according to the contributions of the banks to the new Luxembourg banking resolution fund "Fonds de resolution Luxembourg" (FRL), respectively to the new Luxembourg deposit guarantee fund "Fonds de garantie des dépôts Luxembourg" (FDGL), which is established.

The funded amount of the FRL shall reach by the end of 2024 at least 1% of covered deposits, as defined in article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount will be collected from the credit institutions through annual contributions during

the years 2015 to 2024. The target level of funding of the FGDL is set at 0.8% of covered deposits, as defined in article 163 number 8 of the Law, of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions. The contributions are to be made in the form of annual payments during the years 2016 to 2018. For the year ended December 31, 2016, the Bank paid an amount of EUR 96,322 in relation to FRL.

When the level of 0.8% is reached, the Luxembourgish credit institutions are to continue to contribute for 8 additional years in order to constitute an additional safety buffer of 0.8% of covered deposits as defined in article 163 number 8 of the Law.

NOTE 31 - RELATED PARTY BALANCES - article 67bis

The Bank has not entered into any material transaction with related parties (as defined in International Accounting Standard 24 "Related Party Disclosures") which were not made on terms equivalent to those that prevail in arm's length transactions, as of December 31, 2016 and for the year then ended.

NOTE 32 - LITIGATION AND CLAIMS

As at December 31, 2016, the Bank has been involved in a court case open against the former management and shareholders of one of its clients, a Latvian Bank. The Bank is a third party in relation to the court process and is neither defendant nor claimant in the case. The specific proceedings concern the funds in amount of EUR 12 million that were pledged by the bank as financial collateral for a loan granted by the Bank to a borrower located in Switzerland. The Swiss borrower defaulted and the pledge was exercised by the Bank in 2012 in accordance with Luxembourg law and the contractual terms.

The Latvian Bank in 2012 became insolvent. Following this insolvency the Latvian Court in the first instance as well as the Latvian Court of Appeal have ruled that the funds of the insolvent bank placed with the Bank have to be returned to the insolvent bank (operated by its liquidator). The decision of the Latvian Courts has been recognized in Luxembourg in June 2016. Funds pledged by the insolvent bank were set off against the defaulted loan and no longer located in the account at the Bank. In February 2017, the Bank has filed a claim at Luxembourg tribunal to confirm validity of its actions to execute the pledge rights over the funds set off against the defaulted loan.

In Mid-February 2016 the liquidator of Bank Snoras Lithuania has filed a claim against the Bank at Lithuania court. The claim concern the funds in amount of EUR 41 million that were pledged by the bank as financial collateral for a loan granted by the Bank to a borrower located in Switzerland. The Swiss borrower defaulted and the pledge was exercised by EWUB in 2012 in accordance with Luxembourg law and the contractual terms. EWUB has replied to the notice obtained in April 2016, contesting all merits of the claim. The Court shall decide whether the claim is groundfull to open a litigation process, such a decision has not been made of the date of this Annual accounts.

NOTE 33 - SUPPLEMENTARY FINANCIAL INFORMATION

RISK MANAGEMENT

Through its normal operations, the Bank is exposed to a number of risks the most significant of which are credit, liquidity, market and operational risk, Risks arising from the Bank's activities are closely monitored by senior management with the primary objective of minimizing risk exposures, safeguarding the assets of clients and shareholders and retaining its clients' trust.

Senior management identifies and analyses banking risks on a continual basis in line with the evolution of the Bank's activities, determines the appropriate operating limits and reporting tools and establishes a sound control environment to promote compliance with internal rules and limits, as well as the relevant legal and regulatory requirements.

Credit Risk Management

Credit risk is the risk that a customer or counterparty will not settle an obligation for full value, either when due or any time thereafter.

The Board of Directors alone possesses the authority to set up the principles on which decisions are made and to fix rules relating to the granting, extension, or restructuring of a credit by the Bank (general credit policy, country limits and other strategic matters). The Credit Committee is responsible for the application of these principles.

The control measures implemented by the Bank, in order to monitor and limit credit risk, focus on analysis of the financial standing and reputation of borrowers, the existence and sufficiency of collateral pledged as security for loan facilities and periodic reviews of the creditworthiness of borrowers, In order to minimise the credit risk in relation with money market operations, limits for authorised counterparties have been fixed.

Securities transactions for the Bank's investment and structural portfolios are deliberated upon by the Credit Committee, considering the quality of the issuer, the maturity profile of the security, its currency and investment return.

Liquidity Risk Management

Liquidity risk is the risk of loss arising from the possibility of the Bank not having sufficient funds to meet its obligations as and when they fall due or from the Bank's inability to unwind a position at market prices because of inadequate market depth or disruption in the market.

The Bank follows a prudent policy in matching the maturity profile of its assets and liabilities.

The Bank maintains a liquidity ratio well in excess of the required ratio with a high percentage of short-term liquid funds placed with highly reputable banks and financial institutions within the OECD.

Market Risk Management

Market risk is the risk of loss arising from adverse changes in market conditions, including interest rates, foreign exchange rates and from market prices of investments.

The Bank primarily matches its structure of assets and liabilities as far as possible to ensure congruence in terms of maturity and interest base. The Bank may conclude interest rate swaps periodically to hedge against its exposure to interest rate risk. The hedging possibilities of fixed rate assets are deliberated upon, as and when appropriate, by the Treasury Committee.

The governing objective in currency risk management is to maintain a system of authorised position limits and to monitor them closely.

The Bank has undertaken proprietary securities trading activities on a restricted basis during the year. Comprehensive limits have been established by the Bank's senior management for trading activities.

Operational Risk Management

Operational risk is the risk of losses in relation with human error and fraud is addressed by adapting appropriate operations and administrative systems to the Bank's activities and by maintaining adequate working procedures and a strong internal control environment.

Exchange Rate Risk

Exchange rate risk is the risk of loss arising from future movements in the exchange rates applicable to foreign currency assets, liabilities, rights and obligations is managed through placing limits for intraday and overnight open currency positions by the Board of Directors. The Bank maintains low levels of open positions.

FX trading is suspended and therefore there have been no trading related risk exposures incurred during the year.

