

EAST-WEST UNITED BANK S.A.

**ANNUAL ACCOUNTS AND REPORT OF THE
REVISEUR D'ENTREPRISES AGREE**

DECEMBER 31, 2014

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MANAGEMENT REPORT

to the Annual General Meeting of Shareholders to be held on June 10, 2015

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, 2014, one of the significant years in the history of the Bank. The total assets has decreased and amounted to EUR 733 million compared to EUR 1.13 billion as of end of the previous year. The shareholder's equity at the year's end has increased to EUR 115.2 million compared to 63.4 million in the previous year in accordance with Luxembourg GAAP.

In 2014, the Bank has recorded a profit on its operations amounting to EUR 1.9 million compared to EUR 10.8 million in 2013. Despite the complete restructuring of the core lending activities and subsequent decrease of the total size of the loan portfolio, the Bank managed to maintain the net interest income at a level of EUR 18.9 million compared to EUR 18.8 million in 2013. At the same time, the Bank has successfully started to implement new business strategy focused on further development of Corporate banking activities that has enabled the Bank to initiate higher volume of new structured credits during first half of the year and increase related fee income. The net commission income has increased by 182% to EUR 5.1 million compared with EUR 1.8 million recorded in 2013. General administrative expenses increased by equivalent of EUR 4.8 million reflecting the expenses born by the Bank in order to accommodate future growth and development of business. These factors combined with the key change in the result on the financial operations which has been affected in 2014 by recognition of EUR 8.7 million of unrealized loss due to a temporary decrease of market value of securities in placement portfolio, in accordance with Luxembourg GAAP principles, resulted in operating loss of EUR 1.9 million compared with a gain of EUR 16.6 million for the year 2013. This operating result being affected by temporary deviations on the financial markets in Russia and other CIS countries due to current geopolitical and economic circumstances has been balanced by usage of the accumulated country provisions as well as by partial release of the accumulated fund for general banking risks created to mitigate such type of the country risks in the Bank's operating markets.

While the Bank's operating market is not confined solely to Russia, Russian and CIS - related business constitutes significant part of the Bank's revenues and as such has been temporarily impacted by geopolitical developments in the region during 2014. Since the end of 2007 EWUB's capital is controlled by JSFC Sistema - the largest public diversified corporation 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, remaining 66% of EWUB's capital.

The cooperation with MTS Bank allowed identifying possible synergies which are becoming examined and exploited as both entities work more closely. Similarly, the Bank continued to diversify its activity and elaborate plans with the aim of fully exploiting the synergies and the potential opportunities arising with 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 our clients' service, diversify product lines and contribute to bottom-line results. This new approach has led to launching of transformation program towards new business strategy. This strategy is focused on development of Corporate and Private Banking activities supported by the new teams within the Bank, synergies with the shareholders and group companies and new range of products. At the same time, significant expansion of geographically and industry-diversified lending activities is planned in addition to the existing activities. This ongoing development is critical to our success and our vision to become first class banking partner for both European and Russian/CIS investors and private clients. The Management continued to show its commitment to further improvement of the corporate governance and a strong internal control environment in the Bank. The Management is 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, 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 recruitment of significant number of new employees on higher, middle and lower management levels represented by respected industry professionals who are empowered to oversee and manage the Bank's operations. The Bank has also continued its conservative approach to risk management providing sufficient confidence that its risk exposures are adequately mitigated and covered. In line with this prudent approach to adequately mitigate all relevant risks, the Bank has continued to create country risk provisions on uncovered exposures. The level of these provisions is reviewed on regular basis in order to reflect the risk relative to the country of origin of the borrower.

The Board of Directors 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 continuous improvements of the internal procedures relating to the credit risk assessment implemented in previous year combined with a

prudent policy resulted in maintaining of the quality of the loan portfolio and closing of the significant legacy exposures where the risk has been considered as not acceptable were observed during the year.

The Bank continues to follow a prudent policy in matching the maturity profile of its assets and liabilities and 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. The governing objective in currency risk management is to maintain a system of authorised position limits and to monitor them closely.

Limited proprietary securities trading activities were carried out by EWUB during the year 2014, subject to stringent restrictions on volumes, stop-losses 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. No other forms of proprietary trading activity were undertaken during the course of the year. The result is primarily affected by temporary decrease in market value of placement portfolio for Russian and Ukraine issuers.

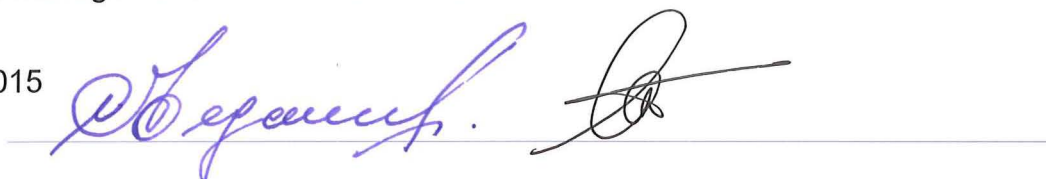
Operational risk, being the risk of losses in relation with human error and fraud, is addressed by adapting appropriate operations and administrative systems to the Bank's activities and by maintaining adequate working procedures and a strong internal control environment.

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 has reduced significantly its exposure held through the debt securities of Ukrainian issuers during 2014. There is no possibility to completely assess the economic consequences of the current situation in Ukraine. However, taking into account the actions taken by the Government of Ukraine and considering the intentions of the International Monetary Fund to provide financial support for stabilisation of the economic situation, the Management has reasonable ground to believe that counterparties will fulfil their obligations.

The Bank's Board of Directors approved the annual accounts on May 19, 2015. The management of the Bank wishes to express its gratitude to the shareholders for their support and for the loyalty to our customers, banking partners and staff in ensuring the ongoing development of East-West United Bank, and looks forward to a prosperous 2015.

Authorized management of East-West United Bank S.A.

May 18, 2015



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

REPORT OF THE REVISEUR D'ENTREPRISES AGREE

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, 2014 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, 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.

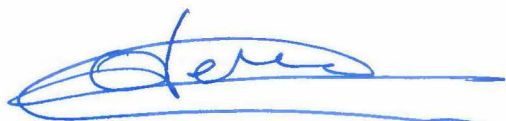
Emphasis of Matter

We draw attention to the note 33 to the annual accounts which details the Bank's exposure with Ukraine as of December 31, 2014. There is no possibility to completely assess the economic consequences of the current situation in Ukraine. However, taking into account the actions taken by the Government of Ukraine and considering the intentions of the International Monetary Fund to provide financial support for stabilization of the economic situation, the Bank has reasonable ground to believe that counterparties will fulfill their obligations. Our opinion is not qualified in respect of this matter.

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.

For Deloitte Audit, *Cabinet de révision agréé*



Olivier Lefèvre, *Réviseur d'entreprises agréé*
Partner

May 18, 2015

East-West United Bank S.A.

BALANCE SHEET AND OFF BALANCE SHEET ITEMS

December 31, 2014

(expressed in EUR)

BALANCE SHEET

As at December 31, 2014

(expressed in EUR)

A s s e t s

	Note	2014	2013
Cash, balances with central banks and post office banks	3, 4	6.155.072	13.073.326
Loans and advances to credit institutions:	4, 5, 12	366.941.803	224.258.261
a) repayable on demand		275.449.794	73.014.311
b) other loans and advances		91.492.009	151.243.950
Loans and advances to customers	4, 6, 12, 30	264.244.652	847.123.244
Debt securities and other fixed-income securities:	4, 7, 8, 9, 12	79.897.119	33.401.155
a) issued by public bodies		883.159	6.280.963
b) issued by other borrowers		79.013.960	27.120.192
Tangible assets	9, 10	7.862.848	8.934.728
Other assets	11	2.634.154	623.792
Prepayments and accrued income		4.991.663	4.813.418
 TOTAL ASSETS	 13	 <u>732.727.311</u>	 <u>1.132.227.924</u>

BALANCE SHEET

As at December 31, 2014

(expressed in EUR)

- continued -

Liabilities

	Note	2014	2013
Amounts owed to credit institutions:	4, 14, 21	78.344.233	743.669.283
a) repayable on demand		28.897.182	701.067.250
b) with agreed maturity dates or periods of notice		49.447.051	42.602.033
Amounts owed to customers:	4, 15, 21	497.795. 630	272.819.142
a) other debts			
aa) repayable on demand		279.257.842	137.002.381
ab) with agreed maturity dates or periods of notice		218.537.788	135.816.761
Other liabilities	16	1.217.199	1.761.920
Accruals and deferred income		6.386.253	2.766.689
Provisions:	30	6.836.832	8.633.446
a) provisions for taxation		3.342.300	5.187.547
b) other provisions		3.494.532	3.445.899
Fund for general banking risks	2.6	26.821.615	39.200.000
Subscribed capital	1.1, 19	80.601.836	30.601.960
Reserves	20	32.775.484	21.994.577
Profit for the financial year		1.948.229	10.780.907
TOTAL LIABILITIES	22	732.727.311	1.132.227.924

East-West United Bank S.A.
OFF BALANCE SHEET ITEMS
As at December 31, 2014
(expressed in EUR)

Off balance sheet items

	Note	2014	2013
Contingent liabilities	4, 23	18.153.297	11.685.525
<u>of which:</u>			
- guarantees and assets pledged as collateral security		18.153.297	11.685.525
Commitments	4, 24	50.989.078	16.736.935
Fiduciary Operations	26	75.198.735	139.706.809

See notes to the accounts.

East-West United Bank S.A.

PROFIT AND LOSS ACCOUNT

Year ended December 31, 2014

(expressed in EUR)

East-West United Bank S.A.
PROFIT AND LOSS ACCOUNT
Year ended December 31, 2014
(expressed in EUR)

	Note	2014	2013
Interest receivable and similar income		26.756.058	42.626.103
<u>of which:</u>			
that arising from fixed-income securities		5.937.486	5.234.244
Interest payable and similar charges		(7.851.288)	(23.839.201)
Commission receivable		6.636.488	1.920.487
Commission payable		(1.527.529)	(128.576)
Net profit/(loss) on financial operations		(8.800.416)	8.143.483
Other operating income	27	219.764	764.338
General administrative expenses:		(16.011.279)	(11.211.468)
a) staff costs	28, 29	(11.523.751)	(7.829.861)
<u>of which:</u>			
- wages and salaries		(10.288.906)	(7.100.025)
- social security costs		(1.043.922)	(561.659)
<u>of which:</u>			
social security costs relating to pensions		(377.276)	(128.247)
b) other administrative expenses	18	(4.487.528)	(3.381.607)
Value adjustments in respect of tangible and intangible assets		(1.236.571)	(1.386.010)
Other operating charges		(146.490)	(320.306)
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments		(18.105.298)	(3.620.516)
Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments		4.455.272	690.000
Value re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings		5.725.289	20.148.865
Release/(Allocations) to the fund for general banking risks	2.6	12.378.385	(20.000.000)
Carried forward:		<u>2.492.385</u>	<u>13.787.199</u>

See notes to the accounts.

East-West United Bank S.A.
PROFIT AND LOSS ACCOUNT
Year ended December 31, 2014
(expressed in EUR)
- continued -

	Note	2014	2013
Brought forward:		<u>2.492.385</u>	<u>13.787.199</u>
Taxes on ordinary activities		(535.300)	(2.997.000)
Profit on ordinary activities after tax		<u>1.957.085</u>	<u>10.790.199</u>
Other taxes not shown under the preceding items		(8.856)	(9.292)
Profit for the financial year		<u><u>1.948.229</u></u>	<u><u>10.780.907</u></u>

See notes to the accounts.

East-West United Bank S.A.

NOTES TO THE ACCOUNTS

December 31, 2014

East-West United Bank S.A.
NOTES TO THE ACCOUNTS
December 31, 2014

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, 2014, the Bank's subscribed and paid-up capital amounts to EUR 80.601.836 (2013: EUR 30.601.960), represented by 325.147 (2013: 123.448) shares with a nominal value of approximately EUR 247,89 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 typically Senior Executives of the shareholders. The members also include one Managing Director of the Bank. 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 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.

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

December 31, 2014

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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.

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

December 31, 2014

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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.

As at December 31, 2014, the Bank has booked a provision of EUR 1.394.929 (2013: EUR 0). This provision is included on the liabilities side of the Balance Sheet under the caption “Accruals and deferred income”.

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. 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.

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

December 31, 2014

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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. In 2014, the Bank released an amount of EUR 550.000 (2013: EUR 690.000) of lump-sum provision. The remaining balance of lump-sum provision amounted to EUR 450.000 as of December 31, 2014 (2013: EUR 950.000).

The lump-sum provision for risk exposures is broken down in proportion to the weighting of the items that form of the basis for its calculation, between:

- a portion which is deemed to represent a value adjustment, and which is deducted from the assets items which constitute risk exposures; and
- a portion which is deemed to represent a provision for liabilities and charges attributable to credit risk associated with off-Balance Sheet items, foreign exchange risk and market risks, and which is shown among the liabilities items under "Provisions for liabilities and charges: Other provisions".

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.

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

December 31, 2014

- continued -

Transfers to this account are shown separately in the profit and loss account under “Transfers to the fund for general banking risks”.

In 2014, the Bank released an amount of EUR 12.378.385 of Fund for general banking risk provision to face impairment on Ukraine’s exposure.

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 is 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.

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

December 31, 2014

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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.

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, 2014 held by the Bank with Central Bank of Luxembourg amounted to EUR 5.731.705 (2013: EUR 12.697.066).

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

December 31, 2014

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NOTE 4 - ANALYSIS OF FINANCIAL INSTRUMENTS

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

2014 EUR (at carrying amount)	Not more than 3 months	3-12 months	1-5 years	More than 5 years	Total 2014
Financial assets					
Cash, balances with central banks and post office banks	6.155.072	-	-	-	6.155.072
Loans and advances to credit institutions	362.103.242	4.838.561	-	-	366.941.803
Loans and advances to customers	11.292.930	38.711.154	199.668.590	14.571.978	264.244.652
Debt securities and other fixed income securities	6.494.903	4.616.983	55.856.012	12.929.221	79.897.119
	<u>386.046.147</u>	<u>48.166.698</u>	<u>255.524.602</u>	<u>27.501.199</u>	<u>717.238.646</u>
Financial liabilities					
Amounts owed to credit institutions	72.842.340	-	5.501.893	-	78.344.233
Amounts owed to customers	434.284.807	62.510.823	700.000	300.000	497.795.630
Subordinated liabilities	-	-	-	-	-
Contingent liabilities	15.082	66.000	17.971.075	101.140	18.153.297
Commitments	-	38.205.464	12.783.614	-	50.989.078
	<u>507.142.229</u>	<u>100.782.287</u>	<u>36.956.582</u>	<u>401.140</u>	<u>645.282.238</u>
2013 EUR (at carrying amount)	Not more than 3 months	3-12 months	1-5 years	More than 5 years	Total 2013
Financial assets					
Cash, balances with central banks and post office banks	13.073.326	-	-	-	13.073.326
Loans and advances to credit institutions	216.304.382	7.953.879	-	-	224.258.261
Loans and advances to customers	35.765.958	455.121.860	355.236.274	999.152	847.123.244
Debt securities and other fixed income securities	-	-	27.699.519	5.701.636	33.401.155
	<u>265.143.666</u>	<u>463.075.739</u>	<u>382.935.793</u>	<u>6.700.788</u>	<u>1.117.855.986</u>
Financial liabilities					
Amounts owed to credit institutions	736.432.346	5.065.856	2.171.081	-	743.669.283
Amounts owed to customers	262.066.385	9.752.757	-	1.000.000	272.819.142
Subordinated liabilities	-	-	-	-	-
Contingent liabilities	136.536	354.680	11.094.309	100.000	11.685.525
Commitments	0	7.236.937	9.499.998	-	16.736.935
	<u>998.635.267</u>	<u>22.410.230</u>	<u>22.765.388</u>	<u>1.100.000</u>	<u>1.044.910.885</u>

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

December 31, 2014

- continued -

NOTE 5 - LOANS AND ADVANCES TO CREDIT INSTITUTIONS

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

	2014	2013
	EUR	EUR
Luxembourg	179.159.919	96.941.269
OECD countries (other than Luxembourg)	178.542.176	78.235.444
Other countries	<u>9.239.708</u>	<u>49.081.548</u>
	<u><u>366.941.803</u></u>	<u><u>224.258.261</u></u>

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:

	2014	2013
	EUR	EUR
Luxembourg	673.001	805.434
OECD countries (Other than Luxembourg)	110.588.557	40.194.061
Other countries	<u>152.983.094</u>	<u>806.123.749</u>
	<u><u>264.244.652</u></u>	<u><u>847.123.244</u></u>

As at December 31, 2014, an amount of EUR 16.080.352 (2013: EUR 13.443.890) has been established as General Country Risk provisions.

At December 31, 2014, the Bank participated in EUR 36 million equity repo-type financing, secured by equity instruments (2013: EUR 21 million).

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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	Unlisted	Total
	2014	2014	2014
	EUR	EUR	EUR
Debt securities and other fixed-income securities	<u>79.897.119</u>	<u>-</u>	<u>79.897.119</u>

	Listed	Unlisted	Total
	2013	2013	2013
	EUR	EUR	EUR
Debt securities and other fixed-income securities	<u>33.401.155</u>	<u>-</u>	<u>33.401.155</u>

NOTE 8 - DEBT SECURITIES AND OTHER FIXED-INCOME SECURITIES

As at December 31, 2014, 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 11.111.886 (2013: EUR 0).

Transferable securities shown under “Debt securities and other fixed-income securities” are to be regarded as financial fixed assets for EUR 8.246.349 (2013: EUR 10.991.701) 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 71.650.770 (2013: EUR 22.409.454) and within the trading portfolio for EUR nil (2013: EUR 0).

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As at December 31, 2014, value adjustments retained in accordance with Articles 56 (2) (f) and 58 (2) (e) of the law on the accounts of banks amount to EUR 1.788.936 (2013: EUR 3.882.761).

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

	2014	2013
	EUR	EUR
OECD countries (other than Luxembourg)	36.163.842	1.420.045
Other countries	<u>43.733.277</u>	<u>31.981.110</u>
	<u>79.897.119</u>	<u>33.401.155</u>

NOTE 9 - MOVEMENTS IN FIXED ASSETS

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

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

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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	16.520.522	53.008	(6.980.584)	1.046.081	10.639.027	(2.392.678)	8.246.349
2. Tangible assets	17.700.687	161.435	-	-	17.862.122	(9.999.274)	7.862.848
<u>of which:</u>							
a) Land and buildings	14.361.504	62.434	-	-	14.423.938	(7.173.374)	7.250.564
b) Other fixtures and fittings, tools and equipment	3.339.183	99.001	-	-	3.438.184	(2.825.900)	612.284

As at December 31, 2014, the market value of debt securities and other fixed-income securities amounted to EUR 9.612.841 (2013: EUR 15.257.356).

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

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NOTE 10 - TANGIBLE ASSETS

Tangible assets include a net amount of EUR 7.229.790 (2013: EUR 8.010.934), which represents the land and buildings used by the Bank for its own activities.

As at December 31, 2014, 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 1.641.093 (2013: EUR 2.171.081).

NOTE 11 - OTHER ASSETS

	2014	2013
	EUR	EUR
Short term receivable	46.161	15.392
Advances on taxes	1.242.164	426.873
Prepaid expenses	548.346	81.975
Other assets	797.483	99.552
	<u>2.634.154</u>	<u>623.792</u>

NOTE 12 - RELATED PARTY BALANCES - ASSETS

As at December 31, 2014, balances with related parties are included on the assets side of the Balance Sheet under “Loans and advances to credit institutions” for EUR 7.808.573 (2013: EUR 40.849.797), under “Loans and advances to customers” for EUR 13.122.457 (2013: EUR 12.836.204) and under “Debt securities and other fixed income securities” for EUR 19.679.681 (2013: EUR 8.580.833).

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

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NOTE 13 - FOREIGN CURRENCY ASSETS

As at December 31, 2014, the aggregate amount of the Bank's assets denominated in foreign currencies after deducting any value adjustments, translated into EUR, is EUR 422.598.455 (2013: EUR 1.027.341.079).

NOTE 14 - AMOUNTS OWED TO CREDIT INSTITUTIONS

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

	2014	2013
	EUR	EUR
Luxembourg	6.922.247	3.849.072
OECD countries (Other than Luxembourg)	28.719.126	-
Other countries	42.702.860	739.820.211
	<u>78.344.233</u>	<u>743.669.283</u>

As at December 31, 2014, the balance does not include an amount pledged in favour of the Bank as collateral for loans granted by the Bank (2013: EUR 729.064.334).

NOTE 15 - AMOUNTS OWED TO CUSTOMERS

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

	2014	2013
	EUR	EUR
Luxembourg	32.101.375	32.880.378
OECD countries (Other than Luxembourg)	22.873.279	104.298.253
Other countries	442.820.976	135.640.511
	<u>497.795.630</u>	<u>272.819.142</u>

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NOTES TO THE ACCOUNTS

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NOTE 16 - OTHER LIABILITIES

	2014	2013
	EUR	EUR
Preferential creditors	577.621	650.186
Sundry creditors	639.578	1.111.734
	<u>1.217.199</u>	<u>1.761.920</u>

NOTE 17 - SUBORDINATED LIABILITIES

In 2014 the Bank had no open subordinated loans. In 2013 the Bank has incurred charges for EUR 18.856 with respect to its subordinated liabilities. On June 29, 2007, the Bank concluded a subordinated loan agreement for USD 6.000.000. The initial maturity of the subordinated loan was 72 months and it has been fully repaid as per the initial agreement in July 2013. The subordinated loan agreement was governed by Luxembourg law and the place of jurisdiction was the City of Luxembourg.

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:

	2014	2013
	EUR	EUR
Annual audit fees	135.000	150.000
Other assurance services	-	27.270
Tax advisory fees	4.400	3.800
Other services	-	15.065
	<u>139.400</u>	<u>196.135</u>

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

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NOTES TO THE ACCOUNTS

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NOTE 19 - SUBSCRIBED CAPITAL

As at December 31, 2013, the Bank's authorised, subscribed and paid-up capital amounted to EUR 30.601.960, represented by 123.448 shares with a nominal value of approximately EUR 247,89 each.

Following a decision taken during the Extraordinary General Meeting held on April 25, 2015 the Bank had increased its capital by EUR 49.999.876 represented by 201.699 new Shares.

As of December 31, 2014, the Bank's authorised, subscribed and paid-up capital amounts to EUR 80.601.836 (2013: EUR 30.601.960), represented by 325.147 (2013: 123.448) shares with a nominal value of approximately EUR 247,89 each.

NOTE 20 - MOVEMENTS IN RESERVES AND PROFIT BROUGHT FORWARD

	Legal reserve EUR	Other reserves EUR
Balance as at January 1, 2014	3.060.196	18.934.381
Appropriation of profit	-	8.130.907
- Transfer to reserves	<u>-</u>	<u>2.650.000</u>
Balance as at December 31, 2014	<u>3.060.196</u>	<u>29.715.288</u>

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.

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NOTES TO THE ACCOUNTS
December 31, 2014
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NOTE 21 - RELATED PARTY BALANCES - LIABILITIES

	2014	2013
	EUR	EUR
Amounts owed to credit institutions	40.984.136	75
Amounts owed to customers	277.385.364	198.654.270
	<u>318.369.500</u>	<u>198.654.345</u>

NOTE 22 - FOREIGN CURRENCY LIABILITIES

As at December 31, 2014, the aggregate amounts of liabilities denominated in foreign currencies, translated into EUR was EUR 359.586.600 (2013: EUR 982.655.013).

NOTE 23 - CONTINGENT LIABILITIES

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

	2014	2013
	EUR	EUR
Guarantees and other direct substitutes for credit	<u>18.153.297</u>	<u>11.685.525</u>

Balances with related parties are amounting to EUR 5.250 (2013: EUR 320.000).

Their was no unsecured net exposure on contingent liabilities at year-end 2014 (2013: EUR 0).

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NOTES TO THE ACCOUNTS

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NOTE 24 - COMMITMENTS

The Bank's commitments may be analysed as follows:

	2014	2013
	EUR	EUR
Confirmed credits, not used	42.783.613	9.499.998
Forward purchase of assets	<u>8.205.465</u>	<u>7.236.937</u>
	<u>50.989.078</u>	<u>16.736.935</u>

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 entered into a one year Total Return Swap (TRS) during the year 2014 for a nominal of USD 10 million.

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NOTES TO THE ACCOUNTS

December 31, 2014

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

The following types of forward transactions are outstanding as at December 31, 2014:

Operations linked to currency exchange rates

Forward exchange transactions (swaps)

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, 2014 as follows:

	2014	2013
	EUR	EUR
Currencies receivable		
Not more than three months	67.848.272	35.084.985
Three to twelve months	<u>-</u>	<u>20.000.000</u>
	<u>67.848.272</u>	<u>55.084.985</u>
Currencies to be delivered		
Not more than three months	69.845.306	34.587.554
Three to twelve months	<u>-</u>	<u>19.432.027</u>
	<u>69.845.306</u>	<u>54.019.581</u>

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

	Currencies receivable 2014 EUR	Risk-equivalent amount 2014 EUR
Forward leg of currency swaps:		
- Credit institutions	67.848.272	1.356.965
- Financial institutions	<u>-</u>	<u>-</u>
	<u>67.848.272</u>	<u>1.356.965</u>

	Currencies receivable 2013 EUR	Risk-equivalent amount 2013 EUR
Forward leg of currency swaps:		
- Credit institutions	55.084.985	1.101.700
- Financial institutions	<u>-</u>	<u>-</u>
	<u>55.084.985</u>	<u>1.101.700</u>

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, 2014, the fair value of outstanding currency swaps amounts to EUR 1.997.034.

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NOTES TO THE ACCOUNTS

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Operations linked to Total Return swaps

	2014	2013
	EUR	EUR
Total Return Swap:		
Not more than three months	-	-
Three to twelve months	<u>5.333.552</u>	<u>4.704.009</u>
	<u>5.333.552</u>	<u>4.704.009</u>

As at December 31, 2014, the negative fair value of outstanding total return swap amounts to EUR 1.394.929 (2013: EUR 8.034).

NOTE 26 - INVESTMENT MANAGEMENT SERVICES AND UNDERWRITING FUNCTIONS

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

NOTE 27 - OTHER OPERATING INCOME

As at December 31, 2014, the main caption under other operating income is an amount of EUR 163.503 representing VAT refund received for prior years.

East-West United Bank S.A.
NOTES TO THE ACCOUNTS

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NOTE 28 - STAFF NUMBERS

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

	2014	2013
	Number	Number
Senior management	7	5
Middle management	22	10
Employees	35	29
Workers	<u>4</u>	<u>2</u>
	<u><u>68</u></u>	<u><u>46</u></u>

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
2014			
Administrative bodies	221.500	0	7
Managerial bodies	<u>3.755.080</u>	<u>0</u>	7
	<u><u>3.976.580</u></u>	<u><u>0</u></u>	
	Emoluments	Pension	Number
2013			
Administrative bodies	133.600	0	7
Managerial bodies	<u>2.916.358</u>	<u>13.158</u>	6
	<u><u>3.049.958</u></u>	<u><u>13.158</u></u>	

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NOTES TO THE ACCOUNTS

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The Bank has granted advances and credits to members of its managerial bodies, but it has not entered into guarantee commitments on their behalf. The outstanding balances as at the year-end are as follows:

	2014	2014	2013	2013
	EUR		EUR	
	Credits	Number	Credits	Number
Managerial bodies	<u>371.840</u>	1	<u>371.840</u>	1
	<u><u>371.840</u></u>		<u><u>371.840</u></u>	

NOTE 30 - PROVISIONS

Amounts of provisions may be analysed as follows:

	2014	2013
	EUR	EUR
Provisions for taxation	3.342.300	5.187.547
Other provisions	<u>3.494.532</u>	<u>3.445.899</u>
AGDL provision	218.678	199.378
Provision for claims	18.513	150.936
Provisions for general administrative expenses and remuneration	<u>3.257.341</u>	<u>3.095.585</u>
	<u><u>6.836.832</u></u>	<u><u>8.633.446</u></u>

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Deposit guarantee 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, 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 law of December 19, 2002 on commercial companies, as amended.

With respect to each member, the Guarantee is limited to a maximum amount per depositor of EUR 100.000 or its foreign currency equivalent. No 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 up to the amount of EUR 20.000.

The total amount of the Guarantee 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.

As at December 31, 2014, the Bank has set up a provision of EUR 218.668 (2013: EUR 199.378) in recognition of its potential liabilities under the Guarantees within the limits set out in the Grand-Ducal Regulation of December 21, 1991 enacting Article 167 § 1 (5) of the income tax law of December 4, 1967. The provision is included on the liabilities side of the Balance Sheet under “Provisions - Other Provisions”.

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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, 2014 and for the year then ended.

NOTE 32 - LITIGATION AND CLAIMS

As of December 31, 2014 the Bank has been involved in a court case open against former management and shareholders of one the Bank’s former clients, insolvent Latvian Bank “Latvias Krajbanka”. 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 15 million that were pledged by Latvias Krajbanka as financial collateral for the loan granted by the Bank to the borrower located in Switzerland. Loan has defaulted and the pledge was exercised by the Bank in 2012 in accordance with Luxembourg law and contractual terms.

Latvian Court of first instance as well as Latvian court of appeals have ruled that the funds of Latvias Krajbanka placed with the Bank have to be returned to the insolvent Latvias Krajbanka (operated by its liquidator KPMG Latvia). As of the date of this report the decision of Latvian courts has neither been recognized nor enforced in Luxembourg. Funds pledged by Latvias Krajbanka were set off against the defaulted loan and no longer located on the account. As of December 31, 2014 no provision was created by the Bank in relation with this court case.

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NOTE 33 - UKRAINE'S EXPOSURE

Taking into account the unstable economic situation in Ukraine started during the year 2013, the Bank permanently monitors and evaluates the risks associated with the Ukrainian economy.

In line with the accounting policies of the Bank, an analysis of the outstanding loans and the securities held in the portfolio, based on available information, is carried out to assess whether there is objective evidence that a specific value adjustment on financial asset should be recorded.

In this context, it has been noted that the economic and financial situation of Ukraine significantly deteriorated in 2014 and specific attention has been given to the situation in the country when performing the value adjustment analysis. The value adjustment analysis performed by the Bank takes into account the debt sustainability outlook of the counterparty, guarantor and/or security issuer, and the political context of the country.

As at December 31, 2014 the net exposure of the Bank in Ukraine after provisions can be analysed as follow as at December 31, 2014:

- | | |
|--|---------------------------------------|
| - Loans and advances to credit institutions: | EUR nil (2013: EUR 5.423.100) |
| - Loans and advances to customers: | EUR 16.934.469 (2013: EUR 28.019.348) |
| - Debt securities and other fixed-income securities: | EUR 7.711.315 (2013: EUR 15.898.067) |

There is no possibility to completely assess the economic consequences of the current situation in Ukraine. However, taking into account the actions taken by the Government of Ukraine and considering the intentions of the International Monetary Fund to provide financial support for stabilization of the economic situation, the Bank has reasonable ground to believe that counterparties will fulfill their obligations.

However in accordance with Bank's internal policy in addition to specific provisions the country risk provision was created on Ukrainian exposure and totalled to EUR 6.232.932 (2013: EUR 16.438.376) as at December 31, 2014 which corresponds to 25% of the exposure net of Beibehaltung provision and specific provisions. As at December 31, 2014, total specific provisions created for the Ukrainian exposures are as follows:

- | | |
|--|----------------|
| - Loans and advances to customers: | EUR 18.115.668 |
| - Debt securities and other fixed-income securities: | EUR 846.942 |

East-West United Bank S.A.
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NOTE 34 - 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.

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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.

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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.