

EAST-WEST UNITED BANK S.A.
ANNUAL ACCOUNTS, MANAGEMENT REPORT AND
REPORT OF THE

“REVISEUR D’ENTREPRISES AGREE”

DECEMBER 31, 2021

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L-1840 Luxembourg
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MANAGEMENT REPORT

to the Annual General Meeting of Shareholders to be held on June 20, 2022

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, 2021. The total assets have increased to EUR 724 million compared to EUR 677 million as of end of year 2020.

In 2021, the Bank has recorded a loss on its operations amounting to EUR 1.3 million compared to loss of EUR 4.0 million in 2020. The Bank has continued implementation of the business plan focused on the scaling of private banking and transactional banking activities. However, there have been observed significant market turbulences as well as operational constraints resulting from the global crises linked to the pandemic effect of virus SARS-CoV-2. The Bank has been running in full-service operations adapted to the applicable restrictions to prevent further spread of the virus, which has led to the temporary, slowed business development activities since 2020. The Bank has implemented all necessary measures for active portfolio monitoring and management to minimize potential losses from this exceptional situation. This has enabled to withstand the impact of the ongoing pandemic crises with minimum impact on the additional credit risk related charges. During 2021, the Bank has continued to increase its loan portfolio with participation in large syndicated loans, while has also actively managed diversified securities portfolio composed mainly by highly liquid or investment grade rated securities. During 2021, the Bank has been successful in its interest risk management and has significantly improved results of total interest earned amounting to EUR 19.8 million compared to EUR 14.4 million in 2020, including also a realized gain of derivatives amount to EUR 5.8 million compared to EUR 0.8 million in 2020. The improvements of the asset quality were resulting in net reversal of specific provisions for loans by EUR 1.7 million compared to provision EUR 8.8 million in 2020. In 2021, the Bank has made adjustments on securities portfolio by EUR 0.2 million, compared to EUR 0.4 million as of year-end of 2020, as a result of short-term turbulences on the global markets. Along with the investment activities, the Bank has continued further development of Transactional and Private banking activities that have enabled the Bank to maintain stable commission income, which has stabilized at EUR 4.4 million and was generated mainly from recurring operations and products defined in the current strategy. The Bank has stabilized number of permanent employees by end of 2021 at 100.6 FTEs compared to 103 by end of 2020. The increase of general expenses by EUR 1.8 million is mainly due to personnel costs following investment development efforts.

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, radio and aerospace, banking, retail, mass-media, development, tourism and healthcare services and has over 100 million customers. Since 2019, it has increased its direct ownership up to 100% of the Bank’s capital and became thus sole shareholder of the Bank confirming its strategic position within the group portfolio. 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 while experiencing significant pressure of the global pandemic crisis affecting the overall economic environment. The strategy continues to be focused on development of Transactional and Private Banking activities accompanied with the investment activities of Corporate Banking and Global Markets, supported by the new teams within the Bank. 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. The Bank has strengthened 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 thoroughly assessed specific provisions to the existing exposures.

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 minimum 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.

Thorough proprietary securities investment activities were carried out by EWUB during the year 2021, subject to stringent restrictions on volumes and issuer as defined in the new Risk appetite statement in line with the business strategy. Investment activities have been focused on improvements of the credit and liquidity characteristics of the securities portfolio while maximising risk reward result from those investments.

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.

As of December 31, 2021, and 2020, the Bank did not acquire any of its own shares.

In 2022, the ongoing geo-political instability caused by the war in Ukraine has affected business environment of the Bank's target markets as well as market values of part of the bond portfolio. The Bank has applied all necessary measures in order to ensure uninterrupted operations as well as solvency and liquidity stability throughout the crises period. While current situation has significantly slowed down development of the banking activities, there is no possibility to completely assess the economic consequences of the current situation in Ukraine and its total impact on the Bank.

The Bank's Board of Directors approved the annual accounts on June 14, 2022. The management of the Bank wishes to express its gratitude to the sole shareholder for its 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.

The Management of East-West United Bank S.A. on behalf of the Board of Directors



Hans- Ulrich HUGLI

Managing Director and
Board member



Martin PCOLA

Managing Director

June 14, 2022

Independent auditor's report

To the Board of Directors of
East-West United Bank S.A.
10, Boulevard Joseph II
L-1840 Luxembourg

Report on the audit of the financial statements

Opinion

We have audited the financial statements of East-West United Bank S.A. (the "Bank"), which comprise the balance sheet as at 31 December 2021, and the profit and loss account for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for opinion

We conducted our audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (the "Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "réviseur d'entreprises agréé" for the audit of the financial statements" section of our report. We are also independent of the Bank in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 33 - Subsequent Events of the financial statements, which describe the impact of the Russian invasion of Ukraine which occurred in February 2022 on the Bank's assets, activities and operations. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. Value adjustments of loans and advances to customers

Description

As at 31 December 2021, loans and advances to customers (“loans to customers”) amount to EUR 221,0 million (gross amount), which represents 31% of the total assets and the value adjustments booked against those loans amount to EUR 10,0 million (refer to note 6 to the financial statements). Loans to customers are measured at acquisition cost less value adjustments (refer to note 2.4 to the financial statements). The loans portfolio of the Bank consists mostly of syndicated loans acquired on the secondary market where the Bank is acting as a participant in a conglomerate with other banks.

Subjective judgments and estimates are required by the Board of Directors in determining the assumptions used in the calculation of the value adjustments, identifying the events that could possibly result in value adjustments and determining the amount and timing of future cash-flows as well as the value and recoverability of related collateral for defaulted loans to customers.

Due to the material amounts of loans to customers and to the above-mentioned factors related to the identification and measurement of value adjustment, this is considered as a key audit matter.

How the matter was addressed in our audit

We performed walkthroughs and tested the design and operating effectiveness of the key controls relating to the approval, origination, booking and monitoring of loans to customers.

We also performed the following substantive audit procedures:

- we tested a sample of loans to customers (including an extended sample of loans which were on the Credit Watchlist) to form our own assessment as to whether the loans to customers were appropriately classified as performing and that there were no indicators that could lead to increasing the value adjustments recorded;
- for the non-performing loans, we examined in a critical manner the assumptions used by the Board of Directors to determine the expected cash-flows and estimated recovery from any underlying collateral and we assessed the reasonability of the value adjustment recorded;

b. Provisions for litigations and claims

Description

As at 31 December 2021, the Bank is involved in multiple legacy legal cases (refer to note 2.9 and note 30 to the financial statements). The Board of Directors recognizes provisions for litigations and claims if the Bank has to cover debts of a clearly defined nature which are either probable or certain but uncertain as to their amount or their date of occurrence. Management and those in charge with governance perform an assessment of the legal affairs, with the support of external legal counsels to determine the likelihood of a cash outflow and to assess the need for provisions.

The recognition and measurement of provisions and disclosure in respect of on-going litigations and claims require significant judgments to assess and determine the likelihood of the Bank to be liable for any obligations.

Due to the significance of the on-going cases and the high level of judgement in assessing the outcome and the potential impact for the Bank, this is considered as a key audit matter.

How the matter was addressed in our audit

We performed the following procedures:

- We understood the processes of acknowledgment and answer of clients' complaints and of evaluation and measurement of potential obligations arising from litigations and claims;
- We obtained the details and the documentation related to all pending litigations and claims and we critically assessed the position of the internal legal counsel;
- We send confirmation requests to all external legal counsels and obtained the answers to all requests sent as of 30 June 2021 and 31 December 2021. We assessed the answers received;
- For the major case we inquired, up to the signing date of the audit opinion, with the external legal counsel to follow up on the evolution of the case and assess the likelihood of financial impact for the Bank;
- We reviewed the minutes of the meetings of the Management Committee and of the Board of Directors with specific attention on litigations as well as the communications between the Bank and the Commission de Surveillance du Secteur Financier ("CSSF");
- We evaluated the sufficiency and consistency of the disclosures related to litigations and claims in the Bank's financial statements.

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 financial statements and our report of "réviseur d'entreprises agréé" thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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.

Responsibilities of the Board of Directors for the financial statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the “réviseur d'entreprises agréé” for the audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the “réviseur d'entreprises agréé” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with the ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

We have been appointed as "réviseur d'entreprises agréé" by the Board of Directors on 28 April 2020 for a period of 3 years and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 2 years.

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

We confirm that the prohibited non-audit services referred to in EU Regulation No 537/2014 were not provided and that we remained independent of the Bank in conducting the audit.

Ernst & Young
Société anonyme
Cabinet de révision agréé

Antoine Le Bars

Bernard Lhoest

Luxembourg, 17 June 2022

East-West United Bank S.A.

BALANCE SHEET AND OFF-BALANCE SHEET

As at December 31, 2021

(expressed in EUR)

BALANCE SHEETAs at December 31, 2021
(expressed in EUR)**Assets**

	Note	2021	2020
Cash, balances with central banks and post office banks	3, 4	129,690,357	101,900,197
Loans and advances to credit institutions:	4, 5, 11	56,036,401	66,427,490
a) repayable on demand		46,018,509	59,342,531
b) other loans and advances		10,017,892	7,084,959
Loans and advances to customers	4, 6, 11, 30	211,031,001	208,027,912
Debt securities and other fixed-income securities:	4, 7, 8, 11	315,677,169	288,309,029
a) issued by public bodies		52,239,188	56,314,802
b) issued by other borrowers		263,437,981	231,994,227
Tangible assets	8	3,226,685	3,554,653
Intangible assets	8	1,974,598	1,720,833
Other assets	9	344,508	1,605,766
Prepayments and accrued income	10	6,261,798	5,271,994
TOTAL ASSETS		<u>724,242,517</u>	<u>676,817,874</u>

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

BALANCE SHEETAs at December 31, 2021
(expressed in EUR)**Liabilities**

	Note	2021	2020
Amounts owed to credit institutions:	4, 13	35,000,227	35,001,179
a) repayable on demand		227	1,179
b) with agreed maturity dates or periods of notice		35,000,000	35,000,000
Amounts owed to customers:	4, 11, 14	541,657,557	494,651,022
a) repayable on demand		431,916,554	303,063,596
b) with agreed maturity dates or periods of notice		109,741,003	191,587,426
Other liabilities	15	563,863	1,378,330
Accruals and deferred income	16	6,819,575	3,740,431
Provisions:	29	3,246,607	3,841,640
a) provisions for taxation	29.1	-	1,309,892
b) other provisions	29.2	3,246,607	2,531,748
Fund for general banking risks	2.11	26,821,615	26,821,615
Subscribed capital	22, 23	80,600,000	80,600,000
Legal reserve	23	3,780,262	3,780,262
Profit brought forward	23	27,003,395	31,082,644
Loss for the financial year	23	(1,250,584)	(4,079,249)
TOTAL LIABILITIES		<u>724,242,517</u>	<u>676,817,874</u>

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

East-West United Bank S.A.

BALANCE SHEET

As at December 31, 2021
(expressed in EUR)

Off balance sheet

	Note	2021	2020
Contingent liabilities	4, 24	3,374,110	3,162,146
<u>of which:</u>			
- guarantees and assets pledged as collateral security		3,374,110	3,162,146
Commitments	4, 25	6,450,557	17,614,755

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

East-West United Bank S.A.

PROFIT AND LOSS ACCOUNT

For the year ended December 31, 2021

(expressed in EUR)

East-West United Bank S.A.

PROFIT AND LOSS ACCOUNT

Year ended December 31, 2021
(expressed in EUR)

	Note	2021	2020
Interest receivable and similar income	11, 18	19,771,739	14,364,090
<u>Of which:</u>			
arising from fixed-income securities		6,053,492	8,035,738
Interest payable and similar charges	11	(8,400,361)	(11,989,911)
Commission receivable	11, 19	4,406,522	4,538,182
Commission payable	11	(874,713)	(1,054,984)
Net profit on financial operations	11, 20	5,270,616	3,557,190
Other operating income	27	1,266,426	351,649
General administrative expenses:	17	(22,196,327)	(20,194,105)
a) staff costs		(14,651,495)	(13,142,501)
<u>Of which</u>			
- wages and salaries		(12,029,611)	(10,599,867)
- social security costs		(1,974,960)	(2,019,958)
<u>Of which:</u>			
Social security costs relating to pensions		(650,143)	(621,465)
b) other administrative expenses	21	(7,544,832)	(7,051,604)
Value adjustments in respect of tangible and intangible assets		(1,081,826)	(1,056,791)
Other operating charges		(186,337)	(162,619)
Value adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	6	-	(789,011)
Value re-adjustments in respect of loans and advances and provisions for contingent liabilities and for commitments	2.10, 2.12, 6	1,689,257	9,564,956
Value (adjustments)/re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings		(244,488)	(362,156)
Value (adjustments)/re-adjustments in respect of transferable securities held as financial fixed assets, participating interests and shares in affiliated undertakings		-	3,317
Carried forward:		(579,492)	(3,230,193)

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

East-West United Bank S.A.

PROFIT AND LOSS ACCOUNT

Year ended December 31, 2021

(expressed in EUR)

- continued -

		2021	2020
Brought forward:		<u>(579,492)</u>	<u>(3,230,193)</u>
Taxes on ordinary activities	29.1	(7,757)	(4,015)
Loss on ordinary activities after tax		(587,249)	(3,234,208)
Other taxes not shown under the preceding items	29.1	(663,335)	(845,041)
Loss for the financial year		<u>(1,250,584)</u>	<u>(4,079,249)</u>

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

East-West United Bank S.A.

NOTES TO THE ANNUAL ACCOUNTS

As at December 31, 2021

NOTES TO THE ACCOUNTS

As at December 31, 2021

Note 1 - General Information

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, 2021, the Bank's subscribed and paid-up capital amounts to EUR 80,600,000 (2020: EUR 80,600,000), represented by 806,000 (2020: 806,000) shares with a nominal value of EUR 100 each. Sistema Joint-Stock Financial Corporation ("SISTEMA JSFC") directly owns 100% of the Bank's shares. Mr. V.P. Evtushenkov owns a controlling stake in Sistema JSFC.

The annual accounts of the Bank are fully consolidated in the consolidated accounts of Sistema JSFC whose head office is located in 13/1, Mokhovaya Street, Moscow, 125009, Russia. The annual accounts of the group are readily available.

The members of the Board of Directors are mostly Senior Executives of the shareholders complemented by the Independent Directors. 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 capital market 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.

NOTES TO THE ACCOUNTS

As at December 31, 2021

Note 2 - Summary Of Significant Accounting Policies

2.1. Basis of preparation

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.

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgment in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed.

The Board of Directors believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

Some comparative balances have been reclassified to align them with current year's presentation.

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

2.2. 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 outstanding 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".

The year-end exchange rates of the main currencies used by the Bank are summarized as follows:

Currency	31 December 2021	31 December 2020
GBP	0.84024	0.9029
RUB	85.14765	91.6025
USD	1.13728	1.2280

NOTES TO THE ACCOUNTS

As at December 31, 2021

- Continued -

Note 2 - Summary Of Significant Accounting Policies (Continued)

2.3. Financial instruments derivatives

The Bank's commitments deriving from financial instruments derivatives (including forward contracts and futures), 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.

Unrealised gains or losses on fair values of future derivatives contracts that are outstanding at the balance sheet date and which result in margin calls, are reported in the profit and loss account.

2.4. Loans and advances

Loans and advances are stated at their nominal amount. The policy of the Bank is to establish specific value adjustments for incurred losses on non-performing loans and advances to customers and in addition to determine value adjustments for all loans and advances to customers as deemed appropriate and for amounts approved by the Board of Directors.

These value adjustments are recorded in the profit and loss account level through the caption "Value adjustments or Value re adjustment in respect of loans and advances and provisions for contingent liabilities and commitments". The value adjustments are deducted from loans and advances to which they relate and shall not be maintained if the reasons for which they were recorded no longer exist.

As at December 31, 2021 and 2020 the total amount of value adjustments on loans and advances amounted respectively to EUR 9,978,754 and EUR 10,794,034.

2.5. Prepayments and accrued income

Prepayments and accrued income include expenditures incurred during the financial year but relating to a subsequent financial year. The accrued income refers to interest and commission income accrued during the financial year and to be received in subsequent financial year.

2.6. Debt securities and other fixed-income securities

At the year-end, the Bank has divided its portfolio of fixed-income securities into two 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 structural portfolio of securities which do not fall within either of the two other categories.

Fixed-income securities held for trading purposes are marked to their market values, as at 31 December 2021 the Bank has no securities in this portfolio (2020: EUR nil).

Fixed-income securities comprising investment and structural portfolios are valued at the lower of cost and market value. 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.

NOTES TO THE ACCOUNTS

As at December 31, 2021

- Continued -

Note 2 - Summary Of Significant Accounting Policies (Continued)

2.6. Debt securities and other fixed-income securities (continued)

Fixed-income securities are recorded initially in their issue currencies at purchase price. The average cost method is used for valuation purposes. Discount and premium are depreciated over the life of the securities

2.7. Tangible and intangible fixed assets

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

In the case of durable reduction in value, intangible and tangible assets are subject to value adjustments, regardless of whether their utilisation is time limited.

The Bank depreciates tangible fixed assets over a period 5 years and amortizes intangible assets over a period between 3 years to 5 years. Buildings owned by the Bank are depreciated over 15 years.

2.8. Accruals and deferred income

Accruals and deferred income include income received during the financial year but relating to a subsequent financial year.

2.9. Provisions

Provisions are intended to cover losses or debts, the nature of which is clearly defined and which, at the date of the balance sheet, are likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise. Provisions may also be created to cover charges that have originated in the financial year under review or in a previous financial year, the nature of which is clearly defined and which, at the date of the balance sheet, are either likely to be incurred or certain to be incurred but uncertain as to their amount or the date on which they will arise.

2.10. 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, 2021, the Bank's has no lump-sum provision (2020: EUR nil) on the balance sheet risk exposures. This tax deductible provision is deducted from the corresponding assets on a pro-rata basis.

2.11. 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.

NOTES TO THE ACCOUNTS

As at December 31, 2021

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Note 2 - Summary Of Significant Accounting Policies (Continued)

2.11. Fund for general banking risks (continued)

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

As at 31 December 2021, the provision amounts to EUR 26,821,615 (2020: EUR 26,821,615).

2.12. Country risk provision

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. As of December 31, 2021, the Bank has reversed the country risk provision (2020: EUR nil).

2.13. Taxes

The Bank is subject to all taxes applicable in Luxembourg.

Taxes are charged to the profit and loss account on an accrual basis and not in the year in which payment occurs. Accordingly, provisions for taxation have been recorded for the financial years for which no final assessments have been issued by the tax authorities.

Note 3 - Cash, 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, 2021 held by the Bank with Central Bank of Luxembourg amounted to EUR 5,604,327 (2020: EUR 4,805,961).

The main balance of this caption is made of an amount of EUR 124,047,779 (2020: EUR 97,034,806) relating to amount held by the Bank with Central Bank of Luxembourg repayable on demand.

Cash on hand and post cheques amounted to EUR 38,251 as at 31 December 2021 (2020: EUR 59,430).

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As at December 31, 2021

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Note 4 - Information On Primary Financial Instruments

The tables below analyse the level of primary instruments of the Bank with respect to their remaining maturities. Financial instruments of the Bank are disclosed at the carrying amount. As at 31 December 2021 and 31 December 2020, the Bank held no primary trading financial instruments.

As at 31 December 2021, the breakdown is as follows in EUR:

	Not more than 3 months	3-12 months	1-5 years	More than 5 years	Total
2021					
EUR (at carrying amount)					
Financial assets					
Cash, balances with central banks and post office banks	129,690,357	-	-	-	129,690,357
Loans and advances to credit institutions	56,036,401	-	-	-	56,036,401
Loans and advances to customers	21,646,078	3,435,866	91,443,951	94,505,106	211,031,001
Debt securities and other fixed income securities	3,563,340	6,253,879	139,978,030	165,881,920	315,677,169
Total financial assets	210,936,176	9,689,745	231,421,981	260,387,026	712,434,928
Financial liabilities					
Amounts owed to credit institutions	227	35,000,000	-	-	35,000,227
Amounts owed to customers	461,102,460	51,594,129	28,960,968	-	541,657,557
Contingent liabilities	21,498	-	-	3,374,110	3,374,110
Commitments	-	-	4,950,557	1,500,000	6,450,557
Total financial liabilities	461,124,185	86,594,129	33,911,525	4,874,110	586,503,949

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NOTES TO THE ACCOUNTS

As at December 31, 2021

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Note 4 - Analysis Of Financial Instruments (Continued)

As at 31 December 2020, the breakdown is as follows in EUR:

	Not more than 3 months	3-12 months	1-5 years	More than 5 years	Total
2020					
Financial assets					
Cash, balances with central banks and post office banks	101,900,197	-	-	-	101,900,197
Loans and advances to credit institutions	66,427,490	-	-	-	66,427,490
Loans and advances to customers	10,171,980	-	113,175,202	84,680,730	208,027,912
Debt securities and other fixed - income securities	-	-	146,520,856	141,788,173	288,309,029
Total financial assets	178,499,667	-	259,696,058	226,468,903	664,664,628
Financial liabilities					
Amounts owed to credit institutions	1,179	35,000,000	-	-	35,001,179
Amounts owed to customers	357,831,507	111,292,914	25,526,601	-	494,651,022
Contingent liabilities	21,498	-	-	3,140,648	3,162,146
Commitments	-	-	3,614,755	14,000,000	17,614,755
Total financial liabilities	357,854,184	146,292,914	29,141,356	17,140,648	550,429,102

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 5 - Loans and advances to credit institutions

The geographical breakdown of loans and advances to credit institutions, including those repayable on demand is as follows:

	2021	2020
	EUR	EUR
Luxembourg	17,433,121	16,093,323
OECD (Other than Luxembourg)	27,210,554	33,015,678
Other countries	11,392,726	17,318,489
	<u>56,036,401</u>	<u>66,427,490</u>

Note 6 - Loans And Advances To Customers

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

	2021	2020
	EUR	EUR
Luxembourg	41,329,438	28,058,888
OECD (Other than Luxembourg)	169,676,485	179,866,842
Other countries	25,078	102,182
	<u>211,031,001</u>	<u>208,027,912</u>

The total value adjustments as at 31 December 2021 amounted to EUR 9,978,754 (2020: EUR 10,794,034).

Note 7 - Debt Securities And Other Fixed-Income Securities

As at 31 December 2021, 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 9,817,219 (2020: EUR nil).

Transferable securities shown under "Debt securities and other fixed-income securities" are to be regarded as financial fixed assets for EUR 175,384,214 (2020: EUR 141,928,362) since these assets are purchased with the intention of holding them until maturity.

The remaining balance of the Bank's fixed-income securities is classified within the structural portfolio for EUR 140,292,955 (2020: EUR 146,380,667).

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 7 - Debt Securities And Other Fixed-Income Securities (Continued)

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

	2021	2020
	EUR	EUR
Luxembourg	19,520,767	17,831,223
OECD (Other than Luxembourg)	272,811,077	255,470,888
Other countries	23,345,325	15,006,918
	<u>315,677,169</u>	<u>288,309,029</u>

As of 31 December 2021, the amortization of the premiums since the acquisition date amounts to EUR 297,361 (2020: EUR 280,002).

As of 31 December 2021, the amortization of the discount since the acquisition date amounts to EUR 3,359,622 (2020: EUR 2,360,929).

As at 31 December 2021 the market value of the securities held in the investment and structured portfolios of the Bank amounts to EUR 319,856,960 and is higher than their carrying amount value (2020: EUR 301,747,780 and is higher than their carrying amount value).

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 8 - 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	142,233,291	44,306,005	(17,636,953)	7,033,618	175,935,961	(551,825)	175,384,136
2. Intangible assets	5,785,628	932,348	(2,160,201)	-	4,557,775	(2,583,177)	1,974,598
3. Tangible assets	13,858,602	75,275	(121,579)	-	13,812,298	(10,585,613)	3,226,685
<u>of which:</u>							
a) Land and buildings	12,069,681	13,167	-	-	12,082,848	(9,002,671)	3,080,177
b) Other fixtures and fittings, tools and equipment	1,788,921	62,108	(121,579)	-	1,729,450	(1,582,942)	146,508

Net tangible assets amount to EUR 3,226,685 (2020: EUR 3,554,653) and are mainly composed of the land and buildings used by the Bank for its own activities.

Net intangible assets amount to EUR 1,974,598 (2020: EUR 1,720,833) and are mainly composed of the software used by the Bank.

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 9 - Other Assets

As at 31 December 2021 and 2020, other assets comprise:

	2021	2020
	EUR	EUR
Short term receivable	15,805	11,103
Advances on taxes	-	1,292,785
Other assets	328,703	301,878
	<u>344,508</u>	<u>1,605,766</u>

Note 10 - Prepayments And Accrued Income

As at 31 December 2021 and 2020, prepayments and accrued income comprise:

	2021	2020
	EUR	EUR
Prepaid general expenses	699,810	600,918
Accruals on FX derivatives	90,982	1,760,050
Accrued interest	5,471,006	2,911,026
	<u>6,261,798</u>	<u>5,271,994</u>

Note 11 - Related Parties

As at December 31, 2021, balances with related parties are included on the assets side of the Balance Sheet under "Loans and advances to credit institutions" for EUR 8,711,339 (2020: EUR:17,236,140), under "Loans and advances to customers" for EUR 1,295 (2020: EUR 11,356) and under "Debt securities and other fixed-income securities" for EUR 7,066,418 (2020: EUR 6,602,938).

As at December 31, 2021, balances with related parties are included on the liabilities side of the Balance Sheet under "Amounts owed to customers" for EUR 128,671,330 (2020: EUR 106,375,591).

For the total amount of income and expenses on related parties, please see the table below:

	2021	2020
	EUR	EUR
Interest receivable and similar income	801,077	609,423
Interest payable and similar charges	(674,148)	(1,122,379)
Commission receivable	665,435	600,586
Commission payable	(6,898)	(24,589)
Net profit on financial operations	121,323	207,301
Other operating income	26,331	26,304

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 11 - Related Parties (Continued)

The Bank has not entered into any material transaction with related parties which were not made on terms equivalent to those that prevail in arm's length transactions, as of December 31, 2021 and for the year then ended.

Note 12 - Foreign Currency Assets And Liabilities

As at 31 December 2021, the aggregate amount of the Bank's assets denominated in foreign currencies after deducting any value adjustments, translated into EUR, is EUR 241,693,887 (2020: EUR 268,420,351). As at 31 December 2021, the aggregate amounts of liabilities denominated in foreign currencies, translated into EUR was EUR 206,730,556 (2020: EUR 202,820,836).

Note 13 - Amounts Owed To Credit Institutions

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

	2021	2020
	EUR	EUR
Luxembourg	35,000,000	35,000,952
OECD (Other than Luxembourg)	222	222
Other countries	5	5
	<u>35,000,227</u>	<u>35,001,179</u>

Note 14 - Amounts Owed To Customers

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

	2021	2020
	EUR	EUR
Luxembourg	86,621,739	108,704,912
OECD (Other than Luxembourg)	236,081,144	226,092,724
Other countries	218,954,674	159,853,386
	<u>541,657,557</u>	<u>494,651,022</u>

Note 15 - Other Liabilities

	2021	2020
	EUR	EUR
Preferential creditors*	379,551	1,105,930
Sundry creditors	184,312	272,400
	<u>563,863</u>	<u>1,378,330</u>

*Preferential creditors include liabilities related to payment of taxes, social security.

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 16 - Accruals And Deferred Income

	2021	2020
	EUR	EUR
Prepayments and accrued income	6,332,325	3,669,659
Accruals on derivatives	487,250	70,772
	<u>6,819,575</u>	<u>3,740,431</u>

Note 17 - Staff Numbers And Management Remuneration

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

	2021	2020
Senior management	5.8	6.9
Middle management	47.5	44.2
Employees	50.3	50.0
	<u>103.6</u>	<u>101.1</u>

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
2021			
Administrative bodies	418,860	-	12
Managerial bodies	1,756,415	158,213	6
	<u>2,175,275</u>	<u>158,213</u>	
2020			
Administrative bodies	380,250	-	9
Managerial bodies	2,972,901	166,765	7
	<u>3,353,151</u>	<u>166,765</u>	

No loans, advances or guarantees have been granted to the directors or members of the senior management.

There are no guarantees issued in favour of the local senior management. There are no pension commitments existing in favour of the local senior management.

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 18 – Interest Receivable And Similar Income

Interest income can be analysed geographically as follows:

	2021	2020
	EUR	EUR
Luxembourg	1,746,295	1,319,193
OECD (Other than Luxembourg)	16,682,714	11,818,154
Other countries	1,342,730	1,226,743
Total interest income	<u>19,771,739</u>	<u>14,364,090</u>

Note 19 – Commission Receivable

Commission receivable can be analysed geographically as follows:

	2021	2020
	EUR	EUR
Luxembourg	999,877	758,819
OECD (Other than Luxembourg)	1,175,342	1,548,931
Other countries	2,231,303	2,230,432
Total commission receivable	<u>4,406,522</u>	<u>4,538,182</u>

Note 20 – Net Profit On Financial Operations

The details of the Net profit on financial operations is presented in the table below:

	2021	2020
	EUR	EUR
Net result on foreign exchange	1,223,178	1,575,597
Result on futures	1,095,809	(1,554,042)
Unrealised result on securities	(1,269,887)	321,494
Realized result on securities	4,221,516	3,214,141
Net profit on financial operations	<u>5,270,616</u>	<u>3,557,190</u>

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 21 - Other Administrative Expenses

Other administrative expenses are mainly composed as below:

	2021	2020
Professional services	(3,125,389)	(2,996,283)
IT Costs	(1,750,864)	(1,706,338)
Legal Fees	(1,058,429)	(643,551)
Others	(848,909)	(617,892)
General overheads and Maintenance	(493,030)	(529,685)
Business Development & Marketing	(268,211)	(557,855)
	<u>(7,544,832)</u>	<u>(7,051,604)</u>

In 2021 the Bank incurred expenses and booked a provision amounting to EUR 665,189 related to legal fees.

Note 22 - Subscribed Capital

As of December 31, 2021, the Bank's authorised, subscribed and paid-up capital amounts to EUR 80,600,000 (2020: EUR 80,600,000), represented by 806,000 (2020: EUR 806,000) shares with a nominal value of EUR 100 each (2020: EUR 100).

Note 23 - Movements In Shareholders' Equity

	Subscribe d capital	Legal reserve	Profit brought forward	Loss of the financial year
	EUR	EUR	EUR	EUR
Balance as at January 1, 2021	80,600,000	3,780,262	31,082,644	(4,079,249)
Allocation of the loss for the financial year 2020				
- allocation of the other reserve	-	-	(4,079,249)	4,079,249
Loss for the financial year 2021	-	-	-	(1,250,584)
Balance as of December 31, 2021	<u>80,600,000</u>	<u>3,780,262</u>	<u>27,003,395</u>	<u>(1,250,584)</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; legal reserve is not distributable.

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 24 - Contingent Liabilities

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

	2021 EUR	2020 EUR
Guarantees and other direct substitutes for credit	<u>3,374,110</u>	<u>3,162,146</u>
	<u>3,374,110</u>	<u>3,162,146</u>

There are no balances with related parties (2020: Nil).

Note 25 - Commitments

The Bank's commitments may be analysed as follows:

	2021 EUR	2020 EUR
Confirmed credits, not used	<u>6,450,557</u>	<u>17,614,755</u>
	<u>6,450,557</u>	<u>17,614,755</u>

The Bank has no significant commitments to disclose in connection with leasing contracts or related parties.

Note 26 - Derivatives

Future contracts

	Notional 2021 EUR	Fair value 2021 EUR
Interest Rate Futures:	<u>158,080,436</u>	<u>1,252,738</u>
- Other financial institutions	<u>158,080,436</u>	<u>1,252,738</u>

	Notional 2020 EUR	Fair value 2020 EUR
Interest Rate Futures:	<u>88,978,560</u>	<u>158,560</u>
- Other financial institutions	<u>88,978,560</u>	<u>158,560</u>

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 26 - Derivatives (Continued)

Operations linked to currency exchange rates

Operations linked to currency exchange rates are made for the purposes of covering the effects of fluctuations in exchange rates of assets and liabilities that are denominated in foreign currencies as at 31 December 2021 and 2020.

Operations linked to currency exchange rates may be analysed according to their remaining maturity at December 31, 2021 as follows:

	2021	2020
	EUR	EUR
Currencies receivable		
Not more than three months	33,900,000	66,900,000
	<u>33,900,000</u>	<u>66,900,000</u>
Currencies to be delivered		
Not more than three months	34,294,246	65,205,255
	<u>34,294,246</u>	<u>65,205,255</u>

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

	Notional	Risk-equivalent amount
	2021	2021
	EUR	EUR
Forward leg of currency swaps and forwards:		
- Institutions	33,900,000	117,164
	<u>33,900,000</u>	<u>117,164</u>
	Notional	Risk-equivalent amount
	2020	2020
	EUR	EUR
Forward leg of currency swaps:		
- Institutions	66,900,000	267,600
	<u>66,900,000</u>	<u>267,600</u>

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

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 26 - Derivatives (Continued)

As at December 31, 2021, the positive fair value of outstanding currency swaps amounts to EUR 83,689 (2020: EUR 1,694,797).

As at December 31, 2020, the negative fair value of outstanding currency swaps amounts to EUR 477,677 (2020: EUR 64).

Note 27 - Other Operating Income

As at December 31, 2021 and 2020, other operating income is represented as follows:

	2021	2020
	EUR	EUR
Reimbursement of VAT	1,037,587	232,099
Reimbursement of legal costs	118,986	-
Renting of office space / building	26,463	26,304
Training subsidies	24,216	83,527
Reversal of prior year expenses	-	9,718
Other income	59,174	-
	<u><u>1,266,426</u></u>	<u><u>351,649</u></u>

Note 28 - Remuneration Of The Independent Auditor

The fees paid to the Bank's independent auditors, Ernst & Young S.A. for 2021 are as follows:

	2021	2020
	EUR	EUR
Statutory audit of annual accounts	124,538	106,000
Other assurance services	54,795	71,569
Tax consulting services	10,100	-
Other services	34,986	-
	<u><u>224,419</u></u>	<u><u>177,569</u></u>

Other services related to advisory services provided in relation to RCS report generation and data collection.

Note 29 - Provisions**29.1 Provisions for taxation**

The Bank is subject to all taxes that apply to Luxembourg credit institutions. The Bank received its tax assessment from the Luxembourg tax administration up to 2021 in regard to NWT.

As at 31 December 2021 and 2020, the provision consists mainly of NWT related to the years 2021 and 2020 amounting to EUR nil (2020: EUR 1,309,892).

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Note 29 – Provisions (continued)**29.2 Other provisions**

Other provisions may be presented as follows

	2021	2020
	EUR	EUR
Provision for emoluments (incl. director fees)	2,119,295	580,249
Provisions for general administrative expenses	1,107,835	1,817,033
Provision for commitments	19,477	134,466
	<u>3,246,607</u>	<u>2,531,748</u>

Deposit guarantee scheme

On 18 December 2015 a law regarding the resolution, recovery and liquidation measures of credit institutions on deposit guarantee schemes and indemnification of investors (hereafter the “Law”) was approved. This Law transposed to Luxembourg two European directives: 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.

The Law introduced a contribution-based system of deposit guarantee and investor compensation. This scheme will cover eligible deposits of each depositor up to an amount of EUR 100,000 and investments up to an amount of EUR 20,000.

The scheme is based on two different contributions: the European Single Resolution Fund (“SRF”) and the Luxembourg deposit guarantee fund “Fonds de garantie des dépôts Luxembourg” (“FDGL”).

The funded amount of the Fonds Resolution Luxembourg (“FRL”) established to fund the SRF shall reach by the end of 2024 at least 1% of the covered deposits, as defined in article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount is to 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 2019.

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.

For the year ended December 31, 2021, the Bank paid an amount of EUR 87,695 in relation to FRL (2020: EUR 50,205).

For the year ended December 31, 2021, the Bank paid an amount of EUR 553,888 in relation to FGDL (2020: EUR 369,686).

NOTES TO THE ACCOUNTS

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Note 30 - Litigations And Claims

As at December 31, 2021, 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 15 million that were pledged by the Latvian 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 Latvian bank placed with the Bank have to be returned to the Latvian bank (operated by its liquidator). The decision of the Latvian Court has been recognized in Luxembourg by an enforcement judgement in June 2016. Funds pledged by the Latvian bank were set off against the defaulted loan and no longer located in the account at the Bank.

The Bank on February 20, 2017 filed a lawsuit in the Luxembourg court with the Latvian bank and the Luxembourg Prosecutor's Office as defendants, whereby the court is asked to consider all actions done by the Bank in respect of setting-off funds from the pledged account as conformant to the requirements of the loan documentation and Luxembourg laws. On September 20, 2017, the Latvian bank filed a counterclaim for damages in the amount of EUR 15,025,222.

The district court of Luxembourg on 13 March 2019 issued a judgement denying the Bank's claim and laying an obligation on the Bank to pay to the Latvian bank the amount of EUR 15,025,222.

The Bank filed an appeal in 2019, which has suspended the enforcement of the judgement pending the outcome of the appeal, which is still ongoing.

Following the analysis performed by several external legal counsels and experts, and based on the legal opinions received, the Bank took the decision not to recognize any provision as at December 31, 2021 (2020: EUR nil).

Note 31 - 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.

NOTES TO THE ACCOUNTS

December 31, 2021

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Note 31 - Supplementary Financial Information (Continued)

Credit risk management (continued)

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.

Market Risk Management

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

Interest Rate Risk Management

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.

NOTES TO THE ACCOUNTS

December 31, 2021

- continued -

Note 31 - Supplementary Financial Information (Continued)**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.

Note 32 - Return On Assets ("Roa")

The Bank's return on assets is as follows:

	2021	2020
	EUR	EUR
Total assets	724,242,517	676,817,874
Loss for the financial year	(1,250,584)	(4,079,249)
Return on assets	(0.17%)	(0.60%)

Note 33 - Subsequent Events

In 2022, the ongoing geo-political instability caused by the war in Ukraine and consequent broad sanctions regimes (none of them directly imposed on the Bank), has affected business environment of the Bank's target markets as well as market values of part of the bond portfolio. The Bank's only asset exposure to Russian risk is represented by diversified bond portfolio investments with total costs value 73 M EUR equivalent (issued predominantly in USD and EUR), which current market value has probably significantly deteriorated due to high uncertainty of legal (sanction related) capacities of borrowers to service its debts.

Although, the current value of the bonds cannot be reliably estimated at the date of this report considering ongoing ambiguity on the market, the Board of Directors of the Bank performed their analysis of the current situation taken into consideration a worst-case scenario approach. Actual losses are expected to be recognised for those securities in 2022. The Board of Directors regards these events as non-adjusting events after the reporting period.

The Bank has applied all necessary measures in order to ensure uninterrupted operations, to the date of the report, the Bank did not face any major issues with its operational capacities. Through an active advanced monetization of the investment portfolio as well as active relationship management with its depositors, the Bank has ensured capacities to face potential withdrawals from clients as well as to ensure compliance with all regulatory ratios (solvency and liquidity) and to keep stability throughout the crises period. While current situation has significantly slowed down development of the banking activities and the Bank subsequently decreased its investments and client base, there is no possibility to completely assess the economic consequences of the current situation in Ukraine and its total impact on the Bank until resolution of the conflict.