

Bank GPB International S.A.
(formerly GPB International S.A.)

Annual accounts
for the year ended
31 December 2015

(with the report of the Réviseur
d'Entreprises agréée thereon)

Bank GPB International S.A. (formerly GPB International S.A.)

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Bank GPB International S.A. (formerly GPB International S.A.)

Management Report

Bank GPB International S.A., until 9 June 2015 named “GPB International S.A.”, (hereinafter the “Bank”) was founded on 10 July 2013 as a “société anonyme” to be governed by the law of 10 August 1915, as amended, concerning commercial companies. The Bank received its authorization on 21 October 2013 by the Minister of Finance to act as a credit institution in Luxembourg according to article 3 of the law of 5 April 1993 on the financial sector, as amended.

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

The business year 2015 was a year of further business developments, strategic repositioning and changes in the composition of the executive management.

Executive management changes

In May 2015 Mr. Vladimir Ryskin, General Director of the Bank, returned back to Moscow to continue his professional career with Gazprombank (Joint-Stock Company). His successor Mr. Dmitry Derkach joined the Bank on 1 June 2015.

Business development

The business year 2015 was furthermore characterized by the continuation of the sanction regimes introduced in 2014 against the Russian Federation. In particular, the coordinated sectorial sanctions implemented by the US, OFAC and the European Council against some of the Russian banks and corporations, including the Bank’s shareholder Gazprombank (Joint-Stock Company) (also referred as “Bank GPB (JSC)” or “Shareholder”), are prohibiting nationals of the EU Member States, any legal person, inside or outside the territory of the EU which is incorporated or constituted under the law of a Member State and entities operating within the territory of the EU, transacting in, providing financing for, or otherwise dealing in the debt instruments of Gazprombank Group with a maturity of longer than 30 days, issued after the date of the sanctions announcement.

In order to deal with the different sanctions, the Bank has been in intensive contact with its Shareholder and legal consultants during the entire year to safeguard the compliance with all applicable sanctions.

Against this background, the Bank expanded its client network by entering into new relationships with corporate clients who can benefit from the existing product range of the Bank as well as from the services provided by the Gazprombank Group. In order to support the further expansion and to provide a comprehensive overview of the products and services offered to corporate customers, the Bank deployed a website (<https://www.gazprombank.lu/>), which is in line with Gazprombank Group’s corporate design and style.

Main business client-related activities were in relation to funds-taking from its clients, granting of short and medium term loans to corporates, both on a bilateral and on a syndicated basis, and in settlements for its own account as well as for clients and other banks.

In 2015 the Bank entered into several loan agreements with corporate clients and syndicated a full loan amount or a substantial part to affiliated banks by way of funded sub-participations. By doing so, the Bank and the participating banks can benefit from using international law for a loan agreement as well as for the part of collateral arrangements not requiring specific local law standards. The accounting policies applied by the Bank reflect the derecognition of such transactions from the Balance Sheet of the Bank when specific derecognition conditions are met. Further explanation is given in the Notes to the Annual Accounts (refer to Note 2.3 and Note 6).

To strengthen its Asset Liability Management capabilities, the Bank enlarged its network of correspondent banks by entering into new relationships with first class international banks allowing to place excess liquidity on a collateralised basis and to borrow short term against agreed collateral. Additional limits to execute foreign exchange transactions for clients as well as for the own books of the Bank were also obtained from international banks.

Together with Gazprombank Private Banking Division, the Bank developed an investment product, through which high-net-worth clients can place with the Bank a time deposit, which is linked to the performance of an underlying asset acquired by the Bank for such purposes. The product, which was structured in close cooperation with legal and tax consultants in Luxembourg and Russia, enjoys a great popularity and attracted within several months of 2015 nearly EUR 70 million of credit-linked deposits. The Bank is not actively marketing the product, rather acts on request of clients and provides the best execution services.

In December 2015 the Bank has acted as Lead Manager and Lead Bookrunner in an offering of debt securities issued by EVRAZ GROUP S.A. in an aggregate principal amount of USD 750 million 8.25% Notes due on 28 January 2021. The issue of bonds has been placed without a new issue premium to the secondary curve of EVRAZ Eurobonds, being a good proof of high interest from foreign investors to qualitative Russian risk even in the conditions of high volatility in the markets. The Bank plans to further develop its activities on international capital markets for the benefit of its clients in cooperation with its parent, Gazprombank (Joint-stock Company).

On 21 December 2015 the Bank received the status of a TARGET2 direct participant which will allow developing the Bank as the EURO-clearing house for its Shareholder and their clients. The next step will be to apply for a direct participant status to the STEP1 and SEPA systems.

New business strategy of the Bank

In several meetings with the Luxembourg financial regulator, the CSSF, the Bank explained its business activities and the need for adjustments of the business strategy as a result of the sanctions against Russia and their negative impact, as well as of unfavourable development of oil prices on the Russian economy.

The proposed adjustments in the Bank's business strategy were in parallel intensively discussed with the Bank's Shareholder and approved by the Executive Management Board of Gazprombank (Joint-stock Company) in October 2015. Various projects and business initiatives were consequently started and will be executed in 2016 and subsequent years.

To support the new business strategy, in addition to the capital increase of EUR 10 million in January 2015, the Shareholder approved a further capital increase of EUR 50 million up to EUR 80 million in November 2015. All new shares were again subscribed by the Shareholder.

IT environment

The IT environment was furthermore enhanced and Business Continuity tests were undertaken. In order to comply with the new business strategy and client requests, the Bank started the evaluation of different IT systems and applications to align its IT strategy and the business strategy even better; the Bank will continue this evaluation process in 2016.

Risk management

The business activities of the Bank are inevitably linked to the acceptance of risks. Efficient risk management is therefore a central element of the Bank's management philosophy. The business strategy and objectives as well as the risk and capital management policies are defined and monitored by the Board of Directors of the Bank. The management of the risks takes places at the regular meetings of the Board of Directors and is supported by regular and ad-hoc information to the members of the Board of Directors.

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

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

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

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

Credit risk

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

The main business of the Bank dealing with counterparty risk is the lending business. The authorisation of loans is governed by detailed guidelines and directives stating the condition, including comprehensive credit analyses, for any loan to be made. These directives and guidelines also cover the monitoring of outstanding loans. The Bank is using a rating system and classifies all loan transactions into six categories. For third-party banks and to assess an issuer risk, the Bank is applying the ratings issued by international recognised rating agencies. The Board of Directors receives a regular overview of the ratings of all counterparties. The Bank also uses a system of limits for its bank-counterparties and also country limits that are regularly set and monitored by the Board of Directors. To limit credit risks in respect of loans, the Bank has defined lending norms in its business regulations. The granting of loans is covered by authorisation regulations.

Together with its Shareholder, the Bank started in 2015 a project to replace the existing internal rating system with a Basel III conformed rating system, which will be a key component for the implementation of the new business strategy of the Bank.

The Bank can also obtain additional information on assessments, events and developments on the Russian market via its sole Shareholder.

The Bank applies equally strict rules when dealing with the risk of default or decline of creditworthiness of issuers of securities bought by the Bank for its own portfolio. In 2015 the Bank acquired securities only as underlyings in conjunction with performance linked deposits. The credit risk, as well as the market risk, related to these securities, were entirely transferred to holders of corresponding deposits.

Market risk

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

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

The Bank acted during the business year 2015 as a non-trading unit. All risks related to the Asset-Liability Management activities, such as interest, foreign exchange and liquidity risks, are managed by Treasury department of the Bank. The Bank is using financial derivatives to mitigate its currency

exchange risks within defined limits with approved bank-counterparties. Risk management function of the Bank is responsible for monitoring the risk and the limits. The strategic control of these risks is supported by a newly established Asset-Liability Department, which will define the framework conditions for these risks in accordance with guidelines approved by the Board of Directors. Asset-Liability Department will also prepare recommendations to the Management of the Bank and the Board of Directors, taking into account the market situation and its effects on the liquidity and funding situation of the Bank and the financial impact on the overall profitability of the Bank.

Liquidity risk

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

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

Operational risk

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

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

General business risk

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

Reputational risk

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

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

In 2015 the Shareholder undertook several actions to strengthen its capital base and to improve its capital ratios. In March 2015 Bank GPB (JSC) issued 490,645,540 ordinary shares with the par value of RUB 50 each. The newly issued shares were fully paid by Bank GPB (JSC)'s existing shareholders through the conversion of previously issued 24,532,277 ordinary shares with the par value of RUB 1,000 each. The holders of newly issued ordinary shares are entitled to receive dividends and are entitled to one vote per share at Annual or other General Meetings of Bank GPB (JSC)'s shareholders. In August 2015, the Shareholder issued 12,574,800 preference shares ("Type B" shares in the Shareholder's charter) at par of RUB 10,000 each, which were acquired at the nominal value by the State Corporation Deposit Insurance Agency (DIA) under the State program of capitalization of systemically important banks in the Russian Federation. The terms of the "Type B" preferences shares do not include a fixed or determinable dividend. Holders of "Type B" preference shares do not have voting rights. The preference shares are not included in the determining of the quorum at the General shareholders meetings. The issued capital will qualify as a core capital under the Basel Accord guidelines. The preference shares were fully paid by government bonds, which are classified as held-to-maturity instruments, as the Shareholder intends to hold them until maturity.

In March 2016 the Shareholder supported the implementation of the new strategy of the Bank with a further capital increase of EUR 50 million up to a total amount of EUR 130 million; the newly issued

shares were fully subscribed by the sole Shareholder. Also in February 2016 the Shareholder approved the change of the registered offices of the Bank from 8-10, rue Mathias Hardt, Luxembourg to 15, rue Bender, Luxembourg. The Bank moved to the new premises in late March 2016.

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

Financial performance and position

The total assets of the Bank as at 31 December 2015 amounted to EUR 194.6 million. (2014: EUR 37.5 million).

Loans and advances to credit institutions amounted to EUR 67.0 million as at 31 December 2015 (2014: 25.3 million); loans and advances to customers were EUR 43.9 million (2014: 7.4 million).

The deposits from customers amounted to EUR 110.8 million as at 31 December 2015 (2014: EUR 8.1 million).

Bonds and other fixed-income transferable securities amounted to EUR 68.8 million (2014: EUR nil) and contain Russia-linked Eurobonds. The performance of these bonds is transferred to clients of the Bank and linked to their deposits.

In 2015, the Bank recorded a loss for the financial year of EUR 5.5 million (2014: EUR 6.6 million), as the implementation of a new business strategy of the Bank, introduced as a result of the sanctions against Russia, only started in 2015.

As at 31 December 2015 the Bank has set up a provision of EUR 179,150 (2014: EUR 3,600) in connection with the deposit guarantee and investor compensation scheme (FGDL in 2015 and AGDL in 2014). Refer to Note 17.1 of the annual accounts for more information.

Future development

In 2016 the Bank will continue to implement its new strategy and to attract new clients. Main focus will be on trade-related credit business and further development of Private Banking and Asset Management Solutions for clients. In order to raise attractive funding for the credit activities, the Bank will approach various markets via different types of products. A significant increase of staff is planned to support the new strategy and to strengthen the control environment.

The Bank had no research and development activities in 2015.

The Bank did not acquire its own shares.

The Bank has no branches or subsidiaries.

On behalf of the Board of Directors




Dmitry Derkach
General Director

Luxembourg, 1 April 2016



Thomas Kiefer
General Director





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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the annual accounts

We have audited the accompanying annual accounts of Bank GPB International S.A. (formerly GPB International S.A.), which comprise the balance sheet as at 31 December 2015 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

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

Responsibility of the Réviseur d'Entreprises agréé

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

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

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Bank GPB International S.A. (formerly GPB International S.A.) as of 31 December 2015, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

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

Luxembourg, 1 April 2016

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé


M. Eichmüller de Souza

Bank GPB International S.A. (formerly GPB International S.A.)

Balance sheet as of 31 December 2015

	Notes	31.12.2015 EUR	31.12.2014 EUR
ASSETS			
Cash in hand, balances with central banks and post office banks	3, 4	12,364,597	3,100,199
Loans and advances to credit institutions			
- repayable on demand	2.3, 3, 5	67,012,934	23,988,161
- other loans and advances		-	1,339,494
Loans and advances to customers	2.3, 3, 6	43,864,282	7,437,778
Bonds and other fixed-income transferable securities			
- issued by other borrowers	2.5, 3, 7	68,753,449	-
Intangible assets	2.6.1, 8	726,826	991,555
Tangible assets	2.6.2, 8	96,703	115,670
Other assets	9.1	191,284	376,978
Prepayments and accrued income	9.2	1,578,087	174,509
TOTAL ASSETS		194,588,162	37,524,344
LIABILITIES			
Amounts owed to credit institutions			
- repayable on demand	2.4, 10	14,128,963	15,659,253
Amounts owed to customers	2.4, 11		
Other debts:			
- repayable on demand		40,573,009	3,733,070
- with agreed maturity dates or periods of notice		70,266,298	4,331,407
Other liabilities	12	641,542	571,446
Accruals and deferred income	13	1,435,890	25,786
Provisions			
- provisions for taxation	23	172,261	106,310
- other provisions	14	771,950	976,800
Subscribed capital	15.1	80,000,000	20,000,000
Loss brought forward	15.2	(7,879,728)	(1,305,996)
Loss for the financial year		(5,522,023)	(6,573,732)
TOTAL LIABILITIES		194,588,162	37,524,344
OFF-BALANCE SHEET ITEMS			
Contingent liabilities	17.3	-	-
of which:			
- guarantees and assets pledged as collateral security		-	-
Commitments	3.3, 6, 17.4	858,074,491	-
of which:			
- commitments arising out of sale and repurchase transactions		-	-
Fiduciary transactions	22	10,842,885	-

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

Bank GPB International S.A. (formerly GPB International S.A.)
Profit and loss account for the year ended 31 December 2015

	Notes	2015 EUR	2014 EUR
Interest receivable and similar income	18	2,702,601	479,036
Interest payable and similar charges		(1,999,593)	(18,929)
Commissions receivable	2.9, 18	2,431,345	438,818
Commissions payable		(32,037)	(11,793)
Net profit or net loss on financial operations		866,480	54,274
Other operating income		9,031	15,365
General administrative expenses:			
a) staff costs	19	(4,328,343)	(4,296,582)
<i>of which</i>			
- wages and salaries		(3,812,126)	(3,859,690)
- social security costs		(516,217)	(421,892)
<i>of which: social security costs relating to pensions</i>		-	-
b) other administrative expenses	20	(4,128,669)	(2,647,231)
		<u>(8,457,012)</u>	<u>(6,943,813)</u>
Value adjustments in respect of tangible and intangible assets	8	(560,837)	(471,820)
Value adjustments in respect of loans and advances and provisions for contingent liabilities and commitments	2.8, 14	(400,000)	-
Tax on loss on ordinary activities	2.7, 23	(21,400)	(21,400)
Other taxes not shown under the preceding items		(60,601)	(93,470)
Loss for the financial year		<u>(5,522,023)</u>	<u>(6,573,732)</u>

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

Note 1 – General

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

The name of the Bank was changed from GPB International S.A. to Bank GPB International S.A., with effect from 9 June 2015 upon approval of an extraordinary general meeting of the Bank's shareholders held on the same date.

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

Note 2 – Summary of significant accounting policies and valuation rules

2.1 Basis of presentation

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

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

The Board of Directors makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

The Bank is included in the consolidated accounts of Gazprombank (Joint-Stock Company) (“the Parent Bank” or “Shareholder”), which forms both the smallest and largest body of undertakings in which the Bank is included. The consolidated accounts may be obtained from Gazprombank (Joint-Stock Company) at the following address: Gazprombank (Joint-Stock Company), Nametkina St. 16, Building 1, 117420, Moscow, Russia.

2.2 Foreign currencies

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

2.2.1 Spot transactions

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

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

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

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

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

2.2.2 Forward transactions

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

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

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

2.3 Loans and advances

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

Funded participated agreements

When the Bank enters into a loan agreement and syndicates its substantial part or entire loan to an affiliated bank by way of funded sub-participation, such transactions will be derecognised from the Balance Sheet of the Bank when specific derecognition conditions on pass-through qualification, risk, reward and control transfer are met, to the extent that the Bank recognises solely that part of a syndicated loan which the Bank has funded itself and retains the rights and obligations for.

Commitments of the Bank resulting from such transactions are disclosed off-balance sheet under “Commitments”.

2.4 Amounts payable

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

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

2.5 Bonds and other fixed-income transferable securities

The Bank holds fixed-income transferable securities, which are intended to be held on a continuing basis in the normal course of the Bank’s activities and which are allocated to the investment portfolio of financial fixed assets.

Investment portfolio of financial fixed assets

Fixed-income transferable securities are recorded at historical acquisition cost in their original currency.

The acquisition cost includes the costs to purchase the asset. Value adjustments are made in respect of the securities in question, so that they are valued at the lower value to be attributed to them at the date

on which the statement of assets and liabilities is drawn up, if it is expected that the reduction in their value will be permanent.

The premium resulting from the purchase of fixed-income transferable securities having the characteristics of financial fixed assets, at a price exceeding the amount repayable at maturity, is included in "Interest payable and similar charges" in the profit and loss account on an amortised basis. The cumulative amortisation from the date of acquisition is included in "Accruals and deferred income" on the liability side of the balance sheet.

The discount resulting from the acquisition of fixed-income transferable securities having the characteristics of financial fixed assets, at a price lower than the amount repayable at maturity, is released to income in instalments over the period remaining until repayment as "Interest receivable and similar income". The cumulative amortisation from the date of acquisition is included in "Prepayments and accrued income" on the asset side of the balance sheet.

2.6 Intangible and tangible fixed assets

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

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

2.6.1 Intangible assets

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

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

2.6.2 Tangible assets

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

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

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

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

2.7 Income taxes

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

2.8 Lump-sum provision

The lump-sum provision is a general provision for possible losses on risk weighted assets and off-balance sheet items, recorded by applying an up to 1.25% rate to an average amount of assets and off-balance sheet items at risk for the considered reporting period. The part of the provision relating to assets is deducted from the related assets; the portion of the provision relating to off-balance sheet items is disclosed under the caption "Provisions – other provisions".

2.9 Financial services and commission related fees

The recognition of revenue for financial service fees depends on the purposes for which the fees are assessed and the basis of accounting for any transaction in question.

It is necessary to distinguish between fees that are an integral part of the effective interest rate of a financial instrument, fees that are earned as services are provided, and fees that are earned on the execution of a significant act.

Fees charged for servicing a loan

Fees charged by the Bank for servicing a loan are recognised as revenue as the services are provided.

Fees that are earned on the execution of a significant act

Placement fees for arranging a loan between a borrower and an investor is recognised as revenue when the loan has been arranged.

Loan syndication fees received by the Bank when it arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants) is compensation for the service of syndication. Such a fee is recognised as revenue when the syndication has been completed.

Note 3 – Analysis of financial instruments

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

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

- Loans and advances / Amounts owed to credit institutions
- Loans and advances / Amounts owed to customers
- Bonds and other fixed-income transferable securities.

Concerning the use of financial derivatives please see below 3.2.

3.1 Information on primary financial instruments

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

Bank GPB International S.A. (formerly GPB International S.A.)

Notes to the annual accounts as at 31 December 2015

Primary non-trading instruments (in EUR) 31.12.2015						
	less than 3 months	> 3 months to 1 year	> 1 year to 5 years	more than 5 years	no maturity	Total
Balances with central banks	12,364,597	-	-	-	-	12,364,597
Loans and advances to credit institutions	67,012,934	-	-	-	-	67,012,934
Loans and advances to customers	13,717	-	34,739,268	9,111,297	-	43,864,282
Bonds and other fixed-income transferable securities	18,639,397	18,802,929	31,056,580	254,543	-	68,753,449
Total financial assets	98,030,645	18,802,929	65,795,848	9,365,840	-	191,995,262
Non-financial assets	-	-	-	-	2,592,900	2,592,900
Total assets	98,030,645	18,802,929	65,795,848	9,365,840	2,592,900	194,588,162
Amounts owed to credit institutions	14,128,963	-	-	-	-	14,128,963
Amounts owed to customers	59,984,724	19,109,663	31,490,249	254,671	-	110,839,307
Total financial liabilities	74,113,687	19,109,663	31,490,249	254,671	-	124,968,270
Non-financial liabilities	-	-	-	-	3,021,643	3,021,643
Total liabilities	74,113,687	19,109,663	31,490,249	254,671	3,021,643	127,989,913

Primary non-trading instruments (in EUR) 31.12.2014						
	less than 3 months	> 3 months to 1 year	> 1 year to 5 years	more than 5 years	no maturity	Total
Balances with central banks	3,100,199	-	-	-	-	3,100,199
Loans and advances to credit institutions	25,327,655	-	-	-	-	25,327,655
Loans and advances to customers	7,437,778	-	-	-	-	7,437,778
Total financial assets	35,865,632	-	-	-	-	35,865,632
Non-financial assets	-	-	-	-	1,658,712	1,658,712
Total assets	35,865,632	-	-	-	1,658,712	37,524,344
Amounts owed to credit institutions	15,659,253	-	-	-	-	15,659,253
Amounts owed to customers	8,064,477	-	-	-	-	8,064,477
Total financial liabilities	23,723,730	-	-	-	-	23,723,730
Non-financial liabilities	-	-	-	-	1,680,342	1,680,342
Total liabilities	23,723,730	-	-	-	1,680,342	25,404,072

As at 31 December 2015 and 31 December 2014, the Bank had not engaged in primary trading instruments.

3.2 Information on derivative financial instruments

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

These operations were also engaged for the purpose of hedging the fluctuations of foreign exchange rates arising on transactions entered into with customers who placed with the Bank a time deposit, which is linked to the performance of an underlying asset acquired by the Bank for such purposes (“credit-linked deposit”).

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

	Analysis of financial instruments – derivative non-trading instruments (notional amount in EUR)					Fair value, net as at 31.12.2015 EUR
	less than 3 months	> 3 months to 1 year	> 1 year to 5 years	more than 5 years	Total	
Foreign exchange - OTC						
Foreign exchange swaps	101,887,604	-	-	-	101,887,604	(139,689)

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

As at 31 December 2015 and 31 December 2014, the Bank did not have trading positions in derivative financial instruments.

3.3 Information on financial instruments - credit risk

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

31.12.2015 EUR	Notional amount	Gross risk exposure	Collateral amount	Collateral type	Net risk exposure
Loans and advances to credit institutions	67,012,934	67,012,934	-	None	67,012,934
Loans and advances to customers	44,220,282	43,864,282	-	Guarantees not eligible under COREP	43,864,282
Bonds and other transferable fixed-income securities	69,373,466	68,753,449	68,753,449	Credit-linked deposits	-
	180,606,682	179,630,665	68,753,449		110,877,216

Credit and default risks of issuers of “Bonds and other transferable fixed-income securities” are fully transferred to respective clients holding a deposit linked to the performance of such underlying instrument.

For credit risk in relation to commitments, refer to Note 6.

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31.12.2014 EUR	Notional amount	Gross risk exposure	Collateral amount	Collateral type	Net risk exposure
Loans and advances to credit institutions	25,327,655	25,327,655	-	None	25,327,655
Loans and advances to customers	7,437,778	7,437,778	2,500,000	Bank account	4,937,778
	32,765,433	32,765,433	2,500,000		30,265,433

The table below shows the concentration of credit risk by geographical location:

EUR	Credits and other balance sheet items		Loan commitments		OTC derivatives	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Luxembourg	36,206,574	15,950,900	-	-	75,533,368	-
OECD countries (excl. Luxembourg)	88,457,594	7,156,876	637,820,455	-	151,184	1,339,495
Other countries	67,331,094	12,757,856	220,254,036	-	26,203,052	4,936,037
	191,995,262	35,865,632	858,074,491	-	101,887,604	6,275,532

The table below shows the concentration of credit risk by economic sector:

EUR	Credits and other balance sheet items		Loan commitments		OTC derivatives	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
National and central banks	12,364,597	3,100,199	-	-	-	-
Banks and financial companies	135,771,417	25,328,855	-	-	101,887,604	6,275,532
Chemical industry	9,111,297	-	197,420,936	-	-	-
Energy and environment	-	-	146,964,320	-	-	-
Food industry	-	2,468,018	-	-	-	-
Metal industry	11,581,866	2,500,000	31,592,635	-	-	-
Mineral oil industry	11,444,048	2,468,560	275,558,100	-	-	-
Trade	-	-	206,538,500	-	-	-
Transport and communications	11,715,337	-	-	-	-	-
Others	6,700	-	-	-	-	-
	191,995,262	35,865,632	858,074,491	-	101,887,604	6,275,532

The Bank's credit activity covers the commercial loans only. No lending to investment funds, related entities (apart from Loans and advances to credit institutions) or individuals occurred in 2015 or 2014.

3.4 Information on financial instruments - market risk

The Bank has limited exposure to market risk assured through restrictive foreign exchange limits and interest rate risk limits. All limits are monitored by the Risk Control Function and reported to the Management of the Bank and the Board of Directors. The Bank's strategy in 2015 has foreseen neither proprietary trading book nor own investment portfolio, except for the Bonds and other fixed-income transferable securities bought in relation to the credit-linked deposits described in the management report.

Following the COREP reporting of the Bank, there was no capital requirement to cover market risk as of 31 December 2015 (31 December 2014: none).

The Commission de Surveillance du Secteur Financier (“CSSF”) approved the Bank’s request related to the exemption to the large exposures regime for intra-group exposures towards the Parent Bank and towards a direct 100% banking subsidiary of the Parent Bank, Gazprombank (Switzerland) Ltd, in accordance with Part XVI, point 24 of the CSSF Circular 06/273 as subsequently modified.

Note 4 – Balances with central banks

In accordance with the requirements of the European Central Bank, the Central Bank of Luxembourg has implemented a system of mandatory minimum reserves which applies to all Luxembourg credit institutions. The minimum reserve balance as at 31 December 2015 held by the Bank with the Central Bank of Luxembourg amounted to EUR 2,751,031 (31 December 2014: EUR 6,670).

Note 5 - Loans and advances to credit institutions

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

	31.12.2015	31.12.2014
	EUR	EUR
Luxembourg	7,995,548	12,849,501
OECD countries (other than Luxembourg)	35,542,179	2,188,317
Other countries	23,475,207	10,289,837
	67,012,934	25,327,655

Accrued interest on loans and advances to credit institutions of EUR nil (2014: EUR 130) is disclosed under “Prepayments and accrued income”.

Included under this heading are loans and advances to affiliated undertakings with a total value of EUR 52,740,054 (31 December 2014: EUR 10,475,813).

Note 6 - Loans and advances to customers

Loans and advances to customers are analysed as follows:

	31.12.2015	31.12.2014
	EUR	EUR
Luxembourg	3,546	1,200
OECD countries (other than Luxembourg)	4,849	4,968,559
Other countries	43,855,887	2,468,019
	43,864,282	7,437,778

	31.12.2015	31.12.2014
	EUR	EUR
Direct loans	9,185,270	2,501,741
Loans participated by the Bank	34,679,012	4,936,037
	43,864,282	7,437,778

Accrued interest on loans and advances to customers of EUR nil (2014: EUR nil) is disclosed under “Prepayments and accrued income”.

Included under this heading are loans and advances to affiliated undertakings with a total value of EUR nil (31 December 2014: EUR 1,200).

Funded participated agreements

During the financial year, the Bank was engaged in several loan agreements with corporate customers (borrowers) for providing financing in the form of bilateral loans or syndicated loans. Such loans were structured as uncommitted loans or committed loans whereby the commitment was conditional or unconditional towards a borrower.

In the case of uncommitted financing, it is at the sole discretion of the Bank to honour a drawdown request of such borrower.

In the case of conditional commitment, the Bank is only obliged to honour a drawdown request, if the predefined and agreed conditions are met.

In the case of an unconditional commitment, the Bank is obliged to honour a drawdown request, if all defined conditions precedent are fulfilled and the facility is fully operational.

In certain syndicated transactions the Bank is acting as both the lender and the agent for other lenders under such loan agreements. These other lenders are fully disclosed to a respective borrower. The obligations of banks in a syndicate to provide financing to a borrower are several and not joint.

The participation of other banks in loans to customers took place either in the form of an open participation or in the form of a silent funded sub-participation ("SFSP"). In the case of SFSP, a borrower is typically not informed about the participation of another bank and is only communicating with an original lender or an agent as evidenced in a loan agreement.

In the case where the Bank acts as a direct lender, but has the entire or a substantial part of its commitment syndicated to another bank through SFSP, the Bank is transferring this part of its credit risk associated with a borrower to a SFSP participant. The legal structure of the SFSP as a pass-through arrangement provides for full de-recognition of loans disbursed by the Bank from its Balance Sheet when all risks and rewards related to such loans are transferred to a SFSP participant.

According to the conditions of the SFSP loans, a SFSP participant cannot refuse to fund its share in a loan, if a borrower delivers a valid drawdown request. Depending on an individual structure of a loan, the Bank decides whether it is prepared to accept payment risk of a SFSP participant or it mitigates payment risk through adequate means.

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As at December 31, 2015 the Bank had the following direct loans with outstanding commitments in place:

Description of facility	Currenc y of a loan (CCY)	Total limit per lender, CCY million	Terms	Amount utilised		Bank’s participation		Sub-participated to affiliated bank		Outstanding amount committed by Bank as per CSSF definition*	
				CCY million	EUR million	CCY million	EUR million	CCY million	EUR million	CCY million	EUR million
Facility I - Bank - Affiliated bank	EUR	27.0 Up to 27.0 Up to 27.0	Uncommitted with up to 100% uncommitted SFSP	- - -	- - -	-	-	-	-	27.0	27.0
Facility II - Bank - Affiliated bank	USD	200.0 Up to 200.0 Up to 200.0	Uncommitted with up to 100% uncommitted SFSP	- - -	- - -	-	-	-	-	200.0	183.7
Facility III - Bank - Affiliated bank	RUB	5,000.0 900.0 4,100.0	Committed with 100% committed SFSP	3,000.0 540.0 2,460.0	37.2 6.7 30.5	-	-	540.0	6.7	360.0	4.5
Facility IV - Bank - Affiliated bank	USD	20.0 up to 20.0 up to 20.0	Uncommitted with up to 100% uncommitted SFSP	- - -	- - -	-	-	-	-	20.0	18.3
Facility V - Bank - Affiliated bank	USD	489.0 254.5 234.5	Conditionally committed with 100% committed SFSP	59.1 39.6 19.5	54.3 36.3 18.0	10.0	9.2	29.6	27.1	214.9	197.5
Facility VI - Bank	USD	160.0 Up to 160.0	Uncommitted, the Bank has an unconditional discretion to reject a funding request	- -	- -	-	-	-	-	160.0	146.9
Facility VII - Bank	USD	10.0 Up to 5.0		- -	- -	-	-	-	-	5.0	4.6
Facility VIII - Bank	USD	300.0 Up to 300.0		- -	- -	-	-	-	-	300.0	275.6
TOTAL on-balance sheet						10.0	9.2	858.1			

* Committed – if there is a written agreement in place.

Facility I and II

The facility is an uncommitted revolving credit line; the Bank has no obligation to fulfil client's draw-down requests.

Facility III

The Bank assesses the risk of non-fulfilment of funding obligation by the SFSP participant as low. The Bank has furthermore the right to assign its commitment under this loan to the SFSP participant in case the latter defaults on its funding obligations.

Facility IV

The Facility is an uncommitted revolving credit line in a form of overdraft; the Bank has no obligation to fulfil client's drawdown request.

Facility V

In order to mitigate the disbursement risk of the Bank in case of non-payment by the SFSP participant, the loan agreement contains a clause stating that the Bank is only obliged to disburse funds to the borrower, if such funds have been received in advance from a sub-participant (i.e. conditional commitment). The Bank has furthermore the right to assign its commitment under this loan to the SFSP participant in case the latter defaults on its funding obligations.

Facility VI, VII and VIII

The Facility is an uncommitted syndicated revolving credit line, where the Bank acts as a lender (all lenders in the syndicate act severally) and has an unconditional discretion either to reject funding proposal of the syndication Agent or, at its discretion, to find a sub-participation/collateral for the proposed funding as requested by the Borrower.

Note 7 – Bonds and other fixed-income transferable securities

Bonds and other fixed-income transferable securities are analysed as follows:

	31.12.2015	31.12.2014
	EUR	EUR
Luxembourg	15,842,883	-
OECD countries (other than Luxembourg)	52,910,566	-
	<u>68,753,449</u>	<u>-</u>

All bonds and other fixed-income transferable securities are held in the investment portfolio, traded and quoted on a stock exchange.

Included under this heading are bonds and other fixed-income transferable securities to affiliated undertakings with a total value of EUR 13,763,547 (31 December 2014: EUR nil).

Accrued interest on bonds and other fixed-income transferable securities of EUR 1,226,198 is disclosed under "Prepayments and accrued income".

At 31 December 2015, the fair value of securities is estimated at EUR 69,336,223 (31 December 2014: EUR nil).

Amortisation of premiums and discounts on bonds and other fixed-income transferable securities

At 31 December 2015, the net amortised value of premiums and discounts since the acquisition date for bonds and other fixed-income transferable securities amounts to:

	2015	2014
	EUR	EUR
Premiums	(149,592)	-
Discounts	214,329	-

As at 31 December 2015, the cumulative amortisation of premiums on bonds and other fixed-income transferable securities amounted to EUR 149,592 (2014: EUR nil) and are disclosed under “Accruals and deferred income”, and the portion of the premiums not yet amortised amounted to EUR 164,054 (2014: EUR nil).

As at 31 December 2015, the cumulative amortisation of discounts on bonds and other fixed-income transferable securities amounted to EUR 214,329 (2014: EUR nil) and are disclosed under “Prepayments and accrued income”, and the portion of the discounts not yet amortised amounted to EUR 719,334 (2014: EUR nil).

Note 8 – Fixed assets**8.1 Movements in fixed assets**

in EUR	Gross value				Value adjustments				
	Gross value at the beginning of year	Additions	Disposals	Gross value at the end of year	Cumulative value adjustments at the beginning of year	Value adjustments	Reversal of value adjustments	Cumulative value adjustments at the end of year	Net book value at the end of year
Intangible assets	1,528,093	246,959	-	1,775,052	536,538	511,688	-	1,048,226	726,826
of which:									
- Formation expenses	542,067	-	-	542,067	159,243	108,413	-	267,656	274 411
- Licenses	986,026	246,959	-	1,232,985	377,295	403,275	-	780,570	452,415
Tangible assets	158,278	30,182	-	188,460	42,608	49,149	-	91,757	96,703
of which:									
- Other fixtures and fittings, tools and equipment	158,278	30,182	-	188,460	42,608	49,149	-	91,757	96,703
TOTAL	1,686,371	277,141	-	1,963,512	579,146	560,837	-	1,139,983	823,529

8.2 Intangible assets

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

Note 9 – Other assets and prepayments and accrued income

9.1 Other assets

As at 31 December 2015, other assets mainly include deferred IT costs of TEUR 185 for which invoices have been received in 2015 but for which the service is to be received in 2016 (2014: TEUR 358).

9.2 Prepayments and accrued income

Prepayments and accrued income is analysed as follows:

	31.12.2015 EUR	31.12.2014 EUR
Accrued interest on bonds	1,226,198	-
Accrued interest on loans and advances to credit institutions	-	130
Cumulative amortisation of discounts on bonds and other fixed-income transferable securities	214,329	-
Prepayments	137,560	174,379
	1,578,087	174,509

Note 10 – Amounts owed to credit institutions

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

	31.12.2015 EUR	31.12.2014 EUR
Luxembourg	964,572	-
OECD countries (other than Luxembourg)	5,931	212,763
Other countries	13,158,460	15,446,490
	14,128,963	15,659,253

Included under this heading are amounts owed to affiliated undertakings with a total value of EUR 13,164,391 (31 December 2014: EUR 15,659,253).

Note 11 – Amounts owed to customers

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

	31.12.2015 EUR	31.12.2014 EUR
Luxembourg	6,167,437	3,571,817
OECD countries (other than Luxembourg)	12,023,887	1,303,428
Other countries	92,647,983	3,189,232
	110,839,307	8,064,477

Included under this heading are amounts owed to affiliated undertakings with a total value of EUR 16,246,087 (31 December 2014: EUR 2,130,904).

Analysed by maturity the amounts owed to customers are the following:

	31.12.2015	31.12.2014
	EUR	EUR
Amounts owed to customers – at sight	40,573,009	3,733,070
Amounts owed to customers – time deposits	70,266,298	4,331,407
	<u>110,839,307</u>	<u>8,064,477</u>

Note 12 – Other liabilities

Other liabilities are analysed as follows:

	31.12.2015	31.12.2014
	EUR	EUR
IT cost payables	460,941	416,781
VAT payables	-	70,647
Audit and consulting fees payable	102,856	-
Other	77,745	84,018
	<u>641,542</u>	<u>571,446</u>

Note 13 – Accruals and deferred income

Accruals and deferred income are analysed as follows:

	31.12.2015	31.12.2014
	EUR	EUR
Accrued interest on deposits	1,199,536	6,114
Deferred commission income	85,807	-
Cumulative amortisation of premiums on bonds and other fixed-income transferable securities	149,592	-
Other	955	19,672
	<u>1,435,890</u>	<u>25,786</u>

Note 14 – Other provisions

Other provisions are analysed as follows:

	31.12.2015 EUR	31.12.2014 EUR
Lump sum provision – off balance sheet part	44,000	-
FGDL / AGDL	179,150	3,600
Estimated general administrative expenses payable		
- Audit fees	131,000	90,000
- Untaken holidays	65,000	21,000
- Directors' fees	15,000	15,000
- Other	337,800	847,200
	771,950	976,800

“Other” mainly includes a foreseen 13th salary to the Bank’s employees (2014: “Other” mainly includes provision for bonuses to the Bank’s employees).

The Bank’s lump sum provision amounts to EUR 400,000 as at 31 December 2015 (2014: EUR nil), of which an amount of EUR 356,000 relates to assets and is deducted from the related asset item, and an amount of EUR 44,000 relates to off-balance sheet items and is disclosed under the caption “Provisions - other provisions”.

Note 15 – Subscribed capital and reserves

15.1 Subscribed capital

The authorised and fully paid subscribed capital of the Bank amounts to EUR 80 million (2014: EUR 20 million).

The Bank’s share capital comprises 80,000 registered shares with a nominal value of EUR 1,000 each amounting to a total of EUR 80 million (2014: 20,000 registered shares with a nominal value of EUR 1,000 each amounting to a total of EUR 20 million).

The Shareholder approved the capital increase of EUR 10 million in January 2015, and a further capital increase of EUR 50 million up to EUR 80 million in November 2015. All new shares were again subscribed by the Shareholder.

15.2 Movements in reserves, and loss brought forward

	Legal reserve EUR	Other reserves EUR	Total reserves EUR	Loss brought forward EUR
Balance at the beginning of the year	-	-	-	(1,305,996)
Loss for 2014	-	-	-	(6,573,732)
	-	-	-	(7,879,728)

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

Note 16 – Positions in foreign currencies

	31.12.2015 EUR	31.12.2014 EUR
Total amount of assets in foreign currencies	166,849,210	8,090,861
Total amount of liabilities in foreign currencies	(95,710,482)	(3,125,843)
Net position, excluding foreign exchange swaps	71,138,728	4,965,018

Taking into consideration the concluded foreign exchange swaps against the balance sheet currency as per 31 December 2015 (net notional of TEUR 71,558) there are no significant open currency positions (2014: net notional of TEUR 4,936).

Note 17 – Contingent liabilities and commitments

17.1 Deposit guarantee and investor compensation scheme

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

The deposit guarantee and investor compensation scheme currently in place through the “Association pour la Garantie des Dépôts Luxembourg” (AGDL) will be replaced by a new contribution based system of deposit guarantee and investor compensation scheme. This new system 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 Law also provides that deposits resulting from specific transactions or fulfilling a specific social or other purpose are covered for an amount above EUR 100,000 for a period of 12 months.

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

The funded amount of the “Fonds de résolution Luxembourg” (FRL) shall reach by the end of 2024 at least 1% of covered deposits, as defined in article 1 number 36 of the Law, of all authorized credit institutions in all participating Member States. This amount will be collected from the credit institutions through annual contributions during the years 2015 to 2024.

The target level of funding of the “Fonds de Garantie des Dépôts Luxembourg” (FGDL) is set at 0.8% of covered deposits, as defined in article 163 number 8 of the Law, of the relevant credit institutions and is to be reached by the end of 2018 through annual contributions. The contributions are to be made in the form of annual payments during the years 2016 to 2018. For 2015, the credit institutions have reflected a provision of 0.2% of covered deposits in order to anticipate these contributions, using the existing AGDL provision in their annual accounts.

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.

As at 31 December 2015 the Bank has set up a provision of EUR 179,150 (2014: EUR 3,600) in connection with this deposit guarantee and investor compensation scheme, including the AGDL provision retained.

17.2 Rental commitments

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

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

	31.12.2015 EUR	31.12.2014 EUR
Amounts committed to be paid within 12 months	229,370	462,042

The Bank entered into a one year lease agreement signed on 23 September 2013 to occupy the two floors of the building on 8-10, rue Mathias Hardt, L-1717 Luxembourg, from 1 October 2013 to 30 September 2014. The Bank moved into these premises during October 2013. The contract had been extended to 31 March 2016.

As at 31 December 2015, the Bank had given a guarantee of EUR 122,433 in respect of rental premises and flats for employees on behalf of the Bank (31 December 2014: EUR 136,123).

17.3 Contingent liabilities

There were no contingent liabilities as at 31 December 2015.

17.4 Commitments

Concerning commitments please refer to Note 6.

Note 18 – Analysis of income by geographical markets

The income of the Bank mainly results from the countries Guernsey, Ireland, Luxembourg, Netherlands and Russia.

Note 19 – Information relating to staff employed and management

19.1 Personnel employed

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

	2015	2014
Senior management	2.0	2.0
Management	5.8	5.2
Employees	9.0	7.7
Total	16.8	14.9

19.2 Members of the administration, managerial and supervisory bodies

Director's fees to two external members of the Board of Directors in the amount of EUR 60,000 have been provided for in 2015 (2014: EUR 15,000).

Remuneration granted to the senior management and management during 2015 amounted to TEUR 3,232 (2014: TEUR 2,384).

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

Note 20 – Independent Auditor’s Fees

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

	2015	2014
	EUR	EUR
Audit fees	233,472	108,000
Audit-related fees	30,084	-
Other fees	30,000	-
Total	293,556	108,000

Such fees are presented under “Other administrative expenses” in the profit and loss account.

Note 21 – Litigation and claims

As of 31 December 2015 the Bank has no open litigation nor claims (31 December 2014: none).

Note 22 – Management and fiduciary services

The Bank provided mainly the following management and representative services to third parties during the financial year:

- Fiduciary services;
- Agency Services;
- Custodian Services (9 securities with a nominal of EUR 5,857,541 as at 31 December 2015).

Note 23 – Tax charges

The Bank is liable to taxes on income and net assets. The Luxembourg tax authorities have issued assessments for the financial years up to 2013. Tax liabilities for which no tax assessment has been provided yet are recorded under “Provisions for taxation” in the balance sheet.

Note 24 – Subsequent Events

At an Extraordinary General Meeting held on 2 March 2016, the Shareholder resolved to increase the capital of the Bank by an amount of EUR 50,000,000 up to EUR 130,000,000. This was undertaken through the issue of 50,000 new shares of the Bank having a nominal value of EUR 1,000.

All newly issued shares were subscribed by the Shareholder of the Bank to support the further development of the Bank’s business.

The Bank moved premises and transferred its registered office from 8-10, rue Mathias Hardt, L-1717 Luxembourg to Le Dome, 15, rue Bender, L-1229 Luxembourg, in late March 2016.