

**Translation of the original Russian version**

Audit report  
on the annual financial statements of  
**OOO UBS Bank**  
for the year ended 31 December 2015

*April 2016*

## Translation of the original Russian version

### Audit report on the annual financial statements of OOO UBS Bank

---

---

Contents	Page
Independent auditor's report	3
Appendices	
Annual financial statements of OOO UBS Bank for the year ended 31 December 2015:	
Balance sheet (published form) as of 1 January 2016	8
Statement of financial performance (published form) for the year ended 31 December 2015	9
Appendices to the balance sheet and statement of financial performance:	
Statement of capital adequacy to cover risks, allowance for doubtful loans and other assets (published form) as of 1 January 2016	10
Statement of obligatory and leverage ratios (published form) as of 1 January 2016	15
Statement of cash flows (published form) as of 1 January 2016	17
Explanatory information to the annual financial statements	18

## Translation of the original Russian version

### Independent auditor's report

To Participants and the Board of Directors of OOO UBS Bank

#### **Report on the annual financial statements**

We have audited the accompanying annual financial statements of OOO UBS Bank (the "Bank"), which consist of the balance sheet (published form) as of 1 January 2016, statement of financial performance (published form) for the year ended 31 December 2015, appendices thereto comprising the statement of capital adequacy to cover risks, allowance for doubtful loans and other assets (published form) as of 1 January 2016; statement of obligatory and leverage ratios (published form) as of 1 January 2016; statement of cash flows (published form) as of 1 January 2016; and explanatory information.

#### ***Audited entity's responsibility for the annual financial statements***

The management of the Bank is responsible for the preparation and fair presentation of these annual financial statements in accordance with rules on the preparation of annual financial statements established in the Russian Federation as well as for the internal control system relevant to the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on the fair presentation of these annual financial statements based on our audit.

We conducted our audit in accordance with the federal standards on auditing effective in the Russian Federation and International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual financial statements are free from material misstatements.

## Translation of the original Russian version

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The audit procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the annual financial statements 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 management, as well as evaluating the overall presentation of the annual financial statements.

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

### ***Opinion***

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of OOO UBS Bank as at 1 January 2016 and its financial performance and cash flows for the year 2015 in accordance with rules on the preparation of annual financial statements established in the Russian Federation.

### ***Other matters***

The accompanying annual financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Russian Federation. Accordingly, the accompanying annual financial statements are not designed for those who are not informed about accounting principles, procedures and practices in the Russian Federation.

### **Report on the results of the work in accordance with the requirements of Article 42 of Federal Law No. 395-1 *Concerning Banks and Banking Activity* of 2 December 1990**

The management of the Bank is responsible for the Bank's compliance with the obligatory ratios established by the Central Bank of the Russian Federation (further referred as Bank of Russia) and for the conformity of the Bank's internal control and organization of the risk management systems with the requirements set forth by the Bank of Russia in respect of such systems.

## Translation of the original Russian version

In accordance with the requirements of Article 42 of Federal Law No. 395-1 *Concerning Banks and Banking Activity* of 2 December 1990 (hereinafter, the “Federal Law”), during the audit of the Bank’s annual financial statements for the year ended 31 December 2015, we determined:

- 1) Whether the Bank complies as at 1 January 2016 with the obligatory ratios established by the Bank of Russia;
- 2) Whether the Bank’s internal control and organization of the risk management systems conform to the requirements set forth by the Bank of Russia for such systems in respect of the following:
  - subordination of risk management departments;
  - existence of methodologies, approved by the Bank’s respective authorized bodies, for detecting and managing risks that are significant to the Bank and for performing stress-testing; existence of a reporting system at the Bank pertaining to its significant risks and capital;
  - consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to the Bank;
  - Oversight performed by the Board of Directors and executive management of the Bank in respect of the Bank’s compliance with risk limits and capital adequacy requirements set forth in the Bank’s internal documents, and effectiveness and consistency of the application of the Bank’s risk management procedures.

This work included the procedures selected on the basis of our judgment, such as inquiries, analysis, review of documents, comparison of the requirements, procedures and methodologies approved by the Bank with the requirements set forth by the Bank of Russia, and recalculation, comparison and reconciliation of numerical values and other information.

The results of our work are provided below.

### ***Compliance by the Bank with the obligatory ratios established by the Bank of Russia***

We found that the values of obligatory ratios of the Bank as of 1 January 2016 were within the limits established by the Bank of Russia.

We have not performed any procedures in respect of the Bank’s accounting data, except for the procedures we considered necessary for expressing our opinion on the fair presentation of the Bank’s annual financial statements.

## Translation of the original Russian version

### ***Conformity of the Bank's internal control and organization of the risk management systems with the requirements set forth by the Bank of Russia in respect of such systems***

- We found that, in accordance with the legal acts and recommendations issued by the Bank of Russia, as at 31 December 2015, the Bank's internal audit division was subordinated and accountable to the Board of Directors, and the Bank's risk management departments were not subordinated or accountable to the departments that take the relevant risks.
- We found that the Bank's internal documents effective as at 31 December 2015 that establish the methodologies for detecting and managing market and operational risks that are significant to the Bank and stress-testing have been approved by the Bank's authorized bodies in accordance with the legal acts and recommendations issued by the Bank of Russia. We also found that, as at 31 December 2015, the Bank has a reporting system pertaining to market and operational risks that are significant to the Bank and pertaining to its capital.
- We found that the periodicity and consistency of reports prepared by the Bank's risk management departments and internal audit division during the year ended 31 December 2015 with regard to the management of the Bank's market and operational risks complied with the Bank's internal documents and that those reports included observations made by the Bank's risk management departments and internal audit division in respect of the effectiveness of the Bank's relevant risk management methodologies.
- We found that, as at 31 December 2015, the authority of the Board of Directors and executive management bodies of the Bank included control over the Bank's compliance with internally established risk limits and capital adequacy requirements. For the purposes of control over the effectiveness and consistency of the risk management procedures applied by the Bank during the year ended 31 December 2015, the Board of Directors and executive management bodies of the Bank regularly reviewed the reports prepared by the Bank's risk management departments and internal audit division.

## Translation of the original Russian version

The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purposes of determining the conformity of certain elements of the Bank's internal control and organization of risk management systems, as listed in the Federal Law and described above, with the requirements set forth by the Bank of Russia.

T.L. KOZLOVA  
Director  
Ernst & Young LLC

26 April 2016

### ***Details of the audited entity***

Name: OOO UBS Bank  
Record made in the State Register of Legal Entities on 9 March 2006, Main State Registration Number 1067711001863.  
Address: 115054, Russia, Moscow, Paveletskaya square, 2, building 2.

### ***Details of the auditor***

Name: Ernst & Young LLC  
Record made in the State Register of Legal Entities on 5 December 2002, Main State Registration Number 1027739707203.  
Address: 115035, Russia, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.  
Ernst & Young LLC is a member of the Self-regulated Organization of Auditors Non-profit Partnership "Russian Audit Chamber" ("SRO NP APR").  
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 10201017420.

# Translation of the original Russian version

Bank reporting forms

Territory code OKATO	Code of credit institution (branch)	
	OKPO	Registration number (/index number)
45286560000	94496272	3463

## BALANCE SHEET

(published form)

as of 1 January 2016

Credit institution: Limited Liability Company UBS Bank  
OOO UBS Bank  
(corporate full and abbreviated name)

Postal address: Floor 11, bld. 2, 2 Paveletskaya ploshchad, Moscow, 115054

OKUD form code 0409806

Quarterly (Annual)

RUB'000

No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
<b>I</b>	<b>ASSETS</b>			
1	Cash	4.1	597	530
2	Credit institutions' balances with the Central Bank of the Russian Federation	4.1	129,298	78,893
2.1	Mandatory reserves	4.1	113,016	77,049
3	Amounts due from credit institutions	4.1	1,885,858	307,814
4	Financial assets at fair value through profit or loss		585	0
5	Net loans receivable	4.1	4,388,827	3,987,000
6	Net investments in securities and other financial assets available for sale		0	0
6.1	Investments in subsidiaries and associates		0	0
7	Net investments in securities held to maturity		0	0
8	Current income tax assets		0	0
9	Deferred tax asset		0	0
10	Premises and equipment, intangible assets and inventories	4.1	28,430	24,627
11	Other assets	4.1	648,074	424,520
12	Total assets		7,081,669	4,823,384
<b>II</b>	<b>LIABILITIES</b>			
13	Loans, deposits and other amounts due to the Central Bank of the Russian Federation		0	0
14	Amounts due to credit institutions	4.1	804,679	24,360
15	Amounts due to customers (non-credit institutions)	4.1	1,877,579	690,070
15.1	Deposits of (amounts due to) individuals and individual entrepreneurs	4.1	1,510	1,165
16	Financial liabilities at fair value through profit or loss		694	0
17	Debt issued		0	0
18	Current income tax liability		0	0
19	Deferred tax liability		0	0
20	Other liabilities	4.1	98,746	77,673
21	Provisions for losses under credit-related contingent liabilities, other losses and transactions with offshore residents		0	0
22	Total liabilities		2,781,698	792,103
<b>III</b>	<b>EQUITY</b>			
23	Shareholders' (participants') equity		3,450,000	3,450,000
24	Treasury shares		0	0
25	Share premium		0	0
26	Reserve fund		172,500	172,500
27	Revaluation at fair value of securities available for sale decreased by deferred tax liability (increased by deferred tax asset)		0	0
28	Revaluation of premises and equipment decreased by deferred tax liability		0	0
29	Retained earnings (uncovered loss) of prior years		408,781	326,488
30	Unutilized profit (loss) for the reporting period		268,690	82,293
31	Total equity		4,299,971	4,031,281
<b>IV</b>	<b>OFF-BALANCE SHEET LIABILITIES</b>			
32	Credit institution's irrevocable liabilities		424,370	83,487
33	Guarantees and sureties issued by credit institution		0	0
34	Non-credit related contingent liabilities		0	0

Chairman of the Executive Board

E.B. Titova

Chief Accountant

O.N. Rubashko

Prepared by  
I.A. Ratnikov  
Telephone: (495) 648-2287



# Translation of the original Russian version

26 April 2016

Bank reporting forms

Territory code OKATO	Code of credit institution (branch)	
	OKPO	Registration number (/index number)
45286560000	94496272	3463

## STATEMENT OF FINANCIAL PERFORMANCE

(published form)  
for 2015

Credit institution: Limited Liability Company UBS Bank  
OOO UBS Bank  
(corporate full and abbreviated name)

Postal address: Floor 11, bld. 2, 2 Paveletskaya ploshchad, Moscow, 115054

OKUD form code 0409807  
Quarterly (Annual)  
RUB'000

No.	Item	Explanatory note	For the reporting period	For the corresponding period of the prior year
1	2	3	4	5
1	Total interest income, including income from:		418,279	268,491
1.1	Amounts due from credit institutions		418,279	267,761
1.2	Loans issued to customers (non-credit institutions)		0	730
1.3	Finance lease services		0	0
1.4	Investments in securities		0	0
2	Total interest expenses, including expenses on:		870	786
2.1	Amounts due to credit institutions		870	786
2.2	Amounts due to customers (non-credit institutions)		0	0
2.3	Debt issued		0	0
3	Net interest income (negative interest margin)		417,409	267,705
4	Change in provision for losses from loans receivable and similar debt, amounts placed on correspondent accounts, and accrued interest income, total, including:	4.2	1	15,800
4.1	Change in provision for losses from accrued interest income		0	3
5	Net interest income (negative interest margin) after provision for losses		417,410	283,505
6	Net gains from financial assets at fair value through profit or loss		7,155	1,628
7	Net gains from securities available for sale		0	0
8	Net gains from securities held to maturity		0	0
9	Net gains from dealing in foreign currency	4.2	47,008	50,905
10	Net gains from foreign currency translation	4.2	-47,113	-44,618
11	Income from equity interests in other legal entities		0	0
12	Fee and commission income		223,348	109,520
13	Fee and commission expense		1,763	4,889
14	Change in provision for losses from securities available for sale		0	0
15	Change in provision for losses from securities held to maturity		0	0
16	Change in provision for other losses	4.2	73	17,552
17	Other operating income	4.2	2,239,061	1,068,732
18	Net income (expense)		2,885,179	1,482,335
19	Operating expenses	4.2	2,531,939	1,348,091
20	Profit (loss) before tax		353,240	134,244
21	Tax refund (expense)	4.2	84,550	51,951
22	Profit (loss) after tax		268,690	82,293
23	Total distributions of profit after tax, including:		0	0
23.1	Distributed among shareholders (participants) as dividends		0	0
23.2	Allocated to reserve fund		0	0
24	Unutilized profit (loss) for the reporting period		268,690	82,293

Chairman of the Executive Board

E.B. Titova

Chief Accountant

O.N. Rubashko

Prepared by  
I.A. Ratnikov  
Telephone: (495) 648-2287

26 April 2016

# Translation of the original Russian version

Bank reporting forms

Territory code OKATO	Code of credit institution (branch)	
	OKPO	Registration number (/index number)
45286560000	94496272	3463

## STATEMENT OF CAPITAL ADEQUACY FOR RISK COVERAGE, LOAN LOSS PROVISIONS AND OTHER ASSETS

(published form)  
as of 1 January 2016

Credit institution: Limited Liability Company UBS Bank  
OOO UBS Bank  
(corporate full and abbreviated name)

Postal address: Floor 11, bld. 2, 2 Paveletskaya ploshchad, Moscow, 115054

OKUD form code 0409808  
Quarterly (Annual)

### Section 1. Information on capital adequacy

No.	Item	Explanatory note	At the reporting date	Increase (+)/decrease (-) for the reporting period	At the beginning of the reporting year
1	2	3	4	5	6
1	Total equity (capital) (RUB'000), including:		4,159,159.0	272,194.0	3,886,965.0
1.1	Core capital:		4,031,281.0	82,293.0	3,948,988.0
1.1.1	Total charter capital, including:	4.3	3,450,000.0	0.0	3,450,000.0
1.1.1.1	Ordinary shares (interests)	4.3	3,450,000.0	0.0	3,450,000.0
1.1.1.2	Preferred shares		0.0	0.0	0.0
1.1.2	Share premium		0.0	0.0	0.0
1.1.3	Reserve fund	4.3	172,500.0	0.0	172,500.0
1.1.4	Retained earnings:		408,781.0	82,293.0	326,488.0
1.1.4.1	Prior years		408,781.0	82,293.0	326,488.0
1.1.4.2	Reporting year		0.0	0.0	0.0
1.2	Items decreasing core capital:		0.0	-62,023.0	62,023.0
1.2.1	Intangible assets		0.0	0.0	0.0
1.2.2	Deferred tax assets		0.0	0.0	0.0
1.2.3	Treasury shares		0.0	0.0	0.0
1.2.4	Losses:		0.0	-62,023.0	62,023.0
1.2.4.1	Prior years		0.0	0.0	0.0
1.2.4.2	Reporting year		0.0	-62,023.0	62,023.0
1.2.5	Equity investments in financial institutions:		0.0	0.0	0.0
1.2.5.1	Insignificant		0.0	0.0	0.0
1.2.5.2	Significant		0.0	0.0	0.0
1.2.5.3	Total amount of significant investments and total amount of deferred tax assets		0.0	0.0	0.0
1.2.6	Negative amount of additional capital		0.0	0.0	0.0
1.2.7	Obligations to purchase shares (interests) included in core capital		0.0	0.0	0.0
1.2.8	Amounts received as payment for shares (interests) included in core capital		0.0	0.0	0.0
1.3	Core capital		4,031,281.0	144,316.0	3,886,965.0
1.4	Additional capital		0.0	0.0	0.0
1.4.1	Total charter capital in the form of preferred shares, including:		0.0	0.0	0.0
1.4.1.1	Shares issued in accordance with Federal Law No. 181-FZ On the Use of the State Securities of the Russian Federation for Increasing the Capitalization of Banks, dated 18 July 2009 <sup>1</sup>		0.0	0.0	0.0
1.4.2	Share premium		0.0	0.0	0.0
1.4.3	Subordinated loan with additional conditions		0.0	0.0	0.0
1.4.4	Subordinated loan (deposit, borrowing, bond) with unlimited maturity		0.0	0.0	0.0
1.5	Items decreasing additional capital		0.0	0.0	0.0
1.5.1	Investments in preferred shares		0.0	0.0	0.0
1.5.2	Equity investments in financial institutions:		0.0	0.0	0.0
1.5.2.1	Insignificant		0.0	0.0	0.0
1.5.2.2	Significant		0.0	0.0	0.0
1.5.3	Subordinated loan (deposit, borrowing, bond) provided by financial institutions		0.0	0.0	0.0
1.5.3.1	Insignificant		0.0	0.0	0.0
1.5.3.2	Significant		0.0	0.0	0.0

<sup>1</sup> Federal Law No. 181-FZ On the Use of the State Securities of the Russian Federation for Increasing the Capitalization of Banks, dated 18 July 2009 (Collected Legislation of the Russian Federation, 2009, No. 29, Art. 3618; 2014, No. 31, Art. 4334).

## Translation of the original Russian version

No.	Item	Explanatory note	At the reporting date	Increase (+)/decrease (-) for the reporting period	At the beginning of the reporting year
1.5.4	Negative amount of supplementary capital		0.0	0.0	0.0
1.5.5	Obligations to purchase shares (interests) included in additional capital		0.0	0.0	0.0
1.5.6	Amounts received as payment for shares (interests) included in additional capital		0.0	0.0	0.0
1.6	Additional capital		0.0	0.0	0.0
1.7	Main capital		4,031,281.0	144,316.0	3,886,965.0
1.8	Supplementary capital:		127,878.0	127,878.0	0.0
1.8.1	Total charter capital in the form of preferred shares, including:		0.0	0.0	0.0
1.8.1.1	Shares issued after 1 March 2013		0.0	0.0	0.0
1.8.2	Charter capital formed through the capitalization of the increase in property value		0.0	0.0	0.0
1.8.3	Profit:		127,878.0	127,878.0	0.0
1.8.3.1	Current year		127,878.0	127,878.0	0.0
1.8.3.2	Prior years		0.0	0.0	0.0
1.8.4	Total amount of subordinated loan (deposit, borrowing, bond), including:		0.0	0.0	0.0
1.8.4.1	Received (placed) before 1 March 2013		0.0	0.0	0.0
1.8.4.2	Provided in accordance with Federal Law No. 173-FZ On Additional Measures for Supporting the Financial System of the Russian Federation, dated 13 October 2008 <sup>2</sup> and Federal Law No. 175-FZ On Additional Measures for Enhancing the Stability of the Banking System through 31 December 2015, dated 27 October 2008 <sup>3</sup>		0.0	0.0	0.0
1.8.5	Increase in property value		0.0	0.0	0.0
1.9	Items decreasing supplementary capital:		0.0	0.0	0.0
1.9.1	Investments in preferred shares issued by OOO UBS Bank		0.0	0.0	0.0
1.9.2	Equity investments in financial institutions:		0.0	0.0	0.0
1.9.2.1	Insignificant		0.0	0.0	0.0
1.9.2.2	Significant		0.0	0.0	0.0
1.9.3	Subordinated loan (deposit, borrowing, bond) provided to financial institutions		0.0	0.0	0.0
1.9.3.1	Insignificant		0.0	0.0	0.0
1.9.3.2	Significant		0.0	0.0	0.0
1.9.4	Obligations to purchase shares (interests) included in supplementary capital		0.0	0.0	0.0
1.9.5	Amounts received as payment for shares (interests) included in supplementary capital		0.0	0.0	0.0
1.10	Items decreasing the amount of main and supplementary capital:		0.0	0.0	0.0
1.10.1	Accounts receivable past due by more than 30 calendar days		0.0	0.0	0.0
1.10.2	Subordinated loans with a value not exceeding one per cent of the charter capital of a credit institution acting as borrower		0.0	0.0	0.0
1.10.3	Excess of the total amount of loans, bank guarantees and sureties issued to participants (shareholders) and insiders over its maximum amount in accordance with federal laws and the regulations of the Central Bank of the Russian Federation		0.0	0.0	0.0
1.10.4	Excess of investments in the construction, manufacture and purchase of premises and equipment over the amount of main and supplementary capital		0.0	0.0	0.0
1.10.5	Excess of the actual value of the interest of a participant that withdrew from a limited liability company over the value at which the interest was sold to another participant of the limited liability company		0.0	0.0	0.0
1.11	Supplementary capital		127,878.0	127,878.0	0.0
2	Total risk weighted assets (RUB'000), including:	X	X	X	X
2.1	Required to determine the core capital adequacy ratio		3,817,072.0	514,553.0	3,302,519.0
2.2	Required to determine the main capital adequacy ratio		3,817,072.0	514,553.0	3,302,519.0
2.3	Required to determine the capital (equity) adequacy ratio		3,817,072.0	514,553.0	3,302,519.0
3	Capital adequacy ratio, %:	X	X	X	X
3.1	Core capital adequacy ratio		105.6	X	117.7
3.2	Main capital adequacy ratio		105.6	X	117.7
3.3	Equity (capital) adequacy ratio	4.3	109.0	X	117.7

<sup>2</sup> Federal Law No. 173-FZ On Additional Measures for Supporting the Financial System of the Russian Federation, dated 13 October 2008 (Collected Legislation of the Russian Federation, 2008, No. 42, Art. 4698; 2009, No. 29, Art. 3605; No. 48, Art. 5729; No. 52, Art. 6437; 2010, No. 8, Art. 776; No. 21, Art. 2539; No. 31, Art. 4175).

<sup>3</sup> Federal Law No. 175-FZ On Additional Measures for Enhancing the Stability of the Banking System through 31 December 2014, dated 27 October 2008 (Collected Legislation of the Russian Federation, 2008, No. 44, Art. 4981; 2009, No. 29, Art. 3630; 2011, No. 49, Art. 7059; 2013, No. 19, Art. 2308).

## Translation of the original Russian version

Section 2. Information on the level of credit, operational and market risks covered by capital  
Subsection 2.1 Credit risk

RUB'000

No.	Item	Explanatory note	At the reporting date			At the beginning of the reporting year		
			Value of assets (instruments)	Assets (instruments) less provisions for losses	Value of risk weighted assets (instruments)	Value of assets (instruments)	Assets (instruments) less provisions for losses	Value of risk weighted assets (instruments)
1	Credit risk for assets recorded in on-balance sheet accounts		6,211,497	6,211,445	1,267,771	4,679,529	4,679,063	1,102,961
1.1	Total assets with a risk factor <sup>1</sup> of 0%, including:		129,895	129,895	0	79,423	79,423	0
1.1.1	Cash and mandatory reserves deposited with the Central Bank of the Russian Federation		129,895	129,895	0	79,423	79,423	0
1.1.2	Loans and other claims secured by the guarantees of the Russian Federation, the Russian Ministry of Finance and the Central Bank of the Russian Federation, and by the pledge of the state debt securities of the Russian Federation, the Russian Ministry of Finance and the Central Bank of the Russian Federation		0	0	0	0	0	0
1.1.3	Loans to and other claims on the central banks or governments of the countries classified in categories 0 or 1 <sup>2</sup> , including those secured by the guarantees of the countries, etc.		0	0	0	0	0	0
1.2	Total assets with a risk factor of 20%, including:		3,669,356	3,669,356	733,871	3,990,578	3,990,577	798,115
1.2.1	Loans to and other claims on the constituent entities of the Russian Federation, municipalities and other entities secured by the guarantees of the constituent entities of the Russian Federation and municipalities and by the pledge of their securities		0	0	0	0	0	0
1.2.2	Loans to and other claims on the central banks or governments of the countries classified in category 2, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.2.3	Loans to and other claims on credit institutions which are residents of the countries classified in categories 0 or 1 and which have a long-term credit rating <sup>3</sup> , including those secured by their guarantees		3,669,356	3,669,356	733,871	3,990,578	3,990,577	798,115
1.3	Total assets with a risk factor of 50%, including:		0	0	0	0	0	0
1.3.1	Loans and other foreign currency claims secured by the guarantees of the Russian Federation, the Russian Ministry of Finance and the Central Bank of the Russian Federation, and by the pledge of the state debt securities of the Russian Federation, the Russian Ministry of Finance and the Central Bank of the Russian Federation denominated in foreign currency		0	0	0	0	0	0
1.3.2	Loans to and other claims on the central banks or governments of the countries classified in category 3, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.3.3	Loans to and other claims on credit institutions which are residents of the countries classified in categories 0 or 1 and which do not have long-term credit ratings, and loans to and other claims on credit institutions which are residents of the countries classified in category 2, including those secured by their guarantees		0	0	0	0	0	0
1.4	Total assets with a risk factor of 100%, including:		533,952	533,900	533,900	305,311	304,846	304,846
1.4.1	Other funds		74,951	74,951	74,951	58,330	58,330	58,330
1.4.2	Fixed assets		28,430	28,430	28,430	24,627	24,627	24,627
1.4.3	Other assets		430,571	430,519	430,519	222,354	221,889	221,889
1.5	Assets with a risk factor of 150% – loans to and other claims on the central banks or governments of countries classified in category 7		0	0	0	0	0	0

## Translation of the original Russian version

No.	Item	Explanatory note	At the reporting date			At the beginning of the reporting year		
			Value of assets (instruments)	Assets (instruments) less provisions for losses	Value of risk weighted assets (instruments)	Value of assets (instruments)	Assets (instruments) less provisions for losses	Value of risk weighted assets (instruments)
2	Assets with other risk factors:		X	X	X	X	X	X
2.1	assets with lowered risk factors, including:		2,607,121	2,607,121	387,375	304,217	304,217	56,843
2.1.1	mortgage loans with risk factor 70%		0	0	0	0	0	0
2.1.2	claims of clearing participants		2,607,121	2,607,121	387,375	304,217	304,217	56,843
2.2	with increased risk factors, including:		0	0	0	0	0	0
2.2.1	With a risk factor of 110%		0	0	0	0	0	0
2.2.2	With a risk factor of 130%		0	0	0	0	0	0
2.2.3	With a risk factor of 150%		0	0	0	0	0	0
2.2.4	With a risk factor of 250%		0	0	0	0	0	0
2.2.5	With a risk factor of 1000%		0	0	0	0	0	0
3	Total consumer loans, including:		0	0	0	0	0	0
3.1	With a risk factor of 110%		0	0	0	0	0	0
3.2	With a risk factor of 140%		0	0	0	0	0	0
3.3	With a risk factor of 170%		0	0	0	0	0	0
3.4	With a risk factor of 200%		0	0	0	0	0	0
3.5	With a risk factor of 300%		0	0	0	0	0	0
3.6	With a risk factor of 600%		0	0	0	0	0	0
4	Total credit risk for credit-related contingent liabilities, including:		0	0	0	0	0	0
4.1	High-risk financial instruments		0	0	0	0	0	0
4.2	Medium-risk financial instruments		0	0	0	0	0	0
4.3	Low-risk financial instruments		0	0	0	0	0	0
4.4	Risk-free financial instruments		0	0	0	0	0	0
5	Credit risk for derivative financial instruments		173		173	0		0

<sup>1</sup> Assets are classified by risk groups in accordance with clause 2.3 of Instruction No. 139-I of the Central Bank of the Russian Federation.

<sup>2</sup> The categories are indicated in accordance with the classification of the export credit agencies of the countries that are the Participants to the OECD's Arrangement on Officially Supported Export Credits (the information is available on the official website of the Central Bank of the Russian Federation in the Banking Supervision section)

<sup>3</sup> The long-term credit ratings of a credit institution are determined on the basis of the ratings assigned by the following international rating agencies: Standart & Poor's, Fitch Rating's or Moody's Investors Service.

### Subsection 2.2 Operational risk

RUB'000 (q-ty)				
No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
6	Total operational risk, including:	5	172,923.0	171,417.0
6.1	Total income for the purposes of the calculation of capital to cover operational risk, including:		3,458,462.0	3,428,360.0
6.1.1	Net interest income		783,482.0	787,108.0
6.1.2	Net non-interest income		2,674,980.0	2,641,252.0
6.2	Number of years preceding the date of the calculation of operational risk		3.0	3.0

### Subsection 2.3 Market risk

RUB'000				
No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
7	Total market risk, including:	5	0.0	0.0
7.1	Total interest rate risk, including:		0.0	0.0
7.1.1	General risk		0.0	0.0
7.1.2	Specific risk		0.0	0.0
7.2	Total equity risk, including:		0.0	0.0
7.2.1	General risk		0.0	0.0
7.2.2	Specific risk		0.0	0.0
7.3	Currency risk		0.0	0.0

## Translation of the original Russian version

### Section 3. Information on provisions for losses from loans and other assets

No.	Item	Explanatory note	At the reporting date	Increase (+)/decrease (-) for the reporting period	At the beginning of the reporting year
1	2		3	4	5
1	Total actual provisions for losses, including:	4.2	52	-414	466
1.1	On loans receivable and similar debt		0	0	0
1.2	On other on-balance sheet assets exposed to losses, and other losses		52	-414	466
1.3	On credit-related contingent liabilities and securities, the rights to which are certified by depositories, which do not meet the criteria of the Central Bank of the Russian Federation and which are recorded in off-balance sheet accounts		0	0	0
1.4	On transactions with offshore residents		0	0	0

### Section 4. Information on the financial leverage ratio

No.	Item	Explanatory note	At the reporting date 01.01.2016	At the date one quarter prior to the reporting date 01.10.2015	At the date two quarters prior to the reporting date 01.07.2015	At the date three quarters prior to the reporting date 01.04.2015
1	2	3	4	5	6	7
1	Main capital, RUB'000		4,159,159.0	3,710,909.0	3,833,878.0	3,923,455.0
2	Balance sheet assets and off-balance liabilities at risk for calculation of the financial leverage ratio, RUB'000		6,827,199.0	6,161,488.0	5,358,939.0	6,135,591.0
3	The Basel III leverage ratio, %	4.3	60.9	60.2	71.5	64.0

For reference: Information on the movement in provision for losses from loans receivable and similar debt.

1	Total provision (additional provision accrued) in the reporting period (RUB'000)	0
	Including due to:	
1.1	Issue of loans	0
1.2	Change in loan quality	0
1.3	Change in the official exchange rate of foreign currency to the ruble set by the Central Bank of the Russian Federation	0
1.4	Other reasons	0
2	Total reversal of (decrease in) provision in the reporting period (RUB'000)	0
	Including due to:	
2.1	Write-off of bad debts	0
2.2	Loan repayment	0
2.3	Change in loan quality	0
2.4	Change in the official exchange rate of foreign currency to the ruble set by the Central Bank of the Russian Federation	0
2.5	Other reasons	0

Chairman of the Executive Board

E.B. Titova

Chief Accountant

O.N. Rubashko

Prepared by  
I.A. Ratnikov  
Telephone: (495) 648-2287

26 April 2016

# Translation of the original Russian version

Bank reporting forms

Territory code OKATO	Code of credit institution (branch)	
	OKPO	Registration number (/index number)
45286560000	94496272	3463

## STATEMENT OF OBLIGATORY RATIOS AND THE FINANCIAL LEVERAGE RATIO (published form) as of 1 January 2016

Credit institution: Limited Liability Company UBS Bank  
OOO UBS Bank  
(corporate full and abbreviated name)

Postal address: Floor 11, bld. 2, 2 Paveletskaya ploshchad, Moscow, 115054

OKUD form code 0409813  
Quarterly (Annual)  
Percent

No .	Item	Explanatory note	Statutory ratio	Actual value	
				At the reporting date	At the corresponding reporting date of the prior year
1	2	3	4	5	6
1	Core capital adequacy ratio (N1.1)		5.0	105.6	117.7
2	Main capital adequacy ratio of the bank (N1.2)		6.0	105.6	117.7
3	Equity (capital) adequacy ratio of the bank (N1.0)		10.0	109.0	117.7
4	Equity (capital) adequacy ratio of the non-banking credit institution entitled to transfer funds without opening bank accounts and to perform any other related banking transactions (N1.3)				
5	Instant liquidity ratio of the bank (N2)		15.0	49.2	932.1
6	Current liquidity ratio of the bank (N3)		50.0	509.2	805.6
7	Long-term liquidity ratio of the bank (N4)		120.0	1.8	1.5
8	Maximum risk per borrower or group of related borrowers (N6)		25.0	Maximum 9.3	Maximum 2.0
9				Minimum 0.0	Minimum 0.0
10	Maximum large credit risk (N7)		800.0	9.3	0.0
11	Maximum amount of loans, bank guarantees and sureties provided by the bank to its participants (shareholders) (N9.1)		50.0	0.0	0.0
12	Aggregate insider risk (N10.1)		3.0	0.0	0.0
13	Share of equity (capital) used by the bank to purchase shares (interests) of other legal entities (N12)		25.0	0.0	0.0
14	Ratio of liquid assets maturing within the next 30 calendar days to liabilities of the payment-processing non-banking credit institution (RNKO) (N15)				
15	Liquidity ratio of non-banking credit institution entitled to transfer funds without opening bank accounts and to perform any other related banking transactions (N15.1)				
16	Maximum aggregate amount of loans to customers that are parties to settlements for completing the settlements (N16)				
17	Provision of loans by RNKO to borrowers, other than customers that are parties to settlements, on its own behalf and for its own account (N16.1)				
18	Minimum ratio of mortgage value to the amount of mortgage-backed bonds issued (N18)				

### Section 2. Information on the financial leverage ratio calculation

#### Section 2.1 Calculation of balance sheet assets and off-balance claims at risk for calculation of the financial leverage ratio

No .	Item	Explanatory note No.	Amount
1	2	3	4
1	Assets according to the balance sheet (published form), total		7,081,669.0
2	Adjustment as related to investments in capital made by credit, financial, insurance or other institutions the reporting data of which is to be included into the consolidated financial reporting but excluded from calculation of equity (capital), obligatory ratios and sizes (limits) of open currency positions of the bank group		Not applicable to the reporting of a credit institution as a legal entity
3	Adjustment as related to fiduciary assets accounted in the accordance with the accounting standards but excluding from calculation of the financial leverage ratio		0.0
4	Adjustment as related to derivative financial instruments		-694.0
5	Adjustment as related to securities lending transactions		0.0
6	Adjustment as related to bringing non-credit contingent liabilities to a loan equivalent		0.0

## Translation of the original Russian version

7	Other adjustments		311,214.0
8	Balance sheet assets and off-balance liabilities at risk taking into account the adjustments for calculation of the financial leverage ratio, total:		6,769,761.0

### Section 2.2. Calculation of the financial leverage ratio

No	Item	Explanatory note No.	Amount
1	2	3	4
Balance sheet assets risk			
1	Balance sheet assets, total:		6,827,308.0
2	Reducing adjustment by a sum of ratios reducing the amount of the main capital sources		0.0
3	Balance sheet assets at risk, including adjustment (the difference of lines 1 and 2), total:		6,827,308.0
Risk on transactions with derivative financial instruments			
4	Current credit risk on transactions with derivative financial instruments (less the received variation margin), total:		-109.0
5	Potential counterparty credit risk on transactions with derivative financial instruments, total:		0.0
6	Adjustment for amount of nominal amount of provided security on transactions with derivative financial instruments subject to writing off according to the accounting standards		Not applicable according to RAS
7	Reducing adjustment for amount of credited variation margin when applicable		0.0
8	Adjustment as related to the claims of a bank-clearing participant to the central counterparty on clients' trade settlement		0.0
9	Adjustment for credit risk accounting with regard to underlying asset on issued lending derivative financial instruments		0.0
10	Reducing adjustment as related to issued lending derivative instruments		0.0
11	Value of risk on derivative financial instruments, including adjustments (sum of lines 4, 5, 9 less lines 7, 8, 10), total:		-109.0
Securities lending transactions risk			
12	Claims on securities lending transactions (less netting), total:		0.0
13	Adjustment for cash netting amount of cash (claims and liabilities) on securities lending transactions		0.0
14	Value of counterparty credit risk on securities lending transactions		0.0
15	Value of risk on guarantee securities lending transactions		0.0
16	Claims on securities lending transactions, including adjustments (sum of lines 12, 14, 15 less line 13), total:		0.0
Non-credit contingent liabilities risk			
17	Nominal value of risk on non-credit contingent liabilities, total:		0.0
18	Adjustment as related to application of loan equivalent ratios		0.0
19	Value of risk on non-credit contingent liabilities, including adjustments (difference of lines 17 and 18), total:		0.0
Capital and risks			
20	Main capital		4,159,159.0
21	Amount of balance sheet assets and off-balance claims at risk for calculation of the financial leverage ratio (sum of lines 3, 11, 16, 19), total:		6,827,199.0
The financial leverage ratio			
22	The financial leverage ratio under Basel III (line 20 / line 21), %		60.9

Chairman of the Executive Board

E.B. Titova

Chief Accountant

O.N. Rubashko

Prepared by  
I.A. Ratnikov  
Telephone: (495) 648 287

26 April 2016



# Translation of the original Russian version

Bank reporting forms

Territory code OKATO	Code of credit institution (branch)	
	OKPO	Registration number (/index number)
45286560000	94496272	3463

## STATEMENT OF CASH FLOWS

(published form)

as of 1 January 2016

Credit institution: Limited Liability Company UBS Bank  
OOO UBS Bank  
(corporate full and abbreviated name)

Postal address: Floor 11, bld. 2, 2 Paveletskaya ploshchad, Moscow, 115054

OKUD form code 0409814

Quarterly (Annual)

RUB'000

No.	Item	Explanatory note	Cash flows for the reporting period	Cash flows for the prior reporting period
1	2	3	4	5
1	Net cash from (used in) operating activities			
1.1	Total cash from (used in) operating activities before changes in operating assets and liabilities, including:		110,101	168,846
1.1.1	Interest received		416,484	268,571
1.1.2	Interest paid		-859	-786
1.1.3	Fees and commissions received		223,348	109,520
1.1.4	Fees and commissions paid		-1,763	-4,889
1.1.5	Gains less losses from available-for-sale financial assets at fair value through profit or loss		7,155	1,628
1.1.6	Gains less losses from securities held to maturity		0	0
1.1.7	Gains less losses from dealing in foreign currencies		47,008	50,905
1.1.8	Other operating income		2,021,625	1,131,576
1.1.9	Operating expenses		-2,518,347	-1,335,728
1.1.10	Tax expense (refund)		-84,550	-51,951
1.2	Total increase (decrease) in net cash from operating assets and liabilities, including:		1,185,096	-526,998
1.2.1	Net increase (decrease) in mandatory reserves placed with the Central Bank of the Russian Federation		-35,967	20,516
1.2.2	Net increase (decrease) in investments in securities at fair value through profit or loss		-585	0
1.2.3	Net increase (decrease) in loans receivable		-354,582	1,115,899
1.2.4	Net increase (decrease) in other assets		23,717	-162,716
1.2.5	Net increase (decrease) in loans, deposits and other amounts due to the Central Bank of the Russian Federation		0	0
1.2.6	Net increase (decrease) in amounts due to other credit institutions		657,668	-1,417,263
1.2.7	Net increase (decrease) in amounts due to customers (non-credit institutions)		872,998	-111,032
1.2.8	Net increase (decrease) in financial liabilities at fair value through profit or loss		694	0
1.2.9	Net increase (decrease) in debt issued		0	0
1.2.10	Net increase (decrease) in other liabilities		21,153	27,598
1.3	Total for section 1 (line 1.1 + line 1.2)		1,295,197	-358,152
2	Net cash from (used in) investing activities			
2.1	Purchase of securities and other financial assets designated as available-for-sale		0	0
2.2	Proceeds from sale and redemption of securities and other financial assets designated as available-for-sale		0	0
2.3	Purchase of securities designated as held-to-maturity		0	0
2.4	Proceeds from redemption of securities designated as held-to-maturity		0	0
2.5	Purchase of premises and equipment, intangible assets and inventories		-18,154	-15,617
2.6	Proceeds from sale of premises and equipment, intangible assets and inventories		759	0
2.7	Dividends received		0	0
2.8	Total for section 2 (sum of lines from 2.1 through 2.7)		-17,395	-15,617
3	Net cash from (used in) financing activities			
3.1	Contributions of shareholders (participants) to share capital		0	0
3.2	Purchase of treasury shares		0	0
3.3	Sale of treasury shares		0	0
3.4	Dividends paid		0	0
3.5	Total for section 3 (sum of lines from 3.1 through 3.4)		0	0
4	Effect of changes in official exchange rates of foreign currencies to ruble set by the Central Bank of the Russian Federation on cash and cash equivalents		309,015	433,688
5	Increase (decrease) in cash and cash equivalents		1,586,817	59,919
5.1	Cash and cash equivalents, beginning of the reporting year		290,047	230,128
5.2	Cash and cash equivalents at the end of the reporting year		1,876,864	290,047

Chairman of the Executive Board

E.B. Titova

Chief Accountant

O.N. Rubashko

Written by: I.A. Ratnikov

Telephone: (495)648-2287

26 April 2016

**EXPLANATORY INFORMATION**  
**TO THE ANNUAL FINANCIAL STATEMENTS OF UBS BANK**  
**(LIMITED LIABILITY COMPANY)**  
**OOO UBS Bank**  
**for 2015**

## CONTENTS

<b>INTRODUCTION</b>	<b>20</b>
<b>1. GENERAL INFORMATION</b>	<b>21</b>
1.1 State registration, separate and internal subdivisions and ratings of the Bank.	21
1.2 Information about the Banking Group	21
1.3 Types of licenses held by the Bank	21
1.4 Economic environment of the Bank	22
<b>2. SUMMARY OF THE BANK'S OPERATIONS</b>	<b>23</b>
<b>3. BASIS OF PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS</b>	<b>25</b>
3.1 Principles and methods of evaluating and recognizing individual balance sheet items and significant accounting policies	25
3.2 Assumptions and key sources of uncertainty	31
3.3 Summary of the inventory count of balance sheet items	32
3.4 List of significant changes made to the Bank's accounting policy that affect the comparability of individual performance indicators of the Bank	33
3.5 Criteria of materiality	33
3.6 Information on adjusting events after the reporting date	33
3.7 Disclosure of non-adjusting subsequent events that materially affect the amounts of assets and liabilities	34
<b>IN FEBRUARY AND MARCH 2016, THE BANK PAID YEAR-END BONUSES FOR 2015 TO ITS EMPLOYEES IN THE AMOUNT OF RUB 593,525.7 THOUSAND (INCLUDING PERSONAL INCOME TAXES AND EXCLUDING PAYROLL TAXES). 2014 YEAR-END BONUSES OF RUB 589,456.9 THOUSAND (INCLUSIVE OF PERSONAL INCOME TAX) WERE PAID IN FEBRUARY AND MARCH 2015.</b>	<b>34</b>
3.8 Information about instances whereby a particular accounting rule has not been followed owing to the fact that it would not provide a reliable reflection of the credit institution's financial position and operating results	34
3.9 Changes in accounting policies for the next reporting year	34
<b>4. ACCOMPANYING INFORMATION TO PUBLISHED REPORTING FORMS</b>	<b>36</b>
4.1 Accompanying information to the balance sheet (form 0409806)	36
4.2 Accompanying information to the statement of income (form 0409807)	41
4.3 Accompanying information to the statement of capital adequacy (form 0409808)	43
4.2 Accompanying information to the statement of cash flows (form 0409814)	44
<b>5. INFORMATION ON RISKS ASSUMED BY THE BANK, RISK ASSESSMENT AND RISK AND CAPITAL MANAGEMENT PROCEDURES</b>	<b>46</b>
<b>6. INFORMATION ON THE CREDIT INSTITUTION'S RELATED PARTY TRANSACTIONS</b>	<b>63</b>
<b>7. INFORMATION ON COMPENSATION (BENEFITS) TO THE KEY MANAGEMENT PERSONNEL</b>	<b>65</b>
<b>8. DISCLOSURE METHOD OF THE ANNUAL FINANCIAL STATEMENTS</b>	<b>67</b>

## **Translation of the original Russian version**

### **INTRODUCTION**

This Explanatory Information constitutes an integral part of the annual financial statements of UBS Bank (Limited Liability Company) ("the Bank") as of 1 January 2016 and for 2015 year then ended prepared in accordance with requirements of Regulation No. 3054-U of the Central Bank of the Russian Federation (the "Bank of Russia") On the Procedure for Preparation of Financial Statements by Credit Institutions, dated 4 September 2013 ("Regulation No. 3054-U of the Bank of Russia").

These annual financial statements are presented in thousands of Russian rubles ("RUB") rounded to the nearest thousand.

The annual financial statements shall be reviewed at the meeting of the participants scheduled for 29 April 2016.

## Translation of the original Russian version

### 1. GENERAL INFORMATION

#### 1.1 *State registration, separate and internal subdivisions and ratings of the Bank.*

Full name: UBS Bank (Limited Liability Company)

Short name: OOO UBS Bank.

Location (legal address): 11th floor, bld. 2, 2 Paveletskaya pl., Moscow, 115054.

Location (postal address): 11th floor, bld. 2, 2 Paveletskaya pl., Moscow, 115054.

The Bank's identification code (BIC): 044525733.

Taxpayer identification number (TIN): 7750003982.

Contact phone number: +7(495) 648-20-00 fax +7(495) 648-20-01.

E-mail: [UBS-Bank-Russia@ubs.com](mailto:UBS-Bank-Russia@ubs.com)

Internet website: [www.ooo-ubs-bank.com](http://www.ooo-ubs-bank.com)

Main State Registration Number: 1067711001863.

Record concerning the establishment of the Bank was made in the Unified State Register of Legal Entities on 9 March 2006.

As of 1 January 2016 and 1 January 2015, the Bank had no branches.

As of 1 January 2016 and 1 January 2015, the Bank had no credit ratings assigned by International or Russian rating agencies.

The Bank's activities are regulated by the Central Bank of the Russian Federation (the "Bank of Russia").

#### 1.2 *Information about the Banking Group*

As of 1 January 2015, the Bank was a member of the banking group UBS AG, Switzerland.

As of 1 January 2016, the Bank was a member of the international financial institution UBS, Switzerland. The Bank's founders (participants) are the bank UBS AG (hereinafter - UBS AG) holding a 99.99% stake, and the company UBS Group AG (hereinafter - UBS Group AG) holding a 0.01% stake, established and operating under the laws of Switzerland. The Bank operates in line with the participants' requirements, including those that determine its range of operations, fee policy and methodology for assessing risk exposure.

#### 1.3 *Types of licenses held by the Bank*

OOO UBS Bank (hereinafter, the "Bank") was established in March 2006 and obtained Banking License No. 3463 from the Bank of Russia. The license was renewed on 9 June 2012.

The Bank holds license No. 3463 issued by the Bank of Russia on 4 August 2010 to attract deposits in rubles and foreign currency from individuals.

The Bank holds the following licenses of a professional securities market participant issued by the Federal Financial Markets Service (FFMS of Russia)

- For depository operations – No. 177-12414-000100 dated 30 July 2009 – unlimited.
- For broker activity – No. 177-12405-100000 dated 30 July 2009 – unlimited.
- For dealer activity – No. 177-12408-010000 dated 30 July 2009 – unlimited.

## Translation of the original Russian version

Since August 2010, the Bank has been a member of the obligatory system of insurance of deposits made by individuals and is included in the register of the banks-participants under registration number 982.

### **1.4 *Economic environment of the Bank***

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Russian government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Bank's financial position, results of operations and business prospects.

The decline in energy prices in 2015 and international sanctions introduced in 2014 against Russian companies and individuals due to events in Crimea and Ukraine resulted in weakening of the Russian ruble, which, in its turn, caused an increase in inflation to 12.9% for 2015 ( 11.4% for 2014), a drop in household income, and political and economic instability. Geopolitical tension and sectoral sanctions sped up capital outflow, further hampered investing activities and deprived Russia of access to external financial markets. Thus, Russian companies have to borrow on the internal financial market, which results in growing demand for loans and simultaneously causes liquidity problems in the banking sector.

In 2015, significant volatility of the ruble rate to major world currencies was observed. By mid-May 2015 the ruble got stronger to the US dollar and euro, winning back a major part of its weakening in December 2014. After a new significant decrease of oil prices, the ruble weakening resumed starting from mid-2015. On 31 December 2015, the rate set by the Bank of Russia was RUB 72.8827 to 1 USD and RUB 79,6972 to 1 EUR (31 December 2014 – RUB 56.2584 to 1 USD and RUB 68.3427 to 1 EUR).

After the hike of the key rate in December 2014, the Bank of Russia was gradually lowering the key rate in the first six months of 2015. Acceleration on inflation in summer brought about the growth of inflation expectations, forcing the Bank of Russia first to reduce its key rate lowering steps and then to suspend easing of the financial and monetary policy as of August 2015. As a result, the key rate remains at 11%, having practically fully won back the emergency hike of December 2014.

The Bank management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

## Translation of the original Russian version

### 2. SUMMARY OF THE BANK'S OPERATIONS

In 2015, the Bank's strategic development area was to continue provision of integrated financial services.

In 4Q 2012, the main participant of the Bank, the bank UBS AG, reported a significant acceleration of its global strategy implementation.

As a result of the Bank's strategy refocusing in compliance with the UBS Group's strategy, the emphasis was made on investment and banking services for companies, operations on interbank currency and monetary markets, brokerage services for customers, and wealth management advisory services.

In 2015, the Bank's financial results were most influenced by the following:

- Advisory services (RUB 2,237,479 thousand);
- Interbank market operations (interest income from deposits placed with credit institutions amounted to RUB 418,279 thousand); and
- Commissions for brokerage operations (RUB 223,348 thousand).

The key expense items with the most significant impact on the financial result were payroll expenses which amounted to RUB 1,702,315 thousand in 2015.

As of 1 January 2016, the Bank's assets increased by RUB 2,258,285 thousand as compared to 1 January 2015.

Changes in the structure of assets resulted from an increase in amounts due from credit institutions and net loans receivable due to increased activity of the Bank clients.

Changes in the structure of liabilities resulted primarily from an increase in amounts due to credit institutions and in amounts due to customers (non-credit institutions) due to increased activity of the Bank clients under brokerage agreements.

In 2015, the Bank received a profit of RUB 268,690 thousand (2014: RUB 82,293 thousand), primarily due to receiving income from advisory services.

In 2015, there were no changes in the composition of the Bank's Board of Directors.

As of 1 January 2016, the Bank's Board of Directors was composed of:

- Rair Rairovich Simonyan, Chairman of the Board of Directors;
- William David Lloyd Medlicott Vereker, member of the Board of Directors;
- Hendrik Albertus Geldenhuys, member of the Board of Directors;
- Brent Johnson, member of the Board of Directors;
- Ulrich Körner, member of the Board of Directors;
- Caroline Kuhnert, member of the Board of Directors;
- Elena Borisovna Titova, member of the Board of Directors;

### **Translation of the original Russian version**

- Sara Ferrari, member of the Board of Directors;
- Kurt Robert Schmid, member of the Board of Directors;

In 2015, the following changes took place in the composition of the Bank's Executive Board. Natalia Georgievna Dufour and Oleg Nikolaevich Rubashko left the Executive Board of the Bank.

As of 1 January 2016, the Bank's Executive Board was composed of:

- Elena Borisovna Titova, Chairman of the Executive Board;
- Dmitry Yurievich Vinogradov, a member of the Executive Board;
- Maxim Vladimirovich Gulevich, a member of the Executive Board.

As of 1 January 2016, the Bank was not involved in any legal proceedings.

At the meeting of participants scheduled for 29 April 2016, the distribution of profit received in 2015 will be considered.



## Translation of the original Russian version

### 3. BASIS OF PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

#### 3.1 *Principles and methods of evaluating and recognizing individual balance sheet items and significant accounting policies*

In 2015, the Bank maintained its accounting records in accordance with Regulation No. 385-P of the Bank of Russia *On the Rules for maintaining accounting records at credit organizations located in the Russian Federation*, dated 16 July 2012 ("the Rules"), and other statutory regulations of the Bank of Russia determining the accounting treatment of certain operations.

The Bank's accounting policies are based on the following fundamental accounting principles:

- Separate entity assumption, which implies that assets of other legal entities are recognized separately from the assets owned by the Bank;
- Going-concern assumption, which implies that the Bank will not cease operations or liquidate its assets in the foreseeable future and has neither intention nor need to do so;
- Consistency of accounting policies assumption, meaning that the accounting policies selected by the Bank shall be applied consistently from one reporting year to another. The Bank may change its accounting policy only in case of its reorganization, change in ownership, changes in the Russian accounting legislation and regulations, or if the Bank develops new accounting methods or its operating environment changes substantially;
- The accrual principle, which means that the financial results of operations (income and expenses) are recorded when earned and incurred and not when cash (cash equivalents) is received or paid. Income and expenses are entered in accounting records in the period to which they relate.

The Bank's accounting policy is based on the following criteria:

- Continuity – i.e. balances on balance and off-balance sheet accounts as of the beginning of the current reporting period should correspond to the balances as of the end of the prior period;
- Complete and timely recognition of all economic events in accounting records;
- Prudence – i.e. greater readiness to recognize losses (expenses) and liabilities rather than possible income and assets, without allowing the creation of hidden reserves;
- Priority of substance over form – i.e. reflection of economic events in accounting records in accordance with their economic substance and operating conditions rather than merely on the basis of their legal form;
- Consistency – i.e. data in analytical records correspond exactly to transactions and balances in synthetic accounting at the first calendar day of each month, and data in the financial statements correspond to synthetic and analytical accounting registers;
- Rationality – i.e. rational maintenance of accounting records in accordance with operating conditions and the size of the Bank;
- Transparency – i.e. financial statements should fairly present all Bank transactions, be understandable for an informed user and avoid ambiguities in presenting the Bank's position.

## Translation of the original Russian version

In 2015, the Bank continued to adhere to one of the key accounting principles, namely the going concern principle, meaning that the Bank will continue to operate in the future and has no intention or need to start liquidation.

### *Income and expense recognition*

According to para. 1.12.2, p. 1 of the Rules, the accounting policy of the Bank envisages that income and expenses are recognized using the accrual method.

It means that financial results of operations (income and expenses) are recorded when earned and incurred and not when cash (cash equivalents) is received or paid.

Income and expenses are entered in accounting records in the period to which they relate.

Accounting for the non-recurrent received (paid) amounts that should be reflected on income (expenses) accounts in the subsequent reporting periods is carried considering the following:

- The reporting period for deferred income (expenses) recognition is a calendar year;
- Deferred income (expenses) are recognized pro rata the elapsed time interval;
- The time interval period shall be one month;
- No later than on the last day of the time interval established in the Bank's accounting policy, deferred income and expenses attributable to the respective month (quarter, year) are reflected as income and expenses;
- Periodicity of operating lease payments is established in respective agreements. Lease prepayments should be recognized as deferred income, except for the respective VAT included into the lease payment. VAT is included in settlements with budget when the payment arrives, notwithstanding if is entered to income or deferred income accounts;
- Expenses (purchase of software, information and legal systems, connection to a telephone line and etc.), where no direct reference can be found between income from the acquired asset and its service (useful) life, are written down on a straight-line basis over one year.

### *Accounting for loans receivable*

Loans receivable and similar debt were accounted for pursuant to Regulation No. 54-P of the Bank of Russia *On the Procedure for the Provision (Placement) of Funds by Credit Institutions and for the Repayment (Settlement) Thereof*, dated 31 August 1998.

### *Accounting for accrued interest*

Interest on transactions for raising and placing funds was accrued pursuant to Regulation No. 39-P of the Bank of Russia *On the Accrual of Interest on Transactions for Raising and Placing Funds by Banks*, dated 26 June 1998. Interest charged on raised and placed funds was taken to the Bank's expenses and income, respectively, on the accrual basis.

### *Accounting for transactions with securities*

### *Revaluation periodicity of securities at fair value*

## Translation of the original Russian version

All securities “at fair value through profit or loss” and “available for sale”, whose current (fair) value could be reliably determined from their quoted market price, are valued (revalued) at current (fair) value on a daily basis.

All debt obligations require opening and maintaining separate accounts:

- Acquisition cost of securities;
- Paid interest (coupon) income;
- Accrued interest (coupon) income;
- Expenses on acquisition;
- Revaluation of securities.

### Revaluation algorithm

The carrying value of security is determined as the total of the following accounts:

- Security's account;
- Accrued interest (coupon) income account;
- Interest (coupon) income paid on purchase account;
- Revaluation account.

The carrying value is compared to fair value and the difference is recognized on security's revaluation account.

### Accrual of interest on debt obligations

Interest (coupon) income is calculated on the straight-line method at the rate established by the issuer.

Discount on securities acquisition is recognized as discount income.

Premium on securities acquisition is recognized as discount expense.

### Cost of disposed securities

According to the accounting policy, cost of disposed securities may be measured using the following methods: FIFO or average cost method.

In the current year, the Bank used the FIFO method.

### Expenses related to acquisition and sale of securities

1. Expenses related to securities at fair value through profit or loss, securities held to maturity and securities available for sale are measured using general accounting method.
2. Criteria of expenses materiality are not applied.
3. Expenses related to acquisition are recognized on separate accounts and are written off upon disposal (partial disposal) using the FIFO method.

## Translation of the original Russian version

4. Any expenses related to disposal (regardless materiality) are written off upon disposal of securities.
5. Symbol 23109 "Expenses of professional participants of the securities market related to the purchase and sale of securities (except for expenses for advisory and information services)" is not used.

*Other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction) for securities*

The Bank's accounting policy for other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction) for securities, is in compliance with the Rules. Other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction) for securities are recorded on the off-balance sheet accounts of Chapter D and on the first date of settlements are transferred to balance sheet accounts for conversion operations, derivative financial instruments and other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction) (47407 "Settlements on conversion operations, derivative financial instruments and other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction)" – 47408 "Settlements on conversion operations, derivative financial instruments and other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction)").

Assets and liabilities in transactions for the purchase/sale of securities with an obligation of their subsequent sale/purchase (where an agreement stipulates the provision of funds by one party (original purchaser) secured by the transfer of title to securities by the other party (original seller) with an obligation to purchase them on a specified future date for an amount equal to the amount of funds received for the first part of the transaction and increased by the amount of interest for the use of those funds) are not recorded on the accounts of Chapter D.

If, based on the agreement between the parties, the relationships between them cannot be determined by business custom, or the terms of the agreement are such that it is impossible to identify its substance, accounting records are maintained in accordance with the standard procedure as if those transactions were two unrelated transactions for the purchase and sale of securities, i.e. assets and liabilities for the second part of the transaction are recorded on the accounts of Chapter D of the Rules.

### *Accounting for foreign currency transactions*

#### *Revaluation of foreign currency accounts and balance sheet items denominated in foreign currency*

Current revaluation is performed due to the changes of the official exchange rate established by the Bank of Russia.

Revaluation effect is recognized on balance sheet accounts "Revaluation of accounts in foreign currency":

70603 "Revaluation of accounts in foreign currency – (positive differences)" and 70608 "Revaluation of assets in foreign currency – (negative differences)". Such accounts are not paired and financial results are presented on a gross basis.

## Translation of the original Russian version

### *Accounting for conversion operations*

Operations associated with purchase and sale of foreign currency in the non-cash form are accounted in accordance with section "Conversion operations" para. 4.62 p. 2 of the Rules.

The accounting policy clearly distinguishes foreign currency purchase and sale transactions performed at the Bank's expense (within the limits established for the currency position) and at the expense of clients. In the first case, accounting treatment is based on paired accounts 47407-47408 "Settlements on conversion operations, derivative financial instruments and other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction)". In the other case, accounting treatment is based on paired accounts 47405-47406 "Settlements with clients on purchase/sale of foreign currency".

1. Purchase/sale of foreign currency performed at the Bank's expense with the value date on the date of transaction (TOD transactions) is recorded on balance sheet accounts

47407-47408 "Settlements on conversion operations, derivative financial instruments and other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction)".

2. Purchase/sale of foreign currency performed at the Bank's expense with the value date no later than on the second business day from the date of transaction (TOM and SPOT transactions) is recorded as of the date of transaction on accounts for assets/liabilities from other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction), Chapter D, "Accounts for assets and liabilities from derivative financial instruments and other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction)". On the value date, such transactions are recorded on the respective separate balance sheet accounts 47407-47408.
3. Purchase/sale of foreign currency performed at the Bank's expense and when the value date is more than two business days after the date of transaction are recorded as of the date of transaction on accounts for assets/liabilities from derivative financial instruments, Chapter D, "Accounts for assets and liabilities from derivative financial instruments and other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction)", and continue to be recorded until the date of execution (for transactions with varying settlement periods – until the first date of settlement). In addition, the Bank calculates the fair value for such transactions and records it in balance sheet account 526 "Derivative financial instruments". After that, transactions are recorded on the respective separate balance sheet accounts 47407-47408.
4. Foreign currency purchase and sale transactions performed on behalf of the Client are intermediary and do not affect the Bank's currency position. The Bank's income under such transactions comprises fees and commissions. In accordance with the accounting policy, such transactions should not be recognized through multi-currency conversion accounts 47407 and 47408. The accounting procedure uses paired balance sheet accounts 47405-47406, with separate accounts opened for every client.

## Translation of the original Russian version

5. The accounting policy for trade transactions in foreign currencies, i.e. international settlements for exported and imported goods (works, services) is in full compliance with the Rules and the currency legislation and regulations of the Bank of Russia and the State Customs Committee of Russia governing those transactions.
6. The accounting policy for income and expenses from forex transactions stipulates recognition of foreign exchange gains and losses arising from currency transactions, fees and commissions, etc.

Translation differences arising from conversion operations and foreign currency purchase and sale transactions are recognized on balance sheet accounts 70601 "Income", symbol 12201 "Income from purchase and sale of foreign currency with settlements in cash and non-cash form" or 70606 "Expenses", symbol 22101 "Expenses related to purchase and sale of foreign currency with settlements in cash and non-cash form", on separate accounts.

Translation differences arising from revaluation of foreign currency accounts are recognized on accounts 70603 "Revaluation of assets in foreign currency (positive differences)", 70608 "Revaluation of assets in foreign currency (negative differences)".

Additionally, the amounts should be reflected on the respective income or expense items in accordance with their names. Thus, accounts 70601 "Income", 70606 "Expenses" and income and expense items with respective names are used for foreign currency deposit transactions, lending transactions, transactions with securities denominated in foreign currency, foreign currency dividends payment and other transactions.

### *Accounting for premises and equipment*

Premises and equipment for accounting purposes comprise a part of the Bank's property whose useful life exceed 12 months and which are used to provide services, manage the company and in such other cases stipulated by sanitary and hygienic, technical and operating and other special standards and requirements. In accordance with the existing legislation of the Russian Federation, CEO of the Bank is entitled to limit the cost of items recognized as premises and equipment.

The cost limit established by the Bank is RUB 40,000 (forty thousand), net of VAT.

Other assets with the cost below the limit, irrespective of their useful life, are recognized as inventory.

Pursuant to cl. 2.3.1 of the accounting policy, premises and equipment are carried at historical cost.

The initial cost of premises and equipment at which they have been initially recognized, is not subject to revision except as provided otherwise by the legislation of the Russian Federation and the Rules.

Revaluation of premises and equipment includes measurement of carrying (replacement) cost of premises and equipment.

The accounting unit for premises and equipment shall be an inventory item. An inventory item of premises and equipment shall be an item with all fixtures and fittings or an individual structurally autonomous object designed to perform particular independent functions, or a self-contained set of structurally interconnected objects which constitute a unified whole and are designed to perform particular work. A set of structurally interconnected objects – shall be one or

## Translation of the original Russian version

more objects with the same or different designated functions which have common fixtures and fittings and common controls and are mounted on the same base, as a result of which each object within the set is able to perform its functions only as part of the set, and not independently.

Premises and equipment are recognized in the accounting records and financial statements at cost, i.e. the actual cost of acquisition, construction and production. Premises and equipment are depreciated on a monthly basis using the straight-line method based on the historical cost of the asset and the rate of depreciation determined based on this asset's useful life pursuant to Decree No. 1 of the Government of the Russian Federation dated 1 January 2002 (for premises and equipment recorded after 1 January 2003).

Costs to repair premises and equipment of the Bank are expensed as incurred.

Inventories are recognized in the accounting records and financial statements at actual cost. Actual cost of inventories is determined based on the cost of acquisition, including extra (additional) fees charged by suppliers, customs duties, and transportation expenses. The cost of inventories is expensed as a lump sum.

### *The accounting policy for loss provisions*

Provision for losses from loans and similar debt is charged pursuant to Regulation No. 254-P of the Bank of Russia *On the Procedure for Creating Provisions for Potential Losses on Loans Receivable and Similar Debt by Credit Institutions*, dated 26 March 2004, and the respective internal document.

Provisions for losses from other assets are charged pursuant to Regulation No. 283-P of the Bank of Russia *On the Procedure for Creating Provisions for Potential Losses by Credit Institutions*, dated 20 March 2006, and the respective internal document.

### **3.2 Assumptions and key sources of uncertainty**

The Bank makes estimates and assumptions that affect the reported assets and liabilities and the values of assets and liabilities in the following financial year. Estimates and professional judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Judgments*

In the process of applying the Bank's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recorded in the financial statements:

#### Taxation

A significant part of the Bank's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is subject to varying interpretations, selective and inconsistent application and changes which can occur frequently and at short notice. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities. Recent events in the Russian Federation suggest that the tax authorities may be taking an assertive

## Translation of the original Russian version

approach in their interpretation and application of various provisions of this legislation and performing tax audits. It is therefore possible that transactions and activities of the Bank that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and fines may be assessed by the relevant authorities. Tax field audits of the accuracy of tax calculation and payments conducted by tax authorities may cover three calendar years preceding the year in which the tax audit decision was made by the tax authorities. Under certain circumstances, tax reviews may cover longer periods.

The Russian transfer pricing legislation, which came into force on 1 January 2012, allows Russian tax authorities to apply tax base adjustments and assess additional corporate and individual income tax and value added tax in respect of all “controlled” transactions, if the transaction price is different from the range of market prices. The list of “controlled” transactions includes transactions between related parties and certain types of transactions between unrelated parties that are deemed “controlled” transactions. These rules are applied not only to transactions made in 2015, but also to the transactions made in previous tax periods, if corresponding gains and losses were recognized in 2015 (except for certain types of transactions).

In 2015, the Bank determined its tax liabilities arising from “controlled” transactions based on actual transaction prices. Management believes that the Bank fully complies with transfer pricing rules, and prices applied in “controlled” transactions in 2015 are consistent with market prices. The Bank will submit a duly executed notification on “controlled” transactions to the Russian tax authorities within terms specified by the Tax Code of the Russian Federation and prepare respective documentation on transfer pricing with regard to “controlled” transactions.

As of 31 December 2015, management of the Bank believes that its interpretation of the relevant legislation is appropriate and that the Bank’s tax, currency and customs positions will be sustained.

### *Deferred tax asset recognition*

A deferred tax asset is recorded only to the extent that the realization of the related tax credit is probable. Future taxable income and tax credit, which are likely to arise in the future, are determined based on management’s expectations deemed reasonable under the current circumstances. In 2015, the Bank decided not to recognize a deferred tax asset, as the Bank’s management does not have a reliable estimation of future taxable income and the amount of tax credit.

### **3.3 Summary of the inventory count of balance sheet items**

In accordance with the financial year ending plan, the Bank performed inventory count of balance sheet items as of 1 January 2016. No discrepancies, deficiencies or surpluses were revealed in the course of the inventory count of balance sheet and off-balance sheet cash and inventory accounts, settlements for assets and liabilities from banking operations and transactions, and assets and liabilities from derivative financial instruments and other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction), and settlements with debtors and creditors, as well as cash revision as of 1 January 2016.

As of 1 December 2015, the Bank performed inventory count of premises and equipment. The inventory count revealed no differences between their actual amounts and accounting records.



## Translation of the original Russian version

As of 1 January 2016, the carrying value of the Bank's property was RUB 85,231 thousand (as of 1 January 2015: RUB 67,836 thousand).

As of 1 January 2016, the net carrying value of the Bank's premises and equipment (net of accumulated depreciation) was RUB 28,430 thousand (as of 1 January 2015: RUB 24,627 thousand).

As of 1 January 2016, the Bank performed inventory count of deposits, other amounts payable, loans received, loans issued to banks and legal entities, other placements, and provisions for losses held by the Bank. Inventory count of all of the above items showed that accounting data fully correspond to the actually available assets and liabilities of the Bank.

At the end of the reporting year, the Bank issued to its customers, including credit institutions, statements confirming balances on settlement, current and correspondent accounts as of 1 January 2016 opened in Russian rubles or foreign currencies.

In addition, the Bank sent to its customers written requests to confirm balances of loans and deposits and balances of assets and liabilities from other agreements (transactions) under which settlements and delivery are made not earlier than the next day after the day of entering into an agreement (transaction).

### **3.4 *List of significant changes made to the Bank's accounting policy that affect the comparability of individual performance indicators of the Bank***

The Bank did not introduce material changes into the accounting policy for 2015.

### **3.5 *Criteria of materiality***

According to the Bank's accounting policy, an error is deemed material if such error, individually or in combination with other errors for the same reporting period, influences the Bank's financial result in the amount not less than 0.5% or more of the Bank's capital as of the reporting date.

There were no material errors that would have required the adjustment of comparative data.

### **3.6 *Information on adjusting events after the reporting date***

As a part of the activities to harmonize its accounting records with Regulation No. 385-P of the Bank of Russia *On the Rules for Maintaining Accounting Records at Credit Organizations Located in the Russian Federation* dated 16 July 2012 and pursue respective guidelines of the Bank of Russia set out in Regulation No. 3054-U dated 4 September 2013, the Bank included in Subsequent Events in correspondence with account 707 "Prior year financial result" amounts of expenses, which were not actually received or paid and for which the date of recognition, including the date of acceptance of work (provision of services), refers to the period before 1 January 2016 (accounts 60301, 60307, 60308, 60311, 60312, 60313, 60314).

- Organizational and administrative expenses (business trips, entertainment, communications, other organizational and administrative expenses) – RUB 27,829 thousand;
- Personnel expenses – RUB 518 thousand;
- Property maintenance expenses – RUB 381 thousand;

## Translation of the original Russian version

- Other expenses – RUB 315 thousand;
- Other operating expenses – RUB 7 thousand;

The Bank's financial result for 2015, exclusive of entries to record events that occurred after the balance sheet date, amounted to profit of RUB 297,740 thousand.

Pursuant to Clause 3.2.2 of Regulation No. 3054-U of the Bank of Russia dated 4 September 2013, the cumulated schedule of turnovers related to subsequent events included entries to transfer balances from accounts 706 "Current year financial result" to accounts 707 "Prior year financial result".

Pursuant to Clause 3.2.4 of Regulation No. 3054-U of the Bank of Russia dated 4 September 2013, the cumulated schedule of turnovers related to subsequent events included entries to transfer balances from accounts 707 "Prior year financial result" to accounts 708 "Prior year (loss) gain".

According to the cumulated schedule of subsequent events balances, the closing balance of account 70801 "Prior year profit" amounted to RUB 268,690 thousand.

For comparison, the Bank's financial result for 2014, inclusive of income tax and exclusive of subsequent events entries amounted to profit of RUB 104,406, and according to the consolidated schedule of subsequent events balances, the closing balance of account 70802 "Prior year profit" amounted to RUB 82,293 thousand.

### ***3.7 Disclosure of non-adjusting subsequent events that materially affect the amounts of assets and liabilities***

In February and March 2016, the Bank paid year-end bonuses for 2015 to its employees in the amount of RUB 593,525.7 thousand (including personal income taxes and excluding payroll taxes). 2014 year-end bonuses of RUB 589,456.9 thousand (inclusive of personal income tax) were paid in February and March 2015.

### ***3.8 Information about instances whereby a particular accounting rule has not been followed owing to the fact that it would not provide a reliable reflection of the credit institution's financial position and operating results***

In 2015, there were no instances whereby a particular accounting rule has not been followed owing to the fact that it would not provide a reliable reflection of the Bank's financial position and operating results.

### ***3.9 Changes in accounting policies for the next reporting year***

The accounting policy of the Bank for 2016 was amended taking into account the regulations of the Bank of Russia which came into effect in 1 January 2016.

Considering introduction of Regulation of the Bank of Russia No. 446-P *On the procedure of calculation of income, expenses and other comprehensive income of credit institutions* of 22.12.2014, the section of the accounting policy defining the accounting of income and expenses of the Bank was amended.

## Translation of the original Russian version

The new version of the accounting policy states that income, expense and other comprehensive income are recorded in accounting based on the principles and in accordance with the procedure set out in Regulation of the Bank of Russia No. 446-P.

Considering introduction of Regulation of the Bank of Russia No. 448-P *On the procedure of keeping accounting records of premises and equipment, intangible assets, immovable property temporarily not used in principal activities, long term assets held for sale, inventories, work equipment and materials and supplies received under settlement agreements, pledge agreements, the purpose of which is not determined, in credit institutions* of 22.12.2014, the accounting policy of the Bank was amended accordingly with respect to accounting of premises and equipment and intangible assets.

Considering introduction of Regulation of the Bank of Russia No. 465-P *Industry-specific standard of accounting of employee benefits in credit institutions* of 15.04.2015, the accounting policy was amended with a new section stipulating that accounting of employee benefits is performed in accordance with this regulation.

## Translation of the original Russian version

### 4. ACCOMPANYING INFORMATION TO PUBLISHED REPORTING FORMS

#### 4.1 Accompanying information to the balance sheet (form 0409806)

Cash and cash equivalents and amounts due from credit institutions comprise:

Cash on hand:

Cash and cash equivalents	As of 1 January 2016	As of 1 January 2015
	Amount, RUB thousand	Amount, RUB thousand
Cash on hand	597	530
<b>Total</b>	<b>597</b>	<b>530</b>

Amounts due from the Bank of Russia:

Credit institutions' balances with the Central Bank of the Russian Federation	As of 1 January 2016	As of 1 January 2015
	Amount, RUB thousand	Amount, RUB thousand
Balances on correspondent account	16,282	1,844
Mandatory reserves with the Central Bank of the Russian Federation	113,016	77,049
<b>Total</b>	<b>129,298</b>	<b>78,893</b>

Balances on correspondent accounts with credit institutions:

Amounts due from credit institutions	As of 1 January 2016	As of 1 January 2015
	Amount, RUB thousand	Amount, RUB thousand
Balances on correspondent accounts with resident credit institutions	1,878,414	304,388
Balances on correspondent accounts with banks - residents of the group of developed countries	7,444	3,427
<b>Total</b>	<b>1,885,858</b>	<b>307,815</b>
Provisions	-	(1)
<b>Total net of provisions</b>	<b>1,885,858</b>	<b>307,814</b>

The Bank has no restricted cash excluded from these items except for mandatory reserves with the Bank of Russia.

The Bank performed transactions with cash and accounted for them in accordance with legislation of the Russian Federation and statutory acts of the Bank of Russia governing the general usage of cash on hand, performance of cash transactions in rubles, foreign currency purchase and sale transactions performed by legal entities and individuals, rules of cash transportation and storage, and rules for determining whether damaged banknotes and coins are fit for use and how they should be replaced.

### Translation of the original Russian version

The Bank accounted for contributions to mandatory reserves with the Bank of Russia on a monthly basis based on calculations made in accordance with Regulation No. 342-P of the Bank of Russia *On Mandatory reserves of Credit Institutions* dated 7 August 2009.

The Bank accounts for balances on correspondent accounts with other banks to the extent of actually available amounts as of the close of Bank's business day.

#### **Net loans receivable**

Net loans receivable by types of borrowers and types of loans provided comprise:

	As of 1 January 2016	As of 1 January 2015
Interbank lending, settlements with the stock exchange	4,388,827	3,987,000
<b>Total</b>	<b>4,388,827</b>	<b>3,987,000</b>

The amount and the structure of loans by types of business activity of borrowers are as follows:

	As of 1 January 2016	As of 1 January 2015
Credit organizations and stock exchanges	4,388,827	3,987,000
provision for losses	-	-
<b>Net loans receivable</b>	<b>4,388,827</b>	<b>3,987,000</b>

Geographical concentration of loans receivable:

	As of 1 January 2016	As of 1 January 2015
Russia, Moscow	728,827	-
Countries of the group of developed countries	3,660,000	3,987,000
<b>Net loans receivable</b>	<b>4,388,827</b>	<b>3,987,000</b>

Information on remaining maturity of loans (before provision for losses from loans).

As of 1 January 2016 and 1 January 2015, the Bank had no overdue loans.

As of 1 January 2016 and 1 January 2015, all loans issued had maturity of up to 30 days.

Information on loans issued by quality categories.

As of 1 January 2016 and 1 January 2015, all loans issued by the Bank were classified into quality category 1.

#### **Premises and equipment, intangible assets and inventories**

As of 1 January 2016 and 1 January 2015, the Bank had no intangible assets, real properties, inventories.

### Translation of the original Russian version

Premises and equipment comprise computers, network and telephone equipment.

Movements in premises and equipment in 2015 are presented in the following table:

Premises and equipment	Amount, RUB'000
<b>Cost</b>	
At the beginning of the year	67,836
Additions	10,146
Additions - not commissioned premises and equipment (60701)	11,063
Disposals	3,814
At the end of the year	<b>85,231</b>
<b>Depreciation and amortization</b>	
Accumulated depreciation at the beginning of the year	43,209
Depreciation charge	16,647
Disposals	3,055
At the end of the year	<b>56,801</b>
<b>Net book value at the end of the year</b>	<b>28,430</b>
<b>Provisions</b>	–
<b>Total net of provisions at the end of the year</b>	<b>28,430</b>

Movements in premises and equipment in 2014 are presented in the following table:

Premises and equipment	Amount, RUB'000
<b>Cost</b>	
At the beginning of the year	52,219
Additions	15,617
Disposals	–
At the end of the year	<b>67,836</b>
<b>Depreciation and amortization</b>	
Accumulated depreciation at the beginning of the year	30,846
Depreciation charge	12,363
Disposals	–
At the end of the year	<b>43,209</b>
<b>Net book value at the end of the year</b>	<b>24,627</b>
<b>Provisions</b>	–
<b>Total net of provisions at the end of the year</b>	<b>24,627</b>

In 2015, premises and equipment were not revalued.

In 2015, the Bank had no contractual commitments to purchase premises and equipment.

In 2015, the Bank incurred no actual costs related to the building (construction) of premises and equipment.

As of 1 January 2016 and 1 January 2015, there were no restrictions on the Bank's ownership rights to premises and equipment, and real properties temporarily not used in principal activities, and the Bank had no premises and equipment pledged as collateral for liabilities.

## Translation of the original Russian version

### **Other assets**

The amount and the structure of other assets and the movements in their value, including due to their impairment, by types of assets and maturities are presented in the table:

<b>01 January 2016</b>					
<b>Other assets</b>	<b>Up to 30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>More than 180 days</b>	<b>Total, RUB'000</b>
<b>Financial Assets</b>					
Placed security deposits	–	–	–	74,951	<b>74,951</b>
Accrued income from advisory services	324,559	–	–	–	324,559
Accrued interest	1,795	–	–	–	<b>1,795</b>
<b>Non-financial Assets</b>					
Deferred expenses	25,761	45,898	7,252	61,901	<b>140,812</b>
Claims for refund of overpaid taxes	900	–	–	90,518	<b>91,418</b>
Settlements with employees in respect of remuneration, accountable advances	1,085	–	–	14	<b>1,099</b>
Settlements on claims related to the performance of work (rendering of services) and paid by the Bank under administrative expenses, including:	13,455	–	–	37	13,492
- with residents	11,616	–	–	37	<b>11,653</b>
- with non-residents	1,839	–	–	–	<b>1,839</b>
<b>Total</b>	<b>367,555</b>	<b>45,898</b>	<b>7,252</b>	<b>227,421</b>	<b>648,126</b>
Amount of provision	(15)	–	–	(37)	<b>(52)</b>
<b>Total net of provisions</b>	<b>367,540</b>	<b>45,898</b>	<b>7,252</b>	<b>227,384</b>	<b>648,074</b>

There were no overdue accounts receivable as of 1 January 2016.

<b>01 January 2015</b>					
<b>Other assets</b>	<b>Up to 30 days</b>	<b>31-90 days</b>	<b>91-180 days</b>	<b>More than 180 days</b>	<b>Total, RUB'000</b>
<b>Financial Assets</b>					
Placed security deposits	–	–	–	58,330	<b>58,330</b>
Accrued income from advisory services	107,125	–	–	–	<b>107,125</b>
<b>Non-financial Assets</b>					
Deferred expenses	24,993	44,551	6,463	68,313	<b>144,320</b>
Claims for refund of overpaid taxes	–	–	–	90,754	<b>90,754</b>
Settlements with employees in respect of remuneration, accountable advances	2,239	–	–	14	<b>2,253</b>
Settlements on claims related to the performance of work (rendering of services) and paid by the Bank under administrative expenses, including:	21,826	–	–	377	22,203

### Translation of the original Russian version

- with residents	16,279	—	—	377	16,656
- with non-residents	5,547	—	—	—	5,547
<b>Total</b>	<b>156,183</b>	<b>44,551</b>	<b>6,463</b>	<b>217,788</b>	<b>424,985</b>
Amount of provision	(88)	—	—	(377)	(465)
<b>Total net of provisions</b>	<b>156,095</b>	<b>44,551</b>	<b>6,463</b>	<b>217,411</b>	<b>424,520</b>

#### **Amounts due to credit institutions**

Balances on accounts of credit institutions by types of accounts are presented in the table below:

	As of 1 January 2016	As of 1 January 2015
Interbank loans and deposits received	804,679	24,360
<b>Amounts due to credit institutions</b>	<b>804,679</b>	<b>24,360</b>

#### **Amounts due to customers (non-credit institutions)**

As of 1 January 2016, amounts due to customers comprise current and settlement accounts of legal entities and individuals, as well as amounts on clients' broker accounts. There were no term deposits of legal entities and individuals. Amounts due to customers are presented in the following tables:

Amounts due to customers	As of 1 January 2016	As of 1 January 2015
	Amount, RUB'000	Amount, RUB'000
Balances on current and settlement accounts	27,791	407,156
Broker accounts	1,849,788	282,914
Term deposits	—	—
<b>Total</b>	<b>1,877,579</b>	<b>690,070</b>

	As of 1 January 2016	As of 1 January 2015
	Amount, RUB'000	Amount, RUB'000
<b>Accounts of legal entities by types of business activity</b>		
Financing activities	1,865,308	665,297
Real property	8,273	21,087
Advertising	2,488	2,521
<b>Accounts of individuals</b>		
Current accounts of individuals	1,510	1,165
Term accounts of individuals	—	—
<b>Total</b>	<b>1,877,579</b>	<b>690,070</b>

#### **Other liabilities**

The amount and the structure of and the changes in other liabilities by types of liabilities are presented in the table below:



## Translation of the original Russian version

As of 01.01.2016		
Other liabilities	Up to 30 days	Total, RUB'000
<b>Financial liabilities</b>		
Interest payable	11	11
<b>Non-financial liabilities</b>		
Payable to employees	265	265
Taxes payable	150	150
Value added tax received	79,887	79,887
Current obligations to pay for work (services) as part of the Bank's financial and business activities, including	18,433	18,433
- to residents	17,824	17,824
- to non-residents	609	609
<b>Total</b>	<b>98,746</b>	<b>98,746</b>

There are no overdue accounts payable at 1 January 2016.

As of 01.01.2015		
Other liabilities	Up to 30 days	Total, RUB'000
<b>Financial liabilities</b>		
Interest payable	-	-
<b>Non-financial liabilities</b>		
Payable to employees	45	45
Taxes payable	110	110
Value added tax received	58,322	58,322
Current obligations to pay for work (services) as part of the Bank's financial and business activities, including	19,196	19,196
- to residents	19,141	19,141
- to non-residents	55	55
<b>Total</b>	<b>77,673</b>	<b>77,673</b>

### 4.2 Accompanying information to the statement of income (form 0409807)

Information on losses and amounts of impairment reversal for each type of assets:

	Loans receivable	Correspondent accounts and accrued interest income	Other assets	Credit-related commitments	Total
<b>01 January 2014</b>	<b>15,795</b>	<b>6</b>	<b>467</b>	<b>17,550</b>	<b>33,818</b>
Charge	1,205	397	158	17,000	18,760
Reversal	(17,000)	(402)	(160)	(34,550)	(52,112)
<b>01 January 2015</b>	<b>—</b>	<b>1</b>	<b>465</b>	<b>—</b>	<b>466</b>
Charge	—	2	264	—	266
Reversal	—	(3)	(337)	—	(340)
Writing off against the provision	—	—	(340)	—	(340)
<b>01 January 2016</b>	<b>—</b>	<b>—</b>	<b>52</b>	<b>—</b>	<b>52</b>

Information on the amount of translation differences recognized in profit or loss, except for translation differences arising from financial instruments at fair value through profit or loss:

### Translation of the original Russian version

	As of 1 January 2016	As of 1 January 2015
Amount of translation differences (realized, revaluation)	(105)	6,287

Information in income recorded under Other operating income:

	As of 1 January 2016	As of 1 January 2015
Income from advisory services	2,237,479	730,485
Income from disposal (sale) of property( premises and equipment)	715	0
Income/expenses of previous years under administrative expenses, identified in the reporting year	861	739
Pecuniary aid from the participant	–	337,508
Other operating income	6	–
<b>Other operating income (total)</b>	<b>2,239,061</b>	<b>1,068,732</b>

Information on expenses recorded under Other operating expenses:

	As of 1 January 2016	As of 1 January 2015
Personnel expenses and other benefits (including taxes and duties in the form of charges on payroll)	1,976,267	986,855
Other organizational and management expenses	194,614	127,725
Lease payment for leased premises and equipment and other property	170,247	113,917
Services of communication, telecommunication and information systems	54,406	25,615
Expenses for maintenance of premises and equipment and other property (including utility payments)	44,384	22,266
Business travel	43,145	26,303
Depreciation of premises and equipment, other than real property temporarily not used in principal activities	16,647	12,364
Other expenses	32,229	33,046
<b>Other operating expenses (total)</b>	<b>2,531,939</b>	<b>1,348,091</b>

Information on employee benefits:

	As of 1 January 2016	As of 1 January 2015
<b>Personnel expenses and other employee benefits comprise:</b>		
Salaries and bonuses	1,702,315	866,010
Social security costs and other taxes on payroll	250,167	86,415
Other personnel expenses	23,785	34,430
<b>Personnel expenses</b>	<b>1,976,267</b>	<b>986,855</b>

Disposal of premises and equipment:

	As of 1 January 2016	As of 1 January 2015
Financial result from sale(disposal) of premises and equipment	715	-

## Translation of the original Russian version

Information on the key components of the tax expense (income):

	as of 1 January 2016	as of 1 January 2015
Property tax	73	48
Transport tax	138	104
VAT paid for goods and services	80,777	49,322
VAT paid for goods and services not decreasing the tax base	3,495	2,425
Paid state duty	10	22
Paid customs duty	57	30
Income tax (20%)	–	–
Tax on income from state securities (15%)	–	–
Accrued(paid)taxes	<b>84,550</b>	<b>51,951</b>

Since the Bank gained profit and recognized loss of the prior periods in the 2015 tax period (in tax accounting), the income tax of 20% is equal to zero. In 2015, the Bank decided not to recognize a deferred tax asset, as the Bank's management does not have a reliable estimation of future taxable income and the amount of tax credit.

Information on gains and losses arising as a result of changes in tax rates and introduction of new taxes:

In 2015 and 2014, no new taxes were introduced. Tax rates remained unchanged.

In 2015, the Bank was not involved in legal proceedings.

### **4.3 Accompanying information to the statement of capital adequacy (form 0409808)**

The Bank's objectives when managing capital are: to comply with the capital requirements set by the Bank of Russia, including requirements of the deposit insurance system; to ensure that the Bank is able to continue as a going concern.

In 2015, calculation of the amount and assessment of adequacy of the capital were made in accordance with Regulation No. 395-P of the Bank of Russia *On the Method of Determining the Equity (Capital) of Credit Institutions (Basel III)* dated 28 December 2012 and Instruction No. 139-I of the Bank of Russia *On Obligatory Bank Ratios* dated 3 December 2012 on a daily basis.

In 2015, the Bank continued to develop internal procedures for capital adequacy assessment with regard to certain (key) risks based on the recommendations of the Basel Committee on Banking Supervision.

As of 1 January 2016, the Bank's charter capital amounts to RUB 3,450,000 thousand and comprises the following shares: A share with the par value of RUB 3,449,655 thousand held by the bank UBS AG, a share with the par value of RUB 345 thousand held by the company UBS Group AG.

The charter capital was last increased on 2 November 2011 by means of an additional contribution made by the sole shareholder in the amount of RUB 2,200,000 thousand.

The reserve fund is created as required by the Russian regulations in respect of general banking risks, including future losses and other unforeseen risks or contingencies. The reserve fund has been created in accordance with the Bank's Charter, which provides for the creation of a reserve fund for these purposes of no less than 5% of the Bank's charter capital.

## Translation of the original Russian version

As of 1 January 2016, the reserve fund amounted to RUB 172,500 thousand (as of 1 January 2015: RUB 172,500 thousand).

While planning the Bank's future activities, the capital adequacy is assessed by monitoring the compliance of planned ratios with N1.1, N1.2, N1.0 ratios calculated taking into account the scale of the Bank's operations and risk exposure in respect of expected active transactions in accordance with Basel III requirements.

As of 1 January 2016, the equity (capital) adequacy ratio of the Bank calculated in accordance with the current capital requirements set by the Bank of Russia were: N1.1 - 105.6%, N1.2 - 105.6%, N1.0 - 109.0% (as of 1 January 2015: N1.1 - 117.7%, N1.2 - 117.7%, N1.0 - 117.7%). The minimum values set by the Bank of Russia for equity (capital) adequacy ratios are as follows: N1.1 - 5.0%, N1.2 - 6.0%, N1.0 - 10.0%. In the reporting period, the Bank complied with the minimum capital adequacy ratio.

The financial leverage ratio

	As of 1 January 2016
Main capital	4,159,159
Balance sheet assets and off-balance liabilities at risk for calculation of the financial leverage ratio	6,827,199
The Basel III leverage ratio	60.9

As of 1 January 2016, balance sheet assets used for calculation of the financial leverage ratio amount to RUB 6,827,199 thousand. As of 1 January 2016, there were no significant differences between the size of the assets calculated according to the balance sheet and the size of the assets used for calculation of the financial leverage ratio.

### **4.2 Accompanying information to the statement of cash flows (form 0409814)**

#### **4.4.1 Information on significant balances of the credit institution's cash and cash equivalents unavailable for use**

In 2015, there were no significant balances unavailable for immediate use, except for deposits with the Bank of Russia (obligatory reserve deposit) and reserves with JSC JSCB NCC represented by amounts of collective clearing collateral.

#### **4.4.2 Information on significant investment and financial transactions that do not require the use of cash**

There were no significant investment and financial transactions that do not require the use of cash in the reporting period. The Bank has no debt or equity instruments; the Bank is not in the process of filing its financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market and does not prepare consolidated financial statements.

#### **4.4.3 Information on unused borrowing facilities with the restricted use**

### Translation of the original Russian version

As a participant of the credit institution refinancing program implemented by the Bank of Russia, OOO UBS Bank possesses different tools of borrowing from the Bank of Russia and uses a credit facility opened by the Bank of Russia.

In 2015, all credit resources were used to refinance the deficit of the Bank's short-term liquidity or finance active transactions. In 2015, there were no unused borrowing facilities with the restricted use.

#### *4.4.4 Information on cash flows used to enhance operating activities separately from cash flows used to support operating activities*

The cash flows are presented below:

	<b>As of 1 January 2016</b>	<b>As of 1 January 2015</b>
Cash flows used to enhance operating activities	18,154	15,617
Cash flows used to support operating activities	2,518,347	1,335,728

The Bank is engaged in a limited range of activities fully concentrated in Moscow region. Therefore, the Bank believes that no segment reporting by type of activity or geographic segments is required.

## Translation of the original Russian version

### 5. INFORMATION ON RISKS ASSUMED BY THE BANK, RISK ASSESSMENT AND RISK AND CAPITAL MANAGEMENT PROCEDURES

The Bank's significant risks include: market risks (currency risk, interest rate risk), credit risk, operational risk, liquidity risk. The Bank is also exposed to legal, reputational and strategic risks.

The risk management policies of the Bank aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and respective controls, and to continuously monitor risk levels and compliance with the set limits. The risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Bank has established the risk and capital management systems and internal control system that are harmonized with the nature and scale of the transactions and the level and combination of risks assumed by the Bank.

Risk management functions are allocated within the Bank as follows.

The Board of Directors is ultimately responsible for risk identification and control; however, there are separate independent bodies responsible for risk management and control.

#### Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk management strategies and principles.

#### Executive Board

The Executive Board is responsible for monitoring the overall risk process within the Bank.

The respective subdivisions of the Bank are responsible for the implementation and current operation of the risk management system and the implementation of principles, frameworks, policies and risk limits. They are responsible for fundamental risk management issues so as to ensure an independent control process over compliance with principles, risk management policies and risk limits of the Bank.

The Internal Audit reviews the adequacy of risk management procedures and the Bank's compliance with those procedures on the annual basis. The Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board of Directors of the Bank.

The Bank's key transactions that ensure its financial result include advisory services, brokerage services to clients, transactions in the interbank lending market and forex transactions.

Therefore, the credit and currency risks are the most relevant for the Bank.

In the course of active transactions, the Bank is also exposed to liquidity risk.

Operational risk is the risk of direct or indirect losses as a result of weaknesses in the Bank's internal processes, actions of employees and information systems or due to external events.

## Translation of the original Russian version

The Bank's risk management is based on a complex assessment of all types of risks according to the risk profile, transaction specifics and risk appetite using a uniform and consistent approach for decision-making at all levels of corporate governance.

The Bank's existing risk management strategy determines the principal risk management approaches and directions implemented by the Bank.

Risks are managed on the basis of internal regulations developed and approved by the Bank.

Traditionally, the Bank follows prudent risk management policies.

The Bank applies a three-level risk management system.

The Bank's major risk management objectives are as follows: determine and analyze risks (1 level), assess whether the risk level is acceptable and justified, estimate (measure) certain types of risk (2 level), ensure a fast and adequate response aimed at preventing or mitigating the risk (monitoring and control) (3 level).

The results of risk monitoring and control are presented and explained to the Executive Board and the Risk Management Committee. The Executive Board receives information about the overall risk level and other necessary information to make the respective decisions on a regular basis.

For all levels throughout the Bank, risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

In order to identify potential negative events timely, the Bank takes a complex of measures on various business lines depending on the type of risk.

The Bank's capital management aims to ensure that the Bank complies with regulatory capital requirements established by the Bank of Russia and that the Bank is able to continue as a going concern. The compliance with the capital adequacy ratio is controlled through monthly reports submitted to the Bank of Russia.

According to capital requirements established by the Bank of Russia, the Bank is obliged to maintain a ratio of capital to risk-weighted assets at a level exceeding the obligatory minimum ratios: N1.1 - 5.0%, N1.2 - 6.0%, N1.0 - 10.0%.

As of 1 January 2015, the Bank's equity (capital) adequacy ratios were: N1.1 - 105.6%, N1.2 - 105.6%, N1.0 - 109.0% (as of 1 January 2015: N1.1 - 117.7%, N1.2 - 117.7%, N1.0 - 117.7%).

As of 1 January 2016, equity (capital) amounted to RUB 4,159,159 thousand (as of 1 January 2015: RUB 3,886,965 thousand).

### **Description of the credit risk, liquidity risk, market risks (including currency, interest rate risks), legal, strategic, operational and reputational risks**

#### *Credit risk*

## Translation of the original Russian version

The Bank is primarily engaged in providing advisory and brokerage services that do not bear credit or market risks for the Bank. Therefore, neither credit nor market risks are material to the Bank. The credit risk may arise for the Bank due to the provision of interbank loans for the purposes of managing short-term liquidity, and the placement of funds in nostro accounts. When placing available cash, the Bank follows extremely conservative policies using only the Bank of Russia (for Russian rubles) and UBS AG (for foreign currency) as correspondent banks. The Bank places a small amount of cash with NKO NSD and ZAO Citibank for the purpose of making settlements.

The Bank's strategy for investing funds in the interbank market (except for transactions with UBS AG) is to assure strict compliance with credit limits subject to approval by the Bank's Credit Committee.

The Bank enters into conversion operations and foreign currency transactions mostly at NKO NSD and with UBS AG. Transactions with other counterparties may be conducted strictly subject to the availability and within the scope of the appropriate limit. The Bank does not accept currency risk from foreign currencies other than US dollar – all conversion transactions in other currencies are fully hedged via UBS AG. The Bank limits aggregate currency risk exposure by monitoring sensitivity of change in position to volatility of currency pairs in which assets and liabilities are denominated.

As of 1 January 2016, the Bank included all loans receivable in quality category 1 (as of 1 January 2015: in quality category 1).

As of 1 January 2016, the Bank made a provision for potential losses on correspondent accounts and other assets amounting to RUB 52 thousand (1 January 2015: RUB 466 thousand).

Since there were no claims against offshore residents as of 1 January 2016 and 1 January 2015, no corresponding provisions were created in relation thereto.

In 2015 and 2014, the Bank complied with obligatory ratios established by the Bank of Russia with regard to the credit risk exposure.

As of 1 January 2016 and 1 January 2015, the Bank had no assets available for pledge. There are also no assets with a limited possibility to be pledged.

The geographical concentration of assets and liabilities as of 1 January 2016 is set out below:

<b>Geographical concentration of assets and liabilities</b>	<b>Russia</b>	<b>Countries of the group of developed countries</b>	<b>Other countries</b>	<b>Total</b>
<b>Assets</b>				
Amounts due from other banks	2,007,712	7,444	–	<b>2,015,156</b>
Loans	728,827	3,660,000	–	<b>4,388,827</b>
Premises and equipment, intangible assets and inventories	28,430	–	–	<b>28,430</b>
Other assets	179,582	332,276	136,216	<b>648,074</b>



### Translation of the original Russian version

<b>Liabilities</b>				
Amounts due to credit institutions	2,969	801,710	–	<b>804,679</b>
Amounts due to legal entities (non-credit institutions)	10,732	1,854,576	10,761	<b>1,876,069</b>
Deposits of individuals	1,510	–	–	<b>1,510</b>
Other liabilities	98,126	620	–	<b>98,746</b>
Credit institution's irrevocable liabilities	207,453	216,917	–	<b>424,370</b>

The geographical concentration of assets and liabilities as of 1 January 2015 is set out below:

<b>Geographical concentration of assets and liabilities</b>	<b>Russia</b>	<b>Countries of the group of developed countries</b>	<b>Other countries</b>	<b>Total</b>
<b>Assets</b>				
Amounts due from other banks	383,280	3,427	–	<b>386,707</b>
Loans	–	3,987,000	–	<b>3,987,000</b>
Premises and equipment, intangible assets and inventories	24,627	–	–	<b>24,627</b>
Other assets	192,342	111,425	120,753	<b>424,520</b>
<b>Liabilities</b>				
Amounts due to credit institutions	1,856	22,504	–	<b>24,360</b>
Amounts due to legal entities (non-credit institutions)	376,605	288,626	23,674	<b>688,905</b>
Deposits of individuals	1,165	–	–	<b>1,165</b>
Other liabilities	77,618	55	–	<b>77,673</b>
Credit institution's irrevocable liabilities	–	83,487	–	<b>83,487</b>

Information on credit risk by types of counterparties as of 1 January 2016:

<b>RUB'000</b>	<b>Corporate customers</b>	<b>Correspon- dent banks</b>	<b>Individual entrepre- neurs</b>	<b>Individuals</b>	<b>Total</b>
<b>Assets</b>					
Credit institutions' balances with the Central Bank of the Russian Federation	–	129,298	–	–	<b>129,298</b>
Including mandatory reserves	–	113,016	–	–	<b>113,016</b>
Amounts due from credit institutions	–	1,885,858	–	–	<b>1,885,858</b>
Net loans	–	4,388,827	–	–	<b>4,388,827</b>
Other assets	226,029	329,580	–	1,099	<b>556,708</b>

Information on credit risk by types of counterparties as of 1 January 2015:

<b>RUB'000</b>	<b>Corporate customers</b>	<b>Correspon- dent banks</b>	<b>Individual entrepre-</b>	<b>Individuals</b>	<b>Total</b>
----------------	----------------------------	----------------------------------	---------------------------------	--------------------	--------------

### Translation of the original Russian version

			neurs		
<b>Assets</b>					
Credit institutions' balances with the Central Bank of the Russian Federation	–	78,893	–	–	<b>78,893</b>
Including mandatory reserves	–	77,049	–	–	<b>77,049</b>
Amounts due from credit institutions	–	307,814	–	–	<b>307,814</b>
Net loans	–	3,987,000	–	–	<b>3,987,000</b>
Other assets	221,882	110,065	31	2,253	<b>334,231</b>

Information on credit risk by types of business activity of borrowers (counterparties) as of 1 January 2016:

RUB'000	Financial sector	Individuals	Services	Total
<b>Assets</b>				
Credit institutions' balances with the Central Bank of the Russian Federation	129,298	–	–	<b>129,298</b>
Including mandatory reserves	113,016	–	–	<b>113,016</b>
Amounts due from credit institutions	1,885,858	–	–	<b>1,885,858</b>
Net loans	4,388,827	–	–	<b>4,388,827</b>
Other assets	329,580	1,099	226,029	<b>556,708</b>

Information on credit risk by types of business activity of borrowers (counterparties) as of 1 January 2015:

RUB'000	Financial sector	Individuals	Services	Total
<b>Assets</b>				
Credit institutions' balances with the Central Bank of the Russian Federation	78,893	–	–	<b>78,893</b>
Including mandatory reserves	77,049	–	–	<b>77,049</b>
Amounts due from credit institutions	307,814	–	–	<b>307,814</b>
Net loans	3,987,000	–	–	<b>3,987,000</b>
Other assets	110,065	2,253	221,913	<b>334,231</b>

Information on credit risk by types of the Bank's activity (business lines) as of 1 January 2016:

RUB'000	Corporate banking	Investment banking	Unallocated assets	Total
<b>Assets</b>				
Credit institutions' balances with the Central Bank of the Russian Federation, other than mandatory reserves	16,282	–	–	<b>16,282</b>
Mandatory reserves with the Central Bank of the Russian Federation	–	–	113,016	<b>113,016</b>
Amounts due from credit institutions	1,885,858	–	–	<b>1,885,858</b>
Net loans	728,827	3,660,000	–	<b>4,388,827</b>

### Translation of the original Russian version

Other assets	329,580	227,128	<b>556,708</b>
--------------	---------	---------	----------------

Information on credit risk by types of the Bank's activity (business lines) as of 1 January 2015:

RUB'000	Corporate banking	Investment banking	Unallocated assets	Total
<b>Assets</b>				
Credit institutions' balances with the Central Bank of the Russian Federation, other than mandatory reserves	1,844	–	–	<b>1,844</b>
Mandatory reserves with the Central Bank of the Russian Federation	–	–	77,049	<b>77,049</b>
Amounts due from credit institutions	307,814	–	–	<b>307,814</b>
Net loans	–	3,987,000	–	<b>3,987,000</b>
Other assets	110,065	–	224,166	<b>334,231</b>

Information on classification by risk groups (in accordance with clause 2.3 of Instruction No. 139-I of the Bank of Russia *On Obligatory Bank Ratios* dated 3 December 2012) as of 1 January 2016:

RUB'000	I	II	III	IV	V	No group	Total
<b>Assets</b>							
Cash	597	–	–	–	–	–	<b>597</b>
Credit institutions' balances with the Central Bank of the Russian Federation	129,298	–	–	–	–	–	<b>129,298</b>
Including mandatory reserves	113,016	–	–	–	–	–	<b>113,016</b>
Amounts due from credit institutions	–	1,885,816	–	42	–	–	<b>1,885,858</b>
Net loans	–	4,388,827	–	–	–	–	<b>4,388,827</b>
Premises and equipment, intangible assets and inventories	–	–	–	28,430	–	–	<b>28,430</b>
Other assets	–	326,335	–	89,561	–	140,812	<b>556,708</b>

Information on classification by risk groups (in accordance with clause 2.3 of Instruction No. 139-I of the Bank of Russia *On Obligatory Bank Ratios* dated 3 December 2012) as of 1 January 2015:

RUB'000	I	II	III	IV	V	No group	Total
<b>Assets</b>							
Cash	530	–	–	–	–	–	<b>530</b>
Credit institutions' balances with the Central Bank of the Russian Federation	78,893	–	–	–	–	–	<b>78,893</b>
Including mandatory reserves	77,049	–	–	–	–	–	<b>77,049</b>
Amounts due from credit	–	307,673	–	141	–	–	<b>307,814</b>

### Translation of the original Russian version

<b>RUB'000</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>	<b>No group</b>	<b>Total</b>
institutions							
Net loans	–	3,987,000	–	–	–	–	<b>3,987,000</b>
Premises and equipment, intangible assets and inventories	–	–	–	24,627	–	–	<b>24,627</b>
Other assets	–	107,116	–	82,795	–	144,320	<b>334,231</b>

The Bank implements an extremely conservative approach in respect of lending.

In managing the Bank's instant position and maintaining its liquidity in general, OOO UBS Bank, as a participant of the program for refinancing credit institutions implemented by the Bank of Russia, possesses different tools of immediate borrowing secured by market and non-market assets. Assets to be pledged as collateral for loans issued by the Bank of Russia are formed taking into account the Bank's resource requirements.

As of 1 January 2016, the accounts receivable totalled RUB 415 896 thousand (as of 1 January 2015: RUB 189,911 thousand).

As of 1 January 2016, the accounts payable totalled RUB 98,746 thousand (as of 1 January 2015: RUB 77, 673 thousand).

As of 1 January 2016, overdue accounts receivable amounted to RUB 37 thousand. Provision for possible loss created by the Bank amounted to 100%. The overdue period was over 180 days.

As of 1 January 2015, overdue accounts receivable amounted to RUB 377 thousand. Provision for possible loss created by the Bank amounted to 100%. The overdue period was over 180 days.

In 2015, the Bank wrote off overdue accounts receivable in the amount of RUB 340 thousand against the created loan loss provision due to expiry of the limitation period.

As of 1 January 2016, the Bank had no overdue accounts on other balance sheet lines.

## Translation of the original Russian version

Information on classification of assets by quality categories and information on the amounts of estimated and actual provisions for possible losses as of 1 January 2016:

RUB'000/ Quality category	I	II	III	IV	V	Total	Estimated provision	II	III	IV	V	Actual provision, total
<b>Assets</b>												
Cash	597	–	–	–	–	597	–	–	–	–	–	–
Credit institutions' balances with the Central Bank of the Russian Federation	129,298	–	–	–	–	129,298	–	–	–	–	–	–
Including mandatory reserves	113,016	–	–	–	–	113,016	–	–	–	–	–	–
Amounts due from credit institutions	1,885,816	42	–	–	–	1,885,858	–	–	–	–	–	–
Net loans	4,388,827	–	–	–	–	4,388,827	–	–	–	–	–	–
Premises and equipment, intangible assets and inventories	28,430	–	–	–	–	28,430	–	–	–	–	–	–
Other assets	647,554	483	–	–	37	648,074	52	15	–	–	37	52

## Translation of the original Russian version

Information on classification of assets by quality categories and information on the amounts of estimated and actual provisions for possible losses as of 1 January 2015:

RUB'000/ Quality category	I	II	III	IV	V	Total	Estimated provision	II	III	IV	V	Actual provision, total
<b>Assets</b>												
Cash	530	–	–	–	–	530	–	–	–	–	–	–
Credit institutions' balances with the Central Bank of the Russian Federation	78,893	–	–	–	–	78,893	–	–	–	–	–	–
Including mandatory reserves	77,049	–	–	–	–	77,049	–	–	–	–	–	–
Amounts due from credit institutions	307,673	142	–	–	–	307,815	1	1	–	–	–	1
Net loans	3,987,000	–	–	–	–	3,987,000	–	–	–	–	–	–
Premises and equipment, intangible assets and inventories	24,627	–	–	–	–	24,627	–	–	–	–	–	–
Other assets	421,698	2,909	–	–	378	424,985	465	87	–	–	378	465

## Translation of the original Russian version

### *Market risk*

Market risk is the risk of financial loss which the Bank may suffer due to unfavorable changes in the value of financial instruments as a result of equity, currency or interest rate risk factors.

The Bank's market risk management system allows the Bank to identify, measure and control the risk exposure on a timely basis.

For every financial instrument exposed to market risk, the Bank calculates its sensitivity to changes in the general market risk factors, e.g., the sensitivity of debt securities to interest rate changes or sensitivity of share options to changes in the stock index. A risk factor is determined as a market variable the movement of which can result in a gain or loss on a financial instrument.

To manage and control the market risk and to use hypothetical potential losses for internal purposes, the Bank calculates values using the Value-at-Risk (VaR) model. For the purpose of internal control, the Bank additionally uses the worst scenarios data or stress-testing, risk concentration analysis, monitoring of qualitative and quantitative parameters.

VaR and stress-testing methods of assessing the market risk when investing in securities are supplemented by an analysis of risk concentration and additional limits. Where standard limits do not comply with the market risk assessment methods, the Bank sets limits on the level of risk exposure and for the purposes of regulating specific risks. The Bank's Risk Management Committee may establish additional limits on specific securities portfolios, portfolio segments, classes of assets and financial products.

The Risk Management Committee may also limit the risk exposure with regard to sovereign states. No limit is established for Russia.

The Risk Management Committee may set and change risk exposure limits following a change in market conditions, including a deterioration of the market's liquidity.

All activities related to assessment and monitoring of the market risk level and control over compliance with the set risk limitations are performed by the Bank's functions independent from front-office functions that enter into transactions involving acceptance of market risk.

Such segregation of authority to accept risk exposure and assess risks between the Bank's units is aimed at avoiding potential conflicts of interest and is in line with existing international practices.

Market risk is assessed in accordance with Regulation No. 387-P of the Bank of Russia *On Estimation of Market Risk Exposure by Credit Institutions*.

## Translation of the original Russian version

The market risk exposure broken down by components as of 1 January 2016 and 1 January 2015 is as follows:

	As of 1 January 2016, RUB'000	As of 1 January 2015, RUB'000
<b>Market risk, total, including:</b>	-	-
<b>Interest rate risk, including:</b>	-	-
- special interest rate risk	-	-
- general interest rate risk	-	-
<b>Equity risk, including:</b>	-	-
- special equity risk	-	-
- general equity risk	-	-
<b>Currency risk</b>	<b>3,054</b>	<b>15,741</b>

Currency risk – is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank has assets and liabilities denominated in several foreign currencies. The Bank exercises daily control over the currency risk exposure by complying with open currency position limits.

The currency risk is minimized through a balanced open currency position which enables to maintain the required liquidity broken down by foreign currency, whilst keeping the minimum amount of open currency positions.

In this regard, severe upward or downward fluctuations of exchange rates of foreign currencies to Russian ruble have no significant impact on the Bank's financial result/business activity.

As of 1 January 2016, the currency risk amounted to RUB 3,054 thousand, which accounts for 0,07% of equity (capital) and in accordance with item 1.7 of Regulation No. 387-P of the Bank of Russia, the amount of the currency risk is not used in calculation of market risk.

As of 1 January 2016, the foreign currency structure of assets and liabilities was as follows:

Assets and liabilities broken down by foreign currencies	810	840	978	Other	Total
<b>I. Assets</b>					
1. Cash	597	—	—	—	<b>597</b>
2. Credit institutions' balances with the Central Bank of the Russian Federation	129,298	—	—	—	<b>129,298</b>
2.1. Mandatory reserves	113,016	—	—	—	<b>113,016</b>
3. Amounts due from credit institutions	123,308	1,762,135	135	280	<b>1,885,858</b>
4. Financial assets at fair value	585	—	—	—	<b>585</b>
5. Net loans	3,660,000	728,827	—	—	<b>4,388,827</b>
8. Premises and equipment, intangible assets and inventories	28,430	—	—	—	<b>28,430</b>
9. Other assets	573,027	75,047	—	—	<b>648,074</b>
<b>10. Total assets</b>	<b>4,515,245</b>	<b>2,566,009</b>	<b>135</b>	<b>280</b>	<b>7,081,669</b>
14. Amounts due to credit institutions	-2,969	-801,710	—	—	<b>-804,679</b>
15. Amounts due to customers (non-credit institutions)	-107,103	-1,770,476	—	—	<b>-1,877,579</b>
15.1. Deposits of individuals	—	-1,510	—	—	<b>-1,510</b>
16. Financial liabilities at fair value	-694	—	—	—	<b>-694</b>



### Translation of the original Russian version

16. Other liabilities	-98,735	-11	—	—	- 98,746
17. Provisions for losses under credit-related contingent liabilities, other losses and transactions with offshore residents	—	—	—	—	—
<b>18. Total liabilities</b>	<b>-209,501</b>	<b>-2,572,197</b>	<b>—</b>	<b>—</b>	<b>-2,781,698</b>
<b>Credit institution's irrevocable claims and liabilities</b>	<b>-3,123</b>	<b>3,134</b>	<b>—</b>	<b>—</b>	<b>-424,370</b>
<b>Net position</b>	<b>4,302,621</b>	<b>-3,054</b>	<b>135</b>	<b>280</b>	<b>4,299,982</b>

As of 1 January 2015, the foreign currency structure of assets and liabilities was as follows:

Assets and liabilities broken down by foreign currencies	810	840	978	Other	Total
<b>I. Assets</b>					
1. Cash	530	—	—	—	530
2. Credit institutions' balances with the Central Bank of the Russian Federation	78,893	—	—	—	78,893
2.1. Mandatory reserves	77,049	—	—	—	77,049
3. Amounts due from credit institutions	79,286	227,551	686	291	307,814
5. Net loans	3,987,000	—	—	—	3,987,000
8. Premises and equipment, intangible assets and inventories	24,627	—	—	—	24,627
9. Other assets	277,331	147,189	—	—	424,520
<b>10. Total assets</b>	<b>4,447,667</b>	<b>374,740</b>	<b>686</b>	<b>291</b>	<b>4,823,384</b>
<b>II. LIABILITIES</b>					
12. Amounts due to credit institutions	-1,856	-22,504	—	—	-24,360
13. Amounts due to customers (non-credit institutions)	-436,085	-253,985	—	—	-690,070
13.1. Deposits of individuals	—	-1,165	—	—	-1,165
16. Other liabilities	-77,673	—	—	—	- 77,673
17. Provisions for losses under credit-related contingent liabilities, other losses and transactions with offshore residents	—	—	—	—	—
<b>18. Total liabilities</b>	<b>-515,614</b>	<b>-276,489</b>	<b>—</b>	<b>—</b>	<b>-792,103</b>
<b>Credit institution's irrevocable liabilities</b>	<b>—</b>	<b>-83,487</b>	<b>—</b>	<b>—</b>	<b>-83,487</b>
<b>Net position</b>	<b>3,932,053</b>	<b>14,764</b>	<b>686</b>	<b>291</b>	<b>3,947,794</b>

#### Interest rate risk

Due to the fact that the major part of the Bank's assets and liabilities are short-term, the Bank considers interest rate fluctuations of +/- 5% to be insignificant.

#### Operational risk

Operational risk is the risk of loss resulting from inconsistency of the nature and scope of the Bank's operation to the rules and procedures of execution of banking operations and other transactions, their breach by the Bank's employees and/or other persons (through inadvertent or deliberate action or omission to act), inadequacy (insufficiency) of functionalities (specifications) of information, technology or other systems used by the Bank and/or failures (malfunctioning) thereof, including due to external events.

### Translation of the original Russian version

The source of operational risk is the Bank's operating activity (business processes, procedures (including management procedures), technologies and systems, including data processing systems, internal control systems and procedures), personnel and external processes and events which can result in the operational risk being realized.

The key operational risk management principles are determined in the Bank's internal regulations.

To prevent increased exposure, the Bank monitors operational risks on a regular basis. Monitoring consists in reviewing the operational risk parameters determined for the Bank's business units.

For the purpose of effectively managing operational risks, the Bank

- ensures that its capital adequacy level is in compliance with the requirements of regulatory authorities with regard to operational risks;
- where possible, insures potential losses from operational risks which are either beyond the Bank's control or which can result in losses critical for the Bank.

The Bank developed and approved the following internal regulations intended to prevent operational risks and reduce potential financial losses:

- job descriptions for the Bank's employees;
- internal regulations, methods, rules and procedures of banking operations and other transactions;
- regulation on confidentiality;
- organizational structure of the Bank, segregation and delegation of authority, functional duties, interaction procedure between departments;
- other documents aimed at preventing operational risks.

In addition, operational risk in the Bank is mitigated through:

- personal and property insurance contracts concluded by the Bank;
- an action plan developed by the Bank in order to ensure business continuity and business recovery in case of emergency.

The Bank performs assessment of its operational risk management through reviews conducted by its internal control function.

The amount of income used for calculating capital requirements to cover operational risk is presented below:

	<b>As of 01 January 2016, RUB'000</b>	<b>As of 01 January 2015, RUB'000</b>
Net interest income	783,482	787,108
Net gains from financial assets at fair value through profit or loss	1,628	–
Net gains from dealing in foreign currency	296,949	246,044
Net gains from foreign currency translation	186,648	496,721

### Translation of the original Russian version

	As of 01 January 2016, RUB'000	As of 01 January 2015, RUB'000
Income from equity interests in other legal entities	–	–
Fee and commission income	121,100	19,549
Other operating income	2,126,397	1,960,800
Less:		
Fee and commission expense	57,742	80,968
Other not-included income	–	894
Income for the purposes of the calculation of capital to cover operational risk	3,458,462	3,428,360

In 2015 and 2014, the Bank complied with obligatory ratios established by the Bank of Russia.

#### *Liquidity risk*

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the Bank's participants endeavor to arrange access to diversified funding sources. The management of the Bank manages assets taking into account goals for liquidity and by daily monitoring of future cash flows.

With the support of the participants the Bank is currently managing the liquidity risk by complying with the liquidity ratios established by the Bank of Russia.

The Current Liquidity Ratio (N3) is calculated in real time. On a daily basis, the Bank maintains established ratios of assets to liabilities (based on contractual maturities). The Risk Management Committee is responsible for implementing this method.

To increase the level of its autonomy in planning liquidity, the Bank is developing and introducing a method of calculating balance sheet liquidity gaps with a breakdown by standard time intervals and currencies, determining liquidity gaps for these parameters when liabilities related to delivering liquid funds exceed assets, and calculating the replacement value of such funds based on a penalty interest rate which represents the credit spread above the risk-free rate of return curve multiplied by the respective interval size.

The Bank's Risk Management Committee acts and decides on managing and controlling the liquidity risk.

As of 1 January 2016, the Instant Liquidity Ratio (N2) was 49,2% (as of 1 January 2015: 932.1% ), and the Current Liquidity Ratio (N3) was 509,2%(as of 1 January 2014: 805.6%).

#### Legal risk and reputational risk

Legal risk is a risk of losses which the Bank may incur due to unfavorable changes in the legislation, incorrectly prepared documents, non-compliance with laws, regulations and contractual provisions, misleading legal advice provided to the Bank.

The main purpose of legal risk management is to ensure adoption of appropriate managerial decisions regarding a specific business line which would mitigate the Bank's legal risk exposure in general.

## Translation of the original Russian version

The Bank manages legal risk by identifying and assessing the legal risk, monitoring the effective legislation, controlling and/or mitigating the legal risk.

To determine the legal risk level, the Bank assesses:

- significant changes to effective laws and regulations;
- status of contractual relations with principal counterparties;
- the number of complaints and claims filed against the Bank;
- the contents of the complaints and claims, contested amounts and potential sanctions;
- the quantity and volumes of cash settlements made by the Bank pursuant to court resolutions (rulings);
- cases of law infringement by the Bank;
- measures applied to the Bank by regulatory and supervisory authorities;
- other events which according to the Legal Department may affect the level of legal risk.

The Bank's Legal Department ensures that the Bank complies with the legislation of the Russian Federation.

The Bank applies the following methods to mitigate its reputational risk:

- continuously monitors compliance with Russian legislation, including laws on bank secrecy and internal controls aimed at preventing money laundering and financing terrorism;
- analyzes the impact of reputational risk factors on the Bank's activity in general;
- ensures timely settlements upon instructions of the Bank's customers and counterparties, pays out deposits, interest on deposits and performs settlements on other transactions;
- controls the fairness of the financial statements and other published information provided to the participants, customers and counterparties, regulatory and supervisory authorities and other stakeholders, including information provided for advertising purposes;
- continuously monitors changes in the Russian legislation and regulations issued by Russian government bodies;
- ensures that employees of the Bank constantly improve their skills and qualifications;
- introduces control procedures required for international financial institutions, including those provided for by the Sarbanes-Oxley Act;
- informs all Bank employees of compulsory legislative requirements and international business regulations and standards by means of annual obligatory performance assessment procedures in the form of online express training and testing courses;
- analyzes third-party complaints and claims to the Bank by content and amount (number of claims, contested amounts, possibility of sanctions being applied by third parties under such claims).

## Translation of the original Russian version

The reputational risk is identified and assessed on a continuous basis.

### Strategic risk

Strategic risk is a risk of losses which the Bank may incur as a result of mistakes in making decisions crucial for the Bank's activities, namely in terms of: market positioning, determining the Bank's competitive strengths and weaknesses, choosing priority areas of activity, determining development strategies for business lines and the Bank in general, selecting key performance indicators and target levels to be achieved.

To mitigate the risk, the Bank relies on its Strategic Development Plan covering the period until the end of 2016 and approves and introduces policies, regulations, action plans and other internal documents covering the whole scope of the Bank's current and prospective development objectives in the existing economic environment.

Generally, the strategic plan covers a three-year period. It can be adjusted depending on the economic situation, priorities and objectives, as well as other factors. The Board of Directors reviews the report on the status of the Strategic Plan implementation at least annually.

The above documents are approved according to the adopted procedure, and the Bank relies on them in its activities.

Strategic risk may arise due to:

- mistakes in making decisions determining the Bank's operational and development strategy;
- incorrect determination of priority areas where the Bank can achieve competitive advantages;
- absence of managerial decisions that could contribute to achieving the Bank's strategic goals;
- insufficient resources, including financial, material and human, to achieve the Bank's strategic goals.

The Bank has set up a special working group in charge of developing and monitoring implementation of the Bank's strategic and current business plans.

To mitigate the strategic risk, the Bank:

- segregates the decision-making authority of its management bodies;
- controls that the adopted decisions are carried out;
- standardizes its main banking operations and transactions;
- establishes internal procedures for approving changes to internal documents and decision-making processes;
- performs SWOT-analysis;
- develops and controls the implementation of strategic business plans;
- continuously monitors changes in the Russian legislation and effective regulations in order to identify and prevent strategic risks;

### **Translation of the original Russian version**

- monitors the banking services market in order to identify potential new areas of activity for the Bank and to set new strategic objectives;
- monitors resources, including financial, material and human, required to achieve the Bank's strategic objectives, ensures that employees of the Bank constantly improve their skills and qualifications in order to identify and prevent strategic risks.

## Translation of the original Russian version

### 6. INFORMATION ON THE CREDIT INSTITUTION'S RELATED PARTY TRANSACTIONS

As of 1 January 2016, all claims to the Bank's related parties are not past due (as of 1 January 2015: claims are not past due).

Transactions with the Bank's related parties as of 1 January 2016 are disclosed below:

<b>RUB'000</b>	<b>Parent credit institution</b>	<b>Key management personnel</b>	<b>Entities under common control</b>	<b>Total transactions with related parties</b>
Amounts due from credit institutions	7,444	—	—	<b>7,444</b>
Net loans	3,660,000	—	—	<b>3,660,000</b>
Other assets	6,616	—	322,978	<b>329,594</b>
Amounts due to credit institutions	801,710	—	—	<b>801,710</b>
Customer accounts	75,069	—	1,801,000	<b>1,876,069</b>
Other liabilities	11	—	—	<b>11</b>
Irrevocable liabilities	216,917	—	—	<b>216,917</b>

In 2015 and 2014, transactions with related parties are made at standard, arm's length terms.

Income and expense items with related parties for 2015 are disclosed below:

<b>RUB'000</b>	<b>Parent credit institution</b>	<b>Key management personnel</b>	<b>Entities under common control</b>	<b>Total transactions with related parties</b>
Interest income	418,279	—	—	<b>418,279</b>
Including interest on loans and deposits to credit institutions	418,279	—	—	<b>418,279</b>
Including interest on loans to customers (non-credit institutions)	—	—	—	<b>—</b>
Interest expense	867	—	—	<b>867</b>
Including interest on amounts due from credit institutions	867	—	—	<b>867</b>
Including interest on amounts due to customers (non-credit institutions)	—	—	—	<b>—</b>
Fee and commission income	2,690	—	220,658	<b>223,348</b>
Fee and commission expense	—	—	—	<b>—</b>
Net gains from dealing in foreign currency	58,382	—	8,835	<b>67,217</b>
Other operating income	563,294	—	1,673,801	<b>2,237,095</b>
Operating expenses	620	467,127	—	<b>467,747</b>

Transactions with the Bank's related parties as of 1 January 2015 are disclosed below:

<b>RUB'000</b>	<b>Parent credit institution</b>	<b>Key management personnel</b>	<b>Entities under common control</b>	<b>Total transactions with related parties</b>
Amounts due from credit institutions	3,427	—	—	<b>3,427</b>
Net loans	3,987,000	—	—	<b>3,987,000</b>
Other assets	9,359	—	97,834	<b>107,193</b>
Amounts due to credit institutions	22,504	—	—	<b>22,504</b>
Customer accounts	40,837	—	648,068	<b>688,905</b>
Other liabilities	—	—	—	<b>—</b>
Irrevocable liabilities	83,487	—	—	<b>83,487</b>

## Translation of the original Russian version

Income and expense items with related parties for 2014 are disclosed below:

<b>RUB'000</b>	<b>Parent credit institution</b>	<b>Key management personnel</b>	<b>Entities under common control</b>	<b>Total transactions with related parties</b>
Interest income	267,761	–	730	<b>268,491</b>
Including interest on loans and deposits to credit institutions	267,761	–	–	<b>267,761</b>
Including interest on loans to customers (non-credit institutions)	–	–	730	<b>730</b>
Interest expense	786	–	–	<b>786</b>
Including amounts due to credit institutions	786	–	–	<b>786</b>
Including interest on amounts due to customers (non-credit institutions)	–	–	–	–
Fee and commission income	1,946	–	107,541	<b>109,487</b>
Fee and commission expense	–	–	–	–
Net gains from dealing in foreign currency	209,011	–	7,979	<b>216,990</b>
Other operating income	627,396	–	440,284	<b>1,067,680</b>
Operating expenses	1,422	318,550	135,810	<b>455,782</b>



## Translation of the original Russian version

### 7. INFORMATION ON COMPENSATION (BENEFITS) TO THE KEY MANAGEMENT PERSONNEL

The Bank's key management personnel includes:

- Chairman of the Bank's Executive Board;
- Members of the Executive Board;
- Deputies of the Chairman of the Executive Board;
- Chief Accountant;
- Head of Investment Banking;
- Head of Wealth Management.

As of 1 January 2016, the average headcount of the Bank was 111 employees (as of 1 January 2015: 113 employees). The key management personnel included 5 employees.

Short-term compensation to the key management personnel is paid in accordance with employment agreements and comprises:

- salary for the previous month;
- monthly/quarterly bonuses depending on the Bank's operating results;
- annual bonuses depending on the Bank's operating results for the previous year.

No long-term compensation was paid to the key management personnel.

Amounts and types of compensation paid by the credit institution in 2015:

Types of compensation (salaries, bonuses, fees, benefits and (or) reimbursements, other)	Compensation amount, 2015, RUB	Compensation amount, 2014, RUB
	Executive Board	Executive Board
Salaries	37,374	24,005
Bonuses	—	138
Vacation payments	15,428	4,262
Other benefits	25,133	6,064
Annual bonus for 2014	49,987	22,250
Annual bonus for 2015	92,253	—
Insurance contributions	20,138	3,960
<b>Total</b>	<b>240,313</b>	<b>60,679</b>
	<b>Other key management personnel</b>	<b>Other key management personnel</b>
Salaries	33,725	87,758
Bonuses	—	134
Vacation payments	9,721	16,496
Other benefits	22,837	33,119
Annual bonus for 2014	66,754	100,977
Annual bonus for 2015	91,609	—
Insurance contributions	2,168	19,387
<b>Total</b>	<b>226,814</b>	<b>257,871</b>

## Translation of the original Russian version

In 2015 and 2014 the Bank did not pay any compensation to the members of the Board of Directors.

The procedure and terms of payments to the key management personnel are described in the Regulation *On Labor Compensation and Other Incentive Payments of OOO UBS Bank*; bonus funds are made and allocated by business units in accordance with the methods approved by the Chairman of the Bank's Executive Board. A new version of the Regulation was developed and introduced during the reporting period.

In 2015, the Bank adopted the Regulation *On Particularities of Compensation for Specific Employee Categories*. According to this Regulation, a system of compensation is introduced in the Bank which corresponds to the nature and scale of operations executed by the Bank, performance results of the Bank as well as the level and combination of risks accepted. The Regulation sets out the list of employees accepting risks and implementing internal control and risk management.

According to this Regulation, the employees accepting risks are:

- Chairman of the Executive Board
- Members of the Executive Board;
- Head of the Financial Markets Department
- Head of the Equities division, the Financial Markets Department
- Head of the Sales and FX division, the Financial Markets Department

The employees implementing internal control and risk management are:

- Head of the Finance Department
- Chief Accountant
- Deputies Chief Accountant
- Head of Financial Control
- Controller of the professional participant of the securities market
- Head and employees of the Risk Control Department
- Head and employees of the Internal Audit Service
- Head and employees of the Internal Control Service
- Head and employees of the AML department

Rules and procedures provided for by the Regulation *On Labor Compensation and Other Incentive Payments of OOO UBS Bank* are complied with in the Bank.

## Translation of the original Russian version

### 8. DISCLOSURE METHOD OF THE ANNUAL FINANCIAL STATEMENTS

In accordance with Regulation No. 3081-U of the Bank of Russia *On Disclosure by Credit Institutions of Information Concerning their Activities* dated 25 October 2013 (together with Explanatory Information to the annual financial statements), the disclosure method of the annual financial statements is determined by the credit institution independently. The annual financial statements are deemed to be disclosed when they are posted on the official website of a credit institution in the public telecommunication network “Internet” and (or) published in the mass media.

At the date of the annual financial statements preparation, management decided to disclose the annual financial statements by posting them on the official website of OOO UBS Bank in the public telecommunication network “Internet” – [www.ooo-ubs-bank.com](http://www.ooo-ubs-bank.com).

Chairman of the Executive Board Titova

Seal

Chief Accountant Rubashko

26 April 2016

Prepared by  
I.A. Ratnikov  
7(495)6482287