

***Public financial report  
for the 1st quarter 2017  
Bank M2M Europe AS***



**Riga, May 30, 2017**

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## I GENERAL INFORMATION

### 1.Shareholders of the Bank

31.03.2017			
Shareholder	Country	Total, EUR	% of total share capital
Andrey Vdovin and family members	Russia	18 042 010	56.09%
Other shareholders (not Substantial participation)	-	14 128 730	43.91%

Paid up share capital of the Bank as of March 31, 2017 was EUR 32 170 740 and it consisted of 459 582 name shares with voting rights. The nominal value of each share is EUR 70. All shares are dematerialized registered shares.

### 2.Council of the Bank

Name, Surname	Position
Andrey Vdovin	Member of the Council/ Chairman of the Council
Peter Charles Percival Hambro	Member of the Council/ Deputy Chairman of the Council
Thomas Roland Evert Neckmar	Member of the Council

There were no changes in the Council of the Bank during the reporting period.

### 3.Management Board of the Bank

Name, Surname	Position
Robert Idelson	Chairman of the Board
Tatyana Drobina	Member of the Board
Sergey Zaitsev	Member of the Board

There were no changes in the Management Board of the Bank during the reporting period.

#### 4.Strategy and Vision of the Bank

In accordance with the strategy approved by the Bank's Council, Bank M2M Europe main segments of business are *private banking* and *business banking*.

The Bank's mission is to render a full range of wealth management services to high net worth clients, as well as to service their private and business daily banking operations.

The goals of the Bank are:

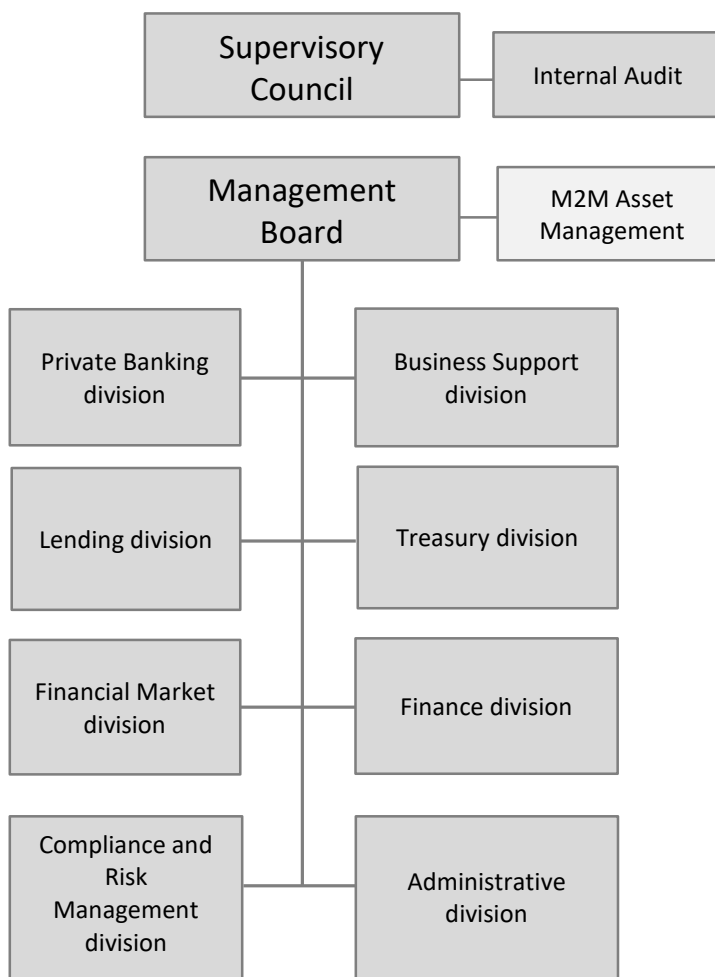
- (a) to become one of the leading banks in the *private banking* segment in the Baltics;
- (b) to develop and expand the range of top quality products and services for high net worth clients from Russia and other CIS, Latvia and other European countries;
- (c) to develop the loyal client base and grow business volumes, in order to achieve the goals and results, defined in the Bank's strategy.

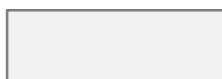
#### 5.Consolidation Group

The Consolidation Group of Bank M2M Europe includes its subsidiary:

Name of company, Registration number	Registration location code and address	Type of activities	% of total paid-in share capital	% of total voting rights
„M2M Asset Management” IPAS 40103362872	LV, Antonijas Street 3-1, Riga, Latvia, LV-1010	Asset management company	100	100

## 6.The Organisational Structure of the Group



 - Subsidiary of the Bank

## II THE BANK'S FINANCIAL POSITION AND PERFORMANCE

### 1. Statement of Financial Position as at 31 March, 2017 and 31 December, 2016

(EUR 000's)

Title of entry	31.03.2017. Group (Unaudited)	31.03.2017. Bank (Unaudited)	31.12.2016 Group (Audited)*	31.12.2016 Bank (Audited)*
<b>Assets</b>				
Cash and demand deposits with central banks	2 522	2 522	18 195	18 195
Demand deposits with credit institutions	33 357	33 226	28 552	28 383
Financial assets held for trading	1 074	1 074	526	526
Financial assets at fair value through profit or loss	2 304	2 304	2 361	2 361
Available-for-sale financial assets	28 856	28 856	24 197	24 197
Loans and receivables:	68 118	68 118	75 340	75 340
• Short term deposits with credit institutions	16 588	16 588	13 938	13 938
• Other deposits with financial institutions	1 921	1 921	1 857	1 857
• Loans to companies and private individuals	49 609	49 609	59 545	59 545
Held to maturity investments	14 425	14 425	18 843	18 843
Change of fair value of hedge portfolio hedged against interest rate risk	-	-	-	-
Prepaid expense and accrued income	324	322	298	266
Property and equipment	2 146	2 142	2 167	2 164
Investment properties	-	-	-	-
Goodwill and other intangible assets	1 106	318	1 135	346
Investments in share capital of related and associated companies	-	1 874	-	1 874
Tax assets	2 375	2 288	2 397	2 310
Other assets	760	741	1 509	1 486
Non-current assets and disposal groups classified as held for sale	544	544	544	544
<b>Total assets</b>	<b>157 911</b>	<b>158 754</b>	<b>176 064</b>	<b>176 835</b>
<b>Liabilities</b>				
Liabilities due to central banks	-	-	12 500	12 500
Demand liabilities from credit institutions	59	59	37	37
Financial liabilities held for trading	-	-	-	-
Financial liabilities designated at fair value through profit or loss	695	695	1 522	1 522
Financial liabilities at the amortized cost	121 836	123 110	140 680	141 878
Financial liabilities arising from financial asset transfer of financial assets	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Deferred income and accrued expense	1 211	1 183	1 104	1 079
Provisions	-	-	-	-
Tax liabilities	7	6	23	22
Other liabilities	14 513	14 512	763	763
<b>Total liabilities</b>	<b>138 321</b>	<b>139 565</b>	<b>156 629</b>	<b>157 801</b>
<b>Total shareholders' equity</b>	<b>19 590</b>	<b>19 189</b>	<b>19 435</b>	<b>19 034</b>
<b>Total liabilities and shareholders' equity</b>	<b>157 911</b>	<b>158 754</b>	<b>176 064</b>	<b>176 835</b>
<b>Assets under management</b>	<b>159 729</b>	<b>100 414</b>	<b>161 090</b>	<b>101 273</b>
<b>Memorandum items</b>	<b>7 792</b>	<b>7 792</b>	<b>9 804</b>	<b>9 804</b>
Contingent liabilities	2 806	2 806	2 846	2 846
Financial commitments	4 986	4 986	6 958	6 958
<b>Custody assets</b>	<b>153 330</b>	<b>153 330</b>	<b>164 792</b>	<b>164 792</b>

\* Auditor: KPMG Baltics SIA

## 2. Income statement for the 3 Month Period, Ended on March 31, 2017 and 2016

(EUR 000's)

Title of entry	31.03.2017. Group (Unaudited)	31.03.2017. Bank (Unaudited)	31.03.2016. Group (Unaudited)	31.03.2016. Bank (Unaudited)
Interest income	1 379	1 379	1 777	1 776
Interest expense	(425)	(428)	( 877)	( 881)
Dividends received	1	1	16	16
Commission and fee income	715	659	804	751
Commission and fee expense	(58)	(58)	( 162)	( 162)
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-	-	-
Net realised gain/(loss) from available-for-sale financial assets	20	20	( 125)	( 125)
Net realised gain/(loss) from financial assets and financial liabilities held for trading	(40)	(41)	414	414
Net realised gain/(loss) from financial assets and financial liabilities at fair value through profit or loss	(10)	(9)	( 65)	( 65)
Changes in fair value hedge accounting	-	-	-	-
Net result from foreign exchange trading and revaluation	38	40	402	411
Gain/loss from sale of tangible and intangible fixed assets	-	-	-	-
Other income	27	27	58	58
Other expense	(99)	(96)	( 67)	( 66)
Administrative expense	(1 333)	(1 279)	(1 387)	(1 331)
Depreciation	(116)	(116)	( 118)	( 117)
Impairment allowance	11	11	6	6
Impairment on financial assets	9	9	( 183)	( 183)
<b>Profit/(loss) before corporate income tax (+/-)</b>	<b>119</b>	<b>119</b>	<b>493</b>	<b>502</b>
Corporate income tax	(14)	(14)	(18)	(18)
<b>Net profit/(loss) for the period (+/-)</b>	<b>105</b>	<b>105</b>	<b>475</b>	<b>484</b>

## 3. Performance Indicators

Title of entry	31.03.2017. Group (Unaudited)	31.03.2017. Bank (Unaudited)	31.03.2016. Group (Unaudited)	31.03.2016. Bank (Unaudited)
Return on equity (ROE)	6.47%	6.56%	15.87%	15.29%
Return on assets (ROA)	0.55%	0.53%	1.21%	1.12%

#### 4. Analysis of Concentration of the Group's Securities Portfolio

The Group's securities portfolio representation broken down by countries in which the total value of the securities exceeds 10% of the Group's own funds as at March 31, 2017. The geographical allocation is based on the credit risk of the registration countries of issuers.

(EUR 000's)

Issuer's country	Securities of central governments	Securities of other issuers	Total	% to the Group's shareholders' equity
Sweden	8 388	1 012	9 400	31%
Lithuania	5 828	-	5 828	19%
Belgium	5 222	-	5 222	17%
Russia	-	3 774	3 774	12%
Other countries	12 949	7 182	20 131	X
<b>Total securities portfolio</b>	<b>32 387</b>	<b>11 968</b>	<b>44 355</b>	<b>X</b>

### III RISK AND CAPITAL MANAGEMENT

#### 1. Risk Management

Information about Risk Management is available at Bank M2M Europe AS corporate website <http://www.bankm2m.com/en/about-bank/in-reporting>.

#### Liquidity Ratio Calculation

(EUR 000's)

No	Title of entry	31.03.2017. Group (Unaudited)	31.03.2017. Bank (Unaudited)
1.	<b>Liquid assets (1.1.+1.2.+1.3.+1.4.)</b>	<b>89 558</b>	<b>89 425</b>
1.1.	Cash	467	467
1.2.	Demand deposits with central banks	2 055	2 055
1.3.	Deposits with solvent credit institutions	48 746	48 613
1.4.	Liquid securities	38 290	38 290
2.	<b>Current liabilities (with residual maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>105 792</b>	<b>106 143</b>
2.1.	Deposits and balances due to financial institutions		
2.2.	Deposits	80 324	80 705
2.3.	Issued debt securities	-	-
2.4.	Cash in transit	1 432	1 432
2.5.	Other current liabilities	16 420	16 390
2.6.	Off-balance sheet liabilities	7 616	7 616
3.	<b>Liquidity ratio (1.:2.)</b>	<b>84.65%</b>	<b>84.25%</b>
4.	<b>Minimum liquidity ratio</b>	<b>30.00%</b>	<b>30.00%</b>



## 2.Capital Adequacy

Information about Capital Management is available at Bank M2M Europe AS corporate website <http://www.bankm2m.com/en/about-bank/in-reporting>.

The Bank's equity is higher than the total amount of capital, required for covering all the significant risks, inherent to the Bank's activity.

### Own funds and capital adequacy ratios summary

(EUR 000's)

No	Title of entry	31.03.2017. Group (Unaudited)	31.03.2017. Bank (Unaudited)
1.	<b>Own funds (1.1.+1.2.)*</b>	<b>30 270</b>	<b>30 782</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	16 580	17 092
1.1.1.	Common Equity Tier (CET) 1 capital	16 580	17 092
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	13 690	13 690
2.	<b>Total Risk exposure value (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>117 341</b>	<b>118 316</b>
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	98 693	100 482
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	4 792	4 651
2.4.	Total risk exposure value for operational risk	13 632	12 959
2.5.	Total risk exposure value for credit valuation adjustment	224	224
2.6.	Total risk exposure risk value related to large exposures in trading book	-	-
2.7.	Other risk exposure values	-	-
3.	<b>Capital ratios and capital levels</b>		
3.1.	CET 1 capital ratio (1.1.1./2. *100)	14.13%	14.45%
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2. *4.5%)	11 300	11 768
3.3.	Tier 1 capital ratio (1.1./2. *100)	14.13%	14.45%
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2. *6%)	9 540	9 993
3.5.	Total capital ratio (1./2. *100)	25.80%	26.02%
3.6.	Surplus (+) / deficit (-) of total capital (1.-2. *8%)	20 883	21 317
4.	<b>Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>2.50%</b>	<b>2.50%</b>
4.1.	Capital conservation buffer (%)	2.50%	2.50%
4.2.	Institution-specific countercyclical capital buffer (%)	0.00%	0.00%
4.3.	Systemic risk buffer (%)	-	-
4.4.	Systemically important institution buffer (%)	-	-
4.5.	Other systemically important institution buffer (%)	-	-
5.	<b>Capital adequacy ratios including adjustments</b>		
5.1.	Adjustment for provisions or assets, applying special policy for the purpose of the own funds calculation	-	-
5.2.	Common equity tier 1 capital ratio, including adjustments in row 5.1.	14.13%	14.45%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	14.13%	14.45%
5.4.	Total capital ratio, including adjustments in row 5.1.	<b>25.80%</b>	<b>26.02%</b>

\* Equity includes a correction in the amount of excess of the estimated expected losses over the provisions calculated and made according to the accounting standards.



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