

***Public financial report
for the 2nd quarter 2017
Bank M2M Europe AS***



Riga, August 31, 2017

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I GENERAL INFORMATION

1.Shareholders of the Bank

The paid-up share capital of the Bank was EUR 32 170 740 as of 30 June 2017 and it consisted of 459 582 registered shares with voting rights. 43.91% of shares were owned by shareholders who individually did not have significant shareholding. The nominal value of each share is EUR 70. All shares of the Bank are dematerialized registered shares.

The structure of the Bank's significant shareholders changed in the reporting period. As on the date of the Report Andrey Vdovin (previously holding 51.73%) was not holding any participation in share capital of Bank M2M Europe AS. Information on the new structure of shareholders of the Bank will be disclosed after receiving the permission from the FCMC/ECB.

2.Council of the Bank

Name, Surname	Position
Andrey Vdovin	Chairman of the Council until 06.07.2017
Peter Charles Percival Hambro	Deputy Chairman of the Council
Thomas Roland Evert Neckmar	Member of the Council

Andrey Vdovin resigned from the Council of the Bank M2M Europe AS at his own initiative on 6 July 2017. Peter Charles Percival Hambro and Thomas Roland Evert Neckmar continue working in the Council of the Bank at present.

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:

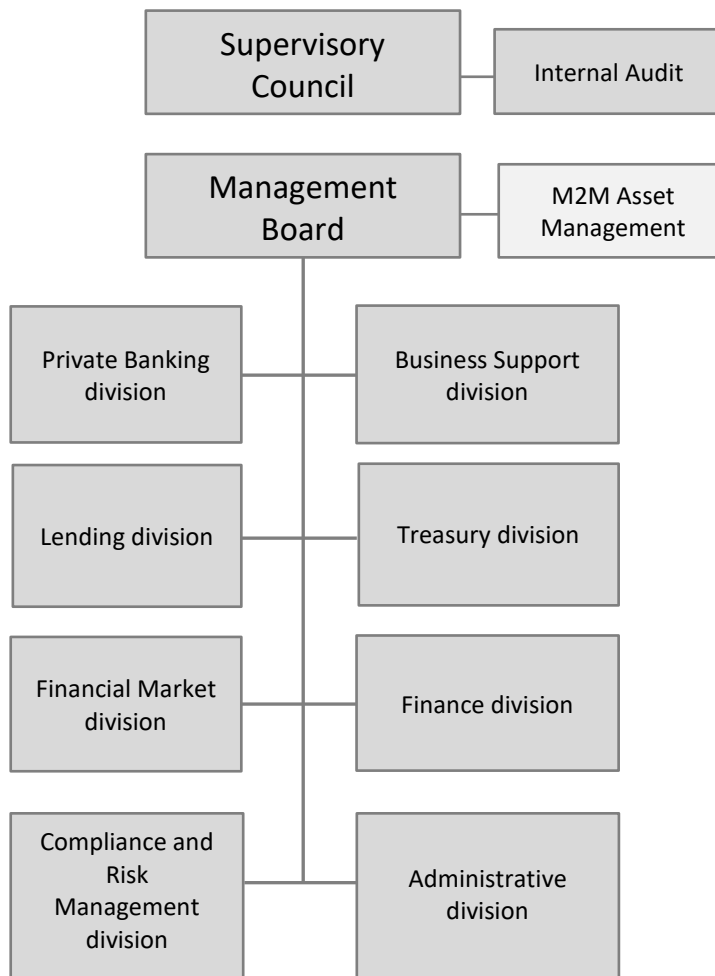
- (a) to become one of the leading banks in the *private banking* segment in the Baltics;
- (b) to develop and expand the range of top quality products and services for high net worth clients from Russia and other CIS, Latvia and other European countries;
- (c) to develop the loyal client base and grow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

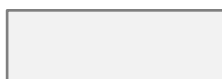
5.Consolidation Group

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 30 June, 2017 and 31 December, 2016

(EUR 000's)

Title of entry	30.06.2017. Group (Unaudited)	30.06.2017. Bank (Unaudited)	31.12.2016 Group (Audited)*	31.12.2016 Bank (Audited)*
Assets				
Cash and demand deposits with central banks	13 012	13 012	18 195	18 195
Demand deposits with credit institutions	29 366	29 295	28 552	28 383
Financial assets held for trading	989	989	526	526
Financial assets at fair value through profit or loss	1 415	1 415	2 361	2 361
Available-for-sale financial assets	20 463	20 463	24 197	24 197
Loans and receivables:	85 382	85 382	75 340	75 340
• Short term deposits with credit institutions	30 667	30 667	13 938	13 938
• Other deposits with financial institutions	817	817	1 857	1 857
• Loans to companies and private individuals	53 898	53 898	59 545	59 545
Held to maturity investments	12 952	12 952	18 843	18 843
Change of fair value of hedge portfolio hedged against interest rate risk	-	-	-	-
Prepaid expense and accrued income	327	322	298	266
Property and equipment	2 116	2 112	2 167	2 164
Investment properties	-	-	-	-
Goodwill and other intangible assets	1 104	316	1 135	346
Investments in share capital of related and associated companies	-	1 874	-	1 874
Tax assets	2 367	2 278	2 397	2 310
Other assets	316	297	1 509	1 486
Non-current assets and disposal groups classified as held for sale	544	544	544	544
Total assets	170 353	171 251	176 064	176 835
Liabilities				
Liabilities due to central banks	-	-	12 500	12 500
Demand liabilities from credit institutions	-	-	37	37
Financial liabilities held for trading	-	-	-	-
Financial liabilities designated at fair value through profit or loss	460	460	1 522	1 522
Financial liabilities at the amortized cost	124 244	125 563	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	628	603	1 104	1 079
Provisions	-	-	-	-
Tax liabilities	8	5	23	22
Other liabilities	24 892	24 888	763	763
Total liabilities	150 232	151 519	156 629	157 801
Total shareholders' equity	20 121	19 732	19 435	19 034
Total liabilities and shareholders' equity	170 353	171 251	176 064	176 835
Assets under management	150 036	94 149	161 090	101 273
Memorandum items	60 580	60 580	9 804	9 804
Contingent liabilities	37 629	37 629	2 846	2 846
Financial commitments	22 951	22 951	6 958	6 958
Custody assets	128 639	128 639	164 792	164 792

* Auditor: KPMG Baltics SIA

2. Income statement for the 6 Month Period, Ended on June 30, 2017 and 2016

(EUR 000's)

Title of entry	30.06.2017. Group (Unaudited)	30.06.2017. Bank (Unaudited)	30.06.2016. Group (Unaudited)	30.06.2016. Bank (Unaudited)
Interest income	2 745	2 745	3 446	3 446
Interest expense	(818)	(824)	(1 809)	(1 814)
Dividends received	9	9	35	35
Commission and fee income	1 592	1 479	1 656	1 549
Commission and fee expense	(214)	(215)	(301)	(301)
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-	-	-
Net realised gain/(loss) from available-for-sale financial assets	64	64	(172)	(172)
Net realised gain/(loss) from financial assets and financial liabilities held for trading	(63)	(63)	597	597
Net realised gain/(loss) from financial assets and financial liabilities at fair value through profit or loss	(10)	(10)	12	12
Changes in fair value hedge accounting	-	-	-	-
Net result from foreign exchange trading and revaluation	379	390	818	821
Gain/loss from sale of tangible and intangible fixed assets	-	-	-	-
Other income	53	54	80	78
Other expense	(202)	(201)	(194)	(190)
Administrative expense	(2 653)	(2 535)	(2 966)	(2 851)
Depreciation	(232)	(231)	(246)	(243)
Impairment allowance	69	69	(52)	(52)
Impairment on financial assets	(75)	(75)	14	14
Profit/(loss) before corporate income tax (+/-)	644	656	918	929
Corporate income tax	(34)	(34)	(41)	(41)
Net profit/(loss) for the period (+/-)	610	622	877	888

3. Performance Indicators

Title of entry	30.06.2017. Group (Unaudited)	30.06.2017. Bank (Unaudited)	30.06.2016. Group (Unaudited)	30.06.2016. Bank (Unaudited)
Return on equity (ROE)	6.19%	6.33%	10.31%	10.96 %
Return on assets (ROA)	0.73%	0.77%	0.78 %	0.79 %

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 June 30, 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	7 195	1012	8 207	28%
Lithuania	4 233	-	4 233	14%
Germany	-	5 483	5 483	19%
Russia	-	3 552	3 552	12%
Other countries	8 649	4 282	12 931	X
Total securities portfolio	20 077	14 329	34 406	X

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	30.06.2017. Group (Unaudited)	30.06.2017. Bank (Unaudited)
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	96 401	96 329
1.1.	Cash	379	379
1.2.	Demand deposits with central banks	12 633	12 633
1.3.	Deposits with solvent credit institutions	58 327	58 255
1.4.	Liquid securities	25 062	25 062
2.	Current liabilities (with residual maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	91 006	91 480
2.1.	Deposits and balances due to financial institutions	-	-
2.2.	Deposits	76 459	76 966
2.3.	Issued debt securities	-	-
2.4.	Cash in transit	490	490
2.5.	Other current liabilities	11 607	11 574
2.6.	Off-balance sheet liabilities	2 450	2 450
3.	Liquidity ratio (1.:2.)	105.93%	105.30%
4.	Minimum liquidity ratio	30.00%	30.00%

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	30.06.2017. Group (Unaudited)	30.06.2017. Bank (Unaudited)
1.	Own funds (1.1.+1.2.)*	28 984	29 495
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	16 576	17 087
1.1.1.	Common Equity Tier (CET) 1 capital	16 576	17 087
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	12 408	12 408
2.	Total Risk exposure value (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	119 223	120 457
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	100 996	102 923
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	4 551	4 531
2.4.	Total risk exposure value for operational risk	13 632	12 959
2.5.	Total risk exposure value for credit valuation adjustment	44	44
2.6.	Total risk exposure risk value related to large exposures in trading book	-	-
2.7.	Other risk exposure values	-	-
3.	Capital ratios and capital levels		
3.1.	CET 1 capital ratio (1.1.1./2. *100)	13.90%	14.19%
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2. *4.5%)	11 211	11 666
3.3.	Tier 1 capital ratio (1.1./2. *100)	13.90%	14.19%
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2. *6%)	9 423	9 860
3.5.	Total capital ratio (1./2. *100)	24.31%	24.49%
3.6.	Surplus (+) / deficit (-) of total capital (1.-2. *8%)	19 446	19 858
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	2.50%	2.50%
4.1.	Capital conservation buffer (%)	2.50%	2.50%
4.2.	Institution-specific countercyclical capital buffer (%)	-	-
4.3.	Systemic risk buffer (%)	-	-
4.4.	Systemically important institution buffer (%)	-	-
4.5.	Other systemically important institution buffer (%)	-	-
5.	Capital adequacy ratios including adjustments		
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.	13.90%	14.19%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	13.90%	14.19%
5.4.	Total capital ratio, including adjustments in row 5.1.	24.31%	24.49%

* 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.



**Bank M2M Europe AS
3, Antonijas street, Riga, LV-1010 Latvia
Phone: +371 67 080 000
Fax: +371 67 080 001
info@bankm2m.com
www.bankm2m.com**