

***Public financial report
for the 1st quarter 2015
Bank M2M Europe AS***



Riga, May 18, 2015

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I MANAGEMENT REPORT

The bank had a very successful start of the year. The growth experienced, as well as the foundations laid in 2014 have resulted in growth of revenue and profit – the Bank has finished the first quarter of 2015 with a record high profit of EUR 0.9 million.

The balance sheet, as well as number of Bank M2M Europe clients have continued to grow, whilst in percentage terms the growth rate has declined, which is in line with our forecasts. Total number of clients has reached 278. Total amount of clients' assets held and administered with the bank and M2M Asset Management has reached EUR 482 million (including client securities portfolios in custody), with average amount of assets per client of EUR 1.7 million. During the next quarters we plan to focus on increasing business volumes with existing clients of the bank, rather than increase of number of clients. We also anticipate to experience more substantial growth in assets under management and administration, compared to deposits growth rates. This is in line with our strategy to service clients' assets and generate fee income rather than grow interest income.

Financial markets have been quite well-performing in the past quarter, which is reflected in results of investment portfolios of the Bank and its clients. We offered our clients a range of new investment products and investment ideas, which generated positive results, and we plan to continue broaden the range of investment products in the upcoming months.

We also continue improving the bank's infrastructure – we have launched an external data storage center in March 2015. Located in Switzerland, it provides clients additional information security and confidentiality. Our plans for 2015 include further improvements of IT infrastructure.

In line with the strategy, Bank M2M Europe continues to maintain a conservative risk profile. As at the end of the first quarter, capital adequacy ratio of the bank stands at 22,8%, while liquidity ratio is 80%. We do not expect substantial changes of these ratios in the nearest future.

Roberts Idelsons

Chairman of the Board

II GENERAL INFORMATION

1.Shareholders of the Bank

31.03.2015			
Shareholder	Country	Total, EUR	% of total share capital
Andrey Vdovin	Russia	27 920 130	100,00

The paid-up share capital of the Bank amounts to EUR 27 920 130 and consists of 398 859 name shares with voting rights. The nominal value of each share is EUR 70. All shares of the Bank are dematerialized 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 line with the strategy Bank M2M Europe main segments of business are *private banking* and *business banking*. The Bank's mission is to provide a full range of wealth management services to high net worth clients, as well as to service their private and business banking operations.

The goals of the Bank:

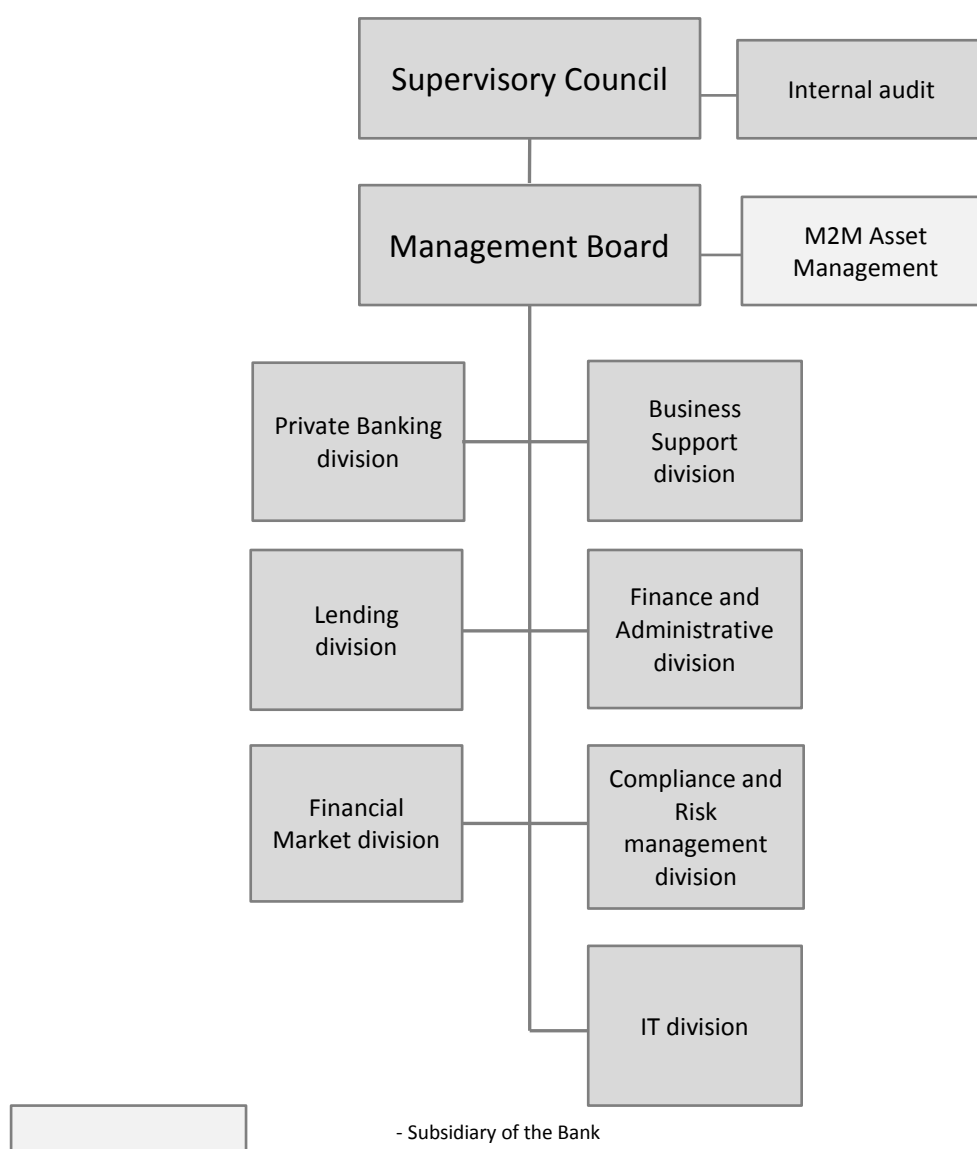
- (a) to become one of the leading banks in the *private banking* segment in the Baltics;
- (b) to develop and expand the range of top quality products and services for high net worth clients from Russia, the CIS, Latvia and other European countries;
- (c) to develop the loyal client base and grow business 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 iela 3-1, Rīga, Latvija, LV-1010	Asset management company	100	100

6.The organisation structure of the Group



III FINANCIAL PERFORMANCE

1. Balance sheet as at 31 March 2015 and 31 December 2014

(EUR 000's)

Title of entry	31.03.2015. Group (Unaudited)	31.03.2015. Bank (Unaudited)	31.12.2014 Group (Audited)*	31.12.2014 Bank (Audited)*
Assets				
Cash and demand deposits with central banks	3 571	3 571	306	306
Demand deposits from credit institutions	15 710	15 585	37 552	37 415
Financial assets held for trading	1 724	1 724	618	618
Financial assets at fair value, through profit or loss	160	160	185	185
Available-for-sale financial assets	31 164	31 164	22 299	22 299
Loans and receivables:	86 317	86 016	71 231	70 931
• <i>Loans to credit institutions</i>	42 980	42 679	34 529	34 229
• <i>Loans to financial institutions</i>	703	703	1 329	1 329
• <i>Loans to companies and private individuals</i>	42 634	42 634	35 373	35 373
Held to maturity investments	30 877	30 877	16 887	16 887
Change of fair value of hedge portfolio hedged against interest rate risk	-	-	-	-
Prepaid expense and accrued income	412	374	312	281
Property and equipment	1 624	1 616	1 665	1 656
Investment properties	-	-	-	-
Goodwill and other intangible assets	1 208	419	1 232	444
Investments in subsidiaries	-	1 874	-	1 874
Tax assets	133	30	113	-
Other assets	2 329	2 330	771	770
Total assets	175 229	175 740	153 171	153 666
Liabilities				
Liabilities due to central banks	-	-	-	-
Demand liabilities from credit institutions	-	-	-	-
Financial liabilities held for trading	-	-	-	-
Financial liabilities designated at fair value through profit or loss	201	201	377	377
Financial liabilities measured at amortized cost	158 847	159 689	139 553	140 335
Financial liabilities arising from financial asset transfer	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Deferred income and accrued expense	790	773	1 186	1 167
Provisions	-	-	-	-
Income tax liabilities	10	5	-	-
Other liabilities	1 938	1 935	42	33
Total liabilities	161 786	162 603	141 158	141 912
Total shareholder's equity	13 443	13 137	12 013	11 754
Total liabilities and shareholder's equity	175 229	175 740	153 171	153 666
	-	-		
Assets under management	183 025	111 221	187 957	119 286
Memorandum items	15 840	15 840	19 476	19 476
Contingent liabilities	8 851	8 851	3 494	3 494
Financial commitments	6 989	6 989	15 982	15 982

*Auditor: KPMG Baltics SIA

2. Income statement for the 3 month period, ended March 31, 2015 and 2014

(EUR 000's)

Title of entry	31.03.2015. Group (Unaudited)	31.03.2015. Bank (Unaudited)	31.03.2014. Group (Unaudited)*	31.03.2014. Bank (Unaudited)*
Interest income	1 315	1 315	292	291
Interest expense	(325)	(329)	(91)	(93)
Dividends received	1	1	-	-
Commission and fee income	652	549	189	101
Commission and fee expense	(163)	(157)	(21)	(15)
Net realised gain/(loss) from financial assets and financial liabilities measured at amortised cost	-	-	-	-
Net realised gain/(loss) from available-for-sale financial assets and financial liabilities	83	83	31	31
Net realised gain/(loss) from financial assets and liabilities held for trading	503	504	-	-
Net realised gain/(loss) from financial assets and liabilities at fair value through profit or loss	6	6	5	5
Changes in fair value hedge accounting	-	-	-	-
Net result from foreign exchange trading and revaluation	174	161	48	49
Gain/loss from sale of tangible and intangible fixed assets	-	-	-	-
Other income	31	32	14	14
Other expense	(48)	(48)	(46)	(45)
Administrative expense	(1 197)	(1 143)	(946)	(891)
Depreciation	(76)	(75)	(95)	(94)
Impairment allowance	6	6	(4)	(4)
Impairment of financial instruments and non-financial assets	-	-	-	-
Profit/(loss) before corporate income tax (+/-)	962	905	(624)	(651)
Corporate income tax	(17)	(7)	(2)	(2)
Net profit/(loss) for the period (+/-)	945	898	(626)	(653)

Statement of Comprehensive Income:

(EUR 000's)

Title of entry	31.03.2015. Group (Unaudited)	31.03.2015. Bank (Unaudited)	31.03.2014. Group (Unaudited)*	31.03.2014. Bank (Unaudited)*
Net change in fair value revaluation reserve of securities and other reserves	485	485	(26)	(26)
Other comprehensive income for the period	485	485	(26)	(26)
Total comprehensive income for the period (+/-)	1 430	1 383	(652)	(679)

3. Performance indicators

Title of entry	31.03.2015. Group (Unaudited)	31.03.2015. Bank (Unaudited)	31.03.2014. Group (Unaudited)*	31.03.2014. Bank (Unaudited)*
Return on equity (ROE)	29.72%	28.82%	-20.17%	-21.06%
Return on assets (ROA)	2.30%	2.04%	-4.53%	-5.06%

4. Analysis of concentration of the Group's securities portfolio

The Group's securities portfolio break downs by countries in which the total market value of the securities issued exceeds 10% of the Group's own funds as at 31 March 2015. Geographical allocation is based on countries of issuers.

(EUR 000's)

Issuer state	Securities of central governments	Other issuers securities	Total	% to the Group's shareholders' equity
Lithuania	6 169	295	6 464	28%
Latvia	3 971	1 723	5 694	24%
United Kingdom	-	4 699	4 699	20%
Sweden	4 661	-	4 661	20%
Russia	-	4 513	4 513	19%
Bulgaria	2 873	1 031	3 904	17%
Netherlands	3 616	-	3 616	15%
France	-	3 195	3 195	14%
Denmark	2 792	-	2 792	12%
Brazil	-	2 731	2 731	12%
Romania	2 691	-	2 691	11%
Hungary	1 602	790	2 392	10%
Other countries	6 925	9 488	16 413	X
Total securities portfolio	35 300	28 465	63 765	X

IV RISK AND CAPITAL MANAGEMENT

1. Risk Management

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

Liquidity ratio calculation

(EUR 000's)

No	Title of entry	31.03.2015. Group (Unaudited)	31.03.2015. Bank (Unaudited)
1.	Assets with high liquidity (1.1.+1.2.+1.3.+1.4.)	107 453	107 328
1.1.	Cash in vault	278	278
1.2.	Demand deposits with central banks	3 293	3 293
1.3.	Deposits with solvent credit institutions	53 908	53 783
1.4.	Securities with high liquidity	49 974	49 974
2.	Current liabilities (with residual for up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	134 548	134 639
2.1.	Deposits and balances due to financial institutions	-	-
2.2.	Deposits from customers	115 198	115 314
2.3.	Issued securities	-	-
2.4.	Money in transit	726	726
2.5.	Other current liabilities	3 182	3 157
2.6.	Off-balance liabilities	15 442	15 442
3.	Liquidity ratio (1.:2.)	79.86%	79.72%
4.	Minimal liquidity ratio	30.00 %	30.00 %

2.Capital adequacy

Information about capital management is available at Bank M2M Europe AS corporate website - Disclosure of Information <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 substantial risks, inherent to banking operations.

Summary report of equity and minimum capital requirements

(EUR 000's)

No	Title of entry	31.03.2015. Group (Unaudited)	31.03.2015. Bank (Unaudited)
1.	Own funds (1.1.+1.2.)	23 470	23 999
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	11 290	11 819
1.1.1.	Common tier 1 capital	11 290	11 819
1.1.2.	Additional tier 1 capital	-	-
1.2.	Tier 2 capital	12 180	12 180
2.	Sum of the risk weighted asset amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	103 095	104 887
2.1.	Amount of the risk weighted assets for credit, counterparty credit and dilution risk and free deliveries	94 856	97 034
2.2.	Risk exposure amount for settlement/delivery risk	-	-
2.3.	Risk exposure amount for position, foreign exchange and commodity risks	4 518	4 640
2.4.	Risk exposure amount for operational risk	3 568	3 060
2.5.	Risk exposure amount for credit value adjustments	153	153
2.6.	Risk exposure amount associated with large exposures in the trading book	-	-
2.7.	Risk exposure amount for other risks	-	-
3.	Capital adequacy ratios and levels of capital		
3.1.	Common equity tier 1 capital ratio (1.1.1./2.*100)	10.95%	11.27%
3.2.	Surplus (+) / deficit (-) of common equity tier 1 capital (1.1.1.-2.*4.5%)	6 651	7 099
3.3.	Tier 1 capital ratio (1.1./2.*100)	10.95%	11.27%
3.4.	Surplus (+) / deficit (-) of tier 1 capital (1.1.-2.*6%)	5 104	5 526
3.5.	Total capital ratio (1./2.*100)	22.77%	22.88%
3.6.	Surplus (+) / deficit (-) of own funds (1.-2.*8%)	15 222	15 608
4.	Total requirements for capital buffers (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.	Requirement for a countercyclical capital buffer (%)	-	-
4.3.	Requirement for a systemic risk capital buffer (%)	-	-
4.4.	Requirement for a capital buffer of institution defined as global systemic importance institution (%)	-	-
4.5.	Requirement for a capital buffer of other institutions defined as global systemic importance institutions (%)	-	-
5.	Capital adequacy ratios including adjustments		
5.1.	Provisions or adjustments in valuation of assets, applying special equity policy	-	-
5.2.	Common equity tier 1 capital ratio, including adjustments in row 5.1.	10.95%	11.27%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	10.95%	11.27%
5.4.	Total capital ratio, including adjustments in row 5.1.	22.77%	22.88%



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