

***Public financial report  
for the 3rd quarter 2015  
Bank M2M Europe AS***



**Riga, November 27, 2015**

## TABLE OF CONTENTS

<b>I MANAGEMENT REPORT .....</b>	<b>3</b>
<b>II GENERAL INFORMATION .....</b>	<b>4</b>
1. SHAREHOLDERS OF THE BANK .....	4
2. COUNCIL OF THE BANK .....	4
3. MANAGEMENT BOARD OF THE BANK .....	4
4. STRATEGY AND VISION OF THE BANK .....	5
5. CONSOLIDATION GROUP .....	5
6. THE ORGANISATION STRUCTURE OF THE GROUP .....	6
<b>III FINANCIAL PERFORMANCE .....</b>	<b>7</b>
1. BALANCE SHEET AS AT 30 SEPTEMBER 2015 AND 31 DECEMBER 2014 .....	7
2. INCOME STATEMENT FOR THE 9 MONTH PERIOD, ENDED SEPTEMBER 30, 2015 AND 2014 .....	8
3. PERFORMANCE INDICATORS .....	8
4. ANALYSIS OF CONCENTRATION OF THE GROUP'S SECURITIES PORTFOLIO .....	9
<b>IV RISK AND CAPITAL MANAGEMENT .....</b>	<b>9</b>
1. RISK MANAGEMENT .....	9
2. CAPITAL ADEQUACY .....	10

## **I MANAGEMENT REPORT**

At the beginning of the third quarter, Bank M2M Europe celebrated its second anniversary of full-scale operations under the new brand. The Bank's management is pleased with the progress made during this period. We managed not only to put together a passionate team of professionals and create a product range anticipated by our clients, but also achieved an increase in business volumes to a level that provides an adequate return on capital for the Bank's shareholder.

We certainly don't want to stop in our continuous development. Our next tasks are to grow business volumes while operating in line with our strategy - to become a leading regional boutique bank for servicing high net worth individuals. We are not trying to attract the maximum amount of customers - the cornerstone of our strategy is to service a relatively small number of clients at the highest industry standards. Our aim is that clients are servicing large share of their capital with the Bank, therefore we are constantly improving and developing our products, as well as looking for new ideas and intelligent solutions.

At the moment our priority is investment product development, which provides a stable income for our clients. We focus on fixed income products, seeking opportunities in bond and structured product markets. By the end of the year, we plan to offer more ideas in these segments.

We expect that in the fourth quarter we will continue to observe period of high volatility on financial markets - particularly in emerging markets and high yield bond segments. We will try to use these fluctuations to identify new investment ideas.

According to the Bank M2M Europe strategy we will continue to maintain a conservative risk profile. At the end of the third quarter of 2015, the capital adequacy ratio rose to 24%, while liquidity ratio was 73%. In the near future we do not expect significant changes in these indicators.

Roberts Idelsons

Chairman of the Board

## II GENERAL INFORMATION

### 1.Shareholders of the Bank

30.09.2015			
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:

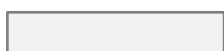
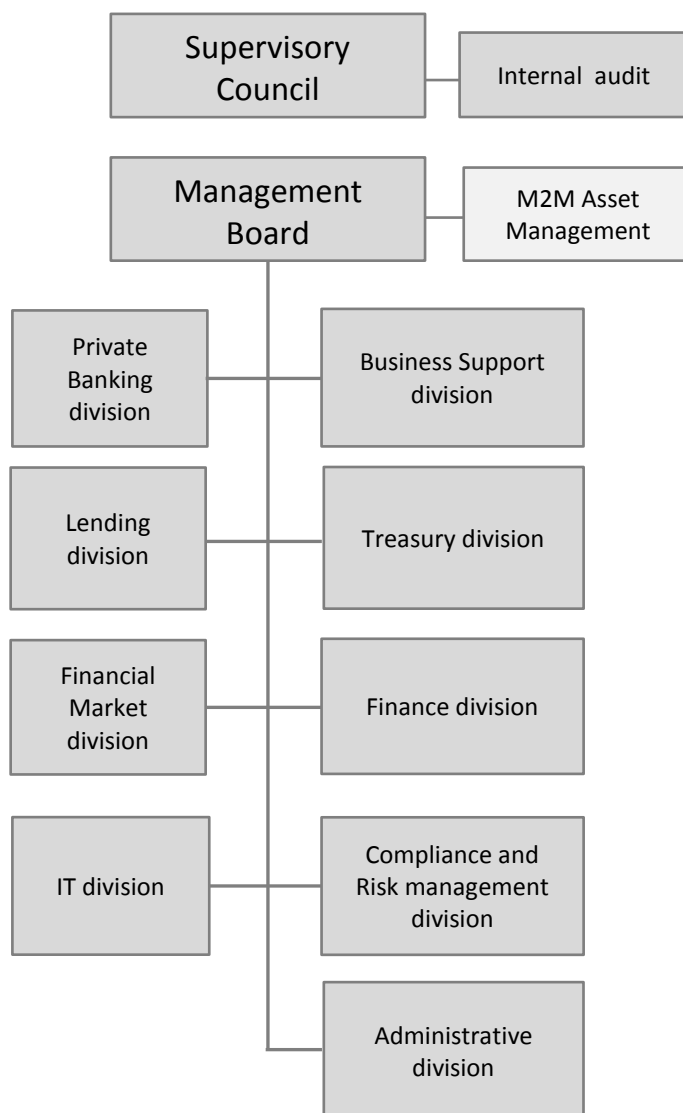
- (a) to become one of the leading banks in the *private banking* segment in the Baltics;
- (b) to develop and expand the range of top quality products and services for high net worth clients from Russia, the CIS, Latvia and other European countries;
- (c) to develop the loyal client base and grow business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



- Subsidiary of Bank

### III FINANCIAL PERFORMANCE

#### 1. Balance sheet as at 30 September 2015 and 31 December 2014

(EUR 000's)

Title of entry	30.09.2015. Group (Unaudited)	30.09.2015. Bank (Unaudited)	31.12.2014 Group (Audited)*	31.12.2014 Bank (Audited)*
<b>Assets</b>				
Cash and demand deposits with central banks	1 316	1 316	306	306
Demand deposits with credit institutions	22 399	22 011	37 552	37 415
Financial assets held for trading	1 743	1 743	618	618
Financial assets at fair value, through profit or loss	287	287	185	185
Available-for-sale financial assets	24 995	24 995	22 299	22 299
Loans and receivables:	77 908	77 908	71 231	70 931
• Short term deposits with credit institutions	26 003	26 003	33 241	33 242
• Other deposits with financial institutions	1 504	1 504	2 617	2 316
• Loans to companies and private individuals	50 401	50 401	35 373	35 373
Held to maturity investments	26 931	26 931	16 887	16 887
Change of fair value of hedge portfolio hedged against interest rate risk	-	-	-	-
Prepaid expense and accrued income	322	298	312	281
Property and equipment	2 408	2 401	1 665	1 656
Investment properties	-	-	-	-
Goodwill and other intangible assets	1 193	405	1 232	444
Investments in subsidiaries	-	1 874	-	1 874
Tax assets	108	14	113	-
Other assets	2 976	2 977	771	770
<b>Total assets</b>	<b>162 586</b>	<b>163 160</b>	<b>153 171</b>	<b>153 666</b>
<b>Liabilities</b>				
Liabilities due to central banks	10 001	10 001	-	-
Demand liabilities from credit institutions	-	-	-	-
Financial liabilities held for trading	-	-	-	-
Financial liabilities designated at fair value through profit or loss	197	197	377	377
Financial liabilities measured at amortized cost	136 625	137 579	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	986	966	1 186	1 167
Provisions	-	-	-	-
Income tax liabilities	10	5	-	-
Other liabilities	2 011	2 012	42	33
<b>Total liabilities</b>	<b>149 830</b>	<b>150 760</b>	<b>141 158</b>	<b>141 912</b>
<b>Total shareholder's equity</b>	<b>12 756</b>	<b>12 400</b>	<b>12 013</b>	<b>11 754</b>
<b>Total liabilities and shareholder's equity</b>	<b>162 586</b>	<b>163 160</b>	<b>153 171</b>	<b>153 666</b>
<b>Assets under management</b>	<b>175 448</b>	<b>119 889</b>	<b>187 957</b>	<b>119 286</b>
<b>Memorandum items</b>	<b>8 566</b>	<b>8 566</b>	<b>19 476</b>	<b>19 476</b>
Contingent liabilities	3 698	3 698	3 494	3 494
Financial commitments	4 868	4 868	15 982	15 982
<b>Custody assets</b>	<b>125 716</b>	<b>-</b>	<b>144 114</b>	<b>-</b>

\*Auditor: KPMG Baltics SIA

## 2. Income statement for the 9 month period, ended September 30, 2015 and 2014

(EUR 000's)

Title of entry	30.09.2015. Group (Unaudited)	30.09.2015. Bank (Unaudited)	30.09.2014. Group (Unaudited)	30.09.2014. Bank (Unaudited)
Interest income	4 613	4 612	1 735	1 733
Interest expense	(1 089)	(1 101)	(466)	(476)
Dividends received	33	33	1	1
Commission and fee income	2 101	1 824	1 027	757
Commission and fee expense	(737)	(719)	(121)	(100)
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	109	109	184	184
Net realised gain/(loss) from financial assets and liabilities held for trading	226	226	8	8
Net realised gain/(loss) from financial assets and liabilities at fair value through profit or loss	3	3	(5)	(5)
Changes in fair value hedge accounting	-	-	-	-
Net result from foreign exchange trading and revaluation	497	489	370	365
Gain/loss from sale of tangible and intangible fixed assets	-	-	-	-
Other income	48	46	66	68
Other expense	(238)	(234)	(146)	(143)
Administrative expense	(3 761)	(3 603)	(3 003)	(2 843)
Depreciation	(245)	(240)	(291)	(286)
Impairment allowance	(141)	(141)	(17)	(17)
Impairment of financial instruments and non-financial assets	32	32	-	-
<b>Profit/(loss) before corporate income tax (+/-)</b>	<b>1 451</b>	<b>1 336</b>	<b>(658)</b>	<b>(754)</b>
Corporate income tax	(62)	(44)	(5)	(5)
<b>Net profit/(loss) for the period (+/-)</b>	<b>1 389</b>	<b>1 292</b>	<b>(663)</b>	<b>(759)</b>

### Statement of Comprehensive Income:

(EUR 000's)

Title of entry	30.09.2015. Group (Unaudited)	30.09.2015. Bank (Unaudited)	30.09.2014. Group (Unaudited)	30.09.2014. Bank (Unaudited)
Net change in fair value revaluation reserve of securities and other reserves	(646)	(646)	(280)	(280)
<b>Other comprehensive income for the period</b>	<b>(646)</b>	<b>(646)</b>	<b>(280)</b>	<b>(280)</b>
<b>Total comprehensive income for the period (+/-)</b>	<b>743</b>	<b>646</b>	<b>(943)</b>	<b>(1 039)</b>

## 3. Performance indicators

Title of entry	30.09.2015. Group (Unaudited)	30.09.2015. Bank (Unaudited)	30.09.2014. Group (Unaudited)	30.09.2014. Bank (Unaudited)
Return on equity (ROE)	14.15 %	13.17 %	-7.18 %	-8.34 %
Return on assets (ROA)	1.14 %	1.02 %	-1.09 %	-1.18 %



#### 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 30 September 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
Germany	-	6 974	6 974	27%
Latvia	4 743	1 414	6 157	24%
Lithuania	5 938	-	5 938	23%
France	4 494	-	4 494	17%
Sweden	4 478	-	4 478	17%
Brazil	1 009	3 024	4 033	15%
Denmark	2 680	-	2 680	10%
Other countries	7 655	11 260	18 915	X
<b>Total securities portfolio</b>	<b>30 997</b>	<b>22 672</b>	<b>53 669</b>	<b>X</b>

#### 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	30.09.2015. Group (Unaudited)	30.09.2015. Bank (Unaudited)
1.	<b>Assets with high liquidity (1.1.+1.2.+1.3.+1.4.)</b>	<b>75 136</b>	<b>74 748</b>
1.1.	Cash in vault	445	445
1.2.	Demand deposits with central banks	871	871
1.3.	Deposits with solvent credit institutions	43 887	43 499
1.4.	Securities with high liquidity	29 933	29 933
2.	<b>Current liabilities (with residual for up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)</b>	<b>102 480</b>	<b>103 409</b>
2.1.	Deposits and balances due to financial institutions	-	-
2.2.	Deposits from customers	89 659	90 613
2.3.	Issued securities	-	-
2.4.	Money in transit	520	520
2.5.	Other current liabilities	3 784	3 759
2.6.	Off-balance liabilities	8 517	8 517
3.	<b>Liquidity ratio (1.:2.)</b>	<b>73.32%</b>	<b>72.28%</b>
4.	<b>Minimal 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 - 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	30.09.2015. Group (Unaudited)	30.09.2015. Bank (Unaudited)
1.	<b>Own funds (1.1.+1.2.)</b>	<b>26 048</b>	<b>26 578</b>
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	10 174	10 704
1.1.1.	Common tier 1 capital	10 174	10 704
1.1.2.	Additional tier 1 capital	-	-
1.2.	Tier 2 capital	15 874	15 874
2.	<b>Sum of the risk weighted asset amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)</b>	<b>106 917</b>	<b>108 119</b>
2.1.	Amount of the risk weighted assets for credit, counterparty credit and dilution risk and free deliveries	98 329	99 860
2.2.	Risk exposure amount for settlement/delivery risk	-	-
2.3.	Risk exposure amount for position, foreign exchange and commodity risks	4 978	5 156
2.4.	Risk exposure amount for operational risk	3 567	3 060
2.5.	Risk exposure amount for credit value adjustments	43	43
2.6.	Risk exposure amount associated with large exposures in the trading book	-	-
2.7.	Risk exposure amount for other risks	-	-
3.	<b>Capital adequacy ratios and levels of capital</b>		
3.1.	Common equity tier 1 capital ratio (1.1.1./2.*100)	9.52 %	9.90 %
3.2.	Surplus (+) / deficit (-) of common equity tier 1 capital (1.1.1.-2.*4.5%)	5 363	5 839
3.3.	Tier 1 capital ratio (1.1./2.*100)	9.52 %	9.90 %
3.4.	Surplus (+) / deficit (-) of tier 1 capital (1.1.-2.*6%)	3 759	4 217
3.5.	Total capital ratio (1./2.*100)	24.36 %	24.58 %
3.6.	Surplus (+) / deficit (-) of own funds (1.-2.*8%)	17 495	17 928
4.	<b>Total requirements for capital buffers (4.1.+4.2.+4.3.+4.4.+4.5.)</b>	<b>2.5 %</b>	<b>2.5 %</b>
4.1.	Capital conservation buffer (%)	2.5 %	2.5 %
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.	<b>Capital adequacy ratios including adjustments</b>		
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.	<b>9.52 %</b>	<b>9.90 %</b>
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	<b>9.52 %</b>	<b>9.90 %</b>
5.4.	Total capital ratio, including adjustments in row 5.1.	<b>24.36 %</b>	<b>24.58 %</b>



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**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**