

***Public financial report
for the 4th quarter 2015
Bank M2M Europe AS***



Riga, February 29, 2016

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I GENERAL INFORMATION

1.Shareholders of the Bank

31.12.2015			
Shareholder	Country	Total, EUR	% of total share capital
Andrey Vdovin	Russia	27 920 130	94,00
Robert Idelson	Latvia	1 579 970	5,48
Arseniy Vdovin	Russia	150 500	0,52

The paid-up share capital of the Bank amounts to EUR 28 820 680 and consists of 411 724 name shares with voting rights. The nominal value of each share is EUR 70. All shares of the Bank are dematerialized shares.

There have been changes in ownership in the reporting period.

An increase in share capital was registered in October 2015. The new issue of 2 150 shares with nominal value of EUR 150 500 was paid by the new shareholder Arseniy Vdovin.

In December 2015 Roberts Idelsons purchased 22 571 shares with nominal value of EUR 1 579 970 from Andrey Vdovin.

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:

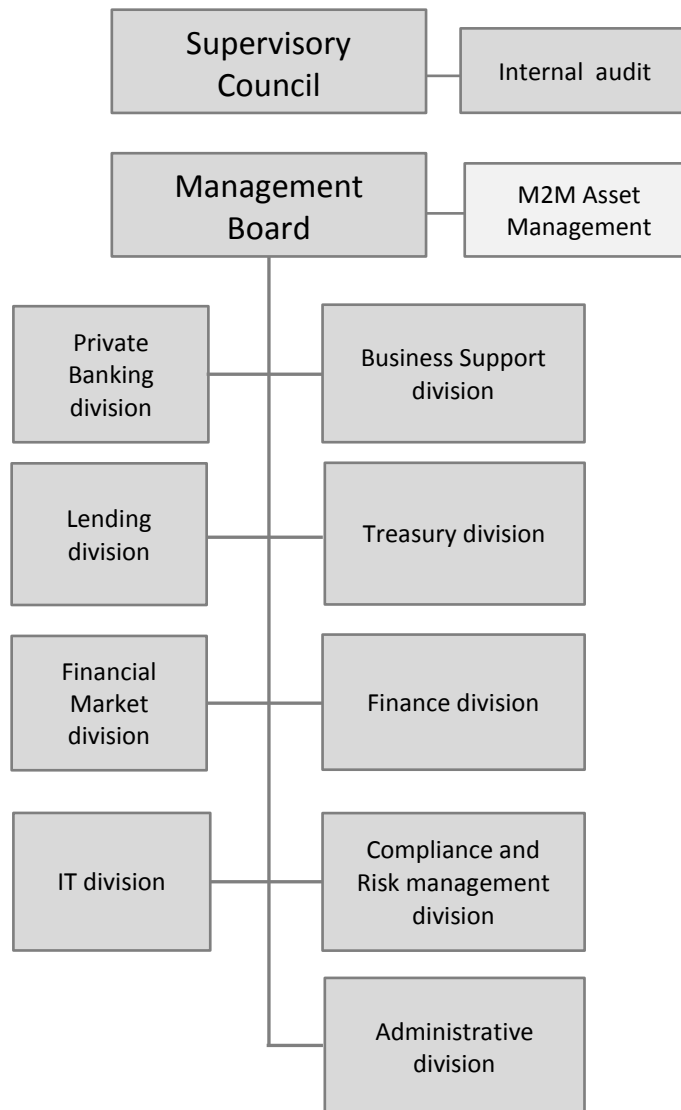
- (a) to become one of the leading banks in the *private banking* segment in the Baltics;
- (b) to develop and expand the range of top quality products and services for high net worth clients from Russia, the CIS, Latvia and other European countries;
- (c) to develop the loyal client base and grow business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

II FINANCIAL PERFORMANCE

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

(EUR 000's)

Title of entry	31.12.2015. Group (Audited)*	31.12.2015. Bank (Audited)*	31.12.2014 Group (Audited)*	31.12.2014 Bank (Audited)*
Assets				
Cash and demand deposits with central banks	23 322	23 322	306	306
Demand deposits with credit institutions	52 431	52 094	37 552	37 415
Financial assets held for trading	4 846	4 846	618	618
Financial assets at fair value, through profit or loss	727	727	185	185
Available-for-sale financial assets	32 794	32 794	22 299	22 299
Loans and receivables:	91 934	91 934	71 231	70 931
• Short term deposits with credit institutions	41 703	41 703	33 241	33 242
• Other deposits with financial institutions	1 748	1 748	2 617	2 316
• Loans to companies and private individuals	48 483	48 483	35 373	35 373
Held to maturity investments	26 455	26 455	16 887	16 887
Change of fair value of hedge portfolio hedged against interest rate risk	-	-	-	-
Prepaid expense and accrued income	396	358	312	281
Property and equipment	2 350	2 344	1 665	1 656
Investment properties	-	-	-	-
Goodwill and other intangible assets	1 179	391	1 232	444
Investments in subsidiaries	-	1 874	-	1 874
Tax assets	1 219	1 127	113	-
Other assets	302	277	771	770
Total assets	237 955	238 543	153 171	153 666
Liabilities				
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	653	653	377	377
Financial liabilities measured at amortized cost	211 184	212 181	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	817	792	1 186	1 167
Provisions	-	-	-	-
Income tax liabilities	-	-	-	-
Other liabilities	96	88	42	33
Total liabilities	222 751	223 715	141 158	141 912
Total shareholder's equity	15 204	14 828	12 013	11 754
Total liabilities and shareholder's equity	237 955	238 543	153 171	153 666
Assets under management	181 149	126 129	187 957	119 286
Memorandum items	10 671	10 671	13 099	13 099
Contingent liabilities	3 521	3 521	4 297	4 297
Financial commitments	7 150	7 150	8 802	8 802
Custody assets	148 345	148 345	144 114	144 114

*Auditor: KPMG Baltics SIA

2. Income statement for the 12 month period, ended December 31, 2015 and 2014

(EUR 000's)

Title of entry	31.12.2015. Group (Audited)	31.12.2015. Bank (Audited)	31.12.2014. Group (Audited)	31.12.2014. Bank (Audited)
Interest income	6 416	6 415	2 508	2 505
Interest expense	(1 711)	(1 727)	(687)	(701)
Dividends received	37	37	1	1
Commission and fee income	3 673	3 345	2 396	2 029
Commission and fee expense	(1 004)	(987)	(190)	(165)
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	34	34	305	305
Net realised gain/(loss) from financial assets and liabilities held for trading	471	471	9	9
Net realised gain/(loss) from financial assets and liabilities at fair value through profit or loss	(860)	(860)	(104)	(104)
Changes in fair value hedge accounting	-	-	-	-
Net result from foreign exchange trading and revaluation	901	888	411	402
Gain/loss from sale of tangible and intangible fixed assets	-	-	-	-
Other income	150	112	105	108
Other expense	-	-	-	-
Administrative expense	(5 518)	(5 282)	(4 330)	(4 115)
Depreciation	(361)	(356)	(384)	(377)
Impairment allowance	(582)	(582)	-	-
Impairment of financial instruments and non-financial assets	(607)	(607)	-	-
Profit/(loss) before corporate income tax (+/-)	1 039	901	40	(103)
Corporate income tax	1 106	1 127	113	-
Net profit/(loss) for the period (+/-)	2 145	2 028	153	(103)

3. Performance indicators

Title of entry	31.12.2015. Group (Audited)	31.12.2015. Bank (Audited)	31.12.2014. Group (Audited)	31.12.2014. Bank (Audited)
Return on equity (ROE)	15.87%	15.29%	1.25%	-0.85%
Return on assets (ROA)	1.21%	1.12%	0.16%	-0.10%

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 December 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	-	8 633	8 633	29%
Latvia	4 743	1 414	6 157	24%
Lithuania	5 938	-	5 938	23%
France	4 494	-	4 494	17%
Sweden	4 599	-	4 599	16%
Austria	-	6 423	6 423	22%
Other countries	11 634	14 827	26 461	X
Total securities portfolio	32 090	31 963	64 053	X

III 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	31.12.2015. Group (Audited)	31.12.2015. Bank (Audited)
1.	Assets with high liquidity (1.1.+1.2.+1.3.+1.4.)	152 857	152 520
1.1.	Cash in vault	375	375
1.2.	Demand deposits with central banks	23 172	23 172
1.3.	Deposits with solvent credit institutions	90 482	90 145
1.4.	Securities with high liquidity	38 828	38 828
2.	Current liabilities (with residual for up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	161 590	162 460
2.1.	Deposits and balances due to financial institutions	-	-
2.2.	Deposits from customers	147 798	148 792
2.3.	Issued securities	-	-
2.4.	Money in transit	1	1
2.5.	Other current liabilities	3 193	3 069
2.6.	Off-balance liabilities	10 598	10 598
3.	Liquidity ratio (1.:2.)	94.60%	93.88%
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)	
№	Title of entry	31.12.2015. Group (Audited)	31.12.2015. Bank (Audited)	
1.	Own funds (1.1.+1.2.)	29 619	30 031	
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	14 025	14 437	
1.1.1.	Common tier 1 capital	14 025	14 437	
1.1.2.	Additional tier 1 capital	-	-	
1.2.	Tier 2 capital	15 594	15 594	
2.	Sum of the risk weighted asset amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	125 403	126 426	
2.1.	Amount of the risk weighted assets for credit, counterparty credit and dilution risk and free deliveries	107 058	108 599	
2.2.	Risk exposure amount for settlement/delivery risk	-	-	
2.3.	Risk exposure amount for position, foreign exchange and commodity risks	9 873	9 907	
2.4.	Risk exposure amount for operational risk	8 327	7 775	
2.5.	Risk exposure amount for credit value adjustments	145	145	
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)	11.18%	11.42%	
3.2.	Surplus (+) / deficit (-) of common equity tier 1 capital (1.1.1.-2.*4.5%)	8 381	8 748	
3.3.	Tier 1 capital ratio (1.1./2.*100)	11.18%	11.42%	
3.4.	Surplus (+) / deficit (-) of tier 1 capital (1.1.-2.*6%)	6 500	6 851	
3.5.	Total capital ratio (1./2.*100)	23.62%	23.75%	
3.6.	Surplus (+) / deficit (-) of own funds (1.-2.*8%)	19 586	19 917	
4.	Total requirements for capital buffers (4.1.+4.2.+4.3.+4.4.+4.5.)	2.5%	2.5%	
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.	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.	11.18%	11.42%	
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	11.18%	11.42%	
5.4.	Total capital ratio, including adjustments in row 5.1.	23.62%	23.75%	



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