

***Public financial report
for the 4th quarter 2016
Bank M2M Europe AS***



Riga, February 27, 2017

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I GENERAL INFORMATION

1.Shareholders of the Bank

31.12.2016			
Shareholder	Country	Total, EUR	% of total share capital
Andrey Vdovin and family members	Russia	23,478,210	72.98%
Leonid Kaplan	Russia	2,184,000	6.79%
DMD HOLDING SIA	Latvia	1,895,600	5.89%
Roberts Idelsons	Latvia	1,579,970	4.91%
Tatiana Rapoport	Latvia	1,516,480	4.71%
Igor Rapoport	Latvia	1,516,480	4.71%

Paid up share capital of the Bank as of December 31, 2016 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:

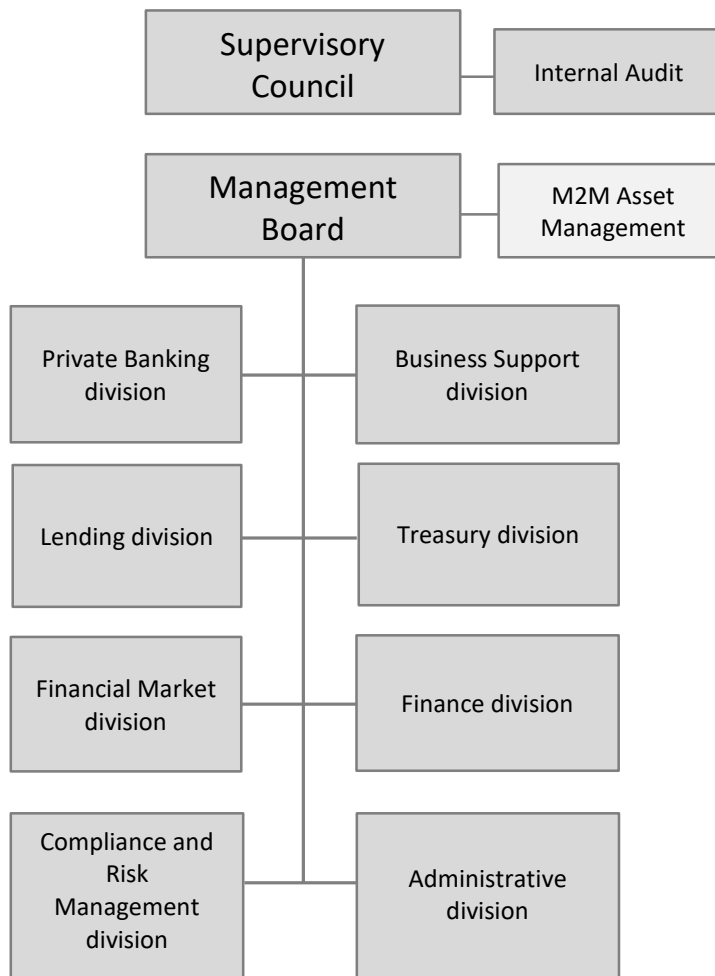
- (a) to become one of the leading banks in the *private banking* segment in the Baltics;
- (b) to develop and expand the range of top quality products and services for high net worth clients from Russia and other CIS, Latvia and other European countries;
- (c) to develop the loyal client base and grow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

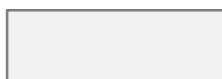
5.Consolidation Group

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 December, 2016 and 31 December, 2015

(EUR 000's)

Title of entry	31.12.2016. Group (Unaudited)	31.12.2016. Bank (Unaudited)	31.12.2015 Group (Audited)*	31.12.2015 Bank (Audited)*
Assets				
Cash and demand deposits with central banks	18 195	18 195	23 322	23 322
Demand deposits with credit institutions	28 552	28 382	52 431	52 094
Financial assets held for trading	526	526	1 141	1 141
Financial assets at fair value through profit or loss	2 361	2 361	4 432	4 432
Available-for-sale financial assets	24 741	24 741	32 794	32 794
Loans and receivables:	75 340	75 340	91 934	91 934
• Short term deposits with credit institutions	13 938	13 938	41 703	41 703
• Other deposits with financial institutions	1 857	1 857	1 748	1 748
• Loans to companies and private individuals	59 545	59 545	48 483	48 483
Held to maturity investments	18 843	18 843	26 455	26 455
Change of fair value of hedge portfolio hedged against interest rate risk	-	-	-	-
Prepaid expense and accrued income	298	266	257	220
Property and equipment	2 167	2 164	2 350	2 344
Investment properties	-	-	-	-
Goodwill and other intangible assets	1 135	346	1 179	391
Investments in share capital of related and associated companies	-	1 874	-	1 874
Tax assets	2 757	2 670	1 219	1 127
Other assets	1 508	1 487	441	415
Non-current assets and disposal groups classified as held for sale	544	544	-	-
Total assets	176 967	177 739	237 955	238 543
Liabilities				
Liabilities due to central banks	12 500	12 500	10 001	10 001
Demand liabilities from credit institutions	37	37	-	-
Financial liabilities held for trading	-	-	-	-
Financial liabilities designated at fair value through profit or loss	1 522	1 522	653	653
Financial liabilities at the amortized cost	140 680	141 878	211 184	212 181
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	1 104	1 079	848	822
Provisions	-	-	-	-
Tax liabilities	23	22	-	-
Other liabilities	762	763	65	58
Total liabilities	156 628	157 801	222 751	223 715
Total shareholders' equity	20 339	19 938	15 204	14 828
Total liabilities and shareholders' equity	176 967	177 739	237 955	238 543
Assets under management	161 090	101 273	181 149	126 129
Memorandum items	9 804	9 804	10 671	10 671
Contingent liabilities	2 846	2 846	3 521	3 521
Financial commitments	6 958	6 958	7 150	7 150
Custody assets	164 792	164 792	148 345	148 345

* Auditor: KPMG Baltics SIA

2. Income statement for the 12 Month Period, Ended on December 31, 2016 and 2015

(EUR 000's)

Title of entry	31.12.2016. Group (Unaudited)	31.12.2016. Bank (Unaudited)	31.12.2015. Group (Audited)*	31.12.2015. Bank (Audited)*
Interest income	6 729	6 729	6 416	6 415
Interest expense	(3 187)	(3 199)	(1 711)	(1 727)
Dividends received	51	51	37	37
Commission and fee income	3 266	3 017	3 673	3 345
Commission and fee expense	(501)	(501)	(1 004)	(987)
Net realised gain/(loss) from financial assets and financial liabilities measured at amortised cost	-	-	-	-
Net realised gain/(loss) from available-for-sale financial assets	(1 246)	(1 246)	34	34
Net realised gain/(loss) from financial assets and financial liabilities held for trading	624	624	471	471
Net realised gain/(loss) from financial assets and financial liabilities at fair value through profit or loss	(21)	(21)	(860)	(860)
Changes in fair value hedge accounting	-	-	-	-
Net result from foreign exchange trading and revaluation	1 660	1 658	901	888
Gain/loss from sale of tangible and intangible fixed assets	-	-	-	-
Other income	158	157	150	112
Other expense	(529)	(524)	-	-
Administrative expense	(6 241)	(6 018)	(5 518)	(5 282)
Depreciation	(488)	(483)	(361)	(356)
Impairment allowance	(431)	(431)	(582)	(582)
Impairment on financial assets	(168)	(168)	(607)	(607)
Profit/(loss) before corporate income tax (+/-)	(324)	(355)	1 039	901
Corporate income tax	1 495	1 500	1 106	1 127
Net profit/(loss) for the period (+/-)	1 171	1 145	2 145	2 028

3. Performance Indicators

Title of entry	31.12.2016. Group (Unaudited)	31.12.2016. Bank (Unaudited)	31.12.2015. Group (Audited)*	31.12.2015. Bank (Audited)*
Return on equity (ROE)	6.47%	6.56%	15.87%	15.29%
Return on assets (ROA)	0.55%	0.53%	1.21%	1.12%

* Auditor: KPMG Baltics SIA

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 December 31, 2016. 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	8 488	1 013	9 501	31%
Latvia	5 644	724	6 368	21%
Lithuania	5 508	-	5 508	18%
Germany	-	5 061	5 061	17%
Other countries	11 628	6 044	17 672	X
Total securities portfolio	31 268	12 842	44 110	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	31.12.2016. Group (Unaudited)	31.12.2016. Bank (Unaudited)
1.	Liquid assets (1.1.+1.2.+1.3.+1.4.)	85 052	84 883
1.1.	Cash	377	377
1.2.	Demand deposits with central banks	17 818	17 818
1.3.	Deposits with solvent credit institutions	41 534	41 365
1.4.	Liquid securities	25 323	25 323
2.	Current liabilities (with residual maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)	109 043	109 175
2.1.	Deposits and balances due to financial institutions	37	37
2.2.	Deposits	94 517	94 675
2.3.	Issued debt securities		
2.4.	Cash in transit	2 020	2 020
2.5.	Other current liabilities	2 843	2 817
2.6.	Off-balance sheet liabilities	9 626	9 626
3.	Liquidity ratio (1.:2.)	78.00%	77.75%
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	31.12.2016. Group (Unaudited)	31.12.2016. Bank (Unaudited)
1.	Own funds (1.1.+1.2.)*	30 405	30 917
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	16 985	17 497
1.1.1.	Common Equity Tier (CET) 1 capital	16 985	17 497
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	13 420	13 420
2.	Total Risk exposure value (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	116 597	117 901
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	97 430	99 310
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	5 477	5 574
2.4.	Total risk exposure value for operational risk	13 632	12 959
2.5.	Total risk exposure value for credit valuation adjustment	58	58
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)	14.57%	14.84%
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	11 738	12 191
3.3.	Tier 1 capital ratio (1.1./2.*100)	14.57%	14.84%
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2.*6%)	9 989	10 423
3.5.	Total capital ratio (1./2.*100)	26.08%	26.22%
3.6.	Surplus (+) / deficit (-) of total capital (1.-2.*8%)	21 077	21 485
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	2.51%	2.51%
4.1.	Capital conservation buffer (%)	2.50%	2.50%
4.2.	Institution-specific countercyclical capital buffer (%)	0.01%	0.01%
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.	14.57%	14.84%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	14.57%	14.84%
5.4.	Total capital ratio, including adjustments in row 5.1.	26.08%	26.22%

* 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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