

Signet Bank AS

Public Financial Report

3rd quarter 2018



SIGNET

PRIVATE
BANK



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I Management report

During the 3rd quarter the Group continued to implement its adjusted strategy, which foresees geographical diversification of the client base in order to gradually reduce the share of business conducted with residents of non-EU and non-OECD countries, while focusing exclusively on providing capital management solutions and servicing the daily banking needs of High Net Worth clients.

Key element of the Group's strategy is to grow Assets under Management and Administration ("AUMA") and fee income, while maintaining conservative balance sheet. During 9 months of 2018 we achieved positive results in meeting these objectives - Group's AUMA have increased from 443mln EUR to 542 mln EUR (+22%), while net fee income has increased by 28% compared to the same period in 2017. At the same time Group's balance sheet remains conservative and liquid – capital adequacy ratio was 28% at the end of the 3rd quarter while liquidity ratio was 91%.

During 9 months of 2018 the Group started to realize opportunities offered by ongoing changes in the Latvian banking sector. We started to put more emphasize on servicing local clients, which resulted in growth of the share of local clients from 13% to 24% in terms of deposits and from 26% to 52% in terms of AUMA.

We are confident that our business model with a small number of clients and number of transactions allows us to successfully manage any AML/CTF-related risk. Adherence to the highest international standards and practices in the field of AML/CTF always was and remains a corner stone of our operations. Independent review of the bank's AML/CTF programme, which was conducted by international auditors, was completed in Q3 of 2018. The bank's management is pleased with the results and will be working towards the introduction of consultants' recommendations for further strengthening of the AML/CTF programme.

Management of the Group is looking with confidence into remaining months of 2018, which proved to be a challenging year for Latvian banking system.

Roberts Idelsons
Chairman of the Board

Riga, November 29, 2018



II General Information

1. Shareholders of the Bank

30.09.2018.

Name, surname/ Company	Total EUR	% of total share capital
Signet Global Investors Limited	8 042 720	25,00 %
SIA "Hansalink"	7 174 090	22,30 %
Arkadiy Perelshtein	3 184 300	9,90 %
SIA "Fin.lv" *	2 825 200	8,79 %
Leonid Kaplan	2 184 000	6,79 %
SIA "DMD Holding"	1 895 600	5,89 %
Robert Idelson	1 579 970	4,91 %
Igor Rapoport *	1 516 480	4,71 %
Tatjana Rapoport *	1 516 480	4,71 %
Natalija Petkevicha	1 125 950	3,50 %
Soloman Rutenberg	1 125 950	3,50 %
Total	32 170 740	100,00 %

* Joint control with a shareholding of 18.21%

The paid-up share capital of the Bank was EUR 32 170 740 as of 30 September 2018 and it consisted of 459 582 registered shares with voting rights. The nominal value of each share is EUR 70. All shares of the Bank are dematerialized registered shares.

2. Supervisory Council of the Bank

Position	Name, surname
Chairman of the Supervisory Council	Serge Umansky
Deputy Chairman of the Supervisory Council	Irīna Pīgozne
Member of the Supervisory Council	Thomas Roland Evert Neckmar
Member of the Supervisory Council	Sergejs Medvedevs
Member of the Supervisory Council	Pavel Kurosh

There were no changes in the Supervisory Council of the Bank during the reporting period.

3. Management Board of the Bank

Position	Name, surname
Chairman of the Management Board	Roberts Idelsons
Member of the Management Board	Tatjana Drobina
Member of the Management Board	Sergejs Zaicevs
Member of the Management Board	Jānis Solovjakovs

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, Signet Bank 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:

- to become one of the leading banks in the private banking segment in the Baltics;
- to develop and expand the range of top quality products and services for high net worth clients from Latvia, EEA and OECD countries;
- to develop the loyal client base and grow business volumes, in order to achieve the goals and results, defined in the Bank's strategy.

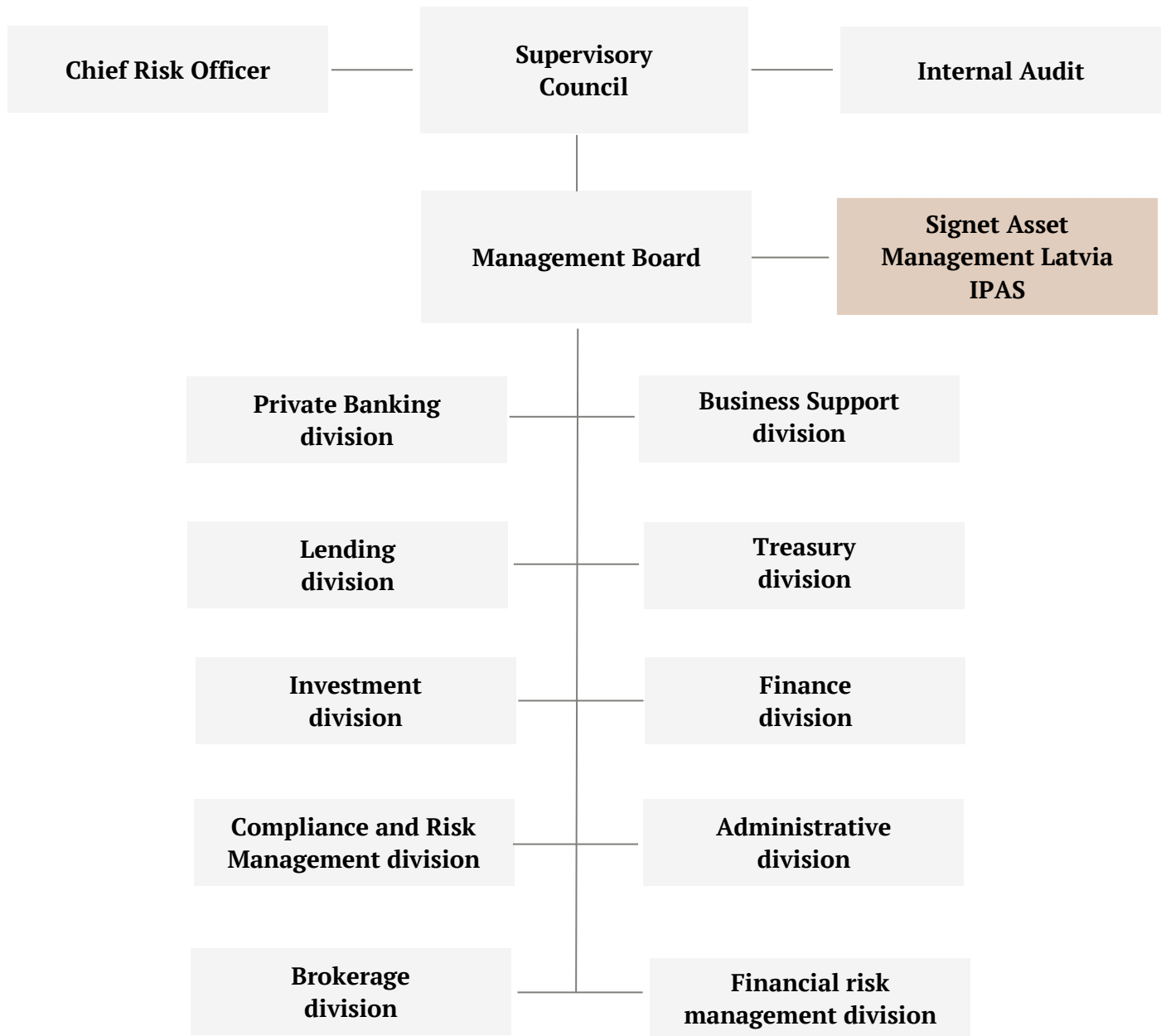
5. Consolidation Group

The Consolidation Group of Signet Bank 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
„Signet Asset Management Latvia” IPAS 40103362872	LV, Antonijas Str. 3-1, Riga, LV 1010, Latvia	Asset management company	100	100



6. The Organization Structure of the Group



 - Subsidiary of the Bank



III Financial position and performance

1. Balance sheet Statement of Financial Position as at 30 September 2018 and 31 December 2017

EUR '000

Title of entry	30.09.2018. Bank (Unaudited)	30.09.2018. Group (Unaudited)	31.12.2017. Bank (Audited)*	31.12.2017. Group (Audited)*
Assets				
Cash and demand deposits with central banks	24,198	24,198	23,923	23,923
Demand deposits with credit institutions	16,703	16,703	30,827	30,909
Financial assets designated at fair value through profit or loss	1,019	1,019	1,292	1,292
Financial assets measured at fair value with other comprehensive income	35,925	35,925	21,072	21,072
Financial assets measured at amortized cost	63,486	63,486	88,974	88,974
Debt securities	5,481	5,481	9,707	9,707
Short term deposits with credit institutions	12,989	12,989	33,881	33,881
Other deposits with financial institutions	581	581	1,304	1,304
Loans to companies and private individuals	44,435	44,435	44,082	44,082
Derivative financial instruments - hedge accounting	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-
Investments in subsidiaries, joint ventures and associates	2,092	800	1,964	635
Tangible assets	1,785	1,788	1,992	1,995
Intangible assets	191	191	313	313
Tax assets	18	18	17	22
Other assets	347	372	844	869
Non-current assets and disposal groups classified as held for sale	-	-	-	-
Total assets	145,764	144,500	171,218	170,004
Liabilities and shareholders' equity				
Liabilities due to central banks	-	-	-	-
Demand liabilities from credit institutions	-	-	1	1
Financial liabilities designated at fair value through profit or loss	284	284	304	304
Financial liabilities measured at the amortized cost	122,521	121,134	153,895	152,604
Derivative financial instruments - hedge accounting	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Provisions	-	-	-	-
Tax liabilities	10	11	-	-
Other liabilities	6,702	6,714	1,320	1,264
Liabilities included in disposals groups classified as held for sale	-	-	-	-
Total liabilities	129,517	128,143	155,520	154,173
Total shareholders' equity	16,247	16,357	15,698	15,831
Total liabilities and shareholders' equity	145,764	144,500	171,218	170,004
Assets under management	199,509	254,520	82,487	140,246
Memorandum items	1,374	1,374	2,587	2,587
Contingent liabilities	-	-	-	-
Financial commitments	1,374	1,374	2,587	2,587
Custody assets	166,504	166,504	150,086	150,086

* Auditor: KPMG Baltics SIA



2. Statement of profit or loss and other comprehensive income for the 9 Month Period, ended September 30, 2018 and 2017

EUR '000

Title of entry	30.09.2018. Bank (Unaudited)	30.09.2018. Group (Unaudited)	30.09.2017. Bank (Unaudited)	30.09.2017. Group (Unaudited)
Interest income	3,836	3,836	4,228	4,228
Interest expense (-)	(1,195)	(1,190)	(1,263)	(1,253)
Dividends received	20	20	39	39
Commission and fee income	2,626	2,800	2,028	2,193
Commission and fee expense (-)	(410)	(421)	(331)	(331)
Gains/ losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (+/-)	(88)	(88)	64	64
Gains / losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	(35)	(35)	(139)	(139)
Gains/ losses from hedge accounting, net (+/-)	-	-	-	-
Result from foreign exchange trading and revaluation, net (+/-)	791	800	650	633
Gains/ losses on derecognition of non-financial assets, net	-	-	-	-
Other operating income	72	74	120	119
Other operating expense (-)	(393)	(396)	(481)	(492)
Administrative expense (-)	(4,154)	(4,389)	(3,901)	(4,062)
Depreciation (-)	(352)	(354)	(344)	(346)
Gains / losses recognized in the contractual cash flows of a financial asset (+/-)	-	-	-	-
Provisions or reversal of provisions (+/-)	128	128	(180)	(180)
Impairment or reversal of impairment (+/-)	(55)	(55)	(112)	(112)
Negative goodwill recognised in profit or loss	-	-	-	-
Share of the profit/ loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method (+/-)	-	-	-	-
Gains/ loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (+/-)	-	-	-	-
Profit/(loss) before corporate income tax (+/-)	791	730	378	361
Corporate income tax	(43)	(43)	(47)	(47)
Net profit/(loss) for the period (+/-)	748	687	331	314
Other comprehensive income for the period (+/-)	(147)	(147)	(112)	(112)

3. Performance Indicators

Title of entry	30.09.2018. Bank (Unaudited)	30.09.2018. Group (Unaudited)	30.09.2017. Bank (Unaudited)	30.09.2017. Group (Unaudited)
Return on equity (ROE) (%)	6.27%	5.75%	2.25%	2.13%
Return on assets (ROA) (%)	0.60%	0.57%	0.26%	0.25%



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 September 30, 2018. The geographical allocation is based on the credit risk of the registration countries of issuers.

EUR '000

Issuer's country	Securities of central Governments	Securities of other issuers	Total	% to the Group's shareholders' equity
USA	9,466	284	9,750	43%
Sweden	6,804	1,703	8,507	37%
Belgium	6,243	-	6,243	27%
Finland	5,289	-	5,289	23%
Other countries	6,838	5,312	12,150	X
Total securities portfolio	34,640	7,299	41,939	X

5. Analysis of the Group's expected credit losses

The Group's projections of the amount of credit losses as at 30 September 2018 by stages in accordance with International Financial Reporting Standard 9 "Financial Instruments".

EUR '000

Financial assets	Accumulated impairment			Total
	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)	
Due from credit institutions	-	-	-	-
Financial assets at amortised cost:	(127)	(17)	(153)	(297)
Loans and advances	(96)	(17)	(153)	(266)
Debt securities	(31)	-	-	(31)
Accumulated impairment, total	(127)	(17)	(153)	(297)

III Risk and Capital Management

1. Risk Management

Information about Risk Management is available at Signet Bank AS corporate website links <https://www.signetbank.com/lv/2017/>.

Liquidity Ratio Calculation

EUR '000

Title of entry	30.09.2018. Bank (Unaudited)	30.09.2018. Group (Unaudited)
Liquidity buffer	57,553	57,553
Net liquidity outflow	8,441	8,097
Liquidity coverage ratio (%)	681.79%	710.77%



2. Capital Adequacy

Information about Capital Management is available at Signet Bank AS corporate website <https://www.signetbank.com/lv/2017/>.

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

Nº	Title of entry	30.09.2018. Bank (Unaudited)	30.09.2018. Group (Unaudited)
1.	Own funds (1.1.+1.2.)*	22,654	22,827
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	13,406	13,579
1.1.1.	Common Equity Tier (CET) 1 capital	13,406	13,579
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	9,248	9,248
2.	Total Risk exposure value	83,125	82,358
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	68,418	67,153
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	191	124
2.4.	Total risk exposure value for operational risk	14,494	15,059
2.5.	Total risk exposure value for credit valuation adjustment	22	22
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)	16.13%	16,49%
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	9,665	9,873
3.3.	Tier 1 capital ratio (1.1./2.*100)	16.13%	16,49%
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2.*6%)	8,419	8,638
3.5.	Total capital ratio (1./2.*100)	27.25%	27,72%
3.6.	Surplus (+) / deficit (-) of total capital (1.-2.*8%)	16,004	16,238
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	2,125	2,106
4.1.	Capital conservation buffer	2,078	2,059
4.2.	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	-	-
4.3.	Institution specific countercyclical capital buffer	47	47
4.4.	Systemic risk 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.	16.13%	16,49%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	16.13%	16,49%
5.4.	Total capital ratio, including adjustments in row 5.1.	27.25%	27,72%

* 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.

The Bank does not apply the transitional period for the implementation of the IFRS 9 set out in Article 473a of EU Regulation 575/2013.




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