

Signet Bank AS Public Financial Report

3rd quarter 2017





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I Management report

For Signet Bank, the third quarter was filled with important events. On September 20 the regulators (European Central Bank (ECB) and the Financial and Capital Market Commission of Latvia) issued the permission to obtain the controlling stake in the Bank to the group of international investors, i.e. Signet Global Investors Ltd, Hansalink and Fin.lv.

New majority shareholders provide additional stability to the Bank. Instead of one dominant shareholder, the Bank now is controlled by a group consisting of three financially strong investors. Apart from financial stability, this creates basis for the adoption of clear and well-thought-out strategic solutions at the shareholders level, utilising complementary experience of each of the majority shareholders.

Signet Group is an internationally recognised asset management company which has been managing the capital of well-respected institutional and private investors for more than 20 years. Based in London, Signet Capital Management Ltd is regulated by Financial Conduct Authority, the UK regulator. The founders of Signet Group are a US citizen Serge Umansky and a Swiss citizen Robert Marquardt.

Hansalink is a Latvian company founded by Irina Pigozne, Edgars Pigoznis and Mikhail Serdtsev - professionals with more than 20-year experience in banking and international investments.

Fin.lv is a Latvian company owned by Igor Rapoport, an experienced international investor and formerly a minority shareholder of Signet Bank.

Our financial results for the first nine months of 2017 demonstrate that in the transition period the Bank succeeded in maintaining a conservative balance sheet and the earning power. Our liquidity and capital adequacy ratios are constantly considerably higher than the minimum regulatory levels.

The Bank's strategy will remain unchanged, i.e. servicing of high net worth individuals with a maximum focus on the quality of service and return on the clients' capital.

The comfort of clients will remain our main priority. Boutique business model with a small number of clients allows us to give enough attention to each client, provide the best service and quick and flexible solutions. There are no and there will not be random people in our clients club since new clients come upon the recommendation of the existing clients or from the circle of contacts of the Bank's shareholders and management.

We plan to implement synergy with Signet experience in international capital management to offer new conservative yet profitable investment solutions to our clients. We also plan to pay even more attention to club deals, where we bring together the clients with financing needs and interesting business projects with those interested in the investment of free funds. We believe that correctly structured club deals provide an additional diversification of our clients' investment portfolios and are special products which the Bank can offer to its clients alongside good service.



Discretion is one of the basic principles of our activity. We are aware of the importance of protecting information on our clients and their transactions and we give maximum attention to this element.

In terms of investing of own funds, the Bank will be even more conservative, i.e. loans will remain a relatively small part of the Bank's balance sheet, and the major portion of the Bank's proprietary investment portfolio will be invested into the high-quality liquid bonds. This way, the Bank's balance sheet will always be liquid and conservative.

Our team strengthened by the experienced shareholders enters into a new phase in the development of the Bank. We have the experience required to solve any task; simultaneously, we are full of energy and commitment to move forward. At present, private banking market offers good opportunities for growing the business particularly in servicing Russian speaking high net worth individuals. We see that due to growing regulatory pressure many European banks change their business models and attempting to implement new approaches, which in some cases leads to less attention to the real needs of the clients. Against such background, Signet Bank, with our stable, well-thought and focused strategy, can offer much more comfortable and advantageous service and solutions, and our team is committed to use these opportunities for further development.

I am confident that we have a lot of interesting deals ahead, and each of our clients will be satisfied with the cooperation with the Bank, entrusting us larger part of the capital and recommending the Bank to the business partners and friends.

Roberts Idelsons
Chairman of the Board

Riga, November 29, 2017



II General Information

1. Shareholders of the Bank

30.09.2017.

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 %
Arkādijs Perelšteins	3 184 300	9,90 %
SIA "Fin.lv" *	2 825 200	8,79 %
Leonīds Kaplans	2 184 000	6,79 %
SIA "DMD Holding"	1 895 600	5,89 %
Roberts Idelsons	1 579 970	4,91 %
Igors Rapoportš *	1 516 480	4,71 %
Tatjana Rapoportš *	1 516 480	4,71 %
Natālija Petkeviča	1 125 950	3,50 %
Solomans Rutenbergs	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 2017 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. Council of the Bank

Name, surname	Position
Peter Charles Percival Hambro	Deputy Chairman of the Council
Thomas Roland Evert Neckmar	Member of the Council

Andrey Vdovin resigned from the Council of the Bank M2M Europe AS at his own initiative on 6 July 2017. Peter Charles Percival Hambro and Thomas Roland Evert Neckmar continue working in the Council of the Bank at present.

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, 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 Russia and other CIS, Latvia and other European 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.

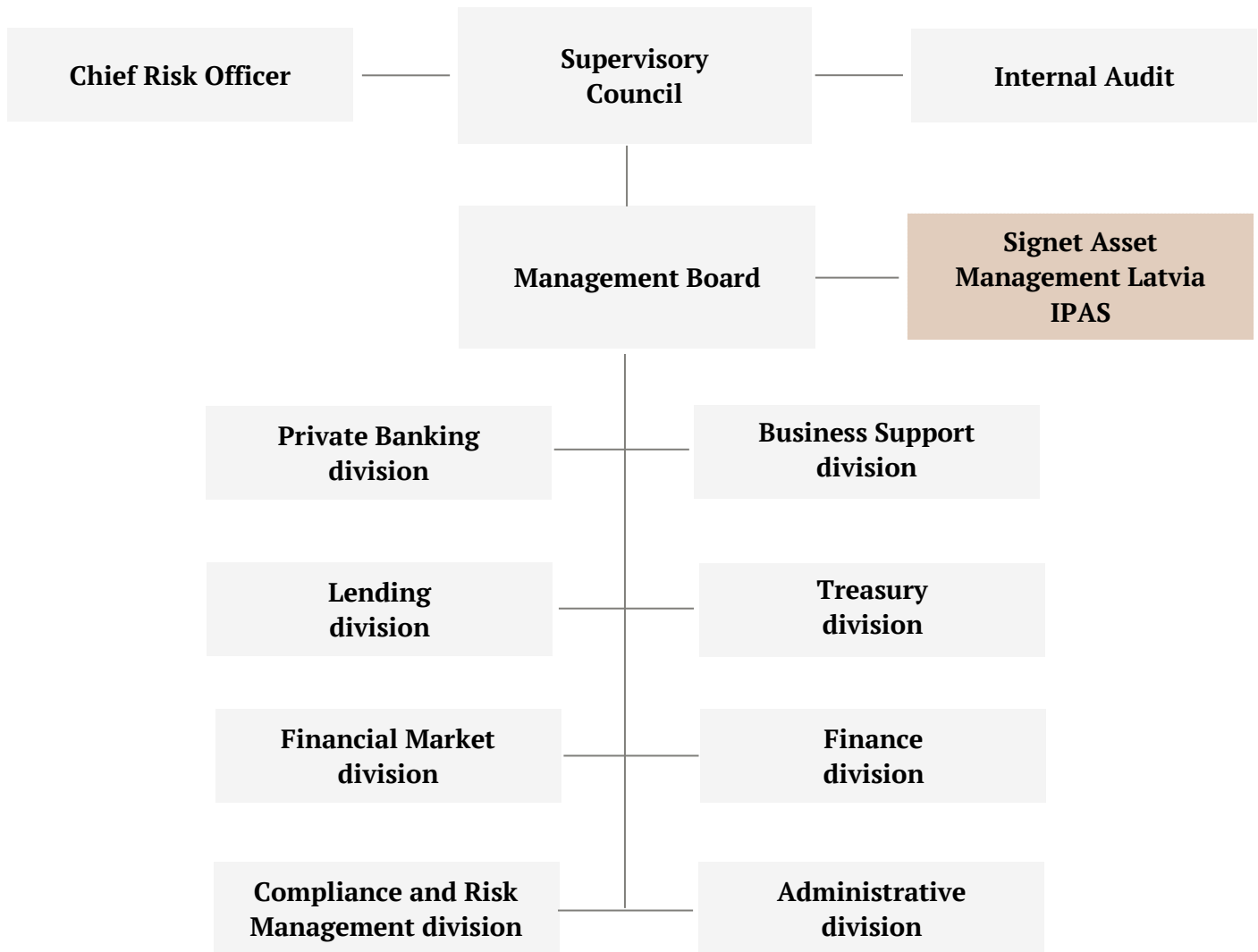
5. Consolidation Group

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 The Bank's financial position and performance

1. Statement of Financial Position as at 30 September 2017 and 31 December 2016

(EUR 000's)

Title of entry	30.09.2017. Group (Unaudited)	30.09.2017. Bank (Unaudited)	31.12.2016. Group (Audited)*	31.12.2016. Bank (Audited)*
Assets				
Cash and demand deposits with central banks	16 896	16 896	18 195	18 195
Demand deposits with credit institutions	41 583	41 456	28 552	28 383
Financial assets held for trading	672	672	526	526
Financial assets at fair value through profit or loss	1 236	1 236	2 361	2 361
Available-for-sale financial assets	17 949	17 949	24 197	24 197
Loans and receivables:	82 790	82 790	75 340	75 340
• Short term deposits with credit institutions	38 218	38 218	13 938	13 938
• Other deposits with financial institutions	683	683	1 857	1 857
• Loans to companies and private individuals	43 889	43 889	59 545	59 545
Held to maturity investments	7 848	7 848	18 843	18 843
Change of fair value of hedge portfolio hedged against interest rate risk	-	-	-	-
Prepaid expense and accrued income	348	343	298	266
Property and equipment	2 061	2 057	2 167	2 164
Investment properties	-	-	-	-
Goodwill and other intangible assets	1 099	311	1 135	346
Investments in share capital of related and associated companies	-	1 874	-	1 874
Tax assets	2 364	2 276	2 397	2 310
Other assets	2 048	2 031	1 509	1 486
Non-current assets and disposal groups classified as held for sale	608	608	544	544
Total assets	177 502	178 347	176 064	176 835
Liabilities				
Liabilities due to central banks	-	-	12 500	12 500
Demand liabilities from credit institutions	1	1	37	37
Financial liabilities held for trading	-	-	-	-
Financial liabilities designated at fair value through profit or loss	731	731	1 522	1 522
Financial liabilities at the amortized cost	139 372	140 625	140 680	141 878
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	682	660	1 104	1 079
Provisions	-	-	-	-
Tax liabilities	6	5	23	22
Other liabilities	17 073	17 072	763	763
Total liabilities	157 865	159 094	156 629	157 801
Total shareholders' equity	19 637	19 253	19 435	19 034
Total liabilities and shareholders' equity	177 502	178 347	176 064	176 835
Assets under management	140 135	84 414	161 090	101 273
Memorandum items	60 354	60 354	9 804	9 804
Contingent liabilities	37 541	37 541	2 846	2 846
Financial commitments	22 813	22 813	6 958	6 958
Custody assets	136 215	136 215	164 792	164 792

* Auditor: KPMG Baltics SIA



2. Income statement for the 9 Month Period, ended September 30, 2017 and 2016

(EUR 000's)

Title of entry	30.09.2017.	30.09.2017.	30.09.2016.	30.09.2016.
	Group (Unaudited)	Bank (Unaudited)	Group (Unaudited)	Bank (Unaudited)
Interest income	4 228	4 228	5 130	5 130
Interest expense	(1 253)	(1 263)	(2 683)	(2 691)
Dividends received	39	39	46	46
Commission and fee income	2 193	2 028	2 432	2 270
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-	-	-
Net realised gain/(loss) from available-for-sale financial assets	64	64	(79)	(79)
Net realised gain/(loss) from financial assets and financial liabilities held for trading	(118)	(118)	765	765
Net realised gain/(loss) from financial assets and financial liabilities at fair value through profit or loss	(21)	(21)	191	191
Changes in fair value hedge accounting	-	-	-	-
Net result from foreign exchange trading and revaluation	633	650	1 198	1 204
Gain/loss from sale of tangible and intangible fixed assets	-	-	-	-
Other income	119	120	91	89
Other expense	(492)	(481)	(328)	(321)
Administrative expense	(4 062)	(3 901)	(4 619)	(4 451)
Depreciation	(346)	(344)	(366)	(364)
Impairment allowance	(180)	(180)	(48)	(48)
Impairment on financial assets	(112)	(112)	14	14
Profit/(loss) before corporate income tax (+/-)	361	378	1 219	1 230
Corporate income tax	(47)	(47)	(71)	(71)
Net profit/(loss) for the period (+/-)	314	331	1 148	1 159

3. Performance Indicators

Title of entry	30.09.2017.	30.09.2017.	30.09.2016.	30.09.2016.
	Group (Unaudited)	Bank (Unaudited)	Group (Unaudited)	Bank (Unaudited)
Return on equity (ROE)	2.13%	2.25%	8.72%	9.10%
Return on assets (ROA)	0.25%	0.26%	0.69%	0.69%



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, 2017. 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	7 607	1 115	8 722	31%
Russia	-	3 179	3 179	11%
Other countries	8 335	6 465	14 800	X
Total securities portfolio	15 942	10 759	26 701	X

IV Risk and Capital Management

1. Risk Management

Information about Risk Management is available at Signet Bank AS corporate website links <https://www.signetbank.com/financial-reports-2016/>

Liquidity Ratio Calculation

(‘000 EUR)

Nº	Title of entry	30.09.2017. Group (Unaudited)	30.09.2017. Bank (Unaudited)
1.	Liquid assets (1.1. +1.2. +1.3. +1.4.)	115 907	115 780
1.1.	Cash	636	636
1.2.	Demand deposits with central banks	16 259	16 259
1.3.	Deposits with solvent credit institutions	79 259	79 132
1.4.	Liquid securities	19 753	19 753
2.	Current liabilities (with residual maturity up to 30 days) (2.1. +2.2. +2.3. +2.4. +2.5. +2.6.)	99 125	99 555
2.1.	Deposits and balances due to financial institutions	1	1
2.2.	Deposits	92 842	93 283
2.3.	Issued debt securities	-	-
2.4.	Cash in transit	1 755	1 755
2.5.	Other current liabilities	2 882	2 871
2.6.	Off-balance sheet liabilities	1 645	1 645
3.	Liquidity ratio (1.:2.)	116.93%	116.30%
4.	Minimum liquidity ratio	60.00%	60.00%



2. Capital Adequacy

Information about Capital Management is available at Signet Bank AS corporate website <https://www.signetbank.com/financial-reports-2016/>.

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	30.09.2017. Group (Unaudited)	30.09.2017. Bank (Unaudited)
1.	Own funds (1.1. +1.2.)*	28 293	28 804
1.1.	Tier 1 capital (1.1.1. +1.1.2.)	16 630	17 141
1.1.1.	Common Equity Tier (CET) 1 capital	16 630	17 141
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	11 663	11 663
2.	Total Risk exposure value (2.1. +2.2. +2.3. +2.4. +2.5. +2.6. +2.7.)	111 003	112 130
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	92 668	94 587
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	4 579	4 460
2.4.	Total risk exposure value for operational risk	13 632	12 959
2.5.	Total risk exposure value for credit valuation adjustment	124	124
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)	14.98%	15.29%
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	11 635	12 095
3.3.	Tier 1 capital ratio (1.1./2.*100)	14.98%	15.29%
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2.*6%)	9 970	10 413
3.5.	Total capital ratio (1./2.*100)	25.49%	25.69%
3.6.	Surplus (+) / deficit (-) of total capital (1.-2.*8%)	19 413	19 834
4.	Combined buffer requirement (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.	Institution-specific countercyclical capital buffer (%)	-	-
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.	14.98%	15.29%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	14.98%	15.29%
5.4.	Total capital ratio, including adjustments in row 5.1.	25.49%	25.69%

* 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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