Signet Bank AS
Public Financial Report

4th quarter 2017

SIGNET

PRIVATE
BANK

Table of contents

I Management report

For Signet Bank most important event in 2017 was change of majority shareholder – in September European Central Bank 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 as 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. Group's financial result for 2017 is a loss of EUR 3,104 thousand. Deferred tax writing off was the main reason of this negative performance. Bank was forced to write off Deferred tax asset due to changes in the Latvian legislation. Revaluation of Bank financial investments has also affected Bank financial result negatively.

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.

The Bank's strategy remains exclusively servicing high net worth individuals with a maximum focus on the quality of service and return on the clients' capital. The comfort of clients is 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.

Currently Bank services 506 families. 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. This is extremely important in the current environment faced by Latvian financial system following statement of the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) released on 12 February, 2018 naming Latvia-based ABLV Bank an institution of primary money laundering concern. We realize that these events cast shadow on all financial institutions operating in Latvia, but we are confident that our business model with small number of clients and number of transactions allows us to successfully manage any AML/CTF-related risk.

Adherence to highest international standards and practices in the field of AML/CTF always was and remains a corner stone of our operations. To promote assurance of the Banks compliance with best international practices Bank engaged international independent auditors to audit its AML/CTF programs. In the end of 2016 US-based Exiger LLC and Lewis Baach Kaufmann Middlemiss assessed Bank's AML Program by comparing it to regulatory requirements set forth in the BSA and the USAPA and their implementing regulations, OFAC, the Federal Financial Institutions Examination Council BSA/AML Examination Manual ("FFIECManual"), relevant enforcement actions, guidance promulgated by the Financial Action Task Force and industry best practices. As of today more than 90% of recommendations received following this audit are implemented. In December, 2017 Bank engaged in additional evaluation of effectiveness of its AML/CTF system of internal control.

Going forward we will continue to pay great attention to global fight against money laundering and terrorism financing and upgrading Bank's internal control systems in line with evolving regulatory environment and best business practices.

In 2018 we plan to take full advantage of synergy with Signet international experience in investment 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.

We believe that Signet Bank, with our stable, well-thought and focused strategy, experienced shareholders and committed employees and management team, can offer comfortable and advantageous service and solutions to the clients.

Roberts Idelsons
Chairman of the Board

Riga, February 28, 2018

II General Information

1. Shareholders of the Bank

31.12.2017.

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 %
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 Rapoporta *	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 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. Supervisory Council of the Bank

Position	Name, surname	Election date	Term of office
Chairman of the Supervisory Council	Andrey Vdovin	31.05.2013	06.07.2017
Deputy Chairman of the Supervisory Council	Peter Charles Percival Hambro	31.05.2013	19.12.2017
Member of the Supervisory Council	Thomas Roland Evert Neckmar	31.05.2013	
Chairman of the Supervisory Council	Serge Umansky	19.12.2017	
Deputy Chairman of the Supervisory Council	Irina Pigozne	19.12.2017	
Member of the Supervisory Council	Sergey Medvedev	19.12.2017	
Member of the Supervisory Council	Pavel Kurosh	19.12.2017	

Signet Bank AS appointed new Supervisory Council of the Bank during the reporting period.

3. Management Board of the Bank

Position	Name, surname
Chairman of the Management Board	Robert Idelson
Member of the Management Board	Tatyana Drobina
Member of the Management Board	Sergey Zaitsev

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.

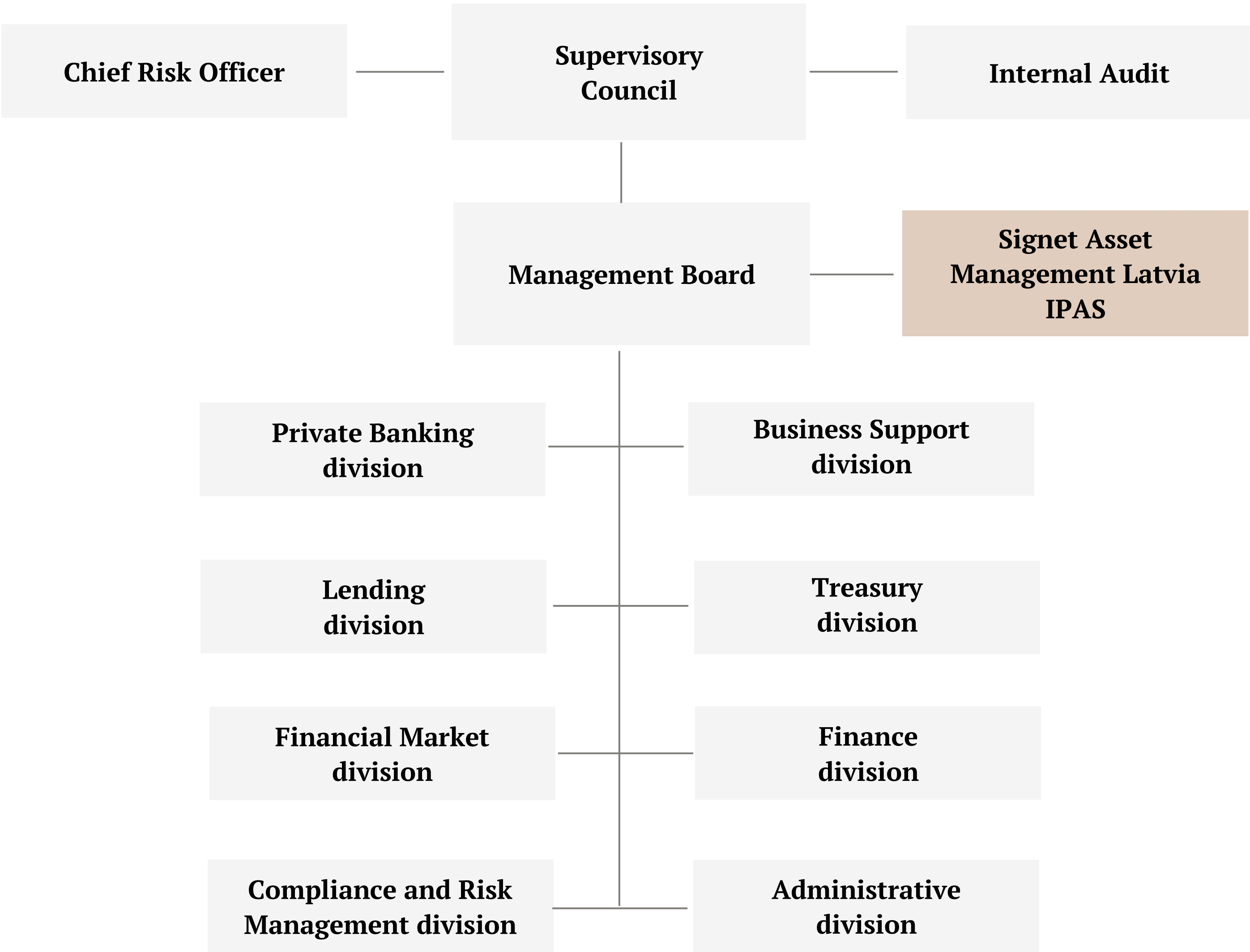
The goals of the Bank are:
- to become one of the leading banks in the private banking segment in the Baltics;
- to develop and expand the range of top quality products and services for high net worth clients from Russia and other CIS, Latvia and other European countries;
- to develop the loyal client 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 31 December 2017 and 31 December 2016

(EUR 000's)

Title of entry	31.12.2017. Group (Unaudited)	31.12.2017. Bank (Unaudited)	31.12.2016. Group (Audited)*	31.12.2016. Bank (Audited)*
Assets				
Cash and demand deposits with central banks	23 923	23 923	18 195	18 195
Demand deposits with credit institutions	30 909	30 827	28 552	28 383
Financial assets held for trading	344	344	526	526
Financial assets at fair value through profit or loss	948	948	2 361	2 361
Available-for-sale financial assets	21 072	21 072	24 197	24 197
Loans and receivables:	79 267	79 267	75 340	75 340
Short term deposits with credit institutions	33 881	33 881	*13 938*	*13 938*
Other deposits with financial institutions	1 304	1 304	*1 857*	*1 857*
Loans to companies and private individuals	44 082	44 082	*59 545*	*59 545*
Held to maturity investments	9 707	9 707	18 843	18 843
Change of fair value of hedge portfolio hedged against interest rate risk	-	-	-	-
Prepaid expense and accrued income	292	287	298	266
Property and equipment	1 995	1 992	2 167	2 164
Investment properties	-	-	-	-
Goodwill and other intangible assets	1 102	313	1 135	346
Investments in share capital of related and associated companies	672	2 546	-	1 874
Tax assets	17	17	2 397	2 310
Other assets	672	557	1 509	1 486
Non-current assets and disposal groups classified as held for sale	-	-	544	544
Total assets	**170 920**	**171 800**	**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	304	304	1 522	1 522
Financial liabilities at the amortized cost	152 604	153 895	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	806	778	1 104	1 079
Provisions	-	-	-	-
Tax liabilities	231	230	23	22
Other liabilities	314	312	763	763
Total liabilities	**154 260**	**155 520**	**156 629**	**157 801**
Total shareholders' equity	**16 660**	**16 280**	**19 435**	**19 034**
Total liabilities and shareholders' equity	**170 920**	**171 800**	**176 064**	**176 835**
Assets under management	**140 246**	**82 487**	**161 090**	**101 273**
Memorandum items	**2 587**	**2 587**	**9 804**	**9 804**
Contingent liabilities	-	-	2 846	2 846
Financial commitments	2 587	2 587	6 958	6 958
Custody assets	**150 086**	**150 086**	**164 792**	**164 792**

*Auditor: KPMG Baltics SIA

2. Income statement for the 12 Month Period, ended December 31, 2017 and 2016

(EUR 000's)

Title of entry	31.12.2017. Group (Unaudited)	31.12.2017. Bank (Unaudited)	31.12.2017. Group (Audited)	31.12.2017. Bank (Audited)
Interest income	5 400	5 400	6 729	6 729
Interest expense	(1 670)	(1 682)	(3 174)	(3 185)
Dividends received	41	41	51	51
Commission and fee income	3 167	2 851	3 266	3 017
Commission and fee expense	(573)	(565)	(501)	(501)
Net realised gain/ (loss) from financial assets and financial liabilities measured at amortised cost	-	-	-	-
Net realised gain/(loss) from available-for-sale financial assets	66	66	(1 246)	(1 246)
Net realised gain/(loss) from financial assets and financial liabilities held for trading	(99)	(99)	605	605
Net realised gain/(loss) from financial assets and financial liabilities at fair value through profit or loss	(21)	(21)	(21)	(21)
Changes in fair value hedge accounting	-	-	-	-
Net result from foreign exchange trading and revaluation	802	822	1 660	1 658
Gain/loss from sale of tangible and intangible fixed assets	-	-	-	-
Other income	133	135	164	163
Other expense	(603)	(598)	(529)	(524)
Administrative expense	(6 024)	(5 799)	(6 241)	(6 018)
Depreciation	(464)	(463)	(488)	(483)
Impairment allowance	(316)	(316)	(431)	(431)
Impairment on financial assets	(589)	(589)	(643)	(643)
Profit/(loss) before corporate income tax (+/-)	**(750)**	**(817)**	**(799)**	**(829)**
Corporate income tax	(2 354)	(2 267)	1 135	1 140
Net profit/(loss) for the period (+/-)	**(3 104)**	**(3 084)**	**336**	**311**

3. Performance Indicators

Title of entry	31.12.2017. Group (Unaudited)	31.12.2017. Bank (Unaudited)	31.12.2016. Group (Audited)	31.12.2016. Bank (Audited)
Return on equity (ROE)	(16.27)%	(16.04)%	1.88%	1.79%
Return on assets (ROA)	(1.82)%	(1.80)%	0.16%	0.15%

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, 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	5 378	1 324	6 702	27%
Belgium	3 325	-	3 325	13%
Latvia	2 380	807	3 187	13%
USA	2 494	283	2 777	11%
Other countries	8 980	6 152	15 132	X
Total securities portfolio	**22 557**	**8 566**	**31 123**	**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)

№	Title of entry	31.12.2017. Group (Unaudited)	31.12.2017. Bank (Unaudited)
1.	**Liquid assets** (1.1. +1.2. +1.3. +1.4.)	**109 195**	**109 113**
1.1.	Cash	546	546
1.2.	Demand deposits with central banks	23 378	23 378
1.3.	Deposits with solvent credit institutions	62 524	62 442
1.4.	Liquid securities	22 747	22 747
2.	**Current liabilities (with residual maturity up to 30 days)** (2.1. +2.2. +2.3. +2.4. +2.5. +2.6.)	**125 042**	**126 053**
2.1.	Deposits and balances due to financial institutions	1	1
2.2.	Deposits	119 966	120 993
2.3.	Issued debt securities	-	-
2.4.	Cash in transit	8	8
2.5.	Other current liabilities	2 534	2 518
2.6.	Off-balance sheet liabilities	2 533	2 533
3.	**Liquidity ratio (1.:2.)**	**87.33%**	**86.56%**
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)

№	Title of entry	30.09.2017. Group (Unaudited)	30.09.2017. Bank (Unaudited)
1.	**Own funds** (1.1.+1.2.)*	**24 933**	**25 339**
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	14 541	14 947
1.1.1.	Common Equity Tier (CET) 1 capital	14 541	14 947
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	10 392	10 392
2.	**Total Risk exposure value** (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	**95 083**	**96 026**
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	78 002	79 736
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	1 932	1 729
2.4.	Total risk exposure value for operational risk	15 082	14 494
2.5.	Total risk exposure value for credit valuation adjustment	67	67
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)	15.29%	15.57%
3.2.	Surplus (+) / deficit (–) of CET 1 capital (1.1.1.-2.*4.5%)	10 262	10 626
3.3.	Tier 1 capital ratio (1.1./2.*100)	15.29%	15.57%
3.4.	Surplus (+) / deficit (–) of Tier 1 capital (1.1.-2.*6%)	8 836	9 185
3.5.	Total capital ratio (1./2.*100)	26.22%	26.39%
3.6.	Surplus (+) / deficit (–) of total capital (1.-2.*8%)	17 326	17 657
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.	15.29%	15.57%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	15.29%	15.57%
5.4.	Total capital ratio, including adjustments in row 5.1.	**26.22%**	**26.39%**

* 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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