



Signet Bank AS Public Financial Report

2nd quarter 2018



Table of contents

I Management report	3
II General Information	4
1. Shareholders of the Bank	4
2. Supervisory Council of the Bank.....	4
3. Management Board of the Bank.....	4
4. Strategy and Vision of the Bank.....	5
5. Consolidation Group.....	5
6. The Organization Structure of the Group	6
III Financial position and performance	7
1. Balance sheet Statement of Financial Position as at 30 June 2018 and 31 December 2017...	7
2. Statement of profit or loss and other comprehensive income for the 6 Month Period, ended June 30, 2018 and 2017	8
3. Performance Indicators	8
4. Analysis of Concentration of the Group's Securities Portfolio	9
5. Analysis of the Group's expected credit losses	9
III Risk and Capital Management	9
1. Risk Management	9
2. Capital Adequacy	10



I Management report

The 1H 2018 saw important developments in the Latvian banking sector. Following the events that led to suspension of ABLV Bank operation and the introduction of a number of new regulations related to strengthening AML compliance, Signet Bank completed a review of its strategy. Following this review, the adjusted strategy of Signet Bank was approved and submitted to the regulator. The adjusted strategy 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. At the same time, our elements of the strategy remain the same – Signet Bank continues to exclusively focus on providing capital management solutions and servicing the daily banking needs of High Net Worth clients, with a maximum focus on the quality of service and return on client capital.

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 has always been and remains a corner stone of our operations. To promote assurance of the bank's compliance with best international practices, in 1H 2018 we engaged independent international auditors to audit AML/CTF programs, with a specific focus on a review of the implementation of recommendations provided by US-based consultants Exiger LLC and Lewis Baach Kaufmann Middlemiss following an assessment of the bank's AML Program in late 2016.

The bank retains a very conservative balance sheet structure, preserving a high level of liquidity (89% at the end of the 2nd quarter) and capital adequacy ratio (27.37% at the end of the 2nd quarter). The bank's loan portfolio was 44 million euros at the end of the 2nd quarter (comprising 26% of bank assets) and 76% of client deposits were placed in accounts with first-rate banks and in a portfolio of high-quality liquid bonds. This balance sheet structure allows us to be confident about the bank's high reliability.

In 1H 2018 the Group's fee income increased by 16% compared to the same period of 2017. We plan to continue focusing our efforts to increase fee income and client assets under management and administration, which in the end of the 2nd quarter stood at 407 million euros.

We believe that changes that the Latvian banking sector is undergoing throughout 2018 provide excellent opportunities to grow our business. Joint efforts by authorities, the regulator and the industry itself to restore the reputation of the Latvian banking sector should bring results which will make it possible to increase client confidence and also expand the network of counterparties of the Group.

Management of the Group is constantly looking for opportunities to improve the product range, and we are confident that on-going changes will be beneficial for our boutique private banking business model.

Roberts Idelsons
Chairman of the Board

Riga, August 31, 2018



II General Information

1. Shareholders of the Bank

30.06.2018.

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 June 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 Piļozne
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 changes in the Management Board of the Bank during the reporting period. In June 2018, Jānis Solovjakovs was appointed as the Member of the Management Board of the Bank.



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.

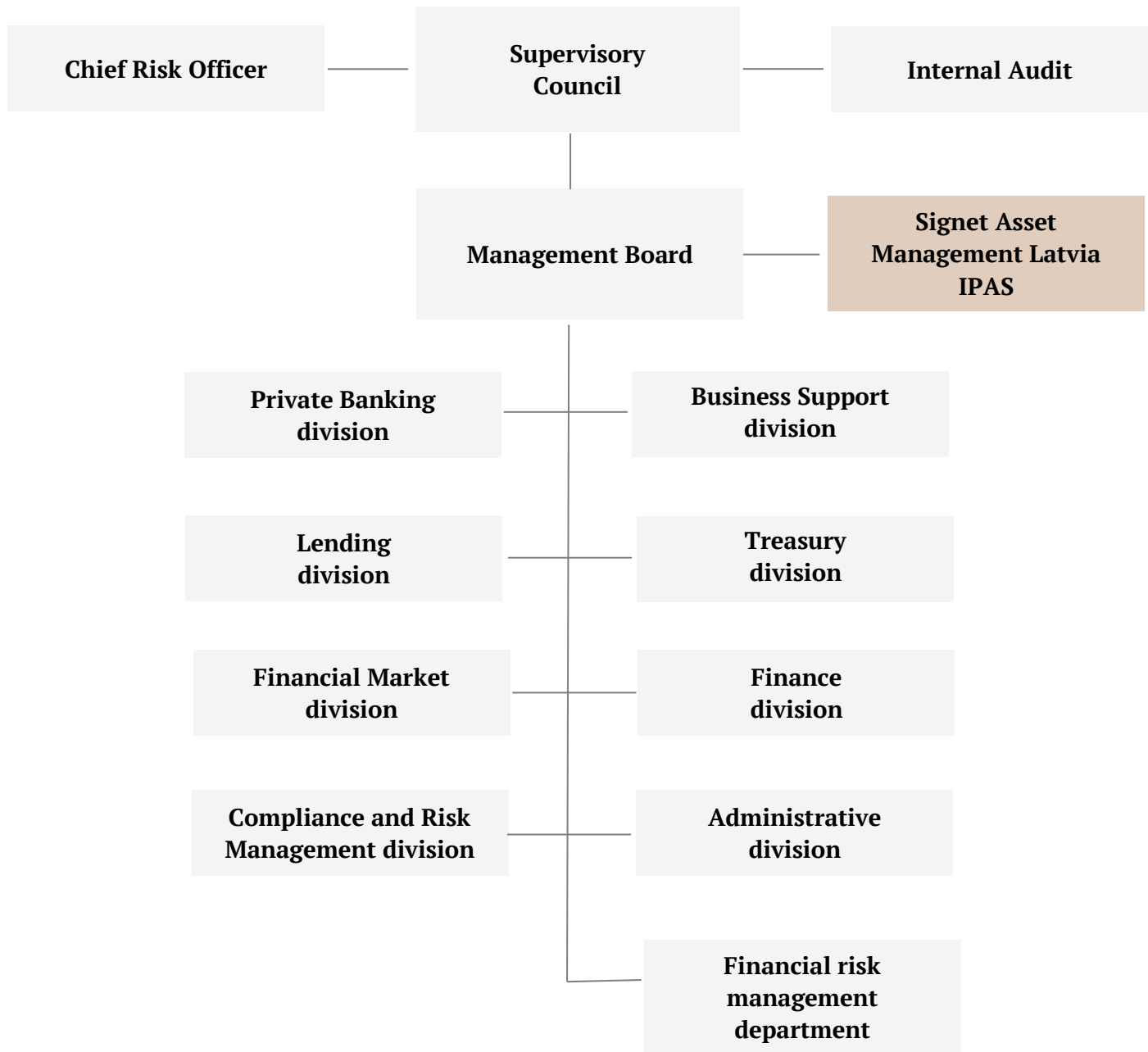
5. Consolidation Group

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 June 2018 and 31 December 2017

EUR '000

Title of entry	30.06.2018. Bank (Unaudited)	30.06.2018. Group (Unaudited)	31.12.2017. Bank (Audited)*	31.12.2017. Group (Audited)*
Assets				
Cash and demand deposits with central banks	51,512	51,512	23,923	23,923
Demand deposits with credit institutions	17,766	18,171	30,827	30,909
Financial assets designated at fair value through profit or loss	1,033	1,033	1,292	1,292
Financial assets measured at fair value with other comprehensive income	36,853	36,853	21,072	21,072
Financial assets measured at amortized cost	56,228	56,228	88,974	88,974
Debt securities	5,463	5,463	9,707	9,707
Short term deposits with credit institutions	5,889	5,889	33,881	33,881
Other deposits with financial institutions	768	768	1,304	1,304
Loans to companies and private individuals	44,108	44,108	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	1,854	1,857	1,992	1,995
Intangible assets	224	224	313	313
Tax assets	5	5	17	22
Other assets	350	377	844	869
Non-current assets and disposal groups classified as held for sale	-	-	-	-
Total assets	167,917	167,060	171,218	170,004
Liabilities and shareholders' equity				
Liabilities due to central banks	20,000	20,000	-	-
Demand liabilities from credit institutions	870	870	1	1
Financial liabilities designated at fair value through profit or loss	506	506	304	304
Financial liabilities measured at the amortized cost	127,843	126,887	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	1	2	-	-
Other liabilities	2,980	2,993	1,320	1,264
Liabilities included in disposals groups classified as held for sale	-	-	-	-
Total liabilities	152,200	151,258	155,520	154,173
Total shareholders' equity	15,717	15,802	15,698	15,831
Total liabilities and shareholders' equity	167,917	167,060	171,218	170,004
Assets under management	97,166	154,452	82,487	140,246
Memorandum items				
Contingent liabilities	-	-	-	-
Financial commitments	725	725	2,587	2,587
Custody assets	125,247	125,247	150,086	150,086

* Auditor: KPMG Baltics SIA



2. Statement of profit or loss and other comprehensive income for the 6 Month Period, ended June 30, 2018 and 2017

EUR '000

Title of entry	30.06.2018. Bank (Unaudited)	30.06.2018. Group (Unaudited)	30.06.2017. Bank (Unaudited)	30.06.2017. Group (Unaudited)
Interest income	2,352	2,352	2,745	2,745
Interest expense (-)	(785)	(783)	(824)	(818)
Dividends received	13	13	9	9
Commission and fee income	1,721	1,843	1,479	1,592
Commission and fee expense (-)	(302)	(302)	(215)	(214)
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 (+/-)	(8)	(8)	(73)	(73)
Gains/ losses from hedge accounting, net (+/-)	-	-	-	-
Result from foreign exchange trading and revaluation, net (+/-)	457	464	390	379
Gains/ losses on derecognition of non-financial assets, net	-	-	-	-
Other operating income	58	56	54	53
Other operating expense (-)	(211)	(224)	(201)	(202)
Administrative expense (-)	(2,811)	(3,012)	(2,535)	(2,653)
Depreciation (-)	(242)	(243)	(231)	(232)
Gains / losses recognized in the contractual cash flows of a financial asset (+/-)	-	-	-	-
Provisions or reversal of provisions (+/-)	102	102	69	69
Impairment or reversal of impairment (+/-)	(56)	(56)	(75)	(75)
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 (+/-)	200	114	656	644
Corporate income tax	(30)	(30)	(34)	(34)
Net profit/(loss) for the period (+/-)	170	84	622	610
Other comprehensive income for the period (+/-)	(98)	(98)	76	76

3. Performance Indicators

Title of entry	30.06.2018. Bank (Unaudited)	30.06.2018. Group (Unaudited)	30.06.2017. Bank (Unaudited)	30.06.2017. Group (Unaudited)
Return on equity (ROE) (%)	2.14%	1.07%	6.33%	6.19%
Return on assets (ROA) (%)	0.20%	0.10%	0.77%	0.73%



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 June 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	9,385	282	9,667	41%
Sweden	6,747	1,731	8,478	36%
Belgium	6,207	-	6,207	26%
Finland	5,265	-	5,265	22%
Netherlands	-	2,575	2,575	11%
Other countries	6,862	3,784	10,646	X
Total securities portfolio	34,466	8,372	42,838	X

5. Analysis of the Group's expected credit losses

The Group's projections of the amount of credit losses as at 30 June 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:	111	19	179	309
Loans and advances	80	19	179	278
Debt securities	31	-	-	31
Accumulated impairment, total	111	19	179	309

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	30.06.2018. Bank (Unaudited)	30.06.2018. Group (Unaudited)
Liquidity buffer	61,409	61,409
Net liquidity outflow	12,574	10,650
Liquidity coverage ratio (%)	488.40%	576.62%



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	30.06.2018. Bank (Unaudited)	30.06.2018. Group (Unaudited)
1.	Own funds (1.1.+1.2.)*	23,557	23,730
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	14,334	14,507
1.1.1.	Common Equity Tier (CET) 1 capital	14,334	14,507
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	9,223	9,223
2.	Total Risk exposure value	86,062	85,285
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	70,037	68,856
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	1,482	1,321
2.4.	Total risk exposure value for operational risk	14,494	15,059
2.5.	Total risk exposure value for credit valuation adjustment	49	49
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)	16.66%	17.01%
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	10,461	10,669
3.3.	Tier 1 capital ratio (1.1./2.*100)	16.66%	17.01%
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2.*6%)	9,170	9,390
3.5.	Total capital ratio (1./2.*100)	27.37%	27.82%
3.6.	Surplus (+) / deficit (-) of total capital (1.-2.*8%)	16,672	16,907
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	2,199	2,179
4.1.	Capital conservation buffer	2,152	2,132
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.	16.66%	17.01%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	16.66%	17.01%
5.4.	Total capital ratio, including adjustments in row 5.1.	27.37%	27.82%

* 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.



SIGNET

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BANK

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