Signet Bank AS
Public Financial Report

3rd quarter 2019

SIGNET

PRIVATE
BANK

Table of contents

I Management report

Signet Bank continued with the implementation of its long-term strategy of providing high-quality services to high net worth and affluent clients, and to businesses owned by such clients. As of 30 September 2019, 58% of the bank's deposit base came from tax residents of Latvia and other EU / OECD member countries. Signet Bank plans to further expand business in its target market – Latvia and other EU countries – prioritising local clients, which already account for 47% of the bank's deposit base. Our services remain focused on bringing together our clients' available resources and investment opportunities offered by the capital markets and private lending transactions. As of 30 September 2019, lending transactions of the group were worth EUR 52 mln, of which loans to domestic and EU/ OECD clients constituted EUR 39 mln.

In August 2019, the bank successfully arranged EUR 10 mln bonds issue for Sun Finance Group, which was placed to private and institutional clients of the group.

By the end of the 3rd quarter, as a result of active onboarding of domestic clients the bank reached the 1,000 clients milestone. We see increasing interest in our banking services among clients in Latvia and intend to leverage this positive dynamic going forward.

Overall performance of the group in the nine months of 2019 was positive. Net fee income totalled EUR 3.3 mln (+37% vs 9M 2018) while net interest income remained at previous levels, with administrative expenses of EUR 4.3 mln (-2% vs 9M 2018) and total comprehensive income of EUR 0.7 mln (+20.8% vs 9M 2018). In the next few months, the bank expects interest income to increase on account of lending portfolio expansion. Overall client assets under management and administration ("AUMA") grew from EUR 465 mln at the end of 2018 to EUR 932 mln at the end of 3Q 2019. These results were driven by a 71% increase in capital management fee income and 44% increase in structured finance fee income resulting from higher volume of AUMA and larger volume of club deals arranged by the bank.

The group continues to maintain a conservative risk profile: its capital adequacy ratio at the end of 3Q 2019 was 24.9%, with liquidity coverage ratio of 221%. In the coming months, the bank plans to put more capital at work through increase in local loans portfolio.

The group continues to pay great attention to AML/CTF compliance issues, constantly enhancing internal controls to be in line with changing regulatory environment and best international practice. We are investing in IT and human resources to ensure that risk management and controls are consistent with the chosen business model.

We see clear opportunities to grow our private banking and investment banking business. Having access to substantial capital owned by our HNW clients, we are able not only to arrange loans on our balance sheet, but also to syndicate sizeable debt financing transactions for our clients in the form of both loans and bond issues. Bank management is satisfied with performance achieved by the end of September and has an optimistic outlook for the remainder of 2019.

Roberts Idelsons
Chairman of the Management Board

Riga, November 29, 2019

II General Information

1. Shareholders of the Bank

30.09.2019.

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 2019 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.

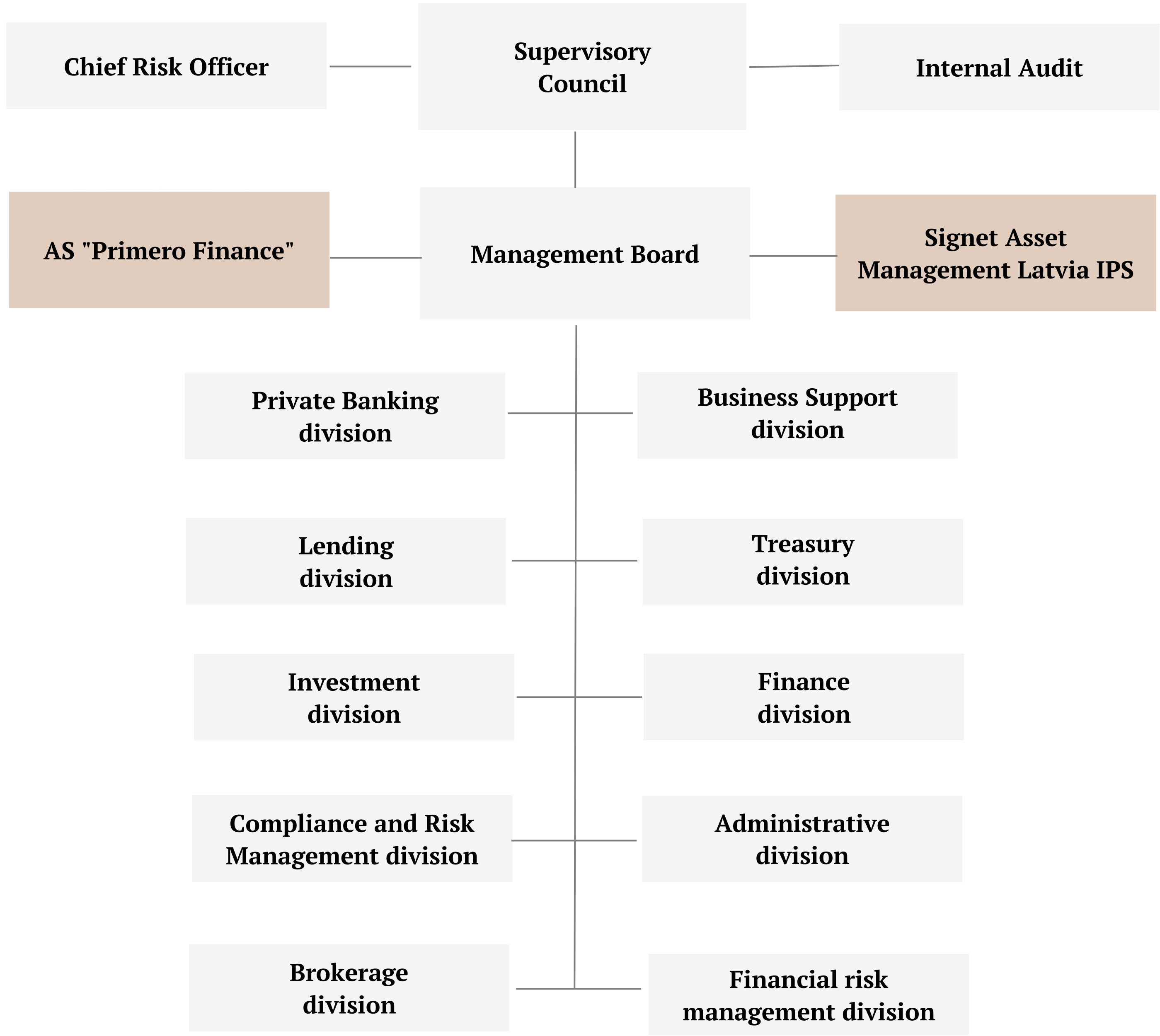
5. Consolidation Group

The Consolidation Group of Signet Bank includes its subsidiaries:

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 IPS, 40103362872	LV, Antonijas Str. 3-1, Riga, LV 1010, Latvia	Asset management company	100 %	100 %
AS "Primero Finance", 40203148375	LV, Skanstes Str. 50, Riga, LV-1013, Latvia	Other financial institution	51 %	51%

During the reporting period there were changes in the consolidation Group, the Bank has acquired 51% shares of AS "Primero Finance".

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 2019 and 31 December 2018

EUR '000

Title of entry	30.09.2019. Bank (Unaudited)	30.09.2019. Group (Unaudited)	31.12.2018. Bank (Audited)*	31.12.2018. Group (Audited)*
Assets				
Cash and demand deposits with central banks	18,685	18,685	25,658	25,658
Demand deposits with credit institutions	8,617	8,705	18,032	18,282
Financial assets designated at fair value through profit or loss	1,522	1,522	1,030	1,030
Financial assets measured at fair value with other comprehensive income	35,228	35,430	33,711	33,711
Financial assets measured at amortized cost	106,246	106,126	54,080	54,080
Debt securities	*23,055*	*23,055*	*5,551*	*5,551*
Loans to financial institutions, companies and private individuals	*52,533*	*52,413*	*36,933*	*36,933*
Short term deposits with credit institutions	*20,475*	*20,475*	*10,826*	*10,826*
Other deposits with financial institutions	*10,183*	*10,183*	*770*	*770*
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	3,559	1,888	3,105	1,718
Tangible assets	2,868	2,872	1,753	1,755
Intangible assets	152	223	181	181
Tax assets	13	15	19	19
Other assets	3,543	3,644	1,081	1,107
Non-current assets and disposal groups classified as held for sale	-	-	-	-
Total assets	**180,433**	**179,110**	**138,650**	**137,541**
Liabilities and shareholders' equity				
Liabilities due to central banks	-	-	-	-
Demand liabilities from credit institutions	-	-	-	-
Financial liabilities designated at fair value through profit or loss	1,823	1,823	258	258
Financial liabilities measured at the amortized cost	143,076	141,425	121,292	120,130
Derivative financial instruments - hedge accounting	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Provisions	-	-	-	-
Tax liabilities	4	5	9	10
Other liabilities	19,118	19,151	1,405	1,421
Liabilities included in disposals groups classified as held for sale	-	-	-	-
Total liabilities	**164,021**	**162,404**	**122,964**	**121,819**
Total shareholders' equity	16,412	16,706	15,686	15,722
Total liabilities and shareholders' equity	**180,433**	**179,110**	**138,650**	**137,541**
Memorandum items	**956**	**956**	**836**	**836**
Contingent liabilities	-	-	-	-
Financial commitments	956	956	836	836
Assets under management and in custody	**735,215**	**790,784**	**449,185**	**504,057**

*Auditor: SIA "BDO Assurance"

2. Statement of profit or loss and other comprehensive income for the 9 Month Period, ended September 30, 2019 and 2018

EUR '000

Title of entry	30.09.2019. Bank (Unaudited)	30.09.2019. Group (Unaudited)	30.09.2018. Bank (Unaudited)	30.09.2018. Group (Unaudited)
Interest income	3,677	3,682	3,836	3,836
Interest expense (-)	(1,182)	(1,173)	(1,195)	(1,190)
Dividends received	193	193	20	20
Commission and fee income	3,601	3,769	2,626	2,800
Commission and fee expense (-)	(499)	(509)	(410)	(421)
Gains/ losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (+/-)	(20)	(20)	(88)	(88)
Gains / losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	(204)	(204)	(35)	(35)
Gains/ losses from hedge accounting, net (+/-)	-	-	-	-
Result from foreign exchange trading and revaluation, net (+/-)	(160)	(141)	791	800
Gains/ losses on derecognition of non-financial assets, net	-	-	-	-
Other operating income	104	101	72	74
Other operating expense (-)	(336)	(340)	(393)	(396)
Administrative expense (-)	(4,202)	(4,306)	(4,154)	(4,389)
Depreciation (-)	(400)	(401)	(352)	(354)
Gains / losses recognized in the contractual cash flows of a financial asset (+/-)	-	-	-	-
Provisions or reversal of provisions (+/-)	-	-	-	-
Impairment or reversal of impairment (+/-)	(27)	(31)	73	73
Negative goodwill recognised in profit or loss	-	-	-	-
Share of the profit/ loss of investments in subsidaries, joint ventures and associates accounted for using the equity method (+/-)	32	(14)	-	-
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 (+/-)	**577**	**606**	**791**	**730**
Corporate income tax	(35)	(35)	(43)	(43)
Net profit/(loss) for the period (+/-)	**542**	**571**	**748**	**687**
Other comprehensive income for the period (+/-)	184	193	(147)	(147)

3. Performance Indicators

Title of entry	30.09.2019. Bank (Unaudited)	30.09.2019. Group (Unaudited)	30.09.2018. Bank (Unaudited)	30.09.2018. Group (Unaudited)
Return on equity (ROE) (%)	4.51%	4.74%	6.27%	5.75%
Return on assets (ROA) (%)	0.45%	0.51%	0.60%	0.57%

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, 2019. 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	21,090	38	21,128	103%
Sweden	15,070	393	15,463	76%
Netherlands	-	5,052	5,052	25%
Lithuania	4,718	-	4,718	23%
Belgium	3,676	-	3,676	18%
France	2,867	-	2,867	14%
Other countries	2,248	3,434	5,682	x
Total securities portfolio	**49,669**	**8,917**	**58,586**	**x**

5. Analysis of the Group's expected credit losses

The Group's projections of the amount of credit losses as at 30 September 2019 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:	(155)	-	(237)	(392)
Loans and advances	*(151)*	-	*(237)*	*(388)*
Debt securities	*(4)*	-	-	*(4)*
Accumulated impairment, total	**(155)**	**-**	**(237)**	**(392)**

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/lv/finansu-parskati-2018/.

Liquidity Ratio Calculation

EUR '000

Title of entry	30.09.2019. Bank (Unaudited)	30.09.2019. Group (Unaudited)
Liquidity buffer	62,839	62,839
Net liquidity outflow	31,471	28,445
Liquidity coverage ratio (%)	**199.67%**	**220.91%**

2. Capital Adequacy

Information about Capital Management is available at Signet Bank AS corporate website https://www.signetbank.com/lv/finansu-parskati-2018/.

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

№	Title of entry	30.09.2019. Bank (Unaudited)	30.09.2019. Group (Unaudited)
1.	**Own funds** (1.1.+1.2.)*	**20,454**	**20,420**
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	15,127	15,093
1.1.1.	Common Equity Tier (CET) 1 capital	15,127	15,093
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	5,327	5,327
2.	**Total Risk exposure value**	**82,303**	**81,757**
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	67,243	65,822
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	134	536
2.4.	Total risk exposure value for operational risk	14,350	14,823
2.5.	Total risk exposure value for credit valuation adjustment	576	576
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)	**18.38%**	**18.46%**
3.2.	Surplus (+) / deficit (–) of CET 1 capital (1.1.1.-2.*4.5%)	11,423	11,414
3.3.	Tier 1 capital ratio (1.1./2.*100)	18.38%	18.46%
3.4.	Surplus (+) / deficit (–) of Tier 1 capital (1.1.-2.*6%)	10,189	10,188
3.5.	Total capital ratio (1./2.*100)	24.85%	24.98%
3.6.	Surplus (+) / deficit (–) of total capital (1.-2.*8%)	13,870	13,879
4.	**Combined buffer requirement** (4.1.+4.2.+4.3.+4.4.+4.5.)	**2,069**	**2,055**
4.1.	Capital conservation buffer	2,058	2,044
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	11	11
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.	18.38%	18.46%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	18.38%	18.46%
5.4.	Total capital ratio, including adjustments in row 5.1.	**24.85%**	**24.98%**

* 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

PRIVATE
BANK

Signet Bank AS
3 Antonijas, Riga
LV-1010, Latvia
Unified Reg No.: 40003076407
signetbank.com