Signet Bank AS Annual report for year ended **31 December 2020**

SIGNET

PRIVATE BANK

Content

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Management report on the Group and the Bank's operations during 2020

For the Group, 2020 was marked with completion of business model transformation process, which was initiated in 2018. Over the course of these two years, the Group expanded its activities in the domestic market, focusing on servicing and financing of local entrepreneurs and their businesses. During this period the Group has managed to substantially increase business volumes on the local market, increasing the number of clients, volume of deposits and growing its domestic loans portfolio. As a result, the share of business with clients from Latvia, EU and OECD member countries has substantially increased and reached 76% of the deposit base, 68% of the number of clients, 83% of the assets under management and administration ("AUMA") and 71% of the Group's overall revenue.

Most importantly, this transformation has resulted not only in decrease of operational and AML risks related to servicing international clients, but also in increase of revenue and business volume. Compared to 2018, when the transformation of the business model was started, the Group has achieved the following growth of key indicators:

- Net Interest income increased by 61%;
- Net commission income increased by 45%;
- Overall revenue increased by 53%;
- Net profit increased by 19 times;
- Deposits increased by 50%;
- AUMA increased by 68%;
- CIR 78%;
- ROE 7.79%.

These results were achieved not only against challenging environment in the Latvian banking sector which went through difficult transition, but also macro turbulence caused by COVID-19 pandemic.

Over this two year period the Group has expanded its product offering, but remains committed to focus on providing high quality investment solutions and bringing together investment needs and free capital of our clients. Arranging financing from bank's own balance sheet and also syndicating financing with our clients and partners is the most important driving force behind our growth. We also continue to assist our wealthy clients with placing their investable capital into capital markets, predominantly fixed income instruments.

During the course of business model transformation, lending has become very important element of the Group's strategy - over the last two years the Group has issued more than 100m EUR in new loans. These loans were issued to our existing clients, but more importantly also to new clients of the Group. We remain committed to continue to support local businesses with new financing facilities also in 2021.

Bonds underwriting has become an important business line for the Group and we see good potential for expanding further in this area. To strengthen our offering to potential issuers, in 2020 the Bank has become the Certified Advisor on First North market in Latvia. Being a Certified Adviser permits Signet Bank to guide growth companies in Latvia through the Firth North application process and ensure they meet all the market's requirements on a continuous basis.

In 2020 the Group arranged five fixed income financial instruments transactions, helping our clients raise more than 20m EUR in the capital market, which makes us clear leader in this market segment in Latvia and also important player in the Baltics. Since the beginning of 2021 the Bank has arranged another two landmark bond issues on the local market, raising 20m EUR for ELKO Group (largest company in Latvia in terms of turnover) and 30m EUR Mogo. These transactions not only strengthen the Bank's track record, but also contribute to the development of the capital market in Latvia, proving the significant potential of bonds as alternative source of financing for local businesses. We believe that the market offers excellent opportunities for successful new bond placements, and will continue our work towards popularising this type of financing among our existing and potential clients.

In line with our plans, the Group has launched the first mutual fund managed by Signet Asset Management IPS, and we plan to launch second one in 2021. These funds complement portfolio management services provided by Signet Asset Management IPS to private clients. In 2020 Signet Asset Management Latvia has renewed its mandate to continue to co-manage the assets of the 3rd-pillar pension plan Pirmais Pensiju Plāns (First Pension Plan) for AS "Pirmais Slēgtais Pensiju Fonds" – the largest corporate pension fund in Latvia. In 2020 the Bank also expanded custody service offering and started servicing institutional clients.

Technological development was one of the important priorities for the Group in 2020. In May the Bank launched instant payments, becoming 4th bank in Latvia to start offering this service. The Group plans to continue launching new products and technological solutions to improve clients experience and increase efficiency of internal processes.

With completion of transformation of business model the Group also refreshed its homepage, which better reflects main principle of our work – that Signet Bank is not an just an ordinary bank, but the Bank which strives to provide most valuable and well thought solutions which are tailored to meet needs of specific client.

In 2020 Latvia continued to restore international reputation of the financial sector. The coordinated efforts of government, lawmakers, Financial Intelligence Unit, FCMC, law enforcement agencies and financial institutions has led to irreversible de-risking of Latvian banking sector, which now commands AML/CTPF standards fully up-to-date with the international best practice. With this background, the Group continues to pay great attention to AML/CTPF compliance, constantly enhancing its internal controls in line with the changing regulatory environment and international best practice. We are investing in IT and human resources to maintain risk management and controls consistent with the chosen business model.

Sustainability is becoming an increasingly significant aspect of the financial industry. In 2020 the Group has clearly defined its environmental, social and governance ("ESG") goals in its strategy. The Group is committed to gradually integrating sustainability considerations into the core of all business activities, as well as to raising employees', customers' and partners' awareness of environmental, social and governance challenges and opportunities. The Group also has developed sustainability governance structure within the organisation, determining the main roles and areas of responsibility in order to ensure that sustainability efforts address relevant issues and that they are implemented across the entire organisation. The Group actively participates in industry initiatives regarding sustainable finance development, taking part in Sustainable Finance work group of Finance Latvia Association and other institutions where applicable.

In terms of the Group's financial performance in 2020, we had a fairly successful year. Net fee income increased compared to 2019 by 8% (from 4.6m EUR to 4.9m EUR), while net interest income has increased by 41% (from 3.9m EUR in 2019 to 5.4m EUR in 2020). Group's administrative expenses have increased by 31% (to large extend due to growth of our subsidiary Primero Finance), and net profit has increased by 48% and reached 1.4m EUR (compared to 0.9m EUR in 2019). Group's client deposits increased by 20m EUR (+13%), while the total amount of client funds has reached 1 046.5m EUR. We see many opportunities as the banking sector of Latvia continues to undergo structural changes. At the Group, we see a clear opportunity to grow our private banking and investment banking businesses. Having access to our clients' substantial capital, we are able not only to arrange loans on our balance sheet, but also to syndicate sizeable debt financing transactions with our clients in the form of both loans and bond issues. The Group has maintained its conservative risk profile – capital adequacy ratio stood at 18.42% at the end of 2020 (2019: 23.21%), with a liquidity ratio of 63.63% (2019: 67.59).

Luckily COVID-19 pandemic has not had any significant impact on the Group. Over the course of emergency situation declared in Latvia, the Group continued to offer full range of services to the clients. In order to ensure safety for our employees and clients, large part of the Group's employees has switched to remote work mode, but otherwise Group's operations were not effected.

In April 2020 the Bank and also our subsidiary Primero Finance have joined industry-wide moratorium on housing mortgage principal payments for up to 12 months, and up to 6 months for consumer and corporate loan principal payments, available to clients having short-term financial difficulties due to COVID-19. The moratorium has ended in September 2020, with 2 private and 3 corporate clients of the Bank receiving support during the moratorium.

In 2020, as part of our Signet Bank art strategy, we supported Eriks Apalais solo exhibition "Family", which was held at the Latvian National Museum of Art. Eriks Apalais is one of the most original artists of the new generation and a nominee of the Purvitis Prize 2021. With the support of the Bank and keeping all restrictions on gatherings, a series of ten concert stories "Concert in the First Row" took place in the cultural space "Hanzas perons".

Celebrating excellent results achieved over the course of last two years, management would like to thank our clients for their continuous trust, our shareholders for their support and strategic guidance, and our employees for their hard work in these exciting times. We are confident that the Group is well positioned to continue its successful development in the coming years.

On behalf of the management:

Roberts Idelsons	Tatjana Drobina
Chairman of the Board	*Member of the Board*

30 March 2021

The Council and Management of the Bank

Supervisory Council of the Bank

There were changes in the Supervisory Council of the Bank during the reporting period.
The Supervisory Council was elected on December 14, 2020:

Position	Name, surname
Chairman of the Supervisory Council	Michael A.L. Balboni
Deputy Chairman of the Supervisory Council	Irīna Pīgozne
Member of the Supervisory Council	Thomas Roland Evert Neckmar
Member of the Supervisory Council	Sergejs Medvedevs

Composition of the Bank's Supervisory Council before changes:

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

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.

Statement of Management Responsibility

The management of Signet Bank AS (the Bank) is responsible for the preparation of the financial statements of the Bank and its subsidiaries (the Group) that reflect the Bank and the Group's financial position at the end of the reporting period in a clear and actual manner, as well as for the financial results and the movement of monetary assets and liabilities during the reporting period.

The Bank's management confirms that throughout the preparation of pages 8 to 91 of the financial statements of the Bank and the Group for 2020 the corresponding bookkeeping methods have been used consistently, and that the decisions and evaluations of the Bank's management during the preparation of the financial statements have been in all respects sufficient, well-considered and balanced.

The aforementioned financial statements are prepared on a going concern basis in conformity with International Financial Reporting Standards as adopted by the European Union. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Bank's management is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets, and the prevention and detection of fraud or any other irregularities in the Group.

The Bank's management is also responsible for operating the Group and the Bank in compliance with the Law on Credit Institutions of the Republic of Latvia, Regulations of the Bank of Latvia and the Financial and Capital Market Commission of the Republic of Latvia, and other laws of the Republic of Latvia as well as European Union Regulations applicable to credit institutions.

On behalf of the management:

Roberts Idelsons	Tatjana Drobina
Chairman of the Board	*Member of the Board*

30 March 2021

Group`s Consolidated and Bank's Separate Statement of Income for the year ended 31 December 2020

'000 EUR	Note	2020 Group	2019 Group	2020 Bank	2019 Bank
Interest income	8	6 873	5 444	5 671	5 209
Interest expense	8	(1 430)	(1 592)	(1 445)	(1 605)
Net interest income		**5 443**	**3 852**	**4 226**	**3 604**
Fee and commission income	9	6 032	5 339	5 814	5 121
Fee and commission expense	10	(1 102)	(789)	(1 102)	(775)
Net fee and commission income		**4 930**	**4 550**	**4 712**	**4 346**
Net profit / loss on discontinuing recognition of financial assets and financial liabilities at fair value through profit or loss		63	(19)	63	(19)
Net profit / loss from financial assets and financial liabilities measured at fair value through profit or loss		448	(205)	448	(205)
Net foreign exchange profit / loss		623	(148)	664	(153)
Net other income		147	343	61	336
Total operating income		**11 654**	**8 373**	**10 174**	**7 909**
General administrative expenses	11	(9 462)	(7 197)	(8 400)	(6 910)
Share of loss of equity-accounted investee, net of tax		(3)	(7)	-	32
Net impairment of investment in subsidiaries	20	-	(5)	-	-
Other impairment losses		(438)	(8)	(438)	(8)
Impairment loss	12	(345)	(203)	(347)	(271)
Profit before income tax		**1 406**	**953**	**989**	**752**
Income tax expense	13	(11)	(8)	(8)	(8)
Profit for the period		**1 395**	**945**	**981**	**744**
Profit Attributable to non-controlling interest		7	50	-	-
Profit Attributable to Equity holders of the Bank		1 388	895	981	744

The accompanying notes on pages 16 to 91 are an integral part of the Group consolidated and Bank separate financial statements.

The Group consolidated and Bank`s separate financial statements as set out on pages 8 to 91 were approved by management of the Bank on 30 March 2021.

On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group`s Consolidated and Bank's Separate Statement of Comprehensive Income for the year ended 31 December 2020

'000 EUR	Note	2020 Group	2019 Group	2020 Bank	2019 Bank
Profit for the period		**1 395**	**945**	**981**	**744**
Other comprehensive income					
Items that are or may be reclassified to profit or loss					
Changes in revaluation reserve of debt securities at fair value through other comprehensive income		(96)	64	(87)	58
Change to income statement as a result of sale of financial assets at fair value through other comprehensive income		(50)	128	(53)	125
Other comprehensive income/(expense) for the period		**(146)**	**192**	**(140)**	**183**
Total comprehensive income for the period		**1 249**	**1 137**	**841**	**927**
Profit Attributable to non-controlling interest		7	50	-	-
Profit Attributable to Equity holders of the Bank		1 242	1,087	841	927

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group's Consolidated and Bank's Separate Statement of Financial Position as at 31 December 2020

'000 EUR	Note	2020 Group	2019 Group	2020 Bank	2019 Bank
Assets					
Cash and due from central banks	14	12 196	40 931	12 196	40 931
Demand deposits with credit institutions	16	8 418	11 484	8 415	11 411
Financial instruments carried at fair value through profit or loss	15	5 235	1 097	5 235	1 097
Debt securities measured at fair value through other comprehensive income	18	15 949	20 442	15 743	20 237
Financial assets measured at amortized cost		150 496	108 084	149 900	107 987
Loans and advances due from customers	17	*83 407*	*65 196*	*82 811*	*65 099*
Debt securities	19	*63 828*	*22 420*	*63 828*	*22 420*
Term deposits with credit institutions	16	*3 261*	*20 468*	*3 261*	*20 468*
Investment in subsidiaries	20	-	-	1 831	1 531
Investment in associates	21	1 758	1 895	1 894	2 028
Property and equipment	22	2 432	2 787	2 414	2 763
Intangible assets	23	523	210	468	142
Non-current assets held for sale		3 996	215	3 970	193
Other assets	24	2 360	2 064	1 956	1 763
Total Assets		**203 363**	**189 209**	**204 022**	**190 083**

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group's Consolidated and Bank's Separate Statement of Financial Position as at 31 December 2020

'000 EUR	Note	2020 Group	2019 Group	2020 Bank	2019 Bank
Liabilities and shareholders' equity					
Financial liabilities at fair value through profit or loss	15	244	549	244	549
Financial liabilities measured at amortized cost		180 103	166 059	181 916	167 559
Deposits	26	*173 832*	*154 159*	*175 645*	*155 659*
Subordinated liabilities	27	*5 667*	*11 465*	*5 667*	*11 465*
Liabilities to financial institutions	**25**	*604*	*435*	*604*	*435*
Provisions		438	8	438	8
Other liabilities	28	4 258	5 522	3 970	5 354
Total Liabilities		**185 043**	**172 138**	**186 568**	**173 470**
Share capital	29	16 545	32 171	16 545	32 171
Share premium		28	28	28	28
Other reserves		312	312	312	312
Fair value reserve		(41)	105	(44)	96
Accumulated profit / (losses)		1 207	(15 807)	613	(15 994)
Total Equity Attributable to Equity Holders of the Bank		**18 051**	**16 809**	**17 454**	**16 613**
Non-controlling Interest		269	262	-	-
Total Shareholders' Equity		**18 320**	**17 071**	**17 454**	**16 613**
Total Liabilities and Shareholders' Equity		**203 363**	**189 209**	**204 022**	**190 083**
Assets under management and administration	31	**866 953**	**926 592**	**808 608**	**872 279**

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group’s Consolidated and Bank’s Separate Statement of Cash Flows for the year ended 31 December 2020

’000 EUR	Note	2020 Group	2019 Group	2020 Bank	2019 Bank
Cash flows from operating activities					
Profit before income tax		1 406	953	989	752
Corporate income tax paid		11	8	8	8
Amortisation and depreciation	22, 23	580	535	559	530
Impairment of investment in subsidiaries	20	-	5	-	-
Impairment loss	12	345	203	347	271
Net interest income		(5 443)	(3 802)	(4 226)	(3 554)
Dividends received		(6)	(195)	(6)	(195)
Increase of provisions		430	8	430	8
Decrease in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		**(2 677)**	**(2 285)**	**(1 899)**	**(2 180)**
(Increase)/decrease in financial assets at fair value through profit or loss		(4 443)	224	(4 443)	224
(Increase)/decrease in balances due from financial institutions		16 528	(8 950)	16 641	(8 956)
(Increase) in loans and advances due from customers		(18 282)	(27 546)	(17 901)	(27 556)
Increase in non-current assets held for sale		(3 826)	(215)	(3 777)	(193)
(Increase) in other assets		(203)	(943)	(105)	(668)
Increase in deposits and balances due to financial institutions		19 673	52 267	20 042	52 545
Increase/(decrease) in other liabilities		(923)	3 334	(1 041)	3 183
Increase in cash and cash equivalents from changes in assets and liabilities, as a result of ordinary operations		**5 847**	**15 886**	**7 517**	**16 399**
Interest received		6 745	5 280	5 550	5 080
Dividends received		6	195	6	195
Interest paid		(1 129)	(1 008)	(1 200)	(961)
Net cash flow from operating activities		**11 469**	**20 353**	**11 873**	**20 713**
Cash flow from investing activities					
Purchase of property and equipment	22, 23	(702)	(391)	(700)	(296)
Decrease in financial instruments designated at fair value through profit or loss		4 295	13 358	4 299	13 558
(Increase) in financial assets measured at amortized cost		(41 387)	(16 796)	(41 387)	(16 796)
Investments in associates		137	(177)	134	(215)
Investments in subsidiary		-	(5)	-	-
Net cash flow from investing activities		**(37 657)**	**(4 011)**	**(37 654)**	**(3 749)**

Group's Consolidated and Bank's Separate Statement of Cash Flows for the year ended 31 December 2020

'000 EUR	Note	2020 Group	2019 Group	2020 Bank	2019 Bank
Cash flow from financing activities					
Acquisition of subsidiary		-	-	(300)	(239)
Non-controlling interest in subsidiary		-	212	-	-
(Decrease) in Subordinated liabilities		(6 347)	(7 712)	(6 347)	(7 712)
Repayment of lease liabilities		(115)	(109)	(111)	(109)
Net cash flow from financing activities		**(6 462)**	**(7 609)**	**(6 758)**	**(8 060)**
Net in cash and cash equivalents		**(32 650)**	**8 733**	**(32 539)**	**8 904**
Cash and cash equivalents at the beginning of the year		52 415	43 940	52 342	43 690
Currency translation of cash and cash equivalents at the year		849	(258)	808	(252)
Cash and cash equivalents at the end of the year	14	**20 614**	**52 415**	**20 611**	**52 342**

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group's Consolidated Statement of Changes in Shareholders' equity for the year ended 31 December 2020

'000 EUR	Note	Share capital	Share premium	Fair value reserve	Other reserves	Accumulated profit / (losses)	Non-controlling Interest	Total
Balance at 1 January 2019		**32 171**	**28**	**(87)**	**312**	**(16 702)**	**-**	**15 722**
Comprehensive income								
Profit for the year		-	-	-	-	895	50	945
Other comprehensive income		-	-	192	-	-	-	192
Total comprehensive income		**-**	**-**	**192**	**-**	**895**	**50**	**1 137**
Acquisition of a non - controlling subsidiary		-	-	-	-	-	212	212
Balance at 31 December 2019	29	**32 171**	**28**	**105**	**312**	**(15 807)**	**262**	**17 071**
Reduction of nominal value of shares		(15 626)	-	-	-	15 626	-	-
Balance after reduction of share capital		**16 545**	**28**	**105**	**312**	**(181)**	**262**	**17 071**
Comprehensive income								
Profit for the year		-	-	-	-	1 388	7	1 395
Other comprehensive expense		-	-	(146)	-	-	-	(146)
Total comprehensive income / (expense)		**-**	**-**	**(146)**	**-**	**1 388**	**7**	**1 249**
Balance at 31 December 2020	29	**16 545**	**28**	**(41)**	**312**	**1 207**	**269**	**18 320**

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Bank's Separate Statement of Changes in Shareholders' Equity for the year ended 31 December 2020

'000 EUR	Note	Share capital	Share premium	Fair value reserve	Other reserves	Accumulated profit / (losses)	Total
Balance at 1 January 2019 after the adoption of IFRS 9		**32 171**	**28**	**(87)**	**312**	**(16 738)**	**15 686**
Comprehensive income							
Profit for the year		-	-	-	-	744	744
Other comprehensive expense		-	-	183	-	-	183
Total comprehensive income/ (expense)		**-**	**-**	**183**	**-**	**744**	**927**
Balance at 31 December 2019	29	**32 171**	**28**	**96**	**312**	**(15 994)**	**16 613**
Reduction of nominal value of shares		(15 626)	-	-	-	15 626	-
Balance after reduction of share capital		**16 545**	**28**	**96**	**312**	**(368)**	**16 613**
Comprehensive income							
Profit for the year		-	-	-	-	981	981
Other comprehensive expense		-	-	(140)	-	-	(140)
Total comprehensive income / (expense)		**-**	**-**	**(140)**	**-**	**981**	**841**
Balance at 31 December 2020	29	**16 545**	**28**	**(44)**	**312**	**613**	**17 454**

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On behalf of the management:

Roberts Idelsons
Chairman of the Board

Tatjana Drobina
Member of the Board

Group's Consolidated and Bank's Separate Notes to the Financial Statements

1. Background

Principal activities

The Bank was founded in 1992 as Latvijas Biznesa banka AS. Currently, the majority shareholder of the Bank is an international group of investors, consisting of three financially strong investors – Signet Acquisitions III, SIA Hansalink, and SIA Fin.lv. In addition to financial stability, it provides a framework for rational and thoughtful strategic decision-making at the shareholder level, based on the mutually supportive, broad and diverse experience of each shareholder.

Signet Bank AS is a private bank that provides entrepreneurs and their companies with high-quality financial solutions at the highest level of professionalism and reliability. The main products offered to clients are: servicing of daily banking transactions of individuals and legal entities, capital management, including portfolio management, participation in financial club-type deals, investment advice, private and corporate loans, premium payment cards, deposits. The Bank's target customers are residents of Latvia, the European Union and OECD countries. The Bank aims to become the most convenient and reliable provider of private banking services and sustainable financial solutions in the Nordics.

In 2020, the Bank completed the transformation of its business model with the main focus on servicing and financing local entrepreneurs and their businesses. At the end of 2020, as a result of this transformation, most of the Bank's business (72% of deposits and 65% of revenues) came from EU residents, while 52% of deposits and 53% of revenues came from residents of Latvia. The Bank will continue to prioritize increasing business volumes in the markets of Latvia and other EU countries, both in terms of attracting customers and lending.

2020 was very challenging and unusual year for all of the world. Essentially all countries were under shorter or longer periods of lockdown due to a pandemic as governments provided supportive measures to people and businesses. In order to provide support for those borrowers who were facing short-term difficulties due to Covid-19, the Group joined the industry-wide moratorium. In response to safety measures, the Group made changes in business processes, shifting most of them to remote work. As mass vaccination is under the way, the situation should improve notably, however, uncertainty of further developments remains. The Group assessed potential effect from Covid-19, during regular planning procedures in December 2020. In the opinion of the Group's management, Covid-19 pandemic will not impact the Group's and Bank's operations significantly and the Group will continue to operate successfully.

The Group's capital adequacy and liquidity[1] ratios were 18.42% and 63.63% respectively as at 31 December 2020 (2019: 23.21% and 67.59% respectively). In 2020 the Group's Return on Equity (ROE)[2] and Return on Assets (ROA)[3] were 7.79% and 0.68% respectively (5.81% and 0.60% in 2019).

The Bank operates in accordance with the laws and regulations of the Republic of Latvia and the licence issued by the Capital Market Commission of the Republic of Latvia ("FCMC"), that allows the Bank to render all the financial services specified in the Law on Credit Institutions.

The activities of the Group are supervised by the FCMC. The registered address of the Bank's head office is 3 Antonijas street, Riga LV-1010, Latvia.

[1] Liquidity ratio is calculated by dividing short-term liquid assets by current liabilities due in 30 days
[2] ROE is calculated as annualised net profit/loss for the relevant period divided by the average of total equity at the beginning and the end of the period.
[3] ROA is calculated as annualised net profit/loss for the relevant period divided by the average of total assets at the beginning and the end of the period.

Subsidiaries of the Group is as follows:

Name	Country of incorporation	Principal Activities	Address	Ownership %	
				2020	2019
Signet Asset Management Latvia IPS	Latvia	Financial services	3 Antonijas street, Riga LV-1010, Latvia	100	100
AS "Primero Finance"	Latvia	Financial services	50 Skanstes street, Riga LV-1013, Latvia	51	51
UAB Primero Finance	Lithuania	Financial services	Perkūnkiemio Str. 6-1, Vilnius, LT-12130, Lithuania	100 *	-
Citra Development SIA	Latvia	Real estate rental and management	Antonijas Str. 3-5, Riga, LV-1010, Latvia	100	-

*Direct shareholding of the Bank 51%.

2. Commitment to Sustainability

Supporting the worldwide ambition for the transition to a more sustainable economy, Bank has incorporated sustainability considerations into its business strategy and set the main action items in order to be prepared for the upcoming challenges in the EU banking sector.
Bank’s sustainability targets for the year 2021:

- Put most effort on the areas where the greatest impact can be achieved – focused financial solutions and capital management instruments, fostering investments in projects that support ANO Sustainable Development Goals (SDG), priorities set in the European Green Deal and Recovery and Resilience Facility on EU and national level;
- Develop data infrastructure, supporting environmental, social and governance (ESG) related decision making, performance monitoring and disclosure requirements;
- Incorporate ESG factors and associated risks in Bank’s risk management framework, including credit risk appetite and risk management policies and procedures;
- Continue to promote a responsible and transparent governance culture in the bank;
- Invest in the digitization and technological development of banking services and processes to facilitate transition to green and digital economy;
- Actively participate in industry initiatives regarding sustainable finance development.
- Invest in raising awareness and improving knowledge, skills and expertise in sustainability related risks and opportunities within Bank's employees, customers, partners and society as a whole;
- Reduce the environmental impact of the Bank's operations, promoting responsible consumption and use of resources, as well as establishing requirements regarding environmental and social standards that the Bank considers as important in selecting its suppliers and partners.

Sustainability Governance

The Bank has established sustainability governance structure within the company to exercise effective oversight over the Bank's exposures and response to sustainability risks and opportunities. The Management Board decides on the strategic sustainability direction and focus areas, supervises and controls execution of set targets, while implementation of sustainability considerations are distributed horizontally within appropriate business lines, points of contacts being coordinated by Sustainability Strategy Manager.
The Bank understands that the transition to a greener and more responsible economy is a complex task that requires a fundamental change in public perceptions and behavior. It recognizes its role and potential in promoting sustainable development and is committed to gradually integrate sustainability considerations into the core of all business activities.

3. Authorisation of the financial statements

These financial statements have been authorised for issuance by the Management on 30 March 2021 and comprise the financial information of Signet Bank AS (hereinafter – the Bank) and its subsidiaries Signet Asset Management Latvia IPS, AS "Primero Finance", UAB Primero Finance and Citra Development SIA (together referred to as the "Group"). The shareholders have the right to approve these financial statements, as well as have the right to make changes to these financial statements.

4. Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the Group's consolidated and the Bank's separate financial statements.

a) Basis of preparation

The accompanying Group consolidated and Bank separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"), and regulations of the Financial and Capital Market Commission of the Republic of Latvia in force as at the reporting date and in accordance with a going concern basis. Having reassessed the main risks, the Management considers it appropriate to adopt going concern basis of accounting in preparing these financial statements, there are no material uncertainties with regard to applying going concern basis of accounting.
Some of the updated standards became effective on 1 January 2020, but they do not have a material impact on the Group, therefore the accounting policies were not updated and revised. The other accounting policies have not changed from those used in the preparation of the financial statements for the year ended 31 December 2019.

b) Functional and Presentation Currency

Group's and Bank's functional currency and presentation currency, is the official currency of the Republic of Latvia, Euro ("EUR"). The accompanying financial statements are presented in thousands of Euros (EUR 000's).

c) Changes in significant accounting policies

New requirements effective for 2020 which did not have a significant effect to the Group:
- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Definition of a Business (Amendments to IFRS 3);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7).

These Standards do not have a material effect on the Group's financial statements.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

These standards are listed below and are not expected to have a significant impact on the Group's financial statements. The Group intends to implement them on their effective date:
- COVID-19-Related Rent Concessions (Amendment to IFRS 16), effective for annual periods from 1 June 2020;
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective from 1 January 2021;
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), effective from 1 January 2022;
- Annual Improvements to IFRS Standards 2018–2020, effective from 1 January 2022;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective from 1 January 2022;
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective from
- 1 January 2022;
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1), effective from 1 January 2023;
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts, effective from 1 January 2023;
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28), effective from 1 January 2023.

d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. The investments in the subsidiaries are presented in the Bank's financial statements at acquisition cost less impairment allowance. More detailed information on the Group's subsidiary is presented in Note 20 (Investment in Subsidiaries).

(ii) Associates

The Bank’s interests in equity accounted investees comprise interests in associates.
Associates are those entities in which the Bank has significant influence, but not control or joint control, over the financial and operating policies. Investments in associates are accounted for in the Group consolidated financial statements using the equity method. They are initially recognised at cost, including transaction costs. Subsequent to initial recognition, consolidated financial statements include the Group’s share of the profit or loss and OCI in equity-accounted investees, until the date on which significant influence or joint control ceases.
Investments in associates are carried in the Bank’s separate financial statements at cost less impairment, if any. More detailed information on the Group’s associates is presented in Note 21 (Investment in associates).

(iii) Transactions eliminated on consolidation

Detailed information of the subsidiaries entity is available in Note 20.
The Bank and its Subsidiarie’s financial statements are consolidated in the Group financial statements, merging the respective assets, liabilities, income and expense captions. Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, have been eliminated in the preparation of the consolidated financial statements.

(iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets.
Goodwill is allocated to cash-generating units and is stated at cost less impairment losses.
Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.
Negative goodwill arising on acquisition is recognised immediately in profit or loss. Impairment losses are not reversed.

e) Foreign currency

Transactions in foreign currencies are translated into the respective functional currency of Group companies at the exchange rate at the date of the transaction.
Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the European Central Bank spot exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value in foreign currency are retranslated into the functional currency at the European Central Bank spot exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as the hedging instrument in a hedge of the net investment in a foreign operation or in a qualifying cash flow hedge, which are recognised in other comprehensive income.

f) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Bank and the Group companies in the management of short-term commitments.

g) Financial instruments

(i) Recognition

The Group recognises financial asset on its balance sheet when, and only when, the Group becomes a party to the contractual provisions of the instrument.
All transactions of purchase and sale of financial assets are recognised in the statement of financial position on the settlement date. In the period between a transaction and the settlement date, the Bank recognises changes of fair value of an asset to be received or transferred according to the same principles that are applied to the accounting of any asset of the respective category.

(ii) Classification

At the time of initial recognition, the Group classifies all financial assets and financial liabilities into one of the business models as follows:

- held in order to collect contractual cash flows (HTC);
- held in order to both collect the contractual cash flows and sell the financial asset (HTCS);
- held for trading (TRD).

The basis for classification is both business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At acquisition the applicable classification is evaluated based on the guidelines established by the Management. For financial asset classification in particular category, the Group at inception has to determine whether the asset meets the relevant business model and contractual cash flow criteria.
The Group, having regard to the business model objectives and the contractual cash flow characteristics, accounts financial assets in 3 (three) measurement categories:

- measured at amortised cost (AmC);
- measured at fair value through other comprehensive income (FVOCI);
- measured at fair value through profit or loss (hereinafter referred to as FVTPL).

The Group accounts all financial assets as measured at AmC, except for:

- liabilities held for trading or those initially classified as FVTPL. Such liabilities, including derivative instruments which are liabilities, are afterwards measured at fair value;
- financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition, or a continuing involvement approach applies;
- financial guarantee contracts;
- commitment to issue a loan at an interest rate lower than the market interest rate;
- contingent consideration recognised by the buyer in a business combination that is subject to IFRS 3. Such possible remuneration is subsequently measured at fair value with changes recognised in the statement of profit and loss.

(iii) Measurement

Financial assets and liabilities measured at amortised cost

For a financial asset to be measured at amortised cost it should both be held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Financial assets measured at amortised cost are carried at amortised cost using the effective interest rate method, less any allowance for impairment. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's effective interest rate. The effective interest rate is applied to the gross carrying amount of a financial asset except for credit-impaired financial assets. For the purchased or originated credit-impaired financial assets the credit-adjusted effective interest rate is applied from initial recognition. For financial assets which subsequently become credit-impaired the effective interest rate is applied to the revised after impairment carrying amount and where the credit risk on the financial instrument improves so that the financial asset is no longer credit-impaired, the effective interest rate is applied to the gross carrying amount.
A gain or loss on a financial asset that is measured at amortised cost is recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses. Financial assets at amortised cost are recognised on drawdown. From the date of signing a contractual agreement till drawdown they are accounted for as off-balance sheet commitments.
When the financial asset cannot be recovered, it is written off and charged against allowance for credit losses. The Group makes the decision on writing-off of financial assets. Recoveries of loans previously written-off are credited to the statement of income.
The Group classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method, except for derivatives and certain deposit components of the insurance plan liabilities which are measured at fair value through profit or loss. A gain or loss on a financial liability that is measured at amortised cost is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial assets measured at fair value through other comprehensive income

For a financial asset to be measured at fair value through other comprehensive income it should be held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at fair value through other comprehensive income are intended to be held for an undefined period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates, share prices or other circumstances.
Financial assets measured at fair value through other comprehensive income are subsequently re-measured at fair value based on available market prices. A revaluation gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. For debt securities the difference

between the initial carrying amount and amortised cost determined by the effective interest rate method is treated as interest income and is recognised in profit or loss; on derecognising the cumulative fair value revaluation gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
For non-equity financial instruments measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the balance sheet. Impairment gains or losses are recognised in profit or loss.
For equity instruments, neither held for trading or acquired in a business combination, the Group at initial recognition, has to make an irrevocable election to present subsequent changes in the fair value of each instrument in other comprehensive income or profit or loss. This election is made on an instrument-by-instrument basis. Amounts presented in other comprehensive income subsequently are not transferred to profit or loss, but cumulative gain or loss on disposal is transferred directly to retained earnings. Dividends on equity instruments classified at fair value through other comprehensive are recognised in the statement of income. Such equity instruments are not tested for impairment, but carried at fair value.

Financial assets and liabilities measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. For equity instruments that would otherwise be measured at fair value through profit or loss an irrevocable election at initial recognition on instrument-by-instrument basis is made to present subsequent changes in fair value in other comprehensive income. Also a financial asset or liability, at initial recognition, may be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces "accounting mismatch" that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases or a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the management.
Financial assets and liabilities which are held for trading are measured at fair value through profit or loss. Financial assets and liabilities are held for trading if they are either acquired in a business model which is characterised by generation of a profit from short-term fluctuations in price or dealer's margin, or a pattern of short-term profit taking exists.
Modification of terms in loan contracts

The Group sometimes renegotiates or otherwise modifies the contractual cash flows or other contractual terms of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different from the original ones. To do so, the Group considers modifications such as:
- significant extension of the loan when the borrower is not in financial difficulty;
- significant change in interest rate;
- change of the loan currency;
- whether there are any other changes in the loan contract that substantially affect the risk profile of the loan including changes in the composition of collateral.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and calculates new effective interest rate for the asset. The date of renegotiation is considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. The Group also assesses whether the new financial asset is deemed to be credit-impaired at initial recognition, especially when the renegotiation was driven by the debtor being unable to meet the original schedule of payments.

Differences in the carrying amount are recognised on profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the modification does not result in derecognition, and the Group recalculates the gross carrying amount by discounting the revised cash flows at the original effective interest rate. Resulting gain or loss is recognised in profit or loss.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

h) Repurchase and reverse repurchase agreements

These agreements are accounted for as financing transactions. Under sale and repurchase agreements, where the Group is the transferor, assets transferred remain on the Group's balance sheet and are subject to the Group's usual accounting policies, with the purchase price received recorded as a liability owed to the transferee. Assets in the balance sheet are shown separately from other assets when the transferee has the right by contract or custom to sell or repledge the collateral.

Where the Group is the transferee, the assets are not included in the Group's balance sheet, but the purchase price paid by it to the transferor is recorded as an asset. Interest income or expense arising from outstanding sale and repurchase agreements is recognised in the statement of income over the term of the agreement.

i) Derivative financial instruments

Derivative financial instruments include OTC interest rate swaps, exchange-traded interest rate futures and interest rate options, currency forwards and swaps, options on precious metals, and stock options and any combinations of these financial instruments. All derivatives are classified as measured at fair value through profit or loss.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the profit or loss.

Derivatives may be embedded in another contractual arrangement (a "host contract"). An embedded derivative is separated from the host contract and it is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in the profit or loss.

Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Group/Bank trade with derivative instruments for risk hedging purposes, the Group/Bank do not apply hedge accounting.

j) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.
Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Leased assets

From 1 January 2019, the Group recognized the right to use assets and lease liabilities in accordance with IFRS 16 “Leases”.
The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs. Subsequently, the right-of-use asset is measured using a cost model. A right-of-use asset is measured at cost less any accumulated depreciation and impairment. The lease liability is initially measured at the discounted value of agreed-upon payments over the lease term. A discount rate which discounts future payments to estimated present value is applied. The Group presents right-of-use assets in the same line items in which it presents owned assets of the same nature. Lease liabilities are presented within other liabilities. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets, but to expense lease payments for low-value assets over the lease term instead.
When estimating a lease term, the Group’s intentions as well as contractual early termination and extension options available to the lessee and lessor are considered. When a previously recognised lease is modified and the scope of the lease increases, and increase in compensation is commensurate, a new separate lease is recognised; if increase in compensation is not commensurate or the scope of lease decreases, the current right-of-use asset and corresponding lease liability are re-measured. In case of decrease in scope of lease a gain or loss (if any) is recognised in income statement.
The most important kind of lease agreement for the bank as a lessee concerns spaces leased for the purposes of the Bank’s core activities. If a lease contract entails the possibility of extension or premature termination, in many cases a period of lease equal to a one-year planning period is applied – unless an agreement already specifies a shorter period of lease. The implicit loan interest rate on the date of initial application was 4.19% determined based on the average subordinated loan interest rate for the Bank.
As a lessee, the Group defines IFRS 16 accounting terms beyond the scope of the Standard as follows:

- a short-term lease is a lease with the term of less than or equal to 12 (twelve) months;
- a low value asset is an asset which is acquired new and has value equal to or less than EUR 5‘000.00 (five thousand euros).

Leasehold improvements are capitalized, and their depreciation is calculated on a straight-line basis over the remaining lease term. Leasehold renovation costs in relation to improving quality of the building are capitalized.
Leasehold maintenance and current repair costs are recognized in the profit or loss statement when incurred.

(iii) Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Leasehold improvements	Over the lease term
Equipment	3 years
Fixtures and fittings	5 years

l) Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and impairment losses.
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.
Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.
Costs associated with maintaining computer software programs are recognised as an expense as incurred.
Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Intangible assets	5-7 years

m) Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amount is to be recovered through a sale transaction rather than continuing use and the management has committed to an active plan that is expected to result in a complete sale within one year from the date of classification.
Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell of the non-current asset. At least at each reporting date, the Group assesses, whether the value of the non-current assets classified as held for sale is impaired. The impairment loss reduces carrying amount of the asset and is included in the statement of income's line 'Other impairment losses'. In the same line of the statement of income a gain from any subsequent increase in fair value less cost to sell of an asset is recognised, but not in excess of the cumulative impairment loss that has been recognised either for non-current asset held for sale or previously for the non-current asset.

n) Impairment of financial assets and expected loss

The Group's impairment requirements are based on an expected loss model. Expected loss calculations do not represent the losses that the Group may suffer in a single scenario such as a stress scenario, but represent a probability weighted loss in a number of reasonably possible scenarios including a normal repayment scenario.
To calculate impairment, the assets are divided into three categories (stages):
- stage 1 includes assets where no significant increase in credit risk since acquisition/initial recognition is identified;
- stage 2 includes assets for which a significant increase in credit risk is identified since acquisition/initial recognition but for which no default of the issuer has been identified;
- stage 3 includes defaulted assets.

The Group calculates provisions for expected credit losses according to the requirements of IFRS 9:
- for stage 1 assets, loan loss allowance equals the 12 month expected credit loss, that is a possible loss if the issuer defaults within the next 12 months;
- for stage 2 and 3 assets loan loss allowance equals the lifetime expected credit losses.

The 'default' is defined in line with the prudential definition of the default: exposure delayed 90 and more days, significant restructuring and other unlikeliness to pay indicators. The 'default' is the criteria for transfer to stage 3.
To determine if the credit risk associated with a financial instrument has increased significantly since initial recognition (or a financial instrument is in default), the Group monitoring a number of indicators, such as:
- whether the payments related to an asset (or other obligations of an obligor) have been past due or there has been a breach of covenants;
- whether there has been information about significant deterioration of the obligor's financial situation;
- whether an obligor has informed the Group about his willingness to alter the debt contract terms that can be deemed to be a forbearance (granting to the obligor a concession(s) due to the obligor's financial difficulty that would not otherwise be granted) or an event of forbearance itself;
- whether substantial decline of the market price of the obligor's debt instruments has occurred, in case an obligor has issued financial instruments and those are actively traded;
- whether actual or expected changes in business conditions have been observed / forecasted

that may have a significant impact on the obligor's creditworthiness assessment;
- whether there has been a decrease of an obligor's external or internal credit rating;
- whether there has been an increase of the loan-to-value ratio (for the Group's issued loans).

Based on the above mentioned criteria, the Group's management make a decision regarding classification of the assets by stages. Usually, if payments related to an asset are past due more than 30 days, the asset is classified as stage 2 asset, and, if payments related to an asset are past due more than 90 days, the asset is classified as stage 3 asset.

The Group use the "low credit risk exemption" permitted by the standard. The Group uses low credit risk exemption as permitted by the IFRS 9 standard when calculating the amount of expected credit losses (ECL) for the Group's claims on counterparties and issuers that have BBB- or higher credit rating from rating companies Standard & Poor's, Moody's or Fitch taking into account that probabilities of default (PD) have historically been low for issuers with such credit rating level (average 1 year PD of 0.18% for issuers with BBB- credit rating and lower for issuers with higher credit rating). Low credit risk exemption means that, if a counterparty has BBB- or higher credit rating, the Group considers that credit risk that is related to the Group's claims on that counterparty has not increased significantly even if there are indications of the counterparty's creditworthiness worsening.

The Group calculates expected loss (EL) on an individual basis for all assets in scope of the standard, except stage 1 credit card overdrafts and trade debtors (with individual exposures below EUR 100 thousand) for which EL is calculated on collective basis.

For stage 1 and 2 assets, the amount of EL is calculated by multiplying the exposure at default on the reporting date (including accrued interest and undisbursed loan or credit line) by loss given default (LGD) rate and by the probability of default: 12 month PD rate for stage 1 assets and lifetime PD rate for stage 2 assets. For stage 3 assets, individual scenarios of recovery cash flows are developed by the Group and approved by the Group's management.

For debt securities, amounts due from other banks and counterparties and other instruments that have a credit rating by S&P, Moody's or Fitch, the Group uses PD's that are based on the rating agencies' historical data.

For debt securities, amounts due from other banks and counterparties and other instruments, except loans to customers, that do not have an external credit rating by S&P, Moody's or Fitch rating agencies, the Group estimates ratings based on the level and intervals of financial indicators used by the credit rating agencies to determine credit rating. The estimated credit ratings and historical PD's by ratings based on the external rating agencies data are used as the basis for PD assessment.

For debt securities held, amounts due from counterparties and other assets the Group bases its LGD estimate on LGDs calculated by rating agencies orinternal analysis of recoveries from defaulted exposures.

For stage 1 and stage 2 loans to customers, the Group estimates PD rates that are based on the number of defaults that the Group has experienced in its loans portfolio during the past 3 years taking into account each borrower's specific creditworthiness assessment.

For loans to customers, loss given default rates are based on the estimated proceeds from the sale of collateral in case of the default. For that purpose, the Group makes assumptions regarding possible sales term, discount and selling costs based on the collateral type, liquidity, location, etc.

Impairment allowance for loans to customers is calculated as a difference between the net present value of projected future cash flows that are discounted using the loan's original effective interest rate and the net carrying amount. Calculation of net present value of projected future cash flows for loans secured with collateral takes into account cash flows from repossession of collateral less cost of repossession and sale. Losses are recognised in profit or loss.

Calculation of impairment allowance for expected credit losses from off-balance sheet liabilities and contingent liabilities is in line with the principles and methodology applied for balance sheet positions. Additional aspects evaluated for off-balance sheet financial liabilities are conversions and estimates of future use, as well as the Group's ability to react timely, identify exposures and close such limits in case their credit quality deteriorates.

Loss allowance for expected credit losses on loan commitments and financial guarantee contracts is recognised as provisions. Details of the calculation methodology are described in Note 4 (o).

The Group uses a separate approach for calculating expected credit losses for loans issued by the Group's company which operates in consumer lending business. Probabilities of default are calculated based on the company's data on defaults that the company has actually experienced, and loss given default rates are based on the actual income from recoveries for the defaulted and terminated loan agreements.

The Group adjusts PDs used in the EL calculation depending on forecasted relevant macroeconomic circumstances. If a conterparty's or a borrower's creditworthiness depends on economic situation in a country or a region and in that country or a region economic downturn is expected, higher probabilities of default are employed to calculate expected credit losses than in 'normal' circumstances when economic downturn is not expected.

When calculating expected credit losses for loans to clients as of 31.12.2020, the Group used substantially higher default rates for loans to those clients who experienced substantial negative impact on their operations from the Covid-19 pandemic.

The Group regularly reviews and improves the methods it uses for EL calculation including comparison of actually experienced losses to previously expected losses.

o) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

p) Unrecognised loan commitments

In the normal course of business, the Group enters into unrecognised loan commitments, comprising undrawn loan commitments and provides guarantees and letters of credit.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee is recognised initially at fair value, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount determined in accordance with the accounting policy for provisions when enforcement of the guarantee has become probable.

Financial guarantee liabilities and provisions for other credit related commitment are included within provisions.

q) Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current corporate income tax assets and liabilities are measured at the amount expected to be obtained from or paid to tax authorities. The Bank and the Group's have to pay income tax on profit distribution. Correspondingly, income tax on profit distribution is recognised as expense at the moment dividends are declared.

r) Income and expense recognition

Interest income and expense items are recognised on an accrual basis using the effective interest rate.
Loan origination fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest rate method.
Commissions in respect of the acquisition of financial assets that are not at fair value through profit or loss are deferred and recognised as an adjustment to the effective yield on the respective asset or liability. Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.
Penalty income is recognised on cash-received basis.

5. Risk management

The Group mainly has exposure to the following risks:
- market risks
- interest rate risk
- currency risk
- price risk
- credit risk
- liquidity risk
- operational risk
- other risks: Money Laundering and Terrorism and Proliferation Financing (further – ML/TPF) risk, compliance and reputation risk, strategic risk.

This note presents information about the Bank's exposure to each of the above risks, as well as about the Group's objectives, policies and processes for measuring and managing risk.

a) Risk management policies and procedures

The Group's risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. The Group's tolerance of risks is set forth in the Group's respective risk management policies. Risk management policies and procedures are reviewed regularly to reflect changes in regulation, market conditions, products and services offered and emerging risk management best practice.

The Council has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Financial Risk Management Department (further – FRMD) is responsible for identifying, measuring, managing and reporting financial risks. The Head of Compliance and Risk Management Department is responsible for the non-financial risks and compliance issues.

Credit risk, market risk and liquidity risk, both at portfolio and transactional levels are managed and controlled by Credit committee and Assets and liabilities committee (further - ALCO).

b) Market risks

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Group's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and fixed income or other financial instruments, which are exposed to general and specific market movements and volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, chaired by the CEO. Market risk limits are approved by ALCO based on recommendations of the FRMD.

The Group manages its market risk by setting open position limits for financial instruments, interest rate risk positions and currency positions which are monitored on a regular basis and reviewed and approved by the ALCO. Additional restrictions are set for financial instrument

portfolios, such as duration limits, concentration limits etc.
In addition, the Group uses various stress tests to model the financial impact of a variety of exceptional market scenarios on individual portfolios and the Group's overall position. Stress tests provide an indication of the potential losses that could arise under adverse or very unfavorable conditions.

c) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of its portfolios of financial instruments.
The Group is exposed to changes of market interest rates on its financial position and cash flows. Due to changes of market interest rates the Group's profit may increase, decrease, or the Group may suffer losses if there are large unexpected changes of market interest rates.
In the following table below possible impact on the Group's and the Bank's profit and equity is shown from a change of yield of fixed income securities acquired by the Group and the Bank by 100 basis points. This analysis assumes that all other variables, including foreign exchange rates, remain constant. The analysis includes fixed income securities classified as FVTPL or FVOCI. The impact of income taxes is not reflected in this analysis:

'000 EUR	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
Impact on profit: parallel increase by 100 basis points	(81)	(81)	(8)	(8)
Impact on profit: parallel decrease by 100 basis points	81	81	8	8
Impact on equity: parallel increase by 100 basis points	(233)	(232)	(129)	(126)
Impact on equity: parallel decrease by 100 basis points	233	232	129	126

In addition to the impact on securities prices, possible changes in the interest rates may impact the interest income that the Bank receives on the assets with variable interest rates and pays on the liabilities with variable interest rates thus impacting the Bank's net interest income. Below a possible impact on the Bank's net interest income within a period of the next 12 months is provided:

'000 EUR	31 December 2020	31 December 2019
100 bp parallel increase	(590)	(99)
100 bp parallel decrease	590	99

d) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the receivables in a foreign currency are either greater or less than the payables in that currency. For further information on the Group's exposure to currency risk at year end refer to Currency analysis table in this Note.

A change in exchange rates as indicated below, as at 31 December would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The impact of income taxes is not reflected in this analysis:

'000 EUR	31 December 2020		31 December 2019	
	Profit or loss, Group	Profit or loss, Bank	Profit or loss, Group	Profit or loss, Bank
5% appreciation of USD against EUR	26	2	8	(12)
5% depreciation of USD against EUR	(26)	(2)	(8)	12
5% appreciation of GBP against EUR	(1)	(1)	3	3
5% depreciation of GBP against EUR	1	1	(3)	(3)
20% appreciation of RUB against EUR	(9)	(9)	(4)	(4)
20% depreciation of RUB against EUR	9	9	4	4

e) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of the Group's net income for the year and equity to changes in securities prices based on positions existing as at 31 December 2020 and 2019 and a simplified scenario of a 5% change in all securities prices is as follows:

'000 EUR	31 December 2020		31 December 2019	
	Group	Bank	Group	Bank
Impact on profit: increase of securities prices by 5%	108	108	20	20
Impact on profit: decrease of securities prices by 5%	(108)	(108)	(20)	(20)
Impact on other comprehensive income: increase of securities prices by 5%	790	780	1 022	1 012
Impact on other comprehensive income: decrease of securities prices by 5%	(790)	(780)	(1 022)	(1 012)

f) Credit risk

Credit risk means possible losses to the Group (or reduction of profit), if the Group's customer, counterparty, or issuer of financial instruments owned by the Bank fully or partially fails to fulfil its financial obligations towards the Group, as well as losses (or reduction in profit) due to price decrease of the financial instruments owned by the Group due to worsening of creditworthiness of the issuer.

The Group's credit risk management guidelines are defined by the Bank's internal regulatory document „Credit Risk Management Policy", „Credit Policy" and „Country Risk Management Policy" approved by the Council of the Bank, as well as the Bank's internal regulatory document „Country Risk Management Procedure"; credit risk management procedure is determined by the Bank's internal regulatory document „Credit Risk Management Procedure".

According to the Bank's internal regulatory document „Credit Risk Management Policy", the Group separately manages credit risk related to the Group's loans to the customers (except loans against collateral for financial instruments), and credit risk related to interbank claims and the Group's investments in financial instruments (as well as loans against collateral for financial instruments).

The Group's guidelines in relation to customer financing transactions (loans to customers) are set out in the Bank's internal regulatory document „Credit Policy" that stipulates:

- desirable creditworthiness and reputation profile of the customer;
- preferred loan term;
- requirements for loan security and restrictions/ conditions for LTV (loan to value) ratio;
- procedure of lending process;
- credit portfolio management and supervision procedure;
- limits to the total proportion of the loans, proportion of unsecured loans, and proportion of loans secured by real estate in the Bank's assets.

Decision on issue of loans at the Bank is made by the Credit Committee according to regulations on its operations. The Bank's Board accepts decisions of the Credit Committee on crediting transactions with one customer or group of customers that exceed 5% of the Group's equity. The Bank's Council accepts decisions of the Credit Committee of crediting transactions exceeding EUR 1 million, except for those with cash as collateral.

Creditworthiness of each borrower and credit risk of the planned transaction is assessed by FRMD according to the procedure prescribed by the Bank's internal regulatory document „Procedure for Credit Risk Assessment of Crediting Transaction”. Legal Department of the Bank assesses legal aspects of each planned transaction and provides its opinion on legal aspects of the transaction. Security Department of the Bank performs inspection of the customer, persons associated with the customer, information and documents submitted by the customer, by using information sources and resources available to the Bank including the inspection of customer's reputation, existence of negative information on customer and associated persons, and the department provides an opinion on the customer.

In addition to the abovementioned, in order to ensure a credit risk level acceptable to the Group at the portfolio level, ALCO sets limits for the concentration of loan portfolio by countries/ regions, industries, and other factors.

The Group's credit risk that stems from keeping of funds in correspondent accounts in other banks, as well as transactions made by the Bank's Treasury Division, Investment Division and Brokerage Division (interbank loans, loans against collateral for financial instruments, financial instruments transactions, and other transactions), is restricted by the Group with a help of limits for maximum amount of claim against each counterparty. Limits are set by ALCO that operates according to the regulations on its operation. Monitoring of the set limits is performed every day by FRMD and

Accounting and Reporting Department of the Bank, and management of Financial Market Division of the Bank is informed about detected limit violations, as well as the situation regarding compliance with the set limits is reviewed every week by ALCO.

Besides management of credit risk at an individual exposure level, the Group/Bank also performs management of credit risk at a portfolio level. Stress testing of the Group's credit risk is performed in which total possible credit risk losses of the Group in a number of scenarios are calculated assuming that unfavorable or very unfavorable economic circumstances set in. Planning of the Group's balance sheet/assets structure and overall exposure to credit risk is performed. Limits on the Group's various transaction types and concentration of claims are set and control of observance of these limits is performed.

Every quarter FRMD prepares a credit risk report reflecting detailed information regarding credit risk undertaken by the Group in relation to all transactions/ transaction types concluded by the Group. Report is reviewed by ALCO.

Group / Bank regularly performs asset quality assessment in accordance with the requirements of IFRS 9 (See Note 4 (c) (i) IFRS 9 Financial Instruments".

Past due loan is defined as the loan for which interest, commissions or principal payments are overdue.

Impaired loan is defined as the loan for which one or more events with a negative effect on the expected cash flow of the loan have occurred - loss events. Signs that may indicate that a loan may be impaired are the following:

- material financial difficulties of the borrower;
- violation of the terms of the loan agreement (including a failure to make a timely payment according to the loan agreement);
- a relief granted to the borrower due to economic or legal reasons related to the borrower's financial difficulties that would otherwise not have been granted;
- a fair chance that the borrower will initiate the bankruptcy procedure or a reorganization;
- prerequisites of the loan project failing to materialize;
- a failure to fulfill obligations by a person that impacts the borrowers' ability to make timely payments to the Bank;
- a failure to utilize the borrowed funds according to the loan purpose;
- a drop in the value of the loan collateral;
- other events that increase the credit risk.

In 2020 Covid-19 pandemic left a substantial negative impact on operations of some of the Bank's borrowers. As a result, for some of these borrowers/loans the Bank deferred principal payments for limited periods of time. However, these borrowers continued to pay interest according to the previously set interest rates, and the Bank assumes that these borrowers will be able to restore their business operations after the end of the pandemic. Therefore, the Bank did not classify these loans as 'impaired'. At the same time, the Bank included these loans in IFRS 9 Stage 2 – loans with a significant increase in, and applied considerably higher default rates for these loan in comparison to other loans when calculating provisions for expected credit losses. In addition, for credit risk stress testing the Group applied considerably more cautious assumptions for borrowers/loans that have been substantially negatively impacted by the Covid-19 pandemic.

Credit quality analysis for the Group:

'000 EUR	Business	Reverse repo and loans secured by financial instruments	Consumer	Mortgage	Other deposits with financial institutions	Other	Total
31.12.2020							
Total gross loans	**41 568**	**7 241**	**15 492**	**6 046**	**10 383**	**3 406**	**84 136**
Neither past due nor impaired loans	41 568	7 241	14 494	6 046	10 383	2 921	**82 653**
Past due and impaired loans							
past due up to 29 days	-	-	681	-	-	-	**681**
past due from 30 days up to 59 days	-	-	82	-	-	-	**82**
past due from 60 days up to 90 days	-	-	30	-	-	-	**30**
past due more than 90 days	-	-	205	-	-	485	**690**
Total impairment allowance	(136)	(2)	(416)	(18)	-	(157)	**(729)**
Total individually impairment allowance - neither past due nor impaired loans	(136)	(2)	(150)	(18)	-	(20)	**(326)**
Total collective impairment allowance - neither past due nor impaired loans	-	-	(2)	-	-	-	**(2)**
Individually impairment allowance - loans are past due							
past due up to 29 days	-	-	(43)	-	-	-	(43)
past due from 30 days up to 59 days	-	-	(20)	-	-	-	(20)
past due from 60 days up to 90 days	-	-	(17)	-	-	-	(17)
past due more than 90 days	-	-	(184)	-	-	(137)	(321)
Total net loans	**41 432**	**7 239**	**15 076**	**6 028**	**10 383**	**3 249**	**83 407**
Neither past due nor impaired loans	41 432	7 239	14 342	6 028	10 383	2 901	**82 325**
Past due and impaired loans							
past due up to 29 days	-	-	638	-	-	-	**638**
past due from 30 days up to 59 days	-	-	62	-	-	-	**62**
past due from 60 days up to 90 days	-	-	13	-	-	-	**13**
past due more than 90 days	-	-	21	-	-	348	**369**
31.12.2019							
Total gross loans	**35 640**	**6 057**	**9 341**	**4 269**	**7 095**	**3 366**	**65 768**
Neither past due nor impaired loans	31 862	6 057	8 968	4 269	7 095	2 881	**61 132**
Past due and impaired loans							
past due up to 29 days	-	-	364	-	-	-	364
past due from 30 days up to 59 days	-	-	9	-	-	-	9
past due more than 90 days	3 778	-	-	-	-	485	4 263
Total impairment allowance	**(268)**	**(1)**	**(66)**	**(33)**	**-**	**(204)**	**(572)**
Total individually impairment allowance - neither past due nor impaired loans	(86)	(1)	(47)	(33)	-	(16)	(183)
Total collective impairment allowance - neither past due nor impaired loans	-	-	(3)	-	-	-	(3)
Individually impairment allowance - loans are past due							
past due up to 29 days	-	-	(15)	-	-	-	(15)
past due from 30 days up to 59 days	-	-	(1)	-	-	-	(1)
past due more than 90 days	(182)	-	-	-	-	(188)	(370)
Total net loans	**35 372**	**6 056**	**9 275**	**4 236**	**7 095**	**3 162**	**65 196**
Neither past due nor impaired loans	31 776	6 056	8 918	4 236	7 095	2 865	60 946
Past due and impaired loans							
past due up to 29 days	-	-	349	-	-	-	349
past due from 30 days up to 59 days	-	-	8	-	-	-	8
past due more than 90 days	3 596	-	-	-	-	297	3 893

Credit quality analysis for the Bank:

'000 EUR	Business	Reverse repo and loans secured by financial instruments	Consumer	Mortgage	Other deposits with financial institutions	Other	Total
31.12.2020							
Total gross loans	**51 318**	**7 241**	**5 191**	**6 046**	**10 383**	**3 406**	**83 585**
Neither past due nor impaired loans	51 318	7 241	5 092	6 046	10 383	2 921	**83 001**
Past due and impaired loans							
past due from 30 days up to 59 days	-	-	20	-	-	-	**20**
more than 90 days	-	-	79	-	-	485	**564**
Total impairment allowance	**(515)**	**(2)**	**(82)**	**(18)**	**-**	**(157)**	**(774)**
Total individually impairment allowance - neither past due nor impaired loans	(515)	(2)	(1)	(18)	-	(20)	**(556)**
Total collective impairment allowance - neither past due nor impaired loans	-	-	(2)	-	-	-	**(2)**
Total individually impairment allowance - past due and impaired loans							
more than 90 days	-	-	(79)	-	-	(137)	**(216)**
Total net loans	**50 803**	**7 239**	**5 109**	**6 028**	**10 383**	**3 249**	**82 811**
Neither past due nor impaired loans	50 803	7 239	5 089	6 028	10 383	2 901	**82 443**
Past due and impaired loans, more than 90 days							
past due from 30 days up to 59 days	-	-	20	-	-	-	**20**
more than 90 days	-	-	-	-	-	348	**348**
31.12.2019							
Total gross loans	**39 420**	**6 057**	**5 464**	**4 269**	**7 095**	**3 366**	**65 671**
Neither past due nor impaired loans	35 642	6 057	5 464	4 269	7 095	2 881	**61 408**
Past due and impaired loans, more than 90 days	3 778	-	-	-	-	485	**4 263**
Total impairment allowance	**(326)**	**(1)**	**(8)**	**(33)**	**-**	**(204)**	**(572)**
Total individually impairment allowance - neither past due nor impaired loans	(144)	(1)	(5)	(33)	-	(16)	**(199)**
Total collective impairment allowance - neither past due nor impaired loans	-	-	(3)	**-**	**-**	-	**(3)**
Total individually impairment allowance - past due and impaired loans, more than 90 days	(182)	-	-	-	-	(188)	**(370)**
Total net loans	**39 094**	**6 056**	**5 456**	**4 236**	**7 095**	**3 162**	**65 099**
Neither past due nor impaired loans	35 498	6 056	5 456	4 236	7 095	2 865	61 206
Past due and impaired loans, more than 90 days	3 596	-	-	-	-	297	3 893

As at 31 December 2020, the gross amount of loans which were granted the status 'forborne' totalled EUR 4 739 thousand (2019: EUR 471 thousand). These changes were made on the basis of the agreements between the Group or the Bank and customers amending respective loan conditions, as otherwise the loans might be past due. A loan is considered to be forborned from the date of the above mutual agreement to the date when at least two years have passed without delays of contractual payments by more than 30 days and none of the loss events has taken place.

The Group monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 17 "Loans and advances due from customers".

Within the framework of Covid-19 moratorium support has been provided to two private and three corporate customers. Net value of these loans has been equal to 4 995 TEUR (6% of total Bank loan portfolio) as at 31 December 2020. Changes in repayment schedules on these loans did not lead to significant modification of cash flows, therefore it led neither to derecogniton of financial instruments nor recognition of effects from such modifications. Principal repayment holidays have been provided to borrowers operating in entertainment and tourism sectors.

Classification of the Group's financial assets in measurement categories (3 stages) as of December 31, 2020:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and due from central banks	12 196	-	-	12 196
Demand deposits with credit institutions	8 418	-	-	8 418
Debt securities measured at fair value through other comprehensive income	15 538	269	142	15 949
Financial assets measured at amortized cost	144 053	6 019	1 238	151 310
Other financial assets	814	-	-	814
Total gross financial assets	**181 019**	**6 288**	**1 380**	**188 687**
Total impairment allowance	(378)	(69)	(367)	(814)
Total net financial assets	**180 641**	**6 219**	**1 013**	**187 873**

Classification of the Group's financial assets in measurement categories (3 stages) as of December 31, 2019:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and due from central banks	40 931	-	-	40 931
Demand deposits with credit institutions	11 484	-	-	11 484
Debt securities measured at fair value through other comprehensive income	19 926	488	28	20 442
Financial assets measured at amortized cost	103 823	71	4 764	108 658
Other financial assets	695	-	-	695
Total gross financial assets	**176 859**	**559**	**4 792**	**182 210**
Total impairment allowance	(190)	(6)	(388)	(584)
Total net financial assets	**176 669**	**553**	**4 404**	**181 626**

Classification of the Bank's financial assets in measurement categories (3 stages) as of December 31, 2020:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and due from central banks	12 196	-	-	12 196
Demand deposits with credit institutions	8 415	-	-	8 415
Debt securities measured at fair value through other comprehensive income	15 332	269	142	15 743
Financial assets measured at amortized cost	143 974	5 749	1 035	150 758
Other financial assets	814	-	-	814
Total gross financial assets	**180 731**	**6 018**	**1 177**	**187 926**
Total impairment allowance	(607)	(36)	(216)	(859)
Total net financial assets	**180 124**	**5 982**	**961**	**187 067**

Classification of the Bank's financial assets in measurement categories (3 stages) as of December 31, 2019:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Cash and due from central banks	40 931	-	-	40 931
Demand deposits with credit institutions	11 411	-	-	11 411
Debt securities measured at fair value through other comprehensive income	19 721	488	28	20 237
Financial assets measured at amortized cost	103 829	-	4 734	108 563
Other financial assets	695	-	-	695
Total gross financial assets	**176 587**	**488**	**4 762**	**181 837**
Total impairment allowance	(216)	-	(368)	(584)
Total net financial assets	**176 371**	**488**	**4 394**	**181 253**

Changes in financial assets measured at amortized cost of the Group's financial assets by stages for the year ended 31 December 2020:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 1 January 2020	**103 823**	**71**	**4 764**	**108 658**
New assets originated or increased on the existing contracts	72 021	4 057	151	76 229
Assets repaid (redeemed)	(29 671)	(21)	(3 885)	**(33 577)**
Effect on Gross carrying value at the end of the period due to changes in accruals	-	10	(10)	-
Transfers to Stage 1	48	(38)	(10)	-
Transfers to Stage 2	(1 959)	1 959	-	-
Transfers to Stage 3	(209)	(19)	228	-
Written off	-	-	-	-
Gross carrying amount 31 December 2020	**144 053**	**6 019**	**1 238**	**151 310**

Changes in financial assets measured at amortized cost of the Group's financial assets by stages for the year ended 31 December 2019:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 1 January 2019	45 194	8 401	830	**54 425**
New assets originated or increased on the existing contracts	80 925	33	232	**81 190**
Assets repaid (redeemed)	(26 006)	-	(56)	**(26 062)**
Effect on Gross carrying value at the end of the period due to changes in accruals	(345)	(15)	(535)	**(895)**
Transfers to Stage 1	4 130	(4 130)	-	-
Transfers to Stage 2	(57)	57	-	-
Transfers to Stage 3	(18)	(4 275)	4 293	-
Written off	-	-	-	-
Gross carrying amount 31 December 2019	**103 823**	**71**	**4 764**	**108 658**

Changes in financial assets measured at amortized cost of the Bank's financial assets by stages for the year ended 31 December 2020:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 1 January 2020	**103 829**	**-**	**4 734**	**108 563**
New assets originated or increased on the existing contracts	70 607	3 898	-	**74 505**
Assets repaid (redeemed)	(28 532)	-	(3 778)	**(32 310)**
Effect on Gross carrying value at the end of the period due to changes in accruals	-	10	(10)	-
Transfers to Stage 2	(1 841)	1 841	-	-
Transfers to Stage 3	(89)	-	89	-
Written off	-	-	-	-
Gross carrying amount 31 December 2020	**143 974**	**5 749**	**1 035**	**150 758**

Changes in financial assets measured at amortized cost of the Bank's financial assets by stages for the year ended 31 December 2019:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 1 January 2019	**45 194**	**8 401**	**830**	**54 425**
New assets originated or purchased	80 746	-	182	**80 928**
Assets repaid (redeemed)	(25 979)	-	(56)	**(26 035)**
Effect on Gross carrying value at the end of the period due to changes in accruals	(261)	-	(494)	**(755)**
Transfers to Stage 1	4 129	(4 129)	-	-
Transfers to Stage 3	-	(4 272)	4 272	-
Written off	-	-	-	-
Gross carrying amount 31 December 2019	**103 829**	**-**	**4 734**	**108 563**

Changes in loan loss allowance of the Group's financial assets by stages for the year ended 31 December 2020:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2020	**190**	**6**	**388**	**584**
New assets originated or increased on the existing contracts	283	20	105	**408**
Assets repaid (redeemed)	(41)	(1)	(190)	**(232)**
Impact on period end ECL due to transfers between stages or changes in models	11	18	109	**138**
Recoveries	(34)	-	(50)	**(84)**
Transfers to Stage 1	5	(3)	(2)	-
Transfers to Stage 2	(31)	31	-	-
Transfers to Stage 3	(5)	(2)	7	-
Written off	-	-	-	-
At 31 December 2020	**378**	**69**	**367**	**814**

Changes in loan loss allowance of the Group's financial assets by stages for the year ended 31 December 2019:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2019	**87**	**59**	**211**	**357**
New assets originated or increased on the existing contracts	158	2	10	**170**
Assets repaid (redeemed)	(42)	(12)	(21)	**(75)**
Impact on period end ECL due to transfers between stages or changes in models	-	-	142	**142**
Recoveries	(9)	-	-	**(9)**
Transfers to Stage 2	(2)	2	-	**-**
Transfers to Stage 3	(1)	(45)	46	**-**
Written off	(1)	-	-	**(1)**
At 31 December 2019	**190**	**6**	**388**	**584**

Changes in loan loss allowance of the Bank's financial assets by stages for the year ended 31 December 2020:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2020	**216**	**-**	**368**	**584**
New assets originated or increased on the existing contracts	496	-	-	**496**
Assets repaid (redeemed)	(37)	-	(181)	**(218)**
Impact on period end ECL due to transfers between stages or changes in models	-	6	75	**81**
Recoveries	(34)	-	(50)	**(84)**
Transfers to Stage 2	(30)	30	-	**-**
Transfers to Stage 3	(4)	-	4	**-**
Written off	-	-	-	-
At 31 December 2020	**607**	**36**	**216**	**859**

Changes in loan loss allowance of the Bank's financial assets by stages for the year ended 31 December 2019:

'000 EUR	Stage 1	Stage 2	Stage 3	Total
ECLs as at 1 January 2019	**87**	**59**	**211**	**357**
New assets originated or increased on the existing contracts	161	-	-	**161**
Assets repaid (redeemed)	(23)	(14)	(30)	**(67)**
Impact on period end ECL due to transfers between stages or changes in models	-	-	142	**142**
Recoveries	(8)	-	-	**(8)**
Transfers to Stage 3		(45)	45	-
Written off	(1)	-	-	(1)
At 31 December 2019	**216**	**-**	**368**	**584**

g) Liquidity risk

Liquidity risk means possible losses to the Group or decrease in profit from the sale of the assets or attraction of resources at unfavourable interest rates in order for the Group to meet its financial liabilities towards depositors, counterparties and other creditors.

The Group's guidelines for liquidity risk management are defined in the Bank's internal regulatory document „Liquidity Risk Management Policy" approved by the Bank's Council and liquidity risk management procedure is defined in the Bank's internal regulatory document „Liquidity Risk Management Procedure".

The purpose of liquidity risk ratios is to indicate the liquidity risk level undertaken by the Group from various angles and promptly indicate the increase in liquidity risk level. Liquidity risk ratios are calculated and monitored every day, and the Bank's internal regulatory document „Liquidity Risk Management Procedure" sets out actions to be taken when ratios have reached certain levels.

The Group's liquidity risk stress testing is conducted every quarter, and the surplus or deficit of liquid assets in stress scenarios is determined. Liquidity risk stress test results are assessed by ALCO.

In order to limit the liquidity risk, limits are set on the Bank's liquidity net positions, as well as on investments in low liquidity assets. The control of liquidity net positions is conducted once a month, but the control of the limit of loans to customers is carried out every week.

Group performs liquidity planning within the framework of budget planning. Liquidity ratio, LCR (liquidity coverage ratio), and NSFR (net stable funding ratio) are planned.

The Group also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the Financial and Capital Markets Commission and the requirement of Regulation 575/2013. The Bank was in compliance with these ratios during the twelve-month period ended 31 December 2020 and 31 December 2019. Covid-19 pandemic did not substantially impact the volume of client deposits attracted by the Bank and the Bank’s liquidity ratios.

The table below analyses the Group’s non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

Analysis of the Group's financial liabilities' contractual undiscounted cash flows as at 31 December 2020:

'000 EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Liabilities to financial institutions	604	-	-	-	-	-	604	604
Current accounts and deposits due to customers	152 573	5 827	3 311	1 774	11 339	-	174 824	173 832
Subordinated liabilities	32	1 703	74	100	5 389	-	7 298	5 667
Other financial liabilities	230	40	42	82	653	187	1 234	1 234
Contingent liabilities for guarantees	218	234	-	1 146	1 550	-	3 148	3 148
Unrecognised loan commitments	720	-	160	3 217	370	-	4 467	4 467
Total Non-derivative liabilities	**154 377**	**7 804**	**3 587**	**6 319**	**19 301**	**187**	**191 575**	**188 952**
Derivative liabilities								
Inflow	(10 338)	(4 233)	(522)	(913)	(304)	-	(16 310)	(15 792)
Outflow	9 937	4 175	513	885	231	-	15 741	15 497
Total Derivative liabilities	**(401)**	**(58)**	**(9)**	**(28)**	**(73)**	**-**	**(569)**	**(295)**
Total	**153 976**	**7 746**	**3 578**	**6 291**	**19 228**	**187**	**191 006**	**188 657**

Analysis of the Group's financial liabilities' contractual undiscounted cash flows as at 31 December 2019:

'000 EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Liabilities to financial institutions	435	-	-	-	-	-	435	435
Current accounts and deposits due to customers	62 141	4 619	6 994	13 457	67 116	-	154 327	154 159
Subordinated liabilities	28	575	387	5 470	7 137	-	13 597	11 465
Other financial liabilities	208	29	29	58	517	485	1 326	1 326
Unrecognised loan commitments	4 244	-	-	-	-	-	4 244	4 244
Total Non-derivative liabilities	**67 056**	**5 223**	**7 410**	**18 985**	**74 770**	**485**	**173 929**	**171 629**
Derivative liabilities								
Inflow	(91 764)	(25 279)	(22 706)	(1 823)	(1 008)	-	(142 580)	(141 877)
Outflow	90 821	25 490	22 905	1 838	1 001	-	142 055	141 505
Total Derivative liabilities	**(943)**	**211**	**199**	**15**	**(7)**	**-**	**(525)**	**(372)**
Total	**66 113**	**5 434**	**7 609**	**19 000**	**74 763**	**485**	**173 404**	**171 257**

Analysis of the Bank's financial liabilities' contractual undiscounted cash flows as at 31 December 2020:

'000 EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Liabilities to financial institutions	604	-	-	-	-	-	604	604
Current accounts and deposits due to customers	153 151	5 830	3 668	2 161	11 848	-	176 658	175 645
Subordinated liabilities	32	1 703	74	100	5 389	-	7 298	5 667
Other financial liabilities	230	40	40	80	640	187	1 217	1 217
Contingent liabilities for guarantees	218	234	-	1 146	1 550	-	3 148	3 148
Unrecognised loan commitments	720	-	160	3 217	370	-	4 467	4 467
Total Non-derivative liabilities	**154 955**	**7 807**	**3 942**	**6 704**	**19 797**	**187**	**193 392**	**190 748**
Derivative liabilities								
Inflow	(10 338)	(4 233)	(522)	(913)	(304)	-	(16 310)	(15 792)
Outflow	9 937	4 175	513	885	231	-	15 741	15 497
Total Derivative liabilities	**(401)**	**(58)**	**(9)**	**(28)**	**(73)**	**-**	**(569)**	**(295)**
Total	**154 554**	**7 749**	**3933**	**6 676**	**19 724**	**187**	**192 823**	**190 453**

Analysis of the Bank's financial liabilities' contractual undiscounted cash flows as at 31 December 2019:

'000 EUR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Liabilities to financial institutions	435	-	-	-	-	-	435	435
Current accounts and deposits due to customers	62 192	4 922	6 997	13 463	68 272	-	155 846	155 659
Subordinated liabilities	28	575	387	5 470	7 137	-	13 597	11 465
Other financial liabilities	208	28	28	56	500	485	1 305	1 305
Unrecognised loan commitments	4 244	-	-	-	-	-	4 244	4 244
Total Non-derivative liabilities	**67 107**	**5 525**	**7 412**	**18 989**	**75 909**	**485**	**175 427**	**173 108**
Derivative liabilities								
Inflow	(91 764)	(25 279)	(22 706)	(1 823)	(1 008)	-	(142 580)	(141 877)
Outflow	90 821	25 490	22 905	1 838	1 001	-	142 055	141 505
Total Derivative liabilities	**(943)**	**211**	**199**	**15**	**(7)**	**-**	**(525)**	**(372)**
Total	**66 164**	**5 736**	**7 611**	**19 004**	**75 902**	**485**	**174 902**	**172 736**

The Group are keeping different financial assets to provide liquidity. If necessary, the Group and the Bank will be able to realize liquid assets in the short term in order to meet the demand side. The Group's Analysis of contractual maturities of financial assets and liabilities and equity as at 31 December 2020 is presented below:

Group **'000 EUR**	**1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**More than 1 year**	**No maturity**	**Total**
Financial assets							
Cash and due from central banks	12 196	-	-	-	-	-	**12 196**
Demand deposits with credit institutions	8 418	-	-	-	-	-	**8 418**
Financial instruments designated at fair value through profit or loss	2 105	246	8	1	2 875	-	**5 235**
Debt securities measured at fair value through other comprehensive income	11 342	1 456	803	1 415	933	-	**15 949**
Financial assets measured at amortized cost	89 836	5 127	1 614	4 561	43 173	6 185	**150 496**
Other financial assets	814	-	-	-	-	-	**814**
Total financial assets	**124 711**	**6 829**	**2 425**	**5 977**	**46 981**	**6 185**	**193 108**
Financial liabilities							
Financial liabilities at fair value through profit or loss	18	210	16	-	-	-	**244**
Liabilities to financial institutions	604	-	-	-	-	-	**604**
Current accounts and deposits due to customers	151 549	4 547	5 159	1 774	10 803	-	**173 832**
Subordinated liabilities	-	722	888	-	4 057	-	**5 667**
Other financial liabilities	243	27	42	82	840	-	1 234
Contingent liabilities for guarantees	-	234	-	1 096	745	-	**2 075**
Unrecognised loan commitments	652	-	160	3 217	370	-	**4 399**
Total financial liabilities	**153 066**	**5 740**	**6 265**	**6 169**	**16 815**	**-**	**188 055**
Total Equity	-	-	-	-	-	18 320	**18 320**
Total Liabilities and Equity	**153 066**	**5 740**	**6 265**	**6 169**	**16815**	**18 320**	**206 375**
Net liquidity position as at 31 December 2020	**(28 355)**	**1 089**	**(3 840)**	**(192)**	**30 166**	**(12 135)**	**-**
Net liquidity position as at 31 December 2019	22 131	25 466	9 123	(4 562)	(40 277)	(17 071)	-

The Bank's Analysis of contractual maturities of financial assets and liabilities and equity as at 31 December 2020 is presented below:

Bank '000 EUR	1 month	1-3 months	3-6 months	6-12 months	More than 1 year	No maturity	Total
Financial assets							
Cash and due from central banks	12 196	-	-	-	-	-	**12 196**
Demand deposits with credit institutions	8 415	-	-	-	-	-	**8 415**
Financial instruments designated at fair value through profit or loss	2105	246	8	1	2 875	-	**5 235**
Debt securities measured at fair value through other comprehensive income	11 137	1 456	803	1 415	932	-	**15 743**
Financial assets measured at amortized cost	89 585	5 097	1 514	4 208	43 311	6 185	**149 900**
Other financial assets	814	-	-	-	-	-	**814**
Total financial assets	**124 252**	**6 799**	**2 325**	**5 624**	**47 118**	**6 185**	**192 303**
Financial liabilities							
Financial liabilities at fair value through profit or loss	18	210	16	-	-	-	**244**
Liabilities to financial institutions	604	-	-	-	-	-	**604**
Current accounts and deposits due to customers	152 127	4 547	5 513	2 155	11 303	-	**175 645**
Subordinated liabilities	-	722	888	-	4 057	-	**5 667**
Other financial liabilities	243	27	40	80	827	-	**1 217**
Contingent liabilities for guarantees	-	234	-	1 096	745	-	**2 075**
Unrecognised loan commitments	652	-	160	3 217	370	-	**4 399**
Total financial liabilities	**153 644**	**5 740**	**6 617**	**6 548**	**17 302**	**-**	**189 851**
Total Equity	-	-	-	-	-	17 454	**17 454**
Total Liabilities and Equity	**153 644**	**5 740**	**6 617**	**6 548**	**17 302**	**17 454**	**207 305**
Net liquidity position as at 31 December 2020	**(29 392)**	**1 059**	**(4 292)**	**(924)**	**29 816**	**(11 269)**	-
Net liquidity position as at 31 December 2019	21 788	25 093	9 030	(4 815)	(41 090)	(16 613)	-

The interest rate analysis chart for the Group's financial assets and financial liabilities, taking into their sensitivity, as at 31 December 2020 is presented in the table below:

'000 EUR	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing financial instruments	Total
Financial assets								
Cash and due from central banks	11 723	-	-	-	-	-	473	**12 196**
Demand deposits with credit institutions	-	-	-	-	-	-	8 418	**8 418**
Financial instruments designated at fair value through profit or loss	1 896	-	-	-	264	-	3 075	**5 235**
Debt securities measured at fair value through other comprehensive income	11 343	1 456	803	1 415	932	-	-	**15 949**
Financial assets measured at amortized cost	68 591	5 126	1 615	4 605	43 499	-	27 060	**150 496**
Other financial assets	814	-	-	-	-	-	-	**814**
Long positions of interest rates risk sensitive off-balance items*	10 129	3 987	513	913	250	-	-	**15 792**
Total assets and long off-balance-sheet positions sensitive to changes in interest rates	**104 496**	**10 569**	**2 931**	**6 933**	**44 945**	**-**	**39 026**	**208 900**
Financial liabilities								
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	244	**244**
Liabilities to financial institutions	657	4 547	5 159	1 774	10 782	-	150 913	**173 832**
Current accounts and deposits due to customers	-	-	-	-	-	-	604	**604**
Subordinated liabilities	-	725	885	-	4 045	-	12	**5 667**
Other financial liabilities	-	-	-	-	-	-	1 234	**1 234**
Short positions of interest rates risk sensitive off-balance items*	9 919	3 965	497	885	231	-	-	**15 497**
Total liabilities and short off-balance-sheet positions sensitive to changes in interest rates	**10 576**	**9 237**	**6 541**	**2 659**	**15 058**	**-**	**153 007**	**197 078**
Net position as at 31 December 2020	**93 920**	**1 332**	**(3 610)**	**4 274**	**29 887**	**-**	**(113 981)**	**11 822**
Net position as at 31 December 2019	67 534	29 154	15 307	2 025	23 346	418	(122 613)	15 171

*Foreign currency forward agreements and Foreign currency contracts

The amounts in the tables above represent interest rate gap position by carrying amounts of the financial assets and liabilities as at the reporting date and do not include future interest payments.

The interest rate analysis chart for the Bank's financial assets and financial liabilities, taking into their sensitivity, as at 31 December 2020 is presented in the table below:

'000 EUR	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing financial instruments	Total
Financial assets								
Cash and due from central banks	11 723	-	-	-	-	-	473	**12 196**
Demand deposits with credit institutions	-	-	-	-	-	-	8 415	**8 415**
Financial instruments designated at fair value through profit or loss	1 896	-	-	-	264	-	3 075	**5 235**
Debt securities measured at fair value through other comprehensive income	11 137	1 456	803	1 415	932	-	-	**15 743**
Financial assets measured at amortized cost	68 587	5 098	1 515	4 248	43 484	-	26 968	**149 900**
Other financial assets	814	-	-	-	-	-	-	**814**
Long positions of interest rates risk sensitive off-balance items*	10 129	3 987	513	913	250	-	-	**15 792**
Total assets and long off-balance-sheet positions sensitive to changes in interest rates	**104 286**	**10 541**	**2 831**	**6 576**	**44 930**	**-**	**38 931**	**208 095**
Financial liabilities								
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	244	**244**
Liabilities to financial institutions	658	4 547	5 513	2,156	11 283	-	151 488	**175 645**
Current accounts and deposits due to customers	-	-	-	-	-	-	604	**604**
Subordinated liabilities	-	725	885	-	4 045	-	12	**5 667**
Other financial liabilities	-	-	-	-	-	-	1 217	**1 217**
Short positions of interest rates risk sensitive off-balance items*	9 919	3 965	497	885	231	-	-	**15 497**
Total liabilities and short off-balance-sheet positions sensitive to changes in interest rates	**10 577**	**9 237**	**6 895**	**3 041**	**15 559**	**-**	**153 565**	**198 874**
Net position as at 31 December 2020	**93 709**	**1 304**	**(4 064)**	**3 535**	**29 371**	**-**	**(114 634)**	**9 221**
Net position as at 31 December 2019	67 291	28 782	15 215	1 773	23 271	-	(123 015)	13 317

*Foreign currency forward agreements and Foreign currency contracts

The amounts in the tables above represent interest rate gap position by carrying amounts of the financial assets and liabilities as at the reporting date and do not include future interest payments.

Currency analysis in the table is the currency structure of the Group's financial assets and financial liabilities as at 31 December 2020:

’000 EUR	EUR	USD	Other currency	Total
Financial assets				
Cash and due from central banks	12 014	156	26	**12 196**
Demand deposits with credit institutions	2 623	3 356	2 439	**8 418**
Financial instruments designated at fair value through profit or loss	5 235	-	-	**5 235**
Debt securities measured at fair value through other comprehensive income	5 383	10 566	-	**15 949**
Financial assets measured at amortized cost	103 959	46 114	423	**150 496**
Other assets	656	158	-	**814**
Total financial assets	**129 870**	**60 350**	**2 888**	**193 108**
Off-balance (SWAP)	**11 393**	**2 786**	**1 613**	**15 792**
Financial liabilities				
Financial liabilities at fair value through profit or loss	244	-	-	**244**
Liabilities to financial institutions	-	382	222	**604**
Current accounts and deposits due to customers	122 850	48 576	2 406	**173 832**
Subordinated liabilities	1 647	4 020	-	**5 667**
Other financial liabilities	1 213	21	-	**1 234**
Total financial liabilities	**125 954**	**52 999**	**2 628**	**181 581**
Total Equity and reserves	18 320	-	-	**18 320**
Total Liabilities and Equity	**144 274**	**52 999**	**2 628**	**199 901**
Off-balance (SWAP)	**4 188**	**9 736**	**1 573**	**15 497**
Net currency balance position as at 31 December 2020	**(14 404)**	**7 351**	**260**	**(6 793)**
Net currency position as at 31 December 2020 (balance & off-balance)	**(7 199)**	**401**	**300**	**(6 498)**
Net currency balance position as at 31 December 2019	(32 159)	31 116	97	(946)
Net currency position as at 31 December 2019 (balance & off-balance)	(975)	280	121	(574)

The following table shows the Bank's currency structure of financial assets and financial liabilities at 31 December 2020:

'000 EUR	EUR	USD	Other currency	Total
Financial assets				
Cash and due from central banks	12 014	156	26	**12 196**
Demand deposits with credit institutions	2 620	3 356	2 439	**8 415**
Financial instruments designated at fair value through profit or loss	5 235	-	-	**5 235**
Debt securities measured at fair value through other comprehensive income	5 177	10 566	-	**15 743**
Financial assets measured at amortized cost	103 363	46 114	423	**149 900**
Other assets	656	158	-	**814**
Total financial assets	**129 065**	**60 350**	**2 888**	**192 303**
Off-balance (SWAP)	11 393	2 786	1 613	**15 792**
Financial liabilities				
Financial liabilities at fair value through profit or loss	244	-	-	**244**
Liabilities to financial institutions	-	382	222	**604**
Current accounts and deposits due to customers	124 201	49 038	2 406	**175 645**
Subordinated liabilities	1 647	4 020	-	**5 667**
Other financial liabilities	1 196	21	-	**1 217**
Total financial liabilities	**127 288**	**53 461**	**2 628**	**183 377**
Total Equity and reserves	17 454	-	-	**17 454**
Total Liabilities and Equity	**144 742**	**53 461**	**2 628**	**200 831**
Off-balance (SWAP)	**4 188**	**9 736**	**1 573**	**15 497**
Net currency balance position as at 31 December 2020	**(15 677)**	**6 889**	**260**	**(8 528)**
Net currency position as at 31 December 2020 (balance & off-balance)	**(8 472)**	**(61)**	**300**	**(8 233)**
Net currency balance position as at 31 December 2019	(33 171)	30 711	97	(2 363)
Net currency position as at 31 December 2019 (balance & off-balance)	(1 987)	(125)	121	(1 991)

h) Operational Risk

Operational risk is the risk of incurring losses resulting from inadequate or failed internal processes, which do not comply with the requirements of the external and internal legal regulations, the Bank's employees' and system activities, defects of internal processes, third parties' activities or from other external events as well, including legal risk, but excluding strategic and reputation risk. The aim of the management of the operational risk is to keep the operational risk on the economic reasonable minimum level, to stimulate stability of the Bank's activities and commercial profit in the long term.

The management of the operational risk goes through all the Bank's organizational structure and is realized in each unit of the Bank, that is why the management of the risk is based on overall comprehension of each employee of the Bank on processes he conducts and the risks inherent in these processes (high risk awareness), and on sound risk culture as well. The Bank does not accept operational risks, which exceed the Bank's risk appetite or if the impact of such risks cannot be evaluated in money terms and these risks at the same time are uncontrollable – it is impossible to prevent them or to insure against their consequences irrespective of economic benefit, which could arise from acceptance of such operational risks. In order to mitigate operational risk, the Bank uses the expert assessment method and self-assessment; risk assessment prior launch of new products/process; implementation of quantitative indicators of operational risk; usage of database of risk events; stress – testing and scenario analysis.

i) Money Laundering and Terrorism and Proliferation Financing (further – ML/TPF) Risk

ML/TPF risk is the risk that the Bank can be involved into money laundering or terrorism or proliferation financing. Internal control system operates in the Bank, observing requirements of the binding regulatory enactments and taking into account the best international practice, in order to prevent the use of financial services of the Bank for the ML/TPF, dedicating the respective resources for that purpose and training employees. The Bank has internal rules to identify each client and to apply due diligence procedures in accordance with a degree of the risk of the client. Depending on the degree of the ML/TPF risk, the Bank has procedures to investigate the nature of personal or economic activity of the client, origin of funds in accounts held with the Bank and nature of transactions. The Bank employees servicing the clients have a deep level of knowledge and experience in anti - money laundering and combating terrorism and proliferation financing (further - AML/CTPF) issues and constitute the first line of defense. As the second line of defense the special client supervision structural unit is established in the Bank that is intended to enforce ensure due diligence of the clients of the Bank prior to establishing business relations, supervision of transactions during business relations as well as to oversee exactly proper and timely performance of duties of the Bank stipulated in the law in relations with the competent state bodies.
The third line of defense is independent internal audit function. The Bank has zero tolerance level to persons from the international sanction lists or persons which are involved in supporting proliferation. The Bank provides on-line payment monitoring to ensure compliance to the sanction lists. There is special employee appointed as a responsible person for sanction risk management. The Bank has the modest quantity of clients and it has deep knowledge of each of them which allows minimizing ML/TPF risk.

j) Compliance and Reputation Risk

Compliance and reputation risk is the risk that the Bank, by not being in compliance with legislation, may suffer losses or legal obligations or penalties may be imposed against the Bank or the Bank's reputation may suffer. The Bank has developed and implemented the „Compliance Policy" with the aim, of subject to compliance with the requirements of the legislation, to strengthen confidence in the Bank; to protect the Bank's reputation, to lower the cost of capital; to reduce litigation and sanctions enforcement risks. To manage the compliance risk the Bank:

- has established a Compliance committee that has a central role in compliance risk management. The Compliance committee of the Bank evaluates and assesses identified compliance risks, decides on appropriate risks mitigation actions to be taken, monitors efficiency of compliance risks management.
- keeps track of changes of compliance legislation and implements appropriate changes to internal regulatory documents of the Bank;
- actively participates in the Finance Latvia Association held discussions/workshops on issues that affect the challenges in AML/CTPF area;
- evaluates the Bank's internal regulatory documents and the lack of practical application;
- analyses and compares the performance data to ensure their compliance with the certain requirements proactively;
- actively keeps all employees informed on the recent developments in AML/CTPF area;
- analyses the Bank client's complaints.

k) Strategy Risk

Strategy risk is the risk that the changes in the business environment and the Bank's failure to respond to these changes timely, or false/unsubstantiated activities of the Bank's long-term strategy, or the Bank's inability to provide the necessary resources for the implementation of the strategy could adversely affect the Bank's income/expense (and the amount of equity capital). The Bank has developed operational development strategies, the implementation of which is regularly monitored and updated as necessary. The Bank plans its work with a variety of scenarios, including the negative scenarios that reflect the possible impact of adverse external conditions on the Bank's results.

Planning activities within the framework of development, the Bank carries out analysis of the external environment, competitiveness of the Bank, its position in the financial market, Bank's internal business environment, including macroeconomic circumstances, with the purpose to determine the likelihood that an event in a business environment, in which the Bank carries out its activities and/or intends to take action in the future, will have a negative impact on the Bank's ability to achieve its strategic objectives (to implement the strategy) and/or threaten the Bank's future operations. Evaluating and planning the Bank's asset and liability structure is based on results of analysis of selected indicators of development activities and the business environment.

6. Capital management

The Financial and Capital Market Commission ("FCMC") sets and monitors capital requirements for the Bank and the Group.

The Bank and the Group defines as capital those items defined by statutory regulation as capital.

The Bank's and the Group's capital position are calculated in accordance with the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 . As at 31 December 2020, the individual minimum Capital adequacy ratio level for the Bank is set at 13.60% (2019: 16.05%). The Bank was in compliance with the FCMC determined individual capital ratio as at 31 December 2020 and 2019.

The Group's risk based capital adequacy ratio as at 31 December 2020 was 18.42% (2019: 23.27%).

The Bank's risk based capital adequacy ratio as at 31 December 2020 was 17.99% (2019: 22.99%).

As at 31 December 2020, the Tier 1 Capital adequacy ratio level for the Bank was 14.84% (2019: 17.89%).

The Group monitors its capital adequacy levels calculated in accordance with the requirements of the regulations, commonly known as Basel III agreement and its implementing act in Europe, commonly known as CRD IV package.

The following table shows the composition of the Group and the Bank's capital position as at 31 December 2020 and 2019:

'000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Tier 1 capital				
Share capital	16 545	32 171	16 545	32 171
Additional paid-in capital	28	28	28	28
Reserves	271	312	268	312
Accumulated profit / (losses)	1 207	(15 808)	613	(15 993)
Reductions of tier 1 capital	(546)	(234)	(492)	(168)
Total tier 1 capital	**17 505**	16 469	**16 962**	16 350
Tier 2 capital				
Subordinated liabilities (unamortised portion)	3 525	4 549	3 525	4 549
Total tier 2 capital	**3 525**	4 549	**3 525**	4 549
Deductions from Tier 1 and Tier 2 capital prescribed by legislation*	(330)	(408)	(330)	(408)
Total capital	**20 700**	**20 610**	**20 157**	**20 491**
Capital requirements				
Credit risk requirements	7 536	5 914	7 657	5 990
Market risk requirements	66	24	29	21
Operational risk requirements	1 389	1 166	1 279	1 118
Total capital requirements	**8 991**	7 104	**8 965**	7 129
Total risk exposure amount	**112 385**	**88 810**	**112 066**	**89 132**
Capital adequacy ratio	**18.42%**	**23.21%**	**17.99%**	**22.99%**
Tier 1 Capital adequacy ratio	**15.28%**	**18.09%**	**14.84%**	**17.89%**

*Additional deductions from own funds to reflect possible losses related to the credit portfolio according to the Article 3 of Common Equity Tier1 Capital (CRR).

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of assets and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basel Accord established by covenants under liabilities incurred by the Group. The Group has complied with all externally imposed capital requirements during the years ended 31 December 2020 and 31 December 2019.

7. Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Key sources of estimation uncertainty:

(i) Expected credit losses
For investments in financial instruments classified as amortized cost or measured at fair value through other comprehensive income, the Group regularly assesses whether there has been a significant increase in credit risk since the acquisition and when a significant increase in credit risk has occurred, for these financial instruments the Group calculates the expected loss that it may incur during the remaining term of these financial instruments until maturity as opposed to expected losses in the 12-month period for financial instruments for which no significant credit risk increase has been identified. The procedure for determining the significant increase in credit risk and the procedure for calculating the expected loss is described in Note 4, which describes the accounting policy.

(ii) Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.
The Group has an established control framework with respect to the measurement of fair values.
Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Bank assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS as adopted by EU. This includes:

- Verifying that broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.
Fair value of non-financial assets is determined taking into account market participants' view of highest and best use of these assets, even if it is different from current use. The highest and best use has to be physically possible, legally permissible and financially feasible.
Further information about the assumptions and judgments made in measuring fair values is included in Note 35 Fair value of financial instruments.

(iii) Classification of investment in associate

Upon acquisition of an entity's shares it is being assessed whether control or significant influence has been acquired, or whether investment is a financial instrument accounted under IFRS 9. In assessment of control and level of influence the Bank considers direct and indirect interest in equity, as well as other circumstances that allow the Bank to influence operations of the investee. In 2018 the Bank applied the described procedures when judging about classification of shares acquired as a result of a loan restructuring, as described in Note 20.

(iv) Valuation of real estate development projects

In assessment of real estate development projects the Bank has to make assumptions and judgements in relation to future outcomes that can significantly affect results of the project in subsequent periods. The Bank prefers to use external data from independent sources, uses local and international real estate market experts' opinion, as well as estimates, forecasts and financial data of real estate market participants. Having considered nature of development project, the Bank defines key parameters that can affect the outcome of the project and assesses key sources of uncertainty. The Bank validates key parameters using external sources of information as much as possible. In addition, in order to estimate the effect of uncertainty the Bank performs sensitivity testing against changes in parameters. In 2020 and 2019 the Bank applied the procedures described when it was assessing fair value of assets of associate entity it acquired, as described in Note 20.

(v) Impairment of Non-financial Assets

It is assessed at each reporting date whether events or changes in circumstances indicate that there is an indication that a non-financial asset may be impaired. This assessment is carried out more often, if there are events or changes in circumstances that indicate that a non-financial asset may be impaired. If any such indication exists, the bank makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. This written down amount constitutes an impairment loss.
For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated.
A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount.
This increase constitutes the reversal of impairment losses.
The Bank and Group apply the procedures described when assessing the value of investment in associates, as their main assets are non-financial.

(vi) Estimate of provision amounts

Provisions are recognised in amount that is the best estimate as of the reporting date. Management of the Group and Bank estimates provisions required to cover obligations. In preparation of the estimate management uses available information, evidence and experience, as well as engages independent experts if necessary.

8. Net interest income

'000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Interest income calculated using the effective interest method				
Interest income on financial assets at amortized cost				
Loans and advances due from customers	5 924	3 742	4 763	3 516
Debt securities	327	364	327	364
Balances due from financial institutions	81	380	65	380
Other assets	7	-	7	-
Interest income on debt securities at fair value through profit or loss in other comprehensive income	533	958	508	949
Interest income on financial assets mandatorily at fair value through profit or loss	1	-	1	-
Total interest income	**6 873**	**5 444**	**5 671**	**5 209**
Interest expense				
Interest expense recognised on liabilities measured at amortised cost				
Subordinated liabilities	(549)	(939)	(549)	(939)
Current accounts and deposits due to customers	(447)	(360)	(463)	(373)
Balances due to financial institutions	(247)	(156)	(247)	(156)
Payments to the deposit guarantee fund and other expenses	(138)	(87)	(138)	(87)
Lease commitments	(49)	(50)	(48)	(50)
Total interest expense	**(1 430)**	**(1 592)**	**(1 445)**	**(1 605)**
Net interest income	**5 443**	**3 852**	**4 226**	**3 604**

In the current economic environment the overall effective interest rate on some high quality liquid assets has turned negative. The Group and the Bank are mainly affected by negative interest rates applied on certain balances due from central banks. As the interest resulting from a negative effective interest rate on financial assets reflects an outflow of economic benefits, this is presented as interest expense.
Interest income on loans and advances due from customers classified in stage 2 and stage 3 during the year ended 31 December 2020 amounted to EUR 475 thousand (2019: EUR 253 thousand).

9. Fee and commission income

'000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Servicing current accounts	1 856	1 897	1 865	1 680
Asset management and fiduciary services	1 711	1 764	1 491	1 764
Brokerage operations	1 546	1 332	1 539	1 333
Structured products	506	77	506	77
Credit card maintenance	216	213	216	213
Other	197	56	197	54
Total	**6 032**	**5 339**	**5 814**	**5 121**

10. Fee and commission expense

'000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Asset management and brokerage services	522	360	523	349
Customer attraction	449	294	449	292
Settlements	116	135	115	134
Other	15	-	15	-
Total	**1 102**	**789**	**1 102**	**775**

11. General administrative expenses

'000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Employee compensation and payroll taxes	5 239	4 362	4 777	4 185
Fines imposed by FCMC	585	-	585	-
Depreciation and amortization	580	535	559	530
Professional services	443	477	417	413
Other employee expenses	431	86	129	85
Communications and information services	320	300	318	298
Payment cards expenses	274	228	274	228
IT services costs	264	211	264	211
Advertising and marketing	259	125	128	105
Non-refundable value added tax	240	265	235	262
Rent and utilities payments	47	51	47	51
Repairs and maintenance	38	50	38	50
Other	742	507	629	492
Total	**9 462**	**7 197**	**8 400**	**6 910**

According to the decision adopted on 14 July 2020 by the Board of the Financial and Capital Market Commission (FCMC), the Bank was subject to a fine of EUR 907 thousand for shortcomings in compliance with the AML/CTPF regulatory requirements. Based on the Signet Bank's application to appeal, the FCMC held a second hearing, assessed the situation and the measures taken to eliminate violations. Considering the findings of the assessment and the fact that the Bank is open to cooperation and has already eliminated most of the deficiencies, the FCMC concluded an administrative agreement with the Bank on 23 February 2021, significantly reducing the initially imposed fine to EUR 585 thousand.
Audit and other fees paid to the independent auditor company which has audited these financial statements are presented within administrative expenses under the heading "Professional services". Other audits and consultations included audit related services to fullfil regulatory requirements on custodian responsibilities and deposit guarantee fund contribution reporting.

'000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Sworn auditor statutory audit	57	57	43	42
Sworn auditor other audits	5	4	5	4
Total	**62**	**61**	**48**	**46**

The Bank's rental fees for low value inventory rental in the amount of EUR 9 thousand are included under the item 'IT services costs' (2019: EUR 9 thousand) and in the amount of EUR 2 thousand - under the item 'Other' (2019: EUR 2 thousand).

11. General administrative expenses (continued)

In 2020 the Group employed an average of 111 (2019: 95) persons, whereas the Bank employed an average of 93 (2019: 88).
Number of employees of the Group and the Bank at the year end:

	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Management	10	9	4	4
Heads of divisions and departments	25	21	21	21
Other personnel	94	71	74	65
Total at the end of the year	**129**	**101**	**99**	**90**

12. Impairment loss

Total net asset impairment allowance included in statement of income:

’000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Loans and advances due from customers	(199)	(167)	(238)	(238)
Other financial assets and other assets	(116)	(5)	(76)	(5)
Debt securities	(31)	(30)	(34)	(27)
Balances due from financial institutions	1	(1)	1	(1)
Total impairment allowance and provisions charged to income statement, net	**(345)**	**(203)**	**(347)**	**(271)**

Changes in the Group financial and other asset impairment allowance for the year ended 31 December 2020:

’000 EUR	Increases in origination and acquisition	Decreases in derecognition and repayments	Total net impairment charge	Included decrease due to write-off
Stage 1				
Balances due from financial institutions	-	(1)	(1)	-
Debt securities	97	(61)	36	-
Loans and advances due from customers	494	(394)	100	-
Other financial and non-financial assets	174	(58)	116	-
Total stage 1 impairment	**765**	**(514)**	**251**	**-**
Stage 2				
Loans and advances due from customers	63	(30)	33	-
Debt securities	-	(1)	(1)	-
Total stage 2 impairment	**63**	**(31)**	**32**	**-**
Stage 3				
Loans and advances due from customers	248	(182)	66	-
Debt securities	67	(71)	(4)	-
Total stage 3 impairment	**315**	**(253)**	**62**	**-**
Total allowances for credit losses recognised in profit or loss, net	**1 143**	**(798)**	**345**	**-**

12. Impairment loss (continued)

Changes in the Bank financial and other asset impairment allowance for the year ended 31 December 2020:

’000 EUR	Increases in origination and acquisition	Decreases in derecognition and repayments	Total net impairment charge	Included decrease due to write-off
Stage 1				
Balances due from financial institutions	-	(1)	(1)	-
Debt securities	97	(58)	39	-
Loans and advances due from customers	413	(73)	340	-
Other financial and non-financial assets	134	(58)	76	-
Total stage 1 impairment	**644**	**(190)**	**454**	**-**
Stage 2				
Debt securities	-	(1)	(1)	-
Loans and advances due from customers	36	(30)	6	-
Total stage 2 impairment	**36**	**(31)**	**5**	**-**
Stage 3				
Debt securities	74	(182)	(108)	-
Loans and advances due from customers	67	(71)	(4)	-
Total stage 3 impairment	**141**	**(253)**	**(112)**	**-**
Total allowances for credit losses recognised in profit or loss, net	**821**	**(474)**	**347**	

Changes in the Group financial and other asset impairment allowance for the year ended 31 December 2019:

’000 EUR	Increases in origination and acquisition	Decreases in derecognition and repayments	Total net impairment charge	Included decrease due to write-off
Stage 1				
Balances due from financial institutions	1	-	1	-
Debt securities	105	(74)	31	-
Loans and advances due from customers	104	(87)	17	-
Other financial and non-financial assets	9	(11)	(2)	-
Total stage 1 impairment	**219**	**(172)**	**47**	**-**
Stage 2				
Loans and advances due from customers	13	-	13	-
Total stage 2 impairment	**13**	**-**	**13**	**-**
Stage 3				
Loans and advances due from customers	137	-	137	-
Other financial assets	7	(1)	6	(1)
Total stage 3 impairment	**144**	**(1)**	**143**	**(1)**
Total allowances for credit losses recognised in profit or loss, net	**376**	**(173)**	**203**	**(1)**

12. Impairment loss (continued)

Changes in the Bank financial and other asset impairment allowance for the year ended 31 December 2019:

'000 EUR	Increases in origination and acquisition	Decreases in derecognition and repayments	Total net impairment charge	Included decrease due to write-off
Stage 1				
Balances due from financial institutions	1	-	1	-
Debt securities	101	(74)	27	-
Loans and advances due from customers	162	(73)	89	-
Other financial and non-financial assets	9	(11)	(2)	-
Total stage 1 impairment	**273**	**(158)**	**115**	**-**
Stage 2				
Loans and advances due from customers	13	-	13	-
Total stage 2 impairment	**13**	**-**	**13**	**-**
Stage 3				
Loans and advances due from customers	137	-	137	-
Other financial assets	7	(1)	6	(1)
Total stage 3 impairment	**144**	**(1)**	**143**	**(1)**
Total allowances for credit losses recognised in profit or loss, net	**430**	**(159)**	**271**	**(1)**

13. Income tax

Income tax recognised in the profit or loss:

'000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Income tax recognised in profit or loss	**(11)**	**(8)**	**(8)**	**(8)**

The corporate income tax is payable only for certain expenses which for tax calculation purposes are considered to be the distribution of profit (for example, non-operating expenses and representation expenses that exceed a specific threshold).

14. Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are composed of the following items:

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Cash	473	387	473	387
Balances due from central banks	11 723	40 544	11 723	40 544
Subtotal	**12 196**	**40 931**	**12 196**	**40 931**
Demand deposit due from financial institutions	8 418	11 484	8 415	11 411
Total	**20 614**	**52 415**	**20 611**	**52 342**

Deposits with the Bank of Latvia represent the balance outstanding on correspondent account in EUR. Credit institutions should comply with the compulsory reserve requirement calculated on the basis of attracted funding. The Bank's compulsory reserve must be exceeded by a credit institution's average monthly euro balance on its correspondent account with the Bank of Latvia. The Bank is compliant with the requirement to hold the minimum reserves in amount of EUR 1 579 thousand (2019: EUR 1 182 thousand) with the Bank of Latvia.

15. Financial assets and liabilities at fair value through profit or loss

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Assets				
Equity investments				
Financial institutions shares*	510	-	510	-
Corporate shares*	1 650	393	1 650	393
Total equity investments	**2 160**	**393**	**2 160**	**393**
Total equity instruments - Company shares *	**2 557**	**-**	**2 557**	**-**
Derivative financial instruments				
Foreign currency contracts	514	694	514	694
Foreign currency forward agreements	4	10	4	10
Total derivative financial instruments	**518**	**704**	**518**	**704**
Total assets at fair value	**5 235**	**1097**	**5 235**	**1 097**
Notional amount				
Derivative financial instruments				
Foreign currency forward agreements	**15 139**	**134 330**	**15 139**	**134 330**
Foreign currency contracts	**653**	**7 547**	**653**	**7 547**
Total derivative financial instruments at national amount	**15 792**	**141 877**	**15 792**	**141 877**
Liabilities				
Derivative financial instruments				
Foreign currency contracts	244	409	244	409
Foreign currency forward agreements	-	140	-	140
Total derivative financial instruments	**244**	**549**	**244**	**549**
Total liabilities at fair value	**244**	**549**	**244**	**549**
Notional amount				
Derivative financial instruments				
Foreign currency forward agreements	14 844	133 966	14 844	133 966
Foreign currency contracts	653	7 540	653	7 540
Total derivative financial instruments at national amount	**15 497**	**141 506**	**15 497**	**141 506**

*held for trading

Included in financial assets and financial liabilities at fair value through profit or loss at 31 December 2020 are EUR 5.2 million (2019: EUR 1.1 million) and EUR 0.2 million (2019: EUR 0.5 million) respectively which are held for trading.

16. Balances due from financial institutions

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Not impaired or past due				
Nostro accounts				
Latvian commercial banks	15	73	14	-
OECD banks[1]	8 034	11 286	8 032	11 286
Non-OECD banks	369	125	369	125
Credit ratings[2]				
Rated A- and above	-	10 381	-	10 381
Rated from BBB- to BBB+	1	369	-	296
Not rated	8 417	734	8 415	734
Total nostro accounts	**8 418**	**11 484**	**8 415**	**11 411**
Loans and deposits[3]				
OECD banks[3]	3 261	20 468	3 261	20 468
Credit ratings[2]				
Rated A- and above	-	17 843	-	17 843
Not rated	3 261	2 625	3 261	2 625
Total loans and deposits not impaired	**3 261**	**20 468**	**3 261**	**20 468**
Total balances due from financial institutions	**11 679**	**31 952**	**11 676**	**31 879**

1. Nostro accounts held with OECD banks include balances with 5 counterparties (31 December 2019: 6) none of which exceed 93% (31 December 2019: 916%) of the total account balance. The respective counterparties do not have credit ratings (31 December 2019: lower than A+) as at 31 December 2020.
2. Balances due from financial institutions are classified by average credit rating from three international rating agencies: Moody's Investors Service, Standard & Poor's, Fitch Ratings.
3. Loans and deposits held with OECD banks include balances with 1 financial institutions (31 December 2019: 4) none of which individually exceeds 28% (31 December 2019: 650%) of the total balance. As at 31 December 2020 the respective do not have credit ratings (31 December 2019:A+ and the other do not have credit ratings) The financial institution, whose credit rating is not available, is registered and operates in the EU.

As at 31 December 2020 and 2019 the Group's and Bank's balances due from financial institutions had no impairments.

Concentration of placements with banks and other financial institutions

As at 31 December 2020 and 2019 the Group and the Bank had a number of due from balances with banks and financial institutions that individually exceeded 10% of the total balances due from financial institutions. As of 31 December 2020 and 2019 none of these balances individually exceeded 51 % and 42 % respectively. The gross value of due from balances with banks and financial institutions that individually exceeded 10% of the total balances due from financial institutions as of 31 December 2020 was EUR 10 563 thousand (31 December 2019: EUR 28 224 thousand) and it included three banks (31 December 2019: 3) with out the credit rating (31 December 2019: not lower than A).

17. Loans and advances due from customers

Breakdown of loans issued by the Group and the Bank by customer type:

’000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Corporate entities	36 416	29 820	36 416	33 601
Private individuals and Associations and foundations serving individuals and households	34 418	22 247	24 116	18 369
Financial auxiliaries and other financial intermediaries	13 302	13 701	23 053	13 701
Total loans and advances due from customers	**84 136**	**65 768**	**83 585**	**65 671**
Total impairment allowance	**(729)**	**(572)**	**(774)**	**(572)**
Loans and advances due from customers, net	**83 407**	**65 196**	**82 811**	**65 099**

Four loans in the total amount of 4 739 thousand EUR had active restructured status as at 31 December 2020 (2019: one loan, 471 thousand EUR).
In the tables below estimated Group’s fair value of loan collateral is presented separately for those assets where collateral and other credit enhancements exceed carrying value of the asset (LTV < 100%) and those assets where collateral and other credit enhancements are equal to or less than the carrying value of the asset (LTV ⩾ 100%):

’000 EUR	31 Dec 2020 Group				31 Dec 2019 Group			
	LTV < 100%		LTV ⩾ 100% and unsecured		LTV < 100%		LTV ⩾ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Business loans	40 761	116 154	809	443	34 145	76 784	1 495	1 315
Reverse repo and loans secured by financial instruments	7 241	15 682	-	-	6 057	15 113	-	-
Consumer loans	4 979	11 071	10 512	-	7 888	15 109	1 453	1 324
Mortgage loans	6 046	11 218	-	-	4 269	6 034	-	-
Other deposits with financial institutions	-	-	10 383	-	-	-	7 095	-
Other	2 439	10 156	966	-	2 406	6 786	960	-
Loans and advances due from customers	**61 466**	**164 281**	**22 670**	443	**54 765**	**119 826**	**11 003**	**2 639**
Impairment allowance	(154)	-	(575)	-	(368)	-	(204)	-
Loans and advances due from customers, net	**61 312**	**164 281**	**22 095**	443	**54 397**	**119 826**	**10 799**	**2 639**

17. Loans and advances due from customers (continued)

In the tables below estimated Bank's fair value of loan collateral is presented separately for those assets where collateral and other credit enhancements exceed carrying value of the asset (LTV < 100%) and those assets where collateral and other credit enhancements are equal to or less than the carrying value of the asset (LTV ⩾ 100%):

'000 EUR	31 Dec 2020 Bank				31 Dec 2019 Bank			
	LTV < 100%		LTV ⩾ 100% and unsecured		LTV < 100%		LTV ⩾ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Business loans	50 461	126 533	859	443	37 925	80 802	1 495	1 315
Reverse repo and loans secured by financial instruments	7 241	15 682	-	-	6 057	15 113	-	-
Consumer loans	4 979	11 071	211	-	5 259	11 616	205	-
Mortgage loans	6 046	11 218	-	-	4 269	6 034	-	-
Other deposits with financial institutions	-	-	10 383	-	-	-	7 095	-
Other	2 439	10 156	966	-	2 406	6 786	960	-
Loans and advances due from customers	**71 166**	**174 660**	**12 419**	**443**	**55 916**	**120 351**	**9 755**	**1 315**
Impairment allowance	(154)	-	(620)	-	(368)	-	(204)	-
Loans and advances due from customers, net	**71 012**	**174 660**	**11 799**	**443**	**55 548**	**120 351**	**9 551**	**1 315**

17. Loans and advances due from customers (continued)

The following table shows the types of credit collateral and its geography for the Group as at 31 December 2020:

'000 EUR		Estimated fair value of collateral by type of collateral				Estimated fair value of the collateral
		Mortgage	Financial instruments	Money and deposits	Another type of collateral	
Loans and advances due from customers						
Business loans	41 432	**80 905**	**4 266**	**1 898**	**29 527**	**116 596**
OECD countries		3 421	-	-	634	4 055
Russia		13 590	2 394	330	1 916	18 230
Latvia		53 566	1 872	1 568	26 977	83 983
*Other countries**		10 328	-	-	-	10 328
Reverse repo and loans secured by financial instruments	7 239	**-**	**5 060**	**-**	**10 623**	**15 683**
Russia		-	1 022	-	3 526	4 548
Latvia		-	3 059	-	7 097	10 156
*Other countries**		-	979	-	-	979
Consumer loans	15 076	**9 801**	**116**	**24**	**1 130**	**11 071**
Latvia		279	-	24	758	1 061
Russia		9 428	116	-	-	9 544
*Other countries**		94	-	-	372	466
Mortgage loans	6 028	**9 047**	**100**	**79**	**1 992**	**11 218**
Latvia		6 363	100	50	1 992	8 505
Russia		2 684	-	29	-	2 713
Other deposits with financial institutions	10 383	-	-	-	-	-
Other	3 249	**2 430**	**-**	**34**	**7 692**	**10 156**
Latvia		2 430	-	34	3 065	5 529
*Other countries**		-	-	-	4 627	4 627

*single primary country cannot be identified, location/registration country of collateral is different (EU countries, Russia, etc.)

17. Loans and advances due from customers (continued)

The following table shows the types of credit collateral and its geography for the Bank as at 31 December 2020:

'000 EUR		**Estimated fair value of collateral by type of collateral**				**Estimated fair value of the collateral**
		Mortgage	**Financial instruments**	**Money and deposits**	**Another type of collateral**	
Loans and advances due from customers						
Business loans	50 803	**80 905**	**4 266**	**2 034**	**39 770**	**126 975**
OECD countries		3 421	-	-	634	4 055
Russia		13 590	2 394	330	1 916	18 230
Latvia		53 566	1 872	1 704	37 220	94 362
*Other countries**		10 328	-	-	-	10 328
Reverse repo and loans secured by financial instruments	7 239	**-**	**5 060**	**-**	**10 623**	**15 683**
Russia		-	1 022	-	3 526	4 548
Latvia		-	3 059	-	7 097	10 156
*Other countries**		-	979	-	-	979
Consumer loans	5 109	**9 801**	**116**	**24**	**1 130**	**11 071**
Latvia		279	-	24	758	1 061
Russia		9 428	116	-	-	9 544
*Other countries**		94	-	-	372	466
Mortgage loans	6 028	**9 047**	**100**	**79**	**1 992**	**11 218**
Latvia		6 363	100	50	1 992	8 505
Russia		2 684	-	29	-	2 713
Other deposits with financial institutions	10 383	-	-	-	-	-
Other	3 249	**2 430**	**-**	**34**	**7 692**	**10 156**
Latvia		2 430	-	34	3 065	5 529
*Other countries**		-	-	-	4 627	4 627

*single primary country cannot be identified, location/registration country of collateral is different (EU countries, Russia, etc.)

17. Loans and advances due from customers (continued)

The following table shows the types of credit collateral and its geography for the Group as at 31 December 2019:

'000 EUR		**Estimated fair value of collateral by type of collateral**				**Estimated fair value of the collateral**
		Mortgage	**Financial instruments**	**Money and deposits**	**Another type of collateral**	
Loans and advances due from customers						
Business loans	35 314	**64 332**	**9 066**	**809**	**3 892**	**78 099**
OECD countries		19 780	-	-	1 138	20 918
Russia		22 393	3 077	-	-	25 470
Latvia		22 159	-	-	2 754	24 913
*Other countries**		-	5 989	809	-	6 798
Reverse repo and loans secured by financial instruments	6 055	**-**	**15 113**	**-**	**-**	**15 113**
OECD countries		-	33	-	-	33
Russia		-	4 295	-	-	4 295
*Other countries**		-	10 785	-	-	10 785
Consumer loans	9 334	**10 431**	**1 160**	**25**	**4 817**	**16 433**
OECD countries		9 391	-	-	-	9 391
Latvia		725	151	-	4 817	5 693
Russia		315	-	-	-	315
*Other countries**		-	1 009	25	-	1 034
Mortgage loans	4 236	**6 034**	**-**	**-**	**-**	**6 034**
OECD countries		3 779	-	-	-	3 779
Latvia		2 255	-	-	-	2 255
Other deposits with financial institutions	7 095	-	-	-	-	-
Other	3 162	**1 862**	**-**	**119**	**4 805**	**6 786**
Latvia		1 862	-	-	-	1 862
*Other countries**		-	-	119	4 805	4 924

*single primary country cannot be identified, location/registration country of collateral is different (EU countries, Russia, etc.)

17. Loans and advances due from customers (continued)

The following table shows the types of credit collateral and its geography for the Bank as at 31 December 2019:

’000 EUR		Estimated fair value of collateral by type of collateral				Estimated fair value of the collateral
		Mortgage	**Financial instruments**	**Money and deposits**	**Another type of collateral**	
Loans and advances due from customers						
Business loans	39 094	**64 332**	**13 084**	**809**	**3 892**	**82 117**
OECD countries		19 780	-	-	1 138	20 918
Russia		22 393	3 077	-	-	25 470
Latvia		22 159	4 018	-	2 754	28 931
*Other countries**		-	5 989	809	-	6 798
Reverse repo and loans secured by financial instruments	6 055	**-**	**15 113**	**-**	**-**	**15 113**
OECD countries		-	33	-	-	33
Russia		-	4 295	-	-	4 295
*Other countries**		-	10 785	-	-	10 785
Consumer loans	5 457	**10 431**	**1 160**	**25**	**-**	**11 616**
OECD countries		9 391	-	-	-	9 391
Latvia		725	151	-	-	876
Russia		315	-	-	-	315
*Other countries**		-	1 009	25	-	1 034
Mortgage loans	4 236	**6 034**	**-**	**-**	**-**	**6 034**
OECD countries		3 779	-	-	-	3 779
Latvia		2 255	-	-	-	2 255
Other deposits with financial institutions	7 095	-	-	-	-	-
Other	3 162	**1 862**	**-**	**119**	**4 805**	**6 786**
Latvia		1 862	-	-	-	1 862
*Other countries**		-	-	119	4 805	4 924

*single primary country cannot be identified, location/registration country of collateral is different (EU countries, Russia, etc.)

17. Loans and advances due from customers (continued)

Geographical analysis of the loan portfolio to the Group and the Bank. Geographic split of borrowers' credit risk is based on the country of origin of their projected cash flows used for loan repayment.

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Loans and advances due from customers				
Latvia	47 109	23 698	46 558	23 601
Other countries*	8 322	18 894	8 322	18 894
Russia	18 362	11 649	18 362	11 649
OECD countries	10 343	11 527	10 343	11 527
Total loans and advances due from customers	**84 136**	**65 768**	**83 585**	**65 671**
Total impairment allowance	**(729)**	**(572)**	**(774)**	**(572)**
Loans and advances due from customers, net	**83 407**	**65 196**	**82 811**	**65 099**

* single primary country cannot be identified, Borrowers' Income is generated in different countries (EU countries, etc.). Furthermore borrower has income that is generated internationally (FI investment portfolio, sale of movable property etc.)

Significant credit exposures

As of 31 December 2020, the Group and Bank had no customers, whose balances exceeded 10% of loans to customers (2019: the same).
According to regulatory requirements, the Group is not allowed to have a credit exposure to one client or group of related clients more than 25% of its equity. As at 31 December 2020 and 2019 the Group was in compliance with this requirement.

18. Debt securities measured at fair value through other comprehensive income

Debt securities of the Group and the Bank measured at fair value through other comprehensive income, by type of issuer:

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Debt securities				
Government and municipal bonds				
European Union	824	4 963	824	4 963
Latvia	-	503	-	503
Other countries	9 716	11 459	9 716	11 459
Total government and municipal bonds	**10 540**	**16 925**	**10 540**	**16 925**
Financial authorities and institutions bonds				
Latvia	537	696	537	696
European Union	2 283	-	2 283	-
Total Financial authorities and institutions bonds	**2 820**	**696**	**2 820**	**696**
Corporate bonds				
European Union and EEA	2 357	1 620	2 357	1 415
Latvia	206	303	-	303
Other countries	26	898	26	898
Total corporate bonds	**2 589**	**2 821**	**2 383**	**2 616**
Total debt securities measured at fair value through other comprehensive income	**15 949**	**20 442**	**15 743**	**20 237**

Geographical allocation is based on countries of principal entities.

Debt securities of the Group and the Bank measured at fair value through other comprehensive income quality analysis:

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Debt securities [1]				
Government and municipal bonds				
Rated from AAA- to A-	10 540	16 925	10 540	16 925
Total government and municipal bonds	**10 540**	**16 925**	**10 540**	**16 925**
Financial authorities and institutions bonds				
Rated from B- to B	275	-	275	-
Not rated [2]	2 545	696	2 545	696
Total Financial authorities and institutions bonds	**2 820**	**696**	**2 820**	**696**
Corporate bonds				
Rated from BB- to BB+	-	195	-	195
B-	-	196	-	196
Not rated	2 589 [4]	2 430 [3]	2 383 [4]	2 225 [3]
Total corporate bonds	**2 589**	**2 821**	**2 383**	**2 616**
Total debt securities measured at fair value through other comprehensive income	**15 949**	**20 442**	**15 743**	**20 237**

1. Financial assets measured at fair value through other comprehensive income are classified by average credit rating from three international rating agencies: Moody's Investors Service, Standard & Poor's, Fitch Ratings.
2. Group's and Bank's all Financial instruments issued by issuers were included in Stage 1 according to IFRS 9 requirements.
3. Financial instruments issued by 5 issuers with a total value for the Group/ the Bank EUR 1 914/1 709 thousand were included in Stage 1 according to IFRS 9 requirements, financial instruments issued by 3 issuers with a total value EUR 488 thousand were included in Stage 2 and , financial instruments issued by 1 issuer with a total value EUR 28 thousand were included in Stage 3.
4. Group's and Bank's Financial instruments issued by 4/3 issuers with a total value EUR 2 178/ 1 972 thousand were included in Stage 1 according to IFRS 9 requirements, financial instruments issued by 2 issuer with a total value EUR 269 thousand were included in Stage 2 and financial instruments issued by 2 issuer with a total value EUR 142 thousand were included in Stage 3.

19. Debt securities measured at amortized cost

Debt securities of the Group and the Bank measured at amortized cost, by type of issuer:

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Debt securities				
Government and municipal bonds				
European Union	54 056	17 492	54 056	17 492
Total government and municipal bonds, gross	**54 056**	**17 492**	**54 056**	**17 492**
Impairment allowance	(83)	(1)	(83)	(1)
Total government and municipal bonds, net	**53 973**	**17 491**	**53 973**	**17 491**
Financial institutions bonds				
European Union and EEA	7 832	4 929	7 832	4 929
Total financial institutions bonds	**7 832**	**4 929**	**7 832**	**4 929**
Corporate bonds				
European Union and EEA	2 024	-	2 024	-
Total corporate bonds	**2 024**	**-**	**2 024**	**-**
Impairment allowance	(1)	-	(1)	-
Total corporate bonds, net	**2 023**	**-**	**2 023**	**-**
Total debt securities measured at amortized cost, net	**63 828**	**22 420**	**63 828**	**22 420**

Geographical allocation is based on countries of principal entities.

Debt securities of the Group and the Bank measured at amortized cost quality analysis:

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Debt securities				
Government and municipal bonds[1]				
Rated from AAA- to AAA+	3 675	9 261	3 675	9 261
Rated from AA- to AA+	4 426	5 467	4 426	5 467
Rated A- and above	44 766	2 763	44 766	2 763
Rated from BBB- to BBB+	1 106	-	1 106	-
Total government and municipal bonds, net	**53 973**	**17 491**	**53 973**	**17 491**
Financial institutions bonds				
Rated from AAA- to AAA+	4 383	4 929	4 383	4 929
Rated from AA- to AA+	3 349	-	3 349	-
Rated from BBB- to BBB+	100	-	100	-
Total financial institutions and corporate bonds	**7 832**	**4 929**	**7 832**	**4 929**
Corporate bonds				
Rated from AA- to AA+	1 634	-	1 634	-
Rated from BBB- to BBB+	389	-	389	-
Total corporate bonds	**2 023**	**-**	**2 023**	**-**
Total debt securities measured at amortized cost, net	**63 828**	**22 420**	**63 828**	**22 420**

[1] Debt securities are classified by average credit rating from three international rating agencies: Moody's Investors Service, Standard & Poor's, Fitch Ratings.

20. Investment in subsidiaries

Bank's investment in subsidiary Signet Asset Management Latvia IPS:

'000 EUR	31 Dec 2020	31 Dec 2019
Investments in Signet Asset Management Latvia IPS	1 874	1 874
Impairment of investment	(582)	(582)
Investment in the subsidiary, net	**1 292**	**1 292**

	Signet Asset Management Latvia IPAS
Main activity	Financial services
Country of incorporation	Latvia
Address	3 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2020	100 %
31 December 2019	100 %

Financial position of the subsidiary:

'000 EUR	As at 31 Dec 2020	As at 31 Dec 2019
Non-current assets	**706**	**1 012**
Current assets	**923**	**533**
Current liabilities	**(23)**	**(16)**
Net assets	**1 606**	**1 529**
Group share in net assets	**100 %**	**100 %**
	2020	**2019**
Income	220	**232**
Expenses	(137)	**(134)**
Income tax	-	**-**
Profit	**83**	**98**
Group share in profit	**100%**	**100%**

In 2013 the Bank invested EUR 1 874 thousand in a subsidiary Signet Asset Management Latvia IPS which as at 31 December 2020 had the net asset value of EUR 1 606 thousand which mainly consists of cash and term deposits of EUR 1 403 thousand.

During the year ended 31 December 2020 and 2019 the Group did not receive dividends from investment in subsidiary.

In order to assess a possible impairment loss of the investment the Bank assessed the recoverable amount of the investment by applying the value in use approach; no additional impairment was required as a result of the assessment. The assessment was based on discounted dividend model. The profit after tax was assumed to be a proxy for free cash flows available for dividend distribution to the shareholders. The discount rate was calculated based on cost of equity that was determined in amount of 10.95% (2019: 11.56%). The Bank applied terminal growth rate of 2%. The model expects that in 2021 the subsidiary will have a significant increase of income (+ EUR 41 thousand), and moderate growth in the coming years (in average + EUR 28 thousand, that is + 9%).

The Bank still considers that Signet Asset Management Latvia IPS is a significant business line having sustainable development and growth prospects for the future.

On the 28th of April 2020 Asset Management Latvia IPS registered their first UCITS compliant open-ended mutual fund "Signet Bond Fund" with two share classes (Class A - USD shares, ISIN: LV0000401008 and Class H - EUR shares, ISIN: LV0000401016). The investment objective is to provide an opportunity for investors to earn an income from a diversified portfolio of fixed income securities.

20. Investment in subsidiaries (continued)

Implementing its adjusted strategy in 2019, the Bank started more acrively provide lending services to Latvian clients, including businessmen registered in Latvia.
In order to develop and diversify the loan portfolio, the Bank acquired shares and granted a loan to AS "Primero Finance" (formerly Loango AS) on September 26, 2019, which provides financial leasing and leaseback services in Latvia.
By making a contribution to the share capital of EUR 239 thousand, the Bank acquired a 51% stake in the company, which allows the Bank to ensure control of the company's activities and use of the loan granted, and thus manage better the Bank's own credit risk in relation to the loan issued.
Bank's investment in subsidiary:

'000 EUR	31 Dec 2020	31 Dec 2019
Investments in AS "Primero Finance"	239	239

	AS "Primero Finance"
Main activity	Financial services
Country of incorporation	Latvia
Address	3 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2020	51 %
31 December 2019	51 %

Financial position of the subsidiary:

'000 EUR	As at 31 Dec 2020	As at 31 Dec 2019
Non-current assets	**7 257**	**3 100**
Current assets	**3 308**	**1 331**
Non-current liabilities	**(9 713)**	**(3 777)**
Current liabilities	**(290)**	**(120)**
Net assets	**562**	**534**
Group share 51% in net assets	**287**	**272**
	2020	**26 Sep 2019 - 31 Dec 2019**
Income	1 694	309
Expenses	(1 666)	(220)
Profit	**28**	**89**
Group share 51% in profit	**14**	**33**

During the year ended 31 December 2020 and 31 December 19 the Group did not receive dividends from investment in subsidiary.

20. Investment in subsidiaries (continued)

On 7 August 2020, the Bank's subsidiary AS Primero Finance established the Lithuanian subsidiary UAB Primero Finance, with the aim of developing financial and reverse leasing services in Lithuania. As of December 31, 2020, the core business had not yet started

Group's investment in subsidiary:

'000 EUR	31 Dec 2020
Investments in UAB Primero Finance	3

	UAB Primero Finance
Main activity	Financial services
Country of incorporation	Lithuania
Address	Perkūnkiemio g. 6-1, Vilnius, Lithuania
Ownership interest	
31 December 2020	100 %

Financial position of the subsidiary:

	2020
Expenses	(13)
Loss	**(13)**
Group's share 100% in loss	**(13)**

On 24 July 2020, the Bank established a subsidiary Citra Development SIA, with the aim of developing a real estate project in Riga, which is planned to be implemented together with the Bank's customers.

Bank's investment in subsidiary:

'000 EUR	31 Dec 2020
Investments in Citra Development SIA	300

	Citra Development SIA
Main activity	Real estate rental and management
Country of incorporation	Latvia
Address	3-5 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2020	100 %

Financial position of the subsidiary:

	2020
Expenses	(2)
Loss	**(2)**
Bank's share 100% in loss	**(2)**

21. Investment in associates

In 2016, the Bank invested in investment company's SIA "LS Medical Property" share capital EUR 544 thousand with the participation of 32%. During 2020 and 2019 investment was increased by a total of EUR 336 thousand up to EUR 880 thousand, retaining the ownership of 32%. As the Bank does not have the control over SIA "LS Medical Property" the investment is not consolidated in the Group's consolidated financial statements.
Bank's investment in associate:

'000 EUR	31 Dec 2020	31 Dec 2019
Investments SIA "LS Medical Property"	880	880
Part of the Bank's loss	(184)	(159)
Investment in the associate, net	**696**	**721**

	SIA "LS Medical Property"
Main activity	Development of property for hospital operation purposes
Country of incorporation	Latvia
Address	3 Antonijas street, Riga LV-1010, Latvia
Ownership interest	
31 December 2020	32 %
31 December 2019	32 %

Financial position of the associate:

'000 EUR	As at 31 Dec 2020	As at 31 Dec 2019
Non-current assets	2 094	2 094
Current assets	76	158
Current liabilities	-	(3)
Net assets	**2 170**	**2 249**
Bank's share 32% in net assets	**720**	**720**
	2020	**2019**
Expenses	(79)	(167)
Loss	**(79)**	**(167)**
Bank's share 32% in loss	**(25)**	**(53)**

The only asset of the associate is a land plot with market value higher than its book value. Therefore, as a result of impairment assessment of investment in the associate no decrease in its value was identified.

21. Investment in associates (continued)

In December 2018 the Bank and its customers obtained 33.34% of share capital in SIA "Citra Kaļķu" as a result of a loan agreement restructuring, which gives the Bank a significant impact. As of December 31, 2020 the Bank's direct investment was 11.68% (2019: 11.68%). In addition, the Bank exercises the significant impact through its representative in the management board of SIA "Citra Kaļķu". The Bank considers its investment in SIA "Citra Kaļķu" as an investment in an associate. The Bank does not have a decisive control to consider it as a subsidiary, so it is not consolidated.
At the time of acquisition of shareholdings, the Bank also took over claims against SIA Citra Kaļķu in the amount of EUR 471 thousand, which were recognized as part of the loan portfolio. The main asset of SIA Citra Kaļķu is a land plot in the centre of Riga, which the Bank, together with potential investors, plans to use for the construction of a high-quality hotel. To generate the value of the project, the Bank agreed with another member of SIA Citra Kaļķu to purchase their share, paying a security deposit of EUR 250 thousand for it. For the purposes of valuation, the Bank combines all investments made into a single group.
Bank's investment in associate:

'000 EUR	31 Dec 2020	31 Dec 2019
Investments SIA "Citra Kaļķu"	1 447	1 312
Increase in investments	-	135
Part of the previous year's profit	26	11
Part of the Bank's profit for the year	22	15
Impairment of investment	(433)	(299)
Investment in the associate, net	**1 062**	**1 174**

	SIA "Citra Kaļķu"
Main activity	Real estate transactions, development, leasing and rental of real estate
Country of incorporation	Latvia
Address	Aspāzijas bulvāris 32-1A, Riga LV-1050, Latvia
Ownership interest	
31 December 2020	11.68 %
31 December 2019	11.68 %

Financial position of the associate:

'000 EUR	As at 31 Dec 2020	As at 31 Dec 2019
Non-current assets	10 947	10 947
Current assets	37	54
Non-current liabilities	(1 079)	(1 079)
Current liabilities	-	-
Net assets	**9 905**	**9 922**
Bank's share 11.68% in net assets	**1 157**	**1 159**
	2020	**2019**
Income	205	141
Expenses	(13)	(14)
Profit	**192**	**127**
Bank's share 11.68% in profit, since acquisition	**22**	**15**

Upon acquisition of SIA "Citra Kaļķu" (hereinafter – SIA), the Bank adjusted fair value of the investee's assets, based on their highest and best use that was determined to be the construction of a premium hotel on the SIA's land plot.

21. Investment in associates (continued)

The Bank conducted a test as at 31 December 2020 to verify that the fair value of the SIA's assets had not gone down. The test did not establish any decrease in the fair value of the company's assets. As the basis for the valuation, the Bank relied on an appraisal drafted in 2018 by a certified real estate appraiser, and a forecast by the business partner – a professional hotel operator (hereinafter referred to as the Project Business Partner) – based on the performance of existing hotels, as well as appraisals and information from other external experts.
As at 31.12.2020, the Bank updated the financial model of the development project, which contains the following key parameters and sources for validation of the parameters:

- occupancy rate, which is based on validated information from the Project Business Partner on the occupancy indicators of hotels in similar locations; the occupancy rate is lower in the first few years and gradually increases in subsequent years;
- hotel room rates, which were validated using offers published in open internet sources and hotel reservation systems for hotels operating in Riga city centre for different times of the year, as well as forecasts by the Project Business Partner;
- income from the hotel restaurant, which was validated using experience and calculations by the Bank's Project Cooperation Partner, opinions and research results of external experts, as well as Bank's experience from other projects related to financing of hotels;
- hotel construction term, which was validated using publicly available information about construction of a comparative hotel, as well as forecasts by the Project Business Partner;
- construction costs, which were validated using experience and calculations by the Project Business Partner;
- capitalisation rate, which was validated using experience and calculations by the Bank Project Cooperation Partner, opinions and research findings from external experts, as well as Bank's experience from other projects related to financing of hotels.

To make sure that the hotel project can be implemented on the land plot owned by SIA, the Riga Development Plan and the rules for the use and development of the territory of the historical centre of Riga and its protected area were used. Using the above assumptions, the net present value of the project is determined in the amount of EUR 18 642 thousand (2019: EUR 17 212 thousand), which exceeds the value of the investment made. The change in value is due to a change in the individual assumptions of the model, taking into account the agreement reached with the hotel operator and the shortening of the term of sale. However, given that the hotel construction project is being delayed, including due to the Covid-19 pandemic situation, the Bank decided to adjust the value of the total investment by reducing it by EUR 134 thousand to EUR 1 062 thousand.
Key parameters and results of sensitivity analysis for the hotel development project are presented below, based on the value depreciation test performed as at 31.12.2020. Sensitivity analysis was prepared to calculate changes in net present value of the project in cases when key hotel parameter will be worse than forecasted.

Parameter	Parameter value	Net present value EUR'000, from unfavourable changes in the parameter by 5%	Net present value EUR'000, from unfavourable changes in the parameter by 10%
Occupancy rate	82% - 87%	16 464	14 286
Hotel room rate	80 EUR on average	16 464	14 286
Income from restaurant	Up to 27% (revenue share vs. number income)	18 257	17 871
Hotel sales price	EUR 73,060 thousand	16 256	14 410
Construction costs	EUR 27,705 thousand	18 060	17 478
Capitalisation rate	6.5%	16 627	14 795

22. Property and equipment

Group ’000 EUR	Leasehold improvements	Right-of-use assets (IFRS 16)	Other	Total
Cost				
At 1 January 2020	2 330	1 227	1 761	5 318
Additions	-	-	206	206
Write-offs	-	2	(254)	(252)
At 31 December 2020	**2 330**	**1 229**	**1 713**	**5 272**
Depreciation				
At 1 January 2020	1 142	129	1 260	2 531
Depreciation charge	142	133	122	397
Write-offs	-	-	(88)	(88)
At 31 December 2020	**1 284**	**262**	**1 294**	**2 840**
Carrying value				
At 31 December 2020	**1 046**	**967**	**419**	**2 432**
Cost				
At 1 January 2019	2 330	-	1 576	3 906
Initial application (IFRS 16)	-	1 205	-	1 205
Additions	-	-	192	192
Increase due to acquisition of subsidiary	-	22	2	24
Write-offs	-	-	(9)	(9)
At 31 December 2019	**2 330**	**1 227**	**1 761**	**5 318**
Depreciation				
At 1 January 2019	1 000	-	1 151	2 151
Depreciation charge	142	129	118	389
Write-offs	-	-	(9)	(9)
At 31 December 2019	**1 142**	**129**	**1 260**	2 531
Carrying value				
At 31 December 2019	**1 188**	**1 098**	**501**	**2 787**
Carrying value				
At 31 December 2018	1 330	-	425	1 755

22. Property and equipment (continued)

Banka '000 EUR	Leasehold improvements	Right-of-use assets (IFRS 16)	Other	Total
Cost				
At 1 January 2020	2 330	1 205	1 725	5 260
Additions	-	-	206	206
Write-offs	-	2	(254)	(252)
At 31 December 2020	**2 330**	**1 207**	**1 677**	**5 214**
Depreciation				
At 1 January 2020	1 142	129	1 226	2 497
Depreciation charge	142	129	120	391
Write-offs	-	-	(88)	(88)
At 31 December 2020	**1 284**	**258**	**1 258**	**2 800**
Carrying value				
At 31 December 2020	**1 046**	**949**	**419**	**2 414**
Cost				
At 1 January 2019	2 330	-	1 542	3 872
Initial application (IFRS 16)	-	1 205	-	1 205
Additions	-	-	192	192
Write-offs	-	-	(9)	(9)
At 31 December 2019	**2 330**	**1 205**	**1 725**	5 260
Depreciation				
At 1 January 2019	1 000	-	1 119	2 119
Depreciation charge	142	129	116	387
Write-offs	-	-	(9)	(9)
At 31 December 2019	**1 142**	**129**	**1 226**	**2 497**
Carrying value				
At 31 December 2019	**1 188**	**1 076**	**499**	**2 763**
Carrying value				
At 31 December 2018	1 330	-	423	1 753

23. Intangible assets

'000 EUR	Group Total	Bank Total
Cost		
At 1 January 2020	1 029	957
Additions	496	494
At 31 December 2020	**1 525**	**1 451**
Amortisation		
At 1 January 2020	819	815
Amortisation charge	183	168
At 31 December 2020	**1 002**	**983**
Carrying value		
At 31 December 2020	**523**	**468**
Cost		
At 1 January 2019	854	853
Additions	175	104
At 31 December 2019	**1 029**	**957**
Amortisation		
At 1 January 2019	673	672
Amortisation charge	146	143
At 31 December 2019	**819**	**815**
Carrying value		
At 31 December 2019	**210**	**142**
At 31 December 2018	181	181

Intangible assets of the Group and the Bank consist of software's licenses and computer programmes.

24. Other assets

’000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Other financial assets				
Settlement of payment cards[1]	484	695	484	695
Settlement of securities	330	208	330	208
Other financial assets	**814**	**903**	**814**	**903**
Impairment allowance	**(1)**	**(9)**	**(1)**	**(9)**
Other non-financial assets				
Prepayments	556	293	492	244
Accrued income	217	184	214	166
Settlement of tax	46	7	46	7
Other	728	686	391	452
Other non-financial assets	**1 547**	**1 170**	**1 143**	**869**
Total other assets	**2 360**	**2 064**	**1 956**	**1 763**

[1] Impairment allowance for credit cards in total amount of EUR 2 thousand (2019: EUR 3 thousand)is presented under expected credit loss allowance

25. Demand liabilities to financial institutions

’000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Liabilities to financial institution registered in the European Union	**604**	**435**	**604**	**435**

26. Deposits

Client deposits split by their profile

’000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Current accounts and demand deposits	**148 370**	**141 298**	**148 945**	**141 604**
Private individuals	57 398	51 530	57 398	51 530
Corporates	90 972	89 768	91 547	90 074
Term deposits	**25 462**	**12 861**	**26 700**	**14 055**
Private individuals	23 419	6 783	23 419	6 783
Corporates	2 043	6 078	3 281	7 272
Total current accounts and demand deposits	**173 832**	**154 159**	**175 645**	**155 659**

Geographical analysis of the deposits

’000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Current accounts and demand deposits	**148 370**	**141 298**	**148 945**	**141 604**
Latvia	74 328	56 247	74 903	56 553
OECD countries	20 805	53 144	20 805	53 144
Russia	9 757	5 031	9 757	5 031
Other countries	43 480	26 876	43 480	26 876
Term deposits	**25 462**	**12 861**	**26 700**	**14 055**
Latvia	3 496	4 118	4 734	5 312
OECD countries	15 502	3 243	15 502	3 243
Russia	1 651	1 363	1 651	1 363
Other countries	4 813	4 137	4 813	4 137
Total deposits	**173 832**	**154 159**	**175 645**	**155 659**

Concentrations of current accounts and customer deposits

As of 31 December 2020 and 31 December 2019, the Group and Bank had no customers, whose balance exceeded 10% of total customer accounts.

27. Subordinated liabilities

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Subordinated borrowings				
Private individuals	5 667	5 022	5 667	5 022
Corporates	-	6 443	-	6 443
Total Subordinated borrowings	**5 667**	**11 465**	**5 667**	**11 465**

Subordinated borrowings have a fixed term of at least five years at their origination, and are repayable before maturity only on winding up of the Bank. In the event of the winding-up of the Bank these borrowings will be subordinated to the claims of depositors and all other creditors of the Bank.

Reconciliation of movements of subordinated borrowings to cash flows arising from financing activities

'000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Balance of subordinated borrowings at 1 January	**11 465**	**18 238**	**11 465**	**18 238**
Redemption of subordinated borrowings	(5 832)	(7 430)	(5 832)	(7 430)
Increase in subordinated borrowings	100	100	100	100
Changes from financing cash flows				
Other changes Liability-related				
Interest expense	549	939	549	939
Interest paid	(248)	(355)	(248)	(355)
Interest paid in advance decrease / (increase)	(367)	(27)	(367)	(27)
Total liability-related other changes	**(66)**	**557**	**(66)**	**557**
Balance of subordinated borrowings at 31 December	**5 667**	**11 465**	**5 667**	**11 465**

Concentrations of subordinated borrowings

As of 31 December 2020 and 2019, the Group and Bank had two subordinated borrowing agreements, whose balance exceeded 10% of the total subordinated borrowings and which are indicated in the table below.

Customer	Currency	Issue size '000	Interest rate	Original agreement date	Maturity date	Carrying amount '000 EUR	
						31.12.2020	31.12.2019
Private individual - resident	USD	2 000	6.67 %	27.02.2015	23.06.2025	1 359	1 365
Private individual - non-resident	USD	1 100	5.00 %	01.04.2016	01.04.2021	885	-*
Private individual – resident	USD	1 000	6.67 %	24.11.2014	30.06.2023	679	-*
Private individual - non-resident	USD	900	5.00 %	23.03.2016	23.03.2021	725	-*
Corporates - non-resident	EUR	5 000	5.2635 %	24.08.2015	24.08.2020	-	5 022

* 31.12.2019 did not exceed 10% of the total value of the subordinated debt.

28. Other liabilities

’000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Other financial liabilities				
Lease liabilities	1 004	1 118	987	1 097
Settlement of securities	230	208	230	208
Total other financial liabilities	**1 234**	**1 326**	**1 217**	**1 305**
Other non-financial liabilities				
Accrued expenses	1 528	483	1 443	430
Suspense liabilities and money in transit	587	2 855	587	2 855
Provision for employee vacations	395	263	350	250
Deferred income	213	220	213	220
Other	301	375	160	294
Total other non-financial liabilities	**3 024**	**4 196**	**2 753**	**4 049**
Total other liabilities	**4 258**	**5 522**	**3 970**	**5 354**

29. Share capital

Issued capital and share premium

’000 EUR	31 Dec 2020		31 Dec 2019	
	Number of shares	EUR	Number of shares	EUR
Authorised share capital as of 1 January	459 582	32 170 740	459 582	32 170 740
Issued and fully paid share capital as of 1 January	459 582	32 170 740	459 582	32 170 740
Reduction of share capital	-	(15 625 788)	-	-
Authorised share capital as of 31 December	459 582	16 544 952	459 582	32 170 740
Issued and fully paid share capital as of 31 December	**459 582**	**16 544 952**	**459 582**	**32 170 740**

The Bank’s share capital consists of ordinary shares with voting rights and a par value of 36 EUR (2019: 70 EUR).
On June 11, 2020, a decrease in the nominal value of Signet Bank shares was registered in the Register of Enterprises, in accordance with the decision of the General meeting of shareholders of March 31, 2020. This decision did not affect the amount of the Bank’s own funds and regulatory indicators. The decision to reduce the nominal value of shares was taken to optimise the structure of the Bank’s capital after the 2017 enterprise income tax reform.
The shareholders of the Bank as of 31 December 2020 and 31 December 2019 were as follows:

Shareholder	31 Dec 2020			31 Dec 2019		
	Number of shares	Paid share capital (EUR)	Share capital ownership %	Number of shares	Paid share capital (EUR)	Share capital ownership %
Signet Acquisition III, LLC	114 896	4 136 256	25.00 %	-	-	-
Signet Global Investors Limited	-	-	-	114 896	8 042 720	25.00 %
SIA “Hansalink”	102 487	3 689 532	22.30 %	102 487	7 174 090	22.30 %
Soloman Rutenberg	45 514	1 638 504	9.90 %	25 292	1 770 440	5,50 %
Natalija Petkevicha	45 300	1 630 800	9.86 %	26 917	1 884 190	5,86 %
SIA “Fin.lv” *	40 360	1 452 960	8.78 %	40 360	2 825 200	8.79 %
Leonid Kaplan	38 085	1 371 060	8.29 %	31 200	2 184 000	6.79 %
Igor Rapoport *	27 622	994 392	6.01 %	27 622	1 933 540	6,01 %
ID Family Foundation SIA **	22 571	812 556	4.91 %	-	-	-
Robert Idelson	-	-	-	22 571	1 579 970	4,91 %
Tatjana Rapoporta *	21 664	779 904	4.71 %	21 664	1 516 480	4,71 %
Rahmiel Deich	1 083	38 988	0.24 %	1 083	75 810	0,24 %
Arkadiy Perelshtein	-	-	-	45 490	3 184 300	9.90 %
Total	**459 582**	**16 544 952**	**100 %**	**459 582**	**32 170 740**	**100 %**

* Joint control with a shareholding of 19.51%.
** PLG is Robert Idelson

29. Share capital (continued)

Other reserves

Bank's other reserves of EUR 312 thousands (2019: EUR 312 thousand) represent contributions made by shareholders in previous years. Other reserves represent residual interest of shareholders and can be distributed.

Fair value reserve

Fair value reserve comprises the cumulative net change in the fair value of equity instruments measured at FVOCI and the cumulative net change in the fair value of debt instruments measured at FVOCI until the assets are derecognized or reclassified. The amount is increased by the amount of loss allowance of debt instruments measured at FVOCI.

30. Lease liabiliaties

The lease liabilities are for the Group's and the Bank's premises lease agreements. The term of the Bank's Lease agreement is until May 1, 2028, with the possibility of renewing the lease after its expiration date. Lease payments are fixed. Lease agreements do not include additional obligations. The following table shows an analysis of the terms of the lease liabilities maturing after the reporting date.

'000 EUR	Group	Bank
Lease liabiliates January 1, 2020	**1 118**	**1 097**
Lease payments of a lease liability	(164)	(159)
Interest parts of lease payments	49	48
Lease liabiliates December 31, 2020	**1 003**	**986**
incl. current expenditure on lease liabilities	121	117
incl. long-term expenses for lease liabilities	882	869
Lease liabiliates January 1, 2019	**1 205**	**1 205**
Purchase of lease liabilities	22	-
Lease payments of a lease liability	(159)	(158)
Interest parts of lease payments	50	50
Lease liabiliates December 31, 2019	**1 118**	**1 097**
incl. current expenditure on lease liabilities	117	113
incl. long-term expenses for lease liabilities	1 001	984

31. Assets under management

Asset management services

The Group through its Subsidiary Signet Asset Management IPS provides asset management services to individuals and companies. The Group receives management fee for providing these services. The assets under management of the Subsidiary are not included in neither the consolidated nor separate statement of financial position.
As of 31 December 2020 the Group had EUR 616.17 million (2019: EUR 622.94 million) assets under management of which the Bank held EUR 557.83 million (2019: EUR 568.63 million) and the Subsidiary held EUR 58.34 million (2019: EUR 54.31 million).

Custody activities

The Group and the Bank provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are neither assets of the Group, nor the Bank and are not recognized in the consolidated and separate statements of financial position. As of 31 December 2020 the total amount in custody on behalf of customers was EUR 250.78 million (2019: EUR 303.65 million).

32. Related party transactions

Transactions with members of the Key Management Personnel

Total remuneration included in employee compensation (refer to Note 11):

‘000 EUR	2020 Group	2019 Group	2020 Bank	2019 Bank
Remuneration to the Key Management Personnel	882	621	882	610

The outstanding balances as of 31 December 2020 and 31 December 2019 with members of the Key Management Personnel are as follows:

‘000 EUR	31 Dec 2020 ’000 EUR	31 Dec 2019 ’000 EUR
Statement of financial position		
Assets		
Other assets	5	7
Liabilities		
Current accounts	143	49

32. Related party transactions (continued)

Transactions with related parties of the Bank

The outstanding balances as of 31 December 2020 and as of 31 December 2019 and related profit or loss amounts of transactions for the year ended 31 December 2020 and 31 December 2019 with other related parties are as follows:

'000 EUR	2020					2019				
	Subsi-diary company	Associate companies	Share-holders*	Other	Total	Subsi-diary company	Asso-ciate com-pany	Share-holders	Other	Total
Statement of financial position										
Assets										
Loans	9 750	471	1	2 495	**12 717**	3 702	471	4	2 704	**6 881**
Liabilities										
Deposits	2 813	112	152	1 617	**4 694**	1 493	205	100	114	**1 912**
Income/ (expenses)										
Ccommission income/ (expenses)	4	1	1	(1)	**5**	3	1	2	17	**23**
Interest income	411	-	-	143	**554**	44	-	-	65	**109**
Other income	3	-	-	-	**3**	3	16	-	8	**27**

* with a shareholding of over 10%

The subsidiary has no other related party transactions than those with the Bank. Therefore, transactions with related parties of the Group are not disclosed separately.

33. Financial assets pledged

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Short term deposits with credit institutions	406	71	406	71
Other deposits with financial institutions	6 185	462	6 185	462
Total financial assets pledged	**6 591**	**533**	**6 591**	**533**

All pledged amounts consist of several placements to secure various Bank's and Group's transactions in the ordinary course of business.

34. Commitments and guarantees

As part of lending operations the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans, credit card limits and overdraft facilities. The Bank provides financial guarantees of the performance of customers to third parties. The contractual amounts of commitments are set out in the following table by category.

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Contracted amount				
Loan commitments	2 160	-	2 160	-
Unutilised credit line	1 587	3 613 [2]	1 587	3 613 [2]
Undrawn overdraft facilities[1]	720	679	720	679
Contingent liabilities on guarantees	3 147 [3]	26	3 147 [3]	26
Total commitments and guarantees	**7 614**	**4 318**	**7 614**	**4 318**

[1] Impairment allowance for unused credit limits in total amount of EUR 2 thousand (2019:3) is presented under loan loss allowance
[2] Provisions of EUR 8 thousand have been made for one liability.
[3] Provisions of eur 4 thousand have been established for two issued guarantees .

35. Fair value of financial instruments

Financial instruments measured at fair value

The table below analyses the Group's and the Bank's financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Group 2020, '000 EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments carried at fair value through profit or loss	4 527	518	190	5 235
Debt securities measured at fair value through other comprehensive income	11 084	-	4 865	15 949
	15 611	**518**	**5 055**	**21 184**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	244	-	244

Bank 2020, '000 EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments carried at fair value through profit or loss	4 527	518	190	5 235
Debt securities measured at fair value through other comprehensive income	11 084	-	4 659	15 743
	15 611	**518**	**4 849**	**20 978**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	244	-	244

Group 2019, '000 EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments carried at fair value through profit or loss	393	704	-	1 097
Debt securities measured at fair value through other comprehensive income	19 105	-	1 337	20 442
	19 498	**704**	**1 337**	**21 539**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	549	-	549

Bank 2019, '000 EUR	Level 1	Level 2	Level 3	Total
Financial assets				
Financial instruments carried at fair value through profit or loss	393	704	-	1 097
Debt securities measured at fair value through other comprehensive income	19 105	-	1 132	20 237
	19 498	**704**	**1 132**	**21 334**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	549	-	549

35. Fair value of financial instruments (continued)

The following table shows reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy. The reason of the reclassification of the level in the fair value hierarchy was changes in their level of liquidity.

Group '000 EUR	Financial instruments carried at fair value through profit or loss	Debt securities measured at fair value through other comprehensive income	Total
2020			
Balance at 1 Jan 2020	**-**	**1 337**	**1 337**
Total gains and losses:			
in profit or loss	(15)	190	175
in OCI	-	(21)	(21)
Purchases	164	3 395	3 559
Settlements	41	(36)	5
Balance at 31 Dec 2020	**190**	**4 865**	**5 055**
2019			
Balance at 1 Jan 2019	**186**	**1 408**	**1 594**
Total gains and losses:			
in profit or loss	(186)	63	(123)
in OCI	-	71	71
Purchases	-	972	972
Settlements	-	(1 177)	(1 177)
Balance at 31 Dec 2019	**-**	**1 337**	**1 337**
Balance at 31 Dec 2018	186	1 408	1 594

Bank '000 EUR	Financial instruments carried at fair value through profit or loss	Debt securities measured at fair value through other comprehensive income	Total
2020			
Balance at 1 Jan 2020	**-**	**1 132**	**1 132**
Total gains and losses:			
in profit or loss	(15)	192	177
in OCI	-	(20)	(20)
Purchases	164	3 395	3 559
Settlements	41	(39)	2
Balance at 31 Dec 2020	**190**	**4 660**	**4 850**
2019			
Balance at 1 Jan 2019	**186**	**1 408**	**1 594**
Total gains and losses:			
in profit or loss	(186)	57	(129)
in OCI	-	62	62
Purchases	-	772	772
Settlements	-	(1 167)	(1 167)
Balance at 31 Dec 2019	**-**	**1 132**	**1 132**
Balance at 31 Dec 2018	186	1 408	1 594

35. Fair value of financial instruments (continued)

Total gains or losses for the year in the above table are presented in the statement of comprehensive income as follows:

'000 EUR	31 Dec 2020 Group	31 Dec 2019 Group	31 Dec 2020 Bank	31 Dec 2019 Bank
Total gains and losses included in profit or loss:	**190**	**40**	**192**	**37**
Net realised gain for financial instruments from Level 3	240	63	240	57
Impairment loss for financial instruments from Level 3	(50)	(23)	(48)	(20)
Total losses recognised in other comprehensive income	**(21)**	**23**	**(20)**	**15**
Financial instruments – net change in fair value	(21)	23	(20)	15

As of 31 December 2020 the Group and Bank's fair value hierarchy Level 3 portfolio is represented by 8 bond issuers operating in Clothing manufacturing, Real estate un Technology & Finance.
As of 31 December 2019 the Group and Bank's fair value hierarchy Level 3 portfolio is represented by 4 bond issuers operating in Real estate, Technology & Energy sectors.
Precise discount rate 7.00% - 12.00% (2019: 7.00% - 11.00%) is an unobservable variable due to low liquidity of these instruments.
As of 31 December 2020 change of discount rate by 300 bps will have the following effect on The Group's value of Level 3 portfolio fair value:

'000 EUR	Effect on profit or loss	
Level 3 portfolio as of 31.12.2020	**Change of discount rate by – 300 bps**	**Change of discount rate by +300 bps**
5 055	(152)	152

As of 31 December 2020 change of discount rate by 300 bps will have the following effect on The Bank's value of Level 3 portfolio fair value:

'000 EUR	Effect on profit or loss	
Level 3 portfolio as of 31.12.2020	**Change of discount rate by – 300 bps**	**Change of discount rate by +300 bps**
4 850	(146)	146

As of 31 December 2019 change of discount rate by 300 bps will have the following effect on The Group's value of Level 3 portfolio fair value:

'000 EUR	Effect on profit or loss	
Level 3 portfolio as of 31.12.2019	**Change of discount rate by – 300 bps**	**Change of discount rate by +300 bps**
1 337	(40)	40

As of 31 December 2019 change of discount rate by 300 bps will have the following effect on The Bank's value of Level 3 portfolio fair value:

'000 EUR	Effect on profit or loss	
Level 3 portfolio as of 31.12.2019	**Change of discount rate by – 300 bps**	**Change of discount rate by +300 bps**
1 132	(34)	34

35. Fair value of financial instruments (continued)

Financial instruments not measured at fair value

The table below analyses the fair values of financial instruments not measured at fair value of the Group, by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2020, '000 EUR	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and due from central bank[1]	-	-	-	12 196	12 196
Balances due from financial institutions[2]	-	-	-	8 418	8 418
Financial assets measured at amortized cost	63 828	-	83 524	147 352	150 496
Other financial assets[3]	-	-	-	814	814
Financial liabilities					
Deposits	-	-	173 442	173 442	173 832
Subordinated liabilities	-	-	6 275	6 275	5 667
Liabilities to financial institutions	-	-	604	604	604
Other financial liabilities [4]	-	-	-	1 234	1 234
31 December 2019, '000 EUR	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets					
Cash and due from central bank[1]	-	-	-	40 931	40 931
Balances due from financial institutions[2]	-	-	-	11 484	11 484
Financial assets measured at amortized cost	22 420	-	85 774	108 194	108 084
Other financial assets[3]	-	-	-	695	695
Financial liabilities					
Deposits	-	-	153 742	153 742	154 159
Subordinated liabilities	-	-	12 309	12 309	11 465
Demand liabilities to financial institutions	-	-	435	435	435
Other financial liabilities [4]	-	-	-	1 326	1 326

1. Cash and due from central banks are various currency cash and deposits with the Bank of Latvia whose carrying amount represents the fair value.
2. Most of the balances due from financial institutions are either deposits on demand or short term deposits; therefore, their carrying amount approximates the fair value.
3. Other financial assets consist of receivables from settlement of securities and of payment card; thus the carrying amount is equal to their fair value
4. Other financial liabilities consist of receivables from settlement of securities and the lease liabilities; thus the carrying amount is equal to their fair value.

35. Fair value of financial instruments (continued)

Financial instruments not measured at fair value

The table below analyses the fair values of financial instruments not measured at fair value of the Bank, by the level in the fair value hierarchy into which each fair value measurement is categorised:

31 December 2020, '000 EUR	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash and due from central bank[1]	-	-	-	12 196	12 196
Balances due from financial institutions[2]	-	-	-	8 415	8 415
Financial assets measured at amortized cost	63 828	-	82 881	146 709	149 900
Other financial assets[3]	-	-	-	814	814
Financial liabilities					
Deposits	-	-	174 955	174 955	175 645
Subordinated liabilities	-	-	6 275	6 275	5 667
Liabilities to financial institutions	-	-	604	604	604
Other financial liabilities [4]	-	-	-	1 217	1 217
31 December 2019, '000 EUR	**Level 1**	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets					
Cash and due from central bank[1]	-	-	-	40 931	40 931
Balances due from financial institutions[2]	-	-	-	11 411	11 411
Financial assets measured at amortized cost	22 420	-	85 576	107 996	107 987
Other financial assets[3]	-	-	-	695	695
Financial liabilities					
Deposits	-	-	155 235	155 235	155 659
Subordinated liabilities	-	-	12 309	12 309	11 465
Demand liabilities to financial institutions	-	-	435	435	435
Other financial liabilities [4]	-	-	-	1 305	1 305

1. Cash and due from central banks are various currency cash and deposits with the Bank of Latvia whose carrying amount represents the fair value.
2. Most of the balances due from financial institutions are either deposits on demand or short term deposits; therefore, their carrying amount approximates the fair value.
3. Other financial assets consist of receivables from settlement of securities ans of payment card; thus the carrying amount is equal to their fair value
4. Other financial liabilities consist of receivables from settlement of securities and the lease liabilities; thus the carrying amount is equal to their fair value.

The following table shows the valuation techniques use in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs
Financial assets at fair value through profit or loss	Discounted cash flows, quoted prices for similar instruments	Discount rates, quoted prices for similar instruments in active markets
Financial assets at fair value through profit or loss (Level 3)	Discounted cash flows	Discount rates
Available for sale instruments	Discounted cash flows	Discount rates

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Balances due from financial institutions	Discounted cash flows	Discount rates
Loans and advances due from customers	Discounted cash flows	Discount rates
Deposits and balances due to customers	Discounted cash flows	Discount rates
Subordinated liabilities	Discounted cash flows	Discount rates

36. Litigations

In the ordinary course of business, the Bank is involved in a number of litigations between the Bank and its clients.
As at 31 December 2020, there were 4 separate ongoing litigations against the Bank with a total amount of EUR 9 779 million.
a) With regard to one of litigations the Bank has made provisions in amount of EUR 434 thousand as the court has passed the decision adverse for the Bank for EUR 868 thousand, but the Bank is in the process of settlement with the claimant.
No adverse judgements for the Bank are expected in other litigations, which is evidenced by the actual circumstances of the cases, judgements already passed that are favourable to the Bank, as well as the Bank's external legal advisers' opinions. As a result, no liabilities or provisions have been recognised for these litigations, as the likelihood that these claims will result in a loss or outflow of economic resources from the Bank is low.
b) In addition to litigations mentioned above, the court of the third country has satisfied the claim against the Bank regarding repayment of an interbank loan, payment of loan and penalty interest in total amount of EUR 20,79 million (at the EUR exchange rate on 31.12.2020) to recognition of financial pledge agreement and enforcement of financial pledge null and void. As of the date of approval of these financial statements, there have been no enforcement actions in relation to this court decision.
The Bank's management has performed an extensive legal analysis engaging local and international legal advisers, and is certain that this court decision will not result in negative legal or financial consequences to the Bank, as there are significant barriers for recognition and enforcement of this particular court decision in the territory of the Republic of Latvia and other countries where the Bank holds assets. The Bank's management is of opinion that the judgments can't be recognized and enforced in Republic of Latvia due to number of legally significant deficiencies. In other countries where the Bank holds assets such judgements of third country's court decisions are not enforceable per se. Considering the assessment described above, it is less than probable that litigations will result in a loss or outflow of economic resources from the Bank, therefore no liabilities or provisions have been recognized in relation to these litigations.

37. Events subsequent to the reporting date

Beyond the considerations described above, no events have occurred during the period between the final date of the reporting year and the date of signing of these consolidated and separate financial statements as a result of which the consolidated financial statement would require corrections, or which would require clarifications within this consolidated financial statement.
Considering the risks of Covid-19 spread and a more targeted control of the infection, the emergency situation in Latvia is extended until 6 April 2021. In its day-to-day work, the Group ensures meeting all epidemiological safety measures set by the Government to limit the Covid-19 spread as well as continues to assess and monitor the way customers affected by the Covid-19 restrictions fulfill their obligations and, if necessary, cooperate to mitigate the negative consequences. Group's management believes that the Covid-19 pandemic will not have a significant impact on the Group's and the Bank's operations after the end of the reporting year.

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Independent Auditors' Report

To the shareholders of "Signet Bank" AS

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the separate financial statements of "Signet Bank" AS ("the Bank") and consolidated financial statements of the Bank and its subsidiaries ("the Group") set out on pages 8 to 91 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statement of financial position as at 31 December 2020;
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the separate and consolidated statement of changes in equity and reserves for the year then ended;
- the separate and consolidated statement of cash flows for the year then ended;
- notes to the separate and consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Bank and the Group as at 31 December 2020, and of its separate and consolidated financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements section of our report*.

We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
We draw attention to note 36(b) of the accompanying separate and consolidated financial statements, according to which the Bank is a defendant in a legal process involving dispute over a financial instrument where management believes it has made a settlement. On 19 July 2018 a foreign Arbitration Court ruled in favour of the claimant and ordered the Bank to make payment for its outstanding liability around EUR 20,8 million as at 31 December 2020. Management of the Bank has made an extensive legal analysis covering jurisdiction in the Republic of Latvia as well as several EU and other countries and, based on legal advice it received, has concluded that, while there is a significant uncertainty as to the ultimate outcome of this legal process, it is less than probable that it will result in an outflow of economic benefits to settle the liability. Therefore, the Bank and the Group have not recognised any provisions related to this case.

We draw attention to note 36(a) of the accompanying separate and consolidated financial statements, according to which the Bank is a defendant in litigation involving dispute over recovery of assets to the Bank's client. The Bank has been ordered to pay EUR 868 thousand by the court decision. The Bank now is in negotiations with the claimant to find a settlement at a lower amount. According to the information available at reporting date, management of the Bank and the Group has assessed that the most probable amount of loss incurred due to this litigation will be EUR 434 thousand and has made provision for this amount as at 31 December 2020. However, the management of the Bank and the Group acknowledge that, due to the uncertainty usually associated with the outcome of settlement negotiations, the final result of this process may significantly differ from the management estimates and may result in higher costs to the Bank.

Our opinion is not modified in respect of these matters.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the *Emphasis of Matter* section, we have determined the matters described below to be the key audit matters to be communicated in our report:

Impairment of the value of loans to customers (the Bank)

Key audit matter	The loans and receivables due from customers consist of limited number of high value credit risk exposures for EUR 83 585 thousand by the gross amount as at 31 December 2020 with total impairment allowances of EUR 774 thousand as at 31 December 2020 (more details are provided in the note 17 of the separate and consolidated financial statements and information about the measurement policies is provided the note 4). 44.3% of loans to customers by the net carrying value as at 31 December 2020 are due from customers based and operating outside Latvia (more details on

geographical analysis of the loan portfolio are provided in the note 17 of the separate and consolidated financial statements).

Individual impairment allowances recognized by the Bank relate to individually monitored corporate exposures, where the Bank is assessing expected credit loss (ECL) on an individual basis. The assessment is therefore based on the knowledge about each individual borrower and estimation of the fair value of the related collateral.

Identification of a significant increase in credit risk and assessment of lifetime expected credit loss requires the management to exercise subjective judgment and develop complex financial models and therefore, we considered this as a key audit matter.

Our audit response	We assessed whether the accounting policies in relation to the impairment of loans to customers are in compliance with IFRS requirements. We assessed Bank's and Group's expected credit loss assessment methodology for compliance with the IFRS. We tested control processes related to risk monitoring, identification of loss events and calculation of the impairment allowances. We made detailed inspection of loan files covering 93.8% of outstanding loans to customers by the net carrying value as at 31 December 2020 (including all loans classified by the Bank as credit-impaired). As part of the procedure we assessed the customer financial situation and capacity to support debt repayments or, if this was not the case, management's exit plans and activities, as well as available sources of loan repayment. Majority of the loans issued by the Bank are collateral based loans therefore in most cases the key source of loan recovery, if a loan is non-performing, is realization of collateral provided for specific loans – mainly real estate. We involved our internal valuation specialists who performed detailed assessment of assumptions and information sources used in valuation reports provided by independent valuation specialists and the Bank's analysts, including independent checks on market prices for comparable properties and benchmarking assumptions used within the cash flow forecasts against market practice. We specifically reviewed repayment scenarios for loans issued to borrowers from industries affected by COVID-19 pandemic and we reviewed reasonability of assumptions and assessed whether impairment for such loans have been calculated correctly by the Bank. We have assessed the accuracy and completeness of the financial instrument related disclosures such as classification of loans and development in loan loss allowances, according to the IFRS requirements.

Valuation of investments in subsidiaries and associated companies (the Bank and the Group)

Key audit matter	The balance sheet value of the Bank's investments in subsidiaries and associated companies as at 31 December 2020 is EUR 3 725 thousand (more details on these investments are provided in the notes 20 and 21 while information on the recognition and measurement principles are provided in the note 4 of the separate and consolidated financial statements). Determination of the recoverable amounts for investments in subsidiaries and associated companies is associated with significant estimation uncertainty as it involves subjective management judgments with respect to future operating cash flows, growth rates and discount rates. The above uncertainty was particularly high in respect of the Bank's investment in an associated company SIA "Citra Kaļķu" which historically was acquired as part of restructuring for a loan previously issued by the Bank and involves an early-stage hotel development project. Due to the circumstances described above, we defined the impairment of investments in the subsidiaries and associate companies as a key audit matter.
Our audit response	We involved our internal valuation experts to assess financial projections and key assumptions of valuations of the investments and the underlying assets performed by the Bank and compared against external market information sources. We performed sensitivity analysis for key assumptions to assess their impact on the recoverable value of the investment. We assessed the adequacy of the Bank's disclosures related to the assumptions and significant judgments used in estimating recoverable amounts of investments in the subsidiaries (the Bank) and associated companies (the Bank and the Group).

Reporting on Other Information

The Bank's management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages 3 to 5 of the accompanying Annual Report,
- the Statement on Management Responsibility, as set out on page 7 of the accompanying Annual Report,
- the composition of the Supervisory Council and the Management Board, as set out on page 6 of the accompanying Annual Report.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* related to other information section of our report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia – regulation No 113 Regulations on the Preparation of the Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies ("Regulation No 113").

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Regulation 113.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and/or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and/or the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the shareholder's meeting on 6 May 2020 to audit the separate and consolidated financial statements of Signet Bank AS for the year ended 31 December 2020. This is our third year of appointment.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank and the Group;
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Bank and the Group the prohibited non-audit services (NASs) referred to in paragraph 1 of article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity (the Bank) and the Group in conducting the audit.

The non-audit services that we have provided to the Bank and its controlled entities for the period to which our statutory audit relates, are disclosed in Note 11 to the financial statements.

Zane Vilsone is the responsible engagement partner and Irita Cimdare is the responsible sworn auditor on the audit resulting in this independent auditor's report.

SIA "BDO ASSURANCE"
Licence No.182

Zane Vilsone

Irita Cimdare
Sworn auditor
Certificate No 103

Riga, Latvia
30 March 2021

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