

Signet Bank AS

Public Financial Report

2nd quarter 2022





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I Management report

In 1H 2022, the Group continued to successfully implement its strategy, focusing on servicing local entrepreneurs and their businesses.

The most notable event for the Group in 1H 2022 was completion of AS Expobank acquisition transaction. With this acquisition the Group strengthened its position in the domestic market, obtained additional opportunities to increase business volumes and acquired additional infrastructure for further successful development. This transaction was followed by successful merger of both banks on July 11, 2022 through transfer of Signet Bank AS business (reg.Nr. 40003076407) to AS Expobank (reg.Nr. 40003043232) while the Group continues to use Signet Bank brand.

In 1H 2022 the Group has managed to substantially increase business volumes, increasing the number of clients, volume of deposits and growing its loans portfolio. Compared to the end of 1H 2021 the Group has achieved the following growth of key indicators:

- Net Interest income increased by 26%;
- Net commission income increased by 59%;
- Overall revenue increased by 27%;
- Net profit reached 2.9m EUR.

Compared to the end of 2021:

- Deposits increased by 21%;
- Loans portfolio increased by 17%;
- AUMA was stable at 1 bln EUR.

1H 2022 was marked by Russian aggression in Ukraine. We condemn Russian aggression and stand with people of Ukraine in their fight for freedom.

New and evolving sanctions imposed by EU on Russia and Belorussia require additional resources and administrative expenses, but the Group has successfully implemented those and is ready to comply with evolving regulations. Business of the Group was also adversely affected by decrease in Investment Banking fee revenue, particularly in 1Q 2022. Still, the Group has active pipeline of new bond placements to be executed in 2H 2022, and we plan to compensate for this decrease in fee revenue in the remaining months of 2022. We remain committed to supporting local businesses with new financing solutions in the future.

The Group maintains a conservative risk profile – the capital adequacy ratio stood at 16.16% at the end of 1H2022 (end of 2021: 15.73%), with a liquidity coverage ratio of 149% (2021: 217%).

Despite challenging global environment and geopolitical situation, 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 corporate 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.

Robert Idelsons
Chairman of the Management Board

Riga, August 31, 2022



II General Information

1. Shareholders of the Bank

The paid-up share capital of the Bank was EUR 16 544 952 as of 30 June 2022 and it consisted of 459 582 registered shares with voting rights. The nominal value of each share is EUR 36. All shares of the Bank are dematerialized registered shares. There were no changes in the Shareholders of the Bank during the reporting period.

Shareholder	30 June 2022		
	Number of shares	Paid share capital (EUR)	Share capital ownership %
Signet Acquisition III, LLC	114 896	4 136 256	25.00 %
AS RIT GROUP	89 646	3 227 256	19.50 %
SIA "Reglink"	73 205	2 635 380	15.93 %
Soloman Rutenberg	45 514	1 638 504	9.90 %
Natalija Petkevicha	45 300	1 630 800	9.86 %
Leonid Kaplan	38 085	1 371 060	8.29 %
SIA "Slink"	29 282	1 054 152	6.37 %
ID Family Foundation SIA	22 571	812 556	4.91 %
Rahmiel Deich	1 083	38 988	0.24 %
Total	459 582	16 544 952	100 %

2. Supervisory Council of the Bank

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

There were no changes in the Supervisory Council of the Bank during the reporting period.

3. Management Board of the Bank

Position	Name, surname
Chairman of the Management Board	Robert Idelsons
Member of the Management Board	Tatjana Drobina
Member of the Management Board	Sergejs Zaicevs
Member of the Management Board	Jānis Solovjakovs

There were no changes in the Management Board of the Bank during the reporting period.



4. Strategy and Vision of the Group

Mission of the Group

The mission of the Group is to be a financial institution that renders a full range of services to entrepreneurs and their businesses, and which ensures to the shareholders the return on investment that exceeds 10%.

The main goals of the Group:

- to be a leading bank in the Baltic states servicing entrepreneurs and their businesses, with focus on providing investment management, financing and investment banking solutions;
- to ensure stable growth by facilitating long-term relationship with clients and creating a base of loyal clients;
- to increase business volumes through expanding existing business as well as developing new business opportunities;
- to ensure sustainable governance and development of the Group.



5. Consolidation Group

The Consolidation Group of Signet Bank includes:

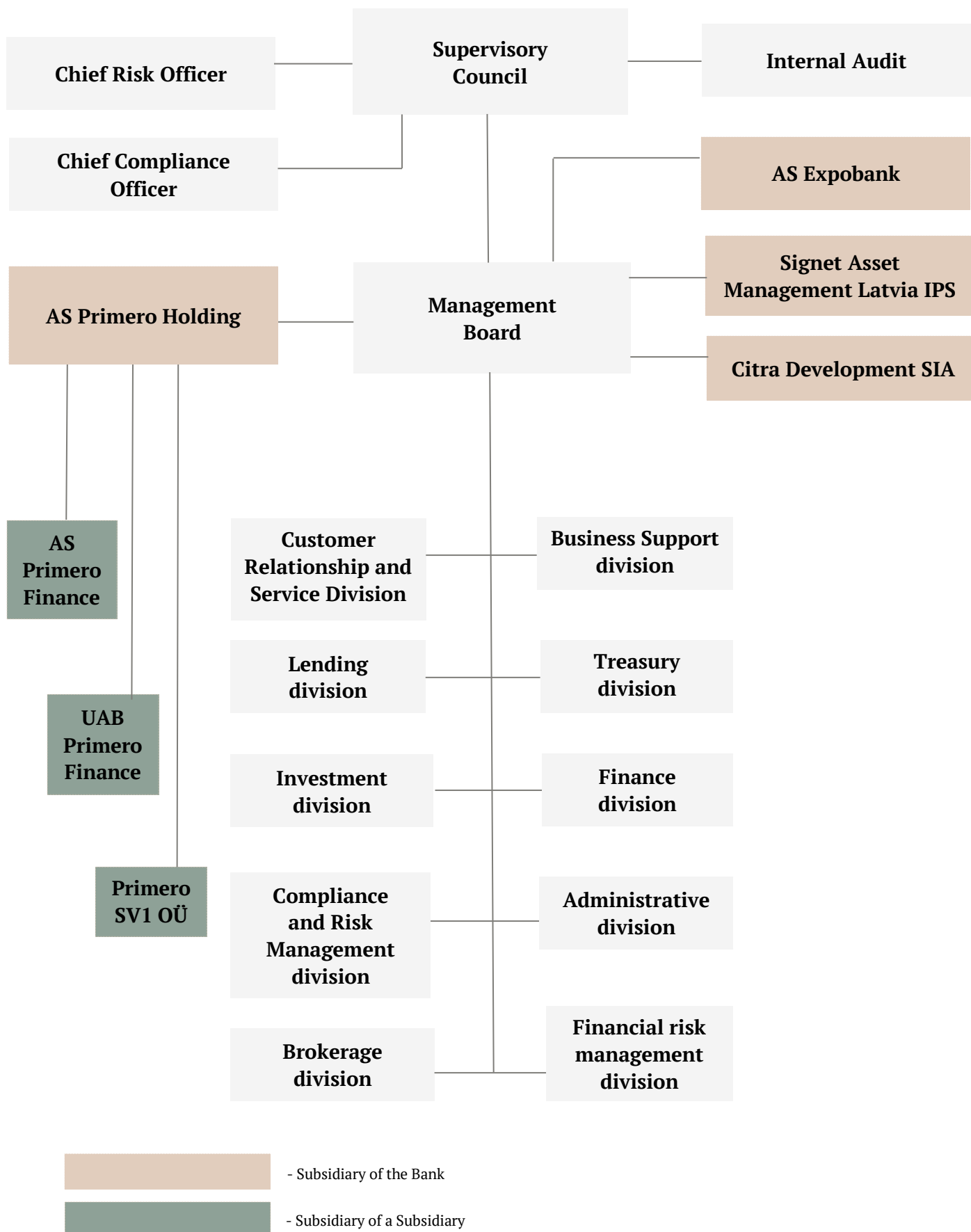
Name of company, Registration number	Registration location code and address	Type of activities	Basis for inclusion in the Group	% of total paid in share capital	% of total voting rights
AS Expobank, 40003043232	LV, Antonijas Str. 3, Riga, LV 1010, Latvia	Credit institution	Subsidiary company	100 %	100 %
Signet Asset Management Latvia IPS, 40103362872	LV, Antonijas Str. 3-1, Riga, LV 1010, Latvia	Asset management company	Subsidiary company	100 %	100 %
AS Primero Holding, 40203314794	LV, Antonijas Str. 3, Riga, LV-1010, Latvia	Other financial institution	Subsidiary company	51 %	51%
AS Primero Finance, 40203148375	LV, Antonijas Str. 3, Riga, LV-1010, Latvia	Other financial institution	Subsidiary of the subsidiary company	100 % *	100 % *
UAB Primero Finance, 305600347	LT, Perkūnkiemio Str. 6-1, Vilnius, LT-12130, Lithuania	Other financial institution	Subsidiary of the subsidiary company	100 % *	100 % *
Primero SV1 OÜ, 12085251	EE, Harju maakond, Tallinn, Kesklinna linnaosa, Narva mnt 5, 10117, Estonia	Other financial institution	Subsidiary of the subsidiary company	100 % *	100 % *
Citra Development SIA, 45403058722	LV, Antonijas Str. 3-5, Riga, LV-1010, Latvia	Real estate rental and management	Subsidiary company	100 %	100 %

*Direct shareholding of the Bank 51%.

During the reporting period, there were no changes in the consolidation group.



6. Structure of the Group





III Financial position and performance

1. Statement of Financial Position as at 30 June 2022 and 31 December 2021

EUR '000

Title of entry	30.06.2022 Bank (Unaudited)	30.06.2022 Group (Unaudited)	31.12.2021 Bank (Audited)*	31.12.2021 Group (Audited)*
Assets				
Cash and demand deposits with central banks	87 109	100 335	107 102	107 102
Demand deposits with credit institutions	11 581	11 819	11 396	11 399
Financial assets designated at fair value through profit or loss	5 925	5 925	6 419	6 419
Financial assets measured at fair value with other comprehensive income	13 864	13 876	13 715	13 715
Financial assets measured at amortized cost	234 516	274 088	202 570	208 061
<i>Loans to financial institutions, companies and private individuals</i>	70 114	109 490	88 082	93 573
<i>Short term deposits with credit institutions</i>	12 584	12 584	20 967	20 967
<i>Other deposits with financial institutions</i>	11 369	11 565	10 065	10 065
<i>Debt securities</i>	140 449	140 449	83 456	83 456
Derivative financial instruments - hedge accounting	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-
Investments in subsidiaries, joint ventures and associates	22 211	1 829	4 442	1 831
Tangible assets	2 064	2 323	2 122	2 188
Intangible assets	606	1 158	541	582
Tax assets	103	107	93	96
Other assets	6 062	6 713	2 361	2 878
Non-current assets and disposal groups classified as held for sale	3 777	3 825	3 970	4 006
Total assets	387 818	421 998	354 731	358 277
Liabilities and shareholders' equity				
Liabilities due to central banks	3 900	3 900	3 900	3 900
Demand liabilities from credit institutions	12	12	2	2
Financial liabilities designated at fair value through profit or loss	756	756	288	288
Financial liabilities measured at the amortized cost	350 296	380 173	323 032	325 320
Derivative financial instruments - hedge accounting	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Provisions	1	161	3 505	3 505
Tax liabilities	13	165	20	70
Other liabilities	15 681	16 367	6 824	7 380
Liabilities included in disposals groups classified as held for sale	-	-	-	-
Total liabilities	370 659	401 534	337 570	340 464
Total shareholders' equity	17 159	20 464	17 161	17 813
Total liabilities and shareholders' equity	387 818	421 998	354 731	358 277
Memorandum items	9 188	13 252	13 215	13 215
Contingent liabilities	2 198	2 198	2 198	2 198
Financial commitments	6 990	11 054	11 017	11 017
Assets under management and in custody	544 102	606 943	792 897	861 783

*Auditor: SIA "BDO Assurance"



2. Statement of profit or loss and other comprehensive income for the 6 Month Period, ended June 30, 2022 and 2021

EUR '000

Title of entry	30.06.2022 Bank (Unaudited)	30.06.2022 Group (Unaudited)	30.06.2021 Bank (Unaudited)	30.06.2021 Group (Unaudited)
Interest income	2 604	4 128	2 780	3 254
Interest expense (-)	(664)	(1 003)	(790)	(783)
Dividends received	10 000	-	3	3
Commission and fee income	4 419	4 787	2 664	2 782
Commission and fee expense (-)	(1 275)	(1 323)	(553)	(605)
Gains/ losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (+/-)	8	8	54	54
Gains / losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	(73)	(56)	219	219
Gains/ losses from hedge accounting, net (+/-)	-	-	-	-
Result from foreign exchange trading and revaluation, net (+/-)	219	211	633	633
Gains/ losses on derecognition of non-financial assets, net	-	-	-	-
Other operating income	152	384	21	44
Other operating expense (-)	(988)	(1 363)	(311)	(317)
Administrative expense (-)	(3 828)	(5 794)	(3 239)	(3 591)
Depreciation (-)	(302)	(487)	(268)	(278)
Gains / losses recognized in the contractual cash flows of a financial asset (+/-)	-	-	(44)	(44)
Provisions or reversal of provisions (+/-)	-	-	-	-
Impairment or reversal of impairment (+/-)	(9 955)	(482)	(239)	(244)
Negative goodwill recognised in profit or loss	-	3 967	-	-
Share of the profit/ loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method (+/-)	-	(2)	-	1
Gains/ loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (+/-)	-	-	-	-
Profit/(loss) before corporate income tax (+/-)	317	2 975	930	1 128
Corporate income tax	(27)	(31)	(23)	(23)
Net profit/(loss) for the period (+/-)	290	2 944	907	1 105
Other comprehensive income for the period (+/-)	(293)	(293)	(121)	(131)

3. Performance Indicators

Title of entry	30.06.2022 Bank (Unaudited)	30.06.2022 Group (Unaudited)	30.06.2021 Bank (Unaudited)	30.06.2021 Group (Unaudited)
Return on equity (ROE) (%)	3.32 %	31.13 %	9.55 %	11.78 %
Return on assets (ROA) (%)	0.15 %	1.45 %	0.68 %	0.94 %



4. Analysis of Concentration of the Group's Securities Portfolio

The Group's securities portfolio representation broken down by countries in which the total value of the securities exceeds 10% of the Group's own funds as at June 30, 2022. The geographical allocation is based on the credit risk of the registration countries of issuers.

EUR '000

Issuer's country	Securities of central Governments	Securities of other issuers	Total	% to the Group's shareholders' equity
USA	46 255	-	46 255	208%
Latvia	21 624	2 793	24 417	110%
Lithuania	17 776	-	17 776	80%
Germany	16 131	203	16 334	73%
France	10 116	1 925	12 041	54%
Netherlands	-	7 938	7 938	36%
Sweden	7 809	-	7 809	35%
Belgium	5 188	12	5 200	23%
Ireland	4 203	-	4 203	19%
Poland	3 939	-	3 939	18%
Austria	3 911	-	3 911	18%
Slovenia	3 036	-	3 036	14%
Spain	2 909	-	2 909	13%
Malta	-	2 235	2 235	10%
Other countries	1 069	812	1 881	X
Total securities portfolio	143 966	15 918	159 884	X

5. Analysis of the Group's expected credit losses

The amount of expected credit losses of the Group on 30 June 2022, the accumulated impairment amount in stages and accumulated changes in fair value in accordance with the International Financial Reporting Standard (IFRS) 9 "Financial Instruments".

EUR '000

Financial assets	Accumulated impairment			Total
	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)	
Financial assets at amortised cost:	(940)	(182)	(549)	(1 671)
<i>Loans and advances</i>	(701)	(182)	(549)	(1 432)
<i>Debt securities</i>	(239)	-	-	(239)
Expected credit losses, total	(940)	(182)	(549)	(1 671)



IV Risk and Capital Management

1. Risk Management

Information about Risk Management is available at Signet Bank AS corporate website links <https://www.signetbank.com/par-mums/signet-bank-finansu-informacija/>.

Liquidity Ratio Calculation

EUR '000

Title of entry	30.06.2022 Bank (Unaudited)	30.06.2022 Group (Unaudited)	30.06.2021 Bank (Unaudited)	30.06.2021 Group (Unaudited)
Liquidity buffer	229 557	242 736	109 811	109 811
Net liquidity outflow	163 535	162 510	54 028	53 195
Liquidity coverage ratio (%)	140 %	149 %	203 %	206 %



2. Capital Adequacy

Information about Capital Management is available at Signet Bank AS corporate website <https://www.signetbank.com/par-mums/signet-bank-finansu-informacija/>.

The Bank's equity is higher than the total amount of capital, required for covering all the significant risks, inherent to the Bank's activity.

Own funds and capital adequacy ratios summary

EUR '000

Nº	Title of entry	30.06.2022 Bank (Unaudited)	30.06.2022 Group (Unaudited)
1.	Own funds (1.1.+1.2.)*	19 542	22 231
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	16 009	18 698
1.1.1.	Common Equity Tier (CET) 1 capital	16 009	18 698
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	3 533	3 533
2.	Total Risk exposure value	120 936	137 992
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	100 545	114 991
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	195	199
2.4.	Total risk exposure value for operational risk	19 052	21 658
2.5.	Total risk exposure value for credit valuation adjustment	1 144	1 144
2.6.	Total risk exposure risk value related to large exposures in trading book	-	-
2.7.	Other risk exposure values	-	-
3.	Capital ratios and capital levels		
3.1.	CET 1 capital ratio (1.1.1./2.*100)	13.24 %	13.55 %
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	10 567	12 488
3.3.	Tier 1 capital ratio (1.1./2.*100)	13.24 %	13.55 %
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2.*6%)	8 753	10 418
3.5.	Total capital ratio (1./2.*100)	16.16 %	16.11 %
3.6.	Surplus (+) / deficit (-) of total capital (1.-2.*8%)	9 867	11 192
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	3 024	3 451
4.1.	Capital conservation buffer	3 023	3 450
4.2.	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	-	-
4.3.	Institution specific countercyclical capital buffer	1	1
4.4.	Systemic risk buffer	-	-
4.5.	Other Systemically Important Institution buffer	-	-
5.	Capital adequacy ratios including adjustments		
5.1.	Adjustment for provisions or assets, applying special policy for the purpose of the own funds calculation	-	-
5.2.	Common equity tier 1 capital ratio, including adjustments in row 5.1.	13.24 %	13.55 %
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	13.24 %	13.55 %
5.4.	Total capital ratio, including adjustments in row 5.1.	16.16 %	16.11 %

* Equity includes a correction in the amount of excess of the estimated expected losses over the provisions calculated and made according to the accounting standards.

The Bank does not apply the transitional period for the implementation of the IFRS 9 set out in Article 473a of EU Regulation 575/2013. The Bank chooses not to apply the temporary regime provided for in Article 468 of the Regulation (EU) No 575/2013.



V Events subsequent to the reporting date

On July 11, 2022, after receiving the approval of the Financial and Capital Market Commission and the European Central Bank, the merger transaction between Signet Bank AS and AS Expobank was completed.

The merged institution operates under the brand of Signet Bank, implementing the Signet Bank's strategy – servicing Latvian entrepreneurs and their companies, with an emphasis on providing financing and investment management solutions.



SIGNET

PRIVATE
BANK

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