



Signet Bank AS Public Financial Report

2nd quarter 2019



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I Management report

In 1H 2019 Signet Bank continued with implementation of its long-term strategy of providing high-quality services to high net worth and affluent clients, and businesses owned by such clients. Latvian market provides excellent opportunities for growing business volumes, as increasing number of local businesses are looking for more comfortable banking relationships and best service quality.

As of the end of 1H 2019, 57% of Bank's deposit base comes from clients residing in Latvia and other EU countries. Bank plans to continue growing business volumes in its target market – Latvia and other EU countries, with main focus on local market which comprises 43% of the Bank's deposit base.

Our services continue to be focused on bringing together free resources of our clients and investment opportunities offered by the capital markets and private lending transactions. In 1H 2019 Bank has arranged lending transactions worth 45, 2 million EUR, out of which loans to local clients constituted 20, 4 million EUR. We have extensive pipeline of interesting lending projects on the local market and plan to substantially increase local lending volumes in 2H 2019 – both through arranging club deals and also growing loans portfolio on the balance sheet of the Bank.

Overall performance of the Group was positive. Net interest income reached 1.6m EUR (+2% vs 1H 2018), net fee income was 2.0m EUR (+28% vs 1H 2018), administrative expenses 2.8m EUR (-6% vs 1H 2018) and net profit 0.2m EUR (+145% vs 1H 2018). Overall clients assets under management and administration ("AUMA") grew from 400m EUR in the end of 1H 2018 to 828 EUR (+107% vs 1H 2018).

These results were driven by increase of interest income due to higher volumes of lending and 48% increase in capital management fee income and 19% increase in structured finance fee income resulting from higher volume of AUMA and larger volume of club deals arranged by the Bank.

Group continues to maintain conservative risk profile – in end of 1H 2019 capital adequacy ratio was 28.9% (vs 31.1% in the end of 2018), while liquidity coverage ratio was 436%. In the coming months we plan to put more capital at work through increase in local loan portfolio.

We continue to pay great attention to AML/CTF compliance issues, constantly enhancing internal controls to be in line with changing regulatory environment and best international practice. Group continues to invest into IT and human resources to make sure its risk management and controls are adequate to its business model.

For Signet Bank we see clear opportunity to grow our private banking and investment banking business. Having access to substantial capital owned by our HNW clients, we are able not only to arrange loans from our balance sheet, but also to syndicate sizeable debt financing transactions with our clients, both in the form of loans and also bond issuances.



Bank's management is satisfied with positive results achieved in 1H 2019 and looking with optimism into remaining months of 2019. We believe the Bank has excellent proposition to existing and potential clients, and we are full of energy and commitment to realise great potential of growing business volume and revenues in these interesting times.

Roberts Idelsons
Chairman of the Board

Riga, August 30, 2019



II General Information

1. Shareholders of the Bank

30.06.2019.

Name, surname/ Company	Total EUR	% of total share capital
Signet Global Investors Limited	8 042 720	25,00 %
SIA "Hansalink"	7 174 090	22,30 %
Arkadiy Perelshtein	3 184 300	9,90 %
SIA "Fin.lv" *	2 825 200	8,79 %
Leonid Kaplan	2 184 000	6,79 %
SIA "DMD Holding"	1 895 600	5,89 %
Robert Idelson	1 579 970	4,91 %
Igor Rapoport *	1 516 480	4,71 %
Tatjana Rapoport *	1 516 480	4,71 %
Natalija Petkevicha	1 125 950	3,50 %
Soloman Rutenberg	1 125 950	3,50 %
Total	32 170 740	100,00 %

* Joint control with a shareholding of 18.21%

The paid-up share capital of the Bank was EUR 32 170 740 as of 31 March 2019 and it consisted of 459 582 registered shares with voting rights. The nominal value of each share is EUR 70. All shares of the Bank are dematerialized registered shares.

2. Supervisory Council of the Bank

Position	Name, surname
Chairman of the Supervisory Council	Serge Umansky
Deputy Chairman of the Supervisory Council	Irīna Piļozne
Member of the Supervisory Council	Thomas Roland Evert Neckmar
Member of the Supervisory Council	Sergejs Medvedevs
Member of the Supervisory Council	Pavel Kurosh

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

3. Management Board of the Bank

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

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



4. Strategy and Vision of the Bank

In accordance with the strategy approved by the Bank's Council, Signet Bank main segments of business are private banking and business banking.

The Bank's mission is to render a full range of wealth management services to high net worth clients, as well as to service their private and business daily banking operations.

The goals of the Bank are:

- to become one of the leading banks in the private banking segment in the Baltics;
- to develop and expand the range of top quality products and services for high net worth clients from Latvia, EEA and OECD countries;
- to develop the loyal client base and grow business volumes, in order to achieve the goals and results, defined in the Bank's strategy.

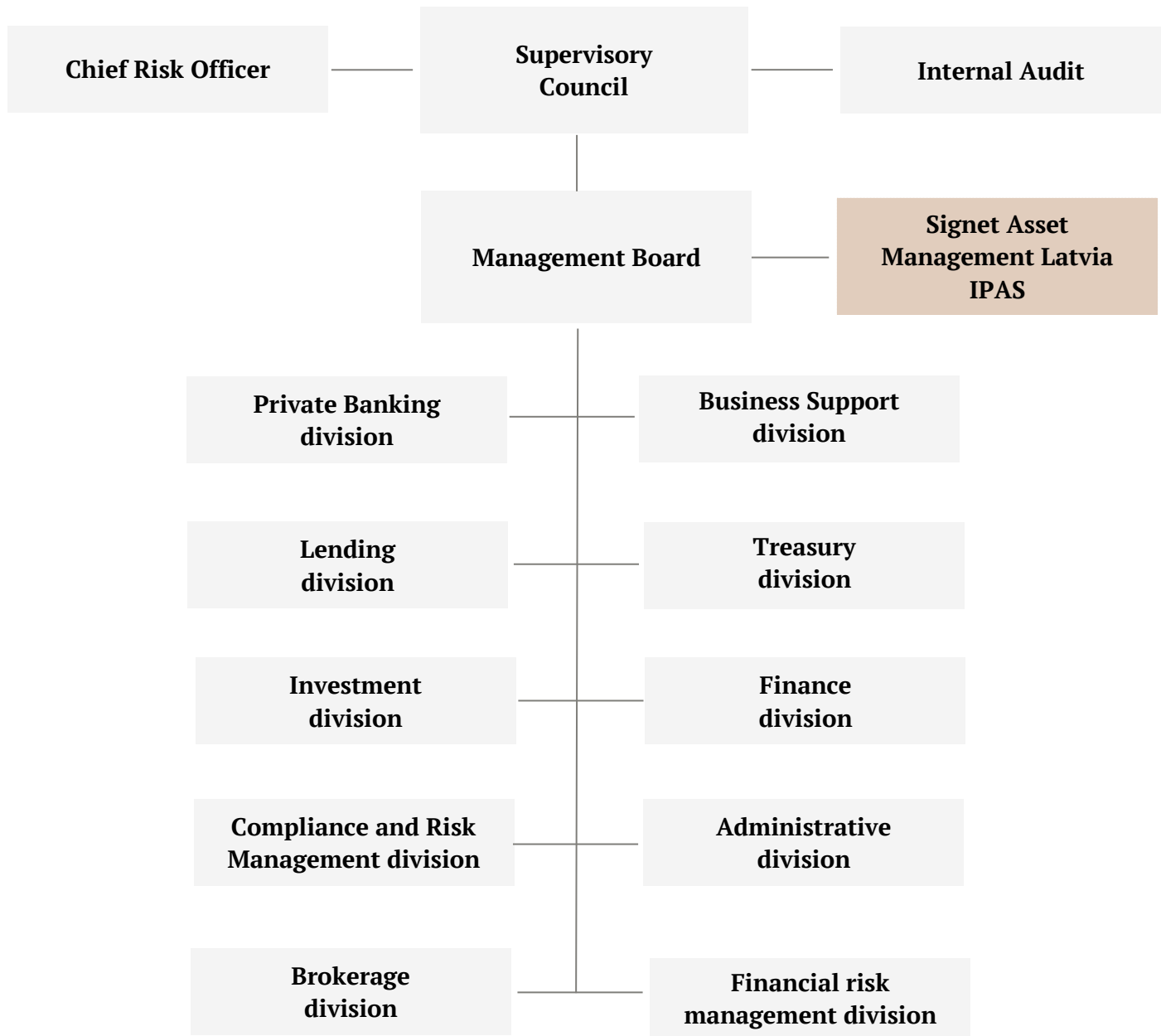
5. Consolidation Group

The Consolidation Group of Signet Bank includes its subsidiary:

Name of company, Registration number	Registration location code and address	Type of activities	% of total paid in share capital	% of total voting rights
„Signet Asset Management Latvia” IPAS 40103362872	LV, Antonijas Str. 3-1, Riga, LV 1010, Latvia	Asset management company	100 %	100 %



6. The Organization Structure of the Group



 - Subsidiary of the Bank



III Financial position and performance

1. Balance sheet Statement of Financial Position as at 30 June 2019 and 31 December 2018

EUR '000

Title of entry	30.06.2019. Bank (Unaudited)	30.06.2019. Group (Unaudited)	31.12.2018. Bank (Audited)*	31.12.2018. Group (Audited)*
Assets				
Cash and demand deposits with central banks	12,187	12,187	25,658	25,658
Demand deposits with credit institutions	6,142	6,358	18,032	18,282
Financial assets designated at fair value through profit or loss	863	863	1,030	1,030
Financial assets measured at fair value with other comprehensive income	40,584	40,584	33,711	33,711
Financial assets measured at amortized cost	74,104	74,104	54,080	54,080
<i>Debt securities</i>	18,747	18,747	5,551	5,551
<i>Short term deposits with credit institutions</i>	15,653	15,653	10,826	10,826
<i>Other deposits with financial institutions</i>	1,759	1,759	770	770
<i>Loans to companies and private individuals</i>	37,945	37,945	36,933	36,933
Derivative financial instruments - hedge accounting	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-
Investments in subsidiaries, joint ventures and associates	3,320	1,934	3,105	1,718
Tangible assets	2,766	2,768	1,753	1,755
Intangible assets	188	188	181	181
Tax assets	14	14	19	19
Other assets	4,234	4,259	1,081	1,107
Non-current assets and disposal groups classified as held for sale	-	-	-	-
Total assets	144,402	143,259	138,650	137,541
Liabilities and shareholders' equity				
Liabilities due to central banks	-	-	-	-
Demand liabilities from credit institutions	-	-	-	-
Financial liabilities designated at fair value through profit or loss	435	435	258	258
Financial liabilities measured at the amortized cost	120,681	119,443	121,292	120,130
Derivative financial instruments - hedge accounting	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Provisions	-	-	-	-
Tax liabilities	4	5	9	10
Other liabilities	7,339	7,353	1,405	1,421
Liabilities included in disposals groups classified as held for sale	-	-	-	-
Total liabilities	128,459	127,236	122,964	121,819
Total shareholders' equity	15,943	16,023	15,686	15,722
Total liabilities and shareholders' equity	144,402	143,259	138,650	137,541
Memorandum items	1,583	1,583	836	836
Contingent liabilities	-	-	-	-
Financial commitments	1,583	1,583	836	836
Assets under management and in custody	661,657	717,018	449,185	504,057

*Auditor: SIA "BDO Assurance"



2. Statement of profit or loss and other comprehensive income for the 6 Month Period, ended June 30, 2019 and 2018

EUR '000

Title of entry	30.06.2019. Bank (Unaudited)	30.06.2019. Group (Unaudited)	30.06.2018. Bank (Unaudited)	30.06.2018. Group (Unaudited)
Interest income	2,384	2,384	2,352	2,352
Interest expense (-)	(779)	(773)	(785)	(783)
Dividends received	186	186	13	13
Commission and fee income	2,110	2,222	1,721	1,843
Commission and fee expense (-)	(245)	(256)	(302)	(302)
Gains/ losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (+/-)	7	7	(88)	(88)
Gains / losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	(144)	(144)	(8)	(8)
Gains/ losses from hedge accounting, net (+/-)	-	-	-	-
Result from foreign exchange trading and revaluation, net (+/-)	(139)	(137)	457	464
Gains/ losses on derecognition of non-financial assets, net	-	-	-	-
Other operating income	88	86	58	56
Other operating expense (-)	(232)	(235)	(211)	(224)
Administrative expense (-)	(2,764)	(2,824)	(2,811)	(3,012)
Depreciation (-)	(266)	(267)	(242)	(243)
Gains / losses recognized in the contractual cash flows of a financial asset (+/-)	-	-	-	-
Provisions or reversal of provisions (+/-)	-	-	-	-
Impairment or reversal of impairment (+/-)	(51)	(51)	46	46
Negative goodwill recognised in profit or loss	-	-	-	-
Share of the profit/ loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method (+/-)	32	32	-	-
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 (+/-)	187	230	200	114
Corporate income tax	(24)	(24)	(30)	(30)
Net profit/(loss) for the period (+/-)	163	206	170	84
Other comprehensive income for the period (+/-)	95	95	(98)	(98)

3. Performance Indicators

Title of entry	30.06.2019. Bank (Unaudited)	30.06.2019. Group (Unaudited)	31.12.2018. Bank (Audited)	31.12.2018. Group (Audited)
Return on equity (ROE) (%)	2.04%	2.60%	3.82%	0.47%
Return on assets (ROA) (%)	0.22%	0.29%	0.38%	0.05%



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, 2019. The geographical allocation is based on the credit risk of the registration countries of issuers.

EUR '000

Issuer's country	Securities of central Governments	Securities of other issuers	Total	% to the Group's shareholders' equity
USA	19,167	54	19,221	94%
Sweden	12,732	674	13,406	66%
Belgium	9,076	-	9,076	44%
Netherlands	-	4,857	4,857	24%
Finland	5,727	-	5,727	28%
Other countries	4,750	2,557	7,307	x
Total securities portfolio	51,452	8,142	59,594	x

5. Analysis of the Group's expected credit losses

The Group's projections of the amount of credit losses as at 30 June 2019 by stages in accordance with International Financial Reporting Standard 9 "Financial Instruments".

EUR '000

Financial assets	Accumulated impairment			Total
	Assets without significant increase in credit risk since initial recognition (Stage 1)	Assets with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)	Credit-impaired assets (Stage 3)	
Due from credit institutions	-	-	-	-
Financial assets at amortised cost:	(90)	-	(324)	(414)
<i>Loans and advances</i>	(75)	-	(324)	(399)
<i>Debt securities</i>	(15)	-	-	(15)
Accumulated impairment, total	(90)	-	(324)	(414)

IV Risk and Capital Management

1. Risk Management

Information about Risk Management is available at Signet Bank AS corporate website links <https://www.signetbank.com/lv/2017/>.

Liquidity Ratio Calculation

EUR '000

Title of entry	30.06.2019. Bank (Unaudited)	30.06.2019. Group (Unaudited)
Liquidity buffer	61,038	61,038
Net liquidity outflow	16,037	14,004
Liquidity coverage ratio (%)	380.60%	435.86%



2. Capital Adequacy

Information about Capital Management is available at Signet Bank AS corporate website <https://www.signetbank.com/lv/2017/>.

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

Own funds and capital adequacy ratios summary

EUR '000

Nº	Title of entry	30.06.2019. Bank (Unaudited)	30.06.2019. Group (Unaudited)
1.	Own funds (1.1.+1.2.)*	20,417	20,454
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	14,111	14,148
1.1.1.	Common Equity Tier (CET) 1 capital	14,111	14,148
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	6,306	6,306
2.	Total Risk exposure value	71,946	70,747
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	56,706	55,389
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	494	139
2.4.	Total risk exposure value for operational risk	14,350	14,823
2.5.	Total risk exposure value for credit valuation adjustment	396	396
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)	19.61%	20.00%
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	10,873	10,964
3.3.	Tier 1 capital ratio (1.1./2.*100)	19.61%	20.00%
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2.*6%)	9,794	9,903
3.5.	Total capital ratio (1./2.*100)	28.38%	28.91%
3.6.	Surplus (+) / deficit (-) of total capital (1.-2.*8%)	14,661	14,794
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	1,814	1,784
4.1.	Capital conservation buffer	1,799	1,769
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	15	15
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.	19.61%	20.00%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	19.61%	20.00%
5.4.	Total capital ratio, including adjustments in row 5.1.	28.38%	28.91%

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

The Bank does not apply the transitional period for the implementation of the IFRS 9 set out in Article 473a of EU Regulation 575/2013.



SIGNET

PRIVATE
BANK

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