



Signet Bank AS

Public Financial Report

2nd quarter 2020



Table of contents

I Management report	3
II General Information	4
1. Shareholders of the Bank.....	4
2. Supervisory Council of the Bank.....	5
3. Management Board of the Bank.....	5
4. Strategy and Vision of the Bank.....	5
5. Consolidation Group	6
6. The Organization Structure of the Group	7
III Financial position and performance	8
1. Balance sheet Statement of Financial Position as at 30 June 2020 and 31 December 2019... 8	
2. Statement of profit or loss and other comprehensive income for the 6 Month Period, ended June 30, 2020 and 2019.....	9
3. Performance Indicators	9
4. Analysis of Concentration of the Group's Securities Portfolio	10
5. Analysis of the Group's expected credit losses.....	10
IV Risk and Capital Management	10
1. Risk Management	10
2. Capital Adequacy.....	11
V Events subsequent to the reporting date	11



I Management report

In the second quarter (2Q) of 2020, Signet Bank continued to implement its long-term strategy of providing high quality services to high net worth and affluent clients, and to businesses owned by such clients.

The global spread of coronavirus COVID-19 has had minimum impact on the activities of the Group. In June, most of the employees returned to work in the Group's office. In April 2020, the Group joined the Finance Latvia Association moratoriums, which enables legal entities and private persons facing short-term financial difficulties due to COVID-19 to defer their payments of loan principal.

New lending transactions remain an important priority for the Group's development – during the first half (1H) of the year the Group's loan portfolio increased by 15%. The total volume of the Group's newly granted loans in 1H 2020 amounted to EUR 36 mln.

Despite the pandemic situation, we do not intend to review the Group's plans for 2020 regarding our intention to issue EUR 80 mln in new loans and arrange financing through bond placements for our local clients.

During the first six months of 2020, the overall performance of the Group was positive – net fee income amounted to EUR 2.2 mln (+11% compared to 1H 2019), while net interest income was EUR 2.5 mln (+53% compared to 1H 2019), and operating income reached EUR 5.6 mln (+59% compared to 1H 2019). The Group's profit amounted to EUR 1.1 mln, which is EUR 0.9 mln more than in 1H 2019. The Group continues to maintain a conservative risk profile: its capital adequacy ratio at the end of the second quarter was 18%, with a liquidity coverage ratio of 195%.

In accordance with the plan for 2020, the Group expands and technologically improves the offered product range. In May 2020, Signet Bank launched instant payment services to clients, becoming the fourth bank in Latvia to provide this service.

In May 2020, in order to enhance the range of its investment products, Signet Asset Management Latvia IPS, which is part of the Group, registered an investment fund Signet Bond Fund that enables clients to invest in a diversified bond portfolio. This product is of particular interest to clients with relatively small investable funds, who are willing to make conservative investments in a diversified bonds portfolio. The Group plans launch of additional new products aimed at corporate clientele in 2H 2020.

The Bank's management is satisfied with performance achieved in 1H 2020 and is optimistic about the future. Wishing all our clients, employees and stakeholders to stay safe and healthy!

Robert Idelsons
Chairman of the Management Board

Riga, July 28, 2020



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 2020 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 changes in the Shareholders of the Bank during the reporting period.

Shareholder	30 June 2020		
	Number of shares	Paid share capital (EUR)	Share capital ownership %
Signet Acquisition III, LLC	114 896	4 136 256	25.00 %
SIA "Hansalink"	102 487	3 689 532	22.30 %
Soloman Rutenberg	45 514	1 638 504	9.90 %
Natalija Petkevicha	45 300	1 630 800	9,86 %
SIA "Fin.lv" *	40 360	1 452 960	8.78 %
Leonid Kaplan	38 085	1 371 060	8.29 %
Igor Rapoport *	27 622	994 392	6,01 %
ID Family Foundation SIA	22 571	812 556	4.91 %
Tatjana Rapoport *	21 664	779 904	4.71 %
Rahmiel Deich	1 083	38 988	0.24 %
Total	459 582	16 544 952	100 %

* Joint control with a shareholding of 19.50%

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 after consulting with auditors in order to optimise the structure of the Bank's capital after the 2017 enterprise income tax reform.



2. Supervisory Council of the Bank

Position	Name, surname
Chairman of the Supervisory Council	Serge Umansky
Deputy Chairman of the Supervisory Council	Irīna Piņozne
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	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 Bank

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

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

The goals of the Bank are:

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



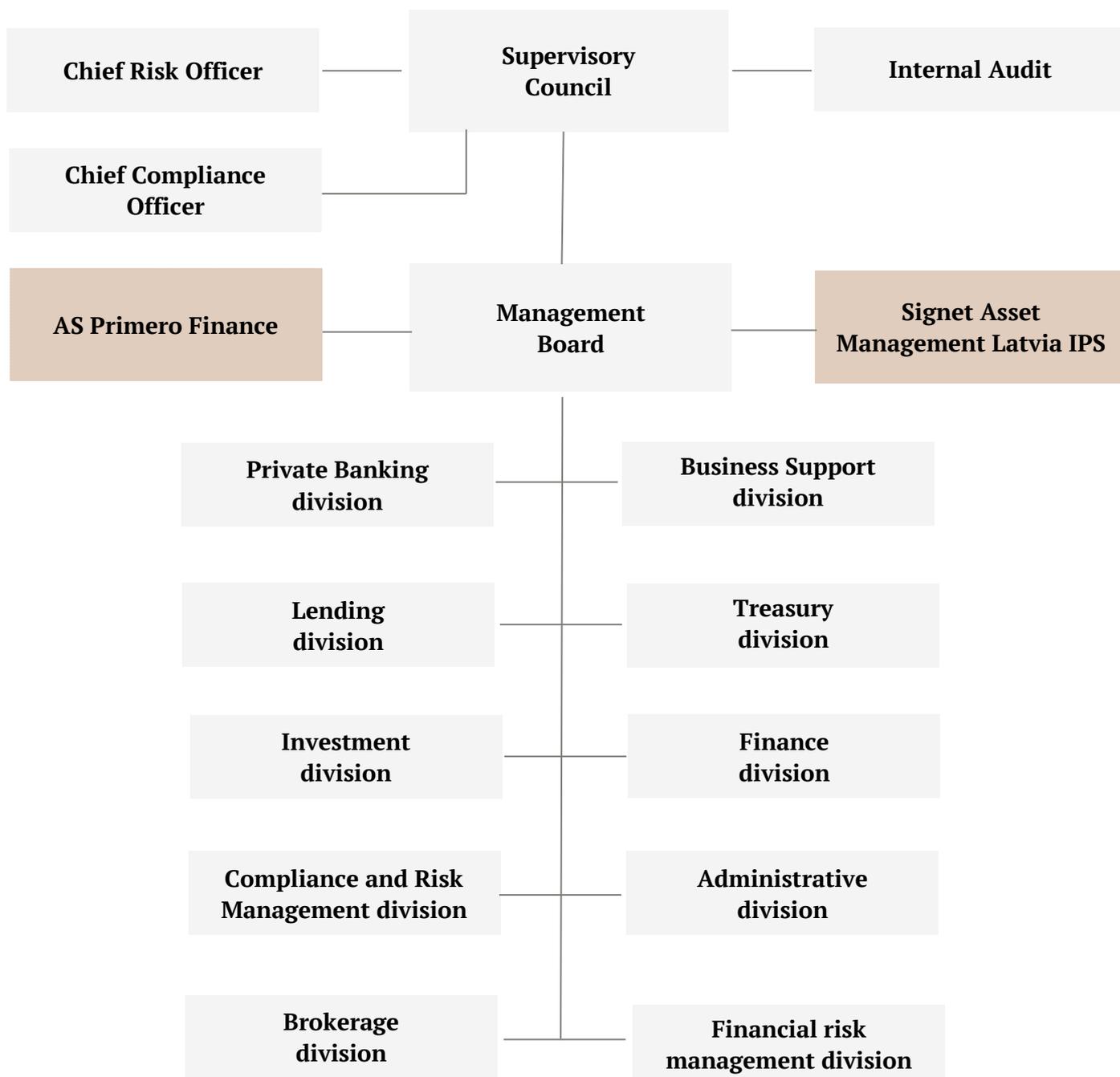
5. Consolidation Group

The Consolidation Group of Signet Bank includes its subsidiaries:

Name of company, Registration number	Registration location code and address	Type of activities	% of total paid in share capital	% of total voting rights
Signet Asset Management Latvia IPS, 40103362872	LV, Antonijas Str. 3-1, Riga, LV 1010, Latvia	Asset management company	100 %	100 %
AS "Primero Finance", 40203148375	LV, Antonijas Str. 3, Riga, LV-1010, Latvia	Other financial institution	51 %	51%



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 2020 and 31 December 2019

EUR '000

Title of entry	30.06.2020. Bank (Unaudited)	30.06.2020. Group (Unaudited)	31.12.2019. Bank (Audited)*	31.12.2019. Group (Audited)*
Assets				
Cash and demand deposits with central banks	46 249	46 249	40 931	40 931
Demand deposits with credit institutions	12 709	12 760	11 411	11 484
Financial assets designated at fair value through profit or loss	5 981	5 981	1 097	1 097
Financial assets measured at fair value with other comprehensive income	7 096	7 287	20 237	20 442
Financial assets measured at amortized cost	144 602	144 968	107 987	108 084
<i>Loans to financial institutions, companies and private individuals</i>	66 430	66 796	58 004	58 101
<i>Short term deposits with credit institutions</i>	11 286	11 286	20 468	20 468
<i>Other deposits with financial institutions</i>	10 841	10 841	7 095	7 095
<i>Debt securities</i>	56 045	56 045	22 420	22 420
Derivative financial instruments - hedge accounting	-	-	-	-
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-
Investments in subsidiaries, joint ventures and associates	3 559	1 896	3 559	1 895
Tangible assets	2 591	2 612	2 763	2 787
Intangible assets	296	358	142	210
Tax assets	13	13	26	26
Other assets	4 941	5 900	1 737	2 038
Non-current assets and disposal groups classified as held for sale	192	195	193	215
Total assets	228 229	228 219	190 083	189 209
Liabilities and shareholders' equity				
Liabilities due to central banks	-	-	-	-
Demand liabilities from credit institutions	-	-	-	-
Financial liabilities designated at fair value through profit or loss	2 985	2 985	549	549
Financial liabilities measured at the amortized cost	195 629	193 995	167 559	166 059
Derivative financial instruments - hedge accounting	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Provisions	-	-	8	8
Tax liabilities	1	40	11	19
Other liabilities	12 215	13 155	5 343	5 503
Liabilities included in disposals groups classified as held for sale	-	-	-	-
Total liabilities	210 830	210 175	173 470	172 138
Total shareholders' equity	17 399	18 044	16 613	17 071
Total liabilities and shareholders' equity	228 229	228 219	190 083	189 209
Memorandum items				
Contingent liabilities	2 117	2 117	26	26
Financial commitments	6 472	6 472	4 292	4 292
Assets under management and in custody	875 902	930 670	872 279	926 592

*Auditor: SIA "BDO Assurance"



2. Statement of profit or loss and other comprehensive income for the 6 Month Period, ended June 30, 2020 and 2019

EUR '000

Title of entry	30.06.2020. Bank (Unaudited)	30.06.2020. Group (Unaudited)	30.06.2019. Bank (Unaudited)	30.06.2019. Group (Unaudited)
Interest income	2 780	3 254	2 384	2 384
Interest expense (-)	(790)	(783)	(779)	(773)
Dividends received	3	3	186	186
Commission and fee income	2 664	2 782	2 110	2 222
Commission and fee expense (-)	(553)	(605)	(245)	(256)
Gains/ losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (+/-)	54	54	7	7
Gains / losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	219	219	(144)	(144)
Gains/ losses from hedge accounting, net (+/-)		-	-	-
Result from foreign exchange trading and revaluation, net (+/-)	633	633	(139)	(137)
Gains/ losses on derecognition of non-financial assets, net		-	-	-
Other operating income	21	44	88	86
Other operating expense (-)	(311)	(317)	(232)	(235)
Administrative expense (-)	(3 239)	(3 591)	(2 764)	(2 824)
Depreciation (-)	(268)	(278)	(266)	(267)
Gains / losses recognized in the contractual cash flows of a financial asset (+/-)	(44)	(44)	-	-
Provisions or reversal of provisions (+/-)	-	-	-	-
Impairment or reversal of impairment (+/-)	(239)	(244)	(51)	(51)
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 (+/-)	-	1	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 (+/-)	930	1 128	187	230
Corporate income tax	(23)	(23)	(24)	(24)
Net profit/(loss) for the period (+/-)	907	1 105	163	206
Other comprehensive income for the period (+/-)	(121)	(131)	95	95

3. Performance Indicators

Title of entry	30.06.2020. Bank (Unaudited)	30.06.2020. Group (Unaudited)	30.06.2019. Bank (Unaudited)	30.06.2019. Group (Unaudited)
Return on equity (ROE) (%)	10.56 %	12.42 %	2.04 %	2.60 %
Return on assets (ROA) (%)	0.83 %	1.08 %	0.22 %	0.29 %



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, 2020. 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
Latvia	16 985	3 650	20 635	103 %
France	6 038	1 784	7 822	39 %
Sweden	6 790	311	7 101	35 %
Lithuania	7 092	-	7 092	35 %
Netherlands	-	5 221	5 221	26 %
Poland	4 662	-	4 662	23 %
Luxembourg	-	4 070	4 070	20 %
Slovakia	2 837	-	2 837	14 %
Other countries	4 129	4 942	9 071	X
Total securities portfolio	48 533	19 978	68 511	X

5. Analysis of the Group's expected credit losses

The Group's projections of the amount of credit losses as at 30 June 2020 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:	(282)	(37)	(446)	(765)
Loans and advances	(209)	(37)	(446)	(692)
Debt securities	(73)	-	-	(73)
Accumulated impairment, total	(282)	(37)	(446)	(765)

IV Risk and Capital Management

1. Risk Management

Information about Risk Management is available at Signet Bank AS corporate website links <https://www.signetbank.com/lv/finansu-paraskati-2018/>.

Liquidity Ratio Calculation

EUR '000

Title of entry	30.06.2020. Bank (Unaudited)	30.06.2020. Group (Unaudited)
Liquidity buffer	90 733	90 733
Net liquidity outflow	50 219	46 423
Liquidity coverage ratio (%)	181 %	195 %



2. Capital Adequacy

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

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

Own funds and capital adequacy ratios summary

EUR '000

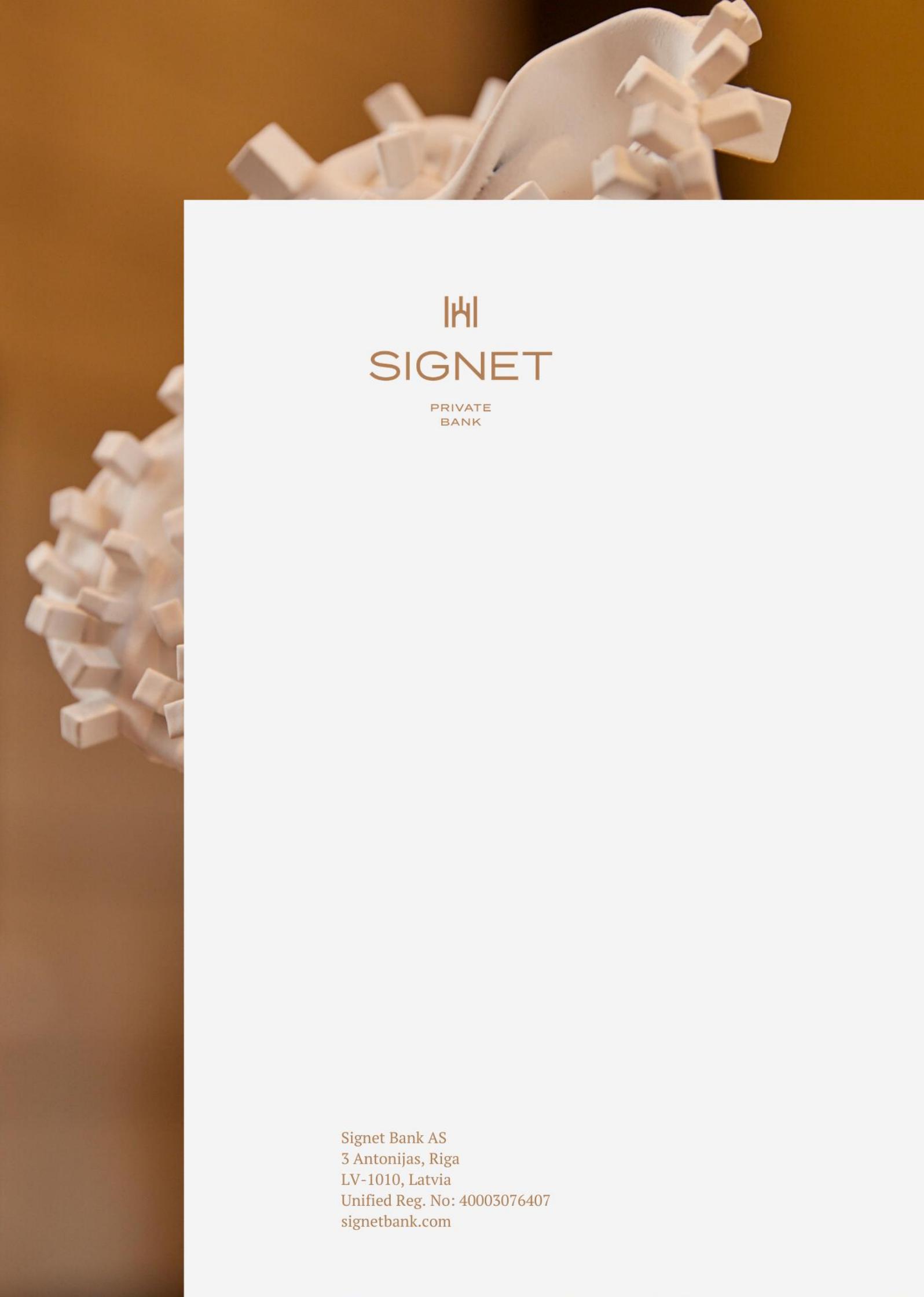
Nº	Title of entry	30.06.2020. Bank (Unaudited)	30.06.2020. Group (Unaudited)
1.	Own funds (1.1.+1.2.)*	19 883	20 058
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	15 659	15 834
1.1.1.	Common Equity Tier (CET) 1 capital	15 659	15 834
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	4 224	4 224
2.	Total Risk exposure value	112 667	113 428
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	97 874	97 806
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	192	422
2.4.	Total risk exposure value for operational risk	13 982	14 581
2.5.	Total risk exposure value for credit valuation adjustment	619	619
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)	13.90 %	13.96 %
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	10 589	10 730
3.3.	Tier 1 capital ratio (1.1./2.*100)	13.90 %	13.96 %
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2.*6%)	8 899	9 028
3.5.	Total capital ratio (1./2.*100)	17.65 %	17.68 %
3.6.	Surplus (+) / deficit (-) of total capital (1.-2.*8%)	10 870	10 984
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	2 821	2 840
4.1.	Capital conservation buffer	2 817	2 836
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	4	4
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.	13.90 %	13.96 %
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	13.90 %	13.96 %
5.4.	Total capital ratio, including adjustments in row 5.1.	17.65 %	17.68 %

* 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.

V Events subsequent to the reporting date

On July 16, 2020, the Financial and Capital Market Commission imposed an administrative penalty on the Bank for violations and deficiencies in the internal control system for the prevention of money laundering and terrorism and proliferation financing.



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SIGNET

PRIVATE
BANK

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