



Signet Bank AS

Public Financial Report

3rd quarter 2020



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I Management report

In the third quarter (Q3) of 2020, Signet Bank and its subsidiaries (the Group) continued to implement its long-term strategy, providing high quality services to entrepreneurs and their businesses.

New lending transactions remain a top business priority for the Group's development – in 2020, the Group's loan portfolio increased by 25%. The Group plans to play an important role in ensuring the availability of credit resources for Latvian entrepreneurs and continues to actively seek new lending and investment projects, focusing on financing of cash flow generating objects, real estate development projects, equipment acquisition and business expansion projects, financing of working capital and merger and acquisition transactions.

The Group's nine-month overall performance was positive: net fees and commission income amounted to EUR 3.2 mln, net interest income was EUR 4 mln (+61%, compared to the corresponding period in 2019), while operating income reached EUR 8.3 mln (+48%, compared to the corresponding period in 2019). The Group's profit amounted to EUR 0.9 mln, which is by EUR 0.4 mln more than in the corresponding period last year. The Group's regulatory ratios were comfortable above minimum requirements – capital adequacy ratio at the end of the third quarter was 17%, with a liquidity coverage ratio of 268%.

The Group has successfully completed the transformation of its business model, shifting its focus from servicing international clients to the clients from Latvia and other EU countries. At the end of Q3 2020 more than 70% of the Bank's clients were from Latvia and other EU countries. Their share in total volume of clients assets under management and administration as well as in total revenues of the Group also exceeds 70%.

In Q3 2020, the Bank developed an action plan to improve its AML/CTPF system with the aim of improving its compliance with highest international standards. This action plan was agreed with the Financial and Capital Market Commission and the Bank has started its implementation. This plan includes a number of measures to improve the internal control system, strengthen the corporate risk management culture, provide additional training for employees and management, and improve internal regulatory documents and IT systems. These measures are expected to be completed by the end of 2020. In early 2021, the Bank plans to conduct an independent external assessment of the compliance and effectiveness of the Bank's internal control system in the area of AML/CTPF.

As of September this year, Signet Bank has a new website. Its design and functionality correspond to the Group's business model and image. The structure and navigation of the website help to quickly and easily find what you need, while the new sections expand information about the Group and the products and services it offers. It has always been important for the Group to improve the quality of existing services, as well as to introduce innovative solutions for our clients.

In Q3 2020, the Bank arranged two bond issues for its clients – Delfin Group and Sun Finance. In the current environment, when the traditional bank financing is not always available, the alternative forms of financing (like bond issuance) have become extremely relevant. We have developed strong pipeline of potential new bond issues and see excellent prospects in this area.

Now when the Group has completed the transformation of its business model, we see very good prospects for further business development. Despite the relatively large number of banks in Latvia, the Group is very competitive with its product offering, high quality of service, experienced bankers, and free capital and resources for the development of lending in the Latvian market.



During the COVID-19 pandemic, the safety of our employees and clients is a priority – we will continue to take further measures to ensure it. At present, most of the Group's employees work remotely, and we see that this does not affect the Group's activities and the quality of customer service. Although most of our clients continue to successfully develop their businesses, some of them faced with temporary difficulties in these times. We have offered these clients relief in terms of the lending arrangements to support and facilitate faster recoveries of their operations and cash flows.

The Bank's management is satisfied with operating results and is optimistic about the future. We wish all our clients, employees, and stakeholders to stay healthy and safe!

Robert Idelsons
Chairman of the Management Board

Riga, November 25, 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 September 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 September 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%

2. Supervisory Council of the Bank

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

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

3. Management Board of the Bank

Position	Name, surname
Chairman of the Management Board	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

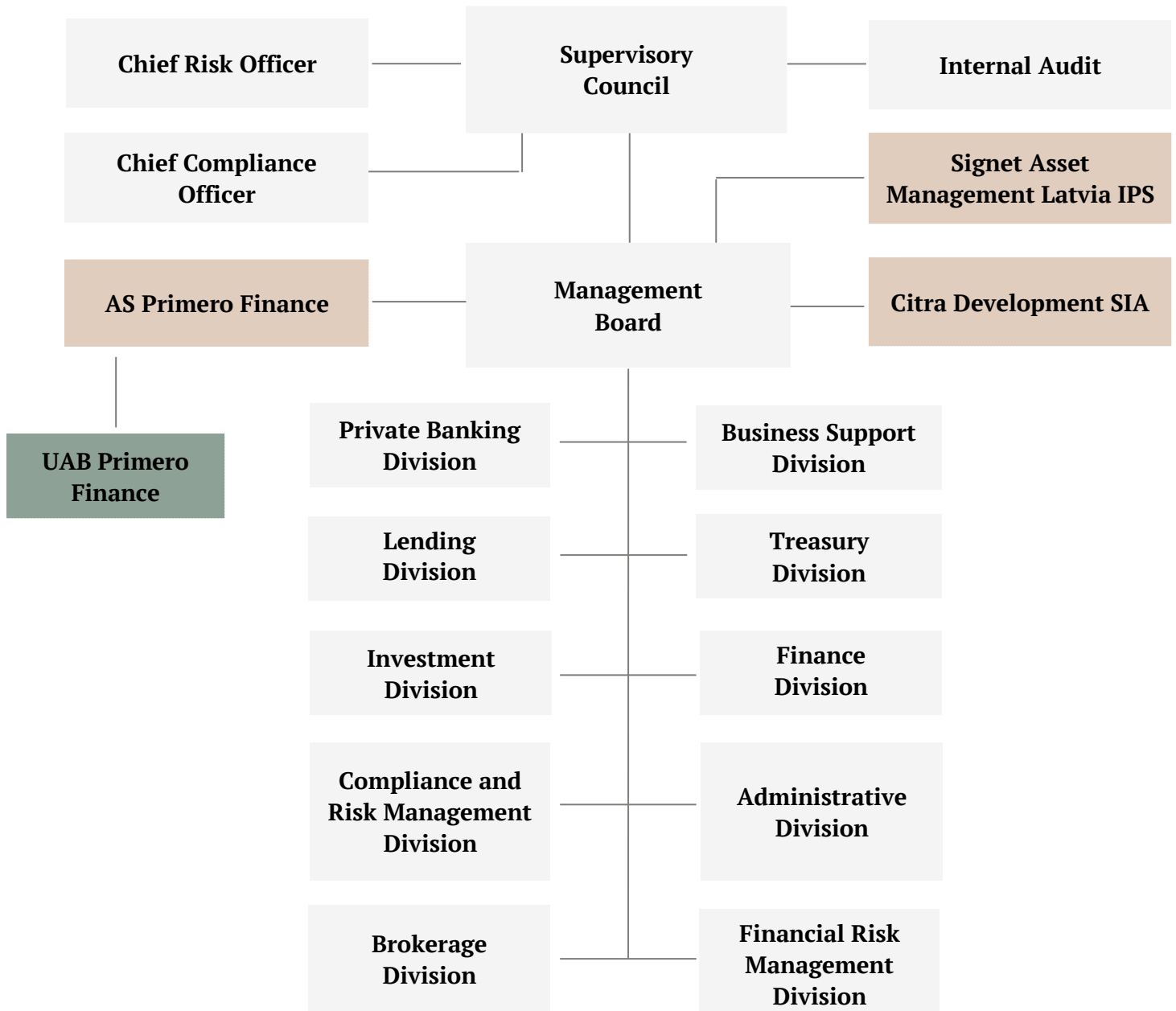
The Consolidation Group of Signet Bank includes:

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
Signet Asset Management Latvia IPS, 40103362872	LV, Antonijas Str. 3-1, Riga, LV 1010, Latvia	Asset management company	Subsidiary company	100 %	100 %
AS "Primero Finance", 40203148375	LV, Antonijas Str. 3, Riga, LV-1010, Latvia	Other financial institution	Subsidiary company	51 %	51%
Citra Development SIA, 45403058722	LV, Antonijas Str. 3-5, Riga, LV-1010, Latvia	Real estate rental and management	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 %

During the reporting period, there were changes in the consolidation group, the Bank acquired 100% of the shares in Citra Development SIA, but the subsidiary of the Bank AS "Primero Finance" founded a new company UAB Primero Finance in Lithuania.



6. Structure of the Group



Subsidiary of the Bank



Subsidiary of the subsidiary company



III Financial position and performance

1. Balance sheet Statement of Financial Position as at 30 September 2020 and 31 December 2019

EUR '000

Title of entry	30.09.2020. Bank (Unaudited)	30.09.2020. Group (Unaudited)	31.12.2019. Bank (Audited)*	31.12.2019. Group (Audited)*
Assets				
Cash and demand deposits with central banks	32 195	32 195	40 931	40 931
Demand deposits with credit institutions	10 811	10 832	11 411	11 484
Financial assets designated at fair value through profit or loss	5 812	5 812	1 097	1 097
Financial assets measured at fair value with other comprehensive income	7 825	8 024	20 237	20 442
Financial assets measured at amortized cost	137 773	138 227	107 987	108 084
<i>Loans to financial institutions, companies and private individuals</i>	71 922	72 376	58 004	58 101
<i>Other deposits with financial institutions</i>	9 040	9 040	7 095	7 095
<i>Short term deposits with credit institutions</i>	2 263	2 263	20 468	20 468
<i>Debt securities</i>	54 548	54 548	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	3 859	1 890	3 559	1 895
Tangible assets	2 508	2 529	2 763	2 787
Intangible assets	447	505	142	210
Tax assets	18	18	26	26
Other assets	2 150	3 375	1 737	2 038
Non-current assets and disposal groups classified as held for sale	193	193	193	215
Total assets	203 591	203 600	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	236	236	549	549
Financial liabilities measured at the amortized cost	176 287	174 489	167 559	166 059
Derivative financial instruments - hedge accounting	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Provisions	453	453	8	8
Tax liabilities	17	52	11	19
Other liabilities	9 462	10 477	5 343	5 503
Liabilities included in disposals groups classified as held for sale	-	-	-	-
Total liabilities	186 455	185 707	173 470	172 138
Total shareholders' equity	17 136	17 893	16 613	17 071
Total liabilities and shareholders' equity	203 591	203 600	190 083	189 209
Memorandum items	7 574	7 574	4 318	4 318
Contingent liabilities	2 751	2 751	26	26
Financial commitments	4 823	4 823	4 292	4 292
Assets under management and in custody	793 999	850 818	872 279	926 592

*Auditor: SIA "BDO Assurance"



2. Statement of profit or loss and other comprehensive income for the 9 Month Period, ended September 30, 2020 and 2019

EUR '000

Title of entry	30.09.2020.	30.09.2020.	30.09.2019.	30.09.2019.
	Bank (Unaudited)	Group (Unaudited)	Bank (Unaudited)	Group (Unaudited)
Interest income	4 174	5 174	3 677	3 682
Interest expense (-)	(1 157)	(1 146)	(1 182)	(1 173)
Dividends received	4	4	193	193
Commission and fee income	3 936	4 132	3 601	3 769
Commission and fee expense (-)	(822)	(885)	(499)	(509)
Gains/ losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (+/-)	65	65	(20)	(20)
Gains / losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	329	329	(204)	(204)
Gains/ losses from hedge accounting, net (+/-)	-	-	-	-
Result from foreign exchange trading and revaluation, net (+/-)	655	636	(160)	(141)
Gains/ losses on derecognition of non-financial assets, net	-	-	-	-
Other operating income	31	87	104	101
Other operating expense (-)	(438)	(604)	(336)	(340)
Administrative expense (-)	(4 902)	(5 521)	(4 202)	(4 306)
Depreciation (-)	(419)	(434)	(400)	(401)
Gains / losses recognized in the contractual cash flows of a financial asset (+/-)	(24)	(24)	-	-
Provisions or reversal of provisions (+/-)	(453)	(453)	-	-
Impairment or reversal of impairment (+/-)	(326)	(396)	(27)	(31)
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 (+/-)	-	(5)	32	(14)
Gains/ loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (+/-)	-	-	-	-
Profit/(loss) before corporate income tax (+/-)	653	959	577	606
Corporate income tax	(34)	(35)	(35)	(35)
Net profit/(loss) for the period (+/-)	619	924	542	571
Other comprehensive income for the period (+/-)	(96)	(102)	184	193

3. Performance Indicators

Title of entry	30.09.2020.	30.09.2020.	30.09.2019.	30.09.2019.
	Bank (Unaudited)	Group (Unaudited)	Bank (Unaudited)	Group (Unaudited)
Return on equity (ROE) (%)	4.82%	6.73%	4.51%	4.74%
Return on assets (ROA) (%)	0.38%	0.59%	0.45%	0.51%



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

The Group's securities portfolio representation broken down by countries in which the total value of the securities exceeds 10% of the Group's own funds as at September 30, 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	16 843	3 622	20 465	106%
Lithuania	9 539	-	9 539	49%
France	5 782	1 709	7 491	39%
Netherlands	-	5 007	5 007	26%
Poland	4 499	-	4 499	23%
Luxembourg	-	3 689	3 689	19%
USA	3 577	27	3 604	19%
Sweden	2 890	296	3 186	16%
Slovakia	2 722	-	2 722	14%
Other countries	2 907	4 980	7 887	X
Total securities portfolio	48 759	19 330	68 089	X

5. Analysis of the Group's expected credit losses

The amount of expected credit losses of the Group on 30 September 2020, 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			Accumulated negative changes in fair value due to credit risk (Stage 1)	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:	(345)	(36)	(534)	(24)	(939)
<i>Loans and advances</i>	(261)	(36)	(534)	(24)	(855)
<i>Debt securities</i>	(84)	-	-	-	(84)
Expected credit losses, total	(345)	(36)	(534)	(24)	(939)

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	30.09.2020. Bank (Unaudited)	30.09.2020. Group (Unaudited)
Liquidity buffer	80 221	80 221
Net liquidity outflow	35 699	29 932
Liquidity coverage ratio (%)	225%	268%



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	30.09.2020. Bank (Unaudited)	30.09.2020. Group (Unaudited)
1.	Own funds (1.1.+1.2.)*	19 148	19 329
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	15 505	15 686
1.1.1.	Common Equity Tier (CET) 1 capital	15 505	15 686
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	3 643	3 643
2.	Total Risk exposure value	110 620	110 989
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	96 075	96 054
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	493	284
2.4.	Total risk exposure value for operational risk	13 982	14 581
2.5.	Total risk exposure value for credit valuation adjustment	70	70
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)	14.02%	14.13%
3.2.	Surplus (+) / deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	10 527	10 691
3.3.	Tier 1 capital ratio (1.1./2.*100)	14.02%	14.13%
3.4.	Surplus (+) / deficit (-) of Tier 1 capital (1.1.-2.*6%)	8 868	9 027
3.5.	Total capital ratio (1./2.*100)	17.31%	17.42%
3.6.	Surplus (+) / deficit (-) of total capital (1.-2.*8%)	10 298	10 450
4.	Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	2 768	2 778
4.1.	Capital conservation buffer	2 765	2 775
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	3	3
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.	14.02%	14.13%
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	14.02%	14.13%
5.4.	Total capital ratio, including adjustments in row 5.1.	17.31%	17.42%

* 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.



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BANK

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