Signet Bank AS
Public Financial Report

2nd quarter 2021

SIGNET

PRIVATE
BANK

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I Management report

In the first half of 2021, the Group continued to successfully develop its business model, focusing on servicing local businesses.

The first half of 2021 was particularly active in providing financing to our clients – the amount of financing arranged through loans and bond issues exceeded EUR 80 million. The most important drivers behind our growth are bond issues, arranging financing from the bank's own balance sheet, as well as syndicated transactions with our clients and partners. We also remain committed to supporting local businesses with new financing solutions in the future. The bond market in Latvia is developing dynamically, and we are pleased that the Group has become a clear leader in this market segment in Latvia and also an important player in the Baltics.

The Group also continues to help clients invest in capital markets, predominantly in fixed income instruments.

The Group has had a successful first half of 2021 in terms of financial performance. Net fee income increased by 54% compared to the first half of 2020 (from EUR 2.2 million to EUR 3.4 million), while net interest income increased by 26% (from EUR 2.5 million to EUR 3.1 million). The Group's total operating income increased by 22%, while net profit reached EUR 1.2 million. Client deposits increased by EUR 53 million (+30% compared to the end of 2020), while the total amount of client assets under management and administration of the Group has reached EUR 923 million.

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 further investing in IT and human resources to provide risk management and control mechanisms consistent with the business model.

Sustainability is becoming an increasingly significant aspect of the financial industry. The Group is committed to gradually integrating sustainability considerations into the core of all business activities, as well as to raising awareness among employees, customers, and partners about environmental, social and governance challenges and opportunities. The Group has developed a sustainability governance structure within the organisation, identifying key roles and areas of responsibility to ensure that sustainability efforts address significant issues and that they are implemented across the entire organisation.

We see many opportunities as the banking sector of Latvia continues to undergo structural changes. Owing to the substantial amount of free funds of our clients, 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 maintains a conservative risk profile – the capital adequacy ratio stood at 16.74% at the end of the first half of 2021 (2020: 17.68%), with a liquidity coverage ratio of 206% (2020: 195%).

The COVID-19 pandemic has not had a 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. To ensure the safety of our employees and clients, most of the Group's employees worked remotely in the 1st half of 2021, but otherwise the Group's activities were not affected.

Robert Idelsons
Chairman of the Management Board

Riga, August 31, 2021

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 2021 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 2021		
	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 Rapoporta *	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	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 aimed at management of capital of HNWI and Affluent clients, service of their everyday private and business operations, 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 HNWI clients;
- to provide a range of high quality sustainable financial solutions and services for the target clients – HNWI and Affluent individuals residing in Latvia, EU, EEA and OECD countries and businesses owned by them;
- 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 regulatory compliance and sustainable governance and development of the Group;
- to achieve the objectives set in the Strategy.

5. Consolidation Group

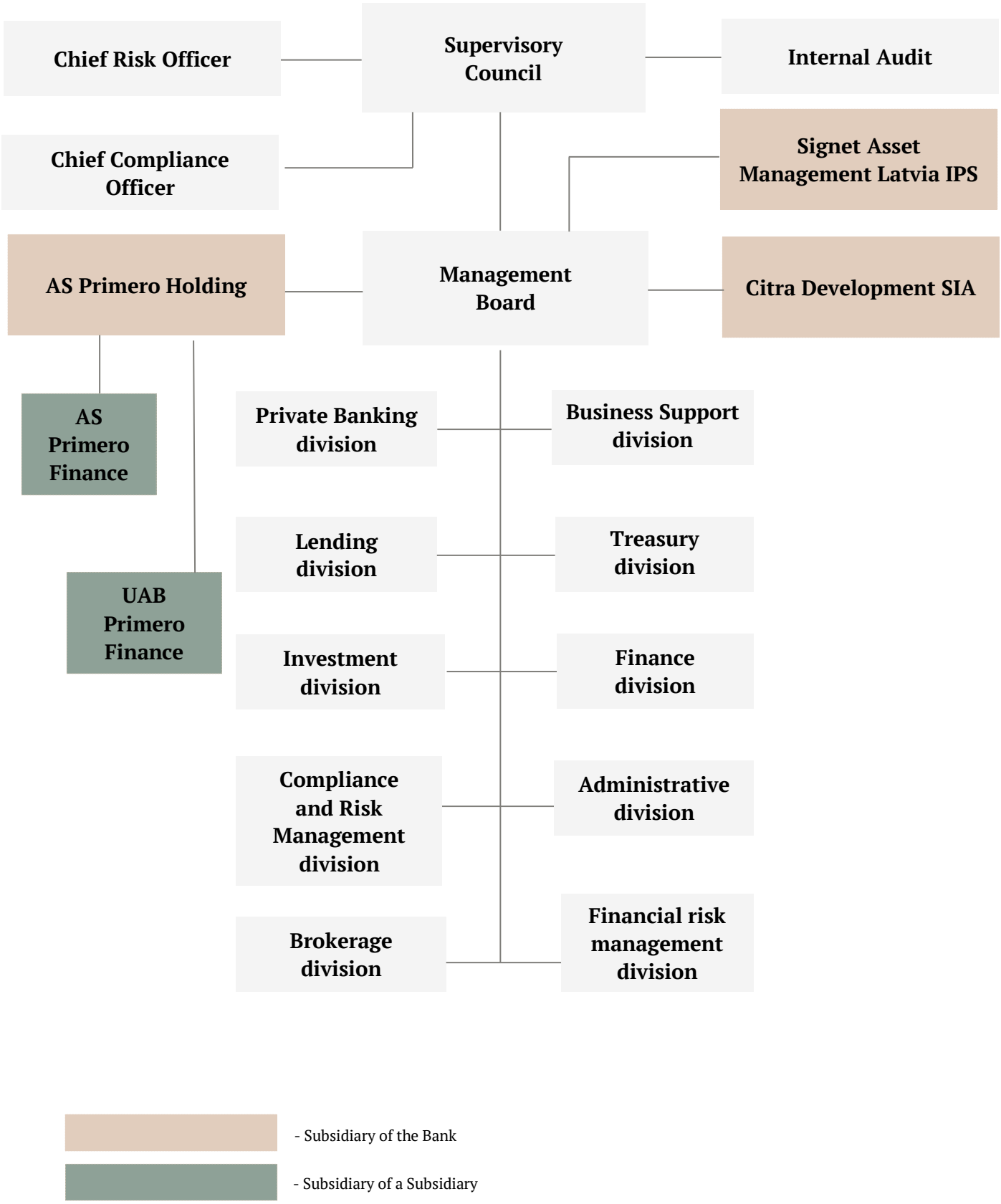
The Consolidation Group of Signet Bank includes:

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 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 % *
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 changes in the consolidation Group. AS "Primero Holding" was established with 51% Bank participation, AS "Primero Finance" and UAB "Primero Finance" were transferred under AS "Primero Holding" control.

6. Structure of the Group



III Financial position and performance

1. Balance sheet Statement of Financial Position as at 30 June 2021 and 31 December 2020

EUR '000

Title of entry	30.06.2021 Bank (Unaudited)	30.06.2021 Group (Unaudited)	31.12.2020 Bank (Audited)*	31.12.2020 Group (Audited)*
Assets				
Cash and demand deposits with central banks	64 846	64 846	12 196	12 196
Demand deposits with credit institutions	17 774	17 777	8 415	8 418
Financial assets designated at fair value through profit or loss	7 036	7 036	5 235	5 235
Financial assets measured at fair value with other comprehensive income	6 425	6 625	15 743	15 949
Financial assets measured at amortized cost	169 950	172 385	149 900	150 496
Loans to financial institutions, companies and private individuals	*80 935*	*83 370*	*76 626*	*77 222*
Other deposits with financial institutions	*15 112*	*15 112*	*6 185*	*6 185*
Short term deposits with credit institutions	*13 369*	*13 369*	*3 261*	*3 261*
Debt securities	*60 534*	*60 534*	*63 828*	*63 828*
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	3 860	1 838	3 724	1 758
Tangible assets	2 242	2 281	2 414	2 432
Intangible assets	509	557	468	523
Tax assets	85	90	55	55
Other assets	10 591	11 034	1 902	2 305
Non-current assets and disposal groups classified as held for sale	3 970	4 002	3 970	3 996
Total assets	**287 288**	**288 471**	**204 022**	**203 363**
Liabilities and shareholders' equity				
Liabilities due to central banks	13 900	13 900	-	-
Demand liabilities from credit institutions	31	31	604	604
Financial liabilities designated at fair value through profit or loss	103	103	244	244
Financial liabilities measured at the amortized cost	233 220	232 797	181 312	179 499
Derivative financial instruments - hedge accounting	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Provisions	-	-	438	438
Tax liabilities	11	43	7	39
Other liabilities	21 604	21 990	3 963	4 219
Liabilities included in disposals groups classified as held for sale	-	-	-	-
Total liabilities	**268 869**	**268 864**	**186 568**	**185 043**
Total shareholders' equity	18 419	19 607	17 454	18 320
Total liabilities and shareholders' equity	**287 288**	**288 471**	**204 022**	**203 363**
Memorandum items	**9 403**	**9 403**	**7 614**	**7 614**
Contingent liabilities	3 376	3 376	3 147	3 147
Financial commitments	6 027	6 027	4 467	4 467
Assets under management and in custody	**864 444**	**922 788**	**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, 2021 and 2020

EUR '000

Title of entry	30.06.2021 Bank (Unaudited)	30.06.2021 Group (Unaudited)	30.06.2020 Bank (Unaudited)	30.06.2020 Group (Unaudited)
Interest income	2 826	3 723	2 780	3 254
Interest expense (-)	(611)	(613)	(790)	(783)
Dividends received	2	2	3	3
Commission and fee income	4 259	4 389	2 664	2 782
Commission and fee expense (-)	(1 031)	(1 034)	(553)	(605)
Gains/ losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net (+/-)	24	24	54	54
Gains / losses on financial assets and liabilities designated at fair value through profit or loss, net (+/-)	107	107	219	219
Gains/ losses from hedge accounting, net (+/-)	-	-	-	-
Result from foreign exchange trading and revaluation, net (+/-)	105	132	633	633
Gains/ losses on derecognition of non-financial assets, net	0	0	-	-
Other operating income	93	114	21	44
Other operating expense (-)	(293)	(310)	(311)	(317)
Administrative expense (-)	(3 745)	(4 455)	(3 239)	(3 591)
Depreciation (-)	(253)	(263)	(268)	(278)
Gains / losses recognized in the contractual cash flows of a financial asset (+/-)	-	-	(44)	(44)
Provisions or reversal of provisions (+/-)	(448)	(448)	-	-
Impairment or reversal of impairment (+/-)	(156)	(152)	(239)	(244)
Negative goodwill recognised in profit or loss	-	-	-	-
Share of the profit/ loss of investments in subsidaries, joint ventures and associates accounted for using the equity method (+/-)	-	(14)	-	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 (+/-)	**879**	**1 202**	**930**	**1 128**
Corporate income tax	(14)	(16)	(23)	(23)
Net profit/(loss) for the period (+/-)	**865**	**1 186**	**907**	**1 105**
Other comprehensive income for the period (+/-)	196	203	(121)	(131)

3. Performance Indicators

Title of entry	30.06.2021 Bank (Unaudited)	30.06.2021 Group (Unaudited)	30.06.2020 Bank (Unaudited)	30.06.2020 Group (Unaudited)
Return on equity (ROE) (%)	9.55 %	11.78 %	10.56 %	12.42 %
Return on assets (ROA) (%)	0.68 %	0.94 %	0.83 %	1.08 %

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, 2021. 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
Lithuania	19 501	-	19 501	96%
Latvia	13 296	3 783	17 079	84%
Netherlands	-	7 861	7 861	39%
France	4 557	1 682	6 239	31%
Sweden	4 630	105	4 735	23%
Poland	4 361	-	4 361	22%
USA	2 993	-	2 993	15%
Slovakia	2 600	-	2 600	13%
Estonia	-	2 472	2 472	12%
Other countries	2 811	3 501	6 312	X
Total securities portfolio	**54 749**	**19 404**	**74 153**	**X**

5. Analysis of the Group's expected credit losses

The amount of expected credit losses of the Group on 30 June 2021, 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:	(316)	(61)	(577)	(954)
Loans and advances	*(248)*	*(61)*	*(577)*	*(886)*
Debt securities	*(68)*	-	-	*(68)*
Expected credit losses, total	**(316)**	**(61)**	**(577)**	**(954)**

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	30.06.2021 Bank (Unaudited)	30.06.2021 Group (Unaudited)	30.06.2020 Bank (Unaudited)	30.06.2020 Group (Unaudited)
Liquidity buffer	109 811	109 811	90 733	90 733
Net liquidity outflow	54 028	53 195	50 219	46 423
Liquidity coverage ratio (%)	**203 %**	**206 %**	**181 %**	**195 %**

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

№	Title of entry	30.06.2021 Bank (Unaudited)	30.06.2021 Group (Unaudited)
1.	**Own funds** (1.1.+1.2.)*	**19 668**	**20 216**
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	16 581	17 129
1.1.1.	Common Equity Tier (CET) 1 capital	*16 581*	*17 129*
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	3 087	3 087
2.	**Total Risk exposure value**	**119 695**	**120 729**
2.1.	Risk weighted exposure value for credit, counterparty credit and dilution risk and free deliveries	103 156	102 751
2.2.	Total risk exposure value for settlements/delivery	-	-
2.3.	Total risk exposure value for position risk, foreign exchange and commodity risks	363	442
2.4.	Total risk exposure value for operational risk	15 999	17 359
2.5.	Total risk exposure value for credit valuation adjustment	177	177
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)	13.85 %	14.19 %
3.2.	Surplus (+) / deficit (–) of CET 1 capital (1.1.1.-2.*4.5%)	11 195	11 696
3.3.	Tier 1 capital ratio (1.1./2.*100)	13.85 %	14.19 %
3.4.	Surplus (+) / deficit (–) of Tier 1 capital (1.1.-2.*6%)	9 399	9 885
3.5.	Total capital ratio (1./2.*100)	16.43 %	16.74 %
3.6.	Surplus (+) / deficit (–) of total capital (1.-2.*8%)	10 092	10 558
4.	**Combined buffer requirement** (4.1.+4.2.+4.3.+4.4.+4.5.)	**2 995**	**3 021**
4.1.	Capital conservation buffer	2 992	3 018
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.	13.85 %	14.19 %
5.3.	Tier 1 capital ratio, including adjustments in row 5.1.	13.85 %	14.19 %
5.4.	Total capital ratio, including adjustments in row 5.1.	**16.43 %**	**16.74 %**

* 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.

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