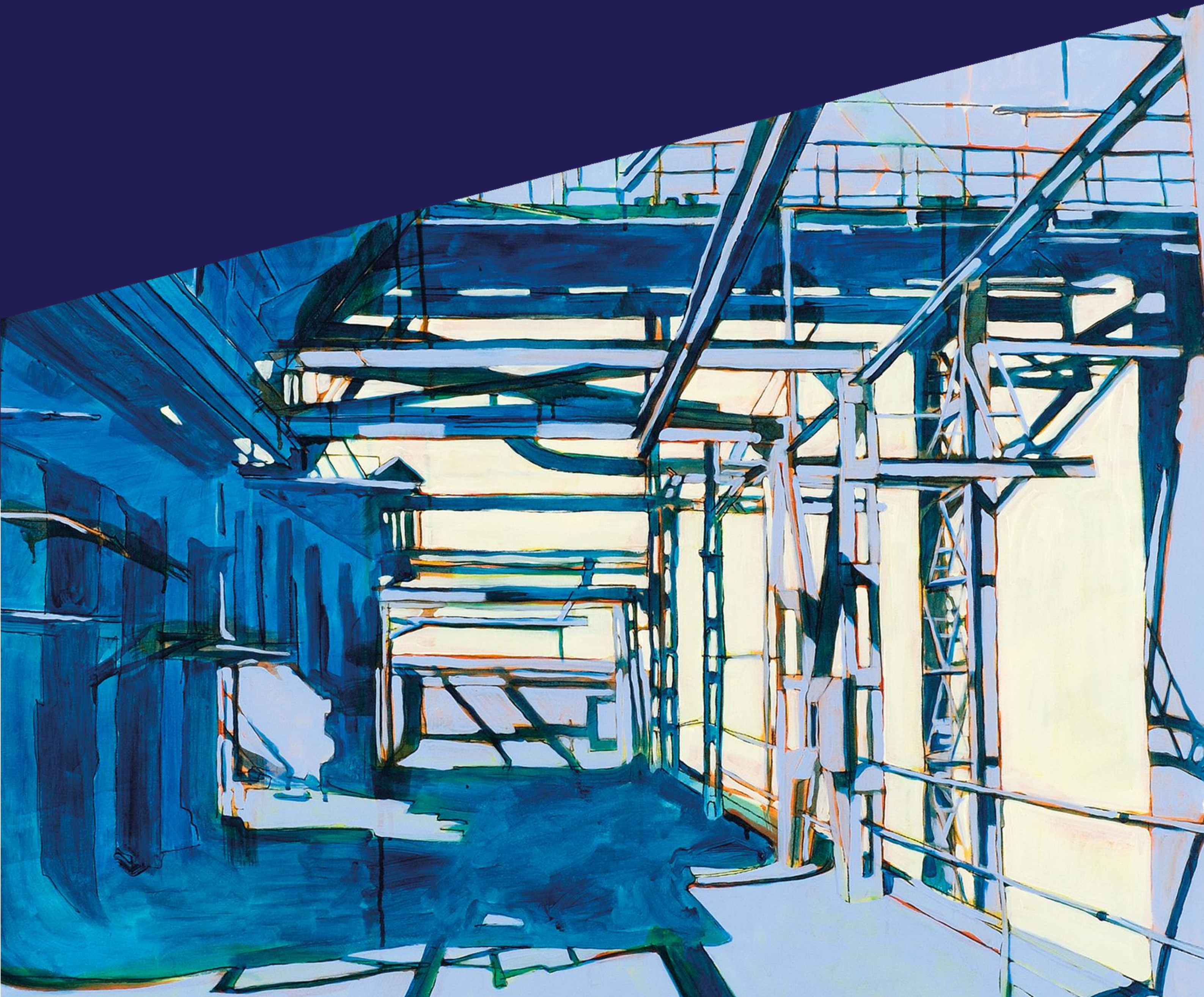
INDUSTRA

Quarterly Financial Statements, for the period ended December 31, 2019



Management Report

In 2019, the new management of the joint-stock company Industra Bank (formerly - Meridian Trade Bank, hereinafter referred to as Industra) actively worked on changing the bank's business model, paying particular attention to reviewing, adjusting and recovering its historical loan portfolio. Work on streamlining the bank's loan portfolio and overall processes is important for the future growth of Industra, taking into consideration the capital enhancement measures, as provided for in the Bank's approved strategy, including the attraction of new investors.

In order to reduce the share of non-performing loans in the bank's loan portfolio and gradually restore the successful operation of the credit institution, during the reporting period, Industra carried out extensive work to assess the quality of loans issued in previous years, in accordance with the principles of best financial accounting practices and international financial reporting standards.

Industra found that a significant number of the loans had been issued on conditions that did not comply with market practice, such as: transactions with close associates, low-quality and insufficient collaterals for loans, loan repayment and loan servicing conditions not meeting the interests of the bank, and others.

As a result of this, at the end of the reporting period, Industra decided to make provisions for a number of low quality and non-performing loans that had been issued until 2018 under the previous management of the bank. The created provisions for impairment of the loans resulted in a loss of EUR 4.5 million to the bank and the recognition of this is a pragmatic decision aimed at strengthening the possibilities for financial growth of Industra in future.

As at the time of publishing the financial statement, the bank's shareholders have completed the first phase of the bank's capital strengthening measures by investing EUR 7 million in Industra's share capital. Thus, the shareholders of Industra have ensured equity requirements as set out in Regulation (EU) No 575/2013 and have compensated for the losses incurred as a result of provisions made during the reporting year.

During the reporting period, Industra paid great attention to ensuring compliance with international and Latvian legislation in the area of preventing the legalization of money laundering and preventing the financing of terrorism and proliferation. Industra has approved a strategy and a policy for managing the risks of money laundering, terrorism and proliferation financing, which define the basic principles of money laundering, terrorism and proliferation financing risk management, risk identification, as well as define risk mitigation and control mechanisms. The strategy and the policy for managing the risk of money laundering, terrorism and proliferation financing are implemented through the approval of relevant subordinate internal documents and the establishment of the appropriate organizational structure based on the principles of three-level protection and control. As the relationship between the customer and the bank continues, Industra continues to in detail analyse information about the activities of customers. Information in the customer file is being regularly supplemented and updated, along with including the results of due diligence of the customer’s activities and transactions.

By taking all measures to reduce risks, Industra has significantly reduced the risk of being involved in the possible legalization of such proceeds that were obtained as a result of a criminal act or that could be used to finance terrorism or proliferation.

In 2019, Industra fully implemented the provisions of the Administrative Agreement concluded between the FCMC and the bank. In accordance with the terms of the agreement, Industra ensured several independent audits of its internal control system for the prevention of money laundering and terrorism and proliferation financing (AML/CTF/CPF) and the management of sanctions risk:

1) compliance of the bank's customer base risk classification;
2) compliance of the information technology software used in the ML/TF/PF risk management;
3) an independent assessment of the bank's internal control system in the field of AML/CTF/CPF.

Thus, Industra has purposefully reduced the number of customers that could expose the bank to an excessively high risk of ML/TF/PF or Sanctions risk, including by reducing the number of customers with an increased risk by 20.3% and reducing the volumes of high-risk transactions by 63.8%.

The bank had received the first two independent audit reviews from the commercial company of sworn auditors Deloitte in mid-2018 and implemented all the proposals and recommendations given by the auditors already by the end of the year.

The third independent evaluation of the bank's internal control system in the field of AML/CTF/CPF was conducted by the commercial company of sworn auditors Deloitte in early 2019. Industra received a positive evaluation of the internal control system, as well as recommendations for improving a relevant area, which were fully implemented during 2019.

During the reporting period, Industra began a gradual bank transformation process. The organizational structure of the bank has been changed to make it clearer and simpler, as well as to more precisely determine the areas of responsibility of employees. Throughout the year, there was a significant strengthening of the team of employees, which resulted in the stronger and more professional team than before.

In line with the market trends and the operational efficiency of the bank's activity, during the reporting period, most tariffs for the bank's services and the offered deposit rates were adjusted to reflect the real situation.

During 2019, Industra continued work to optimize the number of bank's customer service centres, which, according to the plan, is expected to be completed in 2020.

Throughout the reporting period, Industra continued to work on developing loan products and improving the efficiency of the existing loan products.

Appendix 1
of the Financial and Capital Market Commission
Regulation Nr. 145 of 15.09.2006.

Balance Sheet

as of December 31, 2019
(Last date of the reporting period)

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Name of the Item	Bank; Reported period	Group; Reported period	Bank; Previous financial year*	Group; Previous financial year*
Cash and demand deposits with central banks	79,448	79,448	86,926	86,926
Demand deposits with credit Institutions	1,936	1,936	6,699	6,699
Financial assets designated at fair value through profit or loss	-	-	2	2
Financial assets at fair value through other comprehensive income	497	497	342	342
Financial assets at amortised cost	74,129	54,891	83,300	66,139
Derivatives - hedge accounting	-	-	-	-
Changes in fair value of portfolio part hedged against interest rate risk	-	-	-	-
Investments in subsidiaries, joint ventures and associates	-	-	-	-
Tangible assets	1,286	1,290	758	764
Intangible assets	-	-	9	9
Tax receivables	-	60	-	99
Other Assets	5,604	8,358	4,812	6,619
Non-current assets and disposal groups classified as held for sale	53	16,599	-	15,807
Total assets	**162,953**	**163,079**	**182,848**	**183,406**
Liabilities to central banks	-	-	-	-
Demand deposits from credit institutions	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	-
Financial liabilities at amortised cost	156,377	156,377	171,956	171,952
Derivatives - hedge accounting	-	-	-	-
Changes in fair value of portfolio part hedged against interest rate risk	-	-	-	-
Provisions	-	-	53	53
Tax liabilities	26	32	57	57
Other liabilities	2,834	2,975	2,425	2,640

Liabilities included in disposal groups classified as held for sale	-	-	-	-
Total liabilities	**159,237**	**159,384**	**174,491**	**174,702**
Shareholders' equity	3,716	3,695	8,357	8,704
Total liabilities and shareholders' equity	**162,953**	**163,079**	**182,848**	**183,406**
Off-Balance-Sheet Items				
Contingent Liabilities	96	96	1,590	1,590
Off-Balance-Sheet Commitments to Customers	285	250	1,300	1,300

*) audited

Appendix 2
of the Financial and Capital Market Commission
Regulation Nr. 145 of 15.09.2006.

Income Statement

as of December 31, 2019
(Last date of the reporting period)

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Name of the Item	Bank; Reported period	Group; Reported period	Bank; Previous financial year appropriate period*	Group; Previous financial year appropriate period*
Interest income	1,720	1,785	2,483	2,506
Interest expense	(1,262)	(1,262)	(1,542)	(1,542)
Dividend income	-	-	-	-
Fee and commission income	7,613	7,620	10,074	10,077
Fee and commission expense	(1,877)	(1,877)	(2,263)	(2,263)
Gains or losses from derecogniton of financial assets and liabilities not measured at fair value through profit or loss, net	-	-	-	-
Gains or losses from financial assets and liabilities measured at fair value through net profit or loss, net	1,009	1,009	2,793	2,793
Gains or losses from hedge accounting, net	-	-	-	-
Gains or losses from foreign exchange difference, net	64	33	(317)	(677)
Gains or losses from derecognition of non-financial assets, net	-	-	-	-
Other income	78	499	156	591
Other expense	(130)	(256)	(140)	(466)
Administrative expense	(7,811)	(8,250)	(7,951)	(8,108)
Depreciation	(272)	(274)	(327)	(329)
Modification gains or losses, net	-	-	-	-
Provisions or reversal of provisions	(3,924)	(3,691)	(2,665)	(2,539)

Impairment or reversal of impairment	-	(496)	-	-
Negative goodwill recognised in profit or loss	-	-	-	-
Gains or loss from investments in subsidiaries, joint ventures and associates measured using the equity method	-	-	-	-
Profit or loss from long-term assets and disposal groups classified as held for sale	-	-	-	-
Profit before corporate income tax	**(4,792)**	**(5,160)**	**301**	**43**
Corporate income tax	-	-	(1)	(1)
Net profit for the period	**(4,792)**	**(5,160)**	**300**	**42**
Other comprehensive income for the period	-	-	-	-

*) audited

Appendix 3
of the Financial and Capital Market Commission
Regulation Nr. 145 of 15.09.2006.

Bank's profitability ratios
as of December 31, 2019
(Last date of the reporting period)

Name of the Item	Bank; Reported period	Group; Reported period	Bank; Previous financial year appropriate period	Group; Previous financial year appropriate period
Return on equity (ROE) (%)	-54.63%	-59.45%	2.54%	0.48%
Return on assets (ROA) (%)	-2.36%	-2.58%	0.12%	0.02%

Appendix 4
of the Financial and Capital Market Commission
Regulation Nr. 145 of 15.09.2006.

Consolidated group
as of December 31, 2019
(Last date of the reporting period)

Nr.	**The name of the commercial company**	Registration place code, address	Company type *	Portion of a holding in share capital (%)	Portion of voting rights in the company (%)	Motivation for inclusion in the group**
1	AS "MTB Finance"	LV, Rīga, Elizabetes 57	CFI	100	100	MS

*BNK – bank, APS – insurance company, PAP – reinsurance company,
APP – insurance management company, IBS – investment brokerage company,
IPS – investment management company, PFO – pension fund, CFI – other financial institution,
FPS – financial management company, CKS – other commercial company.
** MS – subsidiary; KS – joint venture; MAS – parent company.

Appendix 5
of the Financial and Capital Market Commission
Regulation Nr. 145 of 15.09.2006.

I. Summary report of equity and capital adequacy ratios

as of December 31, 2019
(Last date of the reporting period)

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Nr.	Name of the Item	Bank; Reported period	Group; Reported period
1	**Own funds (1.1.+1.2.)**	**5,880**	**5,123**
1.1.	Tier 1 capital (1.1.1.+1.1.2.)	4,672	3,915
1.1.1.	Common equity Tier 1 capital	4,672	3,915
1.1.2.	Additional Tier 1 capital	-	-
1.2.	Tier 2 capital	1,208	1,208
2	**Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)**	**100,099**	**101,501**
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	81,897	82,821
2.2.	Total risk exposure amount for settlement/delivery	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	373	666
2.4.	Total risk exposure amount for operational risk (OpR)	17,809	17,994
2.5.	Total risk exposure amount for credit valuation adjustment	20	20
2.6.	Total risk exposure amount related to large exposures in the trading book	-	-
2.7.	Other risk exposure amounts	-	-
3	**Capital ratios and capital levels**		
3.1.	CET1 Capital ratio (1.1.1./2.*100)	4.67%	3.86%
3.2.	Surplus(+)/Deficit(-) of CET1 capital (1.1.1.-2.*4.5%)	168	-653
3.3.	T1 Capital ratio(1.1./2.*100)	4.67%	3.86%
3.4.	Surplus(+)/Deficit(-) of T1 capital (1.1.-2.*6%)	-1,334	-2,175
3.5.	Total capital ratio (1./2.*100)	5.87%	5.05%
3.6.	Surplus(+)/Deficit(-) of total capital(1./2.*100)	-2,128	-2,997
4	**Capital buffers (4.1.+4.2.+4.3.+4.4.+4.5.)**	2.50%	2.50%
4.1.	Capital conservation buffer (%)	2.50%	2.50%
4.2.	Institution specific countercyclical capital buffer (%)	-	-
4.3.	Systemic risk buffer (%)	-	-
4.4.	Systemically important institution buffer (%)	-	-
4.5.	Other Systemically Important Institution buffer (%)	-	-
5	**Capital ratios due to Pillar II adjustments**		
5.1.	Asset value adjustments for prudential purposes	-	-
5.2.	CET1 capital ratio including Pillar II adjustments	**4.67%***	**3.86%***
5.3.	T1 capital ratio including Pillar II adjustments	**4.67%***	**3.86%***
5.4.	Total capital ratio including Pillar II adjustments	**5.87%***	**5.05%***

* Capital adequacy ratios after capital increase (please see Management Report)

5.2.	CET1 capital ratio including Pillar II adjustments	**11.66%**	**10.76%**
5.3.	T1 capital ratio including Pillar II adjustments	**11.66%**	**10.76%**
5.4.	Total capital ratio including Pillar II adjustments	**12.87%**	**11.94%**

II. Information about equity and capital adequacy ratio, if credit institution applies the transitional period for mitigation the impact of the introduction of IFRS 9 on own funds

as of December 31, 2019

(Last date of the reporting period)

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№	Name of the Item	Bank; Reported period	Group; Reported period
1.A	**Own funds, if IFRS 9 transitional period would not be applied**	**4,271**	**3,515**
1.1.A	Tier 1 capital, if IFRS 9 transitional period would not be applied	3,063	2,307
1.1.1.A	Common equity Tier 1 capital, if IFRS 9 transitional period would not be applied	3,063	2,307
2.A	Total risk exposure amount, if IFRS 9 transitional period would not be applied	**98,313**	**99,832**
3.1.A	Common equity Tier 1 Capital ratio, if IFRS 9 transitional period would not be applied	3.12%	2.31%
3.3.A	Tier 1 Capital ratio, if IFRS 9 transitional period would not be applied	3.12%	2.31%
3.5.A	**Total Capital ratio, if IFRS 9 would not be applied**	**4.34%**	**3.52%**

Appendix 6
of the Financial and Capital Market Commission
Regulation Nr. 145 of 15.09.2006.

Liquidity coverage ratio

as of December 31, 2019

(Last date of the reporting period)

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№	Name of the Item	Bank; Reported period	Group; Reported period
1.A	Liquidity buffer	82,518	82,518
1.1.A	Net liquidity outflow	15,621	15,612
1.1.1.A	Liquidity coverage ratio (%)	**528.00%**	**529.00%**

Additional information:

1. As at 31 December 2019 breakdown of the securities portfolio of the Bank by countries, where the total book value of the securities exceeds 10% of the Bank's Own Funds.

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Issuer state	Total	% of the Bank's Own Funds	incl. Central Government	% of the Bank's Own Funds	Other issuers
LV	2,680	46%	2,680	46%	-
LT	5,407	92%	5,407	92%	-
Total securities portfolio	**8,087**	X	**8,087**	X	**-**

During the 4th quarter of the year 2019 provisions for financial assets at amortized cost have not been made.
As at 31 December 2019 the market value of the financial assets at amortized cost amounted to EUR 8 169 thousand.
During the 4th quarter of the year 2019 an impairment for financial assets designated at fair value through other comprehensive income has not been recognized.

2. In the reporting period sworn auditors have not audited AS "Industra" (hereinafter referred to as the Bank) Financial Statements.

3. The Information on risks, associated with the activities of the Bank, was published in the Annual report for the year ended 31 December 2018 on pages 27-82 (https://industra.finance/static/uploaded_files/documents/latvija/reports/2018/annual_report_2018__eng.pdf) and in the Information Disclosure Statement for the year 2018 on pages 1-24 (https://industra.finance/static/uploaded_files/documents/latvija/reports/2018/information_disclosure_31122018.pdf) and has not changed since publishing.

4. In the reporting period the shareholders structure has not been changed. Latest information about shareholders of the Bank is published on the Bank's home page in the section "About bank" (subsections "Management" - https://industra.finance/en_LV/about/management/).

5. Board of directors of the Bank has not been changed in the reporting period. The latest information about management of the Bank is published on the Bank's home page in the section "About bank" (subsections "Management" - https://industra.finance/en_LV/about/management/).

6. In the reporting period Bank's customer service offices structure has not been changed. Information on organizational structure of the Bank is published on the Bank's home page in the section "About bank" (subsection "Structure" - " https://industra.finance/static/uploaded_files/documents/latvija/Struktura_ENG.pdf ").

7. The information on strategy of the Bank's business activities and goals is published on the Bank's home page in the section "About bank" (subsection "History and Mission" - https://industra.finance/en_LV/about/history/) and in the Annual report for the year 2018 on page 3-5, 80-82 and has not been changed significantly since publishing.

8. The information about Remuneration policies and practices of the Bank is published in the Information Disclosure Statement for the year 2018 on pages 21 - 24, and has not been changed significantly since publishing.