AS Citadele banka

Risk management and capital adequacy report (pillar 3 disclosures)

for the year ended
31 December 2019

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INTRODUCTION

This report provides qualitative and quantitative disclosures on the major risks of operations of AS Citadele banka and its risk management objectives, policies and information on capital adequacy as required by:

- Part eight of the Regulation (EU) No 575/2013 "On prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012",
- Regulation No.40 of the Financial and Capital Market Commission (FCMC) "Rules on disclosure of the information in accordance with the part eight of the Regulation (EU) 575/2013 about materiality of the information, protected and confidential information and frequency of the disclosure of the information" and
- Guidelines EBA/GL/2016/11 (version 2) of the European Banking Authority "On disclosure requirements under part eight of Regulation (EU) No 575/2013".

This report should be read in conjunction with the latest annual report, the relevant quarterly financial statements, the report on remuneration policy and the statement on corporate governance as certain important information is disclosed in these reports and is not repeated in this report. The mentioned reports are available at www.cblgroup.com.

Refer to the separate report on remuneration policy for disclosures on remuneration in accordance with the requirements of:

- Guidelines EBA/GL/2015/22 of the European Banking Authority "On sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013",
- Article 28.15 of the regulation No.40 of the FCMC "Rules on disclosure of the information in accordance with the part eight of the Regulation (EU) 575/2013 about materiality of the information, protected and confidential information and frequency of the disclosure of the information", and
- Regulation No.126 of the FCMC "Regulation on remuneration policy principles".

AS Citadele banka has subsidiaries, which are financial institutions, thus it needs to comply with the capital adequacy, liquidity coverage ratio (LCR), leverage ratio (LR) and other regulatory requirements both at the Bank's standalone level and at the Group's consolidated level. However, in line with the Pillar III disclosure requirements information in the Risk report is disclosed only at the Group's consolidated level. For key information on the Bank standalone refer to the latest annual report and the relevant quarterly financial statements.

All monetary figures in this report are presented in thousands of Euros (EUR 000's). If not specified otherwise, all figures represent amounts as of 31 December 2019.

CONSOLIDATION GROUP

AS Citadele banka (thereon – the Bank), registration number 40103303559, is the parent company of the Group. In the consolidation group for regulatory purposes (thereon – the Group) companies are included as per requirements of Regulation (EU) No 575/2013 while in the consolidation group for the accounting purposes companies are included in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

The consolidation Group for regulatory purposes is different from the consolidation Group for the accounting purposes. As per regulatory requirements AAS CBL Life, a licensed insurer, is not included in the consolidation Group for capital adequacy purposes. Consequently, it is excluded from own funds calculation and individual assets of AAS CBL Life are not included as risk exposures in the Group's capital adequacy calculation. Instead, the carrying value of the Group's investment in AAS CBL Life constitutes a risk exposure in the Group's capital adequacy ratio calculation.

EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	a Method of accounting consolidation	b-e Method of regulatory consolidation	f Description of the entity
AS Citadele banka	Full consolidation	Full consolidation	Banking
AP Anlage & Privatbank AG	Full consolidation	Full consolidation	Banking
SIA Citadele līzings un faktorings	Full consolidation	Full consolidation	Leasing
OU Citadele Leasing & Factoring	Full consolidation	Full consolidation	Leasing
UAB Citadele faktoringas ir lizingas	Full consolidation	Full consolidation	Leasing
IPAS CBL Asset Management	Full consolidation	Full consolidation	Investment management company
AS CBL Atklātais Pensiju Fonds	Full consolidation	Full consolidation	Pension fund
Calenia Investments Limited	Full consolidation	Full consolidation	Support services
OOO Mizush Asset Management Ukraina	Full consolidation	Full consolidation	Investment management company
SIA Citadeles moduļi	Full consolidation	Full consolidation	Support services
SIA Hortus Land	Full consolidation	Full consolidation	Support services
SIA Hortus Residential	Full consolidation	Full consolidation	Support services
SIA Hortus RE	Full consolidation	Full consolidation	Support services
AAS CBL Life	Full consolidation	Deducted	Life insurance

There are no immediate or foreseeable legal obstacles for capital element transferability or liability repayment between the Group's parent company and its subsidiaries.

In certain jurisdictions all profits may not be paid out in dividends. In other jurisdictions specific part from accumulated profits has to be set aside for reserves. These reserves are freely available to the respective company for unlimited and immediate use to cover risks or losses, when such are incurred. For certain Group's earnings tax on capital distribution applies. For more details refer to the latest annual report.

EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories

	a	b	c	d	e	f	g
			Carrying values of items				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consoli-dation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisa-tion framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash balances at central banks	707,914	707,914	707,914		-	-	-
Loans to credit institutions	121,395	114,394	114,394	1,458	-	-	-
Debt securities	1,203,631	1,186,728	1,186,728	-	-	-	-
Loans to public	1,572,746	1,572,746	1,572,746	-	-	5,000	-
Equity instruments	5,092	5,092	5,092	-	-	-	-
Other financial instruments	39,972	6,434	6,434	-	-	-	-
Derivatives	960	960	-	960	-	960	-
Investments in subsidiaries	-	4,269	4,269	-	-	-	-
Tangible assets	49,989	49,988	49,988	-	-	-	-
Intangible assets	4,698	4,654	-	-	-	-	4,654
Current income tax assets	707	707	707	-	-	-	-
Deferred income tax assets	2,429	2,429	-	-	-	-	2,429
Non-current assets held for sale	2,862	2,862	2,862	-	-	-	-
Other assets	30,373	29,886	29,886	-	-	-	-
Total assets	**3,742,768**	**3,689,063**	**3,681,020**	**2,418**	**-**	**5,960**	**7,083**
Liabilities							
Deposits from credit institutions and central banks	1,637	1,637	-	-	-	-	1,637
Deposits and borrowings from customers	3,289,534	3,255,366	-	-	-	-	3,255,366
Debt securities issued	60,044	60,044	-	-	-	-	60,044
Derivatives	528	528	-	-	-	528	-
Provisions	4,150	4,150	4,150	-	-	-	-
Current income tax liabilities	581	581	-	-	-	-	581
Deferred income tax liabilities	676	676	-	-	-	-	676
Other liabilities	44,893	26,924	-	-	-	-	26,924
Total liabilities	**3,402,043**	**3,349,906**	**4,150**	**-**	**-**	**-**	**3,345,228**
Equity							
Share capital	156,556	156,556	-	-	-	-	156,556
Reserves and other capital components	11,276	10,352	-	-	-	-	10,352
Retained earnings	172,893	172,249	-	-	-	-	172,249
Total equity	**340,725**	**339,157**	**-**	**-**	**-**	**-**	**339,157**
Total liabilities and equity	**3,742,768**	**3,689,063**	**4,150**	**-**	**-**	**528**	**3,684,385**

EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
			Items subject to			
		Total	Credit risk framework	CCR framework	Securitisation framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)**	**3,681,020**	**3,681,020**	**2,419**	**-**	**5,960**
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(528)	-	-	-	(528)
3	**Total net amount under the regulatory scope of consolidation**	**3,680,492**	**3,681,020**	**-**	**-**	**5,432**
4	Off-balance-sheet amounts	349,331	349,331	-	-	-
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-		-	-
7	Differences due to consideration of provisions	(4,150)	(4,150)	-	-	-
8	Differences due to prudential filters	-	-	-	-	-
	Potential future credit exposure under mark-to-market CCR approach	2,251	-	2,251	-	-
	IFRS 9 transitional provisions amortised over the period and similar	7,770	7,770	-	-	-
9	**Exposure amounts considered for regulatory purposes**	**4,035,694**	**4,033,971**	**4,670**	**-**	**5,432**

GOVERNANCE

In order to ensure that the Bank's Supervisory Board and Management Board members and key function holders are suitable for their position and represent diversity, the Bank has developed internal regulation "AS Citadele banka's policy on the assessment of the suitability of members of the Supervisory Board and Management Board and key function holders".

The policy has been developed in accordance with the Credit Institution Law of the Republic of Latvia and the recommendations of the FCMC. The policy is reviewed and if necessary updated regularly.

The policy prescribes the procedure and the frequency of the assessment of the suitability of members of the Bank's Supervisory Board and Management Board and key function holders, as well as procedure for decision making on the suitability.

The initial suitability assessment is performed when a new member is nominated to the Bank's Supervisory Board or Management Board prior to his/her election or prior to the date of commencement of his/her duties, but not later than within 6 weeks after the election of the member of the Supervisory Board or the Management Board.

The reassessment of suitability is performed in the following cases:

- During the annual assessment of the suitability of a member of the Supervisory Board or the Management Board,
- If a member of the Supervisory Board or the Management Board is re-elected to his/her position,
- If changes are made to the responsibilities of a member of the Supervisory Board or the Management Board or in the competences required to carry out such responsibilities,
- If there is a doubt about the reliability, competence or reputation of a member of the Supervisory Board or the Management Board.

The suitability assessment is performed considering the overall composition of the Supervisory Board and the Management Board, as well as the knowledge and competence collectively necessary for the Supervisory Board and the Management Board, awareness and personal qualities in order to properly carry out the duties assigned to the members of the Supervisory Board in relation to the supervision of the Management Board activities and to the Management Board in relation to the Group's operational management.

The suitability assessment of the members of the Supervisory Board and the Management Board is performed by the Remuneration and Nomination Committee. The Supervisory Board approves the composition and also regulations of this committee. The suitability assessment of key function holders is performed by a special committee. The Management Board approves the composition and also regulations of this committee.

Each member of the Management Board is responsible for a specific scope of the Group operations. The suitability assessment process ensures that members of the Management Board have adequate level of necessary knowledge and competence in relation to specific scope of operations of the Group under responsibility of each member of the Management Board, as well adequate necessary collective knowledge and competence.

RISK MANAGEMENT

The Group considers risk management to be an essential component of its management process. The Group pursues prudent risk management that is aligned with its business ambitions and aims to achieve effective risk mitigation. In order to assess and monitor complex risk exposures, the Group applies a wide range of risk management tools in conjunction with risk committees. Members of risk committees represent various operations of the Group in order to balance business and risk orientation within respective risk committees. The Group's risk management principles are set out in its Risk Management Policy. The Group adheres to the following key risk management principles:

- The Group aims to ensure that it maintains low overall risk exposure, diversified asset portfolio, limited risks in financial markets and low levels of operational risk;
- The Group aims to ensure an acceptable risk level in all operations. Risks are always assessed in relation to their expected return. Risk exposures that are not acceptable are avoided, limited or hedged;
- The Group does not assume high or uncontrollable risks irrespective of the return they provide and assumes risks only in economic fields and geographical regions in relation to which it believes it has sufficient knowledge and expertise;
- Risk management is based on each Group's employee's responsibility for the transactions carried out by him/her and awareness of the related risks;
- Risk limit system and strict controls are essential risk management elements. Control over risk levels and compliance with the imposed limits is achieved by the existence of structured risk limit systems for all material risks.

The aim of the risk management in the Group is to facilitate the achievement of the Group's goals, sustainable growth, long-term financial stability and to protect the Group from unidentified risks. The Bank has appointed a Risk Director (CRO) who is a member of the Bank's Management Board and whose responsibilities do not include the duties related to the activities under control. The CRO has a direct access to the Bank's Supervisory Board. The Risk and Governance Committee, which is subordinated to the Bank's Supervisory Board, has been established in the Bank. The main task of the Risk and Governance Committee is to provide support to the Bank's Supervisory Board in relation to the monitoring of the Group's risk management system. The Risk and Governance Committee established by the Bank's Supervisory Board provides recommendations to the Bank's Management Board regarding improvements of the risk management system. Risk management within the Group is controlled by an independent unit – the Risk Sector.

The main risks to which the Group is exposed are: credit risk, market risk, interest rate risk, liquidity risk, currency risk and operational risk. For each of these risks the Group has approved risk management policies and other internal regulations defining key risk management principles and processes, functions and responsibilities of units, risk concentration limits, as well as control and reporting system. The Bank's Supervisory Board approves risk management policies and ensures the control of efficiency of the risk management system. The Bank's Management Board and CRO ensure implementation of the risk management policies and development of internal regulations for the management of each material risk within the Group. In order to assess and monitor material and complex risk exposures, the Bank's Management Board establishes risk committees. Members of risk committees represent various units of the Group in order to ensure the balance between the units responsible for risk monitoring and control and the units with business orientation.

The Group continuously assesses and controls risks – both on an individual basis by type of risk and by performing a comprehensive assessment within the internal capital adequacy assessment process (ICAAP). Each member of the Group is responsible for risk control and management. Each employee of the Group is responsible for the compliance with the principles set out in the Group's internal regulations.

Risk management process includes the following elements: risk identification, risk assessment and decision making, risk management and control, risk monitoring and reporting. The Group regularly, at least once a year, identifies and describes the types of material risks inherent in its operations by assessing what types of risks may have a negative impact on achieving its performance targets and projected financial results. In order to identify the types of material risks, quantitative and qualitative criteria are used and the results of the process are documented. For all types of identified material risks the aims of risk management are defined and risk appetite is determined. In addition, the development of internal regulations in relation to risk management of those risks is ensured, including risk identification and assessment methods, adequate risk restriction and control procedures, such as quantitative restrictions and limits, or control measures that reduce unquantifiable risks, risk appetite, procedures for reporting the information on risks, risk levels assumed and trends thereof to the Group's management bodies, as well as other information necessary for decision making, risk management policy and control procedures, including procedures for control of compliance with the restrictions and limits set, segregation of duties, approval rights and responsibilities.

Risk assessment and decision making include selection, approval and documentation of risk assessment methodology, regular risk assessment, establishment of the risk restriction and controlling system and setting the acceptable level of risks within this system, decision making on assuming the risks. Risk assessment includes the determination of qualitative and quantitative impact of the source of each identified risk using generally accepted methodology which is adequately documented. The Group makes a decision in relation to each identified and assessed risk whether the Group accepts such risk or takes the necessary measures for its mitigation, or ceases activities related to this risk. The Group does not assume risks with the impact exceeding the risk appetite determined for each respective type of risk regardless of the economic benefits that might result from assuming such risk.

Risk management and control include the compliance with the level of risk acceptable for the Group including the compliance with the limits restricting the amount of risk. Monitoring and reporting includes regular assessment of the existing level of risk against the desirable level of risk, trend analysis, regular reporting to the relevant unit heads, the Bank's Management Board and the Supervisory Board.

The integral part of the risk management is risk stress testing. Stress testing process ensures regular identification and assessment of risks inherent to the Group's current and future operations, as well as assessment of the impact of different extraordinary and adverse events on the Group's operations, in order to provide support to responsible employees of the Group in management decision-making process at different levels of management (e.g. strategic planning, determination and correction of the risk appetite, capital planning, liquidity management).

The Group's Internal Audit Division regularly monitors the implementation of risk management policies and other internal regulations, as well as provides recommendations regarding improvements of the risk management system.

CAPITAL ADEQUACY CALCULATION

Capital adequacy is calculated in accordance with the current global standards of the bank capital adequacy (the Basel III international regulatory framework) as implemented by the European Union via a Regulation (EU) 575/2013 and a Directive 2013/36/EU, the FCMC rules and other relevant regulations.

Capital adequacy refers to the sufficiency of the Group's own funds to cover credit risks, market risks and other specific risks arising predominantly from asset and off-balance sheet exposures of the Group. The regulations require Latvian banks to maintain a total capital adequacy ratio of 8.0% of the total risk weighted exposure amounts. The rules also require 4.5% minimum Common Equity Tier 1 capital ratio and 6.0% minimum Tier 1 capital ratio. Total SREP capital requirement (TSCR) requires capital to cover risks in addition to these covered by the Regulation (EU) 575/2013. TSCR is established in a supervisory review and evaluation process (SREP) carried out by the national supervisory authority. The national supervisory authority determines TSCR on a risk-by-risk basis, using supervisory judgement, the outcome of supervisory benchmarking, ICAAP calculations and other relevant inputs. The additional pillar 2 capital requirement is re-assessed annually by the FCMC. As of the period end based on the FCMC's assessment an additional 2.90% capital requirement (TSCR) for the Group is determined to cover pillar 2 risks. The Group is required to cover 56% of the TSCR with Common Equity Tier 1 capital (1.62% capital requirement), 75% with Tier 1 capital (2.18% capital requirement) and 100% with total capital (2.90% capital requirement).

For the Group 2.50% capital conservation buffer applies, limiting dividend pay-out and certain other Tier 1 equity instrument buy-backs if the threshold is not exceeded. Countercyclical buffer norms are calculated at every reporting date based on the actual risk exposure geographical distribution. The FCMC has identified Citadele as "other systemically important institution" (O-SII). The Group's O-SII capital buffer requirement set by the FCMC is 1.50%. These buffer requirements have to be covered by Common Equity Tier 1 capital.

Since 30 June 2019 the Group applies prudential provisioning requirements in line with the Regulation Nr.120 of the FCMC "Credit risk management". The Bank has subsidiaries, which are financial institutions and needs to comply with the regulatory requirements both at the Bank's standalone level and at the Group's consolidated level. As of the period end both the Bank and the Group have sufficient capital to comply with the FCMC's capital adequacy requirements.

Regulatory capital requirements of the Group on 31 December 2019

	Common Equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common Equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Individual TSCR, as determined by the FCMC	1.62%	2.18%	2.90%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.50%	1.50%	1.50%
Countercyclical capital buffer	0.24%	0.24%	0.24%
Capital requirement	**10.36%**	**12.42%**	**15.14%**

Capital adequacy ratio (including profits for 2019)

	EUR thousands	
	31/12/2019 Group	31/12/2018 Group
Common Equity Tier 1 capital		
Paid up capital instruments	156,556	156,556
Retained earnings	172,070	136,210
Regulatory deductions	(8,539)	(7,645)
Other capital components and transitional adjustments, net	15,505	9,573
Tier 2 capital		
Eligible part of subordinated liabilities	60,000	60,000
Total own funds	**395,592**	**354,694**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,555,638	1,507,401
Total exposure amounts for position, foreign currency open position and commodities risk	16,643	10,483
Total exposure amounts for operational risk	209,649	245,354
Total exposure amounts for credit valuation adjustment	544	399
Total risk exposure amount	**1,782,474**	**1,763,637**
Total capital adequacy ratio	**22.2%**	**20.1%**
Common Equity Tier 1 capital ratio	**18.8%**	**16.7%**

Capital adequacy calculation of the Group in accordance with the Regulation (EU) 575/2013 and the FCMC regulations (Basel III framework, Pillar I as implemented by EU and FCMC) permits transitional adjustments. For 2019 and later periods transitional provisions with a diminishing favourable impact apply to IFRS 9 implementation. The regulation (EU) 2017/2395 permits specific proportion of IFRS 9 implementation impact to be amortised over a five-year period (starting from 2018) for capital adequacy calculation purposes. The long term regulatory capital position of the Group is planned and managed in line with these and other expected upcoming regulatory requirements.

Fully loaded capital adequacy ratio (i.e. excluding transitional adjustments, including profits for 2019)

	EUR thousands	
	31/12/2019 Group	31/12/2018 Group
Common Equity Tier 1 capital, fully loaded	330,618	288,832
Tier 2 capital	60,000	60,000
Total own funds, fully loaded	**390,618**	**348,832**
Total risk exposure amount, fully loaded	**1,778,058**	**1,758,524**
Total capital adequacy ratio, fully loaded	**22.0%**	**19.8%**
Common Equity Tier 1 capital ratio, fully loaded	**18.6%**	**16.4%**

OWN FUNDS

The capital of AS Citadele banka consists of two types of instruments – ordinary shares and subordinated debt securities issued. For more information on the bondholders and shareholders of the Bank refer to the latest annual report.

EU 1423/2013, Annex II – Capital instruments' main features

		Ordinary shares	Subordinated liabilities: Publicly listed unsecured bonds	Subordinated liabilities: Publicly listed unsecured bonds
	Capital instruments' main features			
1	Issuer	AS Citadele banka	AS Citadele banka	AS Citadele banka
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	-	LV0000802221	LV0000880011
3	Governing law(s) of the instrument	Latvia	Latvia	Latvia
	Regulatory treatment			
4	Transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Subordinated liabilities	Subordinated liabilities
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	EUR 156.6 million	EUR 40.0 million	EUR 20.0 million
9	Nominal amount of instrument	EUR 156.6 million	EUR 40.0 million	EUR 20.0 million
9a	Issue price	EUR 156.6 million	EUR 40.0 million	EUR 20.0 million
9b	Redemption price	-	EUR 40.0 million	EUR 20.0 million
10	Accounting classification	Shareholders' Equity	Liabilities at amortised cost	Liabilities at amortised cost
11	Original date of issuance	Various	06/12/2016	24/11/2017
12	Perpetual or dated	Perpetual	Dated	Dated
13	Original maturity date	No Maturity	06/12/2026	24/11/2027
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	-	-	-
16	Subsequent call dates, if applicable	-	-	-
	Coupons / dividends			
17	Fixed or floating dividend/coupon	-	Fixed	Fixed
18	Coupon rate and any related index	-	6.25%	5.50%
19	Existence of a dividend stopper	-	-	-
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Discretionary	Fixed	Fixed
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Discretionary	Fixed	Fixed
21	Existence of step up or other incentive to redeem	-	-	-
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-Convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	-	-	-
25	If convertible, fully or partially	-	-	-
26	If convertible, conversion rate	-	-	-
27	If convertible, mandatory or optional conversion	-	-	-
28	If convertible, specify instrument type convertible into	-	-	-
29	If convertible, specify issuer of instrument it converts into	-	-	-
30	Write-down future	No	No	No
31	If write-down, write-down trigger(s)	-	-	-
32	If write-down, full or partial	-	-	-
33	If write-down, permanent or temporary	-	-	-
34	If temporary write-down, description of write-up mechanism	-	-	-
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated to subordinated liabilities	Subordinated to other non-subordinated liabilities	Subordinated to other non-subordinated liabilities
36	Non-compliant transitional features	No	No	No
37	If yes, specify non-compliant features	-	-	-

EU 1423/2013, Annex VI – Own funds disclosure

			Regulation (EU) No 575/2013 Article Reference
	Common Equity Tier 1 (CET1) capital: Instruments and reserves		
1	Capital Instruments and the related share premium accounts	156,556	26 (1), 27, 28, 29, EBA list 26 (3)
	of which: ordinary shares	*156,556*	EBA list 26 (3)
2	Retained earnings	172,070	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the appropriate accounting standards)	10,531	26 (1)
3.a	Funds for general banking risk	-	26 (1) (f)
4	Amount of qualifying items referred to in the Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)
	Public sector capital injections grandfathered until 1 January 2018	-	483 (2)
5	Minority interest (amount allowed in consolidated CET1)	-	84, 479, 480
5.a	Independently reviewed interim profits net of any foreseeable change or dividend	-	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**339,157**	**Sum of lines 1 to 5.a**
	Common Equity Tier 1 (CEt1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(394)	34, 105

8	Intangible assets (net of related tax liability) (negative amount)	(4,654)	36 (1) (b), 37, 472 (4)
9	Empty set in the EU	-	
10	Deferred tax assets that relay on future profitability excluding these arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(2,429)	36 (1) (c), 38, 472 (5)
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159, 472 (6)
13	Any increase in equity that results from securitised assets (negative amount)	-	32 (1)
14	Gain or loss on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42, 472 (8)
17	Direct, indirect and synthetic holdings of CET1 instruments of financial sector entities where those entities have reciprocal holdings with the institution designated to inflate artificially the own funds of the institution (negative amount)	-	36 (1) (g), 44, 472 (9)
18	Direct, indirect and synthetic holdings of CET1 instruments of financial sector entities where the institution does not have a significant investment in these entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) and (3), 79, 472 (10)
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in these entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)
20	Empty set in EU	-	
20.a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36 (1) (k)
20.b	*of which: qualifying holdings outside the financial sector (negative amount)*	-	*36 (1) (k) (i), 89 to 91*
20.c	*of which: securitisation positions (negative amount)*	-	*36 (1) (k) (ii), 243 (1) (b), 244 (1) (b), 258*
20.d	*of which: free deliveries (negative amount)*	-	*36 (1) (k) (iii), 379 (3)*
21	Deferred tax asset arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)
23	*of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in these entities*	-	*36 (1) (i), 48 (1) (b), 470, 472 (11)*
24	*Empty set in the EU*	-	
25	*of which: deferred tax assets arising from temporary differences*	-	*36 (1) (c), 38, 48 (1) (a)*
25.a	Losses for the current financial year (negative amount)	-	36 (1) (a), 472 (3)
25.b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36 (1) (l)
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-	
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Article 467 and 468	-	467, 468
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	4,973	481, 473a
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36 (1) (j)
	Regulatory corrections related to deferred tax assets in accordance with Article 472	-	472
27a	Prudential calendar provisioning	(1,061)	Regulation Nr.120 of the FCMC on Credit risk management
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(3,565)**	**Sum of lines 7 to 20.a, 21, 22, and 25.a to 27**
29	**Common Equity Tier 1 (CET1) capital**	**335,592**	**Line 6 less line 28**
	Additional Tier 1 (At1) capital: instruments		
30	Capital instruments and the related share premium accounts	-	51, 52
31	*of which: classified as equity under applicable accounting standards*	-	
32	*of which: classified as liabilities under applicable accounting standards*	-	
33	Amounts of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)
	Public sector capital injections grandfathered until 1 January 2018	-	483 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	85, 86, 480
35	*of which: instruments issued by subsidiaries to phase out*	-	*486 (3)*
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	**Sum of lines 30, 33 and 34**
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57, 475 (2)
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58, 475 (3)
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79, 475 (4)

40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)
41	Regulatory adjustments applied to additional tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	-	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	Of which: items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.	-	
41b	Residual amounts deducted from Additional Tier 1 capital with regards to deductions from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	477, 477 (3), 477 (4) (a)
	Of which: items to be detailed line by line, e.g. reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.	-	
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	467, 468, 481
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**Sum of lines 37 to 42**
44	**Additional Tier 1 (AT1) capital**	**-**	**Line 36 less line 43**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**335,592**	**Sum of lines 29 and 44**
	Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	60,000	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)
	Public sector capital injections grandfathered until 1 January 2018	-	483 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiary and held by third parties	-	87, 88, 480
49	*of which: instruments issued by subsidiaries subject to phase out*	-	*486 (4)*
50	Credit risk adjustments	-	62 (c) and (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	**60,000**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67, 477 (2)
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those have reciprocal cross holdings with the institution designated to inflate the own funds of the institution (negative amount)	-	66 (b), 68, 477 (3)
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79, 477 (4)
54a	*of which: new holdings not subject to transitional arrangements*	-	
54b	*of which: holdings existing before 1 January 2013 and subject to transitional arrangements*	-	
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	66 (d), 69, 79, 477 (4)
56	Regulatory adjustments applied to tier 2 in respect of amount subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EUR) No 575/2013 (i.e. CRR residual amounts)	-	
56a	Residual amounts deducted from Tier 2 capital with regard to deductions from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 472 (3) (a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)
	of which: items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc.	-	
56b	Residua amounts deducted from Tier 2 capital with regard to deductions from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	475, 475 (2) (a), 475 (3), 475 (4) (a)
	of which: items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non-significant investments in capital of other financial sector entities, etc..	-	
56c	Amount to be deducted from or added to Tier 2 capital with regards ro additional filters and deductions required pre CRR	-	467, 468, 481
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**Sum of lines 52 to 56**
58	**Tier 2 (T2) capital**	**60,000**	**Line 51 less line 57**
59	**Total capital (TC = T1 + T2)**	**395,592**	**Sum of line 45 and line 58**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)		
	of which: items not deducted from CET1 (Regulation (EU) No 575/2013 residual amount) (items to be deducted line by line, e.g. deferred tax assets that rely on future profitability net of related tax liabilities, indirect holdings of own CET1, etc.)		472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)

	of which: items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amount) (items to be detailed line by line, e.g. reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)		475, 475 (2) (b), 475 (2) (c), 475 (4) (b)
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amount) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)
60	**Total risk weighted assets**	**1,782,474**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	18.8%	92 (2) (a), 465
62	Tier 1 (as a percentage of risk exposure amount)	18.8%	92 (2) (b), 465
63	Total capital (as a percentage of risk exposure amount)	22.2%	92 (2) (c)
64	Instruction specific buffer requirements (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount	4.2%*	CRD 128, 129, 130
65	*of which: capital conservation buffer requirement*	*2.5%*	
66	*of which: countercyclical buffer requirement*	*0.2%*	
67	*of which: systemic risk buffer requirement*	-	
67.a	*of which: Global Systematically Important Institution (G-SII) or Other Systematically Important Institution (O-SII) buffer*	*1.5%*	*CRD 131*
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.3%(2)	CRD 128
69	[non relevant in EU regulation]	-	
70	[non relevant in EU regulation]	-	
71	[non relevant in EU regulation]	-	
	Capital ratios and buffers		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	4,269	36 (1) (i), 45, 48, 470, 472 (11)
74	Empty set in the EU	-	
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	36 (1) (c), 38, 48, 470, 472 (5)
	Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach)	-	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	62
79	Cap for inclusion of credit risk adjustment in T2 under internal ratings-based approach	-	62
	Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
80	Current cap on CAT1 instruments subject to phase out arrangements	-	484 (3), 486 (2) and (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) and (5)
82	Current cap on AT1 instruments subject to phase out arrangements	-	484 (3), 486 (2) and (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) and (5)
84	Current cap on T2 instruments subject to phase out arrangements	-	484 (3), 486 (2) and (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) and (5)

* The national supervisory authority determines TSCR on a risk-by-risk basis, using supervisory judgement, the outcome of supervisory benchmarking, ICAAP calculations and other relevant inputs. The additional pillar 2 capital requirement is re-assessed annually by the FCMC. The Group is required to cover 56% of the TSCR with Common Equity Tier 1 capital, 75% with Tier 1 capital and 100% with total capital.

EU OV1 – Overview of RWAs

			RWAs		Minimum capital requirements
			31/12/2019	31/12/2018	31/12/2019
	1	**Credit risk (excluding CCR)**	1,552,569	1,504,231	124,206
Article 438(c)(d)	*2*	*Of which the standardised approach*	*1,552,569*	*1,504,231*	*124,206*
Article 438(c)(d)	*3*	*Of which the foundation IRB (FIRB) approach*	-	-	-
Article 438(c)(d)	*4*	*Of which the advanced IRB (AIRB) approach*	-	-	-
Article 438(d)	*5*	*Of which equity IRB under the simple risk-weighted approach or the IMA*	-	-	-
Article 107 Article 438(c)(d)	6	CCR	3,613	3,569	289
Article 438(c)(d)		*Of which mark to market*	*3,069*	*3,170*	*246*
Article 438(c)(d)	*8*	*Of which original exposure*	-	-	-
	9	*Of which the standardised approach*	-	-	-
	10	*Of which internal model method (IMM)*	-	-	-
Article 438(c)(d)	*11*	*Of which risk exposure amount for contributions to the default fund of a CCP*	-	-	-
Article 438(c)(d)	*12*	*Of which CVA*	*544*	*399*	*44*
Article 438(e)	13	Settlement risk	-		
Article 449(o)(i)	14	Securitisation exposures in the banking book (after the cap)	-	-	-
	15	*Of which IRB approach*	-	-	-
	16	*Of which IRB supervisory formula approach (SFA)*	-	-	-
	17	*Of which internal assessment approach (IAA)*	-	-	-
	18	*Of which standardised approach*	-	-	-
Article 438 (e)	19	Market risk	16,643	10,483	1,331
	20	*Of which the standardised approach*	*16,643*	*10,483*	*1,331*
	21	*Of which IMA*			
Article 438(e)	22	Large exposures	-	-	-
Article 438(f)	23	Operational risk *	209,649	245,354	16,772
	24	*Of which basic indicator approach*	-	*245,354*	-
	25	*Of which standardised approach*	*209,649*	-	*16,772*
	26	*Of which advanced measurement approach*	-	-	-
Article 437(2), Article 48 and Article 60	27	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Article 500	28	Floor adjustment	-	-	-
	29	**Total**	**1,782,474**	**1,763,637**	**142,598**

* In 2019 the Group elected to switch operational risk calculation from basic indicator approach to standardised approach to better align capital requirements with the underlying business models of the Group.

EU INS1 – Non-deducted participations in insurance undertakings

	Value
Holdings of own funds instruments of a financial sector entity where the institution has a significant investment not deducted from own funds (before risk-weighting)	4,269
Total RWAs	10,672

CREDIT RISK AND CREDIT RISK MITIGATION (CRM)

Credit risk is the risk that the Group will incur a loss from debtor's non-performance or default. The Group is exposed to credit risk in its lending, investing and transaction activities, as well as in respect of the guarantees issued to or received from third parties and other off-balance sheet commitments to third parties. Credit risk management is performed pursuant to the Credit Risk Management Policy. The goal of credit risk management is to achieve a diversified asset portfolio which generates profits that correspond to the assumed level of risk.

Credit risk management is based on an adequate assessment of a credit risk and a proper decision-making in relation to such risk. In cases when significant risk is to be undertaken, the credit risk analysis is performed by independent units of the Risk Sector. The credit risk analysis consists of an assessment of customer's creditworthiness and collateral quality and liquidity. The analysis of a legal entity's creditworthiness includes an assessment of the industry in which it operates, as well as an analysis of its credit history and current and forecasted financial situation. The assessment of a private individual's creditworthiness consists of the analysis of its credit history, income and debt-to-income ratio analysis, as well as an analysis of applicable social and demographic factors. In cases of material risks, lending decisions are taken by the Credit Committee and approved by the Bank's Management Board.

In relation to the acquisition of corporate bonds, the Group always analyses the business profile and financial performance of the issuer, taking into consideration the credit ratings assigned to it by international rating agencies, as well as market-based indicators. Sovereign bonds are assessed similarly, but with an emphasis on different fundamental factors, including the country's economic strength, institutional strength, financial strength of the government, political risks and other relevant factors.

After a loan is issued or a fixed income security is acquired, the customer's financial position and the issuers' risk indicators, such as credit rating changes, are monitored on a regular basis in order to timely identify potential credit quality deterioration. The loan monitoring process covers monitoring of financial results, financial position and cash flows of the borrower, loan repayment discipline and assessment of collateral quality.

The Group reviews its loan portfolio and securities portfolio on a regular basis to assess its structure, quality and concentration levels, as well as to evaluate portfolio trends and to control credit risk level. The Group takes measures for limiting credit risk concentration by diversifying the portfolio and setting credit risk concentration limits. To limit its credit risk, the Group has set the following concentration limits: individual counterparty and issuer limits, maximum exposure limit linked to a particular risk class of counterparty/issuer, limit for internally risk weighted exposures in a particular country/sector combination, limit for groups of connected customers, limit for large risk exposures, limit for transactions with the Group's related parties, industry limit, limit by customer type, loan product type, collateral type, intra-group transactions. Control of compliance with credit risk concentration limits, credit risk identification, monitoring and reporting is the responsibility of the Risk Sector.

In addition to the credit risk, which is inherent in the Group's loan portfolio and fixed income securities portfolio, the Group is also exposed to credit risk as a result of its banking relationships with multiple credit institutions which it maintains in order to process customer transactions in a prompt and efficient manner. The Group manages its exposure to commercial banks and brokerage companies by monitoring on a regular basis the credit ratings of such institutions, conducting due diligence of their credit profiles and monitoring the individual exposure limits applicable to counterparties set by the Financial Market and Counterparty Risk Committee (FMCRC). The Group's exposures to derivative counterparties arise from its activities in managing liquidity and credit risks through short term derivatives that do not expose it to material counterparty risk.

EU CRB-A – Additional disclosure related to the credit quality of assets

Qualitative disclosures	
Article 442(a)	The scope and definitions of 'past-due' and 'impaired' exposures used for accounting purposes and the definitions of past due and default for regulatory purposes are as specified by the EBA Guidelines on the application of the definition of default.
Article 442(a)	All exposures past-due more than 90 days are considered past-due exposures and are considered credit impaired for accounting purposes. All financial assets are assessed for expected credit losses.
Article 442(b)	By default all exposures are assessed collectively for expected credit losses and the corresponding impairment allowances or provisions for off-balance sheet exposures are presented as general credit risk adjustments. For larger loan book exposures where there are indications of impairment an individual expected credit loss assessment is carried out and, if based on the assessment, the exposure is impaired the resulting impairments allowance and provisions are presented as specific credit risk adjustment. For large exposures which have no impairment indicators or where based on the individual assessment are not impaired, expected credit losses are assessed collectively and presented as general credit risk adjustments.
Article 442(a)	The institution is applying definition of a restructured exposure for the implementation of Article 178(3)(d) as specified by the EBA Guidelines on default in the definition of forborne exposure defined in Annex V of the Commission Implementing Regulation (EU) No 680/2014.

EU CRB-B – Total and average net amount of exposures

		a **Net value of exposures at the end of the period ***	b **Average net exposures over the period**
16	Central governments or central banks	1,313,541	1,031,354
17	Regional governments or local authorities	24,055	14,368
18	Public sector entities	50,228	54,778
19	Multilateral development banks	37,548	37,352
20	International organisations	-	-
21	Institutions	326,925	352,189
22	Corporates	982,822	1,057,326
23	*Of which: SMEs*	471,502	518,894
24	Retail	594,026	506,546
25	*Of which: SMEs*	108,902	92,755
26	Secured by mortgages on immovable property	433,036	412,276
27	*Of which: SMEs*	334	517
28	Exposures in default	45,973	67,135
29	Items associated with particularly high risk	77,068	72,164
30	Covered bonds	9,920	7,446
31	Claims on institutions and corporates with a short-term credit assessment	-	-
32	Collective investments undertakings	6,434	6,359
33	Equity exposures	9,361	7,969
34	Other exposures	127,701	125,383
35	**Total standardised approach**	**4,038,638**	**3,752,645**
36	**Total**	**4,038,638**	**3,752,645**

* Including exposure value for credit risk and CCR.

EU CRB-C – Geographical breakdown of exposures

		a	b	c	d	e	f	g
		Net value						
		Latvia	Lithuania	Estonia	United States	Nether-lands	Other countries	Total
7	Central governments or central banks	742,194	315,201	117,373	14,388	12,690	111,695	1,313,541
8	Regional governments or local authorities	-	16,199	56	-	-	7,800	24,055
9	Public sector entities	50,228	-	-	-	-	-	50,228
10	Multilateral development banks	-	-	-	12,924	-	24,624	37,548
11	International organisations	-	-	-	-	-	-	-
12	Institutions	62	-	-	49,263	43,537	234,063	326,925
13	Corporates	450,774	181,610	47,746	70,727	55,000	176,965	982,822
14	Retail	387,821	184,339	19,886	5	-	1,975	594,026
15	Secured by mortgages on immovable property	243,804	79,883	101,602	179	-	7,568	433,036
16	Exposures in default	24,650	12,974	2,341	-	-	6,008	45,973
17	Items associated with particularly high risk	72,880	4,148	40	-	-	-	77,068
18	Covered bonds	-	-	-	-	-	9,920	9,920
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
20	Collective investments undertakings	6,434	-	-	-	-	-	6,434
21	Equity exposures	5,393	-	-	3,833	-	135	9,361
22	Other exposures	120,835	3,340	1,612	-	6	1,908	127,701
23	**Total standardised approach**	**2,105,075**	**797,694**	**290,656**	**151,319**	**111,233**	**582,661**	**4,038,638**
24	**Total**	**2,105,075**	**797,694**	**290,656**	**151,319**	**111,233**	**582,661**	**4,038,638**

EU CRB-D – Concentration of exposures by industry or counterparty types

		a	c	d	e	f	g	h	i	j	k	
		Agriculture, forestry and fishing	Manufacturing	Electricity, gas, steam and air conditioning supply	Construction	Wholesale and retail trade	Transport and storage	Accommodation and food service activities	Real estate activities	Public administration and defence, compulsory social security	Other services, financial institutions and private individuals	Total
7	Central governments or central banks	-	-	-	-	-	-	-	-	40,504	1,273,037	1,313,541
8	Regional governments or local authorities	-	-	-	-	-	-	-	-	21,634	2,421	24,055
9	Public sector entities	-	-	-	-	-	-	-	-	50,005	223	50,228
10	Multilateral development banks	-	-	-	-	-	-	-	-	-	37,548	37,548
11	International organisations	-	-	-	-	-	-	-	-	-	-	-
12	Institutions	-	-	-	-	-	-	-	-	-	326,925	326,925
13	Corporates	32,916	90,118	34,919	14,869	54,865	37,195	52,158	192,331	2,682	470,769	982,822
14	Retail	38,905	28,108	1,038	15,139	43,316	62,297	3,122	9,814	-	392,287	594,026
15	Secured by mortgages on immovable property	78	3	-	-	-	14	-	-	-	432,941	433,036
16	Exposures in default	6,050	4,943	788	610	6,459	540	435	2,177	-	23,971	45,973
17	Items associated with particularly high risk	274	-	-	10,755	117	-	-	62,783	-	3,139	77,068
18	Covered bonds	-	-	-	-	-	-	-	-	-	9,920	9,920
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	-	-	-	-	-	6,434	6,434
21	Equity exposures	-	-	-	-	-	-	-	-	-	9,361	9,361
22	Other exposures	-	-	-	-	-	-	-	-	-	127,701	127,701
23	**Total standardised approach**	**78,223**	**123,172**	**36,745**	**41,373**	**104,757**	**100,046**	**55,715**	**267,105**	**114,825**	**3,116,677**	**4,038,638**
24	**Total**	**78,223**	**123,172**	**36,745**	**41,373**	**104,757**	**100,046**	**55,715**	**267,105**	**114,825**	**3,116,677**	**4,038,638**

EU CRB-E – Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
7	Central governments or central banks	667,223	248,386	284,308	113,624	-	1,313,541
8	Regional governments or local authorities	3,142	5,022	11,772	4,119	-	24,055
9	Public sector entities	50,152	58	18	-	-	50,228
10	Multilateral development banks	-	2,697	29,360	5,491	-	37,548
11	International organisations	-	-	-	-	-	-
12	Institutions	97,455	100,057	115,342	14,071	-	326,925
13	Corporates	73,923	202,043	526,607	180,249	-	982,822
14	Retail	152,153	171,347	257,442	13,084	-	594,026
15	Secured by mortgages on immovable property	1,475	25,083	95,821	310,657	-	433,036
16	Exposures in default	2,028	14,443	17,556	11,946	-	45,973
17	Items associated with particularly high risk	19,136	22,100	34,639	1,193	-	77,068
18	Covered bonds	-	1,839	8,081	-	-	9,920
19	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
20	Collective investments undertakings	-	-	-	-	6,434	6,434
21	Equity exposures	-	-	-	-	9,361	9,361
22	Other exposures	19,409	1,168	620	-	106,504	127,701
23	**Total standardised approach**	**1,086,096**	**794,243**	**1,381,566**	**654,434**	**122,299**	**4,038,638**
24	**Total**	**1,086,096**	**794,243**	**1,381,566**	**654,434**	**122,299**	**4,038,638**

EU CR1-A – Credit quality of exposures by exposure class and instrument

		a	b	c	g
		Gross carrying values of		Specific and general credit risk adjustment	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
16	Central governments or central banks	-	1,313,691	(150)	1,313,541
17	Regional governments or local authorities	-	24,062	(7)	24,055
18	Public sector entities	-	50,279	(51)	50,228
19	Multilateral development banks	-	37,550	(2)	37,548
20	International organisations	-	-	-	-
21	Institutions	-	327,043	(118)	326,925
22	Corporates	36,812	990,684	(25,456)	1,002,040
23	*Of which: SMEs*	*171*	*476,653*	*(5,159)*	*471,665*
24	Retail	6,479	604,879	(12,792)	598,566
25	*Of which: SMEs*	*393*	*110,809*	*(1,922)*	*109,280*
26	Secured by mortgages on immovable property	9,073	434,125	(3,634)	439,564
27	*Of which: SMEs*	*27*	*335*	*(4)*	*358*
28	Exposures in default	n/a	n/a	n/a	n/a
29	Items associated with particularly high risk	-	77,981	(913)	77,068
30	Covered bonds	-	9,920	-	9,920
31	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-
32	Collective investments undertakings	-	6,434	-	6,434
33	Equity exposures	-	9,361	-	9,361
34	Other exposures	30,017	128,202	(14,831)	143,388
35	**Total standardised approach**	**82,381**	**4,014,211**	**(57,954)**	**4,038,638**
36	**Total**	**82,381**	**4,014,211**	**(57,954)**	**4,038,638**

EU CR1-B – Credit quality of exposures by industry or counterparty types

		a	b	c	g
		Gross carrying values of		Specific and general credit risk adjustment	Net values
		Defaulted exposures	Non-defaulted exposures		(a+b-c)
1	Agriculture, forestry and fishing	8,995	72,825	(3,769)	78,051
2	Mining and quarrying	-	2,310	(17)	2,293
3	Manufacturing	8,638	119,553	(5,030)	123,161
4	Electricity, gas, steam and air conditioning supply	973	36,242	(505)	36,710
5	Water supply	17	8,993	(146)	8,864
6	Construction	1,009	41,345	(984)	41,370
7	Wholesale and retail trade	8,443	99,269	(3,223)	104,489
8	Transport and storage	7,965	101,017	(8,377)	100,605
9	Accommodation and food service activities	665	55,887	(836)	55,716
10	Information and communication	151	9,337	(128)	9,360
11	Real estate activities	4,078	267,234	(4,206)	267,106
12	Professional, scientific and technical activities	270	12,168	(226)	12,212
13	Administrative and support service activities	111	16,716	(503)	16,324
14	Public administration and defence, compulsory social security	-	114,909	(85)	114,824
15	Education	36	8,823	(92)	8,767
16	Human health services and social work activities	322	6,191	(102)	6,411
17	Arts, Entertainment and recreation	241	3,262	(77)	3,426
18	Other services, financial institutions and private individuals	40,467	3,038,130	(29,648)	3,048,949
19	**Total**	**82,381**	**4,014,211**	**(57,954)**	**4,038,638**

EU CR1-C – Credit quality of exposures by geography

		a	b	c	g
		Gross carrying values of		Specific and general credit risk adjustment	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Latvia	35,684	2,093,401	(24,006)	2,105,079
2	Lithuania	19,918	791,373	(13,599)	797,692
3	Estonia	3,639	289,503	(2,485)	290,657
4	United States	-	151,395	(77)	151,318
5	Netherlands	-	111,233	-	111,233
6	Other countries	23,140	577,306	(17,787)	582,659
7	**Total**	**82,381**	**4,014,211**	**(57,954)**	**4,038,638**

EU CR1-D – Ageing of past-due exposures

		a	b	c	d	e	f
		Gross carrying values					
		≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 1 year	> 1 year
1	Loans and off-balance sheet commitments	55,140	7,496	2,831	5,974	11,458	33,645
2	Debt securities	-	-	-	-	-	-
3	**Total**	**55,140**	**7,496**	**2,831**	**5,974**	**11,458**	**33,645**

EU CR1-E – Non-performing and forborne exposures

		a	b	c	d	e	f	g	h	i	j	k
		Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk			
			Of which performing past due > 30d and <= 90d	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures	
						Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne
010	Debt securities	1,192,143	-	-	-	-	-	-	(566)	-	-	-
020	Loans and other assets	2,551,388	7,119	13,797	78,250	74,158	78,245	45,407	(16,727)	(24,895)	(36,612)	(24,124)
030	Off-balance sheet	353,061	-	254	1,379	-	-	4	(3,591)	-	(459)	-

EU CR2-A – Changes in the stock of general and specific credit risk adjustments

		a **Accumulated specific and general credit risk adjustment**
1	**Opening balance**	**(66,388)**
	Net income statement charge	(7,361)
6	Impact of exchange rate differences and similar	(2,177)
	Amounts written off	17,972
8	Other adjustments	-
9	**Closing balance**	**(57,954)**
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss	6,369
11	Specific credit risk adjustments directly recorded to the statement of profit or loss	-

EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities

		a **Gross carrying value defaulted exposures**
1	**Opening balance**	**136,002**
2,3, 5	Loans and debt securities that have defaulted or impaired since the last reporting period or returned to non-defaulted status and other changes	(35,649)
4	Amounts written off	(17,972)
6	**Closing balance**	**82,381**

EU CRC – Qualitative disclosure requirements related to CRM techniques

Article 453(a)	Netting is not used as a CRM technique both for on-balance sheet and off-balance sheet exposures.
Article 453(b)	The valuation of the government guarantees and cash security deposits is the guaranteed amount as there is no volatility of mark-to-market adjustments to these types of CRM items.
Article 453(c)	The only types of collateral considered for CRM are government or state-owned development finance institution guarantees, guarantees provided by institutions and cash security deposits placed with the institution.
Article 453(d)	Prudently no credit derivatives are considered for the purposes of reducing capital requirements.
Article 453(e)	There is no CRM concentration risk from non-governmental counterparties.

EU CRD – Qualitative disclosure requirements on institutions' use of external credit ratings under the standardised approach for credit risk

Article 444(a)	Credit ratings issued by Moody's, Standard & Poor's, and Fitch Ratings are used by the institution. No ratings issued by other external credit assessment institutions (ECAIs) are used.
Article 444(b)	For all eligible exposure classes eligible ECAI ratings are used.
Article 444(c)	No issue credit ratings are transferred onto comparable assets in the banking book.
Article 444(d)	The alphanumerical scale of each agency used is aligned with the credit quality steps prescribed in Part Three, Title II, Chapter 2 of the CRR as prescribed in the standard association published by the EBA.

EU CR4 – Standardised approach – Credit risk exposure and CRM effects

		a	b	c	d	e	f
		Exposures before CCF and CRM		**Exposures post CCF and CRM**		**RWAs and RWA density**	
	Exposure classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWAs**	**RWA density**
1	Central governments or central banks	1,309,077	4,464	1,363,852	3,366	20,805	2%
2	Regional governments or local authorities	20,913	3,142	21,242	1,571	3,921	16%
3	Public sector entities	280	49,949	280	9,990	2,060	4%
4	Multilateral development banks	37,548	-	37,548	-	1,530	4%
5	International organisations	-	-	-	-	-	-
6	Institutions	323,851	1,026	320,281	1,026	96,582	30%
7	Corporates	865,683	114,517	797,598	44,901	701,063	72%
8	Retail	440,225	153,802	419,815	15,656	285,271	48%
9	Secured by mortgages on immovable property	431,560	1,476	418,127	738	187,613	43%
10	Exposures in default	44,938	1,035	41,740	403	43,124	94%
11	Items associated with particularly high risk	57,925	19,143	53,209	8,756	92,948	121%
12	Covered bonds	9,920	-	9,920	-	992	10%
13	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
14	Collective investments undertakings	6,434	-	6,434	-	6,434	100%
15	Equity exposures	9,361	-	9,361	-	15,764	168%
16	Other exposures	126,925	777	185,233	9,555	94,462	74%
17	**Total**	**3,684,640**	**349,331**	**3,684,640**	**95,962**	**1,552,569**	**38%**

EU CR5 – Standardised approach

	Exposure classes	Risk weight 0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Deducted	Total	Of which unrated
1	Central governments or central banks	1,266,796	-	-	-	98,019	-	2,403	-	-	-	-	-	-	-	-	-	1,367,218	1,274,067
2	Regional governments or local authorities	3,206	-	-	-	19,607	-	-	-	-	-	-	-	-	-	-	-	22,813	22,812
3	Public sector entities	-	-	-	-	10,248	-	21	-	-	-	-	-	-	-	-	-	10,269	10,268
4	Multilateral development banks	29,900	-	-	-	7,649	-	-	-	-	-	-	-	-	-	-	-	37,549	33,019
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	215,635	-	107,715	-	-	-	4	-	-	-	-	-	323,354	96,782
7	Corporates	-	-	-	-	79,674	-	101,496	-	-	662,615	1,336	-	-	-	-	-	845,121	636,212
8	Retail	-	-	-	-	-	-	-	-	435,471	-	-	-	-	-	-	-	435,471	434,674
9	Secured by mortgages on immovable property	-	-	-	-	-	339,810	-	-	41,504	37,552	-	-	-	-	-	-	418,866	418,772
10	Exposures in default	-	-	-	-	-	-	-	-	-	40,181	1,962	-	-	-	-	-	42,143	43,308
11	Items associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	61,966	-	-	-	-	-	61,966	61,892
12	Covered bonds	-	-	-	9,920	-	-	-	-	-	-	-	-	-	-	-	-	9,920	-
13	Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Collective investments undertakings	-	-	-	-	-	-	-	-	-	6,434	-	-	-	-	-	-	6,434	6,434
15	Equity exposures	-	-	-	-	-	-	-	-	-	5,092	-	4,269	-	-	-	-	9,361	5,092
16	Other exposures	84,921	-	-	-	18,373	-	-	-	-	91,493	-	-	-	-	-	-	194,787	194,744
17	**Total**	**1,384,823**	**-**	**-**	**9,920**	**449,205**	**339,810**	**211,635**	**-**	**476,975**	**843,367**	**65,268**	**4,269**	**-**	**-**	**-**	**-**	**3,785,272**	**3,238,076**

EU 2015/1555, Table 1 – Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

		General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements					
Row	Country	Exposure value for SA	Exposure value for IRB	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models	Exposure value for SA	Exposure value for IRB	of which: general credit exposures	of which: trading book exposures	of which: securitisation exposures	Total	Own funds requirements weights	Counter-cyclical capital buffer rate
		10	20	30	40	50	60	70	80	90	100	110	120
010	Latvia	1,890,608	-	135	-	-	-	68,604	23	-	68,628	55.09%	0.00%
	Lithuania	768,705	-	-	-	-	-	24,286	-	-	24,286	19.50%	1.00%
	Estonia	287,150	-	-	-	-	-	7,235	-	-	7,235	5.81%	0.00%
	United States	151,316	-	-	-	-	-	3,929	-	-	3,929	3.16%	0.00%
	Netherlands	111,235	-	-	-	-	-	3,744	-	-	3,744	3.01%	0.00%
	United Kingdom	35,286	-	640	-	-	-	1,792	5	-	1,797	1.44%	1.00%
	Sweden	33,791	-	-	-	-	-	946	-	-	946	0.76%	2.50%
	Other with 0% countercyclical capital buffer	451,702	-	4,929	-	-	-	12,846	80	-	12,926	10.32%	0.00%
	Other with non 0% countercyclical capital buffer	55,478	-	-	-	-	-	1,149	-	-	1,149	0.92%	1.39%
020	**Total**	**3,785,271**	**-**	**5,704**	**-**	**-**	**-**	**124,531**	**108**	**-**	**124,639**	**100.00%**	**0.24%**

EU 2015/1555, Table 2 – Amount of institution-specific countercyclical capital buffer

		10
10	Total risk exposure amount	1,782,474
20	Institution specific countercyclical capital buffer rate	0.24%
30	Institution specific countercyclical capital buffer requirement	4,310

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Group's counterparty credit risk arises primarily from currency derivatives transactions. The Group applies mark-to-market method to calculate counterparty credit risk.

EU CCR1 – Analysis of CCR exposure by approach

		a	b	c	d	e	f	g
		Notional	**Replacement cost/current market value**	**Potential future credit exposure**	**EEPE**	**Multiplier**	**EAD post CRM**	**RWAs**
1	Mark to market	n/a	2,419	2,251	n/a	n/a	4,670	3,069
2	Original exposure		n/a	n/a	n/a	n/a	-	-
3	Standardised approach	n/a	-	n/a	n/a	-	-	-
4	IMM (for derivatives and SFTs)	n/a	n/a	n/a	-	-	-	-
5	Of which securities financing transactions	n/a	n/a	n/a	-	-	1,458	1,458
6	Of which derivatives and long settlement transactions	n/a	n/a	n/a	-	-	3,212	1,611
7	Of which from contractual crossproduct netting	n/a	n/a	n/a	-	-	-	-
8	Financial collateral simple method (for SFTs)	n/a	n/a	n/a	n/a	n/a	-	-
9	Financial collateral comprehensive method (for SFTs)	n/a	n/a	n/a	n/a	n/a	-	-
10	VaR for SFTs	n/a	n/a	n/a	n/a	n/a	-	-
11	**Total**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**	**3,069**

Credit Valuation Adjustment is an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty. That adjustment reflects the current market value of the credit risk of the counterparty to the institution in relation to transactions with derivatives.

EU CCR2 – CVA capital charge

		a	b
		Exposure value	**RWAs**
1	Total portfolios subject to the advanced method	-	-
2	(i) VaR component (including the 3× multiplier)	-	-
3	(ii) SVaR component (including the 3× multiplier)	-	-
4	All portfolios subject to the standardised method	3,213	544
EU4	Based on the original exposure method	-	-
5	**Total subject to the CVA capital charge**	**3,213**	**544**

EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

		Risk weight												
	Exposure classes	**0%**	**2%**	**4%**	**10%**	**20%**	**50%**	**70%**	**75%**	**100%**	**150%**	**Others**	**Total**	**Of which unrated**
1	Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Regional government or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	2,047	-	-	-	-	-	-	2,047	409
7	Corporates	-	-	-	-	-	-	-	-	2,549	74	-	2,623	111
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total**	**-**	**-**	**-**	**-**	**2,047**	**-**	**-**	**-**	**2,549**	**74**	**-**	**4,670**	**520**

ENCUMBERED AND UNENCUMBERED ASSETS

EU 2017/2295, A form – Encumbered and unencumbered assets

		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		10	40	60	90
010	**Total assets**	**9,997**	**9,997**	**3,679,071**	**3,694,954**
030	Equity instruments	-	-	11,527	11,527
040	Debt securities	1,804	1,804	1,189,773	1,195,589
050	of which: covered bonds	-	-	-	-
060	of which: asset-backed securities	-	-	-	-
070	of which: issued by general governments	1,804	1,804	677,723	681,036
080	of which: issued by financial corporations	-	-	277,524	278,881
090	of which: issued by non-financial corporations	-	-	234,526	235,672
120	Other assets	8,193	8,193	2,477,771	2,487,838

All pledged amounts consist of placements to secure various Group's transactions in the ordinary course of the business. As at the period end the Group held EUR 19.7 million of securities in the collateral account of the Bank of Latvia. These securities were not encumbered and were free for transfer out of the collateral account at any time or to serve as collateral if the Group elected so.

EU 2017/2295, B form – Collateral received

		Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
		10	40
130	Collateral received by the Bank	-	-
140	Loans on demand	-	-
150	Equity instruments	-	-
160	Debt securities	-	-
170	of which: covered bonds	-	-
180	of which: asset-backed securities	-	-
190	of which: issued by general governments	-	-
200	of which: issued by financial corporations	-	-
210	of which: issued by non-financial corporations	-	-
220	Loans and advances other than loans on demand	-	-
230	Other collateral received	-	-
240	Own debt securities issued other than own covered bonds or ABSs	-	-
241	Own covered bonds and asset-backed securities issued and not yet pledged	-	-
250	Total assets, collateral received and own debt securities issued	9,997	-

EU 2017/2295, C form – Encumbered assets and collateral received, which serves as a collateral for financial liabilities

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		10	30
10	Carrying amount of selected financial liabilities	-	-

LEVERAGE RATIO

Leverage ratio is calculated as Tier 1 capital versus the total exposure measure with the minimum requirement of 3%. No buffer requirements for O-SII banks apply under the current regulatory framework. The exposure measure includes both non-risk based on-balance sheet and off-balance sheet items calculated in accordance with the capital requirements regulation. The leverage ratio and the risk-based capital adequacy ratio requirements are complementary, with the leverage ratio defining the minimum capital to total exposure requirement and the risk-based capital adequacy ratios limiting bank risk-taking.

	31/12/2019 Group
Leverage Ratio – fully phased-in definition of Tier 1 capital	8.7%
Leverage Ratio - transitional definition of Tier 1 capital	8.8%

LRCom: Leverage ratio common disclosure (EU 2016/200)

		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	3,694,560
2	Asset amounts deducted in determining Tier 1 capital	-
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**3,694,560**
	Derivative exposures	
4	Replacement cost associated with derivatives transactions	961
5	Add-on amounts for SFT associated with derivatives transactions	2,251
EU-5a	Exposure determined under Original Exposure Method	-
6	Empty set in the EU	-
7	Empty set in the EU	-
8	Empty set in the EU	-
9	Empty set in the EU	-
10	Empty set in the EU	-
11	**Total derivative exposures (sum of lines 4 to 5a)**	**3,212**
	Securities financing transaction exposures	
12	Empty set in the EU	-
EU-12a	SFT exposure according to Article 220 of Regulation (EU) NO. 575/2013	1,458
EU-12b	SFT exposure according to Article 222 of Regulation (EU) NO. 575/2013	-
13	Empty set in the EU	-
14	Empty set in the EU	-
15	Empty set in the EU	-
16	**Total securities financing transaction exposures**	**1,458**
	Off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	349,331
18	Adjustments for conversion to credit equivalent amounts	(240,471)
19	**Total off-balance sheet exposures (sum of lines 17 to 18)**	**108,860**
	Capital and Total Exposures	
20	Tier 1 capital	335,592
EU-21a	Exposures of financial sector entities according to Article 429(4) 2nd subparagraph of Regulation (EU) NO. 575/2013	-
21	Total Exposures (sum of lines 3, 11, 16, 19 and 21a)	3,805,585
	Leverage Ratios	
22	End of quarter leverage ratio	8.82%
EU-22a	Leverage ratio (average of the monthly leverage ratios over the quarter)	-
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	(2,503)
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO. 575/2013	-

LRSum: Summary reconciliation of accounting assets and leverage ratio exposures (EU 2016/200)

		Applicable Amounts
1	Total assets as per published financial statements	3,742,768
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(53,705)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure according to Article 429(11) of Regulation (EU) NO. 575/2013 4 Adjustments for derivative financial instruments 5 Adjustments for securities financing transactions	-
4	Adjustments for derivative financial instruments	2,252
5	Adjustments for securities financing transaction	1,458
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	112,588
7	Other adjustments	226
8	Leverage ratio exposure	3,805,586

The calculation of leverage ratio includes exposures with financial sector entities in accordance with Article 429 (4) (2) of Regulation (EC) No 575/2013 which relate to the Group's investment in AAS CBL Life.

LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) (EU 2016/200)

		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives and SFTs), of which:	3,694,560
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	3,694,560
EU-4	Covered bonds	9,920
EU-5	Exposures treated as sovereigns	1,363,852
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	59,070
EU-7	Institutions	320,281
EU-8	Secured by mortgages of immovable properties	418,127
EU-9	Retail exposures	419,815
EU-10	Corporate	797,598
EU-11	Exposures in default	41,740
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	264,157

LRQua: Free format text boxes for disclosure on qualitative items (EU 2016/200)

1	Description of the processes used to manage the risk of excessive leverage: The Group regularly calculates leverage ratio and monitors changes in it, to manage risk of excessive leverage.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers: The major factors affecting the Group's leverage ratio in 2019 was increase in Tier 1 capital level due to inclusion in own funds of the audited annual net result as well as changes in the Group's total assets which was related to scale of the Group's operations.

MARKET RISK

Market risk is the risk that the Group will incur a loss as a result of the mark-to-market revaluation of balance sheet and off-balance sheet items caused by changes in market values of financial instruments due to changes in foreign exchange rates, interest rates and other factors.

Position risk of financial instruments is assessed and limits are set by the Group's Investment Committee (GIC). The decisions of the GIC are approved by the Bank's Management Board. Market risk is managed by the Group's business units and subsidiaries which can accept market risk in line with the set limits and investment restrictions of the respective portfolio. Market risk is measured, monitored and risk levels are reported by the Risk Sector.

The Group manages market risk by developing investment guidelines for every significant portfolio, which restrict, among other things, the sensitivity against interest rate changes, the duration and credit quality profile of investments, as well as by setting individual limits for issuers and financial instruments, to keep limit volumes closely linked to the results of risk assessments. The Group places significant emphasis on managing concentration risk and applies a framework under which limits are set on risk adjusted exposures for every country and sector combination that the Group invests in. To assess position risk the Group uses sensitivity and scenario analysis, which identifies and quantifies the negative impact of adverse events on the portfolio of the Group, taking into consideration regional, sector profiles of the portfolio and credit rating risk profiles of issuers.

EU MR1 – Market risk under the standardised approach

		a	b
		RWAs	**Capital requirements**
	Outright products		
1	Interest rate risk (general and specific)	5,177	414
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	11,430	914
4	Commodity risk	36	3
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	**Securitisation (specific risk)**	-	-
9	**Total**	**16,643**	**1,331**

Exposures in equities not included in the trading book

Carrying value and estimated fair value of the Group's investments in equity exposures, which are not included in the trading book, as at 31 December 2019 was EUR 5,092 thousand. These Group's investments in equity exposures are valued using techniques for which significant inputs are not based on observable market data. In the annual report these equity exposures are shown as level 3 estimated fair value. Additional information on the Group's investments in equities is available at AS Citadele banka latest annual report which is available at www.cblgroup.com.

The prudential consolidation group does not include AAS CBL Life. The Group's investment of EUR 4,269 thousand in the capital of this subsidiary is accounted at cost and is not revalued.

Currency risk

Currency risk is a risk of loss arising from fluctuations in currency exchange rates.

Currency risk management in the Group is carried out in accordance with Currency Risk Management Policy. Currency risk is assessed and decisions are made by the Financial Market and Counterparty Risk Committee (FMCRC). The decisions of the FMCRC are approved by the Bank's Management Board. The FMCRC defines the acceptable currency risk level and the Group's internal limit system, as well as monitors compliance with these limits.

Day-to-day currency risk management is the responsibility of the Treasury Sector, while risk monitoring and reporting is the responsibility of the Risk Sector.

The Group has a low risk appetite for foreign exchange risk. The Group aims to keep exposures at levels that would produce a small net impact even in periods of high volatility. Several well-known methodologies are used to measure and manage foreign exchange risk including a conservative limit for a daily value-at-risk exposure. The Group is in full compliance with the currency position requirements of Latvian legislation.

Interest rate risk

Interest rate risk is related to the possible negative impact of changes in general interest rates on the Group's income and economic value.

Interest rate risk management in the Group is carried out in accordance with Interest Rate Risk Management Policy. Interest rate risk is assessed and decisions are taken by the Assets and Liabilities Management Committee (ALCO). The decisions of the ALCO are approved by the Bank's Management Board. The ALCO sets the acceptable interest rate risk level and the Group's internal limit system, monitors the compliance with the approved limits and use of the instruments for the management of interest rate risk. Interest rate risk measurement, management and reporting are responsibilities of the Treasury Sector, while the Risk Sector ensures proper oversight and prepares analytical reports to the ALCO and the Bank's Management Board.

The Group manages interest rate risk by using repricing gap analysis of the risk sensitive assets and liabilities, duration analysis of assets and liabilities as well as stress testing. The Group sets limits for impact of interest rate shock on economic value, net interest income and revaluation reserve. Based on the market analysis and the Group's financing structure, the ALCO sets the interest rates for customer deposits.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets to cover any possible gaps between cash inflows and outflows as well as to secure sufficient funding for lending and investment activities.

The Group manages its liquidity risk in accordance with Liquidity Risk Management Policy. The management and reporting of liquidity risk is coordinated by the Treasury Sector, and the risk is assessed and decisions are taken by the ALCO. The decisions of the ALCO are approved by the Bank's Management Board. The Risk Sector on a monthly basis provides information to the ALCO and the Bank's Management Board about the level of the assumed risk as part of the reporting and supervision process.

Liquidity risk for the Group is assessed in each currency in which the Group has performed a significant amount of transactions. Liquidity risk limits are reviewed at least once a year and also when there are major changes to the Group's operations or external factors affecting its operations. A liquidity crisis management plan has been developed and is updated on a regular basis.

One of the crucial tools used to evaluate liquidity risk is scenario analysis. Several scenarios of different severity and duration are employed by the Group with risk tolerances defined for the outcomes of those scenarios. Furthermore, the Group has developed a system of liquidity risk limits and early warning indicators and systematically prepares cash flow forecasts which incorporate assumptions about the most likely flow of funds over the period of one year. For general assessment of existing gaps between contractual maturities of assets and liabilities without any assumptions on customer behaviour, the Group regularly analyses liquidity term structure and sets corresponding risk tolerances.

The Group's balance sheet structure is planned for at least a one-year period and is aligned with development plans for the current period. The major current and potential funding sources are regularly analysed and controlled across the Group. The Group maintains regular contact with its interbank business partners and creditors with the aim of projecting possible deadlines for repayment or prolongation of funding sources as well as absorption of excess liquidity.

The general principles of the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) as measurements of the Group's liquidity position are defined in the Regulation (EC) No 575/2013. The Commission Delegated Regulation (EU) 2015/61 effective from 1 October 2016 in more details defines LCR calculation principles. The minimum LCR requirement is 100%. The Group is compliant with LCR requirements.

EU LIQ1 – LCR disclosure template and the template on qualitative information on the LCR (EBA/GL/2017/01)

Scope of consolidation: consolidated Currency and units: EUR thousands Quarter ending on: 31 December 2019 Number of data points used in the calculation of averages: 1		Total unweighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)	n/a	1,506,948
Cash – outflows			
2	Retail deposits and deposits from small business customers, of which:	1,964,527	173,127
3	*Stable deposits*	1,271,664	63,583
4	*Less stable deposits*	674,844	91,525
5	Unsecured wholesale funding	815,164	320,559
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	162,886	39,667
7	*Non-operational deposits (all counterparties)*	652,278	280,892
8	*Unsecured debt*	-	-
9	Secured wholesale funding	n/a	
10	Additional requirements	305,007	37,968
11	*Outflows related to derivative exposures and other collateral requirements*		
12	*Outflows related to loss of funding on debt products*		
13	*Credit and liquidity facilities*	305,007	37,968
14	Other contractual funding obligations	3,410	3,410
15	Other contingent funding obligations	24,149	2,705
16	**Total cash outflows**	n/a	537,769
Cash – inflows			
17	Secured lending (e.g. reverse repos)	-	-
18	Inflows from fully performing exposures	118,388	107,207
19	Other cash inflows	9,141	9,141
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	n/a	-
EU-19b	(Excess inflows from a related specialised credit institution)	n/a	-
20	**Total cash inflows**	127,529	116,348
EU-20a	*Fully exempt inflows*	-	-
EU-20b	*Inflows subject to 90% cap*	-	-
EU-20c	*Inflows subject to 75% cap*	*127,529*	*116,348*
			Total adjusted value
21	**Liquidity buffer**		**1,506,948**
22	**Total net cash outflows**		**421,422**
23	**Liquidity coverage ratio (%)**		**358%**

OPERATIONAL RISK

The Group has adopted the Basel Committee on Banking Supervision's definition of operational risk: the probability of incurring losses due to failure or partial failure of internal processes to comply with the requirements of the laws and binding external regulations, as well as the requirements of internal regulations, due to the acts of the Group's employees and operation of systems, irregularities in internal processes, as well as due to the acts of third parties or other external conditions. Operational risk is divided into the following categories: personnel risk, process risk, IT and system risk, external risk.

Operational risk management in the Group is carried out in accordance with Operational Risk Management Policy. Operational risk is managed using an integrated and comprehensive framework of policies, methodologies, procedures and regulations for identification, analysis, mitigation, control and reporting of operational risk. The Group's operational risk management processes are integral to all business activities and are applicable to all employees and members of the Group. The Group's aim is to ensure that each of its employees knows not just how to perform specific transactions, but also understand the key areas where risk can arise and the processes and steps required to prevent, or otherwise mitigate such risk.

The goal of the Group's operational risk management framework is to maintain the lowest possible level of risk while ensuring that any remaining risk is economically justified in light of the need to sustain the Group's performance and profit in the long term. Whether a risk is economically justified depends on an assessment of the potential losses it could cause, the probability of its occurrence, the ability to implement mitigating measures and the cost of such measures, as well as the level of risk that would remain if such mitigating measures were to be put in place.

The Group aims to avoid operational risks with a potential impact which exceeds 10% of its net annual revenue and has a higher probability of occurrence than once per ten years, or risks with unquantifiable impact which are unmanageable, irrespective of the financial gains this could bring. Each accepted risk must be economically justified and, in cases where the assessment of operational risk in monetary terms is possible, the costs of the control measures required must be commensurate with the eventual loss that could be prevented by the existence of the control system.

The Group applies following approaches for operational risk management:

- Assessing operational risk in development projects: new and updated services and products are introduced only after a thorough risk assessment has been carried out;
- Conducting regular operational risk-control self-assessment: the Group identifies and assesses potential operational risk events, assesses control systems and analyses the necessary risk reduction measures;
- Determining operational risk indicators: the Group uses statistical, financial and other indicators which represent the levels of operational risk in its various activities;
- Measuring, analysing, monitoring, reporting and escalating operational risk: the Group registers and analyses operational risk events, including their severity, causes and other important information in an operational risk loss and incident database;
- Conducting scenario analysis and stress-testing;
- Performing business continuity planning: the Group performs regular business impact analysis and has implemented a Disaster Recovery Plan;
- Assigning responsibilities: the operational risk management system includes assignment of responsibilities to certain individuals; and
- Documenting decisions: the Group maintains records in relation to the process undertaken to reach a particular decision or to prevent or mitigate a particular risk.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS

The internal capital adequacy assessment process requires estimating individual capital charges for every significant risk type inherent to the Group. The internally developed methodology takes into account greater number of risks compared to what minimum regulatory standards require (e.g. interest rate risk in the banking book, concentration risk, compliance risk etc.). Furthermore, to ensure sustainability even at times of distress, the Group simulates its capital adequacy position under assumptions of an adverse macroeconomic scenario. The following summarises the forward looking assessment of the risk profile for 2020, where assessment is based on likelihoods assigned to different adverse deviations from the baseline scenario in terms of capital impact. The annual internal capital adequacy assessment is conducted for a three-year period, which corresponds to the timeframe used in the annual financial and strategic planning process, thereby promoting consistent integration of financial forecasts into capital adequacy evaluation.

Significant risks based on 2020 ICAAP assessment for which internal capital was allocated

Risk type	Exposure class	Risk assessment for 2020*	Regulatory capital requirement calculation method	Internal assessment method
Credit and concentration risks	Loan portfolio	Elevated	Standardised approach	Scenario sensitivity approach
	Bond portfolio	Low	Standardised approach	Scenario sensitivity approach
	Counterparties	Low	Standardised approach	Scenario sensitivity approach
Market risk	Position risk in non-trading bond portfolio	Low	-	Scenario sensitivity approach
	Currency risk	Low	CRR2013 articles 351-354	Value at risk (VaR)
Operational risk		Low	Standardised approach	Loss distribution approach
General interest rate risk in the banking book		Moderate	-	200bp parallel shift impact on EVE, six scenarios according to the regulatory requirements
Liquidity risk		Moderate	-	Integrated within reputation risk
AML and compliance risk		Moderate	-	Simplified approach: turnover criteria
Reputation risk		Moderate	-	Scenario sensitivity approach
Business model and strategy risk		Moderate	-	Scenario sensitivity approach

* on a 4-grade scale: low, moderate, elevated, high.