AS Citadele banka

Public Financial Information

1st Quarter 2018

Prepared in accordance with the Financial and Capital Market Commison’s regulation No. 145 “Regulation on Preparation of Public Quarterly Reports of Credit Institutions”

Citadele

Key Figures

EUR millions	Group					Bank				
	Q1 2018	Q4 2017	Change	Q1 2017	Change	Q1 2018	Q4 2017	Change	Q1 2017	Change
Net interest income	19.7	19.6	1%	17.5	12%	14.6	14.7	(1%)	13.1	11%
Net commission and fee income	7.4	9.6	(23%)	9.4	(22%)	4.7	5.6	(16%)	5.8	(19%)
Operating income(2)	31.5	33.9	(7%)	31.6	(0%)	23.1	28.2	(18%)	23.3	(1%)
Impairment charges and reversals, net	(0.0)	3.8	(100%)	(1.4)	(99%)	0.5	(3.5)	(115%)	(1.8)	(128%)
Net profit	9.4	13.4	(30%)	9.1	3%	6.6	6.9	(5%)	6.5	1%
Return on average assets (3)	1.17%	1.65%	(0.48pp)	1.10%	0.07pp	1.06%	1.11%	(0.05pp)	1.01%	0.05pp
Return on average equity (4)	13.9%	20.38%	(6.5pp)	14.1%	(0.2pp)	10.9%	11.65%	(0.7pp)	10.8%	0.1pp
Cost to income ratio (5)	71.7%	69.3%	2.4pp	64.3%	7.4pp	74.9%	62.0%	12.9pp	62.1%	12.8pp
Cost of risk ratio (6)	(0.1%)	1.1%	(1.2pp)	0.6%	(0.7pp)	(0.3%)	1.4%	(1.7pp)	0.7%	(0.9pp)
Adjusted for major one-time items (9):										
Net profit	9.4	5.7	66%	9.1	3%	6.6	3.0	119%	6.5	1%
Return on average assets (3)	1.17%	0.70%	0.47pp	1.10%	0.07pp	1.06%	0.48%	0.58pp	1.01%	0.05pp
Return on average equity (4)	13.9%	8.7%	5.2pp	14.1%	(0.2pp)	10.9%	5.1%	5.8pp	10.8%	0.1pp

EUR millions	Group					Bank				
	3m 2018	12m 2017	Change	3m 2017	Change	3m 2018	12m 2017	Change	3m 2017	Change
Total assets	3,129	3,312	(6%)	3,310	(5%)	2,399	2,545	(6%)	2,542	(6%)
Loans to customers(7)	1,318	1,331	(1%)	1,273	4%	1,099	1,117	(2%)	1,024	7%
Deposits from customers(7)	2,696	2,880	(6%)	2,906	(7%)	1,986	2,144	(7%)	2,135	(7%)
Shareholders' equity	270	269	0%	264	2%	241	240	0%	245	(2%)
Loan-to-deposit ratio(8)	49%	46%	3pp	44%	5pp	55%	52%	3pp	48%	7pp
Total capital adequacy ratio (CAR)	18.7%	18.4%	0.3pp	15.8%	2.9pp	20.2%	20.0%	0.2pp	18.3%	1.9pp
Common equity Tier 1 capital ratio (CET1)	15.2%	15.0%	0.2pp	13.0%	2.2pp	16.0%	15.9%	0.1pp	14.9%	1.1pp
Full time employees	1,536	1,540	(0%)	1,631	(6%)	1,174	1,173	0%	1,128	4%

(1) Figures in the column "Change" represent change in the respective financials from comparison period to the current period.
(2) Operating income consists of the following income statement items: net interest income, net commission and fee income, net gain on transactions with financial instruments and other income.
(3) Return on average assets (ROA) is calculated as annualised net profit for the relevant period divided by the average of total assets at the beginning and the end of the period.
(4) Return on average equity (ROE) is calculated as annualised net profit for the relevant period divided by the average of total equity at the beginning and the end of the period.
(5) Cost to income ratio (CIR) is calculated as administrative expense plus amortization and depreciation plus other expense divided by operating income.
(6) Cost of risk ratio (COR) is calculated as the sum of net collective and specific loans' impairment charges, net provisions for off-balance sheet credit risk products, and recovered written-off assets divided by the average of gross loans at the beginning and the end of the period.
(7) In the Key Figures section, "loans to customers" and "deposits from customers" are defined consistently with audited annual and interim financial reports and excludes balances due to and from banks and subordinated liabilities. In the reported quarterly balance sheet positions herein "financial assets at amortised cost" and "financial liabilities measured at amortised cost" include term balances due to and from banks, securities and subordinated liabilities. Therefore, these may not be directly compared.
(8) Loan-to-deposit ratio is calculated as the carrying value of loans to customers divided by deposits from customers at the end of the relevant period.
(9) Q4 2017 adjusted for one-time EUR 7.7 million reversal of impairment on property and equipment (the Group only) and EUR 3.9 million income on dividends from subsidiaries (the Bank only).

LETTER FROM THE MANAGEMENT

FINANCIAL RESULTS

First quarter 2018, the Citadele Group (henceforth – the Group) continued to expand in its core business segments in the Baltic region with improved daily banking services for our customers.

AS Citadele banka (henceforth – the Bank) offered innovative products to improve customer experience, strengthened the Bank's loan portfolio quality and maintained a healthy level of deposits. The Group's net profit for the first quarter 2018 was EUR 9.4 million (the Bank's: EUR 6.6 million), representing a 3% increase year-on-year.

The Group's return on equity was 13.9% in the first quarter 2018, largely in line with the same period pervious year (the Bank: 10.9% versus 10.8%). Capital adequacy ratio increased to 18.7% and return on assets improved to 1.17% from 1.10% in the same period last year (the Bank: to 1.06% from 1.01%). The Group's net interest income grew by 12% compared to the first quarter 2017, reaching EUR 19.7 million (Bank: EUR 14.6 million), primarily driven by growth in size and increased margins of the Group's loan portfolio.

The Group's net commission and fee income in the first quarter of 2018 decreased from EUR 9.4 million to EUR 7.4 million (the Bank: from EUR 5.8 million to EUR 4.7 million) driven by derisking of the Group's transaction business and the sale of SIA CBL Cash Logistics subsidiary in 2017.

In line with Citadele's strategy to become the leading banking services provider in the Baltics, Citadele continued to invest in digital banking technologies and competence shift in staff. As a result, the Group's administrative expenses were EUR 20.9 million (Bank: EUR 16.5 million), which was a 12% increase versus the first quarter 2017. The number of FTEs declined to 1,536 from 1,631 year-on-year (the Bank: 1,174 from 1,128) due to realized efficiencies and the sale of SIA CBL Cash Logistics subsidiary in 2017.

Accelerating Baltic strategy

Citadele continued to increase its lending footprint in both personal and commercial banking sectors, achieving 4% growth year-on-year in the Group's net loan portfolio reaching EUR 1.32 billion. In the first quarter of 2018, EUR 31 million of new loans and commitments were granted to private individuals in all Baltic countries and EUR 43 million were granted to business customers (mainly in Latvia and Lithuania).

The total Baltic net leasing portfolio reached EUR 161 million, demonstrating growth of 7% compared to the first quarter of 2017; Latvia and Lithuania both showing particularly strong results.

Citadele is pleased with the progress made in the Baltic market, where the Group increased domestic deposits by almost EUR 30 million. The non-domestic customer business continued to be scaled back which resulted in a decrease of overall deposits in the first quarter 2018. As of 31 March 2018, the Group's customer deposits were EUR 2.7 billion declining by 7% as compared with the first quarter 2017.

Ongoing prudent risk and liquidity management

The Group's loan portfolio quality improved with non-performing loans (NPL) decreasing by 1.5pp to 8.1% compare to 31 March 2017 (the Bank: decrease of 1.9pp to 8.9%) with improved customers payment discipline in personal and commercial banking sectors of the Group.

The Group strengthened its prudential diligence reaching capital adequacy ratio of 18.7% (the Bank: 20.2%), compared with the first quarter 2017, when the Group's ratio was 15.8% (the Bank: 18.3%). The Group's liquidity position also remains strong, with the Group's LCR at 288% and its loan-to-deposit ratio at 49% at the end of Q1.

IMPROVEMENTS TO PRODUCTS AND SERVICES

In 2018 the Group continued to launch and improve digital solutions, products and services to meet customer expectations in multiple channels: Improved online bank and mobile application, upgraded contactless payment terminals and new touchscreen ATMs. The Group's commitment to customer service enabled Citadele to maintain the top position among banks in Latvia and Lithuania, according to the annual mystery shopper survey conducted by international customer service evaluation company DIVE, published in February 2018.

The Bank updates microloan functionality

To support the small and medium sized business (SME) customers and making banking easy, Citadele was the first in the Baltics to introduce a new online tool to determining an individual credit rating for a business – similar to previously introduced individual credit rating functionality for private customers.

Now SME clients can focus more on their businesses and determine online their eligibility and terms for a microloan. This new online tool enables any Latvian SME business to quickly discovery its available lending amount and offered interest rate, regardless of its primary bank.

More mortgage options

From 1 March 2018 the range of clients eligible to receive a home purchase guarantee has widened – with state support has also being made available to young professionals, or those who have completed higher or professional secondary education, and aged 35 or less. Previously, ALTUM home purchase guarantees were available only to families with children.

The Bank observed a noticeable increase in interest from customers in mortgages with a state guarantee. In March 2018 almost half of mortgage applications were for ALTUM guaranteed loans.

OTHER NOTABLE DEVELOPMENTS

Bank's operations positively viewed by Moody's. International credit rating agency Moody's Investors Service on 26 February 2018 published a report stating that Citadele is well positioned to withstand pressure that could arise from events affecting the Latvian banking sector. Moody's noted that Citadele has grown primarily in the Baltic countries in recent years by focusing on consumer and small and mid-size business lending, while at the same time meaningfully reducing exposures to CIS countries, and maintaining its liquid assets over tangible banking assets above 52% (Moody's liquidity ratio).

In 2017 Moody's Investors Service upgraded Citadele's long-term rating by two notches: from B2 to Ba2, maintaining a positive outlook.

From 3 March 2018, Citadele was entrusted by Financial Capital Market Commission to facilitate payouts of state-guaranteed compensation to AS ABLV Bank depositors. Within the first month, compensation was paid to around 5,000 clients amounting to EUR 83 millions. The funding and disbursement instructions were provided by the Deposit Guarantee Fund. Citadele's strong reputation in AML and compliance with zero-tolerance approach, as well as previous experience in collaboration with the Deposit Guarantee Fund on the disbursement of state-guaranteed compensations, were the major reasons why the Bank was entrusted with this task.

AS Citadele banka decided to change the legal status of AB Citadele bankas (Lithuania) from subsidiary to branch. Subsequent to 1Q 2018 period end, Citadele received permission from the regulators in Lithuania and Latvia to transform AB Citadele bankas (Lithuania) into a branch. This decision would ensure operational efficiency across the Group with minimal impact on customer services. During the reorganisation all assets, liabilities and other items of AB Citadele bankas (Lithuania) will be transferred to the branch, and is expected to be completed in 2019.

Sincerely,

Guntis Beļavskis
Chairman of the Management Board

Income Statement

	EUR th.	Jan-Mar 2018 *Unaudited* Group	Jan-Mar 2017 *Unaudited* Group	Jan-Mar 2018 *Unaudited* Bank	Jan-Mar 2017 *Unaudited* Bank
1.	Interest income	23,978	22,629	18,366	17,433
2.	Interest expense	(4,268)	(5,102)	(3,781)	(4,298)
3.	Dividend income	8	14	8	14
4.	Commission and fee income	12,713	13,892	9,471	9,883
5.	Commission and fee expense	(5,339)	(4,464)	(4,748)	(4,038)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(5)	200	28	181
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	(95)	(16)	-	-
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	3,678	3,588	3,142	3,091
10.	Gain or loss on derecognition of non financial assets, net	-	1	-	-
11.	Other income	793	850	633	1,017
12.	Other expense	(145)	(302)	(19)	(29)
13.	Administrative expense	(20,935)	(18,613)	(16,538)	(13,643)
14.	Amortisation and depreciation charge	(1,485)	(1,201)	(756)	(566)
15.	Gain or loss on modifications in financial asset contractual cash flows		-		-
16.	Provisions, net	448	(193)	263	(211)
17.	Impairment charge and reversals, net	(18)	(1,435)	514	(1,832)
18.	Negative goodwill recognised in profit or loss	-	-	-	-
19.	Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	-	-	-	-
20.	Profit or loss from non-current assets and disposal groups classified as held for sale	-	-	-	-
21.	**Profit before taxation**	**9,328**	**9,848**	**6,583**	**7,002**
22.	Corporate income tax	52	(713)	(28)	(499)
23.	**Net profit / loss for the period**	**9,380**	**9,135**	**6,555**	**6,503**
28.	**Other comprehensive income for the period**	**(3,028)**	**730**	**(2,798)**	**486**

Balance Sheet

	EUR th.	31/03/2018 *Unaudited* Group	31/12/2017 *Audited* Group	31/03/2018 *Unaudited* Bank	31/12/2017 *Audited* Bank
1.	Cash and demand balances with central banks	475,012	715,468	340,897	494,848
2.	Demand deposits due from credit institutions	135,587	138,311	170,236	204,216
3.	Financial assets designated at fair value through profit or loss	30,223	162,659	2,879	2,481
4.	Financial assets at fair value through other comprehensive income	430,793	858,861	199,776	628,738
5.	Financial assets at amortised cost	1,934,498	1,343,560	1,561,233	1,118,266
6.	Derivatives – hedge accounting	-	-	-	-
7.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
8.	Investments in subsidiaries, joint ventures and associates	-	-	64,725	64,725
9.	Tangible assets	50,554	51,198	4,920	4,994
10.	Intangible assets	4,017	4,166	3,758	3,877
11.	Tax assets	1,992	1,558	-	-
12.	Other assets	66,032	35,987	50,812	23,284
13.	Non-current assets and disposal groups classified as held for sale	-	-	-	-
14.	**Total assets (1.+....+13.)**	**3,128,708**	**3,311,768**	**2,399,236**	**2,545,429**
15.	Due to central banks	16	16	9	6
16.	Demand liabilities to credit institutions	14,452	1,724	27,736	5,045
17.	Financial liabilities designated at fair value through profit or loss	36,724	40,316	2,106	3,168
18.	Financial liabilities measured at amortised cost	2,766,295	2,961,775	2,102,782	2,277,976
19.	Derivatives – hedge accounting	-	-	-	-
20.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21.	Provisions	4,591	893	3,755	334
22.	Tax liabilities	678	1,693	25	832
23.	Other liabilities	35,783	36,456	21,919	18,173
24.	Liabilities included in disposal groups classified as held for sale	-	-	-	-
25.	**Total liabilities (15.+...+24.)**	**2,858,539**	**3,042,873**	**2,158,332**	**2,305,534**
26.	Shareholders' equity	270,169	268,895	240,904	239,895
27.	**Total liabilities and shareholders' equity (25.+26.)**	**3,128,708**	**3,311,768**	**2,399,236**	**2,545,429**
28.	**Memorandum items**				
29.	Contingent liabilities	28,967	29,422	25,055	25,252
30.	Financial commitments	285,850	236,157	359,958	287,455

On 1 January 2018 the Group adopted IFRS 9. As a result classification of financial assets and liabilities and calculation methodology of impairment allowances changed.

For simplicity and due to similar gain and loss recognition methodology, in these financial statements financial instruments, which on 31 December 2017 under IAS 39 were classified as:

- "financial assets held for trading" and "financial assets designated at fair value through profit and loss" are presented in position “Financial assets designated at fair value through profit or loss”,
- “available for sale financial assets” are presented in position “financial assets at fair value through other comprehensive income”,
- “loans and receivables, net” are presented in position “financial assets at amortised cost”,
- "financial liabilities held for trading" and "financial liabilities designated at fair value through profit and loss" are presented in position “financial liabilities designated at fair value through profit or loss”.

Asset and liability classification criteria and specific accounting rules are different according to IFRS 9 which has to be applied as at 31 March 2018 and according to IAS 39 which has to be applied as at 31 December 2017.

For audited financial reports, please refer to the Bank’s web page’s section “Financial reports”. Auditor: SIA “KPMG Baltics”.

Key Ratios

	Jan-Mar 2018 Group	Jan-Mar 2017 Group	Jan-Mar 2018 Bank	Jan-Mar 2017 Bank
Return on equity (ROE) (%)*	13.92%	14.10%	10.91%	10.77%
Return on assets (ROA) (%)*	1.17%	1.10%	1.06%	1.01%

* Average value is calculated as the arithmetic mean of the balance sheet assets or residual capital and reserves at the beginning of the reporting period and at the end of the reporting period.

Investments in Securities by Issuer's Country

	Group			
	31/03/2018		31/12/2017	
EUR th.	Government bonds	Other securities	Government bonds	Other securities
Latvia	219,717	5,795	265,055	1,916
Lithuania	161,774	521	144,879	520
United States	12,950	82,209	12,566	80,406
Netherlands	9,195	84,844	-	84,275
Germany	14,815	29,292	7,233	26,034
Canada	2,155	32,969	2,227	34,472
Finland	16,618	13,021	11,722	13,208
United Kingdom	2,413	26,984	-	32,675
Multilateral development banks	-	44,725	-	43,604
Other countries**	31,285	221,786	33,901	224,421
Total securities, net	**470,922**	**542,146**	**477,583**	**541,531**

	Bank			
	31/03/2018		31/12/2017	
EUR th.	Government bonds	Other securities	Government bonds	Other securities
Latvia	208,072	1,584	249,477	1,421
Netherlands	9,195	49,007	-	49,027
United States	8,088	43,777	8,385	43,860
Lithuania	41,407	-	39,512	-
Multilateral development banks	-	31,648	-	24,901
Other countries**	39,516	185,623	24,113	188,041
Total securities, net	**306,278**	**311,639**	**321,487**	**307,250**

** Each country's issuers' (which are included in the line "Other countries") aggregated exposure as at period end is less than 10% from the eligible capital used for capital adequacy calculation purposes. Investments in managed funds are included in the line "Other countries".

Impairment Allowances by Stages

EUR th.	31/03/2018					
	Group			Bank		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Impairment allowances for:						
Financial assets at fair value through other comprehensive income	124	-	-	47	-	-
Financial assets at amortised cost	11,740	9,800	58,075	9,163	8,085	51,739
Memorandum items	3,302	342	450	3,047	316	392
Total impairment allowances for financial instruments	**15,166**	**10,143**	**58,525**	**12,257**	**8,401**	**52,131**

Shareholders as at 31 March 2018

	Paid-in share capital (EUR)	Total shares with voting rights
European Bank for Reconstruction and Development	39,138,948	39,138,948
RA Citadele Holdings LLC	35,082,302	35,082,302
Other shareholders *	82,334,546	82,334,546
Total	**156,555,796**	**156,555,796**

* These shares are owned by an international consortium of twelve investors led by Ripplewood Advisors LLC.

Liquidity Coverage Ratio

EUR th.		31/03/2018 Group	31/12/2017 Group	31/03/2018 Bank	31/12/2017 Bank
1.	Liquidity buffer	1,129,286	1,375,657	746,097	912,392
2.	Net liquidity outflow	391,952	432,924	301,770	262,578
3.	**Liquidity coverage ratio (%)**	**288%**	**318%**	**247%**	**347%**

Liquidity coverage ratio (LCR) minimum requirement were phased-in over a transition period. The minimum required levels were 70% for 2016, 80% for 2017 and 100% since 2018.

Capital Adequacy Report, IFRS 9 Transitional Provisions Not Applied

EUR th.		31/03/2018 Group	31/03/2018 Bank
1.A	**Own funds, IFRS 9 transitional provisions not applied**	**324,131**	**293,134**
1.1.A	Tier 1 capital, IFRS 9 transitional provisions not applied	264,131	233,134
1.1.1.A	*Common equity Tier 1 capital, IFRS 9 transitional provisions not applied*	*264,131*	*233,134*
2.A	**Total risk exposure amount, IFRS 9 transitional provisions not applied**	**1,733,707**	**1,454,760**
3.1.A	Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.2%	16.0%
3.3.A	Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.2%	16.0%
3.5.A	Total capital ratio, IFRS 9 transitional provisions not applied	18.7%	20.2%

Capital Adequacy Report

EUR th.		31/03/2018 *Unaudited* Group	31/12/2017 *Audited* Group	31/03/2018 *Unaudited* Bank	31/12/2017 *Audited* Bank
1	**Own funds (1.1.+1.2.)**	**324,131**	**320,768**	**293,134**	**294,802**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	264,131	260,768	233,134	234,802
1.1.1	*Common equity Tier 1 capital*	*264,131*	*260,768*	*233,134*	*234,802*
1.1.2	*Additional Tier 1 capital*	-	-	-	-
1.2	Tier 2 capital	60,000	60,000	60,000	60,000
2	**Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)**	**1,733,707**	**1,741,316**	**1,454,760**	**1,472,811**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,489,511	1,496,213	1,268,245	1,283,761
2.2	Total risk exposure amount for settlement/delivery	-	-	-	-
2.3	Total risk exposure amount for position, foreign exchange and commodities risks	7,363	7,887	1,707	3,858
2.4	Total risk exposure amount for operational risk	236,078	236,078	184,054	184,054
2.5	Total risk exposure amount for credit valuation adjustment	755	1,138	755	1,138
2.6	Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7	Other risk exposure amounts	-	-	-	-
3	**Capital adequacy ratios**				
3.1	Common equity Tier 1 capital ratio (1.1.1./2.*100)	**15.2%**	**15.0%**	**16.0%**	**15.9%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	186,115	182,409	167,670	168,526
3.3	Tier 1 capital ratio (1.1./2.*100)	**15.2%**	**15.0%**	**16.0%**	**15.9%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	160,109	156,289	145,848	146,434
3.5	Total capital ratio (1./2.*100)	**18.7%**	**18.4%**	**20.2%**	**20.0%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	185,435	181,463	176,753	176,977
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	3.25%	3.25%	3.25%	3.25%
4.1	Capital conservation buffer	2.5%	2.5%	2.5%	2.5%
4.2	Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3	Institution specific countercyclical buffer	-	-	-	-
4.4	Systemic risk buffer	-	-	-	-
4.5	Other systemically important institution buffer	0.75%	0.75%	0.75%	0.75%
5	**Capital adequacy ratios, including adjustments**				
5.1	Impairment or asset value adjustments for capital adequacy ratio purposes	-	-	-	-
5.2	Common equity tier 1 capital ratio including line 5.1 adjustments	15.2%	15.0%	16.0%	15.9%
5.3	Tie 1 capital ratio including line 5.1 adjustments	15.2%	15.0%	16.0%	15.9%
5.4	Total capital ratio including line 5.1 adjustments	18.7%	18.4%	20.2%	20.0%

Capital adequacy ratios in these financial statements are calculated in accordance with the Basel III regulation as implemented via EU regulation 575/2013, directive 2013/36/EU and relevant FCMC regulations. As at 31 December 2017 the Bank's and the Group's Tier 1 capital includes audited profits for 2017.

Consolidation Group as at 31 March 2018

No.	Name of company	Registration number	Registration address	Country of domicile	Company type*	% of total paid-in share capital	% of total voting rights	Basis for inclusion in the group**
1	AS Citadele banka	40103303559	Latvia, Riga LV-1010, Republikas laukums 2A	LV	BNK	100	100	MAS
2	AB Citadele bankas	112021619	Lithuania, Vilnius LT-03107, K.Kalinausko 13	LT	BNK	100	100	MS
3	AP Anlage & Privatbank AG	130.0.007.738-0	Switzerland, Limmatquai 4, CH-8001, Zurich	CH	BNK	100	100	MS
4	SIA Citadele līzings un faktorings	50003760921	Latvia, Riga LV-1010, Republikas laukums 2A	LV	LIZ	100	100	MS
5	OU Citadele Leasing & Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	EE	LIZ	100	100	MS
6	UAB Citadele faktoringas ir lizingas	126233315	Lithuania, Vilnius LT-03107, K.Kalinausko 13	LT	LIZ	100	100	MS
7	IPAS CBL Asset Management	40003577500	Latvia, Riga LV-1010, Republikas laukums 2A	LV	IPS	100	100	MS
8	AS CBL atklātais pensiju fonds	40003397312	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PFO	100	100	MS
9	AAS CBL Life	40003786859	Latvia, Riga LV-1010, Republikas laukums 2A	LV	APS	100	100	MMS
10	Calenia Investments Limited	HE156501	Cyprus, Nicosia 1075, 58 Arch. MakariosIII Avenue, Iris Tower, 6th floor, office 602	CY	PLS	100	100	MS
11	OOO Mizush Asset Management Ukraine	32984601	Ukraine, Kiev 03150, Gorkovo 172	UA	IBS	100	100	MMS
12	SIA Citadele Express Kredīts	40003238125	Latvia, Riga LV-1010, Republikas laukums 2A	LV	CFI	100	100	MS
13	SIA Citadeles moduļi	40003397543	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
14	SIA RPG interjers	40103157899	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MMS
15	SIA Hortus Commercial	40103460641	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
16	SIA Hortus Land	40103460961	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
17	SIA Hortus TC	50103460681	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
18	SIA Hortus Residental	40103460622	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
19	SIA Hortus JU	40103724855	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
20	SIA Hortus RE	40103752416	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
21	SIA Hortus BR	50103752441	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
22	SIA Hortus NI	40103752435	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS

*BNK – bank, IBS – investment brokerage company, IPS – investment management company, PFO – pension fund, CFI – other financial institution, LIZ – leasing company, PLS – company providing various support services, APS – insurance company. ** MS – subsidiary company, MMS – subsidiary of the subsidiary company, MAS – parent company.

Management of the Bank as at 31 March 2018

Supervisory Board of the Bank

Name	Position
Timothy Clark Collins	Chairman of the Supervisory Board
Elizabeth Critchley	Deputy chairperson of the Supervisory Board
James Laurence Balsillie	Member of the Supervisory Board
Dhananjaya Dvivedi	Member of the Supervisory Board
Lawrence Neal Lavine	Member of the Supervisory Board
Klāvs Vasks	Member of the Supervisory Board
Nicholas Dominic Haag	Member of the Supervisory Board
Karina Saroukhanian	Member of the Supervisory Board
Catherine Margaret Ashton	Member of the Supervisory Board

In the three month period ended 31 March 2018 there were no changes in the Supervisory Board of the Bank.

Management Board of the Bank

Name	Position
Guntis Beļavskis	Chairman of the Management Board, per procura
Valters Ābele	Member of the Management Board, per procura
Kaspars Cikmačs	Member of the Management Board
Santa Purgaile	Member of the Management Board
Vladislavs Mironovs	Member of the Management Board
Uldis Upenieks	Member of the Management Board
Slavomir Mizak	Member of the Management Board
Johan Akerblom	Member of the Management Board

On 29 January 2018 the Bank received Financial and Capital Market Commission approval for Johan Akerblom's candidacy in the Citadele Management Board. On 1 February 2018 Johan Akerblom was appointed as Member of the Management Board.

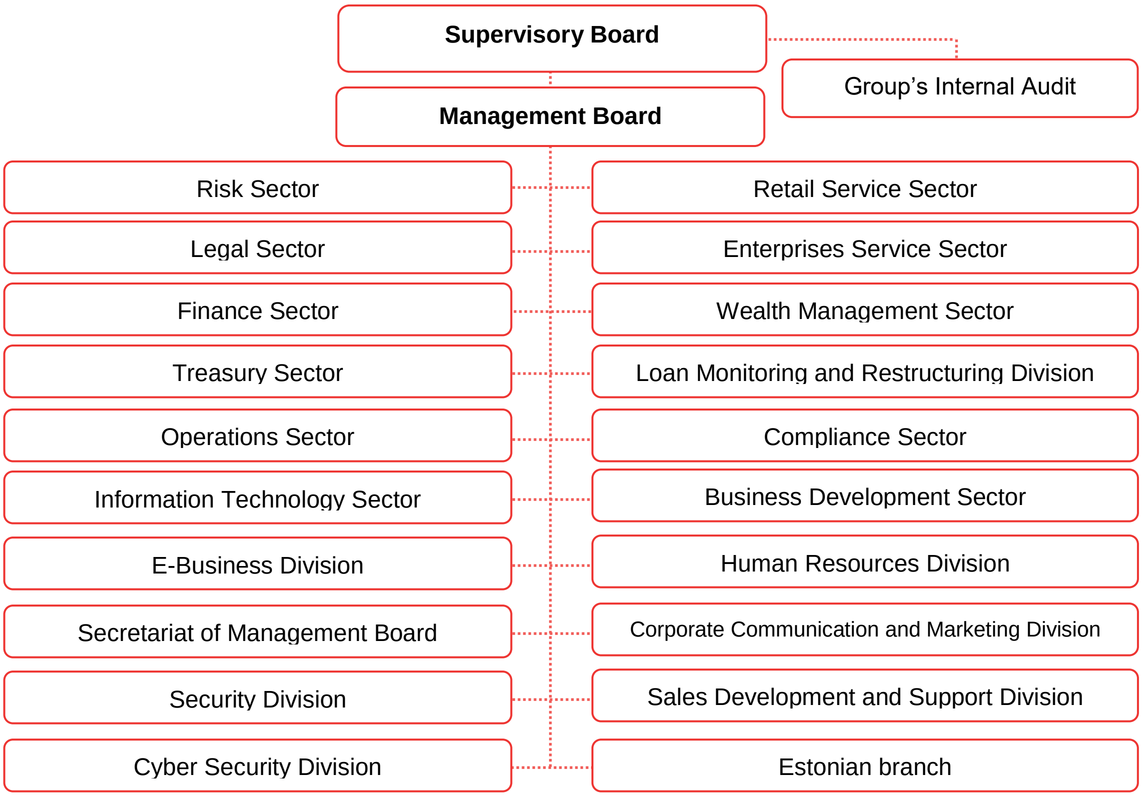
On 26 April 2018, the Supervisory Board of AS Citadele Banka approved Kaspars Jansons as Chief Operations Officer. Kaspars Jansons will join the Management Board of the Bank after receiving approval from the Financial and Capital Market Commission (FCMC). Prior to this, current Management Board Member and Chief Operations Officer Kaspars Cikmačs had informed the Supervisory Board of his intention to pursue other professional projects outside of the Bank. His term as a Management Board Member will formally terminate in June 2018.

Business Strategy and Objectives

Information about Citadele's strategy and objectives is available in "Values and strategy" section of the Bank's web page.

Bank's Organizational Structure

As at 31 March 2018 the Bank was operating a total of 20 branches (including 1 foreign branch), 12 mid-size client service centres (all in Latvia) and 2 representative offices. Information about Citadele's branches, client service centres and ATMs is available in the Bank's web page's section "Branches and ATMs".



Ratings

Rating agency	Long-term rating	Short-term rating	Rating's outlook	Rating revision date
Moody's Investors Service	Ba2	Not Prime	Positive	27/04/2018
Moody's Investors Service	Ba2	Not Prime	Positive	27/10/2017
Moody's Investors Service	Ba2	Not Prime	Positive	18/04/2017
Moody's Investors Service	B1	Not Prime	Positive	09/01/2017
Moody's Investors Service	B1	Not Prime	Positive	08/07/2016
Moody's Investors Service	B1	Not Prime	Positive	08/01/2016
Moody's Investors Service	B1	Not Prime	Positive	17/06/2015
Moody's Investors Service	B2	Not Prime	Under Review	17/03/2015
Moody's Investors Service	B2	Not Prime	Negative	29/05/2014
Moody's Investors Service	B2	Not Prime	Stable	23/08/2013
Moody's Investors Service	B2	Not Prime	Negative	16/12/2011
Moody's Investors Service	Ba3	Not Prime	Under Review	20/09/2011
Moody's Investors Service	Ba3	Not Prime	Stable	06/09/2010

Detailed information about ratings can be found on the web page of the rating agency: www.moodys.com

Risk Management

The Group considers risk management to be an essential component of its management process. The Group believes that it pursues prudent risk management policies that are aligned with its business and which aim 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, successful development, long-term financial stability, and to protect the Group from unidentified risks. 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 Group's risk management policies for each of the above mentioned risks are briefly summarised below. More detailed information about risk management is available in "Risk management" note of AS Citadele banka annual report, which is published in the Bank's web page's section "Financial reports".

Credit Risk

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 mutually related 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. None of the Group's derivative exposures is overdue.

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.

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 Financial and Capital Market Commission (FCMC) requires banks in Latvia to estimate and maintain a liquidity ratio of at least 30% and also sets individual liquidity ratio requirements based upon cash and cash equivalent assets available within a 30 day span and current liabilities of the bank due in the next 30 days. The Bank's individual liquidity ratio requirement is 40%. The Bank was in compliance with the liquidity ratio requirements issued by the FCMC and met mandatory reserve requirements defined by the Bank of Latvia. In addition to a Latvia-specific liquidity ratio, the FCMC has also introduced a minimum requirement for a Basel III proposed Liquidity Coverage Ratio (LCR). The Bank is compliant with LCR requirements.

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 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 requirements of Latvian legislation.

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.

Further operational risk is divided into the following categories: personnel risk, process risk, IT and system risk, external risk.

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 a specific transaction, but also understands 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 which are in place, 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.

Operational risk management in the Group is carried out in accordance with Operational Risk Management Policy.