AS Citadele banka

Interim Report

For the nine months ended
30 September 2019

Key figures and events of the Group

Further improvements and upgrades in the Bank's range of digital products, resulting in increasing activity in digital channels.

Number of active customers reached 299 thousand clients end of Q3 2019.

The Group's net profit in 9 months 2019 was EUR 27.2 million, 10% higher than previous year.

Total loan portfolio increased by EUR 118 million (8%) from the year end 2018, and reached EUR 1,514 million.

EUR 437 million issued in new loans to Baltic private, SME and corporate customers and Baltic deposits increased by EUR 415 million during first 9 months 2019.

Citadele was appointed to execute the payments of guaranteed compensation to the customers of JSC "PNB Banka".

EUR millions	**9m 2019**	**9m 2018**	**9m 2017**
Net interest income	63.8	61.1	55.8
Net fee and commission income	21.8	23.8	25.3
Net financial and other income	7.3	10.8	15.7
Operating income	**92.9**	**95.7**	**96.8**
Operating expense	(62.0)	(63.3)	(59.9)
Net credit losses and impairments	(2.7)	(7.4)	(8.4)
Net profit	**27.2**	**24.7**	**2.6**
Return on average assets (ROA)	1.11%	1.04%	0.11%
Return on average equity (ROE)	11.6%	11.9%	1.4%
Cost to income ratio (CIR)	66.7%	66.1%	61.9%
Cost of risk ratio (COR)	0.2%	0.7%	0.9%

EUR millions	**30 Sep 2019**	**31 Dec 2018**	**31 Dec 2017**
Total assets	3,518	3,052	3,312
Loans to public	1,514	1,396	1,331
Deposits from customers	3,071	2,645	2,917
Shareholders' equity	332	297	269
Loan-to-deposit ratio	49%	53%	46%
Total capital adequacy ratio (CAR), transitional (including H1 audited profits)	20.6%	20.1%	18.4%
Common equity Tier 1 (CET1) capital ratio, transitional (including H1 audited profits)	17.3%	16.7%	15.0%
Full time employees	1,405	1,492	1,540

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Rounding and Percentages

Some numerical figures included in these financial statements have been subject to rounding adjustments. Accordingly, numerical figures shown for the same category presented in different tables may vary slightly, and numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

In these financial statements, certain percentage figures have been included for convenience purposes in comparing changes in financial and other data over time. However, certain percentages may not sum to 100% due to rounding.

Citadele remains focused on building its presence across the Baltic countries and offering the best products and service

"It has been a strong third quarter for Citadele Group as we continue our growth strategy in-line with our goal to be the leading banking service provider in the Baltics. We saw positive trends in all our key metrics. Citadele Group remains committed to expanding our presence in Lithuania and Estonia. In order to achieve that, we are investing in development of our core products according to local specifics."

Guntis Beļavskis
Chairman of the Management Board, CEO

In Q3 2019 Citadele Group continued to demonstrate a strong financial performance by growing its customer base across all core business segments, improving its already high capital base and showing improvements in the Group's asset quality metrics.

Our key activities during Q3 2019 has been on further improvements and upgrades to the bank's products, as well as ensuring the smooth process of handling guaranteed compensation to more than 38 thousand customers of JSC "PNB Banka".

New opportunities for Citadele's clients

To support small business customers and to give merchants the advantage of adapting to a dynamic entrepreneurial environment and receiving the most crucial financial service instantly, Citadele was the first Bank in the Baltics to start offering business owners the opportunity to receive card terminal or mobile POS directly in the branch offices.

Aligning with customer expectations in terms of speed of the banking products, we have launched instant card issuance – customers can get payment card instantly at the branch.

Taking the next step towards our goal of making personal financial management easier and simpler for our clients, P2P payments to mobile phone numbers for private persons was launched in partnership with the Bank of Latvia.

To ensure a personal approach to physical in-branch meetings - two new concept branches were opened in Q3 2019 (Riga and Saldus).

Growing customer base

Continuous digital channel development and the convenience of the existing remote services have resulted in increased customer activity.

Since the beginning of the year Mobile App users and Internet bank customers increased by 46% and 6% respectively, reaching 117 thousand active Mobile App users and 182 thousand active Internet Bank customers.

The number of active customers increased by 18 thousand in Q3, and reached 299 thousand clients at the end of September 2019.

Focus on Baltic private and corporate customers

Citadele continued to increase its lending footprint in both retail and corporate banking sectors, achieving 10% growth year-on-year (EUR 141 million). Loan portfolio reached EUR 1,514 million.

Progress was also made in terms of deposits where the Group increased Baltic deposits by EUR 415 million during 9 months of 2019.

State guaranteed compensation pay-out

The Financial and Capital Market Commission entrusted Citadele to execute the payments of guaranteed compensation to the customers of JSC "PNB Banka" starting from 22 August. We have devoted a lot of effort to ensure the smooth pay-out process, paying particular attention that clients' visits to the branch were comfortable and the information provided was clear.

As of the end of September, 75% of total pay-outs (EUR 204m) were completed.

Financial review of the Group

Overall business sentiment in the Baltics was positive and consumption and retail trade was supported by strong wage growth and stable consumer confidence. Activity levels in both private and corporate segments remained strong – the Group's loan portfolio increased by 10% year-on-year. Net profit in 9 months 2019 was EUR 27.2 million, which translated into 11.6% annual return on equity.

Results and profitability YTD Q3 2019

Net interest income reached EUR 63.8 million, a 4% increase year-on-year, primarily driven by loan portfolio growth of 10%. The loan portfolio increase was the result of increased business activities in all customer segments, with private and small business showing year-on-year net interest income increases of 15% and 19%, respectively.

The Group's **net fee and commission income** reached EUR 21.8 million, an 8% decrease year-on-year, mainly due to lower income from currency exchange, payments and transactions.

The Group's **operating income** reached EUR 92.9 million, a 3% decrease year-on-year. **Operating expenses** decreased by 2% compared to the same period in 2018, mainly due to considerably lower marketing expenses (-34%) and consulting (-13%). Staff costs increased by 1% and stood at EUR 40.2 million. The number of full time employees was 1,405 vs 1,492 as at year end 2018. Citadele continued to develop and launch innovative digital solutions and products, as IT costs reached EUR 4.8 million, a 12% increase year-on-year.

Depreciation and amortisation expenses stood at EUR 5.8 million (+27% YoY), following the IFRS 16 requirements - reclassification of Operating lease expenses, previously included in "Other expenses".

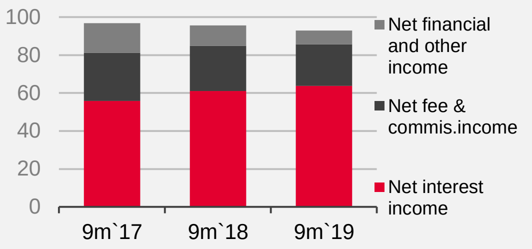
Citadele's **cost to income ratio** was 66.7% versus 66.1% in Q3 2018.

Net credit losses and impairments were EUR 2.7 million, mainly reflecting the growth of the portfolios. The credit quality of the Group's loan portfolio remained stable, and there were no new major individual provisions. The securities portfolio also demonstrated stable development in terms of yield and risk profile. The Stage 3 loans to public ratio decreased to 6.0% as of 30 September 2019, compared to 9.1% at the end of 2018.

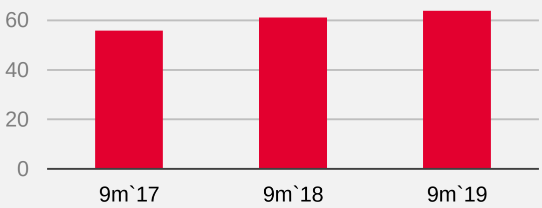
Return on equity in Q3 2019 was 11.6%.

Q3 stand-alone displays a slightly higher operating income vs previous year and a 64% higher net profit. As a stand-alone quarter it has the highest net profit since Q4 2017.

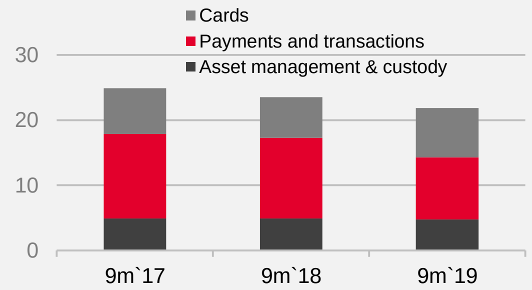
Operating income, EURm



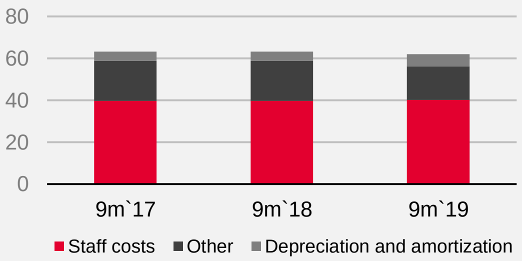
Net interest income, EURm



Net fee and commission income, EURm



Operating expense, EURm



Balance sheet overview

The Group's assets stood at EUR 3,518 million as of 30 September 2019, representing a 15% increase from the year end 2018 (EUR 3,052 million).

The **total loan portfolio** has grown by EUR 118 million (8%) from the year end 2018, reflecting prudent lending standards and ambition to retain loan book quality.

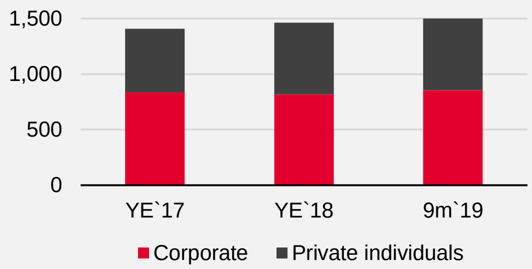
The loan portfolio was EUR 1,514 million as per end of Q3 2019. **New lending** for 9 months 2019 reached EUR 437 million, with the Corporate portfolio seeing a healthy pipeline going forward. EUR 243 million was granted to Retail clients across all Baltic countries and EUR 194 million was granted to corporate customers (mainly in Latvia and Lithuania).

In terms of **geographical profile**, the loan portfolio breakdown by countries has remained unchanged over recent years. As of 30 September 2019, Latvia accounted for 60% of the portfolio (EUR 915 million), followed by Lithuania with 27% (EUR 407 million) and Estonia with 10% (EUR 152 million). Portfolios in Latvia and Lithuania also saw the largest increase since year end 2018 – by 10% (EUR 84 million) and 6% (24 million), respectively.

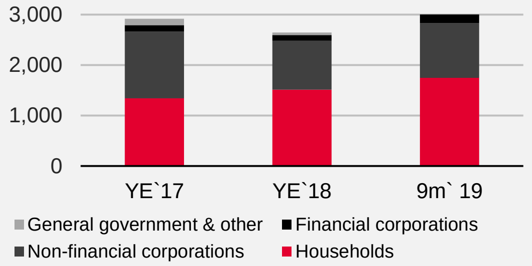
No major changes in **industry concentrations** occurred during 9 months 2019. Loans to Households represented 45% of the portfolio, where mortgages have experienced a stable increase in recent years, with 14% growth year to date. Consumer loans and card lending have increased by 18% and 11%, respectively, since year end 2018. The main industry concentrations were Real estate (17% of total gross loans), Transport and communications (7%) and Manufacturing and Trade (8% and 7%, respectively).

The main source of funding, customer deposits, grew by 16% vs year end 2018, with growth coming from Baltic residents that increased by EUR 415 million year to date (20% increase). As of 30 September 2019, total Group customer deposits were EUR 3,071 million.

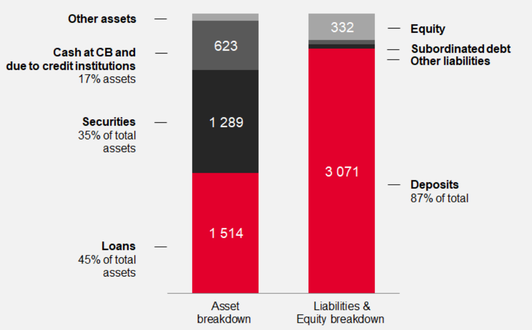
Loans, EURm



Deposits, EURm



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has assigned Citadele bank a deposit rating of Ba1, with a positive outlook (2 October 2019).

The main credit strengths are:

- Continued improvement in capitalisation, signalling a commitment by its owners to continue building a viable bank
- Improved governance, with selective growth in its home markets, exiting non-resident segments

Moody's	
Long term deposit	Ba1
Long term counterparty risk rating	Baa3
Short term deposit	NP
Short term counterparty risk rating	P-3
Outlook	Positive

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

Segment highlights - Q3 2019

Retail segment was characterised by a solid performance in terms of customer acquisition, loan growth and new product development

Record level of active private and small business customers reached

The number of active customers continued to accelerate – 15.9 thousand new private and 1.4 thousand new SME clients were added during Q3 2019 in the Baltics, reaching in total 270 thousand private and almost 17 thousand SME clients as at end of 30 September 2019.

New products launched

Aligning with client expectations, the bank continued to work on new product and digital channel development and functional updates.

Citadele was the first bank in the Baltics to launch Instant card issuance. Four branches in Latvia (two in Riga, one in Liepaja and Daugavpils) offer new customers the ability to open an account and get payment card instantly. Existing customers can immediately replace their lost or stolen card without the need to wait several days.

Citadele became a first bank to start issuance of POS terminal instantly to SME customers.

Citadele, in partnership with the Bank of Latvia, has launched P2P payments to mobile phone numbers. More than 20 thousand customers have been onboarded to the new solution.

To ensure a personal approach to physical in-branch meetings - two new concept branches were opened in Q3 2019 – one in Riga, other in Saldus.

Increasing demand for digital products and services

As of September 2019, Mobile App active users reached 117 thousand active users (+46% since the beginning of the year). Internet bank active customers constituted 182 thousand active customers (+6% since the beginning of the year).

Digitally onboarded customers in Mobile app and Web exceeded more than 10 thousand clients since the beginning of the year.

Strong lending growth continue also during Q3

Retail customer new lending reached EUR 243 million in 9 month 2019, an increase of 15% versus the same period in 2018. Loans to Private individuals constituted EUR 140 million, and loans to Small business reached EUR 103 million.

Total Retail segment loans reached EUR 902 million as of 30 September 2019, representing 19% increase as compared to year end 2018. Recent years have seen a stable increase in mortgages, which grew by 14% year to date. Consumer loans and card lending have increased by 18% and 11% since year end 2018, respectively.

Deposits reached EUR 1,351 million, a 22% increase since year end 2018. The Retail segment's operating income in 9 months 2019 was EUR 41 million.

Guaranteed deposits payouts for PNB bank customers

Citadele bank was selected by the Financial and Capital Market Commission to support guaranteed deposits pay-outs for PNB bank customers. The bank successfully launched the PNB pay-outs process and managed to execute 75% (EUR 204 million) of total PNB deposits pay-outs in first 6 weeks.

Corporate segment increases new loans issued and promotes the growth of small and medium businesses

Q3 2019 in the Corporate segment was characterised by the successful execution of our strategy to become the home bank for Baltic businesses in the manufacturing, trade and service industries.

Besides continuing to promote growth of small and medium businesses, in Q3 we have contributed towards new investments for some of the top corporates in the Baltics.

New lending trend remains strong

New lending trend has remained strong in Q3. The total amount of new loans issued in Corporate segment YTD reached EUR 194 million, a 48% increase versus the same period in 2018 and the highest amount since inception of Citadele.

The net loan portfolio decreased due to early repayments of some large ticket size loans, and stood at EUR 551 million as of 30 September 2019.

Corporate segment deposits reached EUR 616 million, a 5% increase since year end 2018.

Focus towards manufacturing and trade business

Citadele continued to focus its lending strategy towards the manufacturing, trade and service sectors, as companies operating in these sectors along with real estate were the top 3 recipients of financing in Q3.

Top loans issued in Q3 were to metalworking, furniture and fuel retail businesses.

Business Environment

Growth in the Baltics remains solid, but external risks weigh on economic outlook

Global economic activity continues to weaken

The Baltic region is facing an increasingly challenging external economic environment. Growth in the global economy is slowing, manufacturing confidence has turned negative in the euro area, and US / global trade is falling for the first since 2009, with global economic growth forecasts are being revised downwards.

Economic confidence in the Baltics has begun to decline and trade uncertainty, Brexit, geopolitical conflicts, and financial vulnerabilities remain key risks to growth. However, labour markets and consumer confidence in major economies remained strong, supported by renewed monetary stimulus by large central banks.

Growth in Latvia rebounds

Despite the weak external environment, growth in Lithuania and Estonia remained solid, while in Latvia annual real GDP growth rebounded to 2.8% in Q3, up from less than 2% in Q2, mainly as a result of the good harvest in agriculture, as well as improvements in the energy sector.

Growth in the Baltics is increasingly reliant on domestic consumption and Business & IT services, as manufacturing is increasingly feeling the slowdown from external markets, where risks remain tilted to the downside.

Export sectors under pressure

Growth in Baltic manufacturing sectors continues, but is increasingly reliant on fewer industries such as metal products, machinery and electrical & IT equipment. New industrial orders have declined noticeably since the end of 2018, pointing to weaker growth ahead.

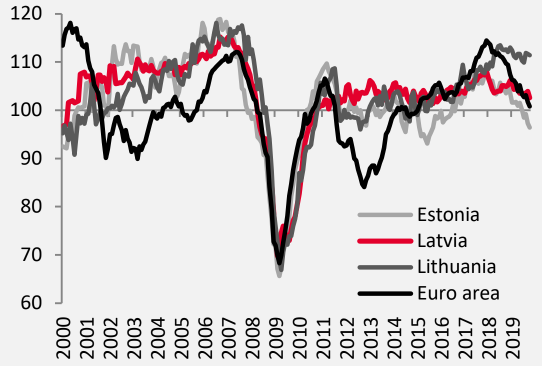
At the same time, Service sectors such as IT and business services remain the fastest growing in the Baltics. Global demand in high value added services so far has not been affected by slowdown in manufacturing or trade wars.

Strong domestic demand supports growth

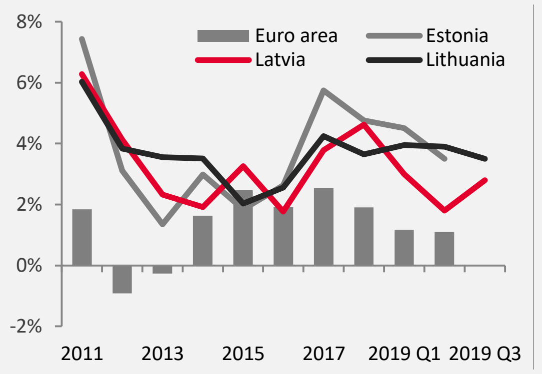
Domestic consumption will remain the key driver of economic growth in the Baltics, as consumption and retail trade is supported by strong wage growth and stable consumer confidence. At the same time, the construction sector has decelerated noticeably in the Baltics, mainly due to fluctuation in the flow of EU funds, while private sector demand remains robust.

Unemployment in the Baltics is now below 6.5%, and income growth remains close to 8%, as wages grow across almost all sectors and income levels. Adverse demographics is likely to continue to put pressure on wages despite the moderate economic growth.

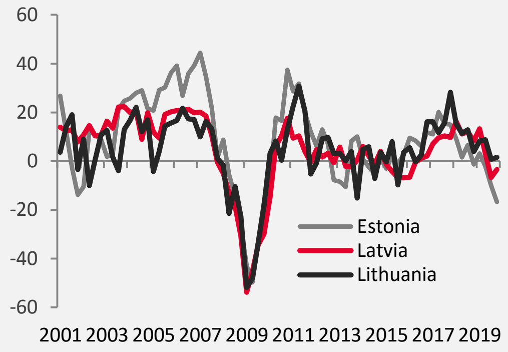
Economic sentiment index



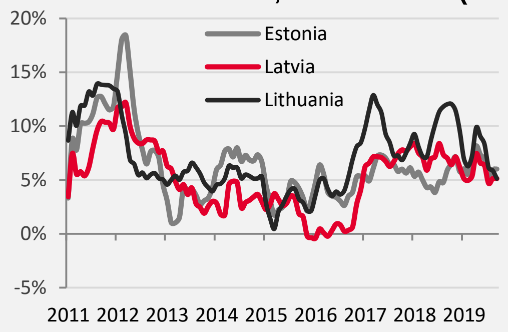
Real GDP, % YoY



New industrial orders



Retail trade turnover, EUR % YoY (3 MA)



CORPORATE GOVERNANCE

AS Citadele banka is the parent company of Citadele Group. Citadele bank is a joint stock company. 75% plus one share in Citadele bank is owned by a consortium of international investors represented by Ripplewood Advisors LLC. The European Bank for Reconstruction and Development (EBRD) owns 25% minus one share.

Supervisory Board of the Bank as of 30/09/2019:

Name	Current Position	Date of first appointment
Timothy Clark Collins	Chairman of the Supervisory Board	20 April 2015
Elizabeth Critchley	Deputy chairperson of the Supervisory Board	20 April 2015
James Laurence Balsillie	Member of the Supervisory Board	20 April 2015
Dhananjaya Dvivedi	Member of the Supervisory Board	20 April 2015
Lawrence Neal Lavine	Member of the Supervisory Board	20 April 2015
Klāvs Vasks	Member of the Supervisory Board	30 June 2010
Nicholas Dominic Haag	Member of the Supervisory Board	19 December 2016
Karina Saroukhanian	Member of the Supervisory Board	19 December 2016
Sylvia Yumi Gansser Potts	Member of the Supervisory Board	29 October 2018

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

Management Board of the Bank as of 30/09/2019:

Name	Current position	Responsibility
Guntis Beļavskis	Chairman of the Management Board, per procura	Chief Executive Officer
Valters Ābele	Member of the Management Board, per procura	Chief Risk Officer
Santa Purgaile	Member of the Management Board	Chief Commercial Officer Corporate
Vladislavs Mironovs	Member of the Management Board	Chief Commercial Officer Retail
Uldis Upenieks	Member of the Management Board	Chief Compliance Officer
Slavomir Mizak	Member of the Management Board	Chief Technology Officer
Johan Åkerblom	Member of the Management Board, per procura	Chief Financial Officer
Kaspars Jansons	Member of the Management Board	Chief Operations Officer

Subsequent to the period end, as of 24 October 2019 Santa Purgaile resigned from the Management Board. On 1 March 2020 Vaidas Žagūnis is expected to become a member of the Management Board responsible for the development and management of the corporate business in the Baltics, conditional to approval of the FCMC.

STATEMENT OF INCOME

	Note	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
		EUR thousands			
Interest income	5	75,345	72,563	68,406	55,462
Interest expense	5	(11,515)	(11,477)	(11,563)	(9,947)
Net interest income		**63,830**	**61,086**	**56,843**	**45,515**
Fee and commission income	6	41,808	42,691	34,966	31,782
Fee and commission expense	6	(19,961)	(18,863)	(19,458)	(16,396)
Net fee and commission income		**21,847**	**23,828**	**15,508**	**15,386**
Net financial income	7	5,823	8,277	4,561	7,116
Net other income		1,432	2,516	4,008	1,886
Operating income		**92,932**	**95,707**	**80,920**	**69,903**
Staff costs		(40,151)	(39,713)	(35,989)	(29,932)
Other operating expenses	8	(16,070)	(19,037)	(12,851)	(15,553)
Depreciation and amortisation		(5,757)	(4,521)	(5,435)	(2,323)
Operating expense		**(61,978)**	**(63,271)**	**(54,275)**	**(47,808)**
Profit before impairment		**30,954**	**32,436**	**26,645**	**22,095**
Net credit losses	9	(2,819)	(7,154)	(1,235)	(5,528)
Other impairment losses		110	(242)	3,111	(121)
Operating profit before non-current assets held for sale		**28,245**	**25,040**	**28,521**	**16,446**
Result from non-current assets held for sale		(350)	-	(247)	-
Operating profit		**27,895**	**25,040**	**28,274**	**16,446**
Income tax		(667)	(337)	(180)	(66)
Net profit		**27,228**	**24,703**	**28,094**	**16,380**
Basic earnings per share in EUR	16	0.17	0.16	0.18	0.10
Diluted earnings per share in EUR	16	0.17	0.16	0.18	0.10

The notes on pages 14 to 31 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
Net profit	**27,228**	**24,703**	**28,094**	**16,380**
Other comprehensive income items that are or may be reclassified to profit or loss:				
Fair value revaluation reserve				
Fair value revaluation reserve charged to statement of income	(651)	(156)	(212)	(131)
Change in fair value of debt securities	7,088	(1,238)	4,550	(930)
Deferred income tax charged / (credited) directly to equity	(279)	71	-	-
Other reserves				
Foreign exchange retranslation	888	765	-	-
Other comprehensive income items that may not be reclassified to profit or loss:				
Fair value revaluation reserve				
Change in fair value of equity and similar instruments	1,336	102	1,334	509
Transfer to retained earnings at disposal	(1,394)	-	(1,395)	-
Other comprehensive income / (loss)	**6,988**	**(456)**	**4,277**	**(552)**
Total comprehensive income	**34,216**	**24,247**	**32,371**	**15,828**

The notes on pages 14 to 31 are an integral part of these financial statements.

BALANCE SHEET

	Note	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
		EUR thousands			
Assets					
Cash and cash balances at central banks		499,095	405,315	482,208	155,510
Loans to credit institutions		124,029	131,902	98,326	110,851
Debt securities	10	1,242,102	989,230	987,812	779,011
Loans to public	11	1,513,596	1,395,692	1,545,845	1,168,116
Equity instruments	12	4,890	2,901	4,890	2,875
Other financial instruments	12	40,027	34,146	6,374	6,078
Derivatives		1,894	611	1,894	614
Investments in subsidiaries	13	-	-	33,485	71,614
Tangible assets		50,428	48,893	15,975	4,817
Intangible assets		4,789	4,868	4,627	4,651
Tax assets		3,316	2,929	2,815	247
Non-current assets held for sale		3,093	-	1,640	-
Other assets		30,931	35,604	23,045	25,599
Total assets		**3,518,190**	**3,052,091**	**3,208,936**	**2,329,983**
Liabilities					
Deposits from credit institutions and central banks		7,829	7,277	56,616	39,170
Deposits and borrowings from customers	14	3,070,949	2,645,042	2,746,448	1,937,857
Debt securities issued	15	60,930	60,010	60,930	60,010
Derivatives		1,395	1,470	1,395	1,504
Provisions	9	3,486	3,196	3,443	2,616
Tax liabilities		759	810	-	-
Other liabilities		41,199	37,486	28,733	21,006
Total liabilities		**3,186,547**	**2,755,291**	**2,897,565**	**2,062,163**
Equity					
Share capital	16	156,556	156,556	156,556	156,556
Reserves and other capital components		11,743	3,868	5,446	(853)
Retained earnings		163,344	136,376	149,369	112,117
Total equity		**331,643**	**296,800**	**311,371**	**267,820**
Total liabilities and equity		**3,518,190**	**3,052,091**	**3,208,936**	**2,329,983**
Off-balance sheet items					
Contingent liabilities	17	25,314	22,405	24,532	17,820
Financial commitments	17	356,945	344,116	441,857	355,309

The notes on pages 14 to 31 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands					
	Issued Share capital	Securities fair value revaluation reserve	Foreign currency retranslation	Other reserves	Retained earnings	Total equity
Balance as of 31/12/2017	**156,556**	**2,161**	**2,257**	**907**	**107,014**	**268,895**
Adjustment on initial application of IFRS 9, net of tax	-	(1,394)	-	-	(5,078)	(6,472)
Restated balance as of 01/01/2018	**156,556**	**767**	**2,257**	**907**	**101,936**	**262,423**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	24,703	24,703
Other comprehensive income / (loss) for the period	-	(1,222)	766	-	-	(456)
Transactions with shareholders						
Transfer to reserves	-	-	-	406	(406)	-
Balance as of 30/09/2018	**156,556**	**(455)**	**3,023**	**1,313**	**126,233**	**286,670**
Balance as of 31/12/2018	**156,556**	**(951)**	**3,119**	**1,700**	**136,376**	**296,800**
Adjustment on initial application of IFRS 16, net of tax	-	-	-	-	-	-
Restated balance as of 01/01/2019	**156,556**	**(951)**	**3,119**	**1,700**	**136,376**	**296,800**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	27,228	27,228
Share based payments to employees	-	-	-	627	-	627
Other comprehensive income / (loss) for the period	-	7,494	888	-	(1,394)	6,988
Transactions with shareholders						
Transfer from reserves (*Note 2*)	-	-	-	(1,134)	1,134	-
Balance as of 30/09/2019	**156,556**	**6,543**	**4,007**	**1,193**	**163,344**	**331,643**

	Bank, EUR thousands					
	Issued Share capital	Securities fair value revaluation reserve	Foreign currency retranslation	Other reserves	Retained earnings	Total equity
Balance as of 31/12/2017	**156,556**	**1,511**	**-**	**-**	**81,828**	**239,895**
Adjustment on initial application of IFRS 9, net of tax	-	(1,854)	-	-	(2,748)	(4,602)
Restated balance as of 01/01/2018	**156,556**	**(343)**	**-**	**-**	**79,080**	**235,293**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	16,380	16,380
Other comprehensive income / (loss) for the period	-	(552)	-	-	-	(552)
Balance as of 30/09/2018	**156,556**	**(895)**	**-**	**-**	**95,460**	**251,121**
Balance as of 31/12/2018	**156,556**	**(1,240)**	**-**	**387**	**112,117**	**267,820**
Adjustment on initial application of IFRS 16, net of tax	-	-	-	-	-	-
Restated balance as of 01/01/2019	**156,556**	**(1,240)**	**-**	**387**	**112,117**	**267,820**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	28,094	28,094
Share based payments to employees	-	-	-	627	-	627
Other comprehensive income / (loss) for the period	-	5,672	-	-	(1,395)	4,277
Transactions with shareholders						
Integration of AB Citadele bankas (*Note 2*)	-	-	-	-	10,553	10,553
Balance as of 30/09/2019	**156,556**	**4,432**	**-**	**1,014**	**149,369**	**311,371**

The notes on pages 14 to 31 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

If not mentioned otherwise, referral to the Group's policies and procedures should be also considered as referral to the respective Bank's policies and procedures. Figures in parenthesis represent amounts as of 31 December 2018 or for the nine months period ended 30 September 2018.

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

These financial statements have been authorised for issuance by the Management Board and comprise the financial information of AS Citadele banka (hereinafter – the Bank or Citadele) and its subsidiaries (together – the Group).

NOTE 2. GENERAL INFORMATION AND INTEGRATION OF THE LITHUANIAN BANK

Citadele is a Latvian-based bank offering retail, private banking, asset management, lending, leasing and other commercial banking services. On 30 September 2019 the Bank operates branches in Latvia, Lithuania and Estonia. AS Citadele banka is the parent company of the Group, which has subsidiary bank in Switzerland and several subsidiaries which include financial services companies. The Group's main market is Baltics (Latvia, Lithuania and Estonia). Citadele was registered as a joint stock company on 30 June 2010. Citadele commenced its operations on 1 August 2010.

As of 30 September 2019, the Group had 1,405 (2018: 1,492) and the Bank had 1,318 (2018: 1,147) full time equivalent active employees. The number of employees of the Bank increased as a result of the transfer of the business and employees from AB Citadele bankas (Lithuania) to the Lithuanian branch of AS Citadele banka in January 2019.

The integration of AB Citadele bankas (Lithuania)

As a result of the AB Citadele bankas (Lithuania) transformation to the Lithuanian branch of AS Citadele banka in January 2019 the subsidiary's assets, liabilities and equity were merged into the Bank's balance sheet. In-line with the Group's accounting policy, a EUR 10.6 million positive difference between the Bank's investment in the subsidiary and the total equity of the subsidiary was recognized directly in the Bank's retained earnings (see Statement of Changes in Equity). The Bank's income statement was not directly affected by the transaction. The Group's financials were similarly unaffected as the transaction was within the Group, except for transfer of a previously recognized statutory reserve of EUR 1.1 million to retained earnings (due to changes in the legal status).

	Bank as of 01/01/2019, EUR thousands			
	Bank before the integration	**AB Citadele standalone, consolidation scope**	**Eliminations and intra group amounts**	**Bank after the integration**
Assets				
Cash and cash balances at central banks	155,510	219,955	-	375,465
Loans to credit institutions	110,851	2,579	(2,159)	111,271
Debt securities	779,011	-	-	779,011
Loans to public	1,168,116	262,797	-	1,430,913
Equity instruments	2,875	26	-	2,901
Other financial instruments	6,078	-	-	6,078
Derivatives	614	28	(28)	614
Investments in subsidiaries	71,614	-	(43,836)	27,778
Tangible assets	4,817	2,009	-	6,826
Intangible assets	4,651	-	-	4,651
Tax assets	247	2,179	-	2,426
Other assets	25,599	1,667	(229)	27,037
Total assets	**2,329,983**	**491,240**	**(46,252)**	**2,774,971**
Liabilities				
Deposits from credit institutions and central banks	39,170	512	(2,159)	37,523
Deposits and borrowings from customers	1,937,857	431,336	-	2,369,193
Debt securities issued	60,010	-	-	60,010
Derivatives	1,504	-	(28)	1,476
Provisions	2,616	1,985	-	4,601
Tax liabilities	-	94	-	94
Other liabilities	21,006	2,924	(229)	23,701
Total liabilities	**2,062,163**	**436,851**	**(2,416)**	**2,496,598**
Total equity (see Statement of Changes in Equity)	**267,820**	**54,389**	**(43,836)**	**278,373**
Total liabilities and equity	**2,329,983**	**491,240**	**(46,252)**	**2,774,971**
Off-balance sheet items				
Contingent liabilities	17,820	5,093	-	22,913
Financial commitments	355,309	28,658	-	383,967

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by European Union (EU) on a going concern basis. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in financial position and performance of the Group and the Bank since the last annual consolidated and Bank financial statements for the year ended 31 December 2018. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by European Union. This interim financial information should be read in conjunction with the 2018 annual financial statements for the Group and the Bank.

b) New standards and amendments

New standards, interpretations and amendments which were not applicable to the previous annual financial statements have been issued. Underneath are summarised these which are relevant for the Group and become effective in 2019 and forthcoming requirements which become effective for later reporting periods. Where the implementation impact was or is expected to be reasonably material it is disclosed.

New requirements effective for 2019

IFRS 16 – Leases (replaces IAS 17, IFRIC 4, SIC-15, SIC-27). The Group has initially applied IFRS 16 using the modified retrospective approach, under which the comparative information is not restated and the Group has elected to apply the new standard by not affecting the retained earnings at 1 January 2019.

A lease is a contract, or a part of a contract, that conveys the right to use an asset (the lease asset) for a period of time in exchange for consideration. According to the new standard for qualifying lease assets, upon lease commencement, a lessee has to recognise a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs. Subsequently the right-of-use asset is measured using a cost model. A right-of-use asset is measured at cost less any accumulated depreciation and impairment. The lease liability is initially measured as a discounted value of payments agreed over the lease term. A discount rate which discounts future payments to estimated present value is applied. The Group presents right-of-use assets in the same line items in which it presents assets of the same nature that it owns. Lease liabilities are presented within other liabilities. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets, but to expense lease payments for low-value assets over the lease term.

For lessors classification of lease as an operating lease or a finance lease remains unchanged; therefore, for the Group as a lessor has no direct impact from the new standard.

When estimating lease term, the Group's intentions as well as contractual early termination and extension options of lessee and lessor are considered. When a previously recognised lease is modified and scope of the lease increases and increase in compensation is commensurate, a new separate lease is recognised; if increase in compensation is not commensurate or scope of lease decreases the current right-of-use asset and corresponding lease liability is re-measured. In case of decrease in scope of lease a gain or loss (if any) is recognised in income statement.

For the Group as a lessee the major class of right-of-use assets are rent agreements for branch network and other premises used for operating needs of the Group. Most lease contracts may be early terminated by both the Group and the lessor. Many contracts may be extended beyond their current term at discretion of the Group. Thus if there is an extension clause or early termination clause a lease term equal to the planning horizon of three years is often applied unless the lease term is shorter already. In case of branches this is based on a plan to move towards a more digital model less dependent on the physical presence. The Group owns its headquarters building, which is leased by the Bank from its subsidiary. As both parties are under common control the lease term may be extended or shortened at the Management's discretion. For intragroup lease of the headquarters building the applied three years lease term assumption is linked to the business plan horizon. The incremental borrowing rate at the date of initial application was set at 1.05% and was based on the Bank's deposit rate with an additional 0.5% risk spread for lack of deposit guarantee for leases. The Group uses practical expedient of low value items where any item generating cash outflows of less than USD 5 thousand during the lease term is outscoped.

The amount of right-of-use asset which was recognised at implementation of the new standard was EUR 11.2 million for the Bank and EUR 3.7 million for the Group. Corresponding lease liability was recognised. In the reporting period, the Bank and the Group has recognised depreciation charges for right-of-use assets in the amount of EUR 2.9 million and EUR 1.1 million, respectively.

	Group	Bank
Future minimum lease payments under non-cancellable operating leases as of 31 December 2018 (IAS 17)	**1,417**	**6,272**
Short term and low value asset leases	(31)	(31)
Recognised lease term beyond non-cancellable lease period	2,389	5,170
Effect from discounting at the incremental borrowing rate	(59)	(184)
Lease liabilities as of 1 January 2019 (IFRS 16)	**3,716**	**11,227**

New standards, amendments to standards and interpretations which did not have a significant effect to the Group:
IFRIC 23 – Uncertainty over Income Tax Treatment
Amendments to IFRS 9 – Prepayment Features with Negative Compensation
Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19 – Plan Amendments, Curtailment or Settlement
Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Forthcoming requirements

Certain new standards, amendments to standards and interpretations have been published that become endorsed for the accounting periods beginning after 1 January 2019 or are not yet effective in the EU and have not been applied in preparing these financial statements. The Group does not plan to adopt any of these standards early. The Group is in the process of evaluating the potential effect if any of changes arise from these new standards and interpretations.

c) Functional and Presentation Currency

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank, its Baltic subsidiaries, and the Group's presentation currency, is Euro ("EUR"). The functional currency of majority of the Group's foreign subsidiaries is also Euro. The accompanying financial statements are presented in thousands of Euros.

d) Use of estimates and judgements in the preparation of financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU, requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The management has applied reasonable and prudent estimates and judgments in preparing these financial statements. The significant areas of estimation used in the preparation of the accompanying financial statements relate to evaluation of impairment losses for assets, determination of the control of investees for consolidation purposes, and evaluation of recognisable amounts of deferred tax assets and liabilities.

NOTE 4. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or the group that allocates resources to and assesses the performance of the operating segments of the Group. The Management Board of the Bank is the chief operating decision maker.

Operating segments of the Group were revised in 2019 in line with changes in strategic priorities and organisational structure. Some operations were re-allocated among operating segments. These updates were thoroughly implemented in the segment disclosure. Prior period comparatives were adjusted accordingly. Allocation of client business among segments is based on the segment where the client was serviced at the point in time when the transaction took place; thus, when a client is transferred to a new segment, past transactions are not redistributed to the new segment.

All transactions between operating segments are on an arm's length basis. FTP adjusted net interest income of each operating segment is calculated by applying internal transfer rates to the assets and the liabilities of the segment. Maturity, currency and timing of the transaction are components of the internal transfer rate calculation. Income and expense is reported in the segment by originating unit and at estimated fair price. Both direct and indirect expenses are allocated to the business segments, including overheads and non-recurring items. The indirect expense from internal services is charged to the internal consumers of the service and credited to provider of the service. The internal services are charged at estimated fair price or at full cost.

Main business segments of the Group are:

Private customers

Private individuals serviced in Latvia, Lithuania and Estonia. Operations of the segment include full banking and advisory services provided through branches, internet bank and mobile banking application.

Small business

Small and medium-sized companies in Latvia, Lithuania and Estonia serviced through branches, internet bank and mobile banking application.

Corporates

Large customers serviced in Latvia, Lithuania and Estonia. Yearly turnover of the customer is above EUR 7 million or total risk exposure with Citadele Group is above EUR 2 million or the customer needs complex financing solutions.

Wealth management

Private banking, advisory, investment and wealth management services provided to high net-worth individuals serviced in Latvia, Lithuania and Estonia.

Swiss

This segment comprises operations of AP Anlage & Privatbank AG.

Leasing

FTP adjusted operating income and expense from leasing and factoring services provided to private individuals and companies in Latvia, Lithuania and Estonia. Factoring and leasing portfolios are presented within the assets of "Private customers", "Small business" and "Corporates" segments according to the profile of the client.

Other

Group's treasury functions and other business support functions, including results of the subsidiaries of the Group operating in non-financial sector.

Segments of the Group

	Group 9m 2019, EUR thousands							
	Reportable segments							
	Private customers	Small business	Corporates	Wealth	Swiss	Leasing	Other	Total
Interest income	28,889	5,037	22,437	1,855	2,883	7,530	6,714	75,345
Interest expense	(1,593)	(47)	(233)	(1,760)	(544)	-	(7,338)	(11,515)
Net interest income	**27,296**	**4,990**	**22,204**	**95**	**2,339**	**7,530**	**(624)**	**63,830**
Fee and commission income	10,637	6,233	9,424	10,922	2,943	106	1,543	41,808
Fee and commission expense	(6,485)	(2,977)	(6,750)	(2,162)	(287)	(40)	(1,260)	(19,961)
Net fee and commission income	**4,152**	**3,256**	**2,674**	**8,760**	**2,656**	**66**	**283**	**21,847**
Net financial income	606	488	489	2,368	618	-	1,254	5,823
Net other income	196	28	55	(6)	-	(187)	1,346	1,432
Operating income	**32,250**	**8,762**	**25,422**	**11,217**	**5,613**	**7,409**	**2,259**	**92,932**
Net funding allocation	(1,451)	(205)	(2,150)	2,716	559	(249)	780	-
FTP adjusted operating income	**30,799**	**8,557**	**23,272**	**13,933**	**6,172**	**7,160**	**3,039**	**92,932**

	Group 9m 2018, EUR thousands							
	Reportable segments							
	Private customers	Small business	Corporates	Wealth	Swiss	Leasing	Other	Total
Interest income	26,416	4,430	24,101	1,788	2,454	6,902	6,472	72,563
Interest expense	(2,757)	(241)	(1,144)	(1,609)	(376)	-	(5,350)	(11,477)
Net interest income	**23,659**	**4,189**	**22,957**	**179**	**2,078**	**6,902**	**1,122**	**61,086**
Fee and commission income	10,082	4,861	9,427	14,495	2,800	61	965	42,691
Fee and commission expense	(6,753)	(2,217)	(6,307)	(1,997)	(282)	(5)	(1,302)	(18,863)
Net fee and commission income	**3,329**	**2,644**	**3,120**	**12,498**	**2,518**	**56**	**(337)**	**23,828**
Net financial income	500	441	1,253	3,282	477	(1)	2,325	8,277
Net other income	151	242	473	509	-	(17)	1,158	2,516
Operating income	**27,639**	**7,516**	**27,803**	**16,468**	**5,073**	**6,940**	**4,268**	**95,707**
Net funding allocation	783	63	(1,262)	3,618	234	(499)	(2,937)	-
FTP adjusted operating income	**28,422**	**7,579**	**26,541**	**20,086**	**5,307**	**6,441**	**1,331**	**95,707**

	Group as of 30/09/2019, EUR thousands							
	Reportable segments							
	Private customers	Small business	Corporates	Wealth	Swiss	Leasing	Other	Total
Assets								
Cash, balances at central banks	-	-	-	-	16,887	-	482,208	499,095
Loans to credit institutions	-	-	-	3,667	22,037	-	98,325	124,029
Debt securities	-	-	-	17,360	236,930	-	987,812	1,242,102
Loans to public	615,374	286,796	551,215	44,419	1,539	-	14,253	1,513,596
Equity instruments	-	-	-	-	-	-	4,890	4,890
Other financial instruments	-	-	-	33,653	-	-	6,374	40,027
Total segmented assets	**615,374**	**286,796**	**551,215**	**99,099**	**277,393**	**-**	**1,593,862**	**3,423,739**
Liabilities								
Deposits from banks	-	-	-	-	-	-	7,829	7,829
Deposits from customers	1,067,009	284,231	615,572	784,508	299,353	-	20,276	3,070,949
Debt securities issued	-	-	-	-	-	-	60,930	60,930
Total segmented liabilities	**1,067,009**	**284,231**	**615,572**	**784,508**	**299,353**	**-**	**89,035**	**3,139,708**

	Group as of 31/12/2018, EUR thousands							
	Reportable segments							
	Private customers	Small business	Corporates	Wealth	Swiss	Leasing	Other	Total
Assets								
Cash, balances at central banks	-	-	-	-	29,849	-	375,466	405,315
Loans to credit institutions	-	-	-	2,368	37,688	-	91,846	131,902
Debt securities	-	-	-	14,348	195,871	-	779,011	989,230
Loans to public	553,252	206,189	585,615	40,676	2,419	-	7,541	1,395,692
Equity instruments	-	-	-	-	-	-	2,901	2,901
Other financial instruments	-	-	-	28,068	-	-	6,078	34,146
Total segmented assets	**553,252**	**206,189**	**585,615**	**85,460**	**265,827**	**-**	**1,262,843**	**2,959,186**
Liabilities								
Deposits from banks	-	-	-	1	-	-	7,276	7,277
Deposits from customers	921,646	186,363	587,208	683,703	253,458	-	12,664	2,645,042
Debt securities issued	-	-	-	-	-	-	60,010	60,010
Total segmented liabilities	**921,646**	**186,363**	**587,208**	**683,704**	**253,458**	**-**	**79,950**	**2,712,329**

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
Interest income calculated using the effective interest method:				
financial assets at amortised cost:				
loans to public	58,844	56,833	62,113	49,935
debt securities	2,953	2,841	2,407	2,220
cash balances at and lending to central banks and credit institutions	838	1,056	635	864
debt securities at fair value through other comprehensive income	5,218	4,966	3,251	2,443
Interest income on finance leases (part of loans to public)	7,492	6,867	-	-
Total interest income	**75,345**	**72,563**	**68,406**	**55,462**
Interest expense on:				
financial liabilities at amortised cost:				
deposits and borrowing from public	(6,804)	(6,169)	(6,328)	(4,635)
debt securities issued	(2,720)	(2,720)	(2,720)	(2,720)
deposits from credit institutions and central banks	(1,200)	(1,814)	(1,791)	(1,962)
financial liabilities at fair value through profit or loss				
deposits and borrowing from public	(119)	(140)	-	-
lease liabilities	(28)	-	(80)	-
other interest expense	(644)	(634)	(644)	(630)
Total interest expense	**(11,515)**	**(11,477)**	**(11,563)**	**(9,947)**
Net interest income	**63,830**	**61,086**	**56,843**	**45,515**

Effective interest rate on some high quality liquid assets is negative, in particular certain central bank, central government and credit institution exposures. As the interest resulting from a negative effective interest rate on financial assets reflects an outflow of economic benefits, this is presented as interest expense.

Other interest expense includes Financial Stability Fee and similar expense. The objective of the financial stability fee is to strengthen the whole financial system in order, if necessary, to finance government's measures which would decrease the negative impact of credit institutions having entered into financial difficulties on the other participants of the financial market, as well as to partially compensate past state involvement to stabilise the financial sector from which the banking sector as a whole gained a direct or indirect benefit. As such fees act as an instrument from which depositors in certain cases would benefit and, since the amount of fee is directly linked to the amount of liabilities, it is presented as interest expense.

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
Fee and commission income:				
cards	22,771	20,975	22,725	18,983
payments and transactions	10,726	13,539	8,482	9,733
asset management and custody	5,392	5,597	1,159	1,189
securities	450	537	377	382
other fees	1,393	1,189	1,140	848
Total fee and commission income from contracts with customers	**40,732**	**41,837**	**33,883**	**31,135**
Guarantees, letters of credit and loans	1,076	854	1,083	647
Total fee and commission income	**41,808**	**42,691**	**34,966**	**31,782**
Fee and commission expense on:				
cards	(15,202)	(14,724)	(15,202)	(13,089)
payments and transactions	(1,214)	(1,145)	(1,071)	(947)
supervisory fees	(1,145)	(811)	(1,074)	(682)
asset management, custody and securities	(643)	(708)	(511)	(536)
other	(1,757)	(1,475)	(1,600)	(1,142)
Total fee and commission expense	**(19,961)**	**(18,863)**	**(19,458)**	**(16,396)**
Net fee and commission income	**21,847**	**23,828**	**15,508**	**15,386**

Annual and quarterly supervisory fees payable to Financial and Capital Market Commission, European Central Bank, Single Resolution Board and similar are directly dependent on the size of the banking business (mostly the amount of assets held) and thus are presented as other fee and commission expense.

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
Foreign exchange trading and related derivatives	4,869	8,291	4,571	6,985
Assets at fair value through other comprehensive income	651	156	212	131
Modifications in cash flows which do not result in de-recognition	(222)	-	(222)	-
Assets and liabilities at fair value through profit or loss	525	(170)	-	-
Total net financial income	**5,823**	**8,277**	**4,561**	**7,116**

NOTE 8. OTHER OPERATING EXPENSES

	EUR thousands			
	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
Information technologies and communications	4,805	4,278	4,076	2,889
Consulting and other services	3,659	4,228	3,029	3,444
Rent, premises and real estate	2,399	3,288	1,624	4,196
Advertising and marketing	1,493	2,258	1,430	1,849
Non-refundable value added tax	1,355	2,405	1,089	1,850
Other	2,359	2,580	1,603	1,325
Total other expenses	**16,070**	**19,037**	**12,851**	**15,553**

Operating lease expense which previously were presented as “Rent, premises and real estate” in 2019 are presented as “Depreciation and amortisation” line with the new *IFRS 16 (Leases*). Similarly the implied interest expense on lease liabilities is presented as interest expense. The new standard does not require retrospective application of the new presentation requirements, thus comparatives are not restated. “Rent, premises and real estate” classification is retained for all utility expenses and certain rental fees which do not qualify for classification as depreciation under the new standard. See section b) of Note 3 (*New standards and amendments*).

NOTE 9. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
Loans to credit institutions	14	(58)	13	(60)
Debt securities	(35)	78	(38)	91
Loans to public	(5,500)	(10,381)	(5,367)	(8,064)
Guarantees and letters of credit	-	3	-	-
Loan commitments	(728)	198	(687)	76
Recovered written-off assets	3,430	3,006	4,844	2,429
Total net losses on financial instruments	**(2,819)**	**(7,154)**	**(1,235)**	**(5,528)**

During the ordinary course of business the recoverability of some loans deteriorates while for others it improves. Fully impaired assets, recovery of which may become economically unviable or impossible, may be written-off. When a loan is fully or partially written-off, the claim against the borrower normally is not forgiven. Full and partial loan write-offs directly decrease specifically assessed accumulated impairment allowance. From time to time previously written-off assets are recovered due to repayment, sale of pool of overdue assets to companies specialising in recoveries of balances in arrears or as a result of other resolution. Such recoveries are reported as recovered written-off assets. The amounts written-off during the period represent the contractual amount minus penalties (the Group has a policy to recognise penalties on cash basis) recognised for these contracts; the amount is still subject to enforcement activity.

Classification of impairment stages

Stage 1 – Financial instruments without significant increase in credit risk since initial recognition
Stage 2 – Financial instruments with significant increase in credit risk since initial recognition but not credit-impaired
Stage 3 – Credit-impaired financial instruments

Allowances for credit losses and provisions

	EUR thousands			
	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
Stage 1				
Loans to credit institutions	49	61	49	61
Debt securities	395	352	287	245
Loans to public	14,092	12,394	12,733	9,634
Loan commitments, guarantees and letters of credit	3,018	2,102	2,977	1,984
Total stage 1 credit losses and provisions	**17,554**	**14,909**	**16,046**	**11,924**
Stage 2				
Debt securities	9	10	9	10
Loans to public	6,861	7,415	6,453	6,433
Loan commitments, guarantees and letters of credit	219	411	219	386
Total stage 2 credit losses and provisions	**7,089**	**7,836**	**6,681**	**6,829**
Stage 3				
Loans to public	38,999	46,985	36,847	38,508
Loan commitments, guarantees and letters of credit	248	249	248	246
Total stage 3 credit losses and provisions	**39,247**	**47,234**	**37,095**	**38,754**
Total allowances for credit losses and provisions	**63,890**	**69,979**	**59,822**	**57,507**
Including for debt securities classified at fair value through other comprehensive income	*144*	*145*	*63*	*68*

NOTE 10. DEBT SECURITIES

Debt securities by credit rating grade

	Group, EUR thousands					
	30/09/2019			31/12/2018		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	88,924	89,955	178,879	75,606	68,214	143,820
AA/Aa	111,052	136,016	247,068	99,532	82,792	182,324
A	211,337	481,353	692,690	175,617	377,917	553,534
BBB/Baa	52,401	66,849	119,250	49,738	57,712	107,450
Lower ratings or unrated	266	3,949	4,215	247	1,855	2,102
Total debt securities	**463,980**	**778,122**	**1,242,102**	**400,740**	**588,490**	**989,230**

	Bank, EUR thousands					
	30/09/2019			31/12/2018		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	48,173	74,771	122,944	50,979	58,159	109,138
AA/Aa	48,870	122,821	171,691	51,884	70,603	122,487
A	169,474	459,503	628,977	134,989	358,678	493,667
BBB/Baa	6,382	53,869	60,251	9,174	42,691	51,865
Lower ratings or unrated	-	3,949	3,949	-	1,854	1,854
Total debt securities	**272,899**	**714,913**	**987,812**	**247,026**	**531,985**	**779,011**

Debt securities by country of issuer

	Group, EUR thousands					
	30/09/2019			31/12/2018		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	269,100	7,374	276,474	251,772	6,776	258,548
Lithuania	202,697	6,781	209,478	151,868	3,928	155,796
Netherlands	12,673	109,421	122,094	12,892	81,948	94,840
United States	13,714	96,553	110,267	10,425	81,788	92,213
France	2,947	47,002	49,949	3,832	21,151	24,983
Canada	5,686	43,098	48,784	5,112	37,408	42,520
Germany	13,722	26,973	40,695	12,714	23,201	35,915
United Kingdom	3,764	31,786	35,550	2,623	26,473	29,096
Estonia	20,016	13,526	33,542	-	11,862	11,862
Finland	6,774	26,679	33,453	14,550	11,571	26,121
Multilateral development banks	-	45,929	45,929	-	42,243	42,243
Other countries	56,331	179,556	235,887	22,338	152,755	175,093
Total debt securities	**607,424**	**634,678**	**1,242,102**	**488,126**	**501,104**	**989,230**

	Bank, EUR thousands					
	30/09/2019			31/12/2018		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	264,429	5,911	270,340	247,176	5,797	252,973
Lithuania	200,511	5,386	205,897	150,929	2,874	153,803
Netherlands	8,915	71,687	80,602	9,130	58,885	68,015
United States	9,294	62,214	71,508	8,672	37,980	46,652
Canada	2,072	30,809	32,881	2,149	27,673	29,822
Estonia	20,016	11,697	31,713	-	10,385	10,385
Finland	4,996	26,679	31,675	11,324	11,571	22,895
France	-	30,008	30,008	875	6,078	6,953
Multilateral development banks	-	34,191	34,191	-	31,267	31,267
Other countries	50,431	148,566	198,997	24,412	131,834	156,246
Total debt securities	**560,664**	**427,148**	**987,812**	**454,667**	**324,344**	**779,011**

All fixed income securities as of 30 September 2019 and 31 December 2018 are listed. There are no off-balance sheet commitments bearing credit risk that are related to the issuers of the above securities. Further, no payments on the above instruments are past due. Total exposure to any single country within “Other countries” group is smaller than with any of the above disclosed countries.

NOTE 11. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
Financial and non-financial corporations				
Real estate purchase and management	271,120	211,631	310,674	211,295
Transport and communications	115,187	137,788	44,856	66,661
Manufacturing	122,260	123,346	100,246	64,754
Trade	106,431	109,612	83,422	54,904
Agriculture and forestry	75,748	77,799	53,713	55,458
Construction	40,372	40,912	29,383	21,073
Financial intermediation	36,923	32,321	235,914	206,274
Electricity, gas and water supply	21,496	27,148	18,912	18,606
Hotels, restaurants	20,807	22,475	18,612	16,763
Other industries	43,905	35,667	25,451	15,748
Total financial and non-financial corporations	**854,249**	**818,699**	**921,183**	**731,536**
Households				
Card lending	66,280	59,628	66,280	55,481
Mortgage loans	497,122	437,183	497,122	374,549
Finance leases	38,028	35,136	-	-
Credit for consumption	87,196	74,086	87,196	47,897
Other lending	22,049	37,003	21,563	13,228
Total households	**710,675**	**643,036**	**672,161**	**491,155**
General government	**8,624**	**751**	**8,534**	**-**
Total gross loans to public	**1,573,548**	**1,462,486**	**1,601,878**	**1,222,691**
Impairment allowance and provisions	(59,952)	(66,794)	(56,033)	(54,575)
Total net loans to public	**1,513,596**	**1,395,692**	**1,545,845**	**1,168,116**

Loans by overdue days and impairment stage

	Group, EUR thousands									
	30/09/2019					31/12/2018				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	1,277,691	142,259	27,145	(24,097)	1,422,998	1,087,871	194,983	74,788	(31,568)	1,326,074
Past due <=30 days	41,226	10,522	5,003	(4,143)	52,608	33,523	7,312	5,722	(3,151)	43,406
Past due >30 and ≤90 days	-	7,559	11,351	(4,547)	14,363	-	5,497	3,934	(2,625)	6,806
Past due >90 days	-	-	50,792	(27,165)	23,627	-	-	48,856	(29,450)	19,406
Total loans to public	**1,318,917**	**160,340**	**94,291**	**(59,952)**	**1,513,596**	**1,121,394**	**207,792**	**133,300**	**(66,794)**	**1,395,692**
Guarantees and letters of credit	24,835	-	479	(208)	25,106	21,901	-	504	(211)	22,194
Financial commitments	343,494	12,843	608	(3,277)	353,668	320,222	23,185	281	(2,551)	341,137
Total credit exposure to public	**1,687,246**	**173,183**	**95,378**	**(63,437)**	**1,892,370**	**1,463,517**	**230,977**	**134,085**	**(69,556)**	**1,759,023**

Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 17 (*Off-balance Sheet Items*).

	Bank, EUR thousands									
	30/09/2019					31/12/2018				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	1,327,039	139,727	23,847	(21,374)	1,469,239	940,103	166,872	54,488	(24,759)	1,136,704
Past due <=30 days	32,243	8,243	4,760	(3,670)	41,576	7,268	5,572	2,713	(1,897)	13,656
Past due >30 and ≤90 days	-	4,770	11,096	(4,187)	11,679	-	2,724	994	(1,592)	2,126
Past due >90 days	-	-	50,153	(26,802)	23,351	-	-	41,957	(26,327)	15,630
Total loans to public	**1,359,282**	**152,740**	**89,856**	**(56,033)**	**1,545,845**	**947,371**	**175,168**	**100,152**	**(54,575)**	**1,168,116**
Guarantees and letters of credit	24,053	-	479	(208)	24,324	17,342	-	478	(208)	17,612
Financial commitments	428,723	12,733	401	(3,236)	438,621	333,473	21,588	248	(2,408)	352,901
Total credit exposure to public	**1,812,058**	**165,473**	**90,736**	**(59,477)**	**2,008,790**	**1,298,186**	**196,756**	**100,878**	**(57,191)**	**1,538,629**

Stage 3 loans to public ratio

	EUR thousands			
	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
Stage 3 loans to public ratio, gross	**6.0%**	**9.1%**	**5.6%**	**8.2%**
Stage 3 loans to public ratio, net	**3.7%**	**6.2%**	**3.4%**	**5.3%**
Stage 3 impairment ratio	**41%**	**35%**	**41%**	**38%**

Stage 3 loans to public ratio is calculated as stage 3 loans to public divided by total loans to public as of the end of the relevant period. All loans overdue by more than 90 days are classified as stage 3. Non-overdue loans and loans overdue less than 90 days which have been restructured, an impairment loses have been identified based on individual assessment or financial condition of the borrower has deteriorated significantly are classified as stage 3. Part of the loans classified as stage 3 do not have any current default indicators, but are put under monitoring period for a specific time before being reclassified out of stage 3. Loans under recovery are also classified as stage 3.

Stage 3 impairment ratio is calculated as impairment allowance for stage 3 exposures divided by gross loans to public classified as stage 3. Impairment allowance is the amount of expected credit loss expensed in the income statement as credit loss and is derived from historic loss rates and future expectations, and where available considering fair value of the loan collateral. For more details on estimation of expected credit loss allowances refer to the latest annual report of the Group.

NOTE 12. EQUITY AND OTHER FINANCIAL INSTRUMENTS

Shares and other non-fixed income securities by issuers profile and classification

	Group, EUR thousands							
	30/09/2019				31/12/2018			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Financial assets at fair value through profit or loss	33,653	-	-	33,653	28,068	-	-	28,068
Financial assets at fair value through other comprehensive income	6,374	3,766	1,124	11,264	6,078	2,777	124	8,979
Total non-fixed income securities, net	**40,027**	**3,766**	**1,124**	**44,917**	**34,146**	**2,777**	**124**	**37,047**
Including unit-linked insurance plan assets	*25,214*	-	-	*25,214*	*21,517*	-	-	*21,517*

All exposures in mutual investment funds which are classified as financial assets designated at fair value through profit or loss are related to life insurance business, most of these with unit-linked insurance plan assets. According to unit-linked investment contract terms, the risk associated with the investments made by the insurance underwriter is fully attributable to the counterparty entering the insurance agreement and not the underwriter.

As of 30 September 2019 the Bank and Group has investments in mutual investment funds with carrying amount of EUR 6.4 million (2018: EUR 6.1 million) and EUR 19.2 million (2018: EUR 20.1 million) which are managed by IPAS CBL Asset Management or its subsidiaries. EUR 12.8 million (2018: EUR 11.9 million) of these Group's investments relate to unit-linked contracts where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions.

	Bank, EUR thousands							
	30/09/2019				31/12/2018			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Financial assets at fair value through other comprehensive income	6,374	3,766	1,124	11,264	6,078	2,751	124	8,953
Total non-fixed income securities, net	**6,374**	**3,766**	**1,124**	**11,264**	**6,078**	**2,751**	**124**	**8,953**

NOTE 13. INVESTMENTS IN SUBSIDIARIES

Changes in investments in subsidiaries of the Bank

	EUR thousands	
	9m 2019	9m 2018
Balance at the beginning of the period, net	**71,614**	**64,725**
Integration of AB Citadele bankas (Lithuania)	(43,838)	-
Equity investments in the existing subsidiaries	2,678	-
Sale or disposal of subsidiary	-	(39)
Impairment, net	3,031	-
Balance at the end of the period, net	**33,485**	**64,686**
Gross investment in subsidiaries as of period end	*71,356*	*112,516*

The Lithuanian branch of AS Citadele banka was registered on 25 October 2018 with an intention to transform AB Citadele bankas (Lithuania) from subsidiary to branch. The decision was taken to ensure increased operational efficiency across the Group and allow Citadele to maximize its client offerings and service output across the Baltics. In 2019 all assets, liabilities and business of AB Citadele bankas (Lithuania) was integrated in the Lithuanian branch of AS Citadele banka. In 2019 the Group continues to operate in Lithuania as the Lithuanian branch of AS Citadele banka.

On 5 April 2019 SIA RPG Interjers was merged with SIA Citadeles moduļi and ceased to operate as a separate entity. Post-merger all assets, liabilities and operations of SIA RPG Interjers were transferred to SIA Citadeles moduļi.

In the reporting period value of investments in two subsidiaries of the Bank – SIA Citadele Līzings un Faktorings and SIA Citadeles moduļi – was reassessed. The total combined release of impairment for the investments in these subsidiaries was EUR 4.4 million and is a result of an improved profitability for the later and a higher accumulated shareholder's wealth in the ordinary course of the business for the former.

In the reporting period share capital of subsidiaries SIA Hortus Land, SIA Hortus Residential and SIA Hortus RE were increased by EUR 2.7 million. Due to expected losses on current operations an additional impairment of EUR 1.4 million on these investments was recognised in the reporting period.

Consolidation Group for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands 30/09/2019	Carrying value EUR thousands 31/12/2018
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MAS	-	-	-	-
AB Citadele bankas (merged)	112021619	-	BNK	MS	-	-	-	43,837
AP Anlage & Privatbank AG	130.0.007.738-0	Switzerland, Limmatquai 4, CH-8001, Zurich	BNK	MS	100	100	13,805	13,805
SIA Citadele Līzings un Faktorings	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	6,921	4,325
OU Citadele Leasing & Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
UAB Citadele faktoringas ir lizingas	126233315	Lithuania, Vilnius LT-03107, K.Kalinausko 13	LIZ	MS	100	100	2,149	2,149
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
Calenia Investments Limited	HE156501	Cyprus, Nicosia 1075, 58 Arch. MakariosIII Avenue, Iris Tower, 6th floor, office 602	PLS	MS	100	100	-	-
OOO Mizush Asset Management Ukraina	32984601	Ukraine, Kiev 03150, Gorkovo 172	IBS	MMS	100	100	-	-
SIA Citadeles moduļi	40003397543	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	2,300	501
SIA RPG Interjers (merged)	40103157899	Latvia, Riga, Republikas laukums 2A	PLS	MMS	-	-	-	-
SIA Hortus Land	40103460961	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	22	-
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	704	-
SIA Hortus RE	40103752416	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	587	-
Total investments in subsidiaries							**33,485**	**71,614**

*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.

NOTE 14. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands 30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
Households	1,750,011	1,517,055	1,627,720	1,145,694
Non-financial corporations	1,081,871	967,640	876,984	666,398
Financial corporations	176,117	110,436	178,794	104,122
General government	50,965	43,750	50,965	18,428
Other	11,985	6,161	11,985	3,215
Total deposits from customers	**3,070,949**	**2,645,042**	**2,746,448**	**1,937,857**

Deposits and borrowings from customers by contractual maturity

	EUR thousands 30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
Demand deposits	2,420,085	2,017,551	2,163,883	1,562,750
Term deposits due within:				
less than 1 month	52,228	62,979	44,559	34,738
more than 1 month and less than 3 months	69,220	91,098	60,363	43,832
more than 3 months and less than 6 months	119,760	89,446	114,664	45,396
more than 6 months and less than 12 months	165,579	169,517	151,898	98,925
more than 1 year and less than 5 years	172,706	145,619	144,591	88,734
more than 5 years	71,371	68,832	66,490	63,482
Total term deposits	650,864	627,491	582,565	375,107
Total deposits from customers	**3,070,949**	**2,645,042**	**2,746,448**	**1,937,857**

Deposits and borrowings from customers by categories

	EUR thousands			
	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
At amortised cost	3,033,023	2,611,050	2,746,448	1,937,857
At fair value through profit or loss	37,926	33,992	-	-
Total deposits from customers	**3,070,949**	**2,645,042**	**2,746,448**	**1,937,857**
Including unit-linked insurance plan liabilities	*25,376*	*21,614*	-	-

All of the Group deposits from customers classified at fair value through profit or loss relate to the Group's life insurance business. It is the deposit component of the insurance plans. All unit-linked insurance plan liabilities are covered by financial assets designated at fair value through profit or loss. According to unit-linked investment contract terms, the risk associated with the investments made by the insurance underwriter is fully attributable to the counterparty entering the insurance agreement and not the underwriter.

NOTE 15. DEBT SECURITIES ISSUED

Publicly listed unsecured subordinated bond liabilities

ISIN code of the issued bond	Currency	Interest rate	Maturity date	Principal, EUR thousands	Amortised cost, EUR thousands 30/09/2019	Amortised cost, EUR thousands 31/12/2018
LV0000880011	EUR	5.50%	24/11/2027	20,000	20,336	20,058
LV0000802221	EUR	6.25%	06/12/2026	40,000	40,594	39,952
					60,930	**60,010**

Both issuances of unsecured subordinated securities qualify for inclusion in the Banks and the Groups Tier 2 capital. For details on capital adequacy refer to *Capital management* section of the Note 19 (*Risk Management*).

Profile of the bondholders as of the last coupon payment date

ISIN code of the issued bond	Last coupon payment date	Number of bondholders	Legal and professional investors			Private individuals		
			Number	EUR th.	%	Number	EUR th.	%
LV0000880011	24/05/2019	73	38	16,850	84%	35	3,150	16%
LV0000802221	06/06/2019	89	28	32,620	82%	61	7,380	18%

NOTE 16. SHARE CAPITAL

As of 30 September 2019, the Bank's registered and paid-in share capital was EUR 156,555,796 (2018: EUR 156,555,796). The Bank has one class ordinary shares. All ordinary shares as of 30 September 2019 and 31 December 2018 were issued and fully paid and the Bank did not possess any of its own shares. No dividends were proposed and paid during the reporting period. Each ordinary share carries one vote, a share in profits and is eligible for dividends.

Shareholders of the Bank

	30/09/2019		31/12/2018	
	Paid-in share capital (EUR)	Total shares with voting rights	Paid-in share capital (EUR)	Total shares with voting rights
European Bank for Reconstruction and Development	39,138,948	39,138,948	39,138,948	39,138,948
RA Citadele Holdings LLC[1]	35,082,302	35,082,302	35,082,302	35,082,302
Delan S.à.r.l.[2]	15,597,160	15,597,160	15,597,160	15,597,160
EMS LB LLC[3]	13,864,142	13,864,142	13,864,142	13,864,142
NNS Luxembourg Investments S.à.r.l.[4]	13,864,142	13,864,142	13,864,142	13,864,142
Amolino Holdings Inc.[5]	13,863,987	13,863,987	13,863,987	13,863,987
Shuco LLC[6]	10,998,979	10,998,979	10,998,979	10,998,979
Other shareholders	14,146,136	14,146,136	14,146,136	14,146,136
Total	**156,555,796**	**156,555,796**	**156,555,796**	**156,555,796**

[1] RA Citadele Holdings LLC (United States) is a wholly owned subsidiary of Ripplewood Advisors LLC and is beneficially owned by Mr Timothy Collins
[2] Delan S.à.r.l. is beneficially owned by the Baupost Group LLC
[3] EMS LB LLC is beneficially owned by Mr Edmond M. Safra
[4] NNS Luxembourg Investments S.à.r.l. is beneficially owned by Mr Nassef O. Sawiris
[5] Amolino Holdings Inc. is beneficially owned by Mr James L. Balsilie
[6] Shuco LLC is beneficially owned by Mr Stanley S. Shuman

All shares other than these owned by European Bank for Reconstruction and Development and RA Citadele Holdings LLC are owned by an international consortium of twelve investors.

Earnings per share

Basic earnings per share are calculated by dividing the net profit that is attributable to the ordinary shareholders by the weighted average number of the ordinary shares outstanding during the period. Diluted earnings per share are determined by adjusting the net profit that is attributable to the ordinary shareholders and the weighted-average number of the ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees in the long-term incentive programs. The part of the performance-based employee share options for which the services under the approved long-term incentive programs have been received are treated as outstanding and included in the calculation of diluted earnings per share. The remaining part of the performance-based employee share options issuance of which is contingent upon satisfying specific conditions in addition to the passage of time are treated as contingently issuable shares and are not included in the calculation of diluted earnings per share.

	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
Profit for the period, EUR thousands	27,228	24,703	28,094	16,380
Weighted average number of the ordinary shares outstanding during the period in thousands	156,556	156,556	156,556	156,556
Basic earnings per share in EUR	**0.17**	**0.16**	**0.18**	**0.10**
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	156,556	156,556	156,556	156,556
Effect of share options in issue in thousands	407	-	407	-
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	**156,963**	**156,556**	**156,963**	**156,556**
Profit for the period, EUR thousands	27,228	24,703	28,094	16,380
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	156,963	156,556	156,963	156,556
Diluted earnings per share in EUR	**0.17**	**0.16**	**0.18**	**0.10**

NOTE 17. OFF-BALANCE SHEET ITEMS

Off-balance sheet items comprise contingent liabilities, financial commitments, notional amounts payable or receivable from transactions with foreign exchange contracts and other derivative financial instruments.

Contingent liabilities and financial commitments outstanding

	EUR thousands			
	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
Contingent liabilities:				
Outstanding guarantees	25,111	21,970	24,329	17,385
Outstanding letters of credit	203	435	203	435
Total contingent liabilities	**25,314**	**22,405**	**24,532**	**17,820**
Provisions for contingent liabilities	(208)	(211)	(208)	(208)
Maximum credit risk exposure for contingent liabilities	**25,106**	**22,194**	**24,324**	**17,612**
Financial commitments:				
Unutilised credit lines and overdraft facilities	97,293	141,731	197,517	179,535
Card commitments	127,399	112,863	127,407	103,905
Loans granted, not fully drawn down	116,933	82,604	116,933	71,869
Factoring commitments	14,876	6,490	-	-
Other commitments	444	428	-	-
Total financial commitments	**356,945**	**344,116**	**441,857**	**355,309**
Provisions for financial commitments	(3,277)	(2,551)	(3,236)	(2,408)
Maximum credit risk exposure for financial commitments	**353,668**	**341,565**	**438,621**	**352,901**

Lending commitments are a time limited and binding promise that a specified amount of loan or credit line will be made available to the specific borrower at a certain conditions. For part of the committed lending promises clients have to perform certain obligations before the balance committed becomes available to them. Some lending commitments and undrawn credit facilities may be cancelled unconditionally by the Group at any time without notice, or in accordance with lending terms and conditions may effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness.

NOTE 18. ASSETS UNDER MANAGEMENT

Fair value of assets managed on behalf of customers by investment type

	EUR thousands			
	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
Fixed income securities:				
Corporate bonds	126,917	98,321	-	-
Government bonds	62,189	66,831	-	-
Credit institution bonds	20,015	18,345	-	-
Other financial institution bonds	15,188	13,970	-	-
Total investments in fixed income securities	**224,309**	**197,467**	**-**	**-**
Other investments:				
Investment funds	408,759	336,017	-	-
Deposits with credit institutions	43,117	43,714	-	997
Compensations for distribution on behalf of deposit guarantee fund	64,704	74,236	64,704	74,236
Shares	26,956	26,593	-	-
Real estate	4,913	4,219	-	-
Loans	736	801	736	801
Other	109,558	103,006	-	-
Total other investments	**658,743**	**588,586**	**65,440**	**76,034**
Total assets under management	**883,052**	**786,053**	**65,440**	**76,034**

Customer profile on whose behalf the funds are managed

	EUR thousands			
	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
Pension plans	548,565	453,748	-	-
Insurance companies, investment and pension funds	130,024	118,926	-	-
Other companies and government	107,612	122,238	65,440	76,034
Private individuals	96,851	91,141	-	-
Total liabilities under management	**883,052**	**786,053**	**65,440**	**76,034**

NOTE 19. RISK MANAGEMENT

Risk management polices

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. For more details on the Group's risk management policies refer to the latest annual report of the Group.

Assets, liabilities and off-balance sheet items by geographical profile

	Group as of 30/09/2019, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	287,618	103,629	90,961	-	16,887	499,095
Loans to credit institutions	3,721	56	-	26,150	94,102	124,029
Debt securities	276,475	209,479	33,541	387,563	335,044	1,242,102
Loans to public	915,443	407,335	151,947	13,437	25,434	1,513,596
Equity instruments	1,125	-	-	129	3,636	4,890
Other financial instruments	21,598	-	-	18,132	297	40,027
Derivatives	1,379	-	15	381	119	1,894
Other assets	81,463	8,065	2,122	25	882	92,557
Total assets	**1,588,822**	**728,564**	**278,586**	**445,817**	**476,401**	**3,518,190**
Liabilities						
Deposits from credit institutions and central banks	5,768	1	-	167	1,893	7,829
Deposits and borrowings from customers	2,027,265	415,222	79,873	197,557	351,032	3,070,949
Debt securities issued	60,930	-	-	-	-	60,930
Derivatives	646	-	19	678	52	1,395
Other liabilities	37,969	3,363	1,703	44	2,365	45,444
Total liabilities	**2,132,578**	**418,586**	**81,595**	**198,446**	**355,342**	**3,186,547**
Off-balance sheet items						
Contingent liabilities	18,555	1,482	3,717	286	1,274	25,314
Financial commitments	289,368	62,976	3,590	113	898	356,945

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt* Securities). EUR 16.9 million of Group's cash and deposit with central banks balances presented as "Other countries" is with Swiss National Bank (2018: EUR 29.8 million). From Group's balances due from credit institutions presented as "Other countries" EUR 14.4 million are with Swiss credit institutions (2018: EUR 37.1 million), EUR 54.9 million are with Japanese credit institutions and EUR 22.9 million with United States registered credit institutions (2018: EUR 23.6 million). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments.

	Group as of 31/12/2018, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	126,568	219,955	28,942	-	29,850	405,315
Loans to credit institutions	2,584	429	-	13,429	115,460	131,902
Debt securities	258,548	155,796	11,862	290,799	272,225	989,230
Loans to public	831,355	382,866	148,039	8,985	24,447	1,395,692
Equity instruments	124	-	-	130	2,647	2,901
Other financial instruments	20,095	-	-	13,770	281	34,146
Derivatives	428	-	-	116	67	611
Other assets	76,063	6,112	2,422	6,656	1,041	92,294
Total assets	**1,315,765**	**765,158**	**191,265**	**333,885**	**446,018**	**3,052,091**
Liabilities						
Deposits from credit institutions and central banks	6,381	512	-	93	291	7,277
Deposits and borrowings from customers	1,570,226	429,839	107,289	163,981	373,707	2,645,042
Debt securities issued	60,010	-	-	-	-	60,010
Derivatives	315	-	-	1,086	69	1,470
Other liabilities	34,383	4,422	763	9	1,915	41,492
Total liabilities	**1,671,315**	**434,773**	**108,052**	**165,169**	**375,982**	**2,755,291**
Off-balance sheet items						
Contingent liabilities	14,481	3,685	1,948	336	1,955	22,405
Financial commitments	306,853	29,705	6,375	160	1,023	344,116

	Bank as of 30/09/2019, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	287,618	103,629	90,961	-	-	482,208
Loans to credit institutions	59	56	-	17,678	80,533	98,326
Debt securities	270,339	205,897	31,713	236,225	243,638	987,812
Loans to public	955,215	406,068	147,420	13,036	24,106	1,545,845
Equity instruments	1,124	-	-	129	3,637	4,890
Other financial instruments	6,374	-	-	-	-	6,374
Derivatives	1,379	-	15	381	119	1,894
Other assets	56,364	9,161	2,196	3	13,863	81,587
Total assets	**1,578,472**	**724,811**	**272,305**	**267,452**	**365,896**	**3,208,936**
Liabilities						
Deposits from credit institutions and central banks	5,768	1	-	167	50,680	56,616
Deposits and borrowings from customers	1,999,757	417,171	79,330	67,434	182,756	2,746,448
Debt securities issued	60,930	-	-	-	-	60,930
Derivatives	646	-	19	678	52	1,395
Other liabilities	27,864	2,750	1,491	44	27	32,176
Total liabilities	**2,094,965**	**419,922**	**80,840**	**68,323**	**233,515**	**2,897,565**
Off-balance sheet items						
Contingent liabilities	18,534	1,482	3,717	-	799	24,532
Financial commitments	327,637	95,015	18,639	113	453	441,857

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt* Securities). From Bank's balances due from credit institutions presented as "Other countries" EUR 54.9 million are with Japanese credit institutions (2018: Swiss credit institutions EUR 21.1 million) and EUR 22.9 million with United States registered credit institutions (2018: EUR 23.6 million).

	Bank as of 31/12/2018, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	126,568	-	28,942	-	-	155,510
Loans to credit institutions	152	58	-	11,187	99,454	110,851
Debt securities	252,973	153,802	10,385	181,191	180,660	779,011
Loans to public	872,629	118,762	144,504	8,286	23,935	1,168,116
Equity instruments	124	-	-	103	2,648	2,875
Other financial instruments	6,078	-	-	-	-	6,078
Derivatives	428	4	-	116	66	614
Other assets	37,394	45,988	2,325	6,656	14,565	106,928
Total assets	**1,296,346**	**318,614**	**186,156**	**207,539**	**321,328**	**2,329,983**
Liabilities						
Deposits from credit institutions and central banks	6,381	2,162	-	93	30,534	39,170
Deposits and borrowings from customers	1,544,700	18,164	107,424	71,200	196,369	1,937,857
Debt securities issued	60,010	-	-	-	-	60,010
Derivatives	315	34	-	1,086	69	1,504
Other liabilities	22,864	22	508	9	219	23,622
Total liabilities	**1,634,270**	**20,382**	**107,932**	**72,388**	**227,191**	**2,062,163**
Off-balance sheet items						
Contingent liabilities	14,460	-	1,948	1,412	-	17,820
Financial commitments	322,067	20,261	12,227	160	594	355,309

Liquidity coverage ratio

The general principles of the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) as measurements of the Bank's and 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 Bank and the Group is compliant with LCR requirements.

	EUR thousands			
	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
1. Liquidity buffer	1,274,794	1,051,389	1,129,576	698,529
2. Net liquidity outflow	415,143	405,419	424,820	308,495
3. Liquidity coverage ratio	**307%**	**259%**	**266%**	**226%**

Capital management

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 Financial and Capital Markets Commission's (FCMC) rules and other relevant regulations.

Capital adequacy refers to the sufficiency of the Group's capital resources 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 and the Bank is determined to cover pillar 2 risks. The Bank and 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 and the Bank 2.5% capital conservation buffer limiting dividend pay-out and certain other Tier 1 equity instrument buy-backs beyond this threshold applies. Countercyclical buffer norms are calculated at every reporting date based on the factual risk exposure geographical distribution. The FCMC has identified the Bank as "other systemically important institution" (O-SII). The Bank's and the Group's O-SII capital buffer requirement set by the FCMC is 1.5%. These buffer requirements have to be covered by common equity Tier 1 capital.

Since 30 June 2019 the Group and the Bank applies prudential provisioning requirements in line with the requirements of the FCMC regulations. 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 30 September 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%**

As of the period end the countercyclical capital buffer for the Bank is 0.47%; other capital requirements and buffers for the Bank are the same as for the Group.

Capital adequacy ratio (including interim profits)

	EUR thousands			
	30/09/2019 Group	**31/12/2018 Group**	**30/09/2019 Bank**	**31/12/2018 Bank**
Common equity Tier 1 capital				
Paid up capital instruments	156,556	156,556	156,556	156,556
Retained earnings and interim profits *	151,885	136,210	140,144	112,117
Deductible other intangible assets	(4,755)	(4,819)	(4,627)	(4,651)
Other capital components, deductions and transitional adjustments, net	11,380	6,747	6,886	3,264
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	**375,066**	**354,694**	**358,959**	**327,286**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,592,666	1,507,401	1,571,459	1,326,277
Total exposure amounts for position, foreign currency open position and commodities risk	12,570	10,483	1,108	850
Total exposure amounts for operational risk	216,571	245,354	172,295	189,900
Total exposure amounts for credit valuation adjustment	783	399	783	399
Total risk exposure amount	**1,822,591**	**1,763,637**	**1,745,645**	**1,517,426**
Total capital adequacy ratio	**20.6%**	**20.1%**	**20.6%**	**21.6%**
Common equity Tier 1 capital ratio	**17.3%**	**16.7%**	**17.1%**	**17.6%**

* The Bank's and the Group's Tier 1 capital includes audited interim profits for 6 months period ended 30 June 2019, inclusion of which is subject to the approval of FCMC which was received on 22 October 2019. If no interim profits were included total regulatory own funds for the Group and the Bank would be EUR 359.1 million and EUR 340.1 million, total capital adequacy ratio would be 19.7% and 19.5%, and CET 1 ratio would be 16.4% and 16.0% respectively.

The consolidation Group for regulatory purposes is different from the consolidation Group for 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.

Capital adequacy calculation of the Bank and the Group in accordance with the EU 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 impact. The regulation (EU) 2017/2395 permits specific proportion of IFRS 9 implementation impact to be amortised in five years period (starting from 2018) for capital adequacy calculation purposes. The long term regulatory capital position of the Group and the Bank is planned and managed in line with these and other expected upcoming regulatory requirements. In the reporting period the capital adequacy ratio of the Bank decreased as a result of the integration of the Lithuanian operations.

Fully loaded capital adequacy ratio (i.e. excluding transitional adjustments, including 6 months interim profits)

	EUR thousands			
	30/09/2019 Group	**31/12/2018 Group**	**30/09/2019 Bank**	**31/12/2018 Bank**
Common equity Tier 1 capital, fully loaded	310,092	288,832	293,765	262,911
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	**370,092**	**348,832**	**353,765**	**322,911**
Total risk exposure amount, fully loaded	**1,818,184**	**1,758,524**	**1,739,925**	**1,513,993**
Total capital adequacy ratio, fully loaded	**20.4%**	**19.8%**	**20.3%**	**21.3%**
Common equity Tier 1 capital ratio, fully loaded	**17.1%**	**16.4%**	**16.9%**	**17.4%**

Leverage ratio – fully loaded and transitional (including interim profits)

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.

	30/09/2019 Group	**31/12/2018 Group**	**30/09/2019 Bank**	**31/12/2018 Bank**
Leverage Ratio – fully phased-in definition of Tier 1 capital	8.6%	9.3%	8.8%	10.9%
Leverage Ratio – transitional definition of Tier 1 capital	8.7%	9.5%	9.0%	11.0%

Minimum requirement for own funds and eligible liabilities (MREL) under BRRD

In 2016 the European Commission adopted the regulatory technical standards (RTS) on the criteria for determining the minimum requirement for own funds and eligible liabilities (MREL) under BRRD. In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD, BRRD requires that all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. The RTS permits resolution authorities to allow institutions a transitional period to reach the applicable MREL requirements. The MREL requirement for each institution is comprised of a number of elements, including the required loss absorbing capacity of the institution, and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL include institution's own funds (within the meaning of capital requirements directive), along with specific eligible liabilities (inter alia issued and fully paid-up, having a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives).

The Single Resolution Board (SRB) has determined the consolidated MREL for Citadele Group at the level of 14.26% of total liabilities and own funds (TLOF). The ratio was calculated based on the Group's financial position as of 31 December 2017 and will be updated by SRB in the future based on more recent financial position of the Group. The MREL target has to be reached by 14 April 2022 after a transition period.

OTHER REGULATORY DISCLOSURES

Besides financial, corporate governance and other disclosures included in this interim report of AS Citadele banka the Financial and Capital Market Commission's regulation No. 145 "Regulation on Preparation of Public Quarterly Reports of Credit institutions" requires several additional disclosures which are presented in this note.

Income Statement, regulatory format

	EUR thousands	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
1.	Interest income	75,345	72,563	68,406	55,462
2.	Interest expense	(11,515)	(11,477)	(11,563)	(9,947)
3.	Dividend income	30	24	1,578	24
4.	Commission and fee income	41,808	42,691	34,966	31,782
5.	Commission and fee expense	(19,961)	(18,863)	(19,458)	(16,396)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	429	156	(10)	131
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	525	(170)	-	
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	4,867	8,290	4,573	6,985
10.	Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11.	Other income	1,402	2,494	2,428	1,861
12.	Other expense	-	-	-	-
13.	Administrative expense	(56,220)	(58,750)	(48,840)	(45,485)
14.	Amortisation and depreciation charge	(5,757)	(4,521)	(5,435)	(2,323)
15.	Gain or loss on modifications in financial asset contractual cash flows	-		-	
16.	Provisions, net	(728)	201	(687)	76
17.	Impairment charge and reversals, net	(1,980)	(7,597)	2,563	(5,724)
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	(350)	-	(247)	-
21.	**Profit before taxation**	**27,895**	**25,040**	**28,274**	**16,446**
22.	Corporate income tax	(667)	(337)	(180)	(66)
23.	**Net profit / loss for the period**	**27,228**	**24,703**	**28,094**	**16,380**
28.	**Other comprehensive income for the period**	**6,988**	**(456)**	**4,277**	**(552)**

Balance Sheet, regulatory format

	EUR thousands	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
1.	Cash and demand balances with central banks	499,095	405,315	482,208	155,510
2.	Demand deposits due from credit institutions	94,654	97,724	75,356	88,989
3.	Financial assets designated at fair value through profit or loss	35,547	28,679	1,894	614
4.	Financial assets at fair value through other comprehensive income	475,245	409,719	284,163	255,979
5.	Financial assets at amortised cost	2,321,093	2,018,360	2,283,727	1,721,963
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	-	-	33,485	71,614
9.	Tangible assets	50,428	48,893	15,975	4,817
10.	Intangible assets	4,789	4,868	4,627	4,651
11.	Tax assets	3,316	2,929	2,815	247
12.	Other assets	30,930	35,604	23,046	25,599
13.	Non-current assets and disposal groups classified as held for sale	3,093	-	1,640	-
14.	**Total assets (1.+....+13.)**	**3,518,190**	**3,052,091**	**3,208,936**	**2,329,983**
15.	Due to central banks	8	22	8	10
16.	Demand liabilities to credit institutions	2,064	1,198	17,318	4,672
17.	Financial liabilities designated at fair value through profit or loss	39,321	35,462	1,395	1,504
18.	Financial liabilities measured at amortised cost	3,099,710	2,677,117	2,846,667	2,032,355
19.	Derivatives – hedge accounting		-		-
20.	Change in the fair value of the portfolio hedged against interest rate risk		-		-
21.	Provisions	3,486	3,196	3,443	2,616
22.	Tax liabilities	759	810	-	-
23.	Other liabilities	41,200	37,486	28,735	21,006
24.	Liabilities included in disposal groups classified as held for sale	-	-	-	-
25.	**Total liabilities (15.+...+24.)**	**3,186,548**	**2,755,291**	**2,897,566**	**2,062,163**
26.	Shareholders' equity	331,642	296,800	311,370	267,820
27.	**Total liabilities and shareholders' equity (25.+26.)**	**3,518,190**	**3,052,091**	**3,208,936**	**2,329,983**
28.	**Memorandum items**				
29.	Contingent liabilities	25,314	22,405	24,532	17,820
30.	Financial commitments	356,945	344,116	441,857	355,309

ROE and ROA ratios

	9m 2019 Group	9m 2018 Group	9m 2019 Bank	9m 2018 Bank
Return on equity (ROE) (%)	11.55%	11.86%	12.93%	8.90%
Return on assets (ROA) (%)	1.11%	1.04%	1.35%	0.91%

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.

Capital adequacy ratio

	EUR thousands	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
1	**Own funds (1.1.+1.2.)**	**359,135**	**354,694**	**340,090**	**327,286**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	299,135	294,694	280,090	267,286
1.1.1	*Common equity Tier 1 capital*	*299,135*	*294,694*	*280,090*	*267,286*
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.)**	**1,822,591**	**1,763,637**	**1,745,645**	**1,517,426**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,592,667	1,507,401	1,571,459	1,326,277
2.2	Total risk exposure amount for settlement/delivery	-	-	-	-
2.3	Total risk exposure amount for position, foreign exchange and commodities risks	12,570	10,483	1,108	850
2.4	Total risk exposure amount for operational risk	216,571	245,354	172,295	189,900
2.5	Total risk exposure amount for credit valuation adjustment	783	399	783	399
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)	**16.4%**	**16.7%**	**16.0%**	**17.6%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	217,118	215,331	201,536	199,002
3.3	Tier 1 capital ratio (1.1./2.*100)	**16.4%**	**16.7%**	**16.0%**	**17.6%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	189,780	188,876	175,351	176,241
3.5	Total capital ratio (1./2.*100)	**19.7%**	**20.1%**	**19.5%**	**21.6%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	213,328	213,603	200,438	205,892
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	4.2%	4.1%	4.5%	4.1%
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	0.2%	0.1%	0.5%	0.1%
4.4	Systemic risk buffer	-	-	-	-
4.5	Other systemically important institution buffer	1.5%	1.5%	1.5%	1.5%
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	16.4%	16.7%	16.0%	17.6%
5.3	Tier 1 capital ratio including line 5.1 adjustments	16.4%	16.7%	16.0%	17.6%
5.4	Total capital ratio including line 5.1 adjustments	19.7%	20.1%	19.5%	21.6%

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. On 30 September 2019 the Bank's and the Group's Tier 1 capital does not includes audited interim profits for 6 months period. The audited interim profits are eligible for Tier 1 capital inclusion after 22 October 2019 when the approval of FCMC was received.

	EUR thousands	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
1.A	**Own funds, IFRS 9 transitional provisions not applied**	**354,161**	**348,832**	**334,896**	**322,911**
1.1.A	Tier 1 capital, IFRS 9 transitional provisions not applied	294,161	288,832	274,896	262,911
1.1.1.A	*Common equity Tier 1 capital, IFRS 9 transitional provisions not applied*	*294,161*	*288,832*	*274,896*	*262,911*
2.A	**Total risk exposure amount, IFRS 9 transitional provisions not applied**	**1,818,184**	**1,758,524**	**1,739,925**	**1,513,993**
3.1.A	Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	16.2%	16.4%	15.8%	17.4%
3.3.A	Tier 1 capital ratio, IFRS 9 transitional provisions not applied	16.2%	16.4%	15.8%	17.4%
3.5.A	Total capital ratio, IFRS 9 transitional provisions not applied	19.5%	19.8%	19.2%	21.3%

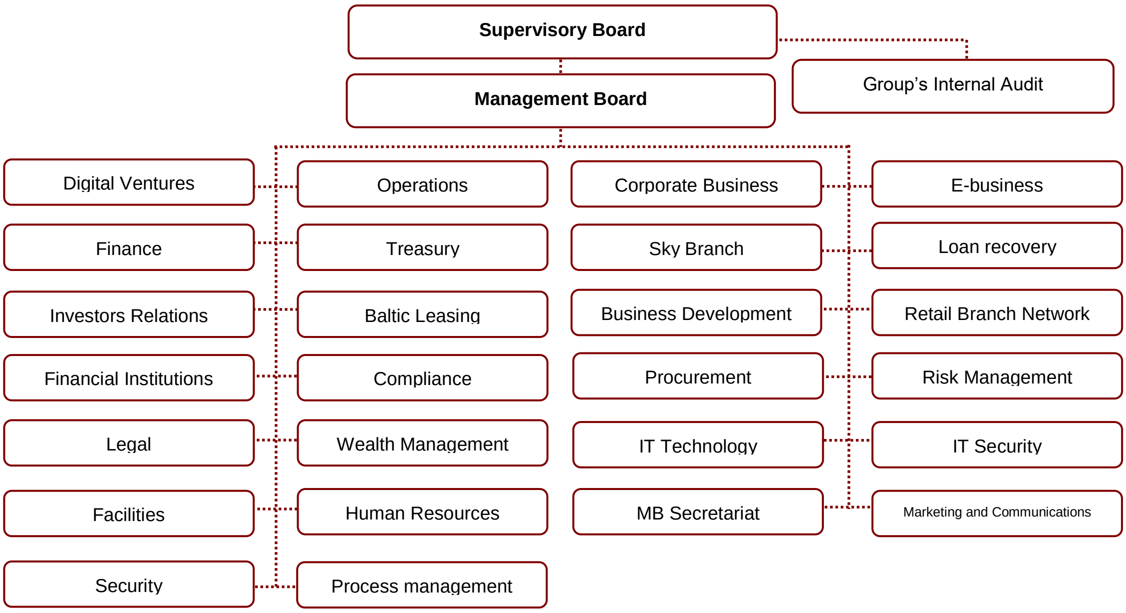
Business Strategy and Objectives

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

Branches

AS Citadele banka has 28 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. The Lithuanian branch has 7 customer service units in Lithuania. The Lithuanian branch of AS Citadele banka was registered on 25 October 2018 and started to operate on 1 January 2019. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section "Branches and ATMs".

Bank's Organizational Structure



QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

	Group, EUR thousands				
	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Interest income	25,799	25,046	24,500	25,081	24,734
Interest expense	(3,821)	(3,804)	(3,890)	(3,589)	(3,543)
Net interest income	**21,978**	**21,242**	**20,610**	**21,492**	**21,191**
Fee and commission income	14,673	14,160	12,975	14,328	14,559
Fee and commission expense	(7,197)	(7,034)	(5,730)	(6,188)	(6,500)
Net fee and commission income	**7,476**	**7,126**	**7,245**	**8,140**	**8,059**
Net financial income	1,932	1,796	2,095	2,125	1,702
Net other income	621	377	434	583	723
Operating income	**32,007**	**30,541**	**30,384**	**32,340**	**31,675**
Staff costs	(12,983)	(13,368)	(13,800)	(14,253)	(12,372)
Other operating expenses	(5,741)	(5,434)	(4,895)	(7,032)	(5,470)
Depreciation and amortisation	(1,895)	(1,826)	(2,036)	(1,695)	(1,560)
Operating expense	**(20,619)**	**(20,628)**	**(20,731)**	**(22,980)**	**(19,402)**
Profit before impairment	**11,388**	**9,913**	**9,653**	**9,360**	**12,273**
Net credit losses	(188)	(783)	(1,848)	501	(5,307)
Other impairment losses	118	29	(37)	(101)	(28)
Operating profit before non-current assets held for sale	**11,318**	**9,159**	**7,768**	**9,760**	**6,938**
Result from non-current assets held for sale	(67)	(153)	(130)	-	-
Operating profit	**11,251**	**9,006**	**7,638**	**9,760**	**6,938**
Income tax	(237)	(63)	(367)	383	(225)
Net profit	**11,014**	**8,943**	**7,271**	**10,143**	**6,713**

	Group, EUR thousands				
	30/06/2019	30/06/2019	31/03/2019	31/12/2018	30/09/2018
Assets					
Cash and cash balances at central banks	499,095	332,165	438,099	405,315	396,821
Loans to credit institutions	124,029	117,003	115,593	131,902	135,689
Debt securities	1,242,102	1,191,473	1,074,408	989,230	966,422
Loans to public	1,513,596	1,488,494	1,435,445	1,395,692	1,372,695
Equity instruments	4,890	4,686	4,378	2,901	3,182
Other financial instruments	40,027	39,157	37,386	34,146	34,855
Derivatives	1,894	496	864	611	1,166
Tangible assets	50,428	50,670	52,229	48,893	49,702
Intangible assets	4,789	4,771	4,714	4,868	5,353
Tax assets	3,316	2,682	2,682	2,929	2,093
Non-current assets held for sale	3,093	3,488	3,488	-	-
Other assets	30,931	30,652	28,485	35,604	29,667
Total assets	**3,518,190**	**3,265,737**	**3,197,771**	**3,052,091**	**2,997,645**
Liabilities					
Deposits from credit institutions and central banks	7,829	6,261	3,593	7,277	9,911
Deposits and borrowings from customers	3,070,949	2,835,888	2,783,565	2,645,042	2,598,352
Debt securities issued	60,930	60,018	60,911	60,010	60,895
Derivatives	1,395	522	1,158	1,470	736
Provisions	3,486	3,381	3,453	3,196	4,716
Tax liabilities	759	583	500	810	867
Other liabilities	41,199	40,082	37,364	37,486	35,497
Total liabilities	**3,186,547**	**2,946,735**	**2,890,544**	**2,755,291**	**2,710,974**
Equity					
Share capital	156,556	156,556	156,556	156,556	156,556
Reserves and other capital components	11,743	10,117	7,285	3,868	3,882
Retained earnings	163,344	152,329	143,386	136,376	126,233
Total equity	**331,643**	**319,002**	**307,227**	**296,800**	**286,671**
Total liabilities and equity	**3,518,190**	**3,265,737**	**3,197,771**	**3,052,091**	**2,997,645**
Off-balance sheet items					
Contingent liabilities	25,314	21,707	20,997	22,405	20,649
Financial commitments	356,945	368,453	349,525	344,116	344,968

DEFINITIONS AND ABBREVIATIONS

ALCO – Assets and Liabilities Management Committee.

AML – anti-money laundering.

BRRD – the bank recovery and resolution directive.

CIR – cost to income ratio. "Operating expense" divided by "Operating income".

COR – cost of risk ratio. "Net credit losses" divided by the average of gross loans at the beginning and the end of the period.

CTF – combating terrorist financing.

EU – the European Union.

FCMC – Financial and Capital Markets Commission.

FMCRC – Financial Market and Counterparty Risk Committee.

GIC – Group's Investment Committee.

IAS – International accounting standards.

ICAAP – internal capital adequacy assessment process.

IFRS – International financial reporting standards.

LCR – liquidity coverage ratio.

Loan-to-deposit ratio. Carrying value of "Loans to public" divided by "Deposits and borrowings from customers" at the end of the relevant period.

ML/TF – money laundering and terrorism financing.

MREL – minimum requirement for own funds and eligible liabilities.

NSFR – net stable funding ratio.

OFAC – Office of Foreign Assets Control of the US Department of the Treasury.

O-SII – other systemically important institution.

ROA – return on average assets. Annualised net profit for the relevant period divided by the average of opening and closing balances for the period.

ROE – return on average equity. Annualised net profit for the relevant period divided by the average of opening and closing total equity for the period.

RTS – regulatory technical standards.

SRB – the Single Resolution Board.

SREP – supervisory review and evaluation process.

Stage 1 financial instruments – exposures without significant increase in credit risk since initial recognition.

Stage 2 financial instruments – exposures with significant increase in credit risk since initial recognition but not credit-impaired.

Stage 3 financial instruments – Credit-impaired exposures.

Stage 3 impairment ratio –impairment allowance for stage 3 exposures divided by gross loans to public classified as stage 3.

Stage 3 loans to public ratio – stage 3 loans to public divided by total loans to public as of the end of the relevant period.

TLOF – total liabilities and own funds.

TSCR – SREP capital requirement.