AS Citadele banka

Interim Report

For the six months ended
30 June 2020

Key figures and events of the Group

Daily operations were successfully adjusted to ensure business continuity and safety under Covid-19 conditions. New solutions have been introduced to ensure uninterrupted client services and to continue to transform the operating model. During the last months client activity has been coming back to pre-covid levels.

Operating income during the period was affected by Covid-19-related disruption to economic activity, while credit loss provisions were increased in March to reflect revised prudent macroeconomic expectations. However, the underlying credit quality remains sound with minor changes during the period. A dedicated tail risk investment strategy was implemented to protect the Bank from the risk of a sharp and severe recession followed by a slow recovery.

Although the defensive and proactive measures taken during Covid-19 have resulted in a loss, the Bank continues to operate with strong capital and liquidity ratios and expects a second half of the year with improved financials.

The Bank was actively participating in industry-wide relief initiatives set up by banks in Latvia and Lithuania.

The number of active customers reached 314 thousand clients as of 30 June 2020, or 12% growth y-o-y.

EUR 185 million issued in new loans to Baltic private, SME and corporate customers.

Baltic deposits continued to increase by EUR 210 million in H1 2020, or 11% growth vs. year-end 2019.

EUR millions (restated)	**H1 2020**	**H2 2019**	**H1 2019**
Net interest income	33.9	42.8	41.9
Net fee and commission income	14.0	15.8	15.1
Net financial and other income	(22.3)	4.8	3.6
Operating income	**25.6**	**63.4**	**60.6**
Operating expense	(40.4)	(41.8)	(41.0)
Net credit losses and impairments	(14.0)	(1.1)	(2.6)
Net profit	**(29.0)**	**20.3**	**16.2**
Return on average assets (ROA)	(1.40%)	1.16%	1.03%
Return on average equity (ROE)	(17.8%)	12.3%	10.5%
Cost to income ratio (CIR)	157.9%	66.0%	67.7%
Cost of risk ratio (COR)	1.6%	0.0%	0.3%
*Adjusted for one-time item *:*			
Operating income	50.2	63.4	60.6
Net profit	(4.4)	20.3	16.2
Return on average assets (ROA)	(0.21%)	1.16%	1.03%
Return on average equity (ROE)	(2.7%)	12.3%	10.5%
Cost to income ratio (CIR)	80.5%	66.0%	67.7%

EUR millions	**30 Jun 2020**	**31 Dec 2019**	**30 Jun 2019**
Total assets	4,533	3,743	3,266
Loans to public	1,495	1,573	1,488
Deposits from customers	3,652	3,290	2,836
Shareholders' equity	312	341	319
Loan-to-deposit ratio	41%	48%	52%
Total capital adequacy ratio (CAR), transitional (including period's result)	21.0%	22.2%	19.7%
Common equity Tier 1 (CET1) capital ratio, transitional (including period's result)	17.6%	18.8%	16.6%
Full time employees	1,248	1,369	1,480

** H1 2020 is adjusted for one-time losses related to the tail risk management strategy in the amount of EUR (24.6) million, included in "Net financial and other income"*

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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.

The Bank has prepared itself and its customers for a continued Covid-19 impact, but recent developments could indicate a much improved second half.

Johan Akerblom
CEO and Chairman of the Management Board

The first wave of the pandemic was overcome quite successfully in the Baltics, but uncertainty remains

The economic environment in 2020 has been extraordinarily challenging as the Covid-19 pandemic plunged the global economy into a sudden and very sharp recession. The Baltic states have quite successfully overcome the first wave of the pandemic and have had comparatively strong results according to a number of economic indicators. The Baltic region so far has fared better than many other countries and there are well-grounded expectations that initial Baltic economy GDP forecasts might be too pessimistic.

The Bank's focus has been the safety and well-being of its customers and employees, and this remains the case. Furthermore, the Bank continues to invest in digital solutions and mobile banking capabilities to better service its customers, and to extend lending and credit support to customers through the pandemic. Management continues to invest in the development of new products and services and actively evaluates opportunities in the marketplace to further support the economy. The acquisition of Unicredit is expected to be completed in the second half, reflecting the Bank's strong financial soundness and aspiration to become a Baltic champion.

Nevertheless, uncertainty remains due to the global nature of the pandemic, and the risk persists for another increase in the spread of the virus. We must remain cautious, continue to support the economy and consider possible restrictions in the event of a second wave of the virus.

Fast adaption to changing market conditions

When Covid-19 emerged in Europe, a fast adjustment to unforeseen conditions was needed. Citadele took substantial precautionary measures to protect the Bank's employees, clients and partners and implemented a series of actions to minimize disruption to the Group's operations during the Covid-19 outbreak.

The Bank was very quick in switching to remote service towards its clients and employees. Citadele continued to provide uninterrupted remote access to all financial services, at the same time offering "appointment only meetings" in branches to clients who needed to be serviced in person. Citadele provided support to affected businesses and private individuals with the possibility to postpone repayments of loan principal, and joined sector-wide moratoriums as of beginning of Q2 that simplify the grace period application process for clients. Citadele's employees were provided with Covid-19 health insurance and most of them were working remotely.

In Q2, the Baltic countries continued the gradual re-opening and easing of restrictions, and so did Citadele.

Operationally, it means that Citadele retail branches switched back to full-service mode for walk-ins with new safety measures in place, ending the "visit by appointment only" principle. Employees have returned to the office with teams rotating weekly to ensure business continuity and safety. Remote customer services such as Sky Branch, mobile and internet banking continue to be available and widely utilised by customers.

Continued support to clients

Citadele continued its support of customer needs through advisory services, creative lending solutions and active participation in government guarantee schemes to help clients in short-term financial difficulties. The number of requests for grace periods on loan repayments has remained comparatively low, pointing to the relative confidence of Citadele's clients in successfully overcoming the adverse impacts of the pandemic. As of 30 June 2020, 1.2 thousand clients had received Covid-19 related modifications with total gross loans amounting to EUR 112 million.

The Bank's sales teams continue to maintain close cooperation with clients, thus ensuring portfolio quality and maintaining low overdues. There have not been any major changes in the underlying credit quality apart from exposures in sectors that were the most affected, such as hospitality. In this sector, there has been intense and constructive dialogue with each client to find the best solution going forward, including additional equity injections, upfront interest paid and refinancing to other banks.

In Q2, Citadele joined social initiative project to support doctors and medical staff in Latvia during the Covid-19 outbreak. Bank's clients were encouraged to exchange X-REWARDS loyalty program points for meals which were donated to medical staff. The Bank doubled number of meals and donated additional EUR 10 thousand for doctor support. More than 6 thousand lunches were prepared during the campaign.

EUR 185 million issued in new loans to Baltic private, SME and corporate customers

The total loan book has declined during this period of uncertainty, mainly due to portfolio amortisation and lower levels of new lending. A positive trend was seen in June results, where new lending increased by 42% month-over-month, with the Corporate portfolio seeing a healthy pipeline going forward. New lending to Baltic private, SME and corporate customers reached EUR 185 million in H1 2020.

Innovations and development

During the lock-down Citadele has further focused its development plan to build best in class remote services and products with the ambition to embrace the changes that have emerged through this period. This will strengthen the Bank's value proposition and proactively meet new client demands and behaviours.

Work was accelerated on digitalization of the Bank's services. Customers in Latvia now get instant individual offers from Citadele for mortgages and consumer loans via digital channels, and a customer self-service tool has been launched in the Bank's webpage. We are working to bring the same capabilities to our clients in Lithuania and Estonia.

Remote and digital services are in high demand. In Q2 2020 the number of clients opening accounts remotely has increased three times quarter-over-quarter. June results show growth of almost 5 times as compared to beginning of year.

Growing demand also seen for contactless payments. All POS terminals now ensure contactless card acceptance and transactions with contactless payment cards constituted 75% of all transactions, as compared to c.35% a year ago.

Finally, ApplePay is gaining more popularity. The number of connected devices exceeded 14 thousand, a 30% increase quarter-over-quarter.

Strong client base

There was a small slowdown in overall active customer numbers in Q2 2020 (decrease of 1% q-o-q). The positive trend in customer activity resumed in the last months of Q2, and the number of new customers onboarded started to increase.

Active customers reached 314 thousand clients as of 30 June 2020, or 12% growth y-o-y.

Mobile App users and Internet bank customers increased by 37% and 8% y-o-y, respectively, reaching 137 thousand active Mobile App users and 194 thousand active Internet Bank customers.

Conservative stance on managing the economic downturn

From a business and risk management perspective the management team of Citadele has collectively adopted a conservative stance to manage the economic downturn to ensure business continuity, protect its employees and customers and position the Bank for growth once the environment normalises across the Baltics.

Citadele has updated its macro level assumptions related to ongoing concerns regarding Covid-19's impact on Citadele's loan portfolio and financial results, with EUR 16.8 million additional allowances for expected credit losses set aside for the loan book. Net credit losses for the period were EUR 13.1 million as a result of positive EUR 3.7 million in recoveries of previously written-off lending.

In addition, the Bank has implemented a dedicated investment strategy to protect itself from the risk of a sharp and severe recession followed by a slow recovery, leading to a lasting global recession. By utilizing options on some of the most liquid and relevant financial market indexes, the Bank took a number of calibrated positions that would offset the effects if a severe global recession would materialize. As an open economy, the Baltics are primarily dependent on the global economy, which is reflected across the broad financial market indices. With market recovery proving stronger than anticipated, partly due to global government stimulus measures, the market value of such financial instruments has declined significantly, but so has the likelihood of a sharp and severe recession. The Bank acted with the main goal of protecting its capital vis-à-vis short-term profitability, thus securing the future of all its stakeholders.

As a result of additional allowances for expected credit losses to reflect revised macroeconomic expectations and a negative impact from the tail risk positions in the amount of EUR 24.6 million, Citadele closed H1 2020 with EUR 29.0 million net loss.

Net loss for H1 2020, when adjusted for the tail risk positions, was EUR 4.4 million. Adjusted Q2 Net profit was EUR 3.1 million. While the consequences of the Covid-19 pandemic have had a negative impact on H1 2020 financial results, the underlying business remained strong, with positive developments seen in June and going forward, and the Bank well-positioned for the rebound with new products and services.

Strong liquidity and capital ratios

In H1 2020 the Bank has focused on building its liquidity position ahead of the planned acquisition of UniCredit Leasing (UCL), which is expected to close within the current year subject to all required regulatory approvals. Citadele's liquidity currently stands at an all-time high, with customer deposits reaching EUR 3,652 million as of 30 June 2020, an increase of 11% compared to the end of 2019.

Citadele has strong capital and liquidity ratios: CAR of 21.0% and LCR of 403% as of 30 June 2020.

The Bank's management team continues to proactively assess and evaluate potential business impacts from the current environment, while ensuring the safety of our customers and staff.

Further improvements in the anti-money laundering and terrorism financing prevention (AML/CFT) area

Citadele has always committed to achieving and maintaining the highest AML/CFT compliance standards by investing in IT systems, internal control, training of staff and independent testing. In two sector-wide exercises mandated by the FCMC and conducted by Navigant Citadele was ranked best-in-class in the sector for AML/KYC compliance and expects to maintain this leadership with further investments. As part of its ongoing improvement Citadele has committed to invest an additional EUR 2.3 million and to take actions to further strengthen the Bank's processes, systems and routines. Several steps have already been taken in terms of implementation, for example, the setup of the "KYC Competence Centre", further enhancement of documentation and IT systems, and the hiring of additional AML compliance staff.

Events after reporting date

Client development

A positive trend was seen in customer activity during July and August. The number of new customers onboarded has almost doubled in July vs. the Q2 monthly average, with the strong trend continuing into August. The total number of active customers has reached and exceeded pre-Covid-19 level. Also, the Mobile banking app and Internet bank usage is increasing.

Financial review of the Group

Results and profitability in H1 2020

The Group's **net interest income** in H1 2020 reached EUR 33.9 million, translating into a 19% decrease year-on-year, primarily driven by significantly higher interest expense (+59%) resulting from a major liquidity buffer ahead of the planned acquisition of UniCredit Leasing. The transaction is expected to obtain all regulatory approvals and closing is anticipated during second half of 2020. Q2 2020 net interest income reached EUR 15.7 million, a 26% decrease compared to the same period year ago, as the excess liquidity had a negative impact by approximately EUR 2.7 million.

The Group's **net fee and commission income** reached EUR 14 million in H1 2020, decreasing by 7% year-on-year, mainly due to lower income from cards and payments and transactions with lower client activity due to Covid-19. Net fee and commission income in Q2 were EUR 6.7 million.

Net financial loss was EUR 21 million, mainly as a result of the mark-to-market effects of the tail risk hedging positions. On the back of the recovery in financial markets and the macro outlook, positions have been realized with losses, while the market value of the remaining positions has decreased. As a result, the Group's **operating income** declined 58% year-on-year and stood at EUR 25.6 million in H1 2020. When adjusted for the extra cost for liquidity and the tail risk hedging, operating income declined by EUR 10.3 million, or 17% year-on-year.

Operating expenses in H1 2020 decreased by 1% compared to the same period in 2019 and stood at EUR 40.4 million. Staff costs decreased by 4% to EUR 26.2 million, including EUR 1.0 million related to staff reductions. The number of full-time employees was 1,248 vs. 1,480 as at 30 June 2019, reflecting the progress of ongoing efficiency initiatives. Other costs were EUR 10.5 million (5% increase y-o-y), mainly due to higher consulting and other fees. Depreciation and amortisation expenses stood at EUR 3.9 million.

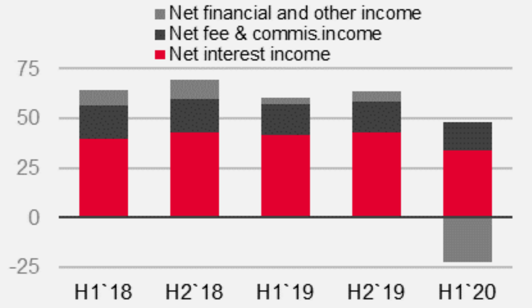
Citadele's adjusted **cost to income ratio** was 80.5% versus 67.7% in H1 2019.

In H1 2020 **net credit losses and impairments** were EUR 14.0 million vs. EUR 3.7 million for 2019, reflecting additional impairments set aside for the expected deterioration in the economic environment due to Covid-19. The client driven provisions were EUR 0.8 million, which was lower than the same period last year. The credit quality of the Group's loan portfolio remained stable and there were no new major individual provisions. Covid-19 related forborne gross loans reached EUR 112 million as of 30 June 2020, postponing 1,232 customers' credit repayments. We expect part of macro provisions to be released in case of a more benign macro outlook.

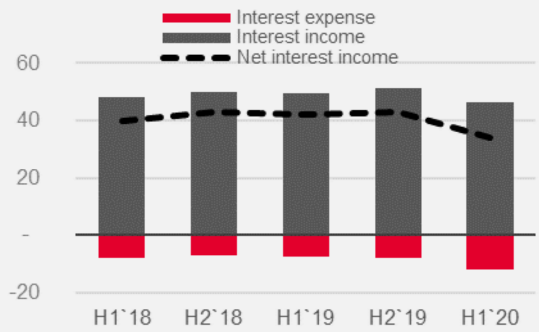
Overall credit quality continued to improve. The **Stage 3 loans to public ratio** decreased to 4.1% as of 30 June 2020, compared to 4.8% at the end of 2019.

Group's securities portfolio demonstrated stable development in terms of yield and risk profile. While Covid-19 created short term mark-to-market volatility, the main factor driving returns of the portfolio remains the extremely low yield environment across all major currencies.

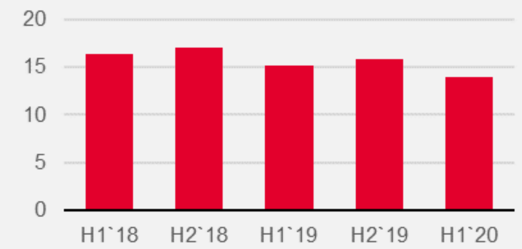
Operating income, EURm



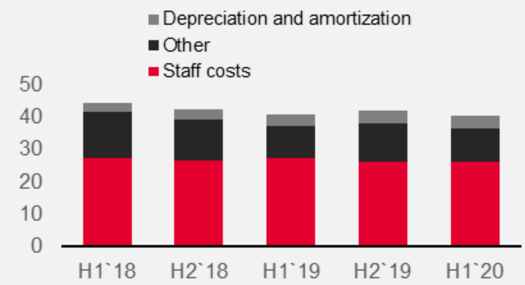
Net interest income, EURm



Net fee and commission income, EURm



Operating expense, EURm



Balance sheet overview

The **Group's assets** stood at EUR 4,533 million as of 30 June 2020, representing a 21% increase from year end 2019 (EUR 3,743 million).

The **net loan portfolio** stood at EUR 1,495 million as of 30 June 2020, decreasing by EUR 77 million (5%) from year end 2019. The largest decrease in the amount of EUR 62 million was seen in the corporate loan book mainly due to portfolio amortisation and lower new lending. In terms of segments, Private customers represented 39% of the portfolio followed by Corporates (33%), SMEs (15%) and Leasing (14%).

New lending in H1 reached EUR 185 million. EUR 77 million was granted to Corporate customers, followed by Retail clients with EUR 62 million and Leasing in the amount of EUR 46 million.

In terms of **geographical profile**, the loan portfolio has remained unchanged over recent years. As of 30 June 2020, Latvia accounted for 60% of the portfolio (EUR 896 million), followed by Lithuania at 28% (EUR 415 million) and Estonia at 10% (EUR 147 million).

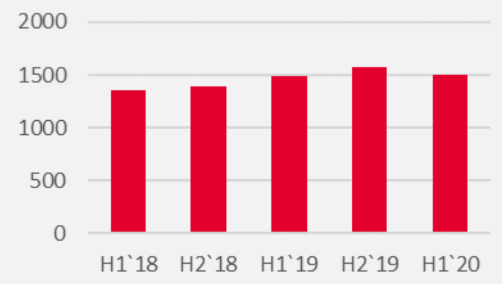
No major changes in **industry concentrations** occurred during H1 2020. Loans to Households represented 46% of the portfolio. The largest increases in H1 were seen in Finance leases (6%) and mortgages (2%). Consumer and card lending decreased by 12% and 5%, respectively, since year end 2019. Overall, the main industry concentrations were Commercial real estate (26% of gross loans), Transport and Communications (13%) and Manufacturing and Trade (14% and 13% respectively).

The **securities portfolio** in Q1 2020 was reduced by 18% in preparation for the UCL transaction and to mitigate potential credit risks stemming from the Covid-19 outbreak. In-line with the Bank's risk strategy proceeds from portfolio reduction and additional liquidity during Q2 were invested predominantly in the securities of central governments and multilateral development banks. Portfolio size grew by 38% during Q2, resulting in 13% growth during H1. 96% of debt securities held were rated A or higher.

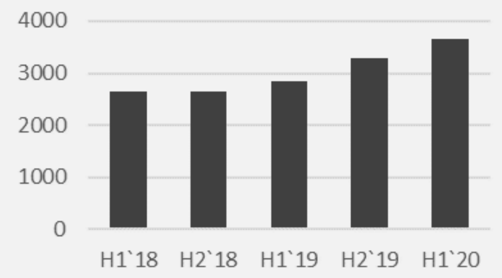
On 24 June 2020, Citadele participated in ECB's TLTRO III operation borrowing EUR 440 million for the 3-year term. Interest rate on TLTRO III is -0.5% from 24 June 2020 to 23 June 2021, and for banks meeting the lending thresholds the interest rate can be as low as -1%. This has further diversified Bank's funding sources for real economy support and further expansion.

The main source of funding, customer deposits, grew by 11% vs. year-end 2019. Baltic residents' deposits increased by EUR 210 million. As of 30 June 2020, total Group customer deposits were EUR 3,652 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, currently under review for upgrade (3 January 2020).

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 and 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:	Under review/ possible upgrade

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

Segment highlights – H1 2020

Retail segment

The slow start to Q2 was followed by positive signs of a rebound midway, with business activity resuming in June.

The number of active retail customers decreased slightly by 1% q-o-q, while primary customers continued to grow to an all-time high during H1 2020. SME customers returned to full speed as of June and activity reached pre-Covid levels. June came as the second-best month in 2020 for new private and SME customers onboarded. Digital onboarding increased 3x q-o-q. Both branch traffic increased and SkyBranch calls started to return to pre-Covid-19 level.

Solid underlying credit quality

In Q1, the Bank joined the market-wide moratorium for mortgages in Latvia and business loans in Latvia and Lithuania. Q2 results show that the demand for grace periods remained comparatively low, with almost no new grace period applications as of June. In total, Covid-19 restructured mortgage loans constituted EUR 23 million as of 30 June 2020. Loan book quality remained sound with the historically lowest delinquencies in the Retail segment. Past due loans decreased by 32% q-o-q in the mortgage sector and 14% in consumer loans. This decreasing trend also seen in the amount of non-performing loans.

New lending to retail customers reached EUR 62 million in H1 2020, of which EUR 24 million were issued in Q2. Total loans to Private and SME customers amounted to EUR 724 million, a 1% increase since year end 2019.

Deposits from Private individuals and SMEs reached EUR 1,614 million, translating into an 11% increase since year end 2019.

Supporting customer needs

In Q2 2020, work continued to further improve products and services. For instance, Citadele launched its self-service tool for customers on the Bank's webpage, SEPA Instant payments in Estonia and finalized implementation of daily POS settlements allowing Citadele acquiring customers to receive money for their card purchases 7 days a week. Continuing the trend of digitizing the Bank's services, any Citadele customer in Latvia can now apply via the webpage and get individual offers from the Bank for mortgage and consumer lending instantly. Customers can identify themselves using SmartID or Citadele Internet bank. We continue to work to bring the same capabilities to Lithuania and Estonia.

For SME support the Bank offers micro loans with Altum guarantee up to EUR 50 thousand.

Reacting to Covid-19's impact and overseeing strong demand in local travel, Citadele introduced extended coverage for more than 60 thousand credit card customers. During the summer customers will enjoy improved local insurance, bicycles insurance and home help kit free of charge. We want to support and encourage our clients to enjoy their staycations.

Corporate segment

The second quarter started with active support of existing customers and consultations related to Covid-19 issues, with the main focus on the HoReCa sector (Hotels, Restaurants, Cafes). In total Covid-19 restructured loans in the Corporate segment constituted EUR 63 million as of 30 June 2020. Overall credit quality remained strong, with decreases in past-due and non-performing loan amounts.

During the second half of Q2, overall customer sentiment improved with an increasing number of financing requests. The Corporate portfolio sees a healthy pipeline going forward, and new lending in June increased more than twice month-over-month, continuing its positive trend into July. In H1 2020 EUR 123 million of new loans were issued to corporate clients, of which EUR 42 million in Q2.

Even more focus was placed on e-commerce solutions to help companies improve their customers' experience. Several transactions were concluded with some of the largest Baltic companies. Bank of Lithuania approval was received to offer Klix services in Lithuania. Customer demand continues to be on higher levels than pre-Covid.

Strong progress continued in deposit gathering, where the Corporate deposit portfolio increased by 17% vs. year end 2019 and reached EUR 813 million as of 30 June 2020.

Organizational changes

Corporate banking division continued to work on efficiency and optimization projects. Changes in organizational structure were implemented, with focus on proactive client service, good credit quality and non-lending products income. Markets products and e-commerce sales experts were introduced in order to support our clients with exclusive advisory and know-how, and to focus more on non-lending products.

Business Environment

Global economy fell sharply in Q2

The Covid-19 pandemic and various lockdown measures implemented to curb its spread has pushed the global economy to a sudden and sharp economic recession. In Q2 many countries' GDP declines exceeded 10% year-on-year, and according to IMF forecasts the global economy in 2020 will experience one of the worst economic contractions in the last 100 years, as global GDP is expected to decline by 4.9%.

However, the global economy is already showing some signs of rebound. Strong monetary and fiscal stimulus measures and easing of Covid-19 related lockdown restrictions have positively affected global business confidence since April. Yet the number of new Covid-19 cases globally continues to increase and economic outlook remains highly uncertain as full recovery is likely to take some time.

Baltic region shows signs of rebound

Like other parts of the global economy in Q2, the Baltic region was also negatively affected by the Covid-19 pandemic. According to preliminary data GDP fell by 9.8% year-on-year in Latvia and by 3.7% in Lithuania. However, the decline in GDP has been considerably smaller than in the euro area, where GDP declined by 15%.

Effective containment of the first wave of Covid-19 and implementation of substantial fiscal stimulus measures has helped to mitigate negative economic shock. Short-term indicators show that the economy reached its lowest point in mid-April and recovery since has been unexpectedly strong. Economic sentiment in the Baltics has fallen by less than in 2009 and the region is faring better than other euro area countries.

Consumption is leading the recovery

Consumption led the recovery in the Baltics, as retail sales have rebounded to previous levels and were already growing on an annual basis in June, despite elevated unemployment and continued uncertainty. Recovery in exports and manufacturing so far has lagged behind due to weak external demand, although new export orders have picked up.

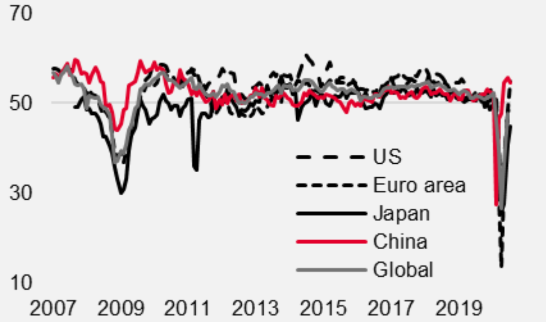
Retail trade has benefitted the most from the rebound in consumption while spending on travel, entertainment and other services remains depressed. Activity in the real estate market and car sales have also rebounded strongly in June and July. Some of the gains are likely to be driven by postponed demand and increased savings during the lockdown period.

Economic outlook remains highly uncertain

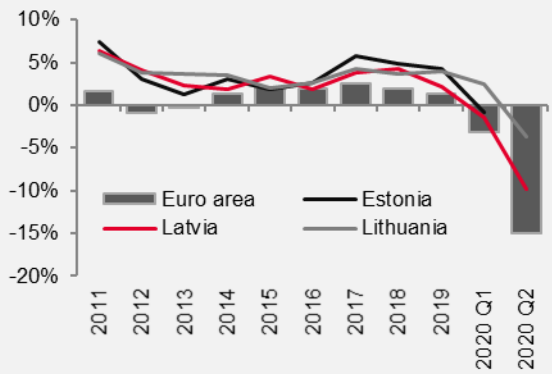
Despite early signs of economic recovery, outlook in the Baltics remains highly uncertain. Globally the Covid-19 pandemic is not over and resurgence of the virus in the region could force re-imposition of lockdown measures, posing the biggest risk to economic outlook. In addition, increased unemployment and weak private sector investments will be a drag on growth in second half of 2020, while tourism and entertainment are likely to remain depressed until a permanent solution for a vaccine becomes available.

Composite PMI

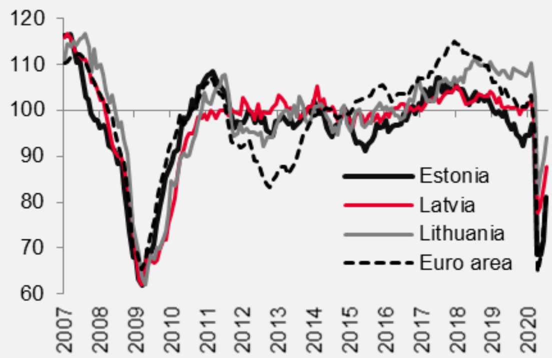
(values above 50 indicate expansion)



Real GDP, % YoY

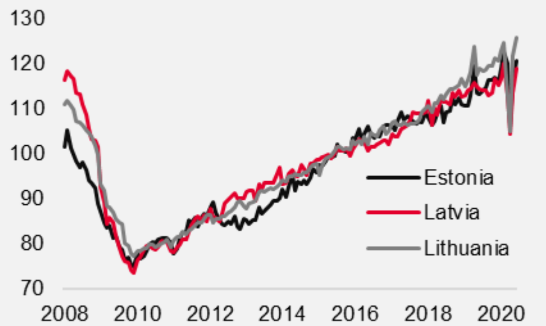


Economic Sentiment Indicator



Retail trade excluding fuel

(constant prices, 2015=100)



CORPORATE GOVERNANCE

AS Citadele banka is the parent company of Citadele Group. AS Citadele bank is a joint stock company. 75% plus one share in AS 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.

The Statement of Corporate Governance is published on the Bank's website www.cblgroup.com.

Supervisory Board of the Bank as of 30/06/2020:

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

Management Board of the Bank as of 30/06/2020:

Name	Current position	Responsibility
Johan Åkerblom	Chairman of the Management Board	Chief Executive Officer and Chief Financial Officer
Valters Ābele	Member of the Management Board	Chief Risk Officer
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
Kaspars Jansons	Member of the Management Board	Chief Operations Officer
Vaidas Žagūnis	Member of the Management Board	Chief Corporate Commercial Officer

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

The Management of AS Citadele banka (hereinafter – the Bank) is responsible for the preparation of the condensed interim financial statements of the Bank and for the preparation of the condensed interim consolidated financial statements of the Bank and its subsidiaries (hereinafter – the Group).

The condensed interim financial statements set out on pages 13 to 33 are prepared in accordance with the source documents and present fairly the financial position of the Bank and the Group as of 30 June 2020 and 31 December 2019 and the results of their operations, changes in shareholders' equity and cash flows for the six months periods ended 30 June 2020 and 30 June 2019. The management report set out on pages 4 to 11 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

The condensed interim financial statements are prepared on a going concern basis in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management in the preparation of the financial statements.

The Management of AS Citadele banka is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. They are also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Financial and Capital Market Commission and other legislation of the Republic of Latvia applicable for credit institutions.

STATEMENT OF INCOME

	Note	6m 2020 Group	6m 2019 Group Restated (Note 3 c)	6m 2020 Bank	6m 2019 Bank Restated (Note 3 c)
		EUR thousands			
Interest income	5	46,142	49,546	41,683	45,023
Interest expense	5	(12,258)	(7,694)	(12,252)	(7,753)
Net interest income		**33,884**	**41,852**	**29,431**	**37,270**
Fee and commission income	6	24,608	27,135	20,556	22,502
Fee and commission expense	6	(10,571)	(12,023)	(10,161)	(11,753)
Net fee and commission income		**14,037**	**15,112**	**10,395**	**10,749**
Net financial income	7	(20,988)	3,891	(20,523)	3,022
Net other income / (expense)		(1,323)	(302)	96	2,341
Operating income		**25,610**	**60,553**	**19,399**	**53,382**
Staff costs		(26,003)	(27,168)	(23,231)	(24,431)
Other operating expenses	8	(10,494)	(9,957)	(9,445)	(8,100)
Depreciation and amortisation		(3,948)	(3,862)	(3,713)	(3,634)
Operating expense		**(40,445)**	**(40,987)**	**(36,389)**	**(36,165)**
Profit before impairment		**(14,835)**	**19,566**	**(16,990)**	**17,217**
Net credit losses	9	(13,144)	(2,631)	(12,211)	(1,096)
Other impairment losses and other provisions		(882)	(8)	(1,025)	3,045
Operating profit / (loss) before non-current assets held for sale		**(28,861)**	**16,927**	**(30,226)**	**19,166**
Result from non-current assets held for sale		(81)	(283)	(81)	(177)
Operating profit / (loss)		**(28,942)**	**16,644**	**(30,307)**	**18,989**
Income tax		(83)	(430)	(14)	(120)
Net profit / (loss)		**(29,025)**	**16,214**	**(30,321)**	**18,869**
Basic earnings per share in EUR	16	(0.19)	0.10	(0.19)	0.12
Diluted earnings per share in EUR	16	(0.18)	0.10	(0.19)	0.12

The notes on pages 17 to 33 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	6m 2020 Group	6m 2019 Group	6m 2020 Bank	6m 2019 Bank
Net profit / (loss)	**(29,025)**	**16,214**	**(30,321)**	**18,869**
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 (Note 7)	(60)	(480)	(530)	(207)
Change in fair value of debt securities	(198)	6,198	822	4,130
Deferred income tax charged / (credited) directly to equity	48	(275)	-	-
Other reserves				
Foreign exchange retranslation	473	339	-	-
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	(598)	1,199	(598)	1,196
Transfer to retained earnings at disposal	-	(1,395)	-	(1,395)
Other comprehensive income / (loss)	**(335)**	**5,586**	**(306)**	**3,724**
Total comprehensive income / (loss)	**(29,360)**	**21,800**	**(30,627)**	**22,593**

The notes on pages 17 to 33 are an integral part of these financial statements.

BALANCE SHEET

	Note	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
		EUR thousands			
Assets					
Cash and cash balances at central banks		1,329,458	707,914	1,308,557	691,455
Loans to credit institutions		203,784	121,395	174,173	96,021
Debt securities	10	1,365,975	1,203,631	1,137,333	967,467
Loans to public	11	1,495,385	1,572,746	1,520,606	1,594,103
Equity instruments	12	5,103	5,092	5,103	5,092
Other financial instruments	12	42,976	39,972	13,227	6,434
Derivatives		6,025	960	6,025	960
Investments in subsidiaries	13	-	-	33,439	34,161
Tangible assets		45,799	49,989	13,957	18,231
Intangible assets		5,112	4,698	4,921	4,571
Current income tax assets		864	707	864	707
Deferred income tax assets		2,482	2,429	2,179	2,179
Non-current assets held for sale		4,800	2,862	4,800	2,862
Other assets		25,169	30,373	18,468	23,200
Total assets		**4,532,932**	**3,742,768**	**4,243,652**	**3,447,443**
Liabilities					
Deposits from credit institutions and central banks	14	455,138	1,637	484,059	39,287
Deposits and borrowings from customers	15	3,651,661	3,289,534	3,374,524	2,990,630
Debt securities issued	16	60,053	60,044	60,053	60,044
Derivatives		1,861	528	1,861	528
Provisions	9	5,672	4,150	5,634	4,108
Current income tax liabilities		171	581	-	-
Deferred income tax liabilities		375	676	-	-
Other liabilities		46,229	44,893	25,427	30,532
Total liabilities		**4,221,160**	**3,402,043**	**3,951,558**	**3,125,129**
Equity					
Share capital	17	156,556	156,556	156,556	156,556
Reserves and other capital components		11,347	11,276	5,513	5,412
Retained earnings		143,869	172,893	130,025	160,346
Total equity		**311,772**	**340,725**	**292,094**	**322,314**
Total liabilities and equity		**4,532,932**	**3,742,768**	**4,243,652**	**3,447,443**
Off-balance sheet items					
Guarantees and letters of credit	18	20,286	22,809	19,576	22,107
Financial commitments	18	236,938	330,250	256,431	410,928

The notes on pages 17 to 33 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands						
	Issued Share capital	Securities fair value revaluation reserve *(Note 10)*	Foreign currency retrains-lation	Statutory reserves	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2018	**156,556**	**(951)**	**3,119**	**1,313**	**387**	**136,376**	**296,800**
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	16,214	16,214
Share based payments to employees	-	-	-	-	402	-	402
Other comprehensive income / (loss) for the period	-	6,642	339	-	-	(1,395)	5,586
Transactions with shareholders							
Transfer to reserves	-	-	-	(1,134)	-	1,134	-
Balance as of 30/06/2019	**156,556**	**5,691**	**3,458**	**789**	**618**	**152,329**	**319,002**
Balance as of 31/12/2019	**156,556**	**6,083**	**3,994**	**-**	**1,199**	**172,893**	**340,725**
Total comprehensive income for the period							
Net profit / (loss) for the period	-	-	-	-	-	(29,025)	(29,025)
Share based payments to employees	-	-	-	-	407	-	407
Other comprehensive income / (loss) for the period	-	(808)	473	-	-	-	(335)
Balance as of 30/06/2020	**156,556**	**5,275**	**4,467**	**-**	**1,606**	**143,868**	**311,772**

	Bank, EUR thousands				
	Issued Share capital	Securities fair value revaluation reserve *(Note 10)*	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2018	**156,556**	**(1,240)**	**387**	**112,117**	**267,820**
Total comprehensive income for the period					
Net profit for the period	-	-	-	18,869	18,869
Share based payments to employees	-	-	402	-	402
Other comprehensive income / (loss) for the period	-	5,119	-	(1,395)	3,724
Transactions with shareholders					
Integration of AB Citadele bankas	-	-	-	10,553	10,553
Balance as of 30/06/2019	**156,556**	**3,879**	**789**	**140,144**	**301,368**
Balance as of 31/12/2019	**156,556**	**4,213**	**1,199**	**160,346**	**322,314**
Total comprehensive income for the period					
Net profit / (loss) for the period	-	-	-	(30,321)	(30,321)
Share based payments to employees	-	-	407	-	407
Other comprehensive income / (loss) for the period	-	(306)	-	-	(306)
Balance as of 30/06/2020	**156,556**	**3,907**	**1,606**	**130,025**	**292,094**

The notes on pages 17 to 33 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 2019 or for the six months period ended 30 June 2019.

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

Citadele is a Latvian-based bank offering retail, private banking, asset management, lending, leasing and other commercial banking services. As of period end the Bank operates branches in Latvia, Lithuania and Estonia. AS Citadele banka is the parent company of the Group, which has a subsidiary bank in Switzerland and several financial services subsidiaries. The Group's main market is the 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 June 2020, the Group had 1,248 (2019: 1,369) and the Bank had 1,170 (2019: 1,292) full time equivalent active employees.

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 2019. 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 2019 annual financial statements for the Group and the Bank.

b) 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.

c) Changes in classification

For the annual report for 2019 Citadele reviewed classification of annual and quarterly supervisory fees and reclassified these from *Fee and commission expense* to *Net other income*. Supervisory fees are payable to Financial and Capital Market Commission, European Central Bank, Single Resolution Board and are directly dependent on the size of the banking business, mostly the amount of assets held as at relevant measurement date. Similarly based on a trough review several expense categories were reclassified from *Other operating expenses* to *Net other income* as these relate to direct cost of core business and not an administrative efficiency.

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.

All transactions between operating segments are on an arm's length basis. Funds Transfer Pricing (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 are 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.

The comparative income statement information for the six months period end 30 June 2019 has been restated as disclosed in *Note 3 c*. In addition, some of the principles of client allocation among segments were marginally adjusted. These adjustments in allocation principles were implemented retrospectively in the comparative income statement information for full comparability of the segment results.

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.

SME

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

Leasing and factoring services provided to private individuals and companies in Latvia, Lithuania and Estonia.

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 6m 2020, EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Interest income	19,167	4,805	12,095	1,142	1,475	5,121	2,337	46,142
Interest expense	(1,173)	(14)	(322)	(2,266)	(299)	-	(8,184)	(12,258)
Net interest income	**17,994**	**4,791**	**11,773**	**(1,124)**	**1,176**	**5,121**	**(5,847)**	**33,884**
Fee and commission income	6,708	4,879	4,216	6,142	1,649	154	860	24,608
Fee and commission expense	(4,126)	(1,774)	(2,884)	(884)	(217)	(96)	(590)	(10,571)
Net fee and commission income	**2,582**	**3,105**	**1,332**	**5,258**	**1,432**	**58**	**270**	**14,037**
Net financial income	456	688	85	637	(497)	1	(22,358)	(20,988)
Net other income	(692)	(331)	(112)	(323)	(346)	(110)	591	(1,323)
Operating income	**20,340**	**8,253**	**13,078**	**4,448**	**1,765**	**5,070**	**(27,344)**	**25,610**
Net funding allocation	(1,011)	(278)	(1,409)	401	281	(121)	2,137	-
FTP adjusted operating income	**19,329**	**7,975**	**11,669**	**4,849**	**2,046**	**4,949**	**(25,207)**	**25,610**

	Group 6m 2019 (restated), EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Interest income	19,107	3,111	13,929	2,196	1,894	4,912	4,397	49,546
Interest expense	(1,055)	(36)	(154)	(1,160)	(326)	-	(4,963)	(7,694)
Net interest income	**18,052**	**3,075**	**13,775**	**1,036**	**1,568**	**4,912**	**(566)**	**41,852**
Fee and commission income	6,710	3,949	6,137	7,498	1,974	55	812	27,135
Fee and commission expense	(4,046)	(1,705)	(4,078)	(1,302)	(184)	(21)	(687)	(12,023)
Net fee and commission income	**2,664**	**2,244**	**2,059**	**6,196**	**1,790**	**34**	**125**	**15,112**
Net financial income	409	262	209	1,661	359	-	991	3,891
Net other income	(127)	(47)	(137)	(311)	-	(130)	450	(302)
Operating income	**20,998**	**5,534**	**15,906**	**8,582**	**3,717**	**4,816**	**1,000**	**60,553**
Net funding allocation	(728)	(72)	(1,404)	1,761	360	(134)	217	-
FTP adjusted operating income	**20,270**	**5,462**	**14,502**	**10,343**	**4,077**	**4,682**	**1,217**	**60,553**

	Group as of 30/06/2020, EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Assets								
Cash, balances at central banks	-	-	-	-	20,901	-	1,308,557	1,329,458
Loans to credit institutions	-	-	-	4,107	25,505	-	174,172	203,784
Debt securities	-	-	-	25,046	203,596	-	1,137,333	1,365,975
Loans to public	576,389	147,438	497,337	40,918	2,617	216,441	14,245	1,495,385
Equity instruments	-	-	-	-	-	-	5,103	5,103
Other financial instruments	-	-	-	29,748	-	-	13,228	42,976
Total segmented assets	**576,389**	**147,438**	**497,337**	**99,819**	**252,619**	**216,441**	**2,652,638**	**4,442,681**
Liabilities								
Deposits from banks	-	-	-	-	25	-	455,113	455,138
Deposits from customers	1,205,267	408,951	812,758	725,305	255,317	-	244,063	3,651,661
Debt securities issued	-	-	-	-	-	-	60,053	60,053
Total segmented liabilities	**1,205,267**	**408,951**	**812,758**	**725,305**	**255,342**	**-**	**759,229**	**4,166,852**

	Group as of 31/12/2019, EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Assets								
Cash, balances at central banks	-	-	-	-	16,459	-	691,455	707,914
Loans to credit institutions	-	-	-	7,005	18,369	-	96,021	121,395
Debt securities	-	-	-	16,903	219,261	-	967,467	1,203,631
Loans to public	586,345	128,333	564,053	47,671	9,431	217,226	19,687	1,572,746
Equity instruments	-	-	-	-	-	-	5,092	5,092
Other financial instruments	-	-	-	33,657	-	-	6,315	39,972
Total segmented assets	**586,345**	**128,333**	**564,053**	**105,236**	**263,520**	**217,226**	**1,786,037**	**3,650,750**
Liabilities								
Deposits from banks	-	-	-	-	-	-	1,637	1,637
Deposits from customers	1,132,738	321,644	695,176	761,748	273,874	-	104,354	3,289,534
Debt securities issued	-	-	-	-	-	-	60,044	60,044
Total segmented liabilities	**1,132,738**	**321,644**	**695,176**	**761,748**	**273,874**	**-**	**166,035**	**3,351,215**

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	6m 2020 Group	6m 2019 Group	6m 2020 Bank	6m 2019 Bank
Interest income calculated using the effective interest method:				
Financial assets at amortised cost:				
Loans to public	37,161	38,615	39,169	40,764
Debt securities	1,678	1,954	1,438	1,587
Cash balances at and lending to/from central banks and credit institutions	263	580	262	427
Debt securities at fair value through other comprehensive income	1,919	3,510	814	2,245
Interest income on finance leases (part of loans to public)	5,121	4,887		-
Total interest income	**46,142**	**49,546**	**41,683**	**45,023**
Interest expense on:				
Financial liabilities at amortised cost:				
Deposits and borrowing from public	(7,394)	(4,533)	(7,139)	(4,244)
Debt securities issued	(1,809)	(1,808)	(1,809)	(1,808)
Deposits from/to credit institutions and central banks	(1,993)	(776)	(2,268)	(1,163)
Financial liabilities at fair value through profit or loss				
Deposits and borrowing from public	(71)	(76)	-	-
Lease liabilities	(16)	(19)	(61)	(55)
Other interest expense	(975)	(482)	(975)	(483)
Total interest expense	**(12,258)**	**(7,694)**	**(12,252)**	**(7,753)**
Net interest income	**33,884**	**41,852**	**29,431**	**37,270**

Effective interest rate on some high-quality liquid assets is negative in 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.

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	6m 2020 Group	6m 2019 Group Restated (Note 3 c)	6m 2020 Bank	6m 2019 Bank Restated (Note 3 c)
Fee and commission income:				
Cards	12,866	14,681	12,826	14,644
Payments and transactions	5,720	7,138	4,715	5,626
Asset management and custody	3,514	3,404	762	766
Securities brokerage	899	299	613	257
Other fees	737	905	751	493
Total fee and commission income from contracts with customers	**23,736**	**26,427**	**19,667**	**21,786**
Guarantees, letters of credit and loans	872	708	889	716
Total fee and commission income	**24,608**	**27,135**	**20,556**	**22,502**
Fee and commission expense on:				
Cards	(8,188)	(9,806)	(8,188)	(9,806)
Asset management, custody and securities brokerage	(505)	(414)	(362)	(340)
Payments, transactions and other fees	(1,878)	(1,803)	(1,611)	(1,607)
Total fee and commission expense	**(10,571)**	**(12,023)**	**(10,161)**	**(11,753)**
Net fee and commission income	**14,037**	**15,112**	**10,395**	**10,749**

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	6m 2020 Group	6m 2019 Group	6m 2020 Bank	6m 2019 Bank
Foreign exchange trading and related derivatives	3,401	3,212	3,417	3,037
Assets at amortised cost	211	-	211	-
Assets at fair value through other comprehensive income	60	480	530	207
Assets and liabilities at fair value through profit or loss	21	421	-	-
Other derivatives	(24,617)	-	(24,617)	-
Modifications in cash flows which do not result in derecognition	(64)	(222)	(64)	(222)
Total net financial income	**(20,988)**	**3,891**	**(20,523)**	**3,022**

In 2020 some debt securities classified at amortised cost were disposed before maturity. These sales constitute a part of a larger one-off plan to de-risk due to Covid-19 uncertainty. Due to the one-off nature of this events, the specific business model's objective to hold financial assets in order to collect contractual cash flows still holds.

Loss on other derivatives (options) reflect the result from a tail-risk management strategy (not qualify for hedge accounting) to protect the Group and to mitigate the downside risk of a sharp and severe recession with a slow recovery. According to an internal risk assessment the chosen instruments provide for an insurance in a tail-risk in a negative macro-economic development scenario. With recovery proving stronger than anticipated, market value of the options has declined significantly, but so has the likelihood of a sharp and severe recession.

NOTE 8. OTHER OPERATING EXPENSES

	EUR thousands			
	6m 2020 Group	6m 2019 Group Restated (Note 3 c)	6m 2020 Bank	6m 2019 Bank Restated (Note 3 c)
Information technologies and communications	(2,571)	(3,186)	(2,061)	(2,727)
Consulting and other services	(3,384)	(2,167)	(3,596)	(1,788)
Rent, premises and real estate	(1,225)	(1,443)	(745)	(933)
Advertising and marketing	(737)	(982)	(719)	(951)
Non-refundable value added tax	(1,388)	(857)	(1,278)	(678)
Other	(1,189)	(1,322)	(1,046)	(1,023)
Total other expenses	**(10,494)**	**(9,957)**	**(9,445)**	**(8,100)**

NOTE 9. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	6m 2020 Group	6m 2019 Group	6m 2020 Bank	6m 2019 Bank
Loans to credit institutions	(21)	12	(21)	12
Debt securities	(64)	(144)	(90)	(143)
Loans to public	(16,134)	(3,406)	(14,960)	(3,389)
Loan commitments, guarantees and letters of credit	(622)	(620)	(627)	(621)
Recovered written-off assets	3,697	1,527	3,487	3,045
Total net losses on financial instruments	**(13,144)**	**(2,631)**	**(12,211)**	**(1,096)**

Allowances for credit losses are recognised based on the future loss expectations. The forward-looking information in the measurement of expected credit losses is implemented through adjustment for future economic development scenarios. As a result of recent events related to Covid-19 the adjustment related to future economic scenarios was revised. Subsequently, in the reporting period allowance charges for the expected credit losses for the Group and the Bank increased by EUR 10.5 million and EUR 11.1 million compared to the six months period ended 30 June 2019. Due to the forward looking nature of the credit loss estimation, the increase in loss allowances does not necessarily represent an observable deterioration in the current credit quality of the loan portfolio (for detail refer to Note 11 (*Loans to Public*)), but is more a representation of a deterioration in the forward looking economic scenarios component.

When a loan is fully or partially written-off, the claim against the borrower normally is not forgiven. 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.

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			
	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
Stage 1				
Loans to credit institutions	117	97	117	97
Debt securities	438	373	364	273
Loans to public	19,845	12,559	17,002	10,754
Loan commitments, guarantees and letters of credit	3,733	3,420	3,696	3,378
Total stage 1 credit losses and provisions	**24,133**	**16,449**	**21,179**	**14,502**
Stage 2				
Loans to public	8,297	5,568	7,718	5,184
Loan commitments, guarantees and letters of credit	633	172	633	172
Total stage 2 credit losses and provisions	**8,930**	**5,740**	**8,351**	**5,356**
Stage 3				
Loans to public	37,694	38,785	35,608	36,616
Loan commitments, guarantees and letters of credit	406	558	406	558
Total stage 3 credit losses and provisions	**38,100**	**39,343**	**36,014**	**37,174**
Total allowances for credit losses and provisions	**71,163**	**61,532**	**65,544**	**57,032**
Including for debt securities classified at fair value through other comprehensive income	*120*	*116*	*57*	*42*
Excluding non-ECL provisions	*900*	*-*	*900*	*-*

NOTE 10. DEBT SECURITIES

Debt securities by credit rating grade, classification and profile of issuer

	Group, EUR thousands					
	30/06/2020			31/12/2019		
	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	69,690	110,479	180,169	66,691	89,429	156,120
AA/Aa	98,111	107,935	206,046	111,325	106,277	217,602
A	183,936	738,931	922,867	169,597	545,489	715,086
BBB/Baa	29,644	26,992	56,636	50,182	62,346	112,528
Lower ratings or unrated	257	-	257	266	2,029	2,295
Total debt securities	**381,638**	**984,337**	**1,365,975**	**398,061**	**805,570**	**1,203,631**
Including general government	*183,777*	*764,743*	*948,520*	*164,761*	*491,501*	*656,262*
Including credit institutions	*95,276*	*82,462*	*177,738*	*106,280*	*135,237*	*241,517*
Including classified in stage 1	*381,638*	*984,337*	*1,365,975*	*398,061*	*805,570*	*1,203,631*

	Bank, EUR thousands					
	30/06/2020			31/12/2019		
	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	25,746	95,242	120,988	26,284	74,235	100,519
AA/Aa	29,460	94,603	124,063	55,375	92,197	147,572
A	143,588	724,061	867,649	141,593	523,372	664,965
BBB/Baa	-	24,633	24,633	2,941	49,441	52,382
Lower ratings or unrated	-	-	-	-	2,029	2,029
Total debt securities	**198,794**	**938,539**	**1,137,333**	**226,193**	**741,274**	**967,467**
Including general government	*145,997*	*745,009*	*891,006*	*137,229*	*468,479*	*605,708*
Including credit institutions	*19,123*	*73,204*	*92,327*	*42,122*	*121,610*	*163,732*
Including classified in stage 1	*198,794*	*938,539*	*1,137,333*	*226,193*	*741,274*	*967,467*

Debt securities by country of issuer

	Group, EUR thousands					
	30/06/2020			31/12/2019		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	379,222	3,511	382,733	291,654	7,377	299,031
Lithuania	411,897	6,918	418,815	222,723	6,813	229,536
Netherlands	14,712	58,190	72,902	12,690	97,554	110,244
United States	16,635	62,931	79,566	14,387	81,960	96,347
Germany	16,142	32,448	48,590	15,889	31,056	46,945
Finland	13,243	20,318	33,561	11,632	27,130	38,762
Canada	5,202	45,839	51,041	6,701	39,759	46,460
Estonia	36,926	22,018	58,944	10,008	13,434	23,442
Multilateral development banks	-	53,111	53,111	-	39,221	39,221
Other countries	54,541	112,171	166,712	70,578	203,065	273,643
Total debt securities	**948,520**	**417,455**	**1,365,975**	**656,262**	**547,369**	**1,203,631**

	Bank, EUR thousands					
	30/06/2020			31/12/2019		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	373,210	2,060	375,270	287,598	5,918	293,516
Lithuania	407,074	5,462	412,536	220,452	5,412	225,864
Netherlands	10,939	37,105	48,044	8,920	64,732	73,652
United States	12,964	30,433	43,397	10,792	54,887	65,679
Finland	9,459	17,135	26,594	9,431	26,680	36,111
Canada	-	36,574	36,574	2,070	28,255	30,325
Estonia	36,926	20,218	57,144	10,008	11,616	21,624
Multilateral development banks	-	38,677	38,677	-	27,188	27,188
Other countries	40,434	58,663	99,097	56,437	137,071	193,508
Total debt securities	**891,006**	**246,327**	**1,137,333**	**605,708**	**361,759**	**967,467**

All fixed income securities as of 30 June 2020 and 31 December 2019 are listed. 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			
	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
Financial and non-financial corporations				
Real estate purchase and management	212,457	239,530	249,935	277,196
Transport and communications	107,053	116,141	41,154	44,781
Manufacturing	120,236	131,880	93,797	107,298
Trade	108,893	109,673	85,261	85,501
Agriculture and forestry	75,468	75,474	51,883	54,698
Construction	48,852	38,712	37,971	27,567
Financial intermediation	24,340	39,237	222,538	240,287
Electricity, gas and water supply	43,856	41,229	41,309	38,748
Hotels, restaurants	43,851	47,760	41,901	45,510
Other industries	42,655	53,396	24,204	28,964
Total financial and non-financial corporations	**827,661**	**893,032**	**889,953**	**950,550**
Households				
Card lending	61,978	65,391	61,978	65,391
Mortgage loans	509,288	501,581	509,288	501,581
Finance leases	41,785	39,532	-	-
Credit for consumption	77,624	87,919	77,624	87,919
Other lending	28,678	28,963	27,969	28,055
Total households	**719,353**	**723,386**	**676,859**	**682,946**
General government	**14,207**	**13,240**	**14,122**	**13,161**
Total gross loans to public	**1,561,221**	**1,629,658**	**1,580,934**	**1,646,657**
Impairment allowance and provisions	(65,836)	(56,912)	(60,328)	(52,554)
Total net loans to public	**1,495,385**	**1,572,746**	**1,520,606**	**1,594,103**

Loans by overdue days and impairment stage

	Group, EUR thousands									
	30/06/2020					31/12/2019				
	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	1,341,784	97,986	12,107	(26,237)	1,425,640	1,373,569	123,569	22,148	(21,908)	1,497,378
Past due <=30 days	31,053	5,545	1,665	(2,732)	35,531	37,752	9,404	2,622	(2,733)	47,045
Past due >30 and ≤90 days	-	20,318	2,073	(4,885)	17,506	-	7,120	2,867	(2,648)	7,339
Past due >90 days	-	-	48,690	(31,982)	16,708	-	-	50,607	(29,623)	20,984
Total loans to public	**1,372,837**	**123,849**	**64,535**	**(65,836)**	**1,495,385**	**1,411,321**	**140,093**	**78,244**	**(56,912)**	**1,572,746**
Guarantees and letters of credit	18,868	-	239	(136)	18,971	21,479	-	303	(136)	21,646
Financial commitments	219,446	11,462	579	(4,285)	227,202	320,470	8,333	1,005	(4,014)	325,794
Total credit exposure to public	**1,611,151**	**135,311**	**65,353**	**(70,257)**	**1,741,558**	**1,753,270**	**148,426**	**79,552**	**(61,062)**	**1,920,186**

Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 18 (*Off-balance Sheet Items*).

	Bank, EUR thousands									
	30/06/2020					31/12/2019				
	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	1,387,800	92,059	9,971	(22,372)	1,467,458	1,421,143	121,111	19,981	(18,942)	1,543,293
Past due <=30 days	18,532	3,999	1,519	(2,153)	21,897	18,688	6,295	2,142	(2,191)	24,934
Past due >30 and ≤90 days	-	17,911	1,885	(4,540)	15,256	-	5,268	2,603	(2,356)	5,515
Past due >90 days	-	-	47,258	(31,263)	15,995	-	-	49,426	(29,065)	20,361
Total loans to public	**1,406,332**	**113,969**	**60,633**	**(60,328)**	**1,520,606**	**1,439,831**	**132,674**	**74,152**	**(52,554)**	**1,594,103**
Guarantees and letters of credit	18,159	-	239	(136)	18,262	20,777	-	303	(136)	20,944
Financial commitments	239,390	11,462	579	(4,247)	247,184	401,590	8,333	1,005	(3,972)	406,956
Total credit exposure to public	**1,663,881**	**125,431**	**61,451**	**(64,711)**	**1,786,052**	**1,862,198**	**141,007**	**75,460**	**(56,662)**	**2,022,003**

Stage 3 loans to public ratio

	EUR thousands			
	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
Stage 3 loans to public ratio, gross	**4.1%**	**4.8%**	**3.8%**	**4.5%**
Stage 3 loans to public ratio, net	**1.8%**	**2.5%**	**1.6%**	**2.4%**
Stage 3 impairment ratio	**58%**	**50%**	**59%**	**49%**

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.

NOTE 12. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	30/06/2020				31/12/2019			
	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	29,749	-	-	29,749	33,538	-	-	33,538
Financial assets at fair value through other comprehensive income	13,227	3,979	1,124	18,330	6,434	3,968	1,124	11,526
Total non-fixed income securities, net	**42,976**	**3,979**	**1,124**	**48,079**	**39,972**	**3,968**	**1,124**	**45,064**
Including unit-linked insurance plan assets	*21,278*	-	-	-	*24,816*	-	-	*24,816*

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 June 2020, the Bank and the Group has investments in mutual investment funds with carrying amount of EUR 13.2 million (2019: EUR 6.4 million) and EUR 26.4 million (2019: EUR 21.6 million) which are managed by IPAS CBL Asset Management. Further, EUR 10.8 million (2019: EUR 12.6 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. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	30/06/2020				31/12/2019			
	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	13,227	3,979	1,124	16,082	6,434	3,968	1,124	11,526
Total non-fixed income securities, net	**13,227**	**3,979**	**1,124**	**16,082**	**6,434**	**3,968**	**1,124**	**11,526**

NOTE 13. INVESTMENTS IN SUBSIDIARIES

Changes in investments in subsidiaries of the Bank

	EUR thousands	
	6m 2020	12m 2019
Balance at the beginning of the period, net	**34,161**	**71,614**
Integration of AB Citadele bankas, Lithuania	-	(43,838)
Equity investments in the existing subsidiaries	-	2,679
Liquidation of subsidiary	(649)	-
Impairment, net	(73)	3,706
Balance at the end of the period, net	**33,439**	**34,161**
Gross investment in subsidiaries as of		
the beginning of the period	*71,357*	*112,516*
the end of the period	*70,660*	*71,357*

Group companies Calenia Investments Limited and OOO Mizush Asset Management Ukraina are in liquidation as they had no ongoing business operations. Group company SIA Hortus RE was liquidated on 26 February 2020.

In 2019 AB Citadele bankas (Lithuania) was transform 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.

Acquisition of UniCredit leasing operations in the Baltics

In 2019 AS Citadele banka entered into a binding agreement with UniCredit S.p.A. to acquire UniCredit's Baltic leasing operations through the acquisition of 100% of the shares in SIA UniCredit Leasing. The acquisition includes Estonian and Lithuanian branches of SIA UniCredit Leasing and a subsidiary SIA UniCredit Insurance Broker. SIA UniCredit Leasing is one of the leaders in the Baltics, with more than 20 years of experience in the area of leasing and a demonstrated ability to deliver sustainable business growth. Following the acquisition Citadele's aggregate leasing portfolio is expected to exceed EUR 1 billion, creating a stronger Baltic Leasing offering allowing for economies of scale, synergies and shareholder value. Work continues on finalizing the acquisition of UniCredit's Leasing operations in the Baltics, currently awaiting approval from the Competition council in Lithuania. The approvals from the Competition council in Latvia and Estonia have been received.

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 30/06/2020	Carrying value EUR thousands 31/12/2019
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MAS	-	-	-	-
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	6,921
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	-	-
SIA Citadeles moduļi	40003397543	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	2,836	2,836
SIA Hortus Land	40103460961	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	1	-
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	730	804
SIA Hortus RE (liquidated in 2020)	40103752416	-	-	-	-	-	-	649
				Total investments in subsidiaries			**33,439**	**34,161**

Consolidation Group subsidiaries in liquidation process in foreign jurisdictions

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 30/06/2020	Carrying value EUR thousands 31/12/2019
Calenia Investments Limited (in liquidation)	HE156501	Cyprus, Nicosia 1075, 58 Arch. MakariosIII Avenue, Iris Tower, 6th floor, office 602	PLS	MS	100	100	-	-
OOO Mizush Asset Management Ukraina (in liquidation)	32984601	Ukraine, Kiev 03150, Gorkovo 172	IBS	MMS	100	100	-	-

*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 FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands 30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
ECB's targeted longer-term refinancing operations	440,000	-	440,000	-
Deposits from Citadele Group	-	-	28,946	37,650
Other credit institution and central bank deposits and collateral accounts	15,138	1,637	15,113	1,637
Total deposits from credit institutions and central banks	**455,138**	**1,637**	**484,059**	**39,287**

On 24 June 2020, Citadele participated in the ECB's latest targeted longer-term refinancing operations (TLTRO III) borrowing EUR 440 million. The maturity date of the facility is 28 June 2023 with an early repayment option starting on 29 September 2021. The Bank's total TLTRO-III borrowing allowance is EUR 452.96 million. Interest rate on TLTRO III is -0.5% from 24 June 2020 to 23 June 2021. For banks meeting the ECB's specified lending criteria, interest rate can be as low as -1.0%.

NOTE 15. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands 30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
Households	2,125,852	1,930,156	1,989,059	1,788,830
Non-financial corporations	1,159,235	1,087,395	1,018,476	918,231
Financial corporations	302,037	212,404	302,452	223,990
General government	50,203	46,344	50,203	46,344
Other	14,334	13,235	14,334	13,235
Total deposits from customers	**3,651,661**	**3,289,534**	**3,374,524**	**2,990,630**

Deposits and borrowings from customers by contractual maturity

	EUR thousands 30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
Demand deposits	2,710,820	2,494,276	2,486,108	2,264,946
Term deposits due within:				
less than 1 month	30,523	44,595	26,879	36,403
more than 1 month and less than 3 months	87,188	64,647	80,832	55,691
more than 3 months and less than 6 months	211,644	105,842	205,985	96,669
more than 6 months and less than 12 months	338,719	304,512	331,993	295,119
more than 1 year and less than 5 years	197,760	187,445	172,508	168,693
more than 5 years	75,007	88,217	70,219	73,109
Total term deposits	940,841	795,258	888,416	725,684
Total deposits from customers	**3,651,661**	**3,289,534**	**3,374,524**	**2,990,630**

Deposits and borrowings from customers by categories

	EUR thousands 30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
At amortised cost	3,615,822	3,251,634	3,374,524	2,990,630
At fair value through profit or loss	35,839	37,900	-	-
Total deposits from customers	**3,651,661**	**3,289,534**	**3,374,524**	**2,990,630**
Including unit-linked insurance plan liabilities	*22,260*	*24,916*	-	-

All 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 16. 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 30/06/2020	Amortised cost, EUR thousands 31/12/2019
LV0000880011	EUR	5.50%	24/11/2027	20,000	20,066	20,064
LV0000802221	EUR	6.25%	06/12/2026	40,000	39,987	39,980
					60,053	**60,044**

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 20 (*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	24/05/2020	74	41	16,800	84%	33	3,200	16%
LV0000802221	06/06/2020	192	92	31,770	79%	100	8,230	21%

NOTE 17. SHARE CAPITAL

As of period end, the Bank's registered and paid-in share capital was EUR 156,555,796 (2019: EUR 156,555,796). The Bank has one class ordinary shares. All ordinary shares as of 30 June 2020 and 31 December 2019 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

	30/06/2020		31/12/2019	
	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 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.

	6m 2020 Group	6m 2019 Group	6m 2020 Bank	6m 2019 Bank
Profit for the period, EUR thousands	(29,025)	16,214	(30,321)	18,869
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	**(0.19)**	**0.10**	**(0.19)**	**0.12**
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	812	342	812	342
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	**157,368**	**156,898**	**157,368**	**156,898**
Profit for the period, EUR thousands	(29,025)	16,214	(30,321)	18,869
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	157,368	156,898	157,368	156,898
Diluted earnings per share in EUR	**(0.18)**	**0.10**	**(0.19)**	**0.12**

NOTE 18. 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			
	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
Contingent liabilities:				
Outstanding guarantees	19,018	21,525	18,308	20,822
Outstanding letters of credit with public	90	257	90	258
Letters of credit with credit institutions	1,178	1,027	1,178	1,027
Total contingent liabilities	**20,286**	**22,809**	**19,576**	**22,107**
Provisions for credit risk	(136)	(136)	(136)	(136)
Maximum credit risk exposure for guarantees and letters of credit	**20,150**	**22,673**	**19,440**	**21,971**
Financial commitments:				
Card commitments	123,203	132,087	123,676	132,095
Unutilised credit lines and overdraft facilities	41,982	100,747	78,365	196,562
Loans granted, not fully drawn down	49,390	72,271	49,390	72,271
Factoring commitments	16,912	14,703	-	-
Other commitments	5,451	10,442	5,000	10,000
Total financial commitments	**236,938**	**330,250**	**256,431**	**410,928**
Provisions for financial commitments	(4,599)	(4,014)	(4,636)	(3,972)
Maximum credit risk exposure for financial commitments	**232,339**	**326,236**	**251,795**	**406,956**

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 19. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	30/06/2020 Group	**31/12/2019 Group**	**30/06/2020 Bank**	**31/12/2019 Bank**
Fixed income securities:				
Corporate bonds	177,067	149,065	-	-
Government bonds	56,876	65,532	-	-
Credit institution bonds	28,414	21,336	-	-
Other financial institution bonds	12,033	14,422	-	-
Total investments in fixed income securities	**274,390**	**250,355**	**-**	**-**
Other investments:				
Investment funds	389,242	407,398	-	-
Deposits with credit institutions	61,264	36,309	-	-
Compensations for distribution on behalf of deposit guarantee fund	27,466	30,657	27,466	30,657
Shares	48,556	37,227	-	-
Real estate	4,884	4,884	-	-
Loans	693	722	693	722
Other	80,425	104,541	-	-
Total other investments	**612,530**	**621,738**	**28,159**	**31,379**
Total assets under management	**886,920**	**872,093**	**28,159**	**31,379**

Customer profile on whose behalf the funds are managed

	EUR thousands			
	30/06/2020 Group	**31/12/2019 Group**	**30/06/2020 Bank**	**31/12/2019 Bank**
Pension plans	583,296	570,021	-	-
Insurance companies, investment and pension funds	140,822	131,214	-	-
Other companies and government	64,244	74,352	28,159	31,379
Private individuals	98,558	96,506	-	-
Total liabilities under management	**886,920**	**872,093**	**28,159**	**31,379**

NOTE 20. 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 key 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 30/06/2020, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	716,327	341,739	250,491	-	20,901	1,329,458
Loans to credit institutions	4,107	-	-	103,088	96,589	203,784
Debt securities	382,733	418,814	58,944	314,661	190,823	1,365,975
Loans to public	896,062	414,644	146,505	17,876	20,298	1,495,385
Equity instruments	1,124	-	-	143	3,836	5,103
Other financial instruments	26,374	-	-	16,319	283	42,976
Derivatives	854	-	-	5,171	-	6,025
Other assets	72,089	8,235	3,122	71	709	84,226
Total assets	**2,099,670**	**1,183,432**	**459,062**	**457,329**	**333,439**	**4,532,932**
Liabilities						
Deposits from credit institutions and central banks	449,817	-	-	3,900	1,421	455,138
Deposits and borrowings from customers	2,403,872	532,320	84,455	345,022	285,992	3,651,661
Debt securities issued	60,053	-	-	-	-	60,053
Derivatives	936	-	-	796	129	1,861
Other liabilities	44,835	4,619	1,270	144	1,579	52,447
Total liabilities	**2,959,513**	**536,939**	**85,725**	**349,862**	**289,121**	**4,221,160**
Off-balance sheet items						
Contingent liabilities	14,042	2,794	931	246	2,273	20,286
Financial commitments	187,904	44,862	3,407	46	719	236,938

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). EUR 20.9 million of Group's cash and deposit with central banks balances presented as "Other countries" is with Swiss National Bank (2019: EUR 16.5 million). From Group's loans to credit institutions presented as "Other countries" EUR 13.5 million are with Swiss credit institutions (2019: EUR 9.7 million), EUR 54.6 million are with Japanese credit institutions (2019: EUR 54.2 million) and EUR 22.2 million with United States registered credit institutions (2019: EUR 22.2 million). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments.

	Group as of 31/12/2019, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	486,754	96,512	108,189	-	16,459	707,914
Loans to credit institutions	7,057	-	-	16,361	97,977	121,395
Debt securities	299,030	229,536	23,443	351,617	300,005	1,203,631
Loans to public	948,091	418,995	152,514	17,680	35,466	1,572,746
Equity instruments	1,124	-	-	135	3,833	5,092
Other financial instruments	21,561	-	-	18,121	290	39,972
Derivatives	168	-	-	788	4	960
Other assets	80,040	7,361	2,913	419	325	91,058
Total assets	**1,843,825**	**752,404**	**287,059**	**405,121**	**454,359**	**3,742,768**
Liabilities						
Deposits from credit institutions and central banks	2	-	-	1,059	576	1,637
Deposits and borrowings from customers	2,222,445	429,600	79,464	217,417	340,608	3,289,534
Debt securities issued	60,044	-	-	-	-	60,044
Derivatives	288	-	-	165	75	528
Other liabilities	38,878	4,662	4,435	12	2,313	50,300
Total liabilities	**2,321,657**	**434,262**	**83,899**	**218,653**	**343,572**	**3,402,043**
Off-balance sheet items						
Contingent liabilities	15,778	1,688	2,209	221	2,913	22,809
Financial commitments	262,681	52,593	4,008	10,122	846	330,250

	Bank as of 30/06/2020, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	716,327	341,739	250,491	-	-	1,308,557
Loans to credit institutions	-	-	-	91,123	83,050	174,173
Debt securities	375,270	412,535	57,144	182,903	109,481	1,137,333
Loans to public	931,076	412,124	141,982	17,525	17,899	1,520,606
Equity instruments	1,124	-	-	143	3,836	5,103
Other financial instruments	13,227	-	-	-	-	13,227
Derivatives	854	-	-	5,171	-	6,025
Other assets	51,581	9,762	3,442	4	13,839	78,628
Total assets	**2,089,459**	**1,176,160**	**453,059**	**296,869**	**228,105**	**4,243,652**
Liabilities						
Deposits from credit institutions and central banks	449,817	-	-	3,900	30,342	484,059
Deposits and borrowings from customers	2,382,335	532,381	83,347	269,391	107,070	3,374,524
Debt securities issued	60,053	-	-	-	-	60,053
Derivatives	936	-	-	796	129	1,861
Other liabilities	26,348	3,811	753	144	5	31,061
Total liabilities	**2,919,489**	**536,192**	**84,100**	**274,231**	**137,546**	**3,951,558**
Off-balance sheet items						
Contingent liabilities	14,021	2,794	931	-	1,830	19,576
Financial commitments	198,162	51,141	6,813	46	269	256,431

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). From Bank's loans to credit institutions presented as "Other countries" EUR 54.6 million are with Japanese credit institutions (2019: Japanese credit institutions EUR 54.2 million) and EUR 22.2 million with United States registered credit institutions (2019: EUR 22.2 million).

	Bank as of 31/12/2019, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	486,754	96,512	108,189	-	-	691,455
Loans to credit institutions	56	-	-	7,692	88,273	96,021
Debt securities	293,515	225,864	21,624	205,863	220,601	967,467
Loans to public	985,514	417,571	147,477	17,294	26,247	1,594,103
Equity instruments	1,124	-	-	135	3,833	5,092
Other financial instruments	6,434	-	-	-	-	6,434
Derivatives	168	-	-	788	4	960
Other assets	60,317	8,698	3,015	397	13,484	85,911
Total assets	**1,833,882**	**748,645**	**280,305**	**232,169**	**352,442**	**3,447,443**
Liabilities						
Deposits from credit institutions and central banks	2	-	-	1,059	38,226	39,287
Deposits and borrowings from customers	2,194,959	429,613	78,284	138,557	149,217	2,990,630
Debt securities issued	60,044	-	-	-	-	60,044
Derivatives	288	-	-	165	75	528
Other liabilities	27,155	3,962	3,507	12	4	34,640
Total liabilities	**2,282,448**	**433,575**	**81,791**	**139,793**	**187,522**	**3,125,129**
Off-balance sheet items						
Contingent liabilities	15,757	1,688	2,209	-	2,453	22,107
Financial commitments	295,871	85,976	18,555	10,122	404	410,928

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 defines general LCR calculation principles in more details. The minimum LCR requirement is 100% and it represents the amount of liquidity available to cover calculated net future liquidity outflows. The Bank and the Group is compliant with LCR requirements.

	EUR thousands			
	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
1. Liquidity buffer	1,932,639	1,506,948	1,837,052	1,367,784
2. Net liquidity outflow	479,647	421,422	474,983	418,740
3. Liquidity coverage ratio	**403%**	**358%**	**387%**	**327%**

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 is a measure of sufficiency of the Group's eligible capital resources to cover credit risks, market risks, operational risk 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 2.30% capital requirement (TSCR) for the Group and the Bank is determined to cover pillar 2 risks. This represents a 0.60% decrease in the pillar 2 capital requirement since 31 December 2019 when the previous TSCR was 2.90%. As of the period end the Bank and the Group is required to cover 56% of the TSCR with common equity tier 1 capital (1.29% capital requirement), 75% with tier 1 capital (1.73% capital requirement) and 100% with total capital (2.30% capital requirement).

On top of the minimum capital adequacy ratios and the pillar 2 capital requirements (TSCR), the Group and the Bank must comply with the capital buffer requirements. The buffer requirements must be reached by common equity Tier 1 capital. Capital conservation buffer both for the Group and the Bank is set at 2.50%, limiting dividend pay-out and certain other Tier 1 equity instrument buybacks, if the buffer threshold is not exceeded. Similarly, countercyclical capital buffer norms must be complied at all times based on the actual risk exposure geographical distribution and the countercyclical buffer rates applicable for each geographical location. Citadele, being identified as "other systemically important institution" (O-SII), must also comply with the O-SII capital buffer requirement set by the FCMC at 1.50%.

Since 2019 the Group and the Bank applies prudential provisioning requirements in line with the FCMC regulations (which implement the ECB guidance on prudential provisioning of non-performing exposures). Prudential provisioning is mathematically simplistic "calendar based" calculation and for certain legacy non-performing exposures may require additional prudential provisions on top of the ECL allowances recognised for accounting purposes. The additional prudential provisions are directly deductible from the regulatory capital. In light of Covid-19 events, the regulation has been recently revisited by the FCMC, temporarily softening prudential provisioning rules. As a result, the incremental prudential provisioning requirements have been effectively frozen at the level just before the Covid-19 events. Due to the Group's provisioning policy and portfolio structure, the prudential provisioning regulation has had minor impact on the Group's capital adequacy position.

The Bank has 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 June 2020

	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 (pillar 2 capital requirement)	1.29%	1.73%	2.30%
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	0.00%	0.00%	0.00%
Capital requirement	**9.79%**	**11.73%**	**14.30%**

As of the period end capital and capital buffer requirements for the Bank and the Group are the same.

Capital adequacy ratio (including net result for the period)

	EUR thousands			
	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
Common equity Tier 1 capital				
Paid up capital instruments	156,556	156,556	156,556	156,556
Retained earnings	143,427	172,070	130,025	160,346
Regulatory deductions	(8,719)	(8,539)	(8,058)	(7,992)
Other capital components and transitional adjustments, net	14,917	15,505	9,790	10,605
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	**366,181**	**395,592**	**348,313**	**379,515**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,426,839	1,555,638	1,382,618	1,490,030
Total exposure amounts for position, foreign currency open position and commodities risk	76,590	16,643	65,462	5,213
Total exposure amounts for operational risk	209,649	209,649	171,299	171,299
Total exposure amounts for credit valuation adjustment	27,603	544	27,603	544
Total risk exposure amount	**1,740,681**	**1,782,474**	**1,646,982**	**1,667,086**
Total capital adequacy ratio	**21.0%**	**22.2%**	**21.1%**	**22.8%**
Common equity Tier 1 capital ratio	**17.6%**	**18.8%**	**17.5%**	**19.2%**

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 the reporting period 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 over a five-year 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.

Fully loaded capital adequacy ratio (i.e. excluding transitional adjustments, including net result for the period)

	EUR thousands			
	30/06/2020 Group	**31/12/2019 Group**	**30/06/2020 Bank**	**31/12/2019 Bank**
Common equity Tier 1 capital, fully loaded	302,084	330,618	284,036	314,321
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	**362,084**	**390,618**	**344,036**	**374,321**
Total risk exposure amount, fully loaded	**1,737,135**	**1,778,058**	**1,643,049**	**1,662,406**
Total capital adequacy ratio, fully loaded	**20.8%**	**22.0%**	**20.9%**	**22.5%**
Common equity Tier 1 capital ratio, fully loaded	**17.4%**	**18.6%**	**17.3%**	**18.9%**

Leverage ratio – fully loaded and transitional (including net result for the period)

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.

	30/06/2020 Group	**31/12/2019 Group**	**30/06/2020 Bank**	**31/12/2019 Bank**
Leverage Ratio – fully phased-in definition of Tier 1 capital	6.5%	8.7%	6.4%	8.9%
Leverage Ratio – transitional definition of Tier 1 capital	6.5%	8.8%	6.5%	9.0%

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

The European Commission has 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 several 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 the 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 MREL requirement must be met partially with subordinated instruments. MREL eligible subordinated instruments are liabilities subordinated to liabilities excluded from bail-in in accordance with directive 2014/59/EU.

The Single Resolution Board (SRB) has determined the consolidated MREL for Citadele Group at the level of 14.92% of total liabilities and own funds (TLOF), of which 10.78% of TLOF shall be met with subordinated instruments. The MREL was determined by SRB using the financial and supervisory information as of 31 December 2018 and may be updated by SRB in the future based on a more recent financial information of the Group. The MREL target must be reached by 31 March 2022. After the transition period the Group shall comply with MREL at all times on the basis of evolving amounts of TLOF.

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	6m 2020 Group	6m 2019 Group Restated	6m 2020 Bank	6m 2019 Bank Restated
1.	Interest income	46,142	49,546	41,683	45,023
2.	Interest expense	(12,258)	(7,694)	(12,252)	(7,753)
3.	Dividend income	24	20	24	1,567
4.	Commission and fee income	24,608	27,135	20,556	22,502
5.	Commission and fee expense	(10,571)	(12,023)	(10,161)	(11,753)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	207	258	677	(15)
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	(24,596)	421	(24,617)	-
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	3,401	3,212	3,417	3,037
10.	Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11.	Other income	715	791	1,516	1,646
12.	Other expense	(2,062)	(1,113)	(1,444)	(872)
13.	Administrative expense	(36,497)	(37,125)	(32,676)	(32,531)
14.	Amortisation and depreciation charge	(3,948)	(3,862)	(3,713)	(3,634)
15.	Gain or loss on modifications in financial asset contractual cash flows	-	-	-	-
16.	Provisions, net	(1,522)	(620)	(1,527)	(621)
17.	Impairment charge and reversals, net	(12,504)	(2,019)	(11,709)	2,570
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	(81)	(283)	(81)	(177)
21.	**Profit before taxation**	**(28,942)**	**16,644**	**(30,307)**	**18,989**
22.	Corporate income tax	(83)	(430)	(14)	(120)
23.	**Net profit / loss for the period**	**(29,025)**	**16,214**	**(30,321)**	**18,869**
28.	**Other comprehensive income for the period**	**(335)**	**5,586**	**(306)**	**3,724**

Balance Sheet, regulatory format

	EUR thousands	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
1.	Cash and demand balances with central banks	1,329,458	707,914	1,308,557	691,455
2.	Demand deposits due from credit institutions	123,506	92,781	93,895	68,306
3.	Financial assets designated at fair value through profit or loss	35,774	34,497	6,025	960
4.	Financial assets at fair value through other comprehensive income	399,969	409,588	217,125	237,719
5.	Financial assets at amortised cost	2,559,999	2,406,930	2,539,422	2,363,092
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	-	-	33,439	34,161
9.	Tangible assets	45,799	49,989	13,957	18,231
10.	Intangible assets	5,112	4,698	4,921	4,571
11.	Tax assets	3,346	3,136	3,043	2,886
12.	Other assets	25,169	30,373	18,468	23,200
13.	Non-current assets and disposal groups classified as held for sale	4,800	2,862	4,800	2,862
14.	**Total assets (1.+....+13.)**	**4,532,932**	**3,742,768**	**4,243,652**	**3,447,443**
15.	Due to central banks	440,006	6	440,006	6
16.	Demand liabilities to credit institutions	6,261	1,631	16,399	5,385
17.	Financial liabilities designated at fair value through profit or loss	37,700	38,428	1,861	528
18.	Financial liabilities measured at amortised cost	3,684,746	3,311,678	3,462,231	3,084,570
19.	Derivatives – hedge accounting	-	-	-	-
20.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21.	Provisions	5,672	4,150	5,634	4,108
22.	Tax liabilities	546	1,257	-	-
23.	Other liabilities	46,229	44,893	25,427	30,532
24.	Liabilities included in disposal groups classified as held for sale	-	-	-	-
25.	**Total liabilities (15.+...+24.)**	**4,221,160**	**3,402,043**	**3,951,558**	**3,125,129**
26.	Shareholders' equity	311,772	340,725	292,094	322,314
27.	**Total liabilities and shareholders' equity (25.+26.)**	**4,532,932**	**3,742,768**	**4,243,652**	**3,447,443**
28.	**Memorandum items**				
29.	Contingent liabilities	20,286	22,809	19,576	22,107
30.	Financial commitments	236,938	330,250	256,431	410,928

ROE and ROA ratios

	6m 2020 Group	3m 2019 Group	6m 2020 Bank	3m 2019 Bank
Return on equity (ROE) (%)	(17.79%)	10.53%	(19.74%)	13.26%
Return on assets (ROA) (%)	(1.40%)	1.03%	(1.58%)	1.42%

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	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
1	**Own funds (1.1.+1.2.)**	**366,181**	**395,592**	**348,313**	**379,515**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	306,181	335,592	288,313	319,515
1.1.1	*Common equity Tier 1 capital*	*306,181*	*335,592*	*288,313*	*319,515*
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.)**	**1,740,681**	**1,782,474**	**1,646,982**	**1,667,086**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,426,839	1,555,638	1,382,618	1,490,030
2.2	Total risk exposure amount for settlement/delivery	-	-	-	-
2.3	Total risk exposure amount for position, foreign exchange and commodities risks	76,590	16,643	65,462	5,213
2.4	Total risk exposure amount for operational risk	209,649	209,649	171,299	171,299
2.5	Total risk exposure amount for credit valuation adjustment	27,603	544	27,603	544
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)	**17.6%**	**18.8%**	**17.5%**	**19.2%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	227,850	255,381	214,199	244,496
3.3	Tier 1 capital ratio (1.1./2.*100)	**17.6%**	**18.8%**	**17.5%**	**19.2%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	201,740	228,644	189,494	219,489
3.5	Total capital ratio (1./2.*100)	**21.0%**	**22.2%**	**21.1%**	**22.8%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	226,926	252,994	216,555	246,148
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	4.0%	4.2%	4.0%	4.2%
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	0.0%	0.2%	0.0%	0.2%
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	17.6%	18.8%	17.5%	19.2%
5.3	Tier 1 capital ratio including line 5.1 adjustments	17.6%	18.8%	17.5%	19.2%
5.4	Total capital ratio including line 5.1 adjustments	21.0%	22.2%	21.1%	22.8%

Capital adequacy ratios here are calculated in accordance with the Basel III regulation as implemented via EU regulation 575/2013, directive 2013/36/EU and relevant FCMC regulations. The Group's and the Bank's Tier 1 capital includes audited profits for the year ended 31 December 2019 and un-audited loss for the six months period ended 30 June 2020.

	EUR thousands	30/06/2020 Group	31/12/2019 Group	30/06/2020 Bank	31/12/2019 Bank
1.A	**Own funds, IFRS 9 transitional provisions not applied**	**362,084**	**390,618**	**344,036**	**374,321**
1.1.A	Tier 1 capital, IFRS 9 transitional provisions not applied	302,084	330,618	284,036	314,321
1.1.1.A	*Common equity Tier 1 capital, IFRS 9 transitional provisions not applied*	*302,084*	*330,618*	*284,036*	*314,321*
2.A	**Total risk exposure amount, IFRS 9 transitional provisions not applied**	**1,737,135**	**1,778,058**	**1,643,049**	**1,662,406**
3.1.A	Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	17.4%	18.6%	17.3%	18.9%
3.3.A	Tier 1 capital ratio, IFRS 9 transitional provisions not applied	17.4%	18.6%	17.3%	18.9%
3.5.A	Total capital ratio, IFRS 9 transitional provisions not applied	20.8%	22.0%	20.9%	22.5%

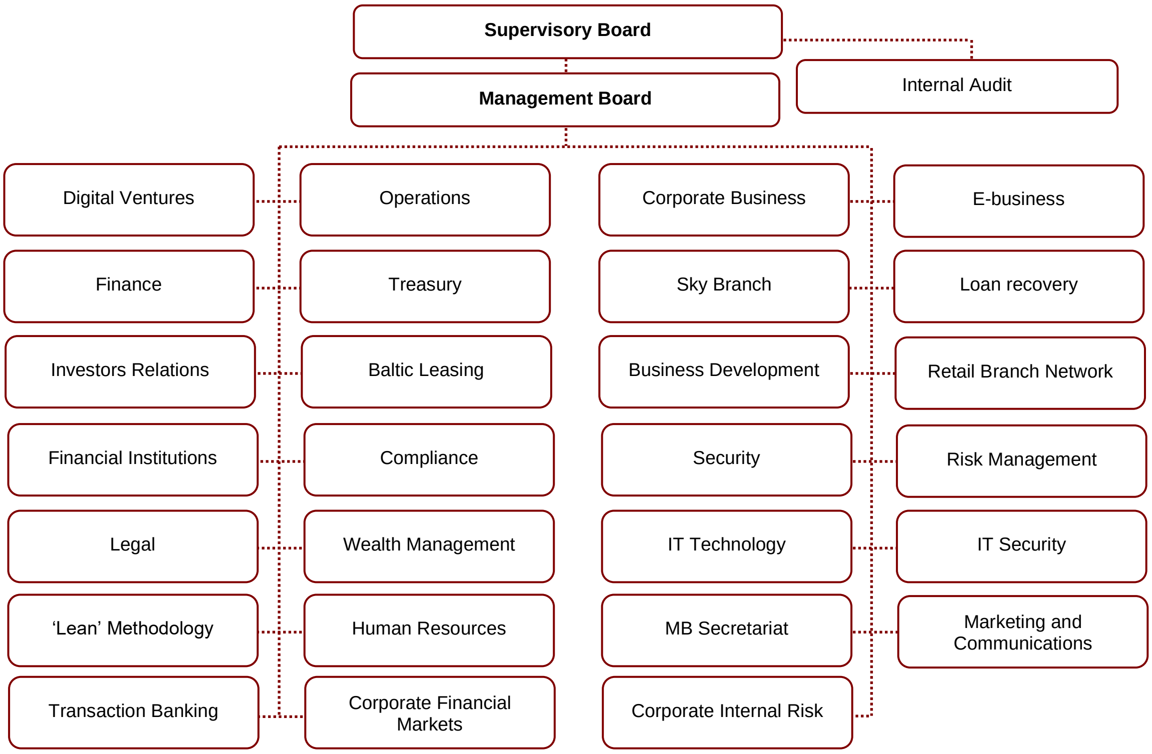
Business Strategy and Objectives

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 22 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. AS Citadele banka has 1 client consultation centre in Latvia. The Lithuanian branch has 7 customer service units in Lithuania. 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 (restated), EUR thousands				
	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Interest income	22,472	23,670	25,210	25,799	25,046
Interest expense	(6,752)	(5,506)	(4,399)	(3,821)	(3,804)
Net interest income	**15,720**	**18,164**	**20,811**	**21,978**	**21,242**
Fee and commission income	11,711	12,897	14,580	14,673	14,160
Fee and commission expense	(5,039)	(5,532)	(6,651)	(6,793)	(6,632)
Net fee and commission income	**6,672**	**7,365**	**7,929**	**7,880**	**7,528**
Net financial income	(23,089)	2,101	2,373	1,932	1,796
Net other income / (expense)	(1,140)	(183)	419	55	(219)
Operating income	**(1,837)**	**27,447**	**31,532**	**31,845**	**30,347**
Staff costs	(13,073)	(12,930)	(13,168)	(12,983)	(13,368)
Other operating expenses	(5,975)	(4,519)	(6,246)	(5,579)	(5,240)
Depreciation and amortisation	(1,969)	(1,979)	(1,933)	(1,895)	(1,826)
Operating expense	**(21,017)**	**(19,428)**	**(21,347)**	**(20,457)**	**(20,434)**
Profit before impairment	**(22,854)**	**8,019**	**10,185**	**11,388**	**9,913**
Net credit losses	1,368	(15,412)	414	(188)	(783)
Other impairment losses	29	(11)	(1,415)	118	29
Operating profit before non-current assets held for sale	**(21,457)**	**(7,404)**	**9,184**	**11,318**	**9,159**
Result from non-current assets held for sale	(32)	(49)	754	(67)	(153)
Operating profit	**(21,489)**	**(7,453)**	**9,938**	**11,251**	**9,006**
Income tax	(7)	(76)	(662)	(237)	(63)
Net profit	**(21,496)**	**(7,529)**	**9,276**	**11,014**	**8,943**

	Group, EUR thousands				
	30/06/2020	31/03/2020	31/12/2019	30/09/2019	30/06/2019
Assets					
Cash and cash balances at central banks	1,329,458	1,115,795	707,914	499,095	332,165
Loans to credit institutions	203,784	154,831	121,395	124,029	117,003
Debt securities	1,365,975	988,857	1,203,631	1,242,102	1,191,473
Loans to public	1,495,385	1,550,840	1,572,746	1,513,596	1,488,494
Equity instruments	5,103	4,705	5,092	4,890	4,686
Other financial instruments	42,976	33,260	39,972	40,027	39,157
Derivatives	6,025	2,368	960	1,894	496
Tangible assets	45,799	47,174	49,989	50,428	50,670
Intangible assets	5,112	4,777	4,698	4,789	4,771
Tax assets	3,346	3,739	3,136	3,316	2,682
Non-current assets held for sale	4,800	4,800	2,862	3,093	3,488
Other assets	25,169	20,016	30,373	30,931	30,652
Total assets	**4,532,932**	**3,931,162**	**3,742,768**	**3,518,190**	**3,265,737**
Liabilities					
Deposits from credit institutions and central banks	455,138	4,299	1,637	7,829	6,261
Deposits and borrowings from customers	3,651,661	3,485,077	3,289,534	3,070,949	2,835,888
Debt securities issued	60,053	60,949	60,044	60,930	60,018
Derivatives	1,861	1,116	528	1,395	522
Provisions	5,672	5,315	4,150	3,486	3,381
Tax liabilities	546	779	1,257	759	583
Other liabilities	46,229	44,414	44,893	41,199	40,082
Total liabilities	**4,221,160**	**3,601,949**	**3,402,043**	**3,186,547**	**2,946,735**
Equity					
Share capital	156,556	156,556	156,556	156,556	156,556
Reserves and other capital components	11,347	7,293	11,455	11,743	10,117
Retained earnings	143,869	165,364	172,714	163,344	152,329
Total equity	**311,772**	**329,213**	**340,725**	**331,643**	**319,002**
Total liabilities and equity	**4,532,932**	**3,931,162**	**3,742,768**	**3,518,190**	**3,265,737**
Off-balance sheet items					
Guarantees and letters of credit	20,286	21,699	22,809	25,314	21,707
Financial commitments	236,938	317,567	330,250	356,945	368,453

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.

TLTRO – ECB's targeted longer-term refinancing operations

TSCR – SREP capital requirement.