AS Citadele banka

Third quarter 2020

Interim report January – September 2020

Key figures and events of the Group

Overall business sentiment improved in Q3 2020. Business activity has returned to pre-covid levels and number of active customers reached all-time high for Citadele.

The number of active customers reached 322 thousand clients as of 30 September 2020, or 8% growth y-o-y.

EUR 141 million issued in new loans to Baltic private, SME and corporate customers in Q3 2020. New lending in 9 months 2020 reached EUR 327 million.

Baltic deposits continued to increase by EUR 258 million in 9 months 2020, or 9% growth vs. year-end 2019.

Operating income during the period was affected by Covid-19-related disruption to economic activity. Although the defensive and proactive measures taken during H1 2020 have resulted in a loss for the nine months, the Bank continues to operate with strong capital and liquidity ratios.

Third quarter was closed with EUR 8.5 million profit and the Bank also expects year end with improved financials.

Moody's upgraded Citadele credit rating to investment grade, assigning Baa3 with stable outlook.

EUR millions (restated)	**Q3 2020**	**Q2 2020**	**Q3 2019**
Net interest income	16.9	15.7	22.0
Net fee and commission income	8.5	6.7	7.9
Net financial and other income	(1.4)	(24.2)	2.0
Operating income	**24.0**	**(1.8)**	**31.8**
Operating expense	(19.2)	(21.0)	(20.5)
Net credit losses and impairments	3.7	1.4	(0.1)
Net profit	**8.5**	**(21.5)**	**11.0**
Return on average assets (ROA)	0.76%	(2.03%)	1.30%
Return on average equity (ROE)	10.8%	(26.8%)	13.5%
Cost to income ratio (CIR)	79.9%	n/a	64.2%
Cost of risk ratio (COR)	(0.9%)	(0.6%)	0.0%
*Adjusted for one-time item *:*			
Operating income	27.9	22.8	31.8
Net profit	12.5	3.1	11.0
Return on average assets (ROA)	1.11%	0.29%	1.30%
Return on average equity (ROE)	15.8%	3.9%	13.5%
Cost to income ratio (CIR)	63.5%	195.9%	64.2%

EUR millions	**30 Sep 2020**	**31 Dec 2019**	**30 Sep 2019**
Total assets	4,436	3,743	3,518
Loans to public	1,537	1,573	1,514
Deposits from customers	3,542	3,290	3,071
Shareholders' equity	321	341	332
Loan-to-deposit ratio	43%	48%	49%
Total capital adequacy ratio (CAR), transitional (including period's result)	22.2%	22.2%	20.6%
Common equity Tier 1 (CET1) capital ratio, transitional (including period's result)	18.7%	18.8%	17.3%
Full time employees	1,241	1,369	1,405

** Q3 2020 is adjusted for one-time losses related to the tail risk management strategy in the amount of EUR (3.9) million, included in "Net financial and other income", Q2 2020 is adjusted for EUR (24.6) million.*

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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.

Business activity returned to pre-covid levels and we achieved all-time high number of active customers in Citadele. The upgrade from Moody's confirms the continued improvements to achieve our long-term strategy to become the leading financial service provider in the Baltics

Johan Akerblom
CEO and Chairman of the Management Board

Business activity resumed in Q3 2020

The Covid-19 pandemic continued to impact global economy in Q3 2020. The Baltic region in Q3 has fared better than many other countries, resulting in smaller GDP decline than the rest of euro area so far.

Overall business sentiment improved in Q3 2020. Customer activity increased and number of new customers onboarded reached almost 5 thousand new clients, 55% increase q-o-q. Active customers reached 322 thousand clients as of 30 September 2020, or 8% growth y-o-y.

Mobile App users and Internet bank customers increased by 18% and 4% y-o-y, respectively, reaching 139 thousand active Mobile App users and 192 thousand active Internet Bank customers.

EUR 327 million issued in new loans to Baltic private, SME and corporate customers

New lending to Baltic private, SME and corporate customers reached EUR 327 million in 9 months 2020, of which EUR 141 million were issued in Q3 2020, twice as much as in Q2 2020.

The total loan book was EUR 1,537 million, which is a slight decrease vs year end 2019.

Continued support to clients

Although the moratorium regarding united bank approach to granting grace periods on loan repayments ended in September, Citadele encourages its clients to contact the Bank promptly if they face unexpected financial challenges. Each case will be evaluated individually to find the best solution and help clients in short-term financial difficulties.

The number of requests for grace periods on loan repayments has remained comparatively low – 2.5 thousand applications end of September, of which 98% were submitted during first half of 2020. The credit quality of the Group's loan portfolio remained stable with very minor changes during the period.

Innovations and development

In Q3 new product and service development continued. Responding to increasing demand of contactless payments, the bank introduced Payment rings as additional contactless payment method. Xsmart cards were introduced for students and juniors, and Xcards insurance coverage was upgraded by adding Covid-19 insurance while traveling and additional coverage (local and bicycle insurance, home help kit) was prolonged for another 2 months.

Strong liquidity and capital ratios

As of today, Citadele continues to operate with capital and liquidity ratios well above regulatory requirements: CAR of 22.2% and LCR of 390% as of 30 September 2020.

Customer deposits reached EUR 3,542 million as of 30 September 2020, an increase of 8% compared to the end of 2019, indicating the financial strength of our customer base.

While the consequences of the Covid-19 pandemic have had a negative impact on 9 months 2020 financial result, the Q3 result displays the strength of the underlying business with a net profit of EUR 8.5 million.

Citadele credit rating upgraded to investment grade

On 29 September 2020, Moody's has upgraded Citadele's credit rating to Baa3 with stable outlook. The upgrade is mainly based on the improvement in the financial fundamentals of the Bank, the effects of the planned UniCredit Leasing acquisition on the bank's standalone credit profile, and higher capitalization and declining of problem loans. The UniCredit Leasing acquisition is anticipated to close at the year end with Citadele obtaining control from the beginning of January 2021. All regulatory approvals have been obtained. The acquisition will give additional positive financial impact in 2021.

Sale of Head Quarter building

Citadele and Lords LB Baltic Green Fund (V) have signed an agreement on a change of ownership for Citadele's head office building in Riga. The transaction will further strengthen the bank's financial position. The impact from the transaction will be recognised during Q4. The location of the headquarters of Citadele group and the branch will not change.

The Bank's focus remains on safety and well-being of its customers and employees

Taking into account some lockdown measures which have been reintroduced in the Baltics and increasing numbers of Covid-19 cases, Citadele has switched back to "visit by appointment only" principle in branches as of 30 September. The Bank's employees are provided with Covid-19 health insurance and most of them are working remotely. Remote customer services such as Sky Branch, mobile and internet banking continue to be available and widely utilised by customers.

Financial review of the Group

Results and profitability YTD Q3 2020

Net interest income reached EUR 16.9 million in Q3 2020, translating into 8% increase vs Q2 2020. 9 months 2020 net interest income was EUR 50.8 million, 20% decrease year-on-year, primarily driven by significantly higher interest expense (+51%) resulting from liquidity buffer ahead of the planned acquisition of UniCredit Leasing.

The Group's **net fee and commission income** in Q3 2020 reached EUR 8.5 million, which translates into 27% increase vs Q2 2020, mainly due to higher income from cards and payments and transactions. Net fee and commission income in 9 months 2020 was EUR 22.5 million, 2% decrease year-on-year, mainly due lower client activity during the first half of the year due to Covid-19.

Operating income in Q3 2020 reached EUR 24 million. When adjusted for one-time losses related to the tail risk management strategy, operating income was EUR 27.9 million, 22% increase q-o-q. In 9 months 2020, operating income adjusted for one-time losses in amount of EUR (28.6) million was EUR 78.2 million, or 15% decrease year-on-year.

Operating expenses in Q3 2020 decreased by 9% q-o-q and constituted EUR 19.2 million. Staff costs decreased by 9% to EUR 11.9 million. The number of full-time employees was 1,241 vs. 1,405 as at 30 September 2019, reflecting the progress of ongoing efficiency initiatives. Other costs were EUR 5.2 million (12% decrease q-o-q). Depreciation and amortisation expenses stood at EUR 2.0 million. **Operating expenses** in 9 months 2020 was 59.6 million, decrease by 3% compared to the same period in 2019.

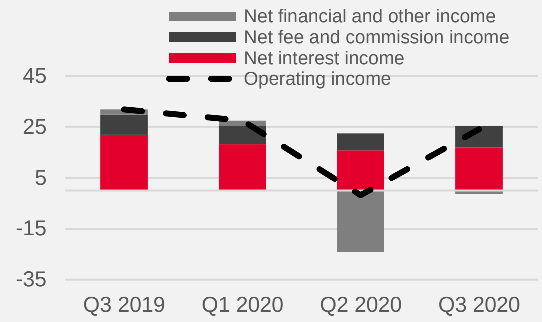
Citadele's adjusted **cost to income ratio** in Q3 2020 was 63.5% versus 64.2% in Q3 2019.

Net credit gains of EUR 3.7 million were booked in Q3 2020, mainly due to release in loan collective impairments. In 9 months 2020 net credit losses and impairments were EUR 10.3 million vs. EUR 2.7 million for 9m 2019, reflecting additional impairments set aside for the expected deterioration in the economic environment due to Covid-19. The credit quality of the Group's loan portfolio remained stable. Covid-19 related forborne gross loans reached EUR 106 million as of 30 September 2020.

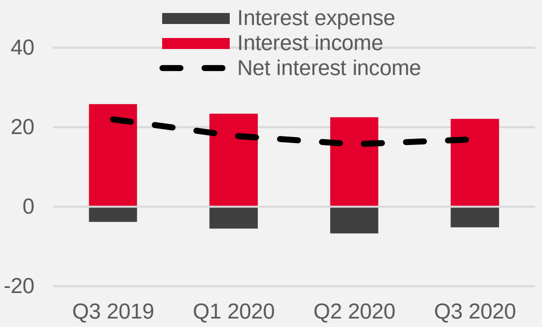
Overall credit quality continued to improve. The **Stage 3 loans** to public ratio decreased to 3.7% as of 30 September 2020, compared to 4.8% at the end of 2019, mostly due to legacy loan workouts.

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.

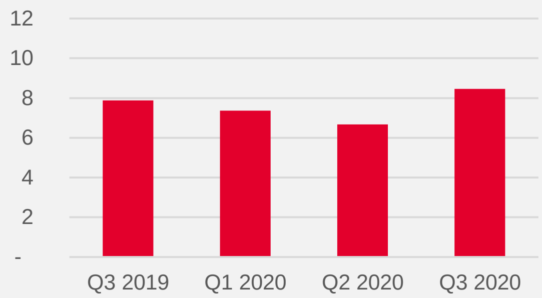
Operating income, EURm



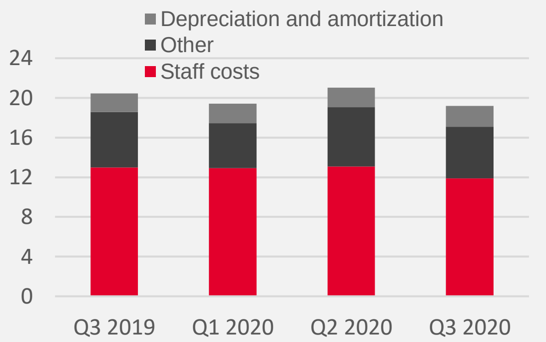
Net interest income, EURm



Net fee and commission income, EURm



Operating expense, EURm



Balance sheet overview

The **Group's assets** stood at EUR 4,436 million as of 30 September 2020, representing a 19% increase from year end 2019 (EUR 3,743 million).

The **net loan portfolio** stood at EUR 1,537 million as of 30 September 2020, decreasing by EUR 35 million (2%) from year end 2019. The largest decrease in the amount of EUR 33 million was seen in the corporate loan book mainly due to portfolio amortisation and lower new lending un H1 2020. In terms of segments, Private customers represented 38% of the portfolio followed by Corporates (34%), Leasing (14%) and SMEs (10%).

New lending in Q3 2020 reached EUR 141 million, two times more than in Q2 2020. New lending in 9 months reached EUR 327 million, of which EUR 116 million were issued to retail customers and EUR 211 million to Corporate customers.

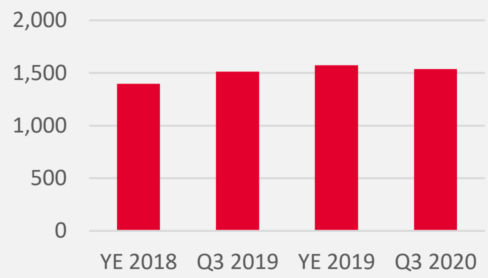
In terms of **geographical profile**, the loan portfolio has remained unchanged over recent years. As of 30 September 2020, Latvia accounted for 57% of the portfolio (EUR 882 million), followed by Lithuania at 30% (EUR 460 million) and Estonia at 10% (EUR 148 million).

No major changes in **industry concentrations** occurred during Q3 2020. Loans to Households represented 46% of the portfolio. The largest increases in 9 months were seen in Finance leases (7%) and mortgages (5%). Consumer and card lending decreased by 17% and 5%, respectively, since year end 2019. Overall, the main industry concentrations were Commercial real estate (26% of gross loans), Manufacturing (17%), Transport and Communications (12%) and Trade (12%).

The key drivers for changes in **securities portfolio** over 2020 have been volatility related to Covid-19 and preparation for UCL transaction. In Q1 2020 securities portfolio was reduced by 18% in preparation for the UCL transaction and to mitigate potential credit risks stemming from the Covid-19 outbreak. With delayed closing of UCL transaction and lower uncertainty related to Covid-19, portfolio size grew by 38% during Q2 and 37% in Q3. Main rational behind portfolio growth was short term liquidity management that helps to reduce negative interest rate charges for keeping cash balances with ECB. New investments were mostly made in government debt securities. 98% of debt securities held were rated A or higher.

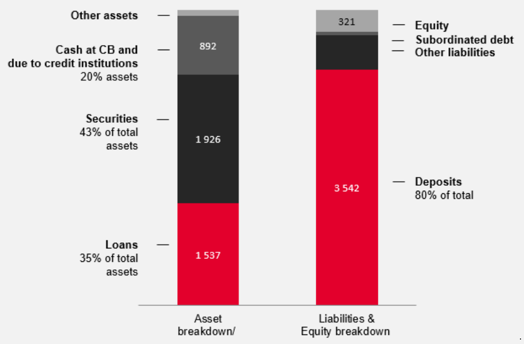
The main source of funding, customer deposits, grew by 8% vs. year-end 2019. Baltic residents' deposits increased by EUR 258 million. As of 30 September 2020, total Group customer deposits were EUR 3,542 million.

Loans, EURm



Deposits, EURm

Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has assigned Baa3 rating with stable outlook (29 September 2020).

The main credit strengths are:

- Strong capitalisation
- Improved governance, with selective growth in its home markets, and reduction of the non-resident segment

Moody's	
Long term deposit	Baa3
Long term counterparty risk rating	Baa2
Short term deposit	P-3
Short term counterparty risk rating	P-2
Outlook:	Stable

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

Segment highlights

Retail segment

In Q3 2020 Private individuals and SME segment experienced full business recovery. Number of active customers reached all-time high for Citadele, and retail primary customers continued to grow reaching 148 thousand clients, 8% increase since year end 2019.

New lending to retail customers reached EUR 116 million in 9 months 2020, of which EUR 53 million were issued in Q3. Limited appetite was seen for consumer loans, but increasing demand for mortgages, which constituted EUR 28 million in Q3 2020.

Total loans to Private individuals and SME customers amounted to EUR 739 million, 3% increase since year end 2019.

Deposits from Private individuals and SMEs reached EUR 1,628 million, translating into a 12% increase since year end 2019.

Increasing demand for digital services

Number of digitally onboarded customers continue to increase also post Covid-19 first wave. Self-service tool is gaining popularity, more than 2 thousand sessions on a monthly basis and continue to grow. More than 90% of all services is performed remotely.

Continuing Digitalisation process with launched new Digital mortgage application for private persons in Lithuania, implemented loan restructuring application, scoring based decision making and loan amendments signing in the Internet bank.

Banking core system upgrade was performed in August, which is an important precondition for further development and improvements of bank's Internetbank and Mobile banking application.

Check put solution Klix was launched in Lithuania which will support the transition to e-commerce for all merchants.

Mobile App users and Internet bank customers increased by 18% and 4% y-o-y, respectively, reaching 139 thousand active Mobile App users and 192 thousand active Internet Bank customers.

Innovations and developments

In Q3 2020 Citadele continued to work on further product and services improvements, taking into account Covid-19 impact. As a response for requirement for increased contactless payment needs during summer season, bank introduced Payment rings in Latvia and Lithuania as additional contactless payment method besides existing ones - stickers, bracelets, NFC payments via Mobile Phones.

Xcards insurance coverage was upgraded by adding Covid-19 insurance while traveling and additional coverage - local insurance, bicycle insurance, home help kit, was prolonged for another 2 months.

Xsmart cards for students and juniors were introduced. Increasing demand during Back to school period.

Work was continued on re-design of branches, moving to advisory concept across the network. New branch in Klaipeda (LT) and main office in Vilnius (LT) were opened during Q3 2020. After operating in a business as usual mode, branch network in both Latvia and Lithuania switched back to working by "appointment only" as of 30 September due to Covid-19 second wave.

Corporate segment

Q3 was an active quarter in Corporate segment as overall sentiment in business improved following improvements related to Covid-19 situation and removal of lockdown measures. The Bank saw increasing number of applications for new projects across the Baltics, as a result increase was seen in corporate segment's pipeline, disbursements and significantly higher volumes of new loans.

Q3 was the strongest quarter in 2020 for corporate segment with new loans issued in amount of EUR 88 million. Corporate new lending in 9 months 2020 reached EUR 211 million.

E-commerce and markets products continue to be corporate segment's core focus for non-lending business, and the work was performed on attracting new Pan-Baltic customers to the portfolio. This will remain as one of the top priorities in Q4 2020.

Deposit portfolio grew 9% vs year end 2019 and reached EUR 756 million as of 30 September 2020.

Work is continued on finalization of UniCredit Leasing acquisition. During Q3 official filling for approval of Lithuania Competition Council (LTCC) transaction took place. LTCC approval, which was the last step in order to finalize the transaction, was received in November 2020.

Business Environment

Global economy is improving, but risks remain

Global economic activity picked up in Q3 2020 as many advanced and major emerging market economies lifted lockdown measures and implemented large stimulus measures. Purchasing managers indices have returned to positive territory, new industrial orders are growing, and quarterly GDP growth turned sharply positive in Q3. In October 2020 IMF revised upward global GDP forecast for 2020 from -5.2% to -4.4% while in 2021 growth is projected to rebound to 5.2%.

At the same time short-term risks to economic outlook have increased as the number Covid-19 cases globally continues to increase, and Europe has begun to reintroduce lockdown measures. However, these measures have been less severe than in spring and hopes of an effective vaccine have increased.

Baltic region rebounds strongly in Q3

Baltic region rebounded strongly in Q3 as lockdown measures were lifted. In Q3 GDP in Latvia declined by 3.1% y-o-y while in Lithuania GDP dropped by 1.7%. At the same time GDP in euro area declined by 4.4%.

In Q3 situation improved in almost all sectors, but significant difference seen between service and goods sectors. Deceleration in IT & business service sectors and construction which were not directly affected by Covid-19 is worrying.

Domestic demand has proved resilient

Domestic demand has proved resilient the Baltics and rebounded quickly when lockdown measures were lifted. Retail trade in the Baltics has already returned to previous levels. Retail sales excluding fuel grew by 4.2% in Latvia in September y-o-y while sales in Lithuania and Estonia grew by 6.9% and 4.9% respectively. Manufacturing is also near pre-Covid levels and global manufacturing sentiment is improving.

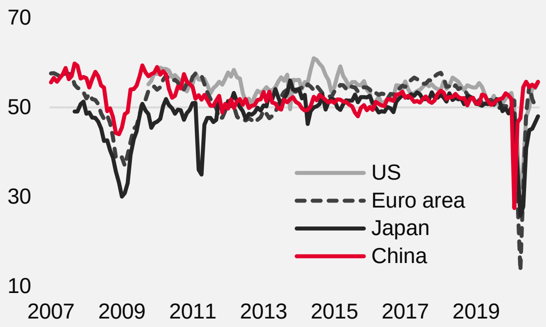
However, many service sectors are still affected by various restrictions, and spending on travel, hotels as well as entertainment is significantly below previous levels. Part of the money that consumers used to spend on services is now spent on goods and retail trade has benefited from this shift in consumption.

Resurgence of Covid-19 likely to delay recovery

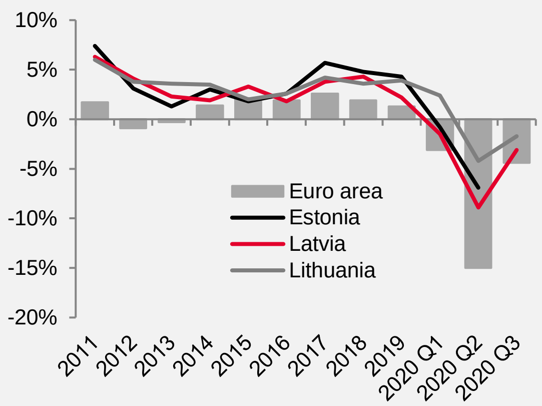
Following Covid-19 increase again in autumn, governments have been increasingly forced to reintroduce some restrictions and in some cases resort to new lockdowns. Some lockdown measures have also been reintroduced in the Baltics and although these are less severe than in spring some restrictions could be necessary until April or May 2021. Resurgence of virus is likely to delay the recovery and economic activity in the Baltics will probably shrink again in Q4 2020. Likelihood that effective vaccine against Covid-19 will be available in 2021 is increasing, and this could lead to rapid recovery later in 2021.

Composite PMI

(values above 50 indicate expansion)

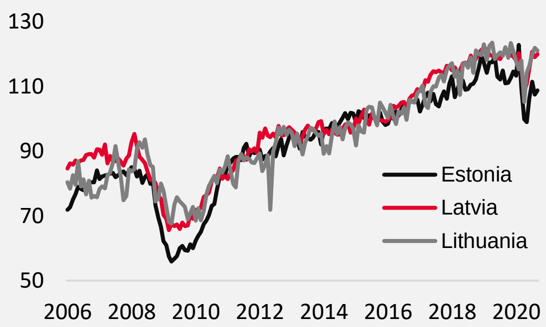


Real GDP, % YoY



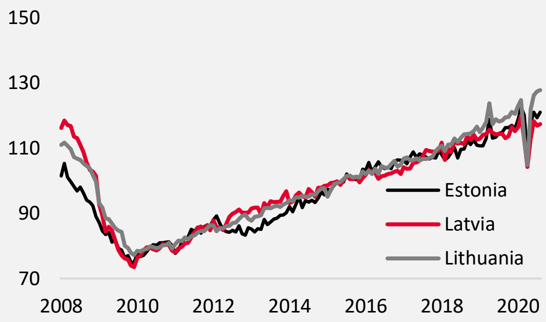
Manufacturing output

(constant prices, 2015=100)



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 30/09/2020:

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 30/09/2020:

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 11 to 31 are prepared in accordance with the source documents and present fairly the financial position of the Bank and the Group as of 30 September 2020 and 31 December 2019 and the results of their operations, changes in shareholders' equity and cash flows for the nine months periods ended 30 September 2020 and 30 September 2019. The management report set out on pages 4 to 9 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	EUR thousands 9m 2020 Group	9m 2019 Group Restated (Note 3 c)	9m 2020 Bank	9m 2019 Bank Restated (Note 3 c)
Interest income	5	68,232	75,345	61,552	68,406
Interest expense	5	(17,432)	(11,515)	(17,383)	(11,563)
Net interest income		**50,800**	**63,830**	**44,169**	**56,843**
Fee and commission income	6	38,232	41,808	32,186	34,966
Fee and commission expense	6	(15,729)	(18,816)	(15,118)	(18,384)
Net fee and commission income		**22,503**	**22,992**	**17,068**	**16,582**
Net financial income	7	(22,764)	5,823	(22,620)	4,561
Net other income / (expense)		(927)	(247)	822	2,711
Operating income		**49,612**	**92,398**	**39,439**	**80,697**
Staff costs		(37,879)	(40,151)	(33,213)	(35,989)
Other operating expenses	8	(15,724)	(15,536)	(13,824)	(12,628)
Depreciation and amortisation		(6,023)	(5,757)	(5,670)	(5,435)
Operating expense		**(59,626)**	**(61,444)**	**(52,707)**	**(54,052)**
Profit before impairment		**(10,014)**	**30,954**	**(13,268)**	**26,645**
Net credit losses	9	(9,651)	(2,819)	(10,143)	(1,235)
Other impairment losses and other provisions		(658)	110	(957)	3,111
Operating profit / (loss) before non-current assets held for sale		**(20,323)**	**28,245**	**(24,368)**	**28,521**
Result from non-current assets held for sale		(64)	(350)	(64)	(247)
Operating profit / (loss)		**(20,387)**	**27,895**	**(24,432)**	**28,274**
Income tax		(112)	(667)	(19)	(180)
Net profit / (loss)		**(20,499)**	**27,228**	**(24,451)**	**28,094**
Basic earnings per share in EUR	16	(0.13)	0.17	(0.16)	0.18
Diluted earnings per share in EUR	16	(0.13)	0.17	(0.16)	0.18

The notes on pages 15 to 31 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	9m 2020 Group	9m 2019 Group	9m 2020 Bank	9m 2019 Bank
Net profit / (loss)	**(20,499)**	**27,228**	**(24,451)**	**28,094**
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)	(577)	(651)	(639)	(212)
Change in fair value of debt securities	(1,860)	7,088	(1,318)	4,550
Deferred income tax charged / (credited) directly to equity	72	(279)	-	-
Other reserves				
Foreign exchange retranslation	130	888	-	-
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	218	1,336	218	1,334
Transfer to retained earnings at disposal	2,645	(1,394)	2,645	(1,395)
Other comprehensive income / (loss)	**628**	**6,988**	**906**	**4,277**
Total comprehensive income / (loss)	**(19,871)**	**34,216**	**(23,545)**	**32,371**

The notes on pages 15 to 31 are an integral part of these financial statements.

BALANCE SHEET

	Note	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
		EUR thousands			
Assets					
Cash and cash balances at central banks		718,574	707,914	697,088	691,455
Loans to credit institutions		173,293	121,395	149,469	96,021
Debt securities	10	1,874,819	1,203,631	1,680,808	967,467
Loans to public	11	1,537,400	1,572,746	1,560,846	1,594,103
Equity instruments	12	5,646	5,092	5,646	5,092
Other financial instruments	12	42,996	39,972	13,406	6,434
Derivatives		2,508	960	2,508	960
Investments in subsidiaries	13	-	-	33,290	34,161
Tangible assets		47,480	49,989	10,074	18,231
Intangible assets		5,450	4,698	5,278	4,571
Current income tax assets		868	707	864	707
Deferred income tax assets		2,429	2,429	2,179	2,179
Non-current assets held for sale		1,145	2,862	1,145	2,862
Other assets		23,780	30,373	17,234	23,200
Total assets		**4,436,388**	**3,742,768**	**4,179,835**	**3,447,443**
Liabilities					
Deposits from credit institutions and central banks	14	454,076	1,637	476,597	39,287
Deposits and borrowings from customers	15	3,541,995	3,289,534	3,317,585	2,990,630
Debt securities issued	16	60,965	60,044	60,965	60,044
Derivatives		1,664	528	1,664	528
Provisions	9	2,792	4,150	2,737	4,108
Current income tax liabilities		166	581	-	-
Deferred income tax liabilities		448	676	-	-
Other liabilities		52,901	44,893	20,991	30,532
Total liabilities		**4,115,007**	**3,402,043**	**3,880,539**	**3,125,129**
Equity					
Share capital	17	156,556	156,556	156,556	156,556
Reserves and other capital components		9,724	11,276	4,138	5,412
Retained earnings		155,101	172,893	138,602	160,346
Total equity		**321,381**	**340,725**	**299,296**	**322,314**
Total liabilities and equity		**4,436,388**	**3,742,768**	**4,179,835**	**3,447,443**
Off-balance sheet items					
Guarantees and letters of credit	18	19,131	22,809	18,490	22,107
Financial commitments	18	223,820	330,250	240,648	410,928

The notes on pages 15 to 31 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands						
	Issued Share capital	Securities fair value revaluation reserve *(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	-	-	-	-	-	27,228	27,228
Share based payments to employees	-	-	-	-	627	-	627
Other comprehensive income / (loss) for the period	-	7,494	888	-	-	(1,394)	6,988
Transactions with shareholders							
Transfer to reserves	-	-	-	(1,134)	-	1,134	-
Balance as of 30/09/2019	**156,556**	**6,543**	**4,007**	**179**	**1,014**	**163,344**	**331,643**
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	-	-	-	-	-	(20,499)	(20,499)
Share based payments to employees	-	-	-	-	465	62	527
Other comprehensive income / (loss) for the period	-	(2,147)	130	-	-	2,645	628
Balance as of 30/09/2020	**156,556**	**3,936**	**4,124**	**-**	**1,664**	**155,101**	**321,381**

	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	-	-	-	28,094	28,094
Share based payments to employees	-	-	627	-	627
Other comprehensive income / (loss) for the period	-	5,672	-	(1,395)	4,277
Transactions with shareholders					
Integration of AB Citadele bankas	-	-	-	10,553	10,553
Balance as of 30/09/2019	**156,556**	**4,432**	**1,014**	**149,369**	**311,371**
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	-	-	-	(24,451)	(24,451)
Share based payments to employees	-	-	465	62	527
Other comprehensive income / (loss) for the period	-	(1,739)	-	2,645	906
Balance as of 30/09/2020	**156,556**	**2,474**	**1,664**	**138,602**	**299,296**

The notes on pages 15 to 31 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

If not mentioned otherwise, referral to the Group's policies and procedures should be also considered as referral to the respective Bank's policies and procedures. Figures in parenthesis represent amounts as of 31 December 2019 or for the nine months period ended 30 September 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 September 2020, the Group had 1,241 (2019: 1,369) and the Bank had 1,165 (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 2019 annual report 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 nine months period end 30 September 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 9m 2020, EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Interest income	28,079	7,452	17,579	1,710	2,132	7,655	3,625	68,232
Interest expense	(1,616)	(40)	(477)	(2,739)	(399)	-	(12,161)	(17,432)
Net interest income	**26,463**	**7,412**	**17,102**	**(1,029)**	**1,733**	**7,655**	**(8,536)**	**50,800**
Fee and commission income	10,470	7,518	6,636	9,265	2,409	257	1,677	38,232
Fee and commission expense	(6,694)	(3,061)	(3,796)	(1,244)	(332)	(136)	(466)	(15,729)
Net fee and commission income	**3,776**	**4,457**	**2,840**	**8,021**	**2,077**	**121**	**1,211**	**22,503**
Net financial income	598	1,071	325	1,261	(388)	1	(25,632)	(22,764)
Net other income	(1,148)	(192)	(354)	(478)	(374)	(155)	1,774	(927)
Operating income	**29,689**	**12,748**	**19,913**	**7,775**	**3,048**	**7,622**	**(31,183)**	**49,612**
Net funding allocation	(1,497)	(482)	(2,173)	364	345	(137)	3,580	-
FTP adjusted operating income	**28,192**	**12,266**	**17,740**	**8,139**	**3,393**	**7,485**	**(27,603)**	**49,612**

	Group 9m 2019 (restated), EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Interest income	29,145	5,031	20,904	3,269	2,882	7,530	6,584	75,345
Interest expense	(1,583)	(47)	(233)	(1,759)	(544)	-	(7,349)	(11,515)
Net interest income	**27,562**	**4,984**	**20,671**	**1,510**	**2,338**	**7,530**	**(765)**	**63,830**
Fee and commission income	10,638	6,248	9,525	10,990	2,943	106	1,358	41,808
Fee and commission expense	(6,173)	(2,902)	(6,472)	(1,871)	(289)	(40)	(1,069)	(18,816)
Net fee and commission income	**4,465**	**3,346**	**3,053**	**9,119**	**2,654**	**66**	**289**	**22,992**
Net financial income	625	488	473	2,361	618	-	1,258	5,823
Net other income	(194)	(74)	(206)	(332)	-	(188)	747	(247)
Operating income	**32,458**	**8,744**	**23,991**	**12,658**	**5,610**	**7,408**	**1,529**	**92,398**
Net funding allocation	(1,456)	(205)	(1,961)	2,532	558	(249)	781	-
FTP adjusted operating income	**31,002**	**8,539**	**22,030**	**15,190**	**6,168**	**7,159**	**2,310**	**92,398**

	Group as of 30/09/2020, EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Assets								
Cash, balances at central banks	-	-	-	-	21,486	-	697,088	718,574
Loans to credit institutions	-	-	-	3,904	19,914	-	149,475	173,293
Debt securities	-	-	-	30,732	163,280	-	1,680,807	1,874,819
Loans to public	586,182	152,640	526,098	35,662	2,379	219,785	14,654	1,537,400
Equity instruments	-	-	-	-	-	-	5,646	5,646
Other financial instruments	-	-	-	29,590	-	-	13,406	42,996
Total segmented assets	**586,182**	**152,640**	**526,098**	**99,888**	**207,059**	**219,785**	**2,561,076**	**4,352,728**
Liabilities								
Deposits from banks	-	-	-	-	-	-	454,076	454,076
Deposits from customers	1,203,779	424,646	755,854	714,540	203,895	-	239,281	3,541,995
Debt securities issued	-	-	-	-	-	-	60,965	60,965
Total segmented liabilities	**1,203,779**	**424,646**	**755,854**	**714,540**	**203,895**		**754,322**	**4,057,036**

	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			
	9m 2020 Group	9m 2019 Group	9m 2020 Bank	9m 2019 Bank
Interest income calculated using the effective interest method:				
Financial assets at amortised cost:				
Loans to public	54,588	58,844	57,484	62,113
Debt securities	2,296	2,953	1,995	2,407
Cash balances at and lending to/from central banks and credit institutions	1,013	838	1,013	635
Debt securities at fair value through other comprehensive income	2,680	5,218	1,060	3,251
Interest income on finance leases (part of loans to public)	7,655	7,492	-	-
Total interest income	**68,232**	**75,345**	**61,552**	**68,406**
Interest expense on:				
Financial liabilities at amortised cost:				
Deposits and borrowing from public	(10,668)	(6,804)	(10,349)	(6,328)
Debt securities issued	(2,722)	(2,720)	(2,722)	(2,720)
Deposits from/to credit institutions and central banks	(3,009)	(1,200)	(3,327)	(1,791)
Financial liabilities at fair value through profit or loss				
Deposits and borrowing from public	(101)	(119)	-	-
Lease liabilities	(28)	(28)	(81)	(80)
Other interest expense	(904)	(644)	(904)	(644)
Total interest expense	**(17,432)**	**(11,515)**	**(17,383)**	**(11,563)**
Net interest income	**50,800**	**63,830**	**44,169**	**56,843**

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			
	9m 2020 Group	**9m 2019 Group** Restated (Note 3 c)	**9m 2020 Bank**	**9m 2019 Bank** Restated (Note 3 c)
Fee and commission income:				
Cards	20,209	22,771	20,161	22,725
Payments and transactions	8,930	10,726	7,462	8,482
Asset management and custody	5,329	5,392	1,175	1,159
Securities brokerage	1,186	450	755	377
Other fees	1,085	1,393	1,123	1,140
Total fee and commission income from contracts with customers	**36,739**	**40,732**	**30,676**	**33,883**
Guarantees, letters of credit and loans	1,493	1,076	1,510	1,083
Total fee and commission income	**38,232**	**41,808**	**32,186**	**34,966**
Fee and commission expense on:				
Cards	(12,230)	(15,202)	(12,230)	(15,202)
Asset management, custody and securities brokerage	(776)	(643)	(551)	(511)
Payments, transactions and other fees	(2,723)	(2,971)	(2,337)	(2,671)
Total fee and commission expense	**(15,729)**	**(18,816)**	**(15,118)**	**(18,384)**
Net fee and commission income	**22,503**	**22,992**	**17,068**	**16,582**

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	9m 2020 Group	**9m 2019 Group**	**9m 2020 Bank**	**9m 2019 Bank**
Foreign exchange trading and related derivatives	4,758	4,869	5,100	4,571
Assets at amortised cost	211	-	211	-
Assets at fair value through other comprehensive income	577	651	639	212
Assets and liabilities at fair value through profit or loss	260	525	-	-
Other derivatives	(28,558)	-	(28,558)	-
Modifications in cash flows which do not result in derecognition	(12)	(222)	(12)	(222)
Total net financial income	**(22,764)**	**5,823**	**(22,620)**	**4,561**

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			
	9m 2020 Group	**9m 2019 Group** Restated (Note 3 c)	**9m 2020 Bank**	**9m 2019 Bank** Restated (Note 3 c)
Information technologies and communications	(3,812)	(4,805)	(3,055)	(4,076)
Consulting and other services	(5,217)	(3,659)	(5,224)	(3,029)
Rent, premises and real estate	(2,047)	(2,399)	(1,284)	(1,624)
Advertising and marketing	(1,264)	(1,493)	(1,232)	(1,430)
Non-refundable value added tax	(1,962)	(1,355)	(1,813)	(1,089)
Other	(1,422)	(1,825)	(1,216)	(1,380)
Total other expenses	**(15,724)**	**(15,536)**	**(13,824)**	**(12,628)**

NOTE 9. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	9m 2020 Group	9m 2019 Group	9m 2020 Bank	9m 2019 Bank
Loans to credit institutions	(22)	14	(22)	13
Debt securities	(206)	(35)	(246)	(38)
Loans to public	(15,827)	(5,500)	(16,020)	(5,367)
Loan commitments, guarantees and letters of credit	2,006	(728)	2,020	(687)
Recovered written-off assets	4,398	3,430	4,125	4,844
Total net losses on financial instruments	**(9,651)**	**(2,819)**	**(10,143)**	**(1,235)**

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 for expected impact from 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 6.8 million and EUR 8.9 million compared to the nine months period ended 30 September 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			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Stage 1				
Loans to credit institutions	112	97	112	97
Debt securities	579	373	519	273
Loans to public	17,751	12,559	16,043	10,754
Loan commitments, guarantees and letters of credit	1,950	3,420	1,895	3,378
Total stage 1 credit losses and provisions	**20,392**	**16,449**	**18,569**	**14,502**
Stage 2				
Loans to public	6,053	5,568	5,584	5,184
Loan commitments, guarantees and letters of credit	15	172	15	172
Total stage 2 credit losses and provisions	**6,068**	**5,740**	**5,599**	**5,356**
Stage 3				
Loans to public	39,686	38,785	37,736	36,616
Loan commitments, guarantees and letters of credit	177	558	177	558
Total stage 3 credit losses and provisions	**39,863**	**39,343**	**37,913**	**37,174**
Total allowances for credit losses and provisions	**66,323**	**61,532**	**62,081**	**57,032**
Including for debt securities classified at fair value through other comprehensive income	*149*	*116*	*101*	*42*
Excluding non-ECL provisions	*650*	*-*	*650*	*-*

NOTE 10. DEBT SECURITIES

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

	Group, EUR thousands					
	30/09/2020			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	75,830	109,537	185,367	66,691	89,429	156,120
AA/Aa	142,333	254,622	396,955	111,325	106,277	217,602
A	249,866	992,827	1,242,693	169,597	545,489	715,086
BBB/Baa	22,750	26,799	49,549	50,182	62,346	112,528
Lower ratings or unrated	255	-	255	266	2,029	2,295
Total debt securities	**491,034**	**1,383,785**	**1,874,819**	**398,061**	**805,570**	**1,203,631**
Including general government	*252,338*	*1,039,957*	*1,292,295*	*164,761*	*491,501*	*656,262*
Including credit institutions	*99,081*	*179,522*	*278,603*	*106,280*	*135,237*	*241,517*
Including classified in stage 1	*491,034*	*1,383,785*	*1,874,819*	*398,061*	*805,570*	*1,203,631*

	Bank, EUR thousands					
	30/09/2020			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	31,585	94,420	126,005	26,284	74,235	100,519
AA/Aa	91,721	241,381	333,102	55,375	92,197	147,572
A	217,849	978,191	1,196,040	141,593	523,372	664,965
BBB/Baa	1,166	24,495	25,661	2,941	49,441	52,382
Lower ratings or unrated	-	-	-	-	2,029	2,029
Total debt securities	**342,321**	**1,338,487**	**1,680,808**	**226,193**	**741,274**	**967,467**
Including general government	*215,455*	*1,020,297*	*1,235,752*	*137,229*	*468,479*	*605,708*
Including credit institutions	*44,531*	*170,394*	*214,925*	*42,122*	*121,610*	*163,732*
Including classified in stage 1	*342,321*	*1,338,487*	*1,680,808*	*226,193*	*741,274*	*967,467*

Debt securities by country of issuer

	Group, EUR thousands					
	30/09/2020			31/12/2019		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	592,069	6,872	598,941	222,723	6,813	229,536
Latvia	428,517	3,524	432,041	291,654	7,377	299,031
United States	15,841	95,606	111,447	14,387	81,960	96,347
Netherlands	14,621	84,751	99,372	12,690	97,554	110,244
Estonia	58,026	23,124	81,150	10,008	13,434	23,442
Germany	15,965	62,340	78,305	15,889	31,056	46,945
Poland	71,838	5,526	77,364	5,478	8,511	13,989
Canada	5,242	44,950	50,192	6,701	39,759	46,460
Sweden	3,961	41,533	45,494	4,141	21,335	25,476
Finland	4,998	32,917	37,915	11,632	27,130	38,762
Japan	36,364	1,086	37,450	36,096	2,659	38,755
Multilateral development banks	-	48,871	48,871	-	39,221	39,221
Other countries	44,853	131,424	176,277	24,863	170,560	195,423
Total debt securities	**1,292,295**	**582,524**	**1,874,819**	**656,262**	**547,369**	**1,203,631**

	Bank, EUR thousands					
	30/09/2020			31/12/2019		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	585,067	5,385	590,452	220,452	5,412	225,864
Latvia	421,363	2,066	423,429	287,598	5,918	293,516
United States	12,350	72,221	84,571	10,792	54,887	65,679
Estonia	58,026	21,316	79,342	10,008	11,616	21,624
Netherlands	10,864	67,619	78,483	8,920	64,732	73,652
Poland	68,640	3,083	71,723	2,237	4,619	6,856
Germany	9,999	48,212	58,211	9,998	13,932	23,930
Sweden	-	39,519	39,519	-	15,335	15,335
Canada	-	36,413	36,413	2,070	28,255	30,325
Japan	36,364	-	36,364	36,096	-	36,096
Finland	4,998	31,173	36,171	9,431	26,680	36,111
Multilateral development banks	-	37,921	37,921	-	27,188	27,188
Other countries	28,081	80,128	108,209	8,106	103,185	111,291
Total debt securities	**1,235,752**	**445,056**	**1,680,808**	**605,708**	**361,759**	**967,467**

All fixed income securities as of 30 September 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			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Financial and non-financial corporations				
Real estate purchase and management	219,041	239,530	256,323	277,196
Manufacturing	149,589	131,880	122,574	107,298
Transport and communications	105,823	116,141	41,325	44,781
Trade	103,374	109,673	78,277	85,501
Agriculture and forestry	73,788	75,474	49,527	54,698
Construction	48,107	38,712	37,349	27,567
Electricity, gas and water supply	45,363	41,229	42,889	38,748
Hotels, restaurants	42,681	47,760	40,755	45,510
Financial intermediation	23,852	39,237	224,096	240,287
Other industries	43,231	53,396	24,266	28,964
Total financial and non-financial corporations	**854,849**	**893,032**	**917,381**	**950,550**
Households				
Mortgage loans	524,202	501,581	524,202	501,581
Credit for consumption	73,090	87,919	73,090	87,919
Card lending	62,375	65,391	62,375	65,391
Finance leases	42,134	39,532	-	-
Other lending	29,456	28,963	28,530	28,055
Total households	**731,257**	**723,386**	**688,197**	**682,946**
General government	**14,784**	**13,240**	**14,631**	**13,161**
Total gross loans to public	**1,600,890**	**1,629,658**	**1,620,209**	**1,646,657**
Impairment allowance and provisions	(63,490)	(56,912)	(59,363)	(52,554)
Total net loans to public	**1,537,400**	**1,572,746**	**1,560,846**	**1,594,103**

Loans by overdue days and impairment stage

	Group, EUR thousands									
	30/09/2020					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	1,417,631	86,199	10,734	(23,917)	1,490,647	1,373,569	123,569	22,148	(21,908)	1,497,378
Past due <=30 days	19,333	4,370	2,331	(2,353)	23,681	37,752	9,404	2,622	(2,733)	47,045
Past due >30 and ≤90 days	-	13,528	1,649	(3,664)	11,513	-	7,120	2,867	(2,648)	7,339
Past due >90 days	-	-	45,115	(33,556)	11,559	-	-	50,607	(29,623)	20,984
Total loans to public	**1,436,964**	**104,097**	**59,829**	**(63,490)**	**1,537,400**	**1,411,321**	**140,093**	**78,244**	**(56,912)**	**1,572,746**
Guarantees and letters of credit	16,853	-	289	(35)	17,107	21,479	-	303	(136)	21,646
Financial commitments	220,757	2,306	361	(2,107)	221,317	320,470	8,333	1,005	(4,014)	325,794
Total credit exposure to public	**1,674,574**	**106,403**	**60,479**	**(65,632)**	**1,775,824**	**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									
	30/09/2020					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	1,453,092	81,657	8,514	(20,981)	1,522,282	1,421,143	121,111	19,981	(18,942)	1,543,293
Past due <=30 days	15,086	2,789	2,218	(2,082)	18,011	18,688	6,295	2,142	(2,191)	24,934
Past due >30 and ≤90 days	-	11,051	1,492	(3,325)	9,218	-	5,268	2,603	(2,356)	5,515
Past due >90 days	-	-	44,310	(32,975)	11,335	-	-	49,426	(29,065)	20,361
Total loans to public	**1,468,178**	**95,497**	**56,534**	**(59,363)**	**1,560,846**	**1,439,831**	**132,674**	**74,152**	**(52,554)**	**1,594,103**
Guarantees and letters of credit	16,212	-	289	(35)	16,466	20,777	-	303	(136)	20,944
Financial commitments	237,981	2,306	361	(2,052)	238,596	401,590	8,333	1,005	(3,972)	406,956
Total credit exposure to public	**1,722,371**	**97,803**	**57,184**	**(61,450)**	**1,815,908**	**1,862,198**	**141,007**	**75,460**	**(56,662)**	**2,022,003**

Stage 3 loans to public ratio

	EUR thousands			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Stage 3 loans to public ratio, gross	**3.7%**	**4.8%**	**3.5%**	**4.5%**
Stage 3 loans to public ratio, net	**1.3%**	**2.5%**	**1.2%**	**2.4%**
Stage 3 impairment ratio	**66%**	**50%**	**67%**	**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							
	30/09/2020				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	29,590	-	-	29,590	33,538	-	-	33,538
Financial assets at fair value through other comprehensive income	13,406	4,522	1,124	19,052	6,434	3,968	1,124	11,526
Total non-fixed income securities, net	**42,996**	**4,522**	**1,124**	**48,642**	**39,972**	**3,968**	**1,124**	**45,064**
Including unit-linked insurance plan assets	*21,001*	-	-	*21,001*	*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 September 2020, the Bank and the Group has investments in mutual investment funds with carrying amount of EUR 13.4 million (2019: EUR 6.4 million) and EUR 26.6 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							
	30/09/2020				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	13,406	4,522	1,124	19,052	6,434	3,968	1,124	11,526
Total non-fixed income securities, net	**13,406**	**4,522**	**1,124**	**19,052**	**6,434**	**3,968**	**1,124**	**11,526**

NOTE 13. INVESTMENTS IN SUBSIDIARIES

Changes in investments in subsidiaries of the Bank

	EUR thousands	
	9m 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	(222)	3,706
Balance at the end of the period, net	**33,290**	**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. All regulatory approvals have been obtained as of publishing these financial statements. The UniCredit Leasing acquisition is anticipated to close at the year end with Citadele obtaining control from the beginning of January 2021.

Consolidation Group for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands 30/09/2020	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	581	804
SIA Hortus RE (liquidated in 2020)	40103752416	-	-	-	-	-	-	649
						Total investments in subsidiaries	**33,290**	**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	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			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
ECB's targeted longer-term refinancing operations	439,395	-	439,395	-
Deposits from Citadele Group	-	-	22,521	37,650
Other credit institution deposits and collateral accounts	14,675	1,631	14,675	1,631
Other central bank deposits and accounts	6	6	6	6
Total deposits from credit institutions and central banks	**454,076**	**1,637**	**476,597**	**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 negative 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 negative 1.0%.

NOTE 15. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Households	2,102,402	1,930,156	1,983,782	1,788,830
Non-financial corporations	1,142,072	1,087,395	1,035,145	918,231
Financial corporations	234,047	212,404	235,184	223,990
General government	50,779	46,344	50,779	46,344
Other	12,695	13,235	12,695	13,235
Total deposits from customers	**3,541,995**	**3,289,534**	**3,317,585**	**2,990,630**

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Demand deposits	2,646,443	2,494,276	2,476,691	2,264,946
Term deposits due within:				
less than 1 month	75,878	44,595	65,449	36,403
more than 1 month and less than 3 months	146,328	64,647	141,367	55,691
more than 3 months and less than 6 months	261,846	105,842	257,767	96,669
more than 6 months and less than 12 months	208,108	304,512	202,454	295,119
more than 1 year and less than 5 years	125,577	187,445	101,122	168,693
more than 5 years	77,815	88,217	72,735	73,109
Total term deposits	895,552	795,258	840,894	725,684
Total deposits from customers	**3,541,995**	**3,289,534**	**3,317,585**	**2,990,630**

Deposits and borrowings from customers by categories

	EUR thousands			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
At amortised cost	3,506,281	3,251,634	3,317,585	2,990,630
At fair value through profit or loss	35,714	37,900	-	-
Total deposits from customers	**3,541,995**	**3,289,534**	**3,317,585**	**2,990,630**
Including unit-linked insurance plan liabilities	*21,779*	*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 30/09/2020	Amortised cost, EUR thousands 31/12/2019
LV0000880011	EUR	5.50%	24/11/2027	20,000	20,342	20,064
LV0000802221	EUR	6.25%	06/12/2026	40,000	40,623	39,980
					60,965	**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 September 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

	30/09/2020		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.

	9m 2020 Group	9m 2019 Group	9m 2020 Bank	9m 2019 Bank
Profit for the period, EUR thousands	(20,499)	27,228	(24,451)	28,094
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	**(0.13)**	**0.17**	**(0.16)**	**0.18**
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	826	407	826	407
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	**157,382**	**156,963**	**157,382**	**156,963**
Profit for the period, EUR thousands	(20,499)	27,228	(24,451)	28,094
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	157,382	156,963	157,382	156,963
Diluted earnings per share in EUR	**(0.13)**	**0.17**	**(0.16)**	**0.18**

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			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Contingent liabilities:				
Outstanding guarantees	17,142	21,525	16,501	20,822
Outstanding letters of credit with public	-	257	-	258
Letters of credit with credit institutions	1,989	1,027	1,989	1,027
Total contingent liabilities	**19,131**	**22,809**	**18,490**	**22,107**
Provisions for credit risk	(35)	(136)	(35)	(136)
Maximum credit risk exposure for guarantees and letters of credit	**19,096**	**22,673**	**18,455**	**21,971**
Financial commitments:				
Card commitments	120,391	132,087	120,863	132,095
Unutilised credit lines and overdraft facilities	43,366	100,747	78,101	196,562
Loans granted, not fully drawn down	41,684	72,271	41,684	72,271
Factoring commitments	17,983	14,703	-	-
Other commitments	396	10,442	-	10,000
Total financial commitments	**223,820**	**330,250**	**240,648**	**410,928**
Provisions for financial commitments	(2,107)	(4,014)	(2,052)	(3,972)
Maximum credit risk exposure for financial commitments	**221,713**	**326,236**	**238,596**	**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			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Fixed income securities:				
Corporate bonds	181,000	149,065	-	-
Government bonds	54,537	65,532	-	-
Credit institution bonds	28,609	21,336	-	-
Other financial institution bonds	13,282	14,422	-	-
Total investments in fixed income securities	**277,428**	**250,355**	**-**	**-**
Other investments:				
Investment funds	396,192	407,398	-	-
Deposits with credit institutions	62,145	36,309	-	-
Compensations for distribution on behalf of deposit guarantee fund	18,479	30,657	18,479	30,657
Shares	54,364	37,227	-	-
Real estate	4,636	4,884	-	-
Loans	688	722	688	722
Other	88,857	104,541	-	-
Total other investments	**625,361**	**621,738**	**19,167**	**31,379**
Total assets under management	**902,789**	**872,093**	**19,167**	**31,379**

Customer profile on whose behalf the funds are managed

	EUR thousands			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Pension plans	605,397	570,021	-	-
Insurance companies, investment and pension funds	142,972	131,214	-	-
Other companies and government	55,595	74,352	19,167	31,379
Private individuals	98,825	96,506	-	-
Total liabilities under management	**902,789**	**872,093**	**19,167**	**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 30/09/2020, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	322,789	198,535	175,764	-	21,486	718,574
Loans to credit institutions	3,909	-	-	77,386	91,998	173,293
Debt securities	432,042	598,941	81,150	477,427	285,259	1,874,819
Loans to public	881,501	459,587	148,294	18,172	29,846	1,537,400
Equity instruments	1,124	-	-	143	4,379	5,646
Other financial instruments	26,562	-	-	16,114	320	42,996
Derivatives	1,699	18	-	687	104	2,508
Other assets	69,604	7,919	2,873	43	713	81,152
Total assets	**1,739,230**	**1,265,000**	**408,081**	**589,972**	**434,105**	**4,436,388**
Liabilities						
Deposits from credit institutions and central banks	453,375	-	-	637	64	454,076
Deposits and borrowings from customers	2,445,358	470,892	72,892	305,138	247,715	3,541,995
Debt securities issued	60,965	-	-	-	-	60,965
Derivatives	874	-	-	790	-	1,664
Other liabilities	46,181	5,824	2,177	14	2,111	56,307
Total liabilities	**3,006,753**	**476,716**	**75,069**	**306,579**	**249,890**	**4,115,007**
Off-balance sheet items						
Contingent liabilities	10,598	4,351	920	208	3,054	19,131
Financial commitments	164,421	54,555	4,157	37	650	223,820

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). EUR 21.5 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 13.0 million are with Swiss credit institutions (2019: EUR 9.7 million), EUR 52.4 million are with Japanese credit institutions (2019: EUR 54.2 million) and EUR 22.0 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 30/09/2020, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	322,789	198,535	175,764	-	-	697,088
Loans to credit institutions	-	-	-	70,443	79,026	149,469
Debt securities	423,430	590,453	79,342	370,870	216,713	1,680,808
Loans to public	915,625	456,394	143,312	18,059	27,456	1,560,846
Equity instruments	1,124	-	-	143	4,379	5,646
Other financial instruments	13,406	-	-	-	-	13,406
Derivatives	1,699	18	-	687	104	2,508
Other assets	43,389	9,670	3,136	1	13,868	70,064
Total assets	**1,721,462**	**1,255,070**	**401,554**	**460,203**	**341,546**	**4,179,835**
Liabilities						
Deposits from credit institutions and central banks	453,375	-	-	637	22,585	476,597
Deposits and borrowings from customers	2,423,409	471,601	72,845	235,343	114,387	3,317,585
Debt securities issued	60,965	-	-	-	-	60,965
Derivatives	874	-	-	790	-	1,664
Other liabilities	16,827	5,211	1,642	14	34	23,728
Total liabilities	**2,955,450**	**476,812**	**74,487**	**236,784**	**137,006**	**3,880,539**
Off-balance sheet items						
Contingent liabilities	10,577	4,351	920	-	2,642	18,490
Financial commitments	169,145	64,174	7,038	37	254	240,648

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 52.5 million are with Japanese credit institutions (2019: Japanese credit institutions EUR 54.2 million) and EUR 22.0 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			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
1. Liquidity buffer	1,697,740	1,506,948	1,610,673	1,367,784
2. Net liquidity outflow	435,369	421,422	431,773	418,740
3. Liquidity coverage ratio	**390%**	**358%**	**373%**	**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.

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%.

Countercyclical capital buffer norms at each balance sheet date are calculated based on the actual risk exposure geographical distribution and the countercyclical buffer rates applicable for each geographical location. In the reporting period in reaction to the Covid-19 events most European countercyclical capital buffer requirements were decreased to 0%. Therefore, based on the regional distribution of the Group's exposures the effective countercyclical capital buffer requirement of the Group has decreased to almost 0%.

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. 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.

Regulatory capital requirements of the Group on 30 September 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	0.01%	0.01%	0.01%
Capital requirement	**9.80%**	**11.74%**	**14.31%**

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			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Common equity Tier 1 capital				
Paid up capital instruments	156,556	156,556	156,556	156,556
Retained earnings	154,508	172,070	138,602	160,346
Regulatory deductions	(9,153)	(8,539)	(8,599)	(7,992)
Other capital components and transitional adjustments, net	13,080	15,505	8,415	10,605
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	**374,991**	**395,592**	**354,974**	**379,515**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,451,252	1,555,638	1,409,215	1,490,030
Total exposure amounts for position, foreign currency open position and commodities risk	24,869	16,643	12,316	5,213
Total exposure amounts for operational risk	209,649	209,649	171,299	171,299
Total exposure amounts for credit valuation adjustment	2,146	544	2,146	544
Total risk exposure amount	**1,687,916**	**1,782,474**	**1,594,976**	**1,667,086**
Total capital adequacy ratio	**22.2%**	**22.2%**	**22.3%**	**22.8%**
Common equity Tier 1 capital ratio	**18.7%**	**18.8%**	**18.5%**	**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.

Transitional adjustments applied as of 30 September 2020

Capital adequacy calculation in accordance with the EU and the FCMC regulations permits transitional adjustments. The regulatory compliance is measured based on the transitional capital adequacy ratio. For transparency purposes fully loaded capital adequacy ratio (i.e. excluding transitional adjustments) is also disclosed. The expectation is that in the medium term the transitional capital adequacy ratio will converge with the fully loaded capital adequacy ratio, as the transitional provisions expire.

Most of the transitional provisions, if applied, allow for a favourable treatment of specific capital components or risk exposure items, resulting in a marginal improvement in the capital adequacy ratios. Application of the transitional provisions mostly is discretionary. Application decision is evaluated in the context of estimated positive impact on the capital adequacy ratio versus the resources required to develop the systems and the processes to implement each transitional provision.

The transitional provisions that the Group and the Bank has applied for the period end capital adequacy calculations:

The regulation (EU) 2017/2395 which permits specific proportion of the IFRS 9 implementation impact to be amortised over a five-year period (starting from 2018) for capital adequacy calculation purposes.

The temporary "freezing" of the additional prudential provisioning at the level just before the Covid-19 events as per FCMC regulations (which implement the ECB guidance on prudential provisioning of non-performing exposures).

All other transitional provisions for which the Group and the Bank is eligible are not applied as of the period end and are still in the assessment phase, implementation phase or have been decided not to be implemented.

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

	EUR thousands			
	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Common equity Tier 1 capital, fully loaded	310,894	330,618	290,697	314,321
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	**370,894**	**390,618**	**350,697**	**374,321**
Total risk exposure amount, fully loaded	**1,684,217**	**1,778,058**	**1,590,941**	**1,662,406**
Total capital adequacy ratio, fully loaded	**22.0%**	**22.0%**	**22.0%**	**22.5%**
Common equity Tier 1 capital ratio, fully loaded	**18.5%**	**18.6%**	**18.3%**	**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%. The exposure measure includes both non-risk based on-balance sheet and off-balance sheet items calculated in accordance with the capital requirements regulation. The leverage ratio and the risk-based capital adequacy ratio requirements are complementary, with the leverage ratio defining the minimum capital to total exposure requirement and the risk-based capital adequacy ratios limiting bank risk-taking.

	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	7.0%	8.7%	6.9%	8.9%
Leverage Ratio – transitional definition of Tier 1 capital	7.1%	8.8%	7.0%	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 the SRB using the financial and supervisory information as of 31 December 2018 and may be updated by the SRB in the future based on a more recent financial information of the Group. Based on the current decision, 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.

In 2020 the SRB published an updated MREL policy under the revised Banking Package (Bank Recovery and Resolution Directive (BRRD2) and the Single Resolution Mechanism Regulation (SRMR2) among other regulations). The revised Banking Package, effective from 2021, requires MREL to be calculated based on both total risk exposure amount (TREA) and leverage ratio exposure (LRE) amount. Statutory subordination requirements will be set depending on the Group's classification and will be communicated individually in a MREL decision. The intermediate MREL target is to be met by 1 January 2022 and the final calibrated MREL target is to be met by 1 January 2024.

OTHER REGULATORY DISCLOSURES

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

Income Statement, regulatory format

	EUR thousands	9m 2020 Group	9m 2019 Group Restated	9m 2020 Bank	9m 2019 Bank Restated
1.	Interest income	68,232	75,345	61,552	68,406
2.	Interest expense	(17,432)	(11,515)	(17,383)	(11,563)
3.	Dividend income	36	30	36	1,578
4.	Commission and fee income	38,232	41,808	32,186	34,966
5.	Commission and fee expense	(15,729)	(18,816)	(15,118)	(18,384)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	777	429	839	(10)
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	(28,299)	525	(28,558)	-
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	4,758	4,867	5,099	4,573
10.	Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11.	Other income	2,037	1,402	3,039	2,427
12.	Other expense	(3,000)	(1,679)	(2,253)	(1,297)
13.	Administrative expense	(53,603)	(55,686)	(47,037)	(48,616)
14.	Amortisation and depreciation charge	(6,023)	(5,757)	(5,670)	(5,435)
15.	Gain or loss on modifications in financial asset contractual cash flows	-	-	-	-
16.	Provisions, net	1,356	(728)	1,370	(687)
17.	Impairment charge and reversals, net	(11,665)	(1,980)	(12,470)	2,563
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	(64)	(350)	(64)	(247)
21.	**Profit before taxation**	**(20,387)**	**27,895**	**(24,432)**	**28,274**
22.	Corporate income tax	(112)	(667)	(19)	(180)
23.	**Net profit / loss for the period**	**(20,499)**	**27,228**	**(24,451)**	**28,094**
28.	**Other comprehensive income for the period**	**628**	**6,988**	**906**	**4,277**

Balance Sheet, regulatory format

	EUR thousands	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
1.	Cash and demand balances with central banks	718,574	707,914	697,088	691,455
2.	Demand deposits due from credit institutions	97,748	92,781	73,924	68,306
3.	Financial assets designated at fair value through profit or loss	32,097	34,497	2,508	960
4.	Financial assets at fair value through other comprehensive income	510,088	409,588	361,374	237,719
5.	Financial assets at amortised cost	2,996,729	2,406,930	2,974,877	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	-	-	33,290	34,161
9.	Tangible assets	47,480	49,989	10,074	18,231
10.	Intangible assets	5,450	4,698	5,278	4,571
11.	Tax assets	3,297	3,136	3,043	2,886
12.	Other assets	23,780	30,373	17,234	23,200
13.	Non-current assets and disposal groups classified as held for sale	1,145	2,862	1,145	2,862
14.	**Total assets (1.+....+13.)**	**4,436,388**	**3,742,768**	**4,179,835**	**3,447,443**
15.	Due to central banks	439,401	6	439,401	6
16.	Demand liabilities to credit institutions	704	1,631	2,078	5,385
17.	Financial liabilities designated at fair value through profit or loss	37,378	38,428	1,664	528
18.	Financial liabilities measured at amortised cost	3,581,217	3,311,678	3,413,668	3,084,570
19.	Derivatives – hedge accounting	-	-	-	-
20.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21.	Provisions	2,792	4,150	2,737	4,108
22.	Tax liabilities	614	1,257	-	-
23.	Other liabilities	52,901	44,893	20,991	30,532
24.	Liabilities included in disposal groups classified as held for sale	-	-	-	-
25.	**Total liabilities (15.+...+24.)**	**4,115,007**	**3,402,043**	**3,880,539**	**3,125,129**
26.	Shareholders' equity	321,381	340,725	299,296	322,314
27.	**Total liabilities and shareholders' equity (25.+26.)**	**4,436,388**	**3,742,768**	**4,179,835**	**3,447,443**
28.	**Memorandum items**	**242,951**	**353,059**	**259,138**	**433,035**
29.	Contingent liabilities	19,131	22,809	18,490	22,107
30.	Financial commitments	223,820	330,250	240,648	410,928

ROE and ROA ratios

	9m 2020 Group	9m 2019 Group	9m 2020 Bank	9m 2019 Bank
Return on equity (ROE) (%)	(8.26%)	11.55%	(10.49%)	12.93%
Return on assets (ROA) (%)	(0.67%)	1.11%	(0.85%)	1.35%

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

Capital adequacy ratio

	EUR thousands	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
1	**Own funds (1.1.+1.2.)**	**374,991**	**395,592**	**354,974**	**379,515**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	314,991	335,592	294,974	319,515
1.1.1	*Common equity Tier 1 capital*	*314,991*	*335,592*	*294,974*	*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.)**	**1,687,916**	**1,782,474**	**1,594,976**	**1,667,086**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,451,252	1,555,638	1,409,215	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	24,869	16,643	12,316	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	2,146	544	2,146	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)	**18.7%**	**18.8%**	**18.5%**	**19.2%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	239,035	255,381	223,200	244,496
3.3	Tier 1 capital ratio (1.1./2.*100)	**18.7%**	**18.8%**	**18.5%**	**19.2%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	213,716	228,644	199,275	219,489
3.5	Total capital ratio (1./2.*100)	**22.2%**	**22.2%**	**22.3%**	**22.8%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	239,958	252,994	227,376	246,148
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	67,685	75,609	63,959	75,152
4.1	Capital conservation buffer	42,198	44,562	39,874	41,677
4.2	Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3	Institution specific countercyclical buffer	169	4,310	159	8,468
4.4	Systemic risk buffer	-	-	-	-
4.5	Other systemically important institution buffer	25,318	26,737	23,926	25,007
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	18.7%	18.8%	18.5%	19.2%
5.3	Tier 1 capital ratio including line 5.1 adjustments	18.7%	18.8%	18.5%	19.2%
5.4	Total capital ratio including line 5.1 adjustments	22.2%	22.2%	22.3%	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 nine months period ended 30 September 2020.

	EUR thousands	30/09/2020 Group	31/12/2019 Group	30/09/2020 Bank	31/12/2019 Bank
1.A	**Own funds, IFRS 9 transitional provisions not applied**	**370,894**	**390,618**	**350,697**	**374,321**
1.1.A	Tier 1 capital, IFRS 9 transitional provisions not applied	310,894	330,618	290,697	314,321
1.1.1.A	*Common equity Tier 1 capital, IFRS 9 transitional provisions not applied*	*310,894*	*330,618*	*290,697*	*314,321*
2.A	**Total risk exposure amount, IFRS 9 transitional provisions not applied**	**1,684,217**	**1,778,058**	**1,590,941**	**1,662,406**
3.1.A	Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	18.5%	18.6%	18.3%	18.9%
3.3.A	Tier 1 capital ratio, IFRS 9 transitional provisions not applied	18.5%	18.6%	18.3%	18.9%
3.5.A	Total capital ratio, IFRS 9 transitional provisions not applied	22.0%	22.0%	22.0%	22.5%

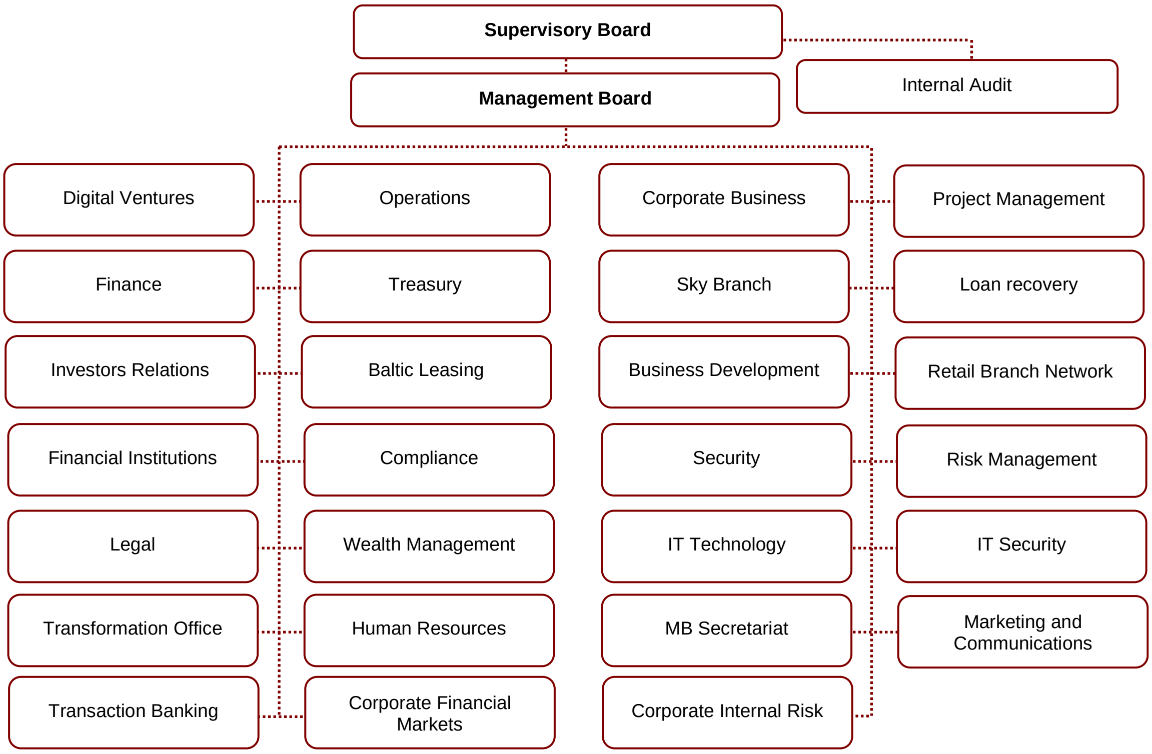
Business Strategy and Objectives

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 21 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 2 client consultation centres in Latvia. The Lithuanian branch has 5 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				
	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Interest income	22,090	22,472	23,670	25,210	25,799
Interest expense	(5,174)	(6,752)	(5,506)	(4,399)	(3,821)
Net interest income	**16,916**	**15,720**	**18,164**	**20,811**	**21,978**
Fee and commission income	13,624	11,711	12,897	14,580	14,673
Fee and commission expense	(5,158)	(5,039)	(5,532)	(6,651)	(6,793)
Net fee and commission income	**8,466**	**6,672**	**7,365**	**7,929**	**7,880**
Net financial income	(1,776)	(23,089)	2,101	2,373	1,932
Net other income / (expense)	396	(1,140)	(183)	419	55
Operating income	**24,002**	**(1,837)**	**27,447**	**31,532**	**31,845**
Staff costs	(11,876)	(13,073)	(12,930)	(13,168)	(12,983)
Other operating expenses	(5,230)	(5,975)	(4,519)	(6,246)	(5,579)
Depreciation and amortisation	(2,075)	(1,969)	(1,979)	(1,933)	(1,895)
Operating expense	**(19,181)**	**(21,017)**	**(19,428)**	**(21,347)**	**(20,457)**
Profit before impairment	**4,821**	**(22,854)**	**8,019**	**10,185**	**11,388**
Net credit losses	3,493	2,268	(15,412)	414	(188)
Other impairment losses	224	(871)	(11)	(1,415)	118
Operating profit before non-current assets held for sale	**8,538**	**(21,457)**	**(7,404)**	**9,184**	**11,318**
Result from non-current assets held for sale	17	(32)	(49)	754	(67)
Operating profit	**8,555**	**(21,489)**	**(7,453)**	**9,938**	**11,251**
Income tax	(29)	(7)	(76)	(662)	(237)
Net profit	**8,526**	**(21,496)**	**(7,529)**	**9,276**	**11,014**

	Group, EUR thousands				
	30/09/2020	30/06/2020	31/03/2020	31/12/2019	30/09/2019
Assets					
Cash and cash balances at central banks	718,574	1,329,458	1,115,795	707,914	499,095
Loans to credit institutions	173,293	203,784	154,831	121,395	124,029
Debt securities	1,874,819	1,365,975	988,857	1,203,631	1,242,102
Loans to public	1,537,400	1,495,385	1,550,840	1,572,746	1,513,596
Equity instruments	5,646	5,103	4,705	5,092	4,890
Other financial instruments	42,996	42,976	33,260	39,972	40,027
Derivatives	2,508	6,025	2,368	960	1,894
Tangible assets	47,480	45,799	47,174	49,989	50,428
Intangible assets	5,450	5,112	4,777	4,698	4,789
Tax assets	3,297	3,346	3,739	3,136	3,316
Non-current assets held for sale	1,145	4,800	4,800	2,862	3,093
Other assets	23,780	25,169	20,016	30,373	30,931
Total assets	**4,436,388**	**4,532,932**	**3,931,162**	**3,742,768**	**3,518,190**
Liabilities					
Deposits from credit institutions and central banks	454,076	455,138	4,299	1,637	7,829
Deposits and borrowings from customers	3,541,995	3,651,661	3,485,077	3,289,534	3,070,949
Debt securities issued	60,965	60,053	60,949	60,044	60,930
Derivatives	1,664	1,861	1,116	528	1,395
Provisions	2,792	5,672	5,315	4,150	3,486
Tax liabilities	614	546	779	1,257	759
Other liabilities	52,901	46,229	44,414	44,893	41,199
Total liabilities	**4,115,007**	**4,221,160**	**3,601,949**	**3,402,043**	**3,186,547**
Equity					
Share capital	156,556	156,556	156,556	156,556	156,556
Reserves and other capital components	9,724	11,347	7,293	11,455	11,743
Retained earnings	155,101	143,869	165,364	172,714	163,344
Total equity	**321,381**	**311,772**	**329,213**	**340,725**	**331,643**
Total liabilities and equity	**4,436,388**	**4,532,932**	**3,931,162**	**3,742,768**	**3,518,190**
Off-balance sheet items					
Guarantees and letters of credit	19,131	20,286	21,699	22,809	25,314
Financial commitments	223,820	236,938	317,567	330,250	356,945

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.