AS Citadele banka

Fourth quarter 2020

Interim report January – December 2020

Key figures and events of the Group

The number of active customers reached all-time high for Citadele with 326 thousand clients as of 31 December 2020, 4% growth y-o-y.

EUR 151 million issued in new financing to Baltic private, SME and corporate customers in Q4 2020. New lending in 12 months 2020 reached EUR 477 million.

Baltic deposits continued to increase by EUR 482 million in 12 months 2020, or 18% growth vs. year-end 2019.

Operating income during the period was affected by Covid-19-related disruption to economic activity. The defensive and proactive measures taken during H1 2020 had negative impact on the Bank's profitability. Business activity resumed in the second half of the year, and net profit in Q4 2020 reached EUR 24.1 million. Year 2020 was closed with EUR 3.6 million in net profit.

The Bank continues to operate with strong capital and liquidity ratios. Group's CAR reached 26.0%, and LCR was 356% as at 31 December 2020.

Moody's upgraded Citadele credit rating to investment grade, assigning Baa3 with stable outlook; affirmed on 17 February 2021 with positive outlook.

EUR millions	**2020**	**2019**	**2018**
Net interest income	67.5	84.6	82.6
Net fee and commission income	30.2	30.9	33.4
Net financial and other income	(3.1)	8.4	11.2
Operating income	**94.7**	**123.9**	**127.2**
Operating expense	(80.0)	(82.8)	(85.4)
Net credit losses and impairments	(10.5)	(3.7)	(7.0)
Net profit	**3.6**	**36.5**	**34.8**
Return on average assets (ROA)	0.09%	1.07%	1.10%
Return on average equity (ROE)	1.05%	11.5%	12.3%
Cost to income ratio (CIR)	84.5%	66.8%	67.1%
Cost of risk ratio (COR)	0.6%	0.2%	0.5%
*Adjusted for one-time item *:*			
Operating income	123.5	123.9	127.2
Net profit	32.4	36.5	34.8
Return on average assets (ROA)	0.78%	1.07%	1.10%
Return on average equity (ROE)	9.5%	11.5%	12.3%
Cost to income ratio (CIR)	64.8%	66.8%	67.1%

EUR millions (Reclassified)	**31 Dec 2020**	**31 Dec 2019**	**31 Dec 2018**
Total assets	4,597	3,743	3,052
Loans to public	1,541	1,568	1,396
Deposits from customers	3,671	3,290	2,645
Shareholders' equity	344	341	297
Loan-to-deposit ratio	42%	48%	53%
Total capital adequacy ratio (CAR), transitional (including period's result)	26.0%	22.2%	20.1%
Common equity Tier 1 (CET1) capital ratio, transitional (including period's result)	22.1%	18.8%	16.7%
Full time employees	1,230	1,369	1,492

** 2020 is adjusted for one-time losses related to the tail risk defensive measures in the amount of EUR (28.8) million, included in "Net financial and other income".*

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Rounding and Percentages

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

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

Business activity returned during the second half of the year and we achieved all-time high number of active customers in Citadele. During the year we have improved the resilience of the business model to better support our customers and leveraging our financial strength the UniCredit Leasing acquisition closed beginning of 2021.

Johan Åkerblom
CEO and Chairman of the Management Board

Global economy remains dominated by Covid-19

The Covid-19 pandemic continued to impact global economy in Q4 2020 and many countries re-imposed restrictive measures due to second wave of the pandemic. Although economic impact of the second wave has been smaller than in spring 2020, uncertainty remains as recovery is dependent on a successful vaccine rollout. Lockdown measures will most likely lead to another downturn in the economy of Baltics, but economic losses are likely to be smaller than in the spring of 2020 as manufacturing and construction remains stable.

Stable client base

Overall business sentiment in Q4 2020 was positive. Active customers reached all time high of 326 thousand clients as of 31 December 2020, or 4% growth y-o-y.

Mobile App users and Internet bank customers increased by 9% and 1% y-o-y, respectively, reaching 143 thousand active Mobile App users and 195 thousand active Internet Bank customers.

Decrease was seen in new customers onboarded, reaching 11 thousand new clients in Q4 2020 vs. 14 thousand in Q3 2020, mainly caused by Covid-19 related restrictions, e.g. visits in branches by appointment only, and ban to work on the weekends.

Innovations and development

Throughout 2020 Citadele continued to build best in class remote services and products to meet customer expectations across multiple channels and changing market conditions. Citadele launched ApplePay and developed and launched e-commerce solution Klix, enabling a streamlined e-commerce experience for customers. Customers in Latvia get instant individual offers from Citadele for mortgages and consumer loans via digital channels. X smart cards were introduced for students and juniors, and new innovative X card introduced based on subscription model.

Bank with the best customer service in Latvia

Our commitment of providing the best customer service was once again confirmed by Dive's annual customer service evaluation survey. Citadele was again named the bank with one of the best customer service in the Baltics, coming first in Latvia for the sixth time. We are proud to see that our customers value our service as customer recognition is the best accolade for any business.

EUR 477 million issued in new financing to Baltic private, SME and corporate customers

New lending to Baltic private, SME and corporate customers reached EUR 477 million in 2020 where Q4 was the strongest quarter with EUR 151 million in issued loans, 7% increase vs. previous period.

The total loan book as of 31 December 2020 was EUR 1,541 million, remaining stable vs. year-end 2019. Portfolio quality remained good and NPL ratio stood at 3.5% as of 31 December 2020.

Strong liquidity and capital ratios

Citadele continues to operate with capital and liquidity ratios well above regulatory requirements: CAR of 26.0% and LCR of 356% as of 31 December 2020.

Customer deposits reached EUR 3,671 million as of 31 December 2020, an increase of 12% compared to the end of 2019, indicating the financial strength of our customer base.

The consequences of the Covid-19 pandemic have had a negative impact on 12 months 2020 results and year was closed with EUR 3.6 million profit. Business activity resumed in the second half of the year. Net profit in Q4 2020 reached 24.1 million, and the Bank also expects year 2021 to result in improved financials.

Citadele credit rating upgraded to investment grade

On 29 September 2020, Moody's has upgraded Citadele's credit rating to Baa3 with stable outlook. On 17 February 2021, the rating was affirmed changing the outlook to positive.

The rating action follows the positive revision of Baltic countries' macro profiles and expectation that the acquisition of the SIA UniCredit Leasing, completed beginning of 2021, will support a recovery in bank's profitability during 2021, and will not result in material deterioration in asset quality.

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

Taking into account 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 utilized by customers.

Although the non-legislative moratoria and 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.

Post reporting period events

The transaction between AS Citadele banka and UniCredit S.p.A. has been completed. Citadele has become the 100% owner of SIA UniCredit Leasing (including its Estonian and Lithuanian branches), along with its 100% owned subsidiary SIA UniCredit Insurance Broker (including its Estonian branch). The acquired entity is part of the Citadele Group as of beginning of 2021. The acquisition will give additional positive financial impact in 2021. Agreement between AS Citadele Banka and UniCredit S.p.A. involves a name and brand change for SIA UniCredit Leasing. As of February 2021, SIA UniCredit Leasing is rebranded to SIA Citadele Leasing and SIA UniCredit Insurance Broker is re-named to SIA CL Insurance Broker.

To continue support the Bank's Strategy and execution excellence - Rūta Ežerskienė joins Citadele Management Board being responsible for the Retail business. Rūta Ežerskienė most recently was Head of Baltic Retail for AON insurance company (since 2018), before that she held different management positions in SEB, both on Baltic level and in Lithuania, including Head of Sales Department and Business transformation (years 2017-2018) and CEO in SEB Life Insurance (years 2015-2017). Several other changes have also been made in Management Board functions - Vladislavs Mironovs has been appointed as Chief Strategy Officer and will focus on strategy execution, digital evolution, and business development. Valters Ābele has been appointed as Chief Financial Officer. While the Bank is in process of selection of new Chief Risk Officer, Valters will temporarily continue CRO responsibilities. Chief Operations Officer role has become part of merged IT and Operations organization, to be led by Slavomir Mizak, Chief Technology and Operations Officer. On 27 January 2021 the changes have been approved by the Financial and Capital Market Commission.

The European Central Bank announced it has classified Citadele as a significant credit institution, commencing its direct supervision as of 1 January 2021. The Financial and Capital Market Commission will continue to participate in the supervision of the Bank and cooperate with the ECB within Joint Supervision Team.

Financial review of the Group

Results and profitability YTD Q4 2020

Net interest income reached EUR 16.7 million in Q4 2020 and remained stable vs. Q3 2020. YTD 2020 net interest income was EUR 67.5 million, 20% decrease year-on-year, primarily driven by significantly higher interest expense (+42%) resulting from liquidity buffer ahead of the acquisition of UniCredit Leasing.

The Group's **net fee and commission income** in Q4 2020 reached EUR 7.7 million, which translates into 9% decrease vs. Q3 2020, mainly due to lower income from cards and payments and transactions. Net fee and commission income in January – December 2020 were EUR 30.2 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 2020 reached EUR 94.7 million. Adjusted for one-time losses in amount of EUR (28.8) million related to the tail risk defensive measures, operating income was EUR 123.5 million, in line with year 2019 result. Q4 2020 operating income reached EUR 45.1 million.

In line with the Group's expected future office needs and assessment of several potential buyers' proposals, in 2020 Group's Latvian headquarters building was sold to Lords LB Baltic Green Fund (V). In total a sales gain of EUR 18.4 million was registered with EUR 16.7 million qualifying as sales-day profits of the Group in 2020. The deferred part is allocated to the lease-back right of use asset.

Operating expenses in 2020 was EUR 80 million, decrease by 3% compared to year 2019. Staff costs decreased by 5% y-o-y to EUR 50.9 million. The number of full-time employees was 1,230 vs. 1,369 as at 31 December 2019, reflecting the progress of ongoing efficiency initiatives. Other costs were EUR 21.1 million (3% decrease y-o-y). Depreciation and amortization expenses stood at EUR 8.0 million. **Operating expenses in Q4 2020** were EUR 20.4 million (6% increase q-o-q).

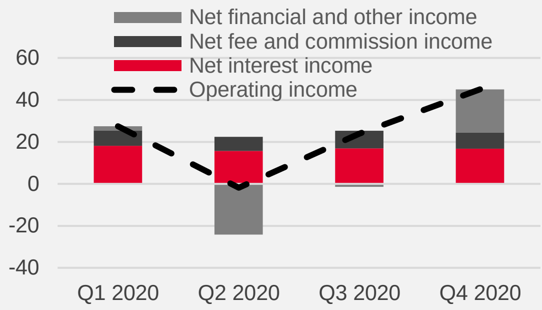
Citadele's adjusted **cost to income ratio** in 2020 was 64.8% versus 66.8% as of year-end 2019.

Net credit losses of EUR (10.5) million recorded in 2020 vs. EUR (3.7) million in 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 constituted EUR 98 million as of 31 December 2020, 8% decrease q-o-q.

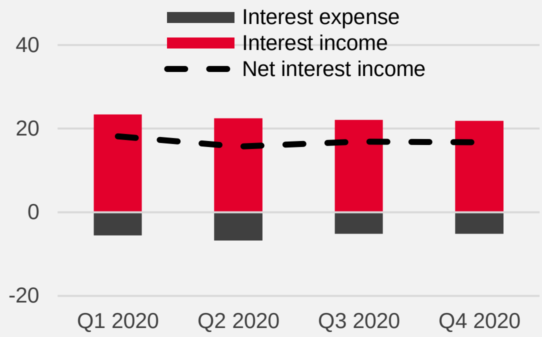
Overall credit quality continued to improve. **The Stage 3 loans to public ratio** decreased to 3.5% as of 31 December 2020, compared to 4.8% at the end of 2019, mostly due to legacy loan workouts and proactive client measures.

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 that drives the interest income declining from fixed income securities.

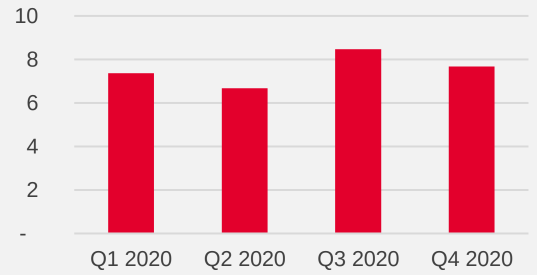
Operating income, EURm



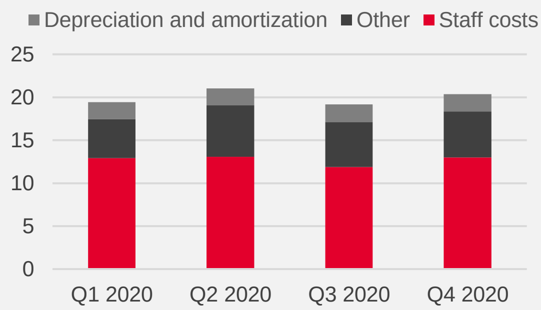
Net interest income, EURm



Net fee and commission income, EURm



Operating expense, EURm



Balance sheet overview

The **Group's assets** stood at EUR 4,597 million as of 31 December 2020, representing a 23% increase from year end 2019 (EUR 3,743 million).

The **net loan portfolio** stood at EUR 1,541 million as of 31 December 2020, decreasing by EUR 27 million (2%) from year end 2019. Corporate loan book has been impacted the most by ongoing amortization and lower new lending velocity in H1 2020, declining by EUR 40 million vs 2019. Strong rebound was observed in the second half of the year when corporate new lending increased by 48% vs. H1 2020. In terms of segments, Private customers represented 39% of the portfolio followed by Corporates (34%), Leasing (14%) and SMEs (10%).

Q4 was the strongest quarter in 2020 in terms of **new lending,** reaching EUR 151 million, 40% more than 2020 average. New lending in 12 months reached EUR 477 million, of which EUR 174 million were issued to retail customers and EUR 304 million to corporate customers.

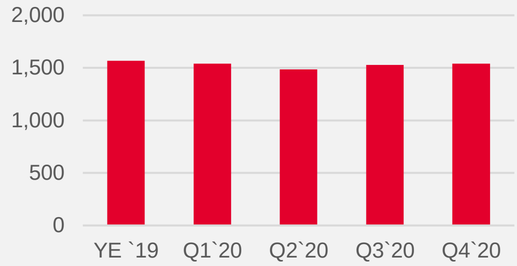
In terms of **geographical profile**, the loan portfolio has remained unchanged over recent years. As of 31 December 2020, Latvia accounted for 57% of the portfolio (EUR 876 million), followed by Lithuania at 32% (EUR 494 million) and Estonia at 10% (EUR 149 million).

No major changes in **industry concentrations** occurred during Q4 2020. Loans to Households represented 47% of the portfolio. The largest increases in 2020 were seen in Finance leases (8%) and mortgages (8%). Consumer and card lending decreased by 22% and 11%, respectively, since year end 2019. Overall, the main industry concentrations were Commercial real estate (25% of gross loans), Manufacturing (17%), Transport and Communications (12%) and Trade (13%).

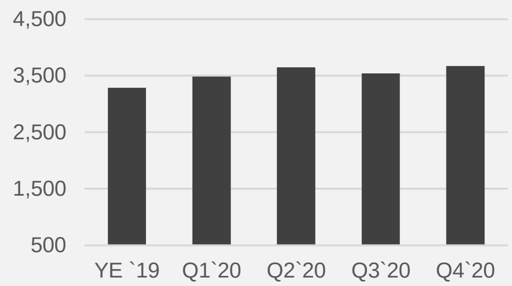
The key drivers for changes in **securities portfolio** over 2020 have been volatility related to Covid-19 and preparation for UCL transaction. In Q1 2020 securities portfolio was reduced by 18% in preparation for the UCL transaction and to mitigate potential credit risks stemming from the Covid-19 outbreak. With delayed closing of UCL transaction and lower uncertainty related to Covid-19, portfolio size grew by 38% during Q2 and 37% in Q3 before declining 7% in Q4. Main rational behind portfolio growth was short term liquidity management and optimization of net interest income and cash balances. New investments were mostly made in government debt securities. 97% of debt securities held were rated A or higher.

The main source of funding, customer deposits, grew by 12% vs. year-end 2019. Baltic residents' deposits increased by EUR 458 million (+18% y-o-y). As of 31 December 2020, total Group customer deposits were EUR 3,671 million.

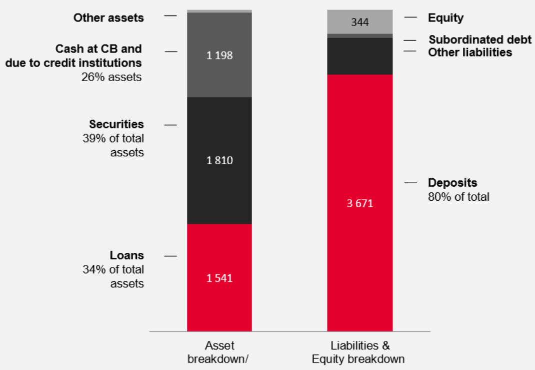
Loans, EURm



Deposits, EURm



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has assigned Baa3 rating with positive outlook (17 February 2021).

The main credit strengths are:

- Strong capitalization
- 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:	Positive

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

Segment highlights

Retail segment

Private individuals and SMEs showed strong results in Q4 despite Covid-19 second wave and following lockdown measures.

Number of active customers reached all-time high for Citadele, and retail primary customers continued to grow reaching 154 thousand clients as of 31 December 2020, 11% increase since beginning of the year.

New lending to retail customers reached EUR 174 million in 2020, of which EUR 58 million were issued in Q4. Less demand was seen for consumer loans, but mortgage market remained strong - EUR 34 million issued in Q4 2020 (vs. EUR 28 million in Q3).

Total loans to Private individuals and SME customers amounted to EUR 753 million, 5% increase since year end 2019 with an improved loan quality.

Deposits from Private individuals and SMEs reached EUR 1,778 million, a 22% increase y-o-y.

Bank with the best customer service in Latvia

In Dive's annual customer service evaluation survey, Citadele has been named as the bank with one of the best customer service in the Baltics, coming first in Latvia for the sixth time. We are proud to see that Bank's customers value our service. Positive customer feedback is the best recognition for any business.

Increasing demand for digital services

Share of digitally onboarded customers continued to increase. Self-service tool was gaining popularity, with more than 5 thousand sessions monthly. More than 90% of all services is performed remotely.

Digital Onboarding via Mobile App was introduced in Estonia, bringing full Baltic Digital onboarding coverage for private individuals.

Mobile App users and Internet bank customers increased by 9% and 1% y-o-y, respectively, reaching 143 thousand active Mobile App users and 195 thousand active Internet Bank customers.

Innovations and developments

New innovative X cards based on subscription model were introduced in Q4 2020. To secure transactions via e-commerce, new 3D secure version has been launched. Peer to peer payments via Mobile App introduced in Estonia. Fast SEPA payments enabled for Digilink and PSD2 in all 3 markets. Branch network in both Latvia and Lithuania was working by "appointment only" as of 30 September due to Covid-19 second wave. To support customers, branch appointment booking tool was introduced in Latvia and Lithuania. The Bank also significantly improved the secure chat in all 3 countries, increasing Sky Branch service level.

Corporate segment

Q4 2020 in overall had a good sentiment in the market and business interest for new cooperation's was high. Q4 was the strongest quarter in 2020 for corporate team with new loans issued in amount of EUR 93 million. New lending in 12 months 2020 reached EUR 304 million. In overall since March 2020 when Covid-19 hit Baltic countries, corporate sector has managed to keep portfolio almost flat despite the fact that during Q2 there was very low volumes generated due to uncertainty in the economy.

During Q4 2020, Citadele's continued focus was on non-lending products and e-commerce solutions for existing and potential customers. Several successful co-operations were initiated, increasing non-lending proportion in total corporate business portfolio.

Deposit portfolio grew 19% vs. year end 2019 and reached EUR 827 million as of 31 December 2020.

In Q4 2020 new campaigns were launched to stimulate companies to renew their car park with environment friendly electrical cars, thus helping economy to access sustainable assets for more attractive price. Citadele will continue to develop new offers supporting the green transformation.

Business Environment

Global economy remains dominated by Covid-19

Following rapid spread of Covid-19 which started in autumn, many countries in Europe and around the world have reintroduced number of restrictions and lockdown measures that have restricted operations of various service sectors. Nevertheless, economic impact of the second wave of Covid-19 has so far been smaller than in spring 2020. GDP in euro area declined only modestly in Q4 2020. Global manufacturing sentiment is positive and world trade recovered to pre-Covid-19 levels. However, the recovery in the global economy is uneven and incomplete, and uncertainty remains high as recovery is dependent on a successful vaccine rollout. Global economy is projected to grow by 5.5% in 2021 following a 3.5% decline in 2020 according to IMF January 2021 forecasts.

Recovery in the Baltics remains incomplete

Economic recovery of the Baltic states in the second half of 2020 was unexpectedly fast, but incomplete. Decline in economic activity in the Baltics in 2020 was significantly smaller than in many other European countries. Latvia's GDP in the fourth quarter fell by 1.4% compared to same period of previous year, and Lithuania's by 1.3% while Estonia's GDP in third quarter declined by 1.9%. At the same time euro areas GDP in Q4 declined by 5.1%.

The second wave of Covid-19 and lockdown measures will most likely lead to another downturn in economic activity in the Baltics at the beginning of 2021, but economic losses are likely to be significantly smaller than in the spring of 2020 as manufacturing and construction sentiment remains strong, while export of goods in Latvia grew by 1.7% and reached new record in 2020.

Manufacturing rebounds strongly

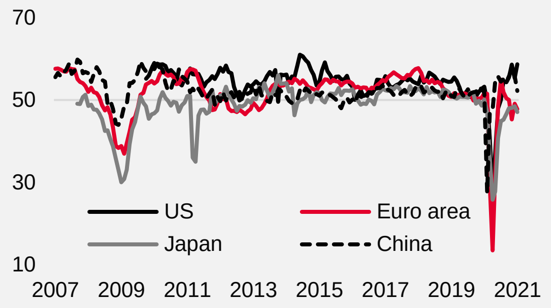
In 2020 manufacturing was among the best performing sectors in the Baltics. Shift in demand from services to goods as well as reduced inventory levels due disruptions in the global manufacturing system at the beginning of 2020 have led to a quick recovery in the global manufacturing and world trade. As a result, manufacturing in the Baltics has not been affected by second wave of Covid-19. Manufacturing output in Latvia rose by 5.1% in December compared to previous year. Manufacturing output in Lithuania increased by 1.3% and by 0.6% in Estonia.

Consumption has shifted from service to goods

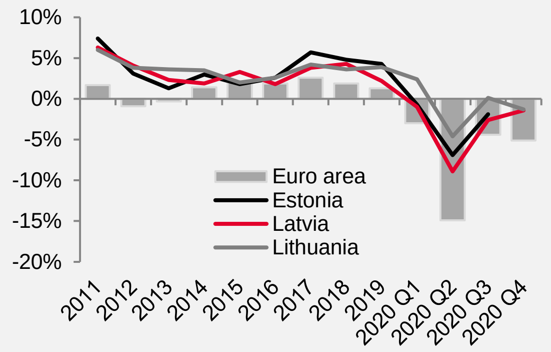
As Covid-19 infections have surged in the Baltics, governments have re-introduced restrictions and service sectors are currently the weak point of the economy. Closure of non-essential retail trade has led to a fall in retail trade activity in December in Latvia and Lithuania, while in Estonia shops remained open. Despite the downturn in the economy and increase in unemployment, household deposits in the Baltics in 2020 increased by 12-14%. If vaccine rollout is successful pent-up demand and forced saving could lead to a rapid recovery in service sectors in the second half of 2021.

Composite PMI

(values above 50 indicate expansion)

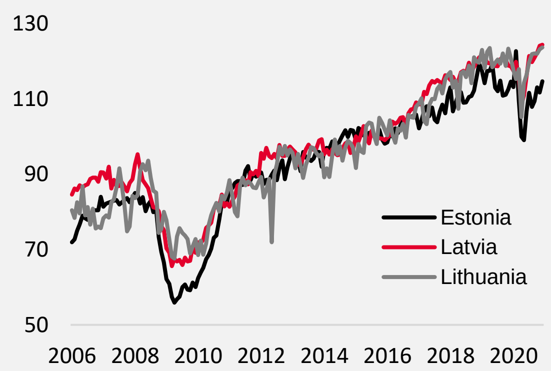


Real GDP, % YoY



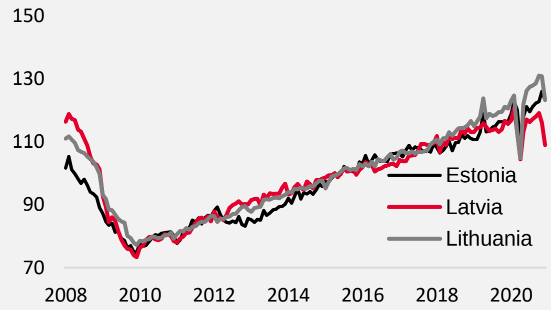
Manufacturing output

(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 31/12/2020:

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 31/12/2020:

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 consolidated financial statements of the Bank and its subsidiaries (hereinafter – the Group).

The condensed interim financial statements set out on pages 12 to 35 are prepared in accordance with the source documents and present fairly the financial position of the Bank and the Group as of 31 December 2020 and 31 December 2019 and the results of their operations, changes in shareholders' equity and cash flows for the years then ended. The management report set out on pages 4 to 10 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	2020 Group	2019 Group	2020 Bank	2019 Bank
		EUR thousands			
Interest income	5	90,124	100,555	81,144	91,126
Interest expense	5	(22,584)	(15,914)	(22,484)	(16,013)
Net interest income		**67,540**	**84,641**	**58,660**	**75,113**
Fee and commission income	6	51,761	56,388	43,445	47,406
Fee and commission expense	6	(21,580)	(25,467)	(20,745)	(24,836)
Net fee and commission income		**30,181**	**30,921**	**22,700**	**22,570**
Net financial income	7	(17,463)	8,196	(17,591)	6,867
Net other income / (expense)		14,409	172	(163)	4,711
Operating income		**94,667**	**123,930**	**63,606**	**109,261**
Staff costs		(50,888)	(53,319)	(44,141)	(47,572)
Other operating expenses	8	(21,057)	(21,782)	(17,540)	(17,166)
Depreciation and amortisation		(8,044)	(7,690)	(7,688)	(7,271)
Operating expense		**(79,989)**	**(82,791)**	**(69,369)**	**(72,009)**
Profit before impairment		**14,678**	**41,139**	**(5,763)**	**37,252**
Net credit losses	9	(9,351)	(2,405)	(10,379)	(442)
Other impairment losses and other provisions		(1,106)	(1,305)	11,805	2,485
Operating profit / (loss) before non-current assets held for sale		**4,221**	**37,429**	**(4,337)**	**39,295**
Result from non-current assets held for sale		(307)	404	(307)	(71)
Operating profit / (loss)		**3,914**	**37,833**	**(4,644)**	**39,224**
Income tax		(306)	(1,329)	(117)	(248)
Net profit / (loss)		**3,608**	**36,504**	**(4,761)**	**38,976**
Basic earnings per share in EUR	17	0.02	0.23	(0.03)	0.25
Diluted earnings per share in EUR	17	0.02	0.23	(0.03)	0.25

The notes on pages 16 to 35 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	2020 Group	**2019 Group**	**2020 Bank**	**2019 Bank**
Net profit / (loss)	**3,608**	**36,504**	**(4,761)**	**38,976**
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)	(1,123)	(1,284)	(1,023)	(589)
Change in fair value of debt securities and similar	(809)	6,929	(609)	4,395
Deferred income tax charged / (credited) directly to equity	88	(259)	-	-
Other reserves				
Foreign exchange retranslation	144	875	-	-
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	8	1,648	8	1,647
Transfer to retained earnings at disposal	-	(1,395)	-	(1,395)
Other comprehensive income / (loss)	**(1,692)**	**6,514**	**(1,624)**	**4,058**
Total comprehensive income / (loss)	**1,916**	**43,018**	**(6,385)**	**43,034**

The notes on pages 16 to 35 are an integral part of these financial statements.

BALANCE SHEET

	Note	31/12/2020 Group	31/12/2019 Group Reclassified (Note 3 c)	31/12/2020 Bank	31/12/2019 Bank Reclassified (Note 3 c)
		EUR thousands			
Assets					
Cash and cash balances at central banks		1,146,606	707,914	1,131,008	691,455
Loans to credit institutions		51,287	121,395	40,289	96,021
Debt securities	10	1,760,190	1,208,479	1,563,675	972,315
Loans to public	11	1,541,223	1,567,898	1,518,313	1,589,255
Equity instruments	12	4,764	5,092	4,764	5,092
Other financial instruments	12	43,343	39,972	13,834	6,434
Derivatives		1,474	960	1,474	960
Investments in related entities	13	274	-	46,756	34,161
Tangible assets		12,930	49,989	14,143	18,231
Intangible assets		5,981	4,698	5,832	4,571
Current income tax assets		885	707	878	707
Deferred income tax assets		2,387	2,429	2,179	2,179
Non-current assets held for sale		946	2,862	946	2,862
Other assets		25,028	30,373	16,355	23,200
Total assets		**4,597,318**	**3,742,768**	**4,360,446**	**3,447,443**
Liabilities					
Deposits from credit institutions and central banks	14	449,991	1,637	470,959	39,287
Deposits and borrowings from customers	15	3,671,390	3,289,534	3,478,096	2,990,630
Debt securities issued	16	60,080	60,044	60,080	60,044
Derivatives		4,461	528	4,461	528
Provisions		2,211	4,150	2,133	4,108
Current income tax liabilities		213	581	115	-
Deferred income tax liabilities		464	676	-	-
Other liabilities		64,198	44,893	27,003	30,532
Total liabilities		**4,253,008**	**3,402,043**	**4,042,847**	**3,125,129**
Equity					
Share capital	17	156,556	156,556	156,556	156,556
Reserves and other capital components		10,265	11,276	4,469	5,412
Retained earnings		177,489	172,893	156,574	160,346
Total equity		**344,310**	**340,725**	**317,599**	**322,314**
Total liabilities and equity		**4,597,318**	**3,742,768**	**4,360,446**	**3,447,443**
Off-balance sheet items					
Guarantees and letters of credit	18	23,903	22,809	23,246	22,107
Financial commitments	18	261,050	330,250	276,089	410,928

The notes on pages 16 to 35 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	-	-	-	-	-	36,504	36,504
Share based payments to employees	-	-	-	-	812	95	907
Other comprehensive income / (loss) for the period	-	7,034	875	-	-	(1,395)	6,514
Transactions with shareholders							
Transfer to reserves	-	-	-	(1,134)	-	1,313	-
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	-	-	-	-	-	3,608	3,608
Share based payments to employees	-	-	-	-	681	61	742
Other comprehensive income / (loss) for the period	-	(1,836)	144	-	-	927	(765)
Balance as of 31/12/2020	**156,556**	**4,247**	**4,138**	**-**	**1,880**	**177,489**	**344,310**

	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	-	-	-	38,976	38,976
Share based payments to employees	-	-	812	95	907
Other comprehensive income / (loss) for the period	-	5,453	-	(1,395)	4,058
Transactions with shareholders					
Integration of AB Citadele bankas	-	-	-	10,553	10,553
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	-	-	-	(4,761)	(4,761)
Share based payments to employees	-	-	681	62	743
Other comprehensive income / (loss) for the period	-	(1,624)	-	927	(697)
Balance as of 31/12/2020	**156,556**	**2,589**	**1,880**	**156,574**	**317,599**

The notes on pages 16 to 35 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 year ended 31 December 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 31 December 2020, the Group had 1,230 (2019: 1,369) and the Bank had 1,152 (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

In 2020 Citadele reclassified certain exposure from Loans to public to Debt securities. This exposure is a fixed income security with cash flows representing payments from underlying private consumption loans originated trough lending platforms. The revised classification better aligns presentation with external expectations.

Adjustments to comparatives due to changes in presentation

	2019 EUR thousands					
	Group			Bank		
	Restated	Adjustment	Initial	Restated	Adjustment	Initial
Debt securities	1,208,479	4,848	1,203,631	972,315	4,848	967,467
Loans to public	1,567,898	(4,848)	1,572,746	1,589,255	(4,848)	1,594,103

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 balance sheet information as of 31 December 2019 has been restated as disclosed in *Note 3 c*. The comparative information after reclassification is comparable.

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 2020, EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Interest income	36,973	9,878	23,285	2,281	2,716	10,194	4,797	90,124
Interest expense	(2,003)	(51)	(625)	(2,961)	(482)	-	(16,462)	(22,584)
Net interest income	**34,970**	**9,827**	**22,660**	**(680)**	**2,234**	**10,194**	**(11,665)**	**67,540**
Fee and commission income	14,304	10,511	9,183	12,648	3,153	361	1,601	51,761
Fee and commission expense	(9,311)	(4,001)	(5,165)	(1,710)	(429)	(174)	(790)	(21,580)
Net fee and commission income	**4,993**	**6,510**	**4,018**	**10,938**	**2,724**	**187**	**811**	**30,181**
Net financial income	683	1,399	764	1,849	(379)	1	(21,780)	(17,463)
Net other income	(1,589)	(295)	(460)	(495)	(529)	(218)	17,995	14,409
Operating income	**39,057**	**17,441**	**26,982**	**11,612**	**4,050**	**10,164**	**(14,639)**	**94,667**
Net funding allocation	(1,764)	(635)	(2,783)	319	392	(154)	4,625	-
FTP adjusted operating income	**37,293**	**16,806**	**24,199**	**11,931**	**4,442**	**10,010**	**(10,014)**	**94,667**

	Group 2019, EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Interest income	39,149	7,455	28,841	2,616	3,890	10,232	8,372	100,555
Interest expense	(2,183)	(59)	(313)	(2,319)	(754)	-	(10,286)	(15,914)
Net interest income	**36,966**	**7,396**	**28,528**	**297**	**3,136**	**10,232**	**(1,914)**	**84,641**
Fee and commission income	14,806	8,607	12,674	15,114	3,949	187	1,051	56,388
Fee and commission expense	(8,597)	(4,026)	(8,512)	(2,362)	(395)	(80)	(1,495)	(25,467)
Net fee and commission income	**6,209**	**4,581**	**4,162**	**12,752**	**3,554**	**107**	**(444)**	**30,921**
Net financial income	851	708	612	2,866	702	-	2,457	8,196
Net other income	(297)	(101)	(291)	(317)	-	(254)	1,432	172
Operating income	**43,729**	**12,584**	**33,011**	**15,598**	**7,392**	**10,085**	**1,531**	**123,930**
Net funding allocation	(2,052)	(336)	(2,787)	3,276	760	(384)	1,523	-
FTP adjusted operating income	**41,677**	**12,248**	**30,224**	**18,874**	**8,152**	**9,701**	**3,054**	**123,930**

	Group as of 31/12/2020, EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Assets								
Cash, balances at central banks	-	-	-	-	15,598	-	1,131,008	1,146,606
Loans to credit institutions	-	-	-	2,702	8,296	-	40,289	51,287
Debt securities	-	-	10,415	38,766	157,749	-	1,553,260	1,760,190
Loans to public	594,040	155,979	519,527	37,674	6,711	218,527	8,765	1,541,223
Equity instruments	-	-	-	-	-	-	4,764	4,764
Other financial instruments	-	-	-	29,509	-	-	13,834	43,343
Total segmented assets	**594,040**	**155,979**	**529,942**	**108,651**	**188,354**	**218,527**	**2,751,920**	**4,547,413**
Liabilities								
Deposits from banks	-	-	-	-	-	-	449,991	449,991
Deposits from customers	1,285,217	492,840	826,638	705,140	184,951	-	176,604	3,671,390
Debt securities issued	-	-	-	-	-	-	60,080	60,080
Total segmented liabilities	**1,285,217**	**492,840**	**826,638**	**705,140**	**184,951**	**-**	**686,675**	**4,181,461**

	Group as of 31/12/2019, EUR thousands (Reclassified)							
	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	-	-	4,848	16,903	219,261	-	967,467	1,208,479
Loans to public	586,345	128,333	559,205	47,671	9,431	217,226	19,687	1,567,898
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			
	2020 Group	2019 Group	2020 Bank	2019 Bank
Interest income calculated using the effective interest method:				
Financial assets at amortised cost:				
Loans to public	71,985	78,581	75,582	83,008
Debt securities	2,977	3,891	2,586	3,170
Cash balances at and lending to/from central banks and credit institutions (including TLTRO-III)	1,704	1,075	1,706	850
Debt securities at fair value through other comprehensive income	3,264	6,776	1,270	4,098
Interest income on finance leases (part of loans to public)	10,194	10,232	-	-
Total interest income	**90,124**	**100,555**	**81,144**	**91,126**
Interest expense on:				
Financial liabilities at amortised cost:				
Deposits and borrowing from public	(14,095)	(9,566)	(13,725)	(8,904)
Debt securities issued	(3,637)	(3,633)	(3,637)	(3,633)
Deposits from/to credit institutions and central banks	(3,991)	(1,862)	(4,337)	(2,678)
Financial liabilities at fair value through profit or loss				
Deposits and borrowing from public	(129)	(151)	-	-
Lease liabilities	(41)	(41)	(94)	(137)
Other interest expense	(691)	(661)	(691)	(661)
Total interest expense	**(22,584)**	**(15,914)**	**(22,484)**	**(16,013)**
Net interest income	**67,540**	**84,641**	**58,660**	**75,113**

Effective interest rate on 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. Similarly, an inflow of economic benefits from liabilities with negative effective interest rates (including TLTRO-III financing) is presented as interest income.

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	2020 Group	2019 Group	2020 Bank	2019 Bank
Fee and commission income:				
Cards	27,284	30,474	27,224	30,417
Payments and transactions	12,079	14,791	10,169	11,783
Asset management and custody	7,391	7,280	1,615	1,554
Securities brokerage	1,518	700	955	573
Other fees	1,474	1,619	1,441	1,550
Total fee and commission income from contracts with customers	**49,746**	**54,864**	**41,404**	**45,877**
Guarantees, letters of credit and loans	2,015	1,524	2,041	1,529
Total fee and commission income	**51,761**	**56,388**	**43,445**	**47,406**
Fee and commission expense on:				
Cards	(16,897)	(20,645)	(16,897)	(20,645)
Asset management, custody and securities brokerage	(1,046)	(892)	(759)	(687)
Payments, transactions and other fees	(3,637)	(3,930)	(3,089)	(3,504)
Total fee and commission expense	**(21,580)**	**(25,467)**	**(20,745)**	**(24,836)**
Net fee and commission income	**30,181**	**30,921**	**22,700**	**22,570**

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	2020 Group	2019 Group	2020 Bank	2019 Bank
Foreign exchange trading and related derivatives	6,076	6,719	6,587	6,588
Assets at amortised cost	211	29	211	29
Assets at fair value through other comprehensive income	1,123	1,284	1,023	589
Non-trading assets and liabilities at fair value through profit or loss	539	503	-	-
Other derivatives	(25,572)	-	(25,572)	-
Modifications in cash flows which do not result in derecognition	160	(339)	160	(339)
Total net financial income	**(17,463)**	**8,196**	**(17,591)**	**6,867**

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 defensive measures (not qualifying 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 provided 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			
	2020 Group	2019 Group	2020 Bank	2019 Bank
Information technologies and communications	(5,670)	(6,184)	(4,280)	(5,184)
Consulting and other services	(6,316)	(5,932)	(5,992)	(4,509)
Rent, premises and real estate	(2,770)	(3,463)	(1,648)	(2,150)
Advertising and marketing	(1,872)	(2,237)	(1,732)	(1,954)
Non-refundable value added tax	(2,779)	(1,922)	(2,563)	(1,562)
Other	(1,650)	(2,044)	(1,325)	(1,807)
Total other expenses	**(21,057)**	**(21,782)**	**(17,540)**	**(17,166)**

NOTE 9. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	2020 Group	**2019 Group** Reclassified	**2020 Bank**	**2019 Bank** Reclassified
Loans to credit institutions	(16)	(34)	(16)	(35)
Debt securities	(609)	(217)	(644)	(227)
Loans to public	(16,371)	(7,130)	(17,008)	(6,507)
Including impairment overlay	*(4,130)*	-	*(3,233)*	-
Loan commitments, guarantees and letters of credit	2,037	(1,393)	2,073	(1,352)
Recovered written-off assets	5,608	6,369	5,216	7,679
Total net losses on financial instruments	**(9,351)**	**(2,405)**	**(10,379)**	**(442)**

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 (including management's impairment overlay) for the Group and the Bank increased by EUR 6.2 million and EUR 7.5 million compared to the prior year. 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. Despite increase in overall risk charges, ECL allowances for unutilised part of the loan commitments decreased. The decrease in ECL allowances for unutilised part of the loan commitments is a result of a combination of the annual ECL model recalibration, within which conversion factors for unutilised loan commitments were updated, and decrease in the total loan commitments of the Group outstanding by EUR 69.2 million and for the Bank by EUR 134.8 million; for details refer to Note 18 (*Off-balance Sheet Items*).

In 2020 the Group and the Bank has recognised an impairment overlay for Stage 1 classified loans to public exposures. The impairment overlay addresses increased uncertainty regarding the forward-looking economic conditions in the current unusual environment where duration and severity of Covid-19 situation and associated possible disruptions to the Baltic economies and customers of the Group is uncertain. The impairment overlay accounts for economic risks which point in time ECL models calibrated on historical data, despite being adjusted with forward looking information, might not be fully capturing.

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

Changes in the allowances for credit losses and provisions

	Group, EUR thousands				
	Opening balance 01/01/2020	**Charged to statement of income**	**Write-offs of allow-ances**	**Other adjust-ments**	**Closing balance 31/12/2020**
Stage 1					
Loans to credit institutions	97	16	-	(9)	104
Debt securities	584	609	-	(2)	1,191
Loans to public	12,348	7,317	-	(3)	19,662
Including impairment overlay	-	*4,130*	-	-	*4,130*
Loan commitments, guarantees and letters of credit	3,420	(1,516)	-	(1)	1,903
Total stage 1 credit losses and provisions	**16,449**	**6,426**	**-**	**(15)**	**22,860**
Stage 2					
Loans to public	5,568	(1,510)	-	-	4,058
Loan commitments, guarantees and letters of credit	172	(130)	-	(1)	41
Total stage 2 credit losses and provisions	**5,740**	**(1,640)**	**-**	**(1)**	**4,099**
Stage 3					
Loans to public	38,785	10,564	(11,756)	(1,873)	35,720
Loan commitments, guarantees and letters of credit	558	(391)	-	-	167
Total stage 3 credit losses and provisions	**39,343**	**10,173**	**(11,756)**	**(1,873)**	**35,887**
Total allowances for credit losses and provisions	**61,532**	**14,959**	**(11,756)**	**(1,889)**	**62,846**
Including for debt securities classified at fair value through other comprehensive income	*116*				*135*

Write-offs of allowances refer to reduction of previously recognised ECL balances due to exit of exposures from the balance sheet. The write-offs of allowances are not representative of the impact on profit or loss due to allowances being raised in previous periods as well as offsetting recoveries. In 2020 recoveries of previously written-off balances, which were directly recognised in the income statement amounted to EUR 5.6 million for the Group (2019: EUR 6.4 million).

	Group, EUR thousands (Reclassified)				
	Opening balance 01/01/2019	Charged to statement of income	Write-offs of allow-ances	Other adjust-ments	Closing balance 31/12/2019
Stage 1					
Loans to credit institutions	61	34	-	2	97
Debt securities	352	227	-	5	584
Loans to public	12,394	(45)	-	(1)	12,348
Loan commitments, guarantees and letters of credit	2,102	1,321	-	(3)	3,420
Total stage 1 credit losses and provisions	**14,909**	**1,537**	**-**	**3**	**16,449**
Stage 2					
Debt securities	10	(10)	-	-	-
Loans to public	7,415	(1,848)	-	1	5,568
Loan commitments, guarantees and letters of credit	411	(240)	-	1	172
Total stage 2 credit losses and provisions	**7,836**	**(2,098)**	**-**	**2**	**5,740**
Stage 3					
Loans to public	46,985	9,023	(17,972)	749	38,785
Loan commitments, guarantees and letters of credit	249	312	-	(3)	558
Total stage 3 credit losses and provisions	**47,234**	**9,335**	**(17,972)**	**746**	**39,343**
Total allowances for credit losses and provisions	**69,979**	**8,774**	**(17,972)**	**751**	**61,532**
Including for debt securities classified at fair value through other comprehensive income	*145*				*116*

	Bank, EUR thousands				
	Opening balance 01/01/2020	Charged to statement of income	Write-offs of allowances	Other adjust-ments	Closing balance 31/12/2020
Stage 1					
Loans to credit institutions	97	16	-	(9)	104
Debt securities	484	644	-	(1)	1,127
Loans to public	10,543	6,842	-	(1)	17,384
Including impairment overlay	-	*3,233*	-	-	*3,233*
Loan commitments, guarantees and letters of credit	3,378	(1,551)	-	(2)	1,825
Total stage 1 credit losses and provisions	**14,502**	**5,951**	**-**	**(13)**	**20,440**
Stage 2					
Debt securities	-				-
Loans to public	5,184	(1,283)	-	-	3,901
Loan commitments, guarantees and letters of credit	172	(130)	-	(1)	41
Total stage 2 credit losses and provisions	**5,356**	**(1,413)**	**-**	**(1)**	**3,942**
Stage 3					
Loans to public	36,616	11,449	(11,737)	(1,853)	34,475
Loan commitments, guarantees and letters of credit	558	(392)	-	1	167
Total stage 3 credit losses and provisions	**37,174**	**11,057**	**(11,737)**	**(1,852)**	**34,642**
Total allowances for credit losses and provisions	**57,032**	**15,595**	**(11,737)**	**(1,866)**	**59,024**
Including for debt securities classified at fair value through other comprehensive income	*42*				*81*

	Bank, EUR thousands (Reclassified)					
	Opening balance 01/01/2019	Integration of AB Citadele	Charged to statement of income	Write-offs of allow-ances	Other adjust-ments	Closing balance 31/12/2019
Stage 1						
Loans to credit institutions	61	-	35	-	1	97
Debt securities	245	-	237	-	2	484
Loans to public	9,634	1,323	(414)	-	-	10,543
Loan commitments, guarantees and letters of credit	1,984	113	1,279	-	2	3,378
Total stage 1 credit losses and provisions	**11,924**	**1,436**	**1,137**	**-**	**5**	**14,502**
Stage 2						
Debt securities	10	-	(10)	-	-	-
Loans to public	6,433	837	(2,087)	-	1	5,184
Loan commitments, guarantees and letters of credit	386	25	(238)	-	(1)	172
Total stage 2 credit losses and provisions	**6,829**	**862**	**(2,335)**	**-**	**-**	**5,356**
Stage 3						
Loans to public	38,508	6,264	9,008	(17,936)	772	36,616
Loan commitments, guarantees and letters of credit	246	1,413	311	(1,481)	69	558
Total stage 3 credit losses and provisions	**38,754**	**7,677**	**9,319**	**(19,417)**	**841**	**37,174**
Total allowances for credit losses and provisions	**57,507**	**9,975**	**8,121**	**(19,417)**	**846**	**57,032**
Including for debt securities classified at fair value through other comprehensive income	*68*					*42*

NOTE 10. DEBT SECURITIES

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

	Group, EUR thousands					
	31/12/2020			31/12/2019 (Reclassified)		
	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	67,640	108,929	176,569	66,691	89,429	156,120
AA/Aa	78,451	251,826	330,277	111,325	106,277	217,602
A	204,857	988,657	1,193,514	169,597	545,489	715,086
BBB/Baa	25,763	23,389	49,152	50,182	62,346	112,528
Lower ratings or unrated	263	10,415	10,678	266	6,877	7,143
Total debt securities	**376,974**	**1,383,216**	**1,760,190**	**398,061**	**810,418**	**1,208,479**
Including general government	*197,816*	*1,036,342*	*1,234,158*	*164,761*	*491,501*	*656,262*
Including credit institutions	*79,665*	*176,665*	*256,330*	*106,280*	*135,237*	*241,517*
Including classified in stage 1	*376,974*	*1,372,801*	*1,749,775*	*398,061*	*805,570*	*1,203,631*

	Bank, EUR thousands					
	31/12/2020			31/12/2019 (Reclassified)		
	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	27,671	93,808	121,479	26,284	74,235	100,519
AA/Aa	33,067	238,556	271,623	55,375	92,197	147,572
A	162,938	974,237	1,137,175	141,593	523,372	664,965
BBB/Baa	1,034	21,949	22,983	2,941	49,441	52,382
Lower ratings or unrated	-	10,415	10,415	-	6,877	6,877
Total debt securities	**224,710**	**1,328,550**	**1,563,675**	**226,193**	**746,122**	**972,315**
Including general government	*158,559*	*1,016,650*	*1,175,209*	*137,229*	*468,479*	*605,708*
Including credit institutions	*27,505*	*167,613*	*195,118*	*42,122*	*121,610*	*163,732*
Including classified in stage 1	*224,710*	*1,328,550*	*1,553,260*	*226,193*	*741,274*	*967,467*

Debt securities by country of issuer

	Group, EUR thousands					
	31/12/2020			31/12/2019 (Reclassified)		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	594,762	6,951	601,713	222,723	6,813	229,536
Latvia	417,450	3,526	420,976	291,654	7,377	299,031
Netherlands	14,641	81,459	96,100	12,690	97,554	110,244
Poland	71,716	5,574	77,290	5,478	8,511	13,989
Germany	16,011	60,846	76,857	15,889	31,056	46,945
Estonia	48,027	20,480	68,507	10,008	13,434	23,442
United States	11,680	50,395	62,075	14,387	81,960	96,347
Canada	5,192	43,718	48,910	6,701	39,759	46,460
Sweden	3,107	42,602	45,709	4,141	21,335	25,476
Finland	4,998	32,819	37,817	11,632	27,130	38,762
Multilateral development banks	-	49,650	49,650	-	39,221	39,221
Other countries	46,574	128,012	174,586	60,959	178,067	239,026
Total debt securities	**1,234,158**	**526,032**	**1,760,190**	**656,262**	**552,217**	**1,208,479**

	Bank, EUR thousands					
	31/12/2020			31/12/2019 (Reclassified)		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	586,259	5,411	591,670	220,452	5,412	225,864
Latvia	408,536	2,067	410,603	287,598	5,918	293,516
Netherlands	10,870	64,664	75,534	8,920	64,732	73,652
Poland	68,507	3,092	71,599	2,237	4,619	6,856
Estonia	48,027	18,823	66,850	10,008	11,616	21,624
Germany	9,999	46,280	56,279	9,998	13,932	23,930
United States	9,999	29,813	39,812	10,792	54,887	65,679
Sweden	-	39,177	39,177	-	15,335	15,335
Finland	4,998	31,163	36,161	9,431	26,680	36,111
Canada	-	35,181	35,181	2,070	28,255	30,325
Multilateral development banks	-	37,262	37,262	-	27,188	27,188
Other countries	28,014	75,533	103,547	44,202	108,033	152,235
Total debt securities	**1,175,209**	**388,466**	**1,563,675**	**605,708**	**366,607**	**972,315**

All fixed income securities as of 31 December 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 as of 31 December 2020 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			
	31/12/2020 Group	31/12/2019 Reclassified Group	31/12/2020 Bank	31/12/2019 Reclassified Bank
Financial and non-financial corporations				
Real estate purchase and management	215,831	239,530	212,639	277,196
Manufacturing	146,386	131,880	117,009	107,298
Transport and communications	100,920	116,141	38,161	44,781
Trade	109,635	109,673	86,307	85,501
Agriculture and forestry	79,927	75,474	56,156	54,698
Construction	40,760	38,712	29,761	27,567
Electricity, gas and water supply	46,059	41,229	43,727	38,748
Hotels, restaurants	43,108	47,760	41,321	45,510
Financial intermediation	22,470	39,237	219,877	240,287
Other industries	44,023	53,396	24,401	28,964
Total financial and non-financial corporations	**849,119**	**893,032**	**869,359**	**950,550**
Households				
Mortgage loans	541,636	501,581	541,636	501,581
Credit for consumption	68,721	87,919	68,721	87,919
Card lending	58,411	65,391	58,411	65,391
Finance leases	42,848	39,532	-	-
Other lending	20,204	23,904	16,515	22,996
Total households	**731,820**	**718,327**	**685,283**	**677,887**
General government	**19,724**	**13,240**	**19,431**	**13,161**
Total gross loans to public	**1,600,663**	**1,624,599**	**1,574,073**	**1,641,598**
Impairment allowance and provisions	(59,440)	(56,701)	(55,760)	(52,343)
Total net loans to public	**1,541,223**	**1,567,898**	**1,518,313**	**1,589,255**

Loans by overdue days and impairment stage

Group, EUR thousands

	31/12/2020					31/12/2019 (Reclassified)				
	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	1,429,589	84,151	13,780	(25,946)	1,501,574	1,368,510	123,569	22,148	(21,697)	1,492,530
Past due <=30 days	22,496	4,736	1,095	(1,321)	27,006	37,752	9,404	2,622	(2,733)	47,045
Past due >30 and ≤90 days	-	4,043	1,873	(1,701)	4,215	-	7,120	2,867	(2,648)	7,339
Past due >90 days	-	-	38,900	(30,472)	8,428	-	-	50,607	(29,623)	20,984
Total loans to public	**1,452,085**	**92,930**	**55,648**	**(59,440)**	**1,541,223**	**1,406,262**	**140,093**	**78,244**	**(56,701)**	**1,567,898**
Guarantees and letters of credit	22,418	-	51	(142)	22,327	21,479	-	303	(136)	21,646
Financial commitments	258,432	1,814	408	(1,969)	258,685	320,470	8,333	1,005	(4,014)	325,794
Total credit exposure to public	**1,732,935**	**94,744**	**56,107**	**(61,551)**	**1,822,235**	**1,748,211**	**148,426**	**79,552**	**(60,851)**	**1,915,338**

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

	31/12/2020					31/12/2019 (Reclassified)				
	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	1,425,915	81,574	11,803	(23,180)	1,496,112	1,416,084	121,111	19,981	(18,731)	1,538,445
Past due <=30 days	7,870	2,969	902	(1,105)	10,636	18,688	6,295	2,142	(2,191)	24,934
Past due >30 and ≤90 days	-	3,155	1,674	(1,554)	3,275	-	5,268	2,603	(2,356)	5,515
Past due >90 days	-	-	38,211	(29,921)	8,290	-	-	49,426	(29,065)	20,361
Total loans to public	**1,433,785**	**87,698**	**52,590**	**(55,760)**	**1,518,313**	**1,434,772**	**132,674**	**74,152**	**(52,343)**	**1,589,255**
Guarantees and letters of credit	21,761	-	51	(142)	21,670	20,777	-	303	(136)	20,944
Financial commitments	273,867	1,814	408	(1,891)	274,198	401,590	8,333	1,005	(3,972)	406,956
Total credit exposure to public	**1,729,413**	**89,512**	**53,049**	**(57,793)**	**1,814,181**	**1,857,139**	**141,007**	**75,460**	**(56,451)**	**2,017,155**

Stage 3 loans to public ratio

EUR thousands

	31/12/2020 Group	31/12/2019 Group	31/12/2020 Bank	31/12/2019 Bank
Stage 3 loans to public ratio, gross	3.5%	4.8%	3.3%	4.5%
Stage 3 loans to public ratio, net	1.3%	2.5%	1.2%	2.4%
Stage 3 impairment ratio	64%	50%	66%	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 forborne or 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							
	31/12/2020				31/12/2019			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	43,343	4,497	-	47,840	33,538	-	-	33,538
Financial assets at fair value through other comprehensive income	-	143	124	267	6,434	3,968	1,124	11,526
Total non-fixed income securities, net	**43,343**	**4,640**	**124**	**48,107**	**39,972**	**3,968**	**1,124**	**45,064**
Including unit-linked insurance plan assets	*21,026*	*-*	*-*	*21,026*	*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 31 December 2020, the Bank and the Group has investments in mutual investment funds with carrying amount of EUR 13.8 million (2019: EUR 6.4 million) and EUR 27.2 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							
	31/12/2020				31/12/2019			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	13,834	4,497	-	18,331	-	-	-	-
Financial assets at fair value through other comprehensive income	-	143	124	267	6,434	3,968	1,124	11,526
Total non-fixed income securities, net	**13,834**	**4,640**	**124**	**18,598**	**6,434**	**3,968**	**1,124**	**11,526**

NOTE 13. INVESTMENTS IN RELATED ENTITIES

Changes in investments in related entities of the Bank

	EUR thousands	
	2020	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
Investments in associates accounted for using the equity method	274	
Liquidation of subsidiary	(649)	-
Impairment, net	12,970	3,706
Balance at the end of the period, net	**46,756**	**34,161**
Including investments in associates accounted for using the equity method	*274*	*-*
Gross investment in subsidiaries as of the end of the period	*70,660*	*71,357*

In the reporting period as a result of a sale of the Group's Latvian headquarters building, the valuation of subsidiary SIA Citadeles moduļi was reassessed. The accelerated timing and the amount of the realised sales gain versus previous valuation assumptions contributed to the release of the previously recognised impairment. In total EUR 13.1 million release of impairment of the investment in this subsidiary was recognised. Group company SIA Hortus RE was liquidated on 26 February 2020 with no direct income statement impact.

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 transaction was closed after 31 December 2020 with Citadele obtaining full control from the beginning of January 2021. In 2021, after completion of the acquisition transaction, the acquired entity was renamed to SIA Citadele Leasing. The acquisition includes Estonian and Lithuanian branches of the leasing entity and a subsidiary SIA CL Insurance Broker (former legal name SIA UniCredit Insurance Broker). All regulatory approvals have been obtained and the acquisition transaction has been closed as of publishing these financial statements. For more details refer to Note 21 *(Events after the Reporting Date*).

Consolidation Group subsidiaries 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	
							31/12/2020	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	15,932	2,836
SIA Hortus Land	40103460961	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	8	-
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	670	804
SIA Hortus RE (liquidated in 2020)	40103752416	-	-	-	-	-	-	649
						Total net investments in subsidiaries	**46,482**	**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	
							31/12/2020	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.

Calenia Investments Limited and OOO Mizush Asset Management Ukraina are in liquidation as these Group subsidiaries had no ongoing business operations.

For Calenia Investments Limited a liquidator (Moore Stephens Stylianou & Co) has been appointed in 2019 and a voluntary liquidation commenced. As of the year-end the appointed liquidator awaits official tax clearance letter. Due to Covid-19 situation's induced slowdown in the document turnaround speeds, delays are experienced. Withing 3 months after the issuance of the tax clearance letter a formal final announcement from the statutory register on the liquidation of the Calenia Investments Limited is expected.

For OOO Mizush Asset Management Ukraina a liquidator (AA PricewaterhouseCoopers Legal) has been appointed. Final tax audit has been completed and a tax clearance letter is being awaited. After that final report will be prepared and submitted as per statutory requirement, in due time a formal liquidation decision from statutory register is expected.

Valuation of subsidiaries

Carrying value of the investment in SIA Citadeles moduļi is estimated as a residual interest in the assets of the entity (mostly cash) after deducting all of its liabilities, adjusted for future cash flows. Previously the major asset of the entity was the Group's Latvian headquarters building. The property in the Group's consolidated accounts was presented as tangible asset and carried at amortised cost. After sale of the property the major asset of the company is cash. 31 December 2020 the valuation of the company is not sensitive to any significant key inputs. Sensitivity scenarios as of 31 December 2019: if the expected yield was +/-100 basis points than the carrying value would change by EUR +7.5/-5.5 million, if undiscounted shareholders cash flows were +/-10% than the carrying value would change by EUR +/-4.1 million.

Carrying value of the investment in SIA Citadele Līzings un Faktorings is derived from present value of expected free equity distributable to the shareholders, after required equity allocation for capital adequacy compliance. The target capital adequacy ratio is set at 12% and includes allocated charges for all banking risks inherent in the business model of the leasing plus full set of regulatory buffers as applicable for the Group consolidated and on top of that a managements buffer. Other key inputs of the model are 12.0% (2019: 12.0%) discount rate and future profitability of the operations of the entity. Sensitivity scenarios: if discount rate was +/-100 basis points than the carrying value EUR +/-0.2 million (2019: EUR +/-0.1 million), if net result was +/-10% than the carrying value EUR +/-0.04 million (2019: EUR +/-0.1 million).

NOTE 14. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands			
	31/12/2020 Group	**31/12/2019 Group**	**31/12/2020 Bank**	**31/12/2019 Bank**
ECB's targeted longer-term refinancing operations	438,833	-	438,833	-
Deposits from Citadele Group	-	-	20,968	37,650
Other credit institution deposits and collateral accounts	11,153	1,631	11,153	1,631
Other central bank deposits and accounts	5	6	5	6
Total deposits from credit institutions and central banks	**449,991**	**1,637**	**470,959**	**39,287**

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

Based on the analysis of the terms of the program and benchmarking of the expected effective interest payable to market pricing of similar instruments it was concluded that TLTRO-III borrowing does not contain a significant benefit relative to market pricing and thus is accounted for as a financial liabilities at amortised cost. If these estimates were to change materially, a revision would be recognised, and the presentation of re-estimated income reassessed.

NOTE 15. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	31/12/2020 Group	**31/12/2019 Group**	**31/12/2020 Bank**	**31/12/2019 Bank**
Households	2,095,185	1,930,156	1,992,892	1,788,830
Non-financial corporations	1,280,670	1,087,395	1,187,775	918,231
Financial corporations	228,679	212,404	230,572	223,990
General government	49,576	46,344	49,576	46,344
Other	17,280	13,235	17,281	13,235
Total deposits from customers	**3,671,390**	**3,289,534**	**3,478,096**	**2,990,630**

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	31/12/2020 Group	**31/12/2019 Group**	**31/12/2020 Bank**	**31/12/2019 Bank**
Demand deposits	2,828,591	2,494,276	2,686,458	2,264,946
Term deposits due within:				
less than 1 month	103,198	44,595	97,694	36,403
more than 1 month and less than 3 months	142,330	64,647	136,534	55,691
more than 3 months and less than 6 months	66,598	105,842	60,957	96,669
more than 6 months and less than 12 months	307,939	304,512	303,356	295,119
more than 1 year and less than 5 years	143,225	187,445	118,854	168,693
more than 5 years	79,509	88,217	74,243	73,109
Total term deposits	842,799	795,258	791,638	725,684
Total deposits from customers	**3,671,390**	**3,289,534**	**3,478,096**	**2,990,630**

Deposits and borrowings from customers by categories

	EUR thousands			
	31/12/2020 Group	**31/12/2019 Group**	**31/12/2020 Bank**	**31/12/2019 Bank**
At amortised cost	3,635,380	3,251,634	3,478,096	2,990,630
At fair value through profit or loss	36,010	37,900	-	-
Total deposits from customers	**3,671,390**	**3,289,534**	**3,478,096**	**2,990,630**
Including unit-linked insurance plan liabilities	*21,629*	*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 31/12/2020	Amortised cost, EUR thousands 31/12/2019
LV0000880011	EUR	5.50%	24/11/2027	20,000	20,070	20,064
LV0000802221	EUR	6.25%	06/12/2026	40,000	40,010	39,980
					60,080	**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	24/11/2020	77	42	16,770	84%	35	3,230	16%
LV0000802221	06/12/2020	102	32	32,220	81%	70	7,780	19%

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 31 December 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

	31/12/2020		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.

	2020 Group	2019 Group	2020 Bank	2019 Bank
Profit for the period, EUR thousands	3,608	36,504	(4,761)	38,976
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	**0.02**	**0.23**	**(0.03)**	**0.25**
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	886	460	886	460
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	**157,442**	**157,016**	**157,442**	**157,016**
Profit for the period, EUR thousands	3,608	36,504	(4,761)	38,976
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	157,442	157,016	157,442	157,016
Diluted earnings per share in EUR	**0.02**	**0.23**	**(0.03)**	**0.25**

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			
	31/12/2020 Group	31/12/2019 Group	31/12/2020 Bank	31/12/2019 Bank
Contingent liabilities:				
Outstanding guarantees	18,138	21,525	17,481	20,822
Outstanding letters of credit with public	4,331	257	4,331	258
Letters of credit with credit institutions	1,434	1,027	1,434	1,027
Total contingent liabilities	**23,903**	**22,809**	**23,246**	**22,107**
Provisions for credit risk	(142)	(136)	(142)	(136)
Maximum credit risk exposure for guarantees and letters of credit	**23,761**	**22,673**	**23,104**	**21,971**
Financial commitments:				
Card commitments	124,135	132,087	124,140	132,095
Unutilised credit lines and overdraft facilities	50,723	100,747	88,818	196,562
Loans granted, not fully drawn down	63,131	72,271	63,131	72,271
Factoring commitments	22,665	14,703	-	-
Other commitments	396	10,442	-	10,000
Total financial commitments	**261,050**	**330,250**	**276,089**	**410,928**
Provisions for financial commitments	(1,969)	(4,014)	(1,891)	(3,972)
Maximum credit risk exposure for financial commitments	**259,081**	**326,236**	**274,198**	**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 on specific pre-agreed terms. 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			
	31/12/2020 Group	31/12/2019 Group	31/12/2020 Bank	31/12/2019 Bank
Fixed income securities:				
Corporate bonds	206,766	149,065	-	-
Government bonds	68,552	65,532	-	-
Credit institution bonds	30,566	21,336	-	-
Other financial institution bonds	21,787	14,422	-	-
Total investments in fixed income securities	**327,671**	**250,355**	**-**	**-**
Other investments:				
Investment funds	485,557	407,398	-	-
Deposits with credit institutions	61,923	36,309	-	-
Compensations for distribution on behalf of deposit guarantee fund	17,284	30,657	17,284	30,657
Shares	71,771	37,227	-	-
Real estate	4,247	4,884	-	-
Loans	681	722	681	722
Other	91,774	104,541	-	-
Total other investments	**733,237**	**621,738**	**17,965**	**31,379**
Total assets under management	**1,060,908**	**872,093**	**17,965**	**31,379**

Customer profile on whose behalf the funds are managed

	EUR thousands			
	31/12/2020 Group	31/12/2019 Group	31/12/2020 Bank	31/12/2019 Bank
Pension plans	745,174	570,021	-	-
Insurance companies, investment and pension funds	161,338	131,214	-	-
Other companies and government	54,057	74,352	17,965	31,379
Private individuals	100,339	96,506	-	-
Total liabilities under management	**1,060,908**	**872,093**	**17,965**	**31,379**

In 2020 the Group acquired rights to manage 2nd tier Latvian pension investment plans of former AS PNB banka. As a result of this acquisition assets under management of the Group increased by more than EUR 100 million. To benefit from full economies of scale, the above PNB pension investment plans in 2021 are expected to be merged with existing CBL pension investment plans. The merger is conditional to regulatory approvals. Management right asset in the amount of consideration paid was recognised by the Group and will be amortised to expenses proportionally to the acquired asset expected management income streams.

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. The Group's risk management policies for each of the above-mentioned risks are briefly summarised below.

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

	Group as of 31/12/2020, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	1,049,958	48,214	32,837	-	15,597	1,146,606
Loans to credit institutions	2,702	-	-	16,681	31,904	51,287
Debt securities	420,977	601,713	68,507	485,620	183,373	1,760,190
Loans to public	875,681	493,598	149,436	8,876	13,632	1,541,223
Equity instruments	124	-	-	143	4,497	4,764
Other financial instruments	27,151	-	-	15,880	312	43,343
Derivatives	1,139	7	-	327	1	1,474
Other assets	37,200	7,716	2,854	36	625	48,431
Total assets	**2,414,932**	**1,151,248**	**253,634**	**527,563**	**249,941**	**4,597,318**
Liabilities						
Deposits from credit institutions and central banks	448,926	-	-	86	979	449,991
Deposits and borrowings from customers	2,596,230	558,796	58,769	238,025	219,570	3,671,390
Debt securities issued	60,080	-	-	-	-	60,080
Derivatives	3,002	8	-	1,441	10	4,461
Other liabilities	56,395	6,072	2,074	15	2,530	67,086
Total liabilities	**3,164,633**	**564,876**	**60,843**	**239,567**	**223,089**	**4,253,008**
Off-balance sheet items						
Contingent liabilities	15,684	5,230	919	205	1,865	23,903
Financial commitments	177,199	78,293	4,809	136	613	261,050

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). EUR 15.6 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 6.7 million are with Swiss credit institutions (2019: EUR 9.7 million), EUR 21.4 million with United States registered credit institutions (2019: EUR 22.2 million) and EUR 0.0 million are with Japanese credit institutions (2019: EUR 54.2 million) and. 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 (Reclassified)					
	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	356,465	300,005	1,208,479
Loans to public	948,091	418,995	152,514	12,832	35,466	1,567,898
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 31/12/2020, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	1,049,957	48,214	32,837	-	-	1,131,008
Loans to credit institutions	-	-	-	15,070	25,219	40,289
Debt securities	410,603	591,670	66,850	375,827	118,725	1,563,675
Loans to public	870,136	488,202	144,289	8,775	6,911	1,518,313
Equity instruments	124	-	-	143	4,497	4,764
Other financial instruments	13,834	-	-	-	-	13,834
Derivatives	1,139	7	-	327	1	1,474
Other assets	60,535	9,582	3,125	7	13,840	87,089
Total assets	**2,406,328**	**1,137,675**	**247,101**	**400,149**	**169,193**	**4,360,446**
Liabilities						
Deposits from credit institutions and central banks	448,926	-	-	86	21,947	470,959
Deposits and borrowings from customers	2,586,803	558,818	58,209	173,238	101,028	3,478,096
Debt securities issued	60,080	-	-	-	-	60,080
Derivatives	3,002	8	-	1,441	10	4,461
Other liabilities	22,171	5,551	1,504	15	10	29,251
Total liabilities	**3,120,982**	**564,377**	**59,713**	**174,780**	**122,995**	**4,042,847**
Off-balance sheet items						
Contingent liabilities	15,662	5,230	919	-	1,435	23,246
Financial commitments	182,061	85,821	7,854	136	217	276,089

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 21.4 million with United States registered credit institutions (2019: EUR 22.2 million) and EUR 0.0 million are with Japanese credit institutions (2019: Japanese credit institutions EUR 54.2 million).

	Bank as of 31/12/2019, EUR thousands (Reclassified)					
	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	210,711	220,601	972,315
Loans to public	985,514	417,571	147,477	12,446	26,247	1,589,255
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			
		31/12/2020 Group	31/12/2019 Group	31/12/2020 Bank	31/12/2019 Bank
1.	Liquidity buffer	2,061,640	1,506,948	1,985,199	1,367,784
2.	Net liquidity outflow	578,923	421,422	573,097	418,740
3.	**Liquidity coverage ratio**	**356%**	**358%**	**346%**	**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. 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 31 December 2020

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Individual TSCR, as determined by the FCMC (pillar 2 capital requirement)	1.29%	1.73%	2.30%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.50%	1.50%	1.50%
Countercyclical capital buffer	0.00%	0.00%	0.00%
Capital requirement	**9.80%**	**11.73%**	**14.30%**

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

Capital adequacy ratio (including net result for the period)

	EUR thousands			
	31/12/2020 Group	31/12/2019 Group	31/12/2020 Bank	31/12/2019 Bank
Common equity Tier 1 capital				
Paid up capital instruments	156,556	156,556	156,556	156,556
Retained earnings	176,651	172,070	156,574	160,346
Regulatory deductions	(5,599)	(8,539)	(5,187)	(7,992)
Other capital components and transitional adjustments, net	13,405	15,505	8,746	10,605
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	**401,013**	**395,592**	**376,689**	**379,515**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,340,639	1,555,638	1,303,818	1,490,030
Total exposure amounts for position, foreign currency open position and commodities risk	13,690	16,643	4,747	5,213
Total exposure amounts for operational risk	186,296	209,649	146,960	171,299
Total exposure amounts for credit valuation adjustment	933	544	933	544
Total risk exposure amount	**1,541,558**	**1,782,474**	**1,456,458**	**1,667,086**
Total capital adequacy ratio	**26.0%**	**22.2%**	**25.9%**	**22.8%**
Common equity Tier 1 capital ratio	**22.1%**	**18.8%**	**21.7%**	**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 31 December 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			
	31/12/2020 Group	**31/12/2019 Group**	**31/12/2020 Bank**	**31/12/2019 Bank**
Common equity Tier 1 capital, fully loaded	336,917	330,618	312,412	314,321
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	**396,917**	**390,618**	**372,412**	**374,321**
Total risk exposure amount, fully loaded	**1,537,951**	**1,778,058**	**1,452,523**	**1,662,406**
Total capital adequacy ratio, fully loaded	**25.8%**	**22.0%**	**25.6%**	**22.5%**
Common equity Tier 1 capital ratio, fully loaded	**21.9%**	**18.6%**	**21.5%**	**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.

	31/12/2020 Group	**31/12/2019 Group**	**31/12/2020 Bank**	**31/12/2019 Bank**
Leverage Ratio – fully phased-in definition of Tier 1 capital	7.3%	8.7%	7.1%	8.9%
Leverage Ratio – transitional definition of Tier 1 capital	7.4%	8.8%	7.1%	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 the Banking Package (CRR2/CRD5/BRRD2/SRMR2). In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD 2, it requires that all institutions must meet an individual MREL requirement. 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 eligible liabilities subject to conditions set in regulation 2019/876.

In light of adoption of Banking Package In 2020 the SRB published an updated MREL policy, effective from 2021. It 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.

SRB has determined the consolidated intermediate MREL target for Citadele Group at the level of 18.03% of TREA or 5.26% of LRE, whichever is higher, to be met by 1 January 2022 and the final calibrated MREL target to be met by 1 January 2024 at the level of 19.96% of TREA or 5.26% of LRE whichever is higher. After the transition period the Group shall comply with MREL at all times on the basis of evolving amounts of TREA/LRE.

The MREL targets were determined by the SRB using the financial and supervisory information as of 31 December 2019 and may be updated by the SRB in the future based on a more recent financial information of the Group.

NOTE 21. EVENTS AFTER THE REPORTING DATE

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 transaction was closed after the reporting date with Citadele obtaining full control from 4 January 2021. In 2021, after completion of the acquisition transaction, the acquired entity was renamed to SIA Citadele Leasing.

The acquisition includes Estonian and Lithuanian branches of the leasing entity and a subsidiary SIA CL Insurance Broker (former legal name SIA UniCredit Insurance Broker). The acquired leasing subsidiary 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 exceeds EUR 1 billion, creating a stronger Baltic Leasing offering allowing for economies of scale, synergies and shareholder value.

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. 231 "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	2020 Group	2019 Group	2020 Bank	2019 Bank
1.	Interest income	90,124	100,555	81,144	91,126
2.	Interest expense	(22,584)	(15,914)	(22,484)	(16,013)
3.	Dividend income	42	43	42	3,349
4.	Commission and fee income	51,761	56,388	43,445	47,406
5.	Commission and fee expense	(21,580)	(25,467)	(20,745)	(24,836)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1,334	1,313	1,234	618
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	(25,033)	503	(25,572)	-
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	6,076	6,719	6,587	6,588
10.	Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11.	Other income	19,154	2,298	3,629	3,163
12.	Other expense	(4,061)	(2,169)	(3,108)	(1,801)
13.	Administrative expense	(71,945)	(75,101)	(61,681)	(64,738)
14.	Amortisation and depreciation charge	(8,044)	(7,690)	(7,688)	(7,271)
15.	Gain or loss on modifications in financial asset contractual cash flows	160	(339)	160	(339)
16.	Provisions, net	1,937	(1,393)	1,973	(1,352)
17.	Impairment charge and reversals, net	(12,394)	(2,317)	(547)	3,395
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	(726)	-	(726)	-
20.	Profit or loss from non-current assets and disposal groups classified as held for sale	(307)	404	(307)	(71)
21.	**Profit before taxation**	**3,914**	**37,833**	**(4,644)**	**39,224**
22.	Corporate income tax	(306)	(1,329)	(117)	(248)
23.	**Net profit / loss for the period**	**3,608**	**36,504**	**(4,761)**	**38,976**
24.	**Other comprehensive income for the period**	**(1,692)**	**6,514**	**(1,624)**	**4,058**

Balance Sheet, regulatory format

	EUR thousands	31/12/2020 Group	31/12/2019 Group	31/12/2020 Bank	31/12/2019 Bank
1.	Cash and demand balances with central banks	1,146,606	707,914	1,131,008	691,455
2.	Demand deposits due from credit institutions	31,018	92,781	20,020	68,306
3.	Financial assets designated at fair value through profit or loss	49,314	34,497	19,805	960
3.1.	*Including loans to public and credit institutions*	-	-	-	-
4.	Financial assets at fair value through other comprehensive income	377,240	409,588	224,976	237,719
5.	Financial assets at amortised cost	2,944,709	2,406,930	2,877,548	2,363,092
5.1.	*Including loans to public and credit institutions*	*1,561,492*	*1,596,512*	*1,538,582*	*1,616,970*
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	274	-	46,756	34,161
9.	Tangible assets	12,930	49,989	14,143	18,231
10.	Intangible assets	5,981	4,698	5,832	4,571
11.	Tax assets	3,272	3,136	3,057	2,886
12.	Other assets	25,028	30,373	16,355	23,200
13.	Non-current assets and disposal groups classified as held for sale	946	2,862	946	2,862
14.	**Total assets (1.+....+13.)**	**4,597,318**	**3,742,768**	**4,360,446**	**3,447,443**
15.	Due to central banks	438,838	6	438,838	6
16.	Demand liabilities to credit institutions	1,069	1,631	2,824	5,385
17.	Financial liabilities designated at fair value through profit or loss	40,471	38,428	4,461	528
17.1	*Including deposits from customers*	*36,010*	*37,900*	-	-
18.	Financial liabilities measured at amortised cost	3,705,544	3,311,678	3,567,473	3,084,570
18.1	*Including deposits from customers*	*3,645,464*	*3,251,634*	*3,507,393*	*3,024,526*
19.	Derivatives – hedge accounting	-	-	-	-
20.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21.	Provisions	2,211	4,150	2,133	4,108
22.	Tax liabilities	677	1,257	115	-
23.	Other liabilities	64,198	44,893	27,003	30,532
24.	Liabilities included in disposal groups classified as held for sale	-	-	-	-
25.	**Total liabilities (15.+...+24.)**	**4,253,008**	**3,402,043**	**4,042,847**	**3,125,129**
26.	Shareholders' equity	344,310	340,725	317,599	322,314

27.	**Total liabilities and shareholders' equity (25.+26.)**	**4,597,318**	**3,742,768**	**4,360,446**	**3,447,443**
28.	**Memorandum items**	**284,953**	**353,059**	**299,335**	**433,035**
29.	Contingent liabilities	23,903	22,809	23,246	22,107
30.	Financial commitments	261,050	330,250	276,089	410,928

ROE and ROA ratios

	2020 Group	2019 Group	2020 Bank	2019 Bank
Return on equity (ROE) (%)	1.05%	11.45%	(1.49%)	13.21%
Return on assets (ROA) (%)	0.09%	1.07%	(0.12%)	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	31/12/2020 Group	31/12/2019 Group	31/12/2020 Bank	31/12/2019 Bank
1	**Own funds (1.1.+1.2.)**	**397,599**	**395,592**	**376,689**	**379,515**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	337,599	335,592	316,689	319,515
1.1.1	*Common equity Tier 1 capital*	*337,599*	*335,592*	*316,689*	*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.)**	**1,541,558**	**1,782,474**	**1,456,458**	**1,667,086**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,340,640	1,555,638	1,303,818	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	13,690	16,643	4,747	5,213
2.4	Total risk exposure amount for operational risk	186,296	209,649	146,960	171,299
2.5	Total risk exposure amount for credit valuation adjustment	933	544	933	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)	**21.9%**	**18.8%**	**21.7%**	**19.2%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	268,229	255,381	251,148	244,496
3.3	Tier 1 capital ratio (1.1./2.*100)	**21.9%**	**18.8%**	**21.7%**	**19.2%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	245,106	228,644	229,302	219,489
3.5	Total capital ratio (1./2.*100)	**25.8%**	**22.2%**	**25.9%**	**22.8%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	274,275	252,994	260,172	246,148
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	61,662	75,609	58,258	75,152
4.1	Capital conservation buffer	38,539	44,562	36,411	41,677
4.2	Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3	Institution specific countercyclical buffer	-	4,310	-	8,468
4.4	Systemic risk buffer	-	-	-	-
4.5	Other systemically important institution buffer	23,123	26,737	21,847	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	21.9%	18.8%	21.7%	19.2%
5.3	Tier 1 capital ratio including line 5.1 adjustments	21.9%	18.8%	21.7%	19.2%
5.4	Total capital ratio including line 5.1 adjustments	25.8%	22.2%	25.9%	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. In the disclosure above, in the Group's and the Bank's Tier 1 capital audited profits (but not un-audited profits) and both audited and un-audited loss for the reporting period are included.

	EUR thousands	31/12/2020 Group	31/12/2019 Group	31/12/2020 Bank	31/12/2019 Bank
1.A	**Own funds, IFRS 9 transitional provisions not applied**	**393,503**	**390,618**	**372,412**	**374,321**
1.1.A	Tier 1 capital, IFRS 9 transitional provisions not applied	333,503	330,618	312,412	314,321
1.1.1.A	*Common equity Tier 1 capital, IFRS 9 transitional provisions not applied*	*333,503*	*330,618*	*312,412*	*314,321*
2.A	**Total risk exposure amount, IFRS 9 transitional provisions not applied**	**1,537,951**	**1,778,058**	**1,452,523**	**1,662,406**
3.1.A	Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	21.7%	18.6%	21.5%	18.9%
3.3.A	Tier 1 capital ratio, IFRS 9 transitional provisions not applied	21.7%	18.6%	21.5%	18.9%
3.5.A	Total capital ratio, IFRS 9 transitional provisions not applied	25.6%	22.0%	25.6%	22.5%

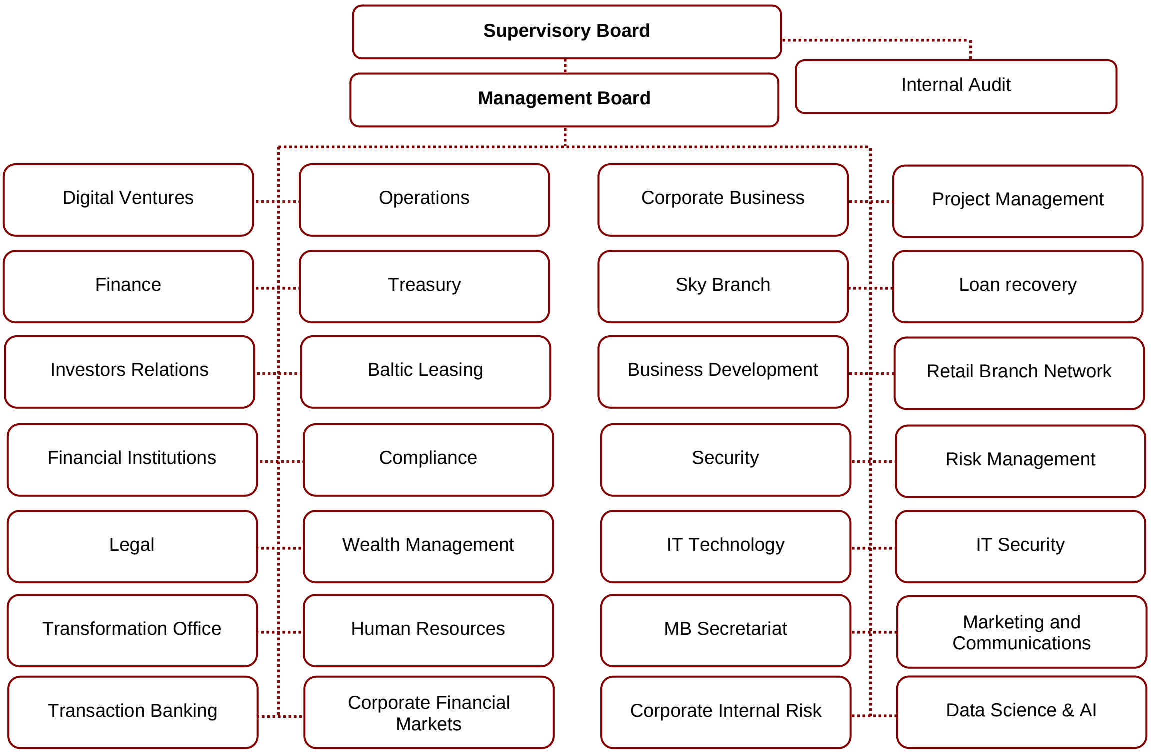
Business Strategy and Objectives

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 20 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, EUR thousands				
	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Interest income	21,892	22,090	22,472	23,670	25,210
Interest expense	(5,152)	(5,174)	(6,752)	(5,506)	(4,399)
Net interest income	**16,740**	**16,916**	**15,720**	**18,164**	**20,811**
Fee and commission income	13,529	13,624	11,711	12,897	14,580
Fee and commission expense	(5,851)	(5,158)	(5,039)	(5,532)	(6,651)
Net fee and commission income	**7,678**	**8,466**	**6,672**	**7,365**	**7,929**
Net financial income	5,301	(1,776)	(23,089)	2,101	2,373
Net other income / (expense)	15,336	396	(1,140)	(183)	419
Operating income	**45,055**	**24,002**	**(1,837)**	**27,447**	**31,532**
Staff costs	(13,009)	(11,876)	(13,073)	(12,930)	(13,168)
Other operating expenses	(5,333)	(5,230)	(5,975)	(4,519)	(6,246)
Depreciation and amortisation	(2,021)	(2,075)	(1,969)	(1,979)	(1,933)
Operating expense	**(20,363)**	**(19,181)**	**(21,017)**	**(19,428)**	**(21,347)**
Profit before impairment	**24,692**	**4,821**	**(22,854)**	**8,019**	**10,185**
Net credit losses	300	3,493	2,268	(15,412)	414
Other impairment losses	(448)	224	(871)	(11)	(1,415)
Operating profit before non-current assets held for sale	**24,544**	**8,538**	**(21,457)**	**(7,404)**	**9,184**
Result from non-current assets held for sale	(243)	17	(32)	(49)	754
Operating profit	**24,301**	**8,555**	**(21,489)**	**(7,453)**	**9,938**
Income tax	(194)	(29)	(7)	(76)	(662)
Net profit	**24,107**	**8,526**	**(21,496)**	**(7,529)**	**9,276**

	Group, EUR thousands (Reclassified)				
	31/12/2020	30/09/2020	30/06/2020	31/03/2020	31/12/2019
Assets					
Cash and cash balances at central banks	1,146,606	718,574	1,329,458	1,115,795	707,914
Loans to credit institutions	51,287	173,293	203,784	154,831	121,395
Debt securities	1,760,190	1,884,985	1,375,249	998,343	1,208,479
Loans to public	1,541,223	1,527,234	1,486,111	1,541,354	1,567,898
Equity instruments	4,764	5,646	5,103	4,705	5,092
Other financial instruments	43,343	42,996	42,976	33,260	39,972
Derivatives	1,474	2,508	6,025	2,368	960
Investments in related entities	274	-	-	-	-
Tangible assets	12,930	47,480	45,799	47,174	49,989
Intangible assets	5,981	5,450	5,112	4,777	4,698
Tax assets	3,272	3,297	3,346	3,739	3,136
Non-current assets held for sale	946	1,145	4,800	4,800	2,862
Other assets	25,028	23,780	25,169	20,016	30,373
Total assets	**4,597,318**	**4,436,388**	**4,532,932**	**3,931,162**	**3,742,768**
Liabilities					
Deposits from credit institutions and central banks	449,991	454,076	455,138	4,299	1,637
Deposits and borrowings from customers	3,671,390	3,541,995	3,651,661	3,485,077	3,289,534
Debt securities issued	60,080	60,965	60,053	60,949	60,044
Derivatives	4,461	1,664	1,861	1,116	528
Provisions	2,211	2,792	5,672	5,315	4,150
Tax liabilities	677	614	546	779	1,257
Other liabilities	64,198	52,901	46,229	44,414	44,893
Total liabilities	**4,253,008**	**4,115,007**	**4,221,160**	**3,601,949**	**3,402,043**
Equity					
Share capital	156,556	156,556	156,556	156,556	156,556
Reserves and other capital components	10,265	9,724	11,347	7,293	11,455
Retained earnings	177,489	155,101	143,869	165,364	172,714
Total equity	**344,310**	**321,381**	**311,772**	**329,213**	**340,725**
Total liabilities and equity	**4,597,318**	**4,436,388**	**4,532,932**	**3,931,162**	**3,742,768**
Off-balance sheet items					
Guarantees and letters of credit	23,903	19,131	20,286	21,699	22,809
Financial commitments	261,050	223,820	236,938	317,567	330,250

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.