A man with brown hair and a beard, wearing a dark blue button-down shirt, is smiling and looking at a laptop. He is sitting at a desk. In the background, there is a Christmas tree decorated with red ornaments and lights, and a large window with a view of a city skyline.

AS Citadele banka

INTERIM REPORT

For the nine months ended
30 September 2021

Key figures and events of the Group

Strong financial performance with net profit reaching EUR 44.7 million in 9 months 2021, which translated into 16.3% annualised return on equity. Net profit in Q3 2021 was EUR 12.2 million.

The number of active customers reached an all-time high of 358 thousand clients as of 30 September 2021, 11% growth y-o-y.

EUR 812 million issued in new financing to Baltic private, SME, corporate and leasing customers in 9 months 2021, 148% growth y-o-y. New financing in Q3 reached EUR 261 million, 11% growth q-o-q.

Baltic deposits continued to increase by EUR 413 million in 9 months 2021, or 13% growth vs. year-end 2020.

The Bank continues to operate on the back of prudent capital and liquidity ratios. Group's CAR (including period's result) was 19.0% and LCR of 161% as of 30 September 2021.

Moody's upgraded Citadele Banka's credit rating to Baa2 with stable outlook.

Citadele has completed issuance of EUR 200 million of senior unsecured preferred bonds in November 2021, rated Baa3 by Moody's. The purpose of the issuance is to meet Minimum Requirement for own funds and Eligible Liabilities (MREL).

EUR millions	9m 2021	9m 2020	9m 2019
Net interest income	80.9	50.8	63.8
Net fee and commission income	26.8	22.5	23.0
Net financial and other income	9.0	(23.7)	5.6
Operating income	116.7	49.6	92.4
Operating expense	(70.3)	(59.6)	(61.4)
Net credit losses and impairments	(0.1)	(10.3)	(2.7)
Net profit	44.7	(20.5)	27.2
Return on average assets (ROA)	1.25%	(0.67%)	1.11%
Return on average equity (ROE)	16.30%	(8.26%)	11.55%
Cost to income ratio (CIR)	60.3%	120.2%	66.5%
Cost of risk ratio (COR)	0.0%	0.8%	0.2%
<i>Adjusted for one-time item*:</i>			
Operating income	116.7	78.2	92.4
Net profit	44.7	8.1	27.2
Return on average assets (ROA)	1.25%	0.26%	1.11%
Return on average equity (ROE)	16.3%	3.2%	11.6%
Cost to income ratio (CIR)	60.3%	76.3%	66.5%

EUR millions	30 Sep 2021	31 Dec 2020	30 Sep 2020
Total assets	4,919	4,597	4,436
Loans to public	2,602	1,541	1,537
Deposits from customers	3,893	3,671	3,542
Shareholders' equity	388	344	321
Loan-to-deposit ratio	67%	42%	43%
Total capital adequacy ratio (CAR), transitional (including period's result)	19.0%	26.0%	22.2%
Common equity Tier 1 (CET1) capital ratio, transitional (including period's result)	16.4%	22.1%	18.7%
Full time employees	1,360	1,230	1,241

*9m 2020 is adjusted for one-time losses related to the tail risk defensive measures in the amount of EUR (28.6) million, included in "Net financial and other income".

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Rounding and Percentages

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

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

The third quarter marks another period where we have managed to increase our support to new and existing customer with uninterrupted best-in-class financial services and ensured that the bank continues to deliver strong financial results.

Johan Åkerblom

CEO and Chairman of the Management Board



Baltic region continues promising recovery

Baltic region continued successful recovery from Covid-19 pandemic supported by strong external demand, pick up in new lending and accommodative government policies. Recovery in the Baltic region so far has been stronger than in many other euro area countries and GDP has increased above pre-Covid-19 level. At the same time, recent surge in Covid-19 is a reminder that pandemic is not yet over and will most likely have a negative effect on economic growth in the last months of 2021. On the positive side we can clearly see that business has already adapted to remote working and the shift to e-commerce continues. There is also a positive development in vaccination rates in the Baltics and governments will help to limit economic losses with additional stimulus measures. In the world economy demand for goods remains strong, consequently driving manufacturing and export growth in the Baltics. As a result, unemployment is declining, wages continue to increase, and domestic demand is growing. Globally the strong demand has strained supply chains, led to shortages in some sectors, caused delivery delays as well as resulted in rapidly rising commodity, energy and transport prices. Inflationary risks are evident also in the Baltics as inflation has already exceeded 6% and is now at the highest level since 2008-2009 adding new uncertainty to economic outlook.

Growing client base

Overall business sentiment in Q3 2021 was positive. Active customers reached all time high of 358 thousand clients as of 30 September 2021, or 11% growth y-o-y. The number of active Mobile App users reached 191 thousand, a 38% increase y-o-y. It is

very reassuring to see that our customers continue to appreciate the services we provide and that engagement levels are increasing.

EUR 812 million issued in new financing to Baltic private, SME, corporate and leasing customers

New financing to our customers reached a record high of EUR 812 million in 9 months 2021, 2.5 times higher than the same period in 2020. EUR 261 million were issued in Q3 2021, 11% growth q-o-q.

The total loan book as of 30 September 2021 was EUR 2,602 million, 69% higher vs. year end 2020. Portfolio growth was impacted by acquisition of the SIA UniCredit Leasing (rebranded to SIA Citadele Leasing) at the beginning of year.

Overall, the financial standing of our clients is reassuring, and portfolio quality continued to improve and the NPL ratio stood at 3.2% as of 30 September 2021, vs. 3.5% at the end of 2020.

Strong financial results

Strong financial performance with net profit reaching EUR 44.7 million in 9 months 2021, which translated into 16.3% return on equity. Net profit in Q3 was EUR 12.2 million with Q3 ROE of 12.7%.

Citadele continues to operate with adequate capital and liquidity ratios: CAR (including period's result) of 19.0% and LCR of 161% as of 30 September 2021.

Customer deposits reached EUR 3,893 million as of 30 September 2021, increase of 6% compared to the end of 2020.

Moody's upgrades Citadele's credit rating to Baa2

On 13 September 2021, the international credit rating agency Moody's has upgraded Citadele's credit rating to Baa2 with

stable outlook. Upon upgrade of the credit rating, Moody's has taken into consideration the continued improvement in Citadele's solvency position, with the bank significantly reducing the proportion of non-performing loans, supported by strengthened capital generation, following the acquisition of SIA UniCredit Leasing (rebranded to SIA Citadele Leasing), and an improvement in the bank's operating environment.

Citadele joins Helve's Future Hub accelerator program

Future Hub, innovation accelerator established by Helve, brings together EU-level start-ups with the Baltic companies with an aim to create practical solutions for business sustainability challenges. Citadele has joined the second program of the accelerator as a co-organizer. During the program (from September to December 2021) start-ups are given an opportunity to work on a current sustainability challenges together with market-leading companies. The aim of the program is to ensure the sustainable innovation development and to promote cooperation between market-leading companies.

Post reporting period events Citadele issues EUR 200 million of senior unsecured bonds

Citadele has completed issuance of EUR 200 million of senior unsecured preferred bonds, rated Baa3 by Moody's. The bonds were issued with five years maturity, with issuer's optional redemption date after four years. The purpose of the issuance is to meet Minimum Requirement for own funds and Eligible Liabilities (MREL). Proceeds from the offer are to be used by Citadele for its general corporate purposes. The bonds are listed on Euronext Dublin and Nasdaq Riga.

Financial review of the Group

Results and profitability 9m 2021

Net interest income reached EUR 80.9 million in 9 months 2021, a 59% increase as compared to the respective period last year, primarily driven by higher interest income from SIA Citadele Leasing book and lower interest expenses resulting from optimised cash balances. Net interest income in Q3 2021 reached EUR 27.6 million, a 2% increase q-o-q.

The Group's **net fee and commission income** in 9 months 2021 reached EUR 26.8 million, which translates into a 19% increase vs. 9 months 2020, mainly due to recovered customer confidence and interest in savings products. Q3 2021 experienced an increasing net fee and commission income of EUR 9.9 million (+14% q-o-q).

Operating income in 9 months 2021 reached EUR 116.7 million, of which EUR 39.9 million relates to the second quarter (-1% q-o-q).

Operating expenses in 9 months 2021 increased to EUR 70.3 million, or 18% compared to 9 months 2020 reflecting the recent SIA UniCredit Leasing acquisition. Staff costs increased by 21% to EUR 45.8 million. The number of full-time employees was 1,360 vs. 1,230 as of 31 December 2020. Other costs were EUR 16.8 million (7% increase y-o-y). Depreciation and amortization expenses stood at EUR 7.8 million.

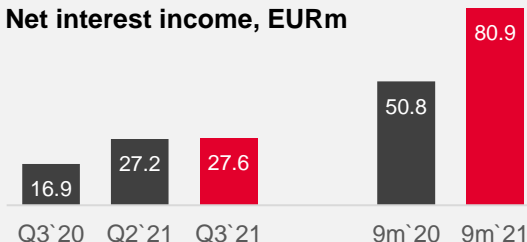
Citadele's **cost to income ratio** in 9 months 2021 improved to 60.3% versus 65% in 2020.

The overall credit quality of the loan book continued to improve, with no major individual impairments during the period with **net credit losses** of EUR (0.1) million in 9 months 2021.

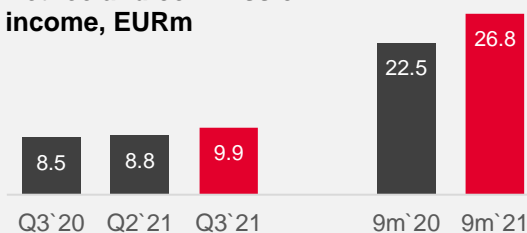
Stage 3 loans to public, gross ratio has decreased to 3.2% as of 30 September 2021, compared to 3.5% at the end of 2020, benefiting from improvement of asset quality within the leasing portfolio and recoveries from several legacy cases.

The Group's securities portfolio had stable performance over the first nine months of the year. The main factor driving returns of the portfolio remained the low yield environment in EUR currency that limits the overall profitability of securities investments. While rising yields in major currencies have had negative impact on the portfolio revaluation in 2021, the impact was mitigated by the low average duration of the portfolio and amortized cost treatment being applied to 86% of bond holdings.

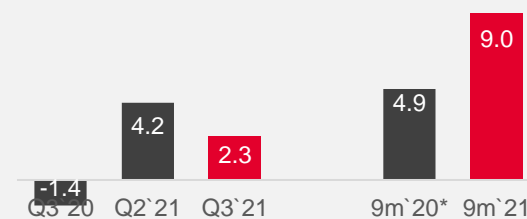
Net interest income, EURm



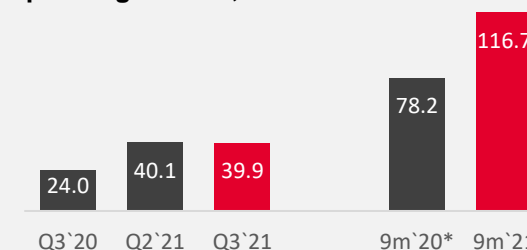
Net fee and commission income, EURm



Net Financial & other income, EURm

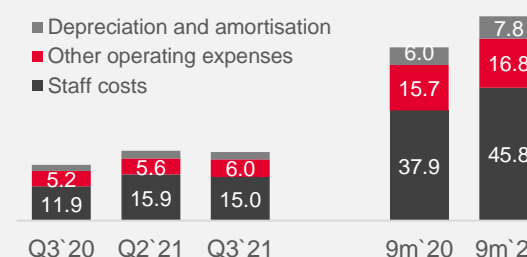


Operating income, EURm



*adjusted for one-time losses related to the tail risk defensive measures in the amount of EUR (28.6) million

Operating expense, EURm



Balance sheet overview

The **Group's assets** stood at EUR 4,919 million as of 30 September 2021 representing a 7% increase from year end 2020 (EUR 4,597 million).

The **net loan portfolio** was EUR 2,602 million as of 30 September 2021, increasing by EUR 1,061 million (69%) from year end 2020, mainly impacted by SIA UniCredit Leasing portfolio acquired at the beginning of year.

Strong growth also seen in new financing in 9 months 2021 reaching EUR 812 million, 2.5 times higher than in the same period in 2020. EUR 222 million were issued to retail customers, EUR 296 million to corporate customers and EUR 295 million to SIA Citadele Leasing clients. New financing in Q3 reached EUR 261 million, 11% growth q-o-q.

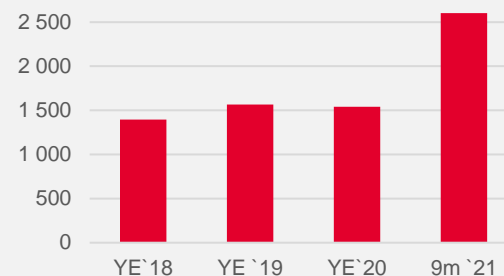
The loan portfolio's geographical profile, Latvia accounted for 48% of the portfolio, with EUR 1,247 million (vs. 57% as of year end 2020), followed by Lithuania at 37% with EUR 974 million (vs. 32% as of year end 2020) and Estonia at 14% with EUR 367 million (vs. 10% as of year end 2020).

Loans to Households represented 43% of the portfolio (vs. 46% as of year end 2020). Mortgages have increased by 32% since year end 2020, mainly due to ABLV portfolio acquisition. Consumer lending has remained flat and card lending has slightly decreased by 1% since year end 2020 impacted by increased savings by customers. Finance leases have increased seven times after the UniCredit Leasing loan book acquisition. Overall, the main industry concentrations were Real estate purchase and management (17% of gross loans), Transport and Communications (15%), Manufacturing (15%) and Trade (14%).

The Bank has optimised cash balances that allowed keeping the securities portfolio at a relatively stable level throughout 2021. Portfolio size increased by 3% over the first nine months that reflects growth of deposit portfolio.

The main source of funding, **customer deposits, grew** by 6% v.s. year end 2020. Baltic domestic customer deposits increased by EUR 413 million (+13%). As of 30 September 2021, total Group customer deposits were EUR 3,893 million.

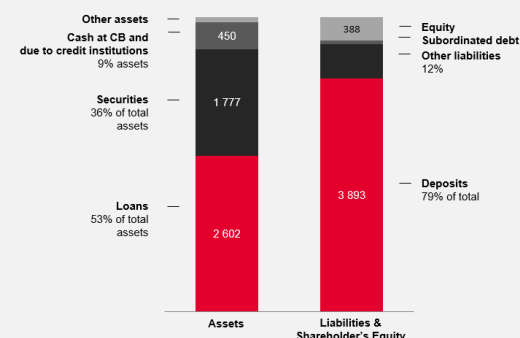
Loans, EURm



Deposits, EURm



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has assigned Baa2 rating with stable outlook (13 September 2021).

The main credit strengths are:

- Sound funding and liquidity, underpinned by a deposit-based funding model with lower reliance on non-resident funding
- Strong capitalization and improving asset quality

Moody's

Long term deposit	Baa2
Counterparty risk rating	Baa1/P-2
Short term deposit	P-2
Baseline Credit Assessment	ba1
Adjusted Baseline Credit Assessment	ba1
Outlook:	Stable

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 continued solid contribution to 9 months 2021 results, supported by economic recovery and increase of customer activity.

The number of active retail customers reached a new all-time high level for Citadele, and primary customers continued to grow reaching 176 thousand clients as of 30 September 2021, a 19% increase y-o-y.

New lending to retail customers reached EUR 222 million in 9 months 2021, of which EUR 73 million were issued in Q3 2021 (vs EUR 79 million in Q2 2021). Private individuals were major contributors in retail segment, with an issued amount of EUR 52 million in Q3 2021 and EUR 151 million YTD.

Total loans to private individuals and SME customers reached EUR 1,051 million, a 16% increase since year end 2020 with good loan quality.

Deposits from private individuals and SMEs reached EUR 2,017 million, a 13% increase since year end 2020.

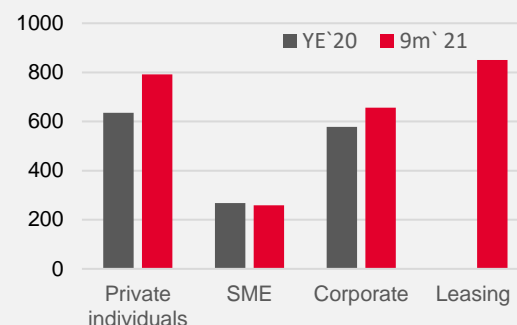
Improvements continued for customers' experience in remote channels, bringing better accessibility on banking services and keeping top position in NPS score among peers. Mobile App active users are increasing month by month, reaching 171 thousand private and 20 thousand legal entities as of 30 September 2021.

Corporate segment

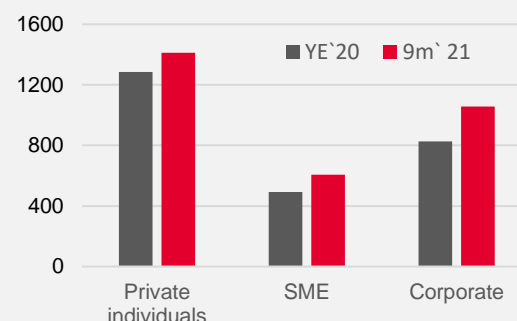
Corporate lending in 9 months 2021 was at a record high level - EUR 296 million disbursed to corporate banking clients and EUR 295 million issued to leasing clients. EUR 39 million invested in domestic market corporate bonds. Most active clients were in the real estate business, trade, manufacture and transportation. The corporate loan portfolio grew by 28% compared to year end 2020. Credit portfolio quality stayed stabile.

The deposit portfolio grew 28% vs. year-end 2020 and reached EUR 1,056 million as of 30 September 2021.

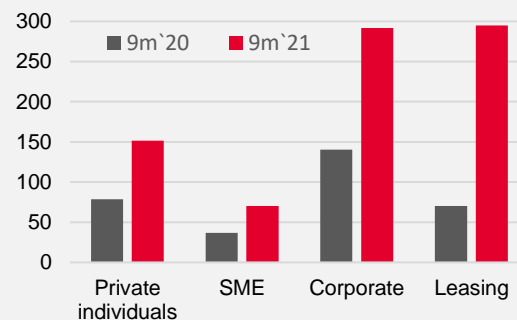
Loans, EURm



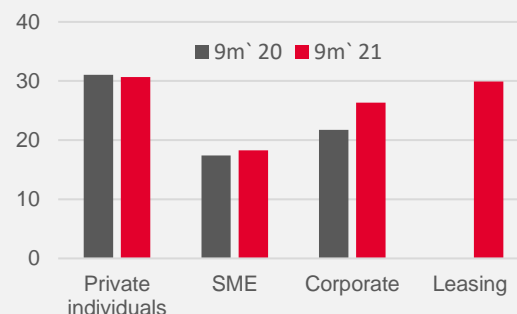
Deposits, EURm



New lending, EURm



Operating income, EURm



Business Environment

Strong global economic growth despite inflation

Global economy continues to recover from Covid-19 pandemic. IMF expects world GDP growth in 2021 to reach 5.9%. Recovery so far has been uneven between countries and sectors. Strong demand for goods has strained supply chains, led to shortages in some sectors, caused delivery delays as well as resulted in rapidly rising commodity, energy and transport prices.

According to IMF October 2021 forecasts, recovery in the global economy will continue in 2022 as world GDP is forecasted to grow by 4.9%. However, resurgence Covid-19 in the northern hemisphere despite high vaccination rates and unexpectedly strong pick-up inflation have increased uncertainty and risks.

Baltic region is recovering faster than euro area

Recovery in the Baltic region so far has been stronger than in other euro area countries. GDP in all three Baltic countries has already exceeded pre-Covid level. According to preliminary data, in Q3 GDP in both Latvia and Lithuania grew by 4.8% compared to previous year. In Q3 GDP in Latvia and Lithuania was 1.6% and 4.0% respectively above pre-Covid level while in Estonia in Q2 it was 6.7% higher. At the same time GDP in euro area in Q3 was still 0.5% below Q4 2019. Resurgence of Covid-19 and tightening of restrictions will negatively affect growth in Q4. At the same time vaccination rates in the Baltics have increased while companies have already adapted to remote working and e-commerce and governments will help to limit economic losses with additional stimulus measures.

Manufacturing and exports are driving the recovery

Baltic region continues to benefit from strong global demand for goods as manufacturing and export growth has led the overall economic recovery. In September 2021 manufacturing output in Latvia grew by 6.4% y-o-y while growth in Estonia reached 7% and 21.8% in Lithuania. At the same time exports have benefited from higher prices for wood and food products. Besides exports and manufacturing Baltic region has also seen strong recovery in domestic demand as retail sales have exceeded previous levels. Activity, entertainment and tourism orientated hotel and catering sectors remain well below pre-Covid levels due to ongoing restrictions.

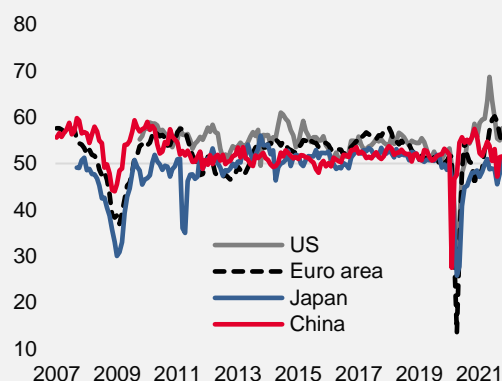
Inflation has increased faster than anticipated

Inflation in the Baltics has accelerated significantly faster than projected and currently is among the highest in the European Union. In October inflation in Latvia reached 6% for the first time since the beginning of 2009. Inflation reached 6.8% in Estonia and 8.2% in Lithuania.

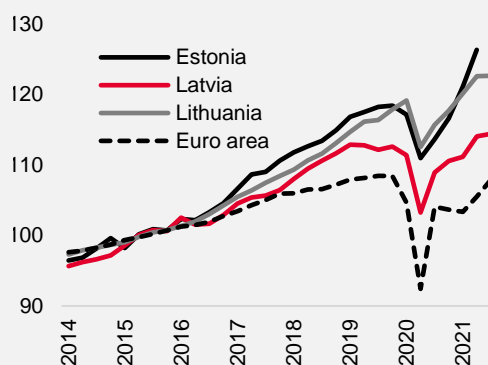
Rising inflation in the Baltics is mainly due to global factors, however inflation is becoming broader based, and producer price inflation in the Baltics has reached 15-20%. In addition, wage growth remains strong putting pressure on companies to pass on cost increases to consumers. Higher consumer prices can negatively affect real demand and is a risk to overall economic growth.

IHS Markit Composite PMI

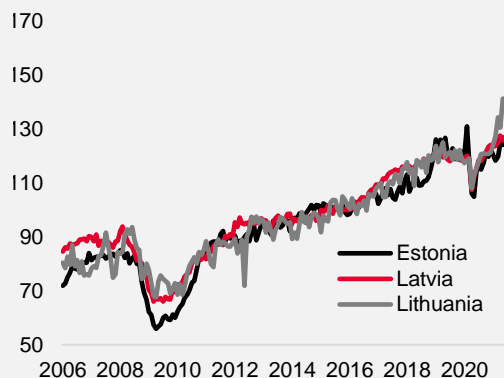
(Values above 50 indicate expansion)



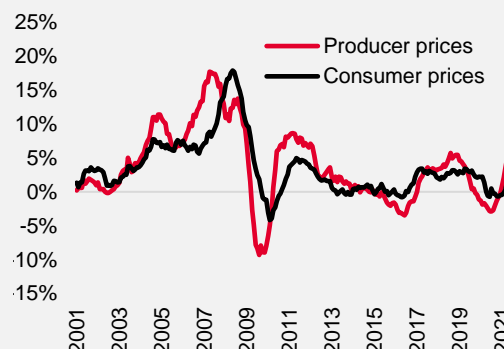
GDP (constant prices, 2015=100)



Manufacturing (constant prices, 2015=100)



Inflation in Latvia (% year-on-year)



CORPORATE GOVERNANCE

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

The Statement of Corporate Governance for 2020 is published on the Bank's website www.cblgroup.com.

Supervisory Board of the Bank as of 30/09/2021:

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

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

Management Board of the Bank as of 30/09/2021:

Name	Current position	Responsibility
Johan Åkerblom	Chairman of the Management Board	Chief Executive Officer
Valters Ābele	Member of the Management Board	Chief Financial Officer
Vladislavs Mironovs	Member of the Management Board	Chief Strategy Officer
Uldis Upenieks	Member of the Management Board	Chief Compliance Officer
Slavomir Mizak	Member of the Management Board	Chief Technology and Operations Officer
Vaidas Žagūnis	Member of the Management Board	Chief Corporate Commercial Officer
Rūta Ežerskienė	Member of the Management Board	Chief Retail Commercial Officer
Jūlija Lebedinska-Ļitvinova	Member of the Management Board	Chief Risk Officer

On 1 January 2021 Vladislavs Mironovs refocused on Strategy execution, Digital evolution and Business development, Valters Ābele took Chief Financial Officer role and Slavomir Mizak started running the merged IT and Operations organization. Former Chief Operations Officer Kaspars Jansons resigned on 1 January 2021. Effective from 1 February 2021 Rūta Ežerskienė joined the Management Board as Chief Retail Commercial Officer. Effective from 16 June 2021 Jūlija Lebedinska-Ļitvinova joined the Management Board and commenced duties of Chief Risk Officer of Citadele banka.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

The condensed interim financial statements set out on pages 11 to 34 are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 30 September 2021 and 31 December 2020 and the results of their operations and changes in shareholders' equity for the nine months periods ended 30 September 2021 and 30 September 2020 in accordance with IAS 34 Interim Reporting as adopted by the European Union. The management report set out on pages 4 to 9 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

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

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

STATEMENT OF INCOME

		EUR thousands			
	Note	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
Interest income	5	92,260	68,232	68,189	61,552
Interest expense	5	(11,391)	(17,432)	(10,964)	(17,383)
Net interest income		80,869	50,800	57,225	44,169
Fee and commission income	6	44,057	38,232	36,313	32,186
Fee and commission expense	6	(17,213)	(15,729)	(16,562)	(15,118)
Net fee and commission income		26,844	22,503	19,751	17,068
Net financial income	7	6,816	(22,764)	6,385	(22,620)
Net other income / (expense)		2,161	(927)	1,042	822
Operating income		116,690	49,612	84,403	39,439
Staff costs		(45,764)	(37,879)	(34,184)	(33,213)
Other operating expenses	8	(16,799)	(15,724)	(12,245)	(13,824)
Depreciation and amortisation		(7,759)	(6,023)	(5,719)	(5,670)
Operating expense		(70,322)	(59,626)	(52,148)	(52,707)
Profit before impairment		46,368	(10,014)	32,255	(13,268)
Net credit losses	9	(5)	(9,651)	(8,844)	(10,143)
Other impairment losses and other provisions		(142)	(658)	639	(957)
Operating profit / (loss) before non-current assets held for sale		46,221	(20,323)	24,050	(24,368)
Result from non-current assets held for sale		(153)	(64)	(153)	(64)
Operating profit / (loss)		46,068	(20,387)	23,897	(24,432)
Income tax		(1,329)	(112)	(310)	(19)
Net profit / (loss)		44,739	(20,499)	23,587	(24,451)
Basic earnings per share in EUR	17	0.29	(0.13)	0.15	(0.16)
Diluted earnings per share in EUR	17	0.28	(0.13)	0.15	(0.16)

The notes on pages 15 to 34 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
Net profit / (loss)	44,739	(20,499)	23,587	(24,451)
Other comprehensive income items that are or may be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Fair value revaluation reserve charged to statement of income (Note 7)	(351)	(577)	(379)	(639)
Change in fair value of debt securities and similar	(1,786)	(1,860)	(958)	(1,318)
Deferred income tax charged / (credited) directly to equity	146	72	-	-
<i>Other reserves</i>				
Foreign exchange retranslation	(105)	130	-	-
Other comprehensive income items that may not be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Change in fair value of equity and similar instruments	(42)	218	(42)	218
Transfer to retained earnings at disposal	-	2,645	-	2,645
Other comprehensive income / (loss)	(2,138)	628	(1,379)	906
Total comprehensive income / (loss)	42,601	(19,871)	22,208	(23,545)

The notes on pages 15 to 34 are an integral part of these financial statements.

BALANCE SHEET

		EUR thousands			
	Note	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Assets					
Cash and cash balances at central banks		370,806	1,146,606	361,540	1,131,008
Loans to credit institutions		78,725	51,287	58,446	40,289
Debt securities	10	1,729,212	1,760,190	1,579,470	1,563,675
Loans to public	11	2,602,470	1,541,223	2,491,690	1,518,313
Equity instruments	12	1,302	4,764	1,302	4,764
Other financial instruments	12	41,653	43,343	7,597	13,834
Derivatives		4,657	1,474	4,657	1,474
Investments in related entities	13	274	274	76,722	46,756
Tangible assets		22,643	12,930	12,550	14,143
Intangible assets		8,501	5,981	6,129	5,832
Current income tax assets		2,727	885	873	878
Deferred income tax assets		2,810	2,387	2,179	2,179
Non-current assets held for sale		946	946	946	946
Other assets		52,263	25,028	39,644	16,355
Total assets		4,918,989	4,597,318	4,643,745	4,360,446
Liabilities					
Deposits from credit institutions and central banks	14	477,492	449,991	492,878	470,959
Deposits and borrowings from customers	15	3,893,309	3,671,390	3,718,967	3,478,096
Debt securities issued	16	61,000	60,080	61,000	60,080
Derivatives		1,476	4,461	1,476	4,461
Provisions		2,763	2,211	2,824	2,133
Current income tax liabilities		217	213	217	115
Deferred income tax liabilities		442	464	-	-
Other liabilities		94,631	64,198	25,829	27,003
Total liabilities		4,531,330	4,253,008	4,303,191	4,042,847
Equity					
Share capital	17	156,888	156,556	156,888	156,556
Reserves and other capital components		8,260	10,265	3,223	4,469
Retained earnings		222,511	177,489	180,443	156,574
Total equity		387,659	344,310	340,554	317,599
Total liabilities and equity		4,918,989	4,597,318	4,643,745	4,360,446
Off-balance sheet items					
Guarantees and letters of credit	18	44,596	23,903	44,105	23,246
Financial commitments	18	297,747	261,050	364,805	276,089

The notes on pages 15 to 34 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands						
	Issued Share capital	Share premium	Securities fair value revaluation reserve	Foreign currency retrans- lation	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2019	156,556	-	6,083	3,994	1,199	172,893	340,725
Total comprehensive income for the period (unaudited)							
Net (loss) for the period	-	-	-	-	-	(20,499)	(20,499)
Share based payments to employees	-	-	-	-	465	62	527
Other comprehensive income / (loss) for the period	-	-	(2,147)	130	-	2,645	628
Balance as of 30/09/2020	156,556	-	3,936	4,124	1,664	155,101	321,381
Balance as of 31/12/2020	156,556	-	4,247	4,138	1,880	177,489	344,310
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	44,739	44,739
Share based payments to employees	332	239	-	-	(106)	283	748
Other comprehensive income / (loss) for the period	-	-	(2,033)	(105)	-	-	(2,138)
Balance as of 30/09/2021	156,888	239	2,214	4,033	1,774	222,511	387,659

	Bank, EUR thousands						
	Issued Share capital	Share premium	Securities fair value revaluation reserve	Share based payments	Retained earnings	Total equity	
Balance as of 31/12/2019	156,556	-	4,213	1,199	160,346	322,314	
Total comprehensive income for the period (unaudited)							
Net (loss) for the period	-	-	-	-	(24,451)	(24,451)	
Share based payments to employees	-	-	-	465	62	527	
Other comprehensive income / (loss) for the period	-	-	(1,739)	-	2,645	906	
Balance as of 30/09/2020	156,556	-	2,474	1,664	138,602	299,296	
Balance as of 31/12/2020	156,556	-	2,589	1,880	156,574	317,599	
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	23,587	23,587	
Share based payments to employees	332	239	-	(106)	282	747	
Other comprehensive income / (loss) for the period	-	-	(1,379)	-	-	(1,379)	
Balance as of 30/09/2021	156,888	239	1,210	1,774	180,443	340,554	

The notes on pages 15 to 34 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 2020 or for the nine months period ended 30 September 2020.

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

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

NOTE 2. GENERAL INFORMATION

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

As of 30 September 2021, the Group had 1,360 (2020: 1,230) and the Bank had 1,115 (2020: 1,152) full time equivalent active employees. Increase in the Group's full time equivalent active employees is a result of the acquisition of SIA Citadele Leasing (previously SIA UniCredit Leasing) in the beginning of 2021.

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 2020. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. This interim financial information should be read in conjunction with the 2020 annual financial statements for the Group and the Bank.

b) New standards and amendments

New standards, interpretations and amendments which were not applicable to the previous annual financial statements have been issued. Some of the standards become effective in 2021, others become effective for later reporting periods. In this section those relevant for the Group are summarised. Where the implementation impact was or is expected to be reasonably material it is disclosed.

New requirements effective for 2021 which did not have a significant effect to the Group

Amendments to IFRS 16 – COVID-19-Related Rent Concessions

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

Upcoming requirements not in force from 1 January 2021

Certain new standards, amendments to standards and interpretations have been endorsed by EU for the accounting periods beginning after 1 January 2021 or are not yet effective in the EU. These standards have not been applied in preparing these financial statements. The Group does not plan to adopt any of these standards early. The Group is in the process of evaluating the potential effect if any of changes arise from these new standards and interpretations.

IFRS 17 - Insurance Contracts. Expected to be effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied. The upcoming standard combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. Groups of insurance contracts have to be measured at a risk-adjusted present value of the future cash flows adjusted for unearned profits or losses. Profit from a group of insurance contracts is recognised over the period the insurance cover is provided, and as the risk is released; loss from a group of contracts is recognised immediately. The standard requires presenting insurance service results separately from insurance finance income or expenses and requires making an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

Amendments to IAS 1 – Classification of liabilities as current or non-current

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policy

Amendments to IAS 8 – Definition of Accounting Estimate

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

c) Functional and Presentation Currency

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

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

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU, requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses and

disclosure of contingencies. The management has applied reasonable and prudent estimates and judgments in preparing these financial statements. 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, 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 information as of 31 December 2020 and for the six months period ended 30 September 2020 have been restated for comparability by applying the most recent segmentation methodology.

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.

Corporate

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 clients serviced in Latvia, Lithuania and Estonia. This segment includes operations of IPAS CBL Asset Management, AS CBL Atklātais Pensiju Fonds and AAS CBL Life.

Swiss

This segment comprises operations of Kaleido Privatbank AG. On 1 April 2021 the legal name of the Swiss registered banking subsidiary AP Anlage & Privatbank AG was changed to Kaleido Privatbank AG.

Leasing

Leasing services provided to private individuals and companies in Latvia, Lithuania and Estonia by SIA Citadele Leasing.

Other

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

Segments of the Group

	Group 9m 2021, EUR thousands							
	Reportable segments							Total
	Private customers	SME	Corporate	Wealth	Swiss	Leasing	Other	
Interest income	26,963	10,987	20,203	1,399	1,128	27,964	3,616	92,260
Interest expense	(856)	(19)	(211)	(814)	(180)	(266)	(9,045)	(11,391)
Net interest income	26,107	10,968	19,992	585	948	27,698	(5,429)	80,869
Fee and commission income	12,991	8,841	8,415	10,005	2,023	758	1,024	44,057
Fee and commission expense	(7,832)	(3,104)	(4,152)	(1,200)	(312)	(26)	(587)	(17,213)
Net fee and commission income	5,159	5,737	4,263	8,805	1,711	732	437	26,844
Net financial income	563	1,582	1,076	960	297	(1)	2,339	6,816
Net other income	(1,133)	15	1,012	252	11	1,489	515	2,161
Operating income	30,696	18,302	26,343	10,602	2,967	29,918	(2,138)	116,690
Net funding allocation	(620)	(203)	(728)	360	45	(1,583)	2,729	-
FTP adjusted operating income	30,076	18,099	25,615	10,962	3,012	28,335	591	116,690
Net credit losses	(4,112)	425	(1,825)	(153)	(17)	7,144	(1,609)	(147)
Net result before operating expense	25,964	18,524	23,790	10,809	2,995	35,479	(1,018)	116,543
Not allocated income and expense, net								(71,804)
Net profit / (loss)								44,739

Group 9m 2020, EUR thousands (Reclassified for comparability)

	Reportable segments							
	Private customers	SME	Corporate	Wealth	Swiss	Leasing	Other	Total
Interest income	29,402	11,875	19,282	1,782	2,132	-	3,759	68,232
Interest expense	(1,616)	(40)	(477)	(2,739)	(399)	-	(12,161)	(17,432)
Net interest income	27,786	11,835	18,805	(957)	1,733	-	(8,402)	50,800
Fee and commission income	10,483	7,841	6,928	9,266	2,409	-	1,305	38,232
Fee and commission expense	(6,691)	(3,054)	(3,945)	(1,244)	(332)	-	(463)	(15,729)
Net fee and commission income	3,792	4,787	2,983	8,022	2,077	-	842	22,503
Net financial income	598	1,065	331	1,258	(388)	-	(25,628)	(22,764)
Net other income	(1,146)	(281)	(379)	(484)	(374)	-	1,737	(927)
Operating income	31,030	17,406	21,740	7,839	3,048	-	(31,451)	49,612
Net funding allocation	(1,497)	(483)	(2,173)	363	345	-	3,445	-
FTP adjusted operating income	29,533	16,923	19,567	8,202	3,393	-	(28,006)	49,612
Net credit losses	(812)	(1,063)	(2,305)	(4,980)	43	-	(1,192)	(10,309)
Net result before operating expense	28,721	15,860	17,262	3,222	3,436	-	(29,198)	39,303
Not allocated income and expense, net								(59,802)
Net profit / (loss)								(20,499)

Group as of 30/09/2021, EUR thousands

	Reportable segments							
	Private customers	SME	Corporate	Wealth	Swiss	Leasing	Other	Total
Assets								
Cash, balances at central banks	-	-	-	-	9,265	-	361,541	370,806
Loans to credit institutions	-	-	-	2,864	17,123	272	58,466	78,725
Debt securities	-	-	45,981	43,720	106,021	-	1,533,490	1,729,212
Loans to public	792,196	259,294	655,817	36,729	444	849,972	8,018	2,602,470
Equity instruments	-	-	-	-	-	-	1,302	1,302
Other financial instruments	-	-	-	34,056	-	-	7,597	41,653
Total segmented assets	792,196	259,294	701,798	117,369	132,853	850,244	1,970,414	4,824,168
Liabilities								
Deposits from banks	-	-	-	-	7	-	477,485	477,492
Deposits from customers	1,411,125	605,941	1,055,776	608,237	130,731	34,848	46,651	3,893,309
Debt securities issued	-	-	-	-	-	-	61,000	61,000
Total segmented liabilities	1,411,125	605,941	1,055,776	608,237	130,738	34,848	585,136	4,431,801

Group as of 31/12/2020, EUR thousands (Reclassified for comparability)

	Reportable segments							
	Private customers	SME	Corporate	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	635,448	268,344	578,021	39,431	6,711	-	13,268	1,541,223
Equity instruments	-	-	-	-	-	-	4,764	4,764
Other financial instruments	-	-	-	29,509	-	-	13,834	43,343
Total segmented assets	635,448	268,344	588,436	110,408	188,354	-	2,756,423	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

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
Interest income calculated using the effective interest method:				
Financial instruments at amortised cost:				
Loans to public	51,033	54,588	63,083	57,484
Debt securities	2,161	2,296	1,977	1,995
Cash balances at and lending to/from central banks and credit institutions (including TLTRO-III)	2,219	867	2,222	867
Deposits from public at negative interest rates	622	146	274	146
Debt securities at fair value through other comprehensive income	1,266	2,680	633	1,060
Interest income on finance leases (part of loans to public)	34,959	7,655	-	-
Total interest income	92,260	68,232	68,189	61,552
Interest expense on:				
Financial instruments at amortised cost:				
Deposits and borrowing from public	(6,603)	(10,668)	(6,235)	(10,349)
Debt securities issued	(2,720)	(2,722)	(2,720)	(2,722)
Deposits from/to credit institutions and central banks	(569)	(3,009)	(671)	(3,327)
Other	(88)	-	(49)	-
Financial liabilities at fair value through profit or loss				
Deposits and borrowing from public	(110)	(101)	-	-
Lease liabilities	(52)	(28)	(40)	(81)
Other interest expense	(1,249)	(904)	(1,249)	(904)
Total interest expense	(11,391)	(17,432)	(10,964)	(17,383)
Net interest income	80,869	50,800	57,225	44,169

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			
	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
Fee and commission income:				
Cards	23,810	20,209	23,774	20,161
Payments and transactions	9,173	8,930	7,936	7,462
Asset management and custody	6,701	5,329	1,338	1,175
Securities brokerage	740	1,186	439	755
Other fees	1,391	1,085	1,252	1,123
Total fee and commission income from contracts with customers	41,815	36,739	34,739	30,676
Guarantees, letters of credit and loans	2,242	1,493	1,574	1,510
Total fee and commission income	44,057	38,232	36,313	32,186
Fee and commission expense on:				
Cards	(13,475)	(12,230)	(13,475)	(12,230)
Asset management, custody and securities brokerage	(1,247)	(776)	(713)	(551)
Payments, transactions and other fees	(2,491)	(2,723)	(2,374)	(2,337)
Total fee and commission expense	(17,213)	(15,729)	(16,562)	(15,118)
Net fee and commission income	26,844	22,503	19,751	17,068

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
Foreign exchange trading, revaluation and related derivatives	5,713	4,758	5,352	5,100
Non-trading assets and liabilities at fair value through profit or loss	722	260	624	-
Assets at fair value through other comprehensive income	351	577	379	639
Assets at amortised cost	(12)	211	(12)	211
Other derivatives	-	(28,558)	-	(28,558)
Modifications in cash flows which do not result in derecognition	42	(12)	42	(12)
Total net financial income	6,816	(22,764)	6,385	(22,620)

In April 2020, as a response to a fast-developing Covid-19 situation, Citadele acquired option contracts. Among the acquired option contracts were derivative instruments linked to stock market and high yield bond indexes with exercise dates in July 2020 and September 2020. The objective of the acquired option contracts was to implement a tail risk defensive measures 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 option instruments provided for an insurance in a tail risk in a negative macro-economic development scenario. The acquired option contracts did not qualify for hedge accounting. EUR 28.6 million loss on other derivatives (options) reflects the loss incurred on negative revaluation on the acquired option contracts over the nine months period ended 30 September 2020. With recovery in 2020 proving stronger than anticipated and consequently market indexes fluctuating in ranges above option exercise prices, the acquired options stayed out-of-money, market value of the option contracts declined significantly, but so did the likelihood of a sharp and severe recession. As of 31 December 2020 and 30 September 2021, Citadele had no derivative option contracts outstanding as by that time all options had expired or were closed out.

NOTE 8. OTHER OPERATING EXPENSES

	EUR thousands			
	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
Information technologies and communications	(5,021)	(3,812)	(3,367)	(3,055)
Consulting and other services	(5,626)	(5,217)	(4,002)	(5,224)
Rent, premises and real estate	(2,147)	(2,047)	(1,709)	(1,284)
Advertising and marketing	(1,502)	(1,264)	(1,178)	(1,232)
Non-refundable value added tax	(1,596)	(1,962)	(1,330)	(1,813)
Other	(907)	(1,422)	(659)	(1,216)
Total other expenses	(16,799)	(15,724)	(12,245)	(13,824)

NOTE 9. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
Loans to credit institutions	59	(22)	51	(22)
Debt securities	(667)	(206)	(645)	(246)
Loans to public	(2,004)	(15,827)	(10,494)	(16,020)
Loan commitments, guarantees and letters of credit	(549)	2,006	(689)	2,020
Recovered written-off assets	3,156	4,398	2,933	4,125
Total net losses on financial instruments	(5)	(9,651)	(8,844)	(10,143)

Allowances for credit losses are recognised based on 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 events related to Covid-19, the adjustment for expected impact from future economic scenarios was substantially revised in the beginning of 2020. Consequently, expected credit loss charges recognised in the nine months period ended 30 September 2020 (the comparative period) for the Group and the Bank were higher than in the nine months period ended 30 September 2021 (the reporting period).

Due to the forward-looking nature of the credit loss estimation, the accumulated loss allowances do 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 significantly affected by a forward-looking economic scenarios component. In the reporting period EUR 10.5 million impairment charge for loans to public was recognised by the Bank as a result of application of a constantly prudent provisioning policy and an increase in the Bank's loans to public by EUR 980 million. For the Group EUR 2.0 million impairment charges were recognised.

In 2020 the Group and the Bank recognised an impairment overlay for Stage 1 classified loans to public exposures. The impairment overlay addressed increased uncertainty regarding the forward-looking economic conditions in the unusual environment where duration and severity of Covid-19 situation and associated possible disruptions to the Baltic economies and customers of the Group was 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. The impairment overlay as of 30 September 2021 was reassessed. The impairment overlay concept is maintained as the uncertainty continues to persist.

When a loan is fully or partially written-off, the claim against the borrower normally is not forgiven. From time to time previously written-off assets are recovered due to repayment, sale of pool of overdue assets to companies specialising in recoveries of balances in arrears, or as a result of other resolution. Such recoveries are reported as recovered written-off assets.

Classification of impairment stages

Stage 1 – Financial instruments without significant increase in credit risk since initial recognition

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

Stage 3 – Credit-impaired financial instruments

Allowances for credit losses and provisions

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
<u>Stage 1</u>				
Loans to credit institutions	51	104	51	104
Debt securities	1,859	1,191	1,773	1,127
Loans to public	33,925	19,662	23,548	17,384
Loan commitments, guarantees and letters of credit	2,319	1,903	2,380	1,825
Total stage 1 credit losses and provisions	38,154	22,860	27,752	20,440
<u>Stage 2</u>				
Loans to public	8,654	4,058	5,702	3,901
Loan commitments, guarantees and letters of credit	189	41	189	41
Total stage 2 credit losses and provisions	8,843	4,099	5,891	3,942
<u>Stage 3</u>				
Loans to public	35,623	35,720	32,833	34,475
Loan commitments, guarantees and letters of credit	155	167	155	167
Total stage 3 credit losses and provisions	35,778	35,887	32,988	34,642
Total allowances for credit losses and provisions	82,775	62,846	66,631	59,024
<i>Including for debt securities classified at fair value through other comprehensive income</i>	135	135	97	81
<i>Including for loans of SIA Citadele Leasing</i>	13,811	-	-	-

In the nine months period ended 30 September 2021, the increase of EUR 13.8 million in the Group's consolidated balance of allowances for credit losses is a result of the recent acquisition of SIA UniCredit Leasing (renamed to SIA Citadele Leasing), while the increase of EUR 1.0 million in the Bank's standalone stock of allowances for credit losses and provisions relates to credit lines extended to the recently acquired subsidiary.

In case of purchased or originated credit impaired (POCI) loans originated before acquisition date by the recently acquired subsidiary, the initial recognition date for these POCI loans in the Group's consolidated accounts is the acquisition date of the subsidiary. For POCI loans only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

NOTE 10. DEBT SECURITIES

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

	Group, EUR thousands					
	30/09/2021			31/12/2020		
	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	54,524	99,141	153,665	67,640	108,929	176,569
AA/Aa	41,001	263,975	304,976	78,451	251,826	330,277
A	217,604	966,256	1,183,860	204,857	988,657	1,193,514
BBB/Baa	16,094	24,133	40,227	25,763	23,389	49,152
Lower ratings or unrated	502	45,982	46,484	263	10,415	10,678
Total debt securities	329,725	1,399,487	1,729,212	376,974	1,383,216	1,760,190
<i>Including general government</i>	223,442	1,012,240	1,235,682	197,816	1,036,342	1,234,158
<i>Including credit institutions</i>	26,428	175,147	201,575	79,665	176,665	256,330
<i>Including classified in stage 1</i>	329,725	1,399,487	1,729,212	376,974	1,383,216	1,760,190

Bank, EUR thousands						
	30/09/2021			31/12/2020		
	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	26,265	84,701	110,966	27,671	93,808	121,479
AA/Aa	14,463	251,647	266,110	33,067	238,556	271,623
A	179,996	953,080	1,133,076	162,938	974,237	1,137,175
BBB/Baa	1,499	21,837	23,336	1,034	21,949	22,983
Lower ratings or unrated	-	45,982	45,982	-	10,415	10,415
Total debt securities	222,223	1,357,247	1,579,470	224,710	1,338,965	1,563,675
<i>Including general government</i>	<i>180,844</i>	<i>993,716</i>	<i>1,174,560</i>	<i>158,559</i>	<i>1,016,650</i>	<i>1,175,209</i>
<i>Including credit institutions</i>	<i>4,825</i>	<i>166,922</i>	<i>171,747</i>	<i>27,505</i>	<i>167,613</i>	<i>195,118</i>
<i>Including classified in stage 1</i>	<i>222,223</i>	<i>1,357,247</i>	<i>1,579,470</i>	<i>224,710</i>	<i>1,338,965</i>	<i>1,563,675</i>

Unrated debt securities or debt securities with lower ratings than BBB are mainly with corporates and are acquired or in some cases structured by the Bank as an alternative to ordinary lending transactions. Among considerations for originating such lending products is longer-term indirect benefits from development in local corporate debt markets and higher potential liquidity for lending products structured as debt securities.

Debt securities by country of issuer

Group, EUR thousands						
	30/09/2021			31/12/2020		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	556,998	43,184	600,182	594,762	6,951	601,713
Latvia	423,868	3,481	427,349	417,450	3,526	420,976
Estonia	73,606	21,363	94,969	48,027	20,480	68,507
Netherlands	14,374	68,163	82,537	14,641	81,459	96,100
Poland	69,445	5,536	74,981	71,716	5,574	77,290
Germany	15,663	58,137	73,800	16,011	60,846	76,857
United States	13,559	37,997	51,556	11,680	50,395	62,075
Sweden	3,023	45,386	48,409	3,107	42,602	45,709
Canada	4,219	38,188	42,407	5,192	43,718	48,910
Finland	4,999	30,920	35,919	4,998	32,819	37,817
Multilateral development banks	-	32,365	32,365	-	49,650	49,650
Other countries	55,928	108,810	164,738	46,574	128,012	174,586
Total debt securities	1,235,682	493,530	1,729,212	1,234,158	526,032	1,760,190

Bank, EUR thousands						
	30/09/2021			31/12/2020		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	548,939	41,420	590,359	586,259	5,411	591,670
Latvia	416,463	2,060	418,523	408,536	2,067	410,603
Estonia	73,606	19,212	92,818	48,027	18,823	66,850
Netherlands	10,646	59,776	70,422	10,870	64,664	75,534
Poland	66,282	3,067	69,349	68,507	3,092	71,599
Germany	9,999	47,271	57,270	9,999	46,280	56,279
Sweden	-	43,730	43,730	-	39,177	39,177
United States	10,719	25,559	36,278	9,999	29,813	39,812
Finland	4,999	30,920	35,919	4,998	31,163	36,161
Canada	-	32,778	32,778	-	35,181	35,181
Multilateral development banks	-	32,365	32,365	-	37,262	37,262
Other countries	32,907	66,752	99,659	28,014	75,533	103,547
Total debt securities	1,174,560	404,910	1,579,470	1,175,209	388,466	1,563,675

No payments on the debt securities are past due. Total exposure to any single country within "Other countries" group as of 30 September 2021 is smaller than with any of the above disclosed countries.

NOTE 11. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Financial and non-financial corporations				
Real estate purchase and management	252,642	215,831	238,115	212,639
Manufacturing	232,256	146,386	119,952	117,009
Transport and communications	227,972	100,920	37,517	38,161
Trade	211,011	109,635	84,096	86,307
Agriculture and forestry	156,436	79,927	73,801	56,156
Construction	122,367	40,760	50,014	29,761
Electricity, gas and water supply	61,486	46,059	49,329	43,727
Hotels, restaurants	46,183	43,108	39,956	41,321
Financial intermediation	19,894	22,470	960,883	219,877
Other industries	168,313	44,023	20,909	24,401
Total financial and non-financial corporations	1,498,560	849,119	1,674,572	869,359
Households				
Mortgage loans	715,769	541,636	715,769	541,636
Credit for consumption	69,374	68,721	69,374	68,721
Card lending	56,752	58,411	56,752	58,411
Finance leases	293,364	42,848	-	-
Other lending	22,749	20,204	17,175	16,515
Total households	1,158,008	731,820	859,070	685,283
General government	24,104	19,724	20,131	19,431
Total gross loans to public	2,680,672	1,600,663	2,553,773	1,574,073
Impairment allowance and provisions	(78,202)	(59,440)	(62,083)	(55,760)
Total net loans to public	2,602,470	1,541,223	2,491,690	1,518,313

Loans by overdue days and impairment stage

	Group, EUR thousands									
	30/09/2021					31/12/2020				
	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	2,350,346	180,035	32,002	(35,899)	2,526,484	1,429,589	84,151	13,780	(25,946)	1,501,574
Past due ≤30 days	37,070	18,860	4,637	(6,936)	53,631	22,496	4,736	1,095	(1,321)	27,006
Past due >30 and ≤90 days	-	9,312	4,501	(2,113)	11,700	-	4,043	1,873	(1,701)	4,215
Past due >90 days	-	-	43,909	(33,254)	10,655	-	-	38,900	(30,472)	8,428
Total loans to public	2,387,416	208,207	85,049	(78,202)	2,602,470	1,452,085	92,930	55,648	(59,440)	1,541,223
Guarantees and letters of credit	44,262	-	274	(146)	44,390	22,418	-	51	(142)	22,327
Financial commitments	295,442	1,590	386	(2,517)	294,901	258,432	1,814	408	(1,969)	258,685
Total credit exposure to public	2,727,120	209,797	85,709	(80,865)	2,941,761	1,732,935	94,744	56,107	(61,551)	1,822,235

As of 30 September 2021, the gross amount of Group's POCI loans to public is EUR 27.2 million (2020: EUR 0 million). The recognised expected credit loss allowance on POCI loans to public is EUR 0.4 million (2020: EUR 0 million). Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 18 (*Off-balance Sheet Items*).

Bank, EUR thousands										
	30/09/2021					31/12/2020				
	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	2,337,403	124,862	16,656	(27,008)	2,451,913	1,425,915	81,574	11,803	(23,180)	1,496,112
Past due ≤30 days	26,446	6,805	1,134	(5,541)	28,844	7,870	2,969	902	(1,105)	10,636
Past due >30 and ≤90 days	-	2,963	788	(996)	2,755	-	3,155	1,674	(1,554)	3,275
Past due >90 days	-	-	36,716	(28,538)	8,178	-	-	38,211	(29,921)	8,290
Total loans to public	2,363,849	134,630	55,294	(62,083)	2,491,690	1,433,785	87,698	52,590	(55,760)	1,518,313
Guarantees and letters of credit	43,771	-	274	(146)	43,899	21,761	-	51	(142)	21,670
Financial commitments	362,829	1,590	386	(2,578)	362,227	273,867	1,814	408	(1,891)	274,198
Total credit exposure to public	2,770,449	136,220	55,954	(64,807)	2,897,816	1,729,413	89,512	53,049	(57,793)	1,814,181

Stage 3 loans to public ratio

	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Stage 3 loans to public ratio, gross	3.2%	3.5%	2.2%	3.3%
Stage 3 loans to public ratio, net	1.9%	1.3%	0.9%	1.2%
Stage 3 impairment ratio	42%	64%	59%	66%

The 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 losses 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.

The stage 3 impairment ratio is calculated as impairment allowance for stage 3 exposures divided by gross loans to public classified as stage 3. Impairment allowance is the amount of expected credit loss expensed in the income statement as credit loss and is derived from historic loss rates and future expectations, and where available considering fair value of the loan collateral.

NOTE 12. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	30/09/2021				31/12/2020			
	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	41,653	1,099	-	42,752	43,343	4,497	-	47,840
Financial assets at fair value through other comprehensive income	-	79	124	203	-	143	124	267
Total non-fixed income securities, net	41,653	1,178	124	42,955	43,343	4,640	124	48,107
<i>Including unit-linked insurance plan assets</i>	<i>24,861</i>	<i>-</i>	<i>-</i>	<i>24,861</i>	<i>21,026</i>	<i>-</i>	<i>-</i>	<i>21,026</i>

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

As of 30 September 2021, the Bank and the Group has investments in mutual investment funds with carrying amounts of EUR 7.6 million (2020: EUR 13.8 million) and EUR 25.2 million (2020: EUR 27.2 million) which are managed by IPAS CBL Asset Management. Further, EUR 14.4 million (2020: EUR 10.8 million) of these Group's investments relate to unit-linked contracts, where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	30/09/2021				31/12/2020			
	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	7,597	1,099	-	8,696	13,834	4,497	-	18,331
Financial assets at fair value through other comprehensive income	-	79	124	203	-	143	124	267
Total non-fixed income securities, net	7,597	1,178	124	8,899	13,834	4,640	124	18,598

NOTE 13. INVESTMENTS IN RELATED ENTITIES

Changes in investments in related entities of the Bank

	EUR thousands	
	9m 2021	9m 2020
Balance at the beginning of the period, net	46,756	34,161
Equity investments and acquisitions	29,203	-
Liquidation of subsidiary	-	(649)
Change in impairment allowance	763	(222)
Balance at the end of the period, net	76,722	33,290
<i>Gross investment in subsidiaries as of the end of the period</i>	<i>99,733</i>	<i>70,660</i>

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. Citadele obtained full control from the beginning of January 2021. After completion of the acquisition transaction in 2021, 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). After the acquisition, Citadele refinanced existing borrowings of the acquired entity and committed lending of up to EUR 880 million in total. Over the two-year period leading up to the acquisition date a total of EUR 0.7 million acquisition costs were incurred. All acquisition-related costs have been recognised as other operating expense.

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.

As of 30 September 2021, the sales-purchase price has been finalised. The final settlement and the acquisition accounting for the business combination has been completed. Based on the fair value assessments of the business (modelling present value of future expected free equity distributable to the shareholders, after required equity allocation for capital adequacy compliance), assets, liabilities, potential intangibles and onerous agreements acquired, the major fair value adjustment was allocated to the loan portfolio, which was the main asset of the acquired entity. The fair value adjustment in relation to the Lithuanian branch of the acquired business triggered recognition of a deferred tax asset in the amount of EUR 0.8 million. The fair value assessment of the loan portfolio was derived by discounting expected future loan cash flows with up-to-date required lending yields and by estimating recoverability of the acquired loan contracts. The undiscounted gross contractual amounts receivable from the acquired loan portfolio were EUR 908 million with EUR 37 million recognised as an impairment loss on the contractual cash flows not expected to be collected. Besides allowances for impairment loss, on average higher required rate of return versus actual effective interest rates of the acquired loan portfolio contributed to a lower fair value than the portfolio's acquisition date carrying value.

Major agreements, customer-related intangibles and assumed commitments were analysed in detail, in particular client loyalty, acquiree's client portfolio overlap with existing Citadele's clients, sales channel structure and arrangements. Acquiree's existing borrowing from credit institutions were refinanced on the acquisition date at the amount outstanding which was fair value of these liabilities. Acquiree's existing trademarks were not part of the sales-purchase transaction and after a short transition period, usage of these was ceased.

Identifiable assets acquired and liabilities assumed as of the acquisition date of UniCredit leasing operations in the Baltics

Citadele obtained full control of the acquiree from the beginning of January 2021 which is the date of the transaction. No gain from bargain purchase or goodwill was recognised on the transaction as the fair value of the identifiable net assets acquired approximated the total consideration paid in cash to the previous owner. The overall day-one cash outflow for the Group as a result of the acquisition was EUR 799 million, as besides consideration paid and cash and cash equivalent obtained, AS Citadele Banka at an arm's length transaction refinanced acquiree's existing borrowing from credit institutions.

	EUR thousands
Cash and credit institution balances	23,709
Loans to public	792,341
Tangible and intangible assets	11,843
Deferred tax assets	915
Other assets	10,948
Borrowing from credit institutions	(793,056)
Other liabilities	(16,547)
Provisions	(950)
Total fair value of identifiable net assets acquired	29,203
Total consideration, paid in cash	(29,203)
Gain from bargain purchase / (Goodwill)	-

Changes in investments in other subsidiaries

In the reporting period valuation of SIA Citadele Factoring and SIA Hortus Residential was reassessed. In total EUR 0.8 million release of impairment in the investments in these subsidiaries was recognised as a result of an improved expectations of future free cash flows distributable to shareholders of SIA Citadele Factoring and an improved profitability of SIA Hortus Residential. SIA Hortus Land was liquidated on 27 September 2021 as the entity had no ongoing operations.

Consolidation Group subsidiaries and associated entities for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							30/09/2021	31/12/2020
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MT	-	-	-	-
SIA Citadele Leasing	40003423085	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	29,203	-
SIA Citadeles moduli	40003397543	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	15,932	15,932
Kaleido Privatbank AG	130.0.007.738-0	Switzerland, Bellerivestrasse 17, 8008, Zürich	BNK	MS	100	100	13,805	13,805
SIA Citadele Factoring	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	7,535	6,921
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
UAB Citadele Factoring	126233315	Lithuania, Upės g. 21, Vilnius, LT-0812	LIZ	MS	100	100	2,149	2,149
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	827	670
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
OU Citadele Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
SIA Mobilly (Investments in associates accounted for using the equity method)	40003654405	Latvia, Dzirnau iela 91 k-3 - 20, Rīga, LV-1011	ENI	CT	12.5	12.5	274	274
SIA Hortus Land (liquidated)	40103460961	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	-	8
SIA CL Insurance Broker	40003983430	Latvia, Riga, Republikas laukums 2A	PLS	MMS	100	100	-	-
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
Total net investments in subsidiaries and associated entities							76,722	46,756

On 1 April 2021 the legal name of the Swiss registered banking subsidiary AP Anlage & Privatbank AG was changed to Kaleido Privatbank AG. Similarly, in the reporting period SIA Citadele Lizings un Faktoringas was renamed to SIA Citadele Factoring, UAB Citadele faktoringas ir lizingas was renamed to UAB Citadele Factoring and OU Citadele Leasing & Factoring was renamed to OU Citadele Factoring.

Consolidation Group subsidiaries in liquidation process in foreign jurisdictions

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							30/09/2021	31/12/2020
Calenia Investments Limited (in liquidation)	HE156501	Cyprus	PLS	MS	100	100	-	-
OOO Mizush Asset Management Ukraina (in liquidation)	32984601	Ukraine	IBS	MMS	100	100	-	-

*BNK – bank, ENI – authorized electronic money institution, 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, MT – parent company, MTM – parent of the parent company, CT – other 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 period-end the appointed liquidator has received a tax clearance letter and is proceeding to obtain a formal final announcement from the statutory register on the liquidation of Calenia Investments Limited. According to standard procedure this should take few months; though, due to the Covid-19 situation's induced slowdown in document turnaround speeds, delays are experienced. For OOO Mizush Asset Management Ukraina a liquidator (AA PricewaterhouseCoopers Legal) has been appointed. The final tax audit has been completed. The final report is being prepared and will be submitted as per statutory requirement, in due time a formal liquidation decision from the statutory register is expected.

NOTE 14. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
ECB's targeted longer-term refinancing operations	476,663	438,833	476,663	438,833
Deposits from Citadele Group banks	-	-	15,393	20,968
Other credit institution deposits and collateral accounts	823	11,153	816	11,153
Other central bank deposits and accounts	6	5	6	5
Total deposits from credit institutions and central banks	477,492	449,991	492,878	470,959

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. In June 2021 TLTRO-III borrowing was increased by EUR 40 million. From 24 June 2020 a basic interest rate on TLTRO-III borrowing has been -0.5%. The interest rate is linked to a reference rate which may change in the future. For banks meeting the ECB's specified lending criteria, which Citadele met for the first reference period, the interest rate can be as low as -1.0% and is applicable retrospectively. Based on an internal assessment, part of the inflow of economic benefits from TLTRO-III borrowing with negative effective interest rate, which may be justified as market rate, is recognised within interest income. The remainder is a benefit of the below-market rate of interest and is recognised within other income as a support or compensation for the fulfilment of the required obligations and supporting customer needs.

NOTE 15. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Households	1,986,285	2,095,185	1,942,718	1,992,892
Non-financial corporations	1,481,710	1,280,670	1,383,993	1,187,775
Financial corporations	324,058	228,679	291,000	230,572
General government	62,159	49,576	62,159	49,576
Other	39,097	17,280	39,097	17,281
Total deposits from customers	3,893,309	3,671,390	3,718,967	3,478,096

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Demand deposits	3,397,153	3,015,900	3,306,263	2,873,767
Term deposits due within:				
less than 1 month	25,178	100,229	20,951	94,722
more than 1 month and less than 3 months	114,193	130,020	108,181	124,224
more than 3 months and less than 6 months	118,872	53,559	108,677	47,918
more than 6 months and less than 12 months	146,266	255,437	130,378	250,857
more than 1 year and less than 5 years	67,365	105,619	40,721	81,248
more than 5 years	24,282	10,626	3,796	5,360
Total term deposits	496,156	655,490	412,704	604,329
Total deposits from customers	3,893,309	3,671,390	3,718,967	3,478,096

Deposits and borrowings from customers by categories

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
At amortised cost	3,853,602	3,635,380	3,718,967	3,478,096
At fair value through profit or loss	39,707	36,010	-	-
Total deposits from customers	3,893,309	3,671,390	3,718,967	3,478,096
<i>Including unit-linked insurance plan liabilities</i>	<i>25,154</i>	<i>21,629</i>	<i>-</i>	<i>-</i>

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	Initial maturity date	Principal, EUR thousands	Amortised cost, EUR thousands	
					30/09/2021	31/12/2020
LV0000880011	EUR	5.50%	24/11/2027	20,000	20,348	20,070
LV0000802221	EUR	6.25%	06/12/2026	40,000	40,652	40,010
					61,000	60,080

Both issuances of unsecured subordinated securities qualify for inclusion in the Bank's and the Group's Tier 2 capital. For details on capital adequacy refer to *Capital management* section of the Note 20 (*Risk Management*).

Subsequent to the period end Citadele has issued a notice on early redemption of subordinated bond liabilities (ISIN Code LV0000802221) of EUR 40 million, subject to obtaining all necessary approvals. For more details refer to Note 21 (*Events after the Reporting Date*)

Profile of the bondholders as of the last coupon payment date

ISIN code of the issued bond	Last coupon date	Number of bondholders	Legal and professional investors			Private individuals		
			Number	EUR th.	%	Number	EUR th.	%
LV0000880011	24/05/2021	32	10	17,000	85%	22	3,000	15%
LV0000802221	06/06/2021	106	35	32,320	81%	71	7,680	19%

NOTE 17. SHARE CAPITAL

The Bank has one class ordinary shares. As of the period end, the Bank's registered and authorised share capital was EUR 158,686,654 (2020: EUR 158,511,384). From the total registered capital EUR 156,888,384 (2020: EUR 156,555,796) were issued and fully paid while EUR 1,798,270 (2020: EUR 1,955,588) were registered as conditional capital. The conditional capital represents the maximum number of shares that may be allocated for awarding to employees as share options. Subsequent to the period end, on 11 November 2021 the conditional capital of the Bank was increased to EUR 2,456,084. No dividends were proposed and paid during the reporting period. Each ordinary share carries one vote, a share in profits and is eligible for dividends.

Shareholders of the Bank

	30/09/2021		31/12/2020	
	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	42,772,216	42,772,216	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	15,577,301	15,577,301	13,864,142	13,864,142
NNS Luxembourg Investments S.à.r.l. ⁴	-	-	13,864,142	13,864,142
Amolino Holdings Inc. ⁵	15,639,924	15,639,924	13,863,987	13,863,987
Shuco LLC ⁶	12,297,697	12,297,697	10,998,979	10,998,979
Members of the Management Board of the Bank	302,732	302,732	-	-
Other shareholders	15,562,406	15,562,406	14,146,136	14,146,136
Total	156,888,384	156,888,384	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

In the reporting period 332,588 share options, previously awarded to the employees of the Bank, vested. All options were exercised on the vesting date, from these 302,732 were exercised by the Members of the Management Board of the Bank.

Earnings per share

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

	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
Profit for the period, EUR thousands	44,739	(20,499)	23,587	(24,451)
Weighted average number of the ordinary shares outstanding during the period in thousands	156,722	156,556	156,722	156,556
Basic earnings per share in EUR	0.29	(0.13)	0.15	(0.16)
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	156,722	156,556	156,722	156,556
Effect of share options in issue in thousands	1,033	826	1,033	826
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	157,755	157,382	157,755	157,382
Profit for the period, EUR thousands	44,739	(20,499)	23,587	(24,451)
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	157,755	157,382	157,755	157,382
Diluted earnings per share in EUR	0.28	(0.13)	0.15	(0.16)

NOTE 18. OFF-BALANCE SHEET ITEMS

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

Contingent liabilities and financial commitments outstanding

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Contingent liabilities:				
Outstanding guarantees	18,346	18,138	17,855	17,481
Outstanding letters of credit with public	26,190	4,331	26,190	4,331
Contingent liabilities with credit institutions	60	1,434	60	1,434
Total contingent liabilities	44,596	23,903	44,105	23,246
Provisions for credit risk	(146)	(142)	(146)	(142)
Maximum credit risk exposure for guarantees and letters of credit	44,450	23,761	43,959	23,104
Financial commitments:				
Card commitments	120,923	124,135	120,939	124,140
Unutilised credit lines and overdraft facilities	53,633	50,723	145,300	88,818
Loans granted, not fully drawn down	98,566	63,131	98,566	63,131
Factoring commitments	24,296	22,665	-	-
Other commitments	329	396	-	-
Total financial commitments	297,747	261,050	364,805	276,089
Provisions for financial commitments	(2,517)	(1,969)	(2,578)	(1,891)
Maximum credit risk exposure for financial commitments	295,230	259,081	362,227	274,198

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			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Fixed income securities:				
Corporate bonds	193,102	206,766	-	-
Government bonds	72,433	68,552	-	-
Credit institution bonds	37,206	30,566	-	-
Other financial institution bonds	21,839	21,787	-	-
Total investments in fixed income securities	324,580	327,671	-	-
Other investments:				
Investment funds	605,040	485,557	-	-
Deposits with credit institutions	10,188	61,923	-	-
Compensations for distribution on behalf of deposit guarantee fund	13,620	17,284	13,620	17,284
Shares	107,781	71,771	-	-
Real estate	4,179	4,247	-	-
Loans	648	681	648	681
Other	51,762	91,774	-	-
Total other investments	793,218	733,237	14,268	17,965
Total assets under management	1,117,798	1,060,908	14,268	17,965

Customer profile on whose behalf the funds are managed

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/03/2020 Bank
Pension plans	794,060	745,174	-	-
Insurance companies, investment and pension funds	182,037	161,338	-	-
Other companies and government	30,023	54,057	14,268	17,965
Private individuals	111,678	100,339	-	-
Total liabilities under management	1,117,798	1,060,908	14,268	17,965

In 2020 the Group acquired rights to manage 2nd tier Latvian pension investment plans of the former AS PNB banka. As a result of this acquisition assets under management of the Group increased by more than EUR 100 million. To achieve economies of scale, the above PNB pension investment plans in October 2021 were merged with existing CBL pension investment plans. 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 policies

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;
- The 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. Since 31 December 2020 the Group's exposure to market risk, interest rate risk, currency risk and operational risk has not changed materially. For each of these risks the Group has approved risk management policies and other internal regulations defining key risk management principles and processes, functions and responsibilities of units, risk concentration limits, as well as control and reporting system. For more details on the Group's risk management policies refer to the latest annual report of the Group and the interim disclosures below.

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

Group as of 30/09/2021, EUR thousands						
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	257,286	84,823	19,431	-	9,266	370,806
Loans to credit institutions	2,885	17	255	18,324	57,244	78,725
Debt securities	427,349	600,182	94,970	464,565	142,146	1,729,212
Loans to public	1,247,022	974,012	366,709	9,459	5,268	2,602,470
Equity instruments	124	-	-	79	1,099	1,302
Other financial instruments	25,196	-	-	16,190	267	41,653
Derivatives	4,468	27	-	160	2	4,657
Other assets	69,690	11,376	5,752	27	3,319	90,164
Total assets	2,034,020	1,670,437	487,117	508,804	218,611	4,918,989
Liabilities						
Deposits from credit institutions and central banks	477,343	-	-	86	63	477,492
Deposits and borrowings from customers	2,852,012	717,531	57,421	90,068	176,277	3,893,309
Debt securities issued	61,000	-	-	-	-	61,000
Derivatives	1,123	231	-	111	11	1,476
Other liabilities	69,591	15,143	9,536	50	3,733	98,053
Total liabilities	3,461,069	732,905	66,957	90,315	180,084	4,531,330
Off-balance sheet items						
Contingent liabilities	8,547	34,904	615	186	344	44,596
Financial commitments	179,631	95,908	21,655	115	438	297,747

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). EUR 9.3 million of the Group's cash and deposit with central banks balances presented as "Other countries" is with Swiss National Bank (2020: EUR 15.6 million). From the Group's loans to credit institutions presented as "Other countries" EUR 15.1 million are with Swiss credit institutions (2020: EUR 6.7 million) and EUR 22.3 million with United States registered credit institutions (2020: EUR 21.4 million). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments.

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

Bank as of 30/09/2021, EUR thousands						
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	257,286	84,823	19,431	-	-	361,540
Loans to credit institutions	-	-	-	16,328	42,118	58,446
Debt securities	418,522	590,359	92,818	379,315	98,456	1,579,470
Loans to public	1,734,401	567,978	175,701	9,044	4,566	2,491,690
Equity instruments	124	-	-	79	1,099	1,302
Other financial instruments	7,597	-	-	-	-	7,597
Derivatives	4,468	27	-	160	2	4,657
Other assets	112,154	10,083	2,835	2	13,969	139,043
Total assets	2,534,552	1,253,270	290,785	404,928	160,210	4,643,745
Liabilities						
Deposits from credit institutions and central banks	477,343	-	-	86	15,449	492,878
Deposits and borrowings from customers	2,840,343	718,159	56,659	16,205	87,601	3,718,967
Debt securities issued	61,000	-	-	-	-	61,000
Derivatives	1,123	231	-	111	11	1,476
Other liabilities	20,376	6,328	2,091	50	25	28,870
Total liabilities	3,400,185	724,718	58,750	16,452	103,086	4,303,191
Off-balance sheet items						
Contingent liabilities	8,526	34,904	615	50	10	44,105
Financial commitments	236,971	100,432	27,178	115	109	364,805

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). From the Bank's loans to credit institutions presented as "Other countries" EUR 21.5 million with United States registered credit institutions (2020: EUR 21.4 million).

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

Liquidity coverage ratio

The general principles of the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) as measurements of the Bank's and the Group's liquidity position are defined in the Regulation (EC) No 575/2013. The Commission Delegated Regulation (EU) 2015/61 defines general LCR calculation principles in more details. The minimum LCR requirement is 100% and it represents the amount of liquidity available to cover calculated net future liquidity outflows. The Bank and the Group is compliant with LCR requirements.

		EUR thousands			
		30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
1. Liquidity buffer		1,116,332	2,061,640	1,079,163	1,985,199
2. Net liquidity outflow		694,452	578,923	757,003	573,097
3. Liquidity coverage ratio		161%	356%	143%	346%

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 credit institutions 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. The 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 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%.

The Group and the Bank applies requirements of minimum loss coverage for non-performing exposures in line with FCMC regulations for the exposures originated until 25 April 2019, and in line with a regulation (EU) 2019/630 for exposures originated starting from 26 April 2019. The minimum loss coverage calculation is mathematically simplistic "calendar based" calculation for non-performing exposures, which is constructed on the principle - the longer an exposure has been non-performing, the lower the probability for the recovery of its value. Therefore, the portion of the exposure that should be covered by provisions, impairments, other adjustments or deductions should increase with time, following a pre-defined calendar. Insufficient coverage for non-performing exposures is deductible from the regulatory capital. Due to the Group's provisioning policy and portfolio structure, the regulation of minimum loss coverage for non-performing exposures has had minor impact on the Group's capital adequacy position.

The Bank has to comply with the regulatory requirements both at the Bank's standalone level and at the Group's consolidated level. As of the period end both the Bank and the Group have sufficient capital to comply with the FCMC's capital adequacy requirements. The long-term regulatory capital position of the Group and the Bank is planned and managed in line with these and other expected upcoming regulatory requirements.

Regulatory capital requirements of the Group on 30 September 2021

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Individual TSCR, as determined by the FCMC (pillar 2 capital requirement)	1.29%	1.73%	2.30%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.50%	1.50%	1.50%
Countercyclical capital buffer	0.00%	0.00%	0.00%
Capital requirement	9.79%	11.73%	14.30%

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

Capital adequacy ratio (including net result for the period)

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Common equity Tier 1 capital				
Paid up capital instruments	156,888	156,556	156,888	156,556
Retained earnings	221,069	176,651	180,443	156,574
Regulatory deductions	(7,979)	(5,599)	(5,603)	(5,187)
Other capital components and transitional adjustments, net	10,166	13,405	6,040	8,746
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	440,144	401,013	397,768	376,689
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2,121,260	1,340,639	2,112,335	1,303,818
Total exposure amounts for position, foreign currency open position and commodities risk	3,178	13,690	3,178	4,747
Total exposure amounts for operational risk	187,358	187,358	146,960	146,960
Total exposure amounts for credit valuation adjustment	3,973	933	3,973	933
Total risk exposure amount	2,315,769	1,542,620	2,266,446	1,456,458
Total capital adequacy ratio	19.0%	26.0%	17.6%	25.9%
Common equity Tier 1 capital ratio	16.4%	22.1%	14.9%	21.7%

The consolidated Group for regulatory purposes is different from the consolidated Group for accounting purposes. As per regulatory requirements AAS CBL Life, a licensed insurer, is not included in the consolidated Group for capital adequacy purposes. Consequently, it is excluded from own funds calculation and individual assets of AAS CBL Life are not included as risk exposures in the Group's capital adequacy calculation. Instead, the carrying value of the Group's investment in AAS CBL Life constitutes a risk exposure in the Group's capital adequacy ratio calculation.

Transitional adjustments applied as of 30 September 2021

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 the 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 is mostly discretionary. An 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.

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

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

	EUR thousands			
	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Common equity Tier 1 capital, fully loaded	377,218	336,917	334,713	312,412
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	437,218	396,917	394,713	372,412
Total risk exposure amount, fully loaded	2,313,344	1,539,013	2,263,738	1,452,523
Total capital adequacy ratio, fully loaded	18.9%	25.8%	17.4%	25.6%
Common equity Tier 1 capital ratio, fully loaded	16.3%	21.9%	14.8%	21.5%

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. The minimum requirement is 3%. The exposure measure includes both non-risk based on-balance sheet and off-balance sheet items calculated in accordance with the capital requirements regulation. The leverage ratio and the risk-based capital adequacy ratio requirements are complementary, with the leverage ratio defining the minimum capital to total exposure requirement and the risk-based capital adequacy ratios limiting bank risk-taking.

	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	7.6%	7.3%	7.0%	7.1%
Leverage Ratio – transitional definition of Tier 1 capital	7.6%	7.4%	7.1%	7.1%

Fully loaded and transitional capital adequacy ratio excluding net result for the period

The transitional capital adequacy ratio as of period end, if the net result since the latest audited financials as of 30 June 2021 is not included, for the Group is 18.5% and for the Bank is 17.2%; the transitional Tier 1 capital ratio for the Group is 15.9% and for the Bank is 14.6%. The fully loaded capital adequacy ratio, if the net result for the period is not included, for the Group is 18.4% and for the Bank is 17.1%; the fully loaded Tier 1 capital ratio for the Group is 15.8% and for the Bank is 14.4%.

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/SRM2). 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.

As a part of the new 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 is expected to be updated by the SRB annually based on more recent financial information of the Group.

NOTE 21. EVENTS AFTER THE REPORTING DATE

On 5 November 2021 Citadele issued a notice on early redemption of subordinated bonds of EUR 40 million

AS Citadele banka has issued subordinated bonds (ISIN LV0000802221 - EUR 6.25 CITADELE BANKA 10 YR SUB BOND 16-2026) in 2016 under the EUR 40 million First Unsecured Subordinated Bonds Programme listed on the Baltic Bond List of AS Nasdaq Riga.

Pursuant to Section 10.12. of the Base Prospectus of the programme, Citadele has right to redeem the above-mentioned Bonds for their nominal value prematurely. In order to maintain effective Citadele Group's Tier 2 capital management, the Management Board of Citadele has decided to exercise such early redemption right, subject to obtaining all necessary approvals.

The exact Early Redemption Date within the meaning of the Base Prospectus and other early redemption details are to be specified and announced in due course.

Citadele plans to issue subordinated bonds

AS "Citadele banka" plans to issue new subordinated bonds in the amount of up to EUR 40 million. The issuance is expected to take place in the near future. The proceeds from the offer are to be used by Citadele for its general business development and to further strengthen the regulatory capital structure.

Citadele issues EUR 200 million of senior unsecured bonds

Subsequent to the period end, on 17 November 2021, AS Citadele Banka has completed issuance of EUR 200 million of senior unsecured preferred bonds. The bonds were issued with five years maturity, with issuer's optional redemption date after four years. The purpose of the issuance is to meet Minimum Requirement for own funds and Eligible Liabilities (MREL). Proceeds from the offer are to be used by Citadele for its general corporate purposes.

The senior unsecured preferred bonds were offered to institutional investors. In total almost 40 investors participated in the offering. Out of total order book 59% was received from Nordic and Baltic investors, 27% from UK and 14% from investors of other European countries. The bonds were issued at a spread of 185 basis points over the mid-swap rate. The new security was priced with a coupon of 1.625%.

The bonds are listed on Euronext Dublin and Nasdaq Riga. As of the issuance date, the bonds are rated Baa3 by Moody's.

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

<i>EUR thousands</i>	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
1. Interest income	92,260	68,232	68,189	61,552
2. Interest expense	(11,391)	(17,432)	(10,964)	(17,383)
3. Dividend income	30	36	30	36
4. Commission and fee income	44,057	38,232	36,313	32,186
5. Commission and fee expense	(17,213)	(15,729)	(16,562)	(15,118)
6. Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	339	777	367	839
7. Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	722	(28,299)	624	(28,558)
8. Fair value change in the hedge accounting	-	-	-	-
9. Gain or loss from foreign exchange trading and revaluation of open positions	5,713	4,758	5,352	5,099
10. Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11. Other income	5,247	2,037	3,298	3,039
12. Other expense	(3,116)	(3,000)	(2,286)	(2,253)
13. Administrative expense	(62,563)	(53,603)	(46,429)	(47,037)
14. Amortisation and depreciation charge	(7,759)	(6,023)	(5,719)	(5,670)
15. Gain or loss on modifications in financial asset contractual cash flows	42	-	42	-
16. Provisions, net	(549)	1,356	(689)	1,370
17. Impairment charge and reversals, net	402	(11,665)	(7,516)	(12,470)
18. Negative goodwill recognised in profit or loss	-	-	-	-
19. Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	-	-	-	-
20. Profit or loss from non-current assets and disposal groups classified as held for sale	(153)	(64)	(153)	(64)
21. Profit before taxation	46,068	(20,387)	23,897	(24,432)
22. Corporate income tax	(1,329)	(112)	(310)	(19)
23. Net profit / loss for the period	44,739	(20,499)	23,587	(24,451)
24. Other comprehensive income for the period	(2,138)	628	(1,379)	906

Balance Sheet, regulatory format

<i>EUR thousands</i>	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
1. Cash and demand balances with central banks	370,806	1,146,606	361,540	1,131,008
2. Demand deposits due from credit institutions	57,148	31,018	36,906	20,020
3. Financial assets designated at fair value through profit or loss	47,409	49,314	13,354	19,805
3.1. Including loans to public and credit institutions	-	-	-	-
4. Financial assets at fair value through other comprehensive income	329,928	377,240	222,426	224,976
5. Financial assets at amortised cost	4,023,534	2,944,709	3,870,476	2,877,548
5.1. Including loans to public and credit institutions	2,624,047	1,561,492	2,513,230	1,538,582
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	274	76,722	46,756
9. Tangible assets	22,643	12,930	12,550	14,143
10. Intangible assets	8,501	5,981	6,129	5,832
11. Tax assets	5,537	3,272	3,052	3,057
12. Other assets	52,263	25,028	39,644	16,355
13. Non-current assets and disposal groups classified as held for sale	946	946	946	946
14. Total assets (1.+.....+13.)	4,918,989	4,597,318	4,643,745	4,360,446
15. Due to central banks	476,669	438,838	476,669	438,838
16. Demand liabilities to credit institutions	823	1,069	5,088	2,824
17. Financial liabilities designated at fair value through profit or loss	41,184	40,471	1,476	4,461
17.1. Including deposits from customers and credit institutions	39,707	36,010	-	-
18. Financial liabilities measured at amortised cost	3,914,601	3,705,544	3,791,088	3,567,473
18.1. Including deposits from customers and credit institutions	3,853,601	3,645,464	3,730,088	3,507,393
19. Derivatives – hedge accounting	-	-	-	-
20. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21. Provisions	2,763	2,211	2,824	2,133
22. Tax liabilities	659	677	217	115
23. Other liabilities	94,631	64,198	25,829	27,003
24. Liabilities included in disposal groups classified as held for sale	-	-	-	-
25. Total liabilities (15.+.....+24.)	4,531,330	4,253,008	4,303,191	4,042,847
26. Shareholders' equity	387,659	344,310	340,554	317,599
27. Total liabilities and shareholders' equity (25.+26.)	4,918,989	4,597,318	4,643,745	4,360,446

28. Memorandum items	342,343	284,953	408,910	299,335
29. Contingent liabilities	44,596	23,903	44,105	23,246
30. Financial commitments	297,747	261,050	364,805	276,089

ROE and ROA ratios

	9m 2021 Group	9m 2020 Group	9m 2021 Bank	9m 2020 Bank
Return on equity (ROE) (%)	16.30%	(8.26%)	9.56%	(10.49%)
Return on assets (ROA) (%)	1.25%	(0.67%)	0.70%	(0.85%)

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

Capital adequacy ratio

EUR thousands

	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
1 Own funds (1.1.+1.2.)	428,162	401,013	390,063	376,689
1.1 Tier 1 capital (1.1.1.+1.1.2.)	368,162	341,013	330,063	316,689
1.1.1 Common equity Tier 1 capital	368,162	341,013	330,063	316,689
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.)	2,315,769	1,542,620	2,266,446	1,456,458
2.1 Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	2,121,260	1,340,639	2,112,335	1,303,818
2.2 Total risk exposure amount for settlement/delivery	-	-	-	-
2.3 Total risk exposure amount for position, foreign exchange and commodities risks	3,178	13,690	3,178	4,747
2.4 Total risk exposure amount for operational risk	187,358	187,358	146,960	146,960
2.5 Total risk exposure amount for credit valuation adjustment	3,973	933	3,973	933
2.6 Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7 Other risk exposure amounts	-	-	-	-
3 Capital adequacy ratios				
3.1 Common equity Tier 1 capital ratio (1.1.1./2.*100)	15.9%	22.1%	14.6%	21.7%
3.2 Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	263,953	271,595	228,073	251,148
3.3 Tier 1 capital ratio (1.1./2.*100)	15.9%	22.1%	14.6%	21.7%
3.4 Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	229,216	248,456	194,077	229,302
3.5 Total capital ratio (1.2./2.*100)	18.5%	26.0%	17.2%	25.9%
3.6 Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	242,901	277,604	208,748	260,172
4 Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)	92,631	61,705	90,658	58,258
4.1 Capital conservation buffer	57,894	38,566	56,661	36,411
4.2 Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3 Institution specific countercyclical buffer	-	-	-	-
4.4 Systemic risk buffer	-	-	-	-
4.5 Other systemically important institution buffer	34,737	23,139	33,997	21,847
5 Capital adequacy ratios, including adjustments				
5.1 Impairment or asset value adjustments for capital adequacy ratio purposes	-	-	-	-
5.2 Common equity tier 1 capital ratio including line 5.1 adjustments	15.9%	22.1%	14.6%	21.7%
5.3 Tier 1 capital ratio including line 5.1 adjustments	15.9%	22.1%	14.6%	21.7%
5.4 Total capital ratio including line 5.1 adjustments	18.5%	26.0%	17.2%	25.9%

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 regulatory capital audited profits (the latest audited financials were as of 30 June 2021) and any losses accumulated up to the reporting date are included, but all other profits of the reporting period are excluded.

EUR thousands

	30/09/2021 Group	31/12/2020 Group	30/09/2021 Bank	31/12/2020 Bank
1.A Own funds, IFRS 9 transitional provisions not applied	425,236	396,917	387,008	372,412
1.1.A Tier 1 capital, IFRS 9 transitional provisions not applied	365,236	336,917	327,008	312,412
1.1.1 Common equity Tier 1 capital, IFRS 9 transitional provisions not applied	365,236	336,917	327,008	312,412
2.A Total risk exposure amount, IFRS 9 transitional provisions not applied	2,313,344	1,539,013	2,263,738	1,452,523
3.1.A Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.8%	21.9%	14.4%	21.5%
3.3.A Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.8%	21.9%	14.4%	21.5%
3.5.A Total capital ratio, IFRS 9 transitional provisions not applied	18.4%	25.8%	17.1%	25.6%

Business Strategy and Objectives

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

Branches

AS Citadele banka has 19 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 4 client consultation centres in Latvia. The Lithuanian branch has 6 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					
	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Interest income	31,598	30,653	30,009	21,892	22,090
Interest expense	(3,967)	(3,470)	(3,954)	(5,152)	(5,174)
Net interest income	27,631	27,183	26,055	16,740	16,916
Fee and commission income	15,896	14,709	13,452	13,529	13,624
Fee and commission expense	(5,955)	(5,956)	(5,302)	(5,851)	(5,158)
Net fee and commission income	9,941	8,753	8,150	7,678	8,466
Net financial income	2,138	2,293	2,385	5,301	(1,776)
Net other income / (expense)	191	1,874	96	15,336	396
Operating income	39,901	40,103	36,686	45,055	24,002
Staff costs	(15,001)	(15,895)	(14,868)	(13,009)	(11,876)
Other operating expenses	(6,032)	(5,558)	(5,209)	(5,333)	(5,230)
Depreciation and amortisation	(2,606)	(2,630)	(2,523)	(2,021)	(2,075)
Operating expense	(23,639)	(24,083)	(22,600)	(20,363)	(19,181)
Profit before impairment	16,262	16,020	14,086	24,692	4,821
Net credit losses	(3,775)	6,878	(3,108)	300	3,493
Other impairment losses	(35)	(89)	(18)	(448)	224
Operating profit before non-current assets held for sale	12,452	22,809	10,960	24,544	8,538
Result from non-current assets held for sale	(51)	(46)	(56)	(243)	17
Operating profit	12,401	22,763	10,904	24,301	8,555
Income tax	(250)	(648)	(431)	(194)	(29)
Net profit	12,151	22,115	10,473	24,107	8,526

Group, EUR thousands					
	30/09/2021	30/06/2021	31/03/2021	31/12/2020	30/09/2020
Assets					
Cash and cash balances at central banks	370,806	486,072	306,060	1,146,606	718,574
Loans to credit institutions	78,725	60,020	79,184	51,287	173,293
Debt securities	1,729,212	1,684,213	1,702,676	1,760,190	1,884,985
Loans to public	2,602,470	2,456,803	2,473,663	1,541,223	1,527,234
Equity instruments	1,302	1,311	1,281	4,764	5,646
Other financial instruments	41,653	39,633	43,587	43,343	42,996
Derivatives	4,657	3,889	5,094	1,474	2,508
Investments in related entities	274	274	274	274	-
Tangible assets	22,643	23,770	24,686	12,930	47,480
Intangible assets	8,501	8,212	7,474	5,981	5,450
Tax assets	5,537	5,340	4,216	3,272	3,297
Non-current assets held for sale	946	946	946	946	1,145
Other assets	52,263	35,447	41,324	25,028	23,780
Total assets	4,918,989	4,805,930	4,690,465	4,597,318	4,436,388
Liabilities					
Deposits from credit institutions and central banks	477,492	478,047	440,384	449,991	454,076
Deposits and borrowings from customers	3,893,309	3,797,982	3,737,707	3,671,390	3,541,995
Debt securities issued	61,000	60,088	60,981	60,080	60,965
Derivatives	1,476	1,120	1,392	4,461	1,664
Provisions	2,763	1,757	2,221	2,211	2,792
Tax liabilities	659	806	681	677	614
Other liabilities	94,631	90,860	93,953	64,198	52,901
Total liabilities	4,531,330	4,430,660	4,337,319	4,253,008	4,115,007
Equity					
Share capital	156,888	156,556	156,556	156,556	156,556
Reserves and other capital components	8,260	8,354	8,627	10,265	9,724
Retained earnings	222,511	210,360	187,963	177,489	155,101
Total equity	387,659	375,270	353,146	344,310	321,381
Total liabilities and equity	4,918,989	4,805,930	4,690,465	4,597,318	4,436,388
Off-balance sheet items					
Guarantees and letters of credit	44,596	46,144	47,658	23,903	19,131
Financial commitments	297,747	267,409	267,395	261,050	223,820

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.

ECB - European Central Bank.

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.