AS Citadele banka

Interim Report

For the six months ended
30 June 2019

Key figures and events of the Group

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

Number of active customers exceeded 281 thousand clients as at the end of H1 2019.

The Group's net profit in H1 2019 was EUR 16.2 million, which translates into 10.5% annual return on equity.

Total loan portfolio increased by EUR 128 million (9% year-on-year) and reached EUR 1,488 million.

EUR 285 million issued in new loans to Baltic private, SME and corporate customers in H1 2019.

Domestic deposits increased by EUR 202 million.

EUR millions	**H1 2019**	**H2 2018**	**H1 2018**
Net interest income	41.9	42.7	39.9
Net fee and commission income	14.4	16.2	15.8
Net financial and other income	4.7	5.1	8.4
Operating income	**60.9**	**64.0**	**64.0**
Operating expense	(41.4)	(42.4)	(43.9)
Net credit losses and impairments	(2.6)	(4.9)	(2.1)
Net profit	**16.2**	**16.9**	**18.0**
Return on average assets (ROA)	1.03%	1.11%	1.13%
Return on average equity (ROE)	10.5%	11.7%	13.1%
Cost to income ratio (CIR)	67.9%	66.2%	68.5%
Cost of risk ratio (COR)	0.3%	0.7%	0.3%

EUR millions	**30 Jun 2019**	**31 Dec 2018**	**31 Dec 2017**
Total assets	3,266	3,052	3,312
Loans to public	1,488	1,396	1,331
Deposits from customers	2,836	2,645	2,917
Shareholders' equity	319	297	269
Loan-to-deposit ratio	52%	53%	46%
Total capital adequacy ratio (CAR), transitional (including interim profits)	19.7%	20.1%	18.4%
Common equity Tier 1 (CET1) capital ratio, transitional (including interim profits)	16.6%	16.7%	15.0%
Full time employees	1,480	1,492	1,540

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Rounding and Percentages

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

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

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

"Customer expectations in terms of functionality, speed and availability of banking products and services are high, especially in digital channels. During H1 2019, our continued focus has been on further improvements and upgrades to Citadele's digital offering. We also continued to increase our lending footprint in both retail and corporate banking sectors, achieving 9% growth year-on-year in the Group's net loan portfolio. EUR 285 million of new loans were granted to private, SME and corporate clients across all 3 Baltic countries. Active customers experienced stable growth, reaching more than 281 thousand clients."

Guntis Beļavskis
Chairman of the Management Board, CEO

In H1 2019 Citadele Group (henceforth - the Group) continued to demonstrate a strong financial performance by growing its customer base across core business segments, ensuring a healthy capital base, as well as showing improvements in the Group's asset quality metrics.

Working to meet our customers' needs

Customer expectations in terms of functionality, speed and availability of banking products are high, especially in digital channels.

Our focus during H1 2019 has been on further improvements and upgrades to the bank's digital products.

We launched consumer loans via our Mobile App for Citadele clients with valid credit scores. In-store payments by smartphone have been expanded – Citadele's VISA cardholders, in addition to Mastercard and Maestro cardholders, are now able to pay via smartphone built on Android operating system. A focus on fast, convenient and secure banking solutions, has resulted in further improvements to MobileSCAN authentication and payment authorization.

Continuous digital channel development and the convenience of the existing remote services have resulted in increased customer activity. Since the beginning of the year Mobile App users and Internet bank customers increased by 24% and 3% respectively, reaching 99 thousand active Mobile App users and 177 thousand active Internet Bank customers.

At the same time, in order to ensure a personal approach to physical in-branch meetings - two new concept branches were opened in H1 2019.

Focus on Baltic private and corporate customers

Citadele continued to increase its lending footprint in both retail and corporate banking sectors, achieving 9% growth year-on-year.

Progress was also made in terms of deposits where the Group increased domestic deposits by EUR 202 million during H1 2019.

The number of active customers exceeded 281 thousand clients at the end of H1 2019.

CBL Asset Management creates Sustainable Opportunity Investment Plan

Noting the importance of sustainability considerations in financial system, the Bank's subsidiary and pension manager - CBL Asset Management (CBL AM) has created Latvia's first Sustainable Opportunity Investment Plan, a pension plan where savings are invested in businesses that are sustainability leaders in their respective industries.

CBL Asset Management has also joined the UN-supported declaration on Principles for Responsible Investment, becoming the first Latvia-based pension management company to operate according to these principles. By signing this declaration, CBL AM has committed to the principles of responsible investment - the company will now give additional weight to its analysis of environmental, social and governance (ESG) considerations when evaluating and selecting which companies to invest in, as well as promoting this practice within the industry.

Financial review of the Group

Despite worsened macro outlook, business sentiment in the Baltics is generally positive and consumer confidence is still improving. Activity levels in both private and corporate segments remained strong, the loan portfolio increased by 9% year-on-year. The Group's net profit in H1 2019 was EUR 16.2 million, which translates into 10.5% annual return on equity with a prudent capital and liquidity buffer

Results and profitability

The Group's **operating income** reached EUR 60.9 million, a 5% decrease year-on-year, mainly due to lower income from currency exchange and payments commissions.

Net interest income reached EUR 41.9 million, a 5% increase year-on-year, primarily driven by loan portfolio growth of 9%. The loan portfolio increase was the result of increased business activities in all customer segments, with private and small business showing year-on-year net interest income increases of 18% and 19%, respectively.

The Group's **net fee and commission income** in H1 2019 reached EUR 14.4 million, which was 9% lower than in H1 2018, mainly due to lower income from payments and transactions.

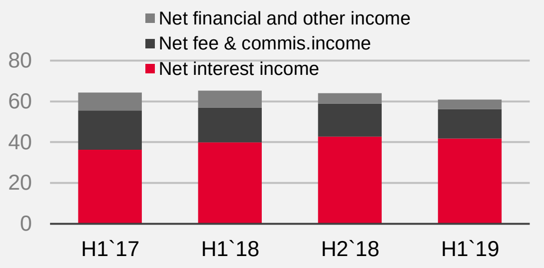
Operating expenses decreased by 6% in H1 2019 compared to the same period in 2018, mainly due to considerably lower consulting (-32%) and marketing expenses (-40%). Staff costs decreased by 1% and stood at EUR 27.2 million. The number of full time employees was 1,480 vs 1,492 as at year end 2018. Citadele continued to develop and launch innovative digital solutions and products, accordingly increasing IT costs that reached EUR 3.2 million in H1 2019 (10% increase year-on-year).

Citadele's cost to income ratio was 67.9% for H1 2019 versus 69.1% in H1 2018.

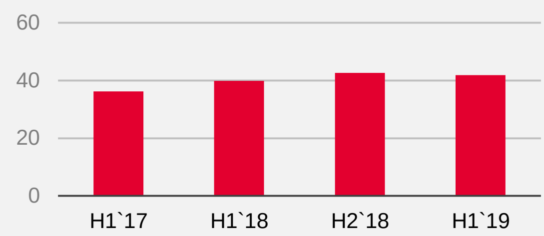
Net credit losses were EUR 2.6 million, mainly reflecting the growth of the portfolios. The credit quality of the Group's loan portfolio remained stable and there were no new major individual provisions. The securities portfolio also demonstrated stable development in terms of yield and risk profile. The Stage 3 loans to public ratio decreased to 6.3% as of 30 June 2019, as compared to 9.1% at the end of 2018.

Return on equity in H1 2019 was 10.5%.

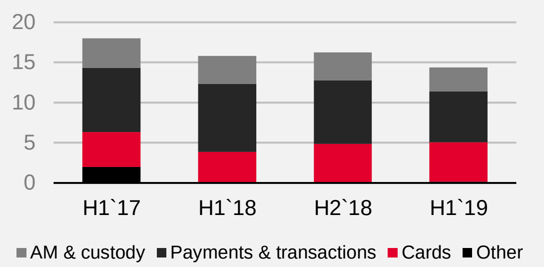
Operating income, EURm



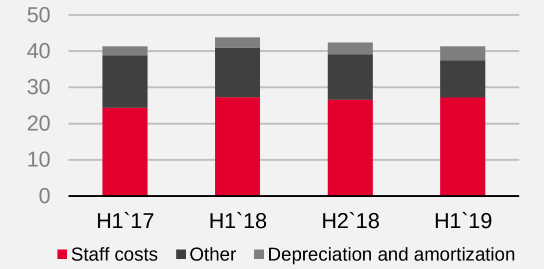
Net interest income, EURm



Net fee and commission income, EURm



Operating expense, EURm



Balance sheet overview

The Group's assets stood at EUR 3,266 million as of 30 June 2019, representing a 7% increase from the year end 2018 (EUR 3,052 million).

The **total loan portfolio** has grown by EUR 93 million (7%) from the year end 2018, reflecting prudent lending standards and ambition to retain loan book quality.

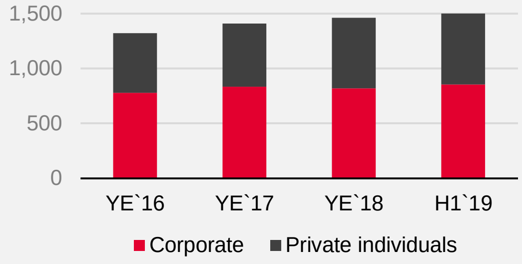
The loan portfolio was EUR 1,488 million as per end of H1 2019. **New lending** for H1 2019 reached EUR 285 million, with the Corporate portfolio seeing a healthy pipeline going forward. EUR 156 million was granted to Retail clients across all Baltic countries and EUR 129 million were granted to corporate customers (mainly in Latvia and Lithuania).

In terms of **geographical profile**, the loan portfolio breakdown by countries has remained unchanged over recent years. As of 30 June 2019, Latvia accounts for 61% of the portfolio (EUR 902 million), followed by Lithuania with 27% (EUR 406 million) and Estonia at 10% (EUR 150 million). Portfolios in Latvia and Lithuania also saw the largest increase since year end 2018 – by 8% (EUR 70 million) and 6% (406 million), respectively.

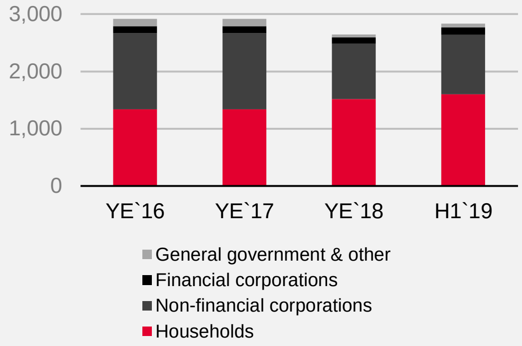
No major changes in **industry concentrations** occurred during H1 2019. Loans to Households represent 45% of the portfolio, where mortgages have experienced a stable increase in recent years and increased by 9% in H1 2019. Consumer loans and card lending have increased by 12% and 9%, respectively, since year end 2018. The main industry concentrations are Real estate (17% of total gross loans), Transport and communications (9%) and Manufacturing and Trade (8% and 7%, respectively).

The main source of funding, customer deposits, grew by 7% vs year end 2018, with growth coming from Baltic residents that increased by EUR 202 million during H1 2019. As of 30 June 2019, total Group customer deposits were EUR 2,836 million.

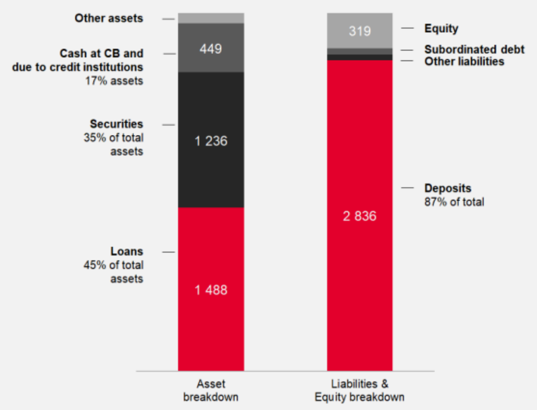
Loans, EURm



Deposits, EURm



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has assigned Citadele bank a deposit rating of Ba1, with a positive outlook (1 April 2019).

The main credit strengths are:

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

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

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

Retail segment continued focus on providing innovative digital products and services to our customers in the Baltic region

"Citadele clients currently make more than 95% of transactions through their online bank and Mobile App. The frequency of use for the Citadele Mobile App has seen considerable growth, demonstrating that clients increasingly value the convenience of remote services including the speed, and solutions introduced to the Citadele Mobile App."

Vladislavs Mironovs
Member of the Management Board, Chief Commercial Officer Retail

H1 2019 was characterized by a solid performance in the Retail segment in terms of customer acquisition, loan growth and digital channel development.

Increasing customer activity

The number of active customers continues to accelerate – 12.7 thousand new private and 2.9 thousand new SME clients were added during H1 2019 in the Baltics, reaching in total 255 thousand private and more than 15 thousand SME clients as at end of 30 June 2019.

Demand for digital products and services increases

We are committed to expand opportunities for Baltic private and businesses customers. Over recent years we have introduced various innovative banking technologies, including: intuitive mobile banking app with innovative features such as opening an account using a selfie, confirming payments using facial recognition and fingerprints, ability to pay using a wristband, sticker or smartphone, and more.

Clients increasingly value the convenience of digital products as the number of online bank customers is constantly growing. We observe increasing trend in Mobile App active users, as well as the frequency of its usage.

In H1 2019, Mobile App users reached 99 thousand active users (+24% since the beginning of the year). Internet bank clients constituted 177 thousand active customers (+3% since the beginning of the year). Citadele clients currently make more than 95% of transactions through their online bank and Mobile App.

Aligning with client expectations, the bank continues to work on digital channel development and functional updates. In H1 2019, we have continued with development of wearable technology and also created new opportunities for clients to pay in stores by smartphone. For the last couple of years, we have been consistently installing new card terminals with contactless functionality in retail locations to increase the number of contactless card, smartphone, wristband and sticker acceptance places. Currently, 95% of Citadele card terminals are contactless.

New concept branches and Sky Branch

We aim to get closer to our clients - both by developing our digital services and ensuring people can receive as many of the bank's services as possible through their computers and smartphones, wherever they are, as well as by serving our clients more individually in branches or through our Sky branch. Also in H1 2019 two new concept branches were opened.

In addition, a wider range of services from making a payment to ordering a card can now be accessed by simply calling our 24/7 service line or by writing to us via secured chat in the Mobile App.

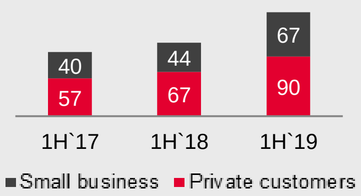
New lending increases

Retail customer new lending reached EUR 156 million in H1 2019, an increase of 41% versus the same period in 2018. Loans to Private individuals constituted EUR 90 million, and loans to Small business reached EUR 67 million.

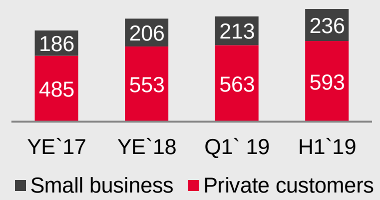
Total Retail segment loans reached EUR 829 million in H1 2019, representing a 9% increase as compared to year end 2018. Recent years have seen a stable increase in mortgages, which grew by 9% in H1 2019. Consumer loans have increased by 12% since year end 2018.

Deposits reached EUR 1,177 million, a 6% increase since year end 2018. The Retail segment's operating income in H1 2019 was EUR 26.2 million.

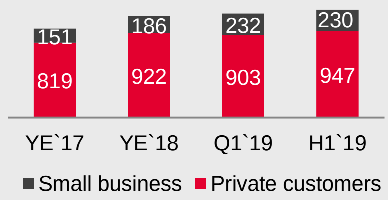
New lending, EURm



Loans, EURm



Deposits, EURm



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

"We have continued to pay attention and promote the growth of small and medium businesses, as well as the financing of Baltic "natural resources" businesses that use local resources such as timber, milk or grain in their manufacturing."

Santa Purgaile
Member of the Management Board, Chief Commercial Officer Corporate

H1 2019 - Citadele continues to pursue its goal of maintaining healthy growth in issued loans and becoming an accessible bank for businesses to finance their development and working capital.

We have focused on promoting the growth of small and medium businesses, as well as financing Baltic "natural resources" businesses that use local resources such as timber, milk or grain in their manufacturing.

Increasing customer activity

The willingness and ability of business owners to borrow remains strong. Corporate segment's new lending reached EUR 129 million in H1 2019, almost twice as much as in the same period 2018. Total loans constituted EUR 603 million as of H1 2019, a 3% increase since year end 2018. The credit quality of the Group's loan portfolio remained stable and there were no major new individual provisions.

Progress was also made in terms of deposits where the Corporate segment increased by 7% since year end 2018 and reached EUR 628 million. Operating income was EUR 16.9 million.

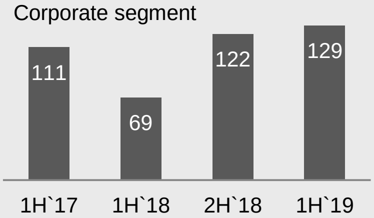
The number of active customers exceeded 3 thousand clients as of the end of H1 2019.

Investment in technologies increases

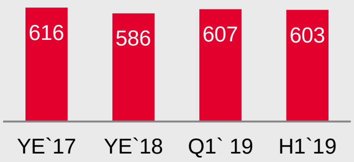
In general, the main recipients of financing in the first half of this year were manufacturing, real estate and trade businesses. These were followed by construction, agriculture and forestry.

The largest increase in new loans issued in H1 2019 was to the manufacturing industry, which represents one of Citadele's strategic sectors to grow financing. The latest trends show that investment in the technologies of manufacturing businesses is increasing to adopt modern next-generation technologies that are competitive within the EU market. We have also seen increased demand for working capital and short-term loans.

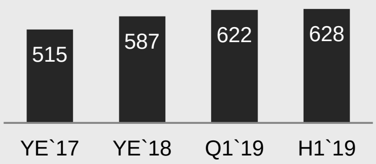
New lending, EURm
Corporate segment



Loans, EURm
Corporate segment



Deposits, EURm
Corporate segment



Business Environment

Broad-based growth continues in the Baltics despite external uncertainty

Mixed global economic outlook

Uncertainty in the global economy is high as growth is slowing especially in manufacturing sectors in large parts of the world. As a result of a potential slowdown in manufacturing and increase in trade tensions, world trade is declining for the first time since 2009. At the same time, service sectors, consumption and labour markets remain strong. For 2019, IMF projects that the global economy will grow by 3.2%. Such growth could be weakened by an escalation in trade wars, Brexit, and increased geopolitical tensions.

Broad based GDP growth continues

In the first half of 2019 strong growth and broad-based growth continued in the Baltics, driven by consumption and service sectors as well as a resilient manufacturing sector that has maintained solid growth despite weaker external demand.

In Q1 2019, GDP in Latvia grew by 3%, in Lithuania by 4% and in Estonia by 4.5%. Fast growth in the Baltics was led by IT and business services, trade and manufacturing as well as construction. Preliminary estimates show that Baltics have maintained stable growth also in Q2 2019, as GDP in Latvia and Lithuania grew by 2.1% and 4.1%, respectively.

Strong consumer confidence and consumption

Domestic demand in the Baltics remains solid and retail sales continue to grow broadly in-line with wages. Retail sales growth was mainly led by durable goods and online shopping.

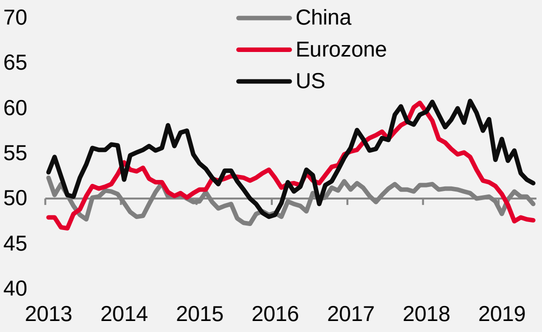
Domestic demand in the Baltics is underpinned by buoyant labour markets and improving consumer confidence. Annual wage growth in the Baltic region is close to 10% as unemployment in Estonia has fallen under 5% while in Lithuania and Latvia unemployment is between 6% and 7%.

Construction returning to sustainable growth rates

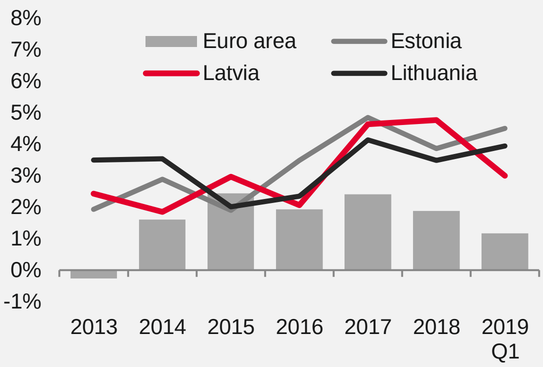
After two years of double digit expansion, the construction sector is returning to more sustainable growth rates as the sector was beginning to show increasing signs of overheating in 2018. In Q1, Latvian and Lithuanian construction grew by 7% and 14%, respectively, while in Estonia it came to almost a standstill.

Slowing growth rates in the construction sector is mostly caused by EU-funded investment, which has rebounded from very low levels in 2016 and is now expected to remain flat over the next few years. However demand in the private sector remains strong.

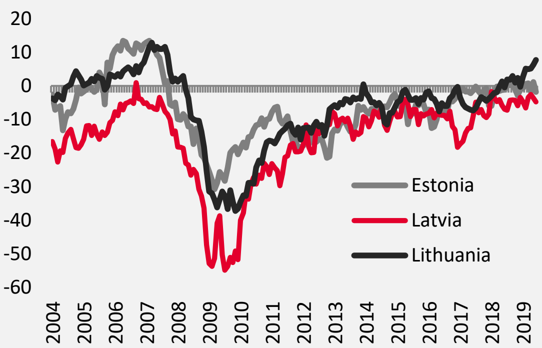
Manufacturing PMI



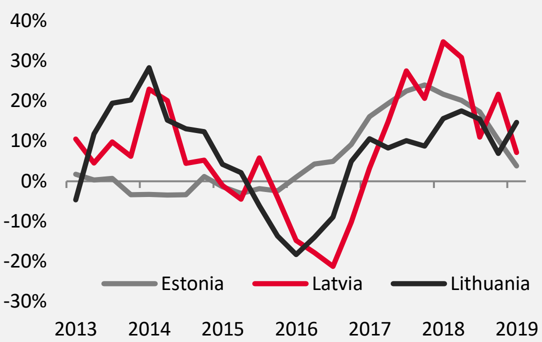
Real GDP, % YoY



Consumer confidence



Construction output, % YoY



CORPORATE GOVERNANCE

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

Supervisory Board of the Bank:

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:

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

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

STATEMENT OF THE MANAGEMENT'S RESPONSIBILITY

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

The condensed interim financial statements set out on pages 12 to 39 are prepared in accordance with the source documents and present fairly the financial position of the Bank and the Group as of 30 June 2019 and 31 December 2018 and the results of their operations, changes in shareholders' equity and cash flows for the six months periods ended 30 June 2019 and 30 June 2018. The management report set out on pages 4 to 10 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

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

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

Guntis Beļavskis	Klāvs Vasks
Chairman of the Management Board	Member of the Supervisory Board

Riga,
29 August 2019

STATEMENT OF INCOME

	Note	6m 2019 Group	6m 2018 Group unaudited	6m 2019 Bank	6m 2018 Bank unaudited
		EUR thousands			
Interest income	5	49,546	47,829	45,023	36,476
Interest expense	5	(7,694)	(7,934)	(7,753)	(6,918)
Net interest income		**41,852**	**39,895**	**37,270**	**29,558**
Fee and commission income	6	27,135	28,132	22,502	20,870
Fee and commission expense	6	(12,764)	(12,363)	(12,448)	(10,727)
Net fee and commission income		**14,371**	**15,769**	**10,054**	**10,143**
Net financial income	7	3,891	6,575	3,022	5,597
Net other income		811	1,793	3,212	1,289
Operating income		**60,925**	**64,032**	**53,558**	**46,587**
Staff costs		(27,168)	(27,341)	(24,431)	(20,796)
Other operating expenses	8	(10,329)	(13,567)	(8,276)	(11,401)
Depreciation and amortisation		(3,862)	(2,961)	(3,634)	(1,503)
Operating expense		**(41,359)**	**(43,869)**	**(36,341)**	**(33,700)**
Profit before impairment		**19,566**	**20,163**	**17,217**	**12,887**
Net credit losses	9	(2,631)	(1,847)	(1,096)	(102)
Other impairment losses		(8)	(214)	3,045	(96)
Operating profit before non-current assets held for sale		**16,927**	**18,102**	**19,166**	**12,689**
Result from non-current assets held for sale		(283)	-	(177)	-
Operating profit		**16,644**	**18,102**	**18,989**	**12,689**
Income tax	10	(430)	(112)	(120)	(49)
Net profit		**16,214**	**17,990**	**18,869**	**12,640**
Basic earnings per share in EUR	16	0.10	0.11	0.12	0.08
Diluted earnings per share in EUR	16	0.10	0.11	0.12	0.08

The notes on pages 17 to 39 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	6m 2019 Group	6m 2018 Group unaudited	6m 2019 Bank	6m 2018 Bank unaudited
Net profit	**16,214**	**17,990**	**18,869**	**12,640**
Other comprehensive income items that are or may be reclassified to profit or loss:				
Fair value revaluation reserve				
Fair value revaluation reserve charged to statement of income	(480)	(93)	(207)	(82)
Change in fair value of debt securities	6,198	(2,097)	4,130	(1,437)
Deferred income tax charged / (credited) directly to equity	(275)	59	-	-
Other reserves				
Foreign exchange retranslation	339	224	-	-
Other comprehensive income items that may not be reclassified to profit or loss:				
Fair value revaluation reserve				
Change in fair value of equity and similar instruments	1,199	398	1,196	397
Transfer to retained earnings at disposal	(1,395)	-	(1,395)	-
Other comprehensive income / (loss)	**5,586**	**(1,509)**	**3,724**	**(1,122)**
Total comprehensive income	**21,800**	**16,481**	**22,593**	**11,518**

The notes on pages 17 to 39 are an integral part of these financial statements.

BALANCE SHEET

		EUR thousands			
	Note	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Assets					
Cash and cash balances at central banks		332,165	405,315	316,912	155,510
Loans to credit institutions		117,003	131,902	97,054	110,851
Debt securities	11	1,191,473	989,230	944,716	779,011
Loans to public	12	1,488,494	1,395,692	1,519,701	1,168,116
Equity instruments	13	4,686	2,901	4,686	2,875
Other financial instruments	13	39,157	34,146	6,369	6,078
Derivatives		496	611	496	614
Investments in subsidiaries	14	-	-	33,485	71,614
Tangible assets		50,670	48,893	16,238	4,817
Intangible assets		4,771	4,868	4,607	4,651
Tax assets	10	3,314	2,929	2,811	247
Non-current assets held for sale		3,488	-	1,640	-
Other assets		30,020	35,604	24,359	25,599
Total assets		**3,265,737**	**3,052,091**	**2,973,074**	**2,329,983**
Liabilities					
Deposits from credit institutions and central banks		6,261	7,277	47,582	39,170
Deposits and borrowings from customers	15	2,835,888	2,645,042	2,529,286	1,937,857
Debt securities issued	16	60,018	60,010	60,018	60,010
Derivatives		522	1,470	522	1,504
Provisions	9	3,381	3,196	3,382	2,616
Tax liabilities	10	583	810	-	-
Other liabilities		40,082	37,486	30,916	21,006
Total liabilities		**2,946,735**	**2,755,291**	**2,671,706**	**2,062,163**
Equity					
Share capital	17	156,556	156,556	156,556	156,556
Reserves and other capital components		10,117	3,868	4,668	(853)
Retained earnings		152,329	136,376	140,144	112,117
Total equity		**319,002**	**296,800**	**301,368**	**267,820**
Total liabilities and equity		**3,265,737**	**3,052,091**	**2,973,074**	**2,329,983**
Off-balance sheet items					
Contingent liabilities	18	21,707	22,405	20,843	17,820
Financial commitments	18	368,453	344,116	463,204	355,309

The notes on pages 17 to 39 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands					
	Issued Share capital	Securities fair value revaluation reserve	Foreign currency retranslation	Other reserves	Retained earnings	Total equity
Balance as of 31/12/2017	**156,556**	**2,161**	**2,257**	**907**	**107,014**	**268,895**
Adjustment on initial application of IFRS 9, net of tax	-	(1,394)	-	-	(5,078)	(6,472)
Restated balance as of 01/01/2018	**156,556**	**767**	**2,257**	**907**	**101,936**	**262,423**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	17,990	17,990
Other comprehensive income / (loss) for the period	-	(1,733)	224	-	-	(1,509)
Transactions with shareholders						
Transfer to reserves	-	-	-	406	(406)	-
Balance as of 30/06/2018	**156,556**	**(966)**	**2,481**	**1,313**	**119,520**	**278,904**
Balance as of 31/12/2018	**156,556**	**(951)**	**3,119**	**1,700**	**136,376**	**296,800**
Adjustment on initial application of IFRS 16, net of tax	-	-	-	-	-	-
Restated balance as of 01/01/2019	**156,556**	**(951)**	**3,119**	**1,700**	**136,376**	**296,800**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	16,214	16,214
Share based payments to employees	-	-	-	402	-	402
Other comprehensive income / (loss) for the period	-	6,642	339	-	(1,395)	5,586
Transactions with shareholders						
Transfer from reserves (*Note 2*)	-	-	-	(1,134)	1,134	-
Balance as of 30/06/2019	**156,556**	**5,691**	**3,458**	**968**	**152,329**	**319,002**

	Bank, EUR thousands					
	Issued Share capital	Securities fair value revaluation reserve	Foreign currency retranslation	Other reserves	Retained earnings	Total equity
Balance as of 31/12/2017	**156,556**	**1,511**	**-**	**-**	**81,828**	**239,895**
Adjustment on initial application of IFRS 9, net of tax	-	(1,854)	-	-	(2,748)	(4,602)
Restated balance as of 01/01/2018	**156,556**	**(343)**	**-**	**-**	**79,080**	**235,293**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	12,640	12,640
Other comprehensive income / (loss) for the period	-	(1,122)	-	-	-	(1,122)
Balance as of 30/06/2018	**156,556**	**(1,465)**	**-**	**-**	**91,720**	**246,811**
Balance as of 31/12/2018	**156,556**	**(1,240)**	**-**	**387**	**112,117**	**267,820**
Adjustment on initial application of IFRS 16, net of tax	-	-	-	-	-	-
Restated balance as of 01/01/2019	**156,556**	**(1,240)**	**-**	**387**	**112,117**	**267,820**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	18,869	18,869
Share based payments to employees	-	-	-	402	-	402
Other comprehensive income / (loss) for the period	-	5,119	-	-	(1,395)	3,724
Transactions with shareholders						
Integration of AB Citadele bankas (*Note 2*)	-	-	-	-	10,553	10,553
Balance as of 30/06/2019	**156,556**	**3,879**	**-**	**789**	**140,144**	**301,368**

The notes on pages 17 to 39 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

	Note	6m 2019 Group	6m 2018 Group unaudited	6m 2019 Bank	6m 2018 Bank unaudited
		EUR 000's			
Operating activities					
Operating profit before tax		16,644	18,102	18,989	12,689
Interest income	5	(49,546)	(47,829)	(45,023)	(36,476)
Interest expense	5	7,694	7,934	7,753	6,918
Dividends income		(20)	(16)	(1,567)	(16)
Depreciation and amortisation		3,862	2,961	3,634	1,503
Impairment allowances and provisions		2,639	2,061	(1,949)	198
Currency translation and other non-cash items		3,327	(5,215)	8,696	(465)
Cash flows from the income statement		**(15,400)**	**(22,002)**	**(9,467)**	**(15,649)**
(Increase) / decrease in loans to public		(93,956)	(33,561)	(87,426)	(18,778)
Increase / (decrease) in deposits and borrowings from customers		190,841	(285,837)	159,494	(203,232)
(Increase) / decrease in loans to credit institutions		1,567	(30,285)	(3,202)	(21,246)
Increase / (decrease) in deposits from credit institutions		(5,511)	23,016	(3,902)	(17,411)
(Increase) / decrease in other items at fair value through profit or loss		(833)	(2,198)	(836)	(2,132)
(Increase) / decrease in other assets		(93)	(4,701)	1,084	(4,391)
Increase / (decrease) in other liabilities		(2,352)	(3,164)	(9,184)	1,219
Cash flows from operating activities before interest and corporate income tax		**74,263**	**(358,732)**	**46,561**	**(281,620)**
Interest received		48,805	48,127	43,429	36,974
Interest paid		(5,881)	(6,769)	(5,243)	(5,775)
Corporate income tax paid		(1,000)	(251)	(599)	(34)
Cash flows from operating activities		**116,187**	**(317,625)**	**84,148**	**(250,455)**
Investing activities					
Acquisition of tangible and intangible assets		(1,558)	(4,103)	(1,502)	(3,248)
Disposal of tangible and intangible assets		8	17	8	1
Investments in debt securities and other financial instruments		(439,605)	(314,742)	(356,470)	(172,677)
Proceeds from debt securities and other financial instruments		236,528	329,743	190,388	184,160
Dividends received		20	16	20	16
Increase in cash and cash equivalents as a result of integration of AB Citadele bankas (Note 2)		-	-	222,022	-
Sale or investments in subsidiaries		-	-	(2,678)	24
Cash flows from investing activities		**(204,607)**	**10,931**	**51,788**	**8,276**
Financing activities					
Repayment of subordinated liabilities		-	(18,400)	-	(18,400)
Interest paid on debt securities and other subordinated liabilities		(1,818)	(2,599)	(1,818)	(2,599)
Amortisation of lease liabilities		(732)		(1,940)	
Cash flows from financing activities		**(2,550)**	**(20,999)**	**(3,758)**	**(20,999)**
Cash flows for the period		**(90,970)**	**(327,693)**	**132,178**	**(263,178)**
Cash and cash equivalents at the beginning of the period		**499,985**	**858,773**	**238,561**	**694,808**
Cash and cash equivalents at the end of the period	20	**409,015**	**531,080**	**370,739**	**431,630**

The notes on pages 17 to 39 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

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

NOTE 2. GENERAL INFORMATION AND INTEGRATION OF THE LITHUANIAN BANK

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

As of 30 June 2019, the Group had 1,480 (2018: 1,492) and the Bank had 1,391 (2018: 1,147) full time equivalent active employees. The number of employees of the Bank increased as a result of the transfer of the business and employees from AB Citadele bankas (Lithuania) to the Lithuanian branch of AS Citadele banka in January 2019.

The integration of AB Citadele bankas (Lithuania)

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

b) New standards and amendments

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

New requirements effective for 2019

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

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

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

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

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

The amount of right-of-use asset which was recognised at implementation of the new standard was EUR 11.2 million for the Bank and EUR 3.7 million for the Group. Corresponding lease liability was recognised. In the reporting period, the Bank and the Group has recognised depreciation charges for right-of-use assets in the amount of EUR 2.0 million and EUR 0.8 million, respectively.

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

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

Forthcoming requirements

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

IFRS 17 - Insurance Contracts. Effective for annual reporting periods beginning on or after 1 January 2021 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 to make 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 References to Conceptual Framework in IFRS Standards
Amendments to IFRS 3 – Definition of a Business
Amendments to IAS 1 and IAS 8 – Definition of Material
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. The significant areas of estimation used in the preparation of the accompanying financial statements relate to evaluation of impairment losses for assets, determination of the control of investees for consolidation purposes, and evaluation of recognisable amounts of deferred tax assets and liabilities. In the reporting period the management re-assessed impairment for financial assets and investments in subsidiaries and re-evaluated deferred tax assets and liabilities applying the same methodology as when preparing the annual report for 2018.

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.

During the reporting period operating segments of the Group were revised in line with changes in strategic priorities and organisational structure. Some operations were re-allocated among operating segments. These updates are thoroughly implemented in this segment disclosure; prior period comparatives have been adjusted accordingly.

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

Main business segments of the Group are:

Private customers

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

Small business

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

Corporates

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

Wealth management

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

Swiss

This segment comprises operations of AP Anlage & Privatbank AG.

Leasing

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

Other

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

Segments of the Group

As of 30/06/2019 and for the six months then ended
EUR thousands

	Reportable segments							
	Private customers	Small business	Corporates	Wealth manage-ment	Swiss	Leasing	Other	Total
Interest income	18,788	3,117	14,993	1,241	1,894	4,912	4,601	49,546
Interest expense	(1,065)	(37)	(154)	(1,161)	(326)	-	(4,951)	(7,694)
Net interest income	**17,723**	**3,080**	**14,839**	**80**	**1,568**	**4,912**	**(350)**	**41,852**
Fee and commission income	6,710	3,935	6,038	7,445	1,974	55	978	27,135
Fee and commission expense	(4,238)	(1,747)	(4,252)	(1,491)	(182)	(21)	(833)	(12,764)
Net fee and commission income	**2,472**	**2,188**	**1,786**	**5,954**	**1,792**	**34**	**145**	**14,371**
Net financial income	384	262	221	1,669	359	-	996	3,891
Net other income	122	16	36	2	-	(130)	765	811
Operating income	**20,701**	**5,546**	**16,882**	**7,705**	**3,719**	**4,816**	**1,556**	**60,925**
Net funding allocation	(724)	(72)	(1,535)	1,889	361	(134)	215	-
FTP adjusted operating income	**19,977**	**5,474**	**15,347**	**9,594**	**4,080**	**4,682**	**1,771**	**60,925**
Assets								
Cash, balances at central banks	1,031	-	-	-	15,253	-	315,881	332,165
Loans to credit institutions	-	-	-	1,343	18,554	52	97,054	117,003
Debt securities	-	-	-	17,096	229,660	-	944,717	1,191,473
Loans to public	593,847	236,416	603,445	45,098	2,549	-	7,139	1,488,494
Equity instruments	-	-	-	-	-	-	4,686	4,686
Other financial instruments	-	-	-	32,788	-	-	6,369	39,157
Other assets	717	173	1,627	1,581	846	1,568	86,247	92,759
Total assets	**595,595**	**236,589**	**605,072**	**97,906**	**266,862**	**1,620**	**1,462,093**	**3,265,737**
Liabilities								
Deposits from banks	-	-	-	-	20	-	6,241	6,261
Deposits and borrowings from customers	946,989	230,283	628,072	727,835	281,947	-	20,762	2,835,888
Debt securities issued	-	-	-	-	-	-	60,018	60,018
Other liabilities	149	359	889	13,335	2,001	1,228	26,607	44,568
Total liabilities	**947,138**	**230,642**	**628,961**	**741,170**	**283,968**	**1,228**	**113,628**	**2,946,735**

As of 31/12/2018 and for the six months ended 30/06/2018 (unaudited)
EUR thousands

	Reportable segments							
	Private customers	Small business	Corporates	Wealth manage-ment	Swiss	Leasing	Other	Total
Interest income	16,924	2,919	16,217	1,134	1,536	4,602	4,497	47,829
Interest expense	(1,773)	(135)	(799)	(1,074)	(289)	-	(3,864)	(7,934)
Net interest income	**15,151**	**2,784**	**15,418**	**60**	**1,247**	**4,602**	**633**	**39,895**
Fee and commission income	6,634	2,962	6,121	10,041	1,783	46	545	28,132
Fee and commission expense	(4,409)	(1,431)	(4,112)	(1,389)	(179)	(1)	(842)	(12,363)
Net fee and commission income	**2,225**	**1,531**	**2,009**	**8,652**	**1,604**	**45**	**(297)**	**15,769**
Net financial income	326	267	775	2,625	255	-	2,327	6,575
Net other income	113	161	(24)	354	-	47	1,142	1,793
Operating income	**17,815**	**4,743**	**18,178**	**11,691**	**3,106**	**4,694**	**3,805**	**64,032**
Net funding allocation	505	37	(899)	2,497	164	(361)	(1,943)	-
FTP adjusted operating income	**18,320**	**4,780**	**17,279**	**14,188**	**3,270**	**4,333**	**1,862**	**64,032**
Assets								
Cash, balances at central banks	-	-	-	-	29,849	-	375,466	405,315
Loans to credit institutions	-	-	-	2,368	37,688	-	91,846	131,902
Debt securities	-	-	-	14,348	195,871	-	779,011	989,230
Loans to public	553,252	206,189	585,615	40,676	2,419	-	7,541	1,395,692
Equity instruments	-	-	-	-	-	-	2,901	2,901
Other financial instruments	-	-	-	28,068	-	-	6,078	34,146
Total segmented assets	**553,252**	**206,189**	**585,615**	**85,460**	**265,827**	**-**	**1,262,843**	**2,959,186**
Liabilities								
Deposits from banks	-	-	-	1	-	-	7,276	7,277
Deposits and borrowings from customers	921,646	186,363	587,208	683,703	253,458	-	12,664	2,645,042
Debt securities issued	-	-	-	-	-	-	60,010	60,010
Total segmented liabilities	**921,646**	**186,363**	**587,208**	**683,704**	**253,458**	**-**	**79,950**	**2,712,329**

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	6m 2019 Group	6m 2018 Group unaudited	6m 2019 Bank	6m 2018 Bank unaudited
Interest income calculated using the effective interest method:				
financial assets at amortised cost:				
loans to public	38,615	37,237	40,764	32,655
debt securities	1,954	1,968	1,587	1,551
cash balances at and lending to central banks and credit institutions	580	728	427	610
debt securities at fair value through other comprehensive income	3,510	3,317	2,245	1,660
Interest income on finance leases (part of loans to public)	4,887	4,579	-	-
Total interest income	**49,546**	**47,829**	**45,023**	**36,476**
Interest expense on:				
financial liabilities at amortised cost:				
deposits and borrowing from public	(4,533)	(4,228)	(4,244)	(3,187)
debt securities issued	(1,808)	(1,808)	(1,808)	(1,808)
deposits from credit institutions and central banks	(776)	(1,353)	(1,163)	(1,475)
financial liabilities at fair value through profit or loss				
deposits and borrowing from public	(76)	(95)	-	-
lease liabilities	(19)	-	(55)	-
other interest expense	(482)	(450)	(483)	(448)
Total interest expense	**(7,694)**	**(7,934)**	**(7,753)**	**(6,918)**
Net interest income	**41,852**	**39,895**	**37,270**	**29,558**

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

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

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	6m 2019 Group	6m 2018 Group unaudited	6m 2019 Bank	6m 2018 Bank unaudited
Fee and commission income:				
cards	14,681	13,446	14,644	12,171
payments and transactions	7,138	9,220	5,626	6,605
asset management and custody	3,404	3,722	766	817
securities	299	385	257	276
other fees	905	810	493	623
Total fee and commission income from contracts with customers	**26,427**	**27,583**	**21,786**	**20,492**
Guarantees, letters of credit and loans	708	549	716	378
Total fee and commission income	**27,135**	**28,132**	**22,502**	**20,870**
Fee and commission expense on:				
cards	(9,806)	(9,585)	(9,806)	(8,518)
payments and transactions	(783)	(747)	(688)	(611)
supervisory fees	(750)	(552)	(695)	(466)
asset management, custody and securities	(414)	(486)	(340)	(374)
other	(1,011)	(993)	(919)	(758)
Total fee and commission expense	**(12,764)**	**(12,363)**	**(12,448)**	**(10,727)**
Net fee and commission income	**14,371**	**15,769**	**10,054**	**10,143**

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

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	6m 2019 Group	6m 2018 Group unaudited	6m 2019 Bank	6m 2018 Bank unaudited
Foreign exchange trading and related derivatives	3,212	6,658	3,037	5,515
Assets at fair value through other comprehensive income	480	93	207	82
Modifications in cash flows which do not result in de-recognition	(222)	-	(222)	-
Assets and liabilities at fair value through profit or loss	421	(176)	-	-
Total net financial income	**3,891**	**6,575**	**3,022**	**5,597**

NOTE 8. OTHER OPERATING EXPENSES

	EUR thousands			
	6m 2019 Group	6m 2018 Group unaudited	6m 2019 Bank	6m 2018 Bank unaudited
Information technologies and communications	3,186	2,909	2,727	2,044
Consulting and other services	2,167	3,174	1,788	2,664
Rent, premises and real estate	1,443	2,196	933	2,845
Advertising and marketing	982	1,637	951	1,345
Non-refundable value added tax	857	1,769	678	1,402
Other	1,694	1,882	1,199	1,101
Total other expenses	**10,329**	**13,567**	**8,276**	**11,401**

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

NOTE 9. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	6m 2019 Group	6m 2018 Group unaudited	6m 2019 Bank	6m 2018 Bank unaudited
Loans to credit institutions	12	(60)	12	(61)
Debt securities	(144)	82	(143)	81
Loans to public	(3,406)	(4,578)	(3,389)	(2,232)
Guarantees and letters of credit	-	16	-	12
Loan commitments	(620)	515	(621)	387
Recovered written-off assets	1,527	2,178	3,045	1,711
Total net losses on financial instruments	**(2,631)**	**(1,847)**	**(1,096)**	**(102)**

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

Classification of impairment stages

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

Changes in the allowances for credit losses and provisions

	Group, EUR thousands				
	Opening balance 01/01/2019	Charged to statement of income	Write-offs	Other adjust-ments	Closing balance 30/06/2019
Stage 1					
Loans to credit institutions	61	(12)	-	-	49
Debt securities	352	145	-	1	498
Loans to public	12,394	1,414	-	(1)	13,807
Loan commitments, guarantees and letters of credit	2,102	771	-	(3)	2,870
Total stage 1 credit losses and provisions	**14,909**	**2,318**	**-**	**(3)**	**17,224**
Stage 2					
Debt securities	10	(1)	-	-	9
Loans to public	7,415	(741)	-	11	6,685
Loan commitments, guarantees and letters of credit	411	(151)	-	3	263
Total stage 2 credit losses and provisions	**7,836**	**(893)**	**-**	**14**	**6,957**
Stage 3					
Loans to public	46,985	2,733	(10,221)	66	39,563
Loan commitments, guarantees and letters of credit	249	-	-	-	249
Total stage 3 credit losses and provisions	**47,234**	**2,733**	**(10,221)**	**66**	**39,812**
Total allowances for credit losses and provisions	**69,979**	**4,158**	**(10,221)**	**77**	**63,993**
Including for debt securities classified at fair value through other comprehensive income	*145*				*150*

	Group, EUR thousands (unaudited)				
	Opening balance 01/01/2018	Charged to statement of income	Write-offs	Other adjust-ments	Closing balance 30/06/2018
Stage 1					
Loans to credit institutions	13	60	-	(9)	64
Debt securities	392	(82)	-	5	315
Loans to public	11,634	(457)	-	1	11,178
Loan commitments, guarantees and letters of credit	3,765	(653)	-	-	3,112
Total stage 1 credit losses and provisions	**15,804**	**(1,132)**	**-**	**(3)**	**14,669**
Stage 2					
Debt securities	28	-	-	-	28
Loans to public	10,137	(175)	(7)	-	9,955
Loan commitments, guarantees and letters of credit	231	174	-	-	405
Total stage 2 credit losses and provisions	**10,396**	**(1)**	**(7)**	**-**	**10,388**
Stage 3					
Loans to public	58,030	5,210	(3,155)	260	60,345
Loan commitments, guarantees and letters of credit	122	(52)	-	268	338
Total stage 3 credit losses and provisions	**58,152**	**5,158**	**(3,155)**	**528**	**60,683**
Total allowances for credit losses and provisions	**84,352**	**4,025**	**(3,162)**	**525**	**85,740**
Including for debt securities classified at fair value through other comprehensive income	*132*				*126*

	Bank, EUR thousands					
	Opening balance 01/01/2019	**Integration (Note 2)**	**Charged to statement of income**	**Write-offs**	**Other adjust-ments**	**Closing balance 30/06/2019**
Stage 1						
Loans to credit institutions	61		(12)	-	-	49
Debt securities	245		145	-	-	390
Loans to public	9,634	1,323	1,493	-	-	12,450
Loan commitments, guarantees and letters of credit	1,984	113	771	-	2	2,870
Total stage 1 credit losses and provisions	**11,924**	**1,436**	**2,397**	**-**	**2**	**15,759**
Stage 2						
Debt securities	10	-	(2)	-	-	8
Loans to public	6,433	837	(910)		11	6,371
Loan commitments, guarantees and letters of credit	386	25	(147)	-	(1)	263
Total stage 2 credit losses and provisions	**6,829**	**862**	**(1,059)**	**-**	**10**	**6,642**
Stage 3						
Loans to public	38,508	6,264	2,806	(10,221)	72	37,429
Loan commitments, guarantees and letters of credit	246	1,413	(3)	(1,409)	2	249
Total stage 3 credit losses and provisions	**38,754**	**7,677**	**2,803**	**(11,630)**	**74**	**37,678**
Total allowances for credit losses and provisions	**57,507**	**9,975**	**4,141**	**(11,630)**	**86**	**60,079**
Including for debt securities classified at fair value through other comprehensive income	*68*					*70*

	Bank, EUR thousands (unaudited)				
	Opening balance 01/01/2018	**Charged to statement of income**	**Write-offs**	**Other adjust-ments**	**Closing balance 30/06/2018**
Stage 1					
Loans to credit institutions	1	61	-	-	62
Debt securities	254	(81)	-	3	176
Loans to public	9,316	(595)	-	-	8,721
Loan commitments, guarantees and letters of credit	3,452	(554)	-	-	2,898
Total stage 1 credit losses and provisions	**13,023**	**(1,169)**	**-**	**3**	**11,857**
Stage 2					
Debt securities	28	-	-	-	28
Loans to public	8,549	(259)	-	-	8,290
Loan commitments, guarantees and letters of credit	179	159	-	-	338
Total stage 2 credit losses and provisions	**8,756**	**(100)**	**-**	**-**	**8,656**
Stage 3					
Loans to public	52,012	3,086	(3,053)	284	52,329
Loan commitments, guarantees and letters of credit	56	(4)	-	235	287
Total stage 3 credit losses and provisions	**52,068**	**3,082**	**(3,053)**	**519**	**52,616**
Total allowances for credit losses and provisions	**73,847**	**1,813**	**(3,053)**	**522**	**73,129**
Including for debt securities classified at fair value through other comprehensive income	*51*				*42*

NOTE 10. TAXATION

Corporate income tax expense

	EUR thousands			
	6m 2019 Group	**6m 2018 Group** unaudited	**6m 2019 Bank**	**6m 2018 Bank** unaudited
Current corporate income tax	(472)	(382)	(214)	(49)
Deferred income tax	42	270	94	-
Total corporate income tax expense	**(430)**	**(112)**	**(120)**	**(49)**

In Latvia and Estonia corporate income tax (CIT) is payable when the profits are distributed, not when the profits are earned. Correspondingly the deferred tax is calculated at tax rate which applies to undistributed earnings which is 0%. Therefore, the effective tax rate in the reporting period for the Group and the Bank in Latvia and Estonia was c.a. 0%. In Latvia incremental CIT expense does not arise on dividend distribution from retained earnings generated under the previous tax regime (EUR 81.8 million for the Bank), and there is no expiry date for this distribution right. In Latvia for dividend distributions from profits earned under the new tax regime a 20% CIT rate applies and is calculated as 0.2/0.8 from net distributed dividend. In other jurisdictions where the Group operates earnings are taxable when earned. The effective tax rate in the reporting period for the Swiss operations of the Group was c.a. 17%; for Lithuanian operations it was close to zero, primarily driven by positive impact from revised estimates of recognisable unutilized tax loss. As at period end a part of the Group's and Bank's unutilised tax loss is not recognised for deferred tax asset purposes as there is uncertainty about availability of sufficient future taxable profits with which to offset accumulated tax loss at the level of the particular entity. The assessment of the recognisable amount of the tax asset is based on reasonably certain three year forecast to utilised accumulated tax loss by the respective entities. The recognised deferred tax asset mostly represents unutilised tax loss in Lithuania.

Income tax assets and liabilities

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Deferred income tax assets	2,429	2,429	2,179	-
Current income tax assets	885	500	632	247
Tax assets	**3,314**	**2,929**	**2,811**	**247**
Deferred income tax liabilities	-	(42)	-	-
Current income tax liabilities	(583)	(768)	-	-
Tax liabilities	**(583)**	**(810)**	**-**	**-**

Recognised deferred income tax assets and liabilities

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Deferred income and accrued expense	356	392	281	-
Impairment of assets	180	179	157	-
Unutilised tax loss carry forward	3,346	3,673	2,838	-
Unrecognised tax loss	(1,453)	(1,852)	(1,097)	-
Other items	-	(5)	-	-
Deferred income tax assets, net	**2,429**	**2,387**	**2,179**	**-**

NOTE 11. DEBT SECURITIES

Debt securities by credit rating grade

	Group, EUR thousands					
	30/06/2019			31/12/2018		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	89,175	87,894	177,069	75,606	68,214	143,820
AA/Aa	118,756	131,147	249,903	99,532	82,792	182,324
A	213,894	430,782	644,676	175,617	377,917	553,534
BBB/Baa	49,198	66,519	115,717	49,738	57,712	107,450
Lower ratings or unrated	262	3,846	4,108	247	1,855	2,102
Total debt securities	**471,285**	**720,188**	**1,191,473**	**400,740**	**588,490**	**989,230**

	Bank, EUR thousands					
	30/06/2019			31/12/2018		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	50,212	72,782	122,994	50,979	58,159	109,138
AA/Aa	60,030	119,964	179,994	51,884	70,603	122,487
A	170,364	408,762	579,126	134,989	358,678	493,667
BBB/Baa	7,463	51,293	58,756	9,174	42,691	51,865
Lower ratings or unrated	-	3,846	3,846	-	1,854	1,854
Total debt securities	**288,069**	**656,647**	**944,716**	**247,026**	**531,985**	**779,011**

Debt securities by country of issuer

	Group, EUR thousands					
	30/06/2019			31/12/2018		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	250,175	7,344	257,519	251,772	6,776	258,548
Lithuania	186,809	6,839	193,648	151,868	3,928	155,796
Netherlands	12,749	113,186	125,935	12,892	81,948	94,840
United States	13,258	94,519	107,777	10,425	81,788	92,213
Canada	4,726	46,497	51,223	5,112	37,408	42,520
France	2,945	43,729	46,674	3,832	21,151	24,983
Finland	13,902	26,678	40,580	14,550	11,571	26,121
Germany	12,715	25,513	38,228	12,714	23,201	35,915
United Kingdom	-	33,565	33,565	2,623	26,473	29,096
Estonia	19,934	13,599	33,533	-	11,862	11,862
Multilateral development banks	-	42,975	42,975	-	42,243	42,243
Other countries	28,933	190,883	219,816	22,338	152,755	175,093
Total debt securities	**546,146**	**645,327**	**1,191,473**	**488,126**	**501,104**	**989,230**

	Bank, EUR thousands					
	30/06/2019			31/12/2018		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	245,570	5,898	251,468	247,176	5,797	252,973
Lithuania	184,631	5,463	190,094	150,929	2,874	153,803
Netherlands	8,990	77,888	86,878	9,130	58,885	68,015
United States	8,864	56,565	65,429	8,672	37,980	46,652
Finland	11,394	26,678	38,072	11,324	11,571	22,895
Canada	2,075	34,225	36,300	2,149	27,673	29,822
Estonia	19,934	11,766	31,700	-	10,385	10,385
France	-	30,907	30,907	875	6,078	6,953
Multilateral development banks	-	31,982	31,982	-	31,267	31,267
Other countries	21,509	160,377	181,886	24,412	131,834	156,246
Total debt securities	**502,967**	**441,749**	**944,716**	**454,667**	**324,344**	**779,011**

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

NOTE 12. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Financial and non-financial corporations				
Real estate purchase and management	257,915	211,631	298,094	211,295
Transport and communications	138,698	137,788	67,800	66,661
Manufacturing	121,255	123,346	100,202	64,754
Trade	108,365	109,612	88,011	54,904
Agriculture and forestry	78,432	77,799	57,509	55,458
Construction	41,889	40,912	31,439	21,073
Financial intermediation	23,718	32,321	214,233	206,274
Electricity, gas and water supply	23,793	27,148	21,161	18,606
Hotels, restaurants	22,033	22,475	19,847	16,763
Other industries	37,832	35,667	21,619	15,748
Total financial and non-financial corporations	**853,930**	**818,699**	**919,915**	**731,536**
Households				
Card lending	64,754	59,628	64,754	55,481
Mortgage loans	478,554	437,183	478,554	374,549
Finance leases	36,366	35,136	-	-
Credit for consumption	82,906	74,086	82,906	47,897
Other lending	28,123	37,003	26,010	13,228
Total households	**690,703**	**643,036**	**652,224**	**491,155**
General government	**3,916**	**751**	**3,812**	**-**
Total gross loans to public	**1,548,549**	**1,462,486**	**1,575,951**	**1,222,691**
Impairment allowance and provisions	(60,055)	(66,794)	(56,250)	(54,575)
Total net loans to public	**1,488,494**	**1,395,692**	**1,519,701**	**1,168,116**

Loans by overdue days and impairment stage

	Group, EUR thousands									
	30/06/2019					31/12/2018				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	1,249,950	156,811	40,987	(27,257)	1,420,491	1,087,871	194,983	74,788	(31,568)	1,326,074
Past due <=30 days	25,686	11,059	3,428	(3,348)	36,825	33,523	7,312	5,722	(3,151)	43,406
Past due >30 and ≤90 days	-	7,040	4,772	(3,172)	8,640	-	5,497	3,934	(2,625)	6,806
Past due >90 days	-	-	48,816	(26,278)	22,538	-	-	48,856	(29,450)	19,406
Total loans to public	**1,275,636**	**174,910**	**98,003**	**(60,055)**	**1,488,494**	**1,121,394**	**207,792**	**133,300**	**(66,794)**	**1,395,692**
Guarantees and letters of credit	21,228	-	479	(208)	21,499	21,901	-	504	(211)	22,194
Financial commitments	354,911	13,124	418	(3,174)	365,279	320,222	23,185	281	(2,551)	341,137
Total credit exposure to public	**1,651,775**	**188,034**	**98,900**	**(63,437)**	**1,875,272**	**1,463,517**	**230,977**	**134,085**	**(69,556)**	**1,759,023**

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

	Bank, EUR thousands									
	30/06/2019					31/12/2018				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	1,300,386	154,362	37,868	(24,674)	1,467,942	940,103	166,872	54,488	(24,759)	1,136,704
Past due <=30 days	13,519	8,838	3,145	(2,792)	22,710	7,268	5,572	2,713	(1,897)	13,656
Past due >30 and ≤90 days	-	5,178	4,128	(2,776)	6,530	-	2,724	994	(1,592)	2,126
Past due >90 days	-	-	48,527	(26,008)	22,519	-	-	41,957	(26,327)	15,630
Total loans to public	**1,313,905**	**168,378**	**93,668**	**(56,250)**	**1,519,701**	**947,371**	**175,168**	**100,152**	**(54,575)**	**1,168,116**
Guarantees and letters of credit	20,364		479	(208)	20,635	17,342	-	478	(208)	17,612
Financial commitments	449,662	13,124	418	(3,174)	460,030	333,473	21,588	248	(2,408)	352,901
Total credit exposure to public	**1,783,931**	**181,502**	**94,565**	**(59,632)**	**2,000,366**	**1,298,186**	**196,756**	**100,878**	**(57,191)**	**1,538,629**

Stage 3 loans to public ratio

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Stage 3 loans to public ratio, gross	**6.3%**	**9.1%**	**5.9%**	**8.2%**
Stage 3 loans to public ratio, net	**3.9%**	**6.2%**	**3.7%**	**5.3%**
Stage 3 impairment ratio	**40%**	**35%**	**40%**	**38%**

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

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

NOTE 13. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	30/06/2019				31/12/2018			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Financial assets at fair value through profit or loss	32,788	-	-	32,788	28,068	-	-	28,068
Financial assets at fair value through other comprehensive income	6,369	3,562	1,124	11,055	6,078	2,777	124	8,979
Total non-fixed income securities, net	**39,157**	**3,562**	**1,124**	**43,843**	**34,146**	**2,777**	**124**	**37,047**
Including unit-linked insurance plan assets	*24,449*	-	-	*24,449*	*21,517*	-	-	*21,517*

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

As of 30 June 2019 the Bank and Group has investments in mutual investment funds with carrying amount of EUR 6.4 million (2018: EUR 6.1 million) and EUR 21.7 million (2018: EUR 20.1 million) which are managed by IPAS CBL Asset Management or its subsidiaries. EUR 12.9 million (2018: EUR 11.9 million) of these Group's investments relate to unit-linked contracts where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions.

	Bank, EUR thousands							
	30/06/2019				31/12/2018			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Financial assets at fair value through other comprehensive income	6,369	3,562	1,124	11,055	6,078	2,751	124	8,953
Total non-fixed income securities, net	**6,369**	**3,562**	**1,124**	**11,055**	**6,078**	**2,751**	**124**	**8,953**

NOTE 14. INVESTMENTS IN SUBSIDIARIES

Changes in investments in subsidiaries of the Bank

	EUR thousands	
	6m 2019	6m 2018 unaudited
Balance at the beginning of the period, net	**71,614**	**64,725**
Integration of AB Citadele bankas (Lithuania)	(43,838)	-
Equity investments in the existing subsidiaries	2,678	-
Sale or disposal of subsidiary	-	(39)
Impairment, net	3,031	-
Balance at the end of the period, net	**33,485**	**64,686**
Gross investment in subsidiaries as of period end	*71,356*	*112,516*

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

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

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

Carrying value of the investment in SIA Citadeles moduļi is estimated as a residual interest in the assets of the entity after deducting all of its liabilities. The major asset of the entity is the headquarters building of the Group. The valued of the building is derived from the value-in-use discounted cash flows after adjustments for capital expenditure. The property in the Group's consolidated accounts is presented as tangible asset and carried at amortised cost. Key inputs of the model are 8.5% (2018: 9.0%) discount rate, 2.0% (2018: 2.0%) long term growth rate and expected net cash flows generated by the property. Sensitivity scenarios: if discount rate was +/-100 basis points than the carrying value EUR +7.1/-5.2 million (2018: EUR +7.2/-5.4 million), if undiscounted shareholders cash flows were +/-10% than the carrying value EUR +/-4.4 million (2018: EUR +/-4.5 million).

Carrying value of the investment in SIA Citadele Līzings un Faktorings is derived from present value of expected free equity distributable to the shareholders, after required equity allocation for capital adequacy compliance. The target capital adequacy ratio is set at 12% and includes allocated charges for all banking risks inherent in the business model of the leasing plus full set of regulatory buffers as applicable for the Group consolidated and on top of that a managements buffer. Other key inputs of the model are 12.0% (2018: 12.0%) discount rate and future profitability of the operations of the entity. Sensitivity scenarios: if discount rate was +/-100 basis points than the carrying value EUR +1.1/-0.9 million (2018: EUR +1.1/-0.9 million), if net profits were +/-10% than the carrying value EUR +/-1.3 million (2018: EUR +/-1.3 million).

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

Consolidation Group for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands 30/06/2019	Carrying value EUR thousands 31/12/2018
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MAS	-	-	-	-
AB Citadele bankas (merged)	112021619	-	BNK	MS	-	-	-	43,837
AP Anlage & Privatbank AG	130.0.007.738-0	Switzerland, Limmatquai 4, CH-8001, Zurich	BNK	MS	100	100	13,805	13,805
SIA Citadele Līzings un Faktorings	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	6,921	4,325
OU Citadele Leasing & Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
UAB Citadele faktoringas ir lizingas	126233315	Lithuania, Vilnius LT-03107, K.Kalinausko 13	LIZ	MS	100	100	2,149	2,149
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
Calenia Investments Limited	HE156501	Cyprus, Nicosia 1075, 58 Arch. MakariosIII Avenue, Iris Tower, 6th floor, office 602	PLS	MS	100	100	-	-
OOO Mizush Asset Management Ukraina	32984601	Ukraine, Kiev 03150, Gorkovo 172	IBS	MMS	100	100	-	-
SIA Citadeles moduļi	40003397543	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	2,300	501
SIA RPG Interjers (merged)	40103157899	Latvia, Riga, Republikas laukums 2A	PLS	MMS	-	-	-	-
SIA Hortus Land	40103460961	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	22	-
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	704	-
SIA Hortus RE	40103752416	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	587	-
Total investments in subsidiaries							**33,485**	**71,614**

*BNK – bank, IBS – investment brokerage company, IPS – investment management company, PFO – pension fund, CFI – other financial institution, LIZ – leasing company, PLS – company providing various support services, APS – insurance company. ** MS – subsidiary company, MMS – subsidiary of the subsidiary company, MAS – parent company.

NOTE 15. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands 30/06/2019 Group	EUR thousands 31/12/2018 Group	EUR thousands 30/06/2019 Bank	EUR thousands 31/12/2018 Bank
Households	1,599,564	1,517,055	1,485,325	1,145,694
Non-financial corporations	1,042,052	967,640	848,342	666,398
Financial corporations	127,371	110,436	128,718	104,122
General government	50,694	43,750	50,694	18,428
Other	16,207	6,161	16,207	3,215
Total deposits from customers	**2,835,888**	**2,645,042**	**2,529,286**	**1,937,857**

Deposits and borrowings from customers by contractual maturity

	EUR thousands 30/06/2019 Group	EUR thousands 31/12/2018 Group	EUR thousands 30/06/2019 Bank	EUR thousands 31/12/2018 Bank
Demand deposits	2,246,516	2,017,551	2,004,636	1,562,750
Term deposits due within:				
less than 1 month	36,432	62,979	31,234	34,738
more than 1 month and less than 3 months	69,094	91,098	60,695	43,832
more than 3 months and less than 6 months	92,141	89,446	83,682	45,396
more than 6 months and less than 12 months	184,111	169,517	173,329	98,925
more than 1 year and less than 5 years	139,571	145,619	110,761	88,734
more than 5 years	68,023	68,832	64,949	63,482
Total term deposits	589,372	627,491	524,650	375,107
Total deposits from customers	**2,835,888**	**2,645,042**	**2,529,286**	**1,937,857**

Deposits and borrowings from customers by categories

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
At amortised cost	2,799,058	2,611,050	2,529,286	1,937,857
At fair value through profit or loss	36,830	33,992	-	-
Total deposits from customers	**2,835,888**	**2,645,042**	**2,529,286**	**1,937,857**
Including unit-linked insurance plan liabilities	*24,674*	*21,614*	-	-

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

NOTE 16. DEBT SECURITIES ISSUED

Publicly listed unsecured subordinated bond liabilities

ISIN code of the issued bond	Currency	Interest rate	Maturity date	Principal, EUR thousands	Amortised cost, EUR thousands	
					30/06/2019	31/12/2018
LV0000880011	EUR	5.50%	24/11/2027	20,000	20,059	20,058
LV0000802221	EUR	6.25%	06/12/2026	40,000	39,959	39,952
					60,018	**60,010**

Both issuances of unsecured subordinated securities qualify for inclusion in the Banks and the Groups Tier 2 capital. For details on capital adequacy refer to *Capital management* section of the Note 22 (*Risk Management*).

Profile of the bondholders as of the last coupon payment date

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

NOTE 17. SHARE CAPITAL

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

Shareholders of the Bank

	30/06/2019		31/12/2018	
	Paid-in share capital (EUR)	Total shares with voting rights	Paid-in share capital (EUR)	Total shares with voting rights
European Bank for Reconstruction and Development	39,138,948	39,138,948	39,138,948	39,138,948
RA Citadele Holdings LLC[1]	35,082,302	35,082,302	35,082,302	35,082,302
Delan S.à.r.l.[2]	15,597,160	15,597,160	15,597,160	15,597,160
EMS LB LLC[3]	13,864,142	13,864,142	13,864,142	13,864,142
NNS Luxembourg Investments S.à.r.l.[4]	13,864,142	13,864,142	13,864,142	13,864,142
Amolino Holdings Inc.[5]	13,863,987	13,863,987	13,863,987	13,863,987
Shuco LLC[6]	10,998,979	10,998,979	10,998,979	10,998,979
Other shareholders	14,146,136	14,146,136	14,146,136	14,146,136
Total	**156,555,796**	**156,555,796**	**156,555,796**	**156,555,796**

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

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

Earnings per share

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

	6m 2019 Group	6m 2018 Group unaudited	6m 2019 Bank	6m 2018 Bank unaudited
Profit for the period, EUR thousands	16,214	17,990	18,869	12,640
Weighted average number of the ordinary shares outstanding during the period in thousands	156,556	156,556	156,556	156,556
Basic earnings per share in EUR	**0.10**	**0.11**	**0.12**	**0.08**
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	156,556	156,556	156,556	156,556
Effect of share options in issue in thousands	342	-	342	-
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	**156,898**	**156,556**	**156,898**	**156,556**
Profit for the period, EUR thousands	16,214	17,990	18,869	12,640
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	156,898	156,556	156,898	156,556
Diluted earnings per share in EUR	**0.10**	**0.11**	**0.12**	**0.08**

NOTE 18. OFF-BALANCE SHEET ITEMS

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

Contingent liabilities and financial commitments outstanding

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Contingent liabilities:				
Outstanding guarantees	21,456	21,970	20,592	17,385
Outstanding letters of credit	251	435	251	435
Total contingent liabilities	**21,707**	**22,405**	**20,843**	**17,820**
Provisions for contingent liabilities	(208)	(211)	(208)	(208)
Maximum credit risk exposure for contingent liabilities	**21,499**	**22,194**	**20,635**	**17,612**
Financial commitments:				
Unutilised credit lines and overdraft facilities	99,076	141,731	207,766	179,535
Card commitments	124,683	112,863	124,691	103,905
Loans granted, not fully drawn down	130,747	82,604	130,747	71,869
Factoring commitments	13,513	6,490	-	-
Other commitments	434	428	-	-
Total financial commitments	**368,453**	**344,116**	**463,204**	**355,309**
Provisions for financial commitments	(3,174)	(2,551)	(3,174)	(2,408)
Maximum credit risk exposure for financial commitments	**365,279**	**341,565**	**460,030**	**352,901**

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

NOTE 19. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Fixed income securities:				
Corporate bonds	125,620	98,321	-	-
Government bonds	63,256	66,831	-	-
Credit institution bonds	20,279	18,345	-	-
Other financial institution bonds	15,862	13,970	-	-
Total investments in fixed income securities	**225,017**	**197,467**	**-**	**-**
Other investments:				
Investment funds	435,405	336,017	-	-
Deposits with credit institutions	42,129	43,714	-	997
Compensations for distribution on behalf of deposit guarantee fund	34,616	74,236	34,616	74,236
Shares	28,548	26,593	-	-
Real estate	4,912	4,219	-	-
Loans	751	801	751	801
Other	53,304	103,006	-	-
Total other investments	**599,665**	**588,586**	**35,367**	**76,034**
Total assets under management	**824,682**	**786,053**	**35,367**	**76,034**

Customer profile on whose behalf the funds are managed

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Pension plans	521,902	453,748	-	-
Insurance companies, investment and pension funds	127,954	118,926	-	-
Other companies and government	81,102	122,238	35,367	76,034
Private individuals	93,724	91,141	-	-
Total liabilities under management	**824,682**	**786,053**	**35,367**	**76,034**

NOTE 20. CASH AND CASH EQUIVALENTS

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Cash and cash balances with central banks	332,165	405,315	316,912	155,510
Loans on demand to credit institutions	82,565	95,890	70,092	87,105
Demand deposits from central banks and credit institutions	(5,715)	(1,220)	(16,265)	(4,054)
Total cash and cash equivalents	**409,015**	**499,985**	**370,739**	**238,561**

NOTE 21. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received for an asset sold or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

For illiquid financial assets and liabilities, including loans and advances to customers, there are no active markets. Accordingly, fair value for these has been estimated using appropriate valuation techniques. The methods used to determine the fair value of balance sheet items are as follows:

Cash and balances at central banks

The fair value of cash and balances with central banks is their carrying amount as these balances may be withdrawn without notice.

Loans to credit institutions and deposits from credit institutions and central banks

The fair value of on-demand balances with credit institutions is their carrying amount as these balances may be withdrawn without notice. The fair value of overnight placements is their carrying amount. The fair value of other amounts due from banks is calculated by discounting expected cash flows using current market rates. The carrying value is a close representation of fair value due to short-term maturity profiles and low interest rates.

Loans to public

The fair value of loans and advances to customers is calculated by discounting expected future cash flows. The discount rates consist of money market rates as of the end of the reporting period and credit margins, which are adjusted for current market conditions. If all the Bank's assumed discount rates would change by 10%, the fair value of the loan portfolio would change by EUR 17.1 million (2018: EUR 14.2 million).

Debt securities

Debt securities classified as at fair value through profit or loss and at fair value through other comprehensive income are accounted at unadjusted quoted prices in active markets which is their fair value. Debt securities classified at amortised cost are not accounted at fair value; the disclosed fair value for these is their unadjusted quoted prices in active markets.

Equity instruments and other financial instruments at fair value

Investments in mutual investment funds (presented as other financial instruments at fair value) are valued using unadjusted quoted prices in active markets. Equity instruments include Citadele's equity interest in Visa Inc. which has been valued by reference to consideration, which is contingent upon future events. The valuation is dependent on exchange rate, Visa Inc. stock price and preferred stocks' conversion ratio as well as liquidity discount of 50%. The Level 3 presented preference stocks in Visa Inc. are part of consideration received for the sale of Citadele's share in Visa Europe to Visa Inc. In the reporting period the Group and the Bank has acquired an unquoted equity instrument of a Latvian company. The instrument is categorised as Level 3. Subsequent to the initial acquisition the instrument is valued based on the internally developed discounted future cash flow model. Key inputs of the model are forecasted future earnings and a discount rate of 12%. Adjusting forecasted future earnings by +/-20% would result in EUR +/-0.2 million changes in the estimated fair value of the investment, adjusting the applied discount rate by +/-100 basis points would result in EUR +/-0.1 million changes in the estimated fair value.

Derivatives

Derivatives are valued using techniques based on observable market data.

Deposits and borrowings from customers

Deposits and borrowing from customers includes part which is carried at amortised cost and part which is carried at fair value. The entire portfolio of deposits and borrowing from customers which are carried at fair value are deposit part of the life insurance contracts.

The fair value of deposits and borrowings from customers repayable on demand is their carrying amount. The fair value of other deposits is calculated by discounting expected cash flows using average market interest rates close to or at the period-end. If all the assumed discount rates would change by 10%, the fair value of the non-subordinated non-life insurance deposit portfolio would change by EUR 0.24 million (2018: EUR 0.13 million).

The fair value of unit-linked investment contract liabilities is their carrying amount which equals fair value of unit-linked insurance plan assets. The fair value of other life insurance deposits carried at fair value through profit or loss is calculated by discounting expected cash flows using current effective deposit rates. If the assumed discount rates would increase by 10%, the fair value of the portfolio would decrease by EUR 17 thousand (2018: EUR 19 thousand).

Debt securities issued

The fair value of publically listed unsecured subordinated bonds is estimated based on the quoted prices.

Fair value hierarchy

Quoted market prices (Level 1)
Financial instruments are valued using unadjusted quoted prices in active markets.

Valuation technique - observable market inputs (Level 2)
Financial instruments are valued using techniques based on observable market data. In some instances, valuations received from independent third party are used.

Valuation technique - non-market observable inputs (Level 3)
Financial instruments are valued using techniques for which significant inputs are not based on observable market data.

Fair values of financial assets and liabilities of the Group on 30 June 2019

			Fair value hierarchy (where applicable)		
	Carrying value	Total fair value	Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Debt securities	471,285	471,285	471,285	-	-
Equity instruments	4,686	4,686	-	-	4,686
Other financial instruments	39,157	39,157	39,157	-	-
Derivatives	496	496	-	496	-
Financial assets not measured at fair value:					
Cash and balances at central banks	332,165	332,165	-	-	-
Loans to credit institutions	117,003	117,003	-	-	-
Debt securities	720,188	726,832	726,832	-	-
Loans to public	1,488,494	1,498,117	-	-	1,498,117
Total assets	**3,173,474**	**3,189,741**	**1,237,274**	**496**	**1,502,803**
Derivatives	522	522	-	522	-
Deposits and borrowings from customers	36,830	36,830	24,674	-	12,156
Financial liabilities not measured at fair value:					
Deposits from credit institutions and central banks	6,261	6,261	-	-	-
Deposits and borrowings from customers	2,799,058	2,802,732	-	-	2,802,732
Debt securities issued	60,018	61,191	-	61,191	-
Total liabilities	**2,902,689**	**2,907,536**	**24,674**	**61,713**	**2,814,888**

Fair values of financial assets and liabilities of the Group on 31 December 2018

	Carrying value	Total fair value	Fair value hierarchy (where applicable): Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Debt securities	400,739	400,739	400,739	-	-
Equity instruments	2,901	2,901	-	-	2,901
Other financial instruments	34,146	34,146	34,146	-	-
Derivatives	611	611	-	611	-
Financial assets not measured at fair value:					
Cash and balances at central banks	405,315	405,315	-	-	-
Loans to credit institutions	131,902	131,902	-	-	-
Debt securities	588,491	587,697	587,697	-	-
Loans to public	1,395,692	1,394,055	-	-	1,394,055
Total assets	**2,959,797**	**2,957,366**	**1,022,582**	**611**	**1,396,956**
Derivatives	1,470	1,470	-	1,470	-
Deposits and borrowings from customers	33,992	33,992	21,614	-	12,378
Financial liabilities not measured at fair value:					
Deposits from credit institutions and central banks	7,277	7,277	-	-	-
Deposits and borrowings from customers	2,611,050	2,612,243	-	-	2,612,243
Debt securities issued	60,010	60,383	-	60,383	-
Total liabilities	**2,713,799**	**2,715,365**	**21,614**	**61,853**	**2,624,621**

Fair values of financial assets and liabilities of the Bank on 30 June 2019

	Carrying value	Total fair value	Fair value hierarchy (where applicable): Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Debt securities	288,069	288,069	288,069	-	-
Equity instruments	4,686	4,686	-	-	4,686
Other financial instruments	6,369	6,369	6,369	-	-
Derivatives	496	496	-	496	-
Financial assets not measured at fair value:					
Cash and balances at central banks	316,912	316,912	-	-	-
Loans to credit institutions	97,054	97,054	-	-	-
Debt securities	656,647	661,436	661,436	-	-
Loans to public	1,519,701	1,529,324	-	-	1,529,324
Total assets	**2,889,934**	**2,904,346**	**955,874**	**496**	**1,534,010**
Derivatives	522	522	-	522	-
Financial liabilities not measured at fair value:					
Deposits from credit institutions and central banks	47,582	47,582	-	-	-
Deposits and borrowings from customers	2,529,286	2,532,995	-	-	2,532,995
Debt securities issued	60,018	61,191	-	61,191	-
Total liabilities	**2,637,408**	**2,642,290**	**-**	**61,713**	**2,532,995**

Fair values of financial assets and liabilities of the Bank on 31 December 2018

	Carrying value	Total fair value	Fair value hierarchy (where applicable): Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Debt securities	247,025	247,025	247,025	-	-
Equity instruments	2,875	2,875	-	-	2,875
Other financial instruments	6,078	6,078	6,078	-	-
Derivatives	614	614	-	614	-
Financial assets not measured at fair value:					
Cash and balances at central banks	155,510	155,510	-	-	-
Loans to credit institutions	110,851	110,851	-	-	-
Debt securities	531,986	531,042	531,042	-	-
Loans to public	1,168,116	1,162,831	-	-	1,162,831
Total assets	**2,223,055**	**2,216,826**	**784,145**	**614**	**1,165,706**
Derivatives	1,504	1,504	-	1,504	-
Financial liabilities not measured at fair value:					
Deposits from credit institutions and central banks	39,170	39,170	-	-	-
Deposits and borrowings from customers	1,937,857	1,939,218	-	-	1,939,218
Debt securities issued	60,010	60,383	-	60,383	-
Total liabilities	**2,038,541**	**2,040,275**	**-**	**61,887**	**1,939,218**

Changes in fair value of securities at fair value through other comprehensive income categorised as Level 3

	EUR thousands			
	6m 2019 Group	**6m 2018 Group** unaudited	**6m 2019 Bank**	**6m 2018 Bank** unaudited
As of the beginning of the period, net	**2,901**	**2,444**	**2,875**	**2,428**
Other comprehensive income				
Revaluation gain in other comprehensive income	*785*	*397*	*785*	*397*
New exposures	1,000	-	1,000	-
Integration of AB Citadele bankas (Lithuania)	-	-	26	-
As of the end of the period, net	**4,686**	**2,841**	**4,686**	**2,825**

Fair value for equity instruments which fair value is calculated based on non-market observable inputs is categorised as Level 3 as these financial instruments are not listed on an exchange and there are insufficient recent observable transactions on the market.

Changes in fair value of deposits and borrowings from customers measured at fair value and categorised as Level 3

	EUR thousands	
	6m 2019 Group	**6m 2018 Group** unaudited
As of the beginning of the period	**12,378**	**12,104**
Premiums received	1,414	1,298
Commissions and risk charges	(146)	(92)
Paid to policyholders	(1,566)	(1,125)
Currency revaluation result	1	2
Other	75	107
As of the end of the period	**12,156**	**12,294**

NOTE 22. RISK MANAGEMENT

Risk management polices

The Group considers risk management to be an essential component of its management process. The Group believes that it pursues prudent risk management policies that are aligned with its business and which aim to achieve effective risk mitigation. In order to assess and monitor complex risk exposures, the Group applies a wide range of risk management tools in conjunction with risk committees. Members of risk committees represent various operations of the Group in order to balance business and risk orientation within respective risk committees. The Group's risk management principles are set out in its Risk Management Policy. The Group adheres to the following key risk management principles:

- The Group aims to ensure that it maintains low overall risk exposure, diversified asset portfolio, limited risks in financial markets and low levels of operational risk;
- The Group aims to ensure an acceptable risk level in all operations. Risks are always assessed in relation to their expected return. Risk exposures that are not acceptable are avoided, limited or hedged;
- The Group does not assume high or uncontrollable risks irrespective of the return they provide, and assumes risks only in economic fields and geographical regions in relation to which it believes it has sufficient knowledge and expertise;
- Risk management is based on each Group's employee's responsibility for the transactions carried out by him/her and awareness of the related risks;
- Risk limit system and strict controls are essential risk management elements. Control over risk levels and compliance with the imposed limits is achieved by the existence of structured risk limit systems for all material risks.

The aim of the risk management in the Group is to facilitate the achievement of the Group's goals, successful development, long-term financial stability, and to protect the Group from unidentified risks. Risk management within the Group is controlled by an independent unit – the Risk Sector.

The main risks to which the Group is exposed are: credit risk, market risk, interest rate risk, liquidity risk, currency risk and operational risk. For each of these risks the Group has approved risk management policies and other internal regulations defining key risk management principles and processes, functions and responsibilities of units, risk concentration limits, as well as control and reporting system. For more details on the Group's risk management policies refer to the latest annual report of the Group.

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

	Group as of 30/06/2019, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	116,841	116,364	83,707	-	15,253	332,165
Loans to credit institutions	1,410	62	-	14,962	100,569	117,003
Debt securities	257,519	193,647	33,534	395,692	311,081	1,191,473
Loans to public	901,763	405,734	149,672	6,842	24,483	1,488,494
Equity instruments	1,124	-	-	129	3,433	4,686
Other financial instruments	21,714	-	-	17,164	279	39,157
Derivatives	161	-	32	215	88	496
Other assets	77,812	4,488	1,828	6,677	1,458	92,263
Total assets	**1,378,344**	**720,295**	**268,773**	**441,681**	**456,644**	**3,265,737**
Liabilities						
Deposits from credit institutions and central banks	1,166	475	-	165	4,455	6,261
Deposits and borrowings from customers	1,800,145	410,904	97,960	191,659	335,220	2,835,888
Debt securities issued	60,018	-	-	-	-	60,018
Derivatives	201	-	16	275	30	522
Other liabilities	36,719	3,336	1,427	31	2,533	44,046
Total liabilities	**1,898,249**	**414,715**	**99,403**	**192,130**	**342,238**	**2,946,735**
Off-balance sheet items						
Contingent liabilities	13,296	2,402	3,711	306	1,992	21,707
Financial commitments	288,885	73,550	4,897	113	1,008	368,453

For additional information on geographical distribution of securities exposures please refer to Note 11 (*Debt* Securities). EUR 15.3 million of Group's cash and deposit with central banks balances presented as "Other countries" is with Swiss National Bank (2018: EUR 29.8 million). From Group's balances due from credit institutions presented as "Other countries" EUR 15.1 million are with Swiss credit institutions (2018: EUR 37.1 million), EUR 49.7 million are with Japanese credit institutions and EUR 21.9 million with United States registered credit institutions (2018: EUR 23.6 million). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments.

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

	Bank as of 30/06/2019, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	116,841	116,364	83,707	-	-	316,912
Loans to credit institutions	37	62	-	11,475	85,480	97,054
Debt securities	251,468	190,093	31,700	254,598	216,857	944,716
Loans to public	941,384	402,980	145,185	6,377	23,775	1,519,701
Equity instruments	1,124	-	-	129	3,433	4,686
Other financial instruments	6,369	-	-	-	-	6,369
Derivatives	161	-	32	215	88	496
Other assets	53,794	6,243	2,049	6,670	14,384	83,140
Total assets	**1,371,178**	**715,742**	**262,673**	**279,464**	**344,017**	**2,973,074**
Liabilities						
Deposits from credit institutions and central banks	1,166	475	-	165	45,776	47,582
Deposits and borrowings from customers	1,773,669	411,675	97,767	61,085	185,090	2,529,286
Debt securities issued	60,018	-	-	-	-	60,018
Derivatives	201	-	16	275	30	522
Other liabilities	30,051	2,851	1,317	31	48	34,298
Total liabilities	**1,865,105**	**415,001**	**99,100**	**61,556**	**230,944**	**2,671,706**
Off-balance sheet items						
Contingent liabilities	13,276	2,402	3,711	-	1,454	20,843
Financial commitments	331,982	111,293	19,242	113	574	463,204

For additional information on geographical distribution of securities exposures please refer to Note 11 (*Debt* Securities). From Bank's balances due from credit institutions presented as "Other countries" EUR 49.7 million are with Japanese credit institutions (2018: Swiss credit institutions EUR 21.1 million) and EUR 21.9 million with United States registered credit institutions (2018: EUR 23.6 million).

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

Liquidity coverage ratio

The general principles of the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR) as measurements of the Bank's and the Group's liquidity position are defined in the Regulation (EC) No 575/2013. The Commission Delegated Regulation (EU) 2015/61 effective from 1 October 2016 in more details defines LCR calculation principles. The minimum LCR requirement is 100%. The Bank and the Group is compliant with LCR requirements.

		EUR thousands			
		30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
1.	Liquidity buffer	1,080,166	1,051,389	941,462	698,529
2.	Net liquidity outflow	420,686	405,419	421,725	308,495
3.	**Liquidity coverage ratio**	**257%**	**259%**	**223%**	**226%**

Capital management

Capital adequacy is calculated in accordance with the current global standards of the bank capital adequacy (the Basel III international regulatory framework) as implemented by the European Union via a regulation (EU) 575/2013 and a directive 2013/36/EU, the Financial and Capital Markets Commission's (FCMC) rules and other relevant regulations.

Capital adequacy refers to the sufficiency of the Group's capital resources to cover credit risks, market risks and other specific risks arising predominantly from asset and off-balance sheet exposures of the Group. The regulations require Latvian banks to maintain a total capital adequacy ratio of 8.0% of the total risk weighted exposure amounts. The rules also require 4.5% minimum common equity tier 1 capital ratio and 6.0% minimum tier 1 capital ratio. Total SREP capital requirement (TSCR) requires capital to cover risks in addition to these covered by the regulation (EU) 575/2013. TSCR is established in a supervisory review and evaluation process (SREP) carried out by the national supervisory authority. The national supervisory authority determines TSCR on a risk-by-risk basis, using supervisory judgement, the outcome of supervisory benchmarking, ICAAP calculations, and other relevant inputs. The additional pillar 2 capital requirement is re-assessed annually by the FCMC. As of the period end based on the FCMC's assessment an additional 2.90% capital requirement (TSCR) for the Group and the Bank is determined to cover pillar 2 risks. The Bank and the Group is required to cover 56% of the TSCR with common equity tier 1 capital (1.62% capital requirement), 75% with tier 1 capital (2.18% capital requirement) and 100% with total capital (2.90% capital requirement).

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

Effective for periods ending 30 June 2019 and later the Group and the Bank has applied prudential provisioning requirements in line with the requirements of the FCMC regulations.

The Bank has subsidiaries, which are financial institutions, and needs to comply with the regulatory requirements both at the Bank's standalone level and at the Group's consolidated level. As of the period end both the Bank and the Group have sufficient capital to comply with the FCMC's capital adequacy requirements.

Regulatory capital requirements of the Group on 30 June 2019

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Individual TSCR, as determined by the FCMC	1.62%	2.18%	2.90%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.50%	1.50%	1.50%
Countercyclical capital buffer	0.24%	0.24%	0.24%
Capital requirement	**10.36%**	**12.42%**	**15.14%**

As of the period end the countercyclical capital buffer for the Bank is 0.25%; other capital requirements and buffers for the Bank are the same as for the Group.

Capital adequacy ratio (including interim profits)

	EUR thousands			
	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
Common equity Tier 1 capital				
Paid up capital instruments	156,556	156,556	156,556	156,556
Retained earnings and interim profits *	151,899	136,210	140,143	112,117
Deductible other intangible assets	(4,733)	(4,819)	(4,607)	(4,651)
Other capital components, deductions and transitional adjustments, net	9,194	6,747	5,223	3,264
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	**372,916**	**354,694**	**357,315**	**327,286**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,663,244	1,507,401	1,635,854	1,326,277
Total exposure amounts for position, foreign currency open position and commodities risk	10,951	10,483	1,050	850
Total exposure amounts for operational risk	214,848	245,354	170,855	189,900
Total exposure amounts for credit valuation adjustment	400	399	400	399
Total risk exposure amount	**1,889,443**	**1,763,637**	**1,808,159**	**1,517,426**
Total capital adequacy ratio	**19.7%**	**20.1%**	**19.8%**	**21.6%**
Common equity Tier 1 capital ratio	**16.6%**	**16.7%**	**16.4%**	**17.6%**

* The regulatory own funds include audited interim profits, inclusion of which is subject to FCMC's approval. If no interim profits were included total regulatory own funds for the Group and the Bank would be EUR 357.0 million and EUR 338.4 million, total capital adequacy ratio 18.9% and 18.7%, and CET 1 ratio 15.7% and 15.4% respectively.

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

Capital adequacy calculation of the Bank and the Group in accordance with the EU and the FCMC regulations (Basel III framework, Pillar I as implemented by EU and FCMC) permits transitional adjustments. For 2019 and later periods transitional provisions with a diminishing favourable impact apply to IFRS 9 implementation impact. The regulation (EU) 2017/2395 permits specific proportion of IFRS 9 implementation impact to be amortised in five years period (starting from 2018) for capital adequacy calculation purposes. The long term regulatory capital position of the Group and the Bank is planned and managed in line with these and other expected upcoming regulatory requirements. In the reporting period the capital adequacy ratio of the Bank decreased as a result of the integration of the Lithuanian operations.

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

	EUR thousands			
	30/06/2019 Group	**31/12/2018 Group**	**30/06/2019 Bank**	**31/12/2018 Bank**
Common equity Tier 1 capital, fully loaded	307,942	288,832	292,122	262,911
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	**367,942**	**348,832**	**352,122**	**322,911**
Total risk exposure amount, fully loaded	**1,884,964**	**1,758,524**	**1,802,697**	**1,513,993**
Total capital adequacy ratio, fully loaded	**19.5%**	**19.8%**	**19.5%**	**21.3%**
Common equity Tier 1 capital ratio, fully loaded	**16.3%**	**16.4%**	**16.2%**	**17.4%**

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

Leverage ratio is calculated as Tier 1 capital versus the total exposure measure with the minimum requirement of 3%. No buffer requirements for O-SII banks apply under the current regulatory framework. The exposure measure includes both non risk based on-balance sheet and off-balance sheet items calculated in accordance with the capital requirements regulation. The leverage ratio and the risk-based capital adequacy ratio requirements are complementary, with the leverage ratio defining the minimum capital to total exposure requirement and the risk-based capital adequacy ratios limiting bank risk-taking.

	30/06/2019 Group	**31/12/2018 Group**	**30/06/2019 Bank**	**31/12/2018 Bank**
Leverage Ratio – fully phased-in definition of Tier 1 capital	9.2%	9.3%	9.5%	10.9%
Leverage Ratio – transitional definition of Tier 1 capital	9.3%	9.5%	9.6%	11.0%

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

On 23 May 2016 the European Commission adopted the regulatory technical standards (RTS) on the criteria for determining the minimum requirement for own funds and eligible liabilities (MREL) under BRRD. In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD, BRRD requires that all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. The RTS provide for resolution authorities to allow institutions a transitional period to reach the applicable MREL requirements. The MREL requirement for each institution is comprised of a number of elements, including the required loss absorbing capacity of the institution (which, as a minimum, equals to the institution's capital requirements under capital requirements directive, including applicable buffers), and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL include institution's own funds (within the meaning of capital requirements directive), along with "eligible liabilities", meaning liabilities which inter alia, are issued and fully paid up, have a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives.

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

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Independent Auditors' Report

To the shareholders of AS "Citadele banka"

Report on the Audit of the Condensed Interim Separate and Consolidated Financial information

Our Opinion on the Condensed Interim Separate and Consolidated Financial information

We have audited the condensed interim separate financial information of AS "Citadele banka" ("the Bank") and the condensed interim consolidated financial information of the Bank and its subsidiaries ("the Group"), set out on pages 12 to 39 of the accompanying separate and consolidated Interim Report, which comprise:

— the separate and consolidated condensed balance sheet as at 30 June 2019,

— the separate and consolidated condensed statement of income for the 6 month period then ended,

— the separate and consolidated condensed statement of comprehensive income for the 6 month period then ended,

— the separate and consolidated condensed statement of changes in equity for the 6 month period then ended,

— the separate and consolidated condensed statement of cash flows for the 6 month period then ended, and

— the notes to the separate and consolidated condensed financial information, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying condensed interim separate and consolidated financial information has been prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia, we conducted our audit in accordance with International Standards on Auditing as adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Interim Condensed Separate and Consolidated Financial Information* section of our report.

We are independent of the Bank and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the condensed interim separate and consolidated financial information of the current period. These matters were addressed in the context of our audit of the condensed interim separate and consolidated financial information as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans and provisions for off-balance sheet items (consolidated and separate financial information)

Key audit matter

The gross amount of loans in the condensed interim *consolidated financial information as at 30 June 2019: EUR 1 548.6 million; total allowances for impairment loss as at 30 June 2019: EUR 60.1 million; impairment losses on loans recognised in 2019: EUR 3.4 million; the gross amount of off-balance sheet items as at 30 June 2019: EUR 390.2 million; total provisions as at 30 June 2019: EUR 3.4 million; provisions on these items recognised in 2019: EUR 0.6 million;*

The gross amount of loans in the condensed interim *separate financial information at 30 June 2019: EUR 1 576.0 million; total impairment loss allowances as at 30 June 2019: EUR 56.3 million; impairment losses on loans recognised in 2019: EUR 3.4 million. The gross amount of off-balance sheet items as at 30 June 2019: EUR 463.2 million; total provisions as at 30 June 2019: EUR 3.4 million; provisions on these items recognised in 2019: EUR 0.6 million.*

We refer to the condensed interim financial information*: Notes 9, 12, and 22 (financial disclosures).*

Impairment allowances represent the Management Board's best estimate of the expected credit losses within the loans and advances at the reporting date. We focused on this area as the determination of impairment allowances requires a significant amount of judgment from the Management Board over both the timing of recognition and the amounts of any such impairment.

Our response

Our audit procedures included, among others:

With respect of the IFRS 9 in general:

- inspecting the Bank's and the Group's ECL impairment provisioning methodology and assessing its compliance with the relevant requirements of the standard. As part of the above, we challenged the Management Board on whether the level of the methodology's sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;
- testing of controls over the approval, recording and monitoring of loans, including, but not limited to, those over loan risk monitoring, identification of loss events, and the calculation of the impairment allowances;
- testing of application and general IT controls related to automated processes for expected credit losses calculations.

For loans assessed on an individual basis:

- selecting a sample of individual exposures, with focus on those with the greatest potential impact on the financial information due to their magnitude and risk characteristics, as well as lower value items which we independently assessed as high-risk;
- for stage 1 and stage 2 exposures within the sample selected, critically assessing the existence of any evidence of credit-impairment as at 30 June 2019, by reference to the underlying documentation and through discussion with management and taking into

As required by IFRS 9, the Group calculates impairment allowances and provisions for off-balance sheet items based on expected credit loss models. ECLs determined by modelling techniques and estimated mainly based on historical pattern of losses and changes in loan risk characteristics based on qualitative and quantitative indicators such as the probability of default ("PD") and loss given default ("LGD").

Individual impairment allowances recognized by the Bank and other entities within the Group mostly relate to large, individually monitored, corporate exposures, where the Group is assessing ECLs on an individual basis. The assessment is therefore based on the knowledge about each individual borrower and often on estimation of the fair value of the related collateral.

Accordingly, the most significant areas of estimation uncertainty and judgements associated with recognition of impairment allowances for loans and provisions for off-balance sheet items are:

— Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.

— Timely identification of exposures with significant increase in credit risk and credit impaired exposures.

— Valuation of collateral and assumptions of future cash flows on individually assessed credit-impaired exposures.

consideration business operations of the respective customers as well as market conditions and historical repayment pattern;

— for stage 3 exposures in our sample, challenging key assumptions applied in the Bank's and the Group's estimates of future cash flows. We sought Management Board's and credit risk personnel's explanations for any material discrepancies identified as a result of the above procedures.

For loans where impairment allowances and off-balance sheet provisions are based on modelled expected credit losses:

— testing the underlying impairment models, assessed as significant, including model approval and validation processes;

— obtaining the relevant forward-looking information and macroeconomic forecasts used in the Bank's and the Group's ECL assessment. Independently assessing the information by means of corroborating inquiries of the Management Board and through inspection of publicly available information;

— challenging LGD and PD parameters, by performing back-testing of historical default and by reference to historical realized losses on defaults based on collateral realisation and non-performing loans sales arrangements as well as challenging collateral valuation inputs;

— for a sample of exposures, assessing the appropriateness of the staging;

— for a sample of exposures tested collectively, assessing the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models;

In order to assess loss allowances in totality:

— critically assessing the reasonableness of the ECL allowances, including both the share of the gross non-performing exposure in total gross exposure and the non-performing loans provision coverage by comparing them to industry data.

Impairment of investments in subsidiaries (separate financial information)

Key audit matter	*Our response*
The gross amount of investments in subsidiaries in the separate condensed interim *financial information as at 30 June 2019: EUR 71.4 million; impairment loss reversal recognised in 2019: EUR 3.0 million; total impairment loss recognized as at 30 June 2019: EUR 37.9 million.* We refer to the *condensed interim* financial information: Note 14 (financial disclosures). At the end of each reporting period, management assesses whether there is any indication that investments in subsidiaries may be impaired, such as, among other things, significant current losses, negative equity or below-budget performance. For such investments, the Bank estimates their recoverable amounts by identifying the higher of value-in-use or fair value less cost to sell, using internal models based on distributable dividend growth model and discounted cash flow models. The determination of the recoverable amounts of investments in subsidiaries is a process that requires management to make subjective judgements, including those in respect of future operating cash flows, growth rates and discount rates, and is therefore associated with significant estimation uncertainty. Due to the circumstances described above, we assessed the impairment of investments in subsidiaries to be a key audit matter.	Our procedures included, among others: — evaluating the reasonableness of management's judgments as to the existence of impairment indicators, and consequently, the requirement to perform related impairment tests. This included, but was not limited to, discussing the subsidiaries' performance with the Bank's finance function officers, and assessing their strategies and historical profitability against past forecasts; — for investments with identified impairment indicators, with the involvement of KPMG valuation specialists, assessing the Bank's assumptions and estimates, applied to determine the investments' recoverable amounts. Our assessment covered, among other things: - evaluating the appropriateness of the impairment models used for the assets in question against the requirements of the relevant financial reporting standards; - challenging the reasonableness of the assumptions applied, such as, primarily, growth rates and discount rates by comparing these rates to publicly available market data as well as checking reasonableness of set growth rates against prior period performance and the budgets; - performing inquires with the Management Board and obtaining supporting documentation for the other relevant inputs in the impairment models such as capital requirement ratios, tax benefits, etc. and considering their reasonableness using our knowledge of the business; - evaluating the historical accuracy of the Bank's forecasts by comparing actual performance against previous forecasts; — assessing the mathematical accuracy of the impairment models;

— assisted by our own valuation specialists, performing an independent sensitivity analysis of impairment tests' results to changes in key assumptions, such as, primarily, growth and discount rates and evaluating whether the levels of key assumptions used by the Bank in the impairment model indicate management bias;

— considering the adequacy of the Bank's disclosures related to the assumptions and significant judgements used at estimating recoverable amounts of investments in subsidiaries.

Reporting on Other Information

The Bank's and the Group's management is responsible for the other information. The other information comprises:

— Key figures as set out on page 2 of the accompanying Interim Report ("Interim Report"),

— the Management Report, as set out on pages 4 to 10 of the Interim Report,

— the Statement of the Management's Responsibility, as set out on page 11 of the Interim Report,

— The Other regulatory disclosures, as set out on pages 48 to 50,

— The Quarterly statements of income and balance sheets of the Group, as set out on page 51.

Our opinion on the condensed interim separate and consolidated financial information does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the interim condensed separate and consolidated financial information, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the interim condensed separate and consolidated financial information or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Bank, the Group and their environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Condensed Interim Separate and Consolidated Financial Information

Management is responsible for the preparation and presentation of the condensed interim separate and consolidated financial information in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of condensed interim separate and consolidated financial information that are free from material misstatement, whether due to fraud or error.

In preparing the condensed interim separate and consolidated financial information, management is responsible for assessing the Bank's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Interim Condensed Separate and Consolidated Financial Information

Our objectives are to obtain reasonable assurance about whether the interim condensed separate and consolidated financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed separate and consolidated financial information.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the interim condensed separate and consolidated financial information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the separate and consolidated financial information, including the disclosures, and whether the separate and consolidated financial information represent the underlying transactions and events in a manner that achieves a fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial information. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial information of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the annual shareholders' meeting on 30 April 2019 to audit the interim condensed separate and consolidated financial information of AS "Citadele banka" for the 6 month period ended 30 June 2019. Our total uninterrupted period of engagement is 7 years, covering the periods ending 31 December 2013 to 30 June 2019.

We confirm that our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank and Group.

KPMG Baltics AS
Licence No. 55

Ondrej Fikrle
Partner pp KPMG Baltics AS
Riga, Latvia
29 August 2019

OTHER REGULATORY DISCLOSURES

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

Income Statement, regulatory format

	EUR thousands	6m 2019 Group	6m 2018 Group	6m 2019 Bank	6m 2018 Bank
1.	Interest income	49,546	47,829	45,023	36,476
2.	Interest expense	(7,694)	(7,934)	(7,753)	(6,918)
3.	Dividend income	20	16	1,567	16
4.	Commission and fee income	27,135	28,132	22,502	20,870
5.	Commission and fee expense	(12,764)	(12,363)	(12,448)	(10,727)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	258	93	(15)	82
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	421	(176)	-	-
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	3,212	6,658	3,037	5,515
10.	Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11.	Other income	791	1,777	1,645	1,273
12.	Other expense	-	-	-	-
13.	Administrative expense	(37,497)	(40,908)	(32,707)	(32,197)
14.	Amortisation and depreciation charge	(3,862)	(2,961)	(3,634)	(1,503)
15.	Gain or loss on modifications in financial asset contractual cash flows	-	-	-	-
16.	Provisions, net	(620)	515	(621)	387
17.	Impairment charge and reversals, net	(2,019)	(2,576)	2,570	(585)
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	(283)	-	(177)	-
21.	**Profit before taxation**	**16,644**	**18,102**	**18,989**	**12,689**
22.	Corporate income tax	(430)	(112)	(120)	(49)
23.	**Net profit / loss for the period**	**16,214**	**17,990**	**18,869**	**12,640**
28.	**Other comprehensive income for the period**	**5,586**	**(1,509)**	**3,724**	**(1,122)**

Balance Sheet, regulatory format

	EUR thousands	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
1.	Cash and demand balances with central banks	332,165	405,315	316,912	155,510
2.	Demand deposits due from credit institutions	82,565	97,724	70,092	88,989
3.	Financial assets designated at fair value through profit or loss	33,284	28,679	496	614
4.	Financial assets at fair value through other comprehensive income	482,340	409,719	299,124	255,979
5.	Financial assets at amortised cost	2,243,120	2,018,360	2,203,310	1,721,963
6.	Derivatives – hedge accounting	-	-	-	-
7.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
8.	Investments in subsidiaries, joint ventures and associates	-	-	33,485	71,614
9.	Tangible assets	50,670	48,893	16,238	4,817
10.	Intangible assets	4,771	4,868	4,607	4,651
11.	Tax assets	3,314	2,929	2,811	247
12.	Other assets	30,020	35,604	24,359	25,599
13.	Non-current assets and disposal groups classified as held for sale	3,488	-	1,640	-
14.	**Total assets (1.+....+13.)**	**3,265,737**	**3,052,091**	**2,973,074**	**2,329,983**
15.	Due to central banks	10	22	10	10
16.	Demand liabilities to credit institutions	5,705	1,198	16,255	4,672
17.	Financial liabilities designated at fair value through profit or loss	37,352	35,462	522	1,504
18.	Financial liabilities measured at amortised cost	2,859,622	2,677,117	2,620,621	2,032,355
19.	Derivatives – hedge accounting	-	-	-	-
20.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21.	Provisions	3,381	3,196	3,382	2,616
22.	Tax liabilities	583	810	-	-
23.	Other liabilities	40,082	37,486	30,916	21,006
24.	Liabilities included in disposal groups classified as held for sale	-	-	-	-
25.	**Total liabilities (15.+...+24.)**	**2,946,735**	**2,755,291**	**2,671,706**	**2,062,163**
26.	Shareholders' equity	319,002	296,800	301,368	267,820
27.	**Total liabilities and shareholders' equity (25.+26.)**	**3,265,737**	**3,052,091**	**2,973,074**	**2,329,983**
28.	**Memorandum items**				
29.	Contingent liabilities	21,707	22,405	20,843	17,820
30.	Financial commitments	368,453	344,116	463,204	355,309

ROE and ROA ratios

	6m 2019 Group	6m 2018 Group	6m 2019 Bank	6m 2018 Bank
Return on equity (ROE) (%)	10.53%	13.14%	13.26%	10.39%
Return on assets (ROA) (%)	1.03%	1.13%	1.42%	1.05%

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

Capital adequacy ratio

	EUR thousands	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
1	**Own funds (1.1.+1.2.)**	**356,970**	**354,694**	**338,447**	**327,286**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	296,970	294,694	278,447	267,286
1.1.1	*Common equity Tier 1 capital*	*296,970*	*294,694*	*278,447*	*267,286*
1.1.2	*Additional Tier 1 capital*	-	-	-	-
1.2	Tier 2 capital	60,000	60,000	60,000	60,000
2	**Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)**	**1,889,443**	**1,763,637**	**1,808,159**	**1,517,426**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,663,244	1,507,401	1,635,854	1,326,277
2.2	Total risk exposure amount for settlement/delivery	-	-	-	-
2.3	Total risk exposure amount for position, foreign exchange and commodities risks	10,951	10,483	1,050	850
2.4	Total risk exposure amount for operational risk	214,848	245,354	170,855	189,900
2.5	Total risk exposure amount for credit valuation adjustment	400	399	400	399
2.6	Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7	Other risk exposure amounts	-	-	-	-
3	**Capital adequacy ratios**				
3.1	Common equity Tier 1 capital ratio (1.1.1./2.*100)	**15.7%**	**16.7%**	**15.4%**	**17.6%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	211,945	215,331	197,080	199,002
3.3	Tier 1 capital ratio (1.1./2.*100)	**15.7%**	**16.7%**	**15.4%**	**17.6%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	183,604	188,876	169,957	176,241
3.5	Total capital ratio (1./2.*100)	**18.9%**	**20.1%**	**18.7%**	**21.6%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	205,815	213,603	193,794	205,892
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	4.3%	4.1%	4.3%	4.1%
4.1	Capital conservation buffer	2.5%	2.5%	2.5%	2.5%
4.2	Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3	Institution specific countercyclical buffer	0.3%	0.1%	0.3%	0.1%
4.4	Systemic risk buffer	-	-	-	-
4.5	Other systemically important institution buffer	1.5%	1.5%	1.5%	1.5%
5	**Capital adequacy ratios, including adjustments**				
5.1	Impairment or asset value adjustments for capital adequacy ratio purposes	-	-	-	-
5.2	Common equity tier 1 capital ratio including line 5.1 adjustments	15.7%	16.7%	15.4%	17.6%
5.3	Tier 1 capital ratio including line 5.1 adjustments	15.7%	16.7%	15.4%	17.6%
5.4	Total capital ratio including line 5.1 adjustments	18.9%	20.1%	18.7%	21.6%

Capital adequacy ratios in these financial statements are calculated in accordance with the Basel III regulation as implemented via EU regulation 575/2013, directive 2013/36/EU and relevant FCMC regulations. On 30 June 2019 the Bank's and the Group's Tier 1 capital does not includes profits for 6 months period ended then. 6m 2019 profits will be eligible for Tier 1 capital inclusion after completion of audit and the FCMC's approval.

	EUR thousands	30/06/2019 Group	31/12/2018 Group	30/06/2019 Bank	31/12/2018 Bank
1.A	**Own funds, IFRS 9 transitional provisions not applied**	**351,996**	**348,832**	**333,253**	**322,911**
1.1.A	Tier 1 capital, IFRS 9 transitional provisions not applied	291,996	288,832	273,253	262,911
1.1.1.A	*Common equity Tier 1 capital, IFRS 9 transitional provisions not applied*	*291,996*	*288,832*	*273,253*	*262,911*
2.A	**Total risk exposure amount, IFRS 9 transitional provisions not applied**	**1,884,964**	**1,758,524**	**1,802,697**	**1,513,993**
3.1.A	Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.5%	16.4%	15.2%	17.4%
3.3.A	Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.5%	16.4%	15.2%	17.4%
3.5.A	Total capital ratio, IFRS 9 transitional provisions not applied	18.7%	19.8%	18.5%	21.3%

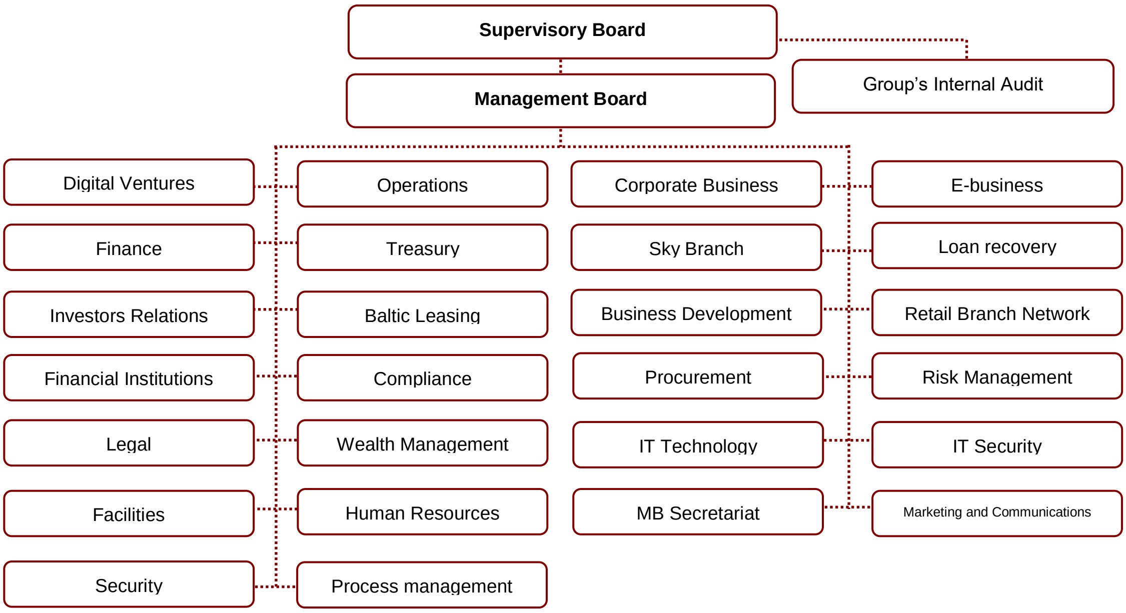
Business Strategy and Objectives

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

Branches

AS Citadele banka has 28 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. The Lithuanian branch has 8 customer service units in Lithuania. The Lithuanian branch of AS Citadele banka was registered on 25 October 2018 and started to operate on 1 January 2019. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section "Branches and ATMs".

Bank's Organizational Structure



QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

	Group, EUR thousands				
	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Interest income	25,046	24,500	25,081	24,734	23,851
Interest expense	(3,804)	(3,890)	(3,589)	(3,543)	(3,666)
Net interest income	**21,242**	**20,610**	**21,492**	**21,191**	**20,185**
Fee and commission income	14,160	12,975	14,328	14,559	15,419
Fee and commission expense	(7,034)	(5,730)	(6,188)	(6,500)	(6,409)
Net fee and commission income	**7,126**	**7,245**	**8,140**	**8,059**	**9,010**
Net financial income	1,796	2,095	2,125	1,702	2,997
Net other income	377	434	583	723	993
Operating income	**30,541**	**30,384**	**32,340**	**31,675**	**33,185**
Staff costs	(13,368)	(13,800)	(14,253)	(12,372)	(13,922)
Other operating expenses	(5,434)	(4,895)	(7,032)	(5,470)	(6,582)
Depreciation and amortisation	(1,826)	(2,036)	(1,695)	(1,560)	(1,476)
Operating expense	**(20,628)**	**(20,731)**	**(22,980)**	**(19,402)**	**(21,980)**
Profit before impairment	**9,913**	**9,653**	**9,360**	**12,273**	**11,205**
Net credit losses	(783)	(1,848)	501	(5,307)	(2,264)
Other impairment losses	29	(37)	(101)	(28)	(167)
Operating profit before non-current assets held for sale	**9,159**	**7,768**	**9,760**	**6,938**	**8,774**
Result from non-current assets held for sale	(153)	(130)	-	-	-
Operating profit	**9,006**	**7,638**	**9,760**	**6,938**	**8,774**
Income tax	(63)	(367)	383	(225)	(164)
Net profit	**8,943**	**7,271**	**10,143**	**6,713**	**8,610**

	Group, EUR thousands				
	30/06/2019	31/03/2019	31/12/2018	30/09/2018	30/06/2018
Assets					
Cash and cash balances at central banks	332,165	438,099	405,315	396,821	395,720
Loans to credit institutions	117,003	115,593	131,902	135,689	177,854
Debt securities	1,191,473	1,074,408	989,230	966,422	971,092
Loans to public	1,488,494	1,435,445	1,395,692	1,372,695	1,360,406
Equity instruments	4,686	4,378	2,901	3,182	2,841
Other financial instruments	39,157	37,386	34,146	34,855	33,981
Derivatives	496	864	611	1,166	3,165
Tangible assets	50,670	52,229	48,893	49,702	50,602
Intangible assets	4,771	4,714	4,868	5,353	5,111
Tax assets	2,682	2,682	2,929	2,093	2,111
Non-current assets held for sale	3,488	3,488	-	-	-
Other assets	30,652	28,485	35,604	29,667	40,545
Total assets	**3,265,737**	**3,197,771**	**3,052,091**	**2,997,645**	**3,043,428**
Liabilities					
Deposits from credit institutions and central banks	6,261	3,593	7,277	9,911	13,451
Deposits and borrowings from customers	2,835,888	2,783,565	2,645,042	2,598,352	2,649,438
Debt securities issued	60,018	60,911	60,010	60,895	59,983
Derivatives	522	1,158	1,470	736	1,727
Provisions	3,381	3,453	3,196	4,716	4,387
Tax liabilities	583	500	810	867	740
Other liabilities	40,082	37,364	37,486	35,497	34,798
Total liabilities	**2,946,735**	**2,890,544**	**2,755,291**	**2,710,974**	**2,764,524**
Equity					
Share capital	156,556	156,556	156,556	156,556	156,556
Reserves and other capital components	10,117	7,285	3,868	3,882	2,828
Retained earnings	152,329	143,386	136,376	126,233	119,520
Total equity	**319,002**	**307,227**	**296,800**	**286,671**	**278,904**
Total liabilities and equity	**3,265,737**	**3,197,771**	**3,052,091**	**2,997,645**	**3,043,428**
Off-balance sheet items					
Contingent liabilities	21,707	20,997	22,405	20,649	28,164
Financial commitments	368,453	349,525	344,116	344,968	340,068

DEFINITIONS AND ABBREVIATIONS

ALCO – Assets and Liabilities Management Committee.

AML – anti-money laundering.

BRRD – the bank recovery and resolution directive.

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

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

CTF – combating terrorist financing.

EU – the European Union.

FCMC – Financial and Capital Markets Commission.

FMCRC – Financial Market and Counterparty Risk Committee.

GIC – Group’s Investment Committee.

IAS – International accounting standards.

ICAAP – internal capital adequacy assessment process.

IFRS – International financial reporting standards.

LCR – liquidity coverage ratio.

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

ML/TF – money laundering and terrorism financing.

MREL – minimum requirement for own funds and eligible liabilities.

NSFR – net stable funding ratio.

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

O-SII – other systemically important institution.

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

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

RTS – regulatory technical standards.

SRB – the Single Resolution Board.

SREP – supervisory review and evaluation process.

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

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

Stage 3 financial instruments – Credit-impaired exposures.

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

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

TLOF – total liabilities and own funds.

TSCR – SREP capital requirement.