AS Citadele banka

Interim Report

For the three months ended
31 March 2020

Key figures and events of the Group

Daily operations have been successfully adjusted to ensure business continuity and safety under Covid-19 conditions. Extensive measures were taken to protect the Bank's employees, clients and partners, while new solutions have been introduced to ensure uninterrupted client services.

Operating income during the period was affected by Covid-19 related disruption to economic activity while credit loss provisions were increased to reflect revised macroeconomic expectations. The underlying credit quality remains sound with minor changes during the quarter.

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

The number of active customers reached 317 thousand clients as of 31 March 2020, representing an increase of 4 thousand clients in Q1 (43 thousand increase y-o-y).

EUR 119 million issued in new loans to Baltic private, SME and corporate customers.

Baltic deposits increased by EUR 79 million (3% growth vs. Q4) in Q1 2020.

EUR millions (restated)	**Q1 2020**	**Q1 2019**	**Q4 2019**
Net interest income	18.2	20.6	20.8
Net fee and commission income	7.4	7.6	7.9
Net financial and other income	1.9	2.0	2.8
Operating income	**27.4**	**30.2**	**31.5**
Operating expense	(19.4)	(20.6)	(21.3)
Net credit losses and impairments	(15.4)	(1.9)	(1.0)
Net profit	**(7.5)**	**7.3**	**9.3**
Return on average assets (ROA)	(0.78%)	0.93%	1.02%
Return on average equity (ROE)	(9.0%)	9.6%	11.0%
Cost to income ratio (CIR)	70.8%	68.0%	67.7%
Cost of risk ratio (COR)	3.8%	0.5%	(0.1%)

EUR millions	**31 Mar 2020**	**31 Dec 2019**	**31 Mar 2019**
Total assets	3,931	3,743	3,198
Loans to public	1,551	1,573	1,435
Deposits from customers	3,485	3,290	2,784
Shareholders' equity	329	341	307
Loan-to-deposit ratio	44%	48%	52%
Total capital adequacy ratio (CAR), transitional (including period's result)	22.5%	22.2%	19.1%
Common equity Tier 1 (CET1) capital ratio, transitional (including period's result)	19.0%	18.8%	15.9%
Full time employees	1,368	1,369	1,496

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Rounding and Percentages

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

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

The health, safety and well-being of our customers and employees are the Bank's top priorities. We are here to help our customers to overcome the situation and continue development.

Johan Akerblom
Chairman of the Management Board

Q1 2020 has passed in light of the global coronavirus pandemic and economic crisis. We all live in extraordinary times and need to find new ways to adapt in both our professional and private situations. Several measures have been taken by governments, central banks and financial supervision authorities to support the economy and banking sector.

Unlike the global financial crisis in 2008, the Covid-19 pandemic is a multilateral shock to the global economy, where banks can play an important part of the solution. Citadele entered this situation from a position of strength with a solid capital and liquidity position. To support our customers' individual needs, we are offering lending solutions and advisory services such as grace periods on loan repayments to corporates as well as private individuals, while also helping them to access government support measures in Latvia, Estonia and Lithuania.

Citadele has also taken extensive precautionary measures to protect the Bank's employees, clients and partners and implemented a series of actions to minimize disruption to the Group's operations during the Covid-19 outbreak.

Support to customers

Right now, our task is to ensure uninterrupted access to financial services and necessary support to our clients and partners across all Baltic states. All main financial services are available for customers remotely. Branches offer by appointment-only meetings for customers who prefer or need to be serviced in person.

From the beginning of March, Citadele offers support to affected businesses and private individuals with the possibility to postpone repayment of loan principal. As of April, Citadele has joined sector-wide moratoriums across the Baltics that simplify the grace period request process for customers.

Our ability to transfer capital is a critical function in society and its importance is reinforced in times like these, as we enable capital to flow to where it is needed the most. In Q1 2020, EUR 119 million of new loans were issued to Baltic private, SME and corporate customers.

Strong progress was also continued in deposit gathering, where the Group increased Baltic deposits by EUR 79 million during Q1 2020. The total customer deposits increased by 6% since year end 2019 and reached EUR 3,485 million.

New product development

In Q1 new product and service development continued. We have launched ApplePay in the Baltics and developed and launched e-commerce solution Klix, enabling a streamlined e-commerce experience for customers. Responding to market needs, the contactless card transactions limit was increased from EUR 25 to EUR 50.

Strong client base

Demand for remote services has increased. The number of clients opening accounts remotely has tripled in March. Mobile App users and Internet bank customers increased y-o-y by 59% and 12%, respectively, reaching 140 thousand active Mobile App users and 196 thousand active Internet Bank customers. In Q1 the number of active clients increased by 9 thousand Mobile App users and 3 thousand Internet Bank customers.

The number of active customers increased by 43 thousand y-o-y (16% growth) and reached a record high 317 thousand clients as of 31 March 2020. In Q1 number of active clients increased by 4 thousand.

Impact of Covid-19 on financial results

While the consequences of the Covid-19 pandemic have had a negative impact on Q1 2020 financial results, the underlying business remained strong with operating income reaching EUR 27.4 million. Citadele set aside additional impairments of EUR 15.4 million due to expected deterioration in the economic environment, resulting in a net loss in Q1 of EUR 7.5 million.

As of today Citadele continues to operate from a position of strength with capital and liquidity ratios well above regulatory requirements. The Bank's management team continues to proactively assess and evaluate potential business impacts from the current environment, while most importantly ensuring the safety of our customers and staff.

Financial review of the Group

Results and profitability in Q1 2020

The Group's **operating income** reached EUR 27.4 million in Q1 2020, representing a 9% decrease year-on-year. **Net interest income** constituted EUR 18.2 million, translating into a 12% decrease year-on-year, primarily driven by significantly higher interest expense (+42%) resulting from a major liquidity buffer.

The Group's **net fee and commission income** reached EUR 7.4 million, decreasing by 2% year-on-year, mainly due to lower income from payments and transactions with lower client activity due to Covid-19.

Operating expenses decreased by 4% compared to the same period in 2019 and stood at EUR 19.4 million. Staff costs decreased by 6% to EUR 12.9 million. The number of full-time employees was 1,368 vs. 1,496 as at 31 March 2019, reflecting the progress of ongoing efficiency initiatives. Other costs were EUR 4.5 million (-4% y-o-y), mainly due to lower IT and communication costs (-23%) and advertising and marketing expenses (-13%).

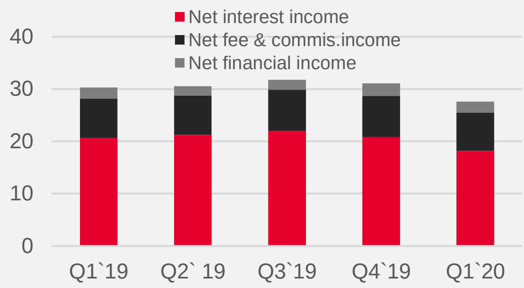
Depreciation and amortisation expenses stood at EUR 2 million.

Citadele's **cost to income ratio** was 71% versus 68% in Q1 2019, primarily due to the lower operating income.

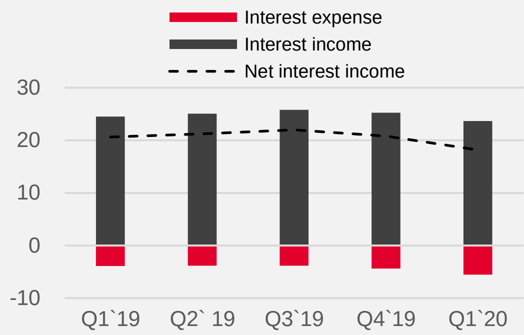
In Q1 2020 the Bank decided to update its macro level assumptions related to ongoing concerns regarding Covid-19 impact on Citadele's loan portfolio and financial results, with additional impairments being set aside for expected deterioration in the economic environment. **Net credit losses and impairments** in Q1 2020 were EUR 15.4 million vs. EUR 3.7 million for the whole year in 2019. As a result Q1 2020 closed with EUR 7.5 million in net losses.

The **Stage 3 loans to public ratio** increased slightly to 4.9% as of 31 March 2020, compared to 4.8% at the end of 2019.

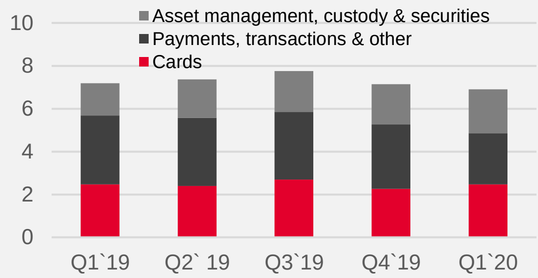
Operating income, EURm



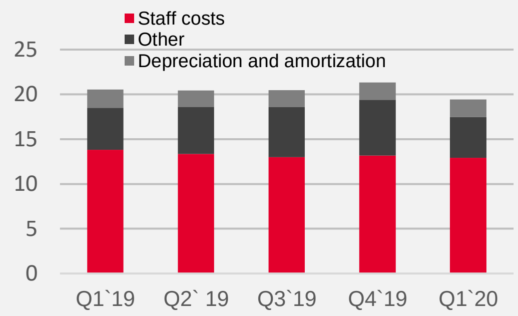
Net interest income, EURm



Net fee and commission income, EURm



Operating expense, EURm



Balance sheet overview

The **Group's assets** stood at EUR 3,931 million as of 31 March 2020, representing a 5% increase from year end 2019 (EUR 3,743 million).

The **net loan portfolio** stood at EUR 1,551 million as of 31 March 2020, decreasing by EUR 22 million (1%) from year end 2019 with credit losses adjusted for new macro expectations. In terms of segments Private customers represented 38% of the portfolio, followed by Corporates (35%), Leasing (14%) and SMEs (9%).

New lending in Q1 reached EUR 119 million. EUR 51 million was granted to Corporate customers, followed by Retail and Leasing clients in the amount of EUR 29 million each.

In terms of **geographical profile** the loan portfolio has remained unchanged over recent years. As of 31 March 2020, Latvia accounted for 60% of the portfolio (EUR 940 million), followed by Lithuania at 27% (EUR 412 million) and Estonia at 10% (EUR 153 million).

No major changes in **industry concentrations** occurred during Q1 2020. Loans to Households represented 45% of the portfolio. The largest increase in Q1 was seen in Finance leases (6%) and mortgages (2%). Consumer and card lending decreased by 1% and 3%, respectively, since year end 2019. Overall, the main industry concentrations were Commercial real estate (25% of gross loans), Transport and Communications (13%), Manufacturing (14%) and Trade (13%).

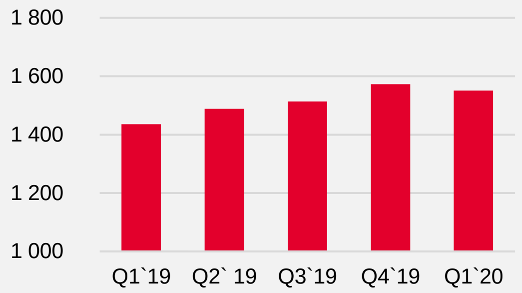
The **securities portfolio** in Q1 2020 was reduced by 18% to mitigate potential credit risks stemming from the Covid-19 outbreak. Part of portfolio was invested towards securities with central governments and multilateral development banks. 91% of debt securities held were rated A or higher.

The main source of funding, customer deposits, grew by 6% vs. year-end 2019. Baltic residents' deposits increased by EUR 79 million. As of 31 March 2020 total Group customer deposits were EUR 3,485 million.

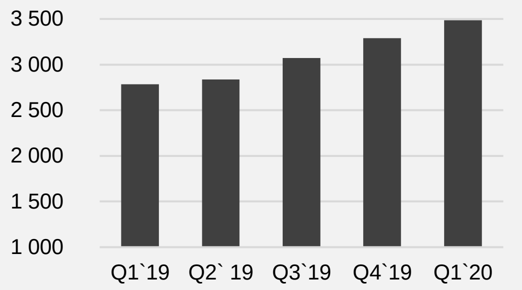
Subordinated bonds issue

Citadele decided not to proceed with its Third Unsecured Subordinated Bonds issue due to the current market conditions. Considering the high credit market volatility, the Bank decided to cancel the planned placement. Citadele has strong capital and liquidity ratios that are well above regulatory requirements: CAR of 22.5%, Tier 1 of 19.0% and LCR of 460% as of 31 March 2020.

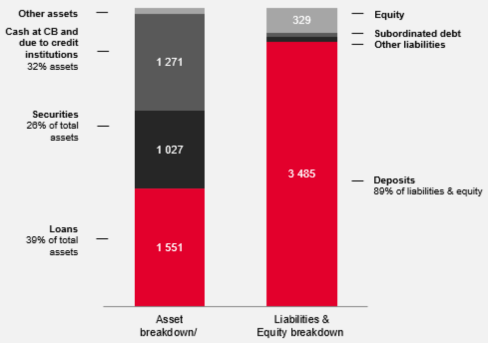
Loans, EURm



Deposits, EURm



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has assigned Citadele bank a deposit rating of Ba1, currently under review for upgrade (3 January 2020).

The main credit strengths are:

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

Moody's	
Long term deposit	Ba1
Long term counterparty risk rating	Baa3
Short term deposit	NP
Short term counterparty risk rating	P-3
Outlook:	Under review/ possible upgrade

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

Segment highlights – Q1 2020

Retail segment

A number of actions have been implemented to minimize any disruption of the Covid-19 pandemic to Retail operations. The Retail segment switched even further to remote services and customers are encouraged to access and use financial services remotely. For those services that cannot be executed remotely, clients are offered branch visits by appointment.

Demand for remote services has increased remarkably. The number of remotely onboarded clients has tripled in March 2020. Companies are increasingly appreciating the Bank's e-commerce solutions to serve their customers remotely, and the demand for mobile POS terminals is growing.

During the first quarter of 2020, the remote onboarding solution was extended to Lithuania.

Increasing number of customers

Strong growth continued in terms of customer base and penetration of digital products. The number of active private customers continued to grow, increasing by 3.4 thousand clients in Q1 2020 and reaching 286 thousand as of 31 March 2020. The number of active SME clients grew by 600 and reached c.18.5 thousand at the end of Q1 2020.

As of 31 March 2020, the number of active Mobile App users reached 140 thousand clients (6% growth vs. YE 2019). Internet bank active customers constituted 196 thousand active customers (2% growth).

New product development

In Q1 2020 work was continued on the development of new products and services. Citadele launched ApplePay in the Baltics as of end of February. The number of connected devices reached c.12 thousand by the end of Q1 2020.

In response to market needs the contactless card transaction limit was increased from EUR 25 to EUR 50.

Citadele has also developed and launched e-commerce solution Klix, enabling streamlined e-commerce experience for customers.

Business volumes

New lending to retail customers reached EUR 38 million during Q1 2020. The total loans to Private customers amounted to EUR 588 million and loans to SMEs reached EUR 143 million. New lending in Leasing was EUR 29 million, bringing the total Leasing loan portfolio to EUR 219 million as of 31 March 2020.

The deposits from Private individuals and SMEs reached EUR 1,454 million, translating into a 4% increase since year end 2019. Operating income to private customers in Q1 2020 was EUR 10.9 million. The SME segment reached EUR 3.9 million in operating income.

Corporate segment

Similarly, in response to Covid-19, Corporate banking teams have been successfully transformed to remote working mode. All teams are fully equipped and able to ensure high quality service remotely - sales, support and onboarding. We actively advised our customers on potential impacts from Covid-19 and helped them to understand the new economic environment and supported clients` awareness.

A review of macro level assumptions was conducted in Q1 due to ongoing concerns related to Covid-19's impact on business. In anticipation of possible deterioration in credit quality, additional impairment allowances of EUR 4.7 million were set aside in the Corporate banking book in Q1 2020.

Customer requests for cooperation remains at the same level as it was before Covid-19, with significant increase in demand for e-commerce solutions. Our new check-out solution Klix is gaining more popularity. A large focus was put into attracting new clients and helping them to readjust their business models to online commerce. In Q1 2020 we observed an increase in Card acquiring (POS, Internet), DigiLink business segments.

EUR 51.4 million of new loans were issued to Corporate clients in Q1 2020, primarily the result of record high new lending in January and February, followed by a decline in the second part of March due to Covid-19.

Of these, a few large transactions are worth mentioning. The Bank has started a partnership with SME Finance, the largest non-bank factoring provider in the Baltics with an initial investment of EUR 10 million. The FinTech start-up SME Finance provides alternative factoring services to SMEs in the Baltics and Poland. Citadele is the first bank in the Baltics to offer factoring services in cooperation with a non-bank lending platform. In Q1 Citadele and Luminor have agreed to a syndicated loan of EUR 34 million to finance the construction of the Saga Lifestyle Shopping Centre in Riga. The shopping centre project initiated by the commercial real estate developer VPH, has total financing of EUR 68 million. The shopping centre will be in Stopiņi county next to the IKEA store and will cover a total of 56,000 m2. The concept of the centre anticipates an exciting destination that combines shopping with leisure, sport and offices.

The climate change challenge is very important to us and we continue to support lower CO_2 emissions by financing environmentally friendly projects. In Q1 2020 we financed the largest project in Latvia, which will improve energy efficiency in multiapartment residential buildings.

Organizational changes

New management board member Vaidas Žagūnis has joined Citadele team to strengthen Corporate banking across Baltics as of 2 March 2020.

Work continues on finalizing the acquisition of UniCredit's Leasing operations in the Baltics, currently awaiting approval from the Competition council in Lithuania. The approvals from the Competition councils in Latvia and Estonia have been received.

Lean transformation was launched to optimize the Bank's processes in order to be more efficient and provide better services and products to our customers, including remotely.

Business Environment

The global economy has fallen into recession

The outbreak of the Covid-19 virus and measures to curb its spread have caused the greatest shock to the world economy since the Great Depression. Economic sentiment in Europe, the US and the rest of the world have fallen faster and lower in March and April than during the 2008-2009 financial crisis.

Unemployment is increasing rapidly globally, car sales in many markets have more than halved and global aviation has fallen by more than 70%, while negative oil prices were observed for a short time in April. According to the International Monetary Fund (IMF), world economic output is projected to decline by 3% this year, which would be the worst economic downturn in the world since the 1930s.

Impact on the Baltic economy will be significant

Real GDP growth in Q1 2020 in the Baltics remained above the euro area average as GDP grew by 2.5% as compared to the previous year in Lithuania and dropped by 1.4% in Latvia. However, lockdown measures were introduced only in the middle of March and economic activity in Q2 is likely to decline significantly.

Economic confidence in the Baltics fell sharply in April to the lowest levels since 2009. New export orders have fallen below the 2009 level and will negatively impact the manufacturing sector. The number of transactions with cards issued by Citadele banka in the Baltics has decreased by about 20-30% since mid-March, unemployment expectations have risen, and consumer confidence has fallen.

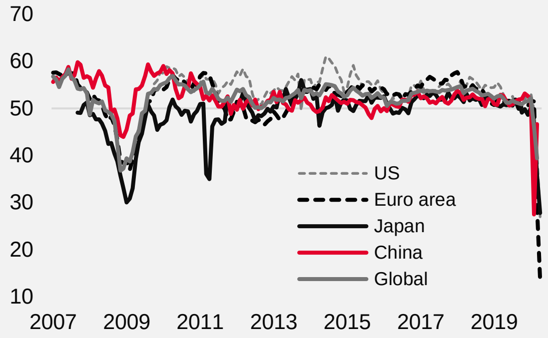
Baltic states are in a better position than in 2008

According to traffic and population movement data, restrictions on the economy in the Baltic states appear to be less strict as in countries that are most severely affected by Covid-19. The Baltic states are in a much stronger economic position than in 2008. Foreign trade is balanced or in surplus, real estate prices to income are relatively low, and lending is on a moderate level and financed by domestic deposits. This suggests that the economic downturn in the Baltics will not be greater than in trading partner countries.

Economic support programs and volumes announced so far in the Baltic states range from 3.5-5.0% of GDP. This is a big difference from 2009, when Baltic countries reduced their expenditures during the economic downturn. This year a significant increase in public expenditures is expected in the Baltics.

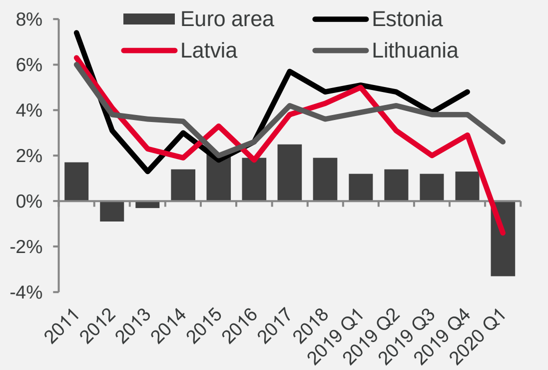
Composite PMI

(values above 50 indicate expansion)

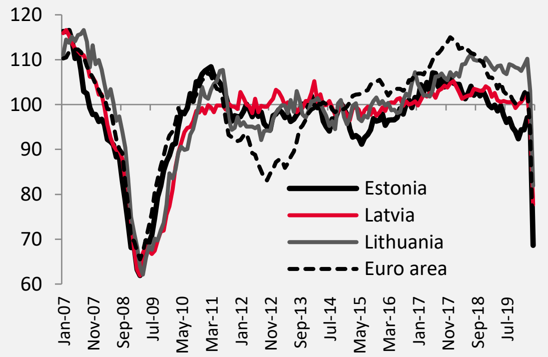


World trade and export orders

Real GDP, % YoY



Economic Sentiment Indicator



CORPORATE GOVERNANCE

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

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

Supervisory Board of the Bank as of 31/03/2020:

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

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

Management Board of the Bank as of 31/03/2020:

Name	Current position	Responsibility
Johan Åkerblom	Chairman of the Management Board	Chief Executive Officer and Chief Financial Officer
Valters Ābele	Member of the Management Board	Chief Risk Officer
Vladislavs Mironovs	Member of the Management Board	Chief Commercial Officer Retail
Uldis Upenieks	Member of the Management Board	Chief Compliance Officer
Slavomir Mizak	Member of the Management Board	Chief Technology Officer
Kaspars Jansons	Member of the Management Board	Chief Operations Officer
Vaidas Žagūnis	Member of the Management Board	Chief Corporate Commercial Officer

Effective from 2 March 2020 the long-time Chairman of the Management Board Guntis Belavskis resigned. As from 2 March 2020 Johan Åkerblom, Chief Financial Officer of the Bank, has been appointed as interim Chairman of the Management Board. On 1 March 2020 Vaidas Žagūnis became a member of the Management Board responsible for the development and management of the corporate business in the Baltics.

STATEMENT OF INCOME

	Note	3m 2020 Group	3m 2019 Group Restated (Note 3 c)	3m 2020 Bank	3m 2019 Bank Restated (Note 3 c)
		EUR thousands			
Interest income	5	23,670	24,500	21,435	22,289
Interest expense	5	(5,506)	(3,890)	(5,508)	(3,890)
Net interest income		**18,164**	**20,610**	**15,927**	**18,399**
Fee and commission income	6	12,897	12,975	10,519	10,801
Fee and commission expense	6	(5,532)	(5,391)	(5,321)	(5,248)
Net fee and commission income		**7,365**	**7,584**	**5,198**	**5,553**
Net financial income	7	2,101	2,095	2,119	1,633
Net other income / (expense)		(183)	(83)	139	(959)
Operating income		**27,447**	**30,206**	**23,383**	**24,626**
Staff costs		(12,930)	(13,800)	(11,515)	(12,490)
Other operating expenses	8	(4,519)	(4,717)	(3,626)	(3,820)
Depreciation and amortisation		(1,979)	(2,036)	(1,862)	(1,868)
Operating expense		**(19,428)**	**(20,553)**	**(17,003)**	**(18,178)**
Profit before impairment		**8,019**	**9,653**	**6,380**	**6,448**
Net credit losses	9	(15,412)	(1,848)	(14,539)	(800)
Other impairment losses		(11)	(37)	6	(33)
Operating profit / (loss) before non-current assets held for sale		**(7,404)**	**7,768**	**(8,153)**	**5,615**
Result from non-current assets held for sale		(49)	(130)	(49)	(130)
Operating profit / (loss)		**(7,453)**	**7,638**	**(8,202)**	**5,485**
Income tax		(76)	(367)	(11)	(51)
Net profit / (loss)		**(7,529)**	**7,271**	**(8,213)**	**5,434**
Basic earnings per share in EUR	16	(0.05)	0.05	(0.05)	0.03
Diluted earnings per share in EUR	16	(0.05)	0.05	(0.05)	0.03

The notes on pages 14 to 30 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	3m 2020 Group	3m 2019 Group	3m 2020 Bank	3m 2019 Bank
Net profit / (loss)	**(7,529)**	**7,271**	**(8,213)**	**5,434**
Other comprehensive income items that are or may be reclassified to profit or loss:				
Fair value revaluation reserve				
Fair value revaluation reserve charged to statement of income (Note 7)	(558)	(276)	(209)	(108)
Change in fair value of debt securities	(3,137)	3,794	(926)	2,701
Deferred income tax charged / (credited) directly to equity	439	(157)	-	-
Other reserves				
Foreign exchange retranslation	639	175	-	-
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	(1,558)	(611)	(1,558)	(614)
Transfer to retained earnings at disposal		-	-	-
Other comprehensive income / (loss)	**(4,175)**	**2,925**	**(2,693)**	**1,979**
Total comprehensive income / (loss)	**(11,704)**	**10,196**	**(10,906)**	**7,413**

The notes on pages 14 to 30 are an integral part of these financial statements.

BALANCE SHEET

	Note	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
		EUR thousands			
Assets					
Cash and cash balances at central banks		1,115,795	707,914	1,096,182	691,455
Loans to credit institutions		154,831	121,395	120,596	96,021
Debt securities	10	988,857	1,203,631	777,910	967,467
Loans to public	11	1,550,840	1,572,746	1,572,893	1,594,103
Equity instruments	12	4,705	5,092	4,705	5,092
Other financial instruments	12	33,260	39,972	5,470	6,434
Derivatives		2,368	960	2,368	960
Investments in subsidiaries	13	-	-	33,512	34,161
Tangible assets		47,174	49,989	15,238	18,231
Intangible assets		4,777	4,698	4,658	4,571
Current income tax assets		864	707	864	707
Deferred income tax assets		2,875	2,429	2,179	2,179
Non-current assets held for sale		4,800	2,862	4,800	2,862
Other assets		20,016	30,373	12,810	23,200
Total assets		**3,931,162**	**3,742,768**	**3,654,185**	**3,447,443**
Liabilities					
Deposits from credit institutions and central banks		4,299	1,637	50,781	39,287
Deposits and borrowings from customers	14	3,485,077	3,289,534	3,198,462	2,990,630
Debt securities issued	15	60,949	60,044	60,949	60,044
Derivatives		1,116	528	1,116	528
Provisions	9	5,315	4,150	5,176	4,108
Current income tax liabilities		404	581	-	-
Deferred income tax liabilities		375	676	-	-
Other liabilities		44,414	44,893	26,101	30,532
Total liabilities		**3,601,949**	**3,402,043**	**3,342,585**	**3,125,129**
Equity					
Share capital	16	156,556	156,556	156,556	156,556
Reserves and other capital components		7,293	11,276	2,911	5,412
Retained earnings		165,364	172,893	152,133	160,346
Total equity		**329,213**	**340,725**	**311,600**	**322,314**
Total liabilities and equity		**3,931,162**	**3,742,768**	**3,654,185**	**3,447,443**
Off-balance sheet items					
Guarantees and letters of credit	17	21,699	22,809	20,980	22,107
Financial commitments	17	317,567	330,250	330,952	410,928

The notes on pages 14 to 30 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands						
	Issued Share capital	**Securities fair value revaluation reserve** *(Note 10)*	**Foreign currency retrains-lation**	**Statutory reserves**	**Share based payments**	**Retained earnings**	**Total equity**
Balance as of 31/12/2018	**156,556**	**(951)**	**3,119**	**1,313**	**387**	**136,376**	**296,800**
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	7,271	7,271
Share based payments to employees	-	-	-	-	231	-	231
Other comprehensive income / (loss) for the period	-	4,145	175	-	-	(1,395)	2,925
Transactions with shareholders							
Transfer to reserves	-	-	-	(1,134)	-	1,134	-
Balance as of 31/03/2019	**156,556**	**3,194**	**3,294**	**179**	**618**	**143,386**	**307,227**
Balance as of 31/12/2019	**156,556**	**6,083**	**3,994**	**-**	**1,199**	**172,893**	**340,725**
Total comprehensive income for the period							
Net profit / (loss) for the period	-	-	-	-	-	(7,529)	(7,529)
Share based payments to employees	-	-	-	-	192	-	192
Other comprehensive income / (loss) for the period	-	(4,814)	639	-	-	-	(4,175)
Balance as of 31/03/2020	**156,556**	**1,269**	**4,633**	**-**	**1,391**	**165,364**	**329,213**

	Bank, EUR thousands				
	Issued Share capital	**Securities fair value revaluation reserve** *(Note 10)*	**Share based payments**	**Retained earnings**	**Total equity**
Balance as of 31/12/2018	**156,556**	**(1,240)**	**387**	**112,117**	**267,820**
Total comprehensive income for the period					
Net profit for the period	-	-	-	5,434	5,434
Share based payments to employees	-	-	231	-	231
Other comprehensive income / (loss) for the period	-	3,374	-	(1,395)	1,979
Transactions with shareholders					
Integration of AB Citadele bankas	-	-	-	10,553	10,553
Balance as of 31/03/2019	**156,556**	**2,134**	**618**	**126,709**	**286,017**
Balance as of 31/12/2019	**156,556**	**4,213**	**1,199**	**160,346**	**322,314**
Total comprehensive income for the period					
Net profit / (loss) for the period	-	-	-	(8,213)	(8,213)
Share based payments to employees	-	-	192	-	192
Other comprehensive income / (loss) for the period	-	(2,693)	-	-	(2,693)
Balance as of 31/03/2020	**156,556**	**1,520**	**1,391**	**152,133**	**311,600**

The notes on pages 14 to 30 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

If not mentioned otherwise, referral to the Group's policies and procedures should be also considered as referral to the respective Bank's policies and procedures. Figures in parenthesis represent amounts as of 31 December 2019 or for the three months period ended 31 March 2019.

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

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

NOTE 2. GENERAL INFORMATION

Citadele is a Latvian-based bank offering retail, private banking, asset management, lending, leasing and other commercial banking services. On 31 December 2019 the Bank operates branches in Latvia, Lithuania and Estonia. AS Citadele banka is the parent company of the Group, which has a subsidiary bank in Switzerland and several financial services subsidiaries. The Group's main market is the Baltics (Latvia, Lithuania and Estonia). Citadele was registered as a joint stock company on 30 June 2010. Citadele commenced its operations on 1 August 2010.

As of 31 March 2020, the Group had 1,368 (2019: 1,369) and the Bank had 1,291 (2019: 1,292) full time equivalent active employees.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by European Union (EU) on a going concern basis. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in financial position and performance of the Group and the Bank since the last annual consolidated and Bank financial statements for the year ended 31 December 2019. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by European Union. This interim financial information should be read in conjunction with the 2019 annual financial statements for the Group and the Bank.

b) Functional and Presentation Currency

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

c) Changes in classification

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

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

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU, requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The management has applied reasonable and prudent estimates and judgments in preparing these financial statements. The significant areas of estimation used in the preparation of the accompanying financial statements relate to evaluation of impairment losses for assets, determination of the control of investees for consolidation purposes, and evaluation of recognisable amounts of deferred tax assets and liabilities.

NOTE 4. OPERATING SEGMENTS

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or the group that allocates resources to and assesses the performance of the operating segments of the Group. The Management Board of the Bank is the chief operating decision maker.

Allocation of client business among segments is based on the segment where the client was serviced at the point in time when the transaction took place; thus, when a client is transferred to a new segment, past transactions are not redistributed to the new segment.

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

Main business segments of the Group are:

Private customers

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

SME

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

Corporates

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

Wealth management

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

Swiss

This segment comprises operations of AP Anlage & Privatbank AG.

Leasing

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

Other

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

Segments of the Group

	Group 3m 2020, EUR thousands							
	Reportable segments							
	Private customers	**SME**	**Corporates**	**Wealth**	**Swiss**	**Leasing**	**Other**	**Total**
Interest income	9,892	2,408	6,067	572	792	2,611	1,328	23,670
Interest expense	(632)	(14)	(158)	(484)	(175)	-	(4,043)	(5,506)
Net interest income	**9,260**	**2,394**	**5,909**	**88**	**617**	**2,611**	**(2,715)**	**18,164**
Fee and commission income	3,557	2,319	2,350	3,244	903	63	461	12,897
Fee and commission expense	(1,942)	(883)	(1,582)	(486)	(109)	(48)	(482)	(5,532)
Net fee and commission income	**1,615**	**1,436**	**768**	**2,758**	**794**	**15**	**(21)**	**7,365**
Net financial income	177	268	185	(211)	487	1	1,194	2,101
Net other income	(132)	(215)	(96)	(128)	12	(28)	404	(183)
Operating income	**10,920**	**3,883**	**6,766**	**2,507**	**1,910**	**2,599**	**(1,138)**	**27,447**
Net funding allocation	(430)	(85)	(594)	425	183	(119)	620	-
FTP adjusted operating income	**10,490**	**3,798**	**6,172**	**2,932**	**2,093**	**2,480**	**(518)**	**27,447**

	Group 3m 2019, EUR thousands							
	Reportable segments							
	Private customers	**SME**	**Corporates**	**Wealth**	**Swiss**	**Leasing**	**Other**	**Total**
Interest income	9,429	1,478	6,942	1,098	943	2,399	2,211	24,500
Interest expense	(521)	(19)	(68)	(585)	(142)	-	(2,555)	(3,890)
Net interest income	**8,908**	**1,459**	**6,874**	**513**	**801**	**2,399**	**(344)**	**20,610**
Fee and commission income	3,178	1,887	2,915	3,595	960	29	411	12,975
Fee and commission expense	(1,769)	(741)	(1,812)	(630)	(95)	(11)	(333)	(5,391)
Net fee and commission income	**1,409**	**1,146**	**1,103**	**2,965**	**865**	**18**	**78**	**7,584**
Net financial income	169	126	260	921	159	-	460	2,095
Net other income	(64)	(20)	(52)	(108)	-	(59)	220	(83)
Operating income	**10,422**	**2,711**	**8,185**	**4,291**	**1,825**	**2,358**	**414**	**30,206**
Net funding allocation	(281)	(17)	(678)	919	148	(14)	(77)	-
FTP adjusted operating income	**10,141**	**2,694**	**7,507**	**5,210**	**1,973**	**2,344**	**337**	**30,206**

	Group as of 31/03/2020, EUR thousands							
	Reportable segments							
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Assets								
Cash, balances at central banks	-	-	-	-	19,613	-	1,096,182	1,115,795
Loans to credit institutions	-	-	-	8,525	25,711	-	120,595	154,831
Debt securities	-	-	-	19,244	191,703	-	777,910	988,857
Loans to public	587,943	142,561	537,601	43,313	7,457	219,223	12,742	1,550,840
Equity instruments	-	-	-	-	-	-	4,705	4,705
Other financial instruments	-	-	-	27,791	-	-	5,469	33,260
Total segmented assets	**587,943**	**142,561**	**537,601**	**98,873**	**244,484**	**219,223**	**2,017,603**	**3,848,288**
Liabilities								
Deposits from banks	-	-	-	-	15	-	4,284	4,299
Deposits from customers	1,162,453	356,790	741,283	700,723	264,778	-	259,050	3,485,077
Debt securities issued	-	-	-	-	-	-	60,949	60,949
Total segmented liabilities	**1,162,453**	**356,790**	**741,283**	**700,723**	**264,793**	**-**	**324,283**	**3,550,325**

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

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	3m 2020 Group	3m 2019 Group	3m 2020 Bank	3m 2019 Bank
Interest income calculated using the effective interest method:				
Financial assets at amortised cost:				
Loans to public	18,976	19,107	20,070	20,173
Debt securities	878	961	730	770
Cash balances at and lending to central banks and credit institutions	155	287	150	210
Debt securities at fair value through other comprehensive income	1,050	1,757	485	1,136
Interest income on finance leases (part of loans to public)	2,611	2,388	-	-
Total interest income	**23,670**	**24,500**	**21,435**	**22,289**
Interest expense on:				
Financial liabilities at amortised cost:				
Deposits and borrowing from public	(3,264)	(2,249)	(3,104)	(2,124)
Debt securities issued	(905)	(900)	(905)	(900)
Deposits from credit institutions and central banks	(888)	(398)	(1,073)	(564)
Financial liabilities at fair value through profit or loss				
Deposits and borrowing from public	(39)	(41)	-	-
Lease liabilities	(6)	-	(22)	-
Other interest expense	(404)	(302)	(404)	(302)
Total interest expense	**(5,506)**	**(3,890)**	**(5,508)**	**(3,890)**
Net interest income	**18,164**	**20,610**	**15,927**	**18,399**

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

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	3m 2020 Group	3m 2019 Group Restated (Note 3 c)	3m 2020 Bank	3m 2019 Bank Restated (Note 3 c)
Fee and commission income:				
Cards	6,662	6,848	6,647	6,835
Payments and transactions	3,054	3,556	2,499	2,831
Asset management and custody	1,862	1,581	407	378
Securities brokerage	458	132	307	112
Other fees	407	457	205	236
Total fee and commission income from contracts with customers	**12,443**	**12,574**	**10,065**	**10,392**
Guarantees, letters of credit and loans	454	401	454	409
Total fee and commission income	**12,897**	**12,975**	**10,519**	**10,801**
Fee and commission expense on:				
Cards	(4,187)	(4,374)	(4,187)	(4,374)
Asset management, custody and securities brokerage	(263)	(214)	(189)	(167)
Payments, transactions and other fees	(1,082)	(803)	(945)	(707)
Total fee and commission expense	**(5,532)**	**(5,391)**	**(5,321)**	**(5,248)**
Net fee and commission income	**7,365**	**7,584**	**5,198**	**5,553**

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	3m 2020 Group	3m 2019 Group	3m 2020 Bank	3m 2019 Bank
Foreign exchange trading and related derivatives	1,812	1,602	1,655	1,525
Assets at fair value through other comprehensive income	558	276	209	108
Assets and liabilities at fair value through profit or loss	(524)	217	-	-
Assets at amortised cost	255	-	255	-
Total net financial income	**2,101**	**2,095**	**2,119**	**1,633**

Select debt securities classified at amortised cost were disposed before maturity. These sales constitute a part of a larger one-off plan to accumulate the required liquidity and optimisations in capital-use in a preparation for an anticipated acquisition transaction. For details on the acquisition transaction refer to Note 20 (*Events after the Reporting Date*). Due to the one-off nature of the plan, the specific business model's objective to hold financial assets in order to collect contractual cash flows still holds.

NOTE 8. OTHER OPERATING EXPENSES

	EUR thousands			
	3m 2020 Group	3m 2019 Group Restated (Note 3 c)	3m 2020 Bank	3m 2019 Bank Restated (Note 3 c)
Information technologies and communications	(1,276)	(1,647)	(1,011)	(1,415)
Consulting and other services	(1,327)	(1,061)	(1,155)	(829)
Rent, premises and real estate	(668)	(698)	(360)	(466)
Advertising and marketing	(346)	(396)	(348)	(392)
Non-refundable value added tax	(557)	(348)	(496)	(291)
Other	(345)	(567)	(256)	(427)
Total other expenses	**(4,519)**	**(4,717)**	**(3,626)**	**(3,820)**

NOTE 9. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	3m 2020 Group	3m 2019 Group	3m 2020 Bank	3m 2019 Bank
Loans to credit institutions	(71)	1	(71)	1
Debt securities	50	(31)	38	(30)
Loans to public	(15,250)	(2,634)	(14,317)	(1,443)
Guarantees and letters of credit	-	1,409	-	1,409
Loan commitments	(1,164)	(871)	(1,067)	(828)
Recovered written-off assets	1,023	278	878	91
Total net losses on financial instruments	**(15,412)**	**(1,848)**	**(14,539)**	**(800)**

Allowances for credit losses are recognised based on the future loss expectations. The forward-looking information in the measurement of expected credit losses is implemented through adjustment for future economic development scenarios. As a result of recent events related to Covid-19 the adjustment related to future economic scenarios was revised. Subsequently, in the reporting period allowance charges for the expected credit losses for the Group and the Bank increased by EUR 13.6 million and EUR 13.7 million compared to the three months period ended 31 March 2019. Due to the forward looking nature of the credit loss estimation, the increase in loss allowances does not necessarily represent an observable deterioration in the current credit quality of the loan portfolio (for detail refer to Note 11 (*Loans to Public*)), but is more a representation of a deterioration in the forward looking economic scenarios component.

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

Classification of impairment stages

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

Allowances for credit losses and provisions

	EUR thousands			
	31/03/2020 Group	**31/12/2019 Group**	**31/03/2020 Bank**	**31/12/2019 Bank**
Stage 1				
Loans to credit institutions	168	97	168	97
Debt securities	326	373	235	273
Loans to public	21,478	12,559	18,780	10,754
Loan commitments, guarantees and letters of credit	4,858	3,420	4,719	3,378
Total stage 1 credit losses and provisions	**26,830**	**16,449**	**23,902**	**14,502**
Stage 2				
Loans to public	6,932	5,568	6,439	5,184
Loan commitments, guarantees and letters of credit	86	172	86	172
Total stage 2 credit losses and provisions	**7,018**	**5,740**	**6,525**	**5,356**
Stage 3				
Loans to public	42,174	38,785	40,086	36,616
Loan commitments, guarantees and letters of credit	372	558	372	558
Total stage 3 credit losses and provisions	**42,546**	**39,343**	**40,458**	**37,174**
Total allowances for credit losses and provisions	**76,394**	**61,532**	**70,885**	**57,032**
Including for debt securities classified at fair value through other comprehensive income	*109*	*116*	*39*	*42*

NOTE 10. DEBT SECURITIES

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

	Group, EUR thousands					
	31/03/2020			**31/12/2019**		
	At fair value through other comprehensive income	**At amortised cost**	**Total**	**At fair value through other comprehensive income**	**At amortised cost**	**Total**
Investment grade:						
AAA/Aaa	62,554	101,777	164,331	66,691	89,429	156,120
AA/Aa	74,646	61,119	135,765	111,325	106,277	217,602
A	124,413	472,352	596,765	169,597	545,489	715,086
BBB/Baa	51,344	40,386	91,730	50,182	62,346	112,528
Lower ratings or unrated	266	-	266	266	2,029	2,295
Total debt securities	**313,223**	**675,634**	**988,857**	**398,061**	**805,570**	**1,203,631**
Including general government	*118,542*	*467,448*	*585,990*	*164,761*	*491,501*	*656,262*
Including credit institutions	*83,781*	*79,571*	*163,352*	*106,280*	*135,237*	*241,517*
Including classified in stage 1	*313,223*	*675,634*	*988,857*	*398,061*	*805,570*	*1,203,631*

	Bank, EUR thousands					
	31/03/2020			**31/12/2019**		
	At fair value through other comprehensive income	**At amortised cost**	**Total**	**At fair value through other comprehensive income**	**At amortised cost**	**Total**
Investment grade:						
AAA/Aaa	29,588	86,554	116,142	26,284	74,235	100,519
AA/Aa	30,796	46,373	77,169	55,375	92,197	147,572
A	95,436	454,312	549,748	141,593	523,372	664,965
BBB/Baa	4,550	30,301	34,851	2,941	49,441	52,382
Lower ratings or unrated	-	-	-	-	2,029	2,029
Total debt securities	**160,370**	**617,540**	**777,910**	**226,193**	**741,274**	**967,467**
Including general government	*95,690*	*445,822*	*541,512*	*137,229*	*468,479*	*605,708*
Including credit institutions	*28,327*	*65,800*	*94,127*	*42,122*	*121,610*	*163,732*
Including classified in stage 1	*160,370*	*617,540*	*777,910*	*226,193*	*741,274*	*967,467*

Debt securities by country of issuer

	Group, EUR thousands					
	31/03/2020			31/12/2019		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	282,456	7,362	289,818	291,654	7,377	299,031
Lithuania	202,632	6,793	209,425	222,723	6,813	229,536
Netherlands	14,693	64,535	79,228	12,690	97,554	110,244
United States	16,969	59,082	76,051	14,387	81,960	96,347
Germany	26,605	22,860	49,465	15,889	31,056	46,945
Finland	12,100	27,027	39,127	11,632	27,130	38,762
Canada	4,664	29,676	34,340	6,701	39,759	46,460
United Kingdom	1,391	18,723	20,114	3,709	30,864	34,573
France	3,251	14,002	17,253	3,159	16,723	19,882
Estonia	-	15,316	15,316	10,008	13,434	23,442
Japan	-	2,852	2,852	36,096	2,659	38,755
Multilateral development banks	-	51,725	51,725	-	39,221	39,221
Other countries	21,229	82,914	104,143	27,614	152,819	180,433
Total debt securities	**585,990**	**402,867**	**988,857**	**656,262**	**547,369**	**1,203,631**

	Bank, EUR thousands					
	31/03/2020			31/12/2019		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	279,868	5,919	285,787	287,598	5,918	293,516
Lithuania	198,842	5,437	204,279	220,452	5,412	225,864
Netherlands	10,934	39,184	50,118	8,920	64,732	73,652
United States	13,293	30,434	43,727	10,792	54,887	65,679
Finland	9,547	25,656	35,203	9,431	26,680	36,111
Canada	-	21,152	21,152	2,070	28,255	30,325
Estonia	-	13,515	13,515	10,008	11,616	21,624
Multilateral development banks	-	39,536	39,536	-	27,188	27,188
Other countries	29,028	55,565	84,593	56,437	137,071	193,508
Total debt securities	**541,512**	**236,398**	**777,910**	**605,708**	**361,759**	**967,467**

All fixed income securities as of 31 March 2020 and 31 December 2019 are listed. Further, no payments on the above instruments are past due. Total exposure to any single country within “Other countries” group is smaller than with any of the above disclosed countries.

NOTE 11. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
Financial and non-financial corporations				
Real estate purchase and management	220,573	239,530	258,046	277,196
Transport and communications	114,233	116,141	44,111	44,781
Manufacturing	124,164	131,880	99,307	107,298
Trade	112,504	109,673	90,598	85,501
Agriculture and forestry	74,654	75,474	51,900	54,698
Construction	51,346	38,712	39,886	27,567
Financial intermediation	40,972	39,237	243,088	240,287
Electricity, gas and water supply	44,693	41,229	42,111	38,748
Hotels, restaurants	50,013	47,760	47,876	45,510
Other industries	49,853	53,396	25,838	28,964
Total financial and non-financial corporations	**883,005**	**893,032**	**942,761**	**950,550**
Households				
Card lending	64,516	65,391	64,516	65,391
Mortgage loans	511,177	501,581	511,177	501,581
Finance leases	41,926	39,532	-	-
Credit for consumption	84,919	87,919	84,919	87,919
Other lending	22,365	28,963	21,408	28,055
Total households	**724,903**	**723,386**	**682,020**	**682,946**
General government	**13,516**	**13,240**	**13,417**	**13,161**
Total gross loans to public	**1,621,424**	**1,629,658**	**1,638,198**	**1,646,657**
Impairment allowance and provisions	(70,584)	(56,912)	(65,305)	(52,554)
Total net loans to public	**1,550,840**	**1,572,746**	**1,572,893**	**1,594,103**

Loans by overdue days and impairment stage

	Group, EUR thousands									
	31/03/2020					31/12/2019				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	1,384,646	75,210	16,893	(29,946)	1,446,803	1,373,569	123,569	22,148	(21,908)	1,497,378
Past due <=30 days	55,060	11,214	5,701	(3,507)	68,468	37,752	9,404	2,622	(2,733)	47,045
Past due >30 and ≤90 days	-	15,703	2,511	(3,089)	15,125	-	7,120	2,867	(2,648)	7,339
Past due >90 days	-	-	54,486	(34,042)	20,444	-	-	50,607	(29,623)	20,984
Total loans to public	**1,439,706**	**102,127**	**79,591**	**(70,584)**	**1,550,840**	**1,411,321**	**140,093**	**78,244**	**(56,912)**	**1,572,746**
Guarantees and letters of credit	21,117	-	285	(136)	21,266	21,479	-	303	(136)	21,646
Financial commitments	314,071	1,997	518	(5,180)	311,406	320,470	8,333	1,005	(4,014)	325,794
Total credit exposure to public	**1,774,894**	**104,124**	**80,394**	**(75,900)**	**1,883,512**	**1,753,270**	**148,426**	**79,552**	**(61,062)**	**1,920,186**

Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 17 (*Off-balance Sheet Items*).

	Bank, EUR thousands									
	31/03/2020					31/12/2019				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	1,440,199	73,962	14,865	(26,222)	1,502,804	1,421,143	121,111	19,981	(18,942)	1,543,293
Past due <=30 days	27,992	8,526	5,270	(2,893)	38,895	18,688	6,295	2,142	(2,191)	24,934
Past due >30 and ≤90 days	-	11,822	2,071	(2,638)	11,255	-	5,268	2,603	(2,356)	5,515
Past due >90 days	-	-	53,491	(33,552)	19,939	-	-	49,426	(29,065)	20,361
Total loans to public	**1,468,191**	**94,310**	**75,697**	**(65,305)**	**1,572,893**	**1,439,831**	**132,674**	**74,152**	**(52,554)**	**1,594,103**
Guarantees and letters of credit	20,398	-	285	(136)	20,547	20,777	-	303	(136)	20,944
Financial commitments	327,910	1,997	518	(5,041)	325,384	401,590	8,333	1,005	(3,972)	406,956
Total credit exposure to public	**1,816,499**	**96,307**	**76,500**	**(70,482)**	**1,918,824**	**1,862,198**	**141,007**	**75,460**	**(56,662)**	**2,022,003**

Stage 3 loans to public ratio

	EUR thousands			
	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
Stage 3 loans to public ratio, gross	**4.9%**	**4.8%**	**4.6%**	**4.5%**
Stage 3 loans to public ratio, net	**2.4%**	**2.5%**	**2.3%**	**2.4%**
Stage 3 impairment ratio	**53%**	**50%**	**53%**	**49%**

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

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

NOTE 12. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	31/03/2020				31/12/2019			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Financial assets at fair value through profit or loss	27,790	-	-	27,790	33,538	-	-	33,538
Financial assets at fair value through other comprehensive income	5,470	3,581	1,124	10,175	6,434	3,968	1,124	11,526
Total non-fixed income securities, net	**33,260**	**3,581**	**1,124**	**37,965**	**39,972**	**3,968**	**1,124**	**45,064**
Including unit-linked insurance plan assets	*19,884*	-	-	-	*24,816*	-	-	*24,816*

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

As of 31 March 2020, the Bank and the Group has investments in mutual investment funds with carrying amount of EUR 5.5 million (2019: EUR 6.4 million) and EUR 18.1 million (2019: EUR 21.6 million) which are managed by IPAS CBL Asset Management. Further, EUR 10.5 million (2019: EUR 12.6 million) of these Group's investments relate to unit-linked contracts, where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	31/03/2020				31/12/2019			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Financial assets at fair value through other comprehensive income	5,470	3,581	1,124	**10,175**	6,434	3,968	1,124	11,526
Total non-fixed income securities, net	**5,470**	**3,581**	**1,124**	**10,175**	**6,434**	**3,968**	**1,124**	**11,526**

NOTE 13. INVESTMENTS IN SUBSIDIARIES

Changes in investments in subsidiaries of the Bank

	EUR thousands	
	3m 2020	12m 2019
Balance at the beginning of the period, net	**34,161**	**71,614**
Integration of AB Citadele bankas, Lithuania	-	(43,838)
Equity investments in the existing subsidiaries	-	2,679
Liquidation of subsidiary	(649)	-
Impairment, net	-	3,706
Balance at the end of the period, net	**33,512**	**34,161**
Gross investment in subsidiaries as of		
the beginning of the period	*71,357*	*112,516*
the end of the period	*70,660*	*71,357*

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

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

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 31/03/2020	Carrying value EUR thousands 31/12/2019
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MAS	-	-	-	-
AP Anlage & Privatbank AG	130.0.007.738-0	Switzerland, Limmatquai 4, CH-8001, Zurich	BNK	MS	100	100	13,805	13,805
SIA Citadele Līzings un Faktorings	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	6,921	6,921
OU Citadele Leasing & Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
UAB Citadele faktoringas ir lizingas	126233315	Lithuania, Vilnius LT-03107, K.Kalinausko 13	LIZ	MS	100	100	2,149	2,149
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
SIA Citadeles moduļi	40003397543	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	2,836	2,836
SIA Hortus Land	40103460961	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	-	-
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	804	804
SIA Hortus RE (liquidated in 2020)	40103752416	-	-	-	-	-	-	649
						Total investments in subsidiaries	**33,512**	**34,161**

Consolidation Group subsidiaries in liquidation process in foreign jurisdictions

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands 31/03/2020	Carrying value EUR thousands 31/12/2019
Calenia Investments Limited (in liquidation)	HE156501	Cyprus, Nicosia 1075, 58 Arch. MakariosIII Avenue, Iris Tower, 6th floor, office 602	PLS	MS	100	100	-	-
OOO Mizush Asset Management Ukraina (in liquidation)	32984601	Ukraine, Kiev 03150, Gorkovo 172	IBS	MMS	100	100	-	-

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

NOTE 14. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands 31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
Households	2,096,182	1,930,156	1,976,258	1,788,830
Non-financial corporations	1,134,298	1,087,395	967,347	918,231
Financial corporations	200,709	212,404	200,969	223,990
General government	45,034	46,344	45,034	46,344
Other	8,854	13,235	8,854	13,235
Total deposits from customers	**3,485,077**	**3,289,534**	**3,198,462**	**2,990,630**

Deposits and borrowings from customers by contractual maturity

	EUR thousands 31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
Demand deposits	2,500,658	2,494,276	2,275,513	2,264,946
Term deposits due within:				
less than 1 month	63,120	44,595	56,225	36,403
more than 1 month and less than 3 months	52,026	64,647	43,467	55,691
more than 3 months and less than 6 months	111,030	105,842	102,842	96,669
more than 6 months and less than 12 months	466,769	304,512	459,558	295,119
more than 1 year and less than 5 years	216,846	187,445	190,736	168,693
more than 5 years	74,628	88,217	70,121	73,109
Total term deposits	984,419	795,258	922,949	725,684
Total deposits from customers	**3,485,077**	**3,289,534**	**3,198,462**	**2,990,630**

Deposits and borrowings from customers by categories

	EUR thousands			
	31/03/2020 Group	**31/12/2019 Group**	**31/03/2020 Bank**	**31/12/2019 Bank**
At amortised cost	3,449,049	3,251,634	3,198,462	2,990,630
At fair value through profit or loss	36,028	37,900	-	-
Total deposits from customers	**3,485,077**	**3,289,534**	**3,198,462**	**2,990,630**
Including unit-linked insurance plan liabilities	*21,628*	*24,916*	-	-

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

NOTE 15. DEBT SECURITIES ISSUED

Publicly listed unsecured subordinated bond liabilities

ISIN code of the issued bond	Currency	Interest rate	Maturity date	Principal, EUR thousands	Amortised cost, EUR thousands 31/03/2020	Amortised cost, EUR thousands 31/12/2019
LV0000880011	EUR	5.50%	24/11/2027	20,000	20,340	20,064
LV0000802221	EUR	6.25%	06/12/2026	40,000	40,609	39,980
					60,949	**60,044**

Both issuances of unsecured subordinated securities qualify for inclusion in the Banks and the Groups Tier 2 capital. For details on capital adequacy refer to *Capital management* section of the Note 19 (*Risk Management*).

Profile of the bondholders as of the last coupon payment date

ISIN code of the issued bond	Last coupon payment date	Number of bondholders	Legal and professional investors			Private individuals		
			Number	**EUR th.**	**%**	**Number**	**EUR th.**	**%**
LV0000880011	24/11/2019	72	40	16,900	85%	32	3,100	15%
LV0000802221	06/12/2019	185	89	32,050	80%	96	7,950	20%

NOTE 16. SHARE CAPITAL

As of period end, the Bank's registered and paid-in share capital was EUR 156,555,796 (2019: EUR 156,555,796). The Bank has one class ordinary shares. All ordinary shares as of 31 March 2020 and 31 December 2019 were issued and fully paid and the Bank did not possess any of its own shares. No dividends were proposed and paid during the reporting period. Each ordinary share carries one vote, a share in profits and is eligible for dividends.

Shareholders of the Bank

	31/03/2020		31/12/2019	
	Paid-in share capital (EUR)	**Total shares with voting rights**	**Paid-in share capital (EUR)**	**Total shares with voting rights**
European Bank for Reconstruction and Development	39,138,948	39,138,948	39,138,948	39,138,948
RA Citadele Holdings LLC[1]	35,082,302	35,082,302	35,082,302	35,082,302
Delan S.à.r.l.[2]	15,597,160	15,597,160	15,597,160	15,597,160
EMS LB LLC[3]	13,864,142	13,864,142	13,864,142	13,864,142
NNS Luxembourg Investments S.à.r.l.[4]	13,864,142	13,864,142	13,864,142	13,864,142
Amolino Holdings Inc.[5]	13,863,987	13,863,987	13,863,987	13,863,987
Shuco LLC[6]	10,998,979	10,998,979	10,998,979	10,998,979
Other shareholders	14,146,136	14,146,136	14,146,136	14,146,136
Total	**156,555,796**	**156,555,796**	**156,555,796**	**156,555,796**

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

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

Earnings per share

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

	3m 2020 Group	3m 2019 Group	3m 2020 Bank	3m 2019 Bank
Profit for the period, EUR thousands	(7,529)	7,271	(8,213)	5,434
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	**(0.05)**	**0.05**	**(0.05)**	**0.03**
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	750	293	750	293
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	**157,306**	**156,849**	**157,306**	**156,849**
Profit for the period, EUR thousands	(7,529)	7,271	(8,213)	5,434
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	157,306	156,849	157,306	156,849
Diluted earnings per share in EUR	**(0.05)**	**0.05**	**(0.05)**	**0.03**

NOTE 17. OFF-BALANCE SHEET ITEMS

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

Contingent liabilities and financial commitments outstanding

	EUR thousands			
	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
Contingent liabilities:				
Outstanding guarantees	21,197	21,525	20,478	20,822
Outstanding letters of credit with public	205	257	205	258
Letters of credit with credit institutions	297	1,027	297	1,027
Total contingent liabilities	**21,699**	**22,809**	**20,980**	**22,107**
Provisions for credit risk	(136)	(136)	(136)	(136)
Maximum credit risk exposure for guarantees and letters of credit	**21,563**	**22,673**	**20,844**	**21,971**
Financial commitments:				
Card commitments	130,150	132,087	130,636	132,095
Unutilised credit lines and overdraft facilities	94,880	100,747	127,120	196,562
Loans granted, not fully drawn down	68,196	72,271	68,196	72,271
Factoring commitments	18,888	14,703	-	-
Other commitments	5,453	10,442	5,000	10,000
Total financial commitments	**317,567**	**330,250**	**330,952**	**410,928**
Provisions for financial commitments	(5,180)	(4,014)	(5,041)	(3,972)
Maximum credit risk exposure for financial commitments	**312,387**	**326,236**	**325,911**	**406,956**

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

NOTE 18. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	31/03/2020 Group	**31/12/2019 Group**	**31/03/2020 Bank**	**31/12/2019 Bank**
Fixed income securities:				
Corporate bonds	152,783	149,065	-	-
Government bonds	58,854	65,532	-	-
Credit institution bonds	24,138	21,336	-	-
Other financial institution bonds	10,256	14,422	-	-
Total investments in fixed income securities	**246,031**	**250,355**	**-**	**-**
Other investments:				
Investment funds	369,792	407,398	-	-
Deposits with credit institutions	61,997	36,309	-	-
Compensations for distribution on behalf of deposit guarantee fund	21,436	30,657	21,436	30,657
Shares	39,418	37,227		-
Real estate	4,884	4,884		-
Loans	704	722	704	722
Other	57,489	104,541		-
Total other investments	**555,720**	**621,738**	**22,140**	**31,379**
Total assets under management	**801,751**	**872,093**	**22,140**	**31,379**

Customer profile on whose behalf the funds are managed

	EUR thousands			
	31/03/2020 Group	**31/12/2019 Group**	**31/03/2020 Bank**	**31/12/2019 Bank**
Pension plans	528,951	570,021	-	-
Insurance companies, investment and pension funds	117,460	131,214	-	-
Other companies and government	61,855	74,352	22,140	31,379
Private individuals	93,485	96,506	-	-
Total liabilities under management	**801,751**	**872,093**	**22,140**	**31,379**

NOTE 19. RISK MANAGEMENT

Risk management polices

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

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

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

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

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

	Group as of 31/03/2020, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	937,085	72,572	86,525	-	19,613	1,115,795
Loans to credit institutions	8,527	-	-	44,676	101,628	154,831
Debt securities	289,818	209,425	15,316	297,126	177,172	988,857
Loans to public	939,922	412,204	153,177	21,520	24,017	1,550,840
Equity instruments	1,124	-	-	135	3,446	4,705
Other financial instruments	18,056	-	-	14,941	263	33,260
Derivatives	1,386	-	-	719	263	2,368
Other assets	69,029	7,432	2,876	35	1,134	80,506
Total assets	**2,264,947**	**701,633**	**257,894**	**379,152**	**327,536**	**3,931,162**
Liabilities						
Deposits from credit institutions and central banks	3,722	-	-	-	577	4,299
Deposits and borrowings from customers	2,301,075	428,819	81,006	367,587	306,590	3,485,077
Debt securities issued	60,949	-	-	-	-	60,949
Derivatives	491	-	-	593	32	1,116
Other liabilities	42,508	4,673	1,703	8	1,616	50,508
Total liabilities	**2,408,745**	**433,492**	**82,709**	**368,188**	**308,815**	**3,601,949**
Off-balance sheet items						
Contingent liabilities	14,335	2,766	2,952	233	1,413	21,699
Financial commitments	257,645	49,829	3,697	5,608	788	317,567

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). EUR 19.6 million of Group's cash and deposit with central banks balances presented as "Other countries" is with Swiss National Bank (2019: EUR 16.5 million). From Group’s loans to credit institutions presented as "Other countries" EUR 13.1 million are with Swiss credit institutions (2019: EUR 9.7 million), EUR 54.3 million are with Japanese credit institutions (2019: EUR 54.2 million) and EUR 22.7 million with United States registered credit institutions (2019: EUR 22.2 million). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments.

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

	Bank as of 31/03/2020, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	937,085	72,572	86,525	-	-	1,096,182
Loans to credit institutions	2	-	-	32,038	88,556	120,596
Debt securities	285,787	204,278	13,515	174,272	100,058	777,910
Loans to public	976,010	410,732	148,216	21,156	16,779	1,572,893
Equity instruments	1,124	-	-	135	3,446	4,705
Other financial instruments	5,470	-	-	-	-	5,470
Derivatives	1,386	-	-	719	263	2,368
Other assets	48,398	8,639	3,200	20	13,804	74,061
Total assets	**2,255,262**	**696,221**	**251,456**	**228,340**	**222,906**	**3,654,185**
Liabilities						
Deposits from credit institutions and central banks	3,722	-	-	-	47,059	50,781
Deposits and borrowings from customers	2,277,663	428,639	80,033	279,011	133,116	3,198,462
Debt securities issued	60,949	-	-	-	-	60,949
Derivatives	491	-	-	593	32	1,116
Other liabilities	26,395	4,013	851	8	10	31,277
Total liabilities	**2,369,220**	**432,652**	**80,884**	**279,612**	**180,217**	**3,342,585**
Off-balance sheet items						
Contingent liabilities	14,314	2,766	2,952	-	948	20,980
Financial commitments	266,772	51,914	6,325	5,608	333	330,952

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). From Bank's loans to credit institutions presented as "Other countries" EUR 54.3 million are with Japanese credit institutions (2019: Japanese credit institutions EUR 54.2 million) and EUR 22.7 million with United States registered credit institutions (2019: EUR 22.2 million).

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

Liquidity coverage ratio

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

	EUR thousands			
	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
1. Liquidity buffer	1,844,135	1,506,948	1,701,040	1,367,784
2. Net liquidity outflow	400,854	421,422	402,500	418,740
3. Liquidity coverage ratio	**460%**	**358%**	**423%**	**327%**

Capital management

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

Capital adequacy 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). Subsequent to the period end, effective from 27 April 2020 the FCMC has revised TSCR for the Group and the Bank to 2.30%. For more information refer to refer to Note 20 (*Events after the Reporting Date*).

For the Group and the Bank 2.50% capital conservation buffer applies, limiting dividend pay-out and certain other Tier 1 equity instrument buybacks if the threshold is not exceeded. Countercyclical buffer norms are calculated at every reporting date based on the actual 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 1.50%. These buffer requirements have to be covered by common equity Tier 1 capital.

Since 2019 the Group and the Bank applies prudential provisioning requirements in line with 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 31 March 2020

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Individual TSCR, as determined by the FCMC	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	0.22%	0.22%	0.22%
Capital requirement	**10.34%**	**12.40%**	**15.12%**

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

Capital adequacy ratio (including net result for the period)

	EUR thousands			
	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
Common equity Tier 1 capital				
Paid up capital instruments	156,556	156,556	156,556	156,556
Retained earnings	165,328	172,070	152,133	160,346
Regulatory deductions	(9,332)	(8,539)	(8,379)	(7,992)
Other capital components and transitional adjustments, net	11,258	15,505	7,188	10,605
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	**383,810**	**395,592**	**367,498**	**379,515**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,475,002	1,555,638	1,413,601	1,490,030
Total exposure amounts for position, foreign currency open position and commodities risk	20,293	16,643	7,456	5,213
Total exposure amounts for operational risk	209,649	209,649	171,299	171,299
Total exposure amounts for credit valuation adjustment	965	544	965	544
Total risk exposure amount	**1,705,909**	**1,782,474**	**1,593,321**	**1,667,086**
Total capital adequacy ratio	**22.5%**	**22.2%**	**23.1%**	**22.8%**
Common equity Tier 1 capital ratio	**19.0%**	**18.8%**	**19.3%**	**19.2%**

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

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

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

	EUR thousands			
	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
Common equity Tier 1 capital, fully loaded	319,714	330,618	303,221	314,321
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	**379,714**	**390,618**	**363,221**	**374,321**
Total risk exposure amount, fully loaded	**1,702,323**	**1,778,058**	**1,589,376**	**1,662,406**
Total capital adequacy ratio, fully loaded	**22.3%**	**22.0%**	**22.9%**	**22.5%**
Common equity Tier 1 capital ratio, fully loaded	**18.8%**	**18.6%**	**19.1%**	**18.9%**

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

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

	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	8.0%	8.7%	8.1%	8.9%
Leverage Ratio – transitional definition of Tier 1 capital	8.1%	8.8%	8.2%	9.0%

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

The European Commission has adopted the regulatory technical standards (RTS) on the criteria for determining the minimum requirement for own funds and eligible liabilities (MREL) under BRRD. In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD, BRRD requires that all institutions must meet an individual MREL requirement, calculated as a percentage of total liabilities and own funds and set by the relevant resolution authorities. The RTS permits resolution authorities to allow institutions a transitional period to reach the applicable MREL requirements. The MREL requirement for each institution is comprised of several elements, including the required loss absorbing capacity of the institution, and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL include institution's own funds (within the meaning of the capital requirements directive), along with specific eligible liabilities (inter alia issued and fully paid-up, having a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives). The MREL requirement must be met partially with subordinated instruments. MREL eligible subordinated instruments are liabilities subordinated to liabilities excluded from bail-in in accordance with directive 2014/59/EU.

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

NOTE 20. EVENTS AFTER THE REPORTING DATE

Acquisition of UniCredit leasing operations in the Baltics

In 2019 AS Citadele banka entered into a binding agreement with UniCredit S.p.A. to acquire UniCredit's Baltic leasing operations through the acquisition of 100% of the shares in SIA UniCredit Leasing. The acquisition includes Estonian and Lithuanian branches of SIA UniCredit Leasing and a subsidiary SIA UniCredit Insurance Broker. SIA UniCredit Leasing is one of the leaders in the Baltics, with more than 20 years of experience in the area of leasing, a lease portfolio of more than EUR 850 million, and a demonstrated ability to deliver sustainable business growth. Following the acquisition, Citadele's aggregate leasing portfolio will exceed EUR 1.1 billion, creating a stronger Baltic Leasing offering allowing for economies of scale, synergies and shareholder value. Work continues on finalizing the acquisition of UniCredit's Leasing operations in the Baltics, currently awaiting approval from the Competition council in Lithuania. The approvals from the Competition council in Latvia and Estonia have been received.

Recent events related to Covid-19

In the light of recent events related to Covid-19 the Bank is closely monitoring the situation and taking the appropriate actions in accordance with the rules and recommendations issued by the official authorities in order to ensure continues support and maximum safety of our clients and the employees. Citadele maintains strong capital and liquidity ratios well above the regulatory requirements. As future implications still are uncertain, the management is taking proactive measures to prepare for different scenarios and ensure that the Bank remains resilient. In the reporting period Citadele put aside additional allowances for expected credit losses in the amount of EUR 15.4 million in response to anticipated possible deterioration in the economic environment.

The health, safety and well-being of customers and employees are the Bank's top priorities. Citadele continues to encourage clients to use the Bank's remote financial services 24/7. All main financial services are available remotely through the Bank's MobileApp, website or remote customer service centre 'SkyBranch', which offers clients six different channels for communication. Most of Citadele's branches remain open, and from 20 March 2020 are appointment only. A number of additional infection prevention and security measures have been introduced in the branch network.

Citadele has joined several moratorium incentives within terms of which clients may apply for grace period for loan repayments on principal. Each application is assessed accordingly.

Most of the Citadele's head-office and back-office employees are working remotely. Critical service units have remote access, and employees who have to work on-site are divided into separate groups working at different times to minimize potential physical interactions and ensure business continuity.

Citadele signs an administrative agreement with the FCMC

In April 2020 Citadele and the FCMC signed an administrative agreement regarding an inspection of the Bank carried out by the FCMC during 2018. Both the Bank and the FCMC agrees on the required actions to be taken by the Bank for further improvements in the anti-money laundering and terrorism financing prevention (AML/CFT) area, including an additional EUR 2.3 million investment to improve the Bank's internal control systems.

The review conducted in 2018 covered Citadele's compliance with applicable AML/ CFT legislation. The agreement refers to a small number of alleged shortcomings on certain limited occasions whereby the client's beneficial owner was not sufficiently proved or documented. Also, on certain limited occasions, it was not fully ensured that the documentation proving the client's economic activity have been acquired in sufficient scope and quality. However, all customers with the identified shortcomings were already closed or in the closing process as per decisions taken by the Bank prior and independently of the FCMC audit.

The Bank will pay a remediation fee of EUR 0.6 million. Setting the amount of remediation fee, the FCMC has taken into consideration that the AML/CFT risk level that characterizes the Bank's clients base and financial services is very low. The Bank has independently and on its own initiative developed the "Remediation plan for the improvement of the Internal Control System in AML/CFT" ("Remediation plan") to deliver on improvements identified by the FCMC. There have already been several steps taken in terms of implementation, for example the setup of the "KYC Competence Centre", further enhancement of documentation and IT systems, and hiring of additional AML compliance staff. As part of the "Remediation plan", Citadele has committed to invest an additional EUR 2.3 million and to take actions to further strengthen the Bank's processes, systems and routines.

Updated Pillar 2 capital requirement / TSCR

Subsequent to the period end the FCMC announced that, effective from 27 April 2020 the new TSCR requirement for the Bank and the Group is 2.30% vs. the previous TSCR requirement of 2.90%. The national supervisory authority determines TSCR on a risk-by-risk basis. The additional pillar 2 capital requirement is re-assessed annually by the FCMC.

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	3m 2020 Group	3m 2019 Group Restated	3m 2020 Bank	3m 2019 Bank Restated
1.	Interest income	23,670	24,500	21,435	22,289
2.	Interest expense	(5,506)	(3,890)	(5,508)	(3,890)
3.	Dividend income	12	10	12	10
4.	Commission and fee income	12,897	12,975	10,519	10,801
5.	Commission and fee expense	(5,532)	(5,391)	(5,321)	(5,248)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	813	276	465	108
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	(524)	217	-	-
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	1,812	1,602	1,654	1,525
10.	Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11.	Other income	569	425	762	781
12.	Other expense	(764)	(518)	(635)	(1,750)
13.	Administrative expense	(17,449)	(18,517)	(15,141)	(16,310)
14.	Amortisation and depreciation charge	(1,979)	(2,036)	(1,862)	(1,868)
15.	Gain or loss on modifications in financial asset contractual cash flows	-	-	-	-
16.	Provisions, net	(1,164)	537	(1,067)	580
17.	Impairment charge and reversals, net	(14,259)	(2,422)	(13,466)	(1,413)
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	(49)	(130)	(49)	(130)
21.	**Profit before taxation**	**(7,453)**	**7,638**	**(8,202)**	**5,485**
22.	Corporate income tax	(76)	(367)	(11)	(51)
23.	**Net profit / loss for the period**	**(7,529)**	**7,271**	**(8,213)**	**5,434**
28.	**Other comprehensive income for the period**	**(4,175)**	**2,925**	**(2,693)**	**1,979**

Balance Sheet, regulatory format

	EUR thousands	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
1.	Cash and demand balances with central banks	1,115,795	707,914	1,096,182	691,455
2.	Demand deposits due from credit institutions	119,183	92,781	86,767	68,306
3.	Financial assets designated at fair value through profit or loss	30,159	34,497	2,368	960
4.	Financial assets at fair value through other comprehensive income	323,398	409,588	170,545	237,719
5.	Financial assets at amortised cost	2,262,121	2,406,930	2,224,262	2,363,092
6.	Derivatives – hedge accounting	-	-	-	-
7.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
8.	Investments in subsidiaries, joint ventures and associates	-	-	33,512	34,161
9.	Tangible assets	47,174	49,989	15,238	18,231
10.	Intangible assets	4,777	4,698	4,658	4,571
11.	Tax assets	3,739	3,136	3,043	2,886
12.	Other assets	20,016	30,373	12,810	23,200
13.	Non-current assets and disposal groups classified as held for sale	4,800	2,862	4,800	2,862
14.	**Total assets (1.+....+13.)**	**3,931,162**	**3,742,768**	**3,654,185**	**3,447,443**
15.	Due to central banks	6	6	6	6
16.	Demand liabilities to credit institutions	590	1,631	15,840	5,385
17.	Financial liabilities designated at fair value through profit or loss	36,028	38,428	1,116	528
18.	Financial liabilities measured at amortised cost	3,514,817	3,311,678	3,294,346	3,084,570
19.	Derivatives – hedge accounting	-	-	-	-
20.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21.	Provisions	5,315	4,150	5,176	4,108
22.	Tax liabilities	779	1,257	-	-
23.	Other liabilities	44,414	44,893	26,101	30,532
24.	Liabilities included in disposal groups classified as held for sale	-	-	-	-
25.	**Total liabilities (15.+...+24.)**	**3,601,949**	**3,402,043**	**3,342,585**	**3,125,129**
26.	Shareholders' equity	329,213	340,725	311,600	322,314
27.	**Total liabilities and shareholders' equity (25.+26.)**	**3,931,162**	**3,742,768**	**3,654,185**	**3,447,443**
28.	**Memorandum items**				
29.	Contingent liabilities	21,699	22,809	20,980	22,107
30.	Financial commitments	317,567	330,250	330,952	410,928

ROE and ROA ratios

	3m 2020 Group	3m 2019 Group	3m 2020 Bank	3m 2019 Bank
Return on equity (ROE) (%)	(8.99%)	9.63%	(10.37%)	7.85%
Return on assets (ROA) (%)	(0.78%)	0.93%	(0.93%)	0.83%

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

Capital adequacy ratio

	EUR thousands	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
1	**Own funds (1.1.+1.2.)**	**383,810**	**395,592**	**367,498**	**379,515**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	323,810	335,592	307,498	319,515
1.1.1	*Common equity Tier 1 capital*	*323,810*	*335,592*	*307,498*	*319,515*
1.1.2	*Additional Tier 1 capital*	-	-	-	-
1.2	Tier 2 capital	60,000	60,000	60,000	60,000
2	**Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)**	**1,705,909**	**1,782,474**	**1,593,321**	**1,667,086**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,475,002	1,555,638	1,413,601	1,490,030
2.2	Total risk exposure amount for settlement/delivery	-	-	-	-
2.3	Total risk exposure amount for position, foreign exchange and commodities risks	20,293	16,643	7,456	5,213
2.4	Total risk exposure amount for operational risk	209,649	209,649	171,299	171,299
2.5	Total risk exposure amount for credit valuation adjustment	965	544	965	544
2.6	Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7	Other risk exposure amounts	-	-	-	-
3	**Capital adequacy ratios**				
3.1	Common equity Tier 1 capital ratio (1.1.1./2.*100)	**19.0%**	**18.8%**	**19.3%**	**19.2%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	247,044	255,381	235,798	244,496
3.3	Tier 1 capital ratio (1.1./2.*100)	**19.0%**	**18.8%**	**19.3%**	**19.2%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	221,455	228,644	211,899	219,489
3.5	Total capital ratio (1./2.*100)	**22.5%**	**22.2%**	**23.1%**	**22.8%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	247,337	252,994	240,032	246,148
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	4.2%	4.2%	4.2%	4.2%
4.1	Capital conservation buffer	2.5%	2.5%	2.5%	2.5%
4.2	Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3	Institution specific countercyclical buffer	0.2%	0.2%	0.2%	0.2%
4.4	Systemic risk buffer	-	-	-	-
4.5	Other systemically important institution buffer	1.5%	1.5%	1.5%	1.5%
5	**Capital adequacy ratios, including adjustments**				
5.1	Impairment or asset value adjustments for capital adequacy ratio purposes	-	-	-	-
5.2	Common equity tier 1 capital ratio including line 5.1 adjustments	19.0%	18.8%	19.3%	19.2%
5.3	Tier 1 capital ratio including line 5.1 adjustments	19.0%	18.8%	19.3%	19.2%
5.4	Total capital ratio including line 5.1 adjustments	22.5%	22.2%	23.1%	22.8%

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

	EUR thousands	31/03/2020 Group	31/12/2019 Group	31/03/2020 Bank	31/12/2019 Bank
1.A	**Own funds, IFRS 9 transitional provisions not applied**	**379,714**	**390,618**	**363,221**	**374,321**
1.1.A	Tier 1 capital, IFRS 9 transitional provisions not applied	319,714	330,618	303,221	314,321
1.1.1.A	*Common equity Tier 1 capital, IFRS 9 transitional provisions not applied*	*319,714*	*330,618*	*303,221*	*314,321*
2.A	**Total risk exposure amount, IFRS 9 transitional provisions not applied**	**1,702,323**	**1,778,058**	**1,589,376**	**1,662,406**
3.1.A	Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	18.8%	18.6%	19.1%	18.9%
3.3.A	Tier 1 capital ratio, IFRS 9 transitional provisions not applied	18.8%	18.6%	19.1%	18.9%
3.5.A	Total capital ratio, IFRS 9 transitional provisions not applied	22.3%	22.0%	22.9%	22.5%

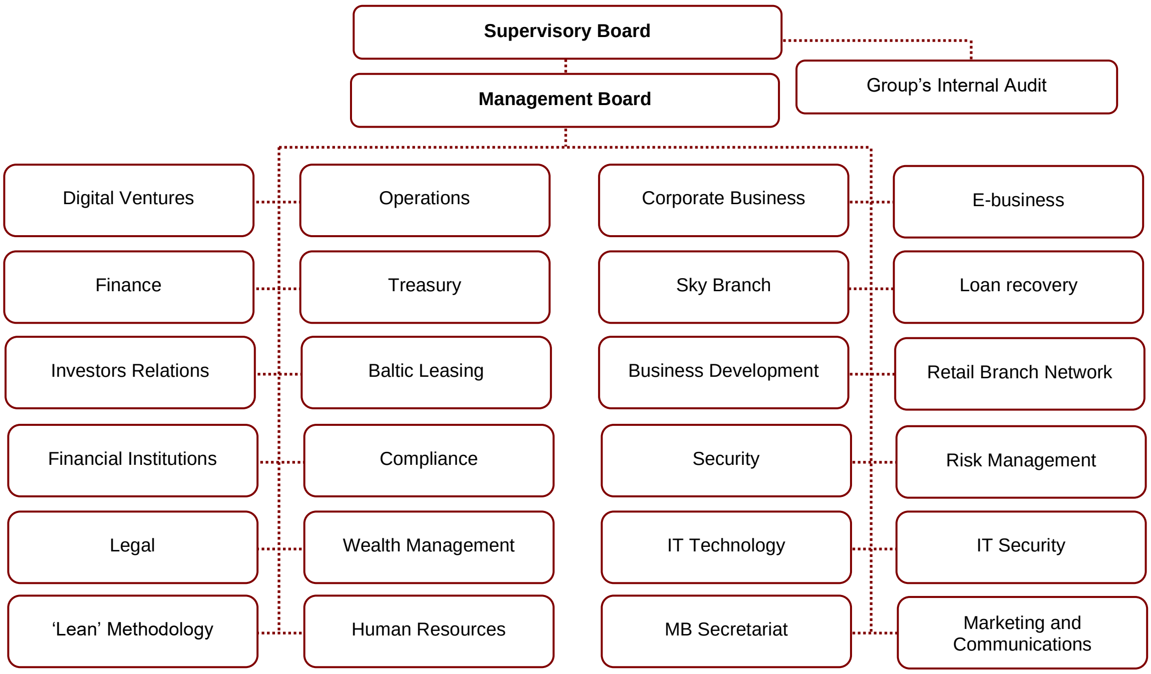
Business Strategy and Objectives

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

Branches

AS Citadele banka has 28 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. AS Citadele banka has 1 client consultation centre in Latvia. The Lithuanian branch has 7 customer service units in Lithuania. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section "Branches and ATMs".

Bank's Organizational Structure



QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

	Group (restated), EUR thousands				
	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Interest income	23,670	25,210	25,799	25,046	24,500
Interest expense	(5,506)	(4,399)	(3,821)	(3,804)	(3,890)
Net interest income	**18,164**	**20,811**	**21,978**	**21,242**	**20,610**
Fee and commission income	12,897	14,580	14,673	14,160	12,975
Fee and commission expense	(5,532)	(6,651)	(6,793)	(6,632)	(5,391)
Net fee and commission income	**7,365**	**7,929**	**7,880**	**7,528**	**7,584**
Net financial income	2,101	2,373	1,932	1,796	2,095
Net other income / (expense)	(183)	419	55	(219)	(83)
Operating income	**27,447**	**31,532**	**31,845**	**30,347**	**30,206**
Staff costs	(12,930)	(13,168)	(12,983)	(13,368)	(13,800)
Other operating expenses	(4,519)	(6,246)	(5,579)	(5,240)	(4,717)
Depreciation and amortisation	(1,979)	(1,933)	(1,895)	(1,826)	(2,036)
Operating expense	**(19,428)**	**(21,347)**	**(20,457)**	**(20,434)**	**(20,553)**
Profit before impairment	**8,019**	**10,185**	**11,388**	**9,913**	**9,653**
Net credit losses	(15,412)	414	(188)	(783)	(1,848)
Other impairment losses	(11)	(1,415)	118	29	(37)
Operating profit before non-current assets held for sale	**(7,404)**	**9,184**	**11,318**	**9,159**	**7,768**
Result from non-current assets held for sale	(49)	754	(67)	(153)	(130)
Operating profit	**(7,453)**	**9,938**	**11,251**	**9,006**	**7,638**
Income tax	(76)	(662)	(237)	(63)	(367)
Net profit	**(7,529)**	**9,276**	**11,014**	**8,943**	**7,271**

	Group, EUR thousands				
	31/03/2020	31/12/2019	30/09/2019	30/06/2019	31/03/2019
Assets					
Cash and cash balances at central banks	1,115,795	707,914	499,095	332,165	438,099
Loans to credit institutions	154,831	121,395	124,029	117,003	115,593
Debt securities	988,857	1,203,631	1,242,102	1,191,473	1,074,408
Loans to public	1,550,840	1,572,746	1,513,596	1,488,494	1,435,445
Equity instruments	4,705	5,092	4,890	4,686	4,378
Other financial instruments	33,260	39,972	40,027	39,157	37,386
Derivatives	2,368	960	1,894	496	864
Tangible assets	47,174	49,989	50,428	50,670	52,229
Intangible assets	4,777	4,698	4,789	4,771	4,714
Tax assets	3,739	3,136	3,316	2,682	2,682
Non-current assets held for sale	4,800	2,862	3,093	3,488	3,488
Other assets	20,016	30,373	30,931	30,652	28,485
Total assets	**3,931,162**	**3,742,768**	**3,518,190**	**3,265,737**	**3,197,771**
Liabilities					
Deposits from credit institutions and central banks	4,299	1,637	7,829	6,261	3,593
Deposits and borrowings from customers	3,485,077	3,289,534	3,070,949	2,835,888	2,783,565
Debt securities issued	60,949	60,044	60,930	60,018	60,911
Derivatives	1,116	528	1,395	522	1,158
Provisions	5,315	4,150	3,486	3,381	3,453
Tax liabilities	779	1,257	759	583	500
Other liabilities	44,414	44,893	41,199	40,082	37,364
Total liabilities	**3,601,949**	**3,402,043**	**3,186,547**	**2,946,735**	**2,890,544**
Equity					
Share capital	156,556	156,556	156,556	156,556	156,556
Reserves and other capital components	7,293	11,455	11,743	10,117	7,285
Retained earnings	165,364	172,714	163,344	152,329	143,386
Total equity	**329,213**	**340,725**	**331,643**	**319,002**	**307,227**
Total liabilities and equity	**3,931,162**	**3,742,768**	**3,518,190**	**3,265,737**	**3,197,771**
Off-balance sheet items					
Guarantees and letters of credit	21,699	22,809	25,314	21,707	20,997
Financial commitments	317,567	330,250	356,945	368,453	349,525

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.