AS Citadele banka

Interim Report

For the three months ended
31 March 2019

Key figures and events of the Group

Citadele continues to build Digital Service capability and Remote Customer experience in Baltics. Mobile app upgrades and Sky Branch service package continues to expand. Touch ID and Face ID launched for customer authentication and payment authorization in Lithuania.

Net interest income up by 5% YoY to EUR 20.6 million.

Net fee and commission income up by 7% YoY to EUR 7.2 million

Total loan portfolio increased by EUR 118 million (9% YoY) and reached EUR 1,435 million.

EUR 139 million issued in new loans to Baltic retail and corporate customers in Q1.

Domestic deposit increase of EUR 144 million.

EUR millions	**Q1 2019**	**Q4 2018**	**Q1 2018**
Net interest income	20.6	21.5	19.7
Net fee and commission income	7.2	8.1	6.8
Net financial and other income	2.5	2.7	4.4
Operating income	**30.4**	**32.3**	**30.8**
Operating expense	20.9	23.0	21.9
Net credit losses and impairments	(1.9)	0.4	0.4
Net profit	**7.3**	**10.1**	**9.4**
Return on average assets (ROA)	0.93%	1.34%	1.17%
Return on average equity (ROE)	9.6%	13.9%	13.9%
Cost to income ratio (CIR)	68.7%	71.1%	71.0%
Cost of risk ratio (COR)	0.5%	(0.1%)	(0.1%)

EUR millions	**31 Mar 2019**	**31 Dec 2018**	**31 Dec 2017**
Total assets	3,198	3,052	3,312
Loans to public	1,435	1,396	1,331
Deposits from customers	2,784	2,645	2,917
Shareholders' equity	307	297	269
Loan-to-deposit ratio	52%	53%	46%
Total capital adequacy ratio (CAR), transitional	19.1%	20.1%	18.4%
Common equity Tier 1 (CET1) capital ratio, transitional	15.9%	16.7%	15.0%
Full time employees	1,496	1,492	1,540

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Rounding and Percentages

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

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

Citadele continues building innovative products and services to our retail and business clients in the region

"We are proud of the speed of our Digital and Remote solutions, customer feedback really motivates us. In line with our lending strategy, we have focused on promoting the development of small and medium businesses. In Q1 2019, Citadele Group's net loan portfolio increased by 9% YoY, new lending reached EUR 139 million. Strong growth was seen in active customers, reaching more than 275 thousand clients."

Guntis Beļavskis
Chairman of the Management Board, CEO

Q1 2019 was characterized by solid performance in all core business segments of the Citadele Group (henceforth – the Group), with further implementation of new and improved daily banking services and innovative solutions for our customers.

Biometrics and digital innovations

Citadele continued to launch and refine its innovative offerings across the multiple channels – improved online banking and mobile app functionality. To provide fast, convenient and secure banking for Citadele's customers in Lithuania, the bank has started to offer Touch ID and Face ID for customer authentication and payment authorization.

Accelerating Baltic strategy

Number of active customers exceeds 275 thousand clients. Mobile App users and Internet bank customers increased since beginning of year by 14% and 3% respectively, reaching 88 thousand active MobileApp users and 175 thousand active Internet Bank customers.

Citadele continued to increase its lending footprint in both retail and corporate banking sectors, achieving 9% growth YoY in the Group's net loan portfolio, reaching EUR 1,435 million in Q1 2019. EUR 139 million of new loans were granted to retail and corporate clients in all Baltic countries.

Progress was also made in terms of deposits where the Group increased domestic deposits by almost EUR 144 million during Q1. As of 31 March 2019, the total Group's customer deposits were EUR 2,784 million, which represent 5% increase since year end 2018.

Ongoing Prudent Risk and Liquidity Management

The Group capital adequacy ratio was 19.1%, compared with 18.7% in Q1 2018. The capital adequacy ratio reflects organic profit generation and the shareholder's commitment to a sound capital position. At the end of the period CET1 ratio reached 15.9% (vs required 10.3%). The Group also comfortably exceeded the 15.0% required total CAR (including regulatory buffers) at the end of Q1 2019. The liquidity position of the Group remains strong, with LCR at 278% and the loan-to-deposit ratio at 52% as of period end.

Credit rating maintained Ba1 with positive outlook

International credit rating agency Moody's Investors Service published an update to their credit analysis on 1 April 2019, maintaining Citadele bank's deposit rating at Ba1, with positive outlook, reflecting Citadele's growth strategy in the Baltic's, improved capitalization and asset quality.

The bank with the best customer service in Latvia

The Group's commitment to customer service enabled Citadele to maintain the top position among banks in Latvia and Lithuania, according to the annual mystery shopper survey conducted by international customer service evaluation company DIVE, published in February 2019. Citadele was announced as the bank with the best customer service in Latvia for the fourth time. In Lithuania the bank scored 2nd best.

Financial review of the Group

The business sentiment in the Baltics was in general positive. Activity level on both private and corporate side remained strong, loan portfolio increased by 9% YoY. The Group's net profit in Q1 2019 was EUR 7.3 million, which translates into 9.6% annual return on equity.

Result and profitability

The Group's **operating income** reached EUR 30.4 million, a 1% decrease YoY, mainly due to lower currency exchange and bond revaluation income.

Net interest income reached EUR 20.6 million, a 5% increase YoY, primarily driven by loan portfolio growth of 9%, as well as lower interest expense. The loan portfolio increase was the result of increased business activities in the Private Customer and Small Business segments, resulting in YoY net interest income increases of 5% and 8%, respectively, in these segments.

The Group's **net fee and commission income** in Q1 2019 reached EUR 7.2 million, which was 7% higher than in Q1 2018. This was the result of increasing volumes from the cards business, payments and transactions.

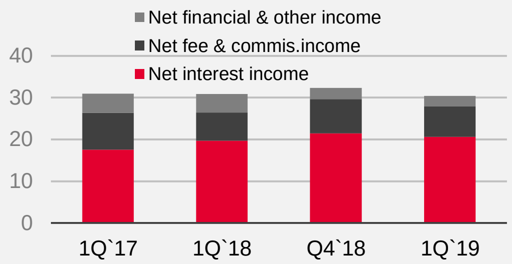
Operating expenses decreased by 5% in Q1 2019 as compared to the same period in 2018, mainly due to considerably lower consulting (-45%) and marketing expenses (-49%). Staff costs increased by 3% driven by salary adjustments rather than staff increase and stood at EUR 13.8 million. Citadele continued to develop and launch innovative digital solutions and products, accordingly increasing IT costs which reached EUR 1.6 million in Q1 2019 (21% increase Y-o-Y).

Depreciation and amortisation expenses stood at EUR 2 million (+37% YoY), following the IFRS 16 requirements - reclassification of Operating lease expenses, previously included in "Other expenses". Citadele's **cost to income ratio** was 68.7% for Q1 2019 versus 71.0% in the same period last year.

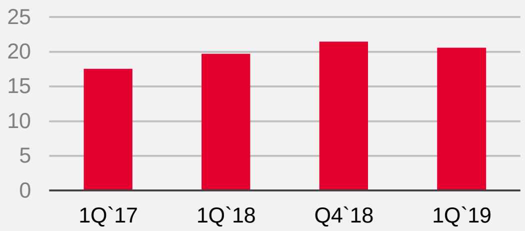
Net credit losses and impairments was EUR (1.9)m, mainly reflecting the growth of the portfolios. The credit quality of the Group's loan portfolio remained stable and there were no major individual provisions. The securities portfolio did also have a stable development in terms of yield and risk profile.

Return on equity in Q1 2019 was 9.6%

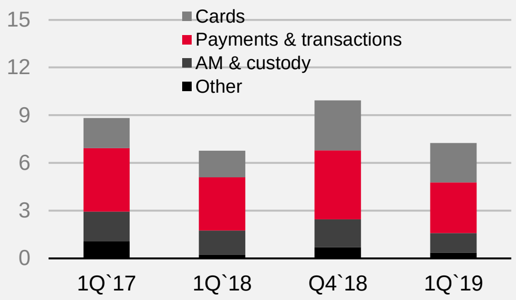
Operating income, EURm



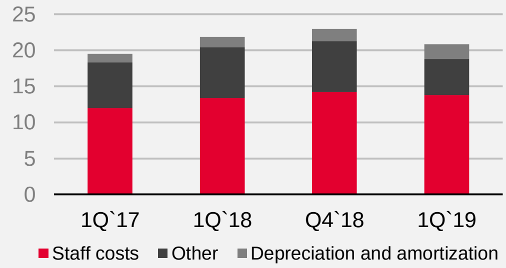
Net interest income, EURm



Net fee and commission income, EURm



Operating expense, EURm



Balance sheet overview

The Group's assets stood at EUR 3,198 million as of 31 March 2019, slightly higher than Q1 2018 (EUR 3,129).

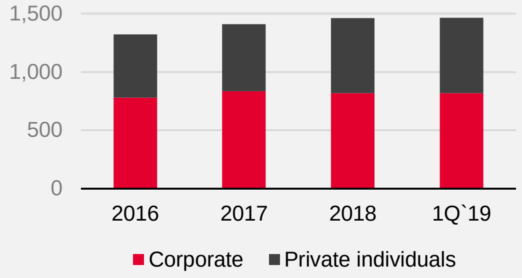
The **total loan portfolio** has grown by EUR 40 million (3%) from the year end 2018, reflecting prudent lending standards and ambition to retain loan book quality.

No major changes in **industry concentrations** occurred during Q1 2019. Loans to Households represent 44% of the portfolio, where mortgage loans have seen stable increase in the past years and increased by 6% in Q1. Consumer loans have increased by 2% since YE 2018. Main industry concentrations are Real estate (16% of total gross loans), Transport and communications (9%) and Manufacturing and Trade (8% each).

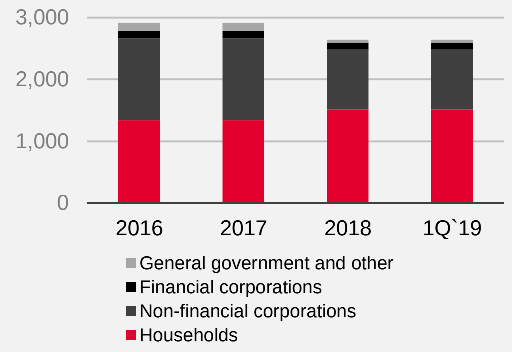
New lending for Q1 2019 reached EUR 139 million, with the Corporate portfolio seeing a healthy pipeline going forward. EUR 66 million were granted to Retail clients in all Baltic countries and EUR 73 million were granted to corporate customers (mainly in Latvia and Lithuania).

The main source of funding, customer deposits, grew by 5% vs YE 2018, with growth coming from Baltic residents that increased by EUR 144 million during Q1.

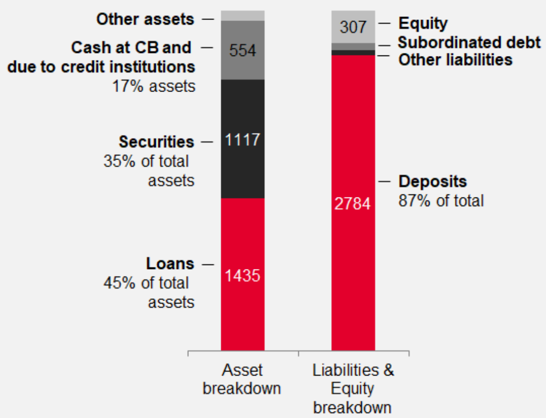
Loans, EURm



Deposits, EURm



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has published an update to their credit analysis on 1 April 2019, maintaining Citadele bank's deposit rating at Ba1, with positive outlook.

The main credit strength are:

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

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

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

Business Environment

Baltic growth switches to more moderate pace as headwinds from the global economy are increasing

Increased headwinds from the global economy

Economic growth in the Baltic region remained strong in the last quarter of 2018 despite weaker growth in euro area and slowdown in external demand. In 2018 as a whole GDP growth in Latvia reached 4.8%, while in Estonia and Lithuania it was 3.9% and 3.4% respectively.

Headwinds from the global economy are increasingly felt in the Baltics. In Q1 growth in Latvia decelerated to the slowest pace in almost 3 years with real GDP growth at 2.8% compared to the same period in 2018. At the same time growth in Lithuania remained stable at 3.8%, while in Estonia economic confidence has fallen to lowest level since 2016, but remains positive.

Manufacturing remains resilient

After slowdown in the first half of 2018, manufacturing growth in the Baltics has rebounded in recent months with growth exceeding 5% on an annual basis, despite sharp slowdowns in Germany and other euro area countries as well as stalling global trade. Resilience in Baltic manufacturing is mostly due to strong competitiveness despite recent wage growth, as well as limited presence in the supply chains of automotive and semi-conductor industries which have been the weakest link in global manufacturing recently.

Growth increasingly reliant on domestic demand

Domestic demand in the Baltics remains strong and continues to underpin overall GDP growth. Retail sales are growing in-line with wages supported by solid consumer confidence. Meanwhile inflation remains moderate with core inflation close to 2% as rapid wage growth is putting limited pressure on domestic prices, further supporting consumer confidence.

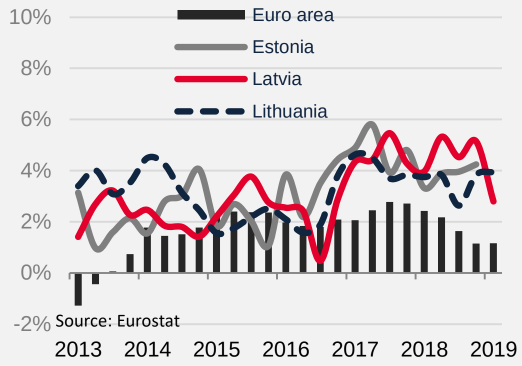
At the same time construction cycle is maturing as growth in Latvia decelerated from more than 20% in 2017 and 2018 to 7.4% annualized in Q1 of 2019. Number of issued building permits is decreasing also in Estonia while in Lithuania growth rebounded to 15% in Q1.

Labour market tightening

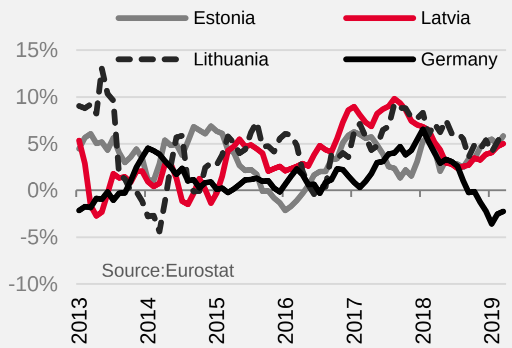
Wage growth in the Baltic region remains very strong and is supported by positive economic growth by declining unemployment. Average wages in 2018 grew by 7.6% in Estonia, 8.4% in Latvia and 9.9% in Lithuania. Wage growth has outpaced overall economic growth since 2014 which is putting pressure on competitiveness and corporate profits.

In Estonia unemployment has fallen under 5% for the first time since 2008, while in Latvia the unemployment rate of 7% is nearing structural levels.

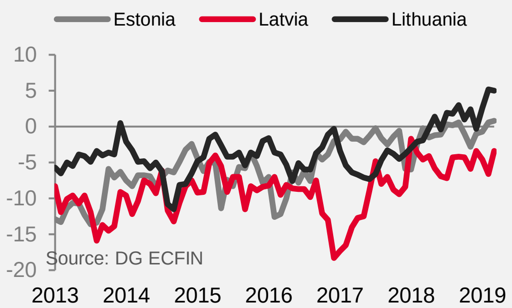
Gross Domestic Product, % YoY change



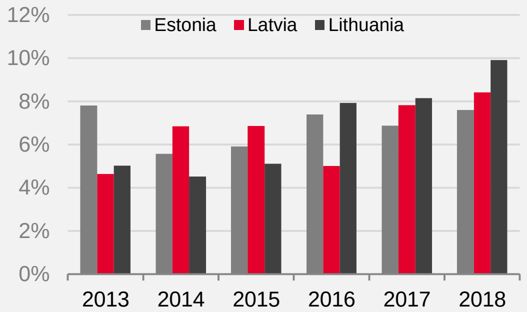
Manufacturing output, % YoY (3 mth avg)



Consumer confidence



Average gross wage, % YoY



Source: National statistical agencies

CORPORATE GOVERNANCE

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

Supervisory Board of the Bank:

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

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

Management Board of the Bank:

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

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

STATEMENT OF INCOME

		EUR thousands			
	Note	3m 2019 Group	3m 2018 Group	3m 2019 Bank	3m 2018 Bank
Interest income	4	24,500	23,978	22,289	18,366
Interest expense	4	(3,890)	(4,268)	(3,890)	(3,781)
Net interest income		**20,610**	**19,710**	**18,399**	**14,585**
Fee and commission income	5	12,975	12,713	10,801	9,471
Fee and commission expense	5	(5,730)	(5,954)	(5,566)	(5,167)
Net fee and commission income		**7,245**	**6,759**	**5,235**	**4,304**
Net financial income	6	2,095	3,578	1,633	3,170
Net other income		434	800	792	641
Operating income		**30,384**	**30,847**	**26,059**	**22,700**
Staff costs		(13,800)	(13,419)	(12,490)	(10,200)
Other operating expenses	7	(5,025)	(6,985)	(5,383)	(5,939)
Depreciation and amortisation		(2,036)	(1,485)	(1,868)	(756)
Operating expense		**(20,861)**	**(21,889)**	**(19,741)**	**(16,895)**
Profit before impairment		**9,523**	**8,958**	**6,318**	**5,805**
Net credit losses	8	(1,848)	417	(800)	820
Other impairment losses		(37)	(47)	(33)	(42)
Operating profit		**7,638**	**9,328**	**5,485**	**6,583**
Income tax		(367)	52	(51)	(28)
Net profit		**7,271**	**9,380**	**5,434**	**6,555**

The notes on pages 14 to 31 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	3m 2019 Group	**3m 2018 Group**	**3m 2019 Bank**	**3m 2018 Bank**
Net profit	**7,271**	**9,380**	**5,434**	**6,555**
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	(276)	5	(108)	(28)
Change in fair value of debt securities	3,794	(2,983)	2,701	(2,782)
Deferred income tax charged / (credited) directly to equity	(157)	62	-	-
Other reserves				
Foreign exchange retranslation	175	(124)	-	-
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	(611)	12	(614)	12
Other comprehensive income / (loss)	**2,925**	**(3,028)**	**1,979**	**(2,798)**
Total comprehensive income	**10,196**	**6,352**	**7,413**	**3,757**

The notes on pages 14 to 31 are an integral part of these financial statements.

BALANCE SHEET

	Note	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
		EUR thousands			
Assets					
Cash and cash balances at central banks		438,099	405,315	429,212	155,510
Loans to credit institutions		115,593	131,902	79,303	110,851
Debt securities	9	1,074,408	989,230	843,350	779,011
Loans to public	10	1,435,445	1,395,692	1,468,134	1,168,116
Equity instruments	11	4,378	2,901	4,378	2,875
Other financial instruments	11	37,386	34,146	6,257	6,078
Derivatives		864	611	864	614
Investments in subsidiaries	12	-	-	27,776	71,614
Tangible assets		52,229	48,893	17,248	4,817
Intangible assets		4,714	4,868	4,533	4,651
Tax assets		2,682	2,929	2,179	247
Other assets		31,973	35,604	24,194	25,599
Total assets		**3,197,771**	**3,052,091**	**2,907,428**	**2,329,983**
Liabilities					
Deposits from credit institutions and central banks		3,593	7,277	44,550	39,170
Deposits and borrowings from customers	13	2,783,565	2,645,042	2,481,349	1,937,857
Debt securities issued	14	60,911	60,010	60,911	60,010
Derivatives		1,158	1,470	1,158	1,504
Provisions	8	3,453	3,196	3,409	2,616
Tax liabilities		500	810	-	-
Other liabilities		37,364	37,486	30,034	21,006
Total liabilities		**2,890,544**	**2,755,291**	**2,621,411**	**2,062,163**
Equity					
Share capital	15	156,556	156,556	156,556	156,556
Reserves and other capital components		7,285	3,868	2,752	(853)
Retained earnings		143,386	136,376	126,709	112,117
Total equity		**307,227**	**296,800**	**286,017**	**267,820**
Total liabilities and equity		**3,197,771**	**3,052,091**	**2,907,428**	**2,329,983**
Off-balance sheet items					
Contingent liabilities	16	20,997	22,405	20,067	17,820
Financial commitments	16	349,525	344,116	463,529	355,309

The notes on pages 14 to 31 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Group, EUR thousands

	Issued Share capital	Securities fair value revaluation reserve	Foreign currency retranslation	Other reserves	Retained earnings	Total equity
Balance as at 31/12/2017	**156,556**	**2,161**	**2,257**	**907**	**107,014**	**268,895**
Adjustment on initial application of IFRS 9, net of tax	-	(1,394)	-	-	(5,078)	(6,472)
Restated balance at 01/01/2018	**156,556**	**767**	**2,257**	**907**	**101,936**	**262,423**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	34,846	34,846
Share based payments to employees	-	-	-	387	-	387
Other comprehensive income / (loss) for the period	-	(1,718)	862	-	-	(856)
Transactions with shareholders						
Transfer to reserves	-	-	-	406	(406)	-
Balance as at 31/12/2018	**156,556**	**(951)**	**3,119**	**1,700**	**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 from reserves	-	-	-	(1,134)	1,134	-
Balance as at 31/03/2019	**156,556**	**3,194**	**3,294**	**797**	**143,386**	**307,227**

Bank, EUR thousands

	Issued Share capital	Securities fair value revaluation reserve	Foreign currency retranslation	Other reserves	Retained earnings	Total equity
Balance as at 31/12/2017	**156,556**	**1,511**	**-**	**-**	**81,828**	**239,895**
Adjustment on initial application of IFRS 9, net of tax	-	(1,854)	-	-	(2,748)	(4,602)
Restated balance at 01/01/2018	**156,556**	**(343)**	**-**	**-**	**79,080**	**235,293**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	33,037	33,037
Share based payments to employees	-	-	-	387	-	387
Other comprehensive income / (loss) for the period	-	(897)	-	-	-	(897)
Balance as at 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						
Merger of AB Citadele bankas (Lithuania)	-	-	-	-	10,553	10,553
Balance as at 31/03/2019	**156,556**	**2,134**	**-**	**618**	**126,709**	**286,017**

The notes on pages 14 to 31 are an integral part of these financial statements.

QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

	Group, EUR thousands				
	Q1 2019	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**
Interest income	24,500	25,081	24,734	23,851	23,978
Interest expense	(3,890)	(3,589)	(3,543)	(3,666)	(4,268)
Net interest income	**20,610**	**21,492**	**21,191**	**20,185**	**19,710**
Fee and commission income	12,975	14,328	14,559	15,419	12,713
Fee and commission expense	(5,730)	(6,188)	(6,500)	(6,409)	(5,954)
Net fee and commission income	**7,245**	**8,140**	**8,059**	**9,010**	**6,759**
Net financial income	2,095	2,125	1,702	2,997	3,578
Net other income	434	583	723	993	800
Operating income	**30,384**	**32,340**	**31,675**	**33,185**	**30,847**
Staff costs	(13,800)	(14,253)	(12,372)	(13,922)	(13,419)
Other operating expenses	(5,025)	(7,032)	(5,470)	(6,582)	(6,985)
Depreciation and amortisation	(2,036)	(1,695)	(1,560)	(1,476)	(1,485)
Operating expense	**(20,861)**	**(22,980)**	**(19,402)**	**(21,980)**	**(21,889)**
Profit before impairment	**9,523**	**9,360**	**12,273**	**11,205**	**8,958**
Net credit losses	(1,848)	501	(5,307)	(2,264)	417
Other impairment losses	(37)	(101)	(28)	(167)	(47)
Operating profit	**7,638**	**9,760**	**6,938**	**8,774**	**9,328**
Income tax	(367)	383	(225)	(164)	52
Net profit	**7,271**	**10,143**	**6,713**	**8,610**	**9,380**

	Group, EUR thousands				
	31/03/2019	**31/12/2018**	**30/09/2018**	**30/06/2018**	**31/03/2018**
Assets					
Cash and cash balances at central banks	438,099	405,315	396,821	395,720	475,012
Loans to credit institutions	115,593	131,902	135,689	177,854	197,504
Debt securities	1,074,408	989,230	966,422	971,092	976,935
Loans to public	1,435,445	1,395,692	1,372,695	1,360,406	1,317,651
Equity instruments	4,378	2,901	3,182	2,841	2,448
Other financial instruments	37,386	34,146	34,855	33,981	33,685
Derivatives	864	611	1,166	3,165	2,878
Tangible assets	52,229	48,893	49,702	50,602	50,555
Intangible assets	4,714	4,868	5,353	5,111	4,017
Tax assets	2,682	2,929	2,093	2,111	1,992
Other assets	31,973	35,604	29,667	40,545	66,031
Total assets	**3,197,771**	**3,052,091**	**2,997,645**	**3,043,428**	**3,128,708**
Liabilities					
Deposits from credit institutions and central banks	3,593	7,277	9,911	13,451	23,746
Deposits and borrowings from customers	2,783,565	2,645,042	2,598,352	2,649,438	2,730,766
Debt securities issued	60,911	60,010	60,895	59,983	60,881
Derivatives	1,158	1,470	736	1,727	2,093
Provisions	3,453	3,196	4,716	4,387	4,591
Tax liabilities	500	810	867	740	678
Other liabilities	37,364	37,486	35,497	34,798	35,783
Total liabilities	**2,890,544**	**2,755,291**	**2,710,974**	**2,764,524**	**2,858,538**
Equity					
Share capital	156,556	156,556	156,556	156,556	156,556
Reserves and other capital components	7,285	3,868	3,882	2,828	2,297
Retained earnings	143,386	136,376	126,233	119,520	111,317
Total equity	**307,227**	**296,800**	**286,671**	**278,904**	**270,170**
Total liabilities and equity	**3,197,771**	**3,052,091**	**2,997,645**	**3,043,428**	**3,128,708**
Off-balance sheet items					
Contingent liabilities	20,997	22,405	20,649	28,164	28,967
Financial commitments	349,525	344,116	344,968	340,068	285,850

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

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

NOTE 2. GENERAL INFORMATION

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

As of 31 March 2019, the Group had 1,496 (2018: 1,492) and the Bank had 1,405 (2018: 1,147) full time equivalent active employees. Most of the increase in the number of employees of the Bank is the result of the transfer of the business from AB Citadele bankas (Lithuania) to the Lithuanian branch of AS Citadele banka in January 2019. From 2019 the Group continues to operate in Lithuania as the Lithuanian branch of AS Citadele banka.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These 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 Bank since the last annual consolidated and Bank financial statements for the year ended 31 December 2018. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by European Union. This interim financial information should be read in conjunction with the 2018 annual financial statements for the Group and the Bank.

b) Adoption of new or revised standards and interpretations

Certain new IFRSs became effective for the Group from 1 January 2019. These with reasonably significant implementation impact are disclosed below.

IFRS 16 – Leases (replaces IAS 17, IFRIC 4, SIC-15, SIC-27). Effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15. The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases in a way that is different to the previously applied accounting treatment. For qualifying lease assets, upon lease commencement, a lessee has to recognise a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs. Subsequently the right-of-use asset is measured using a cost model, unless specific other conditions persists. A right-of-use asset is measured at cost less any accumulated depreciation and impairment. The lease liability is initially measured as a discounted value of payments agreed over the lease term. A discount rate which discounts future payments to estimated present value is applied. For lessors classification of lease as an operating lease or a finance lease remains unchanged; therefore, for the Group as a lessor no direct impact from the new standard is observed.

For the Group as a lessee the major class of current operating lease contracts which qualify for right-of-use asset are rent agreements for branch network and certain other premises used for the Group's operating needs. Most of the contracts may be early terminated by the Group or lessor; some other contracts may be extended at discretion of the Group beyond their current term. The Group owns its headquarters building, which is leased by the Bank (among other tenants) from its subsidiary. As both parties are under common control the lease term may be extended or decreased at Management's choice. Lease contract early terminated clauses are mostly disregarded in right-of-use asset accounting as currently the Group has no intention to terminate early. Early termination clauses by lessor are similarly disregarded even though these are beyond the control of the Group; the reasoning is that no material part of these is expected to be early terminated by lessors as transactions are at market rates. Thus for most leases a period equal to the planning horizon of the Group which is three years is applied. The amount of right-of-use asset and corresponding lease liability which was recognised at implementation of the new standard was EUR 10.4 million for the Bank and EUR 4.0 million for the Group.

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

c) Functional and Presentation Currency

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

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

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by EU, requires management to make estimates and judgements that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingencies. The management has applied reasonable and prudent estimates and judgments in preparing these financial statements. The significant areas of estimation used in the preparation of the accompanying financial statements relate to evaluation of impairment losses for assets, and determination of the control of investees for consolidation purposes and are the same as for the annual report for 2018.

NOTE 4. INTEREST INCOME AND EXPENSE

	EUR thousands			
	3m 2019 Group	**3m 2018 Group**	**3m 2019 Bank**	**3m 2018 Bank**
Interest income calculated using the effective interest method:				
financial assets at amortised cost:				
loans to public	19,107	18,725	20,173	16,451
debt securities	961	995	770	796
cash balances at and lending to central banks and credit institutions	287	335	210	285
debt securities at fair value through other comprehensive income	1,757	1,618	1,136	834
Interest income on finance leases (part of loans to public)	2,388	2,305	-	-
Total interest income	**24,500**	**23,978**	**22,289**	**18,366**
Interest expense on:				
financial liabilities at amortised cost:				
deposits and borrowing from public	(2,249)	(2,231)	(2,124)	(1,674)
debt securities issued	(900)	(900)	(900)	(900)
deposits from credit institutions and central banks	(398)	(832)	(564)	(948)
financial liabilities at fair value through profit or loss				
deposits and borrowing from public	(41)	(45)	-	-
other interest expense	(302)	(260)	(302)	(259)
Total interest expense	**(3,890)**	**(4,268)**	**(3,890)**	**(3,781)**
Net interest income	**20,610**	**19,710**	**18,399**	**14,585**

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

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

NOTE 5. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	3m 2019 Group	3m 2018 Group	3m 2019 Bank	3m 2018 Bank
Fee and commission income:				
cards	6,848	6,272	6,835	5,706
payments and transactions	3,556	3,684	2,831	2,608
asset management and custody	1,581	1,816	378	412
securities	132	215	112	153
other fees	457	413	236	375
Total fee and commission income from contracts with customers	**12,574**	**12,400**	**10,392**	**9,254**
Guarantees, letters of credit and loans	401	313	409	217
Total fee and commission income	**12,975**	**12,713**	**10,801**	**9,471**
Fee and commission expense on:				
cards	(4,374)	(4,607)	(4,374)	(4,123)
payments and transactions	(373)	(343)	(326)	(276)
supervisory fees	(339)	(274)	(318)	(231)
asset management, custody and securities	(214)	(260)	(167)	(182)
other	(430)	(470)	(381)	(355)
Total fee and commission expense	**(5,730)**	**(5,954)**	**(5,566)**	**(5,167)**
Net fee and commission income	**7,245**	**6,759**	**5,235**	**4,304**

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

NOTE 6. NET FINANCIAL INCOME

	EUR thousands			
	3m 2019 Group	3m 2018 Group	3m 2019 Bank	3m 2018 Bank
Foreign exchange trading and related derivatives	1,602	3,678	1,525	3,142
Disposal of assets at fair value through other comprehensive income	276	(5)	108	28
Modifications in cash flows which do not result in de-recognition	-	-	-	-
Assets and liabilities at fair value through profit or loss	217	(95)	-	-
Total net financial income	**2,095**	**3,578**	**1,633**	**3,170**

NOTE 7. OTHER OPERATING EXPENSES

	EUR 000's			
	3m 2019 Group	3m 2018 Group	3m 2019 Bank	3m 2018 Bank
Information technologies and communications	1,647	1,364	1,415	983
Consulting and other services	1,061	1,916	829	1,656
Rent, premises and real estate	698	1,114	466	1,432
Advertising and marketing	396	780	392	654
Non-refundable value added tax	348	926	291	748
Other	875	885	1,990	466
Total other expenses	**5,025**	**6,985**	**5,383**	**5,939**

Operating lease expense which previously were presented as "Rent, premises and real estate" in 2019 are presented as "Depreciation and amortisation" line with the new *IFRS 16 (Leases*). The new standard does not require retrospective application of the new presentation requirements, thus comparatives are not restated. "Rent, premises and real estate" classification is retained for all utility expenses and certain rental fees which do not qualify for classification as depreciation of under the new standard.

NOTE 8. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	3m 2019 Group	3m 2018 Group	3m 2019 Bank	3m 2018 Bank
Loans to credit institutions	1	2	1	1
Debt securities	(31)	27	(30)	28
Loans to public	(2,634)	(1,068)	(1,443)	(413)
Guarantees and letters of credit	1,409	15	1,409	12
Loan commitments	(871)	373	(828)	251
Recovered written-off assets	278	1,068	91	941
Total net losses on financial instruments	**(1,848)**	**417**	**(800)**	**820**

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

Classification of impairment stages

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

Allowances for credit losses and provisions

	EUR thousands			
	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
Stage 1				
Loans to credit institutions	61	61	60	61
Debt securities	386	352	278	245
Loans to public	13,683	12,394	12,420	9,634
Loan commitments, guarantees and letters of credit	3,020	2,101	2,976	1,985
Total stage 1 credit losses and provisions	**17,150**	**14,908**	**15,734**	**11,925**
Stage 2				
Debt securities	9	10	9	10
Loans to public	6,140	7,415	5,871	6,433
Loan commitments, guarantees and letters of credit	171	411	171	386
Total stage 2 credit losses and provisions	**6,320**	**7,836**	**6,051**	**6,829**
Stage 3				
Loans to public	44,554	46,985	42,515	38,508
Loan commitments, guarantees and letters of credit	262	249	262	246
Total stage 3 credit losses and provisions	**44,816**	**47,234**	**42,777**	**38,754**
Total allowances for credit losses and provisions	**68,286**	**69,978**	**64,562**	**57,508**
Including for debt securities classified at fair value through other comprehensive income	*151*	*145*	*73*	*68*

NOTE 9. DEBT SECURITIES

Debt securities by credit rating grade

	Group, EUR thousands					
	31/03/2019			31/12/2018		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	84,267	76,494	160,761	75,606	68,214	143,820
AA/Aa	101,063	96,139	197,202	99,532	82,792	182,324
A	216,069	378,273	594,342	175,617	377,917	553,534
BBB/Baa	49,455	68,444	117,899	49,738	57,712	107,450
Lower ratings or unrated	255	3,949	4,204	247	1,855	2,102
Total debt securities	**451,109**	**623,299**	**1,074,408**	**400,740**	**588,490**	**989,230**

	Bank, EUR thousands					
	31/03/2019			31/12/2018		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	50,485	63,508	113,993	50,979	58,159	109,138
AA/Aa	46,886	83,852	130,738	51,884	70,603	122,487
A	171,811	361,190	533,001	134,989	358,678	493,667
BBB/Baa	9,303	52,366	61,669	9,174	42,691	51,865
Lower ratings or unrated	-	3,949	3,949	-	1,854	1,854
Total debt securities	**278,485**	**564,865**	**843,350**	**247,026**	**531,985**	**779,011**

Debt securities by country of issuer

	Group, EUR thousands					
	31/03/2019			31/12/2018		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	240,421	6,833	247,254	251,772	6,776	258,548
Lithuania	197,562	6,768	204,330	151,868	3,928	155,796
Netherlands	12,746	94,462	107,208	12,892	81,948	94,840
United States	13,389	82,988	96,377	10,425	81,788	92,213
Canada	4,104	43,667	47,771	5,112	37,408	42,520
Germany	12,714	30,476	43,190	12,714	23,201	35,915
Sweden	3,908	31,770	35,678	3,390	16,146	19,536
United Kingdom	-	29,070	29,070	2,623	26,473	29,096
Multilateral development banks	-	46,074	46,074	-	42,243	42,243
Other countries	40,493	176,963	217,456	37,330	181,193	218,523
Total debt securities	**525,337**	**549,071**	**1,074,408**	**488,126**	**501,104**	**989,230**

	Bank, EUR thousands					
	31/03/2019			31/12/2018		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	236,849	5,800	242,649	247,176	5,797	252,973
Lithuania	195,694	5,437	201,131	150,929	2,874	153,803
Netherlands	8,985	60,942	69,927	9,130	58,885	68,015
United States	8,921	43,729	52,650	8,672	37,980	46,652
Canada	2,077	33,821	35,898	2,149	27,673	29,822
Multilateral development banks	-	34,117	34,117	-	31,267	31,267
Other countries	33,057	173,921	206,978	36,611	159,868	196,479
Total debt securities	**485,583**	**357,767**	**843,350**	**454,667**	**324,344**	**779,011**

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

NOTE 10. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
Financial and non-financial corporations				
Real estate purchase and management	244,134	211,631	283,344	211,295
Transport and communications	137,498	137,788	71,383	66,661
Manufacturing	114,545	123,346	100,086	64,754
Trade	113,452	109,612	90,968	54,904
Agriculture and forestry	78,806	77,799	60,417	55,458
Construction	43,671	40,912	34,034	21,073
Financial intermediation	19,635	32,321	197,504	206,274
Electricity, gas and water supply	24,965	27,148	22,571	18,606
Hotels, restaurants	22,279	22,475	20,062	16,763
Other industries	35,504	36,418	20,759	15,748
Total financial and non-financial corporations	**834,489**	**818,699**	**901,128**	**731,536**
Households				
Card lending	61,657	59,628	61,657	55,481
Mortgage loans	463,928	437,183	463,928	374,549
Finance leases	35,480	35,136	-	-
Credit for consumption	75,884	74,086	75,883	47,897
Other lending	27,163	37,003	25,213	13,228
Total households	**664,112**	**643,036**	**626,682**	**491,155**
General government	**1,221**	**751**	**1,130**	**-**
Total gross loans to public	**1,499,822**	**1,462,486**	**1,528,940**	**1,222,691**
Impairment allowance and provisions	(64,377)	(66,794)	(60,806)	(54,575)
Total net loans to public	**1,435,445**	**1,395,692**	**1,468,134**	**1,168,116**

Loans by overdue days and impairment stage

	Group, EUR thousands									
	31/03/2019					31/12/2018				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	1,171,345	153,278	54,285	(28,423)	1,350,485	1,087,871	194,983	74,788	(31,568)	1,326,074
Past due <=30 days	41,324	6,841	7,488	(3,444)	52,209	33,523	7,312	5,722	(3,151)	43,406
Past due >30 and ≤90 days	957	8,405	9,705	(5,054)	14,013	-	5,497	3,934	(2,625)	6,806
Past due >90 days	-	-	46,194	(27,456)	18,738	-	-	48,856	(29,450)	19,406
Total loans to public	**1,213,626**	**168,524**	**117,672**	**(64,377)**	**1,435,445**	**1,121,394**	**207,792**	**133,300**	**(66,794)**	**1,395,692**
Guarantees and letters of credit	20,997	-	-	(208)	20,789	21,901	-	504	(211)	22,194
Financial commitments	339,995	8,793	737	(3,245)	346,280	320,222	23,185	281	(2,551)	341,137
Total credit exposure to public	**1,574,618**	**177,317**	**118,409**	**(67,830)**	**1,802,514**	**1,463,517**	**230,977**	**134,085**	**(69,556)**	**1,759,023**

Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 16 (*Off-balance Sheet Items*).

	Bank, EUR thousands									
	31/03/2019					31/12/2018				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	1,236,217	151,911	51,101	(26,103)	1,413,126	940,103	166,872	54,488	(24,759)	1,136,704
Past due <=30 days	15,563	4,620	7,244	(2,876)	24,551	7,268	5,572	2,713	(1,897)	13,656
Past due >30 and ≤90 days	655	6,769	9,170	(4,636)	11,958	-	2,724	994	(1,592)	2,126
Past due >90 days	-	-	45,690	(27,191)	18,499	-	-	41,957	(26,327)	15,630
Total loans to public	**1,252,435**	**163,300**	**113,205**	**(60,806)**	**1,468,134**	**947,371**	**175,168**	**100,152**	**(54,575)**	**1,168,116**
Guarantees and letters of credit	20,067	-	-	(208)	19,859	17,342	-	478	(208)	17,612
Financial commitments	454,372	8,793	364	(3,201)	460,328	333,473	21,588	248	(2,408)	352,901
Total credit exposure to public	**1,726,874**	**172,093**	**113,569**	**(64,215)**	**1,948,321**	**1,298,186**	**196,756**	**100,878**	**(57,191)**	**1,538,629**

Stage 3 loans to public ratio

	EUR thousands			
	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
Stage 3 loans to public ratio, gross	**7.8%**	**9.1%**	**7.4%**	**8.2%**
Stage 3 loans to public ratio, net	**5.1%**	**6.2%**	**4.8%**	**5.3%**
Stage 3 impairment ratio	**38%**	**35%**	**38%**	**38%**

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

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

NOTE 11. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	31/03/2019				31/12/2018			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Financial assets at fair value through profit or loss	31,129	-	-	31,129	28,068	-	-	28,068
Financial assets at fair value through other comprehensive income	6,257	3,252	1,124	10,633	6,078	2,777	124	8,979
Total non-fixed income securities, net	**37,386**	**3,252**	**1,124**	**41,762**	**34,146**	**2,777**	**124**	**37,047**
Including unit-linked insurance plan assets	*22,981*	-	-	*22,981*	*21,517*	-	-	*21,517*

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

As at 31 March 2019 the Bank and Group has investments in mutual investment funds with carrying amount of EUR 6.3 million (2018: EUR 6.1 million) and EUR 21.1 million (2018: EUR 20.1 million) which are managed by IPAS CBL Asset Management or its subsidiaries. EUR 12.5 million (2018: EUR 11.9 million) of these Group's investments relate to unit-linked contracts where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions.

	Bank, EUR thousands							
	31/03/2019				31/12/2018			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Financial assets at fair value through other comprehensive income	6,257	3,252	1,124	10,633	6,078	2,751	124	8,953
Total non-fixed income securities, net	**6,257**	**3,252**	**1,124**	**10,633**	**6,078**	**2,751**	**124**	**8,953**

NOTE 12. INVESTMENTS IN SUBSIDIARIES

Changes in investments in subsidiaries of the Bank

	EUR thousands	
	3m 2019	3m 2018
Balance at the beginning of the period, net	**71,614**	**64,725**
Merger of AB Citadele bankas (Lithuania)	(43,838)	-
Sale or disposal of subsidiary	-	(39)
Impairment, net	-	6,928
Balance at the end of the period, net	**27,776**	**71,614**
Gross investment in subsidiaries as at period end	*68,678*	*113,388*

The Lithuanian branch of AS Citadele banka was registered on 25 October 2018 with an intention to transform AB Citadele bankas (Lithuania) from subsidiary to branch. The decision was taken to ensure increased operational efficiency across the Group and allow Citadele to maximize its client offerings and service output across the Baltics. In 2019 all assets, liabilities and business were transferred from AB Citadele bankas (Lithuania) to the Lithuanian branch of AS Citadele banka. In 2019 the Group continues to operate in Lithuania as 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 31/03/2019	Carrying value EUR thousands 31/12/2018
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MAS	-	-	-	-
AB Citadele bankas (merged)	112021619	-	BNK	MS	-	-	-	43,837
AP Anlage & Privatbank AG	130.0.007.738-0	Switzerland, Limmatquai 4, CH-8001, Zurich	BNK	MS	100	100	13,805	13,805
SIA Citadele Līzings un Faktorings	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	4,325	4,325
OU Citadele Leasing & Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
UAB Citadele faktoringas ir lizingas	126233315	Lithuania, Vilnius LT-03107, K.Kalinausko 13	LIZ	MS	100	100	2,149	2,149
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
Calenia Investments Limited	HE156501	Cyprus, Nicosia 1075, 58 Arch. MakariosIII Avenue, Iris Tower, 6th floor, office 602	PLS	MS	100	100	-	-
OOO Mizush Asset Management Ukraina	32984601	Ukraine, Kiev 03150, Gorkovo 172	IBS	MMS	100	100	-	-
SIA Citadeles moduļi	40003397543	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	-	-
SIA RPG Interjers	40103157899	Latvia, Riga, Republikas laukums 2A	PLS	MMS	100	100	500	501
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	-	-
SIA Hortus RE	40103752416	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	-	-
Total investments in subsidiaries							**27,776**	**71,614**

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

Carrying value of investment in subsidiary SIA Citadeles moduļi is based on the cash flows generated by the major assets of the company, being the office building and furniture therein, which in the Group's consolidated accounts are accounted for as property and equipment. The assessment methodology of Group's property and equipment is derived from the value-in-use discounted cash flows model. The value is determined as discounted expected future cash flow generated by the property adjusted for capital expenditure.

Carrying value of investment in SIA Citadele Līzings un Faktorings (100% owned banking subsidiary of the Bank) is based on a model where expected free equity distributable to shareholders is estimated. The key assumptions of the model are discount rate of 12.0% (2018: 12.0%), minimum target capital adequacy ratio and future profitability of the operations of the entity.

NOTE 13. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
Households	1,563,187	1,517,055	1,447,870	1,145,694
Non-financial corporations	1,033,732	967,640	846,833	666,398
Financial corporations	121,717	110,436	121,717	104,122
General government	51,272	43,750	51,272	18,428
Other	13,657	6,161	13,657	3,215
Total deposits from customers	**2,783,565**	**2,645,042**	**2,481,349**	**1,937,857**

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
Demand deposits	2,196,698	2,017,551	1,949,594	1,562,750
Term deposits:				
due within 1 month	38,285	62,979	29,567	34,738
due within 2-3 months	66,132	91,098	59,407	43,832
due within 4-6 months	84,553	89,446	76,143	45,396
due within 7-12 months	200,460	169,517	194,518	98,925
due within 2-5 years	132,007	145,619	108,303	88,734
due in more than 5 years	65,430	68,832	63,817	63,482
Total term deposits	586,867	627,491	531,755	375,107
Total deposits from customers	**2,783,565**	**2,645,042**	**2,481,349**	**1,937,857**

Deposits and borrowings from customers by categories

	EUR thousands			
	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
At amortised cost	2,748,108	2,611,050	2,481,349	1,937,857
At fair value through profit or loss	35,457	33,992	-	-
Total deposits from customers	**2,783,565**	**2,645,042**	**2,481,349**	**1,937,857**
Including unit-linked insurance plan liabilities	23,056	21,614	-	-

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

NOTE 14. DEBT SECURITIES ISSUED

Publicly listed unsecured subordinated bond liabilities

ISIN code of the issued bond	Currency	Interest rate	Maturity date	Principal, EUR 000's	Amortised cost, EUR thousands 31/03/2019	Amortised cost, EUR thousands 31/12/2018
LV0000880011	EUR	5.50%	24/11/2027	20,000	20,333	20,058
LV0000802221	EUR	6.25%	06/12/2026	40,000	40,578	39,952
					60,911	**60,010**

Both issuances of unsecured subordinated securities qualify for inclusion in the Banks and the Groups Tier 2 capital. For details on capital adequacy refer to *Capital management* section of the Note 18 (*Risk Management*).

Profile of the bondholders as at the last coupon payment date

ISIN code of the issued bond	Last coupon payment date	Number of bondholders	Legal and professional investors Number	Legal and professional investors EUR th.	Legal and professional investors %	Private individuals Number	Private individuals EUR th.	Private individuals %
LV0000880011	24/11/2018	32	12	17,300	87%	20	2,700	14%
LV0000802221	06/12/2018	189	93	32,540	81%	96	7,460	19%

NOTE 15. SHARE CAPITAL

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

Shareholders of the Bank

	31/03/2019		31/12/2018	
	Paid-in share capital (EUR)	Total shares with voting rights	Paid-in share capital (EUR)	Total shares with voting rights
European Bank for Reconstruction and Development	39,138,948	39,138,948	39,138,948	39,138,948
RA Citadele Holdings LLC[1]	35,082,302	35,082,302	35,082,302	35,082,302
Delan S.à.r.l.[2]	15,597,160	15,597,160	15,597,160	15,597,160
EMS LB LLC[3]	13,864,142	13,864,142	13,864,142	13,864,142
NNS Luxembourg Investments S.à.r.l.[4]	13,864,142	13,864,142	13,864,142	13,864,142
Amolino Holdings Inc.[5]	13,863,987	13,863,987	13,863,987	13,863,987
Shuco LLC[6]	10,998,979	10,998,979	10,998,979	10,998,979
Other shareholders	14,146,136	14,146,136	14,146,136	14,146,136
Total	**156,555,796**	**156,555,796**	**156,555,796**	**156,555,796**

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

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

NOTE 16. 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			
	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
Contingent liabilities:				
Outstanding guarantees	20,639	21,970	19,709	17,385
Outstanding letters of credit	358	435	358	435
Total contingent liabilities	**20,997**	**22,405**	**20,067**	**17,820**
Provisions for contingent liabilities	(208)	(211)	(208)	(208)
Maximum credit risk exposure for contingent liabilities	**20,789**	**22,194**	**19,859**	**17,612**
Financial commitments:				
Unutilised credit lines and overdraft facilities	96,004	141,731	216,282	179,535
Card commitments	119,185	112,863	119,192	103,905
Loans granted, not fully drawn down	128,055	82,604	128,055	71,869
Factoring commitments	5,850	6,490	-	-
Other commitments	431	428	-	-
Total financial commitments	**349,525**	**344,116**	**463,529**	**355,309**
Provisions for financial commitments	(3,245)	(2,551)	(3,201)	(2,408)
Maximum credit risk exposure for financial commitments	**346,280**	**341,565**	**460,328**	**352,901**

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

NOTE 17. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
Fixed income securities:				
Corporate bonds	109,893	98,321	-	-
Government bonds	65,711	66,831	-	-
Credit institution bonds	19,474	18,345	-	-
Other financial institution bonds	14,098	13,970	-	-
Total investments in fixed income securities	**209,176**	**197,467**	**-**	**-**
Other investments:				
Investment funds	422,951	336,017	-	-
Compensations for distribution on behalf of deposit guarantee fund	47,871	74,236	47,871	74,236
Deposits with credit institutions	44,316	43,714	-	997
Shares	29,211	26,593	-	-
Real estate	4,872	4,219	-	-
Loans	768	801	768	801
Other	44,741	103,006	-	-
Total other investments	**594,730**	**588,586**	**48,639**	**76,034**
Total assets under management	**803,906**	**786,053**	**48,639**	**76,034**

Customer profile on whose behalf the funds are managed

	EUR thousands			
	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
Pension plans	492,203	453,748	-	-
Insurance companies, investment and pension funds	123,123	118,926	-	-
Other companies and government	96,169	122,238	48,639	76,034
Private individuals	92,411	91,141	-	-
Total liabilities under management	**803,906**	**786,053**	**48,639**	**76,034**

NOTE 18. RISK MANAGEMENT

Risk management polices

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

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

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

The main risks to which the Group is exposed are: credit risk, market risk, interest rate risk, liquidity risk, currency risk and operational risk. For each of these risks the Group has approved risk management policies and other internal regulations defining key risk management principles and processes, functions and responsibilities of units, risk concentration limits, as well as control and reporting system. The Group's risk management policies for each of the above mentioned risks are briefly summarised below.

Credit risk

Credit risk is the risk that the Group will incur a loss from debtor's non-performance or default. The Group is exposed to credit risk in its lending, investing and transaction activities, as well as in respect of the guarantees issued to or received from third parties and other off-balance sheet commitments to third parties. Credit risk management is performed pursuant to the Credit Risk Management Policy. The goal of credit risk management is to achieve a diversified asset portfolio which generates profits that correspond to the assumed level of risk.

Credit risk management is based on an adequate assessment of a credit risk and a proper decision-making in relation to such risk. In cases when significant risk is to be undertaken, the credit risk analysis is performed by independent units of the Risk Sector. The credit risk analysis consists of an assessment of customer's creditworthiness and collateral quality and liquidity. The analysis of a legal entity's creditworthiness includes an assessment of the industry in which it operates, as well as an analysis of its credit history and current and forecasted financial situation. The assessment of a private individual's creditworthiness consists of the analysis of its credit history, income and debt-to-income ratio analysis, as well as an analysis of applicable social and demographic factors. In cases of material risks, lending decisions are taken by the Credit Committee and approved by the Bank's Management Board.

In relation to the acquisition of corporate bonds, the Group always analyses the business profile and financial performance of the issuer, taking into consideration the credit ratings assigned to it by international rating agencies, as well as market-based indicators. Sovereign bonds are assessed similarly, but with an emphasis on different fundamental factors, including the country's economic strength, institutional strength, financial strength of the government, political risks and other relevant factors.

After a loan is issued or a fixed income security is acquired, the customer's financial position and the issuers' risk indicators, such as credit rating changes, are monitored on a regular basis in order to timely identify potential credit quality deterioration. The loan monitoring process covers monitoring of financial results, financial position and cash flows of the borrower, loan repayment discipline and assessment of collateral quality.

The Group reviews its loan portfolio and securities portfolio on a regular basis to assess its structure, quality and concentration levels, as well as to evaluate portfolio trends and to control credit risk level. The Group takes measures for limiting credit risk concentration by diversifying the portfolio and setting credit risk concentration limits. To limit its credit risk, the Group has set the following concentration limits: individual counterparty and issuer limits, maximum exposure limit linked to a particular risk class of counterparty/issuer, limit for internally risk weighted exposures in a particular country/sector combination, limit for groups of mutually related customers, limit for large risk exposures, limit for transactions with the Group's related parties, industry limit, limit by customer type, loan product type, collateral type, intra-group transactions. Control of compliance with credit risk concentration limits, credit risk identification, monitoring and reporting is the responsibility of the Risk Sector.

In addition to the credit risk, which is inherent in the Group's loan portfolio and fixed income securities portfolio, the Group is also exposed to credit risk as a result of its banking relationships with multiple credit institutions which it maintains in order to process customer transactions in a prompt and efficient manner. The Group manages its exposure to commercial banks and brokerage companies by monitoring on a regular basis the credit ratings of such institutions, conducting due diligence of their credit profiles and monitoring the individual exposure limits applicable to counterparties set by the Financial Market and Counterparty Risk Committee (FMCRC). The Group's exposures to derivative counterparties arise from its activities in managing liquidity and credit risks through short term derivatives that do not expose it to material counterparty risk.

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

	Group as at 31/03/2019, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	171,706	227,605	29,902	-	8,886	438,099
Loans to credit institutions	1,025	85	1	14,040	100,442	115,593
Debt securities	247,254	204,330	12,203	320,592	290,029	1,074,408
Loans to public	869,813	386,260	149,031	8,320	22,021	1,435,445
Equity instruments	1,124	-	-	103	3,151	4,378
Other financial instruments	21,145	-	-	15,951	290	37,386
Derivatives	766	-	2	16	80	864
Other assets	77,051	4,050	2,203	6,764	1,530	91,598
Total assets	**1,389,884**	**822,330**	**193,342**	**365,786**	**426,429**	**3,197,771**
Liabilities						
Deposits from credit institutions and central banks	1,263	480	-	1	1,849	3,593
Deposits and borrowings from customers	1,737,238	415,661	98,294	192,663	339,709	2,783,565
Debt securities issued	60,911	-	-	-	-	60,911
Derivatives	238	-	6	869	45	1,158
Other liabilities	35,170	2,910	1,237	49	1,951	41,317
Total liabilities	**1,834,820**	**419,051**	**99,537**	**193,582**	**343,554**	**2,890,544**
Off-balance sheet items						
Contingent liabilities	14,313	2,487	1,861	354	1,982	20,997
Financial commitments	290,881	52,636	4,823	118	1,067	349,525

For additional information on geographical distribution of securities exposures please refer to Note 9 (*Debt* Securities). EUR 8.9 million of Group's cash and deposit with central banks balances presented as "Other countries" is with Swiss National Bank (2018: EUR 29.8 million). From Group's balances due from credit institutions presented as "Other countries" EUR 30.1 million are with Swiss credit institutions (2018: EUR 37.1 million) and EUR 22.2 million with United States registered credit institutions (2018: EUR 23.6 million). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments.

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

	Bank as at 31/03/2019, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	171,705	227,605	29,902	-	-	429,212
Loans to credit institutions	57	85	-	7,194	71,967	79,303
Debt securities	242,649	201,132	10,405	188,891	200,273	843,350
Loans to public	909,326	384,621	144,748	7,754	21,685	1,468,134
Equity instruments	1,124	-	-	103	3,151	4,378
Other financial instruments	6,257	-	-	-	-	6,257
Derivatives	766	-	2	16	80	864
Other assets	46,684	5,734	2,337	6,764	14,411	75,930
Total assets	**1,378,568**	**819,177**	**187,394**	**210,722**	**311,567**	**2,907,428**
Liabilities						
Deposits from credit institutions and central banks	1,264	480	-	1	42,805	44,550
Deposits and borrowings from customers	1,710,184	416,990	97,784	60,447	195,944	2,481,349
Debt securities issued	60,911	-	-	-	-	60,911
Derivatives	238	-	6	869	45	1,158
Other liabilities	29,602	2,640	1,061	49	91	33,443
Total liabilities	**1,802,199**	**420,110**	**98,851**	**61,366**	**238,885**	**2,621,411**
Off-balance sheet items						
Contingent liabilities	14,292	2,487	1,861	-	1,427	20,067
Financial commitments	342,376	101,929	18,470	118	636	463,529

For additional information on geographical distribution of securities exposures please refer to Note 9 (*Debt* Securities). From Bank's balances due from credit institutions presented as "Other countries" EUR 1.6 million are with Swiss credit institutions (2018: EUR 21.1 million) and EUR 22.2 million with United States registered credit institutions (2018: EUR 23.6 million).

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

Market risk

Market risk is the risk that the Group will incur a loss as a result of the mark-to-market revaluation of balance sheet and off-balance sheet items caused by changes in market values of financial instruments due to changes in foreign exchange rates, interest rates and other factors.

Position risk of financial instruments is assessed and limits are set by the Group's Investment Committee (GIC). The decisions of the GIC are approved by the Bank's Management Board. Market risk is managed by the Group's business units and subsidiaries which can accept market risk in line with the set limits and investment restrictions of the respective portfolio. Market risk is measured, monitored and risk levels are reported by the Risk Sector.

The Group manages market risk by developing investment guidelines for every significant portfolio, which restrict, among other things, the sensitivity against interest rate changes, the duration and credit quality profile of investments, as well as by setting individual limits for issuers and financial instruments, to keep limit volumes closely linked to the results of risk assessments. The Group places significant emphasis on managing concentration risk and applies a framework under which limits are set on risk adjusted exposures for every country and sector combination that the Group invests in. To assess position risk the Group uses sensitivity and scenario analysis, which identifies and quantifies the negative impact of adverse events on the portfolio of the Group, taking into consideration regional, sector profiles of the portfolio and credit rating risk profiles of issuers.

Interest rate risk

Interest rate risk is related to the possible negative impact of changes in general interest rates on the Group's income and economic value.

Interest rate risk management in the Group is carried out in accordance with Interest Rate Risk Management Policy. Interest rate risk is assessed and decisions are taken by the Assets and Liabilities Management Committee (ALCO). The decisions of the ALCO are approved by the Bank's Management Board. The ALCO sets the acceptable interest rate risk level and the Group's internal limit system, monitors the compliance with the approved limits and use of the instruments for the management of interest rate risk. Interest rate risk measurement, management and reporting are responsibilities of the Treasury Sector, while the Risk Sector ensures proper oversight and prepares analytical reports to the ALCO and the Bank's Management Board.

The Group manages interest rate risk by using repricing gap analysis of the risk sensitive assets and liabilities, duration analysis of assets and liabilities as well as stress testing. The Group sets limits for impact of interest rate shock on economic value, net interest income and revaluation reserve. Based on the market analysis and the Group's financing structure, the ALCO sets the interest rates for customer deposits.

Currency risk

Currency risk is a risk of loss arising from fluctuations in currency exchange rates.

Currency risk management in the Group is carried out in accordance with Currency Risk Management Policy. Currency risk is assessed and decisions are made by the FMCRC. The decisions of the FMCRC are approved by the Bank's Management Board. The FMCRC defines the acceptable currency risk level and the Group's internal limit system, as well as monitors compliance with these limits.

Day-to-day currency risk management is the responsibility of the Treasury Sector, while risk monitoring and reporting is the responsibility of the Risk Sector.

The Group has a low risk appetite for foreign exchange risk. The Group aims to keep exposures at levels that would produce a small net impact even in periods of high volatility. Several well-known methodologies are used to measure and manage foreign exchange risk including a conservative limit for a daily value-at-risk exposure. The Group is in full compliance with the currency position requirements of Latvian legislation.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets to cover any possible gaps between cash inflows and outflows as well as to secure sufficient funding for lending and investment activities.

The Group manages its liquidity risk in accordance with Liquidity Risk Management Policy. The management and reporting of liquidity risk is coordinated by the Treasury Sector, and the risk is assessed and decisions are taken by the ALCO. The decisions of the ALCO are approved by the Bank's Management Board. The Risk Sector on a monthly basis provides information to the ALCO and the Bank's Management Board about the level of the assumed risk as part of the reporting and supervision process.

Liquidity risk for the Group is assessed in each currency in which the Group has performed a significant amount of transactions. Liquidity risk limits are reviewed at least once a year and also when there are major changes to the Group's operations or external factors affecting its operations. A liquidity crisis management plan has been developed and is updated on a regular basis.

One of the crucial tools used to evaluate liquidity risk is scenario analysis. Several scenarios of different severity and duration are employed by the Group with risk tolerances defined for the outcomes of those scenarios. Furthermore, the Group has developed a system of liquidity risk limits and early warning indicators and systematically prepares cash flow forecasts which incorporate assumptions about the most likely flow of funds over the period of one year. For general assessment of existing gaps between contractual maturities of assets and liabilities without any assumptions on customer behaviour, the Group regularly analyses liquidity term structure and sets corresponding risk tolerances.

The Group's balance sheet structure is planned for at least a one-year period and is aligned with development plans for the current period. The major current and potential funding sources are regularly analysed and controlled across the Group. The Group maintains regular contact with its interbank business partners and creditors with the aim of projecting possible deadlines for repayment or prolongation of funding sources as well as absorption of excess liquidity.

Regulation (EC) No 575/2013 introduced the concept of liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as measurements of the Bank's and the Group's liquidity position. Since 1 October 2016 LCR is calculated according to Commission Delegated Regulation (EU) 2015/61. The minimum LCR requirement is 100%. The Bank and the Group is compliant with LCR requirements.

		EUR thousands			
		31/03/2019 Group	**31/12/2018 Group**	**31/03/2019 Bank**	**31/12/2018 Bank**
1.	Liquidity buffer	1,137,970	1,051,389	1,011,558	698,529
2.	Net liquidity outflow	409,914	405,419	440,114	308,495
3.	**Liquidity coverage ratio**	**278%**	**259%**	**230%**	**226%**

Anti-money laundering policy

The Group has adopted ML/TF Risk Management Strategy, Policy on the Prevention of Laundering of Proceeds Derived from Criminal Activity and Financing of Terrorism and Sanctions Compliance Policy to have an effective and comprehensive anti-money laundering (AML) and combating terrorist financing (CTF) internal control system and to ensure compliance with sanctions imposed by international organizations and the Republic of Latvia. The Group regularly reviews its AML/CTF and sanctions compliance policies and procedures with an aim to strengthen them and to update in line with changes in external requirements and international best practice. Internal control system of AML/CTF and Sanctions compliance of the Group is regularly reviewed by independent external and internal experts to ensure that the Group complies with applicable AML, CTF and Sanctions compliance requirements. The experts where appropriate provide recommendations on how to strengthen and improve AML/CTF and Sanctions compliance internal control systems. The recommendations are diligently evaluated and implemented.

The Group performs ML/TF and Sanctions Risk Assessment on a regular basis to evaluate ML/TF and Sanctions compliance risk of the Group. The assessment among others includes identification and assessment of the inherent ML/TF and Sanctions compliance risk and effectiveness assessment of the existing AML/CTF and Sanctions compliance controls.

The Group has dedicated Group's Chief Compliance Officer (Member of the Management Board responsible for compliance), Money Laundering Reporting Officer, Sanctions Officer and a special team with a duty of overseeing the Group policies, procedures and processes implemented to preventing money laundering, terrorist financing and sanctions violations.

Know Your Customer, including customer due diligence, customer enhanced due diligence practices, on-going customer transactions monitoring, effective international and national sanctions screening is the priority of the Group. A sound risk culture across the Group and risk aware employees, besides implemented industry's best practice processes and systems, is the backbone of ML/TF risk management. Each employee of the Group has a good knowledge of clients and their business partners and has a full understanding of the substance of transactions, thus is able to timely detect unusual and suspicious customer activity. Under the Sanctions compliance policy, it is strictly forbidden to knowingly and intentionally participate in activities whose purpose or effect is to evade the restrictions imposed by the sanctions, thus preventing the Group from been used to circumvent the sanctions. The Group enforces sanctions established by the United Nations Security Council, the European Union against specific countries and persons, the Cabinet of Ministers of the Republic of Latvia and the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury. The Group complies with OFAC sanctions in USD and all other currencies.

The Group has established AML/CTF and Sanctions compliance training program for all its employees. The training program consists of three parts: initial, regular and extraordinary employee training and is tailored to the necessary knowledge level of each function. For employees directly responsible for AML, CTF and Sanctions compliance, special advanced trainings, workshops and conferences are arranged to enhance their knowledge and skills necessary for their tasks. The Group supports and requires international certification in the AML, CTF and sanctions compliance fields for at least the leading specialists involved in the ML/TF risk management function (e.g. CAMS or ICA-certification).

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 at period end based on the FCMC's assessment an additional 2.90% capital requirement (TSCR) for the Group and the Bank is determined to cover pillar 2 risks. The Bank and the Group is required to cover 56% of the TSCR with common equity tier 1 capital (1.62% capital requirement), 75% with tier 1 capital (2.18% capital requirement) and 100% with total capital (2.90% capital requirement).

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

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 at 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 2019

	Common equity Tier 1 capital ratio	**Tier 1 capital ratio**	**Total capital adequacy ratio**
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Individual TSCR, as determined by the FCMC	1.62%	2.18%	2.90%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.50%	1.50%	1.50%
Countercyclical capital buffer	0.14%	0.14%	0.14%
Capital requirement	**10.26%**	**12.32%**	**15.04%**

As at period end the countercyclical capital buffer for the Bank is 0.23%; other capital requirements and buffers for the Bank are the same as for the Group.

Capital adequacy ratio

	EUR thousands			
	31/03/2019 Group	**31/12/2018 Group**	**31/03/2019 Bank**	**31/12/2018 Bank**
Common equity Tier 1 capital				
Paid up capital instruments	156,556	156,556	156,556	156,556
Retained earnings and eligible profits	135,953	136,210	121,275	112,117
Deductible other intangible assets	(4,670)	(4,819)	(4,533)	(4,651)
Other capital components, deductions and transitional adjustments, net	8,949	6,747	5,476	3,264
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	**356,788**	**354,694**	**338,774**	**327,286**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,610,138	1,507,401	1,568,488	1,326,277
Total exposure amounts for position, foreign currency open position and commodities risk	9,857	10,483	728	850
Total exposure amounts for operational risk	245,354	245,354	189,900	189,900
Total exposure amounts for credit valuation adjustment	446	399	446	399
Total risk exposure amount	**1,865,795**	**1,763,637**	**1,759,562**	**1,517,426**
Total capital adequacy ratio	**19.1%**	**20.1%**	**19.3%**	**21.6%**
Common equity Tier 1 capital ratio	**15.9%**	**16.7%**	**15.8%**	**17.6%**

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

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

Fully loaded capital adequacy ratio (i.e. excluding transitional adjustments)

	EUR thousands			
	31/03/2019 Group	**31/12/2018 Group**	**31/03/2019 Bank**	**31/12/2018 Bank**
Common equity Tier 1 capital, fully loaded	291,813	288,832	273,580	262,911
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	**351,813**	**348,832**	**333,580**	**322,911**
Total risk exposure amount, fully loaded	**1,861,241**	**1,758,524**	**1,753,751**	**1,513,993**
Total capital adequacy ratio, fully loaded	**18.9%**	**19.8%**	**19.0%**	**21.3%**
Common equity Tier 1 capital ratio, fully loaded	**15.7%**	**16.4%**	**15.6%**	**17.4%**

Leverage ratio – fully loaded and transitional

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.

	31/03/2019 Group	**31/12/2018 Group**	**31/03/2019 Bank**	**31/12/2018 Bank**
Leverage Ratio – fully phased-in definition of Tier 1 capital	8.9%	9.3%	9.0%	10.9%
Leverage Ratio - transitional definition of Tier 1 capital	9.1%	9.5%	9.2%	11.0%

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

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

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

Operational risk

The Group has adopted the Basel Committee on Banking Supervision's definition of operational risk: the probability of incurring losses due to failure or partial failure of internal processes to comply with the requirements of the laws and binding external regulations, as well as the requirements of internal regulations, due to the acts of the Group's employees and operation of systems, irregularities in internal processes, as well as due to the acts of third parties or other external conditions.

Further operational risk is divided into the following categories: personnel risk, process risk, IT and system risk, external risk.

Operational risk is managed using an integrated and comprehensive framework of policies, methodologies, procedures and regulations for identification, analysis, mitigation, control, and reporting of operational risk. The Group's operational risk management processes are integral to all business activities and are applicable to all employees and members of the Group. The Group's aim is to ensure that each of its employees knows not just how to perform a specific transaction, but also understands the key areas where risk can arise and the processes and steps required to prevent or otherwise mitigate such risk.

The goal of the Group's operational risk management framework is to maintain the lowest possible level of risk while ensuring that any remaining risk is economically justified in light of the need to sustain the Group's performance and profit in the long term. Whether a risk is economically justified depends on an assessment of the potential losses it could cause, the probability of its occurrence, the ability to implement mitigating measures and the cost of such measures, as well as the level of risk that would remain if such mitigating measures were to be put in place.

The Group aims to avoid operational risks with a potential impact which exceeds 10% of its net annual revenue and has a higher probability of occurrence than once per ten years, or risks with unquantifiable impact which are unmanageable, irrespective of the financial gains this could bring. Each accepted risk must be economically justified and, in cases where the assessment of operational risk in monetary terms is possible, the costs of the control measures required must be commensurate with the eventual loss that could be prevented by the existence of the control system.

The Group applies following approaches for operational risk management:

- Assessing operational risk in development projects: new and updated services and products are introduced only after a thorough risk assessment has been carried out;
- Conducting regular operational risk-control self-assessment: the Group identifies and assesses potential operational risk events, assesses control systems which are in place, and analyses the necessary risk reduction measures;
- Determining operational risk indicators: the Group uses statistical, financial, and other indicators which represent the levels of operational risk in its various activities;
- Measuring, analysing, monitoring, reporting and escalating operational risk: the Group registers and analyses operational risk events, including their severity, causes and other important information in an operational risk loss and incident database;
- Conducting scenario analysis and stress-testing;
- Performing business continuity planning: the Group performs regular business impact analysis and has implemented a Disaster Recovery Plan;
- Assigning responsibilities: the operational risk management system includes assignment of responsibilities to certain individuals; and
- Documenting decisions: the Group maintains records in relation to the process undertaken to reach a particular decision or to prevent or mitigate a particular risk.

Operational risk management in the Group is carried out in accordance with Operational Risk Management Policy.

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 2019 *Unaudited* Group	3m 2018 *Audited* Group	3m 2019 *Unaudited* Bank	3m 2018 *Audited* Bank
1.	Interest income	24,500	23,978	22,289	18,366
2.	Interest expense	(3,890)	(4,268)	(3,890)	(3,781)
3.	Dividend income	10	8	10	8
4.	Commission and fee income	12,975	12,713	10,801	9,471
5.	Commission and fee expense	(5,730)	(5,955)	(5,566)	(5,167)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	276	(5)	108	28
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	217	(95)	-	-
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	1,602	3,678	1,525	3,142
10.	Gain or loss on derecognition of non financial assets, net	-	-	-	-
11.	Other income	425	793	781	633
12.	Other expense	(264)	(145)	(1,518)	(19)
13.	Administrative expense	(18,562)	(20,319)	(16,354)	(16,119)
14.	Amortisation and depreciation charge	(2,036)	(1,485)	(1,868)	(756)
15.	Gain or loss on modifications in financial asset contractual cash flows	-	-	-	-
16.	Provisions, net	537	448	580	263
17.	Impairment charge and reversals, net	(2,422)	(18)	(1,413)	514
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	-	-	-	-
21.	**Profit before taxation**	**7,638**	**9,328**	**5,485**	**6,583**
22.	Corporate income tax	(367)	52	(51)	(28)
23.	**Net profit / loss for the period**	**7,271**	**9,380**	**5,434**	**6,555**
28.	**Other comprehensive income for the period**	**2,925**	**(3,028)**	**1,979**	**(2,798)**

Balance Sheet, regulatory format

	EUR thousands	31/03/2019 *Unaudited* Group	31/12/2018 *Audited* Group	31/03/2019 *Unaudited* Bank	31/12/2018 *Audited* Bank
1.	Cash and demand balances with central banks	438,099	405,315	429,212	155,510
2.	Demand deposits due from credit institutions	81,754	97,724	57,063	88,989
3.	Financial assets designated at fair value through profit or loss	31,993	28,679	864	614
4.	Financial assets at fair value through other comprehensive income	461,744	409,718	289,120	255,978
5.	Financial assets at amortised cost	2,092,583	2,018,361	2,055,238	1,721,965
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	-	-	27,776	71,614
9.	Tangible assets	52,229	48,893	17,248	4,817
10.	Intangible assets	4,714	4,868	4,533	4,651
11.	Tax assets	2,682	2,929	2,179	247
12.	Other assets	31,973	35,604	24,195	25,598
13.	Non-current assets and disposal groups classified as held for sale	-	-	-	-
14.	**Total assets (1.+....+13.)**	**3,197,771**	**3,052,091**	**2,907,428**	**2,329,983**
15.	Due to central banks	11	22	11	10
16.	Demand liabilities to credit institutions	2,871	1,199	21,436	4,673
17.	Financial liabilities designated at fair value through profit or loss	36,615	35,462	1,158	1,504
18.	Financial liabilities measured at amortised cost	2,813,687	2,677,117	2,575,742	2,032,355
19.	Derivatives – hedge accounting	-	-	-	-
20.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21.	Provisions	3,453	3,196	3,409	2,616
22.	Tax liabilities	500	810	-	-
23.	Other liabilities	33,407	37,485	19,655	21,005
24.	Liabilities included in disposal groups classified as held for sale	-	-	-	-
25.	**Total liabilities (15.+...+24.)**	**2,890,544**	**2,755,291**	**2,621,411**	**2,062,163**
26.	Shareholders' equity	307,227	296,800	286,017	267,820
27.	**Total liabilities and shareholders' equity (25.+26.)**	**3,197,771**	**3,052,091**	**2,907,428**	**2,329,983**

28.	**Memorandum items**				
29.	Contingent liabilities	20,997	22,405	20,067	17,820
30.	Financial commitments	349,525	344,116	463,529	355,309

ROE and ROA ratios

	3m 2019 Group	3m 2018 Group	3m 2019 Bank	3m 2018 Bank
Return on equity (ROE) (%)	9.63%	13.92%	7.85%	10.91%
Return on assets (ROA) (%)	0.93%	1.17%	0.83%	1.06%

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	31/03/2019 *Unaudited* Group	31/12/2018 *Audited* Group	31/03/2019 *Unaudited* Bank	31/12/2018 *Audited* Bank
1	**Own funds (1.1.+1.2.)**	**356,788**	**354,694**	**338,774**	**327,286**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	296,788	294,694	278,774	267,286
1.1.1	*Common equity Tier 1 capital*	*296,788*	*294,694*	*278,774*	*267,286*
1.1.2	*Additional Tier 1 capital*	-	-	-	-
1.2	Tier 2 capital	60,000	60,000	60,000	60,000
2	**Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)**	**1,865,795**	**1,763,637**	**1,759,562**	**1,517,426**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,610,138	1,507,401	1,568,488	1,326,277
2.2	Total risk exposure amount for settlement/delivery	-	-	-	-
2.3	Total risk exposure amount for position, foreign exchange and commodities risks	9,857	10,483	728	850
2.4	Total risk exposure amount for operational risk	245,354	245,354	189,900	189,900
2.5	Total risk exposure amount for credit valuation adjustment	446	399	446	399
2.6	Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7	Other risk exposure amounts	-	-	-	-
3	**Capital adequacy ratios**				
3.1	Common equity Tier 1 capital ratio (1.1.1./2.*100)	**15.9%**	**16.7%**	**15.8%**	**17.6%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	212,827	215,331	199,594	199,002
3.3	Tier 1 capital ratio (1.1./2.*100)	**15.9%**	**16.7%**	**15.8%**	**17.6%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	184,840	188,876	173,200	176,241
3.5	Total capital ratio (1./2.*100)	**19.1%**	**20.1%**	**19.3%**	**21.6%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	207,524	213,603	198,009	205,892
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	4.1%	4.0%	4.2%	4.0%
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	0.1%	0.1%	0.2%	0.1%
4.4	Systemic risk buffer	-	-	-	-
4.5	Other systemically important institution buffer	1.5%	1.5%	1.5%	1.5%
5	**Capital adequacy ratios, including adjustments**				
5.1	Impairment or asset value adjustments for capital adequacy ratio purposes	-	-	-	-
5.2	Common equity tier 1 capital ratio including line 5.1 adjustments	15.9%	16.7%	15.8%	17.6%
5.3	Tier 1 capital ratio including line 5.1 adjustments	15.9%	16.7%	15.8%	17.6%
5.4	Total capital ratio including line 5.1 adjustments	19.1%	20.1%	19.3%	21.6%

Capital adequacy ratios in these financial statements are calculated in accordance with the Basel III regulation as implemented via EU regulation 575/2013, directive 2013/36/EU and relevant FCMC regulations. On 31 March 2019 the Bank's and the Group's Tier 1 capital does not includes audited profits for 3 months period ended then. 2019 profits will be eligible for Tier 1 capital inclusion after completion of audit.

	EUR thousands	31/03/2019 Group	31/12/2018 Group	31/03/2019 Bank	31/12/2018 Bank
1.A	**Own funds, IFRS 9 transitional provisions not applied**	**351,813**	**348,832**	**333,580**	**322,911**
1.1.A	Tier 1 capital, IFRS 9 transitional provisions not applied	291,813	288,832	273,580	262,911
1.1.1.A	*Common equity Tier 1 capital, IFRS 9 transitional provisions not applied*	*291,813*	*288,832*	*273,580*	*262,911*
2.A	**Total risk exposure amount, IFRS 9 transitional provisions not applied**	**1,861,241**	**1,758,524**	**1,753,751**	**1,513,993**
3.1.A	Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.7%	16.4%	15.6%	17.4%
3.3.A	Tier 1 capital ratio, IFRS 9 transitional provisions not applied	15.7%	16.4%	15.6%	17.4%
3.5.A	Total capital ratio, IFRS 9 transitional provisions not applied	18.9%	19.8%	19.0%	21.3%

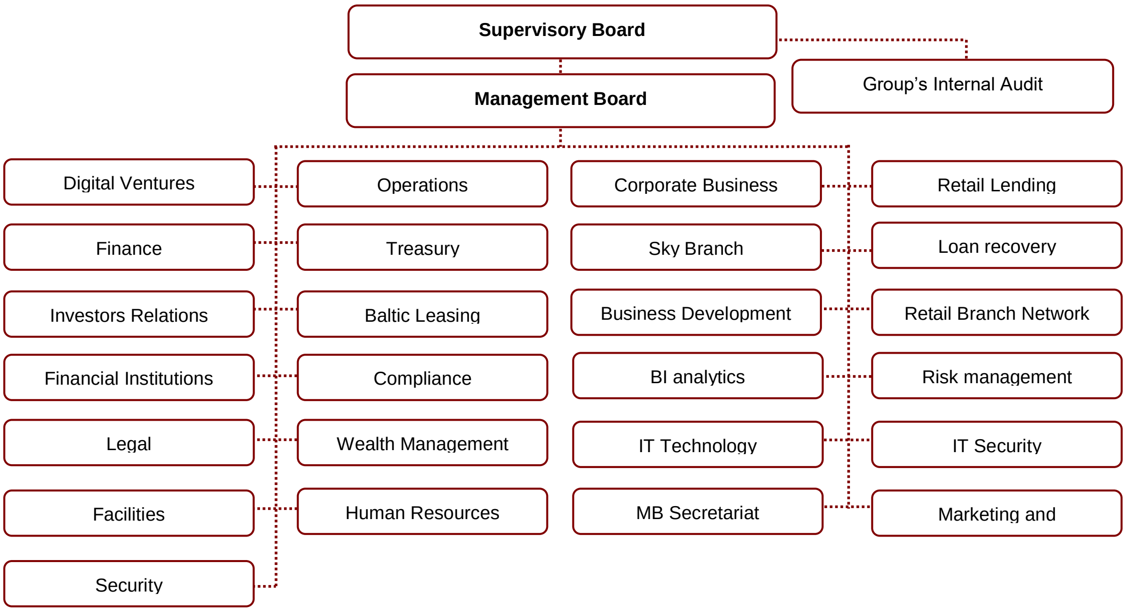
Business Strategy and Objectives

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

Branches

AS Citadele banka has 29 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as at period end. The Lithuanian branch has 8 customer service units in Lithuania. The Lithuanian branch of AS Citadele banka was registered on 25 October 2018 and started to operate on 1 January 2019. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section "Branches and ATMs".

Bank's Organizational Structure



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 at the end of the relevant period.

TLOF – total liabilities and own funds.

TSCR – SREP capital requirement.