

AS Citadele banka

Interim Report

For the twelve months ended
31 December 2019



Key figures and events of the Group

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

Number of active customers reached 313 thousand clients at the end of 2019, an increase of 42 thousand customers.

Total net loan portfolio increased by EUR 177 million (13%) from year end 2018, reaching EUR 1,573 million.

EUR 590 million issued in new loans to Baltic private, SME and corporate customers. Baltic deposits increased by EUR 624 million (30% growth) during 2019.

Citadele has agreed to acquire UniCredit's leasing operations in the Baltics with its lease portfolio of more than EUR 850 million

<i>EUR millions (restated)</i>	2019	2018	2017
Net interest income	84.6	82.6	75.4
Net fee and commission income	30.9	33.4	35.2
Net financial and other income	8.4	11.2	18.7
Operating income	123.9	127.2	129.3
Operating expense	(82.8)	(85.4)	(82.1)
Net credit losses and impairments	(3.7)	(7.0)	(4.5)
Net profit	36.5	34.8	16.0
Return on average assets (ROA)	1.07%	1.10%	0.48%
Return on average equity (ROE)	11.5%	12.3%	6.1%
Cost to income ratio (CIR)	66.8%	67.1%	63.5%
Cost of risk ratio (COR)	0.2%	0.5%	1.0%

<i>EUR millions</i>	31 Dec 2019	31 Dec 2018	31 Dec 2017
Total assets	3,743	3,052	3,312
Loans to public	1,573	1,396	1,331
Deposits from customers	3,290	2,645	2,917
Shareholders' equity	341	297	269
Loan-to-deposit ratio	48%	53%	46%
Total capital adequacy ratio (CAR), transitional (including period's profits)	22.2%	20.1%	18.4%
Common equity Tier 1 (CET1) capital ratio, transitional (including period's profits)	18.8%	16.7%	15.0%
Full time employees	1,369	1,492	1,540

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Rounding and Percentages

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

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

Citadele remains focused on building Baltic value proposition, expands in leasing, committed to maintain best customer service standard

It has been a strong year for the Citadele Group. We continued to increase our lending footprint in both the retail and corporate banking sectors, achieving 13% loan book growth in 2019. Our commitment of providing the best customer service enabled Citadele to maintain the top position among banks in Latvia. Citadele's number of active clients increased by 16% in 2019.

Guntis Beļavskis

Chairman of the Management Board, CEO



2019 was characterized by a strong financial performance, growing customer bases across core business segments and further implementation of new and improved daily banking services, with newly developed innovative solutions for our customers.

High client activity

We are pleased to see that our effort to provide the best possible client service and products, continuous digital channel development and the convenience of remote services have resulted in increased customer activity.

Since the beginning of the year, Mobile App users and Internet bank customers increased by 64% and 10%, respectively, reaching 131 thousand active Mobile App users and 190 thousand active Internet Bank customers.

The number of active customers increased by 42 thousand (16% growth) in 2019, and reached a record high of 313 thousand clients at the end of the year.

Innovative products and services

Throughout 2019, Citadele continued to develop and launch innovative digital solutions, products and services to meet customer expectations across multiple channels. We have launched consumer loans via Mobile App, in-store payments by smartphone, instant card and POS terminal issuance, and P2P payments to mobile phone numbers for private customers. In Q4, we launched an interactive online platform, *finoterapija.lv*, offering free automated financial consultation.

Bank with the best customer service in Latvia

Our commitment of providing the best customer service enabled Citadele to maintain the top position among banks in Latvia, according to the annual mystery shopper survey conducted by international customer service evaluation company DIVE. Citadele was announced as the bank with the best customer service in Latvia for the fifth time.

Focus on Baltic private and corporate customers

Citadele continued to increase its lending footprint in both retail and corporate banking sectors, achieving 13% growth year-on-year (increase of EUR 177 million). Loan portfolio reached EUR 1,573 million.

Strong progress was also made in deposit gathering, where the Group increased Baltic deposits by EUR 624 million during 2019. Total deposits increased by 24% since year end 2018.

Expanding Baltic assets, leasing footprint

Following Citadele's long-term goal to become the leading financial services provider in the Baltics for private customers and SMEs, Citadele has entered into a binding agreement with UniCredit S.p.A. to acquire 100% of the shares of SIA UniCredit Leasing and its subsidiary SIA UniCredit Insurance Broker. The acquisition, pending regulatory approvals, is expected to close in Q1 2020, and would increase Citadele Bank's leasing portfolio by EUR 850 million, to a total of EUR 1.1 billion.

We believe that UniCredit Leasing is one of the best-established players in the region, with a leading presence in all three Baltic

countries. It has an innovative and user-friendly product proposition, and robust operating and controlling systems. Its business profile is complementary with Citadele and would provide the Group with a viable platform for further growth across target customer segments and markets.

Investing through Fellow Finance, the Largest Peer-to-Peer Lending Platform in the Nordics

Citadele launched its partnership with Fellow Finance, the largest P2P lending platform in the Nordics, and German FinTech company CrossLend. The Bank will utilize Fellow Finance's lending platform that provides consumer and SME loans in the Nordic countries and Central Europe.

Launch of Sustainable Pension Plan

At the end of May, Citadele Bank's subsidiary, CBL Asset Management, created Latvia's first pension plan whereby pension savings are invested in businesses that are the most sustainable in their respective industries: protecting the environment, taking care of employees, and acting responsibly for the long-term.

Bank's credit ratings put on review for upgrade

The Bank's credit rating of Ba1 has been placed under review for upgrade by Moody's, reflecting positive developments in the Bank's financial profile and progress towards delivering its previously announced strategy of continuing to expand its Baltic operations.

Financial review of the Group

Overall business sentiment in the Baltics was positive and domestic consumption remains strong, supported by decreasing unemployment level and wage growth. High activity levels were also exhibited in both private and corporate segments – the Group's loan portfolio increased by 13% year-on-year. Net profit in 12 months 2019 was EUR 36.5 million, which translated into 11.5% annual return on equity.

Results and profitability in 2019

Net interest income reached EUR 84.6 million, a 2.5% increase year-on-year, primarily driven by loan portfolio growth of 13%. The loan portfolio increase was driven by increased business activity primarily from the Retail segment that saw year-on-year net interest income increase of 14%.

The Group's **net fee and commission income** reached EUR 30.9 million, a 7% decrease year-on-year, mainly due to lower income from currency exchange, payments and transactions.

The Group's **operating income** reached EUR 123.9 million, a 3% decrease year-on-year. **Operating expenses** decreased by 3% compared to the same period in 2018, mainly due to considerably lower advertising and marketing expenses (-30%) and consulting fees (-9%). Staff costs decreased by 1% and stood at EUR 53.3 million. The number of full-time employees was 1,369 vs 1,492 as at year end 2018, reflecting ongoing efficiency initiatives. Citadele continued to develop and launch innovative digital solutions and products, and IT costs reached EUR 6.2 million, a 5% increase year-on-year.

Depreciation and amortisation expenses stood at EUR 7.7 million (+24% YoY), following the IFRS 16 requirements - reclassification of Operating lease expenses, previously included in "Other expenses".

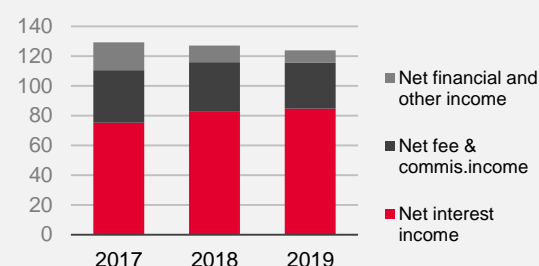
Citadele's **cost to income ratio** was 66.8% versus 67.1% in 2018.

Net credit losses and impairments were EUR (1.5) million, vs (7.0) as of end of 2018. The credit quality of the Group's loan portfolio remained stable. The Stage 3 loans to public ratio decreased to 4.8% as of 31 December 2019, compared to 9.1% at the end of 2018. The securities portfolio also demonstrated stable development in terms of yield and risk profile. 90% of debt securities are rated A or higher.

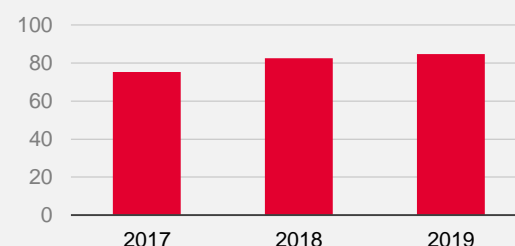
Return on equity in 2019 was 11.5%.

Q4 stand-alone financials display a slightly lower operating income versus the previous year, and 9% lower net profit.

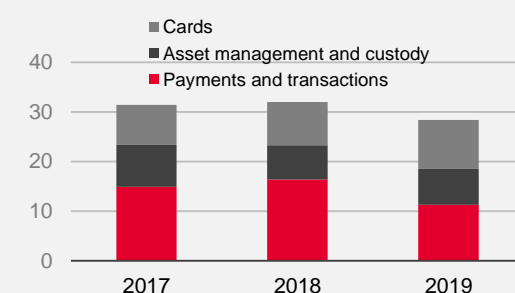
Operating income, EURm



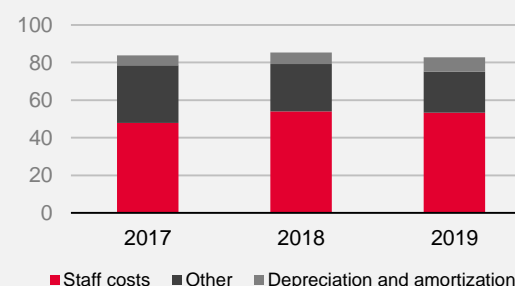
Net interest income, EURm



Net fee and commission income, EURm



Operating expense, EURm



Balance sheet overview

The Group's assets stood at EUR 3,743 million as of 31 December 2019, representing a 23% increase from year end 2018 (EUR 3,052 million).

The **net loan portfolio** has grown by EUR 177 million (13% growth) from year end 2018, reflecting prudent lending standards and ambition to retain loan book quality. The loan portfolio stood at EUR 1,573 million at year end 2019. **New lending** during the year reached EUR 590 million, with the Corporate portfolio seeing a healthy pipeline going forward. EUR 313 million was granted to Retail clients across all Baltic countries and EUR 277 million was granted to corporate customers (mainly in Latvia and Lithuania).

In terms of geographical profile, the loan portfolio by country has remained unchanged over recent years. As of 31 December 2019, Latvia accounted for 60% of the portfolio (EUR 948 million), followed by Lithuania at 27% (EUR 419 million) and Estonia at 11% (EUR 153 million). Portfolios in Latvia and Lithuania also saw the largest increases since year end 2018, with 14% growth (EUR 117 million) and 9% growth (36 million), respectively.

No major changes in **industry concentrations** occurred during 2019. Loans to Households represented 44% of the portfolio, where mortgages have experienced a stable increase in recent years and saw 15% growth in 2019. Consumer credit and card lending also increased by 19% and 10%, respectively, since year end 2018. Overall, the main industry concentrations were Real estate purchase and management (27% of gross loans), Transport and communications (13%) and Manufacturing and Trade (15% and 12%, respectively).

The **main source of funding, customer deposits, grew** by 24% vs year end 2018, with growth coming from Baltic residents that increased by EUR 624 million. As of 31 December 2019, total Group customer deposits were EUR 3,290 million.

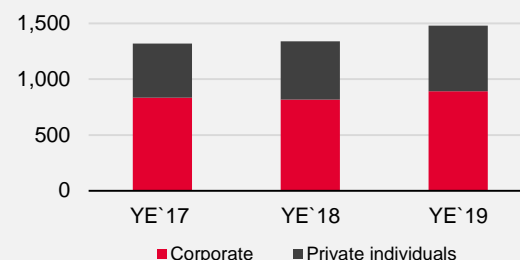
Acquisition of UniCredit Leasing

UniCredit Leasing represents one of the leading market players in the Baltics, with more than 20 years of leasing experience and a demonstrated ability to deliver sustainable business growth. The acquisition, which is expected to complete in Q1 2020, would create significant value and scale for the Group. Citadele's aggregate net leasing loans would exceed EUR 1.1 billion, placing the Bank in the top three largest players in the Latvian leasing market. Citadele expects to continue to maintain strong capital and liquidity ratios well above regulatory requirements, and enhance its profitability metrics on a pro forma basis.

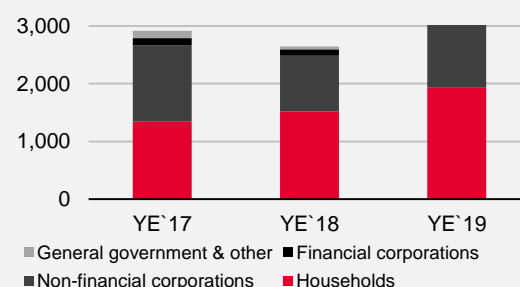
Subordinated bonds issue

The Bank's Management Board has approved plans to launch Citadele's Third Unsecured Subordinated Bonds Programme and issue new Subordinated Bonds of up to EUR 30 million. Proceeds from the offer are to be used for general business development and to further strengthen the Group's capital base.

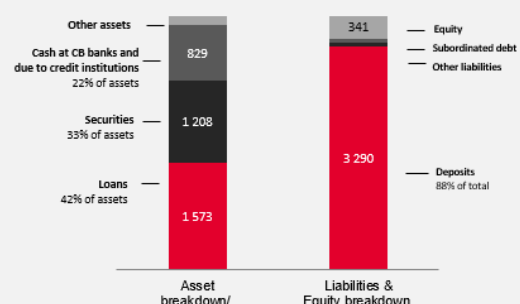
Loans, EURm



Deposits, EURm



Balance sheet structure, EURm



Ratings

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

The main credit strengths are:

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

Moody's

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

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

Segment highlights – 2019

Retail segment was characterised by solid performances in terms of customer acquisition, loan growth and new product development

In 2019 we followed our ambition to become the Baltic Banking Champion. Focus was devoted to the delivery of digital solutions for becoming a “bank in your pocket”, as well as our goal to provide the best client service 24/7 in our remote Sky Branch and 37 physical branches throughout the Baltics.

Increasing demand for digital products and services

The importance of technology and digitalization of services continues to increase. During past years we have introduced various innovative technologies to our banking services, such as intuitive mobile banking apps with innovative features, the option of opening an account using a selfie without the need to come to a branch, confirming payments using facial recognition and fingerprints, and the ability to pay using a wristband, sticker or smartphone. We continue to innovate our products and services and offer a seamless experience for existing and new customers.

As of 31 December 2019, Mobile App active users reached 131 thousand clients (64% growth since the beginning of the year). Internet bank active customers constituted 190 thousand active customers (10% growth). Share of digitally onboarded customers through the Mobile app and Web also increased. In Latvia more than 10 thousand clients have opened an account remotely since the beginning of 2019.

Improving client service and increasing number of customers

We have actively worked to improve our client service during the year. We are very pleased that the international customer service evaluation company DIVE, in its annual banking client service survey, named Citadele as the Bank with the best customer service in Latvia for the 5th year.

The number of active private customers continued to grow rapidly, increasing by 42 thousand clients in 2019 and reaching 282 thousand at year-end. The number of active SME clients also grew by 5.5 thousand, and reached approx. 18 thousand at year end. Also, Citadele is the first bank in the Baltic states, and one of the first in Europe, to issue consumer loans through a peer-to-peer lending platform.

Partnering with leading FinTech companies

The Bank will make investments utilising Fellow Finance's lending platform, headquartered in Finland, which provides consumer and SME loans in the Nordic countries and Central Europe.

Strong lending growth

New lending to retail customers reached EUR 313 million during 2019. Total loans to Private customers constituted EUR 586 million as at 31 December 2019. Loans to SMEs and Leasing reached EUR 128 million and EUR 217 million, respectively.

Retail deposits reached EUR 1,133 million, a 23% increase since year end 2018. Operating income to private customers in 2019 was EUR 43.7 million. The SME segment reached EUR 12.6 million in operating income.

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

The Corporate segment continues to execute our strategy to become the home bank for Baltic businesses in the manufacturing, trade and service industries.

Besides continuing to promote growth of small and medium businesses, we supported new investments by some of the top corporates in the Baltics.

New lending remains strong

The Corporate segment continued to increase its new lending volumes, which reached EUR 277 million through 2019. Nevertheless, the gross corporate portfolio as of 31 December 2019 amounted to EUR 564 million, a 2% decrease from the previous year, primarily due to the early repayment of several loans. Corporate segment deposits reached EUR 695 million, up by 18% year-on-year.

Particular attention was devoted to launching new partnerships with manufacturing and trading companies, both to provide day-to-day services as well as to support investment programs. We also continued to develop financing opportunities with various players in the Fintech sector.

Corporate segment

Business Environment

Global economy shows signs of stabilization

The global economy remains in a relatively moderate cyclical slowdown with some signs of stabilization in short-term macroeconomic indicators. Manufacturing sentiments in the US, euro area, China and other major economies are no longer declining, and service sector and consumer sentiments remain strong. China-US Trade Agreement has decreased trade tensions. Interest rate decreases by major global central banks have given a boost to the global economy and financial markets. However, the appearance of the new coronavirus COVID-19 in January 2020 in China has created a new potentially significant risk for the global economy in 2020.

Growth in the Baltics remains strong, but sentiment is declining

The Baltic region continues to grow faster than the euro area, despite the slowing global economy. In Lithuania and Estonia, annual real GDP growth in 2019 remained close to 4%. Growth in Latvia declined to 2.1%. Despite the still solid GDP growth, economic sentiment in the Baltics has begun to decline.

The growth slowdown in Latvia in 2019 was mainly impacted by internal factors and one-off issues, such as bad weather conditions in the energy sector, a fall in lumber prices, a drop in transit volumes, tight fiscal policy, problems in banking sector and a reduction in cross border trade as a result of changes in Estonian tax policy.

Weak external demand in export sectors

Manufacturing and export industries usually see the largest impacts from an unfavorable global macroeconomic environment. Nevertheless, the manufacturing sectors' growth in the Baltics in 2019, have been stronger than elsewhere in the euro area, indicating that Baltic manufacturers remain competitive. However, the volume of new industrial orders has declined significantly, and export growth in the Baltic States slowed down in the second half of 2019.

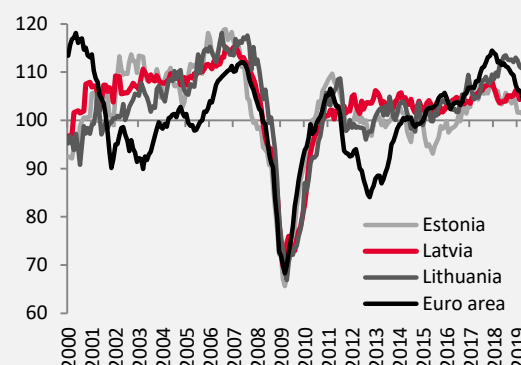
Manufacture of fabricated metal products, electrical equipment, as well as computers and optical equipment are still the fastest growing manufacturing industries in the Baltics, with output growth of over 10% in almost all Baltic countries during 2019.

Domestic consumption remains strong

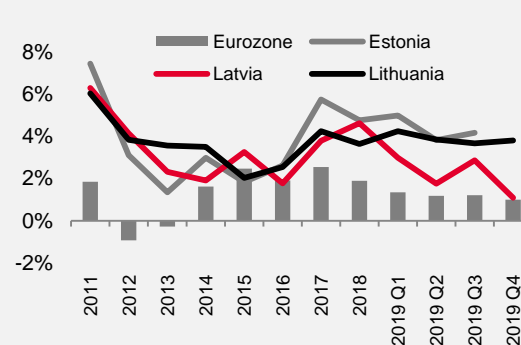
Domestic consumption remains one of the main drivers of economic growth in the Baltics. However, in the second half of the year, annual retail sales growth in euro terms has decreased slightly from 6-8% in the first half of 2019 to 4-5% in the last months of the year. Growth rates have declined most rapidly in Latvia, partly due to the decline in alcohol sales following the reduction of excise duty tax in Estonia.

Consumer sentiment remains strong, unemployment in the Baltics is declining and average wages in the Baltics have risen by about 8% in 2019. Consumer price inflation is also moderate within the range of 2-3%.

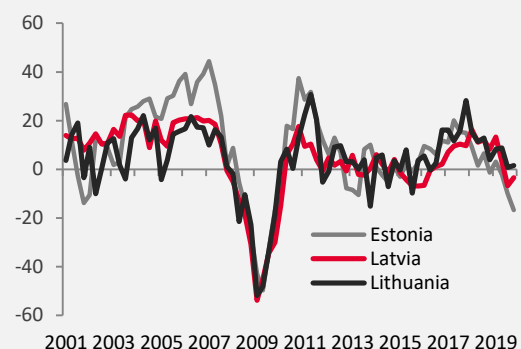
Economic sentiment index



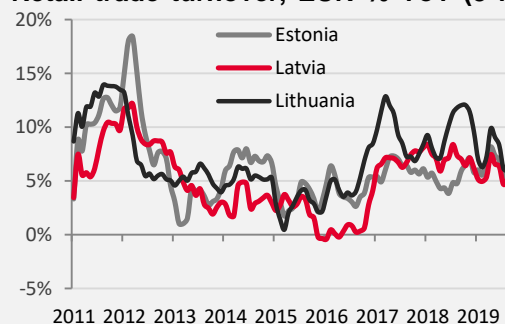
Real GDP, % YoY



New industrial orders



Retail trade turnover, EUR % YoY (3 MA)



CORPORATE GOVERNANCE

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

Supervisory Board of the Bank as of 31/12/2019:

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

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

Management Board of the Bank as of 31/12/2019:

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
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

As of 24 October 2019 Santa Purgailė resigned from the Management Board. On 1 March 2020 Vaidas Žagūnis is expected to become a member of the Management Board responsible for the development and management of the corporate business in the Baltics, conditional to approval of the Financial and Capital Market Commission.

STATEMENT OF INCOME

		EUR thousands			
	Note	2019 Group	2018 Group Restated (Note 3 c)	2019 Bank	2018 Bank Restated (Note 3 c)
Interest income	5	100,555	97,644	91,126	74,521
Interest expense	5	(15,914)	(15,066)	(16,013)	(13,052)
Net interest income		84,641	82,578	75,113	61,469
Fee and commission income	6	56,388	57,019	47,406	42,314
Fee and commission expense	6	(25,467)	(23,640)	(24,836)	(20,475)
Net fee and commission income		30,921	33,379	22,570	21,839
Net financial income	7	8,196	10,402	6,867	8,781
Net other income	8	172	820	4,711	3,362
Operating income		123,930	127,179	109,261	95,451
Staff costs		(53,319)	(53,966)	(47,572)	(40,024)
Other operating expenses	9	(21,782)	(25,201)	(17,166)	(20,592)
Depreciation and amortisation		(7,690)	(6,216)	(7,271)	(3,275)
Operating expense		(82,791)	(85,383)	(72,009)	(63,891)
Profit before impairment		41,139	41,796	37,252	31,560
Net credit losses	10	(2,405)	(6,653)	(442)	(5,244)
Other impairment losses		(1,305)	(343)	2,485	6,763
Operating profit before non-current assets held for sale		37,429	34,800	39,295	33,079
Result from non-current assets held for sale		404	-	(71)	-
Operating profit		37,833	34,800	39,224	33,079
Income tax		(1,329)	46	(248)	(42)
Net profit		36,504	34,846	38,976	33,037
Basic earnings per share in EUR	17	0.23	0.22	0.25	0.21
Diluted earnings per share in EUR	17	0.23	0.22	0.25	0.21

The notes on pages 15 to 40 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	2019 Group	2018 Group	2019 Bank	2018 Bank
Net profit	36,504	34,846	38,976	33,037
Other comprehensive income items that are or may be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Fair value revaluation reserve charged to statement of income (Note 7)	(1,284)	(587)	(589)	(179)
Change in fair value of debt securities	6,929	(1,393)	4,395	(872)
Deferred income tax charged / (credited) directly to equity	(259)	108	-	-
<i>Other reserves</i>				
Foreign exchange retranslation	875	862	-	-
Other comprehensive income items that may not be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Change in fair value of equity and similar instruments	1,648	154	1,647	154
Transfer to retained earnings at disposal	(1,395)	-	(1,395)	-
Other comprehensive income / (loss)	6,514	(856)	4,058	(897)
Total comprehensive income	43,018	33,990	43,034	32,140

The notes on pages 15 to 40 are an integral part of these financial statements.

BALANCE SHEET

		EUR thousands			
	Note	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Assets					
Cash and cash balances at central banks		707,914	405,315	691,455	155,510
Loans to credit institutions		121,395	131,902	96,021	110,851
Debt securities	11	1,203,631	989,230	967,467	779,011
Loans to public	12	1,572,746	1,395,692	1,594,103	1,168,116
Equity instruments	13	5,092	2,901	5,092	2,875
Other financial instruments	13	39,972	34,146	6,434	6,078
Derivatives		960	611	960	614
Investments in subsidiaries	14	-	-	34,161	71,614
Tangible assets		49,989	48,893	18,231	4,817
Intangible assets		4,698	4,868	4,571	4,651
Current income tax assets		707	500	707	247
Deferred income tax assets		2,429	2,429	2,179	-
Non-current assets held for sale		2,862	-	2,862	-
Other assets		30,373	35,604	23,200	25,599
Total assets		3,742,768	3,052,091	3,447,443	2,329,983
Liabilities					
Deposits from credit institutions and central banks		1,637	7,277	39,287	39,170
Deposits and borrowings from customers	15	3,289,534	2,645,042	2,990,630	1,937,857
Debt securities issued	16	60,044	60,010	60,044	60,010
Derivatives		528	1,470	528	1,504
Provisions	10	4,150	3,196	4,108	2,616
Current income tax liabilities		581	768	-	-
Deferred income tax liabilities		676	42	-	-
Other liabilities		44,893	37,486	30,532	21,006
Total liabilities		3,402,043	2,755,291	3,125,129	2,062,163
Equity					
Share capital	17	156,556	156,556	156,556	156,556
Reserves and other capital components		11,276	3,868	5,412	(853)
Retained earnings		172,893	136,376	160,346	112,117
Total equity		340,725	296,800	322,314	267,820
Total liabilities and equity		3,742,768	3,052,091	3,447,443	2,329,983
Off-balance sheet items					
Guarantees and letters of credit	18	22,809	22,405	22,107	17,820
Financial commitments	18	330,250	344,116	410,928	355,309

The notes on pages 15 to 40 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Group, EUR thousands							
	Issued Share capital	Securities fair value revaluation reserve (Note 11)	Foreign currency retrans- lation	Statutory reserves	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2017	156,556	2,161	2,257	907	-	107,014	268,895
Adjustment on initial application of IFRS 9, net of tax	-	(1,394)	-	-	-	(5,078)	(6,472)
Restated balance as of 01/01/2018	156,556	767	2,257	907	-	101,936	262,423
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	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 of 31/12/2018	156,556	(951)	3,119	1,313	387	136,376	296,800
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	36,504	36,504
Share based payments to employees	-	-	-	-	812	95	907
Other comprehensive income / (loss) for the period	-	7,034	875	-	-	(1,395)	6,514
Transactions with shareholders							
Transfer from reserves	-	-	-	(1,313)	-	1,313	-
Balance as of 31/12/2019	156,556	6,083	3,994	-	1,199	172,893	340,725

Bank, EUR thousands					
	Issued Share capital	Securities fair value revaluation reserve (Note 11)	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2017	156,556	1,511	-	81,828	239,895
Adjustment on initial application of IFRS 9, net of tax	-	(1,854)	-	(2,748)	(4,602)
Restated balance as of 01/01/2018	156,556	(343)	-	79,080	235,293
Total comprehensive income for the period					
Net profit for the period	-	-	-	33,037	33,037
Share based payments to employees	-	-	387	-	387
Other comprehensive income / (loss) for the period	-	(897)	-	-	(897)
Balance as of 31/12/2018	156,556	(1,240)	387	112,117	267,820
Total comprehensive income for the period					
Net profit for the period	-	-	-	38,976	38,976
Share based payments to employees	-	-	812	95	907
Other comprehensive income / (loss) for the period	-	5,453	-	(1,395)	4,058
Transactions with shareholders					
Integration of AB Citadele bankas (Note 2)	-	-	-	10,553	10,553
Balance as of 31/12/2019	156,556	4,213	1,199	160,346	322,314

The notes on pages 15 to 40 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		EUR thousands			
	Note	2019 Group	2018 Group	2019 Bank	2018 Bank
Operating activities					
Operating profit before tax		37,833	34,800	39,224	33,079
Interest income	5	(100,555)	(97,644)	(91,126)	(74,521)
Interest expense	5	15,914	15,066	16,013	13,052
Dividends income		(43)	(34)	(3,348)	(2,491)
Depreciation and amortisation		7,690	6,216	7,271	3,275
Impairment allowances and provisions	10	3,710	6,996	(2,043)	(1,519)
Currency translation and other non-cash items		(768)	(5,736)	13,591	1,836
Cash flows from the income statement		(36,219)	(40,336)	(20,418)	(27,289)
(Increase) / decrease in loans to public		(178,290)	(74,594)	(161,455)	(58,022)
Increase / (decrease) in deposits and borrowings from customers		644,839	(290,944)	621,343	(225,607)
(Increase) / decrease in loans to credit institutions		7,129	(29,802)	(4,202)	(23,473)
Increase / (decrease) in deposits from credit institutions		(6,056)	21,680	(1,453)	(925)
(Increase) / decrease in other items at fair value through profit or loss		(1,291)	99	(1,294)	203
(Increase) / decrease in other assets		806	1,617	(679)	(2,925)
Increase / (decrease) in other liabilities		3,171	(1,224)	(10,025)	1,754
Cash flows from operating activities before interest and corporate income tax		434,089	(413,504)	421,817	(336,284)
Interest received		100,578	97,359	90,311	74,348
Interest paid		(12,630)	(11,449)	(12,055)	(9,344)
Corporate income tax paid		(1,598)	(259)	(802)	(42)
Cash flows from operating activities		520,439	(327,853)	499,271	(271,322)
Investing activities					
Acquisition of tangible and intangible assets		(4,195)	(4,982)	(3,864)	(3,884)
Disposal of tangible and intangible assets		30	38	13	21
Investments in debt securities and other financial instruments		(738,595)	(599,100)	(602,030)	(502,974)
Proceeds from debt securities and other financial instruments		526,471	595,892	407,290	342,214
Dividends received		43	34	3,348	2,491
Increase in cash and cash equivalents as a result of integration of AB Citadele bankas	2	-	-	222,022	-
Sale or investments in subsidiaries		-	-	(2,679)	24
Cash flows from investing activities		(216,246)	(8,118)	24,100	(162,108)
Financing activities					
Repayment of subordinated liabilities		-	(18,400)	-	(18,400)
Interest paid on debt securities and other subordinated liabilities		(3,634)	(4,417)	(3,633)	(4,417)
Repayment of lease liabilities		(1,486)	-	(3,929)	-
Cash flows from financing activities		(5,120)	(22,817)	(7,562)	(22,817)
Cash flows for the period		299,073	(358,788)	515,809	(456,247)
Cash and cash equivalents at the beginning of the period		499,985	858,773	238,561	694,808
Cash and cash equivalents at the end of the period		799,058	499,985	754,370	238,561

The notes on pages 15 to 40 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

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

NOTE 2. GENERAL INFORMATION AND INTEGRATION OF THE LITHUANIAN BANK

Citadele is a Latvian-based bank offering retail, private banking, asset management, lending, leasing and other commercial banking services. On 31 December 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 December 2019, the Group had 1,369 (2018: 1,492) and the Bank had 1,292 (2018: 1,147) full time equivalent active employees. The number of employees of the Bank increased as a result of the transfer of the business and employees from AB Citadele bankas (Lithuania) to the Lithuanian branch of AS Citadele banka in January 2019.

The integration of AB Citadele bankas (Lithuania)

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

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

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) New standards and amendments

New accounting and financial reporting standards, interpretations and amendments which were not applicable to the previous annual financial statements since then have been issued. Some of the standards become effective in 2019, other become effective for later reporting periods. In this section the ones relevant for the group are summarised. Where the implementation impact was or is expected to be reasonably material it is disclosed.

New requirements effective for 2019

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

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

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

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

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

The amount of right-of-use asset which was recognised at implementation of the new standard was EUR 11.2 million for the Bank and EUR 3.7 million for the Group. Corresponding lease liability was recognised. In the reporting period, the Bank and the Group has recognised depreciation charges for right-of-use assets in the amount of EUR 3.9 million and EUR 1.5 million, respectively.

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

New standards, amendments to standards and interpretations which did not have a significant effect to the Group:

IFRIC 23 – Uncertainty over Income Tax Treatment

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

Amendments to IAS 19 – Plan Amendments, Curtailment or Settlement

Annual Improvements to IFRSs 2015-2017 Cycle – Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Requirements to come but not impacting 2019 financials

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

IFRS 17 - Insurance Contracts. Effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied. The upcoming standard combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. Groups of insurance contracts have to be measured at a risk-adjusted present value of the future cash flows adjusted for unearned profits or losses. Profit from a group of insurance contracts is recognised over the period the insurance cover is provided, and as the risk is released; loss from a group of contracts is recognised immediately. The standard requires presenting insurance service results separately from insurance finance income or expenses and requires to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

Amendments to References to Conceptual Framework in IFRS Standards
Amendments to IFRS 3 – Definition of a Business
Amendments to IAS 1 and IAS 8 – Definition of Material
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

b) Functional and Presentation Currency

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

c) Changes in classification

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

Adjustments to comparatives due to changes in presentation

	2018 EUR thousands					
	Group			Bank		
	Restated	Adjustment	Initial	Restated	Adjustment	Initial
Fee and commission expense	(23,640)	1,411	(25,051)	(20,475)	1,239	(21,714)
Net other income	820	(2,279)	3,099	3,362	(1,555)	4,917
Other operating expenses	(25,201)	868	(26,069)	(20,592)	316	(20,908)

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

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

NOTE 4. OPERATING SEGMENTS

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

In 2019, as a result of a forthcoming acquisition of a leasing business (refer to Note 22 (*Events after the Reporting Date*)), the strategic focus has shifted and leasing is now considered a standalone segment. This is represented in the new operating segments of the Group, which are revised for 2019 in line with the changes in strategic priorities and organisational structure. Some operations were re-allocated among operating segments.

These updates were thoroughly implemented in the segment disclosure. Prior period comparatives were adjusted accordingly. Allocation of client business among segments is based on the segment where the client was serviced at the point in time when the transaction took place; thus, when a client is transferred to a new segment, past transactions are not redistributed to the new segment. In 2019 in total EUR 59 million of client loans were reallocated from Corporate to SME segments as a result of integration of AB "Citadele" bankas (Lithuania).

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

Main business segments of the Group are:

Private customers

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

SME

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

Corporates

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

Wealth management

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

Swiss

This segment comprises operations of AP Anlage & Privatbank AG.

Leasing

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

Other

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

Segments of the Group

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

	Group 2018, EUR thousands							
	Reportable segments							Total
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	
Interest income	36,223	6,098	30,007	4,377	3,433	9,355	8,151	97,644
Interest expense	(3,301)	(359)	(1,160)	(2,164)	(488)	-	(7,594)	(15,066)
Net interest income	32,922	5,739	28,847	2,213	2,945	9,355	557	82,578
Fee and commission income	13,657	6,840	11,244	19,782	3,931	106	1,459	57,019
Fee and commission expense	(8,828)	(3,011)	(8,026)	(2,567)	(377)	(18)	(813)	(23,640)
Net fee and commission income	4,829	3,829	3,218	17,215	3,554	88	646	33,379
Net financial income	792	602	951	4,244	755	-	3,058	10,402
Net other income	58	349	(289)	538	(9)	(73)	246	820
Operating income	38,601	10,519	32,727	24,210	7,245	9,370	4,507	127,179
Net funding allocation	966	64	(1,822)	4,347	338	(591)	(3,302)	-
FTP adjusted operating income	39,567	10,583	30,905	28,557	7,583	8,779	1,205	127,179

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

Group as of 31/12/2018, EUR thousands								
Reportable segments								
	Private customers	SME	Corporates	Wealth	Swiss	Leasing	Other	Total
Assets								
Cash, balances at central banks	-	-	-	-	29,849	-	375,466	405,315
Loans to credit institutions	-	-	-	2,368	37,688	88	91,758	131,902
Debt securities	-	-	-	14,348	195,871	-	779,011	989,230
Loans to public	520,617	54,204	573,208	48,831	2,419	187,198	9,215	1,395,692
Equity instruments	-	-	-	-	-	-	2,901	2,901
Other financial instruments	-	-	-	28,068	-	-	6,078	34,146
Total segmented assets	520,617	54,204	573,208	93,615	265,827	187,286	1,264,429	2,959,186
Liabilities								
Deposits from banks	-	-	-	1	-	-	7,276	7,277
Deposits from customers	921,646	186,363	586,578	684,169	253,458	-	12,828	2,645,042
Debt securities issued	-	-	-	-	-	-	60,010	60,010
Total segmented liabilities	921,646	186,363	586,578	684,170	253,458	-	80,114	2,712,329

NOTE 5. INTEREST INCOME AND EXPENSE

EUR thousands			
	2019 Group	2018 Group	2019 Bank
Interest income calculated using the effective interest method:			
Financial assets at amortised cost:			
Loans to public	78,581	76,422	83,008
Debt securities	3,891	3,738	3,170
Cash balances at and lending to central banks and credit institutions	1,075	1,426	850
Debt securities at fair value through other comprehensive income	6,776	6,703	4,098
Interest income on finance leases (part of loans to public)	10,232	9,355	-
Total interest income	100,555	97,644	91,126
Interest expense on:			
Financial liabilities at amortised cost:			
Deposits and borrowing from public	(9,566)	(8,186)	(8,904)
Debt securities issued	(3,633)	(3,635)	(3,633)
Deposits from credit institutions and central banks	(1,862)	(2,249)	(2,678)
Financial liabilities at fair value through profit or loss			
Deposits and borrowing from public	(151)	(184)	-
Lease liabilities	(41)	-	(137)
Other interest expense	(661)	(812)	(661)
Total interest expense	(15,914)	(15,066)	(16,013)
Net interest income	84,641	82,578	75,113

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.

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	2019 Group	2018 Group Restated (Note 3 c)	2019 Bank	2018 Bank Restated (Note 3 c)
Fee and commission income:				
Cards	30,474	28,114	30,417	25,360
Payments and transactions	14,791	17,971	11,783	12,861
Asset management and custody	7,280	7,451	1,554	1,602
Securities brokerage	700	723	573	547
Other fees	1,619	1,655	1,550	1,068
Total fee and commission income from contracts with customers	54,864	55,914	45,877	41,438
Guarantees, letters of credit and loans	1,524	1,105	1,529	876
Total fee and commission income	56,388	57,019	47,406	42,314
Fee and commission expense on:				
Cards	(20,645)	(19,395)	(20,645)	(17,185)
Payments and transactions	(3,519)	(2,732)	(3,331)	(2,462)
Asset management, custody and securities brokerage	(892)	(929)	(687)	(705)
Other	(411)	(584)	(173)	(123)
Total fee and commission expense	(25,467)	(23,640)	(24,836)	(20,475)
Net fee and commission income	30,921	33,379	22,570	21,839

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	2019 Group	2018 Group	2019 Bank	2018 Bank
Foreign exchange trading and related derivatives	6,719	10,057	6,588	8,624
Assets at fair value through other comprehensive income	1,284	587	589	179
Modifications in cash flows which do not result in de-recognition	(339)	(22)	(339)	(22)
Assets and liabilities at fair value through profit or loss	503	(220)	-	-
Assets at amortised cost	29	-	29	-
Total net financial income	8,196	10,402	6,867	8,781

In 2019 net modification gain or loss recognised for loans to public for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses (Stage 2 and Stage 3 classified) is EUR 213 thousand (2018: EUR 33 thousand). The net carrying amount of loans to public that are Stage 3 classified as at 31 December 2019 that have been modified since initial recognition is EUR 2.6 million (2018: EUR 12.7 million).

In the reporting period select debt securities classified at amortised cost were disposed before maturity. These sales constitute a part of a larger one-off plan to accumulate the required liquidity and optimisations in capital-use in a preparation for an anticipated acquisition transaction. For details on the acquisition transaction refer to Note 22 (*Events after the Reporting Date*). Due to the one-off nature of the plan, the specific business model's objective to hold financial assets in order to collect contractual cash flows still holds.

NOTE 8. NET OTHER INCOME

	EUR thousands			
	2019 Group	2018 Group Restated (Note 3 c)	2019 Bank	2018 Bank Restated (Note 3 c)
Dividend income	43	34	3,348	2,491
Net insurance result	125	486	-	-
Rental income from investment properties	1,205	-	-	-
Other income	968	2,579	3,164	2,426
Supervisory fees	(1,582)	(1,411)	(1,484)	(1,239)
Other expenses	(587)	(868)	(317)	(316)
Total net other income	172	820	4,711	3,362

In the reporting period a dividend income of EUR 1.5 million from subsidiaries IPAS CBL Asset Management (2018: EUR 2.5 million) and EUR 1.8 million from UAB Citadele faktoringas ir lizingas (2018: none) was received.

Other income includes net result from disposal of repossessed collaterals and other miscellaneous items which may not be considered interest or fee and commission income. Supervisory fees include annual and quarterly fees payable to Financial and Capital Market Commission, European Central Bank, Single Resolution Board and similar. These directly dependent on the size of the banking business (mostly total assets).

NOTE 9. OTHER OPERATING EXPENSES

	EUR thousands			
	2019 Group	2018 Group Restated (Note 3 c)	2019 Bank	2018 Bank Restated (Note 3 c)
Information technologies and communications	6,184	5,902	5,184	3,955
Consulting and other services	5,932	5,437	4,509	4,349
Rent, premises and real estate	3,463	4,689	2,150	5,664
Advertising and marketing	2,237	3,196	1,954	2,656
Non-refundable value added tax	1,922	3,137	1,562	2,412
Other	2,044	2,840	1,807	1,556
Total other expenses	21,782	25,201	17,166	20,592

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

NOTE 10. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	2019 Group	2018 Group	2019 Bank	2018 Bank
Loans to credit institutions	(34)	(58)	(35)	(61)
Debt securities	(6)	116	(16)	81
Loans to public	(7,341)	(12,933)	(6,718)	(10,182)
Guarantees and letters of credit	72	129	72	125
Loan commitments	(1,465)	484	(1,424)	169
Recovered written-off assets	6,369	5,609	7,679	4,624
Total net losses on financial instruments	(2,405)	(6,653)	(442)	(5,244)

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

Classification of impairment stages

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

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

Stage 3 – Credit-impaired financial instruments

Changes in the allowances for credit losses and provisions

	Group, EUR thousands				
	Opening balance 01/01/2019	Charged to statement of income	Write-offs of allow- ances	Other adjust- ments	Closing balance 31/12/2019
<u>Stage 1</u>					
Loans to credit institutions	61	34	-	2	97
Debt securities	352	16	-	5	373
Loans to public	12,394	166	-	(1)	12,559
Loan commitments, guarantees and letters of credit	2,102	1,321	-	(3)	3,420
Total stage 1 credit losses and provisions	14,909	1,537	-	3	16,449
<u>Stage 2</u>					
Debt securities	10	(10)	-	-	-
Loans to public	7,415	(1,848)	-	1	5,568
Loan commitments, guarantees and letters of credit	411	(240)	-	1	172
Total stage 2 credit losses and provisions	7,836	(2,098)	-	2	5,740
<u>Stage 3</u>					
Loans to public	46,985	9,023	(17,972)	749	38,785
Loan commitments, guarantees and letters of credit	249	312	-	(3)	558
Total stage 3 credit losses and provisions	47,234	9,335	(17,972)	746	39,343
Total allowances for credit losses and provisions	69,979	8,774	(17,972)	751	61,532
<i>Including for debt securities classified at fair value through other comprehensive income</i>	145				116
<i>Excluding non-ECL provisions</i>	434				-

Write-offs of allowances refer to reduction of previously recognised ECL balances due to exit of exposures from the balance sheet. The write-offs of allowances are not representative of the impact on profit or loss due to allowances being raised in previous periods as well as offsetting recoveries. In 2019 recoveries of previously written-off balances which were directly recognised in the income statement amounted to EUR 6.4 million for the Group (2018: EUR 5.6 million).

	Group, EUR thousands				
	Opening balance 01/01/2018	Charged to statement of income	Write-offs of allow- ances	Other adjust- ments	Closing balance 31/12/2018
<u>Stage 1</u>					
Loans to credit institutions	13	58	-	(10)	61
Debt securities	392	(98)	-	58	352
Loans to public	11,634	836	(29)	(47)	12,394
Loan commitments, guarantees and letters of credit	3,765	(1,665)	-	2	2,102
Total stage 1 credit losses and provisions	15,804	(869)	(29)	3	14,909
<u>Stage 2</u>					
Debt securities	28	(18)	-		10
Loans to public	10,137	(2,661)	(57)	(4)	7,415
Loan commitments, guarantees and letters of credit	231	180	-	-	411
Total stage 2 credit losses and provisions	10,396	(2,499)	(57)	(4)	7,836
<u>Stage 3</u>					
Loans to public	58,030	14,758	(26,759)	956	46,985
Loan commitments, guarantees and letters of credit	122	872	-	(745)	249
Total stage 3 credit losses and provisions	58,152	15,630	(26,759)	211	47,234
Total allowances for credit losses and provisions	84,352	12,262	(26,845)	210	69,979
<i>Including for debt securities classified at fair value through other comprehensive income</i>	132				145

Stage 1

Loans to credit institutions	61	-	35	-	1	97
Debt securities	245	-	26	-	2	273
Loans to public	9,634	1,323	(203)	-	-	10,754
Loan commitments, guarantees and letters of credit	1,984	113	1,279	-	2	3,378
Total stage 1 credit losses and provisions	11,924	1,436	1,137	-	5	14,502

Stage 2

Debt securities	10	-	(10)	-	-	-
Loans to public	6,433	837	(2,087)	-	1	5,184
Loan commitments, guarantees and letters of credit	386	25	(238)	-	(1)	172
Total stage 2 credit losses and provisions	6,829	862	(2,335)	-	-	5,356

Stage 3

Loans to public	38,508	6,264	9,008	(17,936)	772	36,616
Loan commitments, guarantees and letters of credit	246	1,413	352	(1,481)	28	558
Total stage 3 credit losses and provisions	38,754	7,677	9,360	(19,417)	800	37,174

Total allowances for credit losses and provisions

Including for debt securities classified at fair value through other comprehensive income

Bank, EUR thousands					
Opening balance 01/01/2019	Integration (Note 2)	Charged to statement of income	Write- offs	Other adjust- ments	Closing balance 31/12/2019
61	-	35	-	1	97
245	-	26	-	2	273
9,634	1,323	(203)	-	-	10,754
1,984	113	1,279	-	2	3,378
11,924	1,436	1,137	-	5	14,502
10	-	(10)	-	-	-
6,433	837	(2,087)	-	1	5,184
386	25	(238)	-	(1)	172
6,829	862	(2,335)	-	-	5,356
38,508	6,264	9,008	(17,936)	772	36,616
246	1,413	352	(1,481)	28	558
38,754	7,677	9,360	(19,417)	800	37,174
57,507	9,975	8,162	(19,417)	805	57,032
68					42

Stage 1

Loans to credit institutions	1	61	-	(1)	61
Debt securities	254	(63)	-	54	245
Loans to public	9,316	318	-	-	9,634
Loan commitments, guarantees and letters of credit	3,452	(1,467)	-	(1)	1,984
Total stage 1 credit losses and provisions	13,023	(1,151)	-	52	11,924

Stage 2

Debt securities	28	(18)	-	-	10
Loans to public	8,549	(2,111)	(3)	(2)	6,433
Loan commitments, guarantees and letters of credit	179	207	-	-	386
Total stage 2 credit losses and provisions	8,756	(1,922)	(3)	(2)	6,829

Stage 3

Loans to public	52,012	11,975	(26,640)	1,161	38,508
Loan commitments, guarantees and letters of credit	56	966	-	(776)	246
Total stage 3 credit losses and provisions	52,068	12,941	(26,640)	385	38,754

Total allowances for credit losses and provisions

Including for debt securities classified at fair value through other comprehensive income

Bank, EUR thousands				
Opening balance 01/01/2018	Charged to statement of income	Write-offs of allow- ances	Other adjust- ments	Closing balance 31/12/2018
1	61	-	(1)	61
254	(63)	-	54	245
9,316	318	-	-	9,634
3,452	(1,467)	-	(1)	1,984
13,023	(1,151)	-	52	11,924
28	(18)	-	-	10
8,549	(2,111)	(3)	(2)	6,433
179	207	-	-	386
8,756	(1,922)	(3)	(2)	6,829
52,012	11,975	(26,640)	1,161	38,508
56	966	-	(776)	246
52,068	12,941	(26,640)	385	38,754
73,847	9,868	(26,643)	435	57,507
51				68

NOTE 11. DEBT SECURITIES

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

Group, EUR thousands						
	31/12/2019			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	66,691	89,429	156,120	75,606	68,214	143,820
AA/Aa	111,325	106,277	217,602	99,532	82,792	182,324
A	169,597	545,489	715,086	175,617	377,917	553,534
BBB/Baa	50,182	62,346	112,528	49,738	57,712	107,450
Lower ratings or unrated	266	2,029	2,295	247	1,855	2,102
Total debt securities	398,061	805,570	1,203,631	400,740	588,490	989,230
<i>Including general government</i>	<i>164,761</i>	<i>491,501</i>	<i>656,262</i>	<i>154,098</i>	<i>334,028</i>	<i>488,126</i>
<i>Including credit institutions</i>	<i>106,280</i>	<i>135,237</i>	<i>241,517</i>	<i>111,872</i>	<i>118,402</i>	<i>230,274</i>

Bank, EUR thousands						
	31/12/2019			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	26,284	74,235	100,519	50,979	58,159	109,138
AA/Aa	55,375	92,197	147,572	51,884	70,603	122,487
A	141,593	523,372	664,965	134,989	358,678	493,667
BBB/Baa	2,941	49,441	52,382	9,174	42,691	51,865
Lower ratings or unrated	-	2,029	2,029	-	1,854	1,854
Total debt securities	226,193	741,274	967,467	247,026	531,985	779,011
<i>Including general government</i>	<i>137,229</i>	<i>468,479</i>	<i>605,708</i>	<i>135,108</i>	<i>319,559</i>	<i>454,667</i>
<i>Including credit institutions</i>	<i>42,122</i>	<i>121,610</i>	<i>163,732</i>	<i>61,776</i>	<i>107,628</i>	<i>169,404</i>

Debt securities by country of issuer

Group, EUR thousands						
	31/12/2019			31/12/2018		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	291,654	7,377	299,031	251,772	6,776	258,548
Lithuania	222,723	6,813	229,536	151,868	3,928	155,796
Netherlands	12,690	97,554	110,244	12,892	81,948	94,840
United States	14,387	81,960	96,347	10,425	81,788	92,213
Germany	15,889	31,056	46,945	12,714	23,201	35,915
Canada	6,701	39,759	46,460	5,112	37,408	42,520
Finland	11,632	27,130	38,762	14,550	11,571	26,121
Japan	36,096	2,659	38,755	-	3,160	3,160
United Kingdom	3,709	30,864	34,573	2,623	26,473	29,096
Estonia	10,008	13,434	23,442	-	11,862	11,862
France	3,159	16,723	19,882	3,832	21,151	24,983
Multilateral development banks	-	39,221	39,221	-	42,243	42,243
Other countries	27,614	152,819	180,433	22,338	149,595	171,933
Total debt securities	656,262	547,369	1,203,631	488,126	501,104	989,230

Bank, EUR thousands						
	31/12/2019			31/12/2018		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	287,598	5,918	293,516	247,176	5,797	252,973
Lithuania	220,452	5,412	225,864	150,929	2,874	153,803
Netherlands	8,920	64,732	73,652	9,130	58,885	68,015
United States	10,792	54,887	65,679	8,672	37,980	46,652
Finland	9,431	26,680	36,111	11,324	11,571	22,895
Japan	36,096	-	36,096	-	-	-
Canada	2,070	28,255	30,325	2,149	27,673	29,822
Estonia	10,008	11,616	21,624	-	10,385	10,385
Multilateral development banks	-	27,188	27,188	-	31,267	31,267
Other countries	20,341	137,071	157,412	25,287	137,912	163,199
Total debt securities	605,708	361,759	967,467	454,667	324,344	779,011

All fixed income securities as of 31 December 2019 and 31 December 2018 are listed. Further, no payments on the above instruments are past due. Total exposure to any single country within "Other countries" group is smaller than with any of the above disclosed countries.

NOTE 12. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Financial and non-financial corporations				
Real estate purchase and management	239,530	211,631	277,196	211,295
Transport and communications	116,141	137,788	44,781	66,661
Manufacturing	131,880	123,346	107,298	64,754
Trade	109,673	109,612	85,501	54,904
Agriculture and forestry	75,474	77,799	54,698	55,458
Construction	38,712	40,912	27,567	21,073
Financial intermediation	39,237	32,321	240,287	206,274
Electricity, gas and water supply	41,229	27,148	38,748	18,606
Hotels, restaurants	47,760	22,475	45,510	16,763
Other industries	53,396	35,667	28,964	15,748
Total financial and non-financial corporations	893,032	818,699	950,550	731,536
Households				
Card lending	65,391	59,628	65,391	55,481
Mortgage loans	501,581	437,183	501,581	374,549
Finance leases	39,532	35,136	-	-
Credit for consumption	87,919	74,086	87,919	47,897
Other lending	28,963	37,003	28,055	13,228
Total households	723,386	643,036	682,946	491,155
General government	13,240	751	13,161	-
Total gross loans to public	1,629,658	1,462,486	1,646,657	1,222,691
Impairment allowance and provisions	(56,912)	(66,794)	(52,554)	(54,575)
Total net loans to public	1,572,746	1,395,692	1,594,103	1,168,116

Loans by overdue days and impairment stage

	Group, EUR thousands									
	31/12/2019					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	1,373,569	123,569	22,148	(21,908)	1,497,378	1,087,871	194,983	74,788	(31,568)	1,326,074
Past due ≤30 days	37,752	9,404	2,622	(2,733)	47,045	33,523	7,312	5,722	(3,151)	43,406
Past due >30 and ≤90 days	-	7,120	2,867	(2,648)	7,339	-	5,497	3,934	(2,625)	6,806
Past due >90 days	-	-	50,607	(25,277)	20,984	-	-	48,856	(29,450)	19,406
Total loans to public	1,411,321	140,093	78,244	(56,912)	1,572,746	1,121,394	207,792	133,300	(66,794)	1,395,692
Guarantees and letters of credit	21,479	-	303	(136)	21,646	21,901	-	504	(211)	22,194
Financial commitments	320,470	8,333	1,005	(4,014)	325,794	320,222	23,185	281	(2,551)	341,137
Total credit exposure to public	1,753,270	148,426	79,552	(56,716)	1,920,186	1,463,517	230,977	134,085	(69,556)	1,759,023

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

	Bank, EUR thousands									
	31/12/2019					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	1,421,143	121,111	19,981	(18,942)	1,543,293	940,103	166,872	54,488	(24,759)	1,136,704
Past due ≤30 days	18,688	6,295	2,142	(2,191)	24,934	7,268	5,572	2,713	(1,897)	13,656
Past due >30 and ≤90 days	-	5,268	2,603	(2,356)	5,515	-	2,724	994	(1,592)	2,126
Past due >90 days	-	-	49,426	(29,065)	20,361	-	-	41,957	(26,327)	15,630
Total loans to public	1,439,831	132,674	74,152	(52,554)	1,594,103	947,371	175,168	100,152	(54,575)	1,168,116
Guarantees and letters of credit	20,777	-	303	(136)	20,944	17,342	-	478	(208)	17,612
Financial commitments	401,590	8,333	1,005	(3,972)	406,956	333,473	21,588	248	(2,408)	352,901
Total credit exposure to public	1,862,198	141,007	75,460	(56,662)	2,022,003	1,298,186	196,756	100,878	(57,191)	1,538,629

Stage 3 loans to public ratio

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Stage 3 loans to public ratio, gross	4.8%	9.1%	4.5%	8.2%
Stage 3 loans to public ratio, net	2.5%	6.2%	2.4%	5.3%
Stage 3 impairment ratio	50%	35%	49%	38%

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

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

NOTE 13. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	31/12/2019				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	33,538	-	-	33,538	28,068	-	-	28,068
Financial assets at fair value through other comprehensive income	6,434	3,968	1,124	11,526	6,078	2,777	124	8,979
Total non-fixed income securities, net	39,972	3,968	1,124	45,064	34,146	2,777	124	37,047
<i>Including unit-linked insurance plan assets</i>	24,816	-	-	24,816	21,517	-	-	21,517

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

As of 31 December 2019 the Bank and the Group has investments in mutual investment funds with carrying amount of EUR 6.4 million (2018: EUR 6.1 million) and EUR 21.6 million (2018: EUR 20.1 million) which are managed by IPAS CBL Asset Management or its subsidiaries. Further, EUR 12.6 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. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	31/12/2019				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	6,434	3,968	1,124	11,526	6,078	2,751	124	8,953
Total non-fixed income securities, net	6,434	3,968	1,124	11,526	6,078	2,751	124	8,953

NOTE 14. INVESTMENTS IN SUBSIDIARIES

Changes in investments in subsidiaries of the Bank

	EUR thousands	
	2019	2018
Balance at the beginning of the period, net	71,614	64,725
Integration of AB Citadele bankas, Lithuania (Note 2)	(43,838)	-
Equity investments in the existing subsidiaries	2,679	-
Sale or disposal of subsidiary	-	(39)
Impairment, net	3,706	6,928
Balance at the end of the period, net	34,161	71,614
<i>Gross investment in subsidiaries as of the beginning of the period</i>	<i>112,516</i>	<i>113,388</i>
<i>the end of the period</i>	<i>71,357</i>	<i>112,516</i>

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

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

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

In the reporting period share capital of subsidiaries SIA Hortus Land, SIA Hortus Residential and SIA Hortus RE were increased by EUR 2.7 million. Due to expected losses on current operations an additional impairment of EUR 1.2 million on these investments was recognised in the reporting period.

In the reporting period valuation of SIA Citadele Līzings un Faktoringa and SIA Citadeles moduļi was reassessed. In total EUR 4.9 million release of impairment in the investments in these subsidiaries was recognised as a result of an improved profitability of SIA Citadele Līzings un Faktoringa and a higher shareholder's wealth accumulated by SIA Citadeles moduļi.

Carrying value of the investment in SIA Citadeles moduļi is estimated as a residual interest in the assets of the entity after deducting all of its liabilities. The major asset of the entity is the headquarters building of the Group. The valued of the building is derived from the value-in-use discounted cash flows after adjustments for capital expenditure. The property in the Group's consolidated accounts is presented as tangible asset and carried at amortised cost. Key inputs of the model are 6.5% (2018: 7.0%) expected yield, and future net cash flows generated by the property. Sensitivity scenarios: if the expected yield was +/-100 basis points than the carrying value EUR +7.5/-5.5 million (2018: EUR +7.2/-5.4 million), if undiscounted shareholders cash flows were +/-10% than the carrying value EUR +/-4.1 million (2018: EUR +/-4.5 million).

Carrying value of the investment in SIA Citadele Līzings un Faktoringa is derived from present value of expected free equity distributable to the shareholders, after required equity allocation for capital adequacy compliance. The target capital adequacy ratio is set at 12% and includes allocated charges for all banking risks inherent in the business model of the leasing plus full set of regulatory buffers as applicable for the Group consolidated and on top of that a managements buffer. Other key inputs of the model are 12.0% (2018: 12.0%) discount rate and future profitability of the operations of the entity. Sensitivity scenarios: if discount rate was +/-100 basis points than the carrying value EUR +/-0.1 million (2018: EUR +1.1/-0.9 million), if net profits were +/-10% than the carrying value EUR +/-0.1 million (2018: EUR +/-1.3 million).

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	
							31/12/2019	31/12/2018
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MAS	-	-	-	-
AB Citadele bankas (merged in 2019)	112021619	-	-	-	-	-	-	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 Lizings un Faktoring	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	6,921	4,325
OU Citadele Leasing & Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
UAB Citadele faktoringas ir lizingas	126233315	Lithuania, Vilnius LT-03107, K.Kalinausko 13	LIZ	MS	100	100	2,149	2,149
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
SIA Citadeles moduli	40003397543	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	2,836	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	804	-
SIA Hortus RE (liquidated in February 2020)	40103752416	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	649	-
Total investments in subsidiaries							34,161	71,614

Consolidation Group subsidiaries in liquidation process in foreign jurisdictions

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							31/12/2019	31/12/2018
Calenia Investments Limited (in liquidation)	HE156501	Cyprus, Nicosia 1075, 58 Arch. Makarios III Avenue, Iris Tower, 6th floor, office 602	PLS	MS	100	100	-	-
OOO Mizush Asset Management Ukraina (in liquidation)	32984601	Ukraine, Kiev 03150, Gorkovo 172	IBS	MMS	100	100	-	-

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

NOTE 15. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Households	1,930,156	1,517,055	1,788,830	1,145,694
Non-financial corporations	1,087,395	967,640	918,231	666,398
Financial corporations	212,404	110,436	223,990	104,122
General government	46,344	43,750	46,344	18,428
Other	13,235	6,161	13,235	3,215
Total deposits from customers	3,289,534	2,645,042	2,990,630	1,937,857

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Demand deposits	2,494,276	2,017,551	2,264,946	1,562,750
Term deposits due within:				
less than 1 month	44,595	62,979	36,403	34,738
more than 1 month and less than 3 months	64,647	91,098	55,691	43,832
more than 3 months and less than 6 months	105,842	89,446	96,669	45,396
more than 6 months and less than 12 months	304,512	169,517	295,119	98,925
more than 1 year and less than 5 years	187,445	145,619	168,693	88,734
more than 5 years	88,217	68,832	73,109	63,482
Total term deposits	795,258	627,491	725,684	375,107
Total deposits from customers	3,289,534	2,645,042	2,990,630	1,937,857

Deposits and borrowings from customers by categories

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
At amortised cost	3,251,634	2,611,050	2,990,630	1,937,857
At fair value through profit or loss	37,900	33,992	-	-
Total deposits from customers	3,289,534	2,645,042	2,990,630	1,937,857
<i>Including unit-linked insurance plan liabilities</i>	<i>24,916</i>	<i>21,614</i>	<i>-</i>	<i>-</i>

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

NOTE 16. DEBT SECURITIES ISSUED

Publicly listed unsecured subordinated bond liabilities

ISIN code of the issued bond	Currency	Interest rate	Maturity date	Principal, EUR thousands	Amortised cost, EUR thousands	
					31/12/2019	31/12/2018
LV0000880011	EUR	5.50%	24/11/2027	20,000	20,064	20,058
LV0000802221	EUR	6.25%	06/12/2026	40,000	39,980	39,952
					60,044	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 21 (*Risk Management*).

Profile of the bondholders as of the last coupon payment date

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

NOTE 17. SHARE CAPITAL

As of 31 December 2019, the Bank's registered and paid-in share capital was EUR 156,555,796 (2018: EUR 156,555,796). The Bank has one class ordinary shares. All ordinary shares as of 31 December 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

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

¹ RA Citadele Holdings LLC (United States) is a wholly owned subsidiary of Ripplewood Advisors LLC and is beneficially owned by Mr Timothy Collins

² Delan S.à.r.l. is beneficially owned by the Baupost Group LLC

³ EMS LB LLC is beneficially owned by Mr Edmond M. Safra

⁴ NNS Luxembourg Investments S.à.r.l. is beneficially owned by Mr Nassef O. Sawiris

⁵ Amolino Holdings Inc. is beneficially owned by Mr James L. Balsilie

⁶ Shuco LLC is beneficially owned by Mr Stanley S. Shuman

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

Earnings per share

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

	2019 Group	2018 Group	2019 Bank	2018 Bank
Profit for the period, EUR thousands	36,504	34,846	38,976	33,037
Weighted average number of the ordinary shares outstanding during the period in thousands	156,556	156,556	156,556	156,556
Basic earnings per share in EUR	0.23	0.22	0.25	0.21
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	156,556	156,556	156,556	156,556
Effect of share options in issue in thousands	460	85	460	85
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	157,016	156,641	157,016	156,641
Profit for the period, EUR thousands	36,504	34,846	38,976	33,037
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	157,016	156,641	157,016	156,641
Diluted earnings per share in EUR	0.23	0.22	0.25	0.21

NOTE 18. OFF-BALANCE SHEET ITEMS

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

Contingent liabilities and financial commitments outstanding

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Contingent liabilities:				
Outstanding guarantees	21,525	21,970	20,822	17,385
Outstanding letters of credit with public	257	435	258	435
Letters of credit with credit institutions	1,027	-	1,027	-
Total contingent liabilities	22,809	22,405	22,107	17,820
Provisions for credit risk	(136)	(211)	(136)	(208)
Maximum credit risk exposure for guarantees and letters of credit	22,673	22,194	21,971	17,612
Financial commitments:				
Card commitments	132,087	112,863	132,095	103,905
Unutilised credit lines and overdraft facilities	100,747	141,731	196,562	179,535
Loans granted, not fully drawn down	72,271	82,604	72,271	71,869
Factoring commitments	14,703	6,490	-	-
Other commitments	10,442	428	10,000	-
Total financial commitments	330,250	344,116	410,928	355,309
Provisions for financial commitments	(4,014)	(2,551)	(3,972)	(2,408)
Maximum credit risk exposure for financial commitments	326,236	341,565	406,956	352,901

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

NOTE 19. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Fixed income securities:				
Corporate bonds	149,065	98,321	-	-
Government bonds	65,532	66,831	-	-
Credit institution bonds	21,336	18,345	-	-
Other financial institution bonds	14,422	13,970	-	-
Total investments in fixed income securities	250,355	197,467	-	-
Other investments:				
Investment funds	407,398	336,017	-	-
Deposits with credit institutions	36,309	43,714	-	997
Compensations for distribution on behalf of deposit guarantee fund	30,657	74,236	30,657	74,236
Shares	37,227	26,593	-	-
Real estate	4,884	4,219	-	-
Loans	722	801	722	801
Other	104,541	103,006	-	-
Total other investments	621,738	588,586	31,379	76,034
Total assets under management	872,093	786,053	31,379	76,034

Customer profile on whose behalf the funds are managed

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Pension plans	570,021	453,748	-	-
Insurance companies, investment and pension funds	131,214	118,926	-	-
Other companies and government	74,352	122,238	31,379	76,034
Private individuals	96,506	91,141	-	-
Total liabilities under management	872,093	786,053	31,379	76,034

NOTE 20. CASH AND CASH EQUIVALENTS

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Cash and cash balances with central banks	707,914	405,315	691,455	155,510
Loans on demand to credit institutions	92,781	95,890	68,306	87,105
Demand deposits from central banks and credit institutions	(1,637)	(1,220)	(5,391)	(4,054)
Total cash and cash equivalents	799,058	499,985	754,370	238,561

NOTE 21. RISK MANAGEMENT

Risk management policies

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

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

Loans to credit institutions by credit rating grade

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Investment grade:				
AA/Aa	10,149	28,980	6,981	6,254
A	92,688	93,799	82,122	82,117
BBB/Baa	6,209	2,289	103	2,264
Other lower ratings	1,261	423	1,261	423
Not rated Baltic registered credit institutions	4,957	3,013	56	210
Citadele Group's banks	-	-	-	19,523
Other not rated credit institutions	6,131	3,398	5,498	60
Total loans to credit institutions, net	121,395	131,902	96,021	110,851
<i>Letters of credit with credit institutions (Note 18)</i>	<i>1,027</i>	<i>-</i>	<i>1,027</i>	<i>-</i>

The above balances represent the maximum credit risk exposure from loans to credit institutions to the Group and the Bank respectively. As at 31 December 2019 and 31 December 2018, none of the loans to credit institutions was past due.

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

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

For additional information on geographical distribution of securities exposures please refer to Note 11 (*Debt Securities*). EUR 16.5 million of Group's cash and deposit with central banks balances presented as "Other countries" is with Swiss National Bank (2018: EUR 29.9 million). From Group's loans to credit institutions presented as "Other countries" EUR 9.7 million are with Swiss credit institutions (2018: EUR 37.1 million), EUR 54.2 million are with Japanese credit institutions (2018: EUR 50.3 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 of 31/12/2018, EUR thousands						
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	126,568	219,955	28,942	-	29,850	405,315
Loans to credit institutions	2,584	429	-	13,429	115,460	131,902
Debt securities	258,548	155,796	11,862	290,799	272,225	989,230
Loans to public	831,355	382,866	148,039	8,985	24,447	1,395,692
Equity instruments	124	-	-	130	2,647	2,901
Other financial instruments	20,095	-	-	13,770	281	34,146
Derivatives	428	-	-	116	67	611
Other assets	76,063	6,112	2,422	6,656	1,041	92,294
Total assets	1,315,765	765,158	191,265	333,885	446,018	3,052,091
Liabilities						
Deposits from credit institutions and central banks	6,381	512	-	93	291	7,277
Deposits and borrowings from customers	1,570,226	429,839	107,289	163,981	373,707	2,645,042
Debt securities issued	60,010	-	-	-	-	60,010
Derivatives	315	-	-	1,086	69	1,470
Other liabilities	34,383	4,422	763	9	1,915	41,492
Total liabilities	1,671,315	434,773	108,052	165,169	375,982	2,755,291
Off-balance sheet items						
Contingent liabilities	14,481	3,685	1,948	336	1,955	22,405
Financial commitments	306,853	29,705	6,375	160	1,023	344,116

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

For additional information on geographical distribution of securities exposures please refer to Note 11 (*Debt Securities*). From Bank's loans to credit institutions presented as "Other countries" EUR 54.2 million are with Japanese credit institutions (2018: Japanese credit institutions EUR 50.3 million and Swiss credit institutions EUR 21.1 million) and EUR 22.2 million with United States registered credit institutions (2018: EUR 23.6 million).

Bank as of 31/12/2018, EUR thousands

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

Assets, liabilities and off-balance sheet items by currency profile
Group as of 31/12/2019, EUR thousands

	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	686,355	2,629	16,539	860	1,531	707,914
Loans to credit institutions	21,321	35,612	551	1,104	62,807	121,395
Debt securities	866,064	271,219	13,542	6,597	46,209	1,203,631
Loans to public	1,535,674	35,259	-	1,635	178	1,572,746
Equity instruments	1,259	3,833	-	-	-	5,092
Other financial instruments	30,781	8,837	-	354	-	39,972
Derivatives	960	-	-	-	-	960
Other assets	87,726	2,044	617	4	667	91,058
Total assets	3,230,140	359,433	31,249	10,554	111,392	3,742,768
Liabilities						
Deposits from credit institutions and central banks	972	576	-	-	89	1,637
Deposits and borrowings from customers	2,816,550	413,664	7,485	19,636	32,199	3,289,534
Debt securities issued	60,044	-	-	-	-	60,044
Derivatives	528	-	-	-	-	528
Other liabilities	47,396	593	2,241	-	70	50,300
Total liabilities	2,925,490	414,833	9,726	19,636	32,358	3,402,043
Equity	337,937	2,785	-	-	3	340,725
Total liabilities and equity	3,263,427	417,618	9,726	19,636	32,361	3,742,768
Net balance sheet position	(33,287)	(58,185)	21,523	(9,082)	79,031	-
Net off-balance sheet foreign exchange contracts	25,373	55,485	(10,437)	9,458	(79,480)	399
Net long/ (short) total position	(12,260)	(2,700)	11,086	376	(449)	399

Group as of 31/12/2018, EUR thousands						
	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	369,673	2,614	30,044	948	2,036	405,315
Loans to credit institutions	18,636	40,387	7,256	1,644	63,979	131,902
Debt securities	623,024	338,645	11,891	5,623	10,047	989,230
Loans to public	1,372,144	22,258	-	1,056	234	1,395,692
Equity instruments	254	2,647	-	-	-	2,901
Other financial instruments	27,754	6,100	-	291	1	34,146
Derivatives	561	9	-	21	20	611
Other assets	85,373	5,700	258	157	806	92,294
Total assets	2,497,419	418,360	49,449	9,740	77,123	3,052,091
Liabilities						
Deposits from credit institutions and central banks	1,404	160	-	-	5,713	7,277
Deposits and borrowings from customers	2,147,988	426,948	9,757	21,730	38,619	2,645,042
Debt securities issued	60,010	-	-	-	-	60,010
Derivatives	1,406	42	-	10	12	1,470
Other liabilities	37,625	1,796	1,668	243	160	41,492
Total liabilities	2,248,433	428,946	11,425	21,983	44,504	2,755,291
Equity	298,419	(112)	-	(7)	(1,500)	296,800
Total liabilities and equity	2,546,852	428,834	11,425	21,976	43,004	3,052,091
Net balance sheet position	(49,433)	(10,474)	38,024	(12,236)	34,119	-
Net off-balance sheet foreign exchange contracts	38,402	11,187	(30,099)	12,566	(32,845)	(789)
Net long/ (short) total position	(11,031)	713	7,925	330	1,274	(789)

Bank as of 31/12/2019, EUR thousands						
	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	686,355	2,629	80	860	1,531	691,455
Loans to credit institutions	10,483	24,059	153	1,008	60,318	96,021
Debt securities	732,625	183,917	-	4,716	46,209	967,467
Loans to public	1,564,238	28,053	-	1,635	177	1,594,103
Equity instruments	1,259	3,833	-	-	-	5,092
Other financial instruments	6,330	104	-	-	-	6,434
Derivatives	960	-	-	-	-	960
Other assets	69,440	1,992	13,806	4	669	85,911
Total assets	3,071,690	244,587	14,039	8,223	108,904	3,447,443
Liabilities						
Deposits from credit institutions and central banks	3,141	33,899	382	304	1,561	39,287
Deposits and borrowings from customers	2,676,033	265,743	3,238	17,369	28,247	2,990,630
Debt securities issued	60,044	-	-	-	-	60,044
Derivatives	528	-	-	-	-	528
Other liabilities	34,378	259	-	-	3	34,640
Total liabilities	2,774,124	299,901	3,620	17,673	29,811	3,125,129
Equity	319,916	2,395	-	-	3	322,314
Total liabilities and equity	3,094,040	302,296	3,620	17,673	29,814	3,447,443
Net balance sheet position	(22,350)	(57,709)	10,419	(9,450)	79,090	-
Net off-balance sheet foreign exchange contracts	25,373	55,485	(10,437)	9,458	(79,480)	399
Net long/ (short) total position	3,023	(2,224)	(18)	8	(390)	399

Bank as of 31/12/2018, EUR thousands						
	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	150,853	2,271	182	394	1,810	155,510
Loans to credit institutions	2,256	25,723	19,744	1,482	61,646	110,851
Debt securities	515,803	249,698	-	3,463	10,047	779,011
Loans to public	1,145,596	21,230	-	1,056	234	1,168,116
Equity instruments	228	2,647	-	-	-	2,875
Other financial instruments	5,989	89	-	-	-	6,078
Derivatives	564	9	-	21	20	614
Other assets	86,510	5,653	13,806	157	802	106,928
Total assets	1,907,799	307,320	33,732	6,573	74,559	2,329,983
Liabilities						
Deposits from credit institutions and central banks	4,305	25,996	320	708	7,841	39,170
Deposits and borrowings from customers	1,614,624	270,000	2,445	18,158	32,630	1,937,857
Debt securities issued	60,010	-	-	-	-	60,010
Derivatives	1,440	42	-	10	12	1,504
Other liabilities	21,673	1,580	5	235	129	23,622
Total liabilities	1,702,052	297,618	2,770	19,111	40,612	2,062,163
Equity	269,523	(200)	-	(4)	(1,499)	267,820
Total liabilities and equity	1,971,575	297,418	2,770	19,107	39,113	2,329,983
Net balance sheet position	(63,776)	9,902	30,962	(12,534)	35,446	-
Net off-balance sheet foreign exchange contracts	61,214	(9,512)	(30,898)	12,557	(34,181)	(820)
Net long/ (short) total position	(2,562)	390	64	23	1,265	(820)

The investment in the Group's Swiss subsidiary AP Anlage & Privatbank AG, which is carried at cost, is shown as a CHF exposure, as the recoverability of this asset will ultimately depend on the Swiss currency's performance.

Liquidity coverage ratio

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

EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2018 Bank
1. Liquidity buffer	1,506,948	1,051,389	1,367,784
2. Net liquidity outflow	421,422	405,419	418,740
3. Liquidity coverage ratio	358%	259%	327%

Assets, liabilities and off-balance sheet items by contractual maturity

Group as of 31/12/2019, EUR thousands						
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated
Assets						
Cash and cash balances at central banks	662,725	-	-	-	-	45,189
Loans to credit institutions	99,233	22,162	-	-	-	-
Debt securities	85,908	114,652	99,044	87,216	624,558	192,253
Loans to public	89,535	66,543	95,532	196,229	681,935	442,972
Equity instruments	-	-	-	-	-	5,092
Other financial instruments	-	-	-	-	-	39,972
Derivatives	635	304	-	21	-	-
Other assets	21,197	166	403	147	133	69,012
Total assets	959,233	203,827	194,979	283,613	1,306,626	794,490
Liabilities						
Deposits from credit institutions and central banks	1,637	-	-	-	-	-
Deposits and borrowings from customers	2,538,873	64,646	105,842	304,511	187,445	88,217
Debt securities issued	-	-	-	-	-	60,044
Derivatives	309	219	-	-	-	-
Lease liabilities	17	252	374	682	1,612	-
Other liabilities	9,228	1,264	1,082	2,176	12,117	21,496
Total liabilities	2,550,064	66,381	107,298	307,369	201,174	169,757
Equity	-	-	-	-	-	340,725
Total liabilities and equity	2,550,064	66,381	107,298	307,369	201,174	510,482
Net balance sheet position – long/ (short)	(1,590,831)	137,446	87,681	(23,756)	1,105,452	284,008
Off-balance sheet items						
Contingent liabilities	22,809	-	-	-	-	-
Financial commitments	330,250	-	-	-	-	-

Liabilities and commitments are allocated to the earliest period in which the Group may be contractually required to settle the liabilities or the customer may draw down undrawn loan commitments. Issued financial guarantee contracts are allocated to the earliest period in which the guarantee could be called. Assets are allocated to the earliest period in which the Group may contractually require to settle receivables.

Assets, liabilities and off-balance sheet items by contractual maturity

Group as of 31/12/2018, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	405,315	-	-	-	-	-	405,315
Loans to credit institutions	102,701	29,201	-	-	-	-	131,902
Debt securities	8,652	103,727	50,462	111,339	632,494	82,556	989,230
Loans to public	43,409	59,935	89,795	199,766	632,502	370,285	1,395,692
Equity instruments	-	-	-	-	-	2,901	2,901
Other financial instruments	-	-	-	-	-	34,146	34,146
Derivatives	472	139	-	-	-	-	611
Other assets	23,590	414	106	493	172	67,519	92,294
Total assets	584,139	193,416	140,363	311,598	1,265,168	557,407	3,052,091
Liabilities							
Deposits from credit institutions and central banks	6,876	401	-	-	-	-	7,277
Deposits and borrowings from customers	2,080,549	91,128	89,454	169,407	145,647	68,857	2,645,042
Debt securities issued	-	-	-	-	-	60,010	60,010
Derivatives	973	497	-	-	-	-	1,470
Other liabilities	14,533	1,068	628	508	525	24,230	41,492
Total liabilities	2,102,931	93,094	90,082	169,915	146,172	153,097	2,755,291
Equity	-	-	-	-	-	296,800	296,800
Total liabilities and equity	2,102,931	93,094	90,082	169,915	146,172	449,897	3,052,091
Net balance sheet position – long/ (short)	(1,518,792)	100,322	50,281	141,683	1,118,996	107,510	-
Off-balance sheet items							
Contingent liabilities	22,405	-	-	-	-	-	22,405
Financial commitments	344,116	-	-	-	-	-	344,116

Assets, liabilities and off-balance sheet items by contractual maturity

Bank as of 31/12/2019, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	646,266	-	-	-	-	45,189	691,455
Loans to credit institutions	73,859	22,162	-	-	-	-	96,021
Debt securities	73,780	100,225	85,545	61,402	498,228	148,287	967,467
Loans to public	65,995	47,253	279,845	165,198	558,580	477,232	1,594,103
Equity instruments	-	-	-	-	-	5,092	5,092
Other financial instruments	-	-	-	-	-	6,434	6,434
Derivatives	635	304	-	21	-	-	960
Other assets	20,291	-	4	-	4	65,612	85,911
Total assets	880,826	169,944	365,394	226,621	1,056,812	747,846	3,447,443
Liabilities							
Deposits from credit institutions and central banks	14,065	6,373	7,717	4,553	6,579	-	39,287
Deposits and borrowings from customers	2,301,349	55,691	96,669	295,119	168,693	73,109	2,990,630
Debt securities issued	-	-	-	-	-	60,044	60,044
Derivatives	309	219	-	-	-	-	528
Lease liabilities	163	661	987	1,926	6,965	-	10,702
Other liabilities	5,172	-	-	-	-	18,766	23,938
Total liabilities	2,321,058	62,944	105,373	301,598	182,237	151,919	3,125,129
Equity	-	-	-	-	-	322,314	322,314
Total liabilities and equity	2,321,058	62,944	105,373	301,598	182,237	474,233	3,447,443
Net balance sheet position – long/ (short)	(1,440,232)	107,000	260,021	(74,977)	874,575	273,613	-
Off-balance sheet items							
Contingent liabilities	22,107	-	-	-	-	-	22,107
Financial commitments	410,928	-	-	-	-	-	410,928

Liabilities and commitments are allocated to the earliest period in which the Group may be contractually required to settle the liabilities or the customer may draw down undrawn loan commitments. Issued financial guarantee contracts are allocated to the earliest period in which the guarantee could be called. Assets are allocated to the earliest period in which the Group may contractually require to settle receivables.

Assets, liabilities and off-balance sheet items by contractual maturity

Bank as of 31/12/2018, EUR thousands

	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	155,510	-	-	-	-	-	155,510
Loans to credit institutions	89,076	21,775	-	-	-	-	110,851
Debt securities	2,133	91,650	37,576	81,850	518,236	47,566	779,011
Loans to public	31,482	212,476	58,884	136,774	389,144	339,356	1,168,116
Equity instruments	-	-	-	-	-	2,875	2,875
Other financial instruments	-	-	-	-	-	6,078	6,078
Derivatives	475	139	-	-	-	-	614
Other assets	19,186	3	11	4	2	87,722	106,928
Total assets	297,862	326,043	96,471	218,628	907,382	483,597	2,329,983
Liabilities							
Deposits from credit institutions and central banks	16,470	13,125	3,493	5,177	905	-	39,170
Deposits and borrowings from customers	1,597,487	43,832	45,396	98,925	88,734	63,483	1,937,857
Debt securities issued	-	-	-	-	-	60,010	60,010
Derivatives	1,007	497	-	-	-	-	1,504
Other liabilities	7,781	-	-	-	-	15,841	23,622
Total liabilities	1,622,745	57,454	48,889	104,102	89,639	139,334	2,062,163
Equity	-	-	-	-	-	267,820	267,820
Total liabilities and equity	1,622,745	57,454	48,889	104,102	89,639	407,154	2,329,983
Net balance sheet position – long/ (short)	(1,324,883)	268,589	47,582	114,526	817,743	76,443	-
Off-balance sheet items							
Contingent liabilities	17,820	-	-	-	-	-	17,820
Financial commitments	355,309	-	-	-	-	-	355,309

Capital management

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

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

For the Group and the Bank 2.5% capital conservation buffer applies, limiting dividend pay-out and certain other Tier 1 equity instrument buy-backs if the threshold is not exceeded. 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.

Since 30 June 2019 the Group and the Bank applies prudential provisioning requirements in line with the FCMC regulations. The Bank has subsidiaries, which are financial institutions, and needs to comply with the regulatory requirements both at the Bank's standalone level and at the Group's consolidated level. As of the period end both the Bank and the Group have sufficient capital to comply with the FCMC's capital adequacy requirements.

Regulatory capital requirements of the Group on 31 December 2019

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

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

Capital adequacy ratio (including profits for 2019)

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Common equity Tier 1 capital				
Paid up capital instruments	156,556	156,556	156,556	156,556
Retained earnings *	172,070	136,210	160,346	112,117
Regulatory deductions	(8,539)	(7,645)	(7,992)	(4,909)
Other capital components and transitional adjustments, net	15,505	9,573	10,605	3,522
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	395,592	354,694	379,515	327,286
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,555,785	1,507,401	1,490,030	1,326,277
Total exposure amounts for position, foreign currency open position and commodities risk	16,643	10,483	5,213	850
Total exposure amounts for operational risk	209,649	245,354	171,299	189,900
Total exposure amounts for credit valuation adjustment	544	399	544	399
Total risk exposure amount	1,782,621	1,763,637	1,667,086	1,517,426
Total capital adequacy ratio	22.2%	20.1%	22.8%	21.6%
Common equity Tier 1 capital ratio	18.8%	16.7%	19.2%	17.6%

* The Bank's and the Group's Tier 1 capital includes full 2019 profits, inclusion of which is subject to the annual audit. If only audited 6 month interim profits were included, total regulatory own funds for the Group and the Bank would be EUR 375.5 million and EUR 359.4 million, total capital adequacy ratio would be 21.1% and 21.6%, and CET 1 ratio would be 17.7% and 18.0% respectively.

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

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

Fully loaded capital adequacy ratio (i.e. excluding transitional adjustments, including profits for 2019)

	EUR thousands			
	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Common equity Tier 1 capital, fully loaded	330,618	288,832	314,321	262,911
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	390,618	348,832	374,321	322,911
Total risk exposure amount, fully loaded	1,778,058	1,758,524	1,662,406	1,513,993
Total capital adequacy ratio, fully loaded	22.0%	19.8%	22.5%	21.3%
Common equity Tier 1 capital ratio, fully loaded	18.6%	16.4%	18.9%	17.4%

Leverage ratio – fully loaded and transitional (including profits for 2019)

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.

	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	8.7%	9.3%	8.9%	10.9%
Leverage Ratio – transitional definition of Tier 1 capital	8.8%	9.5%	9.0%	11.0%

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

In 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 permits 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, and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL include institution's own funds (within the meaning of the capital requirements directive), along with specific eligible liabilities

(inter alia issued and fully paid-up, having a maturity of at least one year (or do not give the investor a right to repayment within one year), and do not arise from derivatives). The MREL requirement must be met partially with subordinated instruments. MREL eligible subordinated instruments are liabilities subordinated to liabilities excluded from bail-in in accordance with directive 2014/59/EU.

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

NOTE 22. EVENTS AFTER THE REPORTING DATE

Acquisition of UniCredit's leasing operations in the Baltics

AS Citadele banka has entered into a binding agreement with UniCredit S.p.A. to acquire UniCredit's Baltic leasing operations through the acquisition of 100% of the shares in SIA UniCredit Leasing (including its Estonian and Lithuanian branches), along with its 100% owned subsidiary SIA UniCredit Insurance Broker (including its Estonian branch). SIA UniCredit Leasing is one of the leading market players in the Baltics, with more than 20 years of experience in the area of leasing, a lease portfolio of more than EUR 850 million, and a demonstrated ability to deliver sustainable business growth. Following the acquisition, Citadele's aggregate net leasing loans will exceed EUR 1.1 billion. As a result, Citadele will become one of the three largest players in the Latvian leasing market, and will significantly strengthen its footprint across the Baltics. The closing of the acquisition is expected in the first quarter of 2020, subject to mandatory approvals.

AS Citadele banka plans to issue new subordinated bonds

AS Citadele banka Management Board has approved the plans to launch Citadele's Third Unsecured Subordinated Bonds Programme and issue new subordinated bonds in the amount of up to EUR 30 million. Proceeds from the offer are to be used by Citadele for its general business development, and to strengthen further Citadele Group's capital base.

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

	2019 Group	2018 Group Restated	2019 Bank	2018 Bank Restated
<i>EUR thousands</i>				
1. Interest income	100,555	97,644	91,126	74,521
2. Interest expense	(15,914)	(15,066)	(16,013)	(13,052)
3. Dividend income	43	34	3,349	2,491
4. Commission and fee income	56,388	57,019	47,406	42,314
5. Commission and fee expense	(25,467)	(23,640)	(24,836)	(20,475)
6. Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	974	565	279	157
7. Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	503	(220)	-	-
8. Fair value change in the hedge accounting	-	-	-	-
9. Gain or loss from foreign exchange trading and revaluation of open positions	6,719	10,056	6,588	8,625
10. Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11. Other income	2,298	3,067	3,163	2,424
12. Other expense	(2,169)	(2,280)	(1,801)	(1,555)
13. Administrative expense	(75,101)	(79,167)	(64,738)	(60,616)
14. Amortisation and depreciation charge	(7,690)	(6,216)	(7,271)	(3,275)
15. Gain or loss on modifications in financial asset contractual cash flows	-	-	-	-
16. Provisions, net	(1,393)	613	(1,352)	295
17. Impairment charge and reversals, net	(2,317)	(7,609)	3,395	1,225
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	404	-	(71)	-
21. Profit before taxation	37,833	34,800	39,224	33,079
22. Corporate income tax	(1,329)	46	(248)	(42)
23. Net profit / loss for the period	36,504	34,846	38,976	33,037
28. Other comprehensive income for the period	6,514	(856)	4,058	(897)

Balance Sheet, regulatory format

	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
<i>EUR thousands</i>				
1. Cash and demand balances with central banks	707,914	405,315	691,455	155,510
2. Demand deposits due from credit institutions	92,781	97,724	68,306	88,989
3. Financial assets designated at fair value through profit or loss	34,497	28,679	960	614
4. Financial assets at fair value through other comprehensive income	409,588	409,719	237,719	255,979
5. Financial assets at amortised cost	2,406,930	2,018,360	2,363,092	1,721,963
6. Derivatives – hedge accounting	-	-	-	-
7. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
8. Investments in subsidiaries, joint ventures and associates	-	-	34,161	71,614
9. Tangible assets	49,989	48,893	18,231	4,817
10. Intangible assets	4,698	4,868	4,571	4,651
11. Tax assets	3,136	2,929	2,886	247
12. Other assets	30,373	35,604	23,200	25,599
13. Non-current assets and disposal groups classified as held for sale	2,862	-	2,862	-
14. Total assets (1.+...+13.)	3,742,768	3,052,091	3,447,443	2,329,983
15. Due to central banks	6	22	6	10
16. Demand liabilities to credit institutions	1,631	1,198	5,385	4,672
17. Financial liabilities designated at fair value through profit or loss	38,428	35,462	528	1,504
18. Financial liabilities measured at amortised cost	3,311,678	2,677,117	3,084,570	2,032,355
19. Derivatives – hedge accounting	-	-	-	-
20. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21. Provisions	4,150	3,196	4,108	2,616
22. Tax liabilities	1,257	810	-	-
23. Other liabilities	44,893	37,486	30,532	21,006
24. Liabilities included in disposal groups classified as held for sale	-	-	-	-
25. Total liabilities (15.+...+24.)	3,402,043	2,755,291	3,125,129	2,062,163
26. Shareholders' equity	340,725	296,800	322,314	267,820
27. Total liabilities and shareholders' equity (25.+26.)	3,742,768	3,052,091	3,447,443	2,329,983
28. Memorandum items				
29. Contingent liabilities	22,809	22,405	22,107	17,820
30. Financial commitments	330,250	344,116	410,928	355,309

ROE and ROA ratios

	2019 Group	2018 Group	2019 Bank	2018 Bank
Return on equity (ROE) (%)	11.45%	12.32%	13.21%	13.01%
Return on assets (ROA) (%)	1.07%	1.10%	1.35%	1.36%

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

Capital adequacy ratio

EUR thousands	30/09/2019 Group	31/12/2018 Group	30/09/2019 Bank	31/12/2018 Bank
1 Own funds (1.1.+1.2.)	375,502	354,694	359,408	327,286
1.1 Tier 1 capital (1.1.1.+1.1.2.)	315,502	294,694	299,408	267,286
1.1.1 Common equity Tier 1 capital	315,502	294,694	299,408	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.)	1,782,621	1,763,637	1,667,086	1,517,426
2.1 Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,555,785	1,507,401	1,490,030	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	16,643	10,483	5,213	850
2.4 Total risk exposure amount for operational risk	209,649	245,354	171,299	189,900
2.5 Total risk exposure amount for credit valuation adjustment	544	399	544	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)	17.7%	16.7%	18.0%	17.6%
3.2 Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	235,284	215,331	224,389	199,002
3.3 Tier 1 capital ratio (1.1./2.*100)	17.7%	16.7%	18.0%	17.6%
3.4 Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	208,544	188,876	199,383	176,241
3.5 Total capital ratio (1./2.*100)	21.1%	20.1%	21.6%	21.6%
3.6 Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	232,892	213,603	226,041	205,892
4 Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)				
4.1 Capital conservation buffer	4.2%	4.1%	4.5%	4.1%
4.2 Conservation buffer for macroprudential or systemic risk at member state's level	2.5%	2.5%	2.5%	2.5%
4.3 Institution specific countercyclical buffer	-	-	-	-
4.4 Systemic risk buffer	0.2%	0.1%	0.2%	0.1%
4.5 Other systemically important institution buffer	-	-	-	-
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	17.7%	16.7%	18.0%	17.6%
5.3 Tier 1 capital ratio including line 5.1 adjustments	17.7%	16.7%	18.0%	17.6%
5.4 Total capital ratio including line 5.1 adjustments	21.1%	20.1%	21.6%	21.6%

Capital adequacy ratios here are calculated in accordance with the Basel III regulation as implemented via EU regulation 575/2013, directive 2013/36/EU and relevant FCMC regulations. The Bank's and the Group's Tier 1 capital includes audited interim profits for 6 months period end 30 June 2019, but not profits for the full 2019 as these become eligible for inclusion in capital after completion of the audit.

EUR thousands	31/12/2019 Group	31/12/2018 Group	31/12/2019 Bank	31/12/2018 Bank
1.A Own funds, IFRS 9 transitional provisions not applied	370,527	348,832	354,214	322,911
1.1.A Tier 1 capital, IFRS 9 transitional provisions not applied	310,527	288,832	294,214	262,911
1.1.1.A Common equity Tier 1 capital, IFRS 9 transitional provisions not applied	310,527	288,832	294,214	262,911
2.A Total risk exposure amount, IFRS 9 transitional provisions not applied	1,778,058	1,758,524	1,662,406	1,513,993
3.1.A Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	17.5%	16.4%	17.7%	17.4%
3.3.A Tier 1 capital ratio, IFRS 9 transitional provisions not applied	17.5%	16.4%	17.7%	17.4%
3.5.A Total capital ratio, IFRS 9 transitional provisions not applied	20.8%	19.8%	21.3%	21.3%

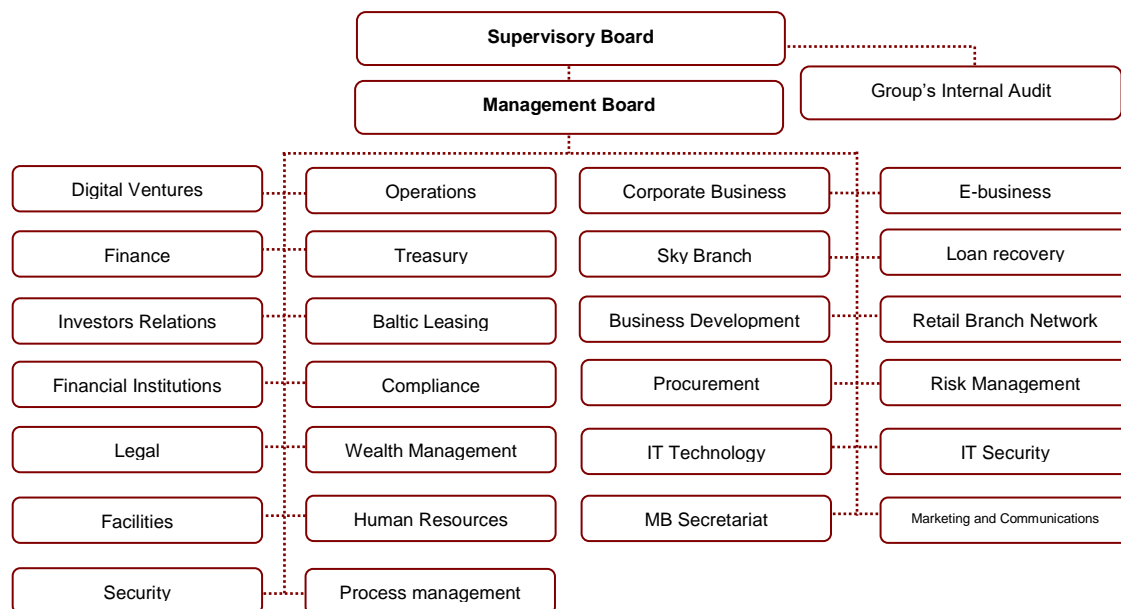
Business Strategy and Objectives

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

Branches

AS Citadele banka has 28 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. The Lithuanian branch has 7 customer service units in Lithuania. The Lithuanian branch of AS Citadele banka was registered on 25 October 2018 and started to operate on 1 January 2019. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section "[Branches and ATMs](#)".

Bank's Organizational Structure



QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

	Group (restated), EUR thousands				
	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Interest income	25,210	25,799	25,046	24,500	25,081
Interest expense	(4,399)	(3,821)	(3,804)	(3,890)	(3,589)
Net interest income	20,811	21,978	21,242	20,610	21,492
Fee and commission income	14,580	14,673	14,160	12,975	14,328
Fee and commission expense	(6,651)	(6,793)	(6,632)	(5,391)	(5,588)
Net fee and commission income	7,929	7,880	7,528	7,584	8,740
Net financial income	2,373	1,932	1,796	2,095	2,125
Net other income / (expense)	419	55	(219)	(83)	(248)
Operating income	31,532	31,845	30,347	30,206	32,109
Staff costs	(13,168)	(12,983)	(13,368)	(13,800)	(14,253)
Other operating expenses	(6,246)	(5,579)	(5,240)	(4,717)	(6,801)
Depreciation and amortisation	(1,933)	(1,895)	(1,826)	(2,036)	(1,695)
Operating expense	(21,347)	(20,457)	(20,434)	(20,553)	(22,749)
Profit before impairment	10,185	11,388	9,913	9,653	9,360
Net credit losses	414	(188)	(783)	(1,848)	501
Other impairment losses	(1,415)	118	29	(37)	(101)
Operating profit before non-current assets held for sale	9,184	11,318	9,159	7,768	9,760
Result from non-current assets held for sale	754	(67)	(153)	(130)	-
Operating profit	9,938	11,251	9,006	7,638	9,760
Income tax	(662)	(237)	(63)	(367)	383
Net profit	9,276	11,014	8,943	7,271	10,143

	Group, EUR thousands				
	31/12/2019	30/09/2019	30/06/2019	31/03/2019	31/12/2018
Assets					
Cash and cash balances at central banks	707,914	499,095	332,165	438,099	405,315
Loans to credit institutions	121,395	124,029	117,003	115,593	131,902
Debt securities	1,203,631	1,242,102	1,191,473	1,074,408	989,230
Loans to public	1,572,746	1,513,596	1,488,494	1,435,445	1,395,692
Equity instruments	5,092	4,890	4,686	4,378	2,901
Other financial instruments	39,972	40,027	39,157	37,386	34,146
Derivatives	960	1,894	496	864	611
Tangible assets	49,989	50,428	50,670	52,229	48,893
Intangible assets	4,698	4,789	4,771	4,714	4,868
Tax assets	3,136	3,316	2,682	2,682	2,929
Non-current assets held for sale	2,862	3,093	3,488	3,488	-
Other assets	30,373	30,931	30,652	28,485	35,604
Total assets	3,742,768	3,518,190	3,265,737	3,197,771	3,052,091
Liabilities					
Deposits from credit institutions and central banks	1,637	7,829	6,261	3,593	7,277
Deposits and borrowings from customers	3,289,534	3,070,949	2,835,888	2,783,565	2,645,042
Debt securities issued	60,044	60,930	60,018	60,911	60,010
Derivatives	528	1,395	522	1,158	1,470
Provisions	4,150	3,486	3,381	3,453	3,196
Tax liabilities	1,257	759	583	500	810
Other liabilities	44,893	41,199	40,082	37,364	37,486
Total liabilities	3,402,043	3,186,547	2,946,735	2,890,544	2,755,291
Equity					
Share capital	156,556	156,556	156,556	156,556	156,556
Reserves and other capital components	11,455	11,743	10,117	7,285	3,868
Retained earnings	172,714	163,344	152,329	143,386	136,376
Total equity	340,725	331,643	319,002	307,227	296,800
Total liabilities and equity	3,742,768	3,518,190	3,265,737	3,197,771	3,052,091
Off-balance sheet items					
Guarantees and letters of credit	22,809	25,314	21,707	20,997	22,405
Financial commitments	330,250	356,945	368,453	349,525	344,116

DEFINITIONS AND ABBREVIATIONS

ALCO – Assets and Liabilities Management Committee.

AML – anti-money laundering.

BRRD – the bank recovery and resolution directive.

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

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

CTF – combating terrorist financing.

EU – the European Union.

FCMC – Financial and Capital Markets Commission.

FMCRC – Financial Market and Counterparty Risk Committee.

GIC – Group's Investment Committee.

IAS – International accounting standards.

ICAAP – internal capital adequacy assessment process.

IFRS – International financial reporting standards.

LCR – liquidity coverage ratio.

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

ML/TF – money laundering and terrorism financing.

MREL – minimum requirement for own funds and eligible liabilities.

NSFR – net stable funding ratio.

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

O-SII – other systemically important institution.

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

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

RTS – regulatory technical standards.

SRB – the Single Resolution Board.

SREP – supervisory review and evaluation process.

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

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

Stage 3 financial instruments – Credit-impaired exposures.

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

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

TLOF – total liabilities and own funds.

TSCR – SREP capital requirement.