AS Citadele banka

INTERIM REPORT

For the six months ended
30 June 2022

Key figures and events of the Group

Strong financial performance with a record high income in both Q2 and H1 2022. In H1 Operating income (Baltics) reached EUR 79.6 million, 8% growth year over year. Q2 operating income was EUR 40.3 million, 4% growth year over year.

Baltic operations profit before impairment was EUR 34.8 million in the first 6 months of 2022, 6% higher than in the same period last year. Profit before impairment in Q2 reached EUR 16.2 million.

Taking a prudent approach towards more uncertain macro-economic outlook, the bank has recognised net credit losses in amount of EUR (12.7) million in H1 2022 (EUR (6.6) million in Q2 2022). Baltic operations net profit reached EUR 21.4 million in H1 2022, which translated into 10.7% return on equity. Q2 net profit was EUR 9.3 million.

On the back of attractive digital solutions and services the bank's active customers reached an all-time high of 368 thousand active clients as of 30 June 2022, 5% growth y-o-y.

In H1 2022, the bank issued EUR 646 million in new financing to support Baltic private, SME and corporate customers. EUR 349 million were disbursed in Q2 2022.

The deposit base remained stable and Baltic deposits constituted EUR 3,582 million as of 30 June 2022, or 97% from total deposits.

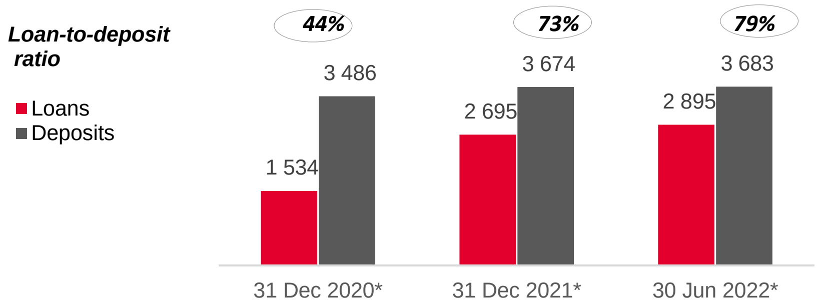
The Bank continues to operate on the back of adequate capital and liquidity ratios. Group's CAR, transitional (including period's result) was 18.0% and LCR of 167% as of 30 June 2022.

As of 30 June 2022, Citadele had 1,358 full time employees.

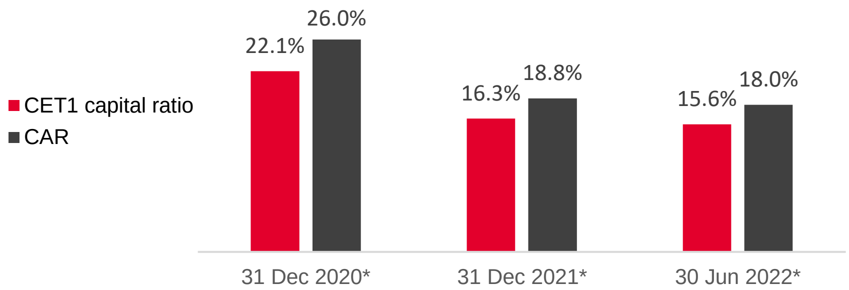
EUR millions	Q2	Q1	Q2	Jan-Jun	
	2022*	**2022***	**2021***	**2022***	**2021***
Net interest income	26.6	27.4	26.9	54.0	52.5
Net fee and commission income	11.1	10.3	8.2	21.4	15.7
Net financial and other income	2.6	1.7	3.8	4.3	5.7
Operating income	**40.3**	**39.4**	**38.8**	**79.6**	**73.9**
Operating expense	(24.0)	(20.8)	(21.0)	(44.9)	(41.0)
Net credit losses and impairments	(6.6)	(6.1)	6.9	(12.7)	3.8
Net profit from continuous operations (after tax)	**9.3**	**12.2**	**23.4**	**21.4**	**35.4**
Return on average assets (ROA)	0.75%	0.99%	2.09%	0.87%	1.56%
Return on average equity (ROE)	9.2%	12.2%	26.4%	10.7%	19.7%
Cost to income ratio (CIR)	59.6%	52.9%	54.0%	56.3%	55.5%
Cost of risk ratio (COR)	0.9%	0.9%	(1.1%)	0.9%	(0.4%)

Loans to and deposits from the public

EURm



Common equity Tier 1 (CET1) capital ratio, transitional (including period's result) and Total capital adequacy ratio (CAR), transitional (including period's result)



** Only continuous operations shown. Comparatives represented for discontinued operations of Kaleido Privatbank AG (Swiss subsidiary bank of the Group) which is committed for sale and thus excluded from the presented key figures.*

CONTENTS

Rounding and Percentages

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

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

The second quarter was dominated by elevated levels of global uncertainty, driven by Russia's invasion into Ukraine, the energy crisis and ongoing supply chain disruptions. It is a challenging time, and we are closely following the developments and adopting our operations to the changing environment to take care for our employees and customers. Despite the uncertainty, we have delivered a strong second quarter both financially and operationally.

Johan Åkerblom
CEO and Chairman of the Management Board

Economic situation in the Baltic region in H1 2022 remained positive despite war in Ukraine and high inflation

Since the beginning of 2022 situation in the global economy has deteriorated as unexpectedly high inflation amplified by Russia's invasion of Ukraine and China's zero Covid-19 policy has become the main challenge for the global economy. Central banks have responded to high inflation by starting to increase interest rates. Business and consumer sentiment in euro area and US has deteriorated, and growth forecasts are being reduced. Economic situation in the Baltic region in H1 2022 remained positive despite war in Ukraine and high inflation, however in Q2 2022 GDP growth has begun to slow and overall uncertainty has increased. Russia's actions related to gas supply have resulted in energy prices in Europe that are several times more expensive than in US and will probably remain elevated for some time. Debt levels across all sectors of the economy in the Baltics is low and companies in the Baltics in previous crises have demonstrated the ability to adapt quickly to changing market circumstances.

Recent events in Ukraine and Russian sanctions

Citadele is closely monitoring the situation in Ukraine, business continuity is high on agenda and the bank is holding regular meetings to ensure full coordination. All new laws, policies and sanctions, including sanctions imposed on Russia, are implemented diligently. Citadele's focus is the Baltic region and there is no direct exposure to Russia, Belarus or Ukraine. As of today, Citadele has not experienced any material impact from the recent events in Ukraine or from Russian sanctions. The indirect impact from these events is monitored, as Citadele's clients and the economy is adjusting to the new situation.

Innovations and development

In Q2 2022 Citadele continued its digitalisation strategy. Improvements for digital onboarding were launched and onboarding time for SMEs was reduced from 30 to 6 minutes. In Retail segment focus was on refugees from Ukraine, which as customer group received possibility to onboard digitally with the help of Mobile banking application.

New version of Citadele's web page was launched for all Baltic countries focusing on user experience and customer service improvements. Bank's Leasing portal now ensures access to all information regarding remaining balances and upcoming payments. In Q2 Klix was launched in Estonia and overall Klix reached 600+ merchants across all three Baltic countries and Klix has now become a well-recognised e-commerce checkout solution.

Growing client base

The bank continues to attract new clients and we are proud for the trust we get from a record number of active customers – reaching 368 thousand clients as of 30 June 2022, 5% growth y-o-y. The number of active Mobile App users was 220 thousand, a 36% increase y-o-y.

EUR 646 million issued in new financing to Baltic private, SME and corporate customers

We have continued to support the business community with financing for growth and expansion. New financing to our customers reached EUR 646 million in H1 2022, 17% increase y-o-y. EUR 349 million were issued in Q2 2022, 17% growth q-o-q.

The total loan book as of 30 June 2022 was EUR 2,895 million, 7% higher vs. the year end 2021.

Overall, the financial standing of our clients is reassuring, and portfolio quality continued to improve and the NPL ratio stood at 3.0% as of 30 June 2022, vs. 3.3% at the end of 2021.

Strong financial results

Strong financial performance with a record high income in both Q2 and H1 2022. In H1 2022 operating income reached EUR 79.6 million, 8% growth y-o-y. In Q2 operating income was EUR 40.3 million, 4% growth y-o-y.

Baltic operations profit before impairment was EUR 34.8 million in H1, 6% higher than in the same period the last year. Profit before impairment in Q2 reached EUR 16.2 million.

Taking a prudent approach towards more uncertain macro-economic outlook, the bank has recognised net credit losses in amount of EUR 12.7 million in the first half of 2022 (EUR 6.6 million in second quarter of 2022). Baltic operations net profit reached EUR 21.4 million in H1 2022, which translated into 10.7% return on equity. In Q2 net profit reached EUR 9.3 million.

Continuing operations customer deposits slightly decreased by 3% vs. the year end 2021 and constituted EUR 3,683 million as of 30 June 2022.

Loan-to-deposit ratio was 79% as of 30 June 2022, compared to 73% as of the year end 2021.

Citadele continues to operate with adequate capital and liquidity ratios: CAR, transitional (including period's result) of 18.0% and LCR of 167% as of 30 June 2022.

Financial review of the Group

Results and profitability in Q2 2022 – Baltics

Net interest income reached EUR 26.6 million in Q2 2022, a 3% decrease as compared to Q1 2022, mainly impacted by higher interest expense driven by mandatory government deposit insurance cost. H1 2022 net interest income was EUR 54.0 million, 3% higher than in H1 2021.

The Group's **net fee and commission income** in Q2 2022 reached EUR 11.1 million, which translates into an 8% increase q-o-q, mainly due to recovered customer consumption and income from cards. H1 2022 net fee and commissions income reached EUR 21.4 million, 36% growth y-o-y.

Operating income in Q2 2022 reached EUR 40.3 million, 2% higher than in Q1 2022, supported by strong cards income. H1 2022 operating income was EUR 79.6 million, 8% higher than in H1 2021.

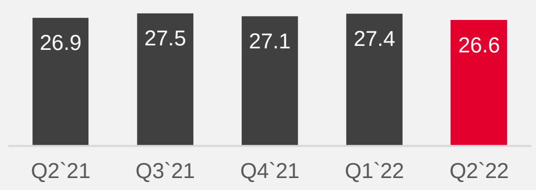
Cost base impacted by major investments made to ensure continuous development of attractive services and digital solutions, benefits of which to be released in the following periods. Expense base also impacted by European Central Bank onboarding costs. **Operating expenses** in Q2 2022 were EUR 24.0 million, or 15% increase q-o-q. Staff costs increased by 11% to EUR 16.0 million, due to average wages increase impacted by inflation. The number of full-time employees was 1,358 vs. 1,335 as of 31 December 2021. Other costs were EUR 5.8 million (35% increase q-o-q). Depreciation and amortization expenses stood at EUR 2.2 million (5% increase q-o-q). H1 2022 operating expenses were EUR 44.9 million vs. EUR 41.0 million in H1 2021.

Citadele's **cost to income ratio** in Q2 2022 was 59.6% vs. 52.9% in Q1 2022. H1 2022 **cost to income ratio** was 56.3%.

Net credit losses in amount of EUR (6.6) million were recognised in Q2 2022 (EUR (12.7) million in H1 2022) following the worsening of macro-economic forecasts.

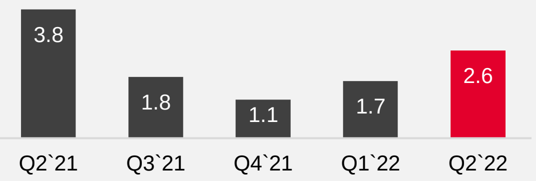
The overall credit quality of the loan book continued to improve and **Stage 3 loans to public,** gross ratio has decreased to 3.0% as of 30 June 2022, compared to 3.3% at the end of 2021, benefiting from recoveries from several legacy cases.

Net interest income, EURm

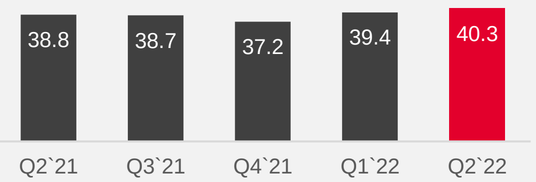


Net fee and commission income, EURm

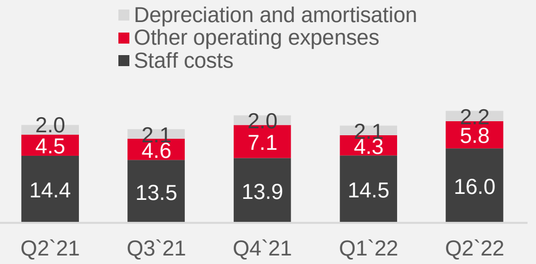
Net Financial & other income, EURm



Operating income, EURm



Operating expense, EURm



Balance sheet overview

The **Group's assets** stood at EUR 5,062 million as of 30 June 2022 remaining flat since the year end 2021 (EUR 5,055 million). As of 30 June 2022, Kaleido Privatbank AG (currently in the sales process) is presented as discontinued operations. Continuing operations assets were EUR 4,925 million as of 30 June 2022 (vs. EUR 4,916 million as of 31 December 2021).

The **net loan portfolio** of continuing operations was EUR 2,895 million as of 30 June 2022, increasing by EUR 200 million (7%) from the year end 2021.

New financing in Q2 2022 constituted EUR 349.0 million, 47% increase as compared to the respective period in 2021 and 17% more than in Q1 2022. EUR 112 million were issued to private customers, EUR 82 million to SMEs and EUR 155 million to corporate customers.

In terms of products, EUR 167.1 million were disbursed in regular (mortgage) loans (4% increase q-o-q), EUR 158.1 leasing and factoring (32% increase q-o-q), and EUR 23.7 million consumer and micro loans (42% increase q-o-q).

YTD new financing reached EUR 646.3 million, 17% increase as compared to H1 2021.

In terms of loan **portfolio's geographical profile**, Latvia accounted for 46% of the portfolio, with EUR 1,337 million (vs. 48% as of the year end 2021), followed by Lithuania at 38% with EUR 1,095 million (vs. 37% as of the year end 2021) and Estonia at 15% with EUR 449 million (vs. 14% as of the year end 2021). EUR 14 million (0.5% of the portfolio) was issued to EU and other countries.

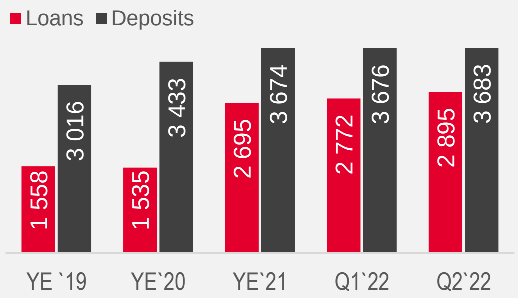
Loans to Households represented 44% of the portfolio (vs. 45% as of the year end 2021). Mortgages have increased by 6% since the year end 2021, and constituted EUR 831 million. Finance leases increased by 9% and reached EUR 334 million. Increase seen also in consumer lending - 22% vs. the year end 2021 (EUR 87 million). Card lending has slightly increased by 3% in Q2 2022 and was EUR 57 million. Overall, the main industry concentrations were Real estate purchase and management (13% of total gross loans), Manufacturing (8%), Transport and Communications (7%) and Trade (7%).

In Q2 2022 Group's securities portfolio increased by 1% q-o-q. Credit quality remained largely unchanged as holdings of AAA/Aaa and A rated bonds increased by EUR 15.2 million and EUR 17.6 million respectively while AA/Aa rated bonds decreased by EUR 8.3 million. In terms of issuers, the biggest increases have been government bonds of Latvia (EUR 23.6 million), Sweden (EUR 10 million) and Lithuania (EUR 5.8 million) as well as non-government bonds from Canada (EUR 4.1 million). Largest decreases have occurred in non-government bonds from the Netherlands (EUR 6.9 million) and other countries government bonds (EUR 7.7 million).

The main source of funding, **customer deposits** of continuing operations**, remained flat** vs. the year end 2021 and were EUR 3,683 million. Baltic domestic customer deposits formed 97% of total deposits or EUR 3,582 million (vs. 94% as of the year end 2021).

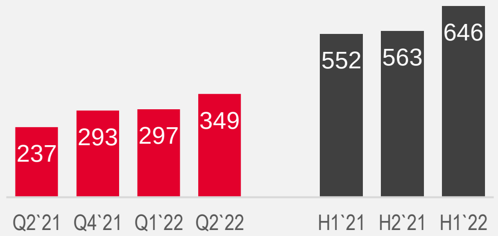
Loans and Deposits, EURm

Continuing operations

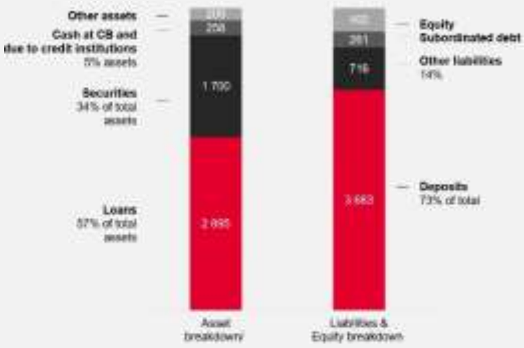


New financing, EURm

Continuing operations



Balance sheet structure, EURm



Ratings

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

The main credit strengths are:

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

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

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

Segment highlights

Retail segment

The number of active Retail customers reached a new all-time high level for Citadele, and primary customers continued to grow reaching 187 thousand clients as of 30 June 2022, a 13% increase y-o-y.

Following increase in electricity prices and growing customers' interest in the use of renewable energy resources, demand for loans for the purchase of solar panels has tripled in Q2 vs. Q1 2022. Increase seen also in number of consumer loans issued for home improvement and mortgage loans.

New lending to Retail customers reached EUR 194.1 million in Q2 2022, 16% growth q-o-q. EUR 112.1 million were issued to Private individuals (vs. 85.5 million in Q1 2022) and EUR 82.0 million to SMEs (vs. EUR 81.5 million in Q1 2022). H1 2022 new lending of private individuals and SMEs reached EUR 361.0 million.

Total loans to Private individuals and SME customers reached EUR 1,841 million, a 6% increase since the year end 2021 with good loan quality. Deposits from Private individuals and SMEs increased slightly by 2% vs. the year end 2021 and constituted EUR 2,681 million.

Demand for digital & remote services is increasing – more than 50% of customers opened account and applied for card remotely.

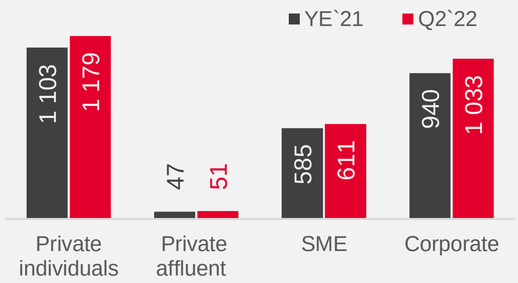
Development and digitalization ongoing for savings, investments & insurance products - digital tool for investment advice service providing a recommendation on the most suitable CBL AM fund was launched and will support customers throughout their life-cycle journey needs.

Corporate segment

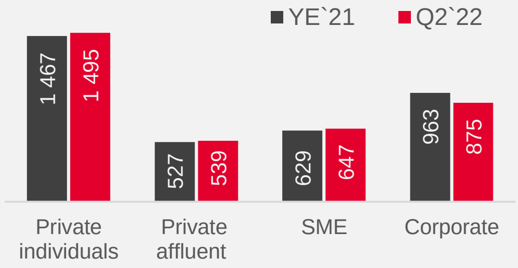
Corporate new financing in Q2 2022 reached EUR 155.0 million, 23% increase q-o-q. YTD new financing was EUR 285.3 million. Most active clients were in the real estate business, manufacturing, trade and transportation sectors. The total corporate loan portfolio grew by 10% compared to the year end 2021 and reached EUR 1,033 million. Credit portfolio quality is stable. The deposit portfolio decreased by 9% vs. the year end 2021 and was EUR 875 million as of 30 June 2022.

Despite Russia's invasion into Ukraine, Q2 and H1 2022 was very active for corporate clients. Demand for loans was high, however signals show that it could slow down in H2. Clients are more concerned regarding potential turbulences in the global economy and evaluate long term investment projects more carefully. Increasing energy cost was a driver for lower profitability in some manufacturing businesses and that starts to limit expansion plans for some companies. Transportation sector was still showing good results and high occupancy of the fleets, however supply of new trucks and equipment did not get back to pre-covid levels, which limited expansion in this sector. In the real estate segment, many acquisition transactions for cash flow objects was observed, and lower interest for development of new properties. Retail sector showed very good recovery as well. Overall it was a very positive quarter, with some rising challenges and concerns for the future.

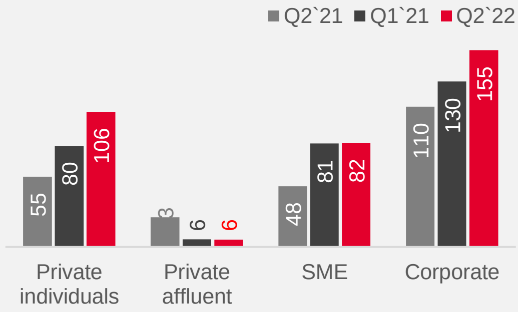
Loans, EURm



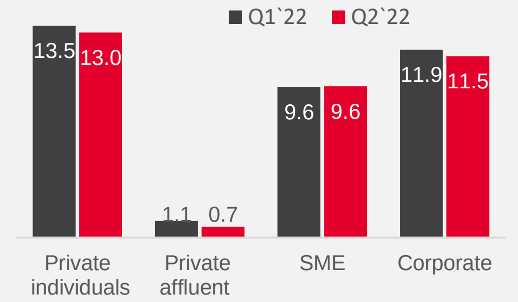
Deposits, EURm



New lending, EURm



Operating income, EURm



Business Environment

Global economic growth is slowing

Since the beginning of 2022 situation in the global economy has deteriorated as unexpectedly high inflation amplified by Russia's invasion into Ukraine and China's zero Covid-19 policy has become the main challenge for the global economy. Central banks have responded to high inflation by beginning to increase interest rates while business and consumer sentiment has deteriorated, and growth forecasts have declined.

In Europe energy crisis is additional risk to the economy as natural gas prices have increased by 1000% since the beginning of 2021 impacted by Russia’s reduced gas supplies to Europe. As a result, in July 2022, the International Monetary Fund reduced its global economic growth forecast for 2023 from 3.6% to 2.9% while in euro area growth forecast has been reduced to 1.2%.

High inflation weighs on growth in the Baltics

Economic situation in the Baltic region in H1 2022 remained positive despite war in Ukraine and high inflation, however in Q2 2022 GDP growth has begun to slow down. In Q2 2022, GDP grew by 2.6% y-o-y in Latvia, and 2.8% in Lithuania. Comparing to Q1 2022, GDP decline seen in both countries. In Estonia in Q1 2022 GDP grew by 4.7%. Economic recovery in the Baltics remains well ahead of euro area.

Since February 2022 economic sentiment in the Baltics has deteriorated significantly and consumer sentiment fallen to levels last seen at the start of Covid-19 pandemic. However most other indicators remain positive. Industrial output and retail sales have increased, labour market remain strong and loan growth in the Baltics has not changed although unprecedented gap has emerged between weak consumer sentiment, positive wages and retail sales.

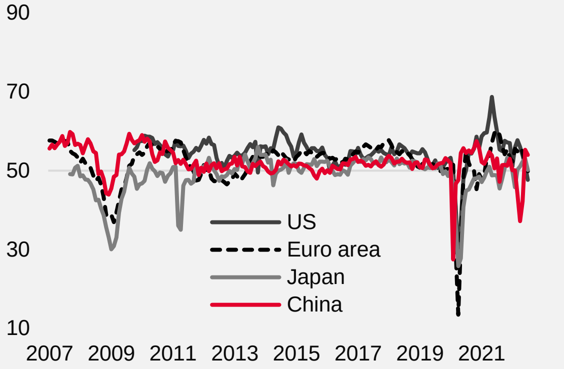
Economic outlook in the Baltics is highly uncertain

Risks to the economic outlook in the Baltic region have increased notably in recent months. Due to Russia’s actions energy prices in Europe are several times higher than in US and energy prices in the EU are likely to remain high in the near future. This significantly increases the cost of energy imports for Baltics and energy rationing during winter months cannot be ruled out. Inflation in the Baltics has reached 20% and is now two times higher than in euro area.

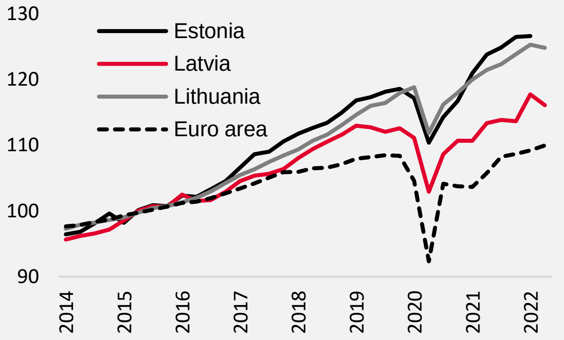
Governments have adopted support measures to offset price increases, but producer price inflation in the Baltics has reached 30% and pressure on consumer prices remains strong. These factors have made economic outlook in the Baltics highly uncertain and full impact of inflation will be felt only in the second half of the year.

At the same time stable domestic macroeconomic environment is underpinned by low levels of debt across all sectors of the economy in the Baltics, and companies in previous crises have demonstrated the ability to quickly adapt to changing market circumstances.

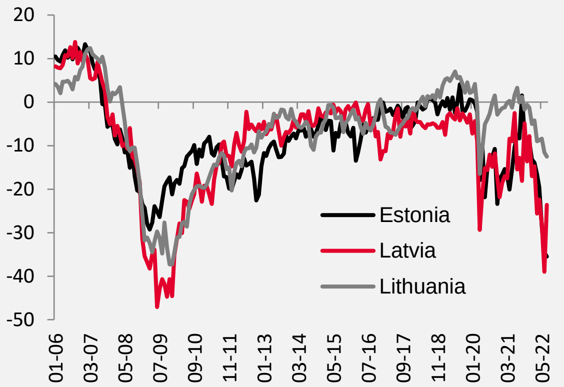
IHS Markit Composite PMI
(Values above 50 indicate expansion)



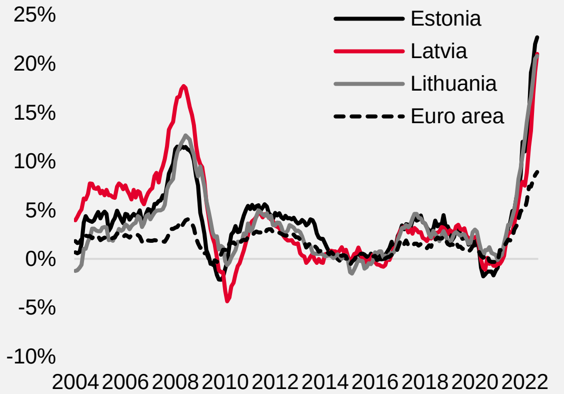
GDP (constant prices, 2015=100)



Consumer sentiment



Inflation (% year-on-year)



CORPORATE GOVERNANCE

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

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

Supervisory Board of the Bank as of 30/06/2022:

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

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

Management Board of the Bank as of 30/06/2022:

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

The condensed interim financial statements set out on pages 11 to 34 are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 30 June 2022 and 31 December 2021 and the results of their operations, changes in shareholders' equity and cash flows for the six months periods ended 30 June 2022 and 30 June 2021 in accordance with IAS 34 Interim Reporting as adopted by the European Union. The management report set out on pages 4 to 9 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

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

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

STATEMENT OF INCOME

	Note	6m 2022 Group	6m 2021 Group Represented discontinued operations	6m 2022 Bank	6m 2021 Bank
		EUR thousands			
Interest income	5	63,219	59,764	51,351	43,773
Interest expense	5	(9,250)	(7,301)	(9,179)	(7,128)
Net interest income		**53,969**	**52,463**	**42,172**	**36,645**
Fee and commission income	6	33,726	26,770	30,749	23,003
Fee and commission expense	6	(12,317)	(11,059)	(12,188)	(10,818)
Net fee and commission income		**21,409**	**15,711**	**18,561**	**12,185**
Net financial income	7	1,950	4,504	3,411	4,390
Net other income / (expense)	8	2,315	1,172	(218)	1,463
Operating income		**79,643**	**73,850**	**63,926**	**54,683**
Staff costs		(30,465)	(27,954)	(26,215)	(22,962)
Other operating expenses		(10,152)	(9,027)	(9,399)	(8,158)
Depreciation and amortisation		(4,242)	(4,029)	(4,058)	(3,786)
Operating expense		**(44,859)**	**(41,010)**	**(39,672)**	**(34,906)**
Profit before impairment		**34,784**	**32,840**	**24,254**	**19,777**
Net credit losses	9	(12,687)	3,753	(10,700)	(4,156)
Other impairment losses and other provisions		(67)	(107)	(72)	665
Operating profit from continuous operations		**22,030**	**36,486**	**13,482**	**16,286**
Result from non-current assets held for sale and discontinued operations		(1,824)	(2,857)	379	(102)
Operating profit		**20,206**	**33,629**	**13,861**	**16,184**
Income tax		(620)	(1,041)	(151)	(301)
Net profit		**19,586**	**32,588**	**13,710**	**15,883**
Basic earnings per share in EUR	18	0.12	0.21	0.09	0.10
Diluted earnings per share in EUR	18	0.12	0.21	0.09	0.10

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

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	6m 2022 Group	**6m 2021 Group**	**6m 2022 Bank**	**6m 2021 Bank**
Net profit	**19,586**	**32,588**	**13,710**	**15,883**
Other comprehensive income items that are or may be reclassified to profit or loss:				
Fair value revaluation reserve				
Fair value revaluation reserve charged to statement of income (Note 7)	1,521	727	1,521	(220)
Fair value revaluation reserve charged to statement of income from discontinued operations	(33)	(413)	-	-
Change in fair value of debt securities and similar	(18,137)	(2,210)	(13,384)	(950)
Deferred income tax charged / (credited) directly to equity	291	138	-	-
Other reserves				
Foreign exchange retranslation	969	(345)	-	-
Other comprehensive income items that may not be reclassified to profit or loss:				
Fair value revaluation reserve				
Change in fair value of equity and similar instruments	24	(44)	24	(44)
Transfer to retained earnings at disposal	-	-	-	-
Other comprehensive income / (loss)	**(15,365)**	**(2,147)**	**(11,839)**	**(1,214)**
Total comprehensive income	**4,221**	**30,441**	**1,871**	**14,669**

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

BALANCE SHEET

		EUR thousands			
	Note	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Assets					
Cash and cash balances at central banks		215,770	371,025	215,770	361,626
Loans to credit institutions		42,112	58,742	42,023	35,693
Debt securities	10	1,660,153	1,801,720	1,616,129	1,652,308
Loans to public	11	2,895,490	2,701,509	2,805,124	2,609,713
Equity instruments	12	1,892	1,279	1,892	1,279
Other financial instruments	12	29,490	42,032	1,114	7,400
Derivatives		8,701	4,303	8,701	4,303
Investments in related entities	13	182	279	76,989	77,087
Tangible assets		18,638	20,444	12,120	11,496
Intangible assets		7,891	8,562	6,056	6,083
Current income tax assets		2,142	1,927	1,117	871
Deferred income tax assets		2,548	2,676	2,179	2,179
Discontinued operations and non-current assets held for sale	14	137,212	946	21	946
Other assets		39,577	39,117	29,003	28,912
Total assets		**5,061,798**	**5,054,561**	**4,818,238**	**4,799,896**
Liabilities					
Deposits from credit institutions and central banks	15	479,163	479,235	491,191	499,628
Deposits and borrowings from customers	16	3,682,557	3,813,863	3,685,214	3,665,524
Debt securities issued	17	260,662	258,895	260,662	258,895
Derivatives		2,181	739	2,181	739
Provisions	9	4,704	3,934	4,629	3,882
Current income tax liabilities		3	197	-	189
Deferred income tax liabilities		375	376	-	-
Discontinued operations	14	134,227	-	-	-
Other liabilities		95,786	100,247	26,083	25,476
Total liabilities		**4,659,658**	**4,657,486**	**4,469,960**	**4,454,333**
Equity					
Share capital	18	156,888	156,888	156,888	156,888
Reserves and other capital components		(7,368)	7,320	(9,035)	2,127
Retained earnings		252,620	232,867	200,425	186,548
Total equity		**402,140**	**397,075**	**348,278**	**345,563**
Total liabilities and equity		**5,061,798**	**5,054,561**	**4,818,238**	**4,799,896**
Off-balance sheet items					
Guarantees and letters of credit	19	33,554	34,265	39,792	38,863
Financial commitments	19	363,616	387,943	363,310	431,065

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

STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands						
	Issued Share capital	**Share premium**	**Securities fair value revaluation reserve** *(Note 10)*	**Foreign currency retrans-lation**	**Share based payments**	**Retained earnings**	**Total equity**
Balance as of 31/12/2020	**156,556**	**-**	**4,247**	**4,138**	**1,880**	**177,489**	**344,310**
Share based payments to employees	-	-	-	-	236	283	519
Total comprehensive income	***-***	***-***	***(1,802)***	***(345)***	***-***	***32,588***	***30,441***
Net result for the period	-	-	-	-	-	32,588	32,588
Other comprehensive income / (loss) for the period	-	-	(1,802)	(345)	-	-	(2,147)
Balance as of 30/06/2021	**156,556**	**-**	**2,445**	**3,793**	**2,116**	**210,360**	**375,270**
Balance as of 31/12/2021	**156,888**	**239**	**158**	**4,805**	**2,118**	**232,867**	**397,075**
Share based payments to employees	-	-	-	-	677	167	844
Total comprehensive income	***-***	***-***	***(16,334)***	***969***	***-***	***19,586***	***4,221***
Net profit for the period	-	-	-	-	-	19,586	19,586
Other comprehensive income / (loss) for the period	-	-	(16,334)	969	-	-	(15,365)
Balance as of 30/06/2022	**156,888**	**239**	**(16,176)**	**5,774**	**2,795**	**252,620**	**402,140**

	Bank, EUR thousands					
	Issued Share capital	**Share premium**	**Securities fair value revaluation reserve** *(Note 10)*	**Share based payments**	**Retained earnings**	**Total equity**
Balance as of 31/12/2020	**156,556**	**-**	**2,589**	**1,880**	**156,574**	**317,599**
Share based payments to employees	-	-	-	236	282	518
Total comprehensive income	***-***	***-***	***(1,214)***	***-***	***15,883***	***14,669***
Net result for the period	-	-	-	-	15,883	15,883
Other comprehensive income / (loss) for the period	-	-	(1,214)	-	-	(1,214)
Balance as of 30/06/2021	**156,556**	**-**	**1,375**	**2,116**	**172,739**	**332,786**
Balance as of 31/12/2021	**156,888**	**239**	**(230)**	**2,118**	**186,548**	**345,563**
Share based payments to employees	-	-	-	677	167	844
Total comprehensive income	***-***	***-***	***(11,839)***	***-***	***13,710***	***1,871***
Net profit for the period	-	-	-	-	13,710	13,710
Other comprehensive income / (loss) for the period	-	-	(11,839)	-	-	(11,839)
Balance as of 30/06/2022	**156,888**	**239**	**(12,069)**	**2,795**	**200,425**	**348,278**

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

NOTES TO THE FINANCIAL STATEMENTS

If not mentioned otherwise, referral to the Group's policies and procedures should be also considered as referral to the respective Bank's policies and procedures. Figures in parenthesis represent amounts as of 31 December 2021 or for the six months period ended 30 June 2021.

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

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

NOTE 2. GENERAL INFORMATION

Citadele is a Latvian-based bank offering retail, private banking, asset management, lending, leasing and other commercial banking services. As of period end the Bank operates branches in Latvia, Lithuania and Estonia. AS Citadele banka is the parent company of the Group, which has a subsidiary bank in Switzerland and several financial services subsidiaries. The Group's main market is the Baltics (Latvia, Lithuania and Estonia). Citadele was registered as a joint stock company on 30 June 2010. Citadele commenced its operations on 1 August 2010. As of 30 June 2022, the Group had 1,358 (2021: 1,335) and the Bank had 1,121 (2021: 1,100) full time equivalent active employees.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These interim financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by European Union (EU) on a going concern basis. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in financial position and performance of the Group and the Bank since the last annual consolidated and Bank financial statements for the year ended 31 December 2020. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. This interim financial information should be read in conjunction with the 2021 annual financial statements for the Group and the Bank.

b) New standards and amendments

New standards, interpretations and amendments which were not applicable to the previous annual financial statements have been issued. Some of the standards become effective in 2022, others become effective for later reporting periods. In this section those relevant for the Group are summarised. Where the implementation impact was or is expected to be reasonably material it is disclosed.

Upcoming requirements not in force from 1 January 2022

Certain new standards, amendments to standards and interpretations have been endorsed by EU for the accounting periods beginning after 1 January 2022 or are not yet effective in the EU. These standards have not been applied in preparing these financial statements. The Group does not plan to adopt any of these standards early. The Group is in the process of evaluating the potential effect if any of changes arise from these new standards and interpretations.

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

The Group had set up an internal IFRS 17 implementation working group. Within the scope of the project, the Group reworks models, IT systems, processes and documentation which will be followed by final testing and validation. External expertise is to be attracted where and when deemed necessary. As much as possible the Group leverages existing processes, systems, models and data, although in certain areas new models and revisions to the existing models are needed to be developed. The Group is in the process of quantifying the expected impact, as of now having re-assessed part of the agreements. Total insurance liabilities recognised under the current standards are presented as other liabilities and amount to EUR 42.8 million.

Amendments to IAS 1 – Classification of liabilities as current or non-current
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policy
Amendments to IAS 8 – Definition of Accounting Estimate
Amendments to IAS 12 – Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

c) Functional and Presentation Currency

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

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

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

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

The comparative information as of 31 December 2021 and for the six months ended 30 June 2021 have been restated for comparability by applying the most recent segmentation methodology. Changes mostly relate to redistribution of previously separately reported exposures originated by SIA Citadele Leasing, SIA Citadele Factoring, UAB Citadele Factoring and OU Citadele Factoring into Private customers, SME, Corporate and Wealth segments.

Main business segments of the Group are:

Retail Private

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

Private affluent

Private banking services provided to clients serviced in Latvia, Lithuania and Estonia.

Retail SME

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

Corporate

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

Asset management

Advisory, investment and wealth management services provided to clients serviced in Latvia, Lithuania and Estonia. This segment includes operations of IPAS CBL Asset Management, AS CBL Atklātais Pensiju Fonds and AAS CBL Life.

Other

Group's treasury functions and other business support functions, including results of the subsidiaries of the Group operating in non-financial sector. This segment comprises discontinued operations, namely operations of Kaleido Privatbank AG (a Swiss registered banking subsidiary) which Citadele has agreed to sell. Refer to Note 14 (*Discontinued Operations*).

Segments of the Group

	Group 6m 2022, EUR thousands						
	Reportable segments						
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	Total
Interest income	23,433	845	13,697	19,890	137	5,217	63,219
Interest expense	(1,880)	(895)	(804)	(1,430)	(83)	(4,158)	(9,250)
Net interest income	**21,553**	**(50)**	**12,893**	**18,460**	**54**	**1,059**	**53,969**
Fee and commission income	10,585	1,873	7,382	7,216	3,417	3,253	33,726
Fee and commission expense	(5,456)	(489)	(2,494)	(3,690)	(200)	12	(12,317)
Net fee and commission income	**5,129**	**1,384**	**4,888**	**3,526**	**3,217**	**3,265**	**21,409**
Net financial income	618	630	1,286	1,187	(1,421)	(350)	1,950
Net other income	(802)	(221)	129	312	2,729	168	2,315
Operating income	**26,498**	**1,743**	**19,196**	**23,485**	**4,579**	**4,142**	**79,643**
Net funding allocation	1,001	918	354	(572)	8	(1,709)	-
FTP adjusted operating income	**27,499**	**2,661**	**19,550**	**22,913**	**4,587**	**2,433**	**79,643**
Net credit losses	(6,718)	(366)	(1,152)	(4,623)	4	168	(12,687)
Net result from continuous operations before operating expense	**20,781**	**2,295**	**18,398**	**18,290**	**4,591**	**2,601**	**66,956**
Not allocated income and expense, net (including discontinued operations)							(47,370)
Net profit / (loss)							**19,586**

	Group 6m 2021, EUR thousands (Reclassified for comparability)						
	Reportable segments						
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	Total
Interest income	21,403	915	14,096	17,517	128	5,705	59,764
Interest expense	(609)	(464)	(16)	(172)	(120)	(5,920)	(7,301)
Net interest income	**20,794**	**451**	**14,080**	**17,345**	**8**	**(215)**	**52,463**
Fee and commission income	8,059	2,767	5,712	5,481	3,955	796	26,770
Fee and commission expense	(5,084)	(580)	(1,913)	(2,831)	(297)	(354)	(11,059)
Net fee and commission income	**2,975**	**2,187**	**3,799**	**2,650**	**3,658**	**442**	**15,711**
Net financial income	332	405	958	665	181	1,963	4,504
Net other income	(358)	(110)	457	1,486	273	(576)	1,172
Operating income	**23,743**	**2,933**	**19,294**	**22,146**	**4,120**	**1,614**	**73,850**
Net funding allocation	(589)	222	(528)	(863)	9	1,749	-
FTP adjusted operating income	**23,154**	**3,155**	**18,766**	**21,283**	**4,129**	**3,363**	**73,850**
Net credit losses	732	248	2,339	95	-	339	3,753
Net result from continuous operations before operating expense	**23,886**	**3,403**	**21,105**	**21,378**	**4,129**	**3,702**	**77,603**
Not allocated income and expense, net (including discontinued operations)							(45,015)
Net profit / (loss)							**32,588**

	Group as of 30/06/2022, EUR thousands						
	Reportable segments						
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other (including discontinued operations)	Total
Assets							
Cash, balances at central banks	-	-	-	-	-	215,770	215,770
Loans to credit institutions	-	-	-	-	89	42,023	42,112
Debt securities	-	-	-	48,028	44,024	1,568,101	1,660,153
Loans to public	1,179,062	51,241	611,411	1,033,315	-	20,461	2,895,490
Equity instruments	-	-	-	-	-	1,892	1,892
Other financial instruments	-	-	-	-	28,376	1,114	29,490
All other assets	-	-	42	446	11,805	204,598	216,891
Total segmented assets	**1,179,062**	**51,241**	**611,453**	**1,081,789**	**84,294**	**2,053,959**	**5,061,798**
Liabilities							
Deposits from banks	-	-	60	-	-	479,103	479,163
Deposits from customers	1,494,817	538,746	646,720	875,439	67,148	59,687	3,682,557
Debt securities issued	-	-	-	-	-	260,662	260,662
All other liabilities	-	-	-	-	45,722	191,554	237,276
Total segmented liabilities	**1,494,817**	**538,746**	**646,780**	**875,439**	**112,870**	**991,006**	**4,659,658**

	Group as of 31/12/2021, EUR thousands (Reclassified for comparability)						
	Reportable segments					Other	
	Retail Private	Private affluent	Retail SME	Corporate	Asset Manage-ment	(including discontinued operations)	Total
Assets							
Cash, balances at central banks	-	-	-	-	-	371,025	371,025
Loans to credit institutions	-	-	-	-	3,201	55,541	58,742
Debt securities	-	-	-	49,547	48,445	1,703,728	1,801,720
Loans to public	1,103,479	46,845	584,912	940,293	-	25,980	2,701,509
Equity instruments	-	-	-	-	-	1,279	1,279
Other financial instruments	-	-	-	-	34,632	7,400	42,032
All other assets	-	-	-	1,953	6,799	69,502	78,254
Total segmented assets	**1,103,479**	**46,845**	**584,912**	**991,793**	**93,077**	**2,234,455**	**5,054,561**
Liabilities							
Deposits from banks	-	-	-	-	-	479,235	479,235
Deposits from customers	1,466,577	526,854	628,860	962,744	71,360	157,468	3,813,863
Debt securities issued	-	-	-	-	-	258,895	258,895
All other liabilities	-	-	-	125	44,969	60,399	105,493
Total segmented liabilities	**1,466,577**	**526,854**	**628,860**	**962,869**	**116,329**	**955,997**	**4,657,486**

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	6m 2022 Group	**6m 2021 Group** Represented discontinued operations	**6m 2022 Bank**	**6m 2021 Bank**
Interest income calculated using the effective interest method:				
Financial instruments at amortised cost:				
Loans to public	37,298	33,047	46,626	40,560
Debt securities	2,131	1,016	2,131	1,016
Cash balances at and lending to/from central banks and credit institutions (including TLTRO-III)	1,457	1,591	1,461	1,593
Deposits from public at negative interest rates	698	132	765	167
Debt securities at fair value through other comprehensive income	500	528	368	437
Interest income on finance leases (part of loans to public)	21,135	23,450	-	-
Total interest income	**63,219**	**59,764**	**51,351**	**43,773**
Interest expense on:				
Financial instruments at amortised cost:				
Deposits and borrowing from public	(3,874)	(4,465)	(3,842)	(4,314)
Debt securities issued	(3,457)	(1,808)	(3,457)	(1,808)
Deposits from credit institutions and central banks	(18)	(124)	(63)	(193)
Deposits to central banks and other assets at negative interest rates	(448)	(232)	(417)	(219)
Financial liabilities at fair value through profit or loss				
Deposits and borrowing from public	(52)	(73)	-	-
Lease liabilities	(24)	(33)	(21)	(28)
Other interest expense	(1,377)	(566)	(1,379)	(566)
Total interest expense	**(9,250)**	**(7,301)**	**(9,179)**	**(7,128)**
Net interest income	**53,969**	**52,463**	**42,172**	**36,645**

Effective interest rate on high-quality liquid assets is negative in certain central bank, central government and credit institution exposures. As the interest resulting from a negative effective interest rate on financial assets reflects an outflow of economic benefits, this is presented as interest expense. Similarly, an inflow of economic benefits from liabilities with negative effective interest rates (including TLTRO-III financing) is presented as interest income.

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	6m 2022 Group	6m 2021 Group Represented discontinued operations	6m 2022 Bank	6m 2021 Bank
Fee and commission income:				
Cards	21,790	14,678	21,791	14,678
Payments and transactions	5,341	5,136	5,351	5,143
Asset management and custody	3,536	4,070	864	886
Securities brokerage	250	303	252	306
Other fees	1,055	914	1,022	827
Total fee and commission income from contracts with customers	**31,972**	**25,101**	**29,280**	**21,840**
Guarantees, letters of credit and loans	1,754	1,669	1,469	1,163
Total fee and commission income	**33,726**	**26,770**	**30,749**	**23,003**
Fee and commission expense on:				
Cards	(9,968)	(8,804)	(9,967)	(8,804)
Payments and transactions	(1,698)	(1,561)	(1,698)	(1,533)
Asset management, custody and securities brokerage	(411)	(455)	(401)	(455)
Other fees	(240)	(239)	(122)	(26)
Total fee and commission expense	**(12,317)**	**(11,059)**	**(12,188)**	**(10,818)**
Net fee and commission income	**21,409**	**15,711**	**18,561**	**12,185**

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	6m 2022 Group	6m 2021 Group Represented discontinued operations	6m 2022 Bank	6m 2021 Bank
Foreign exchange trading, revaluation and related derivatives	4,116	3,549	4,029	3,522
Non-trading assets and liabilities at fair value through profit or loss	(2,020)	727	(472)	640
Assets at fair value through other comprehensive income	(1,521)	220	(1,521)	220
Assets at amortised cost	(3)	(2)	(3)	(2)
Modifications in cash flows which do not result in derecognition	1,378	10	1,378	10
Total net financial income	**1,950**	**4,504**	**3,411**	**4,390**

NOTE 8. OTHER OPERATING EXPENSES

	EUR thousands			
	6m 2022 Group	6m 2021 Group Represented discontinued operations	6m 2022 Bank	6m 2021 Bank
Information technologies and communications	(3,287)	(2,556)	(3,008)	(2,182)
Consulting and other services	(2,768)	(2,704)	(2,621)	(2,629)
Rent, premises and real estate	(1,088)	(1,282)	(1,029)	(1,104)
Advertising and marketing	(1,413)	(898)	(1,319)	(864)
Non-refundable value added tax	(860)	(1,056)	(799)	(983)
Other	(736)	(531)	(623)	(396)
Total other expenses	**(10,152)**	**(9,027)**	**(9,399)**	**(8,158)**

NOTE 9. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	6m 2022 Group	6m 2021 Group Represented discontinued operations	6m 2022 Bank	6m 2021 Bank
Loans to credit institutions	(159)	68	(159)	59
Debt securities	(283)	(29)	(288)	(28)
Loans to public	(12,689)	1,651	(10,695)	(5,815)
Loan commitments, guarantees and letters of credit	(832)	455	(745)	173
Recovered written-off assets	1,276	1,608	1,187	1,455
Total net losses on financial instruments	**(12,687)**	**3,753**	**(10,700)**	**(4,156)**

Allowances for credit losses are recognised based on the future loss expectations. The forward-looking information in the measurement of expected credit losses is implemented through adjustment for future economic development scenarios. As a result of events related to Covid-19 previously and more recent new risks, like Russia's invasion into Ukraine, which has pushed commodity prices higher, accelerating globally inflation and new supply chain disruption due to lockdowns in China, the adjustment for expected impact from future economic scenarios was revised (including management's impairment overlay). Due to the forward looking nature of the credit loss estimation, the increase in loss allowances does not necessarily represent an observable deterioration in the current credit quality of the loan portfolio (for detail refer to Note 11 (*Loans to Public*)), but is more a representation of a deterioration in the forward looking economic scenarios component.

In 2020 the Group and the Bank started recognising an impairment overlay for Stage 1 classified loans to public exposures. The impairment overlay addressed increased uncertainty regarding the forward-looking economic conditions in the unusual environment where duration and severity of Covid-19 situation and associated possible disruptions to the Baltic economies and customers of the Group was uncertain. The impairment overlay accounts for economic risks which point in time ECL models calibrated on historical data, despite being adjusted with forward-looking information, might not be fully capturing. The impairment overlay concept is maintained as other factors contributing to uncertainty continues to persist.

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

Classification of impairment stages

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

Allowances for credit losses and provisions

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Stage 1				
Loans to credit institutions	254	93	254	93
Debt securities	2,137	2,015	2,137	1,927
Loans to public	49,822	35,204	34,879	23,184
Loan commitments, guarantees and letters of credit	4,276	3,378	4,201	3,325
Total stage 1 credit losses and provisions	**56,489**	**40,690**	**41,471**	**28,529**
Stage 2				
Loans to public	10,058	10,702	7,405	8,873
Loan commitments, guarantees and letters of credit	270	358	270	358
Total stage 2 credit losses and provisions	**10,328**	**11,060**	**7,675**	**9,231**
Stage 3				
Loans to public	34,736	35,709	31,781	32,544
Loan commitments, guarantees and letters of credit	158	98	158	98
Total stage 3 credit losses and provisions	**34,894**	**35,807**	**31,939**	**32,642**
Total allowances for credit losses and provisions	**101,711**	**87,557**	**81,085**	**70,402**
Including for debt securities classified at fair value through other comprehensive income	*103*	*136*	*103*	*97*

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

NOTE 10. DEBT SECURITIES

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

	Group, EUR thousands					
	30/06/2022			31/12/2021		
	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	37,588	133,497	171,085	60,706	98,933	159,639
AA/Aa	18,525	246,464	264,989	37,904	268,521	306,425
A	165,904	982,440	1,148,344	225,476	1,024,958	1,250,434
BBB/Baa	11,298	15,948	27,246	16,118	19,059	35,177
Lower ratings or unrated	462	48,027	48,489	497	49,548	50,045
Total debt securities	**233,777**	**1,426,376**	**1,660,153**	**340,701**	**1,461,019**	**1,801,720**
Including general government	*163,046*	*1,062,404*	*1,225,450*	*217,119*	*1,096,043*	*1,313,162*
Including credit institutions	*11,960*	*147,706*	*159,666*	*35,606*	*163,270*	*198,876*
Including classified in stage 1	*233,777*	*1,426,376*	*1,660,153*	*340,701*	*1,461,019*	*1,801,720*

	Bank, EUR thousands					
	30/06/2022			31/12/2021		
	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	32,202	133,497	165,699	32,727	84,967	117,694
AA/Aa	18,525	246,464	264,989	14,703	256,295	270,998
A	137,627	982,440	1,120,067	184,238	1,011,665	1,195,903
BBB/Baa	1,399	15,948	17,347	1,498	16,668	18,166
Lower ratings or unrated	-	48,027	48,027	-	49,547	49,547
Total debt securities	**189,753**	**1,426,376**	**1,616,129**	**233,166**	**1,419,142**	**1,652,308**
Including general government	*142,611*	*1,062,404*	*1,205,015*	*185,496*	*1,083,706*	*1,269,202*
Including credit institutions	*4,636*	*147,706*	*152,342*	*5,219*	*151,193*	*156,412*
Including classified in stage 1	*189,753*	*1,426,376*	*1,616,129*	*233,166*	*1,419,142*	*1,652,308*

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

Debt securities by country of issuer

	Group, EUR thousands					
	30/06/2022			31/12/2021		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	578,450	45,189	623,639	590,023	45,847	635,870
Latvia	423,571	2,405	425,976	478,272	3,500	481,772
Germany	10,000	89,202	99,202	12,710	72,922	85,632
Estonia	76,432	21,154	97,586	75,608	21,374	96,982
Poland	66,946	5,711	72,657	70,246	6,060	76,306
Sweden	10,012	39,391	49,403	3,083	40,842	43,925
United States	10,752	27,643	38,395	12,718	34,527	47,245
Finland	-	30,744	30,744	5,000	30,910	35,910
Netherlands	10,502	15,802	26,304	10,651	33,504	44,155
Canada	-	36,878	36,878	-	41,933	41,933
Multilateral development banks	-	48,506	48,506	-	49,532	49,532
Other countries and funds	38,785	72,078	110,863	54,851	107,607	162,458
Total debt securities	**1,225,450**	**434,703**	**1,660,153**	**1,313,162**	**488,558**	**1,801,720**

	Bank, EUR thousands					
	30/06/2022			31/12/2021		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	572,471	43,674	616,145	582,026	44,111	626,137
Latvia	416,773	1,308	418,081	468,861	2,185	471,046
Germany	10,000	89,202	99,202	10,000	59,468	69,468
Estonia	76,432	19,126	95,558	75,608	19,230	94,838
Poland	66,176	3,042	69,218	66,246	3,075	69,321
Sweden	10,012	39,391	49,403	-	39,516	39,516
Finland	-	30,744	30,744	5,000	30,910	35,910
Netherlands	10,502	15,802	26,304	10,651	33,504	44,155
Canada	-	36,878	36,878	-	41,933	41,933
United States	10,752	21,510	32,262	12,718	34,527	47,245
Multilateral development banks	-	43,520	43,520	-	49,532	49,532
Other countries and funds	31,897	66,917	98,814	38,092	25,115	63,207
Total debt securities	**1,205,015**	**411,114**	**1,616,129**	**1,269,202**	**383,106**	**1,652,308**

No payments on the debt securities are past due. Total exposure to any single country within "Other countries" group as of period end is smaller than 10% of the regulatory capital.

NOTE 11. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Financial and non-financial corporations				
Real estate purchase and management	381,684	261,626	366,556	248,158
Manufacturing	227,644	232,824	117,305	121,038
Transport and communications	218,349	219,457	40,801	33,327
Trade	200,368	191,534	89,937	78,804
Agriculture and forestry	164,122	148,497	77,638	73,439
Construction	139,343	136,358	58,108	58,533
Electricity, gas and water supply	65,939	78,990	49,760	49,744
Hotels, restaurants	43,923	45,003	38,258	39,334
Financial intermediation	36,783	26,266	1,019,351	990,811
Other industries	165,762	178,615	22,529	35,068
Total financial and non-financial corporations	**1,643,917**	**1,519,170**	**1,880,243**	**1,728,256**
Households				
Mortgage loans	830,904	782,995	830,904	782,995
Credit for consumption	87,087	71,544	87,087	71,544
Card lending	57,302	55,794	57,302	55,794
Finance leases	334,029	307,597	-	-
Other lending	13,126	24,959	6,983	18,983
Total households	**1,322,448**	**1,242,889**	**982,276**	**929,316**
General government	**23,741**	**21,065**	**16,670**	**16,742**
Total gross loans to public	**2,990,106**	**2,783,124**	**2,879,189**	**2,674,314**
Impairment allowance and provisions	(94,616)	(81,615)	(74,065)	(64,601)
Total net loans to public	**2,895,490**	**2,701,509**	**2,805,124**	**2,609,713**

Loans by overdue days and impairment stage

Group, EUR thousands

	30/06/2022					31/12/2021				
	Gross amount					Gross amount				
	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance	Net carrying amount	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance	Net carrying amount
Loans to public										
Not past due	2,647,132	191,004	43,729	(59,580)	2,822,285	2,412,494	216,166	44,911	(44,319)	2,629,252
Past due <=30 days	37,520	18,634	5,597	(4,628)	57,123	38,085	10,287	993	(5,983)	43,382
Past due >30 and ≤90 days	-	6,371	2,683	(1,558)	7,496	-	15,100	7,635	(2,587)	20,148
Past due >90 days	-	-	37,436	(28,850)	8,586	-	-	37,453	(28,726)	8,727
Total loans to public	**2,684,652**	**216,009**	**89,445**	**(94,616)**	**2,895,490**	**2,450,579**	**241,553**	**90,992**	**(81,615)**	**2,701,509**
Guarantees and letters of credit	30,376	-	509	(421)	30,464	29,002	100	161	(222)	29,041
Financial commitments	357,499	5,880	237	(4,183)	359,433	378,107	9,217	275	(3,605)	383,994
Total credit exposure to public	**3,072,527**	**221,889**	**90,191**	**(99,220)**	**3,285,387**	**2,857,688**	**250,870**	**91,428**	**(85,442)**	**3,114,544**

As of 30 June 2022, the gross amount of Group's POCI loans to public is EUR 20.6 million (2021: EUR 26.1 million). The recognised expected credit loss allowance on POCI loans to public is EUR 0.1 million (2021: EUR 0.2 million). Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 19 (*Off-balance Sheet Items*).

Bank, EUR thousands

	30/06/2022					31/12/2021				
	Gross amount					Gross amount				
	Stage 1	Stage 2	Stage 3	Expected credit loss allowance	Net carrying amount	Stage 1	Stage 2	Stage 3	Expected credit loss allowance	Net carrying amount
Loans to public										
Not past due	2,652,568	127,624	25,550	(41,729)	2,764,013	2,435,524	141,440	27,492	(29,803)	2,574,653
Past due <=30 days	24,355	7,457	3,041	(3,250)	31,603	22,051	9,185	826	(5,738)	26,324
Past due >30 and ≤90 days	-	2,679	2,011	(1,044)	3,646	-	3,237	1,375	(1,220)	3,392
Past due >90 days	-	-	33,904	(28,042)	5,862	-	-	33,184	(27,840)	5,344
Total loans to public	**2,676,923**	**137,760**	**64,506**	**(74,065)**	**2,805,124**	**2,457,575**	**153,862**	**62,877**	**(64,601)**	**2,609,713**
Guarantees and letters of credit	36,614	-	509	(421)	36,702	33,601	100	161	(222)	33,640
Financial commitments	357,193	5,880	237	(4,108)	359,202	421,574	9,217	275	(3,552)	427,514
Total credit exposure to public	**3,070,730**	**143,640**	**65,252**	**(78,594)**	**3,201,028**	**2,912,750**	**163,179**	**63,313**	**(68,375)**	**3,070,867**

Stage 3 loans to public ratio

	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Stage 3 loans to public ratio, gross	**3.0%**	**3.3%**	**2.2%**	**2.4%**
Stage 3 loans to public ratio, net	**1.9%**	**2.0%**	**1.2%**	**1.2%**
Stage 3 impairment ratio	**39%**	**39%**	**49%**	**52%**

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

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

NOTE 12. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	30/06/2022				31/12/2021			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	29,490	1,689	-	31,179	42,032	1,076	-	43,108
Financial assets at fair value through other comprehensive income	-	79	124	203	-	79	124	203
Total non-fixed income securities, net	**29,490**	**1,768**	**124**	**31,382**	**42,032**	**1,155**	**124**	**43,311**
Including unit-linked insurance plan assets	*23,278*	*-*	*-*	*23,278*	*25,476*	*-*	*-*	*25,476*

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

As of 30 June 2022, the Bank and the Group has investments in mutual investment funds with carrying amounts of EUR 1.1 million (2021: EUR 7.4 million) and EUR 15.7 million (2021: EUR 25.8 million) which are managed by IPAS CBL Asset Management. Further, EUR 14.5 million (2021: EUR 15.2 million) of these Group's investments relate to unit-linked contracts, where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	30/06/2022				31/12/2021			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	1,114	1,689	-	2,803	7,400	1,076	-	8,476
Financial assets at fair value through other comprehensive income	-	79	124	203	-	79	124	203
Total non-fixed income securities, net	**1,114**	**1,768**	**124**	**3,006**	**7,400**	**1,155**	**124**	**8,679**

NOTE 13. INVESTMENTS IN RELATED ENTITIES

Changes in investments in related entities of the Bank

	EUR thousands	
	6m 2022	12m 2021
Balance at the beginning of the period, net	**77,087**	**46,756**
Equity investments and acquisitions	-	29,203
Investments in associates accounted for using the equity method	(98)	5
Liquidation of subsidiary	-	(8)
Change in impairment allowance	-	1,131
Balance at the end of the period, net	**76,989**	**77,087**
Including associates accounted for using the equity method	*182*	*279*
Including gross investment in subsidiaries	*99,731*	*99,731*

Acquisition of UniCredit leasing operations in the Baltics in 2021

In 2019 AS Citadele banka entered into a binding agreement with UniCredit S.p.A. to acquire UniCredit's Baltic leasing operations through the acquisition of 100% of the shares in SIA UniCredit Leasing. Citadele obtained full control from the beginning of January 2021. After completion of the acquisition transaction in 2021, the acquired entity was renamed to SIA Citadele Leasing. The acquisition includes Estonian and Lithuanian branches of the leasing entity and a subsidiary SIA CL Insurance Broker (former legal name SIA UniCredit Insurance Broker). After the acquisition, Citadele refinanced existing borrowings of the acquired entity and committed lending of up to EUR 880 million in total.

The acquired leasing subsidiary is one of the leaders in the Baltics, with more than 20 years of experience in the area of leasing and a demonstrated ability to deliver sustainable business growth. Following the acquisition Citadele's aggregate leasing portfolio exceeds EUR 1 billion, creating a stronger Baltic Leasing offering allowing for economies of scale, synergies and shareholder value.

Other changes in investments in other subsidiaries in 2021

SIA Hortus Land was liquidated on 27 September 2021 as the entity had no ongoing operations. Similarly, Calenia Investments Limited was liquidated in December 2021. On 1 April 2021 the legal name of the Swiss registered banking subsidiary AP Anlage & Privatbank AG was changed to Kaleido Privatbank AG. Similarly, in the reporting period SIA Citadele Līzings un Faktorings was renamed to SIA Citadele Factoring, UAB Citadele faktoringas ir lizingas was renamed to UAB Citadele Factoring and OU Citadele Leasing & Factoring was renamed to OU Citadele Factoring.

Consolidation Group subsidiaries and associated entities for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							30/06/2022	31/12/2021
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MT	-	-	-	-
SIA Citadele Leasing	40003423085	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	29,203	29,203
SIA Citadeles moduļi	40003397543	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	15,752	15,752
Kaleido Privatbank AG	130.0.007.738-0	Switzerland, Bellerivestrasse 17, 8008, Zürich	BNK	MS	100	100	13,805	13,805
SIA Citadele Factoring	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	8,043	8,043
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
UAB Citadele Factoring	126233315	Lithuania, Upės g. 21, Vilnius, LT-0812	LIZ	MS	100	100	2,149	2,149
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	858	859
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
OU Citadele Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
SIA Mobilly (Investments in associates accounted for using the equity method)	40003654405	Latvia, Dzirnavu iela 91 k-3 - 20, Rīga, LV-1011	ENI	CT	12.5	12.5	182	279
SIA CL Insurance Broker	40003983430	Latvia, Riga, Republikas laukums 2A	PLS	MMS	100	100	-	-
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
Total net investments in subsidiaries and associated entities							**76,989**	**77,087**

Consolidation Group subsidiaries in liquidation process in foreign jurisdictions

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							30/06/2022	31/12/2021
OOO Mizush Asset Management Ukraina (in liquidation)	32984601	Ukraine	IBS	MMS	100	100	-	-

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

OOO Mizush Asset Management Ukraina is in liquidation as this Group subsidiaries had no ongoing business operations. For OOO Mizush Asset Management Ukraina a liquidator (AA PricewaterhouseCoopers Legal) has been appointed. The final tax audit has been completed. The final report is being prepared and will be submitted as per statutory requirement; in due time a formal liquidation decision from the statutory register is expected.

NOTE 14. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

In January 2022, AS Citadele banka entered into a binding agreement with Trusted Novus Bank Limited regarding the sale of its Swiss subsidiary – Kaleido Privatbank AG. Trusted Novus Bank Limited will acquire 100% of Kaleido Privatbank AG. The closing of the acquisition is expected by year end 2022, subject to regulatory approvals. As the conditions indicate that the investment will be recovered principally through a sale transaction rather than through continuing, Kaleido Privatbank AG is presented as discontinued operations as of period end. The Management has a strong commitment to sale Kaleido Privatbank AG. The sale of Kaleido Privatbank AG is a further step focusing on Citadele's core activities in the Baltics and is in line with Citadele's long-term ambition to become the leading financial services provider in the Baltics.

Result from discontinued operations and non-current assets held for sale

	EUR thousands	
	6m 2022 Group	6m 2021 Group
Net interest income	768	775
Net fee and commission income	1,614	1,193
Other operating income and expense	(337)	174
Staff costs, other operating expenses, depreciation and amortisation	(3,967)	(4,875)
Net credit losses and other impairment losses	(240)	17
Income tax	(41)	(39)
Result from discontinued operations	**(2,203)**	**(2,755)**
Result from non-current assets held for sale	379	(102)
Result from non-current assets held for sale and discontinued operations	**(1,824)**	**(2,857)**

Assets and liabilities constituting discontinued operations

	EUR thousands	
	30/06/2022 Group	31/12/2021 Group *
Assets		
Cash, cash balances at central banks	8,239	-
Loans to credit institutions	17,646	-
Debt securities	97,269	-
Including:		
AAA/Aaa rated	*37,071*	-
AA/Aa rated	*31,901*	-
A rated	*20,641*	-
BBB/Baa rated	*7,657*	-
General government	*24,520*	-
Credit institutions	*28,984*	-
Classified in stage 1	*97,269*	-
Loans to public (all classified in stage 1)	11,502	-
Other assets	2,535	-
Discontinued operations	**137,191**	**-**
Non-current assets held for sale	21	946
Discontinued operations and non-current assets held for sale	**137,212**	**946**
Liabilities		
Deposits from credit institutions and central banks	1,196	-
Deposits and borrowings from customers	130,367	-
Other liabilities	2,664	-
Discontinued operations	**134,227**	**-**

* Assets and liabilities (as opposed to income statement items) of the discontinued operations are not re-presented for the comparative period as per requirements of the relevant financial reporting standards.

NOTE 15. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
ECB's targeted longer-term refinancing operations	474,363	475,810	474,363	475,810
Deposits from Citadele Group banks	-	-	12,028	20,393
Other credit institution deposits and collateral accounts	4,794	3,419	4,794	3,419
Other central bank deposits and accounts	6	6	6	6
Total deposits from credit institutions and central banks	**479,163**	**479,235**	**491,191**	**499,628**

On 24 June 2020, Citadele started to participate in the ECB's latest targeted longer-term refinancing operations (TLTRO-III) borrowing EUR 440 million. The maturity date of the facility is 28 June 2023 with an early repayment option starting on 29 September 2021. In June 2021 TLTRO-III borrowing was increased by EUR 40 million. From 24 June 2020 until June 2022 a basic interest rate on TLTRO-III borrowing has been -0.5%. The interest rate is linked to a reference rate which was changed in June 2022 and may change in the future. For banks meeting the ECB’s specified lending criteria, which Citadele has met for the reference periods up to 31 December 2021, the interest rate can be as low as -1.0% and is applicable retrospectively. Based on an internal assessment, part of the inflow of economic benefits from TLTRO-III borrowing with negative effective interest rate, which may be justified as market rate, is recognised within interest income. The remainder is a benefit of the below-market rate of interest and is recognised within other income as a support or compensation for the fulfilment of the required obligations and supporting customer needs.

NOTE 16. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	30/06/2022 Group	31/12/20201 Group	30/06/2022 Bank	31/12/2021 Bank
Households	2,040,620	2,048,986	2,038,694	2,001,336
Non-financial corporations	1,401,707	1,493,271	1,388,113	1,386,755
Financial corporations	165,981	214,207	184,159	220,034
General government	52,783	44,682	52,783	44,682
Other	21,466	12,717	21,465	12,717
Total deposits from customers	**3,682,557**	**3,813,863**	**3,685,214**	**3,665,524**

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Demand deposits	3,469,006	3,464,832	3,501,070	3,366,093
Term deposits due within:				
less than 1 month	55,672	61,678	55,402	58,141
more than 1 month and less than 3 months	44,416	60,500	40,490	51,867
more than 3 months and less than 6 months	22,989	37,064	19,126	27,036
more than 6 months and less than 12 months	38,231	128,875	35,428	122,432
more than 1 year and less than 5 years	44,467	51,452	31,216	36,521
more than 5 years	7,776	9,462	2,482	3,434
Total term deposits	213,551	349,031	184,144	299,431
Total deposits from customers	**3,682,557**	**3,813,863**	**3,685,214**	**3,665,524**

Deposits and borrowings from customers by categories

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
At amortised cost	3,652,890	3,774,118	3,685,214	3,665,524
At fair value through profit or loss	29,667	39,745	-	-
Total deposits from customers	**3,682,557**	**3,813,863**	**3,685,214**	**3,665,524**
Including unit-linked insurance plan liabilities	*21,621*	*25,772*	-	-

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

NOTE 17. DEBT SECURITIES ISSUED

Publicly listed debt securities

ISIN code of the issued bond	Eligibility	Currency	Interest rate	Initial maturity date	Principal, EUR thousands	Amortised cost, EUR thousands 30/06/2022	Amortised cost, EUR thousands 31/12/2021
XS2393742122	MREL eligible	EUR	1.625%	22/11/2026	200,000	200,486	198,714
LV0000880102	Subordinated	EUR	5.00%	13/12/2031	40,000	40,098	40,104
LV0000880011	Subordinated	EUR	5.50%	24/11/2027	20,000	20,078	20,077
						260,662	**258,895**

Unsecured subordinated securities qualify for inclusion in the Bank's and the Group's Tier 2 capital. For details on capital adequacy refer to *Capital management* section of the Note 21 (*Risk Management*).

Issuance of subordinated bonds and MREL eligible senior unsecured bonds

On 17 November 2021, AS Citadele Banka completed issuance of EUR 200 million of senior unsecured preferred bonds (XS2393742122). The bonds were issued with five years maturity, with issuer's optional redemption date after four years. The purpose of the issuance is to meet Minimum Requirement for own funds and Eligible Liabilities (MREL). The senior unsecured preferred bonds were offered to institutional investors. In total almost 40 investors participated in the offering. Out of total order book 59% was received from Nordic and Baltic investors, 27% from UK and 14% from investors of other European countries. The bonds were issued at a spread of 185 basis points over the mid-swap rate. The new security was priced with a coupon of 1.625%. The bonds are listed on Euronext Dublin and Nasdaq Riga. As of the issuance date, the bonds are rated Baa3 by Moody's.

On 10 December 2021 AS Citadele banka completed an oversubscribed issuance of EUR 40 million bonds (LV0000880102) in the local Baltic market by this contributing to the development of the Baltic capital markets. The bonds were issued with ten years maturity, with issuer's optional redemption date after five years and with fixed interest rate of 5% per annum. The purpose of this issuance was to further improve Citadele's capital adequacy ratio as well as to refinance the previous outstanding subordinated bonds issued in 2016. Citadele aims to strengthen the bank's capital position and to support the bank's ongoing growth strategy providing active lending to small and medium sized enterprises. The unsecured subordinated bonds were offered to institutional and retail investors in Latvia, Lithuania and Estonia, as well as institutional investors located in the Member State of the EEA. Out of total order book 52% was received from investors in Latvia, 20% from Lithuania, 19% from Estonia and 9% from other EU countries.

Profile of the bondholders as of the last coupon payment date of the subordinated bonds

ISIN code of the issued bond	Last coupon or origination date	Number of bondholders	Legal and professional investors			Private individuals		
			Number	EUR th.	%	Number	EUR th.	%
LV0000880102	13/06/2022	282	117	26,060	65%	165	13,940	35%
LV0000880011	24/05/2022	76	42	16,780	84%	34	3,220	16%

NOTE 18. SHARE CAPITAL

The Bank has one class ordinary shares. As of the period end from the total Bank's registered capital EUR 156,888,384 (2021: EUR 156,888,384) was issued and fully paid while EUR 3,338,055 (2021: EUR 2,456,084) was registered as conditional capital. Subsequent to the period end, on 22 July 2022, the conditional capital was decreased to EUR 2,874,655, were issued and fully paid capital was increased to EUR 157,351,784. The conditional capital represents the maximum number of shares that may be allocated for awarding to employees as share options. No dividends were proposed and paid during the reporting period. Each ordinary share carries one vote, a share in profits and is eligible for dividends.

Shareholders of the Bank

	30/06/2022		31/12/2021	
	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]	36,305,601	36,305,601	42,772,216	42,772,216
Delan S.à.r.l.[2]	15,597,160	15,597,160	15,597,160	15,597,160
EMS LB LLC[3]	22,043,916	22,043,916	15,577,301	15,577,301
Amolino Holdings Inc.[4]	15,639,924	15,639,924	15,639,924	15,639,924
Shuco LLC[5]	12,297,697	12,297,697	12,297,697	12,297,697
Members of the Management Board of the Bank	302,732	302,732	302,732	302,732
Other shareholders	15,562,406	15,562,406	15,562,406	15,562,406
Total	**156,888,384**	**156,888,384**	**156,888,384**	**156,888,384**

[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] Amolino Holdings Inc. is beneficially owned by Mr James L. Balsilie
[5] Shuco LLC is beneficially owned by Mr Stanley S. Shuman

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.

	6m 2022 Group	6m 2021 Group	6m 2022 Bank	6m 2021 Bank
Profit for the period, EUR thousands	19,586	32,588	13,710	15,883
Weighted average number of the ordinary shares outstanding during the period in thousands	156,888	156,556	156,888	156,556
Basic earnings per share in EUR	**0.12**	**0.21**	**0.09**	**0.10**
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	156,888	156,556	156,888	156,556
Effect of share options in issue in thousands	1,275	1,137	1,275	1,137
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	**158,163**	**157,693**	**158,163**	**157,693**
Profit for the period, EUR thousands	19,586	32,588	13,710	15,883
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	158,163	157,693	158,163	157,693
Diluted earnings per share in EUR	**0.12**	**0.21**	**0.09**	**0.10**

NOTE 19. OFF-BALANCE SHEET ITEMS

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

Contingent liabilities and financial commitments outstanding

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Contingent liabilities:				
Outstanding guarantees	30,885	17,333	37,123	21,932
Outstanding letters of credit	2,669	16,932	2,669	16,931
Total contingent liabilities	**33,554**	**34,265**	**39,792**	**38,863**
Provisions for credit risk	(421)	(229)	(421)	(229)
Maximum credit risk exposure for guarantees and letters of credit	**33,133**	**34,036**	**39,371**	**38,634**
Financial commitments:				
Card commitments	117,827	122,102	117,845	122,118
Unutilised credit lines and loans granted, not fully drawn down	189,213	212,009	245,465	308,947
Factoring commitments	56,219	53,488	-	-
Other commitments	357	344	-	-
Total financial commitments	**363,616**	**387,943**	**363,310**	**431,065**
Provisions for financial commitments	(4,183)	(3,605)	(4,108)	(3,552)
Maximum credit risk exposure for financial commitments	**359,433**	**384,338**	**359,202**	**427,513**

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

NOTE 20. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Fixed income securities:				
Corporate bonds	151,930	193,845	-	-
Government bonds	61,587	71,233	-	-
Credit institution bonds	51,136	54,083	-	-
Other financial institution bonds	19,756	22,477	-	-
Total investments in fixed income securities	**284,409**	**341,638**	**-**	**-**
Other investments:				
Investment funds	540,438	641,845	-	-
Deposits with credit institutions	6,059	1,005	-	-
Compensations for distribution on behalf of deposit guarantee fund	10,313	12,049	10,313	12,049
Shares	90,079	116,175	-	-
Real estate	4,850	4,820	-	-
Loans	611	631	611	631
Other	40,595	31,777	-	-
Total other investments	**692,945**	**808,302**	**10,924**	**12,680**
Total assets under management	**977,354**	**1,149,940**	**10,924**	**12,680**

Customer profile on whose behalf the funds are managed

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Pension plans	698,658	814,908	-	-
Insurance companies, investment and pension funds	140,389	187,750	-	-
Other companies and government	21,956	19,397	10,924	12,680
Private individuals	116,351	127,885	-	-
Total liabilities under management	**977,354**	**1,149,940**	**10,924**	**12,680**

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;
- The risk limit system and strict controls are essential risk management elements. Control over risk levels and compliance with the imposed limits is achieved by the existence of structured risk limit systems for all material risks.

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

The main risks to which the Group is exposed are credit risk, market risk, interest rate risk, liquidity risk, currency risk and operational risk. Since 31 December 2021 the Group's exposure to market risk, interest rate risk, currency risk and operational risk has not changed materially. For each of these risks the Group has approved risk management policies and other internal regulations defining key risk management principles and processes, functions and responsibilities of units, risk concentration limits, as well as control and reporting system. For more details on the Group's risk management policies refer to the latest annual report of the Group and the interim disclosures below.

Events in Ukraine and Russian sanctions

The new laws, policies and sanctions, including sanctions imposed on Russia, are diligently implemented. Consistently with long standing Citadele's objective to become the leading financial services provider in the Baltics, internal risk exposure limits with Russia, other CIS countries and Ukraine have been low. As 30 June 2022 the carrying amount of the Group's direct credit exposures with parties domiciled in Russia, Belarus and Ukraine are less than EUR 2.0 million, from these less then EUR 0.1 million are classified as stage 2 or stage 3 exposures. Additionally, carrying value of the Bank's investments in collective investment funds with direct exposure to eastern Europe is around EUR 1.1 million. Of these funds, direct exposures to the above countries are only a part of the overall investment funds' holdings. The indirect impact from these events is regularly monitored.

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

	Group as of 30/06/2022, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	171,305	43,017	1,448	-	-	215,770
Loans to credit institutions	89	-	-	10,883	31,140	42,112
Debt securities	425,975	623,639	97,586	385,192	127,761	1,660,153
Loans to public	1,337,458	1,094,906	448,701	10,217	4,208	2,895,490
Equity instruments	124	-	-	79	1,689	1,892
Other financial instruments	15,656	-	-	13,517	317	29,490
Derivatives	8,553	14	-	134	-	8,701
Discontinued operations	2,012	1,746	35	77,336	56,062	137,191
Other assets	51,186	10,906	7,742	1,152	13	70,999
Total assets	**2,012,358**	**1,774,228**	**555,512**	**498,510**	**221,190**	**5,061,798**
Liabilities						
Deposits from credit institutions and central banks	477,026	60	-	369	1,708	479,163
Deposits and borrowings from customers	2,869,889	666,177	46,059	17,361	83,071	3,682,557
Debt securities issued	260,662	-	-	-	-	260,662
Derivatives	980	-	-	1,201	-	2,181
Discontinued operations	6,920	-	3,027	34,184	90,096	134,227
Other liabilities	77,532	12,117	11,125	66	28	100,868
Total liabilities	**3,693,009**	**678,354**	**60,211**	**53,181**	**174,903**	**4,659,658**
Off-balance sheet items						
Contingent liabilities	7,818	22,519	647	96	2,474	33,554
Financial commitments	236,119	100,207	23,109	421	3,760	363,616

For additional information on geographical distribution of securities exposures please refer to Note 10 (Debt Securities). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments. From the Group's loans to credit institutions presented as "Other countries" EUR 25.4 million is with United States registered credit institutions (2021: EUR 23.6 million). From the Group's discontinued operations presented as "Other countries" EUR 8.2 million is central banks balances with Swiss National Bank (2021: EUR 9.4 million) and EUR 7.1 million are with Swiss credit institutions (2021: EUR 20.0 million).

	Group as of 31/12/2021, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	270,249	88,875	2,502	-	9,399	371,025
Loans to credit institutions	3,201	16	406	6,017	49,102	58,742
Debt securities	481,772	635,869	96,982	421,132	165,965	1,801,720
Loans to public	1,299,294	1,000,969	380,421	9,372	11,453	2,701,509
Equity instruments	124	-	-	79	1,076	1,279
Other financial instruments	25,759	-	-	15,811	462	42,032
Derivatives	4,182	15	-	106	-	4,303
Other assets	56,812	9,527	5,146	30	2,436	73,951
Total assets	**2,141,393**	**1,735,271**	**485,457**	**452,547**	**239,893**	**5,054,561**
Liabilities						
Deposits from credit institutions and central banks	477,065	-	-	2,153	17	479,235
Deposits and borrowings from customers	2,845,249	669,061	62,472	53,821	183,260	3,813,863
Debt securities issued	258,895	-	-	-	-	258,895
Derivatives	357	125	-	200	57	739
Other liabilities	76,081	12,177	12,463	32	4,001	104,754
Total liabilities	**3,657,647**	**681,363**	**74,935**	**56,206**	**187,335**	**4,657,486**
Off-balance sheet items						
Contingent liabilities	7,498	25,747	637	121	262	34,265
Financial commitments	229,014	131,811	23,153	322	3,643	387,943

	Bank as of 30/06/2022, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	171,305	43,017	1,448	-	-	215,770
Loans to credit institutions	-	-	-	10,883	31,140	42,023
Debt securities	418,081	616,144	95,558	370,692	115,654	1,616,129
Loans to public	1,907,100	655,824	228,189	10,006	4,005	2,805,124
Equity instruments	124	-	-	79	1,689	1,892
Other financial instruments	1,114	-	-	-	-	1,114
Derivatives	8,553	14	-	134	-	8,701
Other assets	98,827	10,149	3,708	983	13,818	127,485
Total assets	**2,605,104**	**1,325,148**	**328,903**	**392,777**	**166,306**	**4,818,238**
Liabilities						
Deposits from credit institutions and central banks	477,026	60	-	369	13,736	491,191
Deposits and borrowings from customers	2,879,885	666,334	46,196	17,194	75,605	3,685,214
Debt securities issued	260,662	-	-	-	-	260,662
Derivatives	980	-	-	1,201	-	2,181
Other liabilities	23,101	6,300	1,215	63	33	30,712
Total liabilities	**3,641,654**	**672,694**	**47,411**	**18,827**	**89,374**	**4,469,960**
Off-balance sheet items						
Contingent liabilities	7,804	22,519	647	52	8,770	39,792
Financial commitments	237,779	94,654	30,360	421	96	363,310

For additional information on geographical distribution of securities exposures please refer to Note 10 (*Debt Securities*). From the Bank's loans to credit institutions presented as "Other countries" EUR 25.4 million with United States registered credit institutions (2021: EUR 23.6 million).

	Bank as of 31/12/2021, EUR thousands					
	Latvia	Lithuania	Estonia	Other EU countries	Other countries	Total
Assets						
Cash and cash balances at central banks	270,249	88,875	2,502	-	-	361,626
Loans to credit institutions	-	-	-	6,578	29,115	35,693
Debt securities	470,922	626,137	94,838	335,844	124,567	1,652,308
Loans to public	1,829,828	584,948	181,119	9,097	4,721	2,609,713
Equity instruments	124	-	-	79	1,076	1,279
Other financial instruments	7,400	-	-	-	-	7,400
Derivatives	4,182	15	-	106	-	4,303
Other assets	101,248	9,314	3,191	1	13,820	127,574
Total assets	**2,683,953**	**1,309,289**	**281,650**	**351,705**	**173,299**	**4,799,896**
Liabilities						
Deposits from credit institutions and central banks	477,065	-	-	2,153	20,410	499,628
Deposits and borrowings from customers	2,834,407	669,457	61,133	15,602	84,925	3,665,524
Debt securities issued	258,895	-	-	-	-	258,895
Derivatives	357	125	-	200	57	739
Other liabilities	22,127	6,565	809	32	14	29,547
Total liabilities	**3,592,851**	**676,147**	**61,942**	**17,987**	**105,406**	**4,454,333**
Off-balance sheet items						
Contingent liabilities	7,477	25,747	637	52	4,950	38,863
Financial commitments	266,091	138,314	26,229	322	109	431,065

Liquidity coverage ratio

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

		EUR thousands			
		30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
1.	Liquidity buffer	1,068,479	1,255,477	1,015,268	1,190,783
2.	Net liquidity outflow	638,936	635,011	717,070	727,528
3.	**Liquidity coverage ratio**	**167%**	**198%**	**142%**	**164%**

Net stable funding ratio

The net stable funding ratio (NSFR) is defined in the Regulation (EC) No 575/2013. NSFR is the ratio of the available amount of stable funding to the required amount of stable funding over one-year horizon. The minimum NSFR requirement is 100%.

		EUR thousands			
		30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
1.	Total available stable funding	3,781,872	3,872,201	3,742,859	3,749,691
2.	Total required stable funding	2,826,367	2,849,583	2,016,734	2,138,255
3.	**Net stable funding ratio**	**134%**	**136%**	**186%**	**175%**

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, rules and recommendations issued by supervisory authorities and other relevant regulations.

Capital adequacy is a measure of sufficiency of the Group's eligible capital resources to cover credit risks, market risks, operational risk and other specific risks arising predominantly from asset and off-balance sheet exposures of the Group. The regulations require credit institutions to maintain a Total Capital adequacy ratio of 8.0% of the total risk weighted exposure amounts. The rules also require 4.5% minimum Common Equity Tier 1 capital ratio and 6.0% minimum Tier 1 capital ratio.

Total SREP capital requirement (TSCR) requires capital to cover risks in addition to these covered by the regulation (EU) 575/2013. TSCR is established in a supervisory review and evaluation process (SREP) carried out by the supervisory authority. The 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 supervisory authority. As of the period end based on the assessment of the supervisory authority an additional 2.50% own funds requirement is determined to cover Pillar 2 risks. Thus, as of the period end Citadele shall at all times meet, on a consolidated basis, a total SREP capital requirement (TSCR) of 10.5% (which includes a Pillar 2 additional own funds requirement of 2.5% to be held in the form of 56.25% of Common Equity Tier 1 (CET1) capital and 75% of Tier 1 capital, as a minimum).

The Pillar 2 Guidance (P2G) is a bank-specific recommendation that indicates the level of capital that the ECB expects banks to maintain in addition to their binding capital requirements. It serves as a buffer for banks to withstand stress. The Pillar 2 Guidance is determined as part of the Supervisory Review and Evaluation Process (SREP) and for Citadele as of period end is set at 1.5%. Unlike the Pillar 2 Requirement, the Pillar 2 Guidance is not legally binding.

On top of the minimum capital adequacy ratios and the Pillar 2 additional capital requirements (TSCR), the Group and the Bank must comply with the capital buffer requirements. The buffer requirements must be reached by Common Equity Tier 1 capital. The capital conservation buffer both for the Group and the Bank is set at 2.50%, limiting dividend pay-out and certain other Tier 1 equity instrument buybacks, if the buffer threshold is not exceeded.

Citadele, being identified as "other systemically important institution" (O-SII), must also comply with the O-SII capital buffer requirement set by the supervisory authority at 1.50%.

Countercyclical capital buffer norms at each balance sheet date are calculated based on the actual risk exposure geographical distribution and the countercyclical buffer rates applicable for each geographical location. In reaction to the Covid-19 events most European countercyclical capital buffer requirements were decreased to 0%. Therefore, based on the regional distribution of the Group's exposures the effective countercyclical capital buffer requirement of the Group had decreased to almost 0%. Since then, some countries have announced planed future increases in countercyclical capital buffer levels which, after prespecified delay, one-by-one will start to become effective later in 2022.

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

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

Regulatory capital requirements of the Group on 30 June 2022

	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%
Pillar 2 additional own funds requirement (individually determined by the supervisory authority in the SREP, P2R)	1.41%	1.88%	2.50%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.50%	1.50%	1.50%
Countercyclical capital buffer	0.00%	0.00%	0.00%
Capital requirement	**9.91%**	**11.88%**	**14.50%**
Pillar 2 Guidance (P2G)	1.50%	1.50%	1.50%
Non-legally binding capital requirement with Pillar 2 Guidance	**11.41%**	**13.38%**	**16.00%**

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

Capital adequacy ratio (including net result for the period)

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Common equity Tier 1 capital				
Paid up capital instruments and share premium	157,127	157,127	157,127	157,127
Retained earnings	249,200	230,786	200,425	186,548
Regulatory deductions	(14,418)	(8,255)	(17,487)	(6,290)
Other capital components and transitional adjustments, net	4,258	9,634	4,323	5,173
Tier 2 capital				
Eligible part of subordinated liabilities	60,000	60,000	60,000	60,000
Total own funds	**456,167**	**449,292**	**404,388**	**402,558**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2,324,503	2,164,268	2,307,574	2,174,244
Total exposure amounts for position, foreign currency open position and commodities risk	1,879	10,916	1,872	10,916
Total exposure amounts for operational risk	206,624	206,624	162,314	162,314
Total exposure amounts for credit valuation adjustment	3,802	4,592	3,767	4,592
Total risk exposure amount	**2,536,808**	**2,386,400**	**2,475,527**	**2,352,066**
Common equity Tier 1 capital ratio	**15.6%**	**16.3%**	**13.9%**	**14.6%**
Total capital adequacy ratio	**18.0%**	**18.8%**	**16.3%**	**17.1%**

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

Transitional adjustments applied as of 30 June 2022

Capital adequacy calculation in accordance with the EU and the FCMC regulations permits transitional adjustments. The regulatory compliance is measured based on the transitional capital adequacy ratio. For transparency purposes the fully loaded capital adequacy ratio (i.e., excluding transitional adjustments) is also disclosed. The expectation is that in the medium term the transitional capital adequacy ratio will converge with the fully loaded capital adequacy ratio, as the transitional provisions expire at the end of 2022.

Most of the transitional provisions, if applied, allow for a favourable treatment of specific capital components or risk exposure items, resulting in a marginal improvement in the capital adequacy ratios. Application of the transitional provisions is mostly discretionary. An application decision is evaluated in the context of estimated positive impact on the capital adequacy ratio versus the resources required to develop the systems and the processes to implement each transitional provision.

The transitional provisions that the Group and the Bank has applied for the period end capital adequacy calculations:

The regulation (EU) 2017/2395 which permits specific proportion of the IFRS 9 implementation impact to be amortised over a five-year period (starting from 2018) for capital adequacy calculation purposes.

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

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

	EUR thousands			
	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Common equity Tier 1 capital, fully loaded	394,704	386,366	342,860	339,503
Tier 2 capital	60,000	60,000	60,000	60,000
Total own funds, fully loaded	**454,704**	**446,366**	**402,860**	**399,503**
Total risk exposure amount, fully loaded	**2,535,642**	**2,383,981**	**2,474,224**	**2,349,379**
Common equity Tier 1 capital ratio, fully loaded	**15.6%**	**16.2%**	**13.9%**	**14.5%**
Total capital adequacy ratio, fully loaded	**17.9%**	**18.7%**	**16.3%**	**17.0%**

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

Leverage ratio is calculated as Tier 1 capital versus the total exposure measure. The minimum requirement is 3%. The exposure measure includes both non-risk based on-balance sheet and off-balance sheet items calculated in accordance with the capital requirements regulation. The leverage ratio and the risk-based capital adequacy ratio requirements are complementary, with the leverage ratio defining the minimum capital to total exposure requirement and the risk-based capital adequacy ratios limiting bank risk-taking.

	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	7.7%	7.5%	6.9%	6.9%
Leverage Ratio – transitional definition of Tier 1 capital	7.7%	7.6%	7.0%	6.9%

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

The transitional capital adequacy ratio as of period end, if the net result since the latest audited financials as of 31 December 2021 is not included, for the Group is 17.3% and for the Bank is 15.8%; the transitional Tier 1 capital ratio for the Group is 14.9% and for the Bank is 13.4%. The fully loaded capital adequacy ratio, if the net result for the period is not included, for the Group is 17.2% and for the Bank is 15.7%; the fully loaded Tier 1 capital ratio for the Group is 14.8% and for the Bank is 13.3%.

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

The European Commission has adopted the regulatory technical standards (RTS) on the criteria for determining the minimum requirement for own funds and eligible liabilities (MREL) under the Banking Package (CRR2/CRD5/BRRD2/SRMR2). In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD 2, it requires that all institutions must meet an individual MREL requirement. The MREL requirement for each institution is comprised of several elements, including the required loss absorbing capacity of the institution, and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL include institution's own funds (within the meaning of the capital requirements directive), along with eligible liabilities subject to conditions set in regulation 2019/876.

As a part of the new Banking Package in 2020 the SRB published an updated MREL policy, effective from 2021. It requires MREL to be calculated based on both total risk exposure amount (TREA) and leverage ratio exposure (LRE) amount. Statutory subordination requirements will be set depending on the Group's classification and will be communicated individually in a MREL decision.

SRB has determined the consolidated intermediate MREL target for Citadele Group at the level of 18.03% of TREA or 5.18% of LRE, whichever is higher, to be met by 1 January 2022 and the final calibrated MREL target to be met by 1 January 2024 at the level of 20.06% of TREA or 5.18% of LRE, whichever is higher. After the transition period the Group shall comply with MREL at all times on the basis of evolving amounts of TREA/LRE. As of 30 June 2022, the Group is in compliance with both TREA and LRE based intermediate MREL requirements.

The MREL targets were determined by the SRB using the financial and supervisory information as of 31 December 2020 and is expected to be updated by the SRB annually based on more recent financial information of the Group.

OTHER REGULATORY DISCLOSURES

Besides financial, corporate governance and other disclosures included in this interim report of AS Citadele banka, the Financial and Capital Market Commission's regulation No. 231 "Regulation on Preparation of Public Quarterly Reports of Credit institutions" requires several additional disclosures which are presented in this note.

Income Statement, regulatory format

	EUR thousands	6m 2022 Group	6m 2021 Group Represented discontinued operations	6m 2022 Bank	6m 2021 Bank
1.	Interest income	63,219	59,764	51,351	43,773
2.	Interest expense	(9,250)	(7,301)	(9,179)	(7,128)
3.	Dividend income	15	24	15	24
4.	Commission and fee income	33,726	26,770	30,749	23,003
5.	Commission and fee expense	(12,317)	(11,059)	(12,188)	(10,818)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(1,524)	218	(1,524)	218
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	(2,020)	727	(472)	640
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	4,116	3,549	4,029	3,522
10.	Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11.	Other income	5,692	4,087	1,994	2,990
12.	Other expense	(3,294)	(2,939)	(2,129)	(1,551)
13.	Administrative expense	(40,617)	(36,981)	(35,614)	(31,120)
14.	Amortisation and depreciation charge *	(4,242)	(4,029)	(4,058)	(3,786)
15.	Gain or loss on modifications in financial asset contractual cash flows	1,378	10	1,378	10
16.	Provisions, net	(832)	455	(745)	173
17.	Impairment charge and reversals, net	(11,922)	3,191	(10,027)	(3,664)
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	(98)	-	(98)	-
20.	Profit or loss from non-current assets and disposal groups classified as held for sale	(1,824)	(2,857)	379	(102)
21.	**Profit before taxation**	**20,206**	**33,629**	**13,861**	**16,184**
22.	Corporate income tax	(620)	(1,041)	(151)	(301)
23.	**Net profit / loss for the period**	**19,586**	**32,588**	**13,710**	**15,883**
24.	**Other comprehensive income for the period**	**(15,365)**	**(2,147)**	**(11,839)**	**(1,214)**

* Group's depreciation charges for assets under operating lease contracts are presented within other operating expense as ease of assets is core business of the Group. These expenses are part of operating income.

Balance Sheet, regulatory format

	EUR thousands	30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
1.	Cash and demand balances with central banks	215,770	371,025	215,770	361,626
2.	Demand deposits due from credit institutions	18,295	36,743	18,206	13,710
3.	Financial assets designated at fair value through profit or loss	39,880	47,410	11,504	12,778
3.1.	*Including loans to public and credit institutions*	-	-	-	-
4.	Financial assets at fair value through other comprehensive income	233,980	340,905	189,956	233,370
5.	Financial assets at amortised cost	4,345,683	4,184,527	4,255,317	4,050,838
5.1.	*Including loans to public and credit institutions*	*2,919,307*	*2,723,508*	*2,828,941*	*2,631,696*
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	182	279	76,989	77,087
9.	Tangible assets	18,638	20,444	12,120	11,496
10.	Intangible assets	7,891	8,562	6,056	6,083
11.	Tax assets	4,690	4,603	3,296	3,050
12.	Other assets	39,577	39,117	29,003	28,912
13.	Non-current assets and disposal groups classified as held for sale	137,212	946	21	946
14.	**Total assets (1.+....+13.)**	**5,061,798**	**5,054,561**	**4,818,238**	**4,799,896**
15.	Due to central banks	474,370	475,816	474,370	475,816
16.	Demand liabilities to credit institutions	4,243	3,419	14,345	11,664
17.	Financial liabilities designated at fair value through profit or loss	31,848	40,485	2,181	739
17.1	*Including deposits from customers and credit institutions*	*29,667*	*39,745*	-	-
18.	Financial liabilities measured at amortised cost	3,914,102	4,033,012	3,948,352	3,936,567
18.1	*Including deposits from customers and credit institutions*	*3,653,440*	*3,774,117*	*3,687,690*	*3,677,672*
19.	Derivatives – hedge accounting	-	-	-	-
20.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21.	Provisions	4,704	3,934	4,629	3,882
22.	Tax liabilities	378	573	-	189
23.	Other liabilities	95,786	100,247	26,083	25,476

24.	Liabilities included in disposal groups classified as held for sale	134,227	-	-	-
25.	**Total liabilities (15.+...+24.)**	**4,659,658**	**4,657,486**	**4,469,960**	**4,454,333**
26.	Shareholders' equity	402,140	397,075	348,278	345,563
27.	**Total liabilities and shareholders' equity (25.+26.)**	**5,061,798**	**5,054,561**	**4,818,238**	**4,799,896**
28.	**Memorandum items**	**397,170**	**422,208**	**403,102**	**469,928**
29.	Contingent liabilities	33,554	34,265	39,792	38,863
30.	Financial commitments	363,616	387,943	363,310	431,065

ROE and ROA ratios

	6m 2022 Group	**3m 2021 Group**	**6m 2022 Bank**	**3m 2021 Bank**
Return on equity (ROE) (%)	9.80%	12.01%	7.90%	4.00%
Return on assets (ROA) (%)	0.77%	0.90%	0.57%	0.29%

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

Capital adequacy ratio

	EUR thousands	**30/06/2022 Group**	**31/12/2021 Group**	**30/06/2022 Bank**	**31/12/2021 Bank**
1	**Own funds (1.1.+1.2.)**	**437,920**	**449,292**	**390,678**	**402,558**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	377,920	389,292	330,678	342,558
1.1.1	*Common equity Tier 1 capital*	*377,920*	*389,292*	*330,678*	*342,558*
1.1.2	*Additional Tier 1 capital*	-	-	-	-
1.2	Tier 2 capital	60,000	60,000	60,000	60,000
2	**Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)**	**2,536,808**	**2,386,400**	**2,475,527**	**2,352,066**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	2,324,503	2,164,268	2,307,574	2,174,244
2.2	Total risk exposure amount for settlement/delivery	-	-	-	-
2.3	Total risk exposure amount for position, foreign exchange and commodities risks	1,879	10,916	1,872	10,916
2.4	Total risk exposure amount for operational risk	206,624	206,624	162,314	162,314
2.5	Total risk exposure amount for credit valuation adjustment	3,802	4,592	3,767	4,592
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)	**14.9%**	**16.3%**	**13.4%**	**14.6%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	263,764	281,904	219,279	236,715
3.3	Tier 1 capital ratio (1.1./2.*100)	**14.9%**	**16.3%**	**13.4%**	**14.6%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	225,712	246,108	182,146	201,434
3.5	Total capital ratio (1./2.*100)	**17.3%**	**18.8%**	**15.8%**	**17.1%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	234,976	258,380	192,636	214,393
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	101,472	95,456	99,021	94,083
4.1	Capital conservation buffer	63,420	59,660	61,888	58,802
4.2	Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3	Institution specific countercyclical buffer	-	-	-	-
4.4	Systemic risk buffer	-	-	-	-
4.5	Other systemically important institution buffer	38,052	35,796	37,133	35,281
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	14.9%	16.3%	13.4%	14.6%
5.3	Tier 1 capital ratio including line 5.1 adjustments	14.9%	16.3%	13.4%	14.6%
5.4	Total capital ratio including line 5.1 adjustments	17.3%	18.8%	15.8%	17.1%

Capital adequacy ratios here are calculated in accordance with the Basel III regulation as implemented via EU regulation 575/2013, directive 2013/36/EU and relevant FCMC regulations. In the disclosure above, in the Group's and the Bank's regulatory capital, audited profits and any losses accumulated up to the reporting date are included.

EUR thousands		30/06/2022 Group	31/12/2021 Group	30/06/2022 Bank	31/12/2021 Bank
1.A	**Own funds, IFRS 9 transitional provisions not applied**	**436,457**	**446,366**	**389,150**	**399,503**
1.1.A	Tier 1 capital, IFRS 9 transitional provisions not applied	376,457	386,366	329,150	339,503
1.1.1. A	*Common equity Tier 1 capital, IFRS 9 transitional provisions not applied*	*376,457*	*386,366*	*329,150*	*339,503*
2.A	**Total risk exposure amount, IFRS 9 transitional provisions not applied**	**2,535,642**	**2,383,981**	**2,474,224**	**2,349,379**
3.1.A	Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	14.8%	16.2%	13.3%	14.5%
3.3.A	Tier 1 capital ratio, IFRS 9 transitional provisions not applied	14.8%	16.2%	13.3%	14.5%
3.5.A	Total capital ratio, IFRS 9 transitional provisions not applied	17.2%	18.7%	15.7%	17.0%

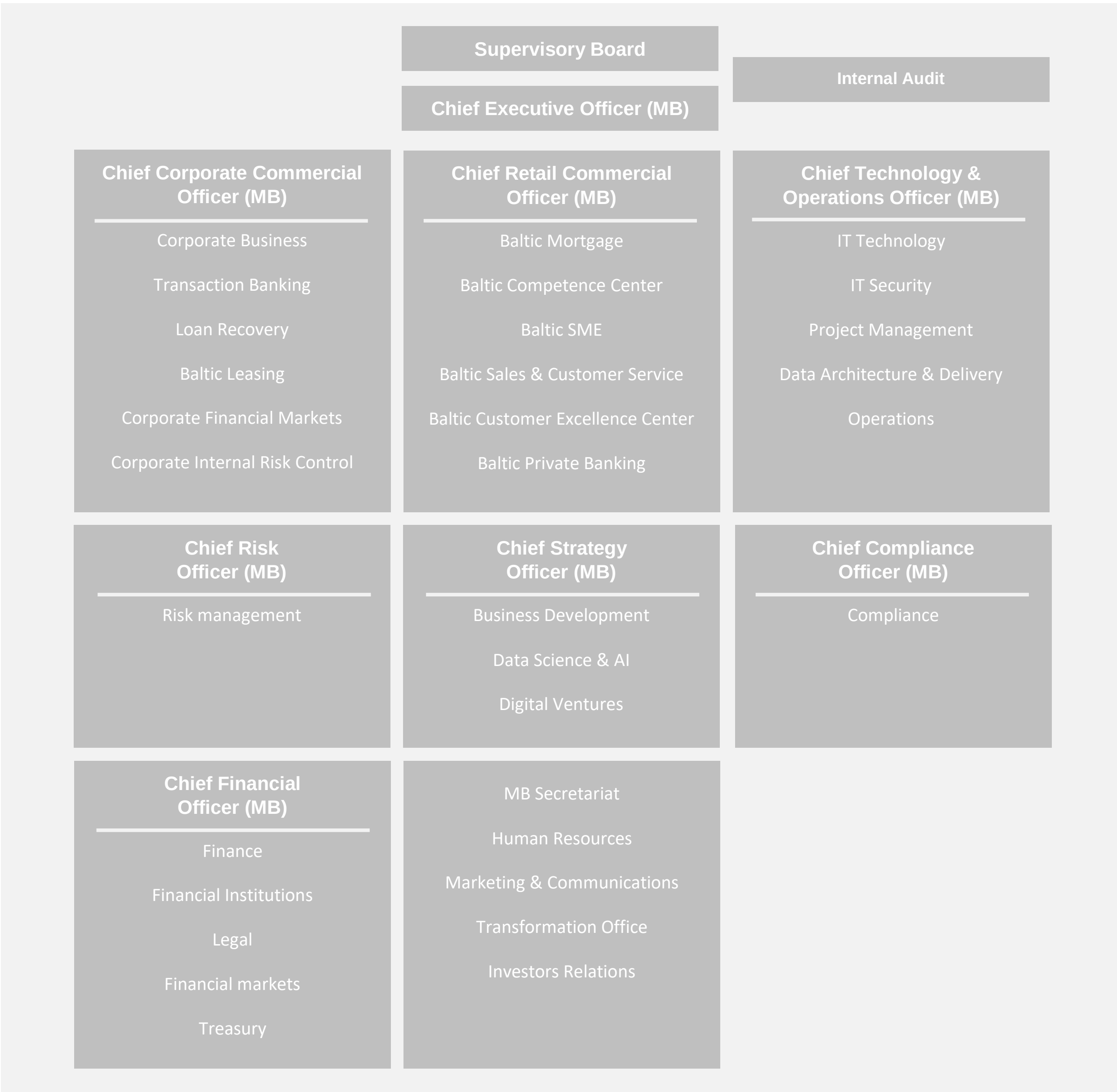
Business Strategy and Objectives

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

Branches

AS Citadele banka has 19 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. AS Citadele banka has 4 client consultation centres in Latvia. The Lithuanian branch has 6 customer service units in Lithuania. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section "Branches and ATMs".

Bank's Organizational Structure



QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

	Group, EUR thousands (Represented discontinued operations)				
	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Interest income	31,621	31,598	31,506	31,368	30,264
Interest expense	(5,042)	(4,208)	(4,448)	(3,910)	(3,410)
Net interest income	**26,579**	**27,390**	**27,058**	**27,458**	**26,854**
Fee and commission income	18,267	15,459	15,950	15,264	14,067
Fee and commission expense	(7,160)	(5,157)	(6,941)	(5,846)	(5,873)
Net fee and commission income	**11,107**	**10,302**	**9,009**	**9,418**	**8,194**
Net financial income	1,747	203	268	2,015	2,321
Net other income / (expense)	831	1,484	867	(212)	1,472
Operating income	**40,264**	**39,379**	**37,202**	**38,679**	**38,841**
Staff costs	(16,007)	(14,458)	(13,885)	(13,470)	(14,425)
Other operating expenses	(5,841)	(4,311)	(7,116)	(4,568)	(4,524)
Depreciation and amortisation	(2,169)	(2,073)	(2,040)	(2,051)	(2,030)
Operating expense	**(24,017)**	**(20,842)**	**(23,041)**	**(20,089)**	**(20,979)**
Profit before impairment	**16,247**	**18,537**	**14,161**	**18,590**	**17,862**
Net credit losses	(6,631)	(6,056)	(1,430)	(3,741)	6,872
Other impairment losses	(16)	(51)	(56)	(35)	(89)
Operating profit from continuous operations	**9,600**	**12,430**	**12,675**	**14,814**	**24,645**
Result from non-current assets held for sale and discontinued operations	(1,228)	(596)	(2,095)	(2,413)	(1,882)
Operating profit	**8,372**	**11,834**	**10,580**	**12,401**	**22,763**
Income tax	(347)	(273)	(274)	(250)	(648)
Net profit	**8,025**	**11,561**	**10,306**	**12,151**	**22,115**

	Group, EUR thousands				
	30/06/2022	31/03/2022	31/12/2021	30/09/2021	30/06/2021
Assets					
Cash and cash balances at central banks	215,770	340,992	371,025	370,806	486,072
Loans to credit institutions	42,112	53,341	58,742	78,725	60,020
Debt securities	1,660,153	1,639,206	1,801,720	1,729,212	1,684,213
Loans to public	2,895,490	2,772,321	2,701,509	2,602,470	2,456,803
Equity instruments	1,892	1,329	1,279	1,302	1,311
Other financial instruments	29,490	32,235	42,032	41,653	39,633
Derivatives	8,701	4,852	4,303	4,657	3,889
Investments in related entities	182	279	279	274	274
Tangible assets	18,638	20,090	20,444	22,643	23,770
Intangible assets	7,891	7,931	8,562	8,501	8,212
Current income tax assets	2,142	2,075	1,927	2,727	2,359
Deferred income tax assets	2,548	2,624	2,676	2,810	2,981
Discontinued operations and non-current assets held for sale	137,212	149,365	946	946	946
Other assets	39,577	34,417	39,117	52,263	35,447
Total assets	**5,061,798**	**5,061,057**	**5,054,561**	**4,918,989**	**4,805,930**
Liabilities					
Deposits from credit institutions and central banks	479,163	476,783	479,235	477,492	478,047
Deposits and borrowings from customers	3,682,557	3,676,082	3,813,863	3,893,309	3,797,982
Debt securities issued	260,662	260,545	258,895	61,000	60,088
Derivatives	2,181	1,648	739	1,476	1,120
Provisions	4,704	3,893	3,934	2,763	1,757
Current income tax liabilities	3	200	197	217	299
Deferred income tax liabilities	375	375	376	442	507
Discontinued operations	134,227	139,794	-	-	-
Other liabilities	95,786	101,804	100,247	94,631	90,860
Total liabilities	**4,659,658**	**4,661,124**	**4,657,486**	**4,531,330**	**4,430,660**
Equity					
Share capital	156,888	156,888	156,888	156,888	156,556
Reserves and other capital components	(7,368)	(1,486)	7,320	8,260	8,354
Retained earnings	252,620	244,531	232,867	222,511	210,360
Total equity	**402,140**	**399,933**	**397,075**	**387,659**	**375,270**
Total liabilities and equity	**5,061,798**	**5,061,057**	**5,054,561**	**4,918,989**	**4,805,930**
Off-balance sheet items					
Guarantees and letters of credit	33,554	24,170	34,265	44,596	46,144
Financial commitments	363,616	382,520	387,943	297,747	267,409

DEFINITIONS AND ABBREVIATIONS

ALCO – Assets and Liabilities Management Committee.

AML – anti-money laundering.

BRRD – the bank recovery and resolution directive.

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

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

CTF – combating terrorist financing.

ECB - European Central Bank.

EU – the European Union.

FCMC – Financial and Capital Markets Commission.

FMCRC – Financial Market and Counterparty Risk Committee.

GIC – Group’s Investment Committee.

IAS – International accounting standards.

ICAAP – internal capital adequacy assessment process.

IFRS – International financial reporting standards.

LCR – liquidity coverage ratio.

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

ML/TF – money laundering and terrorism financing.

MREL – minimum requirement for own funds and eligible liabilities.

NSFR – net stable funding ratio.

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

O-SII – other systemically important institution.

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

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

RTS – regulatory technical standards.

SRB – the Single Resolution Board.

SREP – supervisory review and evaluation process.

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

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

Stage 3 financial instruments – Credit-impaired exposures.

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

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

TLOF – total liabilities and own funds.

TLTRO – ECB's targeted longer-term refinancing operations

TSCR – SREP capital requirement.