

AS Citadele banka

Interim financial report

for the six month period
ended 30 June 2015



Citadele

<i>EUR millions</i>	Group			Bank		
	H1 2015	H1 2014	Change	H1 2015	H1 2014	Change
Net interest income	29.5	29.5	0%	23.7	24.7	(4%)
Net commission and fee income	17.2	16.2	6%	12.3	11.8	4%
Operating income	54.6	54.0	1%	41.3	44.5	(7%)
Administrative expenses	(32.8)	(30.8)	7%	(24.7)	(23.0)	8%
Impairment charge and reversals, net	(2.8)	(2.8)	(2%)	(4.4)	(4.1)	8%
Net profit	14.9	14.4	3%	10.1	14.1	(29%)
Return on average assets (ROA) ⁽¹⁾	1.06%	1.13%	(0.07pp)	0.88%	1.34%	(0.46pp)
Return on average equity (ROE) ⁽²⁾	15.7%	19.0%	(3.34pp)	11.0%	18.7%	(7.66pp)

<i>EUR millions</i>	Group			Bank		
	H1 2015	2014	Change	H1 2015	2014	Change
Total assets	2,768	2,855	(3%)	2,260	2,331	(3%)
Loans to companies and private individuals	1,082	1,076	1%	909	941	(3%)
Deposits from customers	2,408	2,517	(4%)	1,900	1,949	(3%)
Shareholders' equity	203	177	15%	193	173	11%
Loan-to-deposit ratio ⁽³⁾	45%	43%	2pp	48%	48%	(0pp)

- (1) Return on average assets (ROA) is calculated as annualised net profit for the relevant period divided by the average of total assets at the beginning and the end of the period.
- (2) Return on average equity (ROE) is calculated as annualised net profit for the relevant period divided by the average of total equity at the beginning and the end of the period.
- (3) Loan-to-deposit ratio is calculated as the carrying value of loans and receivables from customers divided by deposits from customers at the end of the relevant period.

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- **Stronger capital structure and good profitability**
Citadele Banka has seen improvements to operating income, common equity tier 1 ratio, its capital adequacy ratio and robust net profits.
- **First Latvian commercial bank to support a state programme for easier home purchases**
Citadele Banka offers state-guaranteed mortgage loans with more favourable conditions to Latvian families. In the first five days of the programme's launch, over 800 families sought a consultation about the programme and by the end of the first half of the year, Citadele has granted 117 of these loans.
- **Rating upgrade**
Moody's Investors Service upgraded Citadele Bank's long-term deposit ratings to B1 from B2. Additionally, Moody's has changed its long-term outlook for Citadele Banka to "positive".
- **Change of ownership**
In April, a consortium of investors led by Timothy Collins' Ripplewood Advisors LLC has completed purchase transaction with the Latvian Privatization Agency (VAS Privatizācijas aģentūra), acquiring 75% plus one share stake in Citadele Banka. The European Bank for Reconstruction and Development (EBRD) currently holds the remaining 25% minus one share of the bank's capital.
- **Increase of capital**
Shareholders increased the bank's share capital by EUR 10 million upon the acquisition. The bank's share capital now stands at EUR 156.6 million. The bank's regulatory capital increased by nearly EUR 19 million as a result of the share capital increase and changes in subordinated funding.
- **New Supervisory Board members**
The new Supervisory Board now includes seven new members. Timothy C. Collins and Elizabeth Critchley have been appointed as Chairman and Deputy Chairperson, respectively, while James L. Balsillie, Dhananjaya Dvivedi, David Shuman, and Lawrence N. Lavine have been newly elected to join them on the Supervisory Board. Geoffrey R. Dunn continues to serve as the EBRD's appointed board member together with newly appointed Sylvia Y. Gansser-Potts. Klāvs Vasks serves as an independent board member.

Dear shareholders,

The business environment in the first half of 2015 continued to be challenging. The downturn in Russia, Latvia's eastern neighbour, has implications for the Baltic economies. Businesses have broadly adapted to this situation, however, meaning the region should suffer minimal unforeseen consequences as a result. The Management Board does not expect the Baltic economies to see any major adverse effects from the growing tensions between Greece and the rest of the Eurozone members. Moderate increases in people's income, lower energy costs and savings on interest rate payments (owing to low interest rates) are helping to stimulate internal consumption. While the sentiment of Latvian entrepreneurs was pessimistic at the beginning of the year, according to our Citadele Index survey, the expectations for the second half of 2015 have grown more positive.

In the first six months of the year, Citadele Group ("the Group") increased its operating income by 1% to EUR 54.6 million, while its net profit increased by 3% to EUR 14.9 million, compared to the same period in 2014. We further strengthened the Group's capital structure, represented by the common tier 1 ratio and the adequacy ratio, which amounted to 10.7% and 12.8% respectively, as of 30 June 2015. In June, Moody's Investors Service upgraded the long-term deposit rating of Citadele Banka ("the Bank") to B1 from B2 and the outlook on the long term rating was left positive. This decision was taken in view of the improved financial results and profitability, as well as the increase in Citadele's loan portfolio quality. Furthermore, the rating agency has looked favourably on the privatisation of the Bank, which is allowing the bank to shape a stronger capital base than previously.

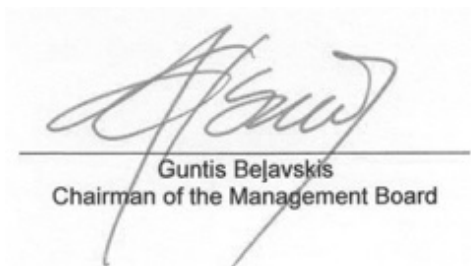
The sale of the Latvian state's 75% stake in Citadele to a consortium of international investors led by New York-based Ripplewood Advisors LLC is a major milestone in the history of the Group. After the transaction was completed in April 2015, shareholders voted to increase the size of the Supervisory Board of the Bank from five to nine. The newly elected Supervisory Board comprises seven new members who now sit alongside two representatives from the previous board. The new board members each bring a wealth of experience from different businesses, and we look forward to benefitting from their combined insights and acumen. The remaining 25% stake of the bank is still retained by the European Bank for Reconstruction and Development (EBRD).

In the first half of 2015, our payment cards business has seen particularly strong growth, with the number of cards issued surging by 20%. The uptake of online banking is also on the rise: 77% of our clients use it on a regular basis and that percentage is consistently growing. Another important initiative was the introduction of our mortgage loan offer to Latvian families. Citadele was the first commercial bank in Latvia offering state-guaranteed mortgages with more favourable conditions. The market has responded positively and by 30 June 2015, the Bank had entered into 117 such mortgage agreements.

Citadele's new shareholders are working with management to develop the Bank as the leading bank in Latvia in terms of quality and the diversity of products and services. We will continue to focus on customer relations' development. By offering easily to understand financial products and services that meet client requirements, we add value for customers and the real economy.

We appreciate and value the trust that our existing and new clients, shareholders and investors place in Citadele Group. We would like to take this opportunity to thank all our employees whose skill and dedication have secured our clients' continued loyalty to Citadele Group.

Sincerely,



Guntis Belavskis
Chairman of the Management Board

Riga,
21 August 2015

AS Citadele Banka ("the Bank") is the parent company of Citadele Group ("the Group"). As a joint stock company, Citadele is prefixed with the abbreviation "AS".

On 20 April 2015, the LPA completed the sale of its 75% stake in Citadele bank to a consortium of 12 international investors led by Ripplewood Advisors. The European Bank for Reconstruction and Development (EBRD) has retained a 25% stake.

On 20 April 2015, following the closing of the transaction, shareholders voted to increase the number of seats on the Supervisory Board and appointed seven new members to the board (see the changes below).

Name	Current position	Date of first appointment	End of current appointment
Timothy Clark Collins	Chairman of the Supervisory Board	20 April 2015	20 April 2020
Elizabeth Critchley	Deputy chairperson of the Supervisory Board	20 April 2015	20 April 2020
James Laurence Balsillie	Member of the Supervisory Board	20 April 2015	20 April 2020
Dhananjaya Dvivedi	Member of the Supervisory Board	20 April 2015	20 April 2020
Lawrence Neal Lavine	Member of the Supervisory Board	20 April 2015	20 April 2020
David Shuman	Member of the Supervisory Board	20 April 2015	20 April 2020
Geoffrey Richard Dunn	Member of the Supervisory Board	30 June 2010	20 April 2020
Sylvia Yumi Gansser-Potts	Member of the Supervisory Board	20 April 2015	20 April 2020
Klāvs Vasks	Member of the Supervisory Board	30 June 2010	20 April 2020
Aldis Greitāns	-	12 October 2012	20 April 2015
Baiba Anda Rubesa	-	12 October 2012	20 April 2015

The following persons constitute Citadele's Supervisory Board:

Timothy C. Collins is the Chief Executive Officer of Ripplewood Advisors LLC, an investment firm based in the US. Over the last 20 years, Ripplewood has successfully invested in and stimulated growth at international companies based in Europe, the Middle East and Asia. Before founding Ripplewood, Mr Collins held executive positions with Onex Corporation, Lazard Freres & Company, Booz Allen & Hamilton and Cummins Engine Company. He currently serves on the Board of Directors of Palm Hills Developments SAE. Mr Collins holds a BA in Philosophy from DePauw University and an MBA in Public & Private Management from Yale University.

Elizabeth Critchley is a Partner of Ripplewood Advisors Limited. Prior to Ripplewood, Mrs Critchley was a Founding Partner of Resolution Operations, which raised £660 million via a listed vehicle at the end of 2008, and went on to make three acquisitions from the financial services sector. Until forming Resolution Operations, Mrs Critchley was a Managing Director at Goldman Sachs International where she ran the European FIG Financing business. She has structured, advised, or invested in transactions with more than fifty global financials and corporates. Mrs Critchley holds a First Class Honours Degree in Mathematics from University College London.

James L. Balsillie chairs the Board of Directors at the Sustainable Development Technology Canada (SDTC), an initiative that funds clean tech projects. Mr Balsillie was appointed to this role by the Canadian government in 2013. Mr Balsillie is a former Chairman and co-CEO of Research In Motion (BlackBerry) and founder of the Centre for International Governance Innovation (CIGI). He is also the founder of the Balsillie School of International Affairs (BSIA), Arctic Research Foundation, and co-founder of Communitech. Mr Balsillie was the private sector representative on the UN Secretary General's High Panel for Sustainability. His awards include: Mobile World Congress Lifetime Achievement Award, India's Priyadarshni Academy Global Award, Time Magazine World's 100 Most Influential People, and three times Barron's list of "World's Top CEOs". Mr Balsillie holds a Bachelor of Commerce from the University of Toronto, an MBA from Harvard Business School, and is a Fellow of the Institute of Chartered Accountants Ontario.

Dhananjaya Dvivedi headed the Banking Infrastructure Group and was the Corporate Executive Officer of Shinsei Bank from 2000 to 2010. Mr Dvivedi was instrumental in transforming Shinsei's IT platform as part of its strategy to improve customer service with conveniences such as online banking, 24-hr ATMs, and real-time data, while maintaining cost control. He has also served as the External Director of SIGMAXYZ Inc. from 2008 until 2011 and has since been involved in various research and advisory capacities for the development of new technologies to benefit society. Mr Dvivedi holds an engineering degree from the Madhav College of Engineering in India and an MBA from the Indian Institute of Management.

Lawrence N. Lavine is a Senior Managing Director of Ripplewood Advisors LLC following a 28-year career in investment banking. At Ripplewood, he focuses primarily on companies in the financial services and telecommunications industries. Mr Lavine was previously a Managing Director of Credit Suisse First Boston (CSFB) in its Mergers and Acquisitions Group. He joined CSFB in 2000 as part of the acquisition of Donaldson, Lufkin & Jenrette where he had been a managing director in M&A since 1987. Mr Lavine started his career on Wall Street at Kidder Peabody & Co. in 1976. He holds a BS from Northeastern University and an MBA from Harvard Business School.

David Shuman is a private investor focusing on media and technology companies. Mr Shuman founded Northwoods Capital Management, LLC, a New York-based investment fund that invests in global equity markets, as well as select private equity and venture capital opportunities. He is a life member at the Council on Foreign Relations, where he serves on the Advisory Board of the Center for Preventative Action, and is a Trustee of the Solomon R. Guggenheim Foundation, where he serves on the Collections Council. Mr Shuman holds a BA from Williams College and an MBA from Harvard Business School.

Geoffrey R. Dunn has been a Supervisory Board member nominated by the European Bank for Reconstruction and Development since Citadele Banka was established in 2010. Previously, Mr Dunn worked as Chief Financial Officer of the UK's Northern Rock bank during its restructuring. He was also Business Finance Director for Co-operative Financial Services, Finance Director of the Bank of England and Chief Financial Officer of SWIFT. He held leading positions in several financial companies in the UK. Mr Dunn holds a Master in Computing from University of Manchester and a diploma in Business Administration from Manchester Business School.

Sylvia Y. Gansser-Potts is a Director in the Financial Institutions Team of the European Bank for Reconstruction and Development (EBRD). During her 23 years with the EBRD, she has successfully managed various financial divisions, supervising the operation of banks in Europe, North Africa and Middle East. She started her career at the investment company Swiss Bank Corporation (SBC) where she worked in Switzerland and Japan. Mrs Gansser-Potts holds a degree in business and economics from Dauphine Paris IX Université and an MBA from Insead.

Klāvs Vasks was Chairman of the Supervisory Board from the restructuring the bank in 2010 until April 2015. He now serves as an independent member of Citadele's Supervisory Board. Mr Vasks has 20 years of experience in the banking sector. He was vice president of the SEB Bank Latvia as well as director of the Restructuring Department and Large Company Services Department. From 2010 to 2015, he chaired the Latvian Guarantee Agency. Mr Vasks holds a bachelor's degree from the Banking University College and an MBA degree from the Rīga School of Business of the Rīga Technical University. Klāvs Vasks does not hold a position in another capital company.

The following persons constitute Citadele's current Management Board:

Name	Current position
Guntis Beļavskis	Chairman of the Management Board, per procura
Valters Ābele	Member of the Management Board, per procura
Kaspars Cikmačs	Member of the Management Board
Aldis Paegle	Member of the Management Board
Santa Purgaile	Member of the Management Board

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

Guntis Beļavskis, Chief Executive Officer (CEO) and Chairman of the Management Board

Member of the Management Board since 30 June 2010 and Chairman since 1 May 2012. Mr Beļavskis' managerial responsibilities include Marketing, Human Resources, Corporate Communication, and the Private Capital Management business. As Chairman of the Board he is responsible for the general management of the bank, and the implementation of the decisions and resolutions of the Management Board, the Supervisory Board and the Annual General Meeting.

Guntis Beļavskis, born 1973, has 13 years of experience in the banking sector and over 23 years of experience in business operations. In 2002, he was appointed head of the sales department of Parex banka. Following his promotion as head of sales and marketing he became head of the retail and SME services network. In December 2008, when the Latvian State took over Parex banka, Guntis Beļavskis was appointed to the new Management Board, and after the successful split-up, he assumed the same post at Citadele. He has a bachelor's degree in business management from the Riga Transport and Telecommunications Institute. Mr Beļavskis does not own any shares in AS Citadele Banka. He also does not hold a position in another capital company.

Aldis Paegle, Chief Financial Officer (CFO)

Mr Paegle was appointed as a Board member on 1 January 2014. His managerial responsibilities include Controlling and Accounting, and he is responsible for the financial management of the Group.

Mr Paegle, born 1979, has worked in the banking sector since 2006. He headed Citadele's Finance Division and since November 2013 he has led the Finance and Resources Directorate. He is a member of the Supervisory Board of the subsidiary of Citadele Banka IPAS CBL Asset Management (until 22 December 2014 named IPAS Citadele Asset Management), member of Supervisory Board of the subsidiary of Citadele Banka AAS CBL Life (until 22 December 2014 named AAS Citadele Life), member of Supervisory Board of the subsidiary of Citadele Banka AS CBL Atklātais Pensiju Fonds (until 22 December 2014 named AS Citadele Atklātais Pensiju Fonds), and member of Management Board of subsidiary of Citadele Banka SIA Citadele Express Kredīts. Prior to Citadele, Mr Paegle worked in the auditing industry, spending five years as a financial auditor for Ernst & Young Baltic with a focus on companies from the financial industry. He holds a bachelor's degree in business administration from the Vidzeme University College, and currently attends an Executive MBA programme at the Stockholm School of Economics. Mr Paegle does not own any shares in AS Citadele banka. He also does not hold a position in another capital company.

Valters Ābele, Risk Director

Mr Ābele has been a Board member since 30 June 2010.

He is responsible for risk analysis functions at Citadele and runs the Risk and Compliance Department. He is a member of the Supervisory Board of Citadele banka in Lithuania AB Citadele.

Mr Ābele, born 1975, previously managed the Credit Risk Department at Parex Banka. In December 2008, when the Latvian State took over Parex Banka, he was asked to join the new Board of the bank, and after the successful separation, he assumed the same post in the Management Board of Citadele. Mr Ābele has acquired extensive experience in auditing and financial consulting at companies such as Ernst & Young and Arthur Andersen. He is a member of Latvian Association of Sworn Auditors and Association of Chartered Certified Accountants. Valters Ābele holds a master's degree in business management and international economic relations from the University of Latvia. Mr Ābele does not own any shares in AS Citadele.

Santa Purgaile

Santa Purgaile was appointed as a Board member on 1 September 2012.

Ms Purgaile is responsible for the development and management of the banking group's business in Latvia and the Baltic States in relation to various aspects of client services. She is a member of the Supervisory Board of the Lithuanian subsidiary of Citadele Banka, AB Citadele bankas.

Santa Purgaile, born 1976, has 18 years of experience in the banking sector, including nine years at the management level in various areas of business. Prior to joining the Board, she ran the SEB Bank private banking business in Latvia and the Baltic States. Ms Purgaile has also served as director of SEB Bank's SME Business Support and as director of the Vidzeme region for the bank. She holds a bachelor's degree in business administration from the Turība School of Business and a master's degree in international economics and business from the University of Latvia. Ms Purgaile does not own any shares in AS Citadele banka.

Kaspars Cikmačs

Mr Cikmačs has been an Board member since 21 September 2010.


He is responsible for IT and the bank's operational services, including back office, security, real estate, archive and the Cash-In-Transit business line. He is a member of the Management Board of the Citadele Banka subsidiaries SIA Hortus Land, SIA Hortus Commercial, SIA Hortus Residential, SIA Hortus TC, SIA Hortus LH, SIA Hortus NI, SIA Hortus RE, SIA Hortus BR, SIA Hortus MD, SIA Hortus JU.


Kaspars Cikmačs, born 1977, has been working in banking since 1996. Previously, he headed the Hansabanka Help Desk and ran the Baltic IT Monitoring Department and IT maintenance processes. Kaspars Cikmačs became the Head of IT Operations at Swedbank Baltic Banking. He has a bachelor's degree in Computer Science from the University of Latvia, graduated from the Business Leadership Programme for top-performing managers at INSEAD University in France, and he has an Executive MBA degree from the Stockholm School of Economics. Mr Cikmačs does not own any shares in AS Citadele banka.

		EUR 000's			
		01/01/2015- 30/06/2015 Group	01/01/2014- 30/06/2014 Group	01/01/2015- 30/06/2015 Bank	01/01/2014- 30/06/2014 Bank
	Notes				
Interest income	5	39,570	38,585	32,078	32,286
Interest expense	5	(10,027)	(9,058)	(8,349)	(7,634)
Net interest income		29,543	29,527	23,729	24,652
Commission and fee income		24,500	22,956	18,481	17,453
Commission and fee expense		(7,287)	(6,722)	(6,168)	(5,647)
Net commission and fee income		17,213	16,234	12,313	11,806
Gain on transactions with financial instruments, net	6	6,286	6,900	4,184	5,565
Other income		1,533	1,351	1,098	2,495
Other expense		(306)	(584)	(184)	(235)
Administrative expenses		(32,800)	(30,766)	(24,747)	(22,990)
Amortisation and depreciation charge		(2,315)	(2,828)	(803)	(645)
Impairment charges and reversals, net	7	(2,789)	(2,843)	(4,379)	(4,070)
Profit before taxation		16,365	16,991	11,211	16,578
Income tax		(1,433)	(2,553)	(1,127)	(2,442)
Net profit for the period		14,932	14,438	10,084	14,136
Basic earnings per share in EUR		0.0992	0.0985	0.0670	0.0965
Weighted average number of shares outstanding during the period in thousands	14	150,478	146,556	150,478	146,556

The notes on pages 14 to 37 are an integral part of these interim condensed financial statements.

The Supervisory Board and the Management Board of the Bank approved the issue of these interim financial statements as presented from page 9 to 37 on 21 August 2015. The financial statements are signed on behalf of the Supervisory Board and the Management Board of the Bank by:


Guntis Bejavskis
Chairman of the Management Board


Klāvs Vasks
Member of the Supervisory Board


	EUR 000's			
	01/01/2015- 30/06/2015 Group	01/01/2014- 30/06/2014 Group	01/01/2015- 30/06/2015 Bank	01/01/2014- 30/06/2014 Bank
Net profit for the period	14,932	14,438	10,084	14,136
Other comprehensive income:				
<i>Fair value revaluation reserve: held to maturity securities</i>				
Amortisation	65	266	42	225
Deferred income tax charged directly to equity	(3)	(1)	-	-
<i>Fair value revaluation reserve: available for sale securities</i>				
Fair value revaluation reserve charged to statement of income	(2,333)	(1,654)	(785)	(696)
Change in fair value of available for sale securities	1,229	3,079	571	1,953
Deferred income tax charged / (credited) directly to equity	111	103	(16)	63
<i>Other reserves</i>				
Foreign exchange revaluation and other reserves	2,717	57	-	-
Other comprehensive income / (loss) for the period	1,786	1,850	(188)	1,545
Total comprehensive income for the period	16,718	16,288	9,896	15,681


Group's policy is to reclassify any change in restructuring reserve directly to retained earnings. All other amounts presented in other comprehensive income will be subsequently reclassified to income statement when specific conditions are met.

		EUR 000's			
	Notes	30/06/2015 Group	31/12/2014 Group	30/06/2015 Bank	31/12/2014 Bank
Assets					
Cash and balances with central banks		324,554	225,399	223,958	142,650
Balances due from credit institutions		296,922	509,404	328,360	464,273
Securities held for trading:					
- fixed income	8	15,603	20,295	-	-
- shares and other non-fixed income		5,439	3,655	-	-
Derivative financial instruments		2,003	5,929	2,013	5,963
Financial assets designated at fair value through profit or loss:	8				
- fixed income		85,139	84,851	-	-
- shares and other non-fixed income		17,147	12,598	-	-
Available for sale securities:					
- fixed income	8	542,325	541,591	435,175	433,337
- shares and other non-fixed income		17,499	16,605	11,924	11,081
Loans and receivables from customers	9	1,081,752	1,075,701	909,115	941,329
Held to maturity securities	8	251,024	229,252	211,647	192,977
Property and equipment		42,773	42,525	3,943	3,651
Intangible assets		1,796	1,708	1,523	1,456
Investment property		403	409	-	-
Investments in subsidiaries	10	-	-	61,595	61,605
Current income tax assets		272	437	-	-
Deferred income tax assets		29,010	30,073	27,638	28,735
Other assets		54,310	54,163	43,496	43,604
Total assets		2,767,971	2,854,595	2,260,387	2,330,661
Liabilities					
Derivative financial instruments		2,859	1,647	2,860	3,567
Financial liabilities designated at fair value through profit or loss	11	30,052	24,594	-	-
Financial liabilities measured at amortised cost:					
- balances due to credit institutions and central banks		30,799	25,036	93,152	116,997
- deposits from customers	12	2,408,256	2,517,107	1,899,552	1,948,751
- other financial liabilities		13,691	12,235	-	-
Current income tax liabilities		76	187	-	-
Other liabilities		24,833	23,482	17,654	14,453
Subordinated liabilities	13	53,976	73,596	53,976	73,596
Total liabilities		2,564,542	2,677,884	2,067,194	2,157,364
Equity					
Paid-in share capital	14	156,556	146,556	156,556	146,556
Reserves		2,323	545	1,806	1,994
Retained earnings		44,550	29,610	34,831	24,747
Total equity		203,429	176,711	193,193	173,297
Total liabilities and equity		2,767,971	2,854,595	2,260,387	2,330,661

The notes on pages 14 to 37 are an integral part of these interim condensed financial statements.

The Supervisory Board and the Management Board of the Bank approved the issue of these interim condensed financial statements as presented from page 9 to 37 on 21 August 2015. The financial statements are signed on behalf of the Supervisory Board and the Management Board of the Bank by:


Guntis Bejavskis
Chairman of the Management Board


Klāvs Vaskis
Member of the Supervisory Board

Changes in the Group's equity are as follows:

changes in the Group's equity are as follows:

	EUR 000's						
	Attributable to equity holders of the Bank						
	Issued share capital	Securities fair value revaluation reserve	Foreign exchange reserves	Other reser- ves	Restruc- turing reserve	Retained earnings/ (accumula- ted losses)	Total equity
Balance as at 31 December 2013	146,556	2,933	1,781	170	(4,710)	(3,282)	143,448
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	14,438	14,438
Other comprehensive income / (loss) for the period	-	1,793	57	-	-	-	1,850
Transactions with shareholders							
Transfer to other reserve	-	-	-	89	-	(89)	-
Balances as at 30 June 2014	146,556	4,726	1,838	259	(4,710)	11,067	159,736
Balance as at 31 December 2014	146,556	3,062	1,934	259	(4,710)	29,610	176,711
Total comprehensive income for the period							
Net profit for the period	-	-	-	-	-	14,932	14,932
Other comprehensive income / (loss) for the period	-	(931)	2,697	-	-	20	1,786
Transactions with shareholders							
Transfer to other reserve	-	-	-	12	-	(12)	-
Shares issued (see Note 14)	10,000	-	-	-	-	-	10,000
Balances as at 30 June 2015	156,556	2,131	4,631	271	(4,710)	44,550	203,429

Changes in the Bank's equity are as follows:

	EUR 000's			
	Attributable to equity holders of the Bank			
	Issued share capital	Securities fair value revaluation reserve	Retained earnings/ (accumula ted losses)	Total equity
Balance as at 31 December 2013	146,556	1,538	(4,498)	143,596
Total comprehensive income for the period				
Net profit for the period	-	-	14,136	14,136
Other comprehensive income / (loss) for the period	-	1,545	-	1,545
Balances as at 30 June 2014	146,556	3,083	9,638	159,277
Balance as at 31 December 2014	146,556	1,994	24,747	173,297
Total comprehensive income for the period				
Net profit for the period	-	-	10,084	10,084
Other comprehensive income / (loss) for the period	-	(188)	-	(188)
Transactions with shareholders				
Shares issued (see Note 14)	10,000	-	-	10,000
Balances as at 30 June 2015	156,556	1,806	34,831	193,193


The notes on pages 14 to 37 are an integral part of these interim condensed financial statement.


		EUR 000's			
	Notes	01/01/2015- 30/06/2015 Group	01/01/2014- 30/06/2014 Group	01/01/2015- 30/06/2015 Bank	01/01/2014- 30/06/2014 Bank
Cash flows from operating activities					
Profit before tax		16,365	16,991	11,211	16,578
Dividends received		-	-	(238)	(1,690)
Amortisation of intangible assets, depreciation of property, equipment and investment property		2,315	2,828	803	645
Change in impairment allowances and other provisions		2,789	2,843	4,379	4,070
Interest income		(39,570)	(38,585)	(32,078)	(32,286)
Interest expense		10,027	9,058	8,349	7,634
Other non-cash items*		(29,362)	1,276	(20,918)	1,059
Cash flows before changes in assets and liabilities		(37,436)	(5,589)	(28,492)	(3,990)
Change in derivative financial instruments		5,138	(1,107)	3,243	(1,690)
(Increase) / decrease in other assets		(411)	124	125	2,965
Increase / (decrease) in other liabilities		2,808	6,306	3,201	2,297
(Increase) / decrease in trading investments and items designated at fair value through profit or loss		3,529	(22,588)	-	-
(Increase) / decrease in balances due from credit institutions		346,586	15,203	116,623	378
(Increase) / decrease in loans and receivables from customers		(10,521)	(38,200)	27,627	(30,783)
Increase / (decrease) in balances due to credit institutions and central banks		984	(14,087)	11,337	(16,056)
Increase / (decrease) in deposits from customers		(109,734)	(20,470)	(50,217)	(83,973)
Cash generated from operating activities before corporate income tax		200,943	(80,408)	83,447	(130,852)
Interest received during the period		39,748	36,399	32,162	30,228
Interest paid during the period		(10,380)	(8,987)	(8,571)	(7,763)
Corporate income tax paid during the period		(218)	-	(47)	-
Net cash flows from operating activities		230,093	(52,996)	106,991	(108,387)
Cash flows from investing activities					
Purchase of property, equipment and intangible assets		(650)	(1,225)	(422)	(764)
Proceeds from disposal of property and equipment		10	70	10	-
Purchase of held-to-maturity securities		(38,831)	(45,937)	(37,476)	(30,116)
Proceeds from held-to-maturity securities		22,616	39,837	19,860	33,990
Purchase of available-for-sale securities		(150,201)	(179,201)	(95,142)	(118,082)
Cash inflows from available-for-sale securities		173,837	145,293	111,538	107,085
Dividends received		-	-	238	1,690
Acquisitions and investments in subsidiaries		-	-	-	(8)
Net cash flows from investing activities		6,781	(41,163)	(1,394)	(6,205)
Cash flows from financing activities					
Issued share capital		10,000	-	10,000	-
Repayment of subordinated liabilities		(18,400)	-	(18,400)	-
Net cash flow from financing activities		(8,400)	-	(8,400)	-
Net cash flows for the period		228,474	(94,159)	97,197	(114,592)
Cash and cash equivalents at the beginning of the period		369,011	605,946	419,225	502,860
Cash and cash equivalents at the end of the period	22	597,485	511,787	516,422	388,268

* Other non-cash items from operating activities in the 6 month period ended 30 June 2015 mostly relate to foreign exchange revaluation of securities investment.

The notes on pages 14 to 37 are an integral part of these interim condensed financial statements.

The Supervisory Board and the Management Board of the Bank approved the issue of these interim condensed financial statements as presented from page 9 to 37 on 21 August 2015. The financial statements are signed on behalf of the Supervisory Board and the Management Board of the Bank by:


Guntis Beļavskis
Chairman of the Management Board


Klāvs Vasks
Member of the Supervisory Board

If not mentioned otherwise, referral to 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 at 31 December 2014 or for the six month period ended 30 June 2014, unless stated otherwise.

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

These interim Group's consolidated and Bank's separate condensed financial statements have been authorised for issuance by the Management on 21 August 2015 and comprise the financial information of AS Citadele banka (hereinafter – the Bank) and its subsidiaries (together – the Group).

NOTE 2. GENERAL INFORMATION

The Bank was registered as a joint stock company on 30 June 2010. The Bank commenced its operations on 1 August 2010. The Bank was established as a result of implementation of an EC restructuring plan, which was approved by the Cabinet of Ministers of the government of Latvia in the spring of 2010 and pursuant to which AS Citadele Banka was to take over from AS Parex Banka certain assets and liabilities and other items, i.e. an undertaking. The transfer of undertaking took place on 1 August 2010.

The Bank's head office is located in Riga, Latvia. The legal address of the Bank is Republikas laukums 2a, Riga, LV-1010. As at 30 June 2015, the Bank was operating a total of 36 (2014: 36) branches and client service centres in Riga and throughout Latvia. The Bank has 2 (2014: 2) foreign branches and client service centres in Tallinn (Estonia). The Bank owns directly and indirectly 26 (2014: 26) subsidiaries, which operate in various financial markets sectors. The Bank is the parent company of the Group. In the reporting period the Privatisation Agency completed the sale of shares in the Citadele Bank. For more details on the change in shareholders please refer to Note 14 (*Issued Share Capital*).

The Group's main areas of operation include accepting deposits from customers, granting short-term and long-term loans to a wide range of customers and servicing payment cards, dealing with finance lease and foreign exchange transactions. The Group offers its clients also trust management and private banking services, performs local and international payments, as well as provides a wide range of other financial services.

As at 30 June 2015, the Group had 1,603 (2014: 1,583) employees and the Bank had 1,222 (2014: 1,180) employees.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in financial position and performance of the Group and Bank since the last annual consolidated and Bank financial statements for the year ended 31 December 2014. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS as adopted by European Union. These interim condensed financial statements should be read in conjunction with the 2014 full annual financial statements for the Group and the Bank.

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS as adopted by EU, except as disclosed below.

Adoption of new or revised standards and interpretations

Certain new standards, interpretations and amendments to the existing standards have been published that become effective for the accounting periods beginning on or after 1 January 2015 or later periods and which are not relevant to the Group or are not yet endorsed by the EU. The Group is in the process of evaluating the potential effect if any of these new standards and interpretations.

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 and its Latvian subsidiaries, and the Group's presentation currency, is the official currency of the Republic of Latvia, Euro (EUR). The accompanying financial statements are presented in thousands of Euros (EUR 000's).

Use of estimates in the preparation of financial statements

In preparing these condensed interim financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the financial statements as at and for the year ended 31 December 2014 (impairment of loans, impairment of securities classified as available for sale or held to maturity, impairment of other financial and non-financial assets, deferred tax asset recognition, and consolidation group).

The Bank and Group continue to monitor its and Group's loan portfolios and reassess impairment on a periodic basis in normal course of business. For details on changes in impairment please refer to Note 7 (*Impairment Charges and Reversals*).

Interim period income tax is accrued based on the estimated effective tax rate that would be applicable to the expected total annual earnings. Decrease in the Group's and the Bank's effective tax rate in the six month period ended 30 June 2015 as compared to the same period in 2014 mainly relates to changes in Latvian tax legislation which exempts certain income from taxable profits.

NOTE 4. RISK MANAGEMENT

All aspects of the Group's risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2014. Sensitivity to changes in interest rates was slightly lower than as at 31 December 2014, while susceptibility to foreign exchange rate volatility was at a similar level as compared to the year ended 31 December 2014.

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR 000's			
	01/01/2015- 30/06/2015 Group	01/01/2014- 30/06/2014 Group	01/01/2015- 30/06/2015 Bank	01/01/2014- 30/06/2014 Bank
Interest income on:				
- financial assets measured at amortised cost:	35,281	34,780	29,518	30,279
- <i>loans and receivables from customers</i>	31,748	30,775	26,566	26,442
- <i>balances due from credit institutions and central banks</i>	493	403	329	484
- <i>held-to-maturity securities</i>	3,040	3,602	2,623	3,353
- available-for-sale securities	3,582	2,933	2,560	2,007
- held for trading securities	204	285	-	-
- financial assets designated at fair value through profit or loss	503	587	-	-
Total interest income	39,570	38,585	32,078	32,286
Interest expense on:				
- financial liabilities measured at amortised cost:	(9,743)	(8,854)	(8,206)	(7,539)
- <i>deposits from customers</i>	(6,707)	(6,096)	(5,279)	(4,758)
- <i>subordinated liabilities</i>	(2,358)	(2,668)	(2,358)	(2,668)
- <i>balances due to credit institutions and central banks</i>	(677)	(89)	(569)	(113)
- <i>other financial liabilities</i>	(1)	(1)	-	-
- financial liabilities designated at fair value through profit or loss	(141)	(109)	-	-
- other interest expense	(143)	(95)	(143)	(95)
Total interest expense	(10,027)	(9,058)	(8,349)	(7,634)
Net interest income	29,543	29,527	23,729	24,652

In the current economic environment the overall effective interest rate on some high quality liquid assets has turned negative. The Group is mainly affected by negative interest rates applied on certain balances due from central banks and some credit institutions. As the interest resulting from a negative effective interest rate on financial assets reflects an outflow of economic benefits, this is presented as interest expense.

NOTE 6. GAIN ON TRANSACTIONS WITH FINANCIAL INSTRUMENTS, NET

	EUR 000's			
	01/01/2015- 30/06/2015 Group	01/01/2014- 30/06/2014 Group	01/01/2015- 30/06/2015 Bank	01/01/2014- 30/06/2014 Bank
Gain from foreign exchange trading and revaluation of open positions, net	3,498	5,097	2,684	4,868
Gain / (loss) from disposal of available for sale securities, net	2,333	1,654	785	696
Gain / (loss) from trading and revaluation of securities and derivatives held for trading purposes, net	733	221	715	-
Gain from trading and revaluation of other derivatives, net	-	1	-	1
Gain / (loss) on financial assets or financial liabilities designated at fair value through profit and loss	(278)	17	-	-
Gain / (loss) on financial assets measured at amortised cost, net	-	(90)	-	-
Gain on transactions with financial instruments, net	6,286	6,900	4,184	5,565

NOTE 7. IMPAIRMENT CHARGES AND REVERSALS

Total net impairment allowance charged to income statement:

	EUR 000's			
	01/01/2015- 30/06/2015 Group	01/01/2014- 30/06/2014 Group	01/01/2015- 30/06/2015 Bank	01/01/2014- 30/06/2014 Bank
Loans – specifically assessed impairment	(1,199)	(1,268)	(1,636)	(1,357)
Loans – collectively assessed impairment	(3,464)	(2,748)	(3,283)	(2,667)
Available-for-sale securities	-	(255)	-	(255)
Other financial and non-financial assets	1,223	(498)	7	(1,621)
Recovered written-off assets	651	1,926	533	1,830
Total allowance and reversals charged to the statement of income, net	(2,789)	(2,843)	(4,379)	(4,070)

Fully impaired assets, recovery of which may become economically unviable, may be written-off. From time to time previously written off assets are recovered due to repayment or sale of pool of overdue assets to companies specialising in recoveries of balances in arrears. Such recoveries are reported as recovered written-off assets.

An analysis of the change in allowances for impairment of loans and receivables:

	EUR 000's			
	01/01/2015- 30/06/2015 Group	01/01/2014- 30/06/2014 Group	01/01/2015- 30/06/2015 Bank	01/01/2014- 30/06/2014 Bank
Total allowance for impairment at the beginning of the period, including:	88,707	93,049	69,767	72,495
- loans – specifically assessed impairment	67,676	78,477	51,383	58,935
- loans – collectively assessed impairment	21,031	14,572	18,384	13,560
Charge:	8,860	10,591	7,271	9,929
- loans – specifically assessed impairment	4,206	7,169	3,516	6,643
- loans – collectively assessed impairment	4,654	3,422	3,755	3,286
Release:	(4,197)	(6,575)	(2,352)	(5,905)
- loans – specifically assessed impairment	(3,007)	(5,901)	(1,880)	(5,286)
- loans – collectively assessed impairment	(1,190)	(674)	(472)	(619)
Allowance charged to the statement of income, net, including:	4,663	4,016	4,919	4,024
- loans – specifically assessed impairment	1,199	1,268	1,636	1,357
- loans – collectively assessed impairment	3,464	2,748	3,283	2,667
Change of allowance due to write-offs	(2,781)	(2,861)	-	-
Effect of changes in currency exchange rates:	246	(370)	244	(384)
- loans – specifically assessed impairment	244	(367)	244	(384)
- loans – collectively assessed impairment	2	(3)	-	-
Total allowance for impairment at the end of the period, including:	90,835	93,834	74,930	76,135
- loans – specifically assessed impairment	66,338	76,517	53,263	59,908
- loans – collectively assessed impairment	24,497	17,317	21,667	16,227

During the ordinary course of business recoverability of some loans deteriorate while for others improve. This directly affects specifically assessed impairment allowance for loans. In the reporting period some balances were impaired due to deterioration in particular clients' medium term business prospects. Changes in Group's and Bank's collectively assessed impairment allowance for loans in the reporting period mainly related to application of more prudent criteria in collective impairment assessment process, as well as due to changes in past due days of unimpaired loan balances.

An analysis of the change in impairment of other assets:

	EUR 000's			
	01/01/2015- 30/06/2015 Group	01/01/2014- 30/06/2014 Group	01/01/2015- 30/06/2015 Bank	01/01/2014- 30/06/2014 Bank
Total allowance for impairment at the beginning of the period, including:	28,775	33,585	61,641	61,206
- available-for-sale securities	7,062	8,256	7,062	8,256
- due from credit institutions	852	758	852	758
- property and equipment	15,556	18,092	-	-
- investments in subsidiaries	-	-	49,638	47,369
- other financial and non-financial assets	5,305	6,479	4,089	4,823
Charge:	196	760	103	1,876
- available-for-sale securities	-	255	-	255
- property and equipment	12	-	-	-
- investments in subsidiaries	-	-	10	1,249
- other financial and non-financial assets	184	505	93	372
Release:	(1,419)	(7)	(110)	-
- property and equipment	(1,245)	-	-	-
- other financial and non-financial assets	(174)	(7)	(110)	-
Allowance charged to the statement of income, net, including:	(1,223)	753	(7)	1,876
- available-for-sale securities	-	255	-	255
- property and equipment	(1,233)	-	-	-
- investments in subsidiaries	-	-	10	1,249
- other financial and non-financial assets	10	498	(17)	372
Change of allowance due to write-offs:	(211)	(730)	(124)	(124)
- other financial and non-financial assets	(211)	(730)	(124)	(124)
Effect of changes in currency exchange rates:	(402)	(1,525)	(375)	(1,485)
- available-for-sale securities	(448)	(1,224)	(448)	(1,224)
- due from credit institutions	73	-	73	-
- other financial and non-financial assets	(27)	(301)	-	(261)
Total allowance for impairment at the end of the period, including:	26,939	32,083	61,135	61,473
- available-for-sale securities	6,614	7,287	6,614	7,287
- due from credit institutions	925	758	925	758
- property and equipment	14,323	18,092	-	-
- investments in subsidiaries	-	-	49,648	48,618
- other financial and non-financial assets	5,077	5,946	3,948	4,810

Changes in impairment allowance for property and equipment mainly relate to the reduction in impairment allowance for the Citadele headquarters building. Based on the re-estimate of the fair value, the carrying amount of the building is the same as at year end, and accordingly, a reversal of impairment took place. In 2014, based on impairment assessment for this asset, the reversal took place only at the year end.

NOTE 8. FIXED AND NON-FIXED INCOME SECURITIES

The Group's fixed income securities by issuers profile and classification:

	EUR 000's				
	30/06/2015				
	Government bonds	Municipality bonds	Credit institution bonds	Corporate and other bonds	Total
Held for trading	5,092	-	1,419	9,092	15,603
Financial assets designated at fair value through profit or loss	13,845	895	26,813	43,586	85,139
Available for sale	191,389	-	136,696	214,240	542,325
Held to maturity	185,302	-	38,358	27,364	251,024
Total fixed income securities	395,628	895	203,286	294,282	894,091

In 2015, the Group and the Bank re-assessed the profile of a certain credit linked note with carrying amount of EUR 34.4 million classified as held to maturity. The re-assessment resulted in presentation of this security as a German credit institution bond as opposed to its previous presentation as a Latvian municipality bond. The profile has changed as a result of the separate presentation of the embedded derivative within the derivatives caption. Latvian municipality exposure still remains, but has not been presented as part of the securities credit risk profile.

The Group's fixed income securities by issuers profile and classification:

EUR 000's					
31/12/2014					
	Government bonds	Municipality bonds	Credit institution bonds	Corporate and other bonds	Total
Held for trading	9,545	-	1,908	8,842	20,295
Financial assets designated at fair value through profit or loss	11,749	1,634	29,236	42,232	84,851
Available for sale	228,426	-	146,294	166,871	541,591
Held to maturity	161,988	34,455	7,573	25,236	229,252
Total fixed income securities	411,708	36,089	185,011	243,181	875,989

The Bank's fixed income securities by issuers profile and classification:

EUR 000's					
30/06/2015					
	Government bonds	Municipality bonds	Credit institution bonds	Corporate and other bonds	Total
Available for sale	136,165	-	124,131	174,879	435,175
Held to maturity	176,692	-	34,955	-	211,647
Total fixed income securities	312,857	-	159,086	174,879	646,822

The Bank's fixed income securities by issuers profile and classification:

EUR 000's					
31/12/2014					
	Government bonds	Municipality bonds	Credit institution bonds	Corporate and other bonds	Total
Available for sale	152,476	-	141,160	139,701	433,337
Held to maturity	153,550	34,455	4,972	-	192,977
Total fixed income securities	306,026	34,455	146,132	139,701	626,314

As at 30 June 2015, there are no Group's or Bank's securities on which payments are past due or which were restructured during the reporting period (2014: EUR nil). No fixed income securities were impaired (2014: nil). The above tables represent the maximum credit risk exposure to the Group and the Bank from fixed income securities.

The Group's fixed income, shares and other non-fixed income securities by issuer's country, net:

EUR 000's						
	30/06/2015			31/12/2014		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	274,881	4,773	279,654	253,751	37,978	291,729
United States	5,662	73,979	79,641	12,358	77,321	89,679
Germany	-	64,508	64,508	-	24,479	24,479
Netherlands	7,316	53,742	61,058	10,080	53,734	63,814
Lithuania	58,340	-	58,340	86,375	-	86,375
Australia	699	32,864	33,563	693	32,946	33,639
Singapore	-	29,576	29,576	-	24,368	24,368
Sweden	7,367	20,942	28,309	5,376	21,342	26,718
Canada	3,599	24,374	27,973	3,308	24,023	27,331
Norway	-	27,701	27,701	-	26,638	26,638
Finland	14,123	11,379	25,502	13,246	16,312	29,558
Multilateral development banks	-	23,142	23,142	-	12,902	12,902
Other countries*	23,641	131,699	155,340	26,521	112,454	138,975
Total fixed income securities and shares, net	395,628	498,679	894,307	411,708	464,497	876,205
Investments in investment funds **	-	39,869	39,869	-	32,642	32,642
Total securities, net	395,628	538,548	934,176	411,708	497,139	908,847

Bank's fixed income, shares and other non-fixed income securities by issuer's country, net:

	EUR 000's					
	30/06/2015			31/12/2014		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Latvia	261,787	3,500	265,287	241,007	36,955	277,962
United States	5,662	36,428	42,090	12,358	38,612	50,970
Germany	-	52,414	52,414	-	16,373	16,373
Netherlands	7,317	30,705	38,022	10,080	34,351	44,431
Australia	698	24,322	25,020	693	24,792	25,485
Singapore	-	27,888	27,888	-	22,820	22,820
Sweden	4,500	20,942	25,442	4,143	21,342	25,485
Canada	3,599	20,060	23,659	3,308	19,356	22,664
Norway	-	21,748	21,748	-	19,788	19,788
Finland	11,200	11,379	22,579	10,549	16,312	26,861
Multilateral development banks	-	20,527	20,527	-	12,902	12,902
Other countries*	18,094	64,251	82,345	23,888	56,884	80,772
Total fixed income securities and shares, net	312,857	334,164	647,021	306,026	320,487	626,513
Investments in investment funds**	-	11,725	11,725	-	10,882	10,882
Total securities, net	312,857	345,889	658,746	306,026	331,369	637,395

* Largest Group's and Bank's exposure to a single country within this group as at period end is EUR 17,986 thousand and EUR 10,231 thousand respectively (2014: EUR 15,285 thousand and EUR 10,767 thousand).

** Investments in managed funds here are not distributed by their issuer's country but shown separately.

All fixed income securities as at 30 June 2015 and 31 December 2014 are listed.

The Group's shares and other non-fixed income securities by issuer's profile and classification:

	EUR 000's							
	30/06/2015				31/12/2014			
	Foreign equities	Latvian equities	Mutual investment funds	Total	Foreign equities	Latvian equities	Mutual investment funds	Total
Held for trading	-	-	5,439	5,439	-	-	3,655	3,655
Financial assets designated at fair value through profit or loss	-	-	17,147	17,147	-	-	12,598	12,598
Available for sale	116	100	17,283	17,499	116	100	16,389	16,605
Total non-fixed income securities, net	116	100	39,869	40,085	116	100	32,642	32,858

All exposures in mutual investment funds and equities which are classified as financial assets designated at fair value through profit or loss are unit-linked insurance plan assets. According to unit-linked investment contract terms, the risk associated with the investments made by the insurance underwriter is fully attributable to the counterparty entering the insurance agreement and not the underwriter. As at 30 June 2015 EUR 17,147 thousand (2014: EUR 12,598 thousand) of financial assets designated at fair value through profit or loss relate to this.

The Bank's shares and other non-fixed income securities by issuers profile and classification:

	EUR 000's							
	30/06/2015				31/12/2014			
	Foreign equities	Latvian equities	Mutual investment funds	Total	Foreign equities	Latvian equities	Mutual investment funds	Total
Available for sale	99	100	11,725	11,924	99	100	10,882	11,081
Total non-fixed income securities, net	99	100	11,725	11,924	99	100	10,882	11,081

Investments in mutual funds are not analysed by their ultimate issuer and are classified as non-fixed income securities.

There are no off-balance sheet commitments bearing credit risk that are related to the issuers of the above securities. Further, no payments on the above instruments are past due. As at 30 June 2015, the carrying amount of the Group's and Bank's securities, consisting of mutual funds, which were impaired amounted to EUR 1,421 thousand (2014: EUR 1,421 thousand).

NOTE 9. LOANS AND RECEIVABLES FROM CUSTOMERS

	Group, EUR 000's					
	30/06/2015			31/12/2014		
	Gross loans	Impairment allowance	Net carrying amount	Gross loans	Impairment allowance	Net carrying amount
Not past due – not impaired	910,237	-	910,237	976,670	-	976,670
Not past due – impaired	60,701	(25,845)	34,856	43,390	(20,054)	23,336
Total not past due loans	970,938	(25,845)	945,093	1,020,060	(20,054)	1,000,006
Past due loans - not impaired						
Delayed days:						
=< 29	88,290	-	88,290	30,524	-	30,524
30-59	34,636	-	34,636	12,318	-	12,318
60-89	3,391	-	3,391	4,071	-	4,071
90 and more	16,353	-	16,353	15,687	-	15,687
Total past due loans - not impaired	142,670	-	142,670	62,600	-	62,600
Total past due loans - impaired	58,979	(40,493)	18,486	81,748	(47,622)	34,126
Total loans and receivables from customers	1,172,587	(66,338)	1,106,249	1,164,408	(67,676)	1,096,732
Collective impairment allowance		(24,497)	(24,497)		(21,031)	(21,031)
Total net loans and receivables from customers			1,081,752			1,075,701

	Bank, EUR 000's					
	30/06/2015			31/12/2014		
	Gross loans	Impairment allowance	Net carrying amount	Gross loans	Impairment allowance	Net carrying amount
Not past due – not impaired	765,671	-	765,671	866,395	-	866,395
Not past due – impaired	62,808	(23,414)	39,394	38,947	(16,574)	22,373
Total not past due loans	828,479	(23,414)	805,065	905,342	(16,574)	888,768
Past due loans - not impaired						
Delayed days:						
=< 29	69,685	-	69,685	18,377	-	18,377
30-59	26,591	-	26,591	6,873	-	6,873
60-89	1,992	-	1,992	2,213	-	2,213
90 and more	13,025	-	13,025	14,407	-	14,407
Total past due loans - not impaired	111,293	-	111,293	41,870	-	41,870
Total past due loans - impaired	44,273	(29,849)	14,424	63,884	(34,809)	29,075
Total loans and receivables from customers	984,045	(53,263)	930,782	1,011,096	(51,383)	959,713
Collective impairment allowance		(21,667)	(21,667)		(18,384)	(18,384)
Total net loans and receivables from customers			909,115			941,329

NOTE 10. INVESTMENTS IN SUBSIDIARIES

Changes in the Bank's investments in subsidiaries:

	EUR 000's	
	01/01/2015-30/06/2015 Group	01/01/2014-30/06/2014 Group
Net balance at the beginning of the period	61,605	62,841
Establishment of new subsidiaries	-	8
Impairment, net	(10)	(1,249)
Net balance at the end of the period	61,595	61,600

In 6 month period ended 30 June 2015 share capital in repossessed asset management companies was impaired (net) in the amount of EUR 10 thousand (2014: nil) based on the forecasted performance of the respective companies.

Carrying value of investment in AB Citadele (100% owned banking subsidiary of the Bank) is based on a model where expected free equity distributable to shareholders is estimated. The key assumptions of the model are discount rate (15.5%), minimum target capital adequacy ratio and future profitability of the operations of the entity. In 2015 the management has assessed the model's inputs and concluded that there are no circumstances that require changes to these inputs. In 2014, the Bank recorded additional impairment allowance of EUR 1,249 thousand on its investment in AB Citadele. This was a result of revising future forecasts.

In 6 month period ended 30 June 2014, the Bank established SIA Hortus NI, SIA Hortus RE, and SIA Hortus BR to continue effective management of repossessed assets.

NOTE 11. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Movement in Group's financial liabilities designated at fair value through profit or loss:

	EUR 000's			
	01/01/2015- 30/06/2015 Unit-linked	01/01/2015- 30/06/2015 Other	01/01/2014- 30/06/2014 Unit-linked	01/01/2014- 30/06/2014 Other
Balance at the beginning of the period	12,784	11,810	8,667	7,959
Premiums received	4,543	1,223	2,177	2,026
Commissions and risk charges	(212)	(127)	(137)	(149)
Paid to policyholders	(552)	(234)	(384)	(149)
Dividends received	1	-	-	-
Securities fair value revaluation result	397	-	327	-
Other	-	180	-	142
Currency revaluation result	227	12	3	(26)
Balance at the end of the period	17,188	12,864	10,653	9,803

During the 6 months ended 30 June 2015 from financial liabilities designated at fair value through profit or loss which are not unit-linked the Group has recognised net revaluation result of EUR -61 thousand in the statement of income (2014: EUR -5 thousand). Most of the insurance business the Group is involved in relates to investment contracts rather than insurance risk, therefore, premiums received are recognised as liabilities of the Group since settlement in due course is expected. The amount of insurance risk generated by the Group currently is immaterial and, therefore, not further disclosed in detail in these financial statements.

NOTE 12. DEPOSITS FROM CUSTOMERS

Deposits from customers according to customer profile:

	EUR 000's			
	30/06/2015 Group	31/12/2014 Group	30/06/2015 Bank	31/12/2014 Bank
Privately held companies	1,112,150	1,198,017	798,075	825,905
Private individuals	1,040,921	1,005,630	839,115	801,983
Financial institutions	112,613	144,406	124,440	156,198
State and municipality owned enterprises	105,810	127,939	104,491	126,589
Municipalities	15,203	20,303	15,203	20,303
Public and religious institutions	15,309	12,620	13,552	10,605
Government	6,250	8,192	4,676	7,168
Total deposits from customers	2,408,256	2,517,107	1,899,552	1,948,751

NOTE 13. SUBORDINATED LIABILITIES

On 20 April 2015 a portion of subordinated liabilities amounting to EUR 18.4 million was repaid to Privatisation Agency and EUR 11.2 million subordinated liabilities transferred from Privatisation agency to European Bank for Reconstruction and Development (EBRD). The maturity of the outstanding subordinated liabilities to EBRD was extended to 2020. The interest rate margin on the transferred amount is 8.3%. As of 8 August 2015, the new interest rate margin it will be applied to the whole outstanding amount. The Group's and Bank's capitalisation was positively affected by changes in the subordinated liabilities and the increase in the Bank's share capital. For more details on capital increase refer to Note 14 (*Issued Share Capital*) and Note 15 (*Capital Adequacy*).

Details of the Group's and the Bank's subordinated liabilities as at 30 June 2015:

Counterparty	Currency	Interest rate	Maturity date	Principal (EUR 000's)	Amortised cost (EUR 000's)
Privatisation Agency	EUR	7.13%	20/12/2017	34,728	35,223
EBRD	EUR	7.85%	08/08/2020	18,400	18,753
					53,976

Details of the Group's and the Bank's subordinated liabilities as at 31 December 2014:

Counterparty	Currency	Interest rate	Maturity date	Principal (EUR 000's)	Amortised cost (EUR 000's)
Privatisation Agency	EUR	7.13%	20/12/2017	53,128	54,702
Privatisation Agency	EUR	7.13%	08/08/2016	11,208	11,537
EBRD	EUR	7.13%	08/08/2016	7,195	7,357
					73,596

NOTE 14. ISSUED SHARE CAPITAL

As at 30 June 2015, the Bank's registered and paid-in share capital was EUR 156,556 thousand (2014: EUR 146,556 thousand). Nominal value of one share is one EUR. The total number of ordinary shares with voting rights is 156,555,796 (2014: 146,555,796). All shares as at 30 June 2015 and 31 December 2014 were issued and fully paid. As at 30 June 2015 and 31 December 2014, the Bank did not possess any of its own shares. No dividends were proposed and paid during 6 month period ended 30 June 2015 or 2014.

Bank's shareholders as at 30 June 2015 and 31 December 2014:

	30/06/2015		31/12/2014	
	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	36,638,950	36,638,950
RA Citadele Holdings LLC	35,082,302	35,082,302	-	-
Privatisation Agency	-	-	109,916,846	109,916,846
Other shareholders	82,334,546	82,334,546	-	-
Total	156,555,796	156,555,796	146,555,796	146,555,796

On 16 September 2014 following a tender process, the Latvian government decided to sell its 75% less 1 share stake in Citadele to RA Citadele Holdings LLC (United States), an entity wholly owned by Ripplewood Advisors LLC (Ripplewood), and an international group of twelve investors. VAS Privatizācijas aģentūra (Privatisation Agency of the Republic of Latvia) signed the agreement on 5 November 2014. The transaction was closed on 20 April 2015. Regulatory approvals have been received from the Latvian Finance and Capital Markets Commission, as well as the banking regulators in Lithuania and Switzerland. The EBRD retained its stake in Citadele. Immediately upon acquisition, the new shareholders and the EBRD increased the Citadele Bank's share capital by EUR 10 million (10 million shares at par value of 1 EUR per share). After the increase, the Bank's share capital is EUR 156.6 million where EBRD's stake is 25% less 1 share. After the change in ownership there is no single majority beneficial owner of the Group and Bank.

NOTE 15. CAPITAL ADEQUACY

Capital adequacy ratios in these financial statements are calculated in accordance with the CRD IV package which transposes – via a regulation (575/2013) and a directive (2013/36/EU) – the new global standards on bank capital (the Basel III agreement) into EU law. It is applicable from 1 January 2014.

Capital adequacy refers to the sufficiency of the Group's capital resources to cover the credit risks and market risks arising from the portfolio of assets and the off-balance sheet exposures and other operational risks. The Financial and Capital Markets Commission's (FCMC), the banking regulator, regulations require Latvian banks to maintain a total capital adequacy ratio based on financial statements prepared under IFRS as adopted by EU of 8.0% of the total risk weighted exposure amounts. The CRD IV rules also introduce 4.5% minimum common equity Tier 1 capital ratio and 6.0% minimum Tier 1 capital ratio. Additionally a 2.5% capital conservation buffer is established, limiting dividend pay-out and certain other Tier 1 equity instrument buy-back, effectively implying well capitalised bank Tier 1 capital ratio target of 8.5% and total capital ratio target of 10.5%. FCMC has also calculated the Bank's individual capital adequacy ratio based on FCMC policies and guidelines. The 2014 results of the calculation indicated that the minimum capital adequacy ratio that corresponds to the Bank's business model should be at least 10.9%. The increase in ratio is related to the non-resident business of the Bank. The ratio should be complied with also on the consolidated level. During the first quarter of 2015, until including the audited profits of 2015 in Tier 1 equity, the Group's capital adequacy ratio was somewhat below 10.9%. Capital adequacy ratio (which includes audited profits for 2014) as at 31 December 2014 and capital adequacy ratios as of 31 March 2015 complied with this requirement. In April, the Group's regulatory capital increased by almost EUR 19 million as a result of 10 million share capital increase and amendments in subordinated loan agreements. As at June 30 2015, the Group's regulatory capital complies with the FCMC's requirement.

The Bank has subsidiaries, which are financial institutions, thus it should comply with the regulatory requirements based on both the Group's level and the Bank's level as a stand-alone entity. The Bank and the Group complied with the capital adequacy requirements at the end of the reporting period.

The eligible capital for the capital adequacy purposes constitutes the capital that the Bank manages. The eligible capital comprises of Tier 1 and Tier 2 items, reduced by specific capital charges in accordance with the regulatory requirements.

The capital adequacy calculation of Bank and Group in accordance with FCMC regulations (Basel III framework, Pillar I):

	EUR 000's			
	30/06/2015 Group*	31/12/2014 Group*	30/06/2015 Bank	31/12/2014 Bank
Common equity Tier 1 capital				
Paid up capital instruments	156,556	146,556	156,556	146,556
Retained earnings and eligible profits	29,335	28,750	24,747	24,747
Deductible other intangible assets	(1,781)	(1,690)	(1,523)	(1,456)
Other capital components, deductions and transitional adjustments, net	(4,781)	(4,689)	(2,293)	(820)
Tier 2 capital				
Eligible part of subordinated liabilities	35,593	31,568	35,593	31,568
Own funds	214,922	200,495	213,080	200,595
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk				
Central governments or central banks	16,480	16,596	12,254	11,252
Regional governments or local authorities	1,038	35,611	687	35,082
Public sector entities	25	43	25	43
Multilateral Development Banks	1,707	1,052	1,707	407
Institutions	164,085	179,590	157,756	167,617
Corporates	655,479	631,548	639,363	649,329
Retail	85,196	98,655	42,149	60,870
Secured by mortgages on immovable property	267,482	236,922	190,390	155,962
Exposures in default	73,666	38,807	74,350	34,216
Items associated with particularly high risk	43,125	158,356	42,492	163,832
Claims on institutions and corporates with a short-term credit assessment	307	4,334	-	-
Collective investments undertakings	17,283	16,389	11,725	10,882
Equity	10,938	10,938	61,845	62,875
Other items	125,604	177,823	51,636	110,900
Total exposure amounts for position, foreign currency open position and commodities risk				
Traded debt instruments	9,227	7,126	5,870	2,427
Equity	869	867	-	-
Foreign Exchange	8,456	9,741	1,104	1,647
Commodities	58	-	58	-
Total exposure amounts for settlement	36	-	36	-
Total exposure amounts for operational risk	196,501	196,501	157,347	157,347
Total exposure amounts for credit valuation adjustment	632	1,142	632	1,135
Total risk exposure amount	1,678,194	1,822,041	1,451,426	1,625,823
Total capital adequacy ratio	12.8%	11.0%	14.7%	12.3%
Common equity Tier 1 capital ratio	10.7%	9.3%	12.2%	10.4%

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

NOTE 16. RELATED PARTIES

Related parties are defined as shareholders who have significant influence over the Group, members of the Supervisory Board and Management Board, key Management personnel, their close relatives and companies in which they have a controlling interest as well as the Group's subsidiaries and associated companies. For the purpose of this disclosure, the key management of the Group's companies and the Bank and their related companies are stated in one line, accordingly. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions.

On 20 April 2015 the composition of related parties of the Group changed significantly. As described in Note 14 (*Issued Share Capital*) on that date RA Citadele Holdings LLC (United States) and an international group of twelve investors acquired shares previously owned by VAS Privatisation Agency of the Republic of Latvia. Since then transactions with parties affiliated with Privatisation Agency, including Latvian state and municipal institutions, are not considered related party transactions.

The following tables present the outstanding balances and terms of the Group's and the Bank's transactions with related parties which are not affiliated with the former shareholder VAS Privatisation Agency, which were related parties at respective dates.

	EUR 000's			
	30/06/2015 Group	31/12/2014 Group	30/06/2015 Bank	31/12/2014 Bank
<u>Credit exposures to other related parties, net</u>				
Loans and receivables from customers and balances due from credit institutions, net				
- Management	371	337	92	104
- Consolidated subsidiaries	-	-	210,571	194,253
Derivatives	-	-	11	52
Investments in subsidiaries, net	-	-	61,595	61,605
Financial commitments and guarantees outstanding	114	125	73,261	52,152
Total credit exposures to other related parties, net	485	462	345,530	308,166
<u>Liabilities to other related parties</u>				
Deposits from customers and balances due to credit institutions				
- Management	790	555	333	212
- Consolidated subsidiaries	-	-	76,207	82,336
Subordinated liabilities (EBRD)	18,753	7,357	18,753	7,357
Derivatives	-	-	-	1,935
Total liabilities to other related parties	19,543	7,912	95,293	91,840

As at 30 June 2015 the impairment allowance recognised on loans and receivables from consolidated subsidiaries relates to subsidiaries which are engaged in managing properties that are bought in auctions as a result of foreclosure processes undertaken by Group's companies. The ultimate recoverability of loans issued to these subsidiaries depends on the holding period and sales price of the properties in the portfolio.

The Bank has entered into the Advisory Services Agreement with Ripplewood Advisors LLC, where Ripplewood would be paid EUR 2m per annum for services rendered to Citadele. Examples of these advisory services include business plan development, risk management, capital allocation, strategic analysis, operating efficiency, human resource management and similar.

	EUR 000's			
	01/01/2015- 30/06/2015 Group	01/01/2014- 30/06/2014 Group	01/01/2015- 30/06/2015 Bank	01/01/2014- 30/06/2014 Bank
Interest income	2	5	1,521	2,064
Interest expense	(463)	(283)	(610)	(411)
Loss on transactions with financial instruments, net	-	-	(2,349)	(34)
Dividends received from consolidated subsidiaries	-	-	238	1,690
Other income	7	7	987	1,395
Other expense	(1)	(1)	(8)	(1)

NOTE 17. BALANCE SHEET AMOUNTS BY CONTRACTUAL MATURITY

The carrying amount of the Group's assets, liabilities and memorandum items by contractual maturity structure as at 30 June 2015

	Group as at 30/06/2015, EUR 000's						Total
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	
Assets							
Cash and balances with central banks	324,554	-	-	-	-	-	324,554
Balances due from credit institutions	231,538	56,901	417	-	1,892	6,174	296,922
Securities held for trading	1,368	-	1,463	1,708	8,027	8,476	21,042
Financial assets designated at fair value through profit or loss	3,327	2,192	4,397	11,443	61,954	18,973	102,286
Available for sale securities	16,917	37,257	20,716	84,125	363,712	37,097	559,824
Loans and receivables from customers	52,182	68,411	34,598	129,541	560,785	236,235	1,081,752
Held to maturity securities	14,372	10,181	65,598	38,101	112,205	10,567	251,024
Derivative financial instruments	565	1,044	51	-	343	-	2,003
Other assets	29,318	213	532	3,230	997	94,274	128,564
Total assets	674,141	176,199	127,772	268,148	1,109,915	411,796	2,767,971
Liabilities							
Financial liabilities designated at fair value through profit or loss	12	41	168	1,403	23,571	4,857	30,052
Financial liabilities measured at amortised cost:							
- Balances due to credit institutions and central banks	30,406	358	-	-	35	-	30,799
- Deposits from customers	1,904,519	55,972	137,800	165,153	139,869	4,943	2,408,256
- Subordinated liabilities	-	884	-	-	34,728	18,364	53,976
- Other financial liabilities	7	-	-	143	-	13,541	13,691
Derivative financial instruments	1,912	662	285	-	-	-	2,859
Other liabilities	23,230	196	59	1,207	77	140	24,909
Total liabilities	1,960,086	58,113	138,312	167,906	198,280	41,845	2,564,542
Equity	-	-	-	-	-	203,429	203,429
Total liabilities and equity	1,960,086	58,113	138,312	167,906	198,280	245,274	2,767,971
Net balance sheet position – long/ (short)	(1,285,945)	118,086	(10,540)	100,242	911,635	166,522	-
Off-balance sheet items							
Contingent liabilities	57,376	-	-	-	-	-	57,376
Financial commitments	184,667	-	-	-	-	-	184,667

The carrying amount of the Group's assets, liabilities and memorandum items by contractual maturity structure as at 31 December 2014

Group as at 31/12/2014, EUR 000's							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	Total
Assets							
Cash and balances with central banks	224,685	714	-	-	-	-	225,399
Balances due from credit institutions	499,249	5,748	108	-	-	4,299	509,404
Securities held for trading	6,474	426	1,513	2,664	-	12,873	23,950
Financial assets designated at fair value through profit or loss	14,059	4,215	3,786	9,899	-	65,490	97,449
Available for sale securities	27,035	13,641	28,033	68,266	295,477	125,744	558,196
Loans and receivables from customers	29,456	46,519	61,766	129,805	581,871	226,284	1,075,701
Held to maturity securities	-	2,945	16,986	74,972	99,699	34,650	229,252
Derivative financial instruments	3,598	2,239	77	15	-	-	5,929
Other assets	30,043	532	515	474	1,011	96,740	129,315
Total assets	834,599	76,979	112,784	286,095	978,058	566,080	2,854,595
Liabilities							
Financial liabilities designated at fair value through profit or loss	32	135	301	1,198	20,217	2,711	24,594
Financial liabilities measured at amortised cost:							
- Balances due to credit institutions and central banks	24,526	510	-	-	-	-	25,036
- Deposits from customers	2,046,552	85,732	91,548	176,260	108,884	8,131	2,517,107
- Subordinated liabilities	-	2,119	-	-	71,477	-	73,596
- Other financial liabilities	77	-	-	-	250	11,908	12,235
Derivative financial instruments	876	763	8	-	-	-	1,647
Other liabilities	20,319	57	1,466	328	13	1,486	23,669
Total liabilities	2,092,382	89,316	93,323	177,786	200,841	24,236	2,677,884
Equity	-	-	-	-	-	176,711	176,711
Total liabilities and equity	2,092,382	89,316	93,323	177,786	200,841	200,947	2,854,595
Net balance sheet position – long/ (short)	(1,257,783)	(12,337)	19,461	108,309	777,217	365,133	-
Off-balance sheet items							
Contingent liabilities	58,217	-	-	-	-	-	58,217
Financial commitments	168,646	-	-	-	-	-	168,646

The carrying amount of the Bank's assets, liabilities and memorandum items by contractual maturity structure as at 30 June 2015

Bank as at 30/06/2015, EUR 000's							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	Total
Assets							
Cash and balances with central banks	223,958	-	-	-	-	-	223,958
Balances due from credit institutions	270,160	52,346	417	-	-	5,437	328,360
Available for sale securities	16,918	37,257	19,718	81,040	268,312	23,854	447,099
Loans and receivables from customers	58,970	53,812	14,026	153,660	430,314	198,333	909,115
Held to maturity securities	14,373	10,181	63,808	31,717	91,568	-	211,647
Derivative financial instruments	575	1,044	51	-	343	-	2,013
Other assets	27,419	1	4	8	41	110,722	138,195
Total assets	612,373	154,641	98,024	266,425	790,578	338,346	2,260,387
Liabilities							
Financial liabilities measured at amortised cost:							
- Balances due to credit institutions and central banks	77,068	2,887	4,551	6,661	1,985	-	93,152
- Deposits from customers	1,508,556	35,350	107,744	117,140	128,099	2,663	1,899,552
- Subordinated liabilities	-	884	-	-	34,728	18,364	53,976
Derivative financial instruments	1,913	662	285	-	-	-	2,860
Other liabilities	17,654	-	-	-	-	-	17,654
Total liabilities	1,605,191	39,783	112,580	123,801	164,812	21,027	2,067,194
Equity	-	-	-	-	-	193,193	193,193
Total liabilities and equity	1,605,191	39,783	112,580	123,801	164,812	214,220	2,260,387
Net balance sheet position – long/ (short)	(992,818)	114,858	(14,556)	142,624	625,766	124,126	-
Off-balance sheet items							
Contingent liabilities	52,907	-	-	-	-	-	52,907
Financial commitments	230,011	-	-	-	-	-	230,011

The carrying amount of the Bank's assets, liabilities and memorandum items by contractual maturity structure as at 31 December 2014

	Bank as at 31/12/2014, EUR 000's						Total
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	
Assets							
Cash and balances with central banks	142,650	-	-	-	-	-	142,650
Balances due from credit institutions	460,521	-	-	-	-	3,752	464,273
Available for sale securities	21,512	13,641	28,033	66,979	295,477	18,776	444,418
Loans and receivables from customers	25,869	134,905	44,342	102,768	440,262	193,183	941,329
Held to maturity securities	-	2,945	16,986	73,347	99,699	-	192,977
Derivative financial instruments	3,648	2,232	68	15	-	-	5,963
Other assets	27,680	1	2	14	37	111,317	139,051
Total assets	681,880	153,724	89,431	243,123	835,475	327,028	2,330,661
Liabilities							
Financial liabilities measured at amortised cost:							
- Balances due to credit institutions and central banks	105,056	3,166	4,144	4,082	549	-	116,997
- Deposits from customers	1,578,891	61,120	61,574	139,941	101,138	6,087	1,948,751
- Subordinated liabilities	-	2,119	-	-	71,477	-	73,596
Derivative financial instruments	1,723	1,832	12	-	-	-	3,567
Other liabilities	14,453	-	-	-	-	-	14,453
Total liabilities	1,700,123	68,237	65,730	144,023	173,164	6,087	2,157,364
Equity	-	-	-	-	-	173,297	173,297
Total liabilities and equity	1,700,123	68,237	65,730	144,023	173,164	179,384	2,330,661
Net balance sheet position – long/ (short)	(1,018,243)	85,487	23,701	99,100	662,311	147,644	-
Off-balance sheet items							
Contingent liabilities	54,544	-	-	-	-	-	54,544
Financial commitments	192,406	-	-	-	-	-	192,406

NOTE 18. BALANCE SHEET AMOUNTS BY CURRENCY

The carrying amount of the Group's assets, liabilities and memorandum items by currency profile as at 30 June 2015

	Group as at 30/06/2015, EUR 000's					Total
	EUR	USD	CHF	RUB	Other	
Assets						
Cash and balances with central banks	222,393	4,521	95,253	173	2,214	324,554
Balances due from credit institutions	86,183	85,834	8,601	1,637	114,667	296,922
Securities held for trading	13,977	6,040	1,025	-	-	21,042
Financial assets designated at fair value through profit or loss	45,275	49,123	6,257	-	1,631	102,286
Available for sale securities	177,629	367,093	-	-	15,102	559,824
Loans and receivables from customers	1,033,337	44,188	3,750	268	209	1,081,752
Held to maturity securities	227,789	23,235	-	-	-	251,024
Derivative financial instruments	1,999	-	4	-	-	2,003
Other assets	94,238	11,797	785	68	21,676	128,564
Total assets	1,902,820	591,831	115,675	2,146	155,499	2,767,971
Liabilities						
Financial liabilities designated at fair value through profit or loss	26,251	3,801	-	-	-	30,052
Financial liabilities measured at amortised cost:						
- Balances due to credit institutions and central banks	4,282	23,249	-	-	3,268	30,799
- Deposits from customers	1,482,273	798,926	23,916	16,143	86,998	2,408,256
- Subordinated liabilities	53,976	-	-	-	-	53,976
- Other financial liabilities	13,691	-	-	-	-	13,691
Derivative financial instruments	2,859	-	-	-	-	2,859
Other liabilities	18,514	4,522	857	195	821	24,909
Total liabilities	1,601,846	830,498	24,773	16,338	91,087	2,564,542
Equity	203,048	365	-	-	16	203,429
Total liabilities and equity	1,804,894	830,863	24,773	16,338	91,103	2,767,971
Net long/ (short) position for balance sheet items	97,926	(239,032)	90,902	(14,192)	64,396	-
Off-balance sheet claims arising from foreign exchange						
Spot exchange contracts	3,262	(2,877)	206	(1,539)	969	21
Forward foreign exchange contracts	(1,387)	1,369	-	-	-	(18)
Swap exchange contracts	(109,221)	243,203	(85,825)	15,733	(64,891)	(1,001)
Net long/ (short) positions on foreign exchange	(107,346)	241,695	(85,619)	14,194	(63,922)	(998)
Net long/ (short) total position	(9,420)	2,663	5,283	2	474	(998)

The carrying amount of the Group's assets, liabilities and memorandum items by currency profile as at 31 December 2014

	Group as at 31/12/2014, EUR 000's						
	EUR	USD	CHF	LTL	RUB	Other	Total
Assets							
Cash and balances with central banks	137,031	3,328	71,201	10,825	104	2,910	225,399
Balances due from credit institutions	229,958	162,476	10,459	153	9,952	96,406	509,404
Securities held for trading	16,099	6,189	1,662	-	-	-	23,950
Financial assets designated at fair value through profit or loss	31,461	53,731	9,788	-	-	2,469	97,449
Available for sale securities	170,514	311,731	-	59,192	-	16,759	558,196
Loans and receivables from customers	955,260	56,182	3,468	60,539	99	153	1,075,701
Held to maturity securities	203,580	21,378	-	4,294	-	-	229,252
Derivative financial instruments	5,911	-	7	11	-	-	5,929
Other assets	91,014	30,162	543	5,905	52	1,639	129,315
Total assets	1,840,828	645,177	97,128	140,919	10,207	120,336	2,854,595
Liabilities							
Financial liabilities designated at fair value through profit or loss	21,985	2,609	-	-	-	-	24,594
Financial liabilities measured at amortised cost:							
- Balances due to credit institutions and central banks	3,574	12,079	-	191	933	8,259	25,036
- Deposits from customers	1,445,683	826,457	26,977	128,893	13,865	75,232	2,517,107
- Subordinated liabilities	73,596	-	-	-	-	-	73,596
- Other financial liabilities	6,457	-	-	5,778	-	-	12,235
Derivative financial instruments	1,632	-	13	2	-	-	1,647
Other liabilities	16,308	3,901	944	2,108	139	269	23,669
Total liabilities	1,569,235	845,046	27,934	136,972	14,937	83,760	2,677,884
Equity	176,711	-	-	-	-	-	176,711
Total liabilities and equity	1,745,946	845,046	27,934	136,972	14,937	83,760	2,854,595
Net long/ (short) position for balance sheet items	94,882	(199,869)	69,194	3,947	(4,730)	36,576	-
Off-balance sheet claims arising from foreign exchange							
Spot exchange contracts	(29,532)	32,733	(144)	-	(601)	(644)	1,812
Forward foreign exchange contracts	(2,299)	2,527	(370)	-	-	258	116
Swap exchange contracts	(68,525)	167,513	(65,993)	-	5,338	(35,952)	2,381
Net long/ (short) positions on foreign exchange	(100,356)	202,773	(66,507)	-	4,737	(36,338)	4,309
Net long/ (short) total position	(5,474)	2,904	2,687	3,947	7	238	4,309

As at 31 December 2014, the LTL currency was pegged to the EUR at a fixed rate. On 1 January 2015 the Republic of Lithuania adopted the Euro as the official currency. At that date all Group's and Bank's balances denominated in Litas were converted to Euros at the fixed official exchange rate.

The carrying amount of the Bank's assets, liabilities and memorandum items by currency profile as at 30 June 2015

	Bank as at 30/06/2015, EUR 000's					
	EUR	USD	CHF	RUB	Other	Total
Assets						
Cash and balances with central banks	217,407	4,267	152	173	1,959	223,958
Balances due from credit institutions	67,441	66,589	79,745	1,591	112,994	328,360
Available for sale securities	136,928	295,069	-	-	15,102	447,099
Loans and receivables from customers	870,275	34,613	3,750	268	209	909,115
Held to maturity securities	211,647	-	-	-	-	211,647
Derivative financial instruments	2,013	-	-	-	-	2,013
Other assets	90,976	11,706	13,832	28	21,653	138,195
Total assets	1,596,687	412,244	97,479	2,060	151,917	2,260,387
Liabilities						
Financial liabilities measured at amortised cost:						
- Balances due to credit institutions and central banks	10,703	68,626	93	127	13,603	93,152
- Deposits from customers	1,223,352	578,698	11,137	13,853	72,512	1,899,552
- Subordinated liabilities	53,976	-	-	-	-	53,976
Derivative financial instruments	2,860	-	-	-	-	2,860
Other liabilities	12,369	4,285	6	183	811	17,654
Total liabilities	1,303,260	651,609	11,236	14,163	86,926	2,067,194
Equity	192,686	491	-	-	16	193,193
Total liabilities and equity	1,495,946	652,100	11,236	14,163	86,942	2,260,387
Net long/ (short) position for balance sheet items	100,741	(239,856)	86,243	(12,103)	64,975	-
Off-balance sheet claims arising from foreign exchange						
Spot exchange contracts	3,483	(2,940)	206	(1,547)	821	23
Forward foreign exchange contracts	(1,387)	1,369	-	-	-	(18)
Swap exchange contracts	(104,267)	241,396	(86,258)	13,602	(65,467)	(994)
Net long/ (short) positions on foreign exchange	(102,171)	239,825	(86,052)	12,055	(64,646)	(989)
Net long/ (short) total position	(1,430)	(31)	191	(48)	329	(989)

The investment in the Group's Swiss subsidiary AP Anlage & Privatbank AG, which is carried at cost, is shown as a CHF exposure, as the recoverability of this asset will ultimately depend on the Swiss currency's performance. During the reporting period as a result of CHF appreciation gains in Group's other comprehensive income were recognised.

The carrying amount of the Bank's assets, liabilities and memorandum items by currency profile as at 31 December 2014

	Bank as at 31/12/2014, EUR 000's						
	EUR	USD	CHF	LTL	RUB	Other	Total
Assets							
Cash and balances with central banks	136,428	3,045	72	360	104	2,641	142,650
Balances due from credit institutions	226,732	127,283	8,443	28	9,912	91,875	464,273
Available for sale securities	161,888	265,770	-	-	-	16,760	444,418
Loans and receivables from customers	890,252	47,356	3,468	-	99	154	941,329
Held to maturity securities	192,977	-	-	-	-	-	192,977
Derivative financial instruments	5,963	-	-	-	-	-	5,963
Other assets	53,599	30,004	13,807	40,032	3	1,606	139,051
Total assets	1,667,839	473,458	25,790	40,420	10,118	113,036	2,330,661
Liabilities							
Financial liabilities measured at amortised cost:							
- Balances due to credit institutions and central banks	12,483	47,631	3	40,319	1,041	15,520	116,997
- Deposits from customers	1,280,256	582,797	12,240	99	12,857	60,502	1,948,751
- Subordinated liabilities	73,596	-	-	-	-	-	73,596
Derivative financial instruments	3,567	-	-	-	-	-	3,567
Other liabilities	12,358	1,800	5	3	103	184	14,453
Total liabilities	1,382,260	632,228	12,248	40,421	14,001	76,206	2,157,364
Equity	173,297	-	-	-	-	-	173,297
Total liabilities and equity	1,555,557	632,228	12,248	40,421	14,001	76,206	2,330,661
Net long/ (short) position for balance sheet items	112,282	(158,770)	13,542	(1)	(3,883)	36,830	-
Off-balance sheet claims arising from foreign exchange							
Spot exchange contracts	(30,149)	33,363	(168)	-	(601)	(632)	1,813
Forward foreign exchange contracts	(1,720)	1,939	(370)	-	-	258	107
Swap exchange contracts	(79,428)	124,895	(12,992)	-	4,483	(36,466)	492
Net long/ (short) positions on foreign exchange	(111,297)	160,197	(13,530)	-	3,882	(36,840)	2,412
Net long/ (short) total position	985	1,427	12	(1)	(1)	(10)	2,412

NOTE 19. SEGMENT REPORTING

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 group that allocates resources to and assesses the performance of the operating segments of an entity. The Management board of the Bank is the chief operating decision maker.

All transactions between business segments are carried on an arm's length basis. The calculation of the net interest income of each business is performed by applying the internal transfer rates to both the asset and liability entries. These internal transfer rates take into account various components: maturity, currency and timing of the transaction, as well as mandatory charges. These rates do not contain the cost of capital component. Income and expenses are reported in the segments by originating unit and at estimated market prices. Both direct and indirect expenses are allocated to the business segments, including non-recurring items and those items for which there is no clearly defined link to the business. Operating expenses are attributed to the individual segments on the basis of cost causation. The indirect expenses arising in connection with internal services are charged to the user of the service and credited to the segment performing the service. The provision of intra-group services is charged at estimated market prices or at full cost. The inter-segment revenues are defined as internal interest income and expense related to the funding of the operating segments

The Group operates in eight main business segments which are:

Retail

Has overall responsibility for providing services to private individuals and small and medium-sized companies in Latvia. Offers full banking and advisory services through branches, internet bank and mobile bank.

Corporate

Has overall responsibility for providing services to customers with either yearly turnover over EUR 7 million, assets over EUR 5 million or loan exposure over EUR 2 million and those with needs of complex financing solutions.

Private Capital Management

Has overall responsibility for providing private banking, advisory and transaction services to local and foreign high net-worth individuals and foreign companies.

Estonia

Has overall responsibility for providing banking services to all types of companies and individuals in Estonia.

Lithuania

Has overall responsibility for providing banking services to all types of companies and individuals in Lithuania.

Switzerland

Has overall responsibility for providing private banking services to high-net worth individuals outside Latvia, Lithuania and Estonia.

Asset Management

Has overall responsibility for providing investment, wealth management, life insurance and advisory services to all types of companies and individuals.

Leasing

Has overall responsibility for providing finance and operating lease and factoring services to all types of companies and individuals in the Latvia, Lithuania and Estonia.

Other

Includes support to business units within own area of expertise and includes results of subsidiaries who offer non-banking services.

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	Banking							Other business lines			Eliminations and consolidation adjustments	Group, consolidated
	Retail	Corporate	Private Capital Management	Estonia	Other	Lithuania	Switzerland	Asset management	Leasing	Other		
Net interest income	10,501	5,955	5,037	1,120	1,115	3,411	1,078	44	1,945	(691)	28	29,543
Net commission and fee income	3,479	1,520	5,394	209	1,713	1,103	1,165	2,663	(9)	(1)	(23)	17,213
Gain on transactions with financial instruments, net	458	112	1,988	194	1,433	2,004	239	36	8	-	(186)	6,286
Other income	202	499	30	3	365	154	-	247	252	2,930	(3,149)	1,533
Other expense	(31)	(4)	(10)	(2)	(137)	95	-	(74)	(133)	-	(10)	(306)
Administrative expense	(13,553)	(1,984)	(4,317)	(1,042)	(3,851)	(4,232)	(2,128)	(1,783)	(1,064)	(1,586)	2,740	(32,800)
Amortisation and depreciation charge	(146)	(1)	(5)	(10)	(642)	(87)	(75)	(12)	(58)	(1,274)	(5)	(2,315)
Impairment charges and reversals, net	(1,262)	(2,098)	(106)	(98)	(816)	315	-	(30)	(167)	1,245	228	(2,789)
Segment result	(352)	3,999	8,011	374	(820)	2,763	279	1,091	774	623	(377)	16,365
<i>of which internal transactions</i>	<i>(55)</i>	<i>(2,046)</i>	<i>6,361</i>	<i>479</i>	<i>(4,962)</i>	<i>(15)</i>	<i>184</i>	<i>42</i>	<i>-</i>	<i>(624)</i>	<i>636</i>	<i>-</i>
Segment assets	343,813	317,695	21,880	57,643	1,513,890	356,927	281,773	46,747	120,559	7,792	(345,317)	2,723,402
Segment liabilities	583,884	278,382	784,199	127,968	292,760	313,027	261,404	31,158	113,917	55,497	(277,654)	2,564,542

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	Banking							Other business lines			Eliminations and consolidation adjustments	Group, consolidated
	Retail	Corporate	Private Capital Management	Estonia	Other	Lithuania	Switzerland	Asset management	Leasing	Other		
Net interest income	11,015	5,102	4,748	861	2,927	2,897	1,158	54	1,505	(770)	30	29,527
Net commission and fee income	4,055	1,159	4,869	126	1,596	1,082	924	2,446	(4)	(1)	(18)	16,234
Gain on transactions with financial instruments, net	401	125	2,912	173	1,953	1,585	95	311	4	-	(659)	6,900
Other income	52	3	21	3	2,417	68	-	316	195	2,965	(4,689)	1,351
Other expense	(50)	(3)	(19)	(1)	(163)	(59)	-	(136)	(1)	(185)	33	(584)
Administrative expense	(13,120)	(1,755)	(4,228)	(824)	(3,062)	(4,330)	(1,835)	(1,816)	(934)	(1,544)	2,682	(30,766)
Amortisation and depreciation charge	(129)	-	(4)	(7)	(505)	(106)	(61)	(12)	(38)	(1,961)	(5)	(2,828)
Impairment charges and reversals, net	(758)	906	(83)	(257)	(3,879)	(72)	-	(209)	(287)	-	1,796	(2,843)
Segment result	1,466	5,537	8,216	74	1,284	1,065	281	954	440	(1,496)	(830)	16,991
<i>of which internal transactions</i>	<i>(173)</i>	<i>(2,126)</i>	<i>5,662</i>	<i>128</i>	<i>(3,461)</i>	<i>(112)</i>	<i>47</i>	<i>25</i>	<i>(1,148)</i>	<i>(701)</i>	<i>1,857</i>	<i>-</i>
Segment assets	354,075	344,377	28,711	49,690	1,293,870	308,881	237,941	36,358	104,131	7,126	(252,575)	2,512,585
Segment liabilities	580,711	299,859	711,090	96,088	228,609	266,686	221,249	21,633	97,535	56,785	(184,322)	2,395,923

NOTE 20. CREDIT QUALITY OF FIXED INCOME SECURITIES AND DUE FROM CREDIT INSTITUTIONS BALANCES

The tables below provide details of the Group's and Bank's fixed income securities portfolio quality:

	Group, EUR 000's				
	30/06/2015				
	Held for trading	Financial assets designated at fair value through profit or loss	Available for sale	Held to maturity	Total
Investment grade:					
AAA/Aaa	-	13,242	102,446	3,506	119,194
AA/Aa	1,591	28,045	127,807	3,072	160,515
A	7,459	33,364	231,761	228,271	500,855
BBB/Baa	6,553	9,277	69,833	14,720	100,383
BB/Ba	-	1,211	5,142	1,455	7,808
Not rated	-	-	5,336	-	5,336
Total net fixed income securities	15,603	85,139	542,325	251,024	894,091

	Group, EUR 000's				
	31/12/2014				
	Held for trading	Financial assets designated at fair value through profit or loss	Available for sale	Held to maturity	Total
Investment grade:					
AAA/Aaa	361	14,063	119,168	2,919	136,511
AA/Aa	4,612	31,565	105,666	7,794	149,637
A	7,459	31,703	259,005	168,037	466,204
BBB/Baa	7,863	7,215	49,761	14,621	79,460
BB/Ba	-	305	4,632	1,425	6,362
Not rated	-	-	3,359	34,456	37,815
Total net fixed income securities	20,295	84,851	541,591	229,252	875,989

	Bank, EUR 000's					
	30/06/2015			31/12/2014		
	Available for sale	Held to maturity	Total	Available for sale	Held to maturity	Total
Investment grade:						
AAA/Aaa	94,528	2,597	97,125	117,620	2,083	119,703
AA/Aa	113,200	-	113,200	91,606	4,972	96,578
A	168,936	209,050	377,986	174,117	151,467	325,584
BBB/Baa	50,888	-	50,888	42,003	-	42,003
BB/Ba	4,197	-	4,197	4,632	-	4,632
Not rated	3,426	-	3,426	3,359	34,455	37,814
Total net fixed income securities	435,175	211,647	646,822	433,337	192,977	626,314

The tables below provide details of the Group's due from credit institutions balances credit quality:

	EUR 000's			
	30/06/2015 Group	31/12/2014 Group	30/06/2015 Bank	31/12/2014 Bank
Investment grade:				
AAA/Aaa	-	56,618	-	-
AA/Aa	34,750	10,210	7,001	5,407
A	177,920	333,834	174,247	312,344
BBB/Baa	65,964	64,479	65,472	64,235
Other lower ratings	2,473	89	1,847	62
Not rated Baltic registered credit institutions	1,549	44,091	417	41,767
Citadele Group's banks	-	-	77,498	40,449
Other not rated credit institutions	14,266	83	1,878	9
Total balances due from credit institutions, net	296,922	509,404	328,360	464,273

NOTE 21. LOAN TO VALUE ANALYSIS OF LOAN PORTFOLIO

In the table below estimated fair value of loan collateral is presented separately for those assets where collateral and other credit enhancements exceed carrying value of the asset (LTV < 100%) and those assets where collateral and other credit enhancements are equal to or less than the carrying value of the asset (LTV ≥ 100%).

	Group, EUR 000's							
	30/06/2015				31/12/2014			
	LTV < 100%		LTV ≥ 100% and unsecured*		LTV < 100%		LTV ≥ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Regular loans	650,233	1,365,860	161,484	113,666	597,070	1,139,362	199,232	132,224
Utilised credit lines	85,176	256,040	8,176	6,824	105,834	257,600	11,923	9,055
Finance leases	93,744	99,859	15,805	15,307	94,285	100,822	837	523
Debit balances on settlement cards	295	1,718	47,133	10	285	1,363	48,152	1
Overdraft facilities	2,917	10,165	12,194	2,095	4,035	11,257	9,289	1,799
Factoring	1,413	1,505	327	-	1,369	1,389	5	-
Due from investment counterparties	-	-	2,855	-	-	-	3,385	-
Total net loans	833,778	1,735,147	247,974	137,902	802,878	1,511,793	272,823	143,602

	Bank, EUR 000's							
	30/06/2015				31/12/2014			
	LTV < 100%		LTV ≥ 100% and unsecured		LTV < 100%		LTV ≥ 100% and unsecured	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Regular loans	516,036	1,107,586	122,711	85,300	470,307	1,008,774	152,988	107,688
Utilised credit lines	72,328	230,791	6,411	5,391	94,739	246,505	10,887	8,157
Finance leases	23	347	-	-	41	337	-	-
Debit balances on settlement cards	253	1,602	42,031	10	246	1,261	43,149	-
Overdraft facilities	1,971	7,938	12,006	2,095	3,134	10,353	9,187	1,799
Due from investment counterparties	-	-	2,272	-	-	-	2,847	-
Loans to subsidiaries	-	-	133,073	-	-	-	153,804	-
Total net loans	590,611	1,348,264	318,504	92,796	568,467	1,267,230	372,862	117,644

In 2015, the management revised the methodology for determining the value of collateral used for the purposes of the disclosure. As of 30 June 2015, for loans that are not development projects, collateral value is determined using both estimated fair value of the real estate and 50% of all assets, excluding fixed assets, under commercial pledge. For development projects future loan-to-value ratio is used to reflect the completion rate of the project at the date of the report. Previously, only real estate value was used in calculating the fair value of collateral. Comparative data for 31 December 2014 were restated using the updated methodology.

Mostly, loans falling into categories "regular loans" and "utilised credit lines" are secured by collateral or commercial pledges. In general, settlement card loans are granted to clients on a basis of their cash flows' assessment and no collateral is required in most cases. Finance leases are secured by the respective property leased out.

NOTE 22. CASH AND CASH EQUIVALENTS

The table below provides a breakdown of cash and cash equivalents as at 30 June 2015 and 31 December 2014:

	EUR 000's			
	30/06/2015 Group	31/12/2014 Group	30/06/2015 Bank	31/12/2014 Bank
Cash and balances with central banks	324,554	225,399	223,959	142,650
Balances with other credit institutions*	292,681	158,583	327,943	347,232
Balances due to other credit institutions	(19,750)	(14,971)	(35,480)	(70,657)
Total cash and cash equivalents	597,485	369,011	516,422	419,225

* Deposits include term facilities with initial agreement term of 3 months or less.

NOTE 23. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

Cash and demand deposits with central banks

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

Balances due from credit institutions/ Balances due to credit institutions and central banks

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

Loans and receivables from customers

The fair value of loans and advances to customers is calculated by discounting expected future cash flows. The discount rates consist of money market rates as at the end of year and credit margins, which are adjusted for current market conditions. If all the assumed discount rates would change by 10%, the fair value of the loan portfolio would change by EUR 8.67 million (2014: EUR 11.2 million).

Held to maturity securities

Held to maturity securities are valued using unadjusted quoted prices in active markets, where available. In other instances, either quotes of market participants are used or value of securities is determined using valuation models employing observable or non-observable market inputs.

Available for sale securities

The fair value for certain closed-end fund investments is calculated using valuation techniques with non-market observable inputs. Fair value of these available for sale securities is estimated based on specific real estate prices. If market price for similar real estate properties would change by +/-10%, the fair value of these available for sale securities would change by EUR +/-142 thousand (2014: EUR +/-142 thousand).

Derivatives

Currency derivatives are valued using unadjusted current market prices. Fair value of other derivatives is determined using valuation models employing non-observable market inputs. One of the non-observable market input is CDS rate. If the CDS rate would change by +30 basis points the fair value would change by EUR 210 thousand.

Customer deposits

The fair value of customer deposits repayable on demand is their carrying amount. The fair value of other deposits is calculated by discounting expected cash flows using average market interest rates close to or at period-end. If all the assumed discount rates would change by 10%, the fair value of the deposit portfolio would change by EUR 0.01 million (2014: EUR 0.09 million).

Subordinated liabilities

The fair value of subordinated liabilities approximates the carrying amount as the borrowing rates are periodically repriced to reflect changes in market rates. If the discount rate would change by +/-50 basis points the fair value would change by EUR 0.7 million (2014: EUR 0.8 million).

Financial liabilities designated at fair value through profit or loss

The fair value of unit-linked investment contract liabilities is their notional amount which equals fair value of unit-linked insurance plan assets. The fair value of other financial liabilities designated at fair value through profit is calculated by discounting expected cash flows using current effective finance rates. If the assumed discount rates would change by 10%, the fair value of the portfolio would change by EUR +21 thousand and EUR -21 thousand respectively (2014: EUR +218 thousand and EUR -192 thousand respectively).

Fair value hierarchy

Quoted market prices (Level 1)

Financial instruments are valued using unadjusted quoted prices in active markets.

Valuation technique - observable market inputs (Level 2)

Financial instruments are valued using techniques based on observable market data. In some instances, valuations received from independent third party are used.

Valuation technique - non-market observable inputs (Level 3)

Financial instruments are valued using techniques for which significant inputs are not based on observable market data.

The following table presents fair values of Group's financial assets and liabilities as at 30 June 2015.

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
Held for trading securities	21,042	21,042	21,042	-	-
Financial assets designated at fair value through profit or loss	102,286	102,286	102,286	-	-
Derivatives	2,003	2,003	-	1,661	342
Available for sale securities	559,824	559,824	558,188	-	1,636
<i>Financial assets not measured at fair value:</i>					
Cash and deposits with central banks	324,554	324,554	-	-	-
Balances due from credit institution	296,922	296,922	-	-	-
Loans and receivables from customers	1,081,752	1,077,346	-	-	1,077,346
Held to maturity securities	251,024	254,717	220,424	34,293	-
Total assets	2,639,407	2,638,694	901,940	35,954	1,079,324
Derivatives	2,859	2,859	-	2,859	-
Financial liabilities designated at fair value through profit or loss	30,052	30,052	17,188	-	12,864
<i>Financial liabilities not measured at fair value:</i>					
Balances due to credit institutions and central banks	30,799	30,799	-	-	-
Customer deposits	2,408,256	2,409,833	-	-	2,409,833
Other financial liabilities	13,691	13,614	-	-	13,614
Subordinated liabilities	53,976	53,976	-	-	53,976
Total liabilities	2,539,633	2,541,133	17,188	2,859	2,490,287

The following table presents fair values of Group's financial assets and liabilities as at 31 December 2014.

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
Held for trading securities	23,950	23,950	23,950	-	-
Financial assets designated at fair value through profit or loss	97,449	97,449	97,449	-	-
Derivatives	5,929	5,929	-	5,929	-
Available for sale securities	558,196	558,196	556,560	-	1,636
<i>Financial assets not measured at fair value:</i>					
Cash and deposits with central banks	225,399	225,399	-	-	-
Balances due from credit institution	509,404	509,404	-	-	-
Loans and receivables from customers	1,075,701	1,070,066	-	-	1,070,066
Held to maturity securities	229,252	234,260	201,992	-	32,268
Total assets	2,725,280	2,724,653	879,951	5,929	1,103,970
Derivatives	1,647	1,647	-	1,647	-
Financial liabilities designated at fair value through profit or loss	24,594	24,594	12,784	-	11,810
<i>Financial liabilities not measured at fair value:</i>					
Balances due to credit institutions and central banks	25,036	25,036	-	-	-
Customer deposits	2,517,107	2,519,836	-	-	2,519,836
Other financial liabilities	12,235	12,034	-	-	12,034
Subordinated liabilities	73,596	73,596	-	-	73,596
Total liabilities	2,654,215	2,656,743	12,784	1,647	2,617,276

The following table presents fair values of Bank's financial assets and liabilities as at 30 June 2015.

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
Derivatives	2,013	2,013	-	1,671	342
Available for sale securities	447,099	447,099	445,479	-	1,620
<i>Financial assets not measured at fair value:</i>					
Cash and deposits with central banks	223,958	223,958	-	-	-
Balances due from credit institution	328,360	328,360	-	-	-
Loans and receivables from customers	909,115	896,050	-	-	896,050
Held to maturity securities	211,647	215,946	181,653	34,293	-
Total assets	2,122,192	2,113,426	627,132	35,964	898,012
Derivatives	2,860	2,860	-	2,860	-
<i>Financial liabilities not measured at fair value:</i>					
Balances due to credit institutions and central banks	93,152	93,152	-	-	-
Customer deposits	1,899,552	1,901,209	-	-	1,901,209
Subordinated liabilities	53,976	53,976	-	-	53,976
Total liabilities	2,049,540	2,051,197	-	2,860	1,955,185

The following table presents fair values of Bank's financial assets and liabilities as at 31 December 2014.

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
Derivatives	5,963	5,963	-	5,963	-
Available for sale securities	444,418	444,418	442,798	-	1,620
<i>Financial assets not measured at fair value:</i>					
Cash and deposits with central banks	142,650	142,650	-	-	-
Balances due from credit institution	464,273	464,273	-	-	-
Loans and receivables from customers	941,329	929,739	-	-	929,739
Held to maturity securities	192,977	197,188	164,920	-	32,268
Total assets	2,191,610	2,184,231	607,718	5,963	963,627
Derivatives	3,567	3,567	-	3,567	-
<i>Financial liabilities not measured at fair value:</i>					
Balances due to credit institutions and central banks	116,997	116,997	-	-	-
Customer deposits	1,948,751	1,951,049	-	-	1,951,049
Subordinated liabilities	73,596	73,596	-	-	73,596
Total liabilities	2,142,911	2,145,209	-	3,567	2,024,645

The movement in financial assets carried at fair value categorised as Level 3:

	EUR 000's			
	01/01/2015-30/06/2015 Group	01/01/2014-30/06/2014 Group	01/01/2015-30/06/2015 Bank	01/01/2014-30/06/2014 Bank
As at the beginning of the period, net	1,636	1,969	1,620	1,969
Gain on derivatives	714	-	714	-
Settlement	(372)	-	(372)	-
Increase in existing exposure	-	71	-	71
Impairment charges	-	(255)	-	(255)
As at the end of the period, net	1,978	1,785	1,962	1,785

Fair value of available for sale securities for which fair value is calculated based on non-market observable inputs is categorised as Level 3 as these shares and investments in mutual investment funds are not listed on an exchange and there are insufficient recent observable transactions on the market.

The Group and the Bank in the 6 month period ended 30 June 2015 has recognised a revaluation gain from Level 3 classified credit derivative in the amount of EUR 343 thousand as a result of re-assessment of the fair value of a credit linked note embedded derivative, which is separated from the host instrument. The performance of the particular credit derivative is linked to the municipality of Riga. In the reporting period the Bank and the Group have also received EUR 372 thousand income from the CDS margin on this credit derivative.



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Independent Auditors' Report on Review of Condensed Interim Financial Information

To the shareholders of AS Citadele Banka

Introduction

We have reviewed the accompanying condensed separate interim financial information of AS Citadele Banka (the "Bank") as at 30 June 2015, which comprises the condensed separate interim balance sheet as at 30 June 2015 and the related condensed separate interim statements of income, comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2015, and notes to the condensed separate interim financial information, comprising a condensed summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 37. We have also reviewed the accompanying condensed consolidated interim financial information of AS "Citadele banka" and its subsidiaries (together "the Group"), which comprise the condensed consolidated interim balance sheet as at 30 June 2015, the related condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2015, and notes to the condensed consolidated interim financial statements, comprising a condensed summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 37.

Management is responsible for the preparation and presentation of this condensed consolidated and separate interim financial information in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated and separate interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated and separate interim financial information as at 30 June 2015 and for the six month period then ended is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union.

Ondrej Fikrle
Partner
KPMG Baltics SIA
Riga, Latvia
21 August 2015

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