SC "Citadele banka"

Public Financial Information

1st Quarter 2015

Citadele

Information disclosed in the report is prepared in accordance with the Financial and Capital Market Commission's regulation No. 145 „Regulations on Preparation of Public Quarterly Reports of Credit Institutions".

Management Report

The economic environment

Results related to gross domestic product show that Latvia's economy managed to maintain a stable cruise speed during the beginning of this year. Economic output during the 1st quarter of 2015 increased by 2.0% in comparison to the same period last year. On a quarterly basis, GDP continued to grow by an average of ½ of a percentage point each quarter.

The year has begun quite successfully for the retail sector, with revenues during Q1 increasing by 7.5% on an annual basis. These excellent results are partly down to increased wages and the relatively low level of activity among consumers during the start of 2014, right after the euro was introduced. Declining energy resource prices also had a certain role in the increase in household spending.

After an interruption of two quarters, output in the processing industries increased by 4%, and the sector's contribution toward GDP was once again positive. Since the beginning of last year, during the 1st quarter of 2015 the trends of the metal processing sector – one that had been hindered during previous years by growth in the processing industries – have no longer been negative.

After a decline during the second half of 2014, the macro climate in the euro zone has improved. Optimism among businesspeople and consumers in the euro zone has increased since late last year, and positive effects related to the cheap euro, low oil prices and the recovery of the lending market have become more tangible. If we look to the East, the geopolitical background in the region remains rather restless, and economic output in Russia is likely to continue to shrink, but stabilisation in oil prices and the recovery of the rouble in financial markets have made the situation rather more hopeful.

Financial performance in the first quarter of 2015

	Group			Bank		
EUR millions	**Q1 2015 Unaudited**	**Q1 2014 Unaudited**	**Change**	**Q1 2015 Unaudited**	**Q1 2014 Unaudited**	**Change**
Net interest income	15.5	14.9	4%	12.8	12.4	3%
Net commission and fee income	8.4	8.0	5%	6.2	5.9	5%
Operating income	27.3	26.5	3%	20.6	21.1	(2%)
Administrative expenses	(16.0)	(15.3)	4%	(11.8)	(11.5)	2%
Impairment charge and reversals, net	(1.4)	(2.7)	(49%)	(2.0)	(2.4)	(17%)
Net profit	7.6	5.9	30%	5.4	5.7	(6%)
Return on average assets (ROA)	1.08%	0.92%	0.16pp	0.93%	1.07%	(0.14pp)
Return on average equity (ROE)	16.8%	16.1%	0.7pp	12.2%	15.5%	(3.3pp)

	Group			Bank		
EUR millions	**Q1 2015 Unaudited**	**Q1 2014 Unaudited**	**Change**	**Q1 2015 Unaudited**	**2014 Unaudited**	**Change**
Total assets	2,797	2,855	(2%)	2,303	2,331	(1%)
Loans to companies and private individuals	1,072	1,076	(0%)	902	941	(4%)
Deposits from customers	2,441	2,517	(3%)	1,955	1,949	0%
Shareholders' equity	189	177	7%	179	173	4%
Loan-to-deposit ratio	44%	43%	1pp	46%	48%	(2pp)

In the 1st quarter of 2015, the **net interest income** of the Group increased by 4% (year-on-year), to EUR 15.5 million (Bank: +3% to EUR 12.8 million). **Net commission and fee income** grew by 5% to

EUR 8.4 million (Bank: +5% to EUR 6.2m). This was driven by several changes in pricing, overall payment card business performance as well as USD appreciation.

Citadele Group's **operating income** increased by about 3% to EUR 27.3 million (Bank: -2% to EUR 20.6 million) in the 1st quarter of 2015. The reduction in Bank's operating income is related to the impact of CHF appreciation on Bank's investment in Swiss subsidiary. On a group level the net open CHF position is limited, thus the ultimate impact on Group's equity is not meaningful.

Citadele Group's **administrative expenses** increased by 4% in the 1st quarter of 2015, compared to the 1st quarter of 2014. The increase mostly relates to the strategic advisory services used by the Group to adjust the business model for the next development phase, after the change of shareholders. The decrease in **net impairment charges and reversals** from EUR 2.7 million in Q1 2013 to EUR 1.4 million (Bank: from EUR 2.4 million to EUR 2.0 million) reflects the overall improvement in asset quality.

In the 1st quarter of 2015, the Group's **net profit** increased by 30% to EUR 7.6 million (Bank: -6% to EUR 5.4 million).

Citadele Group's **total assets** amounted to EUR 2,797 million as of 31 March 2015, which corresponds to a decrease of 2.0% (Bank: -1.2% to EUR 2,303 million). The decrease took place as a result of Swiss subsidiary adjusting its funding pricing policy to the market trends. Some clients chose to transfer their funds to off-balance sheet instruments, but stayed with the bank. The **return on average assets** in first quarter of 2015 was 1.08% compared to 0.92% in the first quarter of the previous year (Bank: 0.93% compared to 1.07%).The Group's volume of **loans to companies and private individuals** decreased slightly by 0.4% to EUR 1,072 million (the Bank: -4.2% to EUR 902 million). The **loan-to-deposit ratio** of the Group remained at a very prudent level of 44% compared to 43% at the end of the year (Bank: 46% compared to 48%).

As of 31 March 2015, **shareholders' equity** stood at EUR 189 million, which represents a 7% rise compared to year-end (Bank: +4% to EUR 179 million). The Group's annualised **return on average equity** remained high at 16.8% compared to 16.1% in the same period of 2014 (Bank: 12.2% compared to 15.5%).

The **tier 1 ratio** and **common equity tier 1** ratio of Citadele Group as at 31 March 2015 was 10.3% (Bank: 11.5%). The Group's **capital adequacy ratio** as of 31 March 2015 was 12.0% (Bank: 13.5%). After the end of the reporting period, the new shareholders decided to increase the capital of Citadele by EUR 10 million. Subordinated loans agreements also were amended. As a result of that the Group's tier 2 capital increased by almost EUR 9 million. Thus, total regulatory capital increase after the reporting period end amounted to almost EUR 19 million, which corresponds to c. 100 basis points increase in Group's capital adequacy ratio.

Financing for development

During the 1st of 2015, the Bank has signed new lending agreements with companies in the amount of EUR 16.5 million. The largest number of new agreements were signed with agricultural and trade companies (64%).

Among companies that received financing from Citadele during the 1st quarter of 2015 is one that plans to establish a cancer treatment centre in Sigulda. It will be opened in the fall of this year using the co-financing from Citadele and the Latvian Investment and Development Agency in the amount of EUR 5.6 million. It will be the first cancer treatment centre of its kind in the Baltic States.

One of priorities for Citadele is to finance manufacturing companies, including those that are at the start of their operations. An good example is Blue Shock Bike, which manufactures electric bicycles. The company received EUR 150,000 from Citadele to develop its manufacturing equipment and to organise marketing projects which are aimed at enhancing the export ability of the company. The company plans to increase its turnover by one-third and to sell at least 500 electric bikes this year.

For the fifth year in a row Citadele banka supported an export forum organised by the Latvian Chamber of Commerce and Industry - the "Export Day" The forum is aimed at facilitating the export capacities of Latvian companies. Citadele offers trade financing services, including bank guarantees, letters of credit and documentary collections to help companies find new export markets. During the first quarter of 2015 the number of trade financing transactions in which Citadele took part rose by 20% in comparison to the same period last year. This was largely due to an increased amount of issued guarantees and documentary collections.

Citadele Latvia’s first commercial bank to support a state programme for home purchase

In January Citadele banka signed an agreement with the ALTUM developmental financing institution on participation in the state support programme to make it easier for families with children to purchase their first home. The Bank had partnered with the state in this support programme and became the first commercial bank in Latvia that offered state-guaranteed mortgage loans to Latvian families with children with more accessible conditions and smaller down-payment – something that was previously the biggest obstacle for families with children to purchase their own home. The Bank had observed significant interest for such mortgage loans with more than 800 families approaching the Bank during the first five days since the launch of the programme in order to seek consultations on the programme. By the end of the first quarter of the year, Citadele had granted 64 mortgage loans as part of the programme.

Payment card services

Citadele banka continued to encourage people to use their payment cards and expanded partnerships with the retailers. Discounts on payment card transactions and other special offers are an important part of the advantages that Citadele provides to its clients. Citadele banka is the official partner of American Express® in Latvia and Lithuania with an exclusive right to issue American Express® cards in these countries. In order to ensure that people use their cards as much as possible, Citadele is constantly seeking new retail locations having a total of 12,191 locations in Latvia and 8,023 in Lithuania by the end of March 2015.

During the 1st quarter of 2015 Citadele banka has increased the number of issued payment cards by 27% in comparison to the same period in 2014.

Private capital management

Investment services managed by Citadele banka provide clients with various opportunities to save and increase their resources. The deposit portfolio in this segment rose by 4% during the first quarter of 2015 to a total level of EUR 0.9 billion. The number of issued Platinum credit cards rose by almost 2%. One of the main advantages of the card is Citadele’s unique Concierge service, which handled 9% more requests during this quarter than during the same period last year.

Changes in the ownership structure

On 16 September 2014, after a tender process, the Latvian government decided to sell its ordinary shares in Citadele banka to Ripplewood Advisors LLC and a group of international investors. The Latvian Privatisation Agency signed the sale and purchase agreement in relation to the sale of its ordinary shares on 5 November 2014. The transaction was completed on 20 April 2015, after the approval was received from, among others, the Latvian Finance and Capital Markets Commission and the European Central Bank. Following completion of the transaction, Ripplewood Advisors LLC and the group of international investors aquired, in aggregate, 75%+1 ordinary share of Citadele Banka. The European Bank for Reconstruction and Development retains a shareholding in Citadele banka of 25%-1 ordinary share.

The aim of Citadele’s new shareholders is to invest in Bank’s development so it becomes a national leader in Latvia’s banking sector in terms of the quality and the diversity of the products.

The report has been approved by the Management Board of the Bank on 26 May 2015.

On 18 June 2015 information in the Management report was updated.

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Balance Sheet

EUR 000’s

	31.03.2015. *Unaudited* Group	31.12.2014. *Audited** Group	31.03.2015. *Unaudited* Bank	31.12.2014. *Audited** Bank
Cash and demand deposits with central banks	508,732	225,399	433,464	142,650
Demand deposits with credit institutions	141,238	349,719	172,697	315,918
Financial assets held for trading	28,048	29,880	6,761	5,963
Financial assets designated at fair value through profit and loss	97,918	97,449	-	-
Available-for-sale financial assets	580,667	558,196	460,612	444,418
Loans and receivables to customers:				
Loans to credit institutions	14,680	159,685	2,796	148,354
Loans to companies and private individuals	1,071,603	1,075,701	901,680	941,329
Held-to-maturity investments	248,744	229,252	209,480	192,977
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Prepayments and accrued income	3,715	3,016	1,890	1,725
Property and equipment	42,513	42,525	3,671	3,651
Investment property	406	409		-
Intangible assets	1,769	1,708	1,482	1,456
Investments in subsidiaries	-	-	61,601	61,605
Income tax assets	29,292	30,510	27,753	28,735
Other assets	27,786	51,146	18,943	41,880
Total assets	**2,797,111**	**2,854,595**	**2,302,830**	**2,330,661**
Due to central banks	7,006	5	6	5
Demand liabilities to credit institutions	11,832	14,971	29,166	70,657
Financial liabilities held for trading	1,567	1,647	1,571	3,567
Financial liabilities designated at fair value through profit and loss	27,547	24,594	-	-
Financial liabilities measured at amortised cost:				
Loans from credit institutions	10,552	10,060	50,609	46,335
Deposits from customers	2,441,144	2,517,107	1,954,843	1,948,751
Subordinated liabilities	72,220	73,596	72,220	73,596
Other financial liabilities	13,243	12,235	-	-
Amounts payable under repurchase agreements	-	-	-	-
Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
Accrued expenses and deferred income	13,669	12,141	10,461	9,129
Provisions	698	695	-	-
Income tax liabilities	126	187	-	-
Other liabilities	8,823	10,646	4,505	5,324
Total liabilities	**2,608,427**	**2,677,884**	**2,123,381**	**2,157,364**
Shareholders’ equity	188,684	176,711	179,449	173,297
Total liabilities and shareholders’ equity	**2,797,111**	**2,854,595**	**2,302,830**	**2,330,661**
Memorandum items				
Contingent liabilities	58,380	58,217	54,415	54,544
Financial commitments	173,451	168,646	209,183	192,406

* Auditor: SIA “KPMG Baltics”.

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Income statement

EUR 000's

	01.01.2015.- 31.03.2015. *Unaudited* Group	01.01.2014.- 31.03.2014. *Unaudited* Group	01.01.2015.- 31.03.2015. *Unaudited* Bank	01.01.2014.- 31.03.2014. *Unaudited* Bank
Interest income	20,348	19,286	16,813	16,165
Interest expense	(4,861)	(4,369)	(4,023)	(3,745)
Dividends received	-	-	238	-
Commission and fee income	11,913	11,164	9,138	8,484
Commission and fee expense	(3,536)	(3,152)	(2,987)	(2,632)
Net gain/ (loss) on financial assets and financial liabilities measured at amortised cost	-	-	-	-
Net gain/ (loss) on available for sale financial assets and financial liabilities	1,391	1,201	616	261
Net gain/ (loss) on held for trading financial assets and financial liabilities	200	(111)	2	-
Net gain/ (loss) on financial assets or financial liabilities designated at fair value though profit and loss	107	(21)	-	-
Fair value change in the hedge accounting	-	-	-	-
Gain/ (loss) from foreign exchange trading and revaluation of open positions	885	1,838	273	2,123
Net financial profit	**26,447**	**25,836**	**20,070**	**20,656**
Net gain/ (loss) on disposal of property, plant and equipment, investment property and intangible assets		(68)		-
Other income	893	669	495	408
Other expense	(135)	(194)	(92)	(124)
Administrative expense	(15,958)	(15,290)	(11,762)	(11,537)
Amortisation and depreciation charge	(1,142)	(1,410)	(386)	(324)
Impairment charge and reversals, net	(1,378)	(2,702)	(1,982)	(2,401)
Profit before taxation	**8,727**	**6,841**	**6,343**	**6,678**
Corporate income tax	(1,078)	(957)	(971)	(991)
Profit for the reporting period	**7,649**	**5,884**	**5,372**	**5,687**

Statements of Comprehensive Income:

EUR 000's

	01.01.2015.- 31.03.2015. *Unaudited* Group	01.01.2014.- 31.03.2014. *Unaudited* Group	01.01.2015.- 31.03.2015. *Unaudited* Bank	01.01.2014.- 31.03.2014. *Unaudited* Bank
Net change in fair value revaluation reserve of securities and other reserves	4,324	(99)	780	493
Other comprehensive income for the period	**4,324**	**(99)**	**780**	**493**
Total comprehensive income for the period	**11,973**	**5,785**	**6,152**	**6,180**

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Key Ratios of the Group and the Bank

	01.01.2015.-31.03.2015. Group	01.01.2014.-31.03.2014. Group	01.01.2015.-31.03.2015. Bank	01.01.2014.-31.03.2014. Bank
Return on equity (ROE) (%)*	16.75%	16.08%	12.18%	15.51%
Return on assets (ROA) (%)*	1.08%	0.92%	0.93%	1.07%

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

Investments in Securities by Issuer's Country

	Group			
	31.03.2015.		31.12.2014.	
	Government bonds	Other securities	Government bonds	Other securities
Latvia	271,708	37,644	253,751	37,978
Lithuania	78,664	-	86,375	-
Finland	14,606	13,509	13,246	16,312
United States	15,194	79,539	12,358	77,321
Netherlands	5,744	58,219	10,080	53,734
Sweden	6,091	22,122	5,376	21,342
Canada	3,739	24,265	3,308	24,023
Australia	732	32,285	693	32,946
Norway	-	27,110	-	26,638
Germany	-	24,227	-	24,479
Singapore	-	25,783	-	24,368
Other countries**	20,099	187,300	26,521	157,998
Total securities, net	**416,577**	**532,003**	**411,708**	**497,139**

	Bank			
	31.03.2015.		31.12.2014.	
	Government bonds	Other securities	Government bonds	Other securities
Latvia	258,279	36,609	241,007	36,955
United States	15,194	41,172	12,358	38,612
Finland	11,552	13,509	10,549	16,312
Netherlands	5,744	35,500	10,080	34,351
Sweden	4,696	22,122	4,143	21,342
Canada	3,739	19,792	3,308	19,356
Australia	732	25,455	693	24,792
Singapore	-	24,010	-	22,820
Norway	-	21,056	-	19,788
Other countries**	20,240	110,691	23,888	97,041
Total securities, net	**320,176**	**349,916**	**306,026**	**331,369**

**Each country's issuers' total exposure is less than 10% from the eligible capital used for capital adequacy calculation purposes. Investments in managed funds and exposures with multilateral development banks are included in line "Other countries".

As at the period end the Bank and the Group has not recognised any impairment allowance for held-to-maturity investments (2014: nil). Market value of the Bank's and the Group's held-to-maturity securities as at 31 March 2015 is EUR 213,574 thousand (2014: EUR 197,188 thousand) and EUR 253,965 thousand (2014: EUR 234,260 thousand), respectively. During the reporting period the Bank and the Group has not recognised any impairment allowance for available-for-sale securities (2014: recognised impairment allowance of EUR 255 thousand); total recognised impairment allowance for available-for-sale securities as at the period end is EUR 6,499 thousand (2014: EUR 7,062 thousand).

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Liquidity Ratio Calculation

EUR 000's

		31.03.2015. Bank	31.12.2014. Bank
1	**Liquid assets (1.1.+1.2.+1.3.+1.4.)**	**1,128,748**	**1,115,000**
1.1	Cash	57,347	57,728
1.2	Due from Bank of Latvia	375,016	84,593
1.3	Due from with solvent credit institutions	172,391	460,838
1.4	Liquid securities	523,994	511,841
2	**Liabilities (with remaining maturity up to 30 days) (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.)**	**1,810,701**	**1,884,387**
2.1	Due to credit institutions	64,690	104,612
2.2	Deposits	1,520,613	1,532,200
2.3	Issued debt securities	-	-
2.4	Cash in transit	38,328	46,640
2.5	Other current liabilities	16,092	16,655
2.6	Off balance sheet liabilities	170,978	184,280
3	**Liquidity ratio (1.:2.) (%)**	**62%**	**59%**
4	**Minimum liquidity ratio**	**30%**	**30%**

Bank's individual minimum liquidity ratio allowed by FCMC is 40%.

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Capital Adequacy Report

EUR 000's

		31.03.2015. *Unaudited* Group	31.12.2014. *Unaudited* Group	31.03.2015. *Unaudited* Bank	31.12.2014. *Unaudited* Bank
1	**Own funds**	**202,201**	**200,495**	**196,906**	**200,595**
1.1	Tier 1 capital	173,251	168,927	167,956	169,027
1.1.1	*Common equity Tier 1 capital*	*173,251*	*168,927*	*167,956*	*169,027*
1.1.2	*Additional Tier 1 capital*	-	-	-	-
1.2	Tier 2 capital	28,950	31,568	28,950	31,568
2	**Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)**	**1,684,219**	**1,822,041**	**1,460,555**	**1,625,823**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,467,154	1,606,664	1,295,722	1,463,267
2.2	Total risk exposure amount for settlement/delivery	-	-	-	-
2.3	Total risk exposure amount for position, foreign exchange and commodities risks	19,550	17,734	6,472	4,074
2.4	Total risk exposure amount for operational risk	196,501	196,501	157,347	157,347
2.5	Total risk exposure amount for credit valuation adjustment	1,014	1,142	1,014	1,135
2.6	Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7	Other risk exposure amounts	-	-	-	-
3	**Capital adequacy ratios**				
3.1	Common equity Tier 1 capital ratio (1.1.1./2.*100)	10.3%	9.3%	11.5%	10.4%
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	97,461	86,935	102,231	95,865
3.3	Tier 1 capital ratio (1.1./2.*100)	10.3%	9.3%	11.5%	10.4%
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	72,198	59,604	80,323	71,477
3.5	Total capital ratio (1./2*100)	12.0%	11.0%	13.5%	12.3%
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	67,463	54,732	80,061	70,529
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	**2.5%**	**2.5%**	**2.5%**	**2.5%**
4.1	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%
4.2	Institution specific countercyclical buffer (%)	-	-	-	-
4.3	Systemic risk buffer (%)	-	-	-	-
4.4	Systemically important institution buffer (%)	-	-	-	-
4.5	Other systemically important institution buffer (%)	-	-	-	-
5	**Capital adequacy ratios, including adjustments**				
5.1	Impairment or asset value adjustments for capital adequacy ratio purposes	-	-	-	-
5.2	Common equity tier 1 capital ratio including line 5.1 adjustments	10.3%	9.3%	11.5%	10.4%
5.3	Tier 1 capital ratio including line 5.1 adjustments	10.3%	9.3%	11.5%	10.4%
5.4	Total capital ratio including line 5.1 adjustments	12.0%	11.0%	13.5%	12.3%

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.

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Consolidation Group as at 31 March 2015

No.	Name of company	Registration number	Registration address	Country of domicile	Company type*	% of total paid-in share capital	% of total voting rights	Basis for inclusion in the group**
1	AS “Citadele banka"	40103303559	Latvia, Riga LV-1010, Republikas laukums 2A	LV	BNK	100	100	MAS
2	IPAS “CBL Asset Management"	40003577500	Latvia, Riga LV-1010, Republikas laukums 2A	LV	IPS	100	100	MS
3	AB “Citadele”	112021619	Lithuania, Vilnius LT-03107, K.Kalinausko 13	LT	BNK	100	100	MS
4	SIA “Citadele Express Kredīts"	40003238125	Latvia, Riga LV-1010, Republikas laukums 2A	LV	CFI	100	100	MS
5	AS “CBL atklātais pensiju fonds"	40003397312	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PFO	100	100	MS
6	AAS “CBL Life"	40003786859	Latvia, Riga LV-1010, Republikas laukums 2A	LV	APS	100	100	MMS
7	OU “Citadele Leasing & Factoring"	10925733	Estonia, Tallinn 10119, Roosikrantsi 2	EE	LIZ	100	100	MS
8	OOO „Mizush Asset Management Ukraine”	32984601	Ukraine, Kiev 03150, Gorkovo 172	UA	IBS	100	100	MMS
9	SIA “E & P Baltic Properties"	40003754637	Latvia, Riga LV-1010, Republikas laukums 2A	LV	IPS	50	50	MMS
10	UAB “Citadele faktoringas ir lizingas"	126233315	Lithuania, Vilnius LT03107, K.Kalinausko 13	LT	LIZ	100	100	MMS
11	UAB “Citadele investiciju valdymas"	111829843	Lithuania, Vilnius LT01109, Gyneju 16	LT	IBS	100	100	MMS
12	“AP Anlage & Privatbank” AG	130.0.007.738-0	Switzerland, Limmatquai 4, CH-8001, Zurich	CH	BNK	100	100	MS
13	Calenia Investments Limited	HE156501	Cyprus, Nicosia 1075, 58 Arch. Makarios III Avenue, Iris Tower, 6th floor, office 602	CY	PLS	100	100	MS
14	SIA “Citadele līzings un faktorings"	50003760921	Latvia, Riga LV-1010, Republikas laukums 2A	LV	LIZ	100	100	MS
15	SIA “Rīgas pirmā garāža"	40003397543	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
16	SIA “RPG interjers"	40103157899	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MMS
17	SIA “PR Speciālie projekti"	40103195231	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MMS
18	SIA “Hortus Commercial"	40103460641	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
19	SIA “Hortus Land"	40103460961	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
20	SIA “Hortus TC"	50103460681	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
21	SIA “Hortus Residential"	40103460622	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
22	SIA “Hortus LH”	40103721581	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
23	SIA “Hortus MD”	40103724840	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
24	SIA “Hortus JU”	40103724855	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
25	SIA “Hortus RE”	40103752416	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
26	SIA “Hortus BR”	50103752441	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS
27	SIA “Hortus NI”	40103752435	Latvia, Riga LV-1010, Republikas laukums 2A	LV	PLS	100	100	MS

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

On 22 December 2014 legal names of IPAS „CBL Asset Management" (former legal name IPAS „Citadele Asset Management"), AS „CBL atklātais pensiju fonds" (former legal name AS „Citadele atklātais pensiju fonds"), and AAS „CBL Life" (former legal name AAS „Citadele Life") were changed. The purpose of the new name is to strengthen the companies’ international reputation while maintaining links to the Citadele Bank and its name. “CBL” is an abbreviation of “Citadele Bank Latvia”. On 25 March 2015 OOO „Citadele Asset Management Ukraina” legal name was changed to OOO „Mizush Asset Management Ukraine”.

Information disclosed in the report is prepared in accordance with the Financial and Capital Market Commission’s regulation No. 145 „Regulations on Preparation of Public Quarterly Reports of Credit Institutions”.

Shareholders as at 31 March 2015

Shareholders	Nominal value (EUR)	Number of shares	Paid-in share capital (EUR)	Voting rights	Paid-in share capital (%)
VAS “Privatizācijas Aģentūra"	1	109,916,846	109,916,846	109,916,846	75% minus 1 share
EBRD	1	36,638,950	36,638,950	36,638,950	25% plus 1 share
Total		**146,555,796**	**146,555,796**	**146,555,796**	**100%**

On 16 September 2014 and following a tender process, the Latvian government decided to sell its 75% minus 1 share stake in Citadele to RA Citadele Holdings LLC, 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 respective agreement on 5 November 2014. The transaction was closed in April 2015, following approvals by the Latvian Finance and Capital Markets Commission, the European Central Bank, as well as the banking regulators in Lithuania and Switzerland. The European Bank for Reconstruction and Development (EBRD) retained its stake in Citadele. The new investors and the EBRD also increase the share capital of the Bank by EUR 10 million.

Management of the Bank as at 31March 2015

Supervisory Council of the Bank

Name	Position
Klāvs Vasks	Chairman of the Supervisory Council
Geoffrey Richard Dunn	Deputy chairman of the Supervisory Council
Baiba Anda Rubesa	Member of the Supervisory Council
Aldis Greitāns	Member of the Supervisory Council

Management Board of the Bank

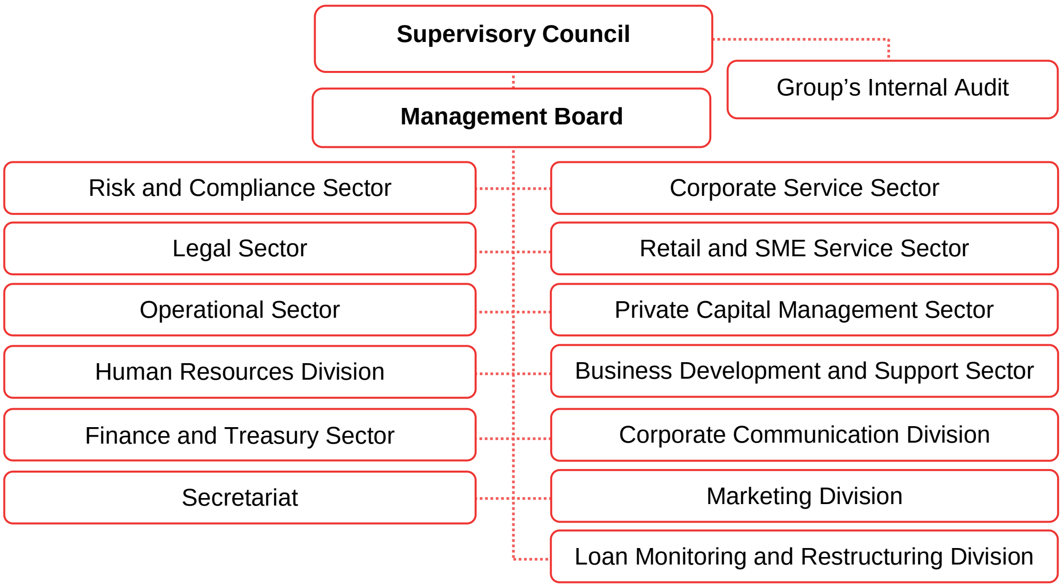
Name	Position
Guntis Beļavskis	Chairman of the Management Board, p.p.
Valters Ābele	Member of the Management Board, p.p.
Kaspars Cikmačs	Member of the Management Board
Santa Purgaile	Member of the Management Board
Aldis Paegle	Member of the Management Board

Bank’s Business Strategy and Objectives

Information about Citadele’s strategy is available in “Business Strategy” section of the Bank’s web page, about Bank’s objectives – in “Vision, mission, values” section.

Bank’s Organizational Structure

As at 31 March 2015 the Bank was operating a total of 20 branches (including 1 foreign branches), 18 mid-size client service centres (including 1 foreign) and 2 representative offices. Information about Citadele's branches and client service centres is available in the Bank's web page's section “Klientu apkalpošanas centri un filiāles”, about ATM – in section “Bankomāti”.



Ratings Assigned by Rating Agencies

	Long-term rating	Short-term rating	Financial strength rating	Ratings outlook	Rating revision date
Moody's Investors Service	B2	Not Prime	WR	Under Review	17.03.2015.
Moody's Investors Service	B2	Not Prime	E+	Negative	29.05.2014.
Moody's Investors Service	B2	Not Prime	E+	Stable	23.08.2013.
Moody's Investors Service	B2	Not Prime	E+	Negative	16.12.2011.
Moody's Investors Service	Ba3	Not Prime	E+	Under Review	06.10.2011.
Moody's Investors Service	Ba3	Not Prime	E+	Stable	06.10.2010.

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

Risk Management

Risk management principles are set out in Group’s Risk Management Policy. The Group adheres to the following key risk management principles:

- The Group aims to ensure low risk exposure, diversified asset portfolio, limited risks in financial markets and low level of operational risk;
- The Group aims to ensure an acceptable risk level in all operations. Risks are always assessed in relation to the expected return. Risk exposures that are not acceptable for the Group are avoided, limited or hedged;
- The Group does not assume high or uncontrollable risks irrespective of the return they provide. Risks should be diversified and those risks that are quantifiable should be limited or hedged;
- The Group pursues prudent risk management policy, that is aligned with the Group’ business and ensures effective total risk mitigation;
- Risk management is based on awareness of each and every Group’s employee about and responsibility for the nature of transactions he/she carries out and related risks;
- Risk limit system and strict controls are essential risk management elements. Control of risk level and compliance with limits is ensured by structured risk limit systems for all material risks.

Risk management is an essential element of the Group’s management process. Risk management within the Group is controlled by independent unit – Risk and Compliance Sector.

The Group is exposed to the following main risks: credit risk, market risk, interest rate risk, liquidity risk, currency risk and operational risk. The Group has approved risk management policies for each of these risks, which are briefly summarised below. More detailed information about risk management is available in “Risk management” note of AS “Citadele Banka” annual report, which is published in the Bank’s web page’s section “Annual reports”.

Credit Risk

Credit risk is the risk that the Group will incur a loss from debtor’s non-performance or default. The Group is exposed to credit risk in its lending, investing and trading activities, as well as in respect to the guarantees issued to third parties and other off-balance sheet commitments to third parties.

Credit risk management is based on adequate risk assessment and decision-making. For material risks, risk analysis is conducted by independent unit of Risk and Compliance Sector. The analysis of credit risk comprises evaluation of customer’s creditworthiness and collateral and its liquidity. The analysis of creditworthiness of a legal entity includes the analysis of industry, the company, its credit history and its current and forecasted financial position. The analysis of creditworthiness of an individual includes the analysis of the customer’s credit history, income and debt-to-income ratio analysis, as well as the analysis of social and demographic factors. In the event of material risks, lending decision is made by the Credit Committee, and further reviewed by the Bank’s Management Board. For securities Group analyses factors such as business profile and financial performance of the issuer, credit ratings assigned by international rating agencies, market based indicators such as credit spreads and liquidity.
After a loan is issued or a security acquired, customer’s financial position and issuers’ risk are monitored on a regular basis in order to timely identify potential credit losses.
To limit its credit risk, the Group has set the following concentration limits: individual counterparty limit, limit for group of mutually related customers, limit for large risk exposures, limit for the Group’s related parties, an industry limit, limit by customer type, loan product, and collateral type.

The Group reviews its loan portfolio and securities portfolio on a regular basis to assess its quality and concentrations, as well as to evaluate the portfolio trends. Group’s derivative exposures relate to short term derivatives that do not expose the Group to material credit risk and none of the derivative exposures are overdue.

Credit risk identification, monitoring and reporting is the responsibility of Risk and Compliance Sector.

Market Risk

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

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

The Group manages market risk by developing investment guidelines for every significant portfolio, as well as by setting individual limits to issuers and financial instruments, ensuring that maximum limit volumes are closely linked to the results of risk assessment. The Group puts a large emphasis on concentration risk applying a framework, where limits are set based on risk weighted exposures for every country and sector combination. To assess position risk the Group uses sensitivity analysis and scenario analysis, which identifies and quantifies negative impact of adverse events on portfolio of the Group taking into consideration regional, sector and credit rating profile.

Interest Rate Risk

Interest rate risk is related to the negative impact of interest rate changes on the Group’s income and economic value.

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

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

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its legal payment obligations. The purpose of liquidity risk management is to ensure the availability of liquid assets sufficient to meet potential obligations.

The Group manages its liquidity risk in accordance with the Group’s Liquidity Risk Management Policy. Liquidity risk is assessed and decisions are made by ALCO. The decisions of ALCO are approved by the Bank’s Management Board. ALCO sets the acceptable liquidity risk level, the Group’s internal limit system and defines instruments for the management of liquidity risk, as well as monitors the compliance with the set limits. Daily liquidity management, as well as control is ensured by the Treasury Sector. Liquidity risk management and reporting in the Group is coordinated by the Risk and Compliance Sector.

The Bank evaluates liquidity risk by using scenario analysis. For this purpose several scenarios of Bank’s operations under a variety of conditions are developed: gentle crisis (base case scenario), bank's crisis, general market crisis and a combined scenario. The Bank evaluates its liquidity position for each of the scenarios for a variety of periods (ranging from 1 week to 3 months). System of liquidity risk limits and early warning indicators has been implemented in the Bank. The Bank also estimates costs it could suffer under conditions of prolonged liquidity crisis. In addition to scenarios analysis, the Bank also prepares yearly cash flows, which incorporate assumptions about the most likely flows of funds. For general assessment of asset and liability gaps the Bank regularly prepares and analyses liquidity term structure.

In the reporting period the Bank was in compliance with liquidity ratio requirements and met mandatory reserve requirements in the Bank of Latvia.

Currency Risk

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

Currency risk management in the Group is carried out in accordance with the Group’s Currency Risk Management Policy. Currency risk is assessed and decisions on limits set are made by the Financial Market and Counterparty Committee (FMCC). The decisions of FMCC are approved by the Bank’s Management Board. FMCC defines the acceptable currency risk level and the Group’s internal limit system, as well as monitors compliance with these limits.

Day-to-day currency risk management is the responsibility of Treasury Sector, while risk monitoring and reporting is the responsibility of Risk and Compliance Sector. The Group has set a limit for open currency positions in each currency at 10% of its equity, and the limit for the total open currency position at 20% of its equity. The limits are in compliance with the requirements of Latvian legislation. In assessing its currency risk the Group also makes use of several widely applied methodologies: value at risk, expected shortfall and scenario analysis.

Operational Risk

The Group defines operational risk as the risk of losses resulting from processes that are deficient or non-compliant with requirements of external and internal regulations, losses resulting from actions of employees and system malfunctioning, as well as losses resulting from actions of third parties or from other external conditions, including legal risk (risk of penalty fees, sanctions applied by external institutions, losses resulting from litigation and other similar events), but excluding strategic risk and reputation risk. The Group further divides operational risk into the following categories: personnel risk, process risk, IT and systems risk, external risk.

The Group does not accept operational risks with potential impact exceeding 10% of the Group’s net annual revenues and with probability of occurrence at least once per ten years or risks with unquantifiable impact which are unmanageable, irrespective of the financial gains this could bring (i.e., the Group does not perform business activities incurring such operational risks).

The Group applies following approaches for operational risk management:

- Self-assessment of operational risk – the business-owners of the products and processes perform identification and evaluation of potential operational risk events, assessment of the existing control systems and the analysis of the required risk mitigation measures using self-assessment questionnaires and brainstorming sessions with the experts of the respective process;
- Defining operational risk indicators – use of statistical, financial and other indicators that reflect the level of various operational risk types and its changes within the Group;
- Operational risk measurement by recording and analysing operational risk events, the extent of the respective damage incurred, causes and other related information (data base of operational risk losses and incidents);
- Business continuity planning;
- Risk assessment within development projects.