

AS Citadele banka

ANNUAL REPORT

For the year ended
31 December 2022



Key figures and events of the Group

Solid financial performance with growing income in both Q4 and FY 2022. FY 2022 Operating income (Baltics) reached EUR 168.2 million, 12% growth year over year. Q4 operating income was EUR 46.4 million, 10% growth year over year.

In 2022, the bank issued EUR 1.2 billion in new financing to support Baltic private, SME and corporate customers. EUR 231 million were disbursed in Q4 2022. Baltic operations profit before impairment was EUR 76.6 million in 2022, 17% higher than in 2021. Profit before impairment in Q4 reached EUR 22.4 million, 15% growth quarter over quarter.

Taking a prudent approach towards more uncertain macroeconomic outlook, the bank has made provisions in amount of EUR 23.8 million in 2022 (EUR 8.8 million in Q4) of which vast majority relates to inflation overlay and collectively assessed impairment. Underlying credit quality remains stable and there are no signs of deteriorating asset quality.

Baltic operations net profit reached EUR 50.8 million in 2022, which translated into 12.4% return on equity. Q4 net profit from continuous operations was EUR 13.3 million, translating into 12.9% return on equity.

On the back of attractive digital solutions and services the bank's active customers reached an all-time high of 374 thousand active clients as of 31 December 2022, 4% growth year over year.

The deposit base remained stable and Baltic deposits constituted EUR 3,881 million as of 31 December 2022, or 98% from total deposits.

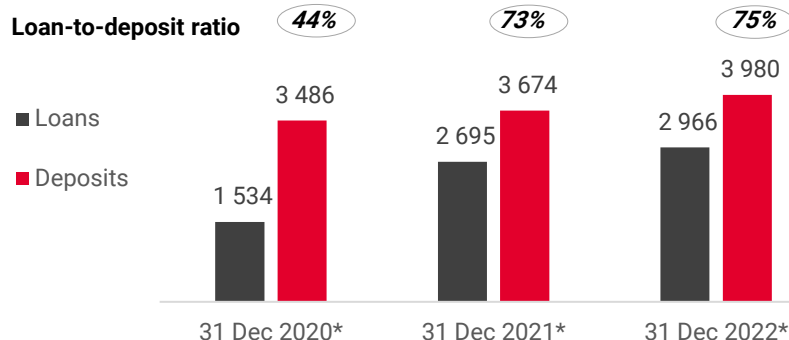
The Bank continues to operate on the back of more than adequate capital and liquidity ratios. Group's CAR, transitional (including period's result) was 20.1% and LCR of 176% as of 31 December 2022.

As of 31 December 2022, Citadele had 1,355 full time employees.

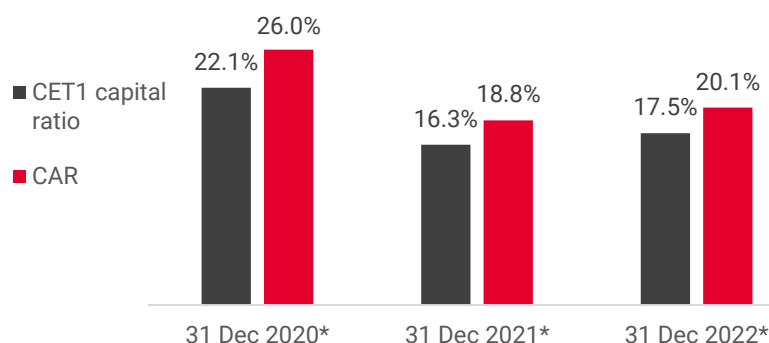
EUR millions	Continuous operations*					
	2022	2021	2020	Q4'22	Q3'22	Q4'21
Net interest income	118.8	107.0	65.3	35.9	28.9	27.1
Net fee and commission income	37.6	34.1	27.5	7.3	8.9	9.0
Net financial and other income	11.7	8.6	(2.1)	3.2	4.2	1.1
Operating income	168.2	149.7	90.6	46.4	42.1	37.2
Operating expense	(91.6)	(84.1)	(72.5)	(24.0)	(22.7)	(23.0)
Net credit losses and impairments	(23.8)	(1.6)	(10.5)	(8.8)	(2.3)	(1.5)
Net profit from continuous operations (after tax)	50.8	62.2	7.1	13.3	16.7	10.3
Return on average assets (ROA)	1.00%	1.33%	0.18%	1.05%	1.31%	0.85%
Return on average equity (ROE)	12.4%	16.8%	2.1%	12.9%	16.4%	10.5%
Cost to income ratio (CIR)	54.45%	56.19%	79.99%	51.8%	53.9%	61.9%
Cost of risk ratio (COR)	0.8%	0.1%	0.7%	1.2%	0.3%	0.2%

Loans to and deposits from the public

EURm



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



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

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Rounding and Percentages

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

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

2022 started with a lot of optimism finally coming out of two years affected by Covid-19 and many of us were looking forward to some stability. Then came 24 February, a tragic date marking a new reality that most of us never thought we would have to experience. The events we have been through during the last three years are unprecedented and it also shows how adaptive and resilient we are. Baltic region has demonstrated its resilience and ability to adapt to changing circumstances and resulted in a stronger economic growth than expected despite historically high inflation, energy prices and rapid interest rate increase. Although macroeconomic and geopolitical uncertainty remains high, the economic outlook for 2023 now has a more positive outlook than it did in Q4, but many uncertainties remain.

Johan Åkerblom

CEO and Chairman of the Management Board



Baltic region is strong

2022 has been a turbulent year for our region. New risks have emerged, including Russia's invasion of Ukraine, an energy challenge in Europe, the highest inflation in 25 years, and rapidly rising interest rates. These factors have disproportionately affected the Baltic region, causing economic growth to come to a near halt in the second half of the year. Nevertheless, the Baltic region has once again demonstrated its resilience and ability to adapt to changing circumstances. New energy suppliers have been found, natural gas consumption has decreased by over 30%, and investments in alternative energy sources and green transition have substantially increased. The labour market in the Baltics remains robust, with unemployment hovering near pre-Covid-19 levels, supporting consumption levels. In Europe significant energy crisis has been largely averted, with natural gas prices plummeting over 75% from their 2022 peaks. Inflation in the Baltics appears to have peaked. The Baltic countries are poised to benefit from a significant increase in EU-financed investments from the recovery and resilience facility, which will accelerate green investments in the region and contribute to economic recovery. Despite the lingering risks and uncertainties, such as the impact of rising interest rates on the real estate market and lending, the economic outlook for 2023 appears more positive than it did in 6 months ago.

Innovations and development

In line with our digital strategy, 2022 displayed further progress in offering

improved services and products to our customer base. KIWI X smart card for youth was successfully launched, card production outsourcing was finalized which ensures swift card deliveries and improved card service quality across the Baltics. SME digital onboarding improvements were introduced, improving customers experience by ensuring faster remote business account opening. In Q4 digital onboarding for SMEs was launched in Estonia. Now simple 10-minute process for SME account opening is available across all Baltic countries, including possibility to activate temporary accounts. Consumer lending digitalization was launched in full in Estonia, now all three Baltic countries have digital solution that allows any customer to apply to the product instantly. Bank has started also Factoring product digitalization with the new solution being launched in Lithuania.

Klix, the bank's e-commerce checkout solution, exceeded 800 merchants, and 10 million transactions were processed in 2022 with total value of EUR 336 million.

Bank with one of the best customer service in the Baltics

Our commitment of providing the best customer service enabled Citadele to maintain the top position among banks in the Baltics, according to the annual mystery shopper survey conducted by international customer service evaluation company DIVE. We are pleased that our efforts are recognized by Dive and our customers, and that our service has earned the 1st place both in Latvia and Lithuania and Top 3 in Estonia.

Growing client base

The bank continues to attract new clients and we are proud that a record number of active customers trust us with their financial service needs – reaching 374 thousand clients as of 31 December 2022, 4% growth year over year. The number of active Mobile App users was 235 thousand, a 13% increase year over year.

EUR 1.2 billion issued in new financing to Baltic private, SME and corporate customers

We have continued to support the business community with financing for growth and expansion. New financing to our customers reached EUR 1,203 million in 2022, 8% increase year over year. EUR 231 million were issued in Q4 2022.

The total loan book as of 31 December 2022 was EUR 2,966 million, 10% higher vs. the year-end 2021.

Overall, the financial standing of our clients is reassuring, and portfolio quality continued to improve and the NPL ratio stood at 2.7% as of 31 December 2022, vs. 3.3% at the end of 2021.

Strong financial results from continued operations

Strong financial performance with a growing income in both Q4 and FY 2022. In 12 months, 2022 operating income reached EUR 168.2 million, 12% growth year over year. In Q4 operating income was EUR 46.4 million, 10% growth year over year.

Taking a prudent approach towards more uncertain macroeconomic outlook, the bank has made

provisions in amount of EUR 23.8 million in 2022 (EUR 8.8 million in Q4) of which vast majority relates to inflation overlay and collectively assessed impairment. Underlying credit quality remains stable and there are no signs of deteriorating asset quality.

Baltic operations net profit reached EUR 50.8 million in 2022, which translated into 12.4% return on equity. Q4 net profit from continuous operations was EUR 13.3 million, translating into 12.9% return on equity.

Customer deposits increased by 4% vs. the year end 2021 and constituted EUR 3,980 million as of 31 December 2022.

Loan-to-deposit ratio was 75% as of 31 December 2022, compared to 73% as of year end 2021.

Citadele continues to operate with adequate capital and liquidity ratios: CAR, transitional (including period's result) increased to 20.1% and LCR of 176% as of 31 December 2022.

Sustainability

Citadele is committed to developing our business with long term perspective and in line with our

environmental, social, and economic goals. This includes respect for the natural environment, and responsible and ethical practices in the decisions we make, products we offer and services we provide. We are committed to support our clients in the transition to a low-carbon economy and reduce the negative impacts on society and the environment in our own business activities and operations. 7% of new financing was disbursed to green lending in 2022 and is planned to be doubled in 2023.

In 2022 Citadele has become official signatory of the UN Principles for Responsible banking, hence showing our commitment to continue adapting the bank's business strategy to align and contribute to the UN Sustainable Development Goals and the Paris Climate Agreement.

Events in Ukraine and Russian sanctions

Citadele is closely monitoring the situation in Ukraine. All new laws, policies and sanctions, including sanctions imposed on Russia, are implemented diligently. Citadele's focus is the Baltic region and there is no direct exposure to Russia, Belarus or Ukraine. Citadele has not

experienced any material impact from the recent events in Ukraine or from Russian sanctions. The indirect impact from these events is closely monitored.

Sale of Swiss subsidiary

In January 2022 AS Citadele banka announced that it has entered into a binding agreement with Trusted Novus Bank Limited regarding 100% sale of its Swiss subsidiary - Kaleido Privatbank AG. The closing of the transaction was expected by year end 2022. Long stop date has been extended and closing is still pending subject to regulatory approvals.

Financial review of the Group

Results and profitability in 2022 – Baltics

Stable financial performance with Q4 2022 **operating income** reaching EUR 46.4 million, 25% growth year over year. Operating income in 12 months 2022 reached EUR 168.2 million, 12% growth year over year.

Performance driven by strong **net interest income** which reached EUR 35.9 million in Q4 2022, a 24% increase as compared to Q3 2022, mainly impacted by rising interest rates. Net interest income in 2022 was EUR 118.8 million, 11% higher than in the respective period of 2021, in line with portfolio growth.

The Group's **net fee and commission income** in Q4 2022 reached EUR 7.3 million, which translates into 18% decrease quarter over quarter, mainly driven by the cautions spending of customers and lower income from cards. 12 month 2022 net fee and commissions income reached EUR 37.6 million, 10% growth year over year.

Operating expenses in Q4 2022 were EUR 24.0 million, or 6% increase quarter over quarter. Staff costs decreased by 8% to EUR 13.6 million. The number of full-time employees was 1,355 vs. 1,335 as of 31 December 2021. Other costs were EUR 8.1 million 44% increase quarter over quarter, mainly impacted by increase of consulting expenses. Depreciation and amortization expenses stood at EUR 2.3 million (1% increase quarter over quarter). Year 2022 operating expenses were EUR 91.6 million vs. EUR 84.1 million in 12 months 2021.

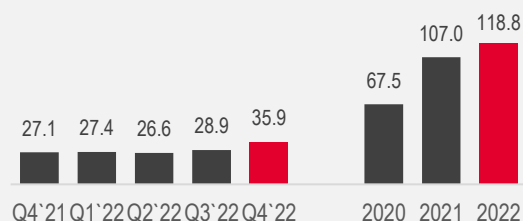
Citadele's **cost to income ratio** in Q4 2022 was 51.8% vs. 53.9% in Q3 2022. Year 2022 **cost to income ratio** was 54.4%.

Taking a prudent approach towards more uncertain macroeconomic outlook, the bank has made provisions in amount of EUR 23.8 million in 2022 (EUR 8.8 million in Q4) of which vast majority relates to inflation overlay and collectively assessed impairment. Underlying credit quality remains stable and there are no signs of deteriorating asset quality.

Baltic operations net profit reached EUR 50.8 million in 2022, which translated into 12.4% return on equity. In Q4 net profit from continuous operations reached EUR 13.3 million. The overall credit quality of the loan book continued to improve and **Stage 3 loans to public**, gross ratio has decreased to 2.7% as of 31 December 2022, compared to 3.3% at the end of 2021, benefiting from a stringent work with non-performing loans.

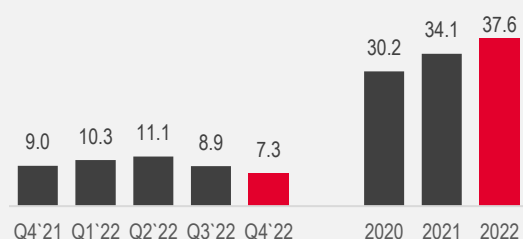
Net interest income, EURm

Continuing operations



Net fee and commission income, EURm

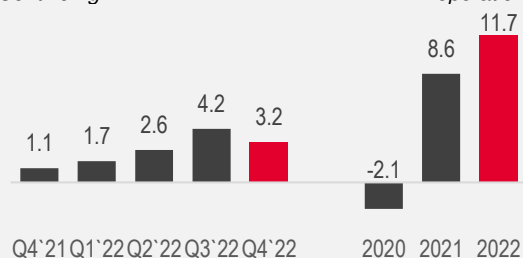
Continuing operations



Net Financial & other income, EURm

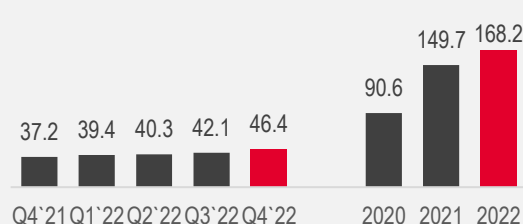
Continuing

operations



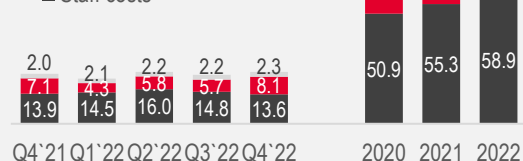
Operating income, EURm

Continuing operations



Operating expense, EURm

■ Depreciation and amortisation
■ Other operating expenses
■ Staff costs



Balance sheet overview

The **Group's assets** stood at EUR 5,404 million as of 31 December 2022 increasing by 7% since 2021 (EUR 5,055 million). As of 31 December 2022, Kaleido Privatbank AG (currently in the sales process) is presented as discontinued operations. Continuing operations assets were EUR 5,238 million as of 31 December 2022 (vs. EUR 4,916 million as of 31 December 2021).

The **net loan portfolio** of continuing operations was EUR 2,966 million as of 31 December 2022, increasing by EUR 265 million (9.8%) from the year end 2021.

New financing in Q4 2022 constituted EUR 230.8 million, 21% decrease as compared to the respective period in 2021. EUR 60.0 million were issued to private customers, EUR 77.6 million to SMEs and EUR 93.2 million to corporate customers.

In terms of products, EUR 84.3 million were disbursed in regular (mortgage) loans (22% decrease quarter over quarter), EUR 136.1 million leasing and factoring (31% decrease quarter over quarter), and EUR 10.3 million consumer and micro loans (51% decrease quarter over quarter). New financing in 2022 reached EUR 1,203 million, 8% increase as compared to year 2021.

In terms of loan **portfolio's geographical profile**, Latvia accounted for 45.6% of the portfolio, with EUR 1,354 million (vs. 48% as of the year end 2021), followed by Lithuania at 37.8% with EUR 1,122 million (vs. 37% as of the year end 2021) and Estonia at 16.1% with EUR 477 million (vs. 14% as of the year end 2021). EUR 14 million (0.5% of the portfolio) was issued to EU and other countries.

Loans to Households represented 44% of the portfolio (vs. 45% as of the year end 2021). Mortgages have increased by 6% since the year end 2021, and constituted EUR 834 million. Finance leases increased by 14% and reached EUR 350 million. Increase seen also in consumer lending - 29% vs. the year end 2021 (EUR 92 million). Card lending has slightly increased by 4% as of year end 2022 and was EUR 58 million. Overall, the main industry concentrations were Real estate purchase and management (14% of total gross loans), Transport and Communications (8%), Manufacturing (7%) and Trade (7%).

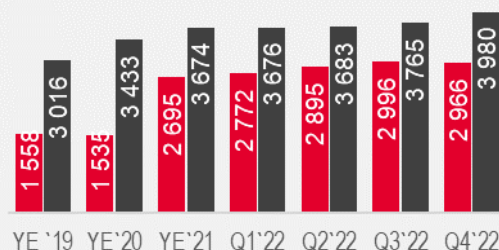
In Q4 2022 Group's **securities portfolio** declined by 1.7% quarter over quarter as planned maturities exceeded amount of new investments. In 2022 Group's securities portfolio declined year over year by 11.6% (6.2% year over year decrease for bank) as loan portfolio and cash balance increased. In Q4 largest decreases for Group's portfolio occurred in AAA/Aaa and A rated bonds – by EUR 14.8 million and EUR 11.4 million respectively. In terms of issuers, the biggest decreases have been government bonds of Latvia (EUR 12.1 million), government bonds of Germany (EUR 10 million) and other bonds in Sweden (EUR 7.1 million), while holdings of other bonds in Estonia have increased (EUR 6 million). Over the whole of 2022 largest decreases have been for government bonds of Latvia (EUR 68.6 million) and Lithuania (EUR 28.6 million) as well as other securities from countries classified as other (EUR 41.8 million), Netherlands (EUR 18.3 million) and multilateral development banks (EUR 13.8 million). Year over year increases have occurred in other securities from Germany (EUR 16.3 million) and Estonia (EUR 5.6 million).

The main source of funding, **customer deposits** of continuing operations, **increased by 4%** vs. the year end 2021 and were EUR 3,980 million. Baltic domestic customer deposits formed 98% of total deposits or EUR 3,881 million (vs. 94% as of the year end 2021).

Loans and Deposits, EURm

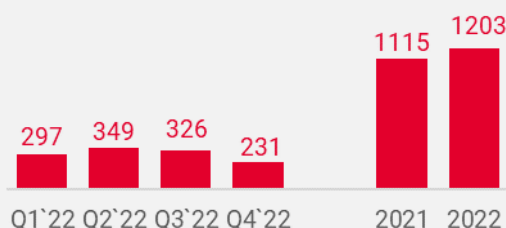
Continuing operations

■ Loans ■ Deposits

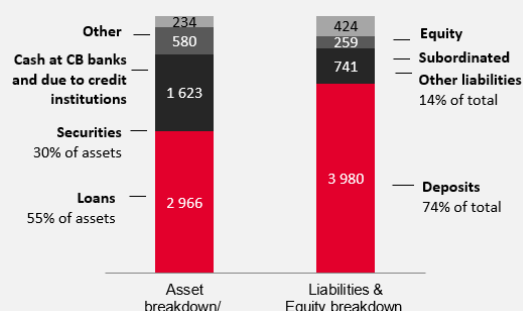


New financing, EURm

Continuing operations



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has assigned Baa2 rating with stable outlook.

The main credit strengths are:

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

Moody's

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

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

Segment highlights

Retail segment

The number of active Retail customers reached a new all-time high level for Citadele, and primary customers continued to grow reaching 200 thousand clients as of 31 December 2022, a 10% increase year over year.

New lending to Retail customers reached EUR 137.6 million in Q4 2022, compared to EUR 193.7 million in Q3 2022. EUR 60.0 million were issued to private individuals (vs. EUR 104.1 million in Q3 2022) and EUR 77.6 million to SMEs (vs. EUR 89.5 million in Q3 2022). 2022 new lending to private individuals and SMEs reached EUR 692.3 million.

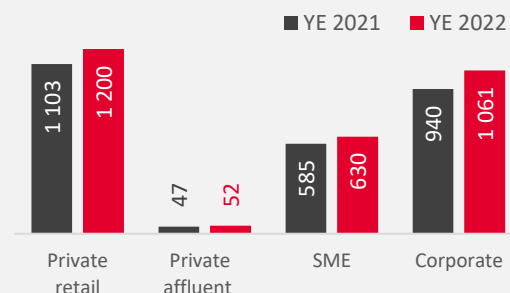
Total loans to private individuals and SME customers reached EUR 1,882 million, 11% increase since the year end 2021 with good loan quality. Deposits from private individuals and SMEs increased by 7% vs. the year end 2021 and constituted EUR 2,799 million.

Corporate segment

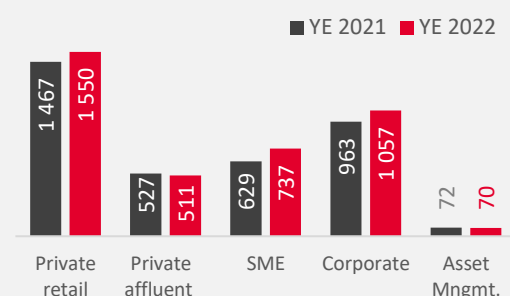
Corporate new financing in Q4 2022 reached EUR 93.0 million. New financing in 12 months 2022 was EUR 510.8 million. Most active clients were in the real estate business, manufacturing, trade and transportation sectors.

The total corporate loan portfolio grew by 13% compared to the year end 2021 and reached EUR 1,061 million. Credit portfolio quality is stable. The deposit portfolio increased by 10% vs. the year end 2021 and was EUR 1,057 million as of 31 December 2022.

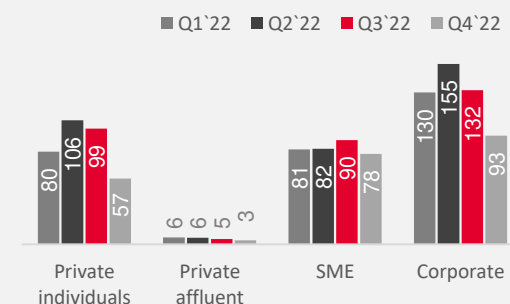
Loans, EURm



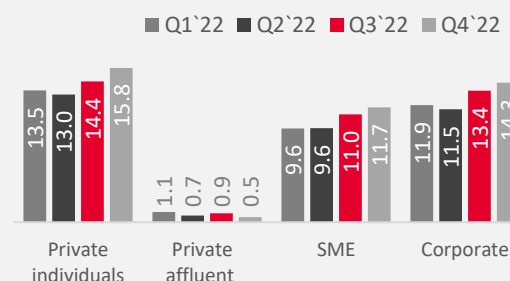
Deposits, EURm



New lending, EURm



Operating income, EURm



Business Environment

Global economic outlook is stabilizing

In 2022, the global economy has faced numerous challenges, including high inflation and rising interest rates, Russia's invasion of Ukraine, and the spread of Covid-19 in China. But despite these challenges, the global economy managed to avoid a recession and in the second half of the year growth remained relatively strong.

Although risks remain tilted to the downside and economic outlook is uncertain, Europe has avoided worst of energy crisis and prices are falling, unemployment in advanced economies has decreased, business sentiment is showing signs of rebounding in some countries. As a result, forecasts have stabilized and in January 2023 International Monetary Fund increased forecasted global GDP growth in 2023 by 0.2% to 2.9%.

In the Baltics growth has stalled

Economic growth in the Baltic has fallen faster than in other parts of the EU and GDP growth slowed to near 0% in second half of 2022. In Latvia in Q4 GDP remained unchanged while in Lithuania GDP decreased by 0.4% compared to Q4 2021. In Estonia in Q3 2022 GDP fell by 2.3% year over year, although this is partially due to strong base effects coming from a one-off investments in 2021.

Proximity to war in Ukraine and trade exposure to Russia have contributed to economic slowdown in the Baltics while high energy prices and rising global commodity prices have contributed to inflation that exceeded 20% at the end of 2022. At the same time energy crisis has been avoided and natural gas prices in Europe have fallen by more than 75% from 2022 highs, and inflation in the Baltics has likely already peaked. Business sentiment in the Baltics has also started to improve.

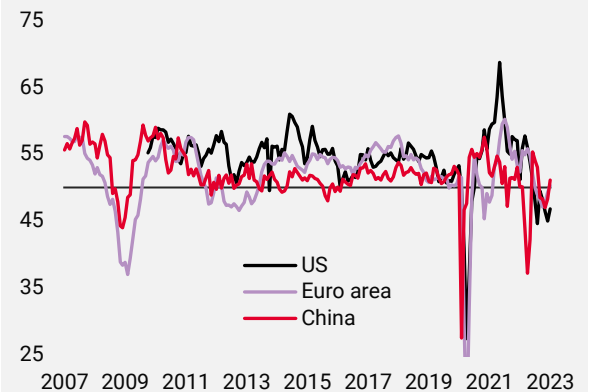
Economic slowdown is affecting most sectors

Slowing GDP growth has affected most sectors of the economy in the Baltic region and manufacturing has slipped into recession. In December 2022 manufacturing output in Latvia declined by 2.6% compared to same period a year ago, while output fell by 11.5% in Estonia and 10.3% in Lithuania. Waning of post pandemic surge in demand and rebuilding of inventories is leading to slowdown in inventory cycle, and new industrial orders in the Baltics have decreased.

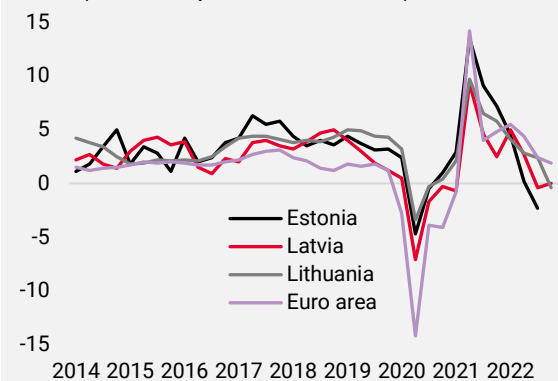
Meanwhile retail sales and consumption has been hit by inflation which has significantly exceeded income growth although government support measures have eased burden from high energy prices. Labour market remains strong in the Baltics with unemployment in December 2022 falling to 7.1% in Latvia, 5.8% in Lithuania and 5.7% in Estonia, however raising interest rates are increasingly impacting real estate market as new mortgage lending has declined and activity in real estate is decelerating. However, Baltic countries are set to benefit from a significant increase in EU financed investments from recovery and resilience facility that is set to accelerate green investments in the region and will contribute to economic recovery.

IHS Markit Composite PMI

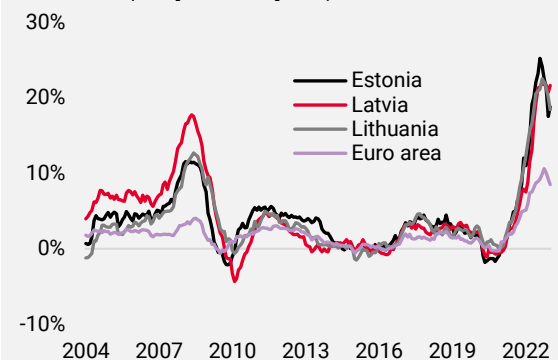
(Values above 50 indicate expansion)



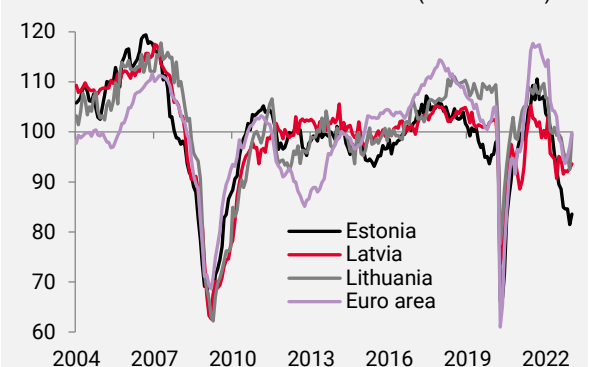
GDP (constant prices, 2015=100)



Inflation (% , year-on-year)



Retail trade in Baltics excl. fuel (2015=100)



OTHER REGULATORY INFORMATION

Name	AS Citadele banka
Address	Republikas laukums 2A, Rīga, LV-1010, Latvia
Web page	www.citadele.lv www.cblgroup.com
Phone	(371) 67010 000
LEI code	2138009Y59EAR7H1UO97
Registration number	40103303559
Licence number	06.01.05.405/280
Licence issue date	30/06/2010
Branches	AS Citadele banka has 15 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. The Lithuanian branch has 6 customer service units in Lithuania. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section " Branches and ATMs ".
Dividends	Refer to Note 27 (<i>Share Capital</i>) of the annual report. As at issuance of the annual report the Management proposes to transfer the Bank's earnings for 2022 to the retained earnings account to strengthen the capital position.
Future development	Citadele aims to become the primary bank of choice for aspiring retail and small business customers across the Baltics and will continue to relentlessly improve products and services. Citadele will continue to provide high quality financial services to clients and their businesses with an objective to foster further growth across the whole Baltic region. A complete portfolio of banking, leasing, financial and wealth management services is to be offered for both private individuals and companies. The core market of Citadele remains unchanged: Latvia, Lithuania and Estonia.
Risk management	The main risks to which the Group is exposed are credit risk, market risk, interest rate risk, liquidity risk, currency risk and operational risk. For each of these risks the Group has approved risk management policies and other internal regulations defining key risk management principles and processes, functions and responsibilities of units, risk concentration limits, as well as control and reporting system. The Group's risk management policies for each of the above-mentioned risks and certain other risks are briefly summarised in the Note 35 (<i>Risk Management</i>) of these financial statements.
Domicile of entity	Latvia
Country of incorporation	Latvia
Legal form	Stock company (in Latvian "Akciju sabiedrība")

CORPORATE GOVERNANCE

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

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

Audit and Governance Committee's report to the shareholders

In 2022 Audit and Governance Committee of AS Citadele banka (hereinafter – the Committee) acted in the role of audit committee as required by the Financial Instruments Market Law.

The Committee performed tasks in line with the requirements of the law:

- *Supervised the preparation of the annual report for the year ended 31 December 2022;*
- *Supervised the process of audit of the annual report for the year ended 31 December 2022;*
- *Supervised the effectiveness of internal controls, risk management and internal audit systems as applicable to the process of the preparation of financial statements;*
- *Supervised the approval of the external auditor for audit of the annual report for the year ended 31 December 2022;*
- *Supervised the compliance of the auditor of the annual report for the year ended 31 December 2022 with independence and objectivity requirements set forth in the Law of the Provision of Audit Services;*
- *Communicated to the Supervisory Board the conclusions made by the auditor of the annual report for the year ended 31 December 2022.*

In 2022 the Committee was not hindered in any way, and full access to any information required by the Committee was ensured. The Committee throughout the year kept the Management Board and the Supervisory Board informed about the conclusions and recommendations made by it. In the course of discharging its duties as related to the preparation of the annual report for the year ended 31 December 2022 the Committee did not encounter any evidence that would suggest that these financial statements would not be true and fair.

A detailed report on the activities of the Committee in 2022 has been submitted to the Supervisory Board of the Bank.

Supervisory Board of the Bank as of 31/12/2022:

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

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

Timothy Clark Collins, Chairman of the Supervisory Board

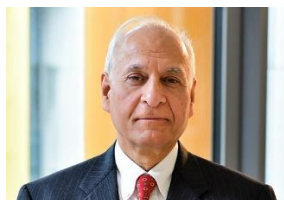
Mr. Collins is the Chief Executive Officer of Ripplewood. Mr. Collins has led the Ripplewood team in investing around the globe, including in the U.S., Europe, the Middle East and Asia. Mr. Collins and Ripplewood have delivered outsized returns, deploying over USD 6 billion in equity, representing over USD 40 billion of total enterprise value, and played an instrumental role in transforming and strengthening two prominent institutions, Commercial International Bank of Egypt and Shinsei Bank of Japan. Before founding Ripplewood in 1995, Mr. Collins worked for Cummins Engine Company, Booz, Allen & Hamilton, Lazard Frères & Company and Onex Corporation. Mr. Collins is involved in several not-for-profit and public sector activities, including the Trilateral Commission, the Council on Foreign Relations, Neom Advisory Board and Yale Divinity School Advisory Board, is the Chairman of the Advisory Board for Yale School of Management and is a member of the Investment Advisory Committee to the New York State Common Retirement Fund. Mr. Collins has served on a number of public company boards, including Asbury Automotive, Shinsei Bank of Japan, Advanced Auto, Rental Services Corp., Commercial International Bank of Egypt, Gogo and Citigroup (after it accepted public funds). Mr. Collins also served as an independent director at Weather Holdings, a large private emerging markets telecom operator. Mr. Collins currently represents Ripplewood on the Boards of Citadele (Latvia) and RA Special Acquisition Corporation. Mr. Collins has a BA in Philosophy from DePauw University and a MBA in Public and Private Management from Yale University's School of Management. Mr. Collins received an honorary Doctorate of Humane Letters from DePauw University in 2004 and has been an Adjunct Professor and Visiting Fellow at New York University. He serves as a Visiting Lecturer at the Yale Law School and the Senior Becton Fellow at the Yale School of Management.

Elizabeth Critchley, Deputy Chairperson of the Supervisory Board

Ms. Critchley is the Managing Partner of Ripplewood Advisors I LLP. Ms. Critchley has been leading Ripplewood's investment efforts, including most recently into Eastern Europe and the Middle East. Ms. Critchley serves as a Director on the Board of Citadele (Latvia) and RA Special Acquisition Corporation. Before joining Ripplewood, Ms. Critchley was a Founding Partner of Resolution Operations, which raised GBP 660 million through a listed vehicle at the end of 2008, and went on to make three acquisitions in financial services (Friends Provident plc for USD 2.7 billion, most of Axa's UK life businesses for USD 4 billion and Bupa for USD 0.3 billion). This consolidation strategy was financed through a combination of debt and equity raisings, as well as structured vendor financing. Until forming Resolution Operations, Ms. Critchley was a Managing Director at Goldman Sachs International where she ran the European FIG Financing business. Ms. Critchley has structured, advised, or invested in transactions with more than fifty global financials and corporates. Ms. Critchley holds a First Class Honours Degree in Mathematics from University College London.

James Laurence Balsillie, Member of the Supervisory Board

Mr. Balsillie's career is unique in Canadian business. He is the retired Chairman and co-CEO of Research In Motion (BlackBerry), a technology company, he scaled from an idea to USD 20 billion in sales globally. Mr. Balsillie's private investment office includes global and domestic technology investments such as cybersecurity leader Magnet Forensics and space technology leader MDA. He is the co-founder of the Institute for New Economic Thinking in New York, the Council of Canadian Innovators based in Toronto, and CIO Strategy Council, as well as founder of the Centre for International Governance Innovation in Waterloo, the Centre for Digital Rights, the Balsillie School of International Affairs, and the Arctic Research Foundation. He currently chairs the boards of CCI, CIGI, Innovation Asset Collective (Canada's IP Collective) and co-Chairs CIOISC. He is also a member of the Board of the Carnegie Endowment for International Peace and the Advisory Board of the Stockholm Resilience Centre; an Honorary Captain (Navy) of the Royal Canadian Navy and an Advisor to Canada School of Public Service. Mr. Balsillie was the only Canadian ever appointed to US Business Council and was the private sector representative on the UN Secretary General's High Panel for Sustainability. His awards include: several honorary degrees, Mobile World Congress Lifetime Achievement Award, India's Priyadarshni Academy Global Award, Canadian Business Hall of Fame, Time Magazine's 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, Member of the Supervisory Board

Mr. 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 internet banking, 24-hr ATMs, managed and monitored remotely, and real-time data, while maintaining cost control. Mr. Dvivedi 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 Neal Lavine, Member of the Supervisory Board

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

Klāvs Vasks, Member of the Supervisory Board

Mr. Vasks served as Chairman of Citadele Supervisory Board from 2010 until 2015 and now continues to be member of the Supervisory Board. He is currently serving as Chairman of the Supervisory Board at TET, the largest telecommunication company in Latvia. He has 20 years of experience in the banking sector. Previously he was vice president of the SEB Bank Latvia, also working as the 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.

Nicholas Haag, Member of the Supervisory Board

Mr. Haag until June 2021 was senior independent non-executive director (INED) and chairman of the audit committee of TBC Bank Group PLC, the largest Georgian bank and the premium listed FTSE 250 company. He is chairman of the Board, an INED and chairs the audit, risk and compliance committee of Bayport Management Ltd., the holding company for a leading African and Latin American financial solutions provider. Prior to that, he was a Member of the Supervisory Board of Credit Bank of Moscow PJSC. Mr. Haag has a 30 year banking career, half at Managing Director level, with various financial institutions including Barclays, Banque Paribas, ABN AMRO and Royal Bank of Scotland, specialising in technology finance and equity capital markets. Mr. Haag holds a First Class Honours Degree from the University of Oxford.

Karina Saroukhanian, Member of the Supervisory Board

Ms. Saroukhanian is a Managing Director of Ripplewood Advisors Limited. Before joining the company, from 2008, she worked as senior banker in the Financial Institutions team of EBRD. At EBRD, she specialized in complex equity transactions, working with financial sponsors in multiple jurisdictions. Prior to joining the EBRD, Karina was an Associate Director in the M&A group at Nomura International in London and a Vice President at Sindicatum, a specialist financial advisory and asset management firm. Karina holds an MSc in Economics from the London School of Economics and a degree in mathematical economics from the Moscow State University.

Sylvia Gansser-Potts, Member of the Supervisory Board

Sylvia Gansser-Potts is a Director and member of the audit and risk committee of the European Fund for Southeast Europe (EFSE) which provides development finance to micro and small enterprises and private households via selected financial institutions. Until 2017, Sylvia was a Managing Director at the EBRD with the overall responsibility for EBRD's investments and operations in Central and Southeastern Europe. Over her 25 year career at the EBRD, Sylvia run a succession of banking teams including the financial institutions operations in Central Europe, in MENA/Turkey as well as the property and tourism team. Sylvia started her career at Swiss Bank Corporation (which later merged to become UBS) in Switzerland and Japan. She holds a master's in business from the Université Paris Dauphine -PSL, a bachelor's degree in Japanese language from the University of Paris and an MBA from INSEAD.

Management Board of the Bank as of 31/12/2022:

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

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

Johan Åkerblom, Chairman of the Management Board and Chief Executive Officer

Johan Åkerblom is Chairman of the Management Board, Chief Executive Officer as of October 2020. Johan joined AS Citadele banka Management Board on February 2018 and was responsible for the financial functions of the group. Before joining the Bank, he worked for SEB group as Chief Financial Officer for its Baltic business division in 2016 and 2017 and prior to that Johan Åkerblom was Chief Financial Officer and member of the Management Board of SEB AG, SEB group's German subsidiary. He has more than 10 years of banking experience and started his career as a management consultant with McKinsey & Co where he spent 4 years. Mr. Åkerblom holds a master's degree in industrial management and engineering from the Lund Institute of Technology. Member of the Management Board since 1 February 2018, Chairman of the Management Board, CEO from 2 March 2020.

Valters Ābele, Member of the Management Board and Chief Financial Officer

Valters Ābele is responsible for the group's Finance and Treasury functions as of January 2021. Until January 2021 Valters Ābele has been responsible for risk analysis functions at AS Citadele banka and ran the Risk Department. Previously Valters managed the Credit Risk Department at Parex banka. In December 2008, when the Latvian State took over Parex banka, Valters Ābele was invited to work in the new Board of the bank, and after the successful split-up, he assumed the same post in the Board of Citadele. Valters 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 previously a member of Association of Chartered Certified Accountants. Valters Ābele has master's degree in business management and international economic relations from the University of Latvia. He was appointed to the management board of Parex in 2008 and joined Citadele's Management Board in 2010.

Vladislavs Mironovs, Member of the Management Board and Chief Strategy Officer

Vladislavs Mironovs is responsible for group's business strategy implementation, development of the Bank's products and services and Bank's digital evolution. He joined AS Citadele banka in July 2015 as Head of Strategic projects and from December 2016 until January 2021 was Chief Commercial Officer, Member of the Management Board. His former experience includes various positions in GE Money Bank. The last two years before joining Citadele, he worked as Strategic Initiatives Leader in GE Capital HQ in USA, leading the projects and assisting in developing global strategy around trade finance and multinational clients. Vladislavs Mironovs held a position of Business Development Manager in GE Capital, UK (2012-2013) and Sales and Marketing Director in GE Money Bank Latvia (2010-2012). Vladislavs Mironovs holds Executive MBA from Riga Business School.

Uldis Upenieks, Member of the Management Board and Chief Compliance Officer

Uldis Upenieks in Citadele group is responsible for the Compliance area. Uldis has 20 years' experience in the financial sector, of which last 15 years he has worked in the banking sector. Since November 2012 Uldis was a Chairman of the Board at IPAS CBL Asset Management. Before that Uldis Upenieks worked in PrivatBank – as a Board member and as a head of internal audit. Prior to that Uldis was responsible for client oversight function (2002-2009), and a vice president and the deputy director of the Risk and Compliance Sector (2009-2011) at Citadele. Uldis Upenieks holds a master's degree in business administration and a bachelor's degree in economics from the Riga Technical University and he has studied at Riga Graduate School of Law.

Slavomir Mizak, Member of the Management Board and Chief Technology and Operations Officer

Slavomir Mizak is responsible for group's IT and technology operations and development, as well as administrative services and bank operations at Citadele. In Citadele group he has been working since 1 August 2017. Before joining the bank, Slavomir was a member of the Management Board and held a position of the Chief Information Officer and the Chief Operating Officer in Zuno Bank AG (Austria) since 2014. Prior to that, he held positions of the Head of Information Technology and the Head of Information Technology Development in Zuno Bank. Before that he worked as a consultant and manager in the consulting division for financial services sector in Accenture (2002-2009). Slavomir Mizak holds a master's degree in Business Administration from the University of Economics in Bratislava.

Vaidas Žagūnis, Member of the Management Board and Chief Corporate Commercial Officer

Vaidas Žagūnis is responsible for the development and management of corporate business in Citadele Baltics. Vaidas has been working in the banking sector for almost 18 years. He started in 2001 with client executive assistant position in SEB Bank in Lithuania, and then took different management positions mainly in SME business area. Since September 2016 Vaidas Žagūnis served as a Member of the Management board and Executive Vice President of SEB Bank in Lithuania, as a Head of Retail Banking. Vaidas holds a Master's degree in business administration from the Kaunas University of Technology, and also has educated in Massachusetts Institute of Technology (MIT) in United States.

Rūta Ežerskienė, Member of the Management Board and Chief Retail Commercial Officer

Rūta Ežerskienė is responsible for services to retail clients, as well as organisation and supervision of the operations of the Bank's branches, client service centres and settlement groups. She joined AS Citadele banka (hereinafter – Citadele) in January 2021. Rūta most recently was Head of Baltic Retail for AON insurance company since 2018. Before that she held different management positions in SEB, both on Baltic level and in Lithuania, including Head of Sales Department and Business transformation (years 2017-2018) and CEO in SEB Life Insurance (years 2015-2017). Rūta Ežerskienė holds Master of Business Management degree from Kaunas University of Technology.

Jūlija Lebedinska-Ļitvinova, Member of the Management Board and Chief Risk Officer

Jūlija Lebedinska-Ļitvinova is responsible for the group's risk management area as of June 2021. Jūlija Lebedinska-Ļitvinova has an extensive experience of more than 15 years in risk management area in financial sector. Before joining the Bank, Jūlija was Group Chief Risk Officer for Mogo Finance (since 2019). Prior to that she held Chief Risk Officer's position in 4Finance Group (2015-2019), Head of Antifraud and Risk processes position in Home Credit and Finance Bank in Russia (2013-2015) and Chief Risk Officer's position in Home Credit Bank in Belarus (2011-2013). Jūlija Lebedinska-Ļitvinova has a PhD degree in natural sciences from the University of Latvia.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

The financial statements set out on pages 18 to 78 are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 31 December 2022 and the results of their operations, changes in shareholders' equity and cash flows for the year then ended. The management report set out on pages 4 to 16 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

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

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

Johan Åkerblom
Chairman of the Management Board

Klāvs Vasks
Member of the Supervisory Board

THE DOCUMENT IS SIGNED USING A QUALIFIED ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP

STATEMENT OF INCOME

		EUR thousands			
	Note	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Interest income calculated using the effective interest method	5	91,368	76,686	115,716	93,458
Other interest income	5	46,088	45,952	-	-
Interest expense	5	(18,607)	(15,659)	(18,489)	(14,994)
Net interest income		118,849	106,979	97,227	78,464
Fee and commission income	6	66,028	57,984	60,381	49,720
Fee and commission expense	6	(28,382)	(23,846)	(27,918)	(23,397)
Net fee and commission income		37,646	34,138	32,463	26,323
Net financial income	7	8,603	6,787	10,123	6,682
Net other income / (expense)	8	3,077	1,827	7,265	1,782
Operating income		168,175	149,731	147,078	113,251
Staff costs	9	(58,871)	(55,309)	(49,370)	(45,900)
Other operating expenses	10	(23,975)	(20,711)	(21,095)	(18,760)
Depreciation and amortisation	20	(8,729)	(8,120)	(8,309)	(7,616)
Operating expense		(91,575)	(84,140)	(78,774)	(72,276)
Profit before impairment		76,600	65,591	68,304	40,975
Net credit losses	11	(23,704)	(1,418)	(26,179)	(11,742)
Other impairment losses and other provisions	12	(68)	(198)	210	941
Operating profit from continuous operations		52,828	63,975	42,335	30,174
Result from non-current assets held for sale and discontinued operations, net of tax	21	(4,205)	(7,365)	286	(213)
Operating profit		48,623	56,610	42,621	29,961
Income tax	13	(2,318)	(1,565)	(438)	(318)
Net profit		46,305	55,045	42,183	29,643
Basic earnings per share in EUR	27	0.29	0.35	0.27	0.19
<i>from continuing operations</i>		<i>0.32</i>	<i>0.40</i>	<i>0.27</i>	<i>0.19</i>
<i>from discontinued operations</i>		<i>(0.03)</i>	<i>(0.05)</i>	<i>-</i>	<i>-</i>
Diluted earnings per share in EUR	27	0.29	0.35	0.27	0.19
<i>from Continuing operations</i>		<i>0.32</i>	<i>0.39</i>	<i>0.27</i>	<i>0.19</i>
<i>from discontinued operations</i>		<i>(0.03)</i>	<i>(0.04)</i>	<i>-</i>	<i>-</i>

The notes on pages 23 to 78 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands			
	2022 Group	2021 Group	2022 Bank	2021 Bank
Net profit	46,305	55,045	42,183	29,643
Other comprehensive income items that are or may be reclassified to profit or loss:				
<i>Fair value revaluation from continuing operations</i>				
Fair value revaluation charged to statement of income (Note 7)	1,519	(428)	1,519	(428)
Change in fair value of debt securities and similar	(22,023)	(2,931)	(17,610)	(2,349)
<i>Fair value revaluation from discontinued operations</i>				
Fair value revaluation charged to statement of income	96	(114)	-	-
Change in fair value of debt securities and similar	(1,861)	(786)	-	-
Deferred income tax charged / (credited) directly to equity	424	212	-	-
<i>Other reserves</i>				
Foreign exchange retranslation from discontinued operations	1,134	667	-	-
Other comprehensive income items that may not be reclassified to profit or loss:				
<i>Fair value revaluation reserve</i>				
Change in fair value of equity and similar instruments	24	(42)	24	(42)
Transfer to retained earnings at disposal	-	50	-	49
Other comprehensive income / (loss)	(20,687)	(3,372)	(16,067)	(2,770)
Total comprehensive income	25,618	51,673	26,116	26,873

The notes on pages 23 to 78 are an integral part of these financial statements.

BALANCE SHEET

		EUR thousands			
	Note	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Assets					
Cash and cash balances at central banks	14	532,030	371,025	532,030	361,626
Loans to credit institutions		48,441	58,742	42,044	35,693
Debt securities	15	1,592,603	1,801,720	1,550,301	1,652,308
Loans to public	16	2,966,478	2,701,509	2,880,101	2,609,713
Equity instruments	18	1,029	1,279	1,029	1,279
Other financial instruments	18	28,473	42,032	1,101	7,400
Derivatives	28	1,285	4,303	1,285	4,303
Investments in related entities	19	190	279	47,770	77,087
Tangible assets	20	15,730	20,444	10,321	11,496
Intangible assets	20	8,162	8,562	6,069	6,083
Current income tax assets	13	1,822	1,927	1,116	871
Deferred income tax assets	13	2,478	2,676	2,179	2,179
Discontinued operations and non-current assets held for sale	21	166,028	946	13,827	946
Other assets	22	39,530	39,117	30,680	28,912
Total assets		5,404,279	5,054,561	5,119,853	4,799,896
Liabilities					
Deposits from credit institutions and central banks	23	469,736	479,235	473,399	499,628
Deposits and borrowings from customers	24	3,980,261	3,813,863	3,973,320	3,665,524
Debt securities issued	25	259,225	258,895	259,225	258,895
Derivatives	28	7,650	739	7,650	739
Provisions	11	4,920	3,934	4,838	3,882
Current income tax liabilities	13	1,204	197	33	189
Deferred income tax liabilities	13	375	376	-	-
Discontinued operations	21	158,999	-	-	-
Other liabilities	26	97,691	100,247	28,183	25,476
Total liabilities		4,980,061	4,657,486	4,746,648	4,454,333
Equity					
Share capital	27	157,258	156,888	157,258	156,888
Reserves and other capital components		(12,378)	7,320	(12,951)	2,127
Retained earnings		279,338	232,867	228,898	186,548
Total equity		424,218	397,075	373,205	345,563
Total liabilities and equity		5,404,279	5,054,561	5,119,853	4,799,896
Off-balance sheet items					
Guarantees and letters of credit	28	50,407	34,265	60,936	38,863
Financial commitments	28	306,690	387,943	322,211	431,065

The notes on pages 23 to 78 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Group, EUR thousands						
	Issued Share capital	Share premium	Securities fair value revaluation reserve (Note 15)	Foreign currency retrans- lation	Share based payments	Total equity
Balance as of 31/12/2020	156,556	-	4,247	4,138	1,880	177,489
Share based payments to employees (Note 9 and Note 27)	332	239	-	-	238	1,092
Total comprehensive income	-	-	(4,089)	667	-	55,045
Net result for the period	-	-	-	-	-	55,045
Other comprehensive income / (loss) for the period	-	-	(4,089)	667	-	50
Balance as of 31/12/2021	156,888	239	158	4,805	2,118	232,867
Share buyback	(94)	(144)	-	-	-	(238)
Share based payments to employees (Note 9 and Note 27)	464	349	-	-	784	1,763
Total comprehensive income	-	-	(21,821)	1,134	-	46,305
Net profit for the period	-	-	-	-	-	46,305
Other comprehensive income / (loss) for the period	-	-	(21,821)	1,134	-	(20,687)
Balance as of 31/12/2022	157,258	444	(21,663)	5,939	2,902	279,338

Bank, EUR thousands						
	Issued Share capital	Share premium	Securities fair value revaluation reserve (Note 15)	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2020	156,556	-	2,589	1,880	156,574	317,599
Share based payments to employees (Note 9 and Note 27)	332	239	-	238	282	1,091
Total comprehensive income	-	-	(2,819)	-	29,692	26,873
Net result for the period	-	-	-	-	29,643	29,643
Other comprehensive income / (loss) for the period	-	-	(2,819)	-	49	(2,770)
Balance as of 31/12/2021	156,888	239	(230)	2,118	186,548	345,563
Share buyback	(94)	(144)	-	-	-	(238)
Share based payments to employees (Note 9 and Note 27)	464	349	-	784	167	1,764
Total comprehensive income	-	-	(16,067)	-	42,183	26,116
Net profit for the period	-	-	-	-	42,183	42,183
Other comprehensive income / (loss) for the period	-	-	(16,067)	-	-	(16,067)
Balance as of 31/12/2022	157,258	444	(16,297)	2,902	228,898	373,205

The notes on pages 23 to 78 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		EUR thousands			
	Note	2022 Group	2021 Group	2022 Bank	2021 Bank
Operating activities					
Operating profit before tax (discontinued net of tax and continuing)		48,623	56,610	42,621	29,961
Tax expense from discontinued operations	21	3	32	-	-
Interest income	5	(139,332)	(123,974)	(115,716)	(93,458)
Interest expense	5	18,655	15,890	18,489	14,994
Dividends income		(29)	(37)	(8,713)	(37)
Depreciation and amortisation		9,411	8,773	8,309	7,616
Impairment allowances and provisions		23,772	1,811	25,969	10,801
Currency translation and other non-cash items		3,006	10,833	186	1,144
Cash flows from the income statement		(35,891)	(30,062)	(28,855)	(28,979)
(Increase) / decrease in loans to public		(324,855)	(368,860)	(291,139)	(1,107,707)
Increase / (decrease) in deposits and borrowings from customers		323,778	144,966	308,265	189,996
(Increase) / decrease in loans to credit institutions		(1,287)	(1,526)	(1,303)	(1,509)
Increase / (decrease) in deposits from central banks and credit institutions		(11,000)	29,922	(19,147)	22,763
(Increase) / decrease in other items at fair value through profit or loss		9,929	(6,551)	9,929	(6,551)
(Increase) / decrease in other assets		(1,621)	352	(672)	(9,189)
Increase / (decrease) in other liabilities		(75)	19,138	3,149	833
Cash flows from operating activities before interest and corporate income tax		(41,022)	(212,621)	(19,773)	(940,343)
Interest received		137,722	119,940	114,169	90,094
Interest paid		(13,754)	(14,437)	(13,569)	(13,521)
Corporate income tax paid		(1,014)	(787)	(839)	(237)
Cash flows from operating activities		81,932	(107,905)	79,988	(864,007)
Investing activities					
Acquisition of tangible and intangible assets		(5,795)	(22,616)	(4,510)	(4,676)
Disposal of tangible and intangible assets		1,468	1,391	329	403
Investments in debt securities and other financial instruments		(219,342)	(387,513)	(213,777)	(367,520)
Proceeds from debt securities and other financial instruments		327,006	349,587	302,587	288,074
Dividends received		29	37	8,713	37
Decrease in cash and cash equivalents as a result of acquisition of SIA UniCredit Leasing	19	-	(798,550)	-	-
Sale or investments in subsidiaries		-	-	15,711	(29,203)
Cash flows from investing activities		103,366	(857,664)	109,053	(112,885)
Financing activities					
Proceeds from issue of debt securities		-	238,251	-	238,251
Repayment of debt securities		-	(40,000)	-	(40,000)
Interest paid on debt securities issued		(6,821)	(3,670)	(6,821)	(3,670)
Share buyback		(238)	-	(238)	-
Repayment of lease liabilities, net		(938)	(1,219)	(653)	(2,220)
Cash flows from financing activities		(7,997)	193,362	(7,712)	192,361
Cash flows for the period		177,301	(772,207)	181,329	(784,531)
Cash and cash equivalents at the beginning of the period		404,343	1,176,550	363,666	1,148,197
Cash and cash equivalents at the end of the period	31	581,644	404,343	544,995	363,666

The Group has elected to present a statement of cash flows that includes both continuing and discontinued operations within operating, investing and financing activities. For more details on discontinued operations refer to Note 21 (*Discontinued Operations and Non-current assets held for sale*).

The notes on pages 23 to 78 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1. AUTHORISATION OF THE FINANCIAL STATEMENTS

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

NOTE 2. GENERAL INFORMATION

Citadele is a Latvian-based full-service financial group offering a wide range of banking products to retail, SME and corporate customer base as well as wealth management, asset management, life insurance, pension, leasing and factoring products. Alongside traditional banking services, Citadele offers a range of services based on next-generation financial technology, including a modern mobile application, contactless and instant payments, modern client onboarding practices and technologically-enabled best-in-class customer service.

As of period end the Bank operates branches in Latvia, Lithuania and Estonia. AS Citadele banka is the parent company of the Group. The Group's main market is the Baltics (Latvia, Lithuania and Estonia). Citadele was registered as a joint stock company on 30 June 2010. Citadele commenced its operations on 1 August 2010. As of 31 December 2022, the Group had 1,355 (2021: 1,335) and the Bank had 1,113 (2021: 1,100) full time equivalent active employees. From total Group's full time equivalent active employees 26 (2021: 25) were with discontinued operations.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*a) Basis of preparation*

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union and relevant Financial and Capital Markets Commission's (FCMC) regulations on a going concern basis. The financial statements are prepared under the historical cost convention, except for assets measured at fair value through other comprehensive income, financial assets and financial liabilities measured at fair value through profit or loss and all derivative contracts, which have been measured at fair value.

The Management considers going concern basis of accounting appropriate in preparing these financial statements; there are no material uncertainties in applying going concern basis of accounting. The Group's financial and capital position, business activities, its risk management objectives and policies and the major risks to which the Group is exposed to are disclosed in the Risk Management section of these financial statements. Liquidity risk management is particularly important in respect to the going concern convention, as a failure to have a sufficient funding to meet payment obligations due may result in an extraordinary borrowing at excessive cost, regulatory requirement breach, delays in day-to-day settlements activities or cause the Group to no longer be a going concern; for more details refer to Liquidity risk management section. Regulatory compliance, especially capital adequacy requirements, is also significant to the going concern of the Group. The Group conducts and plans business in accordance with the available capital and in line with other regulatory requirements. For capital adequacy ratios as at period end refer to the Capital management section. The Group has implemented a comprehensive liquidity risk management and capital planning framework and policies and procedures to manage other risks.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Management's best knowledge of current events and actions, actual results ultimately may differ from the estimated. For more details refer to paragraph ff).

b) New standards and amendments

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

New requirements effective for 2022 which did not have a significant effect to the Group

Amendment to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to IFRS Standards 2018-2020

Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

Amendments to IFRS 3 – Reference to the Conceptual Framework

Upcoming requirements not in force from 1 January 2022

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

IFRS 17 - Insurance Contracts. Effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied. The upcoming standard combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract. Groups of insurance contracts have

to be measured at a risk-adjusted present value of the future cash flows adjusted for unearned profits or losses. Profit from a group of insurance contracts is recognised over the period the insurance cover is provided, and as the risk is released; loss from a group of contracts is recognised immediately. The standard requires presenting insurance service results separately from insurance finance income or expenses and requires making an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The Group had set up an internal IFRS 17 implementation working group. Within the scope of the project, the Group reworks models, IT systems, processes and documentation which will be followed by final testing and validation. External expertise is attracted where and when deemed necessary. As appropriate the Group leverages existing processes, systems, models and data, although in many areas new models and revisions to the existing models are needed to be developed. The Group is in the process of finalisation of quantifying the expected impact. For the Group, as a result of implementation of IFRS 17, large part of the existing insurance contracts ceases to qualify as insurance contracts and are to be reclassified to Deposits and borrowings from customers and accounted for at amortised cost, thus reversing recent discounting gains from increases in interest rates. On contrary, other contracts start to qualify as insurance contracts requiring application of Variable fee approach (VFA) and General measurement model (GMM). Implementation impact from permitted debt instrument reclassification from Fair value through other comprehensive income to amortised cost (AmC) accounting is still to be quantified. The Banks expects no material impact from IFRS 17 implementation.

The expected IFRS 17 implementation impact on carrying amount by class of select insurance business related items as of 31 December 2022:

	Group, EUR millions					31/12/2022 as reported (IFRS 4)	31/12/2022 adjusted (IFRS 17)
	31/12/2022 as reported (IFRS 4)	Annuity Investment IFRS9 (AmC) Full retrospective approach	Unit linked agreement with risk insurance IFRS17 (VFA) Fair value approach	Fixed rate agreement with risk insurance IFRS17 (GMM) Fair value approach	Other items		
Deposits and borrowings from customers	25.2	47.4	(0.9)	(0.6)	-		71.2
Insurance reserves and other items	49.7	(42.2)	0.9	0.6	0.2		9.2
IFRS 17 implementation impact on equity, including securities reclassification	-	(5.2)	0.1	(0.1)	0.2		(5.0)

Amendments to IAS 1 – Classification of liabilities as current or non-current and Non-current Liabilities with Covenants

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policy

Amendments to IAS 8 – Definition of Accounting Estimate

Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

Amendments to IAS 12 – Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

c) Functional and Presentation Currency

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

d) Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financials of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The investments in the subsidiaries are presented in the Bank's financial statements at cost. More detailed information on the Group's subsidiaries is presented in Note 19 (*Investments in Related Entities*).

The financial statements of AS Citadele banka and its subsidiaries are consolidated in the Group's financial statements on a line by line basis by aggregating like items of assets, liabilities, income and expenses. For the purposes of consolidation, intragroup balances and intragroup transactions, including interest income and expense as well as unrealised profits and loss resulting from intragroup transactions, are eliminated in the Group's financial statements.

e) Income and expense recognition

Income and revenue are only recognised, if the Group is likely to receive economic benefits associated with the transaction. Interest income and expense items are recognised on an accrual basis using the effective interest rate. Commissions in respect of the acquisition of financial assets or the issue of financial liabilities that are not at fair value through profit or loss are deferred and recognised as an adjustment to the effective yield on the respective asset or liability. The Group presents the fee income from financial guarantees as part of fee and commission income. For loan commitments which are not expected to result in draw-down, the reservation fee is credited to the income statement on a straight-line basis over the commitment period. For a contract with a customer containing a financial instrument, the part that relates to financial instrument is measured and separated first and then to the residual part recognised appropriately as revenue from contracts with customers.

Revenue from contracts with customers, including account servicing fees, asset management fees, custody fees and sales commissions are credited to the statement of income as the related services are performed and control over a service is transferred to a customer. Revenue from customers is recognised as fee and commission income or other income. Revenue may be recognised at a point in time or over the time. Over time revenue recognition is proportional to progress towards satisfying a performance obligation by transferring control of promised services to a customer. Revenue which does not qualify for recognition over time is recognised at a point in time when the service is rendered or product is sold. The Group has no material contract assets and contract liabilities from contracts with customers.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies for the major categories of commission income:

Cards, payments and transactions – regular fees for accounts servicing, cards and product packages are charged to the customers on a monthly basis according to the price list; revenue is recognised over time as the services are provided. Transaction-based fees for payments, foreign to the customer's when the transaction takes place and revenue is recognised at the point in time when the currency transactions and similar are charged transaction takes place.

Asset management, custody and securities – fees are calculated based on a fixed percentage of the value of assets managed or held in custody and are deducted from the customer's account on a monthly basis. Upon commencement of the service an insignificant non-refundable initial fee may be charged as a compensation for client's screening, agreement and other services provided. Revenue from management and custody services is recognised over time as the services are provided.

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received. Penalty income is recognised on cash-received basis as often there is significant uncertainty about collectability.

f) Foreign currency translation

Transactions denominated in foreign currencies are recorded in Euros at the rates of exchange effective at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency, such as investments in equity instruments, are translated using the exchange rates at the date when the fair value was determined and the impact from changes in foreign exchange rates are treated as foreign exchange gain/loss in the statement of income, with exception of non-monetary financial assets at fair value through other comprehensive income for which any foreign exchange gain or loss is recognised in other comprehensive income. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the official rate of exchange prevailing at the reporting date. Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the statement of income as profit or loss from revaluation of foreign currency positions.

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised as other comprehensive income.

g) Staff costs and related contributions

The Group recognises employee financial benefits when an employee has rendered services in exchange for these financial benefits.

The Group's personnel expenses relate mostly to short term benefits and related tax expense. The Group pays social security contributions to state pension insurance and to state-funded pension scheme in accordance with the relevant regulations. In most countries where the Group operates, a part of the social insurance contributions is used to fund the state defined contribution pension system. The state-funded pension scheme is a defined contribution plan under which the Group pay fixed contributions determined by law and will have no legal or constructive obligation to pay further contributions if the state pension insurance system or the state-funded pension scheme is not able to settle their liabilities to employees. The social security contributions are accrued in the period in which the associated services are rendered by the employees of the Group.

Citadele has multi-year long-term incentive plans for its employees. Under the approved long-term incentive plans share options are granted. Settlement is expected in shares of Citadele. Each option grants eligibility to one ordinary share of Citadele and has an exercise price of null euros. Vesting dates are predetermined. For each participant individual performance conditions aligned with business plan and strategic objectives of Citadele apply. The Remuneration and Nomination Committee of the Supervisory Board is responsible for aligning, setting and amending individual performance conditions. Granted options may be forfeited to the extent any of the performance conditions are not satisfied at sole discretion of the committee.

Expense for share-based remuneration is measured at fair value at the grant date. Share-based remuneration may be in a form of Citadele shares or conditional share options. The grant date is the date at which the entity and the participating employee agrees to a share-based payment arrangement, signifying a shared understanding of the terms and conditions of the arrangement. The fair value is the estimated share price reduced by the present value of dividends that participants will not receive and value of other restricting terms of the compensation agreed. Expense for share-based remuneration is re-measured only if the compensation arrangement is modified so that the fair value after modification has increased compared to the fair value before modification. Such increase is recognised as compensation expense at the re-measurement date.

The expense is recognised on a straight-line basis over the period of the remuneration program as intention is to receive services from employees over the whole period. For share options over vesting period a corresponding increase in equity is recognised as other reserves. Estimates of actual or expected forfeitures are re-estimated at each reporting date and if necessary, previously recognised other reserves are reversed directly to the retained earnings. After deferral period, when vesting conditions are met and conditional share option exercised, previously recognised other reserves are transferred to issued share capital and share premium accounts.

h) Customer loyalty programmes

To reward and promote customers to actively use products of the Group, the Group has implemented several customer loyalty programs. Loyalty point and similar incentives represent discounts that a customer can choose to use in the future to acquire additional goods or services of retail nature. A portion of the transaction price is allocated to the material performance obligation not yet fulfilled. All benefits awarded to customers are fully accrued at the moment the benefits are awarded. The amount allocated is based on the stand-alone price of the loyalty incentive. Revenue and related costs in the income statement are recognised when the Group has satisfied its performance obligations relating to the loyalty incentive or when the incentive expire or are cancelled.

i) Corporate income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current corporate income tax assets and liabilities are measured at the amount expected to be obtained from or paid to tax authorities. Certain Group companies pay income tax on profit distribution (e.g. dividends). Correspondingly, for these Group companies, income tax on profit distribution is recognised as expenses only at the moment dividends are declared.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences are reversed or the tax loss carry forwards are utilised. The deferred tax balance is measured at a tax rate which is applicable for undistributed profits until decision of profits distribution is made. Therefore, for jurisdictions where income tax is payable on profit distribution (e.g. dividends) any deferred tax liabilities or benefits are recognised at a tax rate applicable to undistributed profits. When applicable at the Group level the deferred tax is recognised at the expected future taxable dividend rate. Deferred tax assets and liabilities are netted only within the individual companies of the Group and only if certain criteria are met. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The carrying amount of deferred corporate income tax asset, if any, is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term financial forecast prepared by management and extrapolated results thereafter. The financial forecast is based on management expectations that are believed to be reasonable under the current circumstances.

j) Financial instruments classification and measurement

The Group recognises a financial asset on its balance sheet when, and only when, the Group becomes a party to the contract. Financial assets are classified as either subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The basis for classification is both business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At acquisition the applicable classification is evaluated based on the guidelines established by the Group. For financial asset classification to a particular category, the Group at inception determines that the asset meets the relevant business model and contractual cash flow criteria. The business model is observable through the activities of the Group. It refers to how the Group typically manages its financial assets in order to generate cash flows; thus, the assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur. In a stress case, if cash flows are realised in a way that is different from the Group's expectations embedded in the business model, it does not give rise to a prior period error nor does it change the classification of the remaining financial assets held in that business model. However, for future acquisitions past cash flows are considered and may give rise to change in the business model.

At initial recognition, the financial assets or financial liabilities are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable incremental transaction costs. All "regular way" purchases and sales of investments are recognised using settlement date accounting. The settlement date is the date when an asset is delivered to or by the Group. Settlement date accounting refers to the recognition of an asset on the day it is transferred to the Group and to the de-recognition of an asset, on the day that it is transferred by the Group.

Financial assets and liabilities measured at amortised cost

For a financial asset to be measured at amortised cost it should both be held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are carried at amortised cost using the effective interest rate method, less any allowance for impairment. The impairment allowance for financial assets that are not-credit impaired (stage 1 and stage 2 classified) is measured as the present value of all cash shortfalls which is the difference between the cash flows due to the Group in accordance with contract and the cash flows that the Group expects to receive discounted at the effective interest rate of a financial asset. The impairment allowance for financial assets that are credit impaired at the reporting date (stage 3 classified) is measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the effective interest rate of the financial asset. For the purchased or originated credit-impaired financial assets the credit-adjusted effective interest rate is applied from initial recognition.

A gain or loss on a financial asset that is measured at amortised cost is recognised in the profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or to recognise impairment gains or losses. Financial assets at amortised cost are recognised on drawdown. From the date of signing a contractual agreement till drawdown, the contractually committed amounts are accounted for as off-balance sheet commitments.

Modification or renegotiation of contractual cash flows of a financial asset that does not result in de-recognition of that financial asset, requires the Group to recalculate the gross carrying amount of the financial asset and recognise a modification gain or loss in profit or loss. The gross carrying amount is recalculated as the present value of the renegotiated or modified contractual cash flows through the expected life of the asset that are discounted at the financial asset's original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets. When estimating the expected cash flows, all contractual terms and payments are considered, except for the expected credit losses, unless the financial asset is a purchased or originated credit-impaired financial asset. Costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

When the financial asset or part of it cannot be recovered, it or the respective part is written-off and charged against impairment for credit losses. The Group makes the decision regarding any write-off of financial assets based on existence and valuation of collateral available for a foreclosure, and the likelihood and the amount of any other expected future cash flows. Recoveries of previously

written-off assets or parts of assets are credited to the statement of income.

The Group classifies all financial liabilities as subsequently measured at amortised cost using the effective interest rate method, except for derivatives and certain deposit components of the insurance plan liabilities which are measured at fair value through profit or loss. A gain or loss on a financial liability that is measured at amortised cost is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Financial assets measured at fair value through other comprehensive income

For a financial asset to be measured at fair value through other comprehensive income it should both be held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset should give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at fair value through other comprehensive income are intended to be held for an undefined period of time and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial assets measured at fair value through other comprehensive income are subsequently re-measured at fair value based on available market prices. A revaluation gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. For debt securities the difference between the initial carrying amount and amortised cost determined by the effective interest rate method is treated as interest income and is recognised in profit or loss; on derecognising the cumulative fair value revaluation gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

For non-equity financial instruments measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the balance sheet. Impairment gains or losses are recognised in profit or loss.

For equity instruments that are neither held for trading nor acquired in a business combination, the Group at initial recognition, has to make an irrevocable election to present subsequent changes in the fair value of each instrument in other comprehensive income or profit or loss. This election is made on an instrument-by-instrument basis. Amounts presented in other comprehensive income subsequently are not transferred to profit or loss, but cumulative gain or loss on disposal is transferred directly to retained earnings. Dividends on equity instruments classified at fair value through other comprehensive income are recognised in the statement of income. Such equity instruments are not tested for impairment, but carried at fair value.

Financial assets and liabilities measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. For equity instruments that would otherwise be measured at fair value through profit or loss an irrevocable election at initial recognition on instrument-by-instrument basis is made to present subsequent changes in fair value in other comprehensive income. Also a financial asset or liability, at initial recognition, may be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces "accounting mismatch" that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or when a group of financial liabilities or a group of financial assets and financial liabilities are managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the management.

Excluding interest on interest rate swaps, interest on financial assets measured at fair value through profit or loss is included in net interest income. Revaluation and trading gains or losses arising from changes in fair value of financial assets or financial liabilities that are measured at fair value through profit or loss, as well as interest on interest rate swaps, are recognised directly in the statement of income as net financial income. Such financial assets and liabilities are subsequently re-measured at fair value based on available market prices or quotes of brokers.

Included in this category are (a) unit-linked investment contract liabilities and respective investments and (b) certain life insurance contract liabilities, which are managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy. According to unit-linked investment contract terms, the credit risk associated with the investments made by the insurance underwriter is fully attributable to the counterparty entering into the insurance agreement and not the underwriter. As such, by designating both assets acquired and liabilities undertaken at fair value through profit or loss, a potential accounting mismatch is avoided.

Financial assets and liabilities which are held for trading are measured at fair value through profit or loss. Financial assets and liabilities are held for trading if they are either acquired in a business model which is characterised by generation of a profit from short-term fluctuations in price or dealer's margin, or a pattern of short-term profit taking exists.

Derivative Financial Instruments

In the ordinary course of business, the Group engages as a party to contracts for forward foreign exchange rate, currency and sometimes interest rate swap instruments and other derivative financial instruments. All derivatives are classified as measured at fair value through profit or loss.

Subsequent to initial recognition, outstanding forward foreign exchange rate contracts, currency swaps and other derivative financial instruments are carried in the balance sheet at their fair value. The fair value of these instruments is recognised on the balance sheet as derivative assets and liabilities.

Gains or losses from changes in the fair value of outstanding forward foreign exchange rate contracts, currency and interest rate swaps and other derivative financial instruments are recognised in the statement of income as they arise.

k) Sale and repurchase agreements

These agreements are accounted for as financing transactions. Under sale and repurchase agreements, where the Group is the transferor, assets transferred remain on the Group's balance sheet and are subject to the Group's usual accounting policies, with the purchase price received included as a liability owed to the transferee. Assets in the balance sheet are shown separately from other

assets when the transferee has the right by contract or custom to sell or re-pledge the collateral.

Where the Group is the transferee, the assets are not included in the Group's balance sheet, but the purchase price paid by it to the transferor is included as an asset. Interest income or expense arising from outstanding sale and repurchase agreements is recognised in the statement of income over the term of the agreement.

l) De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the contractual rights to receive cash flows from the financial asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for de-recognition are therefore not met.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Debt securities issued and other borrowed funds

The Group recognises financial liabilities on its balance on drawdown.

After an initial measurement, being a fair value minus directly attributable transaction costs, in the case of a financial liability not at fair value through profit or loss, debt issued, subordinated liabilities and borrowings are measured at amortised cost and any difference between net proceeds and value at redemption is recognised in the statement of income over the period of borrowing using the effective interest rate.

m) Fair values of financial assets and liabilities

Fair value is the price that would be received from the sale of 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. Where available and reasonably reliable, fair values are determined by reference to observable market prices. Where representative market prices are not available or are unreliable, fair values are determined by using valuation techniques which refer to observable market data. These include prices obtained from independent market surveys, comparisons with similar financial instruments, discounted cash flow analyses and other valuation techniques commonly accepted and used by market participants.

Future events may cause the assumptions used in arriving at the estimates to change. The effect of any changes in estimates will be recorded in the financial statements, when determinable. Furthermore, changes and movements in market conditions may affect accuracy of the fair value calculations so that the actual outcome of a transaction is different from the one reported in the financial statements. Also, when changed, management estimates used in preparing these financial statements could impact the reported results of the Group.

n) Leases

Finance leases – Group as lessor

Finance leases, which transfer substantially all the risks and rewards incidental to ownership of the assets, are recognised as assets at amounts equal at the inception of the lease to the net investment in the lease. The finance income is allocated over time period in-line with the lease term to produce a constant return on the net investments outstanding in respect of the finance leases. Finance lease receivables are presented as loans to public.

Operating leases – Group as lessor

The Group presents assets subject to operating leases in the balance sheets according to the nature of the asset. Lease income from operating leases is recognised in statement of income over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

The depreciation policy for depreciable leased assets is consistent with the lessor's normal depreciation policy for similar assets, and depreciation is calculated in accordance with accounting policies, used for the Group's tangible assets.

Group as lessee

A lease is a contract, or a part of a contract, that conveys the right to use asset (the lease asset) for a period of time in exchange for consideration. For qualifying lease assets, upon lease commencement, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs and expected dismantling costs, less payments before commencement and incentives received. Subsequently the right-of-use asset is measured using a cost

model. A right-of-use asset is measured at cost less any accumulated depreciation and impairment. The lease liability is initially measured as a discounted value of payments agreed over the lease term. An incremental borrowing rate which discounts future payments to estimated present value is applied. The Group presents right-of-use assets in the same line items in which it presents assets of the same nature that it owns. Lease liabilities are presented within other liabilities. The Group uses the practical expedient of low-value items where any item generating cash outflows of less than EUR 5 thousand during the lease term is expensed as incurred with no right-of-use asset or lease liability recognition.

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

For lease contracts with eligible extension or early termination clauses a lease term equal to the planning horizon of three years is often applied unless the lease term is shorter already. In case of branches this is based on a plan to move towards a more digital model less dependent on the physical presence. For lease of the headquarters building and certain other lease items a three years lease term assumption is applied linking this to the business planning horizon of the Group. Incremental borrowing rate, derived from the Bank's deposit rate, but adjusted for additional spread for absence of deposit guarantee for leases, is applied.

When a transfer of an asset by the seller-lessee satisfies the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, on the day of sale the seller-lessee recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The Group accounts for the deferred sales gain as a reduction of the right of use asset that would be recognised otherwise, in effect presenting the leaseback right of use asset at the before sales carrying value, though applying the most recent expectations when determining lease period. The deferred sales gain is amortised to income statement over the lease period, but not as a gain, but as a reduction in the right of use depreciation charges.

o) Renegotiated loans and debt forbearances

For economic or legal reasons, the Group might enter into a forbearance agreement with borrowers in financial difficulties in order to ease the contractual obligation for a limited period of time. By taking into account exposure specifics, an individual approach is practised. Generally, debt forbearance will take a form of payment deferral to a later time with the amount payable and interest due re-compensated at a later date. Renegotiated loans are considered non-overdue as long as contractual payments are made on contractually due dates. When the terms of a financial asset are renegotiated or modified a de-recognition assessment is made. When modifications result in de-recognition of the existing financial asset, then the estimated fair value of the asset is treated as cash inflow from the existing financial asset and a new contract is recognised at fair value plus any eligible transaction costs. When modification results in de-recognition, a new loan is recognised and allocated to Stage 1, if not credit-impaired at that time. When modification or renegotiation of contractual cash flows of a financial asset does not result in de-recognition of financial asset, the Group recalculate the gross carrying amount of the financial asset and recognise a modification gain or loss in profit or loss. For discounting expected future cash flows the financial asset's original effective interest rate or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets is applied.

p) Impairment of loans to public and provisions for loan commitments, guarantees and letters of credit

The economic conditions of the markets the Group operates in may have an impact on the borrowers' ability to repay their debts. The Management of the Group considers both specific exposures and portfolio-level risks in determining the balance of impairment allowance for expected credit losses. The expected credit loss assessment is forward-looking and is based on unbiased and probability-weighted information about past events, current conditions and forecasts of future economic conditions. Impairment allowance for expected credit losses is recognised even if no credit loss event has happened. A loan or portfolio of loans to public is impaired and impairment losses are incurred if, and only if, there is objective evidence that the estimated present value of future cash flows is less than the current carrying value of the loan or portfolio of loans to public, and it can be reliably estimated. Lease receivables are included in loans to public for expected credit loss assessment purposes; the methodology is consistently applied.

Loss allowances for expected credit losses on loan commitments and financial guarantee contracts are recognised as provisions. The provisioning principles for expected losses arising from off-balance sheet financial commitments and contingent liabilities are consistent with the principles and methods applied for on-balance sheet exposures. Additional considerations are applied to adjustments for expected conversion and future use patterns of the committed limits and the Group's performance in timely identification and termination of limits for deteriorating exposures.

Expected credit losses are recognised based on the stage in which the exposure is allocated at the reporting date. 12-month expected credit losses are recognised for Stage 1 exposures, where credit risk has not increased since initial recognition. Lifetime expected credit losses are recognised for Stage 2 exposures whose credit risk has increased significantly since initial recognition and for Stage 3 exposures which are credit impaired. Days past due is one of the main quantitative indicators used to assess the 'significant increase in credit risk' (proxy for transferring exposures from Stage 1 to Stage 2) augmented by other additional risk factors (e.g. internal credit rating grade, forbearance, breach of financial covenants). Significant increase in credit risk in comparison to the initial credit risk is the criteria for transfer to Stage 2. Days past due backstops equal or stricter than regulatory minimum are applied. 'Significant increase in credit risk' for consumer and card loans is triggered when 15 days past due are exceeded, for leasing exposures 'significant increase in credit risk' is triggered when 26 days past due are exceeded, while for other portfolios a threshold of 30 days past due is used. Days past due more than 89 is a trigger for 'default'. Internal credit rating grade based absolute threshold of 20% minimum 1-year PD and a relative threshold of 200% increase in lifetime PD since origination are other 'significant increase in credit risk' threshold triggers. For lending products where advanced credit scoring models have been validated, a client individual rating, based on multitude of inputs characterising credit standing of the client are monitored. Client individual ratings cover loans to financial and non-financial corporations, finance leases, and partially loan products to households. For these loan products, where individual credit scoring models have not been validated yet, a simpler less client specific model is applied. The simpler model to arrive to the credit rating correlates days past due of the particular exposure to point in time adjusted past credit performance derived statistics of the group segmented by product, geography and other relevant factors. The Group is in the process of transitioning all lending products to advanced credit scoring models. The 'default' is defined in line with the prudential definition of the default: exposure delayed for certain amount of days or more, exposure is individually impaired, significant forbearance and other unlikelihood to pay indicators. The 'default' is the criteria for a transfer to Stage 3. Exposure is no longer considered to have significantly increased credit risk (transfer from Stage 2 to Stage 1) or default (transfer from Stage 3 to Stage 2) when specific time period has passed (in some instances up to 2 years)

from the moment when all increased risk of default factors are no longer observed. Significant forbearance measures are within risk factors for which an extended monitoring period applies. The length of the monitoring period is proportionate to the significance of the risk factor observed and forbearance measures undertaken. The models are calibrated for transfer of exposures to lower stage to happen only when a significant reduction in the risk of non-performance has been observed beforehand. Merton-Vasicek framework is used in macroeconomic model to estimate changes in PDs.

The Group first assesses whether objective evidence of impairment exists individually for loans to public that are individually significant, and individually or collectively for loans that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes that loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. As soon as information is available that specifically identifies losses on individually impaired loans included in a group of loans with similar credit risk characteristics, those loans are removed from the group. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For collective measurement of expected credit losses, the Group has selected to use EAD x PD x LGD approach, where EAD stands for exposure at default, PD – probability of default, and LGD – loss given default. To estimate probability weighted cash flows, the Group uses single scenario expected cash flow method with overlays for alternative scenarios for macroeconomic factors. The major macroeconomic factors considered are unemployment rate, average monthly wage, real gross domestic product and real estate prices. PDs and LGDs are derived from historic performance of the loans to public. LGDs are adjusted for forward looking information. 'Point in time' probabilities (probability of default in the current economic conditions, as opposed to economic cycle-neutral 'through the cycle' probabilities of default as often used for regulatory purposes) are used for PDs. Correspondingly, estimated PDs are expected to change through the economic cycle. For measurement of expected credit losses financial instruments are grouped on the basis of shared credit risk characteristics. The grouping considers distinct characteristics in industry, product type, collateral type and geographical location of the borrower.

A loan is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a loan is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments, persistent and major covenant noncompliance;
- granting to the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, a material concession that the lender would not otherwise consider;
- the borrower entering bankruptcy or other financial reorganisation becomes highly probable;
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- a combination of several other events that cause a loan to become credit-impaired.

For a loan that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, the expected credit losses are measured as the difference between the loan's gross carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. Any adjustment is recognised as an impairment gain or loss. The assessment of whether lifetime expected credit losses should be recognised is based on significant increases in the likelihood (Stage 2) or risk of a default (Stage 3) occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. In most cases, there will be a significant increase in credit risk before a financial asset becomes credit-impaired or an actual default occurs (Stage 3), thus default (Stage 3) and credit-impaired loan classification will be closely aligned and will indicate non-performance of the borrower or significance of forbearance measures undertaken, but classification will not necessarily equal in all cases.

For loans to public, the amount of impairment loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flows of a collateralised loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The amount of the loss is recognised in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases, the previously recognised impairment loss is reversed. Any subsequent reversal of the impairment loss is recognised in the statement of income, to the extent that the carrying value of the loan does not exceed what its amortised cost would have been absent the impairment at the reversal date.

For purchased or originated credit-impaired financial assets, expected credit losses are discounted using the credit-adjusted effective interest rate determined at initial recognition. For purchased or originated credit-impaired financial assets only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

Fully impaired loans to public, recovery of which may become economically unviable, may be written-off and charged against impairment allowance. They are not written-off until the necessary legal procedures have been completed and the amount of the loss is determined. When a loan or receivable is written-off, the claim against the borrower normally is not forgiven. Subsequent recoveries of amounts previously written-off are reported in the statement of income as recovered written-off assets within net credit losses on financial instruments. For certain products of the retail loan book the write-off decision is automated trigger based. For corporate loan book an individual analysis is the basis for write-off decision of unrecoverable credit impaired exposures.

q) *Financial guarantees received*

Financial guarantees, which may be considered an integral part of the relevant credit exposures, are treated as credit enhancements in expected credit loss calculation and guarantee fees are included in the effective interest rate calculation of the loans. The estimated expected cash shortfall reflects cash flows expected from collateral and other credit enhancements and are part of the contractual terms and are not recognised separately.

For financial guarantees received, which may not be considered an integral part of the relevant credit exposures, the fees payable for the guarantee are not included in the effective interest rate calculation of the loans and are not presented as a part of the interest income. Instead the cost of the guarantee is presented as fee and commission expense. Any reimbursement rights under the financial

guarantee contract is recognised as a separate (from loan book) reimbursement right assets. The reimbursement right asset is not netted in the loan book and does not affect staging, despite having credit loss mitigating effect. The reimbursement gain income is presented within the net credit losses in the income statement. The cost of the guarantee, if any paid in advance, is recognised as a pre-payment asset and is amortised over the shorter of the lifetime guarantee and the expected life of the guaranteed loans.

If the financial guarantee contract includes government support part, where for example the guarantee fees payable are decreased on condition that specific lending targets are met and the government support is not passed through to the ultimate borrowers, the benefit is recognised as other income.

r) *Impairment of debt securities and loans to credit institutions and central banks*

Similarly, as for loans to public, the Group estimates expected credit losses to reflect changes in credit risk since initial recognition of debt securities, loans to credit institutions and central banks exposures and commitments to extend credit. Impairment provisioning requirements apply to financial assets at amortised cost, but do not apply to financial assets measured at fair value through profit or loss. For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the balance sheet.

Impairment allowances are recognised based on forward looking information, even if no credit loss event has happened. The assessment considers broad range of information, but as most of these types of exposures are rated, it relies heavily on external credit ratings and rating agencies' reported default rates derived by calculating multi-period rating transition matrices. If unavailable for evaluation purposes, external credit ratings may be substituted by internally calculated credit quality levels. Credit risk triggers (event of insolvency, any delay of payments, restructuring of debt) and individual credit risk analysis of the issuer are also considered. The Group deems investment grade rated exposures as low credit risk, thus these are assumed no to have experienced a significant increase in credit risk. For non-investment grade exposures decrease in external credit rating by more than 3 notches since acquisition is deemed significant increase in credit risk. Expected credit losses are recognised based on the stage in which the exposure is allocated at the reporting date. 12-month expected credit losses are recognised for Stage 1 exposures, where credit risk since initial recognition has not increased significantly. Lifetime expected credit losses are recognised for Stage 2 exposures whose credit risk has increased significantly since initial recognition and Stage 3 exposures which are credit impaired. Stage 3 exposures, if any were identified, would additionally be subjected to comprehensive evaluation, including comparison to market valuations for similar exposures, analysis of market depth of the respective security, past trading performance and all other available information.

s) *Tangible assets*

Property and equipment initially is measured at acquisition cost or creation cost. After initial measurement property and equipment is carried at cost less any accumulated depreciation and any accumulated impairment losses. Property and equipment is periodically reviewed for impairment according to principles described in the paragraph x) *Impairment of non-financial assets*. If the recoverable value of an asset is lower than its carrying amount, the asset is written down to its recoverable amount.

Depreciation is calculated using straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

Category	Annual depreciation rate
Buildings	1% - 10%
Transport vehicles	14% - 20%
Other	14% - 33%

Leasehold improvements are capitalised and depreciated over the remaining lease contract period on a straight-line basis. Land and assets under construction are not depreciated.

Certain reconstruction and renovation costs of buildings, which improve their quality and performance, are capitalised and amortised over the estimated useful life on a straight-line basis. Maintenance and repair costs are charged to the statement of income as incurred.

t) *Intangible assets*

Intangible assets comprise software, both purchased and internally generated. Separately acquired intangible assets are measured at cost. The cost of separately acquired intangible assets also comprises directly attributable costs of preparing the asset for its intended use. These include payroll and professional fees arising directly from bringing the asset to its working condition and costs of testing whether the asset is functioning properly. The cost of separately acquired intangible assets doesn't include future payments of variable fees which are dependent on achievement of key performance indicators. Variable fees are capitalised into the cost of intangible asset when relevant key performance indicators are achieved and fees become payable and amortised over the estimated remaining useful life on a straight-line basis.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Subsequent to the initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment loss. Annual amortisation rates applied on a straight-line basis to software and other intangible assets range from 10% to 33%. All intangible assets, except for goodwill, are with definite lives.

u) *Inventories*

From time to time the Group repossesses from its customers certain assets serving as collateral, when the customer cannot otherwise meet his payment obligations and other loan work-out measures have been unsuccessful. Such repossessed assets which are expected to be sold in the ordinary course of business and are not held for capital appreciation or rental income are classified as inventories. Inventories mainly encompass real estate purchased and held for sale in near future by the Group's real estate workout companies.

Group's inventories are accounted at individual cost. The costs of inventories comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present condition. Inventories are held at the lower of purchase cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of

completion and the estimated costs necessary to make the sale. The amount of write-down of inventories to net realisable value is recognised as expense in the period the write-down occurs. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

v) Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amount is to be recovered through a sale transaction rather than continuing use and the management has committed to an active plan that is expected to result in a complete sale within one year from the date of classification.

Non-current assets classified as held for sale also include assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resell in the near term but are not expected to be sold in the ordinary course of business.

Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell of the non-current asset. At least at each reporting date, the Group assesses, whether the value of the non-current assets classified as held for sale is impaired. The impairment loss reduces carrying amount of the asset and is included in the statement of income's line 'Other impairment losses'. In the same line of the statement of income a gain from any subsequent increase in fair value less cost to sell of an asset is recognised, but not in excess of the cumulative impairment loss that has been recognised either for non-current asset held for sale or previously for the non-current asset.

w) Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group are classified as investment properties. The Group initially measures investment properties at cost, including transaction costs.

For subsequent measurements the Group has opted for a cost model which requires an investment property to be measured at depreciated cost. Depreciation is calculated using the straight-line method based on the estimated useful life of the respective asset. Depreciation method and rates as for Group's property and equipment are applicable. Investment properties are periodically reviewed for impairment.

If the recoverable value of an asset is lower than its carrying amount, the respective asset is written down to its recoverable amount. Any subsequent reversal of the impairment loss is recognised in the statement of income, to the extent that the carrying amount of an asset does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods

x) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (e.g. inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cost generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows. Discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

y) Insurance business

The Group's exposure to insurance relates to life insurance contracts. Life insurance contracts may contain both financial and insurance risk. The part of contracts that do not contain significant insurance risk is accounted as investment contracts (unbundling). The corresponding liability to clients is shown within deposits and borrowings from customers. Insurance reserves are shown as other liabilities. The Group monitors the underlying assumptions in the calculations of insurance related risks regularly and seeks risk mitigation measures such as reinsurance if the Group deems this appropriate.

An insurance contract is a contract in which the insurer assumes a significant insurance risk from the policyholder, the insurer agrees to indemnify the policyholder for losses in the event of an insured uncertain event specified in the contract, such as the death of the insured person. The Policyholder undertakes to pay insurance premiums in the scope, terms and amount specified in the insurance contract, as well as to fulfil other obligations specified in the insurance contract.

Insurance reserves for annuity pension products are recognized when the premium is received in the amount of estimated future annuity claims and related expense. The estimated contractual future cash flows from for annuity pension products (taking into consideration assumptions about mortality, service costs and investment income) are discounted as per methodology specified by the FCMC. Any re-estimation gain or loss in insurance reserves is recognized in income statement as *Net insurance result* within *Net other income*.

z) Off-balance sheet financial commitments and contingent liabilities

In the ordinary course of business, the Group extends off-balance sheet financial commitments and contingent liabilities comprising commitments to issue loans to public, commitments for unutilised credit lines and credit card limits, as well as financial guarantees and commercial letters of credit.

Off-balance sheet commitments are recognised when the Group commits the limit to the client. Financial guarantees and letters of credit are recognised as contingent off-balance sheet liabilities when the Group is exposed to risk under the contract. Off-balance sheet items are recognised on-balance sheet on drawdown of commitment or for guarantees and letters of credit, when these in rare cases become payable by the Group. Commitments generally have fixed expiration dates, or other termination clauses; in some cases, the Group may terminate these unilaterally. Since commitments may expire without being drawn down, the total committed amounts do not necessarily represent certain future cash outflows.

On initial recognition financial guarantee contracts are measured at fair value. Subsequently, they are carried at the higher of the amount initially recognised less cumulative amortisation over the life of the guarantee and the amount determined in accordance with the accounting policy for provisions when enforcement of the guarantee has become probable.

The methodology for provisioning against possible losses arising from off-balance sheet financial commitments and contingent liabilities is consistent with that described in the paragraph aa).

aa) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Loss allowance for expected credit losses on loan commitments and financial guarantee contracts is recognised as provisions. For details on methodology of calculation, refer to section p) of the Note 3 (*Impairment of loans to public and provisions for loan commitments, guarantees and letters of credit*). In addition to considerations applicable to on-balance exposures, for expected credit loss assessment of off-balance sheet commitments a conversion and expected future use patterns, the Group's reaction time in identifying deteriorating exposures and a realistic past performance on timely termination of these limits is considered.

bb) Asset management

Funds managed by the Group on behalf of individuals, corporate customers, trusts and other institutions are not regarded as assets of the Group and, therefore, are not separately included in the balance sheet. Funds under management are presented in financial statements only for disclosure purposes. Commission for asset management is recognised on accrual basis and generally is dependent on the volume of assets managed.

cc) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents are defined as the amounts comprising cash and demand balances with central banks and other credit institutions with an insignificant risk of changes in value, less demand deposits due to credit institutions and central banks.

dd) Offsetting of assets and liabilities

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

ee) Events after the reporting date

Post-period-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes if material.

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

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

Impairment of loans to public

The Group regularly reviews its loans to public for assessment of impairment. The estimation of impairment losses is inherently uncertain and dependent upon many factors. Two distinct approaches are applied for expected credit loss estimation – individual evaluation, mostly applied to large exposures, and collectively estimated expected credit losses for homogeneous groups of smaller exposures.

On an on-going basis expected credit losses are identified promptly as a result of large loan exposures being individually monitored. For these loan exposures expected credit losses are calculated on an individual basis with reference to expected future cash flows including those arising from the sale of collateral. The Group uses its experienced judgement to estimate the amount of any expected credit losses considering future economic conditions and the resulting trading performance of the borrower and the value of collateral. As a result, the individually assessed expected credit losses can be subject to variation as time progresses and the circumstances change or new information becomes available. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between expected credit loss estimates and actual credit loss experience.

Changes in net present value of estimated future cash flows by -5% for loans to public for which expected credit losses are individually assessed would result in no change in impairment allowance for the Bank (2021: EUR -0.23 million) as recovery estimates happen to be based solely on collateral disposal income and EUR -0.55 million for the Group (2021: EUR -0.79 million). Change in estimated

value of collateral by -5% for loans to public for which expected credit losses are individually assessed would result in EUR -0.63 million change in impairment allowance for the Bank (2021: EUR -0.92 million) and EUR -0.95 million for the Group (2021: EUR -1.30 million).

For majority of the loans to public the Group collectively estimates impairment allowance to cover expected losses inherent in the loan portfolio. The collective impairment assessment is based on observable data derived from historic and applied to current loans to clients with similar credit risk characteristics. For this assessment loans to clients are segmented into homogeneous groups based on product type (mortgage, consumer loan etc.) and customer type (private individual, legal entity, public entity etc.). Historical loss experience is adjusted for current observable market data using the Group's experienced judgement to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The major parameters of the collectively estimates expected credit loss calculation methodology are PD, LGD, EAD and staging outcome. The model also incorporates forward-looking macroeconomic information to arrive to point in time instead of over the cycle expected credit loss estimates. The future credit quality of the loan portfolio for which the expected credit losses are estimated collective is subject to uncertainties that could cause actual credit losses to differ from expected credit losses. These uncertainties include factors such as international and local economic conditions, borrower specific factors, industry and market trends, interest rates, unemployment rates and other external factors.

In the reporting period the management continued to recognize a significant uncertainty regarding economic risks, like Russia's invasion into Ukraine, which has pushed commodity and energy prices higher, accelerating global inflation and supply chain disruptions. The adjustment for expected impact from future economic scenarios is revised correspondingly. Thus, the Group and the Bank has recognised a prudent impairment overlay for Stage 1 and Stage 2 classified loans to public exposures. The impairment overlay represents an additional loss reserve over the modelled ECL amounts to account for other economic uncertainties and addresses increased uncertainty regarding the forward-looking economic conditions in the unusual environment where duration and severity of future economic uncertainties and associated possible disruptions to the Baltic economies and customers of the Group is uncertain. The impairment overlay accounted for economic risks which point in time ECL models calibrated on historical data, despite being adjusted with forward-looking information, might not be fully capturing in the current unusual environment. As of 31 December 2022, impairment overlay of EUR 13.9 million for the Bank and EUR 17.1 million for the Group has been recognised to address these modelling uncertainties (2021: EUR 1.4 million for the Bank and EUR 5.2 million for the Group). Previous impairment overlay was reversed in 2022 since it was linked to Covid-19 economic uncertainties and those risks have decreased.

Changes in all applied LGD rates by 500 basis points would result in change in collectively estimated impairment allowance and provisions by EUR +5.2/-5.2 million for the Bank and EUR +7.6/-7.7 million for the Group (2021: EUR +4.4/-4.6 million for the Bank and EUR +7.3/-7.6 million for the Group). Changes in the 12-month PD rates by 100 basis points would result in change in collectively estimated impairment allowance by EUR +6.3/-6.1 million for the Bank and EUR +8.9/-8.5 million for the Group (2021: EUR +4.6/-4.6 million for the Bank and EUR +6.4/-6.4 million for the Group if PD rates for not overdue category change by 100 basis point) and provisions for off-balance sheet commitments and guarantees by EUR +0.5/-0.5 million for the Bank and EUR +0.5/-0.5 million for the Group (2021: EUR +0.6/-0.6 million for the Bank and EUR +0.7/-0.7 million for the Group).

The Group has implemented forward-looking information in the measurement of expected credit losses. The forward-looking adjustment incorporates three economic scenarios with distinct economic consequences: a base case scenario which comprises most likely future economic development, a less likely adverse scenario and positive scenario. The GDP annual growth rates, which are derived from a combination of internal and external macroeconomic forecasts, are one of the key variables. The key variables are summarized below.

	Base case scenario		Adverse scenario		Positive scenario	
	2023	2024	2023	2024	2023	2024
Latvia						
GDP (annual change)	(1.5%)	3.4%	(4.4%)	3.8%	2.1%	3.4%
Unemployment rate	7.2%	6.3%	8.5%	7.7%	6.7%	5.9%
Average gross wage (annual change)	6.2%	5.5%	5.0%	5.0%	7.0%	6.3%
Lithuania						
GDP (annual change)	(0.9%)	3.3%	(4.7%)	3.7%	2.0%	3.3%
Unemployment rate	6.5%	6.2%	8.5%	7.6%	6.2%	5.8%
Average gross wage (annual change)	6.4%	4.4%	4.3%	4.5%	6.7%	5.2%
Estonia						
GDP (annual change)	(0.9%)	4.0%	(4.8%)	3.7%	1.7%	4.0%
Unemployment rate	6.6%	5.6%	8.0%	7.4%	5.9%	5.2%
Average gross wage (annual change)	4.9%	4.6%	3.7%	4.7%	5.4%	5.4%

The current implementation, based on an expert judgement, weights base case scenario with 55% likelihood, the adverse scenario at 35% likelihood and positive scenario at 10% likelihood (2021: 60% base case scenario vs. 40% adverse scenario). The 55% / 35% / 10% weighted augmented scenario is used for forward-looking adjustment. If the weighting of the adverse scenario was to increase to 40%, the expected credit loss allowance of the Bank would increase by EUR 0.5 million and for the Group by EUR 0.7 million as of 31 December 2022. If the weighting of the base case scenario was to increase to 100%, the expected credit loss allowance of the Bank would decrease by EUR 2.9 million and for the Group by EUR 3.9 million as of 31 December 2022. As of 31 December 2021, the weighting of base case and adverse scenarios was 60% versus 40%. If the weighting of the adverse scenario was to increase to 45%, the expected credit loss allowance of the Bank would increase by EUR 1.2 million and for the Group by EUR 1.8 million as of 31 December 2021. If the weighting of the base case scenario was to increase to 100%, the expected credit loss allowance of the Bank would decrease by EUR 9.1 million and for the Group by EUR 13.7 million as of 31 December 2021.

Impairment of other assets

The Bank and the Group at the end of each reporting period assesses whether there is any indication that a non-financial asset may be impaired other than inventory and deferred tax. If any such indication exists, the recoverable amount of the particular asset or cash

generating unit is estimate. Recoverable amount estimates depend on uncertainties in future free cash flow estimates and discount rates applied. For more details on the approach and key assumptions in recoverable amount estimates of the Bank's investments in subsidiaries refer to Note 19 (*Investments in Related Entities*).

Consolidation group

The Group consolidates all entities where it controls the investee. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. For list of investees included in the consolidation group refer to Note 19 (*Investments in Related Entities*). For investments in securities which are not consolidated refer to Note 18 (*Equity and Other Financial Instruments*).

In the ordinary course of business IPAS CBL Asset Management provides management services to several funds where its interest held is only fees from servicing. The Bank has made an investment solely with a view to diversify its securities portfolio also in funds managed by IPAS CBL Asset Management. According to the prospectus of the funds, the investment decisions are made collectively by IPAS CBL Asset Management Investment Committee. The Bank has no intention to participate in decision making regarding the asset allocation of any of the funds. Moreover, interfering with Investment Committee's decision-making process would be against the corporate governance principles maintained by that Bank since its inception. As such, the Bank believes it does not have the control over the funds, as per IFRS 10, and the funds should not be consolidated.

Deferred tax assets and liabilities

The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium-term financial forecast prepared by management and extrapolated results thereafter. The aforementioned forecasts indicate that the Bank will have sufficient taxable profits in the future periods to realise the recognised deferred tax asset. For more details refer to Note 13 (*Taxation*).

Presentation of Kaleido Privatbank AG as discontinued operations held for sale

In January 2022, AS Citadele banka entered into a binding agreement with Trusted Novus Bank Limited regarding the sale of its Swiss subsidiary – Kaleido Privatbank AG. The closing is subject to regulatory approvals. As the conditions indicate that the investment will be recovered principally through a sale transaction rather than through continuing operations, Kaleido Privatbank AG is presented as discontinued operations as of period end.

NOTE 4. OPERATING SEGMENTS

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

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

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

Main business segments of the Group are:

Retail Private

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

Private affluent

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

Retail SME

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

Corporate

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

Asset management

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

Other

Group's treasury functions and other business support functions, including results of the subsidiaries of the Group operating in non-financial sector. This comprises discontinued operations, namely operations of Kaleido Privatbank AG (a Swiss registered banking subsidiary) which Citadele has agreed to sell. Refer to Note 21 (*Discontinued Operations*).

Segments of the Group

Group 2022, EUR thousands							
	Reportable segments						Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	
Interest income	51,656	1,849	30,750	45,786	263	7,152	137,456
Interest expense	(3,795)	(1,575)	(1,548)	(2,809)	(148)	(8,732)	(18,607)
Net interest income	47,861	274	29,202	42,977	115	(1,580)	118,849
Fee and commission income	22,276	3,438	15,815	14,110	6,543	3,846	66,028
Fee and commission expense	(12,779)	(1,114)	(5,671)	(8,001)	(447)	(370)	(28,382)
Net fee and commission income	9,497	2,324	10,144	6,109	6,096	3,476	37,646
Net financial income	1,294	1,029	2,760	2,352	(1,370)	2,538	8,603
Net other income	(2,017)	(446)	(165)	(264)	5,721	248	3,077
Operating income	56,635	3,181	41,941	51,174	10,562	4,682	168,175
Net funding allocation	1,213	2,521	87	(3,007)	45	(859)	-
FTP adjusted operating income	57,848	5,702	42,028	48,167	10,607	3,823	168,175
Net credit losses	(14,327)	(627)	(983)	(9,721)	7	1,947	(23,704)
Net result from continuous operations before operating expense	43,521	5,075	41,045	38,446	10,614	5,770	144,471
Not allocated income and expense, net							(91,643)
Operating profit from continuous operations, before tax							52,828

Group 2021, EUR thousands (Reclassified for comparability)							
	Reportable segments						Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management	Other	
Interest income	44,671	1,723	28,185	37,299	239	10,521	122,638
Interest expense	(1,089)	(803)	(19)	(324)	(180)	(13,244)	(15,659)
Net interest income	43,582	920	28,166	36,975	59	(2,723)	106,979
Fee and commission income	18,006	4,559	12,633	12,062	8,755	1,969	57,984
Fee and commission expense	(11,279)	(1,081)	(4,346)	(6,131)	(559)	(450)	(23,846)
Net fee and commission income	6,727	3,478	8,287	5,931	8,196	1,519	34,138
Net financial income	810	896	2,218	1,530	295	1,038	6,787
Net other income	(636)	(196)	753	2,003	1,115	(1,212)	1,827
Operating income	50,483	5,098	39,424	46,439	9,665	(1,378)	149,731
Net funding allocation	(1,318)	494	(990)	(1,647)	11	3,450	-
FTP adjusted operating income	49,165	5,592	38,434	44,792	9,676	2,072	149,731
Net credit losses	(5,894)	336	908	(1,707)	(7)	4,946	(1,418)
Net result from continuous operations before operating expense	43,271	5,928	39,342	43,085	9,669	7,018	148,313
Not allocated income and expense, net							(84,338)
Operating profit from continuous operations, before tax							63,975

	Group as of 31/12/2022, EUR thousands						
	Reportable segments					Other (including discontinued operations)	Total
	Retail Private	Private affluent	Retail SME	Corporate	Asset Management		
Assets							
Cash, balances at central banks	-	-	-	-	-	532,030	532,030
Loans to credit institutions	-	-	-	-	6,397	42,044	48,441
Debt securities	-	-	-	44,552	42,302	1,505,749	1,592,603
Loans to public	1,199,979	51,895	629,682	1,060,588	4,550	19,784	2,966,478
Equity instruments	-	-	-	-	-	1,029	1,029
Other financial instruments	-	-	-	-	27,372	1,101	28,473
All other assets	-	-	-	5	4,939	230,281	235,225
Total segmented assets	1,199,979	51,895	629,682	1,105,145	85,560	2,332,018	5,404,279
Liabilities							
Deposits from banks	-	-	-	-	-	469,736	469,736
Deposits from customers	1,550,387	511,406	736,882	1,056,760	70,425	54,401	3,980,261
Debt securities issued	-	-	-	-	-	259,225	259,225
All other liabilities	-	-	49	125	56,889	213,776	270,839
Total segmented liabilities	1,550,387	511,406	736,931	1,056,885	127,314	997,138	4,980,061

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

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands			
	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Interest income calculated using the effective interest method:				
Financial instruments at amortised cost:				
<i>Loans to public</i>	81,472	69,212	105,993	86,064
<i>Debt securities</i>	4,616	2,996	4,616	2,996
<i>Cash balances at and lending to/from central banks and credit institutions (including TLTRO-III)</i>	3,413	3,083	3,419	3,090
<i>Deposits from public at negative interest rates</i>	834	383	912	466
Debt securities at fair value through other comprehensive income	1,033	1,012	776	842
Interest income on finance leases (part of loans to public)	46,088	45,952	-	-
Total interest income	137,456	122,638	115,716	93,458
Interest expense on:				
Financial instruments at amortised cost:				
<i>Deposits and borrowing from public</i>	(7,839)	(8,813)	(7,823)	(8,130)
<i>Debt securities issued</i>	(6,821)	(3,952)	(6,821)	(3,952)
<i>Deposits from credit institutions and central banks (including TLTRO-III)</i>	(951)	(104)	(1,003)	(276)
<i>Deposits to central banks and other assets at negative interest rates</i>	(676)	(863)	(616)	(862)
Financial liabilities at fair value through profit or loss				
<i>Deposits and borrowing from public</i>	(89)	(145)	-	-
Lease liabilities	(43)	(58)	(38)	(50)
Other interest expense	(2,188)	(1,724)	(2,188)	(1,724)
Total interest expense	(18,607)	(15,659)	(18,489)	(14,994)
Net interest income	118,849	106,979	97,227	78,464

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

	EUR thousands			
	2022 Group	2021 Group	2022 Bank	2021 Bank
Interest income recognised on credit impaired assets	3,114	3,747	1,677	1,458

Credit impaired financial assets are defined as all stage 3 classified assets and POCI classified assets with existing default triggers. These besides overdue or specifically impaired assets also include non-overdue, non-restructured assets under monitoring period where previously default indications were observed.

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands			
	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Fee and commission income:				
Cards	43,301	32,637	43,303	32,638
Payments and transactions	11,062	10,741	11,088	10,757
Asset management and custody	6,758	9,078	1,680	1,797
Securities brokerage	521	564	523	577
Other fees	2,038	1,810	2,004	1,610
Total fee and commission income from contracts with customers	63,680	54,830	58,598	47,379
Guarantees, letters of credit and loans	2,348	3,154	1,783	2,341
Total fee and commission income	66,028	57,984	60,381	49,720
Fee and commission expense on:				
Cards	(23,238)	(19,260)	(23,233)	(19,254)
Payments and transactions	(3,625)	(3,201)	(3,625)	(3,161)
Asset management, custody and securities brokerage	(748)	(918)	(738)	(918)
Other fees	(771)	(467)	(322)	(64)
Total fee and commission expense	(28,382)	(23,846)	(27,918)	(23,397)
Net fee and commission income	37,646	34,138	32,463	26,323

NOTE 7. NET FINANCIAL INCOME

	EUR thousands			
	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Foreign exchange trading, revaluation and related derivatives	9,583	6,864	9,496	6,821
Non-trading assets and liabilities at fair value through profit or loss	(824)	443	783	381
Assets at fair value through other comprehensive income	(1,519)	428	(1,519)	428
Assets at amortised cost	27	(16)	27	(16)
Modifications in cash flows which do not result in derecognition	1,336	(932)	1,336	(932)
Total net financial income	8,603	6,787	10,123	6,682

NOTE 8. NET OTHER INCOME

	EUR thousands			
	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Compensation for fulfilment of the TLTRO-III required government obligations (<i>Note 23</i>)	993	2,744	993	2,744
Operating lease income	1,835	2,088	-	-
Gross Insurance income	6,307	1,713	-	-
Dividend income	29	37	8,713	37
Share of the profit of investments accounted for using the equity method	-	5	-	5
Other income	773	1,057	2,049	2,072
Total other income	9,937	7,644	11,755	4,858
Supervisory fees	(2,988)	(1,759)	(2,898)	(1,605)
Depreciation of assets under operating lease (<i>Note 20</i>)	(1,467)	(1,578)	-	-
Share of the profit or loss of investments accounted for using the equity method	(89)	-	(89)	-
Gross insurance claims paid	(71)	(19)	-	-
Other expenses	(2,245)	(2,461)	(1,503)	(1,471)
Total other expense	(6,860)	(5,817)	(4,490)	(3,076)
Total net other income	3,077	1,827	7,265	1,782

Other income includes net result from disposal of repossessed collaterals and other miscellaneous items which may not be considered interest or fee and commission income. Supervisory fees include annual and quarterly fees payable to Financial and Capital Market Commission, European Central Bank, Single Resolution Board and similar. These are directly dependent on the size of the banking business (mostly total assets). Higher net insurance result in 2022 is primarily discounting gains from increases in interest rates.

NOTE 9. STAFF COSTS

Personnel costs include remuneration for work to the personnel, related social security contributions, bonuses and costs of other benefits. Other personnel expense includes health insurance, training, education and similar expenditure.

	EUR thousands			
	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Remuneration:				
- management	4,178	2,893	3,319	1,948
- other personnel	44,787	42,899	37,770	36,036
Total remuneration for work	48,965	45,792	41,089	37,984
Social security and solidarity tax contributions:				
- management	651	651	469	447
- other personnel	8,354	8,014	7,036	6,738
Total social security and solidarity tax contributions	9,005	8,665	7,505	7,185
Other personnel expense	901	852	776	731
Total personnel expense	58,871	55,309	49,370	45,900
Number of full-time equivalent employees at the period end				
- continuous operations	1,329	1,310	1,113	1,100
- discontinued operations	26	25	-	-

Non-share-based remuneration with deferred pay-out

Part of the remuneration for work is deferred up to a one-year period and subsequent pay-outs may be conditional. As at 31 December 2022 the Group and the Bank has a compulsory non-share-based deferred remuneration commitment (including related social security and solidarity tax contributions) to its employees in the amount of EUR 745 thousand and EUR 601 thousand which will become payable in 2023 if certain conditions are met (2021: EUR 407 thousand and EUR 294 thousand payable in 2022, respectively).

Share-based long-term incentive plans

Citadele has opened several share-based long-term incentive plans for its employees starting from 2018. Under the equity-based long-term incentive plans active agreements as of the period end comprise 2,700 thousand of share options (2021: 2,365) with value for accounting purposes of EUR 6.4 million (2021: EUR 5.0 million). From total active agreements EUR 4.7 million are granted to the management (2021: EUR 3.9 million). The expense for share-based incentive plans is recognised on a straight-line basis over the period of the remuneration program as intention is to receive services from employees over the whole period and in the reporting period amounted to EUR 1.76 million (2021: EUR 1.05 million).

In the reporting period 919 thousand options were awarded and 138 thousand options were forfeited. None of the options outstanding are exercisable as of 31 December 2022. In the reporting period 464 thousand share options, previously awarded to the employees of the Bank, vested. Refer to Note 27 (*Share Capital*) for additional details.

To qualify for the share options (vesting requirement), among other conditions the participant in most cases is required to remain employed until the end of the respective deferral period. The personnel options were issued in line with the meaning of Article 2481 of the Latvian Commercial Law. Each option has the following parameters: registered share with the nominal value of EUR 1 (one euro); convertible to the ordinary shares of Citadele (all Citadele's ordinary shares have equal voting rights, equal rights to dividend and equal liquidation quota), an exercise price of null euros, vesting dates are predetermined. Clawback and malus provisions apply in the event of a material misstatement, an act of gross misconduct or an error in the assessment of performance targets. For options granted performance is measured over a pre-agreed period ranging from three-years to five-years. The expense is recognised as the service is rendered. At the end of the performance measurement period, the Remuneration Committee of the Supervisory Board has absolute discretion to determine the extent to which the awards will vest, if at all, on account of underlying Group, individual and share price performance. The Remuneration Committee of the Supervisory Board may, in its absolute discretion, adjust upwards or downwards and including to nil the number of options which would otherwise vest. Performance targets relate to both financial and non-financial measures linked to the long-term business strategy of the Group, including but not limited to: Group net income, return on capital, and strategic objectives of the Group.

NOTE 10. OTHER OPERATING EXPENSES

	EUR thousands			
	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Information technologies and communications	(7,705)	(5,858)	(7,014)	(5,002)
Consulting and other services	(6,307)	(6,440)	(4,848)	(6,182)
Rent, premises and real estate	(2,514)	(2,594)	(2,364)	(2,313)
Advertising and marketing	(3,834)	(2,594)	(3,641)	(2,468)
Non-refundable value added tax	(2,012)	(1,985)	(1,884)	(1,842)
Other	(1,603)	(1,240)	(1,344)	(953)
Total other expenses	(23,975)	(20,711)	(21,095)	(18,760)

Audit and other fees paid to the Group's independent audit companies (excluding VAT, including fees for subsidiaries outside EU)

	EUR thousands			
	2022 Group	2021 Group	2022 Bank	2021 Bank
Annual and interim audit fees	467	557	124	187
Other audit and similar fees	28	72	25	69
Tax advisory fees	-	-	-	-
Other advisory, training, and similar fees	56	1	52	1

NOTE 11. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands			
	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Loans to credit institutions	(303)	21	(303)	12
Debt securities	104	(806)	97	(799)
Loans to public	(24,789)	(2,942)	(27,160)	(12,895)
<i>Including impairment overlay (Note 3, section ff)</i>	<i>(11,913)</i>	<i>(1,050)</i>	<i>(12,463)</i>	<i>1,802</i>
Loan commitments, guarantees and letters of credit	(1,049)	(1,657)	(954)	(1,747)
Recovered written-off assets	2,333	3,966	2,141	3,687
Total net losses on financial instruments	(23,704)	(1,418)	(26,179)	(11,742)

Allowances for credit losses are recognised based on the future loss expectations. The forward-looking information in the measurement of expected credit losses is implemented through adjustment for future economic development scenarios. As a result of events related to Covid-19 previously and more recent new risks, like Russia's invasion into Ukraine, which has pushed commodity and energy prices higher, accelerating global inflation and supply chain disruptions, the adjustment for expected impact from future economic scenarios is revised correspondingly. Due to the forward looking nature of the credit loss estimation, the increase in loss allowances does not necessarily represent an observable deterioration in the current credit quality of the loan portfolio (for detail refer to Note 16 (*Loans to Public*)), but is more a representation of a deterioration in the forward looking economic scenarios component.

The Group and the Bank has recognised an impairment overlay for Stage 1 and Stage 2 classified loans to public exposures. The impairment overlay addresses increased uncertainty regarding the forward-looking economic conditions in the unusual environment where duration and severity of future economic uncertainties and associated possible disruptions to the Baltic economies and customers of the Group is uncertain. The impairment overlay accounted for economic risks which point in time ECL models calibrated on historical data, despite being adjusted with forward-looking information, might not be fully capturing.

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

Classification of impairment stages

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

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

Stage 3 – Credit-impaired financial instruments

Changes in the allowances for credit losses and provisions

	Group, EUR thousands				
	Opening balance 01/01/2022	Charged to statement of income	Write-offs of allow- ances	Other adjust- ments	Closing balance 31/12/2022
Stage 1					
Loans to credit institutions	93	303	-	(11)	385
Debt securities	2,015	(104)	(1,144)	(59)	708
Loans to public	35,204	18,400	-	(320)	53,284
<i>Including impairment overlay</i>	<i>5,180</i>	<i>5,717</i>	<i>-</i>	<i>-</i>	<i>10,897</i>
Loan commitments, guarantees and letters of credit	3,378	1,213	-	(63)	4,528
Total stage 1 credit losses and provisions	40,690	19,812	(1,144)	(453)	58,905
Stage 2					
Loans to public	10,702	5,759	-	285	16,746
<i>Including impairment overlay</i>	<i>-</i>	<i>6,196</i>	<i>-</i>	<i>-</i>	<i>6,196</i>
Loan commitments, guarantees and letters of credit	358	(201)	-	1	158
Total stage 2 credit losses and provisions	11,060	5,558	-	286	16,904
Stage 3					
Loans to public	35,709	630	(5,213)	5,353	36,479
Loan commitments, guarantees and letters of credit	98	37	-	(1)	134
Total stage 3 credit losses and provisions	35,807	667	(5,213)	5,352	36,613
Total allowances for credit losses and provisions	87,557	26,037	(6,357)	5,185	112,422
<i>Including for debt securities classified at fair value through other comprehensive income</i>	<i>136</i>				<i>94</i>

Total Group's provisions of EUR 4,920 thousand (2021: EUR 3,934 thousand) as of the period end comprise of ECL allowances for loan commitments, guarantees and letters of credit of EUR 4,820 thousand (2021: EUR 3,834 thousand) and other Non-ECL provisions of EUR 100 thousand (2021: EUR 100 thousand) disclosed in Note 12 (*Other Impairment Losses and Other Provisions*). Total Bank's provisions of EUR 4,838 thousand (2021: EUR 3,882 thousand) as of the period end comprise EUR 4,738 thousand (2021: EUR 3,781 thousand) for loan commitments, guarantees and letters of credit and EUR 100 thousand (2021: EUR 100 thousand) for other Non-ECL provisions.

For purchased or originated credit impaired (POCI) loans only the cumulative changes in the lifetime expected credit losses since purchase by Citadele or the most recent re-origination is recognised as a loss allowance. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the lifetime expected credit losses to be recognised are less than the amount of expected credit losses that were included in the estimated cash flows on the designation as POCI. In 2022, EUR 4.1 million from "other adjustments" in the table above, relates to this. For POCI loans acquired in business combinations, the initial recognition date in the Group's consolidated accounts is the purchase date of the subsidiary.

Increase in the stock of impairment in 2022 is driven to lesser extent by increase in gross loans outstanding (see Note 16), but more a result of prudent provisioning and increase in impairment overlay (see above and section ff) of the Note 3).

Group, EUR thousands (Reclassified)					
	Opening balance 01/01/2021	Charged to statement of income	Write-offs of allow- ances	Acquisition and other adjust- ments	Closing balance 31/12/2021
<u>Stage 1</u>					
Loans to credit institutions	104	(21)	-	10	93
Debt securities	1,191	822	-	2	2,015
Loans to public	19,662	8,196	-	7,346	35,204
<i>Including impairment overlay</i>	<i>4,130</i>	<i>(1,834)</i>	-	<i>2,884</i>	<i>5,180</i>
Loan commitments, guarantees and letters of credit	1,903	1,473	-	2	3,378
Total stage 1 credit losses and provisions	22,860	10,470	-	7,360	40,690
<u>Stage 2</u>					
Loans to public	4,058	(167)	-	6,811	10,702
Loan commitments, guarantees and letters of credit	41	317	-	-	358
Total stage 2 credit losses and provisions	4,099	150	-	6,811	11,060
<u>Stage 3</u>					
Loans to public	35,720	(4,971)	(9,346)	14,306	35,709
Loan commitments, guarantees and letters of credit	167	(69)	-	-	98
Total stage 3 credit losses and provisions	35,887	(5,040)	(9,346)	14,306	35,807
Total allowances for credit losses and provisions	62,846	5,580	(9,346)	28,477	87,557
<i>Including for debt securities classified at fair value through other comprehensive income</i>	<i>135</i>				<i>136</i>
<i>Including for loans of SIA Citadele Leasing</i>	<i>-</i>				<i>15,286</i>

In the year ended 31 December 2021, the increase of EUR 15.3 million in the Group's consolidated period end balance of allowances for credit losses is a result of the recent acquisition of SIA UniCredit Leasing (renamed to SIA Citadele Leasing), while the increase of EUR 1.1 million in the Bank's standalone stock of allowances for credit losses and provisions relates to credit lines extended to the recently acquired subsidiary. EUR 26.8 million from the total "Acquisition and other adjustments" relate to SIA UniCredit Leasing acquisition.

Bank, EUR thousands					
	Opening balance 01/01/2022	Charged to statement of income	Write-offs of allowances	Other adjust- ments	Closing balance 31/12/2022
<u>Stage 1</u>					
Loans to credit institutions	93	303	-	(11)	385
Debt securities	1,927	(97)	(1,144)	-	686
Loans to public	23,184	17,945	-	1	41,130
<i>Including impairment overlay (Note 3, section ff)</i>	<i>1,431</i>	<i>6,274</i>	-	-	<i>7,705</i>
Loan commitments, guarantees and letters of credit	3,325	1,172	-	1	4,498
Total stage 1 credit losses and provisions	28,529	19,323	(1,144)	(9)	46,699
<u>Stage 2</u>					
Loans to public	8,873	4,548	-	-	13,421
<i>Including impairment overlay (Note 3, section ff)</i>	<i>-</i>	<i>6,189</i>	-	-	<i>6,189</i>
Loan commitments, guarantees and letters of credit	358	(244)	-	1	115
Total stage 2 credit losses and provisions	9,231	4,304	-	1	13,536
<u>Stage 3</u>					
Loans to public	32,544	4,667	(5,017)	1,379	33,573
Loan commitments, guarantees and letters of credit	98	26	-	1	125
Total stage 3 credit losses and provisions	32,642	4,693	(5,017)	1,380	33,698
Total allowances for credit losses and provisions	70,402	28,320	(6,161)	1,372	93,933
<i>Including for debt securities classified at fair value through other comprehensive income</i>	<i>97</i>				<i>72</i>

	Bank, EUR thousands			
	Opening balance 01/01/2021	Charged to statement of income	Write-offs of allowances	Closing balance 31/12/2021
Stage 1				
Loans to credit institutions	104	(12)	-	93
Debt securities	1,127	799	-	1,927
Loans to public	17,384	5,818	-	23,184
<i>Including impairment overlay (Note 3, section ff)</i>	<i>3,233</i>	<i>(1,802)</i>	-	<i>1,431</i>
Loan commitments, guarantees and letters of credit	1,825	1,499	-	3,325
Total stage 1 credit losses and provisions	20,440	8,104	-	28,529
Stage 2				
Loans to public	3,901	4,972	-	8,873
Loan commitments, guarantees and letters of credit	41	317	-	358
Total stage 2 credit losses and provisions	3,942	5,289	-	9,231
Stage 3				
Loans to public	34,475	2,105	(5,754)	32,544
Loan commitments, guarantees and letters of credit	167	(69)	-	98
Total stage 3 credit losses and provisions	34,642	2,036	(5,754)	32,642
Total allowances for credit losses and provisions	59,024	15,429	(5,754)	70,402
<i>Including for debt securities classified at fair value through other comprehensive income</i>	<i>81</i>			<i>97</i>

Transfers of gross loans to customers between impairment stages

	Group, EUR thousands					
	Gross loans where the stage has changed over the period:					
	from Stage 1 to Stage 2	from Stage 2 to Stage 1	from Stage 2 to Stage 3	from Stage 3 to Stage 2	from Stage 1 to Stage 3	from Stage 3 to Stage 1
Transfer on 01/01/2022 to 31/12/2022	113,081	39,007	1,423	1,059	4,458	1,094
Transfer on 01/01/2021 to 31/12/2021 (excluding acquisitions)	102,533	13,446	11,359	985	13,937	1,380

NOTE 12. OTHER IMPAIRMENT LOSSES AND OTHER PROVISIONS

Changes in impairment allowances for investments in subsidiaries, tangible, intangible and other assets

	Group, EUR thousands			
	Opening balance 01/01/2022	Charged to statement of income	Write-offs and other adjustments	Closing balance 31/12/2022
Other impairment allowances and other provisions				
Tangible and intangible assets (Note 20)	353	-	(146)	207
Other assets	1,542	68	9	1,619
Non-ECL provisions	100	-	-	100
Total other impairment allowance and other provisions	1,995	68	(137)	1,926

	Group, EUR thousands			
	Opening balance 01/01/2021	Charged to statement of income	Write-offs and other adjustments	Closing balance 31/12/2021
Other impairment allowances and other provisions				
Tangible and intangible assets (Note 20)	353	-	-	353
Other assets	1,433	198	(89)	1,542
Non-ECL provisions	100	-	-	100
Total other impairment allowance and other provisions	1,886	198	(89)	1,995

	Bank, EUR thousands			
	Opening balance 01/01/2022	Charged to statement of income	Write-offs and other adjustments	Closing balance 31/12/2022
Other impairment allowances and other provisions				
Tangible and intangible assets (Note 20)	342	-	(135)	207
Investments in related entities	22,923	(288)	(9,617)	13,018
Other assets	1,467	78	21	1,566
Non-ECL provisions	100	-	-	100
Total other impairment allowance and other provisions	24,832	(210)	(9,731)	14,891

	Bank, EUR thousands			
	Opening balance 01/01/2021	Charged to statement of income	Write-offs and other adjustments	Closing balance 31/12/2021
Other impairment allowances and other provisions				
Tangible and intangible assets (Note 20)	342	-	-	342
Investments in related entities	24,177	(1,140)	(114)	22,923
Other assets	1,350	199	(82)	1,467
Non-ECL provisions	100	-	-	100
Total other impairment allowance and other provisions	25,969	(941)	(196)	24,832

For more details on the investments in subsidiaries refer to Note 19 (*Investments in Related Entities*).

NOTE 13. TAXATION

Corporate income tax expense

	EUR thousands			
	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Current corporate income tax	2,437	816	438	318
Deferred income tax	(119)	749	-	-
Total corporate income tax expense	2,318	1,565	438	318

In Latvia and Estonia corporate income tax (CIT) is payable when the profits are distributed, not when the profits are earned. Correspondingly, the deferred tax is calculated at a tax rate which applies to undistributed earnings, which is 0%. The effective tax rate in the reporting period for the Group and the Bank in Latvia and Estonia was close to 0%. In Latvia, incremental CIT expense does not arise on dividend distribution from retained earnings generated under the previous tax regime (EUR 81.8 million for the Bank), and there is no expiry date for this distribution right. In Latvia, for dividend distributions from profits earned under the current tax regime, a 20% CIT rate applies and is calculated as 0.2/0.8 from net distributed dividend. In 2022, in Latvia intragroup dividends of EUR 8.7 million were distributed on which tax at a transitional reduced rate of EUR 1.1 million was payable. In other jurisdictions where the Group operates, earnings are taxable when earned. The effective tax rate for Lithuanian operations was less than 10%, primarily due to a positive impact from revised estimates of recognisable unutilised tax loss. For the Group EUR 1.2 million of the total corporate income tax expense for the reporting period relates to Lithuania operations. As at period end, a part of the Group's and Bank's unutilised tax loss is not recognised for deferred tax asset purposes as there is uncertainty about availability of sufficient future taxable profits with which to offset accumulated tax loss at the level of the particular entity. The recognised deferred tax asset mostly represents unutilised tax loss in Lithuania.

Income tax assets and liabilities

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Deferred income tax assets	2,478	2,676	2,179	2,179
Current income tax assets	1,822	1,927	1,116	871
Tax assets	4,300	4,603	3,295	3,050
Deferred income tax liabilities	(375)	(376)	-	-
Current income tax liabilities	(1,204)	(197)	(33)	(189)
Tax liabilities	(1,579)	(573)	(33)	(189)

The Group has recognised a deferred tax liability of EUR 0.4 million as in Estonia it anticipates paying out dividends to Latvia. These dividends would become taxable at distribution.

Change in net deferred corporate income tax asset / (liability)

	EUR thousands			
	2022 Group	2021 Group	2022 Bank	2021 Bank
As at the beginning of the period	2,300	1,923	2,179	2,179
Integration of SIA UniCredit Leasing	-	914	-	-
Charge to statement of income	119	(749)	-	-
Charge to statement of comprehensive income	-	212	-	-
Transfer to discontinued operations held for sale	(316)	-	-	-
Net deferred income tax asset at the period end	2,103	2,300	2,179	2,179

	Group, EUR thousands			
	Opening balance 31/12/2021	Recognised in statement of income	Transfer to discontinued operations	Closing balance 31/12/2022
Deferred income and accrued expense	443	(106)	-	337
Recognised unutilised tax loss carry-forward	1,786	135	-	1,921
Fair value amortisation on the acquired loan portfolio	448	(227)	-	221
Expected distribution of retained earnings	(375)	-	-	(375)
Other items, net	(2)	317	(316)	(1)
Deferred income tax assets, net	2,300	(119)	(316)	2,103

	Group, EUR thousands				
	Opening balance 31/12/2020	Integration of SIA UniCredit Leasing	Recognised in statement of OCI	Recognised in statement of income	Closing balance 31/12/2021
Deferred income and accrued expense	405	117	-	(79)	443
Recognised unutilised tax loss carry-forward	1,978	-	-	(192)	1,786
Fair value adjustment on the acquired loan portfolio	-	797	-	(349)	448
Expected distribution of retained earnings	(375)	-	-	-	(375)
Other items, net	(85)	-	212	(129)	(2)
Deferred income tax assets, net	1,923	914	212	(749)	2,300

Bank, EUR thousands				
	Opening balance 31/12/2021	Recognised in statement of income	Recognised in statement of OCI	Closing balance 31/12/2022
Deferred income and accrued expense	393	(135)	-	258
Recognised unutilised tax loss carry-forward	1,786	135	-	1,921
Deferred income tax assets, net	2,179	-	-	2,179

Bank, EUR thousands				
	Opening balance 31/12/2020	Recognised in statement of income	Recognised in statement of OCI	Closing balance 31/12/2021
Deferred income and accrued expense	332	61	-	393
Recognised unutilised tax loss carry-forward	1,847	(61)	-	1,786
Deferred income tax assets, net	2,179	-	-	2,179

Reconciliation of the pre-tax profit to the corporate income tax expense

EUR thousands				
	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
Profit before corporate income tax from continuous operations	52,828	63,975	42,335	30,174
Corporate income tax (at 20%)	10,566	12,795	8,467	6,035
Undistributed earnings taxable on distribution	(7,285)	(9,216)	(7,489)	(4,939)
Effect of tax rates in foreign jurisdictions	(475)	(765)	(231)	(255)
Non-taxable income	(1,508)	(2,384)	(440)	(295)
Non-deductible expense	1,159	1,715	243	286
Expected distribution of retained earnings	-	-	-	-
Other tax differences, net (incl. changes in unrecognised deferred tax asset)	(139)	(580)	(112)	(514)
Total effective corporate income tax from continuous operations	2,318	1,565	438	318

Part of the Group's unutilised tax losses are not recognised for deferred tax asset purposes as there is uncertainty about availability of sufficient future taxable profits with which to offset accumulated tax losses at particular subsidiary's level. The recognisable amount assessment is based on reasonably certain 3 year forecast of the respective subsidiary's ability to utilised tax losses. Most of the recognised deferred tax asset represents unutilised tax loss carry forward in Lithuania.

NOTE 14. CASH AND CASH BALANCES AT CENTRAL BANKS

EUR thousands				
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Cash	46,296	39,942	46,296	39,942
Balances with the Bank of Latvia	263,161	234,860	263,161	234,860
Balances with other central banks	222,573	96,223	222,573	86,824
Total cash and balances with central banks	532,030	371,025	532,030	361,626

Credit institutions should comply with the compulsory reserve requirement calculated based on attracted funding. The Bank's compulsory minimum reserve must be exceeded by a credit institution's average monthly balance on its correspondent account with the central bank. Similar requirements also apply to the funding attracted by the banking subsidiary in Switzerland (classified as discontinued operations). During the reporting period, the Group's was in compliance with this requirement. Demand deposits with other central banks include balances with central banks of Lithuania, Switzerland and Estonia. In the reporting period no amounts due from central banks were overdue.

NOTE 15. DEBT SECURITIES

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

Group, EUR thousands						
	31/12/2022			31/12/2021		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	32,402	110,767	143,169	60,706	98,933	159,639
AA/Aa	17,929	239,181	257,110	37,904	268,521	306,425
A	161,484	951,810	1,113,294	225,476	1,024,958	1,250,434
BBB/Baa	10,500	23,770	34,270	16,118	19,059	35,177
Lower ratings or unrated	208	44,552	44,760	497	49,548	50,045
Total debt securities	222,523	1,370,080	1,592,603	340,701	1,461,019	1,801,720
<i>Including general government</i>	<i>157,574</i>	<i>1,024,934</i>	<i>1,182,508</i>	<i>217,119</i>	<i>1,096,043</i>	<i>1,313,162</i>
<i>Including credit institutions</i>	<i>11,628</i>	<i>144,321</i>	<i>155,949</i>	<i>35,606</i>	<i>163,270</i>	<i>198,876</i>
<i>Including classified in stage 1</i>	<i>222,523</i>	<i>1,370,080</i>	<i>1,592,603</i>	<i>340,701</i>	<i>1,461,019</i>	<i>1,801,720</i>

Bank, EUR thousands						
	31/12/2022			31/12/2021		
	At fair value through other comprehensive income	At amortised cost	Total	At fair value through other comprehensive income	At amortised cost	Total
Investment grade:						
AAA/Aaa	27,141	110,767	137,908	32,727	84,967	117,694
AA/Aa	17,929	239,181	257,110	14,703	256,295	270,998
A	133,820	951,810	1,085,630	184,238	1,011,665	1,195,903
BBB/Baa	1,331	23,770	25,101	1,498	16,668	18,166
Lower ratings or unrated	-	44,552	44,552	-	49,547	49,547
Total debt securities	180,221	1,370,080	1,550,301	233,166	1,419,142	1,652,308
<i>Including general government</i>	<i>138,275</i>	<i>1,024,934</i>	<i>1,163,209</i>	<i>185,496</i>	<i>1,083,706</i>	<i>1,269,202</i>
<i>Including credit institutions</i>	<i>4,470</i>	<i>144,321</i>	<i>148,791</i>	<i>5,219</i>	<i>151,193</i>	<i>156,412</i>
<i>Including classified in stage 1</i>	<i>180,221</i>	<i>1,370,080</i>	<i>1,550,301</i>	<i>233,166</i>	<i>1,419,142</i>	<i>1,652,308</i>

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

Debt securities by country of issuer

Group, EUR thousands						
	31/12/2022			31/12/2021		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	561,405	48,557	609,962	590,023	45,847	635,870
Latvia	409,697	2,376	412,073	478,272	3,500	481,772
Germany	-	89,213	89,213	12,710	72,922	85,632
Estonia	76,459	27,023	103,482	75,608	21,374	96,982
Poland	66,179	5,666	71,845	70,246	6,060	76,306
Sweden	10,012	32,362	42,374	3,083	40,842	43,925
United States	9,983	26,591	36,574	12,718	34,527	47,245
Canada	-	32,817	32,817	-	41,933	41,933
Finland	-	28,657	28,657	5,000	30,910	35,910
Netherlands	10,432	15,241	25,673	10,651	33,504	44,155
Multilateral development banks	-	35,753	35,753	-	49,532	49,532
Other countries	38,341	65,839	104,180	54,851	107,607	162,458
Total debt securities	1,182,508	410,095	1,592,603	1,313,162	488,558	1,801,720

Bank, EUR thousands

	31/12/2022			31/12/2021		
	Government bonds	Other securities	Total	Government bonds	Other securities	Total
Lithuania	556,007	47,362	603,369	582,026	44,111	626,137
Latvia	403,125	1,310	404,435	468,861	2,185	471,046
Germany	-	89,213	89,213	10,000	59,468	69,468
Estonia	76,459	24,822	101,281	75,608	19,230	94,838
Poland	65,417	3,059	68,476	66,246	3,075	69,321
Sweden	10,012	32,362	42,374	-	39,516	39,516
Finland	-	28,657	28,657	5,000	30,910	35,910
Netherlands	10,432	15,241	25,673	10,651	33,504	44,155
Canada	-	32,817	32,817	-	41,933	41,933
United States	9,983	20,555	30,538	12,718	34,527	47,245
Multilateral development banks	-	30,892	30,892	-	49,532	49,532
Other countries	31,773	60,803	92,576	38,092	25,115	63,207
Total debt securities	1,163,208	387,093	1,550,301	1,269,202	383,106	1,652,308

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

NOTE 16. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Financial and non-financial corporations				
Real estate purchase and management	415,941	261,626	400,290	248,158
Transport and communications	260,005	219,457	40,320	33,327
Manufacturing	219,559	232,824	108,169	121,038
Trade	200,854	191,534	83,825	78,804
Agriculture and forestry	174,752	148,497	79,402	73,439
Construction	122,621	136,358	39,957	58,533
Electricity, gas and water supply	66,227	78,990	53,011	49,744
Hotels, restaurants	40,259	45,003	34,487	39,334
Financial intermediation	36,892	26,266	1,097,429	990,811
Other industries	155,613	178,615	19,934	35,068
Total financial and non-financial corporations	1,692,723	1,519,170	1,956,824	1,728,256
Households				
Mortgage loans	833,607	786,435	830,916	782,995
Finance leases	350,499	307,597	-	-
Credit for consumption	92,039	73,800	87,953	71,544
Card lending	57,852	55,794	57,852	55,794
Other lending	18,428	19,263	17,415	18,983
Total households	1,352,425	1,242,889	994,136	929,316
General government	27,839	21,065	17,265	16,742
Total gross loans to public	3,072,987	2,783,124	2,968,225	2,674,314
Impairment allowance and provisions	(106,509)	(81,615)	(88,124)	(64,601)
Total net loans to public	2,966,478	2,701,509	2,880,101	2,609,713

Loans to public by customer profile and impairment stage

	Group, 31/12/2022, EUR thousands				
	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3 and POCI		
Financial and non-financial corporations, government	1,633,916	261,636	60,498	(58,639)	1,897,411
Households	1,402,064	49,080	22,890	(52,690)	1,421,344
Total loans to public	3,035,980	310,716	83,388	(111,329)	3,318,755

	Group, 31/12/2021, EUR thousands				
	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3 and POCI		
Financial and non-financial corporations, government	1,560,620	197,940	66,904	(46,667)	1,778,797
Households	1,297,068	52,930	24,524	(38,775)	1,335,747
Total loans to public	2,857,688	250,870	91,428	(85,442)	3,114,544

Financial and non-financial corporations, government
Households
Total loans to public

Bank, 31/12/2022, EUR thousands				
Gross amount			Expected credit loss allowance	Net carrying amount
Stage 1	Stage 2	Stage 3 and POCI		
2,029,462	172,223	40,950	(44,515)	2,198,120
1,061,451	25,683	21,603	(48,347)	1,060,390
3,090,913	197,906	62,553	(92,862)	3,258,510

Financial and non-financial corporations, government
Households
Total loans to public

Bank, 31/12/2021, EUR thousands				
Gross amount			Expected credit loss allowance	Net carrying amount
Stage 1	Stage 2	Stage 3 and POCI		
1,915,492	125,864	40,350	(32,735)	2,048,971
997,258	37,315	22,963	(35,640)	1,021,896
2,912,750	163,179	63,313	(68,375)	3,070,867

Loans by overdue days and impairment stage

	Group, EUR thousands				
	31/12/2022				
	Gross amount				
	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance	Net carrying amount
Loans to public					
Not past due	2,666,915	273,165	36,687	(66,940)	2,909,827
Past due <=30 days	27,005	9,856	4,679	(7,641)	33,899
Past due >30 and <=90 days	-	13,376	2,996	(3,118)	13,254
Past due >90 days	-	-	38,308	(28,810)	9,498
Total loans to public	2,693,920	296,397	82,670	(106,509)	2,966,478
Guarantees and letters of credit	50,130	-	277	(452)	49,955
Financial commitments	291,930	14,319	441	(4,368)	302,322
Total credit exposure to public	3,035,980	310,716	83,388	(111,329)	3,318,755
	2,450,579	241,553	90,992	(81,615)	2,701,509

As of 31 December 2022, the gross amount of Group's POCI loans to public is EUR 16.3 million (2021: EUR 26.1 million). The recognised expected credit loss allowance on POCI loans to public is EUR 0.7 million (2021: EUR 0.2 million). Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 28 (*Off-balance Sheet Items*).

	Bank, EUR thousands				
	31/12/2022				
	Gross amount				
	Stage 1	Stage 2	Stage 3	Expected credit loss allowance	Net carrying amount
Loans to public					
Not past due	2,698,503	177,908	20,767	(51,593)	2,845,585
Past due <=30 days	18,069	8,771	4,562	(7,029)	24,373
Past due >30 and <=90 days	-	2,945	1,241	(1,516)	2,670
Past due >90 days	-	-	35,459	(27,986)	7,473
Total loans to public	2,716,572	189,624	62,029	(88,124)	2,880,101
Guarantees and letters of credit	60,659	-	277	(452)	60,484
Financial commitments	313,682	8,282	247	(4,286)	317,925
Total credit exposure to public	3,090,913	197,906	62,553	(92,862)	3,258,510
	2,457,575	153,862	62,877	(64,601)	2,609,713

Stage 3 loans to public ratio

	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Stage 3 loans to public ratio, gross	2.7%	3.3%	2.1%	2.4%
Stage 3 loans to public ratio, net	1.6%	2.0%	1.0%	1.2%
Stage 3 impairment ratio	44%	39%	54%	52%

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

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

NOTE 17. LEASES

Finance leases (a part of loans to public) by type of assets financed

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Transport vehicles	821,119	760,722	-	-
Manufacturing equipment	233,601	215,587	-	-
Industrial, office and other equipment	23,584	23,434	-	-
Total present value of finance lease payments, excluding impairment	1,078,304	999,743	-	-
Impairment allowance	(17,732)	(16,747)	-	-
Net present value of finance lease payments	1,060,572	982,996	-	-

Reconciliation of the gross investment in the finance leases and the present value of minimum lease payments receivable

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Gross investment in finance leases receivable:				
within one year	361,508	314,036	-	-
in year two	297,734	268,991	-	-
in year three	224,184	221,304	-	-
in year four	168,774	147,375	-	-
In year five	114,084	97,397	-	-
later than in five years	23,509	15,041	-	-
Total gross investment in finance leases	1,189,793	1,064,144	-	-
Unearned finance income receivable:				
within one year	(46,671)	(27,366)	-	-
in year two	(31,205)	(18,228)	-	-
in year three	(19,401)	(11,011)	-	-
in year four	(10,008)	(5,609)	-	-
In year five	(3,414)	(1,767)	-	-
later than in five years	(790)	(420)	-	-
Total	(111,489)	(64,401)	-	-
Present value of minimum lease payments receivable:				
within one year	314,837	286,670	-	-
in year two	266,529	250,763	-	-
in year three	204,783	210,293	-	-
in year four	158,766	141,766	-	-
In year five	110,670	95,630	-	-
later than in five years	22,719	14,621	-	-
Total	1,078,304	999,743	-	-

NOTE 18. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	31/12/2022				31/12/2021			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	28,473	929	-	29,402	42,032	1,076	-	43,108
Financial assets at fair value through other comprehensive income	-	79	21	100	-	79	124	203
Total non-fixed income securities, net	28,473	1,008	21	29,502	42,032	1,155	124	43,311
<i>Including unit-linked insurance plan assets</i>	<i>19,814</i>	<i>-</i>	<i>-</i>	<i>19,814</i>	<i>25,476</i>	<i>-</i>	<i>-</i>	<i>25,476</i>

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

As of 31 December 2022, the Bank and the Group has investments in mutual investment funds with carrying amounts of EUR 1.1 million (2021: EUR 7.4 million) and EUR 14.8 million (2021: EUR 25.8 million) which are managed by IPAS CBL Asset Management. Further, EUR 11.2 million (2021: EUR 15.2 million) of these Group's investments relate to unit-linked contracts, where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	31/12/2022				31/12/2021			
	Mutual investment funds	Foreign equities	Latvian equities	Total	Mutual investment funds	Foreign equities	Latvian equities	Total
Non-trading financial assets at fair value through profit or loss	1,101	929	-	2,030	7,400	1,076	-	8,476
Financial assets at fair value through other comprehensive income	-	79	21	100	-	79	124	203
Total non-fixed income securities, net	1,101	1,008	21	2,130	7,400	1,155	124	8,679

NOTE 19. INVESTMENTS IN RELATED ENTITIES

Changes in investments in related entities of the Bank

	EUR thousands	
	2022	2021
Balance at the beginning of the period, net	77,087	46,756
Investments in subsidiaries and acquisitions of	-	29,203
Investments in associates accounted for using the equity method	(89)	5
Liquidation of subsidiary	(15,711)	(8)
Change in impairment allowance	288	1,131
Transfer to discontinued operations held for sale	(13,805)	-
Balance at the end of the period, net	47,770	77,087
<i>Including associates accounted for using the equity method</i>	<i>190</i>	<i>279</i>
<i>Including gross investment in subsidiaries</i>	<i>60,598</i>	<i>99,731</i>

Changes in investments in subsidiaries

SIA Citadeles moduļi was liquidated on 30 November 2022 as the entity had no ongoing operations. Previously the major asset of the entity was the Group's Latvian headquarters building which was sold in 2020. As a result of liquidation, a cash proceeds of EUR 15.7 million were recognised. The proceeds from investment were equal to carrying value of the investment, thus no incremental liquidation gain or loss was recognised.

Investment of EUR 13.8 million in Kaleido Privatbank AG was transferred to discontinued operations held for sale as the investment is expected to be recovered principally through a sale transaction rather than through continuing operations.

Acquisition of UniCredit leasing operations in the Baltics in 2021

In 2019 AS Citadele banka entered into a binding agreement with UniCredit S.p.A. to acquire UniCredit's Baltic leasing operations through the acquisition of 100% of the shares in SIA UniCredit Leasing. Citadele obtained full control from the beginning of January

2021. After completion of the acquisition transaction in 2021, the acquired entity was renamed to SIA Citadele Leasing. The acquisition includes Estonian and Lithuanian branches of the leasing entity and a subsidiary SIA CL Insurance Broker (former legal name SIA UniCredit Insurance Broker). After the acquisition, Citadele refinanced existing borrowings of the acquired entity and committed lending of up to EUR 880 million in total.

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

Valuation of investments in subsidiaries

In the reporting period valuation of SIA Citadele Factoring, SIA Citadeles moduļi and SIA Hortus Residential was reassessed. In total EUR 0.3 million net release of impairment in the investments in these subsidiaries was recognised as a result of an improved expectations of future free cash flows distributable to shareholders of SIA Citadele Factoring and an improved profitability of SIA Hortus Residential while for SIA Citadeles moduļi reassessment resulted in small in decrease in valuation.

Carrying value of the investment in SIA Citadele Factoring is derived from present value of expected free equity distributable to the shareholders, after required equity allocation for capital adequacy compliance. The target capital adequacy ratio is set at 12% and includes allocated charges for all banking risks inherent in the business model of the leasing plus full set of regulatory buffers as applicable for the Group consolidated and on top of that a managements buffer. Other key inputs of the model are 12.5% (2021: 12.0%) discount rate and future profitability of the operations of the entity. Sensitivity scenarios: if discount rate was +/-100 basis points than the carrying value would change by EUR -0.2/+0.2 million (2021: EUR -0.8/+0.9 million), if net result was +/-10% than the carrying value would change by EUR +/-0.4 million (2021: EUR +/-1.3 million).

Carrying value of SIA Hortus Residential is estimated by adjusting its net equity by present value of expected future gains and losses on realisation of existing repossessed properties portfolio. If all expected sales prices were to change by +/-10% the carrying value would change by EUR +/-0.1 million (2021: EUR +/-0.2 million).

Consolidation Group subsidiaries and associated entities for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands	
							31/12/2022	31/12/2021
AS Citadele banka	40103303559	Latvia, Riga, Republikas laukums 2A	BNK	MT	-	-	-	-
SIA Citadele Leasing	40003423085	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	29,203	29,203
SIA Citadeles moduļi (Liquidated)	40003397543	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	-	15,752
Kaleido Privatbank AG (Discontinued operations held for sale)	130.0.007.738-0	Switzerland, Bellerivestrasse 17, 8008, Zürich	BNK	MS	100	100	-	13,805
SIA Citadele Factoring	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	8,247	8,043
IPAS CBL Asset Management	40003577500	Latvia, Riga, Republikas laukums 2A	IPS	MS	100	100	5,906	5,906
UAB Citadele Factoring	126233315	Lithuania, Upės g. 21, Vilnius, LT-0812	LIZ	MS	100	100	2,149	2,149
SIA Hortus Residential	40103460622	Latvia, Riga, Republikas laukums 2A	PLS	MS	100	100	984	859
AS CBL Atklātais Pensiju Fonds	40003397312	Latvia, Riga, Republikas laukums 2A	PFO	MS	100	100	646	646
OU Citadele Factoring	10925733	Estonia, Tallinn 10152, Narva mnt. 63/1	LIZ	MS	100	100	445	445
SIA Mobilly (Investments in associates accounted for using the equity method)	40003654405	Latvia, Dzīrmavu iela 91 k-3 - 20, Rīga, LV-1011	ENI	CT	12.5	12.5	190	279
SIA CL Insurance Broker	40003983430	Latvia, Riga, Republikas laukums 2A	PLS	MMS	100	100	-	-
AAS CBL Life	40003786859	Latvia, Riga, Republikas laukums 2A	APS	MMS	100	100	-	-
Total net investments in subsidiaries and associated entities							47,770	77,087

Consolidation Group subsidiaries in liquidation process in foreign jurisdictions

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

*BNK – bank, ENI – authorized electronic money institution, IBS – investment brokerage company, IPS – investment management company, PFO – pension fund, CFI – other financial institution, LIZ – leasing company, PLS – company providing various support services, APS – insurance company.

** MS – subsidiary company, MMS – subsidiary of the subsidiary company, MT – parent company, MTM – parent of the parent company, CT – other company.

OOO Mizush Asset Management Ukraina is in liquidation as this Group subsidiary had no ongoing business operations. For OOO Mizush Asset Management Ukraina a liquidator (AA PricewaterhouseCoopers Legal) has been appointed. The final tax audit has been completed. The final report has been submitted as per statutory requirement and a formal liquidation decision from the statutory register is being awaited. Due to long-drawn-out liquidation procedures in Ukraine, the Group has decided and is in the final stage of agreeing a disposal of OOO Mizush Asset Management Ukraina to a law office independent of Citadele which would become the new owner of the company and would finalise the liquidation on its own.

NOTE 20. TANGIBLE AND INTANGIBLE ASSETS

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Transport vehicles	5,143	7,653	75	58
Right-of-use assets	5,794	6,774	6,081	6,522
IT and other equipment	3,470	4,409	2,842	3,308
Leasehold improvements	1,147	1,318	1,147	1,318
Land and buildings	168	290	168	290
Prepayments for tangible assets	8	-	8	-
Total tangible assets	15,730	20,444	10,321	11,496
Software	7,332	7,088	5,371	4,995
Other intangible assets	130	163	34	107
Prepayments for intangible assets	700	1,311	664	981
Total intangible assets	8,162	8,562	6,069	6,083
Total tangible and intangible assets	23,892	29,006	16,390	17,579

Changes in tangible and intangible assets of the Group

	Leasehold improve- ments	Land and buildings	Transport vehicles	Right-of- use assets	IT and other equipment	Software	Other intangible assets	Total excluding prepayments
<i>Historical cost</i>								
As at 31 December 2020	1,919	1,666	543	7,360	15,148	27,276	304	54,216
Additions	634	13	11,371	5,703	3,828	6,146	124	27,819
Disposals and write-offs	(275)	(650)	(1,592)	(6,289)	(2,501)	(128)	(71)	(11,506)
As at 31 December 2021	2,278	1,029	10,322	6,774	16,475	33,294	357	70,529
Additions	276	-	199	3,376	921	4,903	100	9,775
Disposals and write-offs	(47)	(364)	(2,287)	(3,386)	(2,047)	(302)	(163)	(8,596)
Discontinued operations	-	-	-	(970)	(339)	(994)	-	(2,303)
As at 31 December 2022	2,507	665	8,234	5,794	15,010	36,901	294	69,405
<i>Accumulated depreciation</i>								
As at 31 December 2020	725	460	399	-	11,769	22,234	177	35,764
Charge for the year	426	29	1,634	3,334	1,569	3,284	75	10,351
Incl. assets under operating lease (Note 8)	-	-	1,578	-	-	-	-	1,578
Acquisition	32	-	1,209	-	1,109	763	14	3,127
Disposals	(223)	(92)	(573)	(3,334)	(2,392)	(75)	(72)	(6,761)
As at 31 December 2021	960	397	2,669	-	12,055	26,206	194	42,481
Charge for the year	443	17	1,372	2,815	1,565	3,905	79	10,196
Incl. assets under operating lease (Note 8)	-	-	1,344	-	123	-	-	1,467
Disposals	(43)	(124)	(950)	(2,815)	(2,015)	(302)	(109)	(6,358)
Discontinued operations	-	-	-	-	(65)	(240)	-	(305)
As at 31 December 2022	1,360	290	3,091	-	11,540	29,569	164	46,014
<i>Impairment allowance</i>								
As at 31 December 2020	-	(342)	-	-	(11)	-	-	(353)
Net reversal and write-offs	-	-	-	-	-	-	-	-
As at 31 December 2021	-	(342)	-	-	(11)	-	-	(353)
Net reversal and write-offs	-	135	-	-	11	-	-	146
As at 31 December 2022	-	(207)	-	-	-	-	-	(207)
<i>Net carrying amount</i>								
As at 31 December 2020	1,194	864	144	7,360	3,368	5,042	127	18,099
As at 31 December 2021	1,318	290	7,653	6,774	4,409	7,088	163	27,695
As at 31 December 2022	1,147	168	5,143	5,794	3,470	7,332	130	23,184

Changes in tangible and intangible assets of the Bank

	Leasehold improve- ments	Land and buildings	Transport vehicles	Right-of- use assets	IT and other equipment	Software	Other intangible assets	Total excluding prepayments
<i>Historical cost</i>								
As at 31 December 2020	1,791	1,428	367	8,881	14,866	26,464	240	54,037
Additions	539	13	-	1,368	1,293	2,632	-	5,845
Disposals and write-offs	(52)	(412)	(123)	(3,727)	(1,919)	(52)	-	(6,285)
As at 31 December 2021	2,278	1,029	244	6,522	14,240	29,044	240	53,597
Additions	276	-	50	2,786	866	3,627	-	7,605
Disposals and write-offs	(47)	(364)	(14)	(3,227)	(1,949)	-	(108)	(5,709)
As at 31 December 2022	2,507	665	280	6,081	13,157	32,671	132	55,493
<i>Accumulated depreciation</i>								
As at 31 December 2020	597	445	269	-	11,537	21,541	113	34,502
Charge for the year	412	28	32	3,328	1,288	2,508	20	7,616
Disposals	(49)	(76)	(115)	(3,328)	(1,893)	-	-	(5,461)
As at 31 December 2021	960	397	186	-	10,932	24,049	133	36,657
Charge for the year	443	17	28	3,229	1,322	3,251	19	8,309
Disposals	(43)	(124)	(9)	(3,229)	(1,939)	-	(54)	(5,398)
As at 31 December 2022	1,360	290	205	-	10,315	27,300	98	39,568
<i>Impairment allowance</i>								
As at 31 December 2020	-	(342)	-	-	-	-	-	(342)
Net reversal and write-offs	-	-	-	-	-	-	-	-
As at 31 December 2021	-	(342)	-	-	-	-	-	(342)
Net reversal and write-offs	-	135	-	-	-	-	-	135
As at 31 December 2022	-	(207)	-	-	-	-	-	(207)
<i>Net carrying amount</i>								
As at 31 December 2020	1,194	641	98	8,881	3,329	4,923	127	19,193
As at 31 December 2021	1,318	290	58	6,522	3,308	4,995	107	16,598
As at 31 December 2022	1,147	168	75	6,081	2,842	5,371	34	15,718

Right-of-use assets of the Group and the Bank predominantly constitute one class of assets – lease contracts for premises where branches, headquarters and ATMs are located.

NOTE 21. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

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

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

	EUR thousands			
	2022 Group	2021 Group	2022 Bank	2021 Bank
Net interest income	1,828	1,104	-	-
Net fee and commission income	2,896	2,319	-	-
Other operating income and expense	(334)	549	-	-
Staff costs, other operating expenses, depreciation and amortisation	(8,540)	(10,897)	-	-
Net credit losses and other impairment losses	(338)	(195)	-	-
Income tax	(3)	(32)	-	-
Net result from discontinued operations	(4,491)	(7,152)	-	-
Result from non-current assets held for sale	286	(213)	-	-
Net result from non-current assets held for sale and discontinued operations	(4,205)	(7,365)	286	(213)
Other comprehensive income / (loss)	(207)	(21)	-	-

Assets and liabilities constituting discontinued operations and non-current assets held for sale

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Assets				
Cash, cash balances at central banks	6,671	-	-	-
Loans to credit institutions	23,671	-	-	-
Debt securities	88,989	-	-	-
Including:				
AAA/Aaa rated	32,768	-	-	-
AA/Aa rated	30,619	-	-	-
A rated	17,967	-	-	-
BBB/Baa rated	7,635	-	-	-
General government	20,928	-	-	-
Credit institutions	29,063	-	-	-
Classified in stage 1	88,989	-	-	-
Loans to public (all classified in stage 1)	44,540	-	-	-
Other assets	2,136	-	-	-
Discontinued operations	166,007	-	-	-
Investment in Kaleido Privatbank AG (subsidiary)	-	-	13,805	-
Other non-current assets held for sale	21	946	22	946
Discontinued operations and non-current assets held for sale	166,028	946	13,827	946
Liabilities				
Deposits from credit institutions and central banks	170	-	-	-
Deposits and borrowings from customers	156,474	-	-	-
Other liabilities	2,355	-	-	-
Discontinued operations	158,999	-	-	-

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

Cash flows from discontinued operations of the Group

	EUR thousands	
	2022	2021
Cash flows from operating activities	(12,509)	(51,778)
Cash flows from investing activities	14,082	56,018
Cash flows from financing activities	(227)	691
Cash flows for the period	1,346	4,931
Cash and cash equivalents at the beginning of the period	28,826	23,895
Cash and cash equivalents at the end of the period	30,172	28,826

NOTE 22. OTHER ASSETS

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Money in transit	20,190	19,474	20,182	19,424
Reposessed assets	1,019	2,118	-	-
Deferred expenses and accrued income (maturing in less than 12 months from the period end)	10,196	10,629	7,153	6,062
Other assets	9,893	8,438	4,911	4,893
Total gross other assets	41,298	40,659	32,246	30,379
Impairment allowance	(1,768)	(1,542)	(1,566)	(1,467)
Total net other assets	39,530	39,117	30,680	28,912

As at 31 December 2022 and 2021 most of the impairment allowance for other assets relate to fully impaired overdue debt collection expenditure compensation receivable; net carrying amount of these assets is nil. As at 31 December 2022, the Group had no unimpaired delayed other assets (2020: EUR nil).

From time to time the Group repossests from its customers certain assets serving as collateral, when the customers cannot otherwise meet their payment obligations and other loan work-out measures have been unsuccessful. Collateral obtained is recognised within other assets and are held for sale in near future. Real estate constitutes EUR 0.9 million of the reposessed assets as of 31 December 2022 (2021: EUR 2.1 million). Total net carrying value of the collateral obtained during the reporting period and still held at the end of the reporting period is EUR 0.0 million (2021: EUR 0.2 million). Other reposessed collaterals held at the end of the reporting period are from earlier periods.

Reposessed assets where the management has committed to an active plan that is expected to result in a complete sale within one year from the date of classification are classified as non-current assets held for sale.

NOTE 23. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
ECB's targeted longer-term refinancing operations	463,796	475,810	463,796	475,810
Deposits from Citadele Group banks	-	-	3,663	20,393
Other credit institution deposits and collateral accounts	5,934	3,419	5,934	3,419
Other central bank deposits and accounts	6	6	6	6
Total deposits from credit institutions and central banks	469,736	479,235	473,399	499,628

On 24 June 2020, Citadele started to participate in the ECB's targeted longer-term refinancing operations (TLTRO-III) borrowing EUR 440 million. The maturity date of the facility is 28 June 2023 with an early repayment option starting on 29 September 2021. In June 2021 TLTRO-III borrowing was increased by EUR 40 million and in 2022 EUR 11 million was repaid. Subsequent to the period end, additional amounts were repaid.

For Citadele until June 2022 a combined interest rate on the TLTRO-III borrowing was -1.0% as in the relevant reference period ECB's specified lending criteria was achieved. Based on an internal assessment, part of the inflow of economic benefits from TLTRO-III borrowing with negative effective interest rate, which may be justified as market rate, is recognised within interest income. The remainder is a benefit of the below-market rate of interest and is recognised within other income as a support or compensation for the fulfilment of the required obligations and for supporting customer needs.

The methodology for calculation of the applicable interest rate and the linked reference rate was changed by ECB several times in 2022 and may be changed by ECB in the future. This instrument has been regarded as variable market rate instrument. As ECB revised applicable reference rate the effective interest rate of the borrowing was also revised.

NOTE 24. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Households	2,064,956	2,048,986	2,064,956	2,001,336
Non-financial corporations	1,662,036	1,493,271	1,636,950	1,386,755
Financial corporations	166,882	214,207	185,027	220,034
General government	67,416	44,682	67,416	44,682
Other	18,971	12,717	18,971	12,717
Total deposits from customers	3,980,261	3,813,863	3,973,320	3,665,524

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Demand deposits	3,581,365	3,464,832	3,597,467	3,366,093
Term deposits due within:				
less than 1 month	127,244	61,678	127,604	58,141
more than 1 month and less than 3 months	51,105	60,500	51,071	51,867
more than 3 months and less than 6 months	48,257	37,064	46,341	27,036
more than 6 months and less than 12 months	127,886	128,875	125,986	122,432
more than 1 year and less than 5 years	36,819	51,452	22,650	36,521
more than 5 years	7,585	9,462	2,201	3,434
Total term deposits	398,896	349,031	375,853	299,431
Total deposits from customers	3,980,261	3,813,863	3,973,320	3,665,524

Deposits and borrowings from customers by categories

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
At amortised cost	3,955,021	3,774,118	3,973,320	3,665,524
At fair value through profit or loss	25,240	39,745	-	-
Total deposits from customers	3,980,261	3,813,863	3,973,320	3,665,524
<i>Including unit-linked insurance plan liabilities</i>	<i>20,890</i>	<i>25,772</i>	<i>-</i>	<i>-</i>

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

NOTE 25. DEBT SECURITIES ISSUED

Publicly listed debt securities

ISIN code of the issued bond	Eligibility	Currency	Interest rate	Initial maturity date	Principal, EUR thousands	Amortised cost, EUR thousands	
						31/12/2022	31/12/2021
XS2393742122	MREL eligible	EUR	1.625%	22/11/2026	200,000	199,037	198,714
LV0000880102	Subordinated	EUR	5.00%	13/12/2031	40,000	40,104	40,104
LV0000880011	Subordinated	EUR	5.50%	24/11/2027	20,000	20,084	20,077
						259,225	258,895

Unsecured subordinated securities qualify for inclusion in the Bank's and the Group's Tier 2 capital. For details on capital adequacy refer to *Capital management* section of the Note 35 (*Risk Management*).

Key features of the issued subordinated bonds and MREL eligible senior unsecured bonds

EUR 200 million senior unsecured preferred bonds (XS2393742122) have a five years maturity, with issuer's optional redemption date after four years. The purpose of the issuance is to meet Minimum Requirement for own funds and Eligible Liabilities (MREL). The senior unsecured preferred bonds were offered to institutional investors. The bonds are listed on Euronext Dublin and Nasdaq Riga. As of the issuance date, the bonds were rated Baa3 by Moody's.

EUR 40 million (LV0000880102) and EUR 20 million (LV0000880011) unsecured subordinated bonds were issued in the local Baltic capital markets with ten years maturity and issuer's optional redemption after five years. These subordinated bonds are included in the Tier 2 capital of Citadele and contribute to stronger capital position of the Bank. The unsecured subordinated bonds were offered to institutional and retail investors in Latvia, Lithuania and Estonia, as well as institutional investors located in the Member States of the EEA.

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

ISIN code of the issued bond	Last coupon or origination date	Number of bondholders	Legal and professional investors			Private individuals		
			Number	EUR th.	%	Number	EUR th.	%
LV0000880102	December 2022	258	110	26,990	67%	148	13,010	33%
LV0000880011	November 2022	75	42	16,970	85%	33	3,030	15%

NOTE 26. OTHER LIABILITIES

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Insurance reserves:				
Annuity pension products	45,656	41,492	-	-
Unearned premiums – life insurance	141	118	-	-
Unearned premiums – other insurance	87	48	-	-
IBNR, RBNS and other	28	19	-	-
Payables to lease suppliers	12,945	19,155	-	-
Employee related accruals	9,730	11,851	8,456	8,273
Other accrued expenses	8,041	8,715	6,143	5,784
Lease liabilities	6,133	7,614	5,914	6,529
Regulatory fee and similar accruals	3,396	1,876	3,396	1,876
Other liabilities	11,534	9,359	4,274	3,014
Total other liabilities	97,691	100,247	28,183	25,476

Insurance liabilities mostly comprise estimated present value of future cash outflows from defined benefit annuity pension products sold to customers by AAS CBL Life. The annuity products are subject to terms, conditions and limitations. Estimated cash outflows are conditional to life longevity assumptions and defined benefit payment structure. Most of the defined payments are due within five years period.

NOTE 27. SHARE CAPITAL

The Bank has one class ordinary shares. As of the period end from the total Bank's registered capital EUR 157,351,784 (2021: EUR 156,888,384) was issued and EUR 157,257,658 was fully paid and EUR 2,874,655 (2021: EUR 2,456,084) was registered as conditional capital. As of period end the Bank owns EUR 94,126 (2021: EUR 0) of its own shares. The conditional capital represents the maximum number of shares that may be allocated for awarding to employees as share options. No dividends were proposed and paid during the reporting period. Each ordinary share carries one vote, a share in profits and is eligible for dividends.

Shareholders of the Bank

	31/12/2022		31/12/2021	
	Paid-in share capital (EUR)	Total shares with voting rights	Paid-in share capital (EUR)	Total shares with voting rights
European Bank for Reconstruction and Development	39,138,948	39,138,948	39,138,948	39,138,948
RA Citadele Holdings LLC ¹	35,082,302	35,082,302	42,772,216	42,772,216
Delan S.à.r.l. ²	15,597,160	15,597,160	15,597,160	15,597,160
EMS LB LLC ³	22,043,916	22,043,916	15,577,301	15,577,301
Amolino Holdings Inc. ⁴	16,863,223	16,863,223	15,639,924	15,639,924
Shuco LLC ⁵	12,297,697	12,297,697	12,297,697	12,297,697
Members of the Management Board of the Bank and parties related to them	574,274	574,274	302,732	302,732
Other shareholders	15,660,138	15,660,138	15,562,406	15,562,406
Total	157,257,658	157,257,658	156,888,384	156,888,384

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

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

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

⁴ Amolino Holdings Inc. is beneficially owned by Mr James L. Balsillie

⁵ Shuco LLC is beneficially owned by Mr Stanley S. Shuman

In the reporting period 464 thousand share options (2021: 333 thousand share options), previously awarded to the employees of the Bank, vested. All options were exercised on the vesting date, from these 353 thousand share options were exercised by the Members of the Management Board of the Bank (2021: 303 thousand share options). In the reporting period 94 thousand shares were repurchased for the total amount of EUR 238 thousand.

Earnings per share

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

	2022 Group	2021 Group	2022 Bank	2021 Bank
Profit for the period, EUR thousands	46,305	55,045	42,183	29,643
Weighted average number of the ordinary shares outstanding during the period in thousands	157,073	156,722	157,073	156,722
Basic earnings per share in EUR	0.29	0.35	0.27	0.19
Weighted average number of the ordinary shares (basic) outstanding during the period in thousands	157,073	156,722	157,073	156,722
Effect of share options in issue in thousands	1,230	1,095	1,230	1,095
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	158,303	157,817	158,303	157,817
Profit for the period, EUR thousands	46,305	55,045	42,183	29,643
Weighted average number of the ordinary shares (diluted) outstanding during the period in thousands	158,303	157,817	158,303	157,817
Diluted earnings per share in EUR	0.29	0.35	0.27	0.19
Net losst from discontinued operations (Note 21)	(4,491)	(7,152)	-	-
Profit for the period from continuing operations, EUR thousands	50,796	62,197	42,183	29,643
Basic earnings per share in EUR from continuing operations	0.32	0.40	0.27	0.19
Diluted earnings per share in EUR from continuing operations	0.32	0.39	0.27	0.19

NOTE 28. OFF-BALANCE SHEET ITEMS

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

Contingent liabilities and financial commitments outstanding

EUR thousands				
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Contingent liabilities:				
Outstanding guarantees	45,509	17,333	56,038	21,932
Outstanding letters of credit	4,898	16,932	4,898	16,931
Total contingent liabilities	50,407	34,265	60,936	38,863
Provisions for credit risk	(452)	(229)	(452)	(229)
Net credit risk exposure for guarantees and letters of credit	49,955	34,036	60,484	38,634
Financial commitments:				
Card commitments	117,841	122,102	117,866	122,118
Unutilised credit lines and loans granted, not fully drawn down	154,742	212,009	204,345	308,947
Factoring commitments	33,894	53,488	-	-
Other commitments	213	344	-	-
Total financial commitments	306,690	387,943	322,211	431,065
Provisions for financial commitments	(4,368)	(3,605)	(4,286)	(3,552)
Net credit risk exposure for financial commitments	302,322	384,338	317,925	427,513

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

Notional amounts and fair values of derivatives of the Group

	Notional amount EUR thousands		Fair value EUR thousands			
	31/12/2022	31/12/2021	31/12/2022		31/12/2021	
			Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts:						
Swaps	248,357	278,049	1,261	(7,550)	3,989	(614)
Forwards	5,707	12,842	24	(100)	314	(125)
Total foreign exchange contracts	254,064	290,891	1,285	(7,650)	4,303	(739)
Derivatives	254,064	290,891	1,285	(7,650)	4,303	(739)

Notional amounts and fair values of derivatives of the Bank

	Notional amount EUR thousands		Fair value EUR thousands			
	31/12/2022	31/12/2021	31/12/2022		31/12/2021	
			Assets	Liabilities	Assets	Liabilities
Foreign exchange contracts:						
Swaps	248,357	278,049	1,261	(7,550)	3,989	(614)
Forwards	5,707	12,842	24	(100)	314	(125)
Total foreign exchange contracts	254,064	290,891	1,285	(7,650)	4,303	(739)
Derivatives	254,064	290,891	1,285	(7,650)	4,303	(739)

The Group's banks use derivative foreign exchange instruments to manage their currency positions, which arise also due to derivative foreign exchange contracts concluded with the banks' clients. Before entering into derivative foreign currency agreement with a private individual or a company, the Group's entities assess the counterparty's ability to meet the contractual provisions. As at 31 December 2022, 2% (2021: 2%) of the fair value of derivative assets on foreign exchange contracts is attributable to credit and finance institutions. As at 31 December 2022, none (2021: nil) of the receivables arising out of derivative transactions were past due.

NOTE 29. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Fixed income securities:				
Corporate bonds	150,604	193,845	-	-
Government bonds	56,242	71,233	-	-
Credit institution bonds	55,183	54,083	-	-
Loans	604	631	604	631
Other financial institution bonds	20,545	22,477	-	-
Total investments in fixed income securities	283,178	342,269	604	631
Other investments:				
Investment funds	530,823	641,845	-	-
Deposits with credit institutions	4,984	1,005	-	-
Compensations for distribution on behalf of deposit guarantee fund	31,716	12,049	31,716	12,049
Shares	89,029	116,175	-	-
Real estate	5,119	4,820	-	-
Other	49,034	31,777	-	-
Total other investments	710,705	807,671	31,716	12,049
Total assets under management	993,883	1,149,940	32,320	12,680

Customer profile on whose behalf the funds are managed

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Pension plans	706,976	814,908	-	-
Insurance companies, investment and pension funds	134,267	187,750	-	-
Other companies and government	41,280	19,397	32,320	12,680
Private individuals	111,360	127,885	-	-
Total liabilities under management	993,883	1,149,940	32,320	12,680

NOTE 30. FINANCIAL ASSETS PLEDGED OR ENCUMBERED

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Loans on demand to credit institutions	6,280	353	6,280	-
Debt securities	529,059	526,755	529,059	524,996
Loans to customers and other assets	541,923	7,558	237,551	7,558
Total financial assets pledged or encumbered	1,077,262	534,666	772,890	532,554
Total liabilities secured by pledged assets	463,796	475,810	463,796	475,810
Financial guarantees received	344,704	-	109,952	-

Most pledged debt securities are collateral placed with the Bank of Latvia to secure EUR 480 million financing in the ECB's targeted longer-term refinancing operations (TLTRO-III). Standard TLTRO-III terms apply. For details on TLTRO-III financing received refer to Note 23 (*Deposits from Credit Institutions and Central Banks*). Most loans to customers and other assets are encumbered as per terms of a financial guarantee contract issued by the EIB Group, consisting of the European Investment Bank (EIB) and the European Investment Fund (EIF), to Citadele. The guarantee contract secures probable Citadele's future losses allocated to the relevant tranche of the reference loan portfolio for a pre-agreed fee to the EIB Group. In accordance with the risk retention requirements of the guarantee contract, Citadele must retain on an unhedged and unguaranteed basis an exposure to the reference loan portfolio over a specific period. The guarantee contract provides capital relief for Citadele by mitigating specific credit risks and enables Citadele to grant at least EUR 460 million in additional loans and leases to businesses in the Baltics over the next three years. Other pledged amounts consist of placements to secure various Bank's and Group's transactions in the ordinary course of business.

NOTE 31. CASH AND CASH EQUIVALENTS

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Cash and cash balances with central banks	532,030	371,025	532,030	361,626
Loans on demand to credit institutions	25,382	36,743	18,985	13,710
Demand deposits from central banks and credit institutions	(5,940)	(3,425)	(6,020)	(11,670)
Cash equivalents in discontinued operations	30,172	-	-	-
Total cash and cash equivalents	581,644	404,343	544,995	363,666

NOTE 32. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the price that would be received for an asset sold 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 no active markets. Accordingly, fair value for these has been estimated using appropriate valuation techniques. The methods used to determine the fair value of balance sheet items are as follows:

Cash and balances at central banks

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

Loans to credit institutions and deposits from 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 maturity profiles and interest rate profile.

Loans to public

The fair value of loans and advances to customers is calculated by discounting expected future cash flows. The discount rate is the sum of money market rate as of the end of the reporting period and credit margin, which is adjusted for current market conditions. If all the Bank's assumed discount rates would change by 10%, the fair value of the loan portfolio would change by EUR 22.1 million (2021: EUR 21.1 million).

Debt securities

Debt securities classified as at fair value through profit or loss and at fair value through other comprehensive income are accounted at unadjusted quoted prices in active markets which is their fair value. Debt securities classified at amortised cost are not accounted at fair value; the disclosed fair value for these is their unadjusted quoted prices in active markets.

Equity instruments and other financial instruments at fair value

Investments in mutual investment funds (presented as other financial instruments at fair value) are valued using unadjusted quoted prices in active markets.

Equity instruments include Visa Inc. preferred C shares which have been valued by reference to consideration, which is contingent upon future events. The valuation is dependent on exchange rate, Visa Inc. stock price and preferred stocks' conversion ratio as well as liquidity discount. The instrument is categorised as Level 3. If the applied liquidity discount was decreased by 1000bp, the estimated fair value would increase by EUR 0.2 million as of 31 December 2022 (2021: EUR 0.4 million).

Derivatives

Derivatives are valued using techniques based on observable market data.

Deposits and borrowings from customers

Deposits and borrowing from customers include part which is carried at amortised cost and part which is carried at fair value. The entire portfolio of deposits and borrowing from customers which is carried at fair value is the deposit part of the life insurance contracts.

The fair value of deposits and borrowings from customers 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 the period-end. If all the assumed discount rates would change by 10%, the fair value of the non-subordinated non-life insurance deposit portfolio would change by EUR 0.14 million (2021: EUR 0.03 million).

The fair value of unit-linked investment contract liabilities is their carrying amount which equals fair value of unit-linked insurance plan assets. The fair value of other life insurance deposits carried at fair value through profit or loss is calculated by discounting expected cash flows using current effective deposit rates. If the assumed discount rates would change by +/-50bp, the fair value of the portfolio would decrease by EUR +/-0.07 million (2021: EUR +/-0.07 million).

The fair value of unit-linked investment contract liabilities is their carrying amount which equals fair value of unit-linked insurance plan assets. The fair value of other life insurance deposits carried at fair value through profit or loss is calculated by discounting expected cash flows using current effective deposit rates.

Debt securities issued

The fair value of publicly listed unsecured subordinated bonds is estimated based on the quoted prices.

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 or quotations from less active market.

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.

Fair values of financial assets and liabilities of the Group on 31 December 2022

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	222,523	222,523	108,713	113,810	-
Equity instruments	100	100	-	-	100
<i>Non-trading financial assets mandatorily at fair value through profit or loss:</i>					
Equity instruments	929	929	-	-	929
Other financial instruments	28,473	28,473	28,473	-	-
<i>Other financial assets at fair value through profit or loss</i>					
Derivatives	1,285	1,285	-	1,285	-
<i>Financial assets not measured at fair value:</i>					
Cash and balances at central banks	532,030	532,030	-	-	-
Loans to credit institutions	48,441	48,441	-	-	-
Debt securities	1,370,080	1,247,787	754,265	481,006	12,516
Loans to public	2,966,478	2,975,840	-	-	2,975,840
Total assets	5,170,339	5,057,408	891,451	596,101	2,989,385
<i>Financial liabilities measured at fair value:</i>					
Derivatives	7,650	7,650	-	7,650	-
Deposits and borrowings from customers	25,240	25,240	20,890	-	4,350
<i>Financial liabilities not measured at fair value:</i>					
Deposits from credit institutions and central banks	469,736	469,736	-	-	-
Deposits and borrowings from customers	3,955,021	3,956,055	-	-	3,956,055
Debt securities issued	259,225	238,277	-	238,277	-
Total liabilities	4,716,872	4,696,958	20,890	245,927	3,960,405

As of 31 December 2022, debt securities classified in fair value hierarchy as Level 2 (Valuation technique - observable market inputs) have increased as compared to 31 December 2021. The main contributor for increase is widening bid-ask spreads for investment grade Baltic debt securities which was observed at the year-end in 2022 which was benchmarked versus fixed bid-ask spread threshold which is fixed in the Group's fair value hierarchy methodology and is applied consistently year over year. As a result, debt securities of the Group presented as Level 2 with a fair value of EUR 385.4 million as of period end over the year have been reclassified from Level 1. Similarly, debt securities of the Group presented as Level 1 with a fair value of EUR 5.7 million of period end over the year have been reclassified from Level 2. For the Bank EUR 372.6 million and EUR 5.0 million respectively. No other transfers among fair value hierarchy levels have occurred in the reporting period.

Fair values of financial assets and liabilities of the Group on 31 December 2021

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	340,701	340,701	257,464	83,237	-
Equity instruments	203	203	-	-	203
<i>Non-trading financial assets mandatorily at fair value through profit or loss:</i>					
Equity instruments	1,076	1,076	-	-	1,076
Other financial instruments	42,032	42,032	42,032	-	-
<i>Other financial assets at fair value through profit or loss</i>					
Derivatives	4,303	4,303	-	4,303	-
<i>Financial assets not measured at fair value:</i>					
Cash and balances at central banks	371,025	371,025	-	-	-
Loans to credit institutions	58,742	58,742	-	-	-
Debt securities	1,461,019	1,463,194	1,304,631	139,075	19,488
Loans to public	2,701,509	2,712,632	-	-	2,712,632
Total assets	4,980,610	4,993,908	1,604,127	226,615	2,733,399
<i>Financial liabilities measured at fair value:</i>					
Derivatives	739	739	-	739	-
Deposits and borrowings from customers	39,745	39,745	25,772	-	13,973
<i>Financial liabilities not measured at fair value:</i>					
Deposits from credit institutions and central banks	479,235	479,235	-	-	-
Deposits and borrowings from customers	3,774,118	3,775,140	-	-	3,775,140
Debt securities issued	258,895	259,344	-	259,344	-
Total liabilities	4,552,732	4,554,203	25,772	260,083	3,789,113

Fair values of financial assets and liabilities of the Bank on 31 December 2022

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	180,221	180,221	84,190	96,031	-
Equity instruments	100	100	-	-	100
<i>Non-trading financial assets mandatorily at fair value through profit or loss:</i>					
Equity instruments	929	929	-	-	929
Other financial instruments	1,101	1,101	1,101	-	-
<i>Other financial assets at fair value through profit or loss</i>					
Derivatives	1,285	1,285	-	1,285	-
<i>Financial assets not measured at fair value:</i>					
Cash and balances at central banks	532,030	532,030	-	-	-
Loans to credit institutions	42,044	42,044	-	-	-
Debt securities	1,370,080	1,247,787	754,265	481,006	12,516
Loans to public	2,880,101	2,889,463	-	-	2,889,463
Total assets	5,007,891	4,894,960	839,556	578,322	2,903,008
Derivatives measured at fair value	7,650	7,650	-	7,650	-
<i>Financial liabilities not measured at fair value:</i>					
Deposits from credit institutions and central banks	473,399	473,399	-	-	-
Deposits and borrowings from customers	3,973,320	3,974,360	-	-	3,974,360
Debt securities issued	259,225	238,277	-	238,277	-
Total liabilities	4,713,594	4,693,686	-	245,927	3,974,360

Fair values of financial assets and liabilities of the Bank on 31 December 2021

	Carrying value	Total fair value	Fair value hierarchy (where applicable)		
			Quoted market prices	Valuation technique - observable inputs	Valuation technique - non-market observable inputs
<i>Financial assets measured at fair value through other comprehensive income:</i>					
Debt securities	233,166	233,166	161,592	71,574	-
Equity instruments	203	203	-	-	203
<i>Non-trading financial assets mandatorily at fair value through profit or loss:</i>					
Equity instruments	1,076	1,076	-	-	1,076
Other financial instruments	7,400	7,400	7,400	-	-
<i>Other financial assets at fair value through profit or loss</i>					
Derivatives	4,303	4,303	-	4,303	-
<i>Financial assets not measured at fair value:</i>					
Cash and balances at central banks	361,626	361,626	-	-	-
Loans to credit institutions	35,693	35,693	-	-	-
Debt securities	1,419,142	1,420,473	1,269,110	131,875	19,488
Loans to public	2,609,713	2,620,836	-	-	2,620,836
Total assets	4,672,322	4,684,776	1,438,102	207,752	2,641,603
Derivatives measured at fair value	739	739	-	739	-
<i>Financial liabilities not measured at fair value:</i>					
Deposits from credit institutions and central banks	499,628	499,628	-	-	-
Deposits and borrowings from customers	3,665,524	3,666,588	-	-	3,666,588
Debt securities issued	258,895	259,344	-	259,344	-
Total liabilities	4,424,786	4,426,299	-	260,083	3,666,588

Changes in fair value of securities accounted for at fair value and categorised as Level 3

	EUR thousands			
	2022 Group	2021 Group	2022 Bank	2021 Bank
As of the beginning of the period, net	1,279	1,248	1,279	1,248
Total comprehensive income				
Revaluation gain	1,662	31	1,662	31
Transfer to income statement on settlement	(1,912)	-	(1,912)	-
As of the end of the period, net	1,029	1,279	1,029	1,279

Fair value for equity instruments for which fair value is calculated based on non-market observable inputs is categorised as Level 3, as these financial instruments are not listed on an exchange and there are insufficient recent observable transactions on the market.

Changes in fair value of deposits and borrowings from customers measured at fair value and categorised as Level 3

	EUR thousands	
	2022 Group	2021 Group
Balance as at the beginning of the period	13,973	14,381
Premiums received	1,230	3,365
Commissions and risk charges	(520)	(383)
Paid to policyholders	(10,334)	(3,494)
Other	6	94
Currency revaluation result	(5)	10
Balance as at the end of the period	4,350	13,973

In the year ended 31 December 2022 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 80 thousand in the net financial income line of the statement of income (2021: EUR 53 thousand). The amount of change in 2022 in the fair value of the financial liabilities that is attributable to changes in the credit risk of the liabilities measured at fair value is EUR 340 thousand (2021: EUR 63 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 not significant and, therefore, not further disclosed in detail in these financial statements.

NOTE 33. RELATED PARTIES

Related parties are defined as shareholders who have significant influence or joint control 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 and the Bank and their related companies are stated in one line. All transactions with related parties were made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances and terms of the Group's and the Bank's transactions in this note are shown with related parties which were related parties at that time.

Assets and liabilities from transactions with related parties

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Credit exposures to related parties, net				
Loans to public and credit institutions				
Management	392	293	241	130
Consolidated subsidiaries and associates	24	-	1,063,231	974,089
Investments in subsidiaries	-	-	47,580	76,808
Investments in associates	190	279	190	279
Non-current assets and disposal groups held for sale	-	-	13,805	-
Other assets	12	12	41	126
Financial commitments and guarantees outstanding	100	6,215	66,043	216,401
Credit exposures to related parties, net	718	6,799	1,191,131	1,267,833
Liabilities to related parties				
Deposits and borrowings from customers and credit institutions				
Management	1,326	1,137	1,326	1,137
Consolidated subsidiaries and associates	1,854	1,376	23,816	52,773
Other liabilities (including lease liabilities) and provisions for expected credit losses	2	66	81	338
Liabilities to related parties	3,182	2,579	25,223	54,248

As at 31 December 2022 no assets with consolidated subsidiaries were credit impaired (2020: none). The recognised expected credit losses on non-credit impaired exposures with consolidated subsidiaries as at 31 December 2022 was EUR 1.33 million (2021: EUR 1.28 million).

In 2022 an increase of EUR 0.09 million in allowances for expected credit losses for loans from consolidated subsidiaries was recognised (2021: EUR 1.03 million increase). The increase in expected credit loss allowances in 2021 was primarily driven by EUR 771.8 million additional lending to subsidiaries to fund leasing and factoring business. The ultimate recoverability of the loans issued to subsidiaries depends on the performance of the underlying business of the respective subsidiaries. For information on investments in subsidiaries refer to Note 19 (*Investments in Related Entities*).

Income and expense from transactions with related parties

	EUR thousands			
	2022 Group	2021 Group	2022 Bank	2021 Bank
Interest income				
Management	28	13	24	11
Consolidated subsidiaries and associates	1	-	24,606	16,943
Interest expense				
Consolidated subsidiaries	-	-	(75)	(194)
Shareholders (EBRD)	-	(683)	-	-
Fee and commission income	142	102	1,509	2,079
Fee and commission expense	(4)	(5)	(4)	(5)
Net financial income	7	2	7	2
Dividends from subsidiaries	-	-	8,684	-
All other income	-	-	1,611	1,485
Administrative and other expense (excluding management's remuneration <i>Note 9</i> and ECL)	(2,131)	(2,010)	(2,131)	(2,009)

For information on the management's remuneration refer to Note 9 (Staff Costs). The Group's and the Bank's administrative expense mostly relates to Advisory Services Agreement fee. The Bank has entered into the Advisory Services Agreement with Ripplewood Advisors LLC, where Ripplewood is paid EUR 2.0 million per annum for the services provided to the Bank. These advisory services include business plan development, strategic analysis, capital allocation, risk advisory, operating efficiency, human resource management, and other services.

In 2021 on acquisition of SIA UniCredit Leasing (renamed to SIA Citadele Leasing) had a borrowing from European Bank for Reconstruction and Development (EBRD). The interest expense to shareholders (EBRD) in 2021 represents the amounts paid for the EBRD borrowing. The borrowed amount was repaid fully to the EBRD in 2021.

NOTE 34. GEOGRAPHICAL DISTRIBUTION OF REVENUE

The geographical distribution of certain items by the country where the business is carried out

	2022				2021			
	EUR millions			FTE equivalent employees at the period end	EUR millions			FTE equivalent employees at the period end
	Operating income	Operating profit before tax	Income tax expense		Operating income	Operating profit before tax	Income tax expense	
Latvia	121.1	39.8	(1.1)	978	110.6	45.6	-	979
Lithuania	36.1	9.5	(1.2)	261	29.2	15.3	(1.6)	250
Estonia	11.0	3.5	-	90	9.9	3.1	-	81
Total continuing operations	168.2	52.8	(2.3)	1,329	149.7	64.0	(1.6)	1,310
Latvia (result from non-current assets held for sale)	-	0.3	-	-	-	(0.2)	-	-
Switzerland (discontinued operations)	4.4	(4.5)	-	26	4.0	(7.2)	-	25
Total operations	172.6	48.6	(2.3)	1,355	153.7	56.6	(1.6)	1,335

During the reporting period EUR 0.0 million of direct public subsidies were received from the public sector of the respective countries where the Group operates (2021: EUR 0.0 million). The Bank and the Group has participated in the ECB's targeted longer-term refinancing operations (TLTRO-III) since 24 June 2020. For more information refer to Note 23 (*Deposits from Credit Institutions and Central Banks*). For TLTRO-III participating banks meeting the ECB's specified lending criteria, interest rate was as low as -1.0% for a specific reference period. Based on an internal assessment, part of the inflow of economic benefits from TLTRO-III borrowing with negative effective interest rate, which may be justified as market rate, is recognised within interest income. The remainder is a benefit of below-market rate of interest and is recognised within the other income as a support or compensation for the fulfilment of the required obligations and supporting customer needs. In the reporting period EUR 1.0 million (2021: EUR 2.7 million) was recognised as a support for the fulfilment of the required government obligations. For details refer to Note 8 (*Net Other Income*).

NOTE 35. RISK MANAGEMENT**Risk management policies**

The Group considers risk management to be an essential component of its management process. The Group pursues prudent risk management that is aligned with its business ambitions and aims to achieve effective risk mitigation. In order to assess and monitor complex risk exposures, the Group applies a wide range of risk management tools in conjunction with risk committees. Members of the risk committees represent various operations of the Group in order to balance business and risk within the respective risk committees. Annually Group defines its Risk Appetite Framework which sets acceptable risk-taking limits across all relevant risk types, considering business goals, macroeconomic environment and regulatory setting. Risk appetite limits are cascaded to all risk management strategies and implemented operationally through detailed internal regulations.

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

- The Group aims to ensure that it maintains low overall risk exposure, diversified asset portfolio, limited risks in financial markets and low levels of operational risk;
- The Group aims to ensure an acceptable risk level in all operations. Risks are always assessed in relation to their expected return. Risk exposures that are not acceptable are avoided, limited or hedged;
- The Group does not assume high or uncontrollable risks irrespective of the return they provide and assumes risks only in economic fields and geographical regions in relation to which it believes it has sufficient knowledge and expertise;

- Risk management is based on each Group's employee's responsibility for the transactions carried out by him/her and awareness of the related risks;
- Risk limit system and strict controls are essential risk management elements. Control over risk levels and compliance with the imposed limits is achieved by the existence of structured risk limit systems for all material risks.

The aim of the risk management in the Group is to facilitate the achievement of the Group's goals, sustainable growth, long-term financial stability and to protect the Group from unidentified risks. The Bank has appointed a Risk Director (CRO) who is a member of the Bank's Management Board and whose responsibilities do not include the duties related to the activities under control. The CRO has a direct access to the Bank's Supervisory Board. The Risk Committee, which is subordinated to the Bank's Supervisory Board, has been established in the Bank. The main task of the Risk Committee is to provide support to the Bank's Supervisory Board in relation to the monitoring of the Group's risk management system. The Risk Committee established by the Bank's Supervisory Board provides recommendations to the Bank's Management Board regarding improvements of the risk management system. Risk management within the Group is controlled by an independent unit – the Risk Management Division.

The main risks to which the Group is exposed are: credit risk, market risk, interest rate risk, liquidity risk, currency risk and operational risk. For each of these risks the Group has approved risk management policies and other internal regulations defining key risk management principles and processes, functions and responsibilities of units, risk concentration limits, as well as control and reporting system. The Bank's Supervisory Board approves risk management policies and ensures the control of efficiency of the risk management system. The Bank's Management Board and CRO ensure implementation of the risk management policies and development of internal regulations for the management of each material risk within the Group. In order to assess and monitor material and complex risk exposures, the Bank's Management Board establishes risk committees. Members of risk committees represent various units of the Group in order to ensure the balance between the units responsible for risk monitoring and control and the units with business orientation.

The Group's risk management frameworks for each of the above-mentioned risks are briefly summarised below.

Credit risk

Credit risk is the risk that the Group will incur a loss from debtor's non-performance or default. The Group is exposed to credit risk in its lending, investing and transaction activities, as well as in respect of the guarantees issued to or received from third parties and other off-balance sheet commitments to third parties. Credit risk management is performed pursuant to the Credit Risk Management Policy. The goal of the credit risk management is to ensure a sound, sustainable and diversified loan and securities portfolios, which generates returns that correspond to the assumed level of risk and are characterized by high resilience against external shocks.

Credit risk management is based on an adequate assessment of a credit risk and a proper decision-making in relation to such risk. The lending decision is based on repayment capacity of the borrower and an additional alternative recovery option in case of default or material deterioration of the borrower's risk profile.

In cases when significant risk is to be undertaken, the credit risk analysis is performed by independent units of the Risk Division. The credit risk analysis consists of risk identification, PD calculation, an assessment of customer's creditworthiness and collateral quality and liquidity. The analysis of a legal entity's creditworthiness includes risk identification and an assessment of the shareholder structure and management, industry and peers, business model and project financed as well as an analysis of its credit history and current and forecasted financial situation and its sensitivity to key risk drivers and analysis of ESG factors. The assessment of a private individual's creditworthiness consists of the credit history and affordability analysis. For significant exposures decision on loan origination is taken by the Credit Committee and approved by the Bank's Management Board.

In relation to the acquisition of corporate bonds, the Group always analyses the business profile and financial performance of the issuer, taking into consideration the credit ratings assigned to it by international rating agencies or performs internal counterparty financial analysis, if external rating is not assigned, as well as market-based indicators. Sovereign bonds are assessed similarly, but with an emphasis on different fundamental factors, including the country's economic strength, institutional strength, financial strength of the government, political risks and other relevant factors.

After a loan is issued, the client's financial position, early warning indicators, payment discipline and client's ability to meet contractual obligations are being regularly evaluated and monitored to timely identify credit quality deterioration and apply appropriate classification.

The Group monitors its loan portfolio and securities portfolio and regularly assesses its structure, quality, concentration levels, portfolio performance trends and overall risk level. The Group takes measures for limiting credit risk concentration by diversifying the portfolio and setting credit risk concentration limits. To limit its credit risk, the Group has set the following concentration limits: individual counterparty and issuer limits, maximum exposure limit linked to a particular risk class of counterparty/issuer, limit for internally risk weighted exposures in a particular country/sector combination, limit for groups of mutually related customers, limit for large risk exposures, limit for transactions with the Group's related parties, industry limit, limit by customer type, loan product type, control of compliance with credit risk concentration limits. Credit risk identification, monitoring and reporting is the responsibility of the Risk Management Division.

In addition to the credit risk, which is inherent in the Group's loan portfolio and fixed income securities portfolio, the Group is also exposed to credit risk as a result of its banking relationships with multiple credit institutions which it maintains in order to process customer transactions in a prompt and efficient manner. The Group manages its exposure to commercial banks and brokerage companies by monitoring on a regular basis the credit ratings of such institutions, conducting due diligence of their credit profiles and monitoring the individual exposure limits applicable to counterparties set by the Financial Market and Counterparty Risk Committee (FMCRC). The Group's exposures to derivative counterparties arise from its activities in managing foreign exchange risk. Risk appetite for the open foreign exchange position is low, and the Group executes counterparty risk assessment and accepts only counterparties which are within its risk appetite limits.

Loan to value of loans to public

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 thousands								
	31/12/2022				31/12/2021			
	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 and credit lines	1,545,586	3,848,663	223,781	57,330	1,359,310	3,245,902	238,794	49,592
Finance leases	565,287	948,658	495,302	371,666	343,779	552,683	639,085	465,446
Card lending	74	304	60,353	15	86	369	59,777	11
Factoring	612	720	63,064	-	-	-	53,120	-
Other loans	-	-	12,419	-	-	-	7,558	-
Total net loans to public	2,111,559	4,798,345	854,919	429,011	1,703,175	3,798,954	998,334	515,049
<i>Including Stage 3 classified exposures</i>	<i>41,935</i>	<i>132,118</i>	<i>4,255</i>	<i>2,474</i>	<i>43,244</i>	<i>179,787</i>	<i>12,039</i>	<i>8,388</i>

Bank, EUR thousands								
	31/12/2022				31/12/2021			
	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 and credit lines	1,538,255	3,830,733	205,769	50,247	1,350,697	3,226,245	217,506	43,862
Card lending	74	304	60,353	15	86	369	59,777	11
Other loans	-	-	12,419	-	-	-	7,558	-
Loans to subsidiaries	-	-	1,063,231	-	1,003	1,155	973,086	-
Total net loans to public	1,538,329	3,831,037	1,341,772	50,262	1,351,786	3,227,769	1,257,927	43,873
<i>Including Stage 3 classified exposures</i>	<i>27,773</i>	<i>99,525</i>	<i>683</i>	<i>9</i>	<i>29,133</i>	<i>147,729</i>	<i>1,200</i>	<i>101</i>

Collateral value is determined using estimated fair value of the real estate, other pledged assets and qualifying high-quality guarantees issued by state development or similar institutions. The loan guarantee issued by the EIB Group (consisting of the EIB and EIF) to Citadele in the amount exceeding EUR 300 million is included as qualifying high-quality guarantee. Personal guarantees from households or unrated non-financial enterprises are not included. Mostly, loans falling into category "Regular loans and credit lines" are secured by collateral of immovable property or commercial pledges. In general, card loans and consumer lending products, which are presented as regular loans, are unsecured and granted based on client's creditworthiness assessment. For loans to the leasing subsidiaries of the Group, no formal tangible collateral is required. The intragroup financing is used to originate finance leases to clients. Full compliance with lending guidelines of the Group are obeyed by subsidiaries when originating leases to clients. Finance leases are secured by the respective property leased-out. Most factoring balances are originated under recourse terms, many are insured with reputable third parties. Insurance coverage is not considered an eligible collateral for the purposes of this disclosure.

Events in Ukraine and Russian sanctions

The new laws, policies and sanctions, including sanctions imposed on Russia, are implemented. Consistently with long standing Citadele's objective to become the leading financial services provider in the Baltics, internal risk exposure limits with Russia, other CIS countries and Ukraine have been low. As 31 December 2022 the carrying amount of the Group's direct credit exposures with parties domiciled in Russia, Belarus and Ukraine are less than EUR 2.0 million. Additionally, carrying value of the Bank's investments in collective investment funds with direct exposure to eastern Europe is around EUR 1.1 million. Of these funds, direct exposures to the above countries are only a part of the overall investment funds' holdings. The indirect impact from these events is regularly monitored.

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

Group as of 31/12/2022, EUR thousands						
	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	303,481	227,854	695	-	-	532,030
Loans to credit institutions	6,397	-	-	12,857	29,187	48,441
Debt securities	412,074	609,961	103,258	346,060	121,250	1,592,603
Loans to public	1,353,896	1,121,611	477,144	9,667	4,160	2,966,478
Equity instruments	21	-	-	79	929	1,029
Other financial instruments	14,778	-	-	13,494	201	28,473
Derivatives	1,255	-	-	30	-	1,285
Discontinued operations	2,034	1,715	-	75,136	87,143	166,028
Other assets	53,539	8,682	5,078	578	35	67,912
Total assets	2,147,475	1,969,823	586,175	457,901	242,905	5,404,279
Liabilities						
Deposits from credit institutions and central banks	466,982	60	-	2,465	229	469,736
Deposits and borrowings from customers	3,032,250	768,933	80,184	19,518	79,376	3,980,261
Debt securities issued	259,225	-	-	-	-	259,225
Derivatives	6,657	3	-	990	-	7,650
Discontinued operations	14,892	-	12	37,205	106,890	158,999
Other liabilities	85,154	11,756	7,036	81	163	104,190
Total liabilities	3,865,160	780,752	87,232	60,259	186,658	4,980,061
Off-balance sheet items						
Contingent liabilities	10,650	38,662	606	67	422	50,407
Financial commitments	203,664	87,143	9,677	2,181	4,025	306,690

For additional information on geographical distribution of securities exposures please refer to Note 15 (Debt Securities). Investments in mutual funds are not analysed by their ultimate issuer and are classified as other financial instruments. From the Group's loans to credit institutions presented as "Other countries" EUR 23.5 million is with United States registered credit institutions (2021: EUR 23.6 million). From the Group's discontinued operations presented as "Other countries" EUR 6.7 million is central banks balances with Swiss National Bank (2021: EUR 9.4 million) and EUR 24.7 million are with Swiss credit institutions (2021: EUR 20.0 million).

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

Bank as of 31/12/2022, EUR thousands

	Latvia	Lithuania	Estonia	Other EU countries and development banks	Other countries	Total
Assets						
Cash and cash balances at central banks	303,481	227,854	695	-	-	532,030
Loans to credit institutions	-	-	-	12,857	29,187	42,044
Debt securities	404,436	603,369	101,281	332,055	109,160	1,550,301
Loans to public	1,985,252	644,246	237,097	9,520	3,986	2,880,101
Equity instruments	21	-	-	79	929	1,029
Other financial instruments	1,101	-	-	-	-	1,101
Derivatives	1,255	-	-	30	-	1,285
Other assets	85,616	8,584	3,407	496	13,859	111,962
Total assets	2,781,162	1,484,053	342,480	355,037	157,121	5,119,853
Liabilities						
Deposits from credit institutions and central banks	466,982	60	-	2,465	3,892	473,399
Deposits and borrowings from customers	3,028,446	768,928	80,330	19,318	76,298	3,973,320
Debt securities issued	259,225	-	-	-	-	259,225
Derivatives	6,657	3	-	990	-	7,650
Other liabilities	25,072	6,624	1,166	16	176	33,054
Total liabilities	3,786,382	775,615	81,496	22,789	80,366	4,746,648
Off-balance sheet items						
Contingent liabilities	10,643	38,662	606	53	10,972	60,936
Financial commitments	228,839	74,292	18,689	306	85	322,211

For additional information on geographical distribution of securities exposures please refer to Note 15 (*Debt Securities*). From the Bank's loans to credit institutions presented as "Other countries" EUR 23.5 million with United States registered credit institutions (2021: EUR 23.6 million).

Bank as of 31/12/2021, EUR thousands

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

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.

The position risk of financial instruments is managed through diversification by country, sector, industry and elaborate limit control. Issuers are internally risk graded. The exposure level limits, after in depth analysis, are set by the FMCRC, observing concentration risk levels set in the Group's Risk Strategy and other rules set by the Group Investment Committee (GIC) and specified in the Risk Strategy. The decisions of GIC and FMCRC are approved by the Management Board

To assess position risk the Group uses sensitivity and scenario analysis, which identifies and quantifies the negative impact of adverse events on the portfolio of the Group taking into consideration regional, sector profiles of the portfolio and credit rating risk profiles of issuers.

If market prices of the Groups investments in equities and mutual investment funds were to change by 5%, the net result of the Group would change by EUR 1.47 million (2021: EUR 2.16 million) and securities fair value revaluation reserve by EUR 0.0 million (2021: EUR 0.0 million) and the net result of the Bank would change by EUR 0.1 million (2021: EUR 0.4 million) and securities fair value revaluation reserve by EUR 0.0 million (2021: EUR 0.0 million).

Interest rate risk

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

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

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

The following table represents the impact of a parallel change in yield curve by 100 basis points on the Group's and the Bank's profit before tax (including the effect on interest income and expense over 12-month period) and revaluation reserve in equity arising from securities accounted at fair value. Scenarios incorporate zero floor interest rate if such a condition exists in the loan agreement. Retail customer deposit rates are assumed to be constrained by a zero-lower bound. Group's figures are estimated from entities that bear significant interest rate risk: AS Citadele banka, Kaleido Privatbank AG and the Group's leasing and factoring companies (2021: AS Citadele banka and Kaleido Privatbank AG).

31/12/2022, EUR thousands						
Total for all currencies		EUR only		USD only		
Profit / (loss) before taxation	Securities fair value revaluation reserve	Profit / (loss) before taxation	Securities fair value revaluation reserve	Profit / (loss) before taxation	Securities fair value revaluation reserve	
Bank						
+100 basis points scenario	2,309	(4,930)	2,298	(3,304)	121	(1,366)
-100 basis points scenario	(12,069)	5,342	(11,640)	3,558	(540)	1,503
Group						
+100 basis points scenario	6,219	(4,961)	6,191	(3,323)	158	(1,377)
-100 basis points scenario	(16,171)	5,374	(15,646)	3,579	(655)	1,514

31/12/2021, EUR thousands						
Total for all currencies		EUR only		USD only		
Profit / (loss) before taxation	Securities fair value revaluation reserve	Profit / (loss) before taxation	Securities fair value revaluation reserve	Profit / (loss) before taxation	Securities fair value revaluation reserve	
Bank						
+100 basis points scenario	1,726	(8,219)	1,653	(6,360)	79	(1,425)
-100 basis points scenario	3,556	8,645	3,934	6,669	(384)	1,513
Group						
+100 basis points scenario	5,119	(9,179)	5,093	(6,853)	21	(1,887)
-100 basis points scenario	4,082	9,629	4,548	7,176	(460)	1,987

Currency risk

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

Currency risk management in the Group is carried out in accordance with Currency Risk Management Policy and limits set in the Group's Risk Appetite Framework and Risk Strategy. FMCRC oversees and assess currency risk level within the Group, monitors compliance and the fulfilment of the limits, and sets limits for individual dealing desks within the overall risk limits. The decisions of the FMCRC are approved by the Bank's Management Board.

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

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

In the event of exchange rates for the following currencies in which the Group and the Bank has net open positions adversely change as per scenario below, the potential total decrease in the Group's and Bank's total equity (ignoring any tax effect) would amount approximately to the following:

	Group, EUR thousands					
	31/12/2022			31/12/2021		
Scenario:	USD	CHF	Other currencies	USD	CHF	Other currencies
2% adverse change	2	73	6	11	20	10
5% adverse change	6	182	16	28	51	24

Bank, EUR thousands

Scenario:	31/12/2022			31/12/2021		
	USD	CHF	Other currencies	USD	CHF	Other currencies
2% adverse change	9	-	1	1	1	1
5% adverse change	24	-	3	2	2	3

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

	Group as of 31/12/2022, EUR thousands					
	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	531,706	324	-	-	-	532,030
Loans to credit institutions	14,074	30,410	33	140	3,784	48,441
Debt securities	1,524,702	54,649	-	10,665	2,587	1,592,603
Loans to public	2,957,494	8,939	-	-	45	2,966,478
Equity instruments	100	929	-	-	-	1,029
Other financial instruments	21,331	6,824	-	318	-	28,473
Derivatives	1,285	-	-	-	-	1,285
Discontinued operations	55,265	66,832	40,188	2,318	1,425	166,028
Other assets	66,980	179	-	-	753	67,912
Total assets	5,172,937	169,086	40,221	13,441	8,594	5,404,279
Liabilities						
Deposits from credit institutions and central banks	463,863	8	211	2,047	3,607	469,736
Deposits and borrowings from customers	3,664,875	277,787	2,894	20,572	14,133	3,980,261
Debt securities issued	259,225	-	-	-	-	259,225
Derivatives	7,650	-	-	-	-	7,650
Discontinued operations	54,809	81,673	18,773	2,319	1,425	158,999
Other liabilities	104,015	174	-	-	1	104,190
Total liabilities	4,554,437	359,642	21,878	24,938	19,166	4,980,061
Equity	428,928	(4,066)	(25)	(583)	(36)	424,218
Total liabilities and equity	4,983,365	355,576	21,853	24,355	19,130	5,404,279
Net balance sheet position	189,572	(186,490)	18,368	(10,914)	(10,536)	-
Net off-balance sheet foreign exchange contracts	(191,369)	186,378	(22,007)	11,235	10,528	(5,235)
Net long/ (short) total position	(1,797)	(112)	(3,639)	321	(8)	(5,235)

	Group as of 31/12/2021, EUR thousands					
	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	359,896	1,303	9,399	61	366	371,025
Loans to credit institutions	21,217	33,464	188	330	3,543	58,742
Debt securities	1,669,674	101,770	11,227	16,226	2,823	1,801,720
Loans to public	2,682,943	12,830	5,726	-	10	2,701,509
Equity instruments	203	1,076	-	-	-	1,279
Other financial instruments	33,719	7,899	-	414	-	42,032
Derivatives	4,303	-	-	-	-	4,303
Other assets	70,816	162	2,411	-	562	73,951
Total assets	4,842,771	158,504	28,951	17,031	7,304	5,054,561
Liabilities						
Deposits from credit institutions and central banks	475,815	115	-	46	3,259	479,235
Deposits and borrowings from customers	3,450,918	304,822	12,547	19,392	26,184	3,813,863
Debt securities issued	258,895	-	-	-	-	258,895
Derivatives	739	-	-	-	-	739
Other liabilities	100,736	25	3,991	-	2	104,754
Total liabilities	4,287,103	304,962	16,538	19,438	29,445	4,657,486
Equity	397,845	(752)	29	(33)	(14)	397,075
Total liabilities and equity	4,684,948	304,210	16,567	19,405	29,431	5,054,561
Net balance sheet position	157,823	(145,706)	12,384	(2,374)	(22,127)	-
Net off-balance sheet foreign exchange contracts	(155,050)	145,137	(11,370)	2,915	22,063	3,695
Net long/ (short) total position	2,773	(569)	1,014	541	(64)	3,695

Bank as of 31/12/2022, EUR thousands						
	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	531,706	324	-	-	-	532,030
Loans to credit institutions	7,677	30,410	33	140	3,784	42,044
Debt securities	1,482,401	54,649	-	10,665	2,586	1,550,301
Loans to public	2,871,171	8,930	-	-	-	2,880,101
Equity instruments	100	929	-	-	-	1,029
Other financial instruments	1,101	-	-	-	-	1,101
Derivatives	1,285	-	-	-	-	1,285
Other assets	97,269	136	13,805	-	752	111,962
Total assets	4,992,710	95,378	13,838	10,805	7,122	5,119,853
Liabilities						
Deposits from credit institutions and central banks	463,920	3,610	215	2,047	3,607	473,399
Deposits and borrowings from customers	3,665,415	270,305	2,893	20,574	14,133	3,973,320
Debt securities issued	259,225	-	-	-	-	259,225
Derivatives	7,650	-	-	-	-	7,650
Other liabilities	32,870	178	5	-	1	33,054
Total liabilities	4,429,080	274,093	3,113	22,621	17,741	4,746,648
Equity	376,920	(3,095)	-	(584)	(36)	373,205
Total liabilities and equity	4,806,000	270,998	3,113	22,037	17,705	5,119,853
Net balance sheet position	186,710	(175,620)	10,725	(11,232)	(10,583)	-
Net off-balance sheet foreign exchange contracts	(191,369)	175,148	(10,728)	11,235	10,527	(5,187)
Net long/ (short) total position	(4,659)	(472)	(3)	3	(56)	(5,187)

Bank as of 31/12/2021, EUR thousands						
	EUR	USD	CHF	GBP	Other	Total
Assets						
Cash and cash balances at central banks	359,896	1,303	-	61	366	361,626
Loans to credit institutions	5,694	28,332	81	67	1,519	35,693
Debt securities	1,566,334	68,968	-	14,322	2,684	1,652,308
Loans to public	2,596,929	12,784	-	-	-	2,609,713
Equity instruments	203	1,076	-	-	-	1,279
Other financial instruments	7,400	-	-	-	-	7,400
Derivatives	4,303	-	-	-	-	4,303
Other assets	113,099	109	13,805	-	561	127,574
Total assets	4,653,858	112,572	13,886	14,450	5,130	4,799,896
Liabilities						
Deposits from credit institutions and central banks	477,354	18,805	2	48	3,419	499,628
Deposits and borrowings from customers	3,382,385	239,379	2,553	17,342	23,865	3,665,524
Debt securities issued	258,895	-	-	-	-	258,895
Derivatives	739	-	-	-	-	739
Other liabilities	29,504	40	-	-	3	29,547
Total liabilities	4,148,877	258,224	2,555	17,390	27,287	4,454,333
Equity	346,170	(557)	-	(35)	(15)	345,563
Total liabilities and equity	4,495,047	257,667	2,555	17,355	27,272	4,799,896
Net balance sheet position	158,811	(145,095)	11,331	(2,905)	(22,142)	-
Net off-balance sheet foreign exchange contracts	(155,050)	145,137	(11,370)	2,915	22,063	3,695
Net long/ (short) total position	3,761	42	(39)	10	(79)	3,695

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

Liquidity risk

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

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

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

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

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

Liquidity coverage ratio

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

EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank
1. Liquidity buffer	1,304,068	1,255,477	1,256,246
2. Net liquidity outflow	742,186	635,011	777,402
3. Liquidity coverage ratio	176%	198%	162%

Net stable funding ratio (including net result for the period)

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

EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank
1. Total available stable funding	3,783,818	3,872,201	3,739,699
2. Total required stable funding	2,844,055	2,849,583	1,925,681
3. Net stable funding ratio	133%	136%	194%

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

Group as of 31/12/2022, EUR thousands						
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated
Assets						
Cash and cash balances at central banks	532,030	-	-	-	-	-
Loans to credit institutions	25,384	23,057	-	-	-	-
Debt securities	21,111	14,382	325,615	141,591	695,139	394,765
Loans to public	142,133	109,438	189,547	323,559	1,563,903	637,898
Equity instruments	-	-	-	-	-	1,029
Other financial instruments	-	-	-	-	-	28,473
Derivatives	960	325	-	-	-	-
Discontinued operations	34,268	21,724	11,061	20,249	69,321	9,405
Other assets	35,025	553	114	172	1,029	31,019
Total assets	790,911	169,479	526,337	485,571	2,329,392	1,102,589
Liabilities						
Deposits from credit institutions and central banks	736	-	430,000	-	39,000	-
Deposits and borrowings from customers	2,848,636	206,199	281,831	595,524	38,813	9,258
Debt securities issued	-	-	188	356	218,681	40,000
Derivatives	1,958	1,017	4,675	-	-	-
Lease liabilities	275	540	798	1,570	2,950	-
Discontinued operations	156,817	45	68	136	315	1,618
Other liabilities	43,746	3,800	1,933	5,329	34,001	9,248
Total liabilities	3,052,168	211,601	719,493	602,915	333,760	60,124
Equity	-	-	-	-	-	424,218
Total liabilities and equity	3,052,168	211,601	719,493	602,915	333,760	484,342
Net balance sheet position – long/ (short)	(2,261,257)	(42,122)	(193,156)	(117,344)	1,995,632	618,247
Off-balance sheet items						
Contingent liabilities	50,407	-	-	-	-	-
Financial commitments	306,690	-	-	-	-	-

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

Financial liabilities by contractual undiscounted cash flows

Group as of 31/12/2022, EUR thousands						
	Within 1 month	2-3 months	4-6 months	7-12 months	Over 1 year	Carrying amount
Financial liabilities designated at fair value through profit or loss	233	34	1,916	1,899	21,197	25,279
Financial liabilities measured at amortised cost*	2,849,475	206,893	712,378	600,653	357,736	4,727,135
Off-balance sheet items						
Contingent liabilities	50,407	-	-	-	-	50,407
Financial commitments	306,690	-	-	-	-	306,690

* Includes Deposits from credit institutions and central banks, part of Deposits and borrowings from customers, Debt securities issued and Lease liabilities. Undiscounted contractual cash flows for other liabilities equal their carrying value.

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

Group as of 31/12/2021, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	331,083	-	-	-	-	39,942	371,025
Loans to credit institutions	36,759	21,983	-	-	-	-	58,742
Debt securities	22,052	143,055	29,816	83,809	1,095,724	427,264	1,801,720
Loans to public	94,118	131,991	142,953	300,034	1,395,216	637,197	2,701,509
Equity instruments	-	-	-	-	-	1,279	1,279
Other financial instruments	-	-	-	-	-	42,032	42,032
Derivatives	735	2,026	6	1,536	-	-	4,303
Other assets	26,268	514	211	1,979	2,741	42,238	73,951
Total assets	511,015	299,569	172,986	387,358	2,493,681	1,189,952	5,054,561
Liabilities							
Deposits from credit institutions and central banks	3,425	-	-	-	475,810	-	479,235
Deposits and borrowings from customers	3,535,407	58,558	30,108	128,875	51,452	9,463	3,813,863
Debt securities issued	-	-	-	-	-	258,895	258,895
Derivatives	477	207	55	-	-	-	739
Lease liabilities	258	506	737	1,461	4,652	-	7,614
Other liabilities	19,933	2,705	2,524	5,855	37,089	29,034	97,140
Total liabilities	3,559,500	61,976	33,424	136,191	569,003	297,392	4,657,486
Equity	-	-	-	-	-	397,075	397,075
Total liabilities and equity	3,559,500	61,976	33,424	136,191	569,003	694,467	5,054,561
Net balance sheet position – long/ (short)	(3,048,485)	237,593	139,562	251,167	1,924,678	495,485	-
Off-balance sheet items							
Contingent liabilities	34,265	-	-	-	-	-	34,265
Financial commitments	387,943	-	-	-	-	-	387,943

Financial liabilities by contractual undiscounted cash flows

Group as of 31/12/2021, EUR thousands						
	Within 1 month	2-3 months	4-6 months	7-12 months	Over 1 year	Carrying amount
Financial liabilities designated at fair value through profit or loss	402	6,691	3,072	6,443	23,150	39,758
Financial liabilities measured at amortised cost*	3,538,752	52,418	29,226	128,677	810,574	4,559,647
Off-balance sheet items						
Contingent liabilities	34,265	-	-	-	-	34,265
Financial commitments	387,943	-	-	-	-	387,943

* Includes Deposits from credit institutions and central banks, part of Deposits and borrowings from customers, Debt securities issued and Lease liabilities. Undiscounted contractual cash flows for other liabilities equal their carrying value.

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

Bank as of 31/12/2022, EUR thousands

	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	532,030	-	-	-	-	-	532,030
Loans to credit institutions	18,987	23,057	-	-	-	-	42,044
Debt securities	20,818	13,285	322,544	140,263	666,737	386,654	1,550,301
Loans to public	80,218	1,113,464	73,044	168,398	826,793	618,184	2,880,101
Equity instruments	-	-	-	-	-	1,029	1,029
Other financial instruments	-	-	-	-	-	1,101	1,101
Derivatives	960	325	-	-	-	-	1,285
Other assets	30,680	-	-	-	-	81,282	111,962
Total assets	683,693	1,150,131	395,588	308,661	1,493,530	1,088,250	5,119,853
Liabilities							
Deposits from credit institutions and central banks	4,399	-	430,000	-	39,000	-	473,399
Deposits and borrowings from customers	2,865,099	206,165	279,914	593,624	24,644	3,874	3,973,320
Debt securities issued	-	-	188	356	218,681	40,000	259,225
Derivatives	1,958	1,017	4,675	-	-	-	7,650
Lease liabilities	269	525	777	1,526	2,817	-	5,914
Other liabilities	22,303	-	-	-	-	4,837	27,140
Total liabilities	2,894,028	207,707	715,554	595,506	285,142	48,711	4,746,648
Equity	-	-	-	-	-	373,205	373,205
Total liabilities and equity	2,894,028	207,707	715,554	595,506	285,142	421,916	5,119,853
Net balance sheet position – long/ (short)	(2,210,335)	942,424	(319,966)	(286,845)	1,208,388	666,334	-
Off-balance sheet items							
Contingent liabilities	60,936	-	-	-	-	-	60,936
Financial commitments	322,211	-	-	-	-	-	322,211

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

Financial liabilities by contractual undiscounted cash flows

Bank as of 31/12/2022, EUR thousands

	Within 1 month	2-3 months	4-6 months	7-12 months	Over 1 year	Total	Carrying amount
Financial liabilities measured at amortised cost*	2,869,828	206,879	712,356	600,609	359,204	4,748,876	4,711,858
Off-balance sheet items							
Contingent liabilities	60,936	-	-	-	-	60,936	60,936
Financial commitments	322,211	-	-	-	-	322,211	322,211

* Includes Deposits from credit institutions and central banks, Deposits and borrowings from customers, Debt securities issued and Lease liabilities. Undiscounted contractual cash flows for other liabilities equal their carrying value.

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

Bank as of 31/12/2021, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years and undated	Total
Assets							
Cash and cash balances at central banks	321,684	-	-	-	-	39,942	361,626
Loans to credit institutions	13,710	21,983	-	-	-	-	35,693
Debt securities	22,052	139,791	25,086	76,242	980,477	408,660	1,652,308
Loans to public	36,941	1,019,053	64,226	155,930	722,177	611,386	2,609,713
Equity instruments	-	-	-	-	-	1,279	1,279
Other financial instruments	-	-	-	-	-	7,400	7,400
Derivatives	735	2,026	6	1,536	-	-	4,303
Other assets	21,452	1	1	17	5	106,098	127,574
Total assets	416,574	1,182,854	89,319	233,725	1,702,659	1,174,765	4,799,896
Liabilities							
Deposits from credit institutions and central banks	14,919	1,943	6,956	-	475,810	-	499,628
Deposits and borrowings from customers	3,424,234	51,867	27,036	122,432	36,521	3,434	3,665,524
Debt securities issued	-	-	-	-	-	258,895	258,895
Derivatives	477	207	55	-	-	-	739
Lease liabilities	258	506	737	1,461	3,567	-	6,529
Other liabilities	2,218	-	-	-	-	20,800	23,018
Total liabilities	3,442,106	54,523	34,784	123,893	515,898	283,129	4,454,333
Equity	-	-	-	-	-	345,563	345,563
Total liabilities and equity	3,442,106	54,523	34,784	123,893	515,898	628,692	4,799,896
Net balance sheet position – long/ (short)	(3,025,532)	1,128,331	54,535	109,832	1,186,761	546,073	-
Off-balance sheet items							
Contingent liabilities	38,863	-	-	-	-	-	38,863
Financial commitments	431,065	-	-	-	-	-	431,065

Financial liabilities by contractual undiscounted cash flows

Bank as of 31/12/2021, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	Over 1 year	Total	Carrying amount
Financial liabilities measured at amortised cost*	3,439,447	54,325	36,097	128,506	811,986	4,470,361	4,430,576
Off-balance sheet items							
Contingent liabilities	38,863	-	-	-	-	38,863	38,863
Financial commitments	431,065	-	-	-	-	431,065	431,065

* Includes Deposits from credit institutions and central banks, Deposits and borrowings from customers, Debt securities issued and Lease liabilities. Undiscounted contractual cash flows for other liabilities equal their carrying value.

Change in lease liabilities

EUR thousands			
	2022 Group	2021 Group	2021 Bank
Opening balance	7,614	8,769	6,529
New lease liabilities recognised	2,854	2,740	2,839
Amortisation of existing lease liabilities and derecognition	(3,749)	(3,895)	(3,454)
Transfer to discontinued operations	(586)	-	-
Implied interest expense calculated	43	64	38
Settlement of implied interest expense	(43)	(64)	(38)
Closing balance	6,133	7,614	5,914

Derivative liabilities settled on a net basis and contractual undiscounted cash flows arising from derivatives settled on a gross basis

Group as of 31/12/2022, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	(517)	(442)	-	-	-	-	(959)
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
Outflow	(40,415)	(52,257)	(74,364)	-	-	-	(167,036)
Inflow	39,679	51,934	70,692	-	-	-	162,305

Group as of 31/12/2021, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	(86)	(66)	2	-	-	-	(150)
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
Outflow	(38,959)	(127,753)	(1,433)	(47,133)	-	-	(215,278)
Inflow	39,303	129,651	1,380	48,770	-	-	219,104
Bank as of 31/12/2022, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	(517)	(442)	-	-	-	-	(959)
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
Outflow	(40,415)	(52,257)	(74,364)	-	-	-	(167,036)
Inflow	39,679	51,934	70,692	-	-	-	162,305
Bank as of 31/12/2021, EUR thousands							
	Within 1 month	2-3 months	4-6 months	7-12 months	2-5 years	Over 5 years	Total
Derivatives settled on a net basis							
Foreign exchange derivatives	(86)	(66)	2	-	-	-	(150)
Derivatives settled on a gross basis							
Foreign exchange derivatives:							
Outflow	(38,959)	(127,753)	(1,433)	(47,133)	-	-	(215,278)
Inflow	39,303	129,651	1,380	48,770	-	-	219,104

Comparison of contractual undiscounted cash flows and carrying amount of derivatives

EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank
Contractual undiscounted cash flows of derivatives	(5,690)	3,676	(5,690)
Carrying value of derivatives, net	(6,365)	3,564	(6,365)

Anti-money laundering, counter terrorism financing, counter proliferation financing and sanctions compliance policy

The Group has adopted Money Laundering, Terrorism and Proliferation Financing (ML/TF/PF) Risk Management Strategy, Anti-Money Laundering and Counter Terrorism and Proliferation Financing (AML/CTF/CPF) Policy and Sanctions Compliance Policy to have an effective and comprehensive AML/CTF/CPF internal control system and to ensure compliance with sanctions imposed by international organizations and national authorities. The Group regularly reviews its AML/CTF/CPF and Sanctions Compliance policies and procedures with an aim to strengthen them and to update in line with changes in regulatory requirements and considering international best practice. Internal control system of AML/CTF/CPF and Sanctions Compliance of the Group is regularly reviewed by independent external and internal experts to ensure that the Group complies with applicable AML/CTF/CPF and Sanctions Compliance requirements. The experts where appropriate provide recommendations on how to strengthen and improve AML/CTF/CPF and Sanctions Compliance internal control system. The recommendations are diligently evaluated and implemented by the Group.

The Group performs enterprise-wide ML/TF/PF and Sanctions Risk Assessment on a regular basis to evaluate ML/TF/PF and Sanctions risks of the Group. The risk assessment includes identification and assessment of inherent ML/TF/PF and Sanctions risks and effectiveness assessment of the existing AML/CTF/CPF and Sanctions compliance controls.

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

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

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

In 2022 Lithuanian branch of the Bank had an AML and sanctions compliance audit by Bank of Lithuania. The fieldwork of the regulatory audit has been completed; final findings report is being awaited as of publishing these financial statements.

Capital management

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

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

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

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

Citadele, being identified as "other systemically important institution" (O-SII), as of period end must also comply with the O-SII capital buffer requirement set by the supervisory authority at 1.50%. From 1 January 2023 O-SII applicable to Citadele is set to increase to 1.75%.

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

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

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

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

Regulatory capital requirements of the Group on 31 December 2022

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Pillar 2 additional own funds requirement (individually determined by the supervisory authority in the SREP, P2R)	1.41%	1.88%	2.50%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.50%	1.50%	1.50%
Systemic risk buffer	0.06%	0.06%	0.06%
Countercyclical capital buffer	0.15%	0.15%	0.15%
Capital requirement	10.12%	12.09%	14.71%
Pillar 2 Guidance (P2G)	1.50%	1.50%	1.50%
Non-legally binding capital requirement with Pillar 2 Guidance	11.62%	13.59%	16.21%

As of the period end capital and capital buffer requirements for the Bank and the Group, except for the Systemic risk buffer at 0.09% and Countercyclical capital buffer at 0.12%, are the same.

Capital adequacy ratio (including net result for the period)

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Common equity Tier 1 capital				
Paid up capital instruments and share premium	157,702	157,127	157,702	157,127
Retained earnings	273,080	230,786	228,898	186,548
Regulatory deductions	(26,588)	(8,255)	(23,669)	(6,290)
Other capital components and transitional adjustments, net	4,364	9,634	1,528	5,173
Tier 2 capital				
Eligible part of subordinated liabilities	59,595	60,000	59,595	60,000
Total own funds	468,153	449,292	424,054	402,558
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2,080,113	2,164,268	1,404,459	2,174,244
Total exposure amounts for position, foreign currency open position and commodities risk	9,944	10,916	9,494	10,916
Total exposure amounts for operational risk	237,799	206,624	191,884	162,314
Total exposure amounts for credit valuation adjustment	1,570	4,592	1,508	4,592
Total risk exposure amount	2,329,426	2,386,400	1,607,345	2,352,066
Common equity Tier 1 capital ratio	17.5%	16.3%	22.7%	14.6%
Total capital adequacy ratio	20.1%	18.8%	26.4%	17.1%

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

Total risk exposure amount of the Bank has decreased substantially in 2022 as a result of receiving approval of the supervisory authority to apply 0% risk weight to certain exposures with subsidiaries.

Transitional adjustments applied as of 31 December 2022

Capital adequacy calculation in accordance with the EU and the FCMC regulations permits transitional adjustments. The regulatory compliance is measured based on the transitional capital adequacy ratio. For transparency purposes the fully loaded capital adequacy ratio (i.e., excluding transitional adjustments) is also disclosed. The expectation is that from 2023 the transitional capital adequacy ratio will converge with the fully loaded capital adequacy ratio, as the transitional provisions expire at the end of 2022.

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

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

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

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

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

	EUR thousands			
	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
Common equity Tier 1 capital, fully loaded	407,095	386,366	362,932	339,503
Tier 2 capital	59,595	60,000	59,595	60,000
Total own funds, fully loaded	466,690	446,366	422,527	399,503
Total risk exposure amount, fully loaded	2,328,275	2,383,981	1,606,107	2,349,379
Common equity Tier 1 capital ratio, fully loaded	17.5%	16.2%	22.6%	14.5%
Total capital adequacy ratio, fully loaded	20.0%	18.7%	26.3%	17.0%

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

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

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

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

The European Commission has adopted the regulatory technical standards (RTS) on the criteria for determining the minimum requirement for own funds and eligible liabilities (MREL) under the Banking Package (CRR2/CRD5/BRRD2/SRMFR2). In order to ensure the effectiveness of bail-in and other resolution tools introduced by BRRD 2, it requires that all institutions must meet an individual MREL requirement. The MREL requirement for each institution is comprised of several elements, including the required loss absorbing capacity of the institution, and the level of recapitalisation needed to implement the preferred resolution strategy identified during the resolution planning process. Items eligible for inclusion in MREL include institution's own funds (within the meaning of the capital requirements directive), along with eligible liabilities subject to conditions set in regulation 2019/876.

MREL is required to be calculated based on both total risk exposure amount (TREA) and leverage ratio exposure (LRE) amount. Statutory subordination requirements are set depending on the Group's classification and are communicated individually in a MREL decision.

SRB has determined the consolidated intermediate MREL target for Citadele Group at the level of 18.03% of TREA or 5.18% of LRE, whichever is higher, to be met by 1 January 2022 and the updated calibrated MREL target to be met by 1 January 2024 at the level of 23.70% of TREA or 5.91% of LRE, whichever is higher. After the transition period the Group shall comply with MREL at all times on the basis of evolving amounts of TREA/LRE. As of period end, the Group is in compliance with both TREA and LRE based intermediate MREL requirements.

The MREL targets were determined by the SRB using the financial and supervisory information as of 31 December 2021 and is expected to be updated by the SRB annually based on more recent financial information of the Group.

Operational risk

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

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

The goal of the Group's operational risk management framework is to maintain low level of risk while ensuring that any residual risk is economically justified in light of the need to sustain the Group's performance and profit in the long term.

The Group aims to avoid operational risks with a potential impact which exceeds 1 bp of CET1 capital and has a higher probability of occurrence than once per five years, or risks with unquantifiable impact which are unmanageable, irrespective of the financial gains this could bring. Each accepted risk must be economically justified and, in cases where the assessment of operational risk in monetary terms is possible, the costs of the control measures required must be commensurate with the eventual loss that could be prevented by the existence of the control system.

The Group applies following approaches for operational risk management:

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

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

NOTE 36. EVENTS AFTER THE REPORTING DATE***Partial repayment of TLTRO-III borrowing***

In January 2023 EUR 100 million and in February 2023 EUR 80 million of the TLTRO-III borrowing outstaying was repaid before maturity.

Share capital increase of Swiss subsidiary

In February 2023 the management of the Bank has decided to increase share capital of Swiss subsidiary Kaleido Privatbank AG by CHF 5.0 million. The capital increase is expected to strengthen capital position of the subsidiary. The subsidiary is classified as discontinued operations held for sale.



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Independent Auditors' Report

To the shareholders of AS "Citadele banka"

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of AS "Citadele banka" ("the Bank") and accompanying consolidated financial statements of the Bank and its subsidiaries ("the Group") set out on pages 18 to 78 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated balance sheet as at 31 December 2022,
- the separate and consolidated statement of income for the year then ended,
- the separate and consolidated statement of comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Bank and the Group, respectively, as at 31 December 2022, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Separate and Consolidated Financial Statements* section of our report.

We are independent of the Bank and Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of loans to public, and provisions for off-balance sheet items (separate and consolidated financial statements)

Key audit matter		Our response
<u>Group's consolidated financial statements</u>		Our audit procedures included, among others:
mEUR (Balance sheet)	31/12/2022	With respect to the Impairment of loans to public, and provisions for off-balance sheet items in general:
Gross loans to public	3 073.0	<ul style="list-style-type: none"> — inspecting the Group's expected credit losses ("ECL") impairment provisioning methodology and assessing its compliance with the relevant requirements of IFRS 9; — assessing and testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of credit exposures, including, but not limited to, those over loan risk monitoring, identification of loss events, and the calculation of the impairment loss allowances; — assessing whether the definition of default and the staging criteria were consistently applied and in line with the requirements of IFRS 9; — making relevant inquiries of the Bank's risk management and information technology (IT) personnel in order to obtain an understanding of the impairment allowances and provisioning process, IT applications used therein, key data sources and assumptions used in the ECL model. Assessing and testing the Bank's IT control environment for data security and access, assisted by our own IT specialists.
Impairment allowance	(106.5)	
Off-balance sheet items	357.1	
Provisions	(4.8)	
mEUR (Income statement)	2022	
Impairment losses	(24.8)	We involved our own financial risk modelling and IT specialists in the following:
Provisions charge	(1.0)	
<u>Bank's separate financial statements</u>		
mEUR (Balance sheet)	31/12/2022	
Gross loans to public	2 968.2	
Impairment allowance	(88.1)	
Off-balance sheet items	383.1	
Provisions	(4.8)	
mEUR (Income statement)	2022	
Impairment losses	(27.2)	<ul style="list-style-type: none"> — testing the underlying significant impairment models and assessing the reasonableness of changes and updates introduced during the reporting period;
Provisions charge	(1.0)	
For accounting policies and other disclosures refer to the financial		

information: Note 3 (j), (p), (z) and (ff), Notes 11, 16, 28.

Impairment allowances and provisions represent the Management Board's best estimate of the expected credit losses within the loans to public and off-balance sheet items at the reporting date. We focused on this area as the determination of impairment loss allowances and provisions requires significant judgments from the Management Board over both the timing of recognition and the specific amounts, especially considering the current uncertain economic environment within which the Bank and the Group operates.

In accordance with IFRS 9, the Bank and the Group calculates impairment allowances and provisions for off-balance sheet items based on expected credit losses ("ECLs"). ECLs are determined by the modelling techniques and estimated mainly based on the historical pattern of losses and changes in loan risk characteristics based on qualitative and quantitative indicators such as the probability of default ("PD") and loss given default ("LGD"). The Bank and the Group incorporates forward looking information into modelling techniques applied and as well applies post-model adjustments, where it is deemed appropriate.

Individual impairment allowances recognized by the Bank and the Group often relate to large, individually monitored, corporate exposures, where the Bank and the Group is assessing ECLs on an individual basis. The assessment is therefore based on the knowledge about each individual borrower and often on estimation of the fair value of the related collateral.

Accordingly, the most significant areas of estimation uncertainty and judgements associated with

- evaluating the appropriateness of the Bank's and the Group's IFRS 9 impairment methodologies;
- reperforming and inspecting model code for the calculation of certain components of the ECL model;
- evaluating whether the changes were appropriate by assessing the updated model methodology;
- assessing reasonableness of the models' predictions by comparing the outcomes for preceding reporting period against actual results and evaluating significant discrepancies if any.

For loans assessed on an individual basis:

- selecting a sample of individual exposures, with focus on those with the greatest potential impact on the financial information due to their magnitude and risk characteristics like restructurings, as well as lower value items which we independently assessed as high-risk;
- for non-credit impaired exposures, for which the credit risk has not significantly increased since the initial recognition ("stage 1") and non-credit impaired exposures, for which the credit risk has significantly increased since the initial recognition ("stage 2"), within the sample selected, critically assessing the existence of any evidence of credit-impairment as at 31 December 2022, by reference to the underlying documentation and through discussion with the Management Board and credit risk personnel and taking into consideration business operations of the respective customers as well as market conditions and historical repayment pattern;
- for stage 3 (credit impaired) exposures in our sample, challenging key assumptions applied in the Bank's and the Group's estimates of future cash flows. We sought the Management Board's and credit risk personnel's explanations for any material discrepancies identified as a result of the above procedures.

For loans to public where impairment allowances and off-balance sheet provisions are based on modelled expected credit losses:

- testing the underlying impairment models, assessed as significant, including model approval processes, including the calculation of main risk parameters (probability of default (PD), loss given default (LGD) and exposure at default (EAD)) and macroeconomic factors;
- obtaining the relevant forward looking information and macroeconomic forecasts used in the Bank's and the Group's ECL assessment. Independently assessing the information by means of corroborating inquiries of the

recognition of impairment allowances for loans to public and provisions for off-balance sheet items are:

- assumptions used in the expected credit loss models to assess the credit risk related to the exposure, the expected future cash flows from the customer, probability of a default and potential loss level in case of the default;
- timely identification of exposures with significant increase in credit risk and credit impaired exposures;
- valuation of collateral and assumptions of future cash flows on individually assessed credit-impaired exposures;
- application of unbiased forward-looking information reflecting a range of future economic conditions, determination of economic scenarios to be used and their probability weights;
- quantitative post model adjustments to ECLs applied to address impairment model limitations;
- determining the structure and granularity of disclosures required by relevant IFRSs to properly present the key judgements and material inputs to the IFRS 9 ECL results.

Management Board and through inspection of publicly available information;

- challenging LGD and PD parameters, by assessing historical default levels and by reference to historical realized losses on defaults based on collateral realisation and non-performing loans sales arrangements as well as challenging collateral valuation inputs;
- for a sample of exposures, assessing the appropriateness of the staging;
- for a sample of exposures tested collectively, assessing the application of the measurement models applied and checking that the impairment rates applied complied with those provided for in such models;
- for post model adjustment, considering the size and complexity of economic uncertainties related overlay, in order to assess the reasonableness of the adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data.

In order to assess loss allowances in totality:

- critically assessing the reasonableness of the ECL allowances, including both the share of the gross non-performing exposure in the total gross exposure and the non-performing loans provision coverage;
- evaluating the accuracy and sufficiency of the financial information disclosures.

Reporting on Other Information

The Banks's and Group's management is responsible for the other information. The other information comprises:

- Key figures and events as set out on page 2 of the accompanying separate and consolidated Annual Report,
- the Management Report consisting of Letter from Management, Corporate governance, and Statement on Management Responsibility, as set out on pages 4 to 17 of the accompanying separate and consolidated Annual Report,

- the Other regulatory disclosures, as set out on pages 88 to 90 of the accompanying separate and consolidated Annual Report,
- the Quarterly statements of income and balance sheets of the Group, as set out on page 91 of the accompanying separate and consolidated Annual Report,
- the Statement of Corporate Governance, as set out in a separate statement prepared by management available on the Bank's website www.citadele.lv,
- Sustainability Report, as set out in a separate statement prepared by the Management Board, available on the Bank's website www.citadele.lv.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information* section of our report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Bank and the Group and their environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia – "Regulations on the Preparation of Annual Reports and Annual Consolidated Annual Reports for Banks, Investment Brokerage Firms and Investment Management Companies" ("Regulation No. 113").

Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Financial and Capital Market Commission of the Republic of Latvia – "Regulations on the Preparation of Annual Reports and Annual Consolidated Annual Reports for Banks, Investment Brokerage Firms and Investment Management Companies" ("Regulation No. 113").

In accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information required in section 56.2 third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia.

In our opinion, the Statement of Corporate Governance includes the information required in section 56.2 third paragraph of the 'Financial Instruments Market Law' of the Republic of Latvia.

Furthermore, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to Sustainability report our responsibility is to report whether the Bank and the Group have prepared the Sustainability report and whether the Sustainability report is included in the management Report or prepared as a separate element of the separate and consolidated Annual Report or is included in the consolidated non-financial statement of the Group's ultimate parent company.

We report that the Bank's and Group's Sustainability Report has been prepared and is available on the Bank's website, www.citadele.lv.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRSs as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and Group's financial reporting process.

Auditors' Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by those charged with governance on 9 March 2022 to audit Bank's separate and Group's consolidated financial statements for the year ended 31 December 2022. Our total uninterrupted period of engagement is 10 years, covering the periods ending 31 December 2013 to 31 December 2022.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank and the Group;

- as referred to in the paragraph 37.6 of the 'Law on Audit Services' of the Republic of Latvia we have not provided to the Bank and the Group the prohibited non-audit services (NASs) referred to of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity and group in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Bank and Group in addition to the audit, which have not been disclosed in the Management Report or in the separate and consolidated financial statements of the Bank and the Group.

The responsible certified auditor on the audit resulting in this independent auditors' report is Rainers Vilāns.

Report on the Auditors' Examination of the European Single Electronic Format (ESEF) Report

In addition to our audit of the accompanying consolidated financial statements, as included in the consolidated Annual Report, we have also been engaged by the management of the Group to express an opinion on compliance of the consolidated financial statements prepared in a format that enables uniform electronic reporting ("the ESEF Report") with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "RTS on ESEF").

Responsibilities of Management and Those Charged with Governance for the ESEF Report

Management is responsible for the preparation of the consolidated financial statements in a format that enables uniform electronic reporting that complies with the RTS on ESEF. This responsibility includes:

- the preparation of the consolidated financial statements in the applicable xHTML format;
- the selection and application of appropriate iXBRL tags, using judgment where necessary;
- ensuring consistency between digitised information and the consolidated financial statements presented in human-readable format; and
- the design, implementation and maintenance of internal control relevant to the application of the RTS on ESEF.

Those charged with governance are responsible for overseeing the financial reporting process.

Auditors' Responsibility for the Examination of the ESEF Report

Our responsibility is to express an opinion on whether the ESEF report complies, in all material respects, with the RTS on ESEF, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with *International Standard on Assurance Engagements 3000 (Revised)*, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000)* issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with the RTS on ESEF. The nature, timing and extent of procedures selected depend on the auditor's judgment, including the

assessment of the risks of material departures from the requirements of set out in the RTS on ESEF, whether due to fraud or error. Our procedures included, among other things:

- obtaining an understanding of the tagging process;
- tracing the tagged data to the consolidated financial statements of the Group presented in human-readable format;
- evaluating the completeness of the Group's tagging of the consolidated financial statements;
- evaluating the appropriateness of the Group's use of iXBRL elements selected from the ESEF taxonomy and creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- evaluating the use of anchoring in relation to the extension elements; and
- evaluating the appropriateness of the format of the consolidated financial statements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the ESEF Report of the Group as at and for the year ended 31 December 2022 has been prepared, in all material respects, in accordance with the requirements of the RTS on ESEF.

KPMG Baltics SIA
Licence No. 55

Anders Bäckström
Partner
KPMG Baltics SIA authorised representative
Riga, Latvia

Rainers Vilāns
Latvian Sworn Auditor
Certificate No. 200

The Auditors' report is signed with a secure electronic signature, which contains a timestamp, the date of signing the Auditors' report is the date of the last attached secure electronic signature timestamp.

OTHER REGULATORY DISCLOSURES

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

Income Statement, regulatory format

	2022 Group	2021 Group Restated discontinued operations	2022 Bank	2021 Bank
<i>EUR thousands</i>				
1. Interest income	137,456	122,638	115,716	93,458
2. Interest expense	(18,607)	(15,659)	(18,489)	(14,994)
3. Dividend income	29	37	8,713	37
4. Commission and fee income	66,028	57,984	60,381	49,720
5. Commission and fee expense	(28,382)	(23,846)	(27,918)	(23,397)
6. Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(1,492)	412	(1,492)	412
7. Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	(824)	443	783	381
8. Fair value change in the hedge accounting	-	-	-	-
9. Gain or loss from foreign exchange trading and revaluation of open positions	9,583	6,864	9,496	6,821
10. Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11. Other income	9,837	7,583	3,043	4,816
12. Other expense	(6,700)	(5,799)	(4,402)	(3,076)
13. Administrative expense	(82,846)	(76,020)	(70,465)	(64,660)
14. Amortisation and depreciation charge *	(8,729)	(8,120)	(8,309)	(7,616)
15. Gain or loss on modifications in financial asset contractual cash flows	1,336	(932)	1,336	(932)
16. Provisions, net	(1,049)	(1,657)	(954)	(1,747)
17. Impairment charge and reversals, net	(22,723)	42	(25,015)	(9,054)
18. Negative goodwill recognised in profit or loss	-	-	-	-
19. Share of the profit or loss of investments in subsidiaries, joint ventures and associates accounted for using the equity method	(89)	5	(89)	5
20. Profit or loss from non-current assets and disposal groups classified as held for sale	(4,205)	(7,365)	286	(213)
21. Profit before taxation	48,623	56,610	42,621	29,961
22. Corporate income tax	(2,318)	(1,565)	(438)	(318)
23. Net profit / loss for the period	46,305	55,045	42,183	29,643
24. Other comprehensive income for the period	(20,687)	(3,372)	(16,067)	(2,770)

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

Balance Sheet, regulatory format

	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
<i>EUR thousands</i>				
1. Cash and demand balances with central banks	532,030	371,025	532,030	361,626
2. Demand deposits due from credit institutions	25,382	36,743	18,985	13,710
3. Financial assets designated at fair value through profit or loss	30,687	47,410	3,315	12,778
3.1. Including loans to public and credit institutions	-	-	-	-
4. Financial assets at fair value through other comprehensive income	222,623	340,905	180,321	233,370
5. Financial assets at amortised cost	4,359,617	4,184,527	4,273,240	4,050,838
5.1. Including loans to public and credit institutions	2,989,537	2,723,508	2,903,160	2,631,696
6. Derivatives – hedge accounting	-	-	-	-
7. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
8. Investments in subsidiaries, joint ventures and associates	190	279	47,770	77,087
9. Tangible assets	15,730	20,444	10,321	11,496
10. Intangible assets	8,162	8,562	6,069	6,083
11. Tax assets	4,300	4,603	3,295	3,050
12. Other assets	39,530	39,117	30,680	28,912
13. Non-current assets and disposal groups classified as held for sale	166,028	946	13,827	946
14. Total assets (1.+.....+13.)	5,404,279	5,054,561	5,119,853	4,799,896
15. Due to central banks	463,802	475,816	463,803	475,816
16. Demand liabilities to credit institutions	5,934	3,419	6,014	11,664
17. Financial liabilities designated at fair value through profit or loss	32,890	40,485	7,650	739
17.1 Including deposits from customers and credit institutions	20,890	39,745	-	-
18. Financial liabilities measured at amortised cost	4,214,246	4,033,012	4,236,127	3,936,567
18.1 Including deposits from customers and credit institutions	3,955,021	3,774,117	3,976,902	3,677,672
19. Derivatives – hedge accounting	-	-	-	-
20. Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21. Provisions	4,920	3,934	4,838	3,882
22. Tax liabilities	1,579	573	33	189
23. Other liabilities	97,691	100,247	28,183	25,476

24. Liabilities included in disposal groups classified as held for sale	158,999	-	-	-
25. Total liabilities (15.+...+24.)	4,980,061	4,657,486	4,746,648	4,454,333
26. Shareholders' equity	424,218	397,075	373,205	345,563
27. Total liabilities and shareholders' equity (25.+26.)	5,404,279	5,054,561	5,119,853	4,799,896
28. Memorandum items	357,097	422,208	383,147	469,928
29. Contingent liabilities	50,407	34,265	60,936	38,863
30. Financial commitments	306,690	387,943	322,211	431,065

ROE and ROA ratios

	2022 Group	2021 Group	2022 Bank	2021 Bank
Return on equity (ROE) (%)	11.28%	14.85%	11.74%	8.94%
Return on assets (ROA) (%)	0.89%	1.14%	0.85%	0.65%

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

Capital adequacy ratio

EUR thousands

	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
1 Own funds (1.1.+1.2.)	468,153	449,292	424,054	402,558
1.1 Tier 1 capital (1.1.1.+1.1.2.)	408,558	389,292	364,459	342,558
1.1.1 Common equity Tier 1 capital	408,558	389,292	364,459	342,558
1.1.2 Additional Tier 1 capital	-	-	-	-
1.2 Tier 2 capital	59,595	60,000	59,595	60,000
2 Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	2,329,426	2,386,400	1,607,345	2,352,066
2.1 Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	2,080,113	2,164,268	1,404,459	2,174,244
2.2 Total risk exposure amount for settlement/delivery	-	-	-	-
2.3 Total risk exposure amount for position, foreign exchange and commodities risks	9,944	10,916	9,494	10,916
2.4 Total risk exposure amount for operational risk	237,799	206,624	191,884	162,314
2.5 Total risk exposure amount for credit valuation adjustment	1,570	4,592	1,508	4,592
2.6 Total risk exposure amount related to large exposures in the trading book	-	-	-	-
2.7 Other risk exposure amounts	-	-	-	-
3 Capital adequacy ratios				
3.1 Common equity Tier 1 capital ratio (1.1.1./2.*100)	17.5%	16.3%	22.7%	14.6%
3.2 Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	303,734	281,904	292,129	236,715
3.3 Tier 1 capital ratio (1.1./2.*100)	17.5%	16.3%	22.7%	14.6%
3.4 Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	268,793	246,108	268,019	201,434
3.5 Total capital ratio (1./2.*100)	20.1%	18.8%	26.4%	17.1%
3.6 Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	281,799	258,380	295,467	214,393
4 Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)	98,144	95,456	67,696	94,083
4.1 Capital conservation buffer	58,236	59,660	40,184	58,802
4.2 Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3 Institution specific countercyclical buffer	3,494	-	1,929	-
4.4 Systemic risk buffer	1,473	-	1,473	-
4.5 Other systemically important institution buffer	34,941	35,796	24,110	35,281
5 Capital adequacy ratios, including adjustments				
5.1 Impairment or asset value adjustments for capital adequacy ratio purposes	-	-	-	-
5.2 Common equity tier 1 capital ratio including line 5.1 adjustments	17.5%	16.3%	22.7%	14.6%
5.3 Tier 1 capital ratio including line 5.1 adjustments	17.5%	16.3%	22.7%	14.6%
5.4 Total capital ratio including line 5.1 adjustments	20.1%	18.8%	26.4%	17.1%

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

EUR thousands

	31/12/2022 Group	31/12/2021 Group	31/12/2022 Bank	31/12/2021 Bank
1.A Own funds, IFRS 9 transitional provisions not applied	466,690	446,366	422,527	399,503
1.1.A Tier 1 capital, IFRS 9 transitional provisions not applied	407,095	386,366	362,932	339,503
1.1.1. Common equity Tier 1 capital, IFRS 9 transitional provisions not applied	407,095	386,366	362,932	339,503
2.A Total risk exposure amount, IFRS 9 transitional provisions not applied	2,328,275	2,383,981	1,606,107	2,349,379
3.1.A Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	17.5%	16.2%	22.6%	14.5%
3.3.A Tier 1 capital ratio, IFRS 9 transitional provisions not applied	17.5%	16.2%	22.6%	14.5%
3.5.A Total capital ratio, IFRS 9 transitional provisions not applied	20.0%	18.7%	26.3%	17.0%

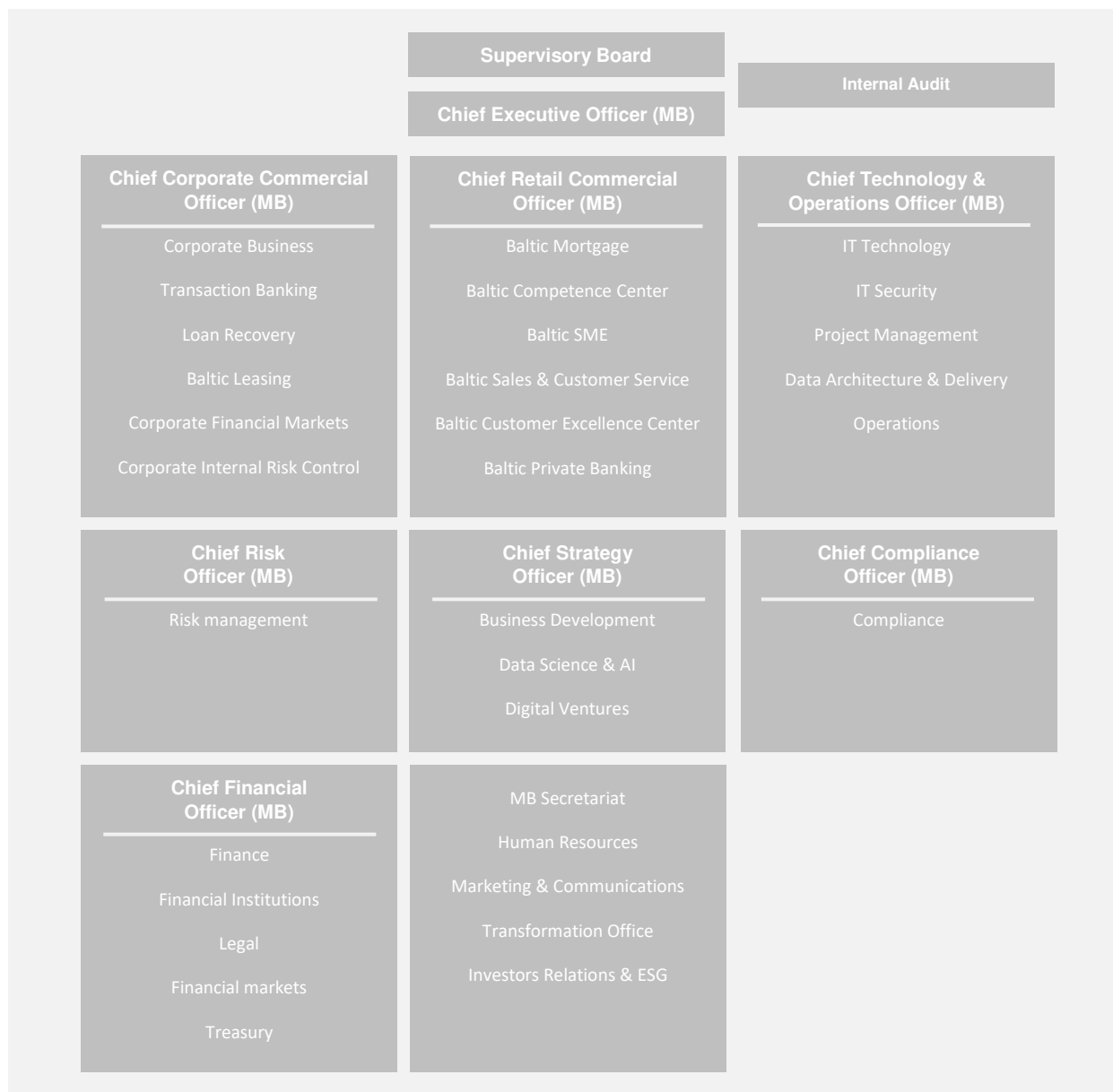
Business Strategy and Objectives

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

Branches

AS Citadele banka has 15 branches and client service centres in Latvia, 1 branch in Estonia and 1 branch in Lithuania as of the period end. AS Citadele banka has no client consultation centres in Latvia. The Lithuanian branch has 6 customer service units in Lithuania. Information about branches, client service centres and ATMs of Citadele is available in the Citadele web page's section ["Branches and ATMs"](#).

Bank's Organizational Structure



QUARTERLY STATEMENTS OF INCOME AND BALANCE SHEETS OF THE GROUP

Group, EUR thousands (Restated discontinued operations)					
	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021
Interest income	41,145	33,092	31,621	31,598	31,506
Interest expense	(5,209)	(4,148)	(5,042)	(4,208)	(4,448)
Net interest income	35,936	28,944	26,579	27,390	27,058
Fee and commission income	15,420	16,882	18,267	15,459	15,950
Fee and commission expense	(8,121)	(7,944)	(7,160)	(5,157)	(6,941)
Net fee and commission income	7,299	8,938	11,107	10,302	9,009
Net financial income	3,413	3,240	1,747	203	268
Net other income / (expense)	(237)	999	831	1,484	867
Operating income	46,411	42,121	40,264	39,379	37,202
Staff costs	(13,614)	(14,792)	(16,007)	(14,458)	(13,885)
Other operating expenses	(8,148)	(5,675)	(5,841)	(4,311)	(7,116)
Depreciation and amortisation	(2,260)	(2,227)	(2,169)	(2,073)	(2,040)
Operating expense	(24,022)	(22,694)	(24,017)	(20,842)	(23,041)
Profit before impairment	22,389	19,427	16,247	18,537	14,161
Net credit losses	(8,775)	(2,242)	(6,631)	(6,056)	(1,430)
Other impairment losses	21	(22)	(16)	(51)	(56)
Operating profit from continuous operations	13,635	17,163	9,600	12,430	12,675
Result from non-current assets held for sale and discontinued operations	(272)	(2,109)	(1,228)	(596)	(2,095)
Operating profit	13,363	15,054	8,372	11,834	10,580
Income tax	(1,228)	(470)	(347)	(273)	(274)
Net profit	12,135	14,584	8,025	11,561	10,306

Group, EUR thousands					
	31/12/2022	30/09/2022	30/06/2022	31/03/2022	31/12/2021
Assets					
Cash and cash balances at central banks	532,030	239,448	215,770	340,992	371,025
Loans to credit institutions	48,441	47,642	42,112	53,341	58,742
Debt securities	1,592,603	1,620,429	1,660,153	1,639,206	1,801,720
Loans to public	2,966,478	2,996,291	2,895,490	2,772,321	2,701,509
Equity instruments	1,029	1,086	1,892	1,329	1,279
Other financial instruments	28,473	28,618	29,490	32,235	42,032
Derivatives	1,285	5,937	8,701	4,852	4,303
Investments in related entities	190	182	182	279	279
Tangible assets	15,730	16,911	18,638	20,090	20,444
Intangible assets	8,162	7,942	7,891	7,931	8,562
Current income tax assets	1,822	2,142	2,142	2,075	1,927
Deferred income tax assets	2,478	2,496	2,548	2,624	2,676
Discontinued operations and non-current assets held for sale	166,028	149,422	137,212	149,365	946
Other assets	39,530	38,003	39,577	34,417	39,117
Total assets	5,404,279	5,156,549	5,061,798	5,061,057	5,054,561
Liabilities					
Deposits from credit institutions and central banks	469,736	475,987	479,163	476,783	479,235
Deposits and borrowings from customers	3,980,261	3,764,541	3,682,557	3,676,082	3,813,863
Debt securities issued	259,225	262,342	260,662	260,545	258,895
Derivatives	7,650	1,222	2,181	1,648	739
Provisions	4,920	4,880	4,704	3,893	3,934
Current income tax liabilities	1,204	3	3	200	197
Deferred income tax liabilities	375	375	375	375	376
Discontinued operations	158,999	137,363	134,227	139,794	-
Other liabilities	97,691	97,967	95,786	101,804	100,247
Total liabilities	4,980,061	4,744,680	4,659,658	4,661,124	4,657,486
Equity					
Share capital	157,258	157,258	156,888	156,888	156,888
Reserves and other capital components	(12,378)	(12,593)	(7,368)	(1,486)	7,320
Retained earnings	279,338	267,204	252,620	244,531	232,867
Total equity	424,218	411,869	402,140	399,933	397,075
Total liabilities and equity	5,404,279	5,156,549	5,061,798	5,061,057	5,054,561
Off-balance sheet items					
Guarantees and letters of credit	50,407	48,844	33,554	24,170	34,265
Financial commitments	306,690	323,125	363,616	382,520	387,943

DEFINITIONS AND ABBREVIATIONS

ALCO – Assets and Liabilities Management Committee.

AML – anti-money laundering.

BRRD – the bank recovery and resolution directive.

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

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

CTF – combating terrorist financing.

ECB - European Central Bank.

EU – the European Union.

FCMC – Financial and Capital Markets Commission.

FMCRC – Financial Market and Counterparty Risk Committee.

GIC – Group's Investment Committee.

IAS – International accounting standards.

ICAAP – internal capital adequacy assessment process.

IFRS – International financial reporting standards.

LCR – liquidity coverage ratio.

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

ML/TF – money laundering and terrorism financing.

MREL – minimum requirement for own funds and eligible liabilities.

NSFR – net stable funding ratio.

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

O-SII – other systemically important institution.

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

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

RTS – regulatory technical standards.

SRB – the Single Resolution Board.

SREP – supervisory review and evaluation process.

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

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

Stage 3 financial instruments – Credit-impaired exposures.

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

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

TLOF – total liabilities and own funds.

TLTRO – ECB's targeted longer-term refinancing operations

TSCR – SREP capital requirement.

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