AS Citadele banka

REVIEWED INTERIM REPORT

For the nine months ended
30 September 2023

Key figures and events of the Group

Citadele's Baltic operations net profit for 9 months 2023 reached EUR 100.2 million, representing a 29.0% return on equity and CIR of 42.2%; Q3 2023 Baltic operations net profit reached EUR 35.7 million, representing a return on equity of 29.6% and CIR of 40.6%.

In 9 months 2023, Citadele issued EUR 621 million in new financing to support Baltic private, SME and corporate customers, compared to 972 million in 9 months 2022. EUR 192 million were issued in Q3 2023.

Citadele's deposit base constituted EUR 3,824 million as of 30 September 2023, decreased by 5% as compared to year-end 2022.

Citadele's active customers remained flat year-over-year and constituted 374 thousand active clients as of 30 September 2023. The number of active mobile app users reached all time high 252.5 thousand, growing by 14% year-over-year.

Asset quality improved with NPL of 2.4% and positive COR on the back of recoveries and impairment reversals.

The bank continues to operate with more than adequate capital and liquidity ratios. The Group's CAR (including net result for the period) was 24.8%, CET1 22.2% and LCR of 209% as of 30 September 2023.

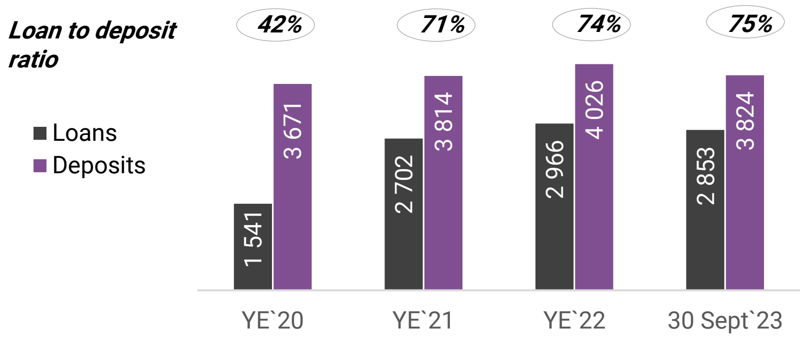
As of 30 September 2023, Citadele had 1,332 full time employees, of which 31 were with discontinued operations.

The review of strategic alternatives has been progressing during the quarter together with appointed advisors and Citadele is in the process of evaluating the options where a potential IPO is one strong consideration.

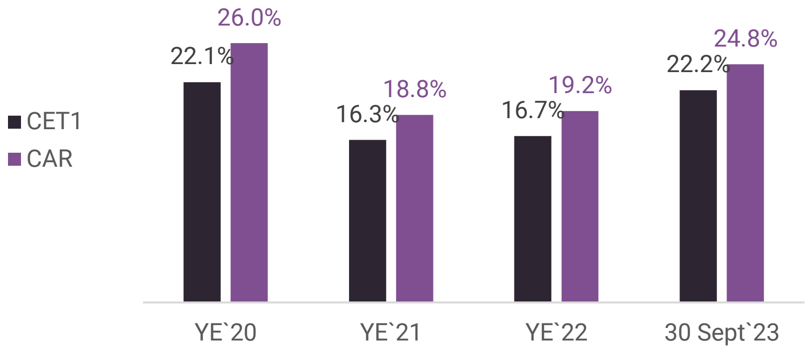
	Continuous operations*			
EUR millions	**9m 2023**	**9m 2022**	**Q3 2023**	**Q3 2022**
Net interest income	138.8	83.3	50.8	29.1
Net fee and commission income	29.0	30.4	8.1	9.0
Net financial and other income	6.5	3.5	1.8	2.4
Operating income	**174.3**	**117.3**	**60.6**	**40.5**
Operating expense	(73.5)	(67.6)	(24.6)	(22.7)
Net credit losses and impairments	6.5	(15.0)	2.8	(2.3)
Net profit from continuous operations (after tax)	**100.2**	**34.1**	**35.7**	**15.2**
Return on average assets (ROA)	2.7%	0.9%	3.0%	1.2%
Return on average equity (ROE)	29.0%	11.3%	29.6%	15.0%
Cost to income ratio (CIR)	42.2%	57.6%	40.6%	56.0%
Cost of risk ratio (COR)	(0.3%)	0.7%	(0.4%)	0.3%

Loans to and deposits from the public

EURm



Common equity Tier 1 (CET1) capital ratio and Total capital adequacy ratio (CAR), including net result for the 9m 2023 period



**Only continuous operations shown. Comparatives are 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. Comparative figures for 2022 have been restated due to the adoption of IFRS 17, earlier comparative figures are not restated for IFRS 17.*

***For definitions of Alternative Performance Ratios refer to Definitions and Abbreviations section of these interim condensed financial statements.*

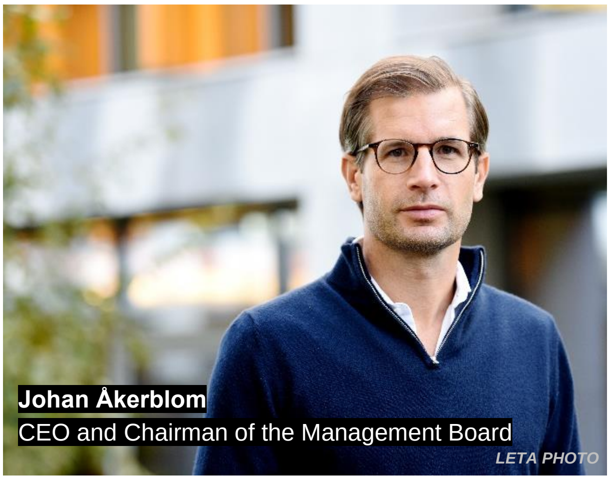
CONTENTS

Rounding and Percentages

Some numerical figures included in these interim condensed 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 interim condensed 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.

For definitions of Alternative Performance Ratios used throughout these interim condensed financial statements refer to Definitions and Abbreviations section of this report.



Johan Åkerblom
CEO and Chairman of the Management Board

Economic situation in the Baltics remains challenging

The geopolitical and macroeconomic uncertainty remained elevated during the third quarter. Central banks continued their monetary tightening and policy rate hikes and the inflation rate started to decrease from high levels. This was accompanied by a continued slowdown in the economy and most likely a major recession has been avoided. However, growth in the euro area remains weak. After a period of rapid monetary policy tightening, ECB interest rates have reached their highest level since 1999 and interest rates are expected to remain higher for longer. Financial markets do not anticipate the first interest rate cuts until mid-2024 and growth outlook remains uncertain. The war in Ukraine continues and geopolitical tensions remain high. China's economy continues to struggle with a crisis in the property sector, while in Europe, natural gas prices have surged by more than 50% since July as energy markets remain tight. The Baltic region has been notably affected by monetary policy tightening due to the widespread use of variable interest rate loans. As a result, GDP in the Baltics declined in the first half of 2023. However, this also means that the expected interest rate cuts in mid-2024 will support economic recovery which will also be supported by real wage growth next year. In manufacturing, business surveys suggest that inventory levels have peaked, and de-stocking could lead to a gradual recovery in manufacturing at the beginning of 2024. Finally, EU-financed public sector investments are set to increase in 2024, which could help offset weak private sector demand in construction and support economic growth.

Strong financial result

Citadele has continued to support the business community with financing for growth and expansion. New financing to our private, SME and corporate customers reached EUR 621 million in 9 months 2023, compared to 972 million in 9 months 2022. Citadele's total loan book as of 30 June 2023 was EUR 2,853 million, compared to EUR 2,966 million as of year-end 2022. This is against the backdrop of worsening macro-economic conditions as well as the increased Euribor, both of which have an impact on our customers' financial considerations.

Overall, the financial standing of our customers is reassuring, and portfolio quality is good. NPL ratio was 2.4% as of 30 September 2023, in line with Q2 2023 and lower than end of 2022.

In 9 months 2023, Citadele's operating income from continuous operations reached EUR 174.3 million, representing 49% growth year-over-year. Net profit from continuous operations reached EUR 100.2 million in 9 months 2023 and return on equity was 29.0%. Q3 2023 operating income from continuous operations was EUR 60.6 million, representing 50% growth year-over-year. Q3 net profit from continuous operations reached EUR 35.7 million and return on equity was 29.6%.

Customer deposits decreased by 5% compared to year-end 2022 and constituted EUR 3,824 million as of 30 September 2023. Loan-to-deposit ratio was 75% as of 30 September 2023.

Citadele continues to operate with more than adequate capital and liquidity ratios: CAR (including net result for the period) was 24.8%, tier 1 ratio 22.2% and LCR of 209% as of 30 September 2023.

A lot of work has gone into analysing the strategic options during the quarter, with support from external financial and legal advisors. The work is still in process and the bank is evaluating different options among one plausible outcomes is an IPO. During the quarter we have made significant progress in preparing for a potential IPO of Citadele's shares and we also believe that a public offering of Citadele, as one of the region`s leading banks, would be a remarkable milestone in developing the local capital markets and adding significant weight to the local stock exchange.

Innovations and development

In line with our commitment to support our customers in the transition to a low-carbon economy and seeing that sustainability initiatives are becoming more important for our clients, Citadele has launched the first green savings account in the Baltic market. The product is available for our Baltic retail customers, giving our clients the opportunity to be part of financing the transition, while enjoying a very competitive rate. Deposited funds are used to support financing for project that helps to reduce the carbon footprint, among which are the construction of Latvia's largest solar power plant in Brenguļi and the construction of a solar power plant in Inčukalns. As of 30 September 2023, green savings account funds reached EUR 25.2 million.

Citadele continues to expand the insurance offering available in the mobile app. As of Q3 2023 three insurance products are part of our bank in your pocket offering and easily available via a few klicks in the app and paid through monthly subscription.

Klix, the bank's e-commerce checkout solution, exceeded 1,200 merchants and its registered user base surpassed 245 thousand. In 9 months 2023, 11.8 million transactions were processed via Klix, with a total value of EUR 400 million, of which 4.2 million transactions with a total value of EUR 140 million were processed in Q3 2023.

Stable client base

Citadele continues to attract new clients and we are proud of our strong customer base who trust us with their financial service needs. Citadele's active customers reached 374.0 thousand clients as of 30 September 2023, staying flat year-over-year. The number of active mobile app users reached 252.5 thousand, growing by 14% year-over-year.

Family Friendly Workplace recognition

Citadele's success would not be possible without its employees, who devote a lot of their time and energy while ensuring professional support to our customers. We consider employee well-being as critical aspect of sustainable operations, and accordingly try to ensure the working environment that motivates employees and makes them feel valued. In Q3 we took part in Society Integration Fund's Family-friendly workplace' initiative which aims to promote the development of inclusive workplace culture in Latvia. Following evaluation of the bank's work environment, Citadele has received the status of "Family Friendly Workplace".

Financial review of the Group

Results and profitability in Q3 and 9M 2023 - Baltics

Strong financial performance with 9 months 2023 **operating income** reaching EUR 174.3 million, 49% growth year-over-year. Q3 2023 operating income reached EUR 60.6 million, 50% growth year-over-year.

Performance driven by strong **net interest income** which reached EUR 138.8 million in 9 months 2023 (EUR 50.8 million in Q3), a 66% (75% in Q3) increase year-over-year, mainly impacted by rising interest rates.

The Group's **net fee and commission income** in 9 months 2023 reached EUR 29.0 million, which translates into 5% decrease year over year, mainly due to fee and commission expense (EUR 2.8 million) for securitization, representing an expense on a multi-year financial guarantee contract issued by the EIB Group to Citadele in December 2022. The deal will provide capital relief for the bank and enable it to grant at least EUR 460 million in additional loans and leases to businesses in the Baltics over the next three years, of which at least 20% will go towards Climate Action projects, helping to reduce overall greenhouse gas emissions. Net fee and commission income in Q3 2023 constituted EUR 8.1 million, 10% decrease year-over-year.

Operating expenses in 9 months 2023 were EUR 73.5 million, or a 9% increase year-over-year. Staff costs increased by 8% to EUR 49.1 million. The number of full-time employees was 1,332 vs. 1,355 as of year-end 2022, of which 31 (2022: 26) were with discontinued operations. Other costs were EUR 17.7 million, a 12% increase year-over-year, mainly impacted by investments in IT and communications and consulting expenses. Depreciation and amortization expenses stood at EUR 46.8 million (5% increase year-over-year). Q3 2023 operating expenses were EUR 24.6 million, 8% increase year-over-year.

Net credit losses and **impairments reversal** booked in the amount of EUR 6.5 million in 9 months 2023.

Net profit from continuous operations reached EUR 100.2 million, of which EUR 35.7 million in Q3 2023. Return on equity reached 29.0% (29.6% in Q3). As of 30 September 2023, Kaleido Privatbank AG (Swiss subsidiary committed for sale) is presented as discontinued operations. Kaleido has been presented as discontinued operations since YE 2022.

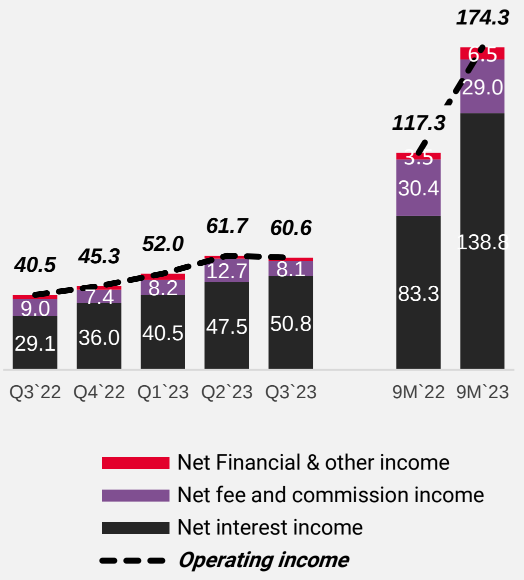
The Group's net profit was EUR 95.0 million in 9 months 2023 (EUR 34.3 million in Q3 2023), which translated into a 27.5% return on equity.

The overall credit quality of the loan book was good. **Stage 3 loans to public** gross ratio remained at its historically lowest level of 2.4% compared to 2.7% as of 31 December 2022.

Citadele's **cost to income ratio** in 9 months 2023 was 42.2% vs 58.4% a year ago. Q3 2023 cost to income ratio was 40.6%.

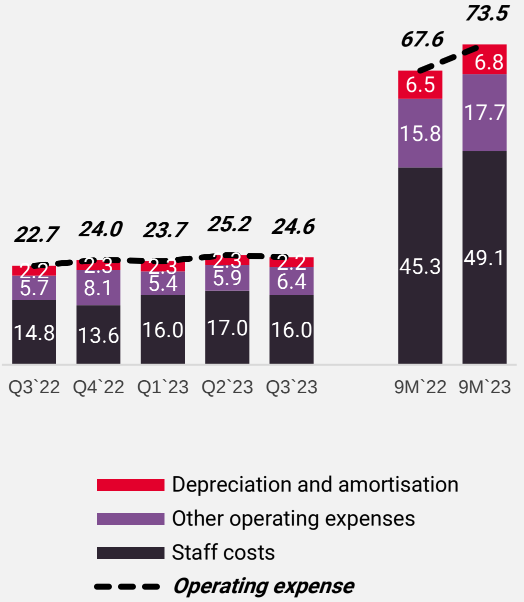
Operating income, EURm

Continuing operations



Operating expense, EURm

Continuing operations



Balance sheet overview

The **Group's assets** stood at EUR 4,831 million as of 30 September 2023, decreasing by 11% since year end 2022 (EUR 5,405 million). The decrease was mainly driven by repayment of the ECB TLRTO III loan of EUR 430 million. As of 30 September 2023, Kaleido Privatbank AG (Swiss subsidiary committed for sale) is presented as discontinued operations. Continuing operations assets were EUR 5,008 million as of 30 September 2023 (vs. EUR 5,238 million as of 31 December 2022).

The **net loan portfolio** of continuing operations was EUR 2,853 million as of 30 September 2023, decreasing by EUR 114 million (4%) from year-end 2022.

New financing in 9 months 2023 constituted EUR 620.7 million, 36% decrease year over year. EUR 201.7 million was issued to private customers, EUR 226.3 million to SMEs and EUR 192.7 million to corporate customers. EUR 191.5 million were disbursed in Q3 2023.

In terms of products, EUR 207.2 million was disbursed in regular or mortgage loans (52% decrease year-over-year), EUR 362.2 million leasing and factoring (24% decrease year-over-year), and EUR 30.0 million consumer and micro loans (17% decrease year-over-year).

In terms of the loan **portfolio's geographical profile**, Latvia accounted for 45.1% of the portfolio, with EUR 1,285 million as of 30 September 2023 (45.6% as of year-end 2022), followed by Lithuania at 36.4% with EUR 1,040 million (vs. 37.8% as of year-end 2022), Estonia at 18.0% with EUR 514 million (vs. 16.1% as of the year end 2022) and EU and other countries at 0.5% with EUR 14 million.

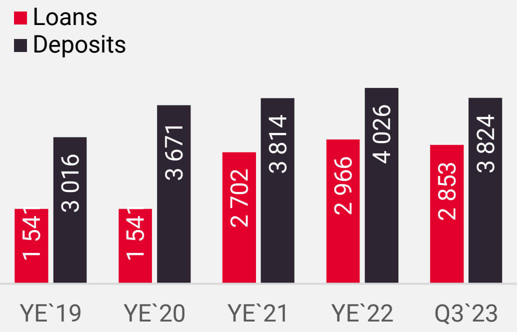
Loans to Households represented 46% of the portfolio (44% as of year-end 2022). Mortgages have slightly decreased vs year-end 2022 (2% decrease), and constituted EUR 813 million. Finance leases remained flat at EUR 349 million (vs. 350 million as of year-end 2022). Consumer lending increased by 12% vs year-end 2022 (EUR 92 million) and reached EUR 103 million. Card lending has slightly increased by 4% as of 30 September 2023 and was EUR 60.2 million. Overall, the main industry concentrations were Real estate purchase and management (12% of total gross loans), Transport and communications (8%), Manufacturing (7%) and Trade (6%).

The Group's **securities portfolio** forms a part of its liquidity resources and in 9 months 2023 decreased by 23% vs. year end 2022 in line with portfolio maturity profile. 93% of portfolio is A and higher rating securities. Largest decreases for Group's portfolio occurred in AAA/Aaa and A rated bonds – by EUR 21.4 million and EUR 332.6 million respectively.

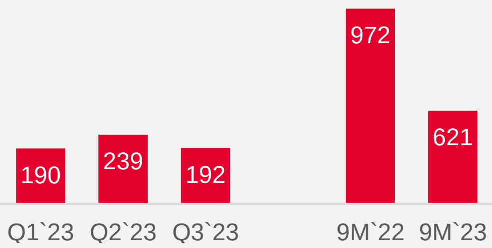
In Q3 2023 Bank introduced IRS as an instrument to hedge interest rate risk of newly purchased longer dated fixed income securities. Accounting treatment for both – hedged securities and IRS hedges – are FVTPL.

The main source of funding, **customer deposits** of continuing operations**,** decreased by 5% vs year-end 2022 and was EUR 3,824 million. Baltic domestic customer deposits formed 98% of total deposits or EUR 3,753 million (vs 98% as of year-end 2022). This is largely in line with developments in the Baltic deposit market.

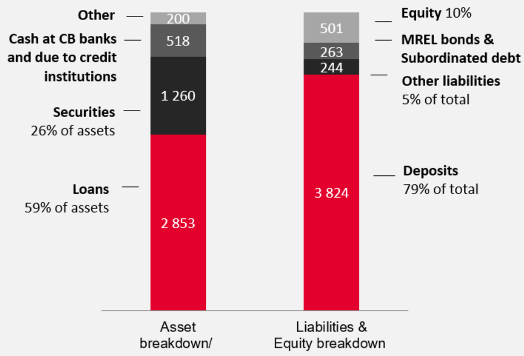
Loans and Deposits, EURm



New financing, EURm



Balance sheet structure, EURm



Ratings

International credit rating agency Moody's Investors Service has assigned Baa2 rating with stable outlook *(credit opinion updated in May 2023).*

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

Business Environment

Global economic environment remains challenging

In 2023 the global economy has continued to grow despite numerous challenges and an uncertain outlook. On the positive side, rising interest rates have helped to reduce inflation, energy prices have declined, and recession has been avoided. However, growth in the euro area remains weak. According to the IMF's October 2023 WEO forecast, in 2023 GDP in the euro area is projected to grow by only 0.7%, and it is expected to remain low in 2024 with GDP growing by just 1.2%. In the U.S. economic growth has been stronger than expected and in 2023 U.S. is expected to grow by 2.1%, although growth is projected to slow to 1.5% in 2024.

After a period of rapid monetary policy tightening, ECB interest rates have reached their highest level since 1999. Interest rates are likely to remain higher for longer as financial markets do not anticipate the first interest rate cuts until mid-2024. Meanwhile, the growth outlook remains highly uncertain. The war in Ukraine continues and geopolitical tensions remain high. In addition to these concerns, the Israel-Palestinian conflict has increased geopolitical risks. China's economy continues to struggle with a crisis in the property sector, while in Europe, natural gas prices have surged by more than 50% since July as energy markets remain tight.

Interest rates weighs on growth in the Baltic region

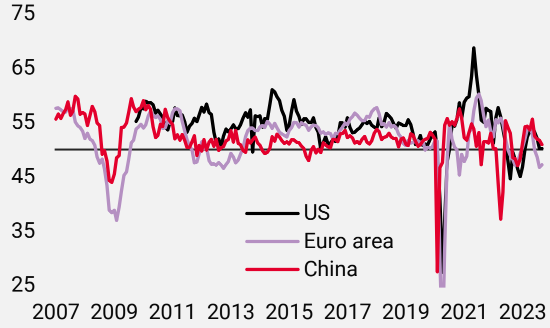
Inflation, high energy prices, falling real incomes, weak external demand in manufacturing, and rising interest rates have hit GDP growth in the Baltics. In the first half of 2023, Latvia's GDP declined by 0.6% compared to the same period in 2022, while Lithuania and Estonia experienced falls of 0.8% and 3.4%, respectively. Due to weak external demand, the output in the industrial sector has declined, while the service sectors continue to grow.

Loans in the Baltics are mostly issued with variable rates resulting in a faster response to monetary policy tightening compared to other countries. The higher private sector debt level is one of the reasons Estonia's GDP has declined more than Latvia and Lithuania. However, this also means that the expected interest rate cuts in mid-2024 will support economic recovery. In manufacturing, business surveys suggest that inventory levels have peaked, and de-stocking could lead to a gradual recovery in manufacturing at the beginning of 2024. Meanwhile, EU-financed public sector investments are set to increase, which could help offset weak private sector demand in construction.

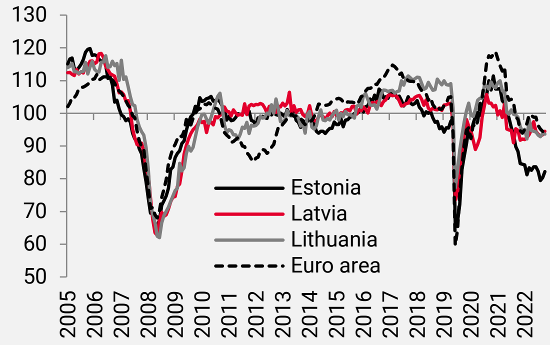
Resilient labour market despite weak growth

Labour market in the Baltics remain resilient despite declining GDP. Average wages in the Baltics in first half of 2023 have grown by more than 12% compared to the previous year. Unemployment levels in Latvia and Lithuania remain near record lows, while in Estonia weaker economic growth has caused increase in unemployment. At the same time number of people of working age in the Baltics is decreasing and the lack of labour remains a significant obstacle to economic growth.

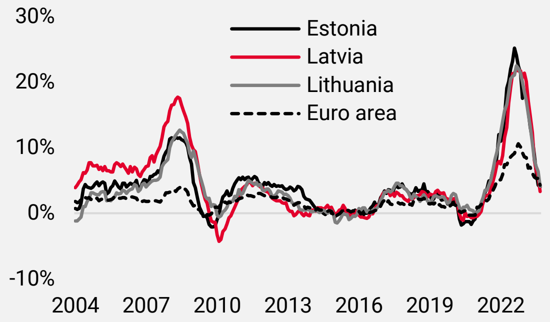
IHS Markit Composite PMI
(Values above 50 indicate expansion)



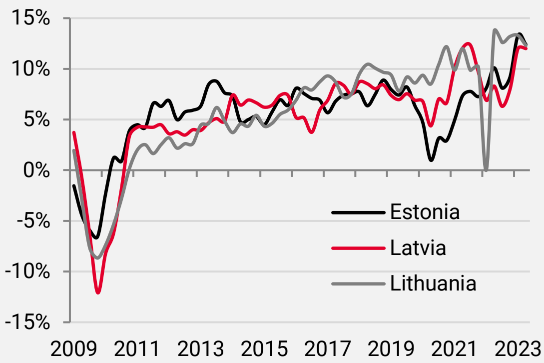
Economic sentiment indicator



Inflation (%, year-on-year)



Average wage (%, year on year)



CORPORATE GOVERNANCE

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

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

Supervisory Board of the Bank as of 30/09/2023:

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
Dhananjaya Dvivedi	Member of the Supervisory Board	20 April 2015
Lawrence Neal Lavine	Member of the Supervisory Board	20 April 2015
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

Klāvs Vasks, member of AS Citadele banka Supervisory Board, has resigned from his duties and is leaving Citadele Supervisory board and respective supervisory board committees effective from 1 July 2023. James Laurence Balsillie, member of AS Citadele banka Supervisory Board, has resigned from his duties and is leaving Citadele Supervisory board and respective supervisory board committees in August 2023.

Stephen Young become Member of the Supervisory Board effective from 4 October 2023. Daiga Auzina-Melalksne, an experienced Board member with 20 years of leadership and management experience in financial services sector, has been nominated to join Supervisory Board of AS Citadele banka, and subsequent to the period end received respective regulatory approvals. Daiga Auzina-Melalksne become Member of the Supervisory Board effective from 1 November 2023.

Management Board of the Bank as of 30/09/2023:

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

The interim condensed financial statements set out on pages 11 to 49 are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 30 September 2023 and the results of their operations for the three and nine months periods ended 30 September 2023, changes in shareholders' equity and cash flows for the nine months period ended 30 September 2023 in accordance with IAS 34 Interim Reporting as adopted by the European Union. The management report set out on pages 4 to 9 presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

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

Management Board of AS Citadele banka on 31 October 2023 executed a power of attorney appointing Johan Åkerblom empowering him to sign this report on their behalf. This document is signed using a qualified electronic signature by Johan Åkerblom on 15 November 2023.

Johan Åkerblom
Chairman of the Management Board

CONDENSED STATEMENT OF INCOME

	Note	Group				Bank			
EUR thousands		9m 2023	9m 2022[1]	Q3 2023	Q3 2022[1]	9m 2023	9m 2022	Q3 2023	Q3 2022
Interest income calculated using the effective interest method	5	112,125	64,875	40,937	22,529	149,738	79,025	54,625	27,674
Other interest income	5	55,616	31,843	20,614	10,708	-	-	-	-
Interest expense	5	(28,991)	(13,377)	(10,765)	(4,140)	(29,288)	(13,297)	(10,900)	(4,118)
Net interest income		**138,750**	**83,341**	**50,786**	**29,097**	**120,450**	**65,728**	**43,725**	**23,556**
Fee and commission income	6	54,679	50,611	17,316	16,880	50,948	46,287	16,017	15,538
Fee and commission expense	6	(25,645)	(20,189)	(9,238)	(7,910)	(23,525)	(20,063)	(8,511)	(7,875)
Net fee and commission income		**29,034**	**30,422**	**8,078**	**8,970**	**27,423**	**26,224**	**7,506**	**7,663**
Net financial income	7	8,606	5,188	2,424	3,225	8,450	6,920	2,486	3,509
Net other income / (expense)	8	(2,078)	(1,686)	(639)	(789)	(1,019)	(803)	(292)	(585)
Operating income		**174,312**	**117,265**	**60,649**	**40,503**	**155,304**	**98,069**	**53,425**	**34,143**
Staff costs	9	(49,062)	(45,257)	(16,023)	(14,792)	(41,577)	(39,106)	(13,569)	(12,891)
Other operating expenses	10	(17,664)	(15,827)	(6,377)	(5,675)	(15,993)	(14,392)	(5,869)	(4,993)
Depreciation and amortisation		(6,799)	(6,469)	(2,219)	(2,227)	(6,364)	(6,173)	(2,065)	(2,115)
Operating expense		**(73,525)**	**(67,553)**	**(24,619)**	**(22,694)**	**(63,934)**	**(59,671)**	**(21,503)**	**(19,999)**
Profit from continuous operations before impairment, bank tax and non-current assets held for sale		**100,787**	**49,712**	**36,030**	**17,809**	**91,370**	**38,398**	**31,922**	**14,144**
Net credit losses	11	6,533	(14,929)	2,771	(2,242)	2,520	(12,916)	930	(2,216)
Other impairment losses and other provisions		(39)	(89)	(15)	(22)	62	(98)	(34)	(26)
Operating profit from continuous operations before bank tax and non-current assets held for sale		**107,281**	**34,694**	**38,786**	**15,545**	**93,952**	**25,384**	**32,818**	**11,902**
Bank tax	12	(2,251)	-	(1,260)	-	(2,251)	-	(1,260)	-
Result from non-current assets held for sale and discontinued operations, net of tax	17	(4,750)	(3,933)	(1,396)	(2,109)	(4,700)	(596)	(1,183)	(975)
Operating profit		**100,280**	**30,761**	**36,130**	**13,436**	**87,001**	**24,788**	**30,375**	**10,927**
Income tax	12	(5,235)	(1,090)	(1,820)	(470)	(4,654)	(288)	(1,653)	(137)
Net profit		**95,045**	**29,671**	**34,310**	**12,966**	**82,347**	**24,500**	**28,722**	**10,790**
Basic earnings per share in EUR		*0.60*	*0.19*	*0.22*	*0.08*	*0.52*	*0.16*	*0.18*	*0.07*
from continuing operations	21	*0.64*	*0.22*	*0.23*	*0.10*	*0.52*	*0.16*	*0.18*	*0.07*
from discontinued operations	21	*(0.03)*	*(0.03)*	*(0.01)*	*(0.01)*	-	-	-	-
Diluted earnings per share in EUR		*0.60*	*0.19*	*0.22*	*0.08*	*0.52*	*0.15*	*0.18*	*0.07*
from Continuing operations	21	*0.63*	*0.22*	*0.22*	*0.10*	*0.52*	*0.15*	*0.18*	*0.07*
from discontinued operations	21	*(0.03)*	*(0.03)*	*(0.01)*	*(0.01)*	-	-	-	-

The notes on pages 11 to 49 are an integral part of these interim condensed financial statements.

1) Comparative figures have been restated due to the adoption of IFRS 17. For more information refer to Note 3 (*Summary of Significant Accounting Policies*).

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	EUR thousands							
	Group				Bank			
	9m 2023	9m 2022[1]	Q3 2023	Q3 2022[1]	9m 2023	9m 2022	Q3 2023	Q3 2022
Net profit	**95,045**	**29,671**	**34,310**	**12,966**	**82,347**	**24,500**	**28,722**	**10,790**
Other comprehensive income items that are or may be reclassified to profit or loss:								
Fair value revaluation from continuing operations								
Fair value revaluation charged to statement of income (Note 7)	-	1,520	-	(1)	-	1,520	-	(1)
Change in fair value of debt securities and similar	2,885	(20,750)	881	(4,725)	2,294	(17,678)	643	(4,294)
Fair value revaluation from discontinued operations								
Fair value revaluation charged to statement of income	373	(46)	37	(13)	-	-	-	-
Change in fair value of debt securities and similar	559	(2,031)	145	(910)	-	-	-	-
Deferred income tax charged / (credited) directly to equity	(226)	489	(44)	198	-	-	-	-
Other reserves								
Foreign exchange retranslation from discontinued operations	722	1,684	314	714	-	-	-	-
Other comprehensive income items that will not be reclassified to profit or loss:								
Fair value revaluation reserve								
Change in fair value of equity and similar instruments	22	24	-	-	22	24	-	-
Other comprehensive income / (loss)	**4,335**	**(19,110)**	**1,333**	**(4,737)**	**2,316**	**(16,134)**	**643**	**(4,295)**
Total comprehensive income	**99,380**	**10,561**	**35,643**	**8,229**	**84,663**	**8,366**	**29,365**	**6,495**

The notes on pages 11 to 49 are an integral part of these interim condensed financial statements.

1) Comparative figures have been restated due to the adoption of IFRS 17. For more information refer to Note 3 (*Summary of Significant Accounting Policies*).

CONDENSED BALANCE SHEET

	Note	30/09/2023 Group	31/12/2022 Group[1]	30/09/2023 Bank	31/12/2022 Bank
		EUR thousands			
Assets					
Cash and cash balances at central banks		483,752	532,030	483,752	532,030
Loans to credit institutions		34,713	48,441	34,119	42,044
Debt securities	13	1,227,772	1,593,922	1,189,022	1,550,301
Loans to public	14	2,852,805	2,966,478	2,759,089	2,880,101
Equity instruments	15	1,167	1,029	1,167	1,029
Other financial instruments	15	25,690	28,473	1,173	1,101
Derivatives		5,467	1,285	5,467	1,285
Investments in related entities	16	203	190	47,894	47,770
Tangible assets		11,718	15,730	7,632	10,321
Intangible assets		8,082	8,162	5,918	6,069
Current income tax assets	12	1,609	1,822	833	1,116
Deferred income tax assets	12	695	2,478	542	2,179
Discontinued operations and non-current assets held for sale	17	139,151	166,028	13,808	13,827
Other assets		38,383	38,853	30,600	30,680
Total assets		**4,831,207**	**5,404,921**	**4,581,016**	**5,119,853**
Liabilities					
Deposits from credit institutions and central banks	18	47,907	469,736	51,621	473,399
Deposits and borrowings from customers	19	3,824,107	4,025,665	3,791,618	3,973,320
Debt securities issued	20	262,677	259,225	262,677	259,225
Derivatives		1,057	7,650	1,057	7,650
Provisions	11	4,229	4,920	4,244	4,838
Current income tax liabilities	12	1,458	1,204	1,458	33
Deferred income tax liabilities	12	375	375	-	-
Bank tax liability	12	1,112	-	1,112	-
Discontinued operations	17	131,199	158,999	-	-
Other liabilities		56,290	57,501	27,591	28,183
Total liabilities		**4,330,411**	**4,985,275**	**4,141,378**	**4,746,648**
Equity					
Share capital	21	158,145	157,258	158,145	157,258
Reserves and other capital components		(5,855)	(11,058)	(9,767)	(12,951)
Retained earnings		348,506	273,446	291,260	228,898
Total equity		**500,796**	**419,646**	**439,638**	**373,205**
Total liabilities and equity		**4,831,207**	**5,404,921**	**4,581,016**	**5,119,853**
Off-balance sheet items					
Guarantees and letters of credit	22	63,304	50,407	70,823	60,936
Financial commitments	22	300,051	306,690	330,066	322,211

The notes on pages 11 to 49 are an integral part of these interim condensed financial statements.

1) Comparative figures have been restated due to the adoption of IFRS 17. For more information refer to Note 3 (*Summary of Significant Accounting Policies*).

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Group, EUR thousands[1]						
	Issued and paid share capital	Share premium	Securities fair value revaluation reserve (*Note 13*)	Foreign currency retrans-lation	Share based payments	Retained earnings	Total equity
Balance as of 31/12/2021 (*as reported*)	**156,888**	**239**	**158**	**4,805**	**2,118**	**232,867**	**397,075**
Restated on initial application of IFRS 17	-	-	*(61)*	-	-	*(270)*	*(331)*
Balance as of 31/12/2021 (*restated*)	**156,888**	**239**	**97**	**4,805**	**2,118**	**232,597**	**396,744**
Share buyback	(94)	(144)	-	-	-	-	(238)
Share based payments to employees (*Note 21*)	464	349	-	-	317	167	1,297
Total comprehensive income	**-**	**-**	***(20,794)***	***1,684***	**-**	***29,671***	***10,561***
Net result for the period	-	-	-	-	-	29,671	29,671
Other comprehensive income / (loss) for the period	-	-	(20,794)	1,684	-	-	(19,110)
Balance as of 30/09/2022 (*restated for IFRS 17*)	**157,258**	**444**	**(20,697)**	**6,489**	**2,435**	**262,435**	**408,364**
Balance as of 31/12/2022 (*as reported*)	**157,258**	**444**	**(21,663)**	**5,939**	**2,902**	**279,338**	**424,218**
Restated on initial application of IFRS 17	-	-	*1,320*	-	-	*(5,892)*	*(4,572)*
Balance as of 31/12/2022 (*restated*)	**157,258**	**444**	**(20,343)**	**5,939**	**2,902**	**273,446**	**419,646**
Dividends to shareholders (*Note 21*)	-	-	-	-	-	(20,000)	(20,000)
Share repurchase	(2)	(2)	-	-	-	-	(4)
Share based payments to employees (*Note 21*)	889	733	-	-	137	15	1,774
Total comprehensive income	**-**	**-**	***3,613***	***722***	**-**	***95,045***	***99,380***
Net profit for the period	-	-	-	-	-	95,045	95,045
Other comprehensive income / (loss) for the period	-	-	3,613	722	-	-	4,335
Balance as of 30/09/2023	**158,145**	**1,175**	**(16,730)**	**6,661**	**3,039**	**348,506**	**500,796**

	Bank, EUR thousands					
	Issued and paid share capital	Share premium	Securities fair value revaluation reserve (*Note 13*)	Share based payments	Retained earnings	Total equity
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 21*)	464	349	-	317	167	1,297
Total comprehensive income	**-**	**-**	***(16,134)***	**-**	***24,500***	***8,366***
Net result for the period	-	-	-	-	24,500	24,500
Other comprehensive income / (loss) for the period	-	-	(16,134)	-	-	(16,134)
Balance as of 30/09/2022	**157,258**	**444**	**(16,364)**	**2,435**	**211,215**	**354,988**
Balance as of 31/12/2022	**157,258**	**444**	**(16,297)**	**2,902**	**228,898**	**373,205**
Dividends to shareholders (*Note 21*)	-	-	-	-	(20,000)	(20,000)
Share repurchase	(2)	(2)	-	-	-	(4)
Share based payments to employees (*Note 21*)	889	733	-	137	15	1,774
Total comprehensive income	**-**	**-**	***2,316***	**-**	***82,347***	***84,663***
Net profit for the period	-	-	-	-	82,347	82,347
Other comprehensive income / (loss) for the period	-	-	2,316	-	-	2,316
Balance as of 30/09/2023	**158,145**	**1,175**	**(13,981)**	**3,039**	**291,260**	**439,638**

The notes on pages 11 to 49 are an integral part of these interim condensed financial statements.

1) Comparative figures have been restated due to the adoption of IFRS 17. For more information refer to Note 3 (*Summary of Significant Accounting Policies*).

CONDENSED STATEMENT OF CASH FLOWS

	Note	9m 2023 Group	9m 2022 Group[1]	9m 2023 Bank	9m 2022 Bank
		EUR thousands			
Operating activities					
Operating profit before tax (discontinued net of tax and continuing, with bank tax)		100,280	30,761	87,001	24,788
Tax expense from discontinued operations	17	28	41	-	-
Interest income	5, 17	(170,816)	(98,024)	(149,738)	(79,025)
Interest expense	5, 17	28,998	13,420	29,288	13,297
Dividends income		(15)	(24)	(15)	(24)
Depreciation and amortisation		7,318	6,979	6,364	6,173
Impairment allowances and provisions		(5,185)	15,083	2,526	13,014
Currency translation and other non-cash items		7,665	8,044	4,979	(2,375)
Cash flows from the income statement		**(31,727)**	**(23,720)**	**(19,595)**	**(24,152)**
(Increase) / decrease in loans to public		100,070	(329,558)	123,515	(306,648)
Increase / (decrease) in deposits and borrowings from customers		(234,480)	98,003	(186,068)	105,773
(Increase) / decrease in loans to credit institutions		(162)	(4,921)	(68)	(3,535)
Increase / (decrease) in deposits from central banks and credit institutions		(428,090)	(486)	(431,673)	(12,216)
(Increase) / decrease in other items at fair value through profit or loss		(10,775)	(1,151)	(10,775)	(1,151)
(Increase) / decrease in other assets		27,952	(12,560)	(5,147)	4,225
Increase / (decrease) in other liabilities		(25,797)	(10,478)	2,273	3,680
Cash flows from operating activities before interest and corporate income tax		**(603,009)**	**(284,871)**	**(527,538)**	**(234,024)**
Interest received		168,901	97,110	148,572	78,201
Interest paid		(13,827)	(11,418)	(14,015)	(11,288)
Corporate income tax paid (doesn't include bank tax)		(3,041)	(2,021)	(1,309)	(723)
Cash flows from operating activities		**(450,976)**	**(201,200)**	**(394,290)**	**(167,834)**
Investing activities					
Acquisition of tangible and intangible assets		(4,088)	(3,592)	(2,930)	(2,858)
Disposal of tangible and intangible assets		1,946	1,173	22	324
Investments in debt securities and other financial instruments		(98,035)	(195,851)	(96,956)	(195,324)
Proceeds from debt securities and other financial instruments		496,726	283,206	457,729	262,678
Dividends received		15	24	15	24
Cash flows from investing activities		**396,564**	**84,960**	**357,880**	**64,844**
Financing activities					
Dividends paid		(19,861)	-	(19,861)	-
Interest paid on debt securities issued		(1,801)	(1,937)	(1,801)	(1,937)
Share repurchase		(4)	(238)	(4)	(238)
Repayment of lease liabilities, net		(2,951)	(2,985)	(2,660)	(2,621)
Cash flows from financing activities		**(24,617)**	**(5,160)**	**(24,326)**	**(4,796)**
Cash flows for the period		**(79,029)**	**(121,400)**	**(60,736)**	**(107,786)**
Cash and cash equivalents at the beginning of the period		**581,644**	**404,343**	**544,995**	**363,666**
Cash and cash equivalents at the end of the period	24	**502,615**	**282,943**	**484,259**	**255,880**

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 17 (*Discontinued Operations and Non-current assets held for sale*).

The notes on pages 11 to 49 are an integral part of these interim condensed financial statements.

1) Comparative figures have been restated due to the adoption of IFRS 17. For more information refer to Note 3 (*Summary of Significant Accounting Policies*).

NOTES TO THE INTERIM CONDENSED 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 2022 or for the nine months period ended 30 September 2022.

NOTE 1. AUTHORISATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

These interim condensed 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 period end, the Group had 1,332 (2022: 1,355) and the Bank had 1,098 (2022: 1,113) full time equivalent active employees. From total Group's full time equivalent active employees 31 (2022: 26) were with discontinued operations.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

These interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by European Union (EU) on a going concern basis. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in financial position and performance of the Group and the Bank since the last annual consolidated and Bank financial statements. These interim condensed financial statements do not include all information required for a complete set of financial statements prepared in accordance with IFRS as adopted by the European Union. This interim financial information should be read in conjunction with the 2022 annual financial statements for the Group and the Bank. Except as described below, the accounting policies applied in these interim condensed financial statements are the same as those applied in the Group's and the Bank's financial statements as at and for the year ended 31 December 2022.

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 2023, 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 2023 which did not have a significant effect to the Group

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
Amendments to IAS 8 – Definition of Accounting Estimate
Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

New requirements effective for 2023 with a significant effect to the Group

IFRS 17 - Insurance Contracts, Amendments to IFRS 17 (Initial Application of IFRS 17 and IFRS 9, Comparative Information). Effective for annual reporting periods beginning on or after 1 January 2023. The standard combines previous 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 with Citadele choosing profit or loss recognition.

For the Group, as a result of implementation of IFRS 17, a large part of the existing insurance contracts ceased to qualify as insurance contracts and were reclassified to deposits and borrowings from customers and are accounted for at amortised cost, thus reversing previous discounting gains. Other contracts continued to qualify as insurance contracts, thus requiring application of Variable fee approach (VFA) and General measurement model (GMM). Permitted debt instruments were reclassified to Amortised cost (AmC) from Fair value through other comprehensive income (FVTOCI). IFRS 17 was applied retrospectively, thus at the transition date each group of insurance contracts was identified, recognised and measured as if IFRS 17 had always applied, except for certain simplifications discussed later. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application and is 1 January 2022. For the Bank no material impact from IFRS 17 implementation was observed.

At introduction of IFRS 17 the Group revised classification of contracts, differentiating among insurance (annuity, life and non-life insurance products) and reinsurance contracts accounted for under IFRS 17 and investment contracts accounted for under IFRS 9 as financial liabilities. Previously all annuity products were classified as insurance contracts; however, most were reclassified to investment contracts as embedded insurance risk was deemed insignificant under IFRS 17 rules. On initial application on 1 January 2022 to estimate carrying value of liabilities the Group applied modified retrospective approach to annuity and insurance contracts with no accruals and fair value approach to unit-linked and fixed rate insurance contracts. Modified retrospective approach implies simplifications vs. full retrospective approach. The applied simplifications are discount rate inputs look back to 2016 and not earlier periods, sign-on and claims statistics from 2021 applied to periods before that, cancelations based on statistics starting from 2008, cash flows and mortality statistics as from 2021 etc. Simplifications are applied due to limitations in data granularity for earlier periods. Contractual service margin (CSM) is calculated as the difference between fair value and estimated future cash flows, which feed into fair value approach. Profit, which generally is deferred as CSM and loss from loss making agreements, which generally is recognised immediately, are aggregated and recognised at the identified cohort level. The identified cohorts are groups of agreements with similar risk characteristics and which are managed collectively, and per Group's policy are originated in period no longer than a year. GMM approach is applied for annuity products, insurance contracts with no accruals, reinsurance contracts and fixed rate insurance contracts while VFA approach is applied for unit-linked contracts. Under GMM approach risk corrected future contractual cash flows are discounted with market discount rates, positive present value is amortised as CSM to income statement as services are rendered to the respective client over the lifetime of the contract, while loss is expensed immediately.

The IFRS 17 implementation impact on the Group's assets and liabilities as of 1 January 2022

	Group, EUR thousands							
	Total 31/12/2021 as reported (IFRS 4)	Securities reclassi-fication	Annuity Insurance (GMM), Modified retrospective	Annuity Investment IFRS9 (AmC) Full retrospective	Unit linked agreement with risk insurance IFRS17 (VFA) Modified retrospective	Fixed rate agreement with risk insurance IFRS17 (GMM) Modified retrospective	Agreements with no insurance component and other items	Total 01/01/2022 adjusted (IFRS 17)
Assets								
Cash and cash balances at central banks	**371,025**	-	-	-	-	-	-	**371,025**
Loans to credit institutions	**58,742**	-	-	-	-	-	-	**58,742**
Debt securities		-	-	-	-	-	-	
At fair value through other comprehensive income	**340,701**	(10,625)	-	-	-	-	-	**330,076**
At amortised cost	**1,461,019**	10,564	-	-	-	-	-	**1,471,583**
Loans to public	**2,701,509**	-	-	-	-	-	-	**2,701,509**
Equity instruments	**1,279**	-	-	-	-	-	-	**1,279**
Other financial instruments	**42,032**	-	-	-	-	-	-	**42,032**
Derivatives	**4,303**	-	-	-	-	-	-	**4,303**
All other assets	**73,951**	-	(22)	(259)	(35)	(123)	(33)	**73,479**
Total assets	**5,054,561**	**(61)**	**(22)**	**(259)**	**(35)**	**(123)**	**(33)**	**5,054,028**
Liabilities								
Deposits from credit institutions and central banks	**479,235**	-	-	-	-	-	-	**479,235**
Deposits and borrowings from customers	**3,813,863**	-	-	38,209	(1,386)	(7,108)	-	**3,843,578**
Debt securities issued	**258,895**	-	-	-	-	-	-	**258,895**
Derivatives	**739**	-	-	-	-	-	-	**739**
All other liabilities, including insurance liabilities	**104,754**	-	(342)	(37,811)	1,341	6,939	(44)	**74,837**
Total liabilities	**4,657,486**	-	(342)	398	(45)	(169)	(44)	**4,657,284**
Equity								
Share capital	**156,888**	-	-	-	-	-	-	**156,888**
Reserves and other capital components	**7,320**	(61)	-	-	-	-	-	**7,259**
Retained earnings	**232,867**	-	320	(657)	10	46	11	**232,597**
Total equity	**397,075**	**(61)**	**320**	**(657)**	**10**	**46**	**11**	**396,744**
Total liabilities and equity	**5,054,561**	**(61)**	**(22)**	**(259)**	**(35)**	**(123)**	**(33)**	**5,054,028**

Assets and liabilities as of 31 December 2022 before and after IFRS 17 reclassifications

	Group, EUR thousands							
	Total 31/12/2022 as reported (IFRS 4)	Securities reclassi-fication	Annuity Insurance (GMM), Modified retrospective	Annuity Investment IFRS9 (AmC) Full retrospective	Unit linked agreement with risk insurance IFRS17 (VFA) Modified retrospective	Fixed rate agreement with risk insurance IFRS17 (GMM) Modified retrospective	Agreements with no insurance component and other items	Total 31/12/2022 adjusted (IFRS 17)
Assets								
Cash and cash balances at central banks	**532,030**	-	-	-	-	-	-	**532,030**
Loans to credit institutions	**48,441**	-	-	-	-	-	-	**48,441**
Debt securities								
At fair value through other comprehensive income	**222,522**	(9,220)	-	-	-	-	-	**213,302**
At amortised cost	**1,370,080**	10,540	-	-	-	-	-	**1,380,620**
Loans to public	**2,966,478**	-	-	-	-	-	-	**2,966,478**
Equity instruments	**1,029**	-	-	-	-	-	-	**1,029**
Other financial instruments	**28,473**	-	-	-	-	-	-	**28,473**
Derivatives	**1,285**	-	-	-	-	-	-	**1,285**
All other assets	**233,941**	-	(20)	(256)	(33)	(96)	(273)	**233,263**
Total assets	**5,404,279**	**1,320**	**(20)**	**(256)**	**(33)**	**(96)**	(273)	**5,404,921**
Liabilities								
Deposits from credit institutions and central banks	**469,736**	-	-	-	-	-	-	**469,736**
Deposits and borrowings from customers	**3,980,261**	-	-	47,448	(938)	(1,106)	-	**4,025,665**
Debt securities issued	**259,225**	-	-	-	-	-	-	**259,225**
Derivatives	**7,650**	-	-	-	-	-	-	**7,650**
All other liabilities, including insurance liabilities	**263,189**	-	329	(42,226)	872	1,078	(243)	**222,999**
Total liabilities	**4,980,061**	-	329	5,222	(66)	(28)	(243)	**4,985,275**
Equity								
Share capital	**157,258**	-	-	-	-	-	-	**157,258**
Reserves and other capital components	**(12,378)**	1,320	-	-	-	-	-	**(11,058)**
Retained earnings	**279,338**	-	(349)	(5,478)	33	(68)	(30)	**273,446**
Total equity	**424,218**	**1,320**	**(349)**	**(5,478)**	**33**	(68)	(30)	**419,646**
Total liabilities and equity	**5,404,279**	1,320	(20)	(256)	(33)	(96)	(273)	**5,404,921**

Total IFRS 17 implementation impact on the Group's equity as of 31 December 2022 is EUR (4.6) million. From these EUR 1.3 million from IFRS 17 permitted reclassification of financial instruments to amortised cost accounting and accordingly reversing accumulated fair value revaluation loss, EUR (5.5) million from reclassification and revaluation of annuity investment liabilities to amortised cost by applying full retrospective approach and EUR (0.4) million from other minor changes related directly to implementation of IFRS 17.

Statement of income for the three and nine months periods ended 30 September 2022 before and after IFRS 17 reclassifications

	EUR thousands					
	9m 2022			Q3 2022		
	Group Restated IFRS 17	**Group** IFRS 4 as reported	**IFRS 17 impact**	**Group** Restated IFRS 17	**Group** IFRS 4 as reported	**IFRS 17 impact**
Net interest income	83,341	82,913	428	29,097	28,944	153
Net fee and commission income	30,422	30,347	75	8,970	8,938	32
Net financial income	5,188	5,190	(2)	3,225	3,240	(15)
Net other income / (expense), including net insurance result	(1,686)	3,314	(5,000)	(789)	999	(1,788)
Staff costs, other operating expenses, depreciation and amortisation	(67,553)	(67,553)	-	(22,694)	(22,694)	-
Net credit losses and other impairment losses	(15,018)	(15,018)	-	(2,264)	(2,264)	-
Operating profit from continuous operations before non-current assets held for sale	**34,694**	**39,193**	**(4,499)**	**15,545**	**17,163**	**(1,618)**
Result from non-current assets held for sale and discontinued operations, net of tax	(3,933)	**(3,933)**	-	(2,109)	(2,109)	-
Operating profit	**30,761**	**35,260**	**(4,499)**	**13,436**	**15,054**	**(1,618)**
Income tax	(1,090)	(1,090)	-	(470)	(470)	-
Net profit	**29,671**	**34,170**	**(4,499)**	**12,966**	**14,584**	**(1,618)**

For the nine months period ended 30 September 2022 for the Group as a result of IFRS 17 implementation, net insurance result decreased by EUR 5.0 million due to the new standard's requirement to retrospectively reclassify and revalue previous insurance liabilities to deposits and borrowings from customers. The reclassified EUR 38.2 million (as of implementation of IFRS 17) annuity investments as a result were revalued to amortised cost thus reversing previously recognised IFRS 4 revaluation gains from increasing market interest rates.

Upcoming requirements not in force from 1 January 2023

Certain new standards, amendments to standards and interpretations have been endorsed by EU for the accounting periods beginning after 1 January 2023 or are not yet effective in the EU. These standards have not been applied in preparing these interim condensed 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.

Amendments to IAS 1 – Classification of liabilities as current or non-current and Non-current Liabilities with Covenants
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback

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 interim condensed financial statements are presented in thousands of Euros.

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

The preparation of interim condensed financial statements in conformity with in conformity with IAS 34 Interim Financial Reporting 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 interim condensed financial statements. Significant areas of estimation used in the preparation of the accompanying interim condensed financial statements relate to the evaluation of impairment losses for financial and non-financial assets, and the evaluation of recognisable amounts of deferred tax assets and liabilities. Critical judgements made in the preparation of the accompanying financial statements relate to the determination of determination of whether the group has control over certain investees for consolidation purposes, and the determination of whether Kaleido Privatbank AG constitutes a discontinued operation held for sale. More detail on these significant judgements and critical estimates is provided in the remainder of this note.

Impairment of loans to public, loan commitments, financial guarantee contracts and finance lease receivables

The Group regularly reviews its loans to public, loan commitments, financial guarantee contracts and finance lease receivables 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 lending exposures being individually monitored. For these 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, except for changes in cash flows from collateral, 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 (2022: EUR 0.0 million) as recovery estimates happen to be based solely on collateral disposal income and EUR +/-0.1 million for the Group (2022: EUR +/-0.55 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 +/-0.2 million change in impairment allowance for the Bank (2022: EUR +/-0.6 million) and EUR +/-0.4 million for the Group (2022: EUR +/-0.95 million).

For majority of the loans to public, loan commitments, financial guarantee contracts and finance lease receivables the Group collectively estimates impairment allowance to cover expected losses inherent in the portfolio. The collective impairment assessment is based on observable data derived from historic and applied to current exposures to clients with similar credit risk characteristics. For this assessment exposures to clients are segmented into homogeneous groups based on product type (mortgage, consumer loan, leases 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 assessed 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 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 resulted in higher volatility in commodity, energy prices and inflation. The adjustment for expected impact from future economic scenarios is revised correspondingly. Thus, the Group and the Bank has recognised an unbiased impairment overlay for Stage 1 and Stage 2 classified loans to public exposures and for certain exposures an individual overlay. 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 the period end, impairment overlay of EUR 13.4 million for the Bank and EUR 16.0 million for the Group has been recognised to address these modelling uncertainties (2022: EUR 13.9 million for the Bank and EUR 17.1 million for the Group).

Changes in all applied LGD rates by 500 basis points would result in change in collectively estimated impairment allowance and provisions by EUR +5.1/-5.1 million for the Bank and EUR +7.4/-7.5 million for the Group (2022: EUR +5.2/-5.2 million for the Bank and EUR +7.6/-7.7 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 +5.9/-5.6 million for the Bank and EUR +8.4/-7.8 million for the Group (2022: EUR +6.3/-6.1 million for the Bank and EUR +8.9/-8.5 million) and provisions for off-balance sheet commitments and guarantees by EUR +0.5/-0.5 million for the Bank and EUR +0.6/-0.6 million for the Group (2022: EUR +0.5/-0.5 million for the Bank and EUR +0.5/-0.5 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.

Key forward-looking information variables for measurement of expected credit losses as of 30 September 2023

	Base case scenario		Adverse scenario		Positive scenario	
	2023	2024	2023	2024	2023	2024
Latvia						
GDP (annual change)	(0.1%)	2.3%	(0.5%)	(0.7%)	0.2%	4.3%
Unemployment rate	6.5%	6.4%	6.8%	8.4%	6.3%	5.1%
Average gross wage (annual change)	11.7%	7.5%	11.4%	4.4%	11.9%	9.11%
Lithuania						
GDP (annual change)	(0.1%)	2.3%	(0.6%)	(0.6%)	0.2%	4.4%
Unemployment rate	6.6%	5.9%	6.9%	7.9%	6.4%	4.6%
Average gross wage (annual change)	11.4%	6.8%	11.0%	4.5%	11.6%	8.3%
Estonia						
GDP (annual change)	(1.6%)	2.6%	(2.0%)	(0.3%)	(1.3%)	4.7%
Unemployment rate	6.1%	5.8%	6.4%	7.7%	5.9%	4.4%
Average gross wage (annual change)	10.4%	6.4%	10.2%	4.2%	10.6%	7.9%

Key forward-looking information variables for measurement of expected credit losses as of 31 December 2022

	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 50% likelihood, the adverse scenario at 45% likelihood and positive scenario at 5% likelihood (2022: 55% base case scenario, 35% adverse scenario and 10% positive scenario). The 50% / 45% / 5% weighted augmented scenario is used for forward-looking adjustment. Slight increase in weighting of the adverse scenario in the reporting period is justified by uncertainty around recently improving macroeconomic forecasts and still fluid future outlook. If the weighting of the adverse scenario was to increase by 5 percent points, the expected credit loss allowance of the Bank would increase EUR 0.6 million and for the Group by EUR 0.7 million as of the period end. 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 4.8 million and for the Group by EUR 6.1 million as of the period end. If as of 31 December 2022 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. If as of 31 December 2022 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.

Impairment of non-financial assets and recoverability of non-current assets held for sale

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 16 (*Investments in Related Entities*). For assessment of fair value less cost to sell for these items classified as held for sale refer to Note 17 (*Discontinued Operations and Non-current assets held for sale*).

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 16 (*Investments in Related Entities*). For investments in securities which are not consolidated refer to Note 15 (*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. Recognised corporate income tax liability represent tax advances paid, that are expected to be utilised in the future. Deferred tax liability is recognised for all foreseeable tax liabilities as of the period end. For more details refer to Note 12 (*Taxation*).

Presentation of Kaleido Privatbank AG as discontinued operations held for sale

AS Citadele banka is selling its Swiss subsidiary Kaleido Privatbank AG under market standard terms and conditions. In the reporting period it was concluded that successful execution of the previous sales-purchase agreement is no longer feasible, and the contract was terminated. The Group is working with a reputable M&A advisor on an alternative sales transaction. As the conditions indicate that the investment will be recovered principally through a sale transaction in a foreseeable future rather than through continuing operations, Kaleido Privatbank AG is presented as discontinued operations as of period end. Citadele has identified a preliminary list of potential buyers and has taken steps to improve certainty that regulatory approval for potential sale will be obtained.

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 has been restated for IFRS 17 (*Insurance Contracts*) comparability.

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 subsidiary of the Group operating in non-financial sector. This comprises discontinued operations, namely operations of Kaleido Privatbank AG (a Swiss registered banking subsidiary) which is for sell. Refer to Note 17 (*Discontinued Operations*).

Segments of the Group

	Group 9m 2023, EUR thousands						
	Reportable segments						
	Retail Private	Private affluent	Retail SME	Corporate	Asset Manage-ment	Other	Total
Interest income	60,169	2,279	36,254	52,055	659	16,325	167,741
Interest expense	(6,425)	(1,610)	(2,544)	(12,993)	(134)	(5,285)	(28,991)
Net interest income	**53,744**	**669**	**33,710**	**39,062**	**525**	**11,040**	**138,750**
Fee and commission income	22,121	2,811	13,076	10,617	4,620	1,434	54,679
Fee and commission expense	(10,935)	(823)	(5,766)	(7,116)	(186)	(819)	(25,645)
Net fee and commission income	**11,186**	**1,988**	**7,310**	**3,501**	**4,434**	**615**	**29,034**
Net financial income	635	509	1,913	1,381	148	4,020	8,606
Net other income	(1,440)	(193)	(285)	(502)	94	248	(2,078)
Operating income	**64,125**	**2,973**	**42,648**	**43,442**	**5,201**	**15,923**	**174,312**
Net funding allocation	134	6,826	(2,738)	(3,234)	432	(1,420)	-
FTP adjusted operating income	**64,259**	**9,799**	**39,910**	**40,208**	**5,633**	**14,503**	**174,312**
Operating expense adjusted for indirect costs	(29,658)	(2,935)	(13,249)	(21,223)	(3,790)	(2,670)	(73,525)
Net credit losses	(3,446)	(32)	586	8,883	(3)	545	6,533
Other impairment losses and other provisions	20	-	(12)	(50)	-	3	(39)
Bank tax	-	-	-	-	-	(2,251)	(2,251)
Result from non-current assets held for sale *(Note 17)*	-	-	-	(2)	-	412	410
Operating profit from continuous operations, before tax	**31,175**	**6,832**	**27,235**	**27,816**	**1,840**	**10,542**	**105,440**
Discontinued operations *(Note 17)*							(5,160)
Operating profit, before tax							**100,280**

	Group 9m 2022, EUR thousands (Restated for IFRS 17 comparability)						
	Reportable segments						
	Retail Private	Private affluent	Retail SME	Corporate	Asset Manage-ment	Other	Total
Interest income	36,285	1,286	21,754	31,851	607	4,935	96,718
Interest expense	(2,794)	(1,256)	(1,150)	(2,004)	(100)	(6,073)	(13,377)
Net interest income	**33,491**	**30**	**20,604**	**29,847**	**507**	**(1,138)**	**83,341**
Fee and commission income	16,334	2,856	11,612	11,082	4,982	3,745	50,611
Fee and commission expense	(8,674)	(758)	(4,093)	(5,917)	(215)	(532)	(20,189)
Net fee and commission income	**7,660**	**2,098**	**7,519**	**5,165**	**4,767**	**3,213**	**30,422**
Net financial income	1,003	852	2,020	1,751	(1,627)	1,189	5,188
Net other income	(1,273)	(331)	62	147	(475)	184	(1,686)
Operating income	**40,881**	**2,649**	**30,205**	**36,910**	**3,172**	**3,448**	**117,265**
Net funding allocation	1,519	1,732	670	(1,050)	38	(2,909)	-
FTP adjusted operating income	**42,400**	**4,381**	**30,875**	**35,860**	**3,210**	**539**	**117,265**
Operating expense adjusted for indirect costs	(28,907)	(2,823)	(13,277)	(19,626)	(3,291)	371	(67,553)
Net credit losses	(7,043)	(304)	(2,091)	(7,080)	6	1,583	(14,929)
Other impairment losses and other provisions	8	-	-	-	-	(97)	(89)
Bank tax	-	-	-	-	-	-	-
Result from non-current assets held for sale *(Note 17)*	-	-	(88)	(61)	-	604	455
Operating profit from continuous operations, before tax	**6,458**	**1,254**	**15,419**	**9,093**	**(75)**	**3,000**	**35,149**
Discontinued operations *(Note 17)*							(4,388)
Operating profit, before tax							**30,761**

	Group as of 30/09/2023, EUR thousands						
	Reportable segments						
	Retail Private	Private affluent	Retail SME	Corporate	Asset Manage-ment	Other (including discontinued operations)	Total
Assets							
Cash, balances at central banks	-	-	-	-	-	483,752	483,752
Loans to credit institutions	-	-	-	92	502	34,119	34,713
Debt securities	-	-	-	44,587	38,750	1,144,435	1,227,772
Loans to public	1,192,990	50,706	644,533	956,119	-	8,457	2,852,805
Equity instruments	-	-	-	-	-	1,167	1,167
Other financial instruments	-	-	-	-	24,517	1,173	25,690
All other assets	-	-	18	41	7,637	197,612	205,308
Total segmented assets	**1,192,990**	**50,706**	**644,551**	**1,000,839**	**71,406**	**1,870,715**	**4,831,207**
Liabilities							
Deposits from banks	-	-	-	-	-	47,907	47,907
Deposits from customers	1,509,568	405,502	690,109	1,103,201	89,974	25,753	3,824,107
Debt securities issued	-	-	-	-	-	262,677	262,677
All other liabilities	-	-	-	25	13,528	182,167	195,720
Total segmented liabilities	**1,509,568**	**405,502**	**690,109**	**1,103,226**	**103,502**	**518,504**	**4,330,411**

	Group as of 31/12/2022, EUR thousands (Restated for IFRS 17 comparability)						
	Reportable segments						
	Retail Private	Private affluent	Retail SME	Corporate	Asset Manage-ment	Other (including discontinued operations)	Total
Assets							
Cash, balances at central banks	-	-	-	-	-	532,030	532,030
Loans to credit institutions	-	-	-	-	6,397	42,044	48,441
Debt securities	-	-	-	44,552	43,621	1,505,749	1,593,922
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	4,262	230,281	234,548
Total segmented assets	**1,199,979**	**51,895**	**629,682**	**1,105,145**	**86,202**	**2,332,018**	**5,404,921**
Liabilities							
Deposits from banks	-	-	-	-	-	469,736	469,736
Deposits from customers	1,550,387	511,406	736,882	1,056,760	115,829	54,401	4,025,665
Debt securities issued	-	-	-	-	-	259,225	259,225
All other liabilities	-	-	49	125	16,699	213,776	230,649
Total segmented liabilities	**1,550,387**	**511,406**	**736,931**	**1,056,885**	**132,528**	**997,138**	**4,985,275**

NOTE 5. INTEREST INCOME AND EXPENSE

	EUR thousands							
	Group				Bank			
	9m 2023	9m 2022 Restated for IFRS 17	Q3 2023	Q3 2022 Restated for IFRS 17	9m 2023	9m 2022	Q3 2023	Q3 2022
Interest income calculated using the effective interest method:								
Financial instruments at amortised cost:								
Loans to public	94,151	57,358	34,313	20,060	132,424	72,025	48,220	25,399
Debt securities	6,315	3,370	2,297	1,224	6,279	3,347	2,285	1,216
Balances to/from central banks and credit institutions (incl. TLTRO-III)	10,391	2,187	3,912	730	10,390	2,194	3,911	733
Deposits from public at negative interest rates	521	1,218	168	258	61	889	19	124
Debt securities at fair value through other comprehensive income	745	742	245	257	582	570	188	202
Debt securities at fair value through profit or loss	2	-	2	-	2	-	2	-
Interest income on finance leases (part of loans to public)	55,616	31,843	20,614	10,708	-	-	-	-
Total interest income	**167,741**	**96,718**	**61,551**	**33,237**	**149,738**	**79,025**	**54,625**	**27,674**
Interest expense on:								
Financial instruments at amortised cost:								
Deposits and borrowing from public	(17,067)	(5,657)	(7,990)	(1,783)	(17,364)	(5,630)	(8,136)	(1,788)
Debt securities issued	(5,002)	(5,138)	(1,682)	(1,681)	(5,002)	(5,138)	(1,682)	(1,681)
Deposits from credit institutions and central banks (incl. TLTRO-III)	(4,670)	(109)	(374)	(91)	(4,737)	(157)	(388)	(94)
Deposits to central banks and other assets at negative interest rates	(415)	(522)	(93)	(74)	(360)	(478)	(74)	(61)
Financial liabilities at fair value through profit or loss								
Deposits and borrowing from public	(10)	(55)	(5)	(16)	-	-	-	-
Lease liabilities	(74)	(33)	(28)	(9)	(72)	(30)	(27)	(9)
Other interest expense	(1,753)	(1,863)	(593)	(486)	(1,753)	(1,864)	(593)	(485)
Total interest expense	**(28,991)**	**(13,377)**	**(10,765)**	**(4,140)**	**(29,288)**	**(13,297)**	**(10,900)**	**(4,118)**
Net interest income	**138,750**	**83,341**	**50,786**	**29,097**	**120,450**	**65,728**	**43,725**	**23,556**

As the interest resulting from a negative effective interest rate on financial assets reflects an outflow of economic benefits, this is presented as interest expense. Similarly, an inflow of economic benefits from liabilities with negative effective interest rates (including TLTRO-III financing) is presented as interest income.

NOTE 6. FEE AND COMMISSION INCOME AND EXPENSE

	EUR thousands							
	Group				Bank			
	9m 2023	9m 2022 Restated for IFRS 17	Q3 2023	Q3 2022 Restated for IFRS 17	9m 2023	9m 2022	Q3 2023	Q3 2022
Fee and commission income:								
Cards	37,653	33,006	11,609	11,216	37,653	33,008	11,609	11,217
Payments and transactions	8,524	8,146	2,800	2,805	8,542	8,163	2,806	2,812
Asset management and custody	4,942	5,184	1,680	1,648	1,269	1,281	437	417
Securities brokerage	405	389	115	139	409	391	117	139
Other fees	1,527	1,516	499	456	1,457	1,512	422	490
Total fee and commission income from contracts with customers	**53,051**	**48,241**	**16,703**	**16,264**	**49,330**	**44,355**	**15,391**	**15,075**
Guarantees, letters of credit and loans	1,628	2,370	613	616	1,618	1,932	626	463
Total fee and commission income	**54,679**	**50,611**	**17,316**	**16,880**	**50,948**	**46,287**	**16,017**	**15,538**
Fee and commission expense on:								
Cards	(19,434)	(16,645)	(7,108)	(6,677)	(19,433)	(16,644)	(7,108)	(6,677)
Securitisation	(2,761)	-	(930)	-	(802)	-	(247)	-
Payments and transactions	(2,514)	(2,655)	(902)	(957)	(2,514)	(2,655)	(902)	(957)
Asset management, custody and securities brokerage	(543)	(587)	(173)	(176)	(540)	(577)	(172)	(176)
Other fees	(393)	(302)	(125)	(100)	(236)	(187)	(82)	(65)
Total fee and commission expense	**(25,645)**	**(20,189)**	**(9,238)**	**(7,910)**	**(23,525)**	**(20,063)**	**(8,511)**	**(7,875)**
Net fee and commission income	**29,034**	**30,422**	**8,078**	**8,970**	**27,423**	**26,224**	**7,506**	**7,663**

Fee and commission expense for securitisation represents an expense on a multi-year financial guarantee contract issued by the EIB Group, consisting of the European Investment Bank (EIB) and the European Investment Fund (EIF), to Citadele in December 2022. 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. 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.

NOTE 7. NET FINANCIAL INCOME

	EUR thousands							
	Group				Bank			
	9m 2023	9m 2022 Restated for IFRS 17	Q3 2023	Q3 2022 Restated for IFRS 17	9m 2023	9m 2022	Q3 2023	Q3 2022
Foreign exchange trading, revaluation and related derivatives	8,481	6,567	2,394	2,451	8,547	6,445	2,355	2,416
Non-trading assets and liabilities at fair value through profit or loss	322	(1,228)	(169)	779	100	626	(68)	1,098
Assets at fair value through other comprehensive income	-	(1,520)	-	1	-	(1,520)	-	1
Assets at amortised cost	-	(9)	-	(6)	-	(9)	-	(6)
Modifications in cash flows which do not result in derecognition	(197)	1,378	199	-	(197)	1,378	199	-
Total net financial income	**8,606**	**5,188**	**2,424**	**3,225**	**8,450**	**6,920**	**2,486**	**3,509**

NOTE 8. NET OTHER INCOME

	EUR thousands							
	Group				Bank			
	9m 2023	9m 2022 Restated for IFRS 17	Q3 2023	Q3 2022 Restated for IFRS 17	9m 2023	9m 2022	Q3 2023	Q3 2022
Operating lease income	1,195	1,405	389	452	-	-	-	-
Compensation for fulfilment of the TLTRO-III required government obligations (*Note 18*)	-	993	-	-	-	993	-	-
Dividend income	15	24	5	9	15	24	5	9
Other income	843	1,004	277	291	1,851	1,511	719	511
Total other income	**2,053**	**3,426**	**671**	**752**	**1,866**	**2,528**	**724**	**520**
Share of the profit or loss of investments accounted for using the equity method	**12**	**(98)**	**-**	**-**	**12**	**(98)**	**-**	**-**
Insurance contracts:								
Insurance revenue	541	317	171	134	-	-	-	-
Insurance expense	(115)	(49)	(4)	(28)	-	-	-	-
Financing	(33)	(332)	19	32	-	-	-	
Reinsurance contracts:								
Net income / (expenses)	(36)	(49)	10	(19)	-	-	-	-
Financing	28	72	33	20	-	-	-	-
Net insurance result	**385**	**(41)**	**229**	**139**	**-**	**-**	**-**	**-**
Supervisory fees	(1,742)	(2,222)	(586)	(749)	(1,705)	(2,133)	(573)	(726)
Depreciation of assets under operating lease	(898)	(1,133)	(283)	(357)	-	-	-	-
Other expenses	(1,888)	(1,618)	(670)	(574)	(1,192)	(1,100)	(443)	(379)
Total other expense	**(4,528)**	**(4,973)**	**(1,539)**	**(1,680)**	**(2,897)**	**(3,233)**	**(1,016)**	**(1,105)**
Total net other income	**(2,078)**	**(1,686)**	**(639)**	**(789)**	**(1,019)**	**(803)**	**(292)**	**(585)**

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 Bank of Latvia, European Central Bank, Single Resolution Board and similar. These are directly dependent on the size of the banking business (mostly total assets).

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							
	Group				Bank			
	9m 2023	9m 2022	Q3 2023	Q3 2022	9m 2023	9m 2022	Q3 2023	Q3 2022
Remuneration:								
- management	(3,848)	(2,988)	(1,250)	(1,025)	(3,218)	(2,510)	(1,054)	(873)
- other personnel	(36,771)	(34,734)	(12,060)	(11,470)	(31,240)	(30,113)	(10,234)	(10,025)
Total remuneration for work	**(40,619)**	**(37,722)**	**(13,310)**	**(12,495)**	**(34,458)**	**(32,623)**	**(11,288)**	**(10,898)**
Social security and solidarity tax contributions:								
- management	(599)	(452)	(186)	(144)	(468)	(346)	(142)	(116)
- other personnel	(7,172)	(6,442)	(2,320)	(1,958)	(6,078)	(5,589)	(1,962)	(1,710)
Total social security and solidarity tax contributions	**(7,771)**	**(6,894)**	**(2,506)**	**(2,102)**	**(6,546)**	**(5,935)**	**(2,104)**	**(1,826)**
Other personnel expense	**(672)**	**(641)**	**(207)**	**(195)**	**(573)**	**(548)**	**(177)**	**(167)**
Total personnel expense	**(49,062)**	**(45,257)**	**(16,023)**	**(14,792)**	**(41,577)**	**(39,106)**	**(13,569)**	**(12,891)**

Number of full-time equivalent employees at the period end

	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Continuing operations	1,301	1,329	1,098	1,113
Discontinued operations	31	26	-	-

NOTE 10. OTHER OPERATING EXPENSES

	EUR thousands							
	Group				Bank			
	9m 2023	9m 2022	Q3 2023	Q3 2022	9m 2023	9m 2022	Q3 2023	Q3 2022
Information technologies and communications	(6,081)	(5,176)	(2,035)	(1,889)	(5,353)	(4,752)	(1,806)	(1,744)
Consulting and other services	(4,503)	(3,678)	(1,664)	(910)	(4,077)	(3,167)	(1,547)	(546)
Rent, premises and real estate	(1,909)	(1,810)	(611)	(722)	(1,809)	(1,687)	(579)	(658)
Advertising and marketing	(1,896)	(2,673)	(867)	(1,260)	(1,751)	(2,531)	(819)	(1,212)
Non-refundable value added tax	(1,909)	(1,314)	(659)	(454)	(1,816)	(1,242)	(631)	(443)
Other	(1,366)	(1,176)	(541)	(440)	(1,187)	(1,013)	(487)	(390)
Total other expenses	**(17,664)**	**(15,827)**	**(6,377)**	**(5,675)**	**(15,993)**	**(14,392)**	**(5,869)**	**(4,993)**

NOTE 11. NET CREDIT LOSSES

Total net impairment allowance charged to the income statement

	EUR thousands							
	Group				Bank			
	9m 2023	9m 2022	Q3 2023	Q3 2022	9m 2023	9m 2022	Q3 2023	Q3 2022
Loans to credit institutions	379	(324)	-	(165)	379	(324)	-	(165)
Debt securities	111	(287)	41	(4)	114	(294)	40	(6)
Loans to public	3,647	(14,850)	1,979	(2,161)	(204)	(12,865)	487	(2,170)
Loan commitments, guarantees and letters of credit	692	(1,007)	331	(175)	594	(851)	7	(106)
Recovered written-off assets	1,704	1,539	420	263	1,637	1,418	396	231
Total net losses on financial instruments	**6,533**	**(14,929)**	**2,771**	**(2,242)**	**2,520**	**(12,916)**	**930**	**(2,216)**

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 risks, like Russia's invasion into Ukraine, which resulted in higher volatility in commodity, energy prices and global inflation, the adjustment for expected impact from future economic scenarios is revised correspondingly. Due to the forward looking nature of the credit loss estimation, the change in loss allowances does not necessarily represent only an observable change in the days past due of the loan portfolio (for detail refer to Note 14 (*Loans to Public*)), but is also a representation of 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 undefined. 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. Net release of impairment overlay for the reporting period *(Note 3)* is EUR 1.1 million for the Group (2022: EUR 5.2 million) and for the Bank EUR 0.5 million (2022: EUR 1.4 million).

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 01/01/2023	Charged to statement of income: Origination	Charged to statement of income: Repayment, disposal	Charged to statement of income: Credit risk, net	Write-offs of allowances	Other adjustments	Closing balance 30/09/2023
Stage 1							
Loans to credit institutions	385	1	-	(380)	-	(4)	2
Debt securities	708	9	(5)	(115)	-	-	597
Loans to public	53,284	7,651	(3,407)	(8,749)	-	(5)	48,774
Including impairment overlay	*10,897*						*8,823*
Loan commitments, guarantees and letters of credit	4,528	1,424	(736)	(1,425)	-	-	3,791
Total stage 1 credit losses and provisions	**58,905**	**9,085**	**(4,148)**	**(10,669)**	**-**	**(9)**	**53,164**
Stage 2							
Loans to public	16,746	211	(551)	1,432	-	24	17,862
Including impairment overlay	*6,196*						*7,201*
Loan commitments, guarantees and letters of credit	158	56	(55)	124	-	-	283
Total stage 2 credit losses and provisions	**16,904**	**267**	**(606)**	**1,556**	**-**	**24**	**18,145**
Stage 3							
Loans to public	36,479	350	(7,445)	6,861	(4,954)	1,419	32,710
Loan commitments, guarantees and letters of credit	134	12	(55)	(37)	-	-	54
Total stage 3 credit losses and provisions	**36,613**	**362**	**(7,500)**	**6,824**	**(4,954)**	**1,419**	**32,764**
Total allowances for credit losses and provisions	**112,422**	**9,714**	**(12,254)**	**(2,289)**	**(4,954)**	**1,434**	**104,073**
Including for debt securities classified at fair value through other comprehensive income	*94*						*85*

Total Group's provisions of EUR 4,229 thousand (2022: EUR 4,920 thousand) as of the period end comprise of ECL allowances for loan commitments, guarantees and letters of credit of EUR 4,128 thousand (2022: EUR 4,820 thousand) and other Non-ECL provisions of EUR 101 thousand (2022: EUR 100 thousand). Total Bank's provisions of EUR 4,244 thousand (2022: EUR 4,838 thousand) as of the period end comprise EUR 4,144 thousand (2022: EUR 4,738 thousand) for loan commitments, guarantees and letters of credit and EUR 100 thousand (2022: 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. For POCI loans acquired in business combinations, the initial recognition date in the Group's consolidated accounts is the purchase date of the subsidiary.

	Group, EUR thousands						
	Opening balance 01/01/2022	Charged to statement of income: Origination	Charged to statement of income: Repayment, disposal	Charged to statement of income: Credit risk, net	Write-offs of allowances	Other adjustments	Closing balance 30/09/2022
Stage 1							
Loans to credit institutions	93	658	(323)	(11)	-	11	428
Debt securities	2,015	489	(195)	(7)	-	(58)	2,244
Loans to public	35,204	42,450	(24,073)	98	-	(313)	53,366
Loan commitments, guarantees and letters of credit	3,378	2,837	(2,103)	362	-	(56)	4,418
Total stage 1 credit losses and provisions	**40,690**	**46,434**	**(26,694)**	**442**	**-**	**(416)**	**60,456**
Stage 2							
Loans to public	10,702	9,761	(11,180)	(777)	-	284	8,790
Loan commitments, guarantees and letters of credit	358	346	(173)	(304)	-	(2)	225
Total stage 2 credit losses and provisions	**11,060**	**10,107**	**(11,353)**	**(1,081)**	**-**	**282**	**9,015**
Stage 3							
Loans to public	35,709	4,607	(5,783)	(253)	(4,011)	7,062	37,331
Loan commitments, guarantees and letters of credit	98	134	(49)	(43)	-	(3)	137
Total stage 3 credit losses and provisions	**35,807**	**4,741**	**(5,832)**	**(296)**	**(4,011)**	**7,059**	**37,468**
Total allowances for credit losses and provisions	**87,557**	**61,282**	**(43,879)**	**(935)**	**(4,011)**	**6,925**	**106,939**
Including for debt securities classified at fair value through other comprehensive income	*136*						*116*

	Bank, EUR thousands						
	Opening balance 01/01/2023	Charged to statement of income: Origination	Charged to statement of income: Repayment, disposal	Charged to statement of income: Credit risk, net	Write-offs of allowances	Other adjustments	Closing balance 30/09/2023
Stage 1							
Loans to credit institutions	385	-	-	(379)	-	(4)	2
Debt securities	686	9	(5)	(118)	-	-	572
Loans to public	41,130	4,642	(2,231)	(3,927)	-	-	39,614
Including impairment overlay	*7,705*						*6,245*
Loan commitments, guarantees and letters of credit	4,498	1,514	(754)	(1,445)	-	1	3,814
Total stage 1 credit losses and provisions	**46,699**	**6,165**	**(2,990)**	**(5,869)**	**-**	**(3)**	**44,002**
Stage 2							
Loans to public	13,421	116	(293)	919	-	(2)	14,161
Including impairment overlay	*6,189*						*7,150*
Loan commitments, guarantees and letters of credit	115	56	(55)	160	-	-	276
Total stage 2 credit losses and provisions	**13,536**	**172**	**(348)**	**1,079**	**-**	**(2)**	**14,437**
Stage 3							
Loans to public	33,573	226	(6,492)	7,244	(4,872)	147	29,826
Loan commitments, guarantees and letters of credit	125	5	(55)	(20)	-	(1)	54
Total stage 3 credit losses and provisions	**33,698**	**231**	**(6,547)**	**7,224**	**(4,872)**	**146**	**29,880**
Total allowances for credit losses and provisions	**93,933**	**6,568**	**(9,885)**	**2,434**	**(4,872)**	**141**	**88,319**
Including for debt securities classified at fair value through other comprehensive income	*72*						*66*

	Bank, EUR thousands						
	Opening balance 01/01/2022	Charged to statement of income: Origination	Charged to statement of income: Repayment, disposal	Charged to statement of income: Credit risk, net	Write-offs of allowances	Other adjustments	Closing balance 30/09/2022
Stage 1							
Loans to credit institutions	93	658	(323)	(11)	-	11	428
Debt securities	1,927	489	(195)	-	-	1	2,222
Loans to public	23,184	36,179	(22,466)	269	-	-	37,166
Loan commitments, guarantees and letters of credit	3,325	2,776	(2,183)	353	-	3	4,274
Total stage 1 credit losses and provisions	**28,529**	**40,102**	**(25,167)**	**611**	**-**	**15**	**44,090**
Stage 2							
Loans to public	8,873	9,589	(11,034)	(1,544)	-	-	5,884
Loan commitments, guarantees and letters of credit	358	346	(173)	(307)	-	1	225
Total stage 2 credit losses and provisions	**9,231**	**9,935**	**(11,207)**	**(1,851)**	**-**	**1**	**6,109**
Stage 3							
Loans to public	32,544	4,539	(3,955)	1,288	(3,964)	3,607	34,059
Loan commitments, guarantees and letters of credit	98	134	(49)	(46)	-	-	137
Total stage 3 credit losses and provisions	**32,642**	**4,673**	**(4,004)**	**1,242**	**(3,964)**	**3,607**	**34,196**
Total allowances for credit losses and provisions	**70,402**	**54,710**	**(40,378)**	**2**	**(3,964)**	**3,623**	**84,395**
Including for debt securities classified at fair value through other comprehensive income	*97*						*76*

Transfers of gross loans to customers between impairment stages

	Group, EUR thousands					
	Transfers between impairment stages of gross loans (gross transfer basis)					
	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 during 9m 2023	142,811	82,813	16,728	3,449	4,549	2,254
Transfer during 9m 2022	107,057	75,060	5,367	3,011	6,581	1,269

NOTE 12. TAXATION

Corporate income tax expense

	EUR thousands							
	Group				Bank			
	9m 2023	9m 2022	Q3 2023	Q3 2022	9m 2023	9m 2022	Q3 2023	Q3 2022
Current corporate income tax	(3,452)	(1,227)	(2,044)	(418)	(3,017)	(288)	(1,897)	(137)
Deferred income tax	(1,783)	137	224	(52)	(1,637)	-	244	-
Total corporate income tax expense	**(5,235)**	**(1,090)**	**(1,820)**	**(470)**	**(4,654)**	**(288)**	**(1,653)**	**(137)**
Bank tax	**(2,251)**	**-**	**(1,260)**	**-**	**(2,251)**	**-**	**(1,260)**	**-**

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 was close to 0%. In Latvia, incremental CIT expense does not arise on the Bank's dividend distribution from retained earnings generated under the previous tax regime which as of 30 September 2023 amounted to EUR 61.8 million (2022: EUR 81.8 million) and additional EUR 17.2 million profits already taxed when distributed from subsidiaries and branches. Currently there is no expiry date for this distribution right. In Latvia, for dividend distributions from profits earned, a 20% CIT rate applies and is calculated as 0.2/0.8 from net distributed dividend (effectively 25%). As of the period end, there is an uncertainty if or what changes to the CIT regime will be implemented to the tax regime applicable to the Bank's operations in Latvia; one of the draft proposals is an advance CIT payable at 20% rate on unadjusted accounting profits of the Latvian banking and leasing operations, with the advance paid being eligible to fully offset dividend distribution tax with no expiry date.

In 2023 the Bank decided to distribute profits in the amount of (net) EUR 4.5 million from Estonian branch thus EUR 1.1 million tax expense was recognised at a full tax rate. In Estonia, if regular and annually increasing dividends are distributed, a lower preferential tax rate applies on amount equal to average of distributions over the last three year.

In other jurisdictions where the Group operates, earnings are taxable when earned. In the reporting period the effective tax rate for the Bank's Lithuanian operations was 17.6% or 16.6% if positive impact from previously un-recognised portion of unutilized tax loss is included. If bank tax was classified as corporate income tax, the effective tax rate of the Lithuanian operations in the reporting period would increase to 27.0%.

EUR 1.1 million from the Group total tax expense for the reporting period relates to the Estonian operations, most of the remainder to the Lithuania operations.

In 2023 the Parliament of Lithuanian passed a new law implementing bank tax effective from 16 May 2023. The law is applicable to credit institutions and branches operating in Lithuania and is payable on a certain surplus interest income in Lithuania. In essence the tax base of the bank tax contribution is 60 percent of the net interest income (interest income minus interest expenses) which exceeds the adjusted average net interest income of the previous 4 years, and which also exceeds a certain interest income annual increase threshold. The bank tax according to IAS 12 is not presented as corporate income tax as the basis for calculation of the tax is not adjusted net profit, but other revenue.

Income tax assets and liabilities

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Current income tax assets	1,609	1,822	833	1,116
Deferred income tax assets	695	2,478	542	2,179
Tax assets	**2,304**	**4,300**	**1,375**	**3,295**
Current income tax liabilities	(1,458)	(1,204)	(1,458)	(33)
Deferred income tax liabilities	(375)	(375)	-	-
Tax liabilities	**(1,833)**	**(1,579)**	**(1,458)**	**(33)**
Bank tax liability	**(1,112)**	**-**	**(1,112)**	**-**

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

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

	EUR thousands			
	9m 2023 Group	9m 2022 Group Restated for IFRS 17	9m 2023 Bank	9m 2022 Bank
Profit before corporate income tax from continuous operations	100,280	30,761	87,001	24,788
Corporate income tax (at 20%)	**20,056**	**6,152**	**17,400**	**4,958**
Undistributed earnings taxable on distribution	(15,239)	(4,293)	(13,323)	(3,996)
Effect of tax rates in foreign jurisdictions	(348)	(300)	(159)	(91)
Non-taxable income	(321)	(511)	(264)	(372)
Non-deductible expense	127	425	97	226
Distribution of retained earnings	1,125	-	1,125	-
Other tax differences, net (incl. changes in unrecognised deferred tax asset)	(165)	(383)	(222)	(437)
Total effective corporate income tax from continuous operations	**5,235**	**1,090**	**4,654**	**288**

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

	Group, EUR thousands			
	Opening balance 31/12/2022	Recognised in statement of income	Recognised in statement of OCI	Closing balance 30/09/2023
Deferred income and accrued expense	337	255	-	592
Recognised unutilised tax loss carry-forward	1,921	(1,921)	-	-
Fair value amortisation on the acquired loan portfolio	221	(116)	-	105
Expected distribution of retained earnings	(375)	-	-	(375)
Other items, net	(1)	(1)	-	(2)
Deferred income tax assets, net	**2,103**	**(1,783)**	**-**	**320**

	Group, EUR thousands			
	Opening balance 31/12/2021	Recognised in statement of income	Transfer to discontinued operations	Closing balance 30/09/2022
Deferred income and accrued expense	443	(12)	-	431
Recognised unutilised tax loss carry-forward	1,786	15	-	1,801
Fair value amortisation on the acquired loan portfolio	448	(183)	-	265
Expected distribution of retained earnings	(375)	-	-	(375)
Other items, net	(2)	317	(316)	(1)
Deferred income tax assets, net	**2,300**	**137**	**(316)**	**2,121**

	Bank, EUR thousands			
	Opening balance 31/12/2022	Recognised in statement of income	Recognised in statement of OCI	Closing balance 30/09/2023
Deferred income and accrued expense	258	284	-	542
Recognised unutilised tax loss carry-forward	1,921	(1,921)	-	-
Deferred income tax assets, net	**2,179**	**(1,637)**	**-**	**542**

	Bank, EUR thousands			
	Opening balance 31/12/2021	Recognised in statement of income	Recognised in statement of OCI	Closing balance 30/09/2022
Deferred income and accrued expense	393	(15)	-	378
Recognised unutilised tax loss carry-forward	1,786	15	-	1,801
Deferred income tax assets, net	**2,179**	**-**	**-**	**2,179**

NOTE 13. DEBT SECURITIES

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

	Group, EUR thousands							
	30/09/2023				31/12/2022 (Restated for IFRS 17)			
	At fair value through other comprehen-sive income	At amortised cost	At fair value through profit or loss	Total	At fair value through other comprehen-sive income	At amortised cost	At fair value through profit or loss	Total
Investment grade:								
AAA/Aaa	21,360	100,679	-	122,039	30,183	113,216	-	143,399
AA/Aa	8,109	235,623	-	243,732	17,929	239,180	-	257,109
A	149,898	624,099	7,495	781,492	155,706	958,390	-	1,114,096
BBB/Baa	8,632	27,068	-	35,700	9,275	25,282	-	34,557
Lower ratings or unrated	222	44,587	-	44,809	209	44,552	-	44,761
Total debt securities	**188,221**	**1,032,056**	**7,495**	**1,227,772**	**213,302**	**1,380,620**	**-**	**1,593,922**
Incl. general government	*146,445*	*689,048*	*7,495*	*842,988*	*152,197*	*1,031,002*		*1,183,199*
Incl. credit institutions	*8,921*	*126,035*	*-*	*134,956*	*11,628*	*144,321*	*-*	*155,949*
Incl. classified in stage 1	*188,221*	*1,032,056*	*n/a*	*n/a*	*213,302*	*1,380,620*	*n/a*	*n/a*

	Bank, EUR thousands							
	30/09/2023				31/12/2022			
	At fair value through other comprehen-sive income	At amortised cost	At fair value through profit or loss	Total	At fair value through other comprehen-sive income	At amortised cost	At fair value through profit or loss	Total
Investment grade:								
AAA/Aaa	19,379	98,244	-	117,623	27,141	110,767	-	137,908
AA/Aa	8,109	235,623	-	243,732	17,929	239,181	-	257,110
A	131,108	617,529	7,495	756,132	133,820	951,810	-	1,085,630
BBB/Baa	1,381	25,567	-	26,948	1,331	23,770	-	25,101
Lower ratings or unrated	-	44,587	-	44,587	-	44,552	-	44,552
Total debt securities	**159,977**	**1,021,550**	**7,495**	**1,189,022**	**180,221**	**1,370,080**	**-**	**1,550,301**
Incl. general government	*135,393*	*682,988*	*7,495*	*825,876*	*138,275*	*1,024,934*		*1,163,209*
Incl. credit institutions	*1,233*	*126,035*	-	*127,268*	*4,470*	*144,321*	-	*148,791*
Incl. classified in stage 1	*159,976*	*1,021,551*	*n/a*	*n/a*	*180,221*	*1,370,080*	*n/a*	*n/a*

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

Debt securities by country of issuer

	Group, EUR thousands					
	30/09/2023			31/12/2022 (Restated for IFRS 17)		
	Central governments	Other sectors	Total	Central and regional governments	Other sectors	Total
Lithuania	314,358	52,881	367,239	561,482	48,672	610,154
Latvia	374,352	2,382	376,734	410,254	2,376	412,630
Estonia	76,427	23,526	99,953	76,459	27,023	103,482
Germany	-	102,513	102,513	-	89,213	89,213
Poland	22,214	5,115	27,329	66,179	5,837	72,016
United States	18,498	23,772	42,270	9,983	26,591	36,574
Sweden	-	30,274	30,274	10,012	32,362	42,374
Canada	-	29,211	29,211	-	32,817	32,817
Switzerland	-	24,658	24,658	-	30,387	30,387
Netherlands	6,205	13,187	19,392	10,432	15,241	25,673
Finland	-	12,448	12,448	-	28,657	28,657
Other countries	30,934	29,274	60,208	38,398	35,562	73,960
Multilateral development banks and international organisations	-	35,543	35,543	-	35,985	35,985
Total debt securities	**842,988**	**384,784**	**1,227,772**	**1,183,199**	**410,723**	**1,593,922**

	Bank, EUR thousands					
	30/09/2023			31/12/2022		
	Central governments	Other sectors	Total	Central and regional governments	Other sectors	Total
Lithuania	310,332	51,550	361,882	556,007	47,362	603,369
Latvia	368,194	1,312	369,506	403,125	1,310	404,435
Germany	-	102,513	102,513	-	89,213	89,213
Estonia	76,427	21,689	98,116	76,459	24,822	101,281
Poland	21,452	3,034	24,486	65,417	3,059	68,476
United States	18,498	17,677	36,175	9,983	20,555	30,538
Sweden	-	30,274	30,274	10,012	32,362	42,374
Canada	-	29,211	29,211	-	32,817	32,817
Switzerland	-	24,658	24,658	-	25,277	25,277
Netherlands	6,205	13,187	19,392	10,432	15,241	25,673
Finland	-	12,448	12,448	-	28,657	28,657
Other countries	24,768	24,465	49,233	31,773	35,526	67,299
Multilateral development banks and international organisations	-	31,128	31,128	-	30,892	30,892
Total debt securities	**825,876**	**363,146**	**1,189,022**	**1,163,208**	**387,093**	**1,550,301**

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 14. LOANS TO PUBLIC

Loans by customer profile, industry profile and product type

	EUR thousands			
	30/09/2023 Group	**31/12/2022 Group**	**30/09/2023 Bank**	**31/12/2022 Bank**
Financial and non-financial corporations				
Real estate purchase and management	340,043	415,941	324,903	400,290
Transport and communications	236,082	260,005	40,501	40,320
Manufacturing	209,438	219,559	103,553	108,169
Trade	189,387	200,854	72,709	83,825
Agriculture and forestry	178,065	174,752	73,370	79,402
Construction	120,183	122,621	37,498	39,957
Electricity, gas and water supply	93,909	66,227	80,804	53,011
Financial intermediation	34,828	36,892	1,070,652	1,097,429
Hotels, restaurants	26,424	40,259	20,654	34,487
Other industries	151,564	155,613	15,325	19,934
Total financial and non-financial corporations	**1,579,923**	**1,692,723**	**1,839,969**	**1,956,824**
Households				
Mortgage loans	813,409	833,607	811,153	830,916
Finance leases	348,904	350,499	-	-
Credit for consumption	103,073	92,039	97,601	87,953
Card lending	60,222	57,852	60,222	57,852
Other lending	22,260	18,428	20,385	17,415
Total households	**1,347,868**	**1,352,425**	**989,361**	**994,136**
General government	**24,360**	**27,839**	**13,360**	**17,265**
Total gross loans to public	**2,952,151**	**3,072,987**	**2,842,690**	**2,968,225**
Impairment allowance	(99,346)	(106,509)	(83,601)	(88,124)
Total net loans to public	**2,852,805**	**2,966,478**	**2,759,089**	**2,880,101**

Loans by overdue days and impairment stage

	Group, EUR thousands									
	30/09/2023					**31/12/2022**				
	Gross amount					**Gross amount**				
	Stage 1	**Stage 2**	**Stage 3 and POCI**	**Expected credit loss allowance**	**Net carrying amount**	**Stage 1**	**Stage 2**	**Stage 3 and POCI**	**Expected credit loss allowance**	**Net carrying amount**
Loans to public										
Not past due	2,613,428	205,153	28,021	(60,734)	2,785,868	2,666,915	273,165	36,687	(66,940)	2,909,827
Past due <=30 days	31,140	24,905	2,821	(7,874)	50,992	27,005	9,856	4,679	(7,641)	33,899
Past due >30 and ≤90 days	-	7,760	1,469	(2,273)	6,956	-	13,376	2,996	(3,118)	13,254
Past due >90 days	-	-	37,454	(28,465)	8,989	-	-	38,308	(28,810)	9,498
Total loans to public	**2,644,568**	**237,818**	**69,765**	**(99,346)**	**2,852,805**	**2,693,920**	**296,397**	**82,670**	**(106,509)**	**2,966,478**
Guarantees and letters of credit	60,645	2,599	60	(360)	62,944	50,130	-	277	(452)	49,955
Financial commitments	291,655	8,230	166	(3,768)	296,283	291,930	14,319	441	(4,368)	302,322
Total credit exposure to public	**2,996,868**	**248,647**	**69,991**	**(103,474)**	**3,212,032**	**3,035,980**	**310,716**	**83,388**	**(111,329)**	**3,318,755**

As of the period end, the gross amount of Group's POCI loans to public is EUR 11.6 million (2022: EUR 16.3 million). The recognised expected credit loss allowance on POCI loans to public is EUR 0.7 million (2022: EUR 0.7 million). Off-balance sheet credit exposure comprises various committed financing facilities to the borrowers. For details refer to Note 22 (*Off-balance Sheet Items*).

	Bank, EUR thousands									
	30/09/2023					31/12/2022				
	Gross amount			Expected credit loss allowance	Net carrying amount	Gross amount			Expected credit loss allowance	Net carrying amount
	Stage 1	Stage 2	Stage 3			Stage 1	Stage 2	Stage 3		
Loans to public										
Not past due	2,643,888	98,329	23,715	(48,863)	2,717,069	2,698,503	177,908	20,767	(51,593)	2,845,585
Past due <=30 days	29,514	10,137	816	(6,235)	34,232	18,069	8,771	4,562	(7,029)	24,373
Past due >30 and ≤90 days	-	3,609	1,144	(1,650)	3,103	-	2,945	1,241	(1,516)	2,670
Past due >90 days	-	-	31,538	(26,853)	4,685	-	-	35,459	(27,986)	7,473
Total loans to public	**2,673,402**	**112,075**	**57,213**	**(83,601)**	**2,759,089**	**2,716,572**	**189,624**	**62,029**	**(88,124)**	**2,880,101**
Guarantees and letters of credit	68,164	2,599	60	(360)	70,463	60,659	-	277	(452)	60,484
Financial commitments	324,920	4,980	166	(3,784)	326,282	313,682	8,282	247	(4,286)	317,925
Total credit exposure to public	**3,066,486**	**119,654**	**57,439**	**(87,745)**	**3,155,834**	**3,090,913**	**197,906**	**62,553**	**(92,862)**	**3,258,510**

Stage 3 loans to public ratio

	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Stage 3 loans to public ratio, gross	**2.4%**	**2.7%**	**2.0%**	**2.1%**
Stage 3 loans to public ratio, net	**1.3%**	**1.6%**	**1.0%**	**1.0%**
Stage 3 impairment ratio	**47%**	**44%**	**52%**	**54%**

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.

Expected credit loss allowance by customer profile and impairment stage

	Group, EUR thousands					
	30/09/2023			31/12/2022		
	Expected credit loss allowance			Expected credit loss allowance		
	Stage 1	Stage 2	Stage 3 and POCI	Stage 1	Stage 2	Stage 3 and POCI
Financial and non-financial corporations	(20,272)	(11,601)	(13,797)	(24,603)	(12,527)	(18,172)
Households	(28,114)	(6,245)	(18,913)	(28,283)	(4,159)	(18,307)
General government	(388)	(16)	-	(398)	(60)	-
Expected credit loss allowance	**(48,774)**	**(17,862)**	**(32,710)**	**(53,284)**	**(16,746)**	**(36,479)**

	Bank, EUR thousands					
	30/09/2023			31/12/2022		
	Expected credit loss allowance			Expected credit loss allowance		
	Stage 1	Stage 2	Stage 3 and POCI	Stage 1	Stage 2	Stage 3 and POCI
Financial and non-financial corporations	(13,853)	(9,006)	(11,335)	(15,824)	(10,226)	(15,603)
Households	(25,753)	(5,151)	(18,491)	(25,297)	(3,146)	(17,970)
General government	(8)	(4)	-	(9)	(49)	-
Expected credit loss allowance	**(39,614)**	**(14,161)**	**(29,826)**	**(41,130)**	**(13,421)**	**(33,573)**

Loans by customer profile and impairment stage

	Group, EUR thousands							
	30/09/2023				31/12/2022			
	Gross amount				Gross amount			
	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance
Financial and non-financial corporations								
Real estate purchase and management	322,895	16,861	287	(5,120)	367,621	44,545	3,775	(7,835)
Transport and communications	185,148	35,569	15,365	(10,444)	227,268	12,697	20,040	(11,325)
Manufacturing	146,700	46,586	16,152	(12,398)	144,699	67,031	7,829	(14,004)
Trade	170,388	15,359	3,640	(4,871)	176,007	23,078	1,769	(5,084)
Agriculture and forestry	147,830	28,306	1,929	(4,132)	138,445	32,621	3,686	(5,665)
Construction	102,175	14,418	3,590	(3,569)	92,543	23,112	6,966	(3,981)
Electricity, gas and water supply	91,483	448	1,978	(987)	58,886	5,307	2,034	(1,044)
Financial intermediation	34,458	354	16	(715)	36,590	293	9	(1,246)
Hotels, restaurants	23,889	898	1,637	(634)	10,767	19,446	10,046	(1,433)
Other industries	135,312	15,456	796	(2,800)	134,539	17,312	3,762	(3,685)
Total financial and non-financial corporations	**1,360,278**	**174,255**	**45,390**	**(45,670)**	**1,387,365**	**245,442**	**59,916**	**(55,302)**
Households								
Mortgage loans	778,804	12,858	21,747	(32,220)	794,649	18,990	19,968	(32,187)
Finance leases	321,299	26,791	814	(3,475)	327,099	22,533	867	(4,022)
Credit for consumption	88,200	14,334	539	(7,429)	88,401	3,132	506	(6,466)
Card lending	54,454	5,110	658	(8,906)	55,233	1,825	794	(6,941)
Other lending	19,788	1,855	617	(1,242)	16,018	1,791	619	(1,133)
Total households	**1,262,545**	**60,948**	**24,375**	**(53,272)**	**1,281,400**	**48,271**	**22,754**	**(50,749)**
General government	**21,745**	**2,615**	**-**	**(404)**	**25,155**	**2,684**	**-**	**(458)**
Total loans to public	**2,644,568**	**237,818**	**69,765**	**(99,346)**	**2,693,920**	**296,397**	**82,670**	**(106,509)**

	Bank, EUR thousands							
	30/09/2023				31/12/2022			
	Gross amount				Gross amount			
	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance	Stage 1	Stage 2	Stage 3 and POCI	Expected credit loss allowance
Financial and non-financial corporations								
Real estate purchase and management	310,205	14,611	87	(4,815)	354,224	42,455	3,611	(7,499)
Transport and communications	26,161	1,767	12,573	(8,023)	26,683	523	13,114	(8,306)
Manufacturing	54,644	35,553	13,356	(10,194)	55,542	47,931	4,696	(11,548)
Trade	65,089	4,731	2,889	(3,005)	73,122	9,421	1,282	(2,738)
Agriculture and forestry	55,100	16,683	1,587	(2,300)	53,163	23,676	2,563	(3,723)
Construction	34,512	1,960	1,026	(1,485)	25,012	11,501	3,444	(2,093)
Electricity, gas and water supply	80,135	-	669	(833)	47,440	4,854	717	(850)
Financial intermediation	1,070,635	1	16	(2,382)	1,097,420	-	9	(2,415)
Hotels, restaurants	18,469	597	1,588	(534)	5,832	18,707	9,948	(1,312)
Other industries	14,528	550	247	(623)	15,555	3,204	1,175	(1,169)
Total financial and non-financial corporations	**1,729,478**	**76,453**	**34,038**	**(34,194)**	**1,753,993**	**162,272**	**40,559**	**(41,653)**
Households								
Mortgage loans	777,028	12,642	21,483	(32,033)	792,930	18,303	19,683	(32,058)
Finance leases	-	-	-	-	-	-	-	-
Credit for consumption	83,370	13,725	506	(7,286)	84,504	2,979	470	(6,364)
Card lending	54,454	5,110	658	(8,906)	55,233	1,825	794	(6,941)
Other lending	18,052	1,805	528	(1,170)	15,124	1,768	523	(1,050)
Total households	**932,904**	**33,282**	**23,175**	**(49,395)**	**947,791**	**24,875**	**21,470**	**(46,413)**
General government	**11,020**	**2,340**	**-**	**(12)**	**14,788**	**2,477**	**-**	**(58)**
Total loans to public	**2,673,402**	**112,075**	**57,213**	**(83,601)**	**2,716,572**	**189,624**	**62,029**	**(88,124)**

NOTE 15. EQUITY AND OTHER FINANCIAL INSTRUMENTS

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

	Group, EUR thousands							
	30/09/2023				31/12/2022			
	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	25,690	1,045	-	26,735	28,473	929	-	29,402
Financial assets at fair value through other comprehensive income	-	101	21	122	-	79	21	100
Total non-fixed income securities, net	**25,690**	**1,146**	**21**	**26,857**	**28,473**	**1,008**	**21**	**29,502**
Including unit-linked insurance plan assets	*15,347*	*-*	*-*	*15,347*	*19,814*	*-*	*-*	*19,814*

Most exposures in mutual investment funds which are classified as financial assets mandatorily 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 the period end, the Bank and the Group has investments in mutual investment funds with carrying amounts of EUR 1.2 million (2022: EUR 1.1 million) and EUR 15.2 million (2022: EUR 14.8 million) which are managed by IPAS CBL Asset Management. Further, EUR 11.2 million (2022: EUR 11.2 million) of these Group's investments relate to unit-linked contracts, where the risk associated with the investments made is fully attributable to the counterparty entering the insurance agreement and not the underwriter. These exposures have been acquired only with investment intentions. The Bank has no exposure to investments related to unit-linked contracts.

	Bank, EUR thousands							
	30/09/2023				31/12/2022			
	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	1,173	1,045	-	2,218	1,101	929	-	2,030
Financial assets at fair value through other comprehensive income	-	101	21	122	-	79	21	100
Total non-fixed income securities, net	**1,173**	**1,146**	**21**	**2,340**	**1,101**	**1,008**	**21**	**2,130**

NOTE 16. INVESTMENTS IN RELATED ENTITIES

Changes in investments in related entities of the Bank

	EUR thousands	
	9m 2023	9m 2022
Balance at the beginning of the period, net	**47,770**	**63,282**
Associates accounted for using the equity method	12	(98)
Change in impairment allowance	112	-
Balance at the end of the period, net	**47,894**	**63,184**
Including associates accounted for using the equity method	*203*	*182*
Including gross investment in subsidiaries	*60,598*	*85,926*

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, 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. In 2022 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.

Consolidation Group subsidiaries and associated entities for accounting purposes

Company	Registration number	Registration address and country	Company type*	Basis for inclusion in the Group**	The Group's share (%)	% of total voting rights	Carrying value EUR thousands 30/09/2023	Carrying value EUR thousands 31/12/2022
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 Citadele Factoring	50003760921	Latvia, Riga, Republikas laukums 2A	LIZ	MS	100	100	8,247	8,247
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	1,095	984
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, Note 8)	40003654405	Latvia, Dzirnavu iela 91 k-3 - 20, Rīga, LV-1011	ENI	CT	12.5	12.5	203	190
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							**47,894**	**47,770**

*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.

Kaleido Privatbank AG is a 100% owned subsidiary classified as discontinued operations held for sale (for details refer to Note 17). Registration number of Kaleido Privatbank AG is 130.0.007.738-0, it is registered in Switzerland with legal address in Bellerivestrasse 17, 8008, Zürich.

NOTE 17. DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

AS Citadele banka is selling its Swiss subsidiary Kaleido Privatbank AG under market standard terms and conditions. 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. It was agreed that Trusted Novus Bank Limited will acquire 100% of Kaleido Privatbank AG. The closing was subject to regulatory approvals and took longer than expected. In 2023 it was concluded that successful execution of this sales-purchase agreement is no longer feasible and was decided to terminate the contract.

The Group is working with a reputable M&A advisor on an alternative sales transaction. As the conditions indicate that the investment will be recovered principally through a sale transaction in a foreseeable future rather than through continuing operations, Kaleido Privatbank AG is presented as discontinued operations as of period end. Citadele has identified a preliminary list of potential buyers and has taken steps to improve certainty that regulatory approval for potential sale will be obtained. The Management has a strong commitment to sell Kaleido Privatbank AG and this 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.

In 2023 the management of the Bank increased share capital of Swiss subsidiary Kaleido Privatbank AG by CHF 5.0 million. The capital increase strengthens capital position of the subsidiary which is classified as discontinued operations held for sale.

Write-down of investment in Kaleido Privatbank AG

In the reporting period the Bank recognised EUR 5.1 million write-down on the investment in Kaleido Privatbank AG equal to the lower of the carrying amount and fair value less cost to sale. EUR 1.2 million of write-down relates to Q3 2023 and largely equals to the loss of the operations in the respective period. The write-down is presented in the statement of income as net result from non-current assets held for sale and discontinued operations. To arrive to the fair value less cost to sale of the investment, a present value of expected free equity distributable to the shareholders, after required equity allocation for capital adequacy compliance, less cost to sell is estimated. The target capital adequacy ratio is set at 10.5% which is applicable to Swiss Category 5 banks. Other key inputs of the model are 15.7% discount rate and future profitability of the operations of the entity which was re-adjusted in Q3 2023.

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

	EUR thousands							
	Group				Bank			
	9m 2023	9m 2022	Q3 2023	Q3 2022	9m 2023	9m 2022	Q3 2023	Q3 2022
Net interest income	3,068	1,264	1,151	496	-	-	-	-
Net fee and commission income	2,134	2,276	731	662	-	-	-	-
Other operating income and expense	(330)	(382)	(58)	(45)	-	-	-	-
Staff costs, other operating expenses, depreciation and amortisation	(8,695)	(7,439)	(3,238)	(3,472)	-	-	-	-
Net credit losses and other impairments	(1,309)	(66)	18	174	-	-	-	-
Income tax	(28)	(41)	-	-	-	-	-	-
Net result from discontinued operations	**(5,160)**	**(4,388)**	**(1,396)**	**(2,185)**	**-**	**-**	**-**	**-**
Non-current assets held for sale	410	455	-	76	(4,700)	(596)	(1,183)	(975)
Net result from non-current assets held for sale and discontinued operations	**(4,750)**	**(3,933)**	**(1,396)**	**(2,109)**	**(4,700)**	**(596)**	**(1,183)**	**(975)**

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

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Assets				
Cash, cash balances at central banks	6,634	6,671	-	-
Loans to credit institutions	8,474	23,671	-	-
Debt securities (*Classified in stage 1*)	58,620	88,989	-	-
Including:				
AAA/Aaa rated	*23,541*	*32,768*	-	-
AA/Aa rated	*22,481*	*30,619*	-	-
A rated	*10,048*	*17,967*	-	-
BBB/Baa rated	*2,550*	*7,635*	-	-
General government	*21,978*	*20,928*	-	-
Credit institutions	*15,683*	*29,063*	-	-
Loans to public	64,006	44,540	-	-
Other assets	1,396	2,136	-	-
Discontinued operations	**139,130**	**166,007**	**-**	**-**
Net investment in Kaleido Privatbank AG (subsidiary)	-	-	13,787	13,805
Other non-current assets held for sale	21	21	21	22
Discontinued operations and non-current assets held for sale	**139,151**	**166,028**	**13,808**	**13,827**
Liabilities				
Deposits from credit institutions and central banks	968	170	-	-
Deposits and borrowings from customers	127,816	156,474	-	-
Other liabilities	2,415	2,355	-	-
Discontinued operations	**131,199**	**158,999**	**-**	**-**

Cash flows from discontinued operations of the Group

	EUR thousands	
	9m 2023	9m 2022
Cash flows from operating activities	(46,430)	(9,629)
Cash flows from investing activities	30,598	4,721
Cash flows from financing activities	(200)	(140)
Cash flows for the period	**(16,032)**	**(5,048)**
Cash and cash equivalents at the beginning of the period	**30,172**	**28,826**
Cash and cash equivalents at the end of the period	**14,140**	**23,778**

NOTE 18. DEPOSITS FROM CREDIT INSTITUTIONS AND CENTRAL BANKS

Bank deposits and borrowings by type

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
ECB's targeted longer-term refinancing operations	39,700	463,796	39,700	463,796
Deposits from Citadele Group banks	-	-	3,714	3,663
Other credit institution deposits and collateral accounts	6,693	5,934	6,693	5,934
Other central bank deposits and accounts	1,514	6	1,514	6
Total deposits from credit institutions and central banks	**47,907**	**469,736**	**51,621**	**473,399**

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 this part of the facility was 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 maturing in 2024. Since then, till the end of the reporting period in total EUR 441 million of the TLTRO-III borrowing was repaid before maturity.

NOTE 19. DEPOSITS AND BORROWINGS FROM CUSTOMERS

Deposits and borrowings by profile of the customer

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group Restated for IFRS 17	30/09/2023 Bank	31/12/2022 Bank
Households	1,988,049	2,135,600	1,924,993	2,064,956
Non-financial corporations	1,584,132	1,636,796	1,584,443	1,636,950
Financial corporations	146,360	166,882	176,617	185,027
General government	83,584	67,416	83,584	67,416
Other	21,982	18,971	21,981	18,971
Total deposits from customers	**3,824,107**	**4,025,665**	**3,791,618**	**3,973,320**

Deposits and borrowings from customers by contractual maturity

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group Restated for IFRS 17	30/09/2023 Bank	31/12/2022 Bank
Demand deposits	2,968,092	3,581,365	2,975,953	3,597,467
Term deposits due within:				
less than 1 month	147,824	128,042	165,492	127,604
more than 1 month and less than 3 months	187,258	52,439	184,411	51,071
more than 3 months and less than 6 months	242,144	49,613	238,412	46,341
more than 6 months and less than 12 months	180,506	132,346	177,147	125,986
more than 1 year and less than 5 years	91,385	71,766	48,971	22,650
more than 5 years	6,898	10,094	1,232	2,201
Total term deposits	856,015	444,300	815,665	375,853
Total deposits from customers	**3,824,107**	**4,025,665**	**3,791,618**	**3,973,320**

Deposits and borrowings from customers by categories

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group Restated for IFRS 17	30/09/2023 Bank	31/12/2022 Bank
At amortised cost	3,804,362	4,002,469	3,791,618	3,973,320
At fair value through profit or loss	19,745	23,196	-	-
Total deposits from customers	**3,824,107**	**4,025,665**	**3,791,618**	**3,973,320**
Including unit-linked insurance plan liabilities	*16,987*	*19,911*	-	-

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 (classified as investment contracts). Unit-linked 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 underwriter is fully attributable to the counterparty entering the agreement and not the underwriter.

NOTE 20. DEBT SECURITIES ISSUED

Publicly listed debt securities

ISIN code of the issued bond	Eligibility	Currency	Interest rate	Initial maturity date	Principal, EUR thousands	Amortised cost, EUR thousands 30/09/2023	Amortised cost, EUR thousands 31/12/2022
XS2393742122	MREL eligible	EUR	1.625%	22/11/2026	200,000	201,715	199,037
LV0000880102	Subordinated	EUR	5.00%	13/12/2031	40,000	40,601	40,104
LV0000880011	Subordinated	EUR	5.50%	24/11/2027	20,000	20,361	20,084
						262,677	**259,225**

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 27 (*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	June 2023	259	108	25,960	65%	151	14,040	35%
LV0000880011	May 2023	75	41	16,960	85%	34	3,040	15%

NOTE 21. SHARE CAPITAL

The Bank has one class registered shares. As of the period end from the total Bank's registered capital EUR 158,240,718 (2022: EUR 157,351,784) was issued and EUR 158,145,242 (2022: EUR 157,257,658) was fully paid and EUR 2,907,496 (2022: EUR 2,874,655) was registered as conditional capital. As of period end the Bank owns EUR 95,476 (2022: EUR 94,126) of its own shares. The conditional capital represents the maximum number of shares that may be allocated for awarding to employees as share options. EUR 20.0 million dividends were proposed during the reporting period and after regulatory approval processed for payment. Each registered share carries one vote, a share in profits and is eligible for dividends. After the end of the reporting period all shares were dematerialised, i.e., recorded in the depositary (Nasdaq CSD SE).

In the reporting period as per terms of the employee share-based long-term incentive plan 888,934 options vested and on 17 July 2023 were converted to the shares of the Bank. 779,549 of the shares were awarded to the Members of the Management Board of the Bank. The respective options were awarded to employees of the Group in 2020 or earlier and for accounting purposes at that time were valued and expensed over the performance period at EUR 1.6 million.

Shareholders of the Bank

	30/09/2023		31/12/2022	
	Paid-in share capital (EUR)	**Total shares with voting rights**	**Paid-in share capital (EUR)**	**Total shares with voting rights**
European Bank for Reconstruction and Development	39,138,948	39,138,948	39,138,948	39,138,948
RA Citadele Holdings LLC[1]	35,082,302	35,082,302	35,082,302	35,082,302
Delan S.à.r.l.[2]	15,597,160	15,597,160	15,597,160	15,597,160
EMS LB LLC[3]	22,043,916	22,043,916	22,043,916	22,043,916
Amolino Holdings Inc.[4]	16,863,223	16,863,223	16,863,223	16,863,223
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	1,353,823	1,353,823	574,274	574,274
Other shareholders	15,768,173	15,768,173	15,660,138	15,660,138
Total	**158,145,242**	**158,145,242**	**157,257,658**	**157,257,658**
Own shares	95,476		94,126	
Total registered capital	**158,240,718**		**157,351,784**	

[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

Earnings per share

Basic earnings per share are calculated by dividing the net profit that is attributable to the shareholders by the weighted average number of the shares outstanding during the period. Diluted earnings per share are determined by adjusting the net profit that is attributable to the shareholders and the weighted-average number of the shares outstanding for the effects of all dilutive potential 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 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. For contingently issuable share options where these conditions are not fully satisfied, the number of contingently issuable shares included in diluted earnings per share is based on the number of shares that would be issuable if the reporting date were the end of the contingency period.

	9m 2023 Group	**9m 2022 Group**	**9m 2023 Bank**	**9m 2022 Bank**
Profit for the period, EUR thousands	95,045	29,671	82,347	24,500
Weighted average number of the shares outstanding during the period in thousands	157,701	157,258	157,701	157,258
Basic earnings per share in EUR	**0.60**	**0.19**	**0.52**	**0.16**
Weighted average number of the shares (basic) outstanding during the period in thousands	157,701	157,073	157,701	157,073
Effect of share options in issue in thousands	1,246	1,137	1,246	1,137
Weighted average number of the shares (diluted) outstanding during the period in thousands	**158,947**	**158,210**	**158,947**	**158,210**
Profit for the period, EUR thousands	95,045	29,671	82,347	24,500
Weighted average number of the shares (diluted) outstanding during the period in thousands	158,947	158,210	158,947	158,210
Diluted earnings per share in EUR	**0.60**	**0.19**	**0.52**	**0.15**
Net loss from discontinued operations (*Note 17*)	(5,160)	(4,388)	-	-
Profit for the period from continuing operations, EUR thousands	100,205	34,059	82,347	24,500
Basic earnings per share in EUR	*0.60*	*0.19*	*0.52*	*0.16*
from continuing operations	*0.64*	*0.22*	*0.52*	*0.16*
from discontinued operations	*(0.03)*	*(0.03)*	-	-
Diluted earnings per share in EUR	*0.60*	*0.19*	*0.52*	*0.15*
from continuing operations	*0.63*	*0.22*	*0.52*	*0.15*
from discontinued operations	*(0.03)*	*(0.03)*	-	-

NOTE 22. OFF-BALANCE SHEET ITEMS

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

Contingent liabilities and financial commitments outstanding

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Contingent liabilities:				
Outstanding guarantees	59,600	45,509	67,119	56,038
Outstanding letters of credit	3,704	4,898	3,704	4,898
Total contingent liabilities	**63,304**	**50,407**	**70,823**	**60,936**
Provisions for credit risk	(360)	(452)	(360)	(452)
Net credit risk exposure for guarantees and letters of credit	**62,944**	**49,955**	**70,463**	**60,484**
Financial commitments:				
Card commitments	111,432	117,841	111,454	117,866
Unutilised credit lines and loans granted, not fully drawn down	150,743	154,742	218,612	204,345
Factoring commitments	37,618	33,894	-	-
Other commitments	258	213	-	-
Total financial commitments	**300,051**	**306,690**	**330,066**	**322,211**
Provisions for financial commitments	(3,768)	(4,368)	(3,784)	(4,286)
Net credit risk exposure for financial commitments	**296,283**	**302,322**	**326,282**	**317,925**

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.

NOTE 23. ASSETS UNDER MANAGEMENT

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

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Fixed income securities:				
Corporate bonds	157,505	150,604	-	-
Government bonds	77,647	56,242	-	-
Credit institution bonds	58,709	55,183	-	-
Loans	592	604	592	604
Other financial institution bonds	20,631	20,545	-	-
Total investments in fixed income securities	**315,084**	**283,178**	**592**	**604**
Other investments:				
Investment funds	559,807	530,823	-	-
Deposits with credit institutions	2,519	4,984	-	-
Compensations for distribution on behalf of deposit guarantee fund	28,722	31,716	28,722	31,716
Shares	100,895	89,029	-	-
Real estate	5,163	5,119	-	-
Other	24,757	49,034	-	-
Total other investments	**721,863**	**710,705**	**28,722**	**31,716**
Total assets under management	**1,036,947**	**993,883**	**29,314**	**32,320**

Customer profile on whose behalf the funds are managed

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Pension plans	760,576	706,976	-	-
Insurance companies, investment and pension funds	139,416	134,267	-	-
Other companies and government	34,868	41,280	29,314	32,320
Private individuals	102,088	111,360	-	-
Total liabilities under management	**1,036,948**	**993,883**	**29,314**	**32,320**

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 included in the balance sheet. Funds under management are presented in financial statements only for disclosure purposes and are off-balance sheet items.

NOTE 24. CASH AND CASH EQUIVALENTS

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Cash and cash balances with central banks	483,752	532,030	483,752	532,030
Loans on demand to credit institutions	11,019	25,382	10,517	18,985
Demand deposits from central banks and credit institutions	(6,296)	(5,940)	(10,010)	(6,020)
Cash equivalents in discontinued operations	14,140	30,172	-	-
Total cash and cash equivalents	**502,615**	**581,644**	**484,259**	**544,995**

NOTE 25. 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.

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 0.3 million as of the period end (2022: EUR 0.2 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.

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 30 September 2023

	Carrying value	Total fair value	Fair value hierarchy (where applicable) Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Financial assets measured at fair value through other comprehensive income:					
Debt securities	188,221	188,221	158,420	29,801	-
Equity instruments	122	122	-	-	122
Non-trading financial assets at fair value through profit or loss:					
Debt securities	7,495	7,495	-	7,495	-
Equity instruments	1,045	1,045	-	-	1,045
Other financial instruments	25,690	25,690	25,690	-	-
Other financial assets at fair value through profit or loss					
Derivatives	5,467	5,467	-	5,467	-
Financial assets not measured at fair value:					
Cash and balances at central banks	483,752	483,752	-	-	-
Loans to credit institutions	34,713	34,713	-	-	-
Debt securities	1,032,056	921,494	732,511	184,416	4,567
Loans to public	2,852,805	2,855,028	-	-	2,855,028
Total assets	**4,631,366**	**4,523,027**	**916,621**	**227,179**	**2,860,762**
Financial liabilities measured at fair value:					
Derivatives	1,057	1,057	-	1,057	-
Deposits and borrowings from customers	19,745	19,745	16,987	-	2,758
Financial liabilities not measured at fair value:					
Deposits from credit institutions and central banks	47,907	47,907	-	-	-
Deposits and borrowings from customers	3,804,362	3,801,003	-	-	3,801,003
Debt securities issued	262,677	239,009	-	239,009	-
Total liabilities	**4,135,748**	**4,108,721**	**16,987**	**240,066**	**3,803,761**

In the reporting period debt securities of the Group measured at fair value through other comprehensive income and presented as Level 2 with a fair value of EUR 4.2 million (12m 2022: EUR 21.1 million) have been reclassified from Level 1. Similarly, debt securities of the Group measured at fair value through other comprehensive income and presented as Level 1 with a fair value of EUR 74.6 million (12m 2022: EUR 0.8 million) in the reporting period have been reclassified from Level 2. For the Bank EUR 4.2 million (12m 2022: 13.6 million) and EUR 65.9 million (12m 2022: EUR 0.0 million) respectively. For debt securities measured at fair value through other comprehensive income no other transfers among fair value hierarchy levels have occurred in the reporting period.

In the reporting period, reclassification of debt securities from Level 2 in the fair value hierarchy to Level 1 have increased as compared to prior year. The main contributor for increase is narrowing bid-ask spreads for investment grade Baltic debt securities (as oppose to widening bid-ask spreads in the prior year) which was benchmarked versus fixed pre-set bid-ask spread threshold which is fixed in the Group's fair value hierarchy methodology and is applied consistently year over year.

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

	Carrying value	Total fair value	Fair value hierarchy (Restated for IFRS 17) Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Financial assets measured at fair value through other comprehensive income:					
Debt securities	213,302	213,302	106,527	106,775	-
Equity instruments	100	100	-	-	100
Non-trading financial assets mandatorily at fair value through profit or loss:					
Equity instruments	929	929	-	-	929
Other financial instruments	28,473	28,473	28,473	-	-
Other financial assets at fair value through profit or loss					
Derivatives	1,285	1,285	-	1,285	-
Financial assets not measured at fair value:					
Cash and balances at central banks	532,030	532,030	-	-	-
Loans to credit institutions	48,441	48,441	-	-	-
Debt securities	1,380,620	1,257,008	756,451	488,041	12,516
Loans to public	2,966,478	2,975,840	-	-	2,975,840
Total assets	**5,171,658**	**5,057,408**	**891,451**	**596,101**	**2,989,385**
Financial liabilities measured at fair value:					
Derivatives	7,650	7,650	-	7,650	-
Deposits and borrowings from customers	23,196	23,196	19,911	-	3,285
Financial liabilities not measured at fair value:					
Deposits from credit institutions and central banks	469,736	469,736	-	-	-
Deposits and borrowings from customers	4,002,469	3,998,281	-	-	3,998,281
Debt securities issued	259,225	238,277	-	238,277	-
Total liabilities	**4,762,276**	**4,737,140**	**19,911**	**245,927**	**4,001,566**

Fair values of financial assets and liabilities of the Bank on 30 September 2023

	Carrying value	Total fair value	Fair value hierarchy (where applicable) Quoted market prices	Valuation technique - observable inputs	Valuation technique – non-market observable inputs
Financial assets measured at fair value through other comprehensive income:					
Debt securities	159,977	159,977	132,188	27,789	-
Equity instruments	122	122	-	-	122
Non-trading financial assets at fair value through profit or loss:					
Debt securities	7,495	7,495	-	7,495	-
Equity instruments	1,045	1,045	-	-	1,045
Other financial instruments	1,173	1,173	1,173	-	-
Other financial assets at fair value through profit or loss					
Derivatives	5,467	5,467	-	5,467	-
Financial assets not measured at fair value:					
Cash and balances at central banks	483,752	483,752	-	-	-
Loans to credit institutions	34,119	34,119	-	-	-
Debt securities	1,021,550	912,025	725,822	181,635	4,568
Loans to public	2,759,089	2,761,312	-	-	2,761,312
Total assets	**4,473,789**	**4,366,487**	**859,183**	**222,386**	**2,767,047**
Derivatives measured at fair value	1,057	1,057	-	1,057	-
Financial liabilities not measured at fair value:					
Deposits from credit institutions and central banks	51,621	51,621	-	-	-
Deposits and borrowings from customers	3,791,618	3,793,662	-	-	3,793,662
Debt securities issued	262,677	239,009	-	239,009	-
Total liabilities	**4,106,973**	**4,085,349**	**-**	**240,066**	**3,793,662**

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
Financial assets measured at fair value through other comprehensive income:					
Debt securities	180,221	180,221	84,190	96,031	-
Equity instruments	100	100	-	-	100
Non-trading financial assets mandatorily at fair value through profit or loss:					
Equity instruments	929	929	-	-	929
Other financial instruments	1,101	1,101	1,101	-	-
Other financial assets at fair value through profit or loss					
Derivatives	1,285	1,285	-	1,285	-
Financial assets not measured at fair value:					
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	-
Financial liabilities not measured at fair value:					
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**

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

	EUR thousands 9m 2023 Group	9m 2022 Group	9m 2023 Bank	9m 2022 Bank
As of the beginning of the period, net	**1,029**	**1,279**	**1,029**	**1,279**
Total comprehensive income				
Revaluation gain recognised in statement of income	*116*	*(217)*	*116*	*(217)*
Revaluation gain recognised in other comprehensive income	*22*	*24*	*22*	*24*
As of the end of the period, net	**1,167**	**1,086**	**1,167**	**1,086**

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	
	9m 2023 Group	9m 2022 Group Restated for IFRS 17
Balance as at the beginning of the period	**3,285**	**6,854**
Premiums received	208	422
Commissions and risk charges	(24)	(94)
Paid to policyholders	(574)	(1,653)
Other	(136)	9
Currency revaluation result	(1)	17
Balance as at the end of the period	**2,758**	**5,555**

In the reporting period 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 162 thousand in the net financial income line of the statement of income (2022: EUR 20 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 interim condensed financial statements.

NOTE 26. GEOGRAPHICAL DISTRIBUTION OF REVENUE

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

	9m 2023				9m 2022 Restated for IFRS 17			
	EUR millions				EUR millions			
	Operating income	Operating profit before bank and income tax	Income and bank tax expense	FTE equivalent employees at the period end	Operating income	Operating profit before tax	Income tax expense	FTE equivalent employees at the period end
Latvia	121.4	69.4	(0.1)	966	80.4	21.5	(0.1)	1,000
Lithuania	38.0	26.9	(6.3)	242	28.2	11.5	(1.0)	264
Estonia	14.9	11.0	(1.1)	93	8.7	1.7	-	91
Total continuing operations before non-current assets held for sale	**174.3**	**107.3**	**(7.5)**	**1,301**	**117.3**	**34.7**	**(1.1)**	**1,355**
Latvia (result from non-current assets held for sale)	-	0.4	-	-	-	(0.6)	-	-
Switzerland (discontinued operations)	4.8	(5.2)	-	31	3.2	(3.3)	-	26
Total operations	**179.1**	**102.5**	**(7.5)**	**1,332**	**120.5**	**30.8**	**(1.1)**	**1,381**

NOTE 27. 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.

Since the latest annual reporting date, the Group's exposure to market risk, interest rate risk, currency risk and operational risk has not changed materially. For more details on the Group's risk management policies refer to the latest annual report of the Group and the interim disclosures below.

Events in Ukraine and Russian sanctions

The new laws, policies and sanctions, including sanctions imposed on Russia, are 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 of the end of the period the carrying amount of the Group's direct credit exposures with parties with Russia, Belarus and Ukraine geographical profile are less than EUR 3.2 million.

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

	Group as of 30/09/2023, EUR thousands					
	Latvia	**Lithuania**	**Estonia**	**Other EU countries and development banks**	**Other countries**	**Total**
Assets						
Cash and cash balances at central banks	472,691	9,765	1,296	-	-	483,752
Loans to credit institutions	502	92	-	7,752	26,367	34,713
Debt securities	376,735	367,238	99,952	282,159	101,688	1,227,772
Loans to public	1,285,495	1,039,670	514,073	9,692	3,875	2,852,805
Equity instruments	21	-	-	101	1,045	1,167
Other financial instruments	15,190	-	-	10,411	89	25,690
Derivatives	4,595	29	-	843	-	5,467
Discontinued operations	1,119	1,719	-	57,239	79,053	139,130
Other assets	49,124	8,045	2,984	450	108	60,711
Total assets	**2,205,472**	**1,426,558**	**618,305**	**368,647**	**212,225**	**4,831,207**
Liabilities						
Deposits from credit institutions and central banks	43,699	1,512	-	2,004	692	47,907
Deposits and borrowings from customers	2,994,880	702,781	55,437	17,480	53,529	3,824,107
Debt securities issued	262,677	-	-	-	-	262,677
Derivatives	971	-	-	86	-	1,057
Discontinued operations	1,928	-	468	41,042	87,761	131,199
Other liabilities	43,999	11,690	6,062	54	1,659	63,464
Total liabilities	**3,348,154**	**715,983**	**61,967**	**60,666**	**143,641**	**4,330,411**
Off-balance sheet items						
Contingent liabilities	10,168	50,064	701	1,013	1,358	63,304
Financial commitments	186,861	85,026	4,954	6,952	16,258	300,051

For additional information on geographical distribution of securities exposures please refer to Note 13 (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 24.2 million is with United States registered credit institutions (2022: EUR 23.5 million). From the Group's discontinued operations presented as "Other countries" EUR 6.6 million is central banks balances with Swiss National Bank (2022: EUR 6.7 million) and EUR 5.3 million are with Swiss credit institutions (2022: EUR 24.7 million).

	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	412,630	610,154	103,258	346,400	121,480	1,593,922
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	52,912	8,682	5,078	528	35	67,235
Total assets	**2,147,404**	**1,970,016**	**586,175**	**458,191**	**243,135**	**5,404,921**
Liabilities						
Deposits from credit institutions and central banks	466,982	60	-	2,465	229	469,736
Deposits and borrowings from customers	3,077,654	768,933	80,184	19,518	79,376	4,025,665
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	45,029	11,756	7,036	16	163	64,000
Total liabilities	**3,870,439**	**780,752**	**87,232**	**60,194**	**186,658**	**4,985,275**
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

	Bank as of 30/09/2023, EUR thousands					
	Latvia	**Lithuania**	**Estonia**	**Other EU countries and development banks**	**Other countries**	**Total**
Assets						
Cash and cash balances at central banks	472,691	9,765	1,296	-	-	483,752
Loans to credit institutions	-	-	-	7,752	26,367	34,119
Debt securities	369,506	361,882	98,115	264,891	94,628	1,189,022
Loans to public	1,910,321	574,001	261,438	9,594	3,735	2,759,089
Equity instruments	21	-	-	101	1,045	1,167
Other financial instruments	1,173	-	-	-	-	1,173
Derivatives	4,595	29	-	843	-	5,467
Other assets	84,392	6,472	2,021	450	13,892	107,227
Total assets	**2,842,699**	**952,149**	**362,870**	**283,631**	**139,667**	**4,581,016**
Liabilities						
Deposits from credit institutions and central banks	43,699	1,512	-	2,004	4,406	51,621
Deposits and borrowings from customers	2,964,717	702,910	56,207	17,203	50,581	3,791,618
Debt securities issued	262,677	-	-	-	-	262,677
Derivatives	971	-	-	86	-	1,057
Other liabilities	24,530	8,252	918	54	651	34,405
Total liabilities	**3,296,594**	**712,674**	**57,125**	**19,347**	**55,638**	**4,141,378**
Off-balance sheet items						
Contingent liabilities	10,161	50,064	701	999	8,898	70,823
Financial commitments	226,017	87,221	16,752	21	55	330,066

For additional information on geographical distribution of securities exposures please refer to Note 13 (*Debt Securities*). From the Bank's loans to credit institutions presented as "Other countries" EUR 24.2 million with United States registered credit institutions (2022: EUR 23.5 million).

	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

Insurance reserves

Insurance reserves are presented within other liabilities and as of the period end for the Group were EUR 9.7 million (2022: EUR 5.9 million). The Bank had no insurance reserves as of the period end (2022: none).

Liquidity coverage ratio

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

		EUR thousands			
		30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
1.	Liquidity buffer	1,332,171	1,304,068	1,288,797	1,256,246
2.	Net liquidity outflow	638,364	742,186	659,567	777,402
3.	**Liquidity coverage ratio**	**209%**	**176%**	**195%**	**162%**

Net stable funding ratio (including net result for the reporting 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%. The minimum NSFR requirement is 100%. NSFR as of 30 September 2023, if net result for the period is excluded, for the Group is 145% and for the Bank is 210%.

		EUR thousands			
		30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
1.	Total available stable funding	3,758,079	3,763,818	3,629,030	3,719,699
2.	Total required stable funding	2,530,493	2,844,055	1,685,740	1,925,681
3.	**Net stable funding ratio**	**149%**	**132%**	**215%**	**193%**

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 1.75%.

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. Increases in countercyclical capital buffer norms, when announced by the respective county, become effective after prespecified delay. Decreases take effect immediately.

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.

For definitions of Alternative Performance Ratios refer to Definitions and Abbreviations section of these interim condensed financial statements.

Regulatory capital requirements of the Group on 30 September 2023

	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 (only for the Group)	1.75%	1.75%	1.75%
Systemic risk buffer	0.07%	0.07%	0.07%
Countercyclical capital buffer	0.17%	0.17%	0.17%
Capital requirement	**10.40%**	**12.37%**	**14.99%**
Pillar 2 Guidance (P2G)	1.50%	1.50%	1.50%
Capital requirement with non-legally binding Pillar 2 Guidance	**11.90%**	**13.87%**	**16.49%**

For the Bank as of 30 September 2023 Other systemically important institution buffer requirement is not applicable, Systemic risk buffer applies at 0.10% and institution specific Countercyclical capital buffer requirement is 0.16%. Thus, for the Bank as of 30 September 2023 Common equity Tier 1 capital ratio requirement is 8.67%, Tier 1 capital ratio requirement is 10.64% and Total capital adequacy ratio requirement is 13.26%. On top of the capital ratio requirements a 1.50% Pillar 2 Guidance applies.

Capital adequacy ratio (including net result for the reporting period)

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Common equity Tier 1 capital				
Paid up capital instruments and share premium	159,321	157,702	159,321	157,702
Retained earnings	347,219	273,080	291,260	228,898
Proposed dividends	-	(20,000)	-	(20,000)
Regulatory deductions	(20,877)	(26,588)	(17,825)	(23,669)
Other capital components and transitional adjustments, net	3,039	4,364	3,039	1,528
Tier 2 capital				
Eligible part of subordinated liabilities	56,605	59,595	56,605	59,595
Total own funds	**545,307**	**448,153**	**492,400**	**404,054**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	1,948,885	2,080,113	1,307,621	1,404,459
Total exposure amounts for position, foreign currency open position and commodities risk	7,093	9,944	6,903	9,494
Total exposure amounts for operational risk	237,799	237,799	191,884	191,884
Total exposure amounts for credit valuation adjustment	3,002	1,570	2,934	1,508
Total risk exposure amount	**2,196,779**	**2,329,426**	**1,509,342**	**1,607,345**
Common equity Tier 1 capital ratio	**22.2%**	**16.7%**	**28.9%**	**21.4%**
Total capital adequacy ratio	**24.8%**	**19.2%**	**32.6%**	**25.1%**

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

Transitional adjustments applied

As of 30 September 2023, no transitional provisions were applied in capital adequacy calculation. Fully loaded capital adequacy ratio equals transitional capital adequacy ratio as of the period end.

As of 31 December 2022, the transitional provisions that the Group and the Bank applied for the period end capital adequacy calculations were: 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.

Fully loaded capital adequacy ratio (including net result for the reporting period)

	EUR thousands			
	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Common equity Tier 1 capital, fully loaded	488,702	387,095	435,795	342,932
Tier 2 capital	56,605	59,595	56,605	59,595
Total own funds, fully loaded	**545,307**	**446,690**	**492,400**	**402,527**
Total risk exposure amount, fully loaded	**2,196,779**	**2,328,275**	**1,509,342**	**1,606,107**
Common equity Tier 1 capital ratio, fully loaded	**22.2%**	**16.6%**	**28.9%**	**21.4%**
Total capital adequacy ratio, fully loaded	**24.8%**	**19.2%**	**32.6%**	**25.1%**

Fully loaded capital adequacy ratio excluding net result for the reporting period

The fully loaded capital adequacy ratio as of period end, if the net result since the latest audited financials is not included, for the Group is 20.5% and for the Bank is 27.2%; the fully loaded Tier 1 capital ratio for the Group is 18.0% and for the Bank is 23.4%. As of 30 September 2023, no transitional provisions were applied in capital adequacy calculation.

Leverage ratio – fully loaded and transitional (including interim profits for the reporting period)

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

	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
Leverage Ratio – fully phased-in definition of Tier 1 capital	10.0%	7.1%	9.3%	6.6%
Leverage Ratio – transitional definition of Tier 1 capital	10.0%	7.1%	9.3%	6.6%

The fully loaded leverage ratio as of period end, if the net result since the latest audited financials is not included, for the Group is 8.1% and for the Bank is 7.6%.

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

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

MREL is required to be calculated based on both total risk exposure amount (TREA) and leverage ratio exposure (LRE) amount. Statutory subordination requirements are be 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 28. EVENTS AFTER THE REPORTING DATE

Parliament of Latvian is discussing legislation changes

There is an ongoing discussion in Latvian parliament to charge the banks a levy on mortgage loans which would then form a basis to pay out subsidies to support borrowers with the elevated interest rates starting from next year. It is uncertain if, when and in what format the legislation will be implemented, and which part of the portfolio might be in scope.

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Independent Auditors' Report on Review of condensed interim financial information

To the shareholders of AS "Citadele banka"

Report on the Review of the Condensed Interim Separate and the Consolidated Financial Information

Introduction

We have reviewed the condensed interim separate financial information of AS "Citadele banka" ("the Bank") and the condensed interim consolidated financial information of the Bank and its subsidiaries ("the Group") set out on pages 11 to 49 of the accompanying Interim Report, which comprise:

- the separate and consolidated condensed balance sheets as at 30 September 2023,
- the separate and consolidated condensed statements of income for the three and nine months periods ended 30 September 2023,
- the separate and consolidated condensed statements of comprehensive income for the three and nine months periods ended 30 September 2023,
- the separate and consolidated condensed statements of changes in equity for the nine months period ended 30 September 2023,
- the separate and consolidated condensed statements of cash flows for nine months period ended 30 September 2023, and
- the notes to the separate and consolidated condensed financial information, which include a summary of significant accounting policies and other explanatory notes.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim separate financial information of AS "Citadele banka" and the condensed interim consolidated financial information of the Group is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

Anders Tagde	Rainers Vilāns
Partner	Member of the Board
KPMG Baltics SIA authorised representative	Latvian Sworn Auditor
Riga, Latvia	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. Comparative figures have been restated due to the adoption of IFRS 17. Bank tax expense is presented within "Corporate income tax", Bank tax liability is presented within "Tax liabilities".

Income Statement, regulatory format

	EUR thousands	**9m 2023 Group**	**9m 2022 Group** Restated for IFRS 17	**9m 2023 Bank**	**9m 2022 Bank**
1.	Interest income	167,741	96,718	149,738	79,025
2.	Interest expense	(28,991)	(13,377)	(29,288)	(13,297)
3.	Dividend income	15	24	15	24
4.	Commission and fee income	54,679	50,611	50,948	46,287
5.	Commission and fee expense	(25,645)	(20,189)	(23,525)	(20,063)
6.	Gain or loss on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	-	(1,529)	-	(1,529)
7.	Gain or loss on financial assets and liabilities measured at fair value through profit or loss, net	322	(1,228)	100	626
8.	Fair value change in the hedge accounting	-	-	-	-
9.	Gain or loss from foreign exchange trading and revaluation of open positions	8,481	6,567	8,547	6,445
10.	Gain or loss on derecognition of non-financial assets, net	-	-	-	-
11.	Other income	2,422	3,362	1,851	2,505
12.	Other expense	(4,527)	(4,974)	(2,897)	(3,234)
13.	Administrative expense	(66,726)	(61,084)	(57,570)	(53,498)
14.	Amortisation and depreciation charge *	(6,799)	(6,469)	(6,364)	(6,173)
15.	Gain or loss on modifications in financial asset contractual cash flows	(197)	1,378	(197)	1,378
16.	Provisions, net	692	(1,007)	594	(851)
17.	Impairment charge and reversals, net	5,802	(14,011)	1,988	(12,163)
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	12	(98)	12	(98)
20.	Profit or loss from non-current assets and disposal groups classified as held for sale	(4,750)	(3,933)	(4,700)	(596)
21.	**Profit before taxation**	**102,531**	**30,761**	**89,252**	**24,788**
22.	Corporate income tax	(7,486)	(1,090)	(6,905)	(288)
23.	**Net profit / loss for the period**	**95,045**	**29,671**	**82,347**	**24,500**
24.	**Other comprehensive income for the period**	**4,335**	**(19,110)**	**2,316**	**(16,134)**

* 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

	EUR thousands	**30/09/2023 Group**	**31/12/2022 Group** Restated for IFRS 17	**30/09/2023 Bank**	**31/12/2022 Bank**
1.	Cash and demand balances with central banks	483,752	532,030	483,752	532,030
2.	Demand deposits due from credit institutions	11,020	25,382	10,518	18,985
3.	Financial assets designated at fair value through profit or loss	39,697	30,687	15,180	3,315
3.1.	*Including loans to public and credit institutions*	-	-	-	-
4.	Financial assets at fair value through other comprehensive income	188,343	213,401	160,098	180,321
5.	Financial assets at amortised cost	3,908,554	4,370,158	3,804,241	4,273,240
5.1.	*Including loans to public and credit institutions*	*2,876,498*	*2,989,537*	*2,782,690*	*2,903,160*
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	203	190	47,894	47,770
9.	Tangible assets	11,718	15,730	7,632	10,321
10.	Intangible assets	8,082	8,162	5,918	6,069
11.	Tax assets	2,304	4,300	1,375	3,295
12.	Other assets	38,383	38,853	30,600	30,680
13.	Non-current assets and disposal groups classified as held for sale	139,151	166,028	13,808	13,827
14.	**Total assets (1.+....+13.)**	**4,831,207**	**5,404,921**	**4,581,016**	**5,119,853**
15.	Due to central banks	41,214	463,802	41,213	463,803
16.	Demand liabilities to credit institutions	6,297	5,934	10,012	6,014
17.	Financial liabilities designated at fair value through profit or loss	20,803	30,847	1,057	7,650
17.1	*Including deposits from customers and credit institutions*	*19,745*	*19,911*	-	-
18.	Financial liabilities measured at amortised cost	4,067,434	4,261,693	4,054,691	4,236,127
18.1	*Including deposits from customers and credit institutions*	*3,804,757*	*4,002,468*	*3,792,014*	*3,976,902*
19.	Derivatives – hedge accounting	-	-	-	-
20.	Change in the fair value of the portfolio hedged against interest rate risk	-	-	-	-
21.	Provisions	4,229	4,920	4,244	4,838

22.	Tax liabilities	2,945	1,579	2,570	33
23.	Other liabilities	56,290	57,501	27,591	28,183
24.	Liabilities included in disposal groups classified as held for sale	131,199	158,999	-	-
25.	**Total liabilities (15.+...+24.)**	**4,330,411**	**4,985,275**	**4,141,378**	**4,746,648**
26.	Shareholders' equity	500,796	419,646	439,638	373,205
27.	**Total liabilities and shareholders' equity (25.+26.)**	**4,831,207**	**5,404,921**	**4,581,016**	**5,119,853**
28.	**Memorandum items**	**363,355**	**357,097**	**400,889**	**383,147**
29.	Contingent liabilities	63,304	50,407	70,823	60,936
30.	Financial commitments	300,051	306,690	330,066	322,211

ROE and ROA ratios

	9m 2023 Group	9m 2022 Group Restated for IFRS 17	9m 2023 Bank	9m 2022 Bank
Return on equity (ROE) (%)	27.54%	9.83%	27.02%	9.33%
Return on assets (ROA) (%)	2.48%	0.77%	2.26%	0.67%

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 (excluding interim profits for the reporting period)

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 other relevant regulations. In this disclosure, in the Group's and the Bank's regulatory capital, annual audited profits and any losses accumulated up to the reporting date are included; interim audited and interim reviewed profits for the reporting period are not included.

	EUR thousands	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
1	**Own funds (1.1.+1.2.)**	**451,184**	**448,153**	**410,053**	**404,054**
1.1	Tier 1 capital (1.1.1.+1.1.2.)	394,579	388,558	353,448	344,459
1.1.1	*Common equity Tier 1 capital*	*394,579*	*388,558*	*353,448*	*344,459*
1.1.2	*Additional Tier 1 capital*	-	-	-	-
1.2	Tier 2 capital	56,605	59,595	56,605	59,595
2	**Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)**	**2,196,779**	**2,329,426**	**1,509,342**	**1,607,345**
2.1	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries	1,948,885	2,080,113	1,307,621	1,404,459
2.2	Total risk exposure amount for settlement/delivery	-	-	-	-
2.3	Total risk exposure amount for position, foreign exchange and commodities risks	7,093	9,944	6,903	9,494
2.4	Total risk exposure amount for operational risk	237,799	237,799	191,884	191,884
2.5	Total risk exposure amount for credit valuation adjustment	3,002	1,570	2,934	1,508
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)	**18.0%**	**16.7%**	**23.4%**	**21.4%**
3.2	Surplus (+)/ deficit (-) of Common equity Tier 1 capital (1.1.1.-2.*4.5%)	295,724	283,735	285,528	272,129
3.3	Tier 1 capital ratio (1.1./2.*100)	**18.0%**	**16.7%**	**23.4%**	**21.4%**
3.4	Surplus (+)/ Deficit (-) of Tier 1 capital (1.1.-2.*6%)	262,772	248,793	262,888	248,019
3.5	Total capital ratio (1./2.*100)	**20.5%**	**19.2%**	**27.2%**	**25.1%**
3.6	Surplus (+)/ Deficit (-) of total capital (1.-2.*8%)	275,441	261,799	289,305	275,467
4	**Combined buffer requirements (4.1.+4.2.+4.3.+4.4.+4.5.)**	98,653	98,144	41,557	43,747
4.1	Capital conservation buffer	54,919	58,236	37,734	40,184
4.2	Conservation buffer for macroprudential or systemic risk at member state's level	-	-	-	-
4.3	Institution specific countercyclical buffer	3,814	3,494	2,347	2,090
4.4	Systemic risk buffer	1,476	1,473	1,476	1,473
4.5	Other systemically important institution buffer	38,444	34,941	-	-
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	18.0%	16.7%	23.4%	21.4%
5.3	Tier 1 capital ratio including line 5.1 adjustments	18.0%	16.7%	23.4%	21.4%
5.4	Total capital ratio including line 5.1 adjustments	20.5%	19.2%	27.2%	25.1%

EUR thousands	30/09/2023 Group	31/12/2022 Group	30/09/2023 Bank	31/12/2022 Bank
1.A Own funds, IFRS 9 transitional provisions not applied	**451,184**	**446,690**	**410,053**	**402,527**
1.1.A Tier 1 capital, IFRS 9 transitional provisions not applied	394,579	387,095	353,448	342,932
1.1.1.A Common equity Tier 1 capital, IFRS 9 transitional provisions not applied	*394,579*	*387,095*	*353,448*	*342,932*
2.A Total risk exposure amount, IFRS 9 transitional provisions not applied	**2,196,779**	**2,328,275**	**1,509,342**	**1,606,107**
3.1.A Common equity Tier 1 capital ratio, IFRS 9 transitional provisions not applied	18.0%	16.6%	23.4%	21.4%
3.3.A Tier 1 capital ratio, IFRS 9 transitional provisions not applied	18.0%	16.6%	23.4%	21.4%
3.5.A Total capital ratio, IFRS 9 transitional provisions not applied	20.5%	19.2%	27.2%	25.1%

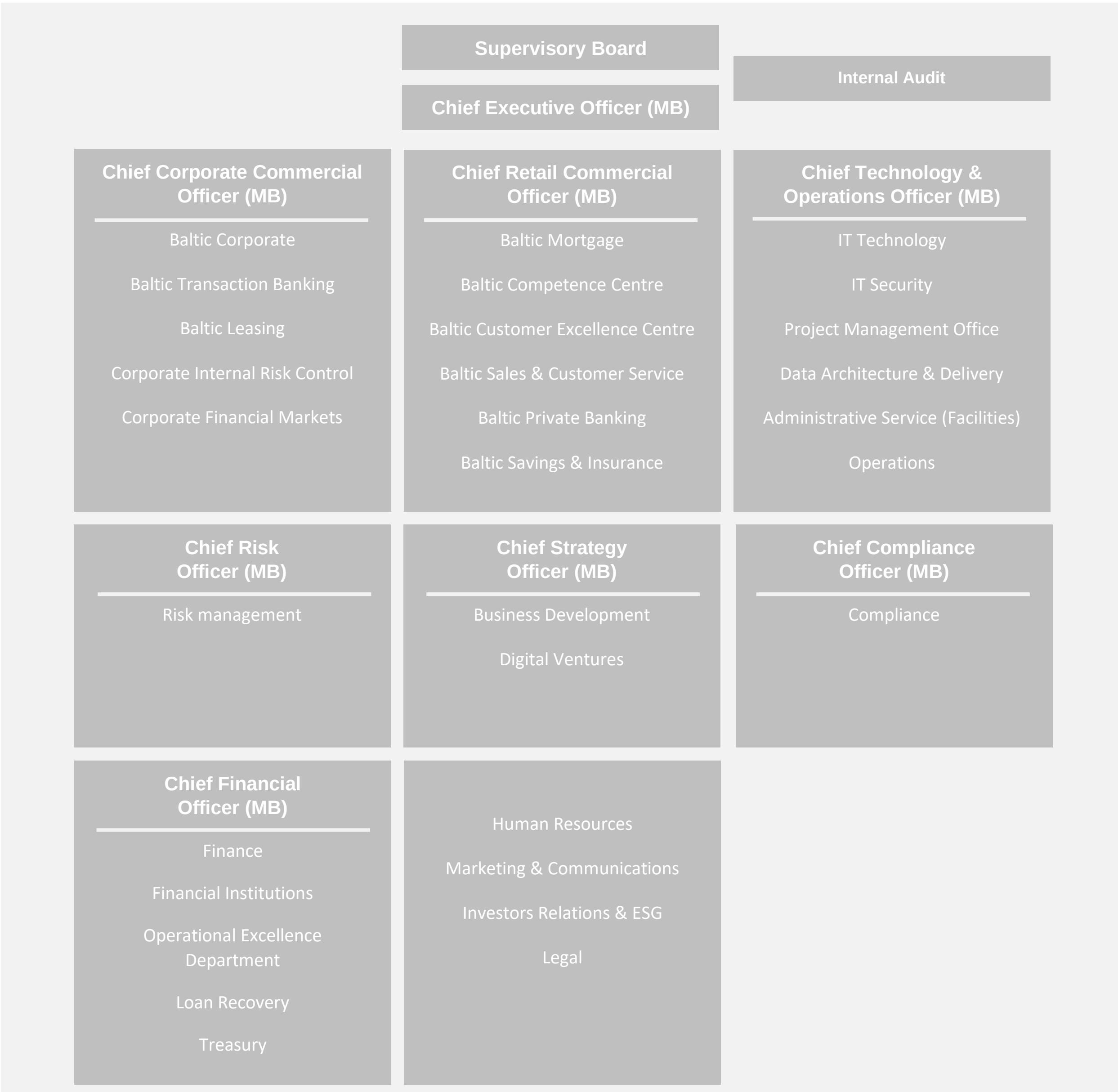
Business Strategy and Objectives

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 11 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 for discontinued operations and IFRS 17)				
	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Interest income	61,551	56,907	49,283	41,226	33,237
Interest expense	(10,765)	(9,452)	(8,774)	(5,205)	(4,140)
Net interest income	**50,786**	**47,455**	**40,509**	**36,021**	**29,097**
Fee and commission income	17,316	21,257	16,106	15,423	16,880
Fee and commission expense	(9,238)	(8,546)	(7,861)	(8,062)	(7,910)
Net fee and commission income	**8,078**	**12,711**	**8,245**	**7,361**	**8,970**
Net financial income	2,424	2,231	3,951	3,385	3,225
Net other income / (expense)	(639)	(743)	(696)	(1,480)	(789)
Operating income	**60,649**	**61,654**	**52,009**	**45,287**	**40,503**
Staff costs	(16,023)	(17,024)	(16,015)	(13,614)	(14,792)
Other operating expenses	(6,377)	(5,865)	(5,422)	(8,148)	(5,675)
Depreciation and amortisation	(2,219)	(2,293)	(2,287)	(2,260)	(2,227)
Operating expense	**(24,619)**	**(25,182)**	**(23,724)**	**(24,022)**	**(22,694)**
Profit from continuous operations before impairment, bank tax and non-current assets held for sale	**36,030**	**36,472**	**28,285**	**21,265**	**17,809**
Net credit losses	2,771	5,009	(1,247)	(8,775)	(2,242)
Other impairment losses	(15)	4	(28)	21	(22)
Operating profit from continuous operations before bank tax and non-current assets held for sale	**38,786**	**41,485**	**27,010**	**12,511**	**15,545**
Bank tax	(1,260)	(991)	-	-	-
Result from non-current assets held for sale and discontinued operations, net of tax	(1,396)	(547)	(2,807)	(272)	(2,109)
Operating profit	**36,130**	**39,947**	**24,203**	**12,239**	**13,436**
Income tax	(1,820)	(2,442)	(973)	(1,228)	(470)
Net profit	**34,310**	**37,505**	**23,230**	**11,011**	**12,966**

	Group, EUR thousands (Restated for IFRS 17)				
	30/09/2023	30/06/2023	31/03/2023	31/12/2022	30/09/2022
Assets					
Cash and cash balances at central banks	483,752	353,473	315,416	532,030	239,448
Loans to credit institutions	34,713	35,976	54,155	48,441	47,642
Debt securities	1,227,772	1,310,755	1,625,572	1,593,922	1,621,693
Loans to public	2,852,805	2,927,203	2,917,624	2,966,478	2,996,291
Equity instruments	1,167	1,148	1,094	1,029	1,086
Other financial instruments	25,690	27,335	27,556	28,473	28,618
Derivatives	5,467	1,495	611	1,285	5,937
Investments in related entities	203	203	190	190	182
Tangible assets	11,718	13,129	14,608	15,730	16,911
Intangible assets	8,082	8,193	8,357	8,162	7,942
Current income tax assets	1,609	2,416	2,126	1,822	2,142
Deferred income tax assets	695	1,096	1,890	2,478	2,496
Discontinued operations and non-current assets held for sale	139,151	163,476	167,276	166,028	149,422
Other assets	38,383	37,664	32,789	38,853	37,530
Total assets	**4,831,207**	**4,883,562**	**5,169,264**	**5,404,921**	**5,157,340**
Liabilities					
Deposits from credit institutions and central banks	47,907	48,559	299,785	469,736	475,987
Deposits and borrowings from customers	3,824,107	3,871,788	3,938,088	4,025,665	3,805,913
Debt securities issued	262,677	260,995	260,877	259,225	262,342
Derivatives	1,057	693	6,793	7,650	1,222
Provisions	4,229	4,559	6,055	4,920	4,880
Current income tax liabilities	1,458	814	330	1,204	3
Deferred income tax liabilities	375	1,000	375	375	375
Bank tax liability	1,112	991	-	-	-
Discontinued operations	131,199	151,057	154,221	158,999	137,363
Other liabilities	56,290	78,595	57,640	57,501	60,892
Total liabilities	**4,330,411**	**4,419,051**	**4,724,164**	**4,985,275**	**4,748,977**
Equity					
Share capital	158,145	157,256	157,258	157,258	157,258
Reserves and other capital components	(5,855)	(6,941)	(8,834)	(11,058)	(11,329)
Retained earnings	348,506	314,196	296,676	273,446	262,434
Total equity	**500,796**	**464,511**	**445,100**	**419,646**	**408,363**
Total liabilities and equity	**4,831,207**	**4,883,562**	**5,169,264**	**5,404,921**	**5,157,340**
Off-balance sheet items					
Guarantees and letters of credit	63,304	58,313	50,482	50,407	48,844
Financial commitments	300,051	324,430	329,090	306,690	323,125

DEFINITIONS AND ABBREVIATIONS

ALCO – Assets and Liabilities Management Committee.

AML – anti-money laundering.

BRRD – the bank recovery and resolution directive.

CAR – Total capital adequacy ratio as defined in the Regulation (EC) No 575/2013 and other relevant regulations.

CET1 – Common Equity Tier 1 capital ratio as defined in the Regulation (EC) No 575/2013 and other relevant regulations.

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.

IRS – Interest rate swap.

LCR – liquidity coverage ratio as defined in the Regulation (EC) No 575/2013 and other relevant regulations.

LR – leverage ratio is calculated as Tier 1 capital versus the total exposure measure.

LRE – leverage ratio exposure.

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.

NPL – non performing loans. Stage 3 loans to public divided by total gross loans to public as of the end of the relevant period.

NSFR – net stable funding ratio as defined in the Regulation (EC) No 575/2013 and other relevant regulations.

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

TREA – total risk exposure amount.

TSCR – SREP capital requirement.