

## Statement on corporate governance in 2023

The statement of AS Citadele banka, unified registration No 40103303559, (hereinafter the Bank), on corporate governance in 2023 is prepared in accordance with the requirements of Article 56<sup>2</sup> (3) of the Financial Instrument Market Law.

### Information on the core elements of the internal control and risk management system of AS Citadele banka that are applied in the preparation of the financial statements

#### Internal controls

The purpose of the internal control system is to provide reasonable assurance that the assets of the Bank and the Group (consolidation of the Bank and its subsidiaries) are safeguarded against loss, unauthorised use, operational risks are identified and managed on an ongoing basis, amount of capital is adequate to cover inherent and probable risks of the Bank and the Group, transactions are performed in line with the procedures established in the Bank and the Group, the Bank and the Group act reasonably, prudently and effectively in full compliance with the requirements of laws and regulations, and the weaknesses identified in the management processes of the Bank and the Group are resolved.

The Management Board and the Supervisory Board of the Bank, which is the main entity of the Group, are responsible for creating and executing effective internal control system. Proper accounting policies, as approved by the Supervisory Board, are applied to ensure preparation of financial statements that provide true and fair view and impartiality and complete disclosure of information.

The Bank has established Audit and Governance Committee, Risk Committee, Remuneration and Nomination Committee and Technology Committee, which are comprised of the Supervisory Board members, which are elected by the shareholders meeting.

The committees of the Supervisory Board:

*The Audit and Governance Committee is responsible for providing support to the Supervisory Board in its supervision of audit matters, issues of conflicts of interest, related party transactions and other corporate governance matters. This includes reviewing the terms of reference and policies and procedures of the Internal Audit Division as well as providing recommendations thereon to the Supervisory Board. The Audit and Governance Committee is responsible for review of the Internal Audit Division's developed annual risk assessment and the review of the audit plan which is based on the annual risk assessment, quarterly review of Internal Audit Division's findings and supervision of implementation of Internal Audit Division's recommendations. In addition, the Audit and Governance Committee supervises the Group's relations with external auditors and makes recommendations in relation to their appointment, re-appointment or removal, provides recommendations regarding any issues identified by the supervisory authorities, and provides annual assessments to the Supervisory Board. Audit and Governance Committee reviews the independence standards for the Supervisory Board members and assists the*

*Supervisory Board with the evaluation of the Supervisory Board members' independence. As of 31 December 2023, four out of nine Supervisory Board members are independent. The Audit and Governance Committee meets four times per year, or more frequently if required.*

*The Risk Committee is responsible for providing support to the Supervisory Board by monitoring the level of risk to which the Group is exposed and the compliance of its operations with permitted level of risk and by reviewing large risk transactions. It also checks that risk is sufficiently priced into the Group's products and services, and provides recommendations regarding any areas identified by the supervisory authorities for improvement. The Risk Committee meets four times per year for a regular quarterly meeting and at least monthly to review key risk topics including larger credit risk exposures.*

*The Remuneration and Nomination Committee is responsible for providing support to the Supervisory Board in the process of selecting prospective members of the Supervisory and the Management Boards as well as the Head of Internal Audit. In particular, the committee assists in: (i) ensuring sufficient diversity (including gender representation) in the composition of the boards; (ii) reviewing the remuneration policies for the Group; and (iii) assessing the suitability of prospective members of the Supervisory Board or the Management Board, or Head of Internal Audit, as applicable. At least once per year it performs an assessment of the organisational structure of the Supervisory and the Management Boards, including their size, composition and efficiency, as well as periodic assessment of the individual and collective knowledge, skills and expertise of the members of the Supervisory and the Management Boards. The Remuneration and Nomination Committee meets four times per year, or more frequently if required.*

*The Technology Committee is responsible for providing support and advice to the Supervisory Board in relation to technology and technological innovation, including providing recommendations in relation to the Group's strategic approach to technical and commercial innovation, the acquisition of technology to ensure ongoing growth, the development of measurement and tracking systems, data management and governance, and proposals to upgrade the Supervisory Board's oversight function. The Technology Committee reports to the Supervisory Board on an annual basis in the areas within the competence of the Committee. The Technology Committee meets four times per year, or more frequently if required.*

The number of meetings held in 2023 (including conference calls):

*Supervisory Board – 16 meetings*

*Audit and Governance Committee – 12 meetings*

*Risk committee – 33 meetings*

*Remuneration and Nomination Committee – 5 meetings*

*Technology committee – 4 meetings*

Group's Internal Audit monitors and assesses the internal control system of the Bank and the Group. The Group's Internal Audit reports findings and suggestions for improvements to the Bank's Management Board, Supervisory Board and the Audit and Governance Committee, which oversees the effectiveness of the internal control and risk management system. The Group's Internal Audit acts in accordance with the applicable laws and regulations, the International Standards for the Professional Practice of Internal Auditing and the internal regulations of the Bank and the Group.

The accounting system of the Bank and the Group complies with the applicable laws and regulations issued by the accounting standard setting bodies. The objective of the accounting policy of the Bank and the Group is to determine principles, methods and rules for the accounting, valuation and disclosure of transactions, facts, events and other relevant items in the financial statements. The Bank's management chooses accounting policy which ensures that the financial statements provide reliable and useful information in decision making for the financial statement users. The current accounting policy ensures that the information disclosed in the financial statements of the Bank and the Group is true, comparable, timely, significant, explicit, adequate and complete. The Bank and the Group have developed internal regulations specifying the principles of preparation of financial statements. According to the resolution of the Bank's shareholders, Audit and Governance Committee also performs functions of the Council's Audit Committee as defined by the law, including oversees the process of the preparation of financial statements of the Bank and the Group in line with the requirements of the Law on the Financial Instruments Market and performs other legally required activities.

An independent audit of the financial statements of the Bank and the Group is performed by an external auditor who provides auditor's opinion on whether the separate and consolidated financial statements give a true and fair view of the unconsolidated and consolidated financial position of the Bank and the Group, respectively, as at period end, and of their unconsolidated and consolidated financial performance and their unconsolidated and consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Risk management**

Information on the elements of the risk management system is available in AS Citadele banka's separate and the Group's consolidated annual report for the year ended 31 December 2023 and in the Risk Management and Capital Adequacy Report published on the Bank's website [www.cblgroup.com](http://www.cblgroup.com).

The Group's consolidated and the Bank's separate annual report for the year ended 31 December 2023 is available on AS Citadele banka's website [www.cblgroup.com](http://www.cblgroup.com).

This statement is available on AS Citadele banka's website [www.cblgroup.com](http://www.cblgroup.com).