AS Citadele banka

Risk management and capital adequacy report (pillar 3 disclosures)

For the nine months ended
30 September 2022

CONTENTS

REGULATORY SCOPE

Name of the table	CRR or EBA GL reference
Introduction	
Consolidation Group	CRR Article 436
EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)	CRR Article 436(b)
Governance	CRR Article 435(2)(a)
Risk Management	CRR Article 435(1)(a-f), 435(2)(d-e)
Capital Adequacy Calculation	
Regulatory capital requirements of the Group	
Capital adequacy ratio (excluding unaudited net profit for the period)	
Fully loaded capital adequacy ratio (i.e. excluding transitional adjustments, excluding unaudited net profit for the period)	
Own Funds	CRR Article 437(1)(a-d)
EU KM1 – Key metrics template	CRR Article 447(a-g), 438(d)
EU 2017/2395, IFRS 9-FL – Comparison of institutions’ own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs	EU 2017/2395
EU OV1 – Overview of total risk exposure amounts	CRR Article 438(d)
Credit Risk and credit risk mitigation (CRM)	CRR Article 453 (a-g), 438(1)(c-f), 440(1)(a), 442 (a-d,g-h), 444
Counterparty credit risk	CRR Article 439
Leverage Ratio	CRR Article 451
Market risk	CRR Article 445, 447, 448
Liquidity risk	
EU LIQ1 – Quantitative information of LCR	CRR Article 451a(2)
EU LIQB – Qualitative information on LCR, which complements template EU LIQ1	CRR Article 451a(2)
Operational risk	CRR Article 446

INTRODUCTION

This report provides interim update on the qualitative and quantitative disclosures on the major risks of operations of AS Citadele banka and its risk management objectives, policies and information on capital adequacy as required by part eight of the Regulation (EU) No 575/2013 "On prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012", requirements of the Financial and Capital Market Commission (FCMC) and other relevant regulations.

This report should be read in conjunction with the latest annual report, the relevant quarterly financial statements, the report on remuneration policy and the statement on corporate governance as certain important information is disclosed in these reports and is not repeated in this report. These reports are available at www.cblgroup.com.

Refer to the separate report on remuneration policy for disclosures on remuneration prepared in accordance with the requirements of Articles 74(3) and 75(2) of Directive 2013/36/EU and Article 450 of Regulation (EU) No 575/2013, guidelines of European Banking Authority (including EBA/GL/2021/04), regulations issued by the supervisory authorities and other relent rules.

AS Citadele banka has subsidiaries, which are financial institutions, thus it needs to comply with the capital adequacy, liquidity coverage ratio (LCR), Net stable funding ratio (NSFR), leverage ratio (LR) and other regulatory requirements both at the Bank's standalone level and at the Group's consolidated level. However, in line with the pillar 3 disclosure requirements information in the Risk report is disclosed only at the Group's consolidated level. For key information on the Bank standalone position refer to the latest annual report and the relevant quarterly financial statements.

All monetary figures in this report are presented in thousands of Euros (EUR 000's). If not specified otherwise, all figures represent amounts as of period end.

CONSOLIDATION GROUP

AS Citadele banka (thereon – the Bank), registration number 40103303559, is the parent company of the Group. In the consolidation group for regulatory purposes (thereon – the Group) companies are included as per requirements of Regulation (EU) No 575/2013, while in the consolidation group for the accounting purposes companies are included in accordance with International Financial Reporting Standards (IFRS) as adopted in the European Union.

EU LI3 – Outline of the differences in the scopes of consolidation (entity by entity)

a	b	c-g	h
Name of the entity	**Method of accounting consolidation**	**Method of regulatory consolidation**	**Description of the entity**
AS Citadele banka	Full consolidation	Full consolidation	Banking
Kaleido Privatbank AG	Full consolidation	Full consolidation	Banking
SIA Citadele Leasing	Full consolidation	Full consolidation	Leasing
SIA Citadele Factoring	Full consolidation	Full consolidation	Leasing and factoring
OU Citadele Factoring	Full consolidation	Full consolidation	Leasing and factoring
UAB Citadele Factoring	Full consolidation	Full consolidation	Leasing and factoring
IPAS CBL Asset Management	Full consolidation	Full consolidation	Investment management company
AS CBL Atklātais Pensiju Fonds	Full consolidation	Full consolidation	Pension fund
SIA Mobilly	Equity method	Equity method	Electronic money institution
OOO Mizush Asset Management Ukraina (in liquidation)	Full consolidation	Full consolidation	Investment management company
SIA Citadeles moduļi	Full consolidation	Full consolidation	Support services
SIA Hortus Residential	Full consolidation	Full consolidation	Support services
SIA CL Insurance Broker	Full consolidation	Full consolidation	Support services
AAS CBL Life	Full consolidation	Deducted	Life insurance

There are no immediate or foreseeable legal obstacles for capital element transferability or liability repayment between the Group's parent company and its subsidiaries.

In certain jurisdictions all profits may not be paid out in dividends. In other jurisdictions specific part from accumulated profits has to be set aside for reserves. These reserves are freely available to the respective company for unlimited and immediate use to cover risks or losses, when such are incurred. For certain Group's earnings tax on capital distribution applies. For more details refer to the latest annual report.

GOVERNANCE

In order to ensure that the Bank's Supervisory Board and Management Board members and key function holders are suitable for their position and represent diversity, the Bank has developed internal regulation "AS Citadele banka's policy on the assessment of the suitability of members of the Supervisory Board and Management Board and key function holders".

The policy has been developed in accordance with the Credit Institution Law of the Republic of Latvia and the recommendations of the supervisory authorities. The policy is reviewed and if necessary updated regularly.

The policy prescribes the procedure and the frequency of the assessment of the suitability of members of the Bank's Supervisory Board and Management Board and key function holders, as well as procedure for decision making on the suitability.

The initial suitability assessment is performed when a new member is nominated to the Bank's Supervisory Board or Management Board prior to his/her election or prior to the date of commencement of his/her duties, but not later than within 6 weeks after the election of the member of the Supervisory Board or the Management Board.

The reassessment of suitability is performed in the following cases:

- During the annual assessment of the suitability of a member of the Supervisory Board or the Management Board,
- If a member of the Supervisory Board or the Management Board is re-elected to his/her position,
- If changes are made to the responsibilities of a member of the Supervisory Board or the Management Board or in the competences required to carry out such responsibilities,
- If there is a doubt about the reliability, competence or reputation of a member of the Supervisory Board or the Management Board.

The suitability assessment is performed considering the overall composition of the Supervisory Board and the Management Board, as well as the knowledge and competence collectively necessary for the Supervisory Board and the Management Board, awareness and personal qualities in order to properly carry out the duties assigned to the members of the Supervisory Board in relation to the supervision of the Management Board activities and to the Management Board in relation to the Group's operational management.

The suitability assessment of the members of the Supervisory Board and the Management Board is performed by the Remuneration and Nomination Committee. The Supervisory Board approves the composition and also regulations of this committee. The suitability assessment of key function holders is performed by a special committee. The Management Board approves the composition and also regulations of this committee.

Each member of the Management Board is responsible for a specific scope of the Group operations. The suitability assessment process ensures that members of the Management Board have adequate level of necessary knowledge and competence in relation to specific scope of operations of the Group under responsibility of each member of the Management Board, as well adequate necessary collective knowledge and competence.

For full list of directorships held by the members of Supervisory Board and Management Board please refer to the "Committees" subsection of the "Governance" section of www.cblgroup.com.

RISK MANAGEMENT

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 risk committees represent various operations of the Group in order to balance business and risk orientation within respective risk committees. 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 Division.

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

The Group continuously assesses and controls risks – both on an individual basis by type of risk and by performing a comprehensive assessment within the internal capital adequacy assessment process (ICAAP). Each member of the Group is responsible for risk control and management. Each employee of the Group is responsible for the compliance with the principles set out in the Group's internal regulations.

Risk management process includes the following elements: risk identification, risk assessment and decision making, risk management and control, risk monitoring and reporting. The Group regularly, at least once a year, identifies and describes the types of material risks inherent in its operations by assessing what types of risks may have a negative impact on achieving its performance targets and projected financial results. In order to identify the types of material risks, quantitative and qualitative criteria are used and the results of the process are documented. For all types of identified material risks the aims of risk management are defined and risk appetite is determined. In addition, the development of internal regulations in relation to risk management of those risks is ensured, including risk identification and assessment methods, adequate risk restriction and control procedures, such as quantitative restrictions and limits, or control measures that reduce unquantifiable risks, risk appetite, procedures for reporting the information on risks, risk levels assumed and trends thereof to the Group's management bodies, as well as other information necessary for decision making, risk management policy and control procedures, including procedures for control of compliance with the restrictions and limits set, segregation of duties, approval rights and responsibilities.

Risk assessment and decision making include selection, approval and documentation of risk assessment methodology, regular risk assessment, establishment of the risk restriction and controlling system and setting the acceptable level of risks within this system, decision making on assuming the risks. Risk assessment includes the determination of qualitative and quantitative impact of the source of each identified risk using generally accepted methodology, which is adequately documented. The Group makes a decision in relation to each identified and assessed risk, whether the Group accepts such risk or takes the necessary measures for its mitigation, or ceases activities related to this risk. The Group does not assume risks with the impact exceeding the risk appetite determined for each respective type of risk regardless of the economic benefits that might result from assuming such risk.

Risk management and control include the compliance with the level of risk acceptable for the Group including the compliance with the limits restricting the amount of risk. Monitoring and reporting includes regular assessment of the existing level of risk against the desirable level of risk, trend analysis, regular reporting to the relevant unit heads, the Bank's Management Board and the Supervisory Board.

The integral part of the risk management is risk stress testing. Stress testing process ensures regular identification and assessment of risks inherent to the Group's current and future operations, as well as assessment of the impact of different extraordinary and adverse events on the Group's operations, in order to provide support to responsible employees of the Group in management decision-making process at different levels of management (e.g. strategic planning, determination and correction of the risk appetite, capital planning, liquidity management).

The Group's Internal Audit Division regularly monitors the implementation of risk management policies and other internal regulations, as well as provides recommendations regarding improvements of the risk management system.

CAPITAL ADEQUACY CALCULATION

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).

The Pillar 2 Guidance (P2G) is a bank-specific recommendation that indicates the level of capital that the ECB 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.

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 the period end must also comply with the O-SII capital buffer requirement set by the supervisory authority at 1.50%. From 1 January 2023 O-SII applicable to Citadele is set to increase to 1.75%.

Countercyclical capital buffer norms at each balance sheet date are calculated based on the actual risk exposure geographical distribution and the countercyclical buffer rates applicable for each geographical location. In reaction to the Covid-19 events most European countercyclical capital buffer requirements were decreased to 0%. Therefore, based on the regional distribution of the Group's exposures the effective countercyclical capital buffer requirement of the Group had decreased to almost 0%. Since then, some countries have announced planed future increases in countercyclical capital buffer levels which, after prespecified delay, one-by-one will start to become effective later in 2022.

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

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

Regulatory capital requirements of the Group

	Common equity Tier 1 capital ratio	Tier 1 capital ratio	Total capital adequacy ratio
Common equity Tier 1 ratio	4.50%	4.50%	4.50%
Additional Tier 1 ratio	-	1.50%	1.50%
Additional total capital ratio	-	-	2.00%
Pillar 2 additional own funds requirement (individually determined by the supervisory authority in the SREP, P2R)	1.41%	1.88%	2.50%
Capital buffer requirements:			
Capital conservation buffer	2.50%	2.50%	2.50%
O-SII capital buffer	1.50%	1.50%	1.50%
Countercyclical capital buffer	0.00%	0.00%	0.00%
Capital requirement	**9.91%**	**11.88%**	**14.50%**
Pillar 2 Guidance (P2G)	1.50%	1.50%	1.50%
Non-legally binding capital requirement with Pillar 2 Guidance	**11.41%**	**13.38%**	**16.00%**

Capital adequacy ratio (excluding unaudited net profit for the period)

	EUR thousands	
	30/09/2022 Group	31/12/2021 Group
Common equity Tier 1 capital		
Paid up capital instruments and share premium	157,702	157,127
Retained earnings	230,954	230,786
Regulatory deductions	(19,950)	(8,255)
Other capital components and transitional adjustments, net	3,897	9,634
Tier 2 capital		
Eligible part of subordinated liabilities	60,000	60,000
Total own funds	**432,603**	**449,292**
Risk weighted exposure amounts for credit risk, counterparty credit risk and dilution risk	2,347,752	2,164,268
Total exposure amounts for position, foreign currency open position and commodities risk	2,444	10,916
Total exposure amounts for operational risk	206,624	206,624
Total exposure amounts for credit valuation adjustment	2,456	4,592
Total risk exposure amount	**2,559,276**	**2,386,400**
Common equity Tier 1 capital ratio	**14.6%**	**16.3%**
Total capital adequacy ratio	**16.9%**	**18.8%**

Transitional adjustments applied as of 30 September 2022

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

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

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

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

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

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

	EUR thousands	
	30/09/2022 Group	31/12/2021 Group
Common equity Tier 1 capital, fully loaded	371,140	386,366
Tier 2 capital	60,000	60,000
Total own funds, fully loaded	**431,140**	**446,366**
Total risk exposure amount, fully loaded	**2,558,108**	**2,383,981**
Common equity Tier 1 capital ratio, fully loaded	**14.5%**	**16.2%**
Total capital adequacy ratio, fully loaded	**16.9%**	**18.7%**

OWN FUNDS

The capital of AS Citadele banka consists of two types of instruments – ordinary shares and subordinated debt securities issued. For more information on the bondholders and shareholders of the Bank refer to the latest annual report.

EU KM1 – Key metrics template

		a	b	c	d	e
		30/09/2022	**30/06/2022**	**31/03/2022**	**31/12/2021**	**30/09/2021**
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	372,603	377,920	382,189	389,292	368,162
2	Tier 1 capital	372,603	377,920	382,189	389,292	368,162
3	Total capital	432,603	437,920	442,189	449,292	428,162
	Risk-weighted exposure amounts					
4	Total risk-weighted exposure amount	2,559,276	2,544,564	2,423,670	2,386,400	2,315,769
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	14.6%	14.9%	15.8%	16.3%	15.9%
6	Tier 1 ratio (%)	14.6%	14.9%	15.8%	16.3%	15.9%
7	Total capital ratio (%)	16.9%	17.2%	18.2%	18.8%	18.5%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2.5%	2.5%	2.5%	2.3%	2.3%
EU 7b	of which: to be made up of CET1 capital (percentage points)	1.4%	1.4%	1.4%	1.3%	1.3%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.9%	1.9%	1.9%	1.7%	1.7%
EU 7d	Total SREP own funds requirements (%)	10.5%	10.5%	10.5%	10.3%	10.3%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%	2.5%	2.5%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer	1.5%	1.5%	1.5%	1.5%	1.5%
11	Combined buffer requirement (%)	4%	4%	4%	4%	4%
EU 11a	Overall capital requirements (%)	14.5%	14.5%	14.5%	14.3%	14.3%
12	CET1 available after meeting the total SREP own funds requirements (%)	6.4%	6.7%	7.7%	8.5%	8.2%
	Leverage ratio					
13	Total exposure measure	5,203,988	5,129,303	5,141,487	5,132,808	4,975,079
14	Leverage ratio (%)	7.2%	7.4%	7.4%	7.6%	7.4%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14c	Total SREP leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.0%	0.0%	0.0%	0.0%	0.0%
EU 14e	Overall leverage ratio requirements (%)	3.0%	3.0%	3.0%	3.0%	3.0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	1,135,324	1,169,319	1,211,800	1,237,033	1,209,409
EU 16a	Cash outflows - Total weighted value	654,770	665,604	672,942	674,461	702,655
EU 16b	Cash inflows - Total weighted value	52,268	59,611	64,729	70,433	80,767
16	Total net cash outflows (adjusted value)	602,502	605,993	608,213	604,028	621,888
17	Liquidity coverage ratio (%)	188%	193%	199%	205%	195%
	Net Stable Funding Ratio					
18	Total available stable funding	3,835,856	3,781,872	3,771,886	3,872,201	3,838,052
19	Total required stable funding	2,909,299	2,826,367	2,123,712	2,849,583	2,804,776
20	NSFR ratio (%)	132%	134%	178%	136%	137%

EU 2017/2395, IFRS 9-FL – Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

		30/09/2022	30/06/2022	31/03/2022	31/12/2021	30/09/2021
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	372,603	377,920	382,189	389,292	368,162
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	371,140	376,457	380,726	386,366	365,236
3	Tier 1 capital	372,603	377,920	382,189	389,292	368,162
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	371,140	376,457	380,726	386,366	365,236
5	Total capital	432,603	437,920	442,189	449,292	428,162
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	431,140	436,457	440,726	446,366	425,236
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	2,559,276	2,536,808	2,423,264	2,386,400	2,315,769
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	2,558,108	2,535,642	2,422,069	2,383,981	2,313,344
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	14.6%	14.9%	15.8%	16.3%	15.9%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.5%	14.8%	15.7%	16.2%	15.8%
11	Tier 1 (as a percentage of risk exposure amount)	14.6%	14.9%	15.8%	16.3%	15.9%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14.5%	14.8%	15.7%	16.2%	15.8%
13	Total capital (as a percentage of risk exposure amount)	16.9%	17.3%	18.2%	18.8%	18.5%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.9%	17.2%	18.2%	18.7%	18.4%
	Leverage ratio					
15	Leverage ratio total exposure measure	5,203,988	5,129,303	5,140,820	5,129,628	4,975,079
16	Leverage ratio	7.2%	7.4%	7.4%	7.6%	7.4%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	7.1%	7.3%	7.4%	7.5%	7.3%

EU OV1 – Overview of total risk exposure amounts

		RWAs		Minimum capital requirements
		30/09/2022	31/12/2021	30/09/2022
1	Credit risk (excluding CCR)	2,337,624	2,145,262	187,010
2	*Of which the standardised approach*	*2,337,624*	*2,145,262*	*187,010*
3	*Of which the foundation IRB (FIRB) approach*	-	-	-
4	*Of which: slotting approach*	-	-	-
EU 4a	*Of which: equities under the simple risk weighted approach*	-	-	-
5	*Of which the advanced IRB (AIRB) approach*	-	-	-
6	CCR	12,584	23,598	1,007
7	*Of which the standardised approach*	-	-	-
8	*Of which internal model method (IMM)*	-	-	-
EU 8a	*Of which exposures to a CCP*	-	-	
EU 8b	*Of which credit valuation adjustment - CVA*	*2,456*	*4,592*	*196*
9	*Of which other CCR*	*10,128*	*19,006*	*810*
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	*Of which SEC-IRBA approach*	-	-	-
18	*Of which SEC-ERBA (including IAA)*	-	-	-
19	*Of which SEC-SA approach*	-	-	-
EU 19a	*Of which 1250%/ deduction*	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	2,444	10,916	195
21	*Of which the standardised approach*	*2,444*	*10,916*	*195*
22	*Of which IMA*	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	206,624	206,624	16,530
EU 23a	*Of which basic indicator approach*	-	-	-
EU 23b	*Of which standardised approach*	*206,624*	*206,624*	*16,530*
EU 23c	*Of which advanced measurement approach*	-	-	-
24	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	-	-	-
29	**Total**	**2,559,276**	**2,386,400**	**204,742**

CREDIT RISK AND CREDIT RISK MITIGATION (CRM)

Credit risk is the risk that the Group will incur a loss from debtor's non-performance or default. The Group is exposed to credit risk in its lending, investing and transaction activities, as well as in respect of the guarantees issued to or received from third parties and other off-balance sheet commitments to third parties. Credit risk management is performed pursuant to the Credit Risk Management Policy. The goal of credit risk management is to achieve a diversified asset portfolio, which generates profits that correspond to the assumed level of risk.

Credit risk management is based on an adequate assessment of a credit risk and a proper decision-making in relation to such risk. In cases when significant risk is to be undertaken, the credit risk analysis is performed by independent units of the Risk Division. The credit risk analysis consists of an assessment of customer's creditworthiness and collateral quality and liquidity. The analysis of a legal entity's creditworthiness includes an assessment of the industry in which it operates, as well as an analysis of its credit history and current and forecasted financial situation. The assessment of a private individual's creditworthiness consists of the analysis of its credit history, income and debt-to-income ratio analysis, as well as an analysis of applicable social and demographic factors. In cases of material risks, lending decisions are taken by the Credit Committee and approved by the Bank's Management Board.

In relation to the acquisition of corporate bonds, the Group always analyses the business profile and financial performance of the issuer, taking into consideration the credit ratings assigned to it by international rating agencies, as well as market-based indicators. Sovereign bonds are assessed similarly, but with an emphasis on different fundamental factors, including the country's economic strength, institutional strength, financial strength of the government, political risks and other relevant factors.

After a loan is issued or a fixed income security is acquired, the customer's financial position and the issuers' risk indicators, such as credit rating changes, are monitored on a regular basis in order to timely identify potential credit quality deterioration. The loan monitoring process covers monitoring of financial results, financial position and cash flows of the borrower, loan repayment discipline and assessment of collateral quality.

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

In addition to the credit risk, which is inherent in the Group's loan portfolio and fixed income securities portfolio, the Group is also exposed to credit risk as a result of its banking relationships with multiple credit institutions which it maintains in order to process customer transactions in a prompt and efficient manner. The Group manages its exposure to commercial banks and brokerage companies by monitoring on a regular basis the credit ratings of such institutions, conducting due diligence of their credit profiles and monitoring the individual exposure limits applicable to counterparties set by the Financial Market and Counterparty Risk Committee (FMCRC). The Group's exposures to derivative counterparties arise from its activities in managing liquidity and credit risks through short term derivatives that do not expose it to material counterparty risk.

COUNTERPARTY CREDIT RISK

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Group's counterparty credit risk arises primarily from currency derivatives transactions. The Group applies mark-to-market method to calculate counterparty credit risk.

LEVERAGE RATIO

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.

MARKET RISK

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

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

The Group manages market risk by developing investment guidelines for every significant portfolio, which restrict, among other things, the sensitivity against interest rate changes, the duration and credit quality profile of investments, as well as by setting individual limits for issuers and financial instruments, to keep limit volumes closely linked to the results of risk assessments. The Group places significant emphasis on managing concentration risk and applies a framework, under which limits are set on risk adjusted exposures for every country and sector combination that the Group invests in. To assess position risk the Group uses sensitivity and scenario analysis, which identifies and quantifies the negative impact of adverse events on the portfolio of the Group taking into consideration regional, sector profiles of the portfolio and credit rating risk profiles of issuers.

Exposures in equities not included in the trading book

None of the Group's investments in the equity exposures is included in the trading book. Information on the Group's investments in the equities, including carrying value, applied valuation techniques, fair value hierarchy level and estimated fair value, is disclosed at AS Citadele banka latest financial report which is available at www.cblgroup.com.

The prudential consolidation group does not include AAS CBL Life. The Group's investment of EUR 4,269 thousand in the capital of this subsidiary is accounted at cost and is not revalued.

Currency risk

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

Currency risk management in the Group is carried out in accordance with Currency Risk Management Policy. Currency risk is assessed and decisions are made by the FMCRC. The decisions of the FMCRC are approved by the Bank's Management Board. The FMCRC defines the acceptable currency risk level and the Group's internal limit system, as well as monitors compliance with these limits.

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

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

Interest rate risk

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

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

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

LIQUIDITY RISK

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

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

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

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

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

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.

EU LIQ1 – Quantitative information of LCR

In template "EU LIQ1" the disclosed LCR information is calculated as the simple average of months-end observations over the twelve months preceding the end of each quarter. In other LCR disclosures non-average end of the month figures may be disclosed. Non-average and end of the month figures will not reconcile.

		a	b	c	d	e	f	g	h
	Scope of consolidation: consolidated	Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on	**30/09/2022**	**30/06/2022**	**31/03/2022**	**31/12/2021**	**30/09/2022**	**30/06/2022**	**31/03/2022**	**31/12/2021**
EU 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA), after application of haircuts in line with Article 9 of regulation (EU) 2015/61	n/a	n/a	n/a	n/a	1,135,324	1,169,319	1,211,800	1,237,033
CASH - OUTFLOWS									
2	retail deposits and deposits from small business customers, of which:	2,608,535	2,582,673	2,564,431	2,546,558	193,520	196,149	196,600	199,896
3	*Stable deposits*	1,682,864	1,660,166	1,626,530	1,584,256	84,143	83,008	81,326	79,213
4	*Less stable deposits*	765,244	757,096	741,491	728,986	98,017	97,151	95,411	94,073
5	Unsecured wholesale funding	910,598	936,907	967,642	989,731	417,894	424,775	428,048	425,059
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	101,688	117,340	133,782	151,051	24,376	28,340	32,406	36,660
7	*Non-operational deposits (all counterparties)*	808,792	819,449	833,860	838,680	393,400	396,317	395,642	388,399
8	*Unsecured debt*	118	118	-	-	-	-	-	-
9	*Secured wholesale funding*	n/a	n/a	n/a	n/a	-	-	-	-
10	Additional requirements	352,132	331,967	324,361	287,792	35,180	32,715	31,983	28,799
11	*Outflows related to derivative exposures and other collateral requirements*	4,763	3,283	2,199	1,725	4,763	3,283	2,199	1,725
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	347,370	328,684	322,162	286,067	30,417	29,432	29,784	27,074
14	Other contractual funding obligations	2,478	8,685	14,731	20,707	2,478	8,685	14,731	20,707
15	Other contingent funding obligations	122,090	70,052	39,558	39,986	5,698	3,280	1,580	-
16	TOTAL CASH OUTFLOWS	n/a	n/a	n/a	n/a	654,770	665,604	672,942	674,461
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	62,932	69,281	73,179	76,804	47,881	54,997	60,314	65,719
19	Other cash inflows	4,387	4,614	4,415	4,714	4,386	4,613	4,414	4,713
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)	n/a	n/a	n/a	n/a	-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)	n/a	n/a	n/a	n/a	-	-	-	-
20	TOTAL CASH INFLOWS	67,319	73,895	77,594	81,519	52,268	59,611	64,729	70,433
EU-20a	*Fully exempt inflows*	-	-	-	-	-	-	-	-
EU-20b	*Inflows subject to 90% cap*	-	-	-	-	-	-	-	-
EU-20c	*Inflows subject to 75% cap*	67,319	73,895	77,594	81,519	52,268	59,611	64,729	70,433
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER	n/a	n/a	n/a	n/a	1,135,324	1,169,319	1,211,800	1,237,033
22	TOTAL NET CASH OUTFLOWS	n/a	n/a	n/a	n/a	602,502	605,993	608,213	604,028
23	LIQUIDITY COVERAGE RATIO	n/a	n/a	n/a	n/a	188%	193%	199%	205%

EU LIQB – On qualitative information on LCR, which complements template EU LIQ1

Qualitative information

(a) Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time:
The LCR is affected by depositors' activities, that is inflows and outflows of funds for operational or economic reasons, and corresponding changes in the HQLA.

(b) Explanations on the changes in the LCR over time:
LCR dynamics are mainly affected by developments in the deposit base and corresponding actions taken by management to manage liquidity position accordingly.

(c) Explanations on the actual concentration of funding sources:
The Group is primarily deposit funded. Deposits are diversified among Retail and Corporate segments.

(d) High-level description of the composition of the institution`s liquidity buffer:
Mainly comprised of central bank balances and high-quality debt securities.

(e) Derivative exposures and potential collateral calls:
Derivatives are mainly used for currency mismatch management. Collateral pledged and received can be volatile over time depending on the underlying risk factor dynamics, mainly FX rates, but is immaterial in absolute terms due to short maturity and low gross volumes.

(f) Currency mismatch in the LCR:
The Group predominantly operates in EUR currency and has low levels of assets and liabilities in foreign currencies. Low currency mismatch in LCR is observed.

(g) Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile:
n/a

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 the lowest possible level of risk while ensuring that any remaining risk is economically justified in light of the need to sustain the Group's performance and profit in the long term. Whether a risk is economically justified depends on an assessment of the potential losses it could cause, the probability of its occurrence, the ability to implement mitigating measures and the cost of such measures, as well as the level of risk that would remain if such mitigating measures were to be put in place.

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.